

**Annual Report
2002 - 2003**



**National
Hydroelectric Power
Corporation Ltd.**
(A Government of India Enterprise)





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NHPC

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NHDC

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Corporate Mission

The mission of NHPC is to harness the vast hydro, tidal, wind, geo-thermal and gas potential of the country to produce cheap/pollution free and inexhaustible power. NHPC would play a significant role in the integrated and efficient development of hydroelectrical tidal, gas, geo-thermal and wind power potential in the Central Sector covering all aspects such as investigations, planning, designs, construction, operation and maintenance of hydroelectric, tidal, geo-thermal, gas and wind power projects.

Corporate Objectives

To achieve planned development of hydro projects expeditiously adopting modern methodologies and latest technologies as well as integrated project management system to achieve speedy execution with least cost and in the shortest time frame.

To ensure maximum utilization of installed capacity (commissioned power stations) by adopting modern methods of operations and maintenance including renovations, modernization, uprating of power generating stations, wherever necessary.

To prepare a comprehensive Corporate Plan and a long term perspective plan and constantly reorient it to be in line with the changing political and economical scenario of the country and closely monitor its implementation to create and build up an image for the Corporation in the Power Sector.

To aim at and achieve suitable organizational development with simultaneous human resource development through need based training etc.

To undertake long term feasibility studies for optimum and rapid development of Hydro Power resources of river basins with a view to improve the share of hydro in the country's power mix.

To take up the execution of hydroelectric, tidal, geo-thermal, gas and wind power projects in the country.

To undertake consultancy assignments in the filed of project investigation, design, engineering and project implementation. To undertake turnkey execution on deposit basis within and outside the country.

To adopt an environmental and ecological conscious approach in building hydro power projects by taking various environmental and ecological protection measures.

Financial Objectives

To generate sufficient internal resources for short term and long term financing for expansion and setting up of new projects.

To strategically formulate long term Corporate Plans to achieve desired growth of the activities of the Coporation commensurate with national objectives.

To continue efforts to maximize output and generation at most economic costs.

To complete all on-going projects within the stipulated time and cost without any overruns.

Board of Directors



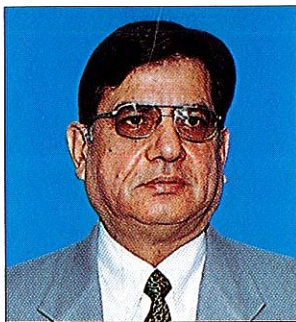
Board of Directors as on 30.09.2003



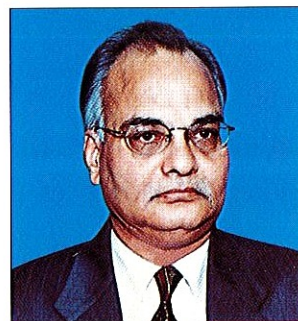
Shri Yogendra Prasad
Chairman & Managing Director



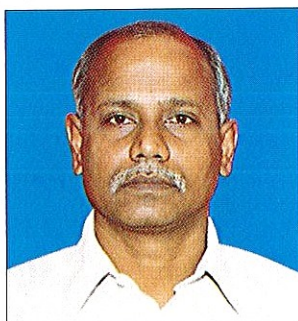
Shri A.K. Gangopadhyay
Director (Projects)



Shri R.K. Sharma
Director (Technical)



Shri S.K. Garg
Director (Finance)



Shri Mrutunjay Sahoo
JS&FA, MOP



Shri Anil Kumar Kutty
Jt. Secretary (Hydro), MOP

COMPANY SECRETARY

Shri Vijay Gupta

STATUTORY AUDITORS

BATRA SAPRA & COMPANY

F-14, Shivam House Amar Chambers, Aptt. No.17,
Connaught Circus, New Delhi-110001

BRANCH AUDITORS

GANDHI MINOCHA & COMPANY

1-A Tribune Colony Jagadhri Road, Ambala - 133001, Haryana

A R MAITI & COMPANY

India Steamship House, 21 Old Court, House Street, Kolkata - 700001, West Bengal

BHUSHAN BENSAL JAIN ASSOCIATES

4648 Sedhumal Bldg. 21, Ansari Road, Darya Ganj, New Delhi-110002

BANKERS

State Bank of India
Indian Overseas Bank
Dena Bank
Bank of India
J & K Bank Limited
ICICI Bank Limited
Deutsche Bank
UTI Bank Limited
Bank of Bhutan
Canara Bank

Regd. Office : N.H.P.C. Office Complex, Sector-33, Faridabad - 121003 (Haryana)

Corporate Profile

FINANCIAL		2002-2003	2001-2002	2000-2001	1999-2000
Sales	*	11723	12210	11799	10757
Miscellaneous income	@	3029	3304	5757	2026
Profit before interest, depreciation and tax	\$	10733	11835	12097	10707
Profit after interest and depreciation		5550	5131	4842	4012
Profit after interest, depreciation and tax		5105	4709	4434	4012
Dividend		750	500	300	150
Reserves and surplus (cumulative)		28524	24201	19992	15889
What Corporation Owns					
Gross Fixed Assets		82809	81135	78927	77527
Depreciation		16722	15267	12801	10290
Net Fixed Assets		66087	65868	66126	67237
Capital Work in Progress		70780	52183	37108	27686
Construction Stores and Advances		6217	5255	6130	5115
Investments		25379	19650	6799	-
Net Current Assets		17675	15122	18642	21009
Misc. Expenditure (To the extent not written off or adjusted)	12	20	98	19	
		186150	158098	134903	121066
What Corporation Owes					
Net Worth					
- Share Capital		72406	63457	51882	44462
- Reserves		28524	24201	19992	15889
- Self Insurance for Contingencies		2132	1784	1399	1017
- Income received in advance		8010	6484	5199	3861
on account of advance against depreciation					
Borrowings		75078	62172	56431	55837
Net Deferred Tax Liabilities		12935	11329	-	-
Deferred Tax Recoverable		(12935)	(11329)	-	-
		186150	158098	134903	121066
Operating Performance					
		2002-2003	2001-2002	2000-2001	1999-2000
Generation (M.U.)		9863	8912	8774	8691
Machine availability (%)		96.62	96.86	92.09	91.05
Sales (Rs. in crores)		1172	1221	1180	1076
Manpower (Nos.)		13017	13054	11850	12150
* Sales are net after tariff adjustment and advance against depreciation					
@ Includes receipts against contracts					
\$ After prior period adjustments					

(Rs. in millions)

1998-1999	1997-1998	1996-1997	1995-1996	1994-1995	1993-1994
11944	9930	5344	5091	4805	2087
391	44	217	20	16	22
9992	8491	4811	4330	3714	1714
3053	2994	1067	774	937	705
3053	2994	1067	774	937	705
150	150	150	150	100	50
12062	9174	6345	5443	4819	3982
70904	69036	38938	37275	35978	16040
8111	5986	6228	4901	3698	2912
62793	63050	32710	32374	32280	13128
25760	20731	48957	44447	33801	31487
3228	3320	1167	1690	2265	13682
14718	12525	4868	3954	5243	8351
4	17	50	86	106	45
106503	99643	87752	82551	73695	66693
38250	33930	29174	28903	28327	28325
12062	9174	6345	5443	4819	3982
659	312	-	-	-	-
2455	1305	-	-	-	-
53077	54922	52233	48205	40549	34386
106503	99643	87752	82551	73695	66693
1998-1999	1997-1998	1996-1997	1995-1996	1994-1995	1993-1994
9917	8816	5614	6141	6058	3587
88.39	83.00	83.25	85.30	83.99	84.66
1194	993	534	509	478	206
11860	11799	12119	11984	12145	12449

Digest Of Important Data (Ten Years)

		2002-2003	2001-2002	2000-2001	1999-2000
A	Sale of Energy	\$ 13249	13496	13137	12163
B	Advance Against Depreciation	1526	1286	1338	1406
C	Other Income	# 3029	3304	5757	2026
D	Total Income (A)-(B)+(C)	14752	15514	17556	12783
E	Generation and Other Expenses	@ 4019	3679	5459	2076
F	Gross Margin (D) - (E)	10733	11835	12097	10707
G	Depreciation	1404	2316	2387	2198
H	Gross Profit (F) - (G)	9329	9519	9710	8509
I	Interest and Finance Charges	3779	4388	4868	4497
J	Net Profit (H) - (I)	5550	5131	4842	4012
K	Tax	445	422	408	-
L	Net Profit after Tax (J) - (K)	5105	4709	4434	4012
M	Internal Resource Generated (G)+(L)+(B)	8035	8311	8159	7616
N	Authorised Capital	100000	70000	70000	50000
O	Equity Paid up Capital	* 72406	63457	51882	44462
P	Reserve and Surplus	28524	24201	19992	15889
Q	Self Insurance for Contingencies	2132	1784	1399	1017
R	Loan Fund	75078	62172	56431	55837
S	Income Received in Advance Against Depreciation (AAD)	8010	6484	5199	3861
T	Gross Fixed Assets	82809	81135	78927	77527
U	Depreciation	16722	15267	12801	10290
V	Net Fixed Assets (T) - (U)	66087	65868	66126	67237
W	Capital Work-in-Progress	70780	52183	37108	27686
X	Construction Stores and Advances	6217	5255	6130	5115
Y	Investments	25379	19650	6799	-
Z	Working Capital	17675	15122	18642	21009
AA	Miscellaneous Expenditure to the extent not written off	12	20	98	19
AB	Gross Capital Employed (V)+(W)+(X)+(Y)+(Z)	186138	158078	134805	121047
AC	Net worth (O)+(P)+(Q)+(S)-(AA)	111060	95906	78374	65210
AD	Inv. consumed as per Gen. and Adm. and purchase of Power	27	69	71	60
AE	Value Added (A)-(B)-(AD)	11696	12141	11728	10697

\$ Including tariff adjustment and provision for doubtful debts

Includes Contract and Consultancy Receipts

@ Includes Contract and Consultancy Expenses

* Including share deposit and GOI Fund adjustable to equity

Ratios

1. Return on Gross Capital Employed (H) / (AB)	5.01%	6.02%	7.20%	7.03%
2. Return on Net Worth (L) / (AC)	4.60%	4.91%	5.66%	6.15%
3. Net Sales to Gross Capital Employed ((A)-(B))/(AB)	6.30%	7.72%	8.75%	8.89%
4. Value Added to Net Sales (AE) / ((A) - (B))	99.77%	99.43%	99.40%	99.44%
5. Debt to Equity Ratio (R) / ((O) + (P)+(Q)+(S))	0.68	0.65	0.72	0.86
6. Net Profit to Net Sales (L) / ((A)-(B))	43.55%	38.57%	37.58%	37.30%

(Rs. in millions)

1998-1999	1997-1998	1996-1997	1995-1996	1994-1995	1993-1994
13094	11235	5344	5091	4805	2087
1150	1305	-	-	-	-
391	44	217	20	16	22
12335	9974	5561	5111	4821	2109
2343	1483	750	781	1107	395
9992	8491	4811	4330	3714	1714
2152	1140	1111	1029	365	230
7840	7351	3700	3301	3349	1484
4787	4357	2633	2527	2412	779
3053	2994	1067	774	937	705
-	-	-	-	-	-
3053	2994	1067	774	937	705
6355	5439	2178	1803	1302	935
50000	35000	35000	25000	25000	25000
38250	33930	29174	28903	28327	28325
12062	9174	6345	5443	4819	3982
659	312	-	-	-	-
53077	54922	52233	48205	40549	34386
2455	1305	-	-	-	-
70904	69036	38938	37275	35978	16040
8111	5986	6228	4901	3698	2912
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25760	20731	48957	44447	33801	31487
3228	3320	1167	1690	2265	13682
-	-	-	-	-	-
14718	12525	4868	3954	5243	8351
4	17	50	86	106	45
106499	99626	87702	82465	73589	66648
53422	44704	35469	34260	33040	32262
133	60	48	13	37	18
11811	9870	5296	5078	4744	2044
7.36%	7.38%	4.22%	4.00%	4.55%	2.23%
5.71%	6.70%	3.01%	2.26%	2.84%	2.19%
11.22%	9.97%	6.09%	6.17%	6.53%	3.13%
98.89%	99.40%	99.10%	99.74%	98.73%	97.94%
0.99	1.23	1.47	1.40	1.22	1.06
25.56%	30.15%	19.97%	15.20%	19.50%	33.78%



60 MW Rangit Power Station (Sikkim) - Upstream view of Dam

Chairman's Speech





Chairman's Speech

Dear Shareholders,

It gives me great pleasure to welcome you all to the 27th Annual General Meeting of the National Hydroelectric Power Corporation Limited. The Directors' Report, Audited Accounts for the year ending 31st March, 2003 alongwith the Report of Auditors and Comments of the C&AG are already with you for consideration and adoption. With your permission, I take them as read.

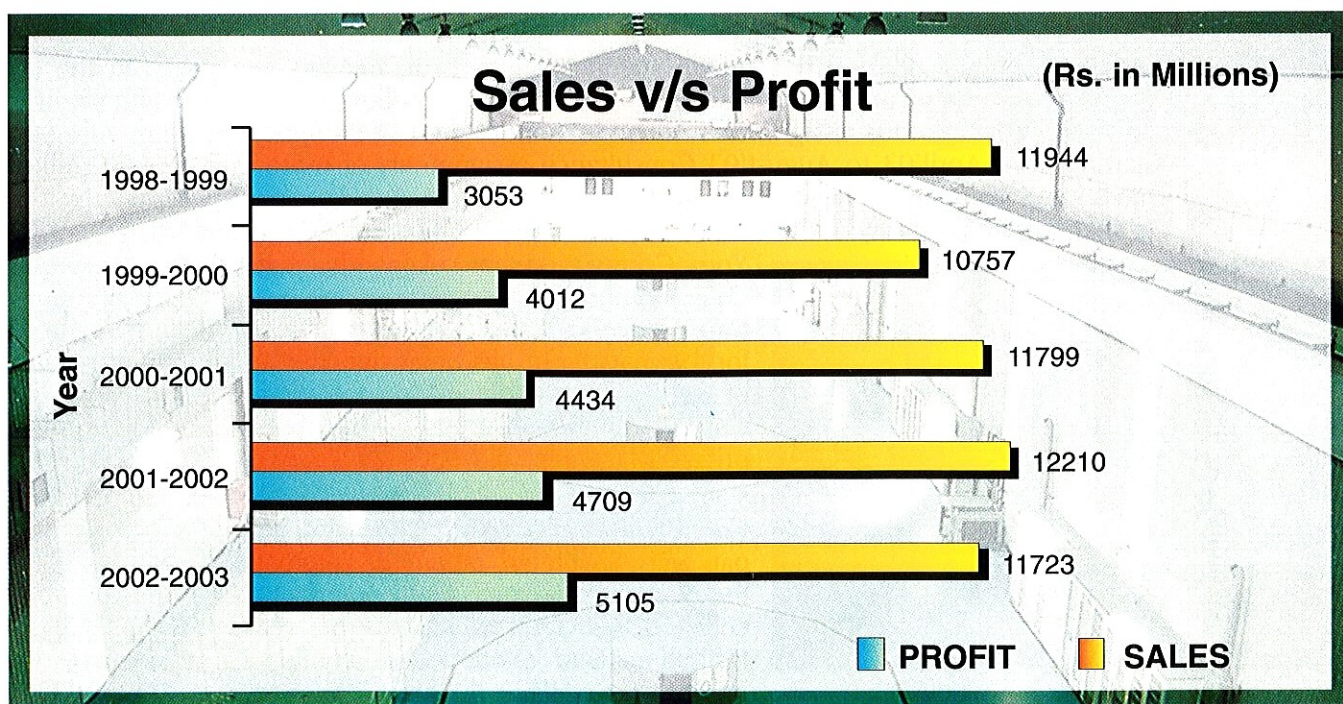
I am pleased to inform that performance of the Corporation in the year under Report was Excellent with a sales turnover of Rs. 13249 million. The net profit of the Corporation was Rs.5105 million against Rs.4709 million in the previous year. Your Directors have recommended a dividend of Rs.750 million including the interim dividend of Rs.500 million against total dividend of Rs.500 million for the previous year.

During the year, the power stations of the Corporation in operation generated 9862.72 MUs against a generation target of 9000MUs even though there was poor inflow of water in

some of the power stations affecting generation adversely. It is a matter of great pleasure that the overall capacity index of all the generating units in operation taken together was 96.62%, exceeding the target by about 4%.

The progress of work at all the projects under execution had been satisfactory. You will be glad to know that Chamara HE Project Stage-II is set for commercial operation, which is almost 9 months ahead of schedule. The start of generation from this project in less than 5 years after sanction will no doubt shatter the blind and generally held belief of long gestation for hydro projects and would be a strong motivation for completing most of the hydro projects in a period of 5 years or less in future.

It is a matter of satisfaction that persisting problems in the excavation of Head Race Tunnel of Dulhasti HE Project have been successfully tackled with the day lighting of





390 MW Dulhasti Project (J&K) - Head Race Tunnel

tunnel on 27.08.03. It is expected that by January, 2004 the project will start the commercial operation.

The progress at the Dhauliganga and Teesta HE Project Stage -V is satisfactory and all milestones have been achieved ahead of schedule. You would be glad to know that the Hon'ble Prime Minister, Shri Atal Bihari Vajpayee visited the Teesta HE Stage-V project in April 03, and appreciated the progress of works.

During the year under review, your Corporation has taken up Parbati HE Project Stage-II (800 MW) for active construction on receipt of approval from CCEA. All contracts for major Civil and Electro mechanical works have been awarded. Infrastructure development work at all sites of the project is in progress as per schedule. Govt. of India has accorded approval in August,

2003 for the execution of 2000 MW Subansiri Lower HE Project in Arunachal Pradesh and 120 MW Sewa HE Project stage-II in Jammu & Kashmir. Bids for the award of contracts are under process for Subansiri Project and contract for Civil Works of Sewa II Project has been decided.

Our subsidiary Company Narmada Hydroelectric Development Corporation, a Joint Venture with Govt. of Madhya Pradesh too matches our keenness for ahead of schedule completion of its projects. Two units of Indira Sagar project are expected to be ready by October, 2003 and other two units by January, 2004 and remaining units by 2004 against the target of 2005.

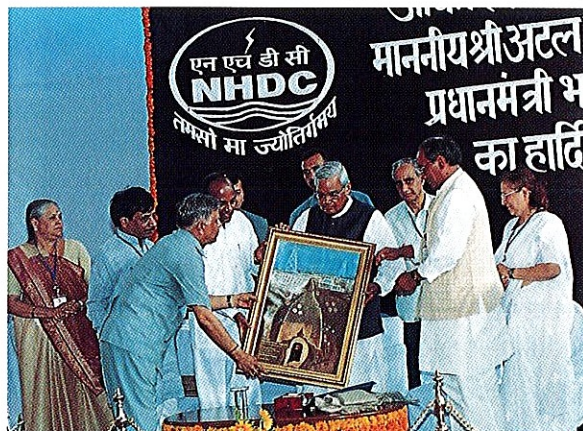
The Government of India has accorded its approval for the execution of 520 MW Omkareshwar project in Madhya Pradesh in May, 2003 and the Hon'ble Prime Minister has laid the foundation for the project on 30.08.03. Construction activities have been started.

The Proposed Joint Venture Company with the Govt. of West Bengal for execution of Purulia Pumped Storage Project is still awaiting the approval of the Government of India for investment and formation of new Joint Venture Company.

Our Consultancy division has shown significant growth in the last few years. In the last financial year, new consultancy assignments of Rs.268.80 million were secured and received payment from various assignments to an extent of Rs.124.9 million. During this year starting from April'03 to August'03 Consultancy assignments of more than Rs.900 million have been secured. In view of the increasing business in consultancy, Board has decided to incorporate a wholly owned subsidiary company for Consultancy Services.



Credit Rating meeting with M/s Fitch Ratings



Shri Atal Bihari Vajpayee, Hon'ble Prime Minister of India, receiving a memento from CMD, NHPC & NHDC

Your Corporation has taken advantage of the favourable liquidity position in the financial market of the country through strategic financial management. A line of credit for 19 years tenor has been signed with LIC for an amount of Rs. 25000 million during the year under review. The Corporation has also mobilised Rs.5700 million through private placement of bonds.

I am happy to inform that NHPC has been accorded AAA Credit rating for domestic borrowing and BB credit rating at par with Sovereign rating for international borrowing by the world renowned Fitch Ratings. This would further enhance the credit worthiness of NHPC among Financial Institutions and reinforce the confidence reposed by the investors' in NHPC.



Shri Nand Lal Nishad receiving the Shram Vir Award from Shri Atal Bihari Vajpayee, Hon'ble Prime Minister of India

The Corporation has realised an amount of Rs.12652.07 million against the principal and an amount Rs.1267.08 million as interest during the year, which is 90.94% of billing.

I am glad to inform that Shri Nand Lal Nishad, an employee of Chamara HE Project Stage-I was awarded the Prime Minister's Shram Vir Award for the year 2001. Shri Virender Kumar working at Corporate Office has also bagged National award for outstanding performance with disabilities.

The performance of your Corporation was adjudged as 'Excellent' under the

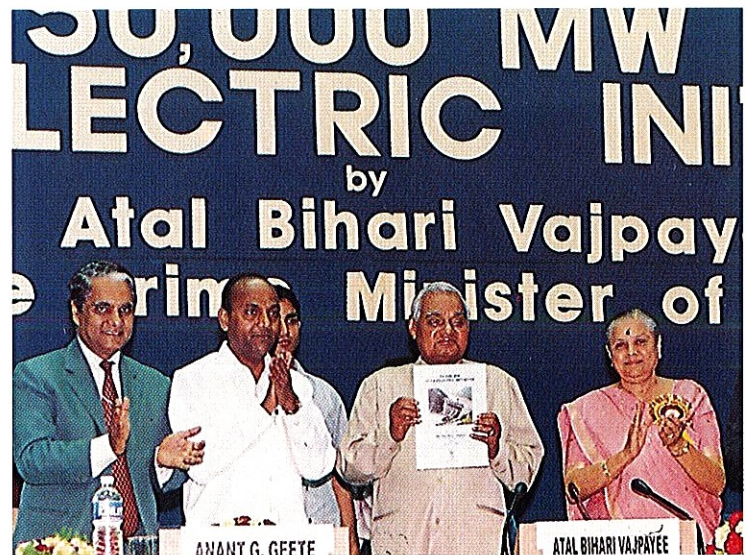
Memorandum of Understanding signed with Ministry of Power for the year 2001-2002 and the corporation is all set to repeat the performance for the ninth consecutive year in the year 2002-03 on the basis of performance indicators.

The Government of India has initiated an ambitious programme "POWER FOR ALL BY 2012". Your corporation is committed to make significant contribution in this programme by adding 4357MW and 11194 MW in X and XI plan respectively. The Projects with installed capacity of 25111 MW are under Survey and Investigations. Beside survey and investigations of the projects scheduled for completion in XI plan, your organisation is also entrusted with the study of the 43 projects with capacity of 21345 MW under the programme called "50000 MW Hydroelectric Initiative" launched by Prime Minister in May, 2003. I am happy and proud to state that NHPC is well geared up to make major & significant contribution for making "50000 MW Hydroelectric Initiative" a success.

Despite a variety of problems on account of geographical surprises/ militancy / security concerns, all members of NHPC family have put in their best for timely completion and efficient operation of projects.

I would like to convey, on behalf of the Board and my own behalf our earnest thanks to Ministry of Power, Ministry of Finance, Ministry of Environment and Forest, Planning Commission, State Governments, Central Electricity Authority, Central Water Commission, Beneficiaries /Boards and other Govt Agencies for their valuable guidance and cooperation extended by them. I wish to thank the International and National Financial Institutions and investors at large for the faith reposed by them in the Corporation.

I thank all the Directors on the Board for their valuable guidance, contribution and support, which enabled the Corporation to scale new heights and achieve excellent performance.



Shri Atal Bihari Vajpayee, Hon'ble Prime Minister of India, releasing the book on the launch of 50000 MW Hydroelectric Initiative

Dated : 30.09.2003

Place : Faridabad

(Yogendra Prasad)

Chairman & Managing Director



510 MW Teesta Stage-V Project (Sikkim) - Project Site

Directors' Report



Directors' Report

To the Members,

National Hydroelectric Power Corporation Ltd.,

Your Directors have great pleasure in presenting the 27th Annual Report of the Corporation together with the Audited Accounts, Auditors' Report and the Review of Accounts by the Comptroller and Auditor General of India for the financial year ended 31st March, 2003.

1. FINANCIAL PERFORMANCE

The summary of the financial results of the company for the year ended 31st March, 2003 is given in Table 1 below.

Table 1. FINANCIAL RESULTS

(Rs in Million)

Particulars	2002-2003	2001-2002
Sale of Power	13249	13496
Profit before Depreciation, Interest and Tax	10733	11835
Depreciation	1404	2316
Profit after Depreciation and before Interest and Tax	9329	9519
Interest Cost	3779	4388
Profit after Depreciation and Interest but before Tax	5550	5131
Tax	445	422
Profit after Depreciation, Interest and Tax	5105	4709
Surplus of Profit and Loss Account of earlier year	8346	4137
Profit available for appropriations	13451	8846
APPROPRIATIONS		
Interim Dividend	500	-
Proposed Final Dividend	250	500
Provision for Income Tax (on dividend)	32	-
Balance Profit carried to Reserves and Surplus	12669	8346

2. TURNOVER AND PROFIT

The turnover of the Corporation during the year 2002-2003 was Rs. 13249 million and your Corporation after providing depreciation, interest on loans, financing charges and allowing prior period adjustment made a net profit, after tax of Rs.5105 million compared to the previous year's profit of Rs. 4709 million. The profit for the year ended March, 2003 was higher than the profit in the previous year by Rs. 396 million.



Shri Anant G. Geete, Hon'ble Union Minister of Power, receiving the Dividend cheque from Shri Yogendra Prasad, CMD, NHPC

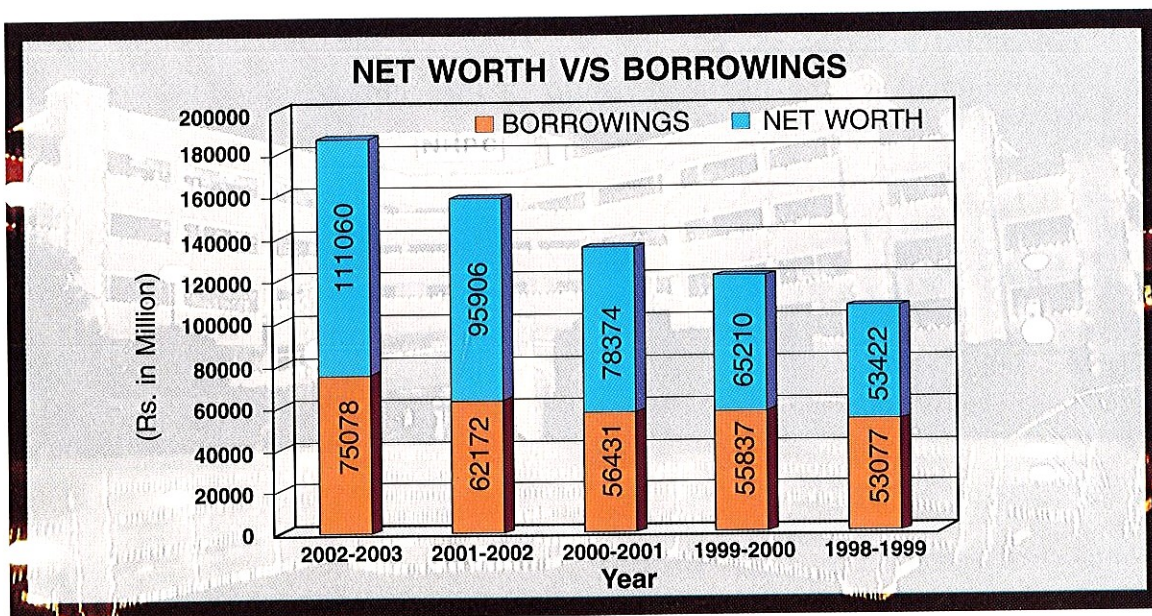
3. PROPOSED DIVIDEND

Your Directors recommended a lump sum dividend of Rs.750 million for the year 2002-2003 including the interim dividend of Rs.500 million subject to the approval of the shareholders in the forthcoming General Meeting.

4. REVENUE REALISATION

During the year 2002-2003, the Corporation realized an amount of

Rs.12652.07 million against the principal amount towards energy sold to the beneficiaries. After the realization, the principal dues are Rs. 11486.55 million (9.91 month of Average Billing) as against Rs.10226.83 million in the previous year (9.55 month of average billing). The percentage realization against the principal during the year was 90.94% against the realization of 72.54% (excluding bonds) during the year 2001-02. In addition to the above, the Corporation has realised a sum of Rs.1267.08 million as interest on bonds during the year 2002-03.



5. CAPITAL STRUCTURE

The Authorised Share Capital of the Corporation as on 31.3.2003 stood at Rs.100,000 million. The Paid-up Share capital at the closing of the financial year was Rs.66934 million, which was further increased to Rs. 70653.8 million by July 31st, 2003. To enable the Corporation to fund its construction activities your Directors in their 238th meeting held on 28.07.03 recommended the increase in Authorised Share Capital to Rs.150,000 million.

6. INFORMATION TECHNOLOGY AND COMMUNICATIONS

NHPC has created a robust scalable and secured communication network connecting all Project locations/Power Stations, Corporate Office and Regional load dispatch centers using VSAT based satellite communication technologies. At present 27 such locations are connected in the network, which support Data, Voice, Fax, Video conferencing and internet/E-mail.

The Lucent technology based Local Area Network implemented at Corporate Office and projects support Data, VoIP, and Video conferencing, Internet/E-mail etc. at Gigabit speed. The networks have facilitated sharing of information and resources and also implementing integrated software application packages. Desktop computers have been provided adequately in all Projects and Corporate Office to the executives and functional units.

A number of application packages covering key functional areas such as Finance & Accounts, Personnel, Commercial, Materials Management, Power Generation and Intranet have been implemented and are operational both at Corporate Office and Projects/Power Stations using Oracle/Developer 2000 Software platform and Web based technologies. The IT infrastructure in terms of LANs and WAN are optimally utilized to deploy enterprise wide business application packages.

Bi-lingual website of NHPC is regularly updated for publishing various types of information pertaining to NHPC including tenders/bids being issued by Corporation. Physical and Financial performance reports of NHPC are regularly published on Central Power Sector Undertaking Network (CPSUNET) website for monitoring by Ministry of Power and Central Electricity Authority.

NHPC has also provided consultancy services in the area of Information Technology to organisations like BBMB, SJVNL etc.

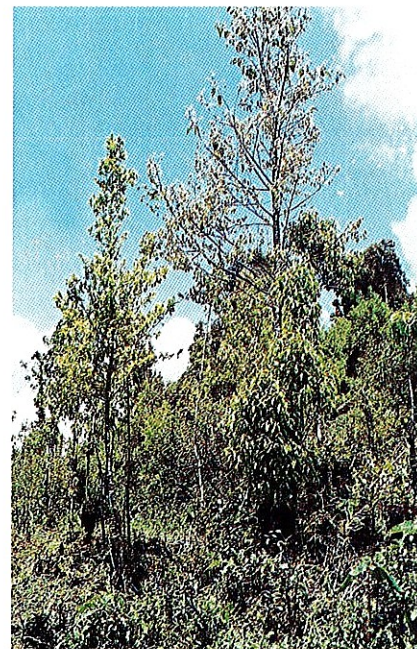
7. CONSTRUCTION EQUIPMENT PLANNING

The Construction Equipment Planning Group has been entrusted with responsibility of assessment and finalisation of construction methodology and construction equipment planning at the various stages of project execution including inter-project transfer of equipments and disposal of surplus equipments and spare parts. Inter project transfer of plant & equipment has resulted into a saving of Rs.17 million in lieu of fresh procurement. During the year, surplus and obsolete equipments amounting to Rs. 62 million lying at the different project sites were disposed off.

8. ENVIRONMENT MANAGEMENT

The natural environment is the man's most precious heritage and its preservation and improvement is our utmost concern. Your Corporation is committed to maintain an equitable balance between construction activities and safeguarding the environment to ensure sustainable development. Environmental considerations linked with hydro projects, are taken care from the stage of planning and its activities are spanned even during post-construction period. Various impacts are minimized by adopting mitigative measures like Compensatory Afforestation, Catchment Area Treatment, Wildlife Conservation, Green Belt Development, Fishery Management, Health Management, Restoration of Dumping Sites and Quarry Sites etc.

In addition to this, NHPC also conducts Post-Construction Environment Impact Assessment, to know the efficacy and results of management plans implemented during the course of project construction.



9. VIGILANCE ACTIVITIES

Your Corporation considers proactive Vigilance as an important management tool. As a part of preventive vigilance and to create awareness among employees, a system



Shri Yogendra Prasad, CMD, releasing the book 'Chetna' on the occasion of Vigilance week

of monitoring of vigilance complaints and disciplinary cases has been implemented. The division has been granted ISO-9001-2000 certification by Bureau of Indian Standards. During the year under review, the Project Vigilance Officers carried out 215 surprise and 253 regular inspections at the projects. In order to have wide spread awareness about the Vigilance

machinery in NHPC, Vigilance Hand Books were distributed to employees. Vigilance Awareness Week was observed in Corporate Office, Projects, Power Stations and Liaison Offices of the Corporation.

10. OFFICIAL LANGUAGE IMPLEMENTATION

During the year under review, the Corporation made special drive to achieve the targets set for implementation of Official Language Policy. The use of Rajbhasha was given special importance in all Seminars and Cultural activities organised by the Corporation. Hindi Diwas and Hindi Fortnight were celebrated at Corporate Office, Projects/Power stations, Regional Offices and Liaison Offices of NHPC.

The Rajbhasha Shields for excellent performance has been awarded for the year 2001 to Projects/Power Stations and Divisions at Corporate Office to appreciate and motivate the efforts in Official Language Implementation Programme.

You will be glad to know that NHPC bagged "Rajbhasha Vidyut Shield" 2000-01 as a 2nd prize for the excellent performance in the field of Official Language Implementation in the Corporation, from the Ministry of Power. Further, Bhartiya Bhasha and Sanskriti Kendra presented 'Rajbhasha Sarthi' award to Chairman & Managing Director and 'Rajbhasha Navratna Puskara' to Director(Personnel).

The 2nd Sub-Committee of Parliamentary Committee on Official Language inspected and appreciated the systematic implementation of Official Language Implementation programme at NHPC Corporate Office. The Parliamentary Sub-Committee also visited the projects and on inspection thereof were satisfied with the progress made in promotion of Official Language. Hindi Workshops and training programmes were regularly organised in the Corporate Office, Regional Offices, Liaison Offices and remote areas of Projects. A Special Technical Issue of 'Rajbhasha Jyoti-2002' was published during the year 2002.

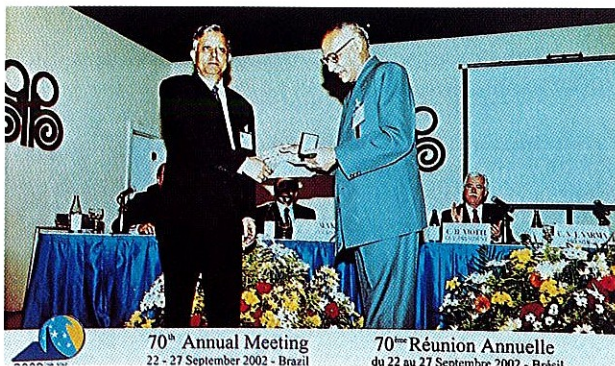
11. AWARDS

Shri Nand Lal Nishad, employed at Chamera HE Project Stage-I bagged the Prime Minister's prestigious "Shram Vir" Award for the year 2001.

The National Award for being the outstanding employee with disabilities was bagged by Shri Virender Kumar, Attendant, working



Shri Virender Kumar receiving the disability award from Dr. A.P.J. Abdul Kalam, Hon'ble President of India



Shri Yogendra Prasad, CMD, receiving the ICOLD award

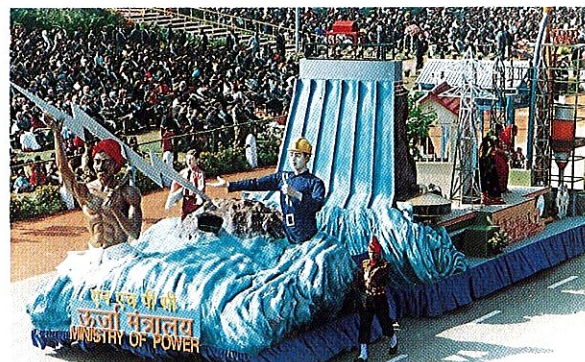
at Corporate Office, Faridabad in category of orthopaedically disabled person. The Hon'ble President of India, Dr. A.P.J. Abdul Kalam in a ceremony, presented the Award consisting of Rs. 25000 in cash, a citation and a medal to Shri Virender Kumar.

Besides this, the Chairman & Managing Director, Shri Yogendra Prasad was conferred Award for his distinguished contribution for the cause of development of Hydro Power by the International Commission on Large Dams (ICOLD). Shri Prasad is the first Indian to receive this award.

12. CORPORATE COMMUNICATION

As an image building programme of the Corporation and also to create awareness about the need to promote hydropower development, the Corporation arranged various interactive programmes through electronic and print media. The technical journal "Water Power" and "NHPC News" continued to be an effective tool of communication.

During the period under review, the Corporation participated in various National/International exhibitions. NHPC pavilion in the India International Trade Fair 2002 was adjudged as the best pavilion in the Public Sector Category and bagged the gold medal. On the International level, the Corporation participated in the India Trade Exhibition held in Kathmandu and Moscow. The Corporation for the FIRST TIME in the year 2003 presented a colorful tableaux with a title "**Hydro Power-Clean Power**" on 53rd Republic Day parade at Rajpath New Delhi.



Glimpse of the NHPC Tableaux at the Republic Day Parade -2003

13. RESERVATION FOR SC/ST

The Corporation is following all the instructions relating to reservation for SC/ST posts in service as per the Presidential Directives issued from time to time to fill up the vacancies in all the categories.

14. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption, and foreign exchange earnings and outgo is given in the **Annexure -I** to this report.

15. PARTICULARS OF EMPLOYEES

Information required under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975 is to be treated as Nil.

16. CORPORATE GOVERNANCE

The Corporation has taken adequate measures to ensure that conditions of the Corporate Governance stipulated in Clause-49 of the Listing Agreement of Stock Exchanges and the provision of Companies Act 1956 are complied with. A separate statement on Corporate Governance is produced as a part of the Directors' Report alongwith the Auditors' Certificate for compliance as **Annexure-II** and the Management Discussion and Analysis Report as **Annexure-III**.

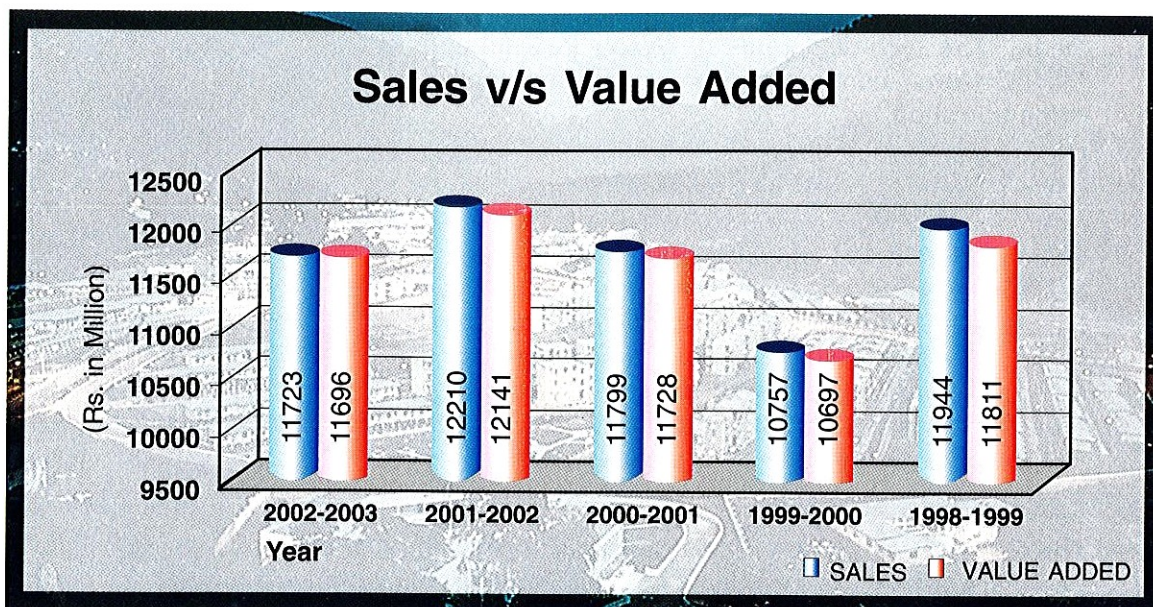
17. AUDITORS

M/s. Batra Sapra & Company, Chartered Accountants, New Delhi, was appointed as Statutory Auditor for conducting the Audit for the year 2002-2003. M/s. Gandhi Minocha & Co, Chartered Accountants, Ambala, Bhushan Bensal Jain Associates, Chartered Accountants, New Delhi, and M/s. A.R.Maiti & Co., Chartered Accountants, Kolkata were appointed as Branch Auditors of the Corporation.

18. AUDITOR'S REPORT

The Auditor's Report refers to various notes incorporated by the Corporation in Schedule 21, which are self-explanatory. The Comments of the auditors and Management replies thereto are furnished as **Annexure -IV**. The comments of the Comptroller and Auditor General of India and replies thereon are enclosed as **Annexure-V**.

Review of the accounts for the year ending 31st March, 2003 by the Comptroller and Auditor General of India is enclosed as **Annexure-VI** to the report. The Consolidated Accounts and the Auditors report thereon are annexed to this report.



19. ACCOUNTS OF SUBSIDIARY COMPANY

The Annual Accounts alongwith the Report of Auditors' and Directors' Report of Narmada Hydroelectric Development Corporation Ltd, a Subsidiary of your Corporation are annexed. The statement under Section 212 of Companies Act, 1956 is annexed to the Report.

20. DIRECTORS' RESPONSIBILITY STATEMENT

As required under section 217 of the Companies Act, 1956 the Directors' hereby confirm that:

- i) in the preparation of the Annual Accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- 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 at the end of the financial year and of the profit of the Company for that 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 to the best of their knowledge and ability.
- iv) the Directors have prepared the annual accounts on a going concern basis.

21. BOARD OF DIRECTORS

The following changes took place in the constitution of the Board of Directors of the Corporation since last report.

Appointment

Shri Anil Kumar Kutty, Joint Secretary, Ministry of Power joined the Board on 18.02.03 as a Part time Director.

Shri S.K.Garg joined the Board on 1.07.03 as Director (Finance).

Cessation

Shri. B.K.Aggarwal, Part time Director on Board ceased to be a Director on the Board with effect from 31.12.2002 on reaching superannuation.

Shri C.P.Jain, CMD, NTPC ceased to be a Director on the Board with effect from 17.02.2003.

Shri A.K.Jain, Additional Secretary (Power), Ministry of Power ceased to be a Director on the Board with effect from 18.02.2003.

Shri R.Natarajan, Director (Finance), NHPC ceased to be a Director with effect from 6.5.2003 consequent upon his appointment as Member (Economics) Madhya Pradesh State Electricity Regulatory Commission.

The Board placed on record their appreciation for the valuable services rendered by Shri B.K.Aggarwal, Shri A.K.Jain, Shri C.P.Jain and Shri R.Natarajan during their tenure as Directors of the Corporation.

22. ACKNOWLEDGEMENTS

The Board of Directors acknowledge with deep appreciation the cooperation and guidance received from the Government of India and in particular the Ministry of Power, Ministry of Finance (Department of Economic Affairs), Planning Commission, Ministry of Environment and Forest, Reserve Bank of India, Department of Public Enterprises, Department of Company Affairs, Central Electricity Authority, Central Water Commission as well as the State Governments, the Regional and State Electricity Boards.

The Board also places on record its appreciation for continuing support, faith and confidence reposed in NHPC by the National and International Banks/Financial Institutions as well as Indian investors.

The Board places its special appreciation to the beneficiary states drawing power and other valuable clients for Consultancy assignments. The Board also places its appreciation for contributions of contractors, vendors and consultants for their efforts in completion of projects in time.

The Board places on record its deep appreciation for the cooperation extended by Statutory Auditors and Office of Comptroller & Auditor General of India. Further, the Board wishes to record its deep gratitude to all members of NHPC family whose enthusiasm, dedication and co-operation has made the achievement of a satisfying performance possible. The Board is also confident that the employees will continue to contribute their best in the coming years.

For and on behalf of the Board of Directors



(Yogendra Prasad)

Chairman & Managing Director

Dated : 30th Sept., 2003

Place : Faridabad

Annexure-I

ANNEXURE TO THE DIRECTORS' REPORT ON ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AS PER COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES 1988.

A. CONSERVATION OF ENERGY

- (a) **Energy measures taken and on hand.**
NHPC power systems are designed in optimal manner so that power losses (auxiliary consumption) are minimized.
- (b) **Additional investment and proposals if any, being implemented for reduction of consumption of energy.**
There is no proposal for direct investment by the Corporation at present.
- (c) **Impact of measures at (a) and (b) above for reduction of Energy consumption and consequent impact on the cost of production of goods.**
Optimum utilisation is made during the year under report.
- (d) **Total Energy consumption and Energy consumption per unit of production as per Form A of the Annexure thereto.**
NHPC is not covered in the category of industries mentioned in the schedule.

B. TECHNOLOGY ABSORPTION

- (a) **Efforts made for technology absorption.**
As per Form B, the Annexure is attached.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- (a) **Activities relating to exports, initiatives taken to increase exports, development of new markets for products and services, and export plans.**
NHPC has no export plans
- (b) **Total Foreign Exchange used and earned**

		Rs. in million	
	Particulars	2002-03	2001-02
1.	Value of Imported Plant & Machinery & Spares on CIF basis	1098	1268
2.	Know-how	26	14
3.	Misc (outgo)	2220	322
4.	Interest	1162	1110
5.	Value of spare parts & components consumed in Operating units		
	- Imported	-	19
	- Indigenous	27	50
	INCOME		
6.	Interest Income	—	—
7.	Others	—	—

Annexure I (Contd.)

FORM B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT (R&D)

1. SPECIFIC AREAS IN WHICH R&D CARRIED OUT BY THE COMPANY

- Elongation of service life of underwater turbine components subjected to silt erosion in Hydro Power Stations.
- Modification of Hydro Suction Silt Exclusion System to keep intake zone clear at Salal.
- Exploitation of Geothermal Energy for Power Generation.
- High Performance Concrete.
- Standardisation of Welding Electrodes for Power Stations.

2. BENEFITS DERIVED AS A RESULT OF THE ABOVE R&D

The benefits occurring from the implementation of the results of the R&D projects would often be substantial but they cannot be quantified in money terms. Extension of life of underwater turbine components of hydro power stations by rebuilding/rehabilitation/coating even by one year, would result in considerable benefits in terms of savings in maintenance cost and down time and improved operational efficiency. Through monitoring the health of generating units and transformers, faults can be detected in the incipient stage itself which can result in avoiding major faults and costly repairs, besides reduction in generation loss. Exploitation of geothermal energy for power generation will open new vistas for clean renewable power in remote places. Modification of silt exclusion system has ensured the intake waterway zone at Salal clear of sediments. Placement of high performance concrete can deliver variety of benefits in terms of less material, improved performance and reduced maintenance and extended life cycle etc. Standardisation of electrodes has resulted in use of quality electrodes only and thereby achieving quality weld at O&M Power Stations.

3. FUTURE PLAN OF ACTION 2003-2004

The R&D activities in respect of above fields are proposed to be continued.

4. EXPENDITURE ON R&D

Total: upto 2002-2003 : Rs.4.89 Crs. including expenditure of Rs.1.33* Crs. on Development of Geothermal Power.

(* Excluding Salary of staff & Admn. overheads)

2003-2004 : Rs.5.9 Crs. (Budgeted) including Rs.5.0 Crs. for Development of Geothermal Power.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

i) Efforts in brief made towards technology absorption, adaptation and innovation

During the monsoons, the top soil of the mountain range travels along with the water in the shape of silt. Due to presence of huge quantity of abrasive silt in rivers from the Himalayas, particularly during monsoon months, the underwater turbine components get eroded very fast. Therefore, development

of appropriate technology to elongate the operational life of turbine underwater is under process with experimentation. Further, exploitation of Geothermal Energy for Power Generation is in progress.

- ii). Benefits derived as a result of the above efforts e.g product improvement, cost reduction, product development, import substitution etc. are as under:

Sl.No.	Technology adoption/innovation	Cost saving / Product Improvement
1.0	Hiring an International Consultant for exploitation of Geothermal Energy for power generation.	For the first time ranking of potential Geothermal fields has been done in India and cost benefit studies of 1 MW Geothermal Power Plant at Tattapani and 5/20 MW Geothermal Power Plant at Puga (J&K) were undertaken.

TECHNOLOGY IMPORTED DURING LAST FIVE YEARS

Being a premier organisation for Hydro Power development, NHPC is providing cheap and clean power to nation. NHPC has been making all out efforts to study and adopt imported technology also.

NHPC has also diversified into the field of Geothermal Power. It has done ranking of the Geothermal Fields in India with the support of an International Consultant and Cost benefit studies (estimated cost and cost of generation) for development of pilot 300 kW and 1 MW Geothermal Power Plants at Tattapani Geothermal Fields, overall development of Tattapani Geothermal Fields and installation of 5/20 MW Geothermal Power Plant at Puga were undertaken.

At Salal capacity of Hydro Suction System that was developed to keep intake zone clear, rate of removal of silt around intakes has been increased by modifying its pipe size from 250 mm to 355 mm with associated equipment.

Report on Corporate Governance

Annexure-II

In present business environment, the issue of responsible Corporate Governance has a higher profile than ever. The Excellence in Corporate Governance is the key determinant of corporate sustainability and long-term shareholders' value and in turn wealth to the nation. The Corporation has always recognized its importance for ensuring corporate survival growth and reinforcement of the faith of different stakeholders in the corporate entity. Therefore it is implementing best Corporate Governance practices to strengthen management and decision making process.

1 PHILOSOPHY ON CODE OF GOVERNANCE

- (i) To have adequate control system in operation and provide information to the Board on a timely basis in a transparent manner to enable the Board to monitor the accountability of Management to it.
- (ii) To increase the efficiency of Business enterprise for creation of wealth of the enterprise and country as a whole.
- (iii) To ensure that employees and Board subscribe to the Corporate values and apply them in their conduct.

2 BOARD OF DIRECTORS

The NHPC being a wholly owned Government of India Enterprise, Government of India, decides the composition of Board of Directors.

The Board consists of seven members of which five are Executive Directors. The Chairman of the Board is also the Managing Director. All Directors including Non-Executive Directors are professionally competent.

The composition of the Board during the year under review/ at present is as under:

Executive Directors

Shri Yogendra Prasad	Chairman & Managing Director
Shri R.Natarajan	Director (Finance) upto 06.05.03
Shri S.K.Garg	Director (Finance) w.e.f 01.07.03
Shri A.K.Gangopadhyay	Director (Projects)
Shri R.K.Sharma	Director (Technical)
Shri Binay Kumar	Director (Personnel)(under compulsory wait w.e.f. 7.7.03)

Non-Executive Directors

Shri R.Ramanujam	Then Joint Secretary & Financial Advisor, Ministry of Power (upto 1.07.02)
Shri M.Sahoo	Joint Secretary & Financial Advisor, Ministry of Power, (Since 1.07.02)
Shri Anil Razdan	Joint Secretary (Hydro), Ministry of Power, (Upto 16.09.02)
Shri A.K Jain	Addl. Secretary, Ministry of Power (From 16.09.02-18.02.03)
Shri A.K.Kutty	Joint Secretary (Hydro),Ministry of Power (Since 18.02.03)
Shri B.K.Aggarwal	Member (Hydro), Central Electricity Authority (Upto 31.12.02)
Shri C.P.Jain	Chairman & Managing Director, National Thermal Power Corporation Ltd. (upto 17.02.03)

(i) Board Meeting

The Board of the Company met ten times in the year under review. The maximum interval between two meetings did not exceed two months. All Directors including Non-Executive Directors actively participated and deliberated in the Board Meetings. Attendance of Directors in the Board Meetings and Annual General Meeting during the year under review is as under;

Name of the Directors	Category of the Director	Meeting held during tenure of the Director	Meeting Attended	Whether Attended last AGM held on 31.12.02 (adjourned Meeting held on 26.02.03)
Sh. Yogendra Prasad	E	10	10	Yes
Sh. R. Natarajan	E	10	10	Yes
Sh. A.K. Gangopadhyay	E	10	10	Yes
Sh. R.K. Sharma	E	10	10	Yes
Sh. Binay Kumar	E	10	10	Yes
Sh. R. Ramanujam (Till 1.07.02)	NE	2	2	No
Sh. C.P. Jain (Till 17.02.03)	NE	8	3	No
Sh. B.K. Aggarwal (Till 31.12.02)	NE	7	4	Yes
Sh. M.Sahoo (Since 1.07.02)	NE	8	7	Yes
Sh. Anil Razdan (Till 16.09.02)	NE	4	4	No
Sh. A.K Jain (16.09.02-18.02.03)	NE	4	3	No
Sh. A.K.Kutty (Since 18.02.03)	NE	2	2	No

NE-Non Executive Director, E-Executive Director

(ii) Other Directorships

As per information, none of the Director holds directorship in more than 10 Companies.

(iii) Membership of Board Committees

As per the information received, none of the Director holds membership of more than 10 Committees of the Board nor is any Director Chairman of more than 5 Committees of the boards across all Companies, at a time in which he is a Director.

3 AUDIT COMMITTEE

The Audit Committee was constituted in the year 2001 and reconstituted time and again due to change in the directorship of the Corporation. The terms of reference of the Committee are the same as given in the Listing agreement, which includes:

- Oversight of the Company's financial reporting process and the disclosure of its financial information.
- Recommending , fixation of audit fee and also approval for payment for any other services.
- Reviewing with management the half yearly, Annual Financial Statements before submission to the board,
- Reviewing with the management, external and internal auditors, the adequacy of internal control systems.

- Reviewing the adequacy of internal audit functions.
- Discussion with internal auditors on any significant findings and follow-up thereon.
- Discussion with external auditors before the audit commences on nature and scope of audit as well as to have post-audit discussion to ascertain any area of concern.
- Reviewing the Company's financial and risk management policies.

Presently Committee consists of following members:

- Shri A.K.Kutty, Joint Secretary (Hydro), Ministry of Power (Since 26.02.03)
- Shri M.Sahoo, JS&FA, Ministry of Power (since 24.07.02)
- Shri R.K.Sharma, Director (Technical)(since 26.02.03)

Shri M.Sahoo is the Chairman of the Committee. None of the member of the Committee is an independent director in terms of the definition given by SEBI. The Corporation has requested the Ministry of Power to restructure its Board in accordance with Listing Agreement so that the Committee could be constituted of Independent Directors.

The Committee met four times during the year. The meetings were attended by Director (Finance), Head of the Internal Audit and Statutory Auditors as Special Invitees. The Company Secretary of the Corporation acted as Secretary of the Committee. The minutes of Audit Committee were placed before the Board for information.

4 DIRECTOR'S REMUNERATION COMMITTEE

NHPC being a Government Company, appointment of Whole time Directors are determined by the Government through the Ministry of Power. Hence Company has not constituted a Director's Remuneration Committee. The Remuneration paid to the Directors during the year 2002-2003 is as under:

S.No	Directors		Remuneration (In Rs)
1	Shri Yogendra Prasad	Chairman & Managing Director	866217
2	Shri R.K Sharma	Director (Technical)	775265
3	Shri R.Natarajan	Director (Finance)	832245
4	Shri Binay Kumar	Director (Personnel)	788331
5	Shri A.K.Gangopadhyay	Director (Projects)	826174

5 SHAREHOLDERS'/ INVESTORS' GRIEVANCE COMMITTEE

The Board of Directors constituted a Committee called "Investors' Grievance Committee" to monitor the redressal mechanism of Investors' Grievances. Presently Committee comprises the following members :

- Shri M.Sahoo - Joint Secretary & Financial Advisor,
Ministry of Power
- Shri S.K.Garg - Director (Finance)
- Shri A.K. Gangopadhyay - Director (Projects)

Shri M. Sahoo, Joint Secretary & Financial Advisor, Ministry of Power is the Chairman of the Committee. As there was no complaint received during the year, the committee did not meet.

Shri Jayant Kumar, Chief (F&A) is the Compliance Officer of the Corporation.

6 GENERAL BODY MEETINGS

The details of last three Annual General Meeting of the company are as under:

Financial Year	Date	Time	Location
1999-00	27.09.00	12.00 Noon	Registered Office of Corporation
2000-01	27.09.01	12.00 Noon	Registered Office of Corporation
2001-02	31.12.02	10.30 A.M	Registered Office of Corporation*

* The adjourned meeting was held on 26.02.03 at 12.00 Noon at Regd. Office

There was a special resolution passed by Company for amending the Articles of Association on 31.12.02. However there was no resolution passed by company through postal ballot.

7 DISCLOSURES

There were no transactions of material nature with the promoters or Directors or the Management, joint venture Company /subsidiary etc, which have potential conflict with the interest of the Company at large. The details of the Related Party Disclosure are shown in notes forming part of the Accounts. The Corporation has been particular in adhering to the provisions of the laws and guidelines of regulatory authorities including SEBI. There has been no non compliance of various provisions /requirement of Stock exchanges /SEBI by the Corporation. No penalties /strictures have been imposed by the Stock Exchange or SEBI or any other Statutory Authority on any matter related to Capital market during last three years.

8 MEANS OF COMMUNICATION

The Periodical financial results of the Corporation are announced within a month of the respective quarter. These results are published in national dailies. The Corporation has not sent periodical results /records to each household of shareholders being all the shares held by the President of India and his nominees. However, the same has been hosted on website of the company i.e. nhpcindia.com. The Company also issues news releases on significant corporate decision and activities and place them on its website.

THE MANAGEMENT DISCUSSION AND ANALYSIS REPORT FORMS PART OF THE DIRECTORS' REPORT

9 GENERAL SHAREHOLDERS' INFORMATION

Annual General Meeting:

Date : September 30, 2003

Time : 12.30 P.M

Venue : Registered Office at NHPC Complex, Sector -33, Faridabad, Haryana

Financial Calendar

NHPC follows the financial calendar from 1st April to 31st March. The Unaudited results for first three quarters and audited Results for the year ended March 31st 2003 were taken on record by the board and published on the following dates:

Quarter Ended	Date of Board Meeting	Date of Publication
April-June 2002	24.07.02	25.07.02
July-Sept 2002	31.10.02	01.11.02
Oct-Dec 2002	29.01.03	30.01.03
Year ended March 31, 2003	28.04.03	29.04.03

Book Closure / Record Date**(i) Payment of Interest on Bonds**

Bond Series	Due date of Interest Payment	Record date
L-2	31.08.02	07.08.02
L-2	28.02.03	06.02.03
M	01.02.03	08.01.03

(ii) Redemption of Bonds

Series	Redemption Date	Record Date
J-2	21.07.02	03.07.02

Dividend Payment date

Financial Year	Payment date
2001-2002	23.01.03
2002-2003	31.03.03(interim)

Listed at**National Stock Exchange of India limited**

Exchange Plaza,
Bandra-Kurla Complex, Bandra (E),
Mumbai-400051.

Over The Counter Exchange of India

OTC Exchange of India,
92, Maker Towers, 'F' Cuffe Parade,
Mumbai-400 005.

Stock Code

Scrip Name	NSE Scrip code	OTCEI Scrip code
NHPC 16% L TB 2004	—	NHPCLBTB
NHPC 10.5% L TFB 2004	—	NHPCLCFB
NHPC 9.55%MTB 2007	NHPC 07	NHPC NI

Market Price data

According to the market price data received from NSE and OTCEI, no security was traded during last financial year.

Performance in comparison with broad based indices such as BSE Sensex.

As the securities listed in Exchange are Non- Convertible Bonds, these could not be compared with BSE Sensex which is equity based Index.

Registrar Transfer Agent and Share Transfer system

The corporation has appointed M/s RCMC Share Registry (P) Ltd. 1515(1st Floor): Bhishma Pitamah Marg, Kotla Mubarakpur, New Delhi-110003.Ph.24649720/24692346 as Registrar and Transfer Agent of the Company. The Routine work is looked after by them. The Corporation has the responsibility of supervising the overall work.

Pattern of Distribution of Holdings

Since NHPC being a wholly owned Government of India Enterprise, President of India and its nominees hold all the shares.

Dematerialisation of Shares and Liquidity

Since all the shares are held by President of India and its nominees, shares haven't been dematerialised.

Outstanding GDRS/ADRS warrants or any convertible instruments, conversion date and likely impact on equity

Since NHPC being a wholly owned Government of India Enterprise there are no outstanding GDRS/ADRS warrants or any convertible instrument.

Plant Locations:

Name of the Project	Address
Salal Power station	Salal Power Station, P.O Jyotipuram, Via Reasi, Distt. Udhampur, J&K, Pin 182312
Uri Power Station	Uri power Station, NHPC Office Complex, Gingle, P.O Mohra, Distt. Baramulla, J&K, Pin 193122
Chamera Power Station (Stage-I)	Chamera Power Station (Stage-I), P.O. Khairi, Distt. Chamba, Himachal Pradesh, Pin 176325
Baira Siul Power Station	Baira Siul Power Station, P.O. Surangani, Distt Chamba, Himachal Pradesh, Pin 176317
Tanakpur Power Station	Tanakpur Power Station, P.O. T.H.E.P Campus, Banbassa, Distt. Champawat, Uttaranchal, Pin 262310
Loktak Power Station	Loktak Power Station, P.O Loktak, Vidyut Vihar, KomKeirap, Manipur, Pin 795124
Rangit Power Station	Rangit Power Station, P.O Rangit Nagar, (Hingdam), South Sikkim, Pin 737111

Address for Correspondence

Shri Jayant Kumar, Chief (F&A)
Compliance Officer,
IVth Floor, NHPC Complex,
Sector-33, Faridabad.(Haryana)
Phone :0129 - 2278410,
Fax: 0129 - 2270902,2255708
E-mail:jayantkumar@nhpc.nic.in

For and on behalf of the Board of Directors



(Yogendra Prasad)
Chairman & Managing Director

Date : 29.09.2003
Place : Faridabad

Auditor's Certificate On Corporate Governance

To the Board of Directors of National Hydroelectric Power Corporation Limited

We have read the report of the Board of Directors on Corporate Governance and have examined the relevant records relating to the compliance of the conditions of Corporate Governance by National Hydroelectric Power Corporation Limited for the year ended March 31, 2003 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of the conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedure and implementation thereof adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement except appointment of Independent directors on the Board and Audit Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor efficiency or the effectiveness with which the Management has conducted the affairs of the Company.

For BATRA SAPRA & COMPANY
Chartered Accountants

Date : 29.09.2003
Place : Faridabad

Sd/-
(G.D. Gupta)
Partner



Management Discussion and Analysis Report

Annexure-III

(Pursuant to Clause 49 of the Listing Agreement)

I Industry Structure & Development

Importance of power for an economy cannot be under stated because of its far reaching implications on productivity and overall progress of the economy.

To enable the economy to achieve growth at accelerated rate, the Government had initiated process of reforms and deregulation in the year 1991.

Since then, reforms have come long way. Over the decade, some major reforms were undertaken, which include unbundling and restructuring of State Electricity Boards, setting up of Regulatory Commissions, liquidation of dues of CPSUs and encouragement to Hydro power to correct the hydro thermal mix.

Further, to provide liberalized legal framework for development of power sector, the Government enacted Electricity Act, 2003. The new legislation replaces three existing legislation namely Indian Electricity Act 1910, Electricity Supply Act, 1948 and Electricity Regulatory Commission Act, 1998. The salient features of the Act are: Formulation of National Electricity Policy, thrust on rural electrification, delicensing of generation except Hydro Power, permitting of captive generation, provision for private license in transmission, liberalised entry in distribution, setting up of SERC, mandatory setting up of Appellate Tribunal, stringent provision relating to theft of electricity and safeguarding of customers' interest.

During the reform process, special emphasis is being given to Hydro Power and appropriate strategies are being formulated for its development. Major strategies include a "Policy on Hydro Power development", Basin wise development, levy of development surcharge, higher budgetary allocation, better tariff dispensation and three-stage clearance process of Hydro projects to reduce time and cost overruns.

Recently in May 2003, a Programme called. **"50000 MW Hydroelectric Initiative"** was launched by the Hon'ble Prime Minister with an objective of executing the feasible Hydro Power projects in the country in a systematic manner. It covers pre-feasibility reports of 162 Hydroelectric Projects with aggregate capacity of 50560MW. The studies will be completed by July 2004. NHPC being one of leading Company in the Hydro Power has a major role to play in achieving this objective.

II Opportunities and Threat

Opportunities

Development of Hydro Sector has drawn the desired attention of the policymakers and developers due to adverse Hydrothermal mix ratio in the country. NHPC proposes to add 4357 MW and 14432 MW of capacity respectively in X and XI Five year plan. Further Pre-feasibility Study of 43 Schemes out of 162 schemes is to be carried out by NHPC under the Programme called **"50000 MW Hydroelectric Initiative"**.

Threats

One of the important issue which often delays or even abandons hydro projects relates to environmental issues, such as environment and forest clearance, rehabilitation and resettlement, catchment area treatment, land acquisition, and so on. Some projects, such as Tehri, Sardar Sarovar, Narmada Sagar and Koel Karo, have suffered on account of these problems. To meet such challenges for the hydro sector it is necessary to counter the negative propaganda spread by forces claiming to represent the environment sector.

The North-Eastern Region of the country has hydro potential in abundance but lacks in demand. The generated power will have to be transmitted to other regions, involving a major challenge for the power planners for creating a corridor for this purpose.

According to the blueprint for power sector development in the country, more than 100,000 MW of additional capacity needs to be added by 2012 to bridge the gap between demand and supply. Out of this 34393MW is to be added by Hydro sector which will require an investment of about Rs 16,00,000 million. Considering the precarious financial position of the State Electricity Boards/Beneficiaries, it will be a great challenge for the developers and the policy makers to provide the necessary funds.

The sites of the hydro projects are mostly located in remote and hilly areas. The development of infrastructure such as roads, communications, education and health facilities in the project areas is another big challenge for the sector. Security is also an important issue which requires to be dealt with.

Hydro projects have often been accused of time and cost overruns. One of the main challenges for the developers is to evolve methodology to reduce the time and cost overruns. Organisations such as NHPC have already taken initiatives in this direction.

III Segment wise or productwise performance

The Corporation is engaged in the business of construction and operation of power projects/Stations. NHPC has also taken a number of consultancy assignments with various organizations in the country. The income from the consultancy services rendered during the year was Rs 536 million.

IV Outlook

The years to come will be the action-oriented years. NHPC has been entrusted with the responsibility of generating 18789 MW in next decade in order to fulfill "Mission 2012- Power for All" set out by Ministry of Power, the Government of India.

V Risks/Concerns

Hydro Power development takes longer gestation period and is capital intensive involving a relatively long tenure financing at higher financing cost. Often the risk of untimely suspension or termination of financing support on one pretext or the other leads to time and cost over runs. The development of hydro projects is site specific and custom engineered involving assessment of all natural conditions, which is very difficult.

Beside this, Inter-State River disputes is another important area of concern.

VI Internal Control Systems and their adequacy

The Company has established adequate control systems to help in achieving operational efficiency, optimum utilization of resources and effective monitoring thereof and compliance of law. The Corporation has a well-defined organization structure, delegation of powers and documented policies, guidelines and manuals.

The Corporation has also a full-fledged Internal Audit Department at the Corporate Office and Internal audit cells at various projects, which carry out audits. The main objective of these audits is to check adequacy and efficiency of the Internal control systems laid down in the manuals of the Corporation.

A qualified Audit Committee of the Board of Directors reviews the Internal audit reports and the adequacy of internal control Systems. Besides this, the Board of Directors has constituted Management Control Systems Committee to review the management control systems, significant deviations in Implementation and Construction, Operation and Maintenance, Budgets, Observations of C& AG and Internal Audit paras.

VII Discussion on financial Performance with Respect to Operational Performance

A) Financial Performance

The turnover of the Corporation during the year 2002-2003 was Rs.13249 million and your company after providing depreciation, interest on loans, financing charges and allowing prior period adjustment made a net profit, after tax, of Rs.5105 million compared to the previous year's profit of Rs. 4709 million. The profit for the year ended March 2003 was higher than the profit in the previous year by about Rs. 396 million.

B) Performance of Projects

In Operation

During the year 2002-2003, NHPC Power Stations generated 9862.72 MUs against the generation target of 9000 MUs. In respect of Baira Siul Power station, generation was less by 96.81 MUs than the target, due to poor inflow of water whereas due to grid constraints there was a loss of generation to the tune of 95.84 MUs. Thus total generation including deemed generation was 9958.55 MUs, which is higher than the target by 10.65%.

Against the target of 93% for capacity index of all the generating units in operation, the actual capacity index was 96.62%, which is 3.89% more than the target. The overall capacity utilization (based on design energy) of NHPC projects was 105.77% during this year.

Projectwise Performance

The project wise breakup of targets, actual generation, capacity utilization (based on design energy) is given below for the year 2002-2003.



Shri Yogendra Prasad, CMD, Shri S. K. Garg, Director (Finance) and other Directors' during Heads of Finance Meet at Corporate Office

Power Stations	Effective Capacity as on 31.3.2003 in MW	Target (MU)	Actual Generation (MU) including deemed Generation 2002-2003	Capacity Index (%)	Capacity Utilization (%)	Actual Generation in MU 2001-2002	Actual Generation upto July, 2003
Baira Suil	180.00	780	683.55*	96.29	91.18	749.28*	368.96
Loktak	105.00	450	551.93	95.10	122.49	570.01	111.16
Salal	690.00	3100	3139.68	95.15	101.87	3082.01*	1707.78
Tanakpur	94.20	445	423.33	99.70	93.21	442.17*	200.74
Chamera	540.00	1785	2260.04	96.58	135.77	1954.77	1401.87
Uri	480.00	2100	2545.66	99.20	94.82	2587.38*	1338.83
Rangit	60.00	340	354.36	91.96	104.20	348.07	133.62
Total	2149.20	9000	9958.55	96.62	105.77	9733.69	5262.96

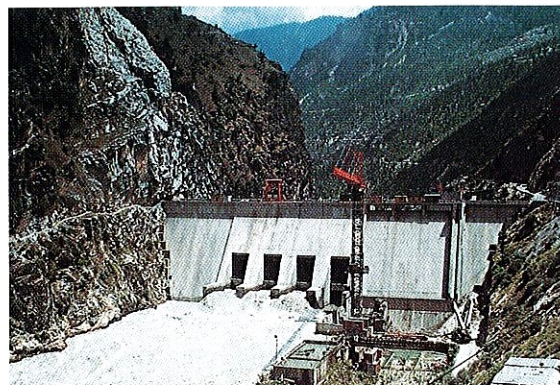
* Including deemed generation

Progress of Ongoing / Survey & Investigation projects

On going projects

Dul Hasti HE Project (390 MW), J&K

All Electro and Hydro Mechanical works has been completed. Excavation of 10.6Km long Head Race Tunnel (HRT) has been completed on 27.08.03. Concrete lining in HRT is in progress. The project is scheduled for completion by December, 2003.



390 MW Dulhasti Project (J&K) - Concrete Dam

Dhauliganga HE Project (280 MW), Uttarakhand

Since the last report, excavation of HRT, concreting of cut off wall and enlargement of pressure shafts has been completed. Excavation of Spillways, Dam embankment placement and Concrete lining of HRT is progressing satisfactorily. All E&M (Electro - Mechanical) and HM (Hydro-Mechanical) works are also progressing as per schedule. All major milestones have been achieved ahead of schedule. The project is scheduled to be completed by March, 2005.



280 MW Dhauliganga Project (Uttarakhand) - Concrete lining of Intake Tunnel

Chamera HE Project Stage-II (300 MW), HP

Civil works has been completed and finishing works are in progress. Electro mechanical work of Unit -II is nearing completion and for Unit- III it is progressing ahead of Schedule. The work of all radial gates in the dam has been completed. The Unit-I have been spinned on 08.08.03, and efforts are on for commissioning of the second unit by September, 2003 and third unit by October, 2003 against the scheduled completion of the projects in May, 2004.



300 MW Chamera Stage-II Project (HP) - Concrete Dam

Teesta HE Project Stage -V (510 MW), Sikkim

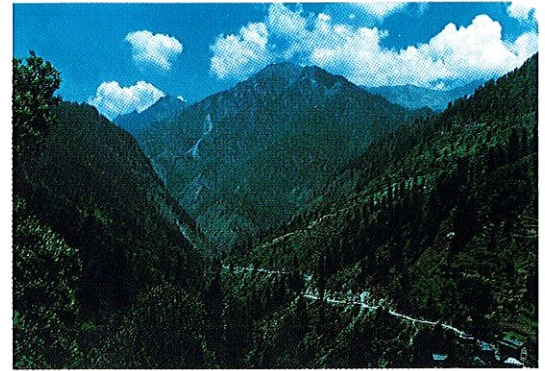
Since the last report, Diversion Tunnel has been completed and Teesta river has been diverted on 18.11.2002 as scheduled. Excavation of desilting Chambers-III, Surge Gallery, Concrete lining of Tail Race Tunnel III and Excavation of Power House, has been completed. The work of Dam foundation, and Pressure shaft is progressing satisfactorily. All MOU milestones have been achieved ahead of schedule. The project is likely to be completed by February, 2007. Recently Hon'ble Prime Minister, Shri Atal Bihari Vajpayee, has visited the Project and appreciated the efforts made by NHPC to commission the Project ahead of schedule.

Loktak Downstream HE Project (90 MW) Manipur

During the year under review, no work could be taken up due to non-availability of security coverage for the Project and also due to delay in finalisation of land/crop compensation by the Govt of Manipur.

Parbati HE Project Stage-II (800 MW) H.P

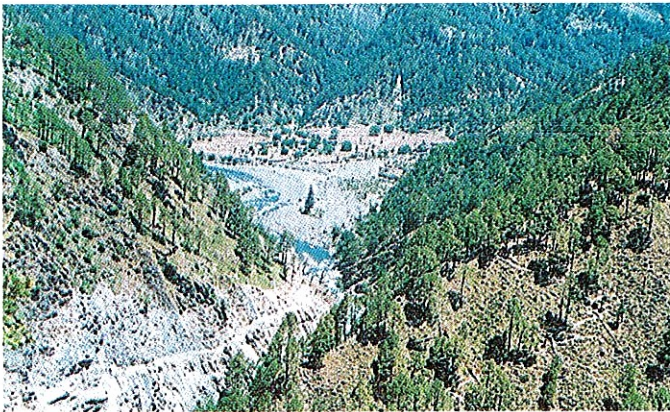
The Corporation received the approval from Cabinet Committee for Economic Affairs for the project in September, 2002. All major Civil and Electro Mechanical works have been awarded. Infrastructure work of roads and bridges to all construction sites is going on in full swing. Excavation of Diversion Tunnel has been completed and concrete lining is in progress. Excavation works of HRT and Powerhouse are progressing satisfactorily.



800 MW Parbati Stage-II Project (HP) - Project Site

Subansiri Lower HE Project (2000MW) Arunachal Pradesh

The project has been cleared by CCEA. Tender for execution of work are under process.



120 MW Sewa-II Project (J&K) - Dam Site

Sewa-II HE Project (120MW) J&K

The project has been cleared by CCEA in the meeting held on 23.8.2003. Award of Contracts is in progress.

Koel Karo HE Project (710 MW) Jharkhand

Since the last Report for want of certain clearances, the project has not been taken up for active construction.

Survey & Investigation Projects Projects in Arunachal Pradesh

Siang Upper HE Project (11000MW)

The Survey & investigations for preparation of Feasibility Report is in progress. The Stage-I site clearance from Ministry of Environment and Forest (MOEF) has been received.

Siang Middle HE Project (1000MW)

After submission of Feasibility Report and receipt of concurrence from CEA, the investigations for preparation of DPR and infrastructure development are being carried out.

Siang Lower HE Project (1700MW)

Detailed investigations are being carried out for preparation of Feasibility Report.

Subansiri Upper HE Project (2000 MW)

Feasibility Report was submitted in June, 2002 and CEA has advised to proceed with preparation of DPR and creation of essential infrastructure works in this regard is in progress.

Subansiri Middle HE Project (1600) MW

Feasibility Report was submitted in June, 2002 and CEA has advised to proceed with preparation of DPR and creation of essential infrastructure works in this regard is in progress.

Dibang HE Project (3000 MW)

Survey and Investigations are in progress for preparation of DPR in association with CEA/CWC.

Projects in Jammu & Kashmir

Kishenganga HE Project (330MW)

The Techno-economic clearance has been accorded by CEA for completion of project in seven years.

Uri-II HE Project (280MW)

Estimates of Stage-II works has been sanctioned. Work of Environment Impact Assessment (EIA)/Environment Management Plan (EMP) Studies is in progress. DPR has been submitted on 1.09.03

Nimoo Bazgo HE Project (45MW)

The Commercial viability and site Clearance stage-II has been accorded to the project and detailed investigations for preparation of DPR are in progress.

Chutak HE Project (30MW)

Feasibility Report has been submitted to CEA for establishment of commercial viability.

Bursar HE Project (1020MW)

Survey & Investigation works are in progress for preparation of DPR. However, works were hampered due to non - availability of security in the project area.

Pakal Dul HE Project (1000MW)

The Detailed planning for taking up infrastructure works is in progress and DPR is under preparation.

Projects in Himachal Pradesh

Parbati HE Project Stage -I (750MW)

Ministry of Power has advised to abandon the project in view of the environmental sensitivity.

Parbati HE Project Stage-III (520MW)

The investigation work has been completed and Environment Impact Assessment (EIA) and Environment Management Plan (EMP) studies are being finalised. DPR has been submitted on 8.8.2003.

Chamera HE Project Stage-III (231 MW)

Detailed Project Report has been submitted to CEA in June,2003. Land acquisition and other infrastructure works are in progress. EIA and EMP studies are being finalised. However construction of roads are held up for want of Forest Clearance.

Projects in West Bengal

Teesta Low Dam HE Project Stage -III (132MW)

The TEC has been accorded by CEA. The Public Investment Board has recommended the Project to Cabinet Committee for Economic Affairs for approval and Environment and Forest clearance have also been received. Development of infrastructure facilities is in progress. Evaluation of bids for major works are in process and works will be awarded after the receipt of investment clearance from the Government of India.

Teesta Low Dam HE Project Stage-IV (200 MW)

Survey and Investigation works have been completed. Detailed Project Report is likely to be submitted by September,2003.

Farakka Barrage HE Project (125MW)

The Ministry of Power has been requested to permit NHPC to abandon the project, as it is commercially unviable.

Projects in Maharashtra

Bav HE Project Stage -I (18 MW)

Survey and Investigation for preparation of feasibility report is in progress.

Bav HE Project Stage -II (50 MW)

Feasibility Report with the modified features along with revised cost estimates was submitted to CEA. Due to high tariff, CEA has requested NHPC to review the cost estimates and project features which is under process.

Projects in Karnataka

Upper Krishna HE Project (810MW)

As per the studies done by NHPC, the proposed Installed capacity will be 450MW instead of 810 MW and actual generation will be 842.91MU in 90% dependable year. The project with existing water availability may not be commercially viable, therefore NHPC has requested the Government of Karnataka to release additional discharge from Narayanpur Dam. The issue of water availability may take time to settle, therefore the project is likely to be commissioned only in XI Plan

Cauvery Sivasamudram HE Project (270MW)

No work on the project could be started as the States of Karnataka & Tamil Nadu have yet to take a decision whether the projects on Cauvery river can be taken up one at a time.

Small Hydro Projects

Kambang Small HE Project (6MW)

Civil works are nearing completion. E&M works are in progress. The project is scheduled for commissioning in December, 2003.

Sippi Small HE Project (4MW)

The Construction of the project is going in full swing. Fabrication and transportation of HM and EM components is in progress. The project is expected to be commissioned in December, 2003.



4 MW Sippi Small Project (Arunachal Pradesh) Transit Mixture

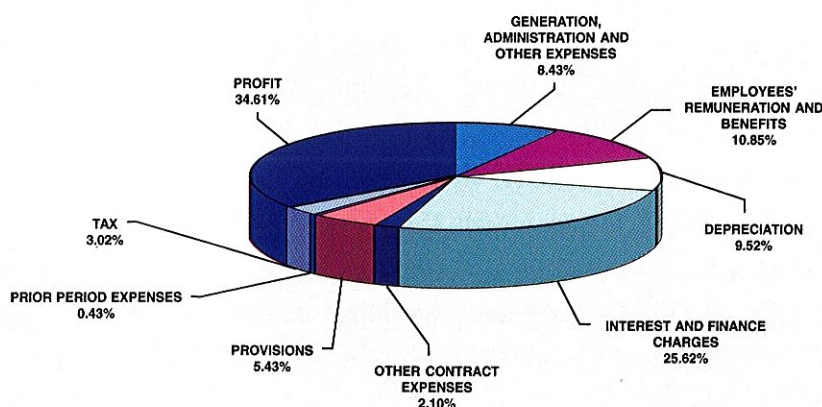
Halaipani Small HE Project (9MW)

The Government of Arunachal Pradesh has now decided to execute the Project through the State Power Deptt. and NHPC has, therefore, decided to withdraw from the Project.

Consultancy Services

NHPC has been providing consultancy services in the area of Hydro Power

ANALYSIS OF REVENUE 2002 - 2003



development to various agencies and organizations in private and public sector in India and abroad.

During the financial year 2002-2003, new consultancy assignments amounting to Rs. 268.80 million were received, which are 144% more than the target for "Excellent" rating. The payment received during the period for various consultancy assignment stood at Rs.124.9 million against the amount of Rs.111.60 million, received during the financial year 2001-2002.

Development of Geothermal

As you are aware, Ministry of Non-conventional Energy Sources (MNES) has appointed NHPC as a Nodal Agency for Exploitation of Geothermal Energy in the Country. During the year under report, ranking of potential geothermal fields has been undertaken with the help of International Consultant viz, M/s. GeothermEx, USA. As per the cost benefit studies (estimated cost and generation cost) for development of Pilot project at Geothermal fields at Tattapani for 300KW plant and 1MW plant, the project was considered to be unviable due to high cost. The proposal for overall development of Tattapani Geothermal fields and installation of 5/20 MW Geothermal Power Plant at Puga are under consideration of the MNES.

Domestic Borrowings

The Corporation has continued with its policy of retiring high cost debt and negotiating others at lower interest rate. The line of credit agreement for 19 years tenor has been signed with Life Insurance Corporation of India for an amount of Rs.25000 million. The Corporation has also mobilised Rs.5700 million from Capital Market through private placement of bonds to meet its capital requirement. The buoyant response from the market shows the company's standing in the Country's debt /Capital market .

External Borrowings

Your Corporation has signed an Untied Loan Agreement for an amount of JPY18240 million under NEXI Overseas Untied Loan Insurance Scheme during the year under the report. The Corporation has also replaced the balance amount of GBP loan availed from M/s West LB amounting to GBP 10.910 million with a Rupee loan.

To finance its ongoing projects, the Corporation is under process of arranging loan equivalent to US \$ 100 million with various institutions. The Corporation has also requested JBIC to sanction Tranche III of Loan to meet the financing requirement of Dhauliganga HE Project. A team of JBIC visited NHPC and asked for certain details which has been provided to them. The final appraisal by the team of JBIC is expected in September, 2003.

Subsidiary Company/Joint Venture Projects

1. Narmada Hydroelectric Development Corporation Ltd.

Narmada Hydroelectric Development Corporation Ltd. is a joint Venture Company between NHPC and the Government of Madhya Pradesh. The Company is presently engaged in execution of Indira Sagar Project (ISP) (1000MW) and Omkareshwar Project (OSP) (520MW) on ownership basis.

Indira Sagar HE Project (ISP)

Till June, 2003, 90.29% of main dam concreting and 94.08% of Power House concreting has been done. The two units will be ready by October, 2003 another two units by December, 2003 and remaining in 2004 against schedule of 2005.

Omkareshwar HE Project (OSP)

The approval of Cabinet Committee for Economic Affairs was obtained on 29.4.2003. The contract for the Turnkey execution of project has been awarded and mobilisation is in progress.

2. National Pumped Storage Power Corporation Ltd.

The MOU between the Government of West Bengal & NHPC for execution of Purulia Pumped Storage Project was signed on 25.5.2001 for forming a Joint Venture Company. The approval of Public Investment Board and approval for formation of Joint Venture Company is still awaited. Most of land for the project has been acquired. 99% of road works to start major construction activities have been completed. Building works are in progress. Major contract packages have been awarded. Tripartite power purchase agreement for input power with the Government of West Bengal, West Bengal Power Development Corporation Ltd. and for generated power with the Government of West Bengal, West Bengal Power Development Corporation Ltd. has been signed on 2.8.2003 by NHPC. The project is scheduled to be commissioned in 2006-2007.

Development in Human Resources Management

In today's competitive environment, Human Resource is most important asset that an organisation possesses. NHPC, therefore lays utmost importance in building distinct human competency and skills and developing them in a continual manner. Our HR policies are aligned to achieve organizational goals by empowering and motivating employees to respond to the emerging challenges and opportunities in a competitive business environment as matured individuals, effective performers, excelling team members and most importantly better human beings.

During the year under review, Corporation has organised Programmes on Basic Management, General Management, Advance Management, Project Management, Information Technology, Construction technology, Maintenance Management, Health etc. In addition, long duration programmes were also organised for the purpose of re-training and to upgrade the skills of technicians through specialized external agencies. Special emphasis was also given for the development and empowerment of women employees. Induction/Orientation Programmes were also organised for new recruits. HRD Division conducted 25387 Mandays of training against the target of 8500 Mandays through 349 Programmes in India and abroad covering 3702 employees.

A new chapter was added to the Corporation's training annals when the Training Centres at Chamera I, Uri, Salal and Tanakpur Power Stations were accorded recognition by CEA for imparting statutory training to the O&M personnel as required under Indian Electricity Rules 1956. NHPC also utilises the expertise of specialised external agencies like ASCI, MDI, NPTI, IIPM, NCB, Polytechnic, ITIs, etc in its quest for providing high quality training programmes to its employees.

Staff Welfare and Industrial Relations

During the year under report, Industrial relations were cordial and harmonious at all Power Stations/ projects/units and there was no strike or lockouts during the period. The Corporation has provided educational, recreational as well as health facilities in townships attached with various projects of the Corporation. A crèche has been opened in the Corporate Office facilitating the employees to keep their children during Office hours.



Medical Camp organised by NHPC Ladies Welfare Association at Corporate Office



Glimpse of the cultural programme held on NHPC Raising Day at Corporate Office

Sports and Cultural Activities

During the year, NHPC hosted VIII Inter CPSU Chess tournament in New Delhi. NHPC teams also participated in Carrom, Kabaddi, Volley Ball, Badminton and Table Tennis tournament organised by other Power Sector Undertakings under the aegis of Power Sports Control Board, Ministry of Power.

Our Culture is our Identity. The Corporation recognizes the role of culture in promotion of self-esteem and self-identity. Therefore it organises Cultural Programmes in association with NHPC Ladies Welfare Association on

NHPC Day, New Year's day and Holi at Corporate Office and at its Projects/ Stations. Cultural Programmes are also organised on Independence Day, Republic day and other occasions at Projects/Stations.

Cautionary Statement

The views and futuristic statement contained in this report are the perception of the Management and subject to certain risks and uncertainty that could cause actual results to differ from those reflected in such statements. Reader should carefully review the other information in this report and in the Company's periodic reports. The Company undertakes no obligation to publicly update or revise any of these futuristic statement whether as a result of new information, future events or otherwise.

For and on behalf of the Board of Directors

(Yogendra Prasad)
Chairman & Managing Director

Dated : 30th Sept., 2003

Place : Faridabad

**Auditors' Report and
Annual Accounts
2002-03**



Auditors' Report To The Members Of National Hydroelectric Power Corporation Limited

Annexure-IV

AUDITORS' COMMENTS

We have audited the attached Balance Sheet of NATIONAL HYDROELECTRIC POWER CORPORATION LIMITED as at 31st March 2003 and the Profit and Loss Account of the Company annexed thereto for the year ended on that date in which are incorporated the accounts of units audited by branch auditors and the Cash Flow Statement of the Company for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India, which requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion, and report that:

1. As required by the Manufacturing and Other Companies (Auditors Report) Order, 1988 issued by the Central Government of India in Terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph 1 above we report that:

I) Note No. 10(a) of schedule 21

Inclusion of Rs.686 millions in respect of Koel Karo Project, in capital work in progress since 1980 has not been written off or provided for. Consequently profit is overstated to that extent.

The expenditure incurred on execution of this project may not be written off at this stage as the project is still in the process of approval.

II) Note No. 10(b) of schedule 21

Inclusion of expenditure on Parbati-I Project & Farakka Project, since abandoned and declared commercially unviable, amounting to Rs.16 millions & Rs.22 millions respectively, in capital work in progress and consequential overstatement of profit to that extent.

Corporation is receiving project specific equity from Govt. of India. Both the schemes were planned schemes and approved for investigation works. Further adjustments, if any, shall be carried out on receipt of instructions from the Government of India.

III) As stated in Note No. 17(a) of "Notes to the Accounts" the corporation hitherto charged depreciation as per the rates notified by the Government of India, under Electricity (Supply) Act 1948 whereas in the current year the same has been charged at the rates notified by regulations of CERC. This has resulted in decrease in depreciation and increase in profit by Rs 941 million.

The Corporation has correctly amended its depreciation policy in line with the rates as notified by CERC vide Notification No. L.7/25/(I) 2001-CERC dated 26th March, 2001.

3. Subject to our report in paragraph 2 above we state that,
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) The allocation of work amongst the auditors has been followed as per directions contained in letter No. CA V/COY/CENTRAL GOVT., NHPC (4)/1187 Dated 10/03/2003 addressed to National Hydroelectric Power Corporation Limited by the office of the Comptroller & Auditor General of India, New Delhi;
 - c) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of the books and proper returns adequate for the purposes of our audit have been received from branches not visited by us;
 - d) The reports on the accounts audited by the respective Branch Auditors were received and properly dealt with by us while preparing our report;
 - e) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - f) In our opinion, the Balance Sheet, Profit and Loss account and Cash flow Statement comply with Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956;
 - g) On the basis of the written representations received from the directors, other than Government nominee Directors, as on 31st March, 2003 and taken on record by the Board of Directors, we report that none of the directors is disqualified from being appointed as director in terms of clause (g) of sub-section (I) of section 274 of the Companies Act 1956. The Department of

Companies Affairs vide their General Circular No.8/2002 dated 22nd March, 2002 have clarified that Government nominated Directors are exempted from the provision of Section 274 (1) (g) of the Companies Act 1956.

- h) Subject to foregoing, and read with notes appearing in schedule 21 "Notes to Accounts", in our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes and the significant accounting policies thereon, give the information required by Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- i) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March 2003,
 - ii) In the case of Profit and Loss Account, of the profit of the Company for the year ended on that date,
 - and
 - iii) In the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

For BATRA SAPRA & COMPANY
Chartered Accountants

SANDEEP MANAKTALA
Partner
Membership No : 91408

PLACE : NEW DELHI
DATE : 28th JULY, 2003

Annexure To The Auditors' Report

(Referred to in Paragraph 1 of the Audit Report of even date)

AUDITORS' COMMENTS

MANAGEMENT REPLY

- | | |
|--|--|
| <p>I. The company has generally maintained proper records relating to fixed assets, but date of installation, location and identification were found to be incomplete in some cases. The Fixed assets of the company are reported to be physically verified by the management on yearly basis which, in our opinion is reasonable having regard to the size of the company and the nature of its assets. As per the information given to us by the management, no material discrepancies were noticed on such verification.</p> <p>II. None of the fixed assets have been revalued during the year.</p> <p>III. Physical verification of stores and spares are reported to be conducted by the management at all the projects by, following perpetual inventory system. In our opinion, the frequency of verification is reasonable according to the size and nature of its business.</p> <p>IV. In our opinion, the procedures of physical verification of stores and spares followed by the management, in respect of stores and spares held by it, needs to be more strengthened to commensurate with the size of the company and nature of its business activities.</p> <p>V. We are informed that the discrepancies noted on verification between the physical stock of stores and the book records were not material and the same have been properly dealt with in the books of accounts.</p> <p>VI. On the basis of our examination of stock records we are of the opinion that the valuation of stock is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year. The impact of change in policy is reported in Para No 16(a) in "Notes to the Account".</p> <p>VII. The Company has not taken any loans, secured or unsecured, during the year from companies, firms or other parties listed in the registers maintained under Section 301 of the Companies Act, 1956. However, provision of subsection (6) of section 370 of the Companies Act 1956 is not applicable to a company after the commencement of companies (Amendment) Act 1999.</p> <p>VIII. The Company has granted loan of Rs. 100 crores each to Narmada Hydroelectric Development Corporation Limited, a subsidiary company and Satluj Jal Vikas Nigam Ltd where a director of the company is interested as director, listed in the registers maintained under Section 301 of the Companies Act, 1956. The rate of interest and other terms and conditions of the loan are not</p> | <p>Necessary action to record date of installation, location and identification in the Fixed Assets Register in left over some cases will be taken in 2003-04.</p> <p>In our opinion the procedure of physical verification of stores & spares followed by Management is adequate.</p> |
|--|--|

prima facie, prejudicial to the interests of the Company. However, provisions of sub section (6) of section 370 of the Companies Act 1956 are not applicable to a company after the commencement of companies (Amendment) Act 1999.

IX. In respect of loans and advances in the nature of loans given by the company, the parties are repaying the principal amount as stipulated and are also regular in payment of interest wherever applicable except in some cases related to the employees of the Corporation.

Noted.

X. In our opinion, there are adequate internal control procedures commensurate with the size of the company and nature of its business with regard to purchases of stores, spares including components, plant and machinery, equipment and other assets and with regard to sale of goods.

XI. In our opinion and according to the information and explanations given to us, there are no purchases of goods and materials and sale of goods, materials and services, exceeding Rs. 50,000/- in value for each type thereof, made in pursuance of contracts or arrangement entered in the register maintained under Section 301 of the Companies Act, 1956, **except that has received consultancy fees of Rs.35.9 millions (Previous Year Rs.54.7 millions) from subsidiary company in which some of the Directors are interested at reasonable charges considering the services of a special nature and are not comparable.**

These transactions are not required to be entered in the register maintained u/s 301 of the Companies Act, 1956. The note is informative only.

XII. As explained to us, the Company has a regular procedure for the determination of unserviceable and damaged stores and spares. Adequate provision has been made in the accounts for the loss arising on the items so determined.

XIII. The Company has not accepted any deposits from the public under Section 58A of the Companies Act, 1956 and Rules framed there under.

XIV. In our opinion, the Company has maintained reasonable records for the sale and disposal of scrap arising out of construction activities. The company has no by-product.

XV. The company has an in house internal audit department, which in our opinion needs to be further strengthened to commensurate with size and nature of the business activities.

In our opinion, adequate internal audit system commensurate with the size and nature of its business exists in the Company.

XVI. We have broadly reviewed the books of accounts maintained by the Company pursuant to the Cost Accounting Records (Electrical Industry) Rules, 2001 made by the Central Government for the maintenance of Cost Records under section 209 (1) (d) of Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records in respect of operational units have been maintained. The accounts &

This being the first year project wise records was maintained at Corporate Office. However, from 2003-04 and onwards cost accounting records shall be maintained at respective projects.

records have however been maintained at Head Office, whereas it should be maintained at respective projects. We have however, not made, nor required to make any examinations of these records.

- XVII. According to the records of the Company, Provident Fund dues have been generally been deposited with appropriate authorities during the year in time. We are informed that the Employee's State Insurance Scheme is not applicable to the Company.
- XVIII. According to the information and explanations furnished to us, there are no amounts outstanding on 31st March, 2003 in respect of undisputed income tax, customs duty and excise duty which were due for more than six months from the date they became payable.
- XIX. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.
- XX. The Company is not a sick industrial company within the meaning of Clause (O) of Sub-section 1 of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
- XXI. In respect of service activities:
 - a. The Company has a reasonable system of recording receipts, issues, consumption of materials and stores and allocation of materials consumed to relative jobs
 - b. The nature of service rendered by the Company is such that allocation of man-hours consumed on different activities is not required.
 - c. There exists a reasonable system of authorization at proper levels and adequate system of internal control on issue and allocation of stores.

For BATRA SAPRA & COMPANY
Chartered Accountants

SANDEEP MANAKTALA
Partner
Membership No : 91408

PLACE : NEW DELHI
DATE : 28th JULY, 2003



1600 MW Subansiri Middle Project (Arunachal Pradesh) - Dam Site

BALANCE SHEET AS AT 31ST MARCH, 2003

		(Rs. in millions)	
SCHEDULE	31st MARCH,2003	31st MARCH,2002	
SOURCES OF FUNDS			
A. SHAREHOLDERS' FUNDS			
i) Share Capital	1	66,934	52,931
ii) Share Capital deposit		1,214	6,268
iii) Government of India Fund adjustable to equity		4,258	4,258
iv) Reserves and Surplus	2	28,524	100,930
			24,201
			87,658
B. LOAN FUNDS			
i) Secured Loans	3	46,771	37,449
ii) Unsecured Loans	4	28,307	75,078
			24,723
			62,172
C. INCOME RECEIVED IN ADVANCE ON ACCOUNT OF ADVANCE AGAINST DEPRECIATION			
		8,010	6,484
D. SELF INSURANCE FOR CONTINGENCIES			
		2,132	1,784
E. DEFERRED TAX			
Net Deferred Tax Liabilities		12,935	11,329
Less: Deferred Tax recoverable		12,935	11,329
		-	-
TOTAL		186,150	158,098
APPLICATION OF FUNDS			
A. FIXED CAPITAL EXPENDITURE			
i) Fixed Assets	5	82,809	81,135
a) Gross Block		16,722	15,267
Less:- Depreciation			
b) Net Block		66,087	65,868
ii) Capital Work-in-Progress	6	70,780	52,183
iii) Construction Stores and Advances	7	6,217	143,084
			5,255
			123,306
B. INVESTMENTS			
	8	25,379	19,650
C. CURRENT ASSETS, LOANS AND ADVANCES			
i) Interest accrued but not due on investments	9	-	825
ii) Inventories		641	837
iii) Contract Work-in-Progress		105	11
iv) Sundry Debtors		14,938	12,715
v) Cash and Bank Balances		6,023	5,417
vi) Other Current Assets		763	532
vii) Loans and Advances		3,189	25,659
			2,109
			22,446
Less: Current Liabilities and Provisions			
i) Liabilities	10	3,698	4,161
ii) Provisions		4,155	3,163
iii) Development Surcharge (held in trust)		131	7,984
			-
NET CURRENT ASSETS			17,675
			15,122
D. MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)	11	12	20
TOTAL		186,150	158,098
ACCOUNTING POLICIES			
20			
NOTES TO THE ACCOUNTS AND CONTINGENT LIABILITIES			
21			

Schedule 1 to 21 form integral part of the Accounts

As per our attached report of even date

For BATRA SAPRA & COMPANY
Chartered AccountantsSANDEEP MANAKTALA
Partner
Membership No. 91408

For and on behalf of the BOARD OF DIRECTORS

VIJAY GUPTA
SecretaryS.K.GARG
Director (Finance)YOGENDRA PRASAD
Chairman & Managing DirectorPLACE : NEW DELHI
DATED : 28th JULY, 2003

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2003

		(Rs. in millions)	
	SCHEDULE	31st MARCH, 2003	31st MARCH, 2002
INCOME			
i) Sales		13,249	13,496
Less: Advance against depreciation		<u>1,526</u>	<u>1,286</u>
ii) Contracts and Consultancy	12	536	1,144
iii) Other Income	13	<u>2,493</u>	<u>2,160</u>
TOTAL INCOME		14,752	15,514
EXPENDITURE			
i) Generation, Administration and Other Expenses	14	1,244	1,412
ii) Employees' Remuneration and Benefits	15	1,601	1,492
iii) Depreciation		1,404	2,316
iv) Interest and Finance charges	16	3,779	4,388
v) Contract and Consultancy Expenses	17	310	712
vi) Provisions	18	801	-
vii) Prior period adjustment (Net)	19	<u>63</u>	<u>63</u>
TOTAL EXPENDITURE		9,202	10,383
PROFIT BEFORE TAX		5,550	5,131
Provision for Taxation			
i) Current Tax		437	422
ii) Adjustments Relating to Earlier Years		8	-
iii) Deferred tax		1,606	2,198
Less: Deferred Tax Recoverable Adjustment		<u>1,606</u>	<u>2,198</u>
PROFIT AFTER TAX		5,105	4,709
Balance brought forward from last year's account		<u>8,346</u>	<u>4,137</u>
DISPOSABLE PROFIT		13,451	8,846
Appropriations -			
i) Interim dividend		500	-
ii) Proposed Final Dividend		250	500
iii) Corporate Dividend Tax		32	-
Balance carried to Balance Sheet		12,669	8,346
		13,451	8,846
EARNING PER SHARE (BASIC) (RUPEES)		81.69	91.05
FACE VALUE (RUPEES)		1000 /-	1000 /-
ACCOUNTING POLICIES		20	
NOTES TO THE ACCOUNTS AND CONTINGENT LIABILITIES		21	

Schedule 1 to 21 form integral part of the Accounts

As per our attached report of even date

For BATRA SAPRA & COMPANY
Chartered Accountants

SANDEEP MANAKTALA
Partner
Membership No. 91408

For and on behalf of the **BOARD OF DIRECTORS**

VIJAY GUPTA
Secretary

S.K.GARG
Director (Finance)

YOGENDRA PRASAD
Chairman & Managing Director

PLACE : NEW DELHI
DATED : 28th JULY, 2003

SCHEDULE-1 SHARE CAPITAL

		(Rs. in millions)	
		31st MARCH,2003	31st MARCH,2002
A. AUTHORISED			
100,000,000 Equity Shares (Previous year 70,000,000) of Rs.1000/- each.		<u>100,000</u>	<u>70,000</u>
B. ISSUED , SUBSCRIBED AND PAID UP			
66,933,897 Equity Shares (Previous year 52,930,547) of Rs.1000/- each fully paid up (Out of above, 6,29,529 Shares have been allotted for consideration other than cash pursuant to agreement with government of India and one Share has been allotted for part consideration other than cash.)		66,934	52,931
TOTAL		<u>66,934</u>	<u>52,931</u>

SCHEDULE-2 RESERVES AND SURPLUS

		(Rs. in millions)		
	1st.APRIL,2002	ADDITIONS	DEDUCTIONS	31st.MARCH,2003
A. CAPITAL RESERVE (SALE OF FIXED ASSETS)	1	-	-	1
B. BOND REDEMPTION RESERVE	2,654	-	-	2,654
C. GENERAL RESERVE	<u>13,200</u>	-	-	<u>13,200</u>
	15,855			15,855
D. SURPLUS AS PER PROFIT & LOSS ACCOUNT	8,346	5,105	782	12,669
TOTAL	<u>24,201</u>	<u>5,105</u>	<u>782</u>	<u>28,524</u>

SCHEDULE-3 LOAN FUNDS - SECURED

(Rs. in millions)

	31st MARCH,2003	31st MARCH,2002
LONG TERM LOANS		
A. BONDS (Non-convertible and Non-cumulative)		
i) BONDS - J SERIES *2 (PRIVATE PLACEMENT) 16.5% 7 year bonds of Rs.1,000/- each redeemed at par on 21.07.2002	-	250
ii) BONDS-L SERIES *2 (PRIVATE PLACEMENT) 16% 7 Year Bonds of Rs.1,000/- each redeemable at par on 31.03.2004 (Due for redemption within one year Rs. 633 millions)	633	633
10.5%(Tax-Free) 7 Year Bonds of Rs.1,000/- each redeemable at par on 31.03.2004 (Due for redemption within one year Rs. 510 millions)	510 1,143	510 1,143
iii) BONDS-M SERIES *5 (PRIVATE PLACEMENT) 9.55% 5 Year Bonds of Rs.1,00,000/- each redeemable at par on 07.01.2007 (Due for redemption within one year Rs. Nil millions)	4,300	4,300
iv) BONDS-N SERIES *8 (NOTE 1) 6.50% 32 months bond of Rs. 1,00,00,000/- each redeemable at par in 5 equal 6 monthly instalments starting from 15.11.2003 (Due for redemption within one year Rs. 140 millions)	700	-
v) BONDS-O SERIES *2 (NOTE 1) 7.7% 15 year Bonds of Rs. 10,00,00,000/- each with 10 Separately transferable redeemable principal parts (STRPP) and each Separately transferable redeemable principal parts comprises 1/10th of face value of bond. Earliest redemption 31.03.2009. (Due for redemption within one year Rs. Nil millions)	5,700	-
vi) INTEREST ACCRUED AND DUE	1	-
B. TERM LOANS		
i) BANK OF INDIA *1 (Due for repayment within one year Rs. Nil millions.) (Repayable in 8 equal quarterly instalment From 28.03.2007 onwards)	500	500
ii) BANK OF MAHARASHTRA *1 (Due for repayment within one year Rs. Nil millions.) (Repayable in 5 equal yearly instalment - 02.11.2007 onwards)	500	500
iii) CANARA BANK *1 (Due for repayment within one year Rs. 200 millions.) (Repayable in 5 equal yearly instalment w.e.f. 27.03.2004)	1,000	1,000
iv) CANARA BANK *1 (Due for redemption within one year Rs. Nil millions) (Repayable in 3 equal annual instalments w.e.f 26.09.2006 onwards)	1,000	1,000
v) INDIAN OVERSEAS BANK *1 (Due for redemption within one year Rs. Nil millions) (Repayable in 4 equal yearly instalments w.e.f 06.12.2008 onwards)	500	500

SCHEDULE-3 LOAN FUNDS - SECURED

		(Rs. in millions)	
		31st MARCH,2003	31st MARCH,2002
vi)	INDIAN BANK *1 (Due for repayment within one year Rs. Nil millions.) (Repayable on 19.12.2005)	1,000	1,000
vii)	LIFE INSURANCE CORPORATION OF INDIA *1 (Due for repayment within one year Rs. Nil millions.) (Repayable on 15.02.2005)	1,000	1,000
viii)	LIFE INSURANCE CORPORATION OF INDIA *1 (Due for repayment within one year Rs. Nil millions.) (Repayable on 15.03.2005)	1,500	1,500
ix)	LIFE INSURANCE CORPORATION OF INDIA *1 (Due for repayment within one year Rs. Nil millions.) (Repayable on 15.09.2005)	1,500	1,500
x)	PUNJAB NATIONAL BANK *1 (Due for repayment within one year Rs. Nil millions.) (Repayable on 01.10.2008)	500	500
xi)	PUNJAB NATIONAL BANK *1 (Due for repayment within one year Rs. Nil millions.) (Repayable on 3.12.08)	500	500
xii)	STATE BANK OF PATIALA *1 (Due for repayment within one year Rs. Nil millions.) (Repayable on 9.01.07)	400	400
xiii)	STATE BANK OF INDORE *1 (Due for repayment within one year Rs. 133.33 millions.) (Repayable in 3 equal yearly instalments w.e.f 22.12.2003 onwards)	400	400
xiv)	STATE BANK OF SAURASHTRA *1 (Due for repayment within one year Rs. Nil millions.) (Repayable in 3 equal yearly instalments w.e.f 11.09.2006 onwards)	500	500
xv)	STATE BANK OF HYDERABAD *1 (Due for repayment within one year Rs. Nil millions.) (Repayable in 5 equal yearly instalments w.e.f 20.07.2004 onwards)	600	600
xvi)	BANK OF MAHARASHTRA *2 (Due for repayment within one year Rs. Nil millions.) (Repayable on 02.02.2005)	1,000	1,000
xvii)	CORPORATION BANK *2 (Due for repayment within one year Rs. 1,000 millions.)	1,000	1,000
xviii)	CANARA BANK *2 (Due for repayment within one year Rs. 214.29 millions.) (Being repaid in 7 Equal instalments w.e.f 26.03.2000)	643	857
xix)	CENTRAL BANK OF INDIA *2 (Due for repayment within one year Rs. 100 millions.) (Being repaid in 5 Equal yearly instalments w.e.f 30.07.2000)	200	300
xx)	HOUSING DEVELOPMENT FINANCE CORPORATION Ltd. *2 (Due for repayment within one year Rs. 17.18 millions.) (Being repaid in EMI's over a period of 7 years ending on 01/2004)	17	36
xxi)	I C I C I BANK Ltd. *2 (Due for repayment within one year Rs. 1,000 millions.)	1,000	1,000
xxii)	I C I C I BANK Ltd. *2 (Due for repayment within one year Rs. 500 millions.) (Being repaid in 3 equal yearly instalments w.e.f 11.05.2002)	1,000	1,500

SCHEDULE-3 LOAN FUNDS - SECURED

(Rs. in millions)

	31st MARCH,2003	31st MARCH,2002
xxiii) I C I C I BANK Ltd. *2 (Due for repayment within one year Rs. 500 millions.) (Being repaid in 3 equal yearly instalments w.e.f 28.07.2002)	1,000	1,500
xxiv) INDUSTRIAL DEVELOPMENT BANK OF INDIA *2 (Due for repayment within one year Rs. 2,000 millions.)	2,000	3,000
xxv) INDIAN OVERSEAS BANK *2 (Due for repayment within one year Rs. 500 millions.)	500	500
xxvi) ORIENTAL BANK OF COMMERCE *2 (Due for repayment within one year Rs. Nil millions.) (Repayable on 27.09.2004)	1,000	1,000
xxvii) STATE BANK OF INDIA Term loan *2 (Due for redemption within one year Rs. Nil millions) (Repayable on 28.06.2009)	4,000	2,000
xxviii) STATE BANK OF PATIALA *2 (Due for repayment within one year Rs. 166.67 millions.) (Being repaid in 3 equal yearly instalments w.e.f 03.02.2003)	333	500
xxix) BANK OF INDIA *4 (Due for repayment within one year Rs. Nil millions.) (Repayable in 10 years in 40 equal quarterly instalments w.e.f 24.12.2006)	810	410
xxx) CENTRAL BANK OF INDIA *4 (Due for repayment within one year Rs. 50 millions.) (Subject to commission date being July '2003) (Repayment in 20 half yearly instalments of 50 millions)	810	310
xxxi) HOUSING DEVELOPMENT FINANCE CORPORATION LTD. *4 (Due for repayment within one year Rs. Nil millions.) (Repayable in 14 equal half yearly instalments w.e.f. 13.02.2009)	910	310
xxxii) PUNJAB & SIND BANK *4 (Due for repayment within one year Rs. Nil millions.) (Repayable in 40 quarterly instalments in 10 years w.e.f 24.10.2006)	700	310
xxxiii) PUNJAB NATIONAL BANK *4 (Due for repayment within one year Rs. Nil millions.) (Repayment in 10 years in 20 half yearly instalments After moratorium of 5 years from date of first disbursal i.e. 18.09.2001 OR one year from commercial operating date, whichever is earlier.)	1,200	470
xxxiv) STATE BANK OF PATIALA *4 (Due for repayment within one year Rs. Nil millions.) (Repayment in 14 half yearly instalments w.e.f 30.01.2007)	400	160
xxxv) STATE BANK OF HYDERABAD *4 (Due for repayment within one year Rs. Nil millions.) (Repayment in 14 half yearly instalments in 7 years w.e.f 07.01.2007)	400	160
xxxvi) STATE BANK OF INDIA *4 (Due for repayment within one year Rs. Nil millions.) (Repayment in 14 half yearly instalments w.e.f 18.09.2006)	1,200	770
xxxvii) CANARA BANK *6 (Due for repayment within one year Rs. Nil millions.) (Repayable in 4 equal yearly instalments w.e.f 28.6.2009 onwards)	500	-
xxxviii) LIFE INSURANCE CORPORATION OF INDIA *7 (Due for repayment within one year Rs. Nil millions.) (Repayable in 24 half yearly instalments in 12 years w.e.f 15.04.2009)	1,000	-
xxxix) INTEREST ACCRUED AND DUE (CENTRAL BANK OF INDIA)	1 33,024	- 28,493

SCHEDULE-3 LOAN FUNDS - SECURED

	(Rs. in millions)	
	31st MARCH,2003	31st MARCH,2002
xli) WORKING CAPITAL DEMAND LOAN FROM BANKS (short term) *3	712	2,090
xlii) CASH CREDIT FROM BANKS (short term) *3	1,191	1,173
TOTAL SECURED LOANS	46,771	37,449

Note :-

- *1) Secured by pari-passu charge by way of Equitable Mortgage/Hypothecation against Immovable/ Moveable assets of Corporation's Chamera Power Station situated in the state of Himachal Pradesh except for Book Debts and Stores.
- *2) Secured by pari-passu charge by way of Equitable Mortgage/Hypothecation against Immovable/ Moveable assets of Corporation's Uri Power Station situated in the state of Jammu & Kashmir except for book debts and stores.
- *3) Secured by hypothecation against Debtors and O & M Stores.
- *4) Secured by pari-passu charge by way of Equitable Mortgage/ Hypothecation against Immovable/ Moveable assets of Corporation's Chamera HE Project Stage - II situated in the state of Himachal Pradesh.
- *5) Secured by a first pari-passu charge by way of Equitable Mortgage/ Hypothecation against the assets of the Corporation's Rangit Power Station situated in the state of Sikkim subject to prior charge of Bankers against book debts and stores.
- *6) Secured by exclusive charge by way of equitable mortgage/hypothecation against the assets of the Corporation's Loktak Power Station situated in the state of Manipur.
- *7) Secured by a first charge by way of first mortgage and hypothecation against the immovable and moveable assets of the Corporation's Parbati HE Project Stage-II situated in the state of Himachal Pradesh.
- *8) Secured by a first pari-passu mortgage and charge over all the immovable and moveable assets of the Corporation's Bairasiul Power Station situated in the state of Himachal Pradesh.

Note-1)

N' and 'O' Series of bonds were allotted on 15th March 2003 and 31st March 2003 respectively. Pending finalisation of documents relating to execution of Trust Deed / Trustee Agreement with the Trustees, M/s UTI Bank Limited: for both the series of bonds security could not be created on the date of the Balance Sheet. However charge by hypothecation has been created on 06.06.2003 in respect of 'N' & 'O' series bonds. Mortgage of 'N' & 'O' series bonds is under process.

SCHEDULE-4 LOAN FUNDS - UNSECURED

(Rs.in millions)

	31st MARCH,2003	31st MARCH,2002
A. SHORT TERM LOANS		
i) BANK OF MAHARASHTRA (Due for repayment within one year Rs. 500 millions.)	500	-
ii) BANK OF INDIA (Due for repayment within one year Rs. Nil millions.)	-	500
iii) CORPORATION BANK (Due for repayment within one year Rs. Nil millions.)	-	500
iv) HDFC BANK LTD. (Due for repayment within one year Rs. 750 millions.)	750	-
v) INDIAN BANK (Due for repayment within one year Rs. 500 million.)	500	400
vi) ORIENTAL BANK OF COMMERCE (Due for repayment within one year Rs. 500 millions.)	500	-
vii) STATE BANK OF MYSORE (Due for repayment within one year Rs. Nil millions.)	-	500
viii) STATE BANK OF PATIALA (Due for repayment within one year Rs. 400 millions.)	400	400
ix) STATE BANK OF INDORE (Due for repayment within one year Rs. Nil millions.)	-	500
x) STATE BANK OF SAURASHTRA (Due for repayment within one year Rs. 500 millions.)	500	500
xi) UNITED BANK OF INDIA (Due for repayment within one year Rs. 1,000 millions.)	1,000	-
xii) UNION BANK OF INDIA (Due for repayment within one year Rs. 1,000 millions.)	1,000	-
	5,150	3,300
B. LOAN FROM GOVERNMENT OF INDIA (Due for repayment within one year Rs NIL millions.)	-	287
C. TERM LOANS		
LOAN FROM OTHERS		
i) EXPORT DEVELOPMENT CORPORATION (Due for repayment within one year Rs. Nil millions.)	-	843
LOAN FROM OTHERS (Guaranteed by Government of India)		
i) WEST LB (FORMERLY WEST MERCHANT BANK LIMITED) (Due for repayment within one year Rs. Nil millions.)	-	1,015
ii) SKANDINAVISKA ENSKILDA BANKEN AB (Due for repayment within one year Rs. 1,088.96 millions.)	3,267	4,048
iii) NORDIC INVESTMENT BANK (Due for repayment within one year Rs. 240.21 millions.)	1,922	2,216
iv) CREDIT COMMERCIAL DE FRANCE (Due for repayment within one year Rs. 872.52 millions.)	6,551	6,137
v) EXPORT DEVELOPMENT CORPORATION (Due for repayment within one year Rs.227.80 millions.)	3,808	2,156
vi) JAPAN BANK OF INTERNATIONAL COOPERATION - (FORMERLY O.E.C.F) TRANCHE-I (Due for repayment within one year Rs. Nil millions.)	1,984	1,787
vii) JAPAN BANK OF INTERNATIONAL COOPERATION-(FORMERLY O.E.C.F) TRANCHE-II (Due for repayment within one year Rs. Nil millions.)	4,999	2,934
viii) DEUTSCHE BANK AND OTHERS (Due for repayment within one year Rs. Nil millions.)	626	-
	23,157	21,136
TOTAL UNSECURED LOAN	28,307	24,723

SCHEDULE-5 FIXED ASSETS

(Rs.in millions)

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	1.4.2002	Additions/ Adjustments	Deductions/ Adjustments	31.3.2003	Upto 1.4.2002	For the year*	Adjust- ments**	Upto 31.3.2003	31.3.2003	31.3.2002
i) Land Freehold	1,533	127	1	1,659	-	-	-	-	1,659	1,533
ii) Land Leasehold	186	55	-	241	20	3	-	23	218	166
iii) Land Unclassified	223	115	-	338	-	-	-	-	338	223
iv) Buildings	7,579	490	6	8,063	1,673	165	2	1,840	6,223	5,906
v) Roads and Bridges	978	183	5	1,156	219	10	-	229	927	759
vi) Construction Plant and Machinery	707	10	35	682	316	46	(33)	329	353	391
vii) Generating Plant and Machinery	19,586	411	5	19,992	4,455	367	-	4,822	15,170	15,131
viii) Sub-Station Equipments	495	3	-	498	133	(4)	-	129	369	362
ix) Hydraulic Works (Dams, Tunnels, etc.)	47,902	220	6	48,116	7,466	866	4	8,336	39,780	40,436
x) Vehicles	292	43	8	327	175	20	(5)	190	137	117
xi) Furniture Fixture and Equipments	500	132	9	623	166	93	(2)	257	366	334
xii) Transmission Lines	228	13	-	241	114	1	-	115	126	114
xiii) Miscellaneous Assets / Equipments	289	80	9	360	80	18	(3)	95	265	209
xiv) Construction Plant and Machinery Declared Surplus	551	27	170	408	364	5	(117)	252	156	187
xv) Fixed Assets Of Minor Value Upto Rs. 5000/-	86	19	-	105	86	19	-	105	-	-
TOTAL	81,135	1,928	254	82,809	15,267	1,609	(154)	16,722	66,087	65,868
<i>Previous Year</i>	<i>78,927</i>	<i>2,373</i>	<i>165</i>	<i>81,135</i>	<i>12,801</i>	<i>2,521</i>	<i>(55)</i>	<i>15,267</i>	<i>65,868</i>	<i>66,126</i>

* Depreciation for the year is allocated as given below :-

A) Profit and loss account	1404
B) Incidental Expenditure During Construction	203
C) Contract and Consultancy Expenses	2
	1609

** Includes Prior Period Adjustments of Rs. 15 millions

SCHEDULE-6 CAPITAL WORK-IN-PROGRESS

(Rs.in millions)

	1.4.2002	ADDITIONS	ADJUST- MENTS	CAPITALISED	31.03.2003
i) Survey, Investigation and Other Expenses	474	162	(18)	-	618
ii) Buildings, Civil Engineering Works and Communications	2,167	882	(13)	416	2,620
iii) Roads and Bridges	688	373	3	179	885
iv) Hydraulic Works, Barrages, Dams, Tunnels and Power Channel	19,637	9,498	(38)	-	29,097
v) Railway Siding	1	1	-	-	2
vi) Penstocks	204	-	-	-	204
vii) Plant and Machinery in Generating Stations	7,767	1,873	-	-	9,640
viii) Electrical Installations and Sub-Station Equipments	62	42	(1)	7	96
ix) Miscellaneous Assets	8	5	-	6	7
x) Trunk Transmission Lines	139	31	-	13	157
xi) Exchange Rate Variation	224	(27)	(197)	-	-
xii) Incidental Expenditure During Construction (Annexure to Schedule-6)	20,812	6,728	(86)	-	27,454
TOTAL	52,183	19,568	(350)	621	70,780
<i>Previous year</i>	<i>37,108</i>	<i>19,518</i>	<i>(3,813)</i>	<i>630</i>	<i>52,183</i>

ANNEXURE TO SCHEDULE-6 INCIDENTAL EXPENDITURE DURING CONSTRUCTION

(Rs. in millions)

	31st MARCH,2003	31st MARCH,2002
A. EMPLOYEES' REMUNERATION AND BENEFITS		
i) Salaries, wages, allowances and benefits	1,832	1,552
ii) Gratuity and contribution to provident fund (Including administration fee)	385	381
iii) Staff welfare expenses	241	158
iv) Leave salary and pension contribution	13	14
	2,471	2,105
B. REPAIRS AND MAINTENANCE		
i) Buildings	34	26
ii) Machinery and construction equipments	18	20
iii) Others	97	70
	149	116
C. ADMINISTRATION AND OTHER EXPENSES		
i) Rent	94	73
ii) Rates and taxes	7	3
iii) Electricity charges	59	38
iv) Insurance	19	16
v) Travelling and conveyance	84	67
vi) Expenses on staff cars and inspection vehicles	85	70
vii) Telephone, telex and postage	25	28
viii) Advertisement and publicity	33	23
ix) Foreign consultancy charges	6	7
x) Design and consultancy charges	6	5
xi) Expenses on compensatory afforestation / catchment area treatment	42	78
xii) Entertainment	2	1
xiii) Printing and stationery	30	25
xiv) Expenditure on land not belonging to corporation	119	240
xv) Land acquisition and rehabilitation	7	12
xvi) Payment to auditors	2	2
xvii) Security expenses	125	93
xviii) Other expenses	101	68
xix) Loss on material/assets written off	8	2
	854	851
D. INTEREST AND FINANCE CHARGES		
i) Interest on Government of India loan	10	42
ii) Interest on bonds	109	130
iii) Interest on foreign loan	938	668
iv) Interest on cash credit facilities/term loan	1,206	745
v) Bond issue expenses	18	-
vi) Commitment fee	24	48
vii) Guarantee fee on foreign loan	156	112
viii) Other finance charges	762	48
	3,223	1,793
E. EXCHANGE RATE VARIATION (NET)	323	-
F. DEPRECIATION	203	198
G. PRIOR PERIOD EXPENSES (NET)		
i) INCOME	-	1
Less :-		
ii) EXPENDITURE		
a) Salaries, wages, allowances and benefits	5	-
b) Repairs and maintenance	-	1
c) Others	(14)	82
d) Depreciation	(1)	4
e) Interest	-	1
	(10)	87
TOTAL EXPENDITURE	7,213	5,150
LESS: RECEIPTS AND RECOVERIES		
i) Hire charges/out turn of plant and machinery	8	10
ii) Interest on loans and advances	237	157
iii) Miscellaneous receipts and recoveries	77	67
iv) Profit on sale of assets	19	1
v) Provisions / liability not required written back	2	49
TOTAL RECEIPTS AND RECOVERIES	343	284
NET EXPENDITURE	6,870	4,866
LESS: Share of corporate office allocated to operational and maintenance projects and deposit / turn-key contracts.	142	161
AMOUNT TRANSFERRED TO CAPITAL WORK- IN- PROGRESS	6,728	4,705

SCHEDULE-7 CONSTRUCTION STORES AND ADVANCES

	(Rs. in millions)	
	31st MARCH,2003	31st MARCH,2002
A. CONSTRUCTION STORES		
(At cost as valued and certified by management)		
i) Construction material in transit	203	7
ii) Stores	<u>783</u> 986	<u>984</u> 991
B. ADVANCE FOR CAPITAL EXPENDITURE		
i) Secured (considered good)	2,350	2,649
ii) Unsecured (considered good)	<u>2,881</u> 5,231	<u>1,615</u> 4,264
TOTAL	<u>6,217</u>	<u>5,255</u>

SCHEDULE-8 INVESTMENTS

	(Rs. in millions)	
	31st MARCH,2003	31st MARCH,2002
LONG TERM		
A. INVESTMENT - SUBSIDIARY COMPANY		
UNQUOTED		
i) 6,900,000 fully paid-up equity shares of Rs. 1,000/- each in Narmada Hydroelectric Development Corporation Limited	6,900	2,095
B. INVESTMENT - OTHERS (NON TRADE)		
UNQUOTED		
i) Government of Uttar Pradesh-11% Redeemable-Bonds in the nature of promissory note	3,000	3,000
ii) Uttar Pradesh Power Corporation Limited-12% Redeemable-Bonds/promissory note in lieu of Bonds	2,873	2,873
Interest accrued and due	539	172
iii) Haryana Vidut Prasaran Nigam Limited-11.89% Redeemable non-convertible non-cumulative-Bonds	3,000	3,000
Interest accrued and due	531	178
iv) Haryana Vidut Prasaran Nigam Limited-11% Redeemable non-convertible non-cumulative-Bonds	500	500
Interest accrued and due	82	28
v) Government of Jammu & Kashmir-12% Redeemable non-convertible-Bonds	7,200	7,200
Interest accrued and due	54	-
vi) Punjab State Electricity Board-11.85% redeemable-Bonds	600	600
Interest accrued and due	16	-
vii) 80,00,000 Fully paid-up equity shares of Rs. 10/- each in Power Trading Corporation Limited as co-promoter	80	-
QUOTED		
360800 fully paid-up equity shares of Rs. 10/- each in Indian Overseas Bank	<u>4</u>	<u>4</u>
TOTAL	<u>25,379</u>	<u>19,650</u>
NOTE :		
QUOTED INVESTMENT		
Book Value	4	4
Market Value	6	3

SCHEDULE-9 CURRENT ASSETS, LOANS AND ADVANCES

(Rs. in millions)

	31st MARCH,2003	31st MARCH,2002
CURRENT ASSETS		
A. INTEREST ACCRUED BUT NOT DUE ON INVESTMENT	-	825
B. INVENTORIES		
(As taken, valued and certified by management)		
i) Stores and spares	643	847
ii) Loose tools	<u>1</u>	<u>2</u>
	644	849
Less: Provisions	<u>3</u>	<u>12</u>
	641	837
C. CONTRACT WORK-IN-PROGRESS	105	11
D. SUNDRY DEBTORS (UNSECURED)		
i) Debts due over six months	11,655	8,524
ii) Other debts	<u>4,043</u>	<u>4,966</u>
	15,698	13,490
Less: Provisions	<u>760</u>	<u>775</u>
	14,938	12,715
PARTICULARS OF SUNDRY DEBTORS (Unsecured)		
	2002-2003	2001-2002
i) Considered good	14,938	12,715
(Includes Rs. 38 millions due from Narmada Hydro Development Corporation Limited (Previous year 57 millions))		
ii) Considered doubtful and provided	760	775
E. CASH AND BANK BALANCES		
Cash, Imprest, cheques and drafts in hand	229	5,358
i) Balances with scheduled banks in		
a) Current account	2,570	32
b) Deposit account(short term) *	<u>3,221</u>	<u>1</u>
ii) Balances with non-scheduled banks (With Bank of Bhutan)		
Current account	<u>3</u>	<u>26</u>
	6,023	5,417
F. OTHER CURRENT ASSETS		
i) Interest accrued on deposits	1	-
ii) Others	764	532
Less: Provisions	<u>2</u>	<u>-</u>
	763	532
G. LOANS AND ADVANCES		
i) Advances recoverable from subsidiaries	40	5
ii) Loans to employees (unsecured- considered good)	718	548
iii) Advances recoverable in cash or kind or for value to be received		
a) Unsecured(considered good)	292	239
b) Unsecured(considered doubtful)	<u>5</u>	<u>6</u>
Less: Provision for doubtful advances	297	245
	292	239
iv) Inter corporate loan -unsecured (considered good)	1,000	-
v) Advance tax deposit and tax deducted at source	821	918
vi) Other recoverable -		
Due from Power Grid Corporation of India Ltd.	<u>318</u>	<u>399</u>
	3,189	2,109
TOTAL	25,659	22,446

* Deposit account(short term) includes Rs 21 millions in the name of PNB Capital services limited trustee account on account of unclaimed redemption amount of 'C' series Bond.

A. PARTICULARS OF MAXIMUM BALANCE DURING THE YEAR WITH NON-SCHEDULED BANKS

	2002-2003	2001-2002
Bank of Bhutan		
i) Current account	5	213
ii) Term deposit	-	50

B. PARTICULARS OF LOANS AND ADVANCES DUE FROM DIRECTORS

	2002-2003	2001-2002
i) Amount due at the end of the year	0.62	0.80
ii) Maximum balance at any time during the year	0.83	1.00
Advance due by companies in which any Director of the Corporation is a Director or member amounts to Rs NIL (Previous year Rs. NIL)		

C. PARTICULARS OF MAXIMUM BALANCE DURING THE YEAR WITH SUBSIDIARY COMPANY

	2002-2003	2001-2002
Narmada Hydroelectric Development Corporation Limited	1,000	57

SCHEDULE-10 CURRENT LIABILITIES AND PROVISIONS

	(Rs. in millions)	
	31st MARCH,2003	31st MARCH,2002
A. LIABILITIES		
i) Sundry creditors		
a) Total outstanding dues of small scale industrial undertaking(s). (due over 30 days nil)	-	1
b) Others	1,897	2,585
ii) Unspent amount of deposit/agency	16	13
iii) Deposits/retention money	648	312
iv) Interest accrued but not due on loans	387	803
v) Advances against cost of project	54	54
vi) Advances from contractee's	101	33
vii) Other liabilities	595	360
	3,698	4,161
B. PROVISIONS		
i) Taxation	863	830
ii) Proposed dividend	250	500
iii) Tax on proposed dividend	32	-
iv) Provision for incentive (bonds)	801	-
v) Provision for wage revision	-	1
vi) Provision for exgratia	68	68
vii) Provision for leave encashment	482	343
viii) Provision for gratuity	1,243	916
ix) Provision for retired employees health scheme	306	225
x) Provision for contingencies	110	280
	4,155	3,163
C. DEVELOPMENT SURCHARGE (HELD IN TRUST)		
Development Surcharge - Billed	1,105	-
Less - Receivable	581	-
Less : - Invested in corporate liquidity term deposit account	393	-
Development surcharge - Investable	131	-
TOTAL	7,984	7,324

SCHEDULE-11 MISCELLANEOUS EXPENDITURE

(TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED)

	(Rs. in millions)	
	31st MARCH,2003	31st MARCH,2002
i) Deferred revenue expenses	12	20
ii) Losses awaiting write off sanction	46	37
Less : Provided for	<u>46</u>	<u>37</u>
TOTAL	12	20

SCHEDULE-12 CONTRACTS AND CONSULTANCY INCOME

	(Rs. in millions)	
	31st MARCH,2003	31st MARCH,2002
i) Contract income	372	1,070
Add : Contract work-in-progress - closing	105	11
Less: Contract work-in-progress - opening	<u>11</u>	<u>18</u>
ii) Consultancy income	466	1,063
	<u>70</u>	<u>81</u>
TOTAL	536	1,144

SCHEDULE-13 OTHER INCOME

	(Rs. in millions)	
	31st MARCH,2003	31st MARCH,2002
i) Income from short term deposit	-	9
ii) Interest on bonds	1,181	1,988
iii) Interest on loans and advances	11	7
iv) Dividend income (gross)	1	-
v) Surcharge	1,221	65
vi) Profit on sale of assets	17	17
vii) Provisions / liability not required written back	16	59
viii) Income from scrap	1	4
ix) Interest on corporate loan	4	-
x) Interest on term loan and saving bank	1	-
xi) Other miscellaneous income	40	11
TOTAL	2,493	2,160

SCHEDULE-14 GENERATION, ADMINISTRATION AND OTHER EXPENSES

	(Rs. in millions)	
	31st MARCH,2003	31st MARCH,2002
i) Consumption of stores and spares	27	69
ii) Repairs & maintenance -		
a) Buildings	39	36
b) Machinery	157	160
c) Others	<u>109</u>	<u>134</u>
iii) Miscellaneous operational expenses	305	330
iv) Rent	31	19
v) Rates and taxes	5	3
vi) Insurance	3	1
vii) Self Insurance for contingencies	3	5
viii) Security expenses	387	386
ix) Electricity charges	141	174
x) Travelling and conveyance	5	6
xi) Expenses on staff car	26	21
xii) Telephone, telex and postage	20	21
xiii) Advertisement and publicity	12	9
xiv) Donation (Rs. 50,000/-)	4	5
xv) Printing and stationery	-	-
xvi) Corporate office management expenses	6	4
xvii) Diminution in value of stores & spares	128	131
xviii) Project expenses written off	65	63
xix) Loss on sale of assets	-	119
xx) Deferred revenue expenditure written off	5	4
xxi) Other general expenses	8	8
xxii) Exchange rate variation	66	23
	<u>(3)</u>	<u>11</u>
TOTAL	1,244	1,412

SCHEDULE-15 EMPLOYEES REMUNERATION AND BENEFITS

	(Rs. in millions)	
	31st MARCH,2003	31st MARCH,2002
i) Salaries, wages and allowances	1,149	1,068
ii) Gratuity and contribution to provident fund (Including administration fees)	245	265
iii) Staff welfare expenses	207	159
TOTAL	1,601	1,492

SCHEDULE-16 INTEREST AND FINANCE CHARGES

	(Rs. in millions)	
	31st MARCH,2003	31st MARCH,2002
i) Interest on loans		
a) Government of India loans	3	520
b) Bonds	474	461
c) Foreign loans	224	448
d) Term loan	2,569	3,270
ii) Interest on cash credit facilities	118	318
iii) Bond expenses	13	9
iv) Rebate to customers	267	234
v) Guarantee fee on foreign loans	87	109
vi) Other finance charges	24	4
TOTAL	3,779	4,388

SCHEDULE-17 CONTRACT AND CONSULTANCY EXPENSES

	(Rs. in millions)	
	31st MARCH,2003	31st MARCH,2002
A. DIRECT EXPENSES (Includes labour, materials, assets and payment to contractors/suppliers)	198	520
B. EMPLOYEES' REMUNERATION AND BENEFITS		
i) Salaries, wages, allowances and benefits	37	87
ii) Gratuity and contribution to provident fund	6	10
iii) Staff welfare expenses	2	2
C. REPAIRS AND MAINTENANCE	45	99
i) Buildings	2	1
ii) Machinery and construction equipments	-	10
iii) Others	5	6
D. ADMINISTRATION AND OTHER EXPENSES	7	17
i) Rent	1	3
ii) Travelling and conveyance	6	11
iii) Expenses on staff cars and inspection vehicle	4	6
iv) Insurance	1	3
v) Telephone, telex and postage	2	4
vi) Advertisement and publicity	1	1
vii) Printing and stationery	1	1
viii) Corporate office management expenses	14	30
ix) Contingencies	-	49
x) Other expenses	41	8
E. DEPRECIATION	71	116
TOTAL EXPENDITURE	2	6
LESS: RECEIPTS AND RECOVERIES	323	758
i) Miscellaneous	10	41
ii) Provisions / liability not required written back	2	1
NET EXPENDITURE DURING THE YEAR	311	716
F. PRIOR PERIOD ADJUSTMENTS	(1)	(4)
TOTAL	310	712

SCHEDULE-18 PROVISIONS

		(Rs. in millions)	
		31st MARCH,2003	31st MARCH,2002
Provision for incentive- Bonds		801	-
TOTAL		801	-

SCHEDULE-19 PRIOR PERIOD ADJUSTMENT (NET)

		(Rs. in millions)	
		31st MARCH,2003	31st MARCH,2002
A. INCOME			
i) Sale of electricity		(3)	5
ii) Others		3	12
		-	17
B. EXPENDITURE			
i) Salaries and wages	13	-	-
ii) Repair and maintenance	2	1	-
iii) Interest	-	1	-
iv) Others	32	46	-
v) Depreciation	16	32	80
TOTAL		63	63

SCHEDULE – 20 SIGNIFICANT ACCOUNTING POLICIES

1. ACCOUNTING CONVENTIONS

- 1.1 The accounts of the Corporation are prepared under the historical cost convention using the accrual method of accounting.
- 1.2 Interest/Surcharge charged from customers are recognized as income on receipt or when there is reasonable certainty of collection.

2. FIXED ASSETS

- 2.1 Fixed assets are stated at cost of acquisition/construction. In cases where final settlement of bills with contractors is pending, but the asset is complete and ready for use, capitalisation is done on estimated basis subject to necessary adjustment in the year of final settlement.
- 2.2 Fixed Assets created on land not belonging to the Corporation are included under fixed assets.
- 2.3. Payments made provisionally towards compensation and other expenses relatable to land are treated as cost of land.
- 2.4 Assets procured/created in projects on grants-in-aid/agency or deposit basis are not included in the assets as ownership does not vest with the Corporation.
- 2.5 Construction equipments declared surplus are shown at lower of book value and net realisable value.

3. MACHINERY SPARES

- 3.1 Machinery spares for Generating units, Power Station and Switchyard etc. either procured alongwith the equipment or subsequently and whose use is expected to be irregular are capitalized and depreciated over the residual useful life of the related plant and machinery. Other spares are treated as “stores and spares” forming part of the inventory and expensed when issued.

4. CAPITAL WORK IN PROGRESS

- 4.1 Projects under commissioning and other capital work-in-progress are carried at cost. In respect of Projects under construction, incidental and attributable expenses including interest and depreciation on fixed assets in use during construction are carried as part of Incidental Expenditure During Construction to be allocated on major immovable Project Assets other than Land and infrastructural facilities, on commissioning of the Project.
- 4.2 Expenditure on maintenance, up gradation etc. of common public facilities in projects under construction is charged to ‘Incidental Expenditure During Construction’.

5. DEPRECIATION & AMORTISATION

- 5.1 Depreciation is charged as per Electricity (Supply) Act, 1948 on straight line method following the rates notified by regulations by the Central Electricity Regulatory Commission (CERC) constituted under the Electricity Regulatory Commissions Act, 1998 (a Central Act). In respect of assets, where rate has not been notified by regulations by the CERC, depreciation is provided on straight line method at the rates corresponding to the rates laid down under the Income Tax Act, 1961, except in case of computers and peripherals, where rates as assessed by the Company are adopted.
- 5.2 Depreciation is provided on pro rata basis in the year in which the asset becomes available for use.
- 5.3 Assets valuing Rs. 5000/- or less and such items (excluding immovable assets) with written down value of Rs. 5,000/- or less at the beginning of the year are fully depreciated.

- 5.4 Where the cost of depreciable assets has undergone a change during the year due to increase/decrease in long term liabilities on account of exchange fluctuation, the unamortised balance of such assets is depreciated prospectively over the residual life determined on the basis of the rate of depreciation.

6. INVESTMENTS

Investments are intended for long term and carried at cost.

7. INVENTORIES

- 7.1 (a) Stores & Spares other than scrap and spares of surplus construction equipments, are valued at cost on weighted average basis.
 (b) Scrap is valued at net realizable value.
 (c) Spares for surplus construction equipments are valued at lower of cost and net realizable value.
- 7.2 Loose tools issued during the year are charged to consumption account where cost of individual items is Rs. 5,000/- or less and in other cases written off in 5 yearly equated installments.
- 7.3 Stores issued for operation and maintenance at Power Stations but lying unused at site at the year end are evaluated at engineering estimates and taken as stores.

8. MISCELLANEOUS EXPENDITURE

Miscellaneous expenditure of the project is written off over a period of five years after start of commercial operation.

9. FOREIGN EXCHANGE FLUCTUATION

Transactions in foreign currency are recorded at exchange rates prevailing on the date of transaction. Monetary items denominated in foreign currency are translated at the exchange rate prevailing on the last day of the accounting year. Exchange differences arising due to repayment or restatement of liabilities relating to fixed assets is adjusted in the carrying amount of the respective fixed assets where capitalised or carried as part of Capital Work-in-progress where the asset is under construction. Gain or loss arising out of translation/conversion in other cases is transferred to Profit & Loss Account in case of Power Station and to Incidental Expenditure During Construction in case of projects under construction.

10. RETIREMENT BENEFITS

Provision for gratuity, leave encashment and post-retirement medical health scheme is made on actuarial valuation basis every year.

11. REVENUE

- 11.1 (a) Sale of energy is accounted for as per tariff notified by Central Electricity Regulatory Commission. In case of Power Station where tariff is not notified, sales are billed on provisional rates worked out based on the parameters and method adopted by the appropriate authority. Recovery/refund towards foreign currency variation in respect of foreign currency loans and recovery towards income tax are accounted for on year to year basis.
- (b) Incentives/Disincentives are recognised as per tariff notifications. In case of Power Station where tariffs have not been notified, incentives are recognized provisionally on assessment of the likelihood of acceptance of the same.
- (c) Adjustments arising out of finalisation of global accounts, though not material, are effected in the year of respective finalisation.

- (d) Advance against depreciation given as a component of tariff in the initial years to facilitate repayment of loans is reduced from Sales and considered as deferred income to be included in Sales in subsequent years.

11.2. Revenue from Contract Works on Cost Plus/ Deposit/Turnkey basis is recognised on %age of completion method as under: -

	<u>Progress of Work</u>	<u>Recognition of Revenue</u>
(a)	upto 66.67%	Nil
(b)	above 66.67 to 90%	80%
(c)	above 90%	100%

Losses including those anticipated in the contracts are recognised immediately. Provision for contingencies is made in such cases and to such extent as is considered necessary to cover any claims that may arise during the defect liability period.

11.3 In respect of Project Management/Consultancy Contracts, revenue is recognized based on the terms of agreement and the quantum of work done under the contract.

11.4 Interest on investments is accounted for on accrual basis.

12. ALLOCATION OF CORPORATE OFFICE EXPENSES

Corporate Office Expenses are allocated as under:

- On Power Station @ 1% of Sale of Energy for the year excluding taxes & duties.
- In case of construction contract works awarded to and executed by the Corporation @ 5% of the project expenditure incurred during the year.
- The balance expenditure is allocated to construction projects in the ratio of net capital expenditure incurred during the year.

13. SELF INSURANCE

0.5% p.a. of Gross Block of Power Stations as on the date of Balance Sheet is treated as 'Self Insurance for Contingencies' on year to year basis by charge to Profit and Loss Account, to be utilised for losses of Assets for specified contingencies.

14. MISCELLANEOUS

- Liabilities for Goods in transit/Capital works executed but not certified are not provided for, pending inspection and acceptance by the Corporation.
- Power supplied from Power Stations to Projects under construction is charged as per normal tariff.
- Prepaid expenses and prior period expenses/income of items of Rs.50,000/- and below are charged to natural heads of accounts.

15. BORROWING COST

Borrowing costs attributable to the Fixed Assets during construction/renovation & modernisation are capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

16. TAXES ON INCOME

Taxes on income for the current period is determined on the basis of taxable income under the Income Tax Act, 1961.

Deferred tax is recognized on timing differences between the accounting income and taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date. Deferred tax assets are recognized and carried forward to the extent there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred Tax Recovery Adjustment Account is credited/debited to the extent tax expense is chargeable from the Beneficiaries in future years on actual payment basis.

SCHEDULE – 21 NOTES TO THE ACCOUNTS

1. CONTINGENT LIABILITIES

- a) Claims against the Corporation not acknowledged as debts Rs. 10,247 millions (previous year Rs 9,964 millions). This includes Rs.757 millions (previous year Rs.757 millions) towards additional guarantee fee in respect of external commercial borrowing for which application for waiver is still pending with Government of India.
 - b) Custom Bonds for Rs.174 millions (previous year Rs. 174 millions) executed in favour of Customs Authorities by the Corporation.
 - c) Corporate Guarantee given to Bank on behalf of Narmada Hydroelectric Development Corporation Limited, a subsidiary Company of the Corporation for Rs.3,000 millions. (previous year - Nil)
2. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.31,289 millions (previous year Rs. 22,154 millions).
3. a) Salal Power Station (Stage-I) had been transferred to the Corporation w.e.f. Nov. 87 vide Ministry of Power and NCES letter Nos. 4/1/78-DO (NHPC) dated 9.2.89 and dated 12.7.1991. Pending completion of legal formalities for de jure transfer and based on legal opinion, the Assets & Liabilities of this project have been incorporated on the same terms and conditions as stipulated by the Government of India in case of transfer of other projects to the Corporation. Accordingly, an amount of Rs.3,316 millions (Rs.2,976 millions being the first 50% of estimated revised cost and Rs.340 millions being 50% of Interest During Construction) has been treated as investment from Government of India and accounted for as Government of India fund adjustable to equity.
 - b) Pending sanction from Government of India, Rs.942 millions, (previous year Rs.942 millions) being the first 50% of interest accrued during construction on Government of India loan and capitalised in respect of Chamera -I, Tanakpur, Uri and Rangit Power Stations has been shown as Government of India fund adjustable to equity.
4. a) Land owned by the Corporation has been classified into freehold and leasehold to the extent possible based on available documentation and the balance has been shown as unclassified including forestland.
 - b) Title deeds/title in respect of Land & Building of some Projects/Units amounting to Rs.461 millions, covering in area of 4,162 hectare, have yet to be executed/ passed. Expenses on stamp duty etc. relating to registration thereof will be accounted for as and when incurred.
 - c) Pending execution of lease deeds at some of the Units in Jammu and Kashmir, period of lease has been taken at 99 year except certain land at Jammu where it has been taken as 40 years and amortised accordingly.
5. a) As per Tripartite agreements entered into among Government of India, respective State Governments and Reserve Bank of India pursuant to the Government of India's scheme i.e. 'Scheme for settlement of SEB dues', 8.5% tax free bonds are to be issued by the respective State Governments for the amount of outstanding due to NHPC Limited as on 30th September, 2001. The bonds issued earlier by SEBs after 1st March, 1998 are also eligible for

conversion into 8.5% tax-free bonds to the extent of amounts outstanding as on 30.09.2001. No bonds have been issued to the Corporation by the State Governments pursuant to this scheme. The interest income on the existing bonds of Rs.17,173 millions has been recognised @ 8.5% to the extent of Rs.1,181 millions after adjusting Rs. 281 millions, being the differential of coupon rates and 8.5%, relating to the year 2001-02. The interest income on the bonds includes Rs.2 millions actually received on the bonds of Rs. 23 millions, which are yet to be received and recognised as investment.

- b) Bonds certificate for value of Rs.500 millions are yet to be received in respect of the Corporation's investments in Haryana Vidut Prasaran Nigam Limited.
 - c) As per Tripartite agreements referred to in Note No.5 (a) above, States Electricity Boards are entitled for a set of rebates. The Corporation has estimated its liability on this account to the extent of Rs.1,877 millions and has provided to the extent of Rs.801 millions leaving a gap equivalent to interest income of Rs.1,076 millions, which has not been recognised in the accounts on bonds of Rs.8,453 millions pending their receipt.
 - d) Consequent upon signing of the Tripartite agreements referred to in Note No.5 (a) above and in accordance with Accounting Policy No. 1.2 of the Corporation, Surcharge Income of Rs.1,221 millions has been recognised, after adjusting Rs.341 millions towards Interest Accrued and Due for the period upto 30.09.2001 on the existing bonds and Rs.103 millions towards reversal of surcharge.
6. As per order of Central Electricity Regulatory Commission, NHPC being a generating Company is entitled to a Development Surcharge of 5% on both capacity & primary energy charges for the purpose of capacity addition and project development activities. The Generating Company is to maintain separate accounts in its books and reflect the balance in the Development Surcharge Reserve Account and the investment represented against the same in their Balance Sheet. The fund is to be utilised in a specified manner. No amount out of the said reserve has been utilised during the year. Accordingly, the net of development surcharge reserve account and the investment represented against the same has been shown under Current Liabilities.
 7. Sales include Rs.421 millions (previous year Rs.395 millions) as charges yet to be billed on the Beneficiaries towards income tax for the current year.
 8.
 - a) Balances shown under Material issued to contractors, claims recoverable (including from Power Grid Corporation of India Limited and Insurance companies), advance for Capital Expenditure, Sundry Debtors, Advances to Contractors, Sundry Creditors and Deposits/Earnest money from contractors are subject to reconciliation/confirmation and respective consequential adjustments.
 - b) A sum of Rs.28 millions, Rs.27 millions, Rs. 10 millions, Rs. 4 millions and Rs.21 millions included in Material Issued to Contractors, Advance to Contractors, Hire charges recoverable, interest accrued on advances and claims recoverable from contractors/others, respectively, pertaining to Chamera-I & Salal Power Stations are subject to adjustment on settlement of claims. In the opinion of Management, no provision is required against the above at this stage.

- c) In the opinion of the management, the value of current assets, loans and advances on realisation in the ordinary course of business, will not be less than the value at which these are stated in the Balance Sheet.
 - d) Claims recoverable includes Rs.167 millions due from J&KPDC in respect of Baglihar Project handed over to them as per Government of India orders. In respect of Sawalkot Project, pending final handing over of the Project, capital expenditure aggregating to Rs. 48 millions continues to appear as part of the assets of the Corporation whereas adhoc advance of Rs.54 millions received from J&KPDC in respect of this Project is however shown under 'Current Liabilities' and shall be adjusted on final settlement of account.
9. a) In accordance with the decision of Government of India, Siang (13400 MW) and Subansiri (7500 MW) Projects were transferred to the Corporation from Brahmaputra Board. Pending finalisation of handing over process and settlement of account with Brahmaputra Board, assets and liabilities in respect of these Projects have been booked to the extent of amounts incurred by the Corporation.
- b) In pursuance of Government of India decision, the Corporation has taken over, Uri-II, Kishanganga, Pakul Dul, Sewa-II, Bursur, Nimmo-Bazgo, Chutak Projects from J&KPDC for which demand of Rs. 849 millions has been raised by J&KPDC. In addition to expenditure incurred after taking over of the Projects, the Corporation has booked a total expenditure of Rs.333 millions towards SEWA II Project against Rs.415 millions claimed for the said Project to the extent of verification of the assets transferred and reconciliation with accounts of J&KPDC. The remaining expenditure as demanded by J&KPDC shall be booked on final reconciliation of items and the accounts submitted by them.
- c) In SEWA II Project, fixed assets transferred by J&KPDC have been capitalised at the cost of acquisition/construction by J&KPDC and accumulated depreciation upto 31st March, 2003 has been provided thereon.
10. Capital Work-in-progress includes –
- a) Rs.686 millions incurred, since 1980, on Koel Karo Project, which is pending clearance from Government of India.
 - b) Rs.16 millions on Parbati (Stage-I) Project and Rs.22 millions on Farakka Project, which have been abandoned/found commercially unviable. Further adjustment, if any, shall be made on receipt of instructions from the Government of India.
11. The operation of Employees Pension Scheme, 1995 is made applicable to relevant employees in terms of decision of Hon'ble High Court, Jammu and is pending decision of Hon'ble Supreme Court. The arrears of contribution in respect of most of the employees have been recovered and deposited with RPF. Arrears recovery in respect of remaining employees are under process as the projects are in the process of obtaining past wages and other details from the project/units where these employees were previously posted from time to time. Additional liability, if any, will be accounted for as and when settled.
12. Pending approval from the Government of India, no provision for revised pay structure on IDA pattern in respect of Executives has been made in the books of accounts.

13. a) The effect of foreign exchange fluctuation during the year is as under:

	(Rs. in millions)	
	2002-03	2001-02
(i) Amount charged to Profit and Loss Account excluding depreciation	(3)	11
(ii) Amount charged to Incidental expenditure during construction	323	-
(iii) Amount charged to Capital work -in-progress	1,492	250
(iv) Amount adjusted by addition to carrying amount of fixed assets	307	429
(v) Amount adjusted by addition to monetary assets	5	-

- b) The amount of borrowing cost transferred to Incidental Expenditure During Construction during the year is Rs.3,217 millions (previous year Rs. 1,745 millions).
14. Pending receipt of completion certificate and demand notice from respective authorities, provision for property tax has not been made in respect of Faridabad, Office Complex. Similarly, no provision towards premium of the land has been made in respect of 5 flats of the Corporation at Mumbai pending receipt of the demand.
15. a) Electricity generation is the principal business activity of the Corporation. Other operations viz., contract works, interest income and consultancy services do not form a reportable segment as per the Accounting Standard - 17 on Segment Reporting issued by the Institute of Chartered Accountants of India.
- b) The Corporation has power stations located within the country and therefore, geographical segments are inapplicable.
- c) Interest income earned by the Corporation is in respect of bonds/ promissory notes issued to the Corporation by various State Electricity Boards in liquidation of the debts owed by them against energy supplied to them and are attributable to the generation activity.
16. a) During the year Corporation, in line with the Accounting Standard – 2 (revised) on “Valuation of Inventories” and Accounting Standard – 10 on “Accounting for Fixed Assets”, has capitalised machinery spares w.e.f. 1.4.2002 valuing Rs. 243 millions, which were in earlier years treated as inventory resulting in increase in fixed assets and decrease in current assets to that extent. Due to depreciation charged on such spares, being Rs.22 millions, further writing back of spares charged to revenue amounting to Rs. 66 millions, writing back of provision of Rs.11 millions and also by determining the net realisable value of spares of surplus Construction Plant & Machinery resulting in diminution in value of such spares by Rs.65 millions, profit for the year has decreased by Rs.10 millions.
- b) Due to complications in valuation, net realisable value of imported spares/ items having book value of Rs.115 millions lying at Dulhasti Project, which is under construction, could not be determined. There is no effect on Profit & Loss Account.

17. The Corporation has modified its Accounting Policy No. 5 during the year relating to charge of depreciation, effective from the year 2001-02. The Corporation hitherto charged depreciation as per rates notified by Government of India and from the following year. Depreciation is now to be charged at rates notified by regulations by CERC and on prorata basis in the year in which the asset becomes available for use. Due to the modification in policy: -
- Depreciation charge (Net) during the year is lower by Rs. 941 millions in case of Profit & Loss Account, by Rs. 64 millions in case of Incidental Expenditure during Construction and Rs. 1 million in case of Contract & Consultancy Expenses. The impact for the year 2001-02 and 2002-03 is however Rs. 495 millions and Rs. 511 millions respectively.
 - The impact on depreciation charge owing to prorata basis is Rs. 43 millions and Rs.39 millions for the year 2001-02 and 2002-03 respectively.
18. 'Self Insurance Reserve' that was hitherto being disclosed as a part of Reserves & Surplus has now been disclosed as a separate item viz. 'Self Insurance for Contingencies' under Sources of Funds. The treatment in Profit & Loss Account, however remain consistent.
19. Pending issue of suitable notification by the Government of India specifying the period and applicable rate at which cess on turnover is payable under section 441A of the Companies Act, the Corporation has not provided for the same.
20. a) In compliance to the Accounting Standard 22 on "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, Deferred Tax Liability amounting to Rs.1,606 millions (previous year Rs. 2,198 millions) has been provided during the current year. The item-wise details of cumulative Deferred Tax Liability are as under:

	(Rs. in millions)	
	31.03.2003	31.03.2002
Deferred Tax Liability		
i) Depreciation	17,864	16,965
Less: Deferred Tax Assets		
ii) Accumulated unabsorbed depreciation	1,784	2,929
iii) Advance against Depreciation to be considered as income in tax computation	1,419	1,419
iv) Provision for doubtful debts, Insurance, contingencies and incentive (Bonds)	1,397	1,043
v) Provision for employee benefit schemes	329	245
Deferred Tax Liability (Net)	12,935	11,329

- The Corporation does not have any taxable wealth and hence, no provision for wealth tax has been made.
21. In compliance of Accounting Standard – 20 on "Earning Per Share" issued by Institute of Chartered Accountants of India the elements considered for calculation of Earning Per Share (Basic and Diluted) are as under:

	31.03.2003	31.03.2002
Profit After Tax (Rupees in Millions)	5,105	4,709
Weighted Average number of equity shares	6,24,89,876	5,17,16,576
Earning Per Share (Basic) (Rupees)	81.69	91.05
Face value per share (Rupees)	1,000	1,000

22. In compliance of Accounting Standard – 18 on related party disclosures issued by the Institute of Chartered Accountants of India, the required information is given as under:-

a) Whole time Directors:

Shri Yogendra Prasad	Chairman & Managing Director
Shri R. Natarajan	Director (Finance) (upto 06.05.2003)
Shri S.K. Garg	Director (Finance) (w.e.f. 01.07.2003)
Shri Binay Kumar	Director (Personnel) (under 'compulsory waiting' w.e.f. 07.07.2003)
Shri A. K. Gangopadhyay	Director (Projects)
Shri R. K. Sharma	Director (Technical)

b) Relationship

Joint Venture Companies NIL

c) Details of transaction carried out with the related parties in the ordinary course of business

- (i) Details relating to parties referred to in item (a) above NIL
(ii) Details relating to parties referred to in item (b) above. N.A.

23. a) Remuneration paid/payable to Directors:

	(Rs. in millions)	
	2002-03	2001-02
(i) Salaries & Allowances	2.6	2.4
(ii) Contribution to Provident Fund	0.3	0.3
(iii) Rent for Residential Accommodation	1.1	0.7
(iv) Medical Reimbursement	0.1	0.1
(v) Sitting Fees	-	-

- b) Whole-time Directors were also allowed the use of company's car for official journeys and for private journeys upto 1000 kms. on payment as under :

	Non-AC Car	AC Car
Upto 16 HP	Rs 325 per month	Rs 520 per month
Above 16 HP	Rs 490 per month	Rs 780 per month

24. Remuneration to Statutory Auditors

	(Rs. in millions)	
	2002-03	2001-02
Statutory Audit Fees	0.89	0.65
Tax Audit Fees	0.22	0.18
Audit Expenses	1.00	0.47
Other matters	0.09	0.45

25. Quantitative details in respect of Energy produced and sold:

	2002-03	2001-02
(i) Licensed Capacity (M.W.)	Not Applicable	Not Applicable
(ii) Installed Capacity (M.W.)	2,149.20	2,149.20
(iii) Actual Generation (Million Units)	9,862.74	8,912.29
(iv) Actual Sales (Million Units)	8,598.24	7,754.45

26. (Rs. in millions)

	2002-03	2001-02
a) Value of imported Plant and Machinery and Spares on CIF basis	1,098	1,268
b) Expenditure in Foreign Currency		
i) Know - How	26	14
ii) Interest	1,162	1,110
iii) Other Misc. Matters	2,220	322
c) Value of spare parts and Components consumed in operating units.		
i) Imported	-	19 (28%)
ii) Indigenous	27(100%)	50 (72%)
d) Earnings in foreign currency		
i) Interest	-	-
ii) Others	-	-

27. Previous year's figures have been regrouped/re-arranged/re-cast wherever necessary.

VIJAY GUPTA

Secretary

S.K. GARG

Director (Finance)

YOGENDRA PRASAD

Chairman & Managing Director

PLACE : NEW DELHI

DATED : 28th JULY, 2003

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details

Registration no

3 2 5 6 4

State code

0 5

Balance sheet date

3 1 0 3 2 0 0 3

II Capital raised during the year (Rupees in millions)

Public issue

N I L

Right issue

N I L

Bond issue

N I L

Private placement *

8 9 4 9

* Share capital deposit received from Govt. of India.

III Position of mobilisation and deployment of funds (Rupees in millions)

Total liabilities

1 9 4 1 3 4

Total assets

1 9 4 1 3 4

Sources of funds

Paid-up capital #

7 2 4 0 6

Reserves and surplus \$

3 8 6 6 6

Secured loan

4 6 7 7 1

Unsecured loans

2 8 3 0 7

Includes share capital deposit Rs.1214 millions and Government of India fund adjustable to equity Rs. 4258 millions.

\$ Includes Income received in advance on account of advance against depreciation amounting to Rs. 8010 millions and self Insurance for contingencies amounting to Rs.2132 millions.

Application of Funds

Net fixed assets

1 4 3 0 8 4 @

Investments

2 5 3 7 9

Net current assets

1 7 6 7 5

Misc. expenditure

1 2

Accumulated losses

N I L

@ Includes capital work-in-progress of Rs.70780 millions and construction stores and advances of Rs.6217 millions.

IV **Performance of Company** (Rupees in millions)

Turnover

1	2	2	5	9
---	---	---	---	---

 **

Profit before tax

5	5	5	0
---	---	---	---

Total expenditure

9	2	0	2
---	---	---	---

Profit after tax

5	1	0	5
---	---	---	---

Basic earning per share in Rs.

8	1		6	9
---	---	--	---	---

Dividend amount

7	5	0
---	---	---

** Excludes Other Income Rs. 2493 millions.

V **Generic names of three principal products/services of company**

i) Product description

G	E	N	E	R	A	T	I	O	N		O	F		E	L	E	C	T	R	I	C	I	T	Y
---	---	---	---	---	---	---	---	---	---	--	---	---	--	---	---	---	---	---	---	---	---	---	---	---

Item code no.

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ii) Product description

C	O	N	S	T	R	U	C	T	I	O	N		C	O	N	T	R	A	C	T	S
---	---	---	---	---	---	---	---	---	---	---	---	--	---	---	---	---	---	---	---	---	---

Item code no.

	-	
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iii) Product description

C	O	N	S	U	L	T	A	N	C	Y		S	E	R	V	I	C	E	S
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Item code no.

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VIJAY GUPTA

Secretary

S.K. GARG

Director (Finance)

YOGENDRA PRASAD

Chairman & Managing Director

CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31ST MARCH 2003

	(Rs. in millions)	
	For the year ended 31st March, 2003	For the year ended 31st March, 2002
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax and extraordinary items	5,550	5,131
ADD :		
Depreciation	1,422	2,354
Provisions for contingencies	(170)	49
Interest Paid	3,779	4,388
Self-Insurance for contingencies	349	385
Provisions for incentive	801	-
Deferred revenue expenditure amortized	8	8
Diminution in value of inventories	65	63
Project expenses written off	-	119
Loss on sale of assets	5	4
Exchange rate variation	(3)	11
Advance against depreciation	<u>1,526</u>	<u>1,286</u>
	7,782	8,667
LESS :		
Profit on sale of assets	17	17
Deferred revenue expenditure	-	1
Rebate given to customers	267	234
Exchange rate variation paid	(3)	11
Excess provisions and liabilities written back	16	59
Dividend income	<u>1</u>	<u>-</u>
	298	322
Cash flow from operating activities before working capital adjustments	<u>13,034</u>	<u>13,476</u>
Working Capital Changes		
(Increase)/Decrease in inventories	132	4
(Increase)/Decrease in contract work in progress	(94)	7
(Increase)/Decrease in receivables	(3,504)	(3,963)
Increase/(Decrease) in trade and other payables	<u>(745)</u>	<u>(1,186)</u>
	(4,211)	(5,138)
Cash flow from operating activities before taxes	<u>8,823</u>	<u>8,338</u>
Less : Taxes	445	422
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	<u>8,378</u>	<u>7,916</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets and expenditure on construction projects (including incidental expenditure during construction)	(16,709)	(14,311)
Sale proceeds on disposal of fixed assets	116	89
Investment in shares of subsidiary company and others	(4,884)	(1,300)
Dividend received	1	-
NET CASH FLOW FROM INVESTING ACTIVITIES (B)	<u>(21,476)</u>	<u>(15,522)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	7,735	5,305
Share capital deposit	1,214	6,268
Dividend and dividend tax paid	(1,000)	(331)
Proceeds on borrowings (net)	12,906	5,742
Interest and financial charges	(7,151)	(6,167)
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	<u>13,704</u>	<u>10,817</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	<u>606</u>	<u>3,211</u>
Cash and Cash Equivalents at the beginning of the year	5,417	2,206
Cash and Cash Equivalents at the close of the year	6,023	5,417

EXPLANATORY NOTES TO CASH FLOW STATEMENT

1. Cash and cash equivalents consist of cash in hand and bank balances including cheques / drafts in hands.
2. Bonds allotted to the Corporation in discharge of debts and interest earned thereon being related to the core generating activity has been considered as part of cash from operating activities.
3. The above includes exchange variation loss on restatement of foreign currency liabilities at year end rates Rs 2114 millions.
4. Investment in Fixed assets and construction work in progress excludes interest & financial charges capitalised Rs 3223 millions.
5. The Previous year's figures has been regrouped / re-arranged / re-cast wherever necessary.

As per our attached report of even date

For BATRA SAPRA & COMPANY
Chartered Accountants

SANDEEP MANAKTALA
Partner
Membership No. 91408

VIJAY GUPTA
Secretary

For and on behalf of the BOARD OF DIRECTORS

S.K.GARG
Director (Finance)

YOGENDRA PRASAD
Chairman & Managing Director

PLACE : NEW DELHI
DATED : 28th JULY, 2003

Statement Pursuant To Section 212 Of The Companies Act, 1956 Relating To Subsidiary Company

1.	Name and address of the Company	Narmada Hydroelectric Development Corporation Ltd. (NHDC) NHDC Block, 2-5 th Floor, Paryavas Bhawan, Arera Hills Colony, Bhopal (M.P)
2.	Financial year of the Subsidiary Company ended on	31 st March, 2003
3.	Share of the Subsidiary Company held by NHPC and its nominees on the above date	
	(A) Number of Shares and Face Value	65,95,512 Equity Shares of Rs. 1000/- each fully paid.
	(B) Extent of Holding	Out of 1,07,70,612 shares issued 65,95,512 shares are held by National Hydroelectric Power Corporation Limited
*4.	Net aggregate amount of profits/(losses) of the Subsidiary Company so far as it concerns the members of National Hydroelectric Power Corporation Limited and is not dealt within the accounts of National Hydroelectric Power Corporation Limited	
	(i) For Subsidiary Company Financial year ended on March, 2003	NIL
	(ii) For previous Financial years of the Subsidiary company since it become Subsidiary	NIL
*5.	Net aggregate amount of profits/(losses) of the Subsidiary Company so far as it concerns the members of National Hydroelectric Power Corporation Limited and is dealt within the accounts of National Hydroelectric Power Corporation Limited	
	(i) For Subsidiary Company Financial year ended on March, 2003	NIL
	(ii) For previous Financial years of the Subsidiary company since it become Subsidiary	NIL
6.	Change in the interest of National Hydroelectric Power Corporation Limited	NIL

in the Subsidiary company between the end of the Financial year of the Subsidiary Company and that of National Hydroelectric Power Corporation Limited

7. Material changes between the end of the Financial year of the Subsidiary Company and end of the Financial year of National Hydroelectric Power Corporation Limited in respect of Subsidiary Company's fixed assets, investments, lending and borrowing for the purpose other than meeting their current liabilities. NIL

* As the Company has not commenced its commercial operations,, no profit and loss account has been prepared. The expenditure incurred up to date of the Balance sheet has been carried forward and shown under the Head Capital- work in progress and incidental expenditure during construction.

For and on behalf of the Board of Directors

VIJAY GUPTA
Company Secretary

S.K. GARG
Director (Finance)

YOGENDRA PRASAD
Chairman & Managing Director

Comments of the Comptroller and Auditor General of India

9



Annexure-V

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956, ON THE ACCOUNT
OF NATIONAL HYDROELECTRIC POWER CORPORATION LIMITED,
FARIDABAD, FOR THE YEAR ENDED 31ST MARCH 2003.**

COMMENTS	MANAGEMENT REPLIES
A. Balance Sheet	
1. Construction Stores and Advances (Schedule-7) Advance for Capital Expenditure Secured (Considered good) - Rs.2350 million	
Above include unsecured advances of Rs.1641 million and capital work in progress valuing Rs.36 million, which have incorrectly been included in the secured advances.	Noted.
2. Current Liabilities and Provisions (Schedule-10) Deposits/Retention money : Rs.648 million	
The Company has not accounted for balance amount (10 per cent) of Rs.28.76 million in respect of material received for Dhauliganga project. This has resulted in understatement of Current liabilities and Capital-work-in-progress by the same amount.	Noted.
B. Profit and Loss Account	
1. Sales : Rs.11723 million	
A reference is invited to note No.7 of the Notes to the accounts. The Company is entitled to recover income tax on the income from the core activity only. However, it has also recovered income tax amounting to Rs.493 million till 31st March 2003 on the income from interest on the bonds and surcharges recovered from the beneficiaries, which do not form part of its core activity. As a result, profit (including previous years) and sundry debtors are overstated by Rs.493 million.	The treatment given by the Company is correct and the beneficiaries are paying income tax as per CERC tariff orders/notification.
2. Provisions : Rs.801 million	
A reference is invited to Note No.5 (c) to the Notes to the accounts. The Company has estimated the liability for payment of incentives amounting to Rs.801 million after taking into account interest income of Rs.1076 million on bonds worth Rs.8453.13 million, which were yet to be issued by the beneficiaries under one time settlement scheme. By doing so, the Company has in fact recognised the income as well as liability on the bonds yet to be received, which has resulted in overstatement of the Profit for the year by Rs.538.64 million.	In view of the position explained in Note No.5 of Schedule 21, we maintain that the treatment given by the Company is correct.

C. General

1. Tariff on increase in the project cost due to Exchange Rate Variation (ERV) on repayment of loan during the year 2002-03 has been worked out by notionally dividing such ERV in to equity and loan in the ratio of 50:50 as per the CERC's norms. However, the tariff of Rs.513.85 million, billed on actual basis on repayment of loan during the year 2001-02, has not been adjusted in accordance with the above method.

The adjustments shall be carried out on disposal of the writ petition filed by the Company with CERC. The Company however does not expect any negative impact on profitability.
2. Estimated amount of contracts remaining to be executed on capital account and not provided for (Schedule 21) was understated by Rs.1406 million (net) in respect of ongoing contracts.

Noted.

Sd/-
(REVATHI BEDI)

PRINCIPAL DIRECTOR OF COMMERCIAL AUDIT & EX-OFFICIO
MEMBER, AUDIT BOARD-III, NEW DELHI-110011.

PLACE : NEW DELHI

DATED : 29.09.2003

For and on behalf of the BOARD
OF DIRECTORS

Sd/-
(YOGENDRA PRASAD)

CHAIRMAN & MANAGING DIRECTOR

PLACE : FARIDABAD

DATED : 30.09.2003

Annexure-VI

Review Of Accounts Of National Hydroelectric Power Corporation Limited, Faridabad, For The Year Ended 31st March, 2003 By The Comptroller And Auditor General Of India

Note : This Review Of Accounts Has Been Prepared Without Taking Into Account Comments Under Section 619 (4) Of The Companies Act 1956 And Qualifications Contained In The Statutory Auditor's Report.

FINANCIAL POSITION

The table below summarises the financial position of the Company under broad headings for the last three years.

	(Rs. in crore)		
	2000 - 2001	2001 - 2002	2002 - 2003
1. Liabilities			
a) Paid-up capital			
i) Government (including Government funds adjustable to equity)	5188.20	6345.70	7240.60
ii) Others	-	-	-
b) Reserves and surplus			
i) Free reserves and surplus	2139.00	2598.40	2852.30
ii) Share premium accounts	-	-	-
iii) Capital reserves	0.10	0.10	0.10
iv) Self Insurance for contingencies	-	-	213.20
c) Borrowings			
i) from Government of India	439.70	28.70	-
ii) from Financial institutions	2142.40	2849.30	3302.30
iii) Foreign currency loans	1935.30	2113.60	2315.70
iv) Cash credit/Short Term Loan	518.60	656.30	705.34
v) Others	607.10	569.30	1184.30
vi) Interest accrued and due	-	-	0.20
d) i) Current liabilities and provisions	608.50	640.81	674.10
ii) Provision for gratuity	60.10	91.59	124.30
e) Deferred Tax Liabilities	-	1132.90	1293.50
f) Income received in advance			
i) Advance against depreciation	519.90	648.40	801.00
TOTAL	14158.90	17675.10	20706.90
Assets			
g) Gross block	7892.70	8113.50	8280.90
h) Less : Cumulative depreciation	1280.10	1526.70	1672.20
i) Net block	6612.60	6586.80	6608.70
j) Capital work-in-progress including construction stores & advances	4323.80	5743.80	7699.70
k) Investments	679.90	1927.20	2537.90
l) Current assets, loans and advances	2332.80	2282.40	2565.90
m) Deferred Tax Assets/Recoverable	-	1132.90	1293.50
n) Miscellaneous expenditure not written off	9.80	2.00	1.20
o) Accumulated loss	-	-	-
TOTAL	14158.90	17675.10	20706.90
p) Working capital {l-d(i)-c(vi)}	1924.30	1641.59	1891.60
q) Capital employed (i + p)	8536.90	8228.39	8500.30
r) Net worth {a + b(i) + b(ii) - n - o}	7317.40	8942.10	9878.50
s) Net worth per rupee of paid-up capital (in Rupees)	1.41	1.41	1.36

2. SOURCES AND UTILISATION OF FUNDS

Funds amounting to Rs.3062.21 crore from internal and external sources were realised and utilised during the year 2002-03 as follows:

(Rs. in crore)**Sources of funds**

Funds generated from operation

a) Profit for the year	510.50
Add : Depreciation during the year	145.50
Add : Misc. Expenditure written off	0.80
Add : Increase in Self Insurance for contingencies	34.80

Total (a)	691.60
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b) Increase in paid up capital	894.90
c) Increase in borrowed funds	1290.40
d) Increase in provision for Gratuity	32.71
e) Increase in Advance against Depreciation	152.60

TOTAL	3062.21
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Utilisation of funds

a) Increase in Fixed assets	167.40
b) Increase in Working Capital	250.01
c) Increase in Capital work-in-progress including construction stores and advances	1955.90
d) Dividend paid	78.20
e) Misc. Expenditure written off	-
f) Investment	610.70

TOTAL	3062.21
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3. WORKING RESULTS

The working results of the Company in the last three years ended 31st March, 2003 are given below:

(Rs. in crore)

	2000-2001	2001-2002	2002-2003
i) Sales	1142.80	1221.00	1172.30
ii) Less : Excise Duty	-	-	-
iii) Net Sales	1142.80	1221.00	1172.30
iv) Other or Misc Income	788.10	334.40	302.90
v) Profit before tax and prior adjustments	455.50	519.60	561.30
vi) Prior period adjustments	-8.40	-6.50	-6.30
vii) Profit before Tax	447.10	513.10	555.00
viii) Tax Provisions	3.70	42.20	44.50
ix) Profit after tax	443.40	470.90	510.50
x) Proposed Dividend (including Dividend Tax)	33.10	50.00	78.20

4. RATIO ANALYSIS

Some important financial ratios on the financial health and working of the Company at the end of last three years ended 31st March, 2003 are as follows :

(In Percentages)			
	2000-2001	2001-2002	2002-2003
Liquidity ratio			
a) Current Ratio (Current assets to Current liabilities & provisions and interest accrued and due but excluding provisions for gratuity) $\{l/d(i) + c(vi)\}$	4.16	3.56	3.81
b) Debt equity ratio Long term debt to Net worth $\{c(i \text{ to } v \text{ but excluding short term loans})/r\}$	0.70	0.62	0.69
c) Profitability ratios			
Profit (before tax) to			
(i) Capital employed	5.24	6.24	6.53
(ii) Net worth	6.11	5.74	5.62
(iii) Sales	39.12	42.02	47.34
(iv) Equity	8.62	8.09	7.67
d) Earnings per share (in Rupees)	86.18	80.86	76.65

5. INVENTORY LEVELS

The inventory levels at the close of the last three years ended 31st March, 2003 are as follows:

	(Rs. in crore)		
	2000-2001	2001-2002	2002-2003
Stores, spares and loose tools	90.4	83.7	64.1

6. SUNDRY DEBTORS

The sundry debtors and Sales for the last three years ended 31st March, 2003 are as follows:

				(Rs. in crore)	
SUNDRY DEBTORS				SALES	Percentage of
As on	Considered	Considered	Total	(including	Sundry Debtors
31st March	good	doubtful		excise	to Sales
				duty)	
2001	1982.50	77.50	2060.00	1142.80	180.26
2002	1271.50	77.50	1349.00	1221.00	110.48
2003	1493.80	76.00	1569.80	1172.30	133.91

The agewise break up of sundry debtors at the end of 2002-2003 is as under :

	Amount
	(Rs. in crore)
Debtors outstanding for less than 1 year	523.00
1-2 years	147.44
2 years to 3 years	513.49
3 years and above	385.87
Total	1569.80

Sd/-

(REVATHI BEDI)

PRINCIPAL DIRECTOR OF COMMERCIAL AUDIT &
EX-OFFICIO MEMBER AUDIT BOARD-III, NEW DELHI

PLACE : NEW DELHI

DATED : 29.09.2003

Consolidated Auditors' Report To The Members Of National Hydroelectric Power Corporation Limited

AUDITORS' COMMENTS

We have examined the attached Consolidated Balance Sheet of NATIONAL HYDROELECTRIC POWER CORPORATION LIMITED and its subsidiary Company as at 31st March 2003 and the Consolidated Profit and Loss Account of the Company annexed thereto for the year ended on that date and the consolidated Cash Flow Statement of the Company for the year ended on that date. These consolidated financial statements are the responsibility of the National Hydroelectric Power Corporation Limited's management and our responsibility is to express an opinion on these financial statements based on our audit.

We conducted the audit in accordance with auditing standards generally accepted in India, which requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respect, in accordance with an identified financial reporting framework and are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of the subsidiary company Narmada Hydroelectric Development Corporation Limited, whose financial statements reflects total assets (net) of Rs.17755 millions as at 31st March, 2003. No Profit & Loss Account is prepared in the case of the said subsidiary since its projects are in construction stage. The financial statements of the said subsidiary have been audited by other auditor whose report has been furnished to us, and in our opinion so far as it relates to the amounts included in respect of the subsidiary, is based solely on the report of its auditor.

We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, "Consolidated Financial Statement", issued by the Institute of Chartered Accountants of India and on the basis of separate audited financial statements of National Hydroelectric Power Corporation Limited and its subsidiary included in the aforesaid consolidated financial statements.

MANAGEMENT REPLY

Subject to :

- I) Inclusion of Rs.686 millions in respect of Koel Karo Project, in capital work in progress since 1980 has not been written off or provided for. Consequently profit is overstated to that extent.** The expenditure incurred on execution of this project may not be written off at this stage as the project is still in the process of approval.
- II) Inclusion of expenditure on Parbati-I Project & Farakka Project, since abandoned and declared commercially unviable, amounting to Rs.16 millions & Rs.22 millions respectively, in capital work in progress and consequential overstatement of profit to that extent.** Corporation is receiving project specific equity from Govt. of India. Both the schemes were planned schemes and approved for investigation works. Further adjustments, if any, shall be carried out on receipt of instructions from the Government of India.
- III) The corporation hitherto charged depreciation as per the rates notified by the Government of India, under Electricity (Supply) Act 1948 whereas in the current year the same has been charged at the rates notified by regulations of CERC. This has resulted in decrease in depreciation and increase in profit by Rs 941 million.** The Corporation has correctly amended its depreciation policy in line with the rates as notified by CERC vide Notification No. L.7/25(1) 2001-CERC dated 26th March, 2001.

And on the basis of the information and explanations given to us and on the consideration of separate audit reports on individual financial statements of National Hydroelectric Power Corporation Limited, and its subsidiary, in our opinion the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India.

- i) In the case of Consolidated Balance Sheet, of the Consolidated state of affairs of the National Hydroelectric Power Corporation Limited, and its subsidiary as at 31st March 2003,
- ii) In the case of Consolidated Profit and Loss Account, of the consolidated results of operations of National Hydroelectric Power Corporation Limited and its subsidiary for the year then ended and
- iii) In the case of the Consolidated Cash Flow Statement, of the consolidated cash flow of National Hydroelectric Power Corporation Limited, and its subsidiary for the year then ended.

For BATRA SAPRA & COMPANY
Chartered Accountants

SANDEEP MANAKTALA

Partner

Membership No : 91408

PLACE : NEW DELHI

DATE : 28th JULY, 2003

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2003

		(Rs. in millions)	
	SCHEDULE	31st MARCH, 2003	31st MARCH, 2002
SOURCES OF FUNDS			
A. SHAREHOLDERS' FUNDS			
i) Share Capital	1	66,934	52,931
ii) Share Capital Deposit		1,214	6,268
iii) Government of India Fund adjustable to equity		4,258	4,258
iv) Reserves and Surplus	2	<u>30,615</u>	<u>24,146</u>
		103,021	87,603
B. LOAN FUNDS			
i) Secured Loans	3	46,771	37,449
ii) Unsecured Loans	4	<u>32,856</u>	<u>33,112</u>
		79,627	70,561
C. INCOME RECEIVED IN ADVANCE ON ACCOUNT OF ADVANCE AGAINST DEPRECIATION		8,010	6,484
D. SELF INSURANCE FOR CONTINGENCIES		2,132	1,784
E. DEFERRED TAX			
Net Deferred Tax Liabilities		12,935	11,329
Less: Deferred Tax recoverable		<u>12,935</u>	<u>11,329</u>
		-	-
F. MINORITY INTEREST		8,690	-
TOTAL		<u>201,480</u>	<u>166,432</u>
APPLICATION OF FUNDS			
A. FIXED CAPITAL EXPENDITURE			
i) Fixed Assets	5		
a) Gross Block		83,056	81,178
Less:- Depreciation		<u>16,781</u>	<u>15,278</u>
b) Net Block		66,275	65,900
ii) Capital Work-in-Progress	6	88,999	62,261
iii) Construction Stores and Advances	7	<u>8,526</u>	<u>6,466</u>
		163,800	134,627
B. INVESTMENTS	8	18,479	17,555
C. CURRENT ASSETS, LOANS AND ADVANCES	9		
i) Interest accrued but not due on investments		-	825
ii) Inventories		641	837
iii) Contract Work-in-Progress		105	11
iv) Sundry Debtors		14,938	12,660
v) Cash and Bank Balances		8,046	5,491
vi) Other Current Assets		833	570
vii) Loans and Advances		<u>3,195</u>	<u>2,129</u>
		27,758	22,523
Less: Current Liabilities and Provisions	10		
i) Liabilities		4,289	5,138
ii) Provisions		4,170	3,175
iii) Development Surcharge (held in trust)		<u>131</u>	<u>-</u>
		8,590	8,313
NET CURRENT ASSETS		19,168	14,210
D. MISCELLANEOUS EXPENDITURE	11	33	40
(To the extent not written off or adjusted)			
TOTAL		<u>201,480</u>	<u>166,432</u>
NOTES TO THE ACCOUNTS AND CONTINGENT LIABILITIES	20		
Schedule 1 to 20 form integral part of the Accounts			

As per our attached report of even date

For BATRA SAPRA & COMPANY
Chartered AccountantsSANDEEP MANAKTALA
Partner
Membership No. 91408

For and on behalf of the BOARD OF DIRECTORS

VIJAY GUPTA
SecretaryS.K.GARG
Director (Finance)YOGENDRA PRASAD
Chairman & Managing DirectorPLACE : NEW DELHI
DATED : 28th JULY, 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2003

		(Rs. in millions)	
	SCHEDULE	31st MARCH,2003	31st MARCH,2002
INCOME			
i) Sales		13,249	13,496
Less: Advance against depreciation		<u>1,526</u>	<u>1,286</u>
ii) Contracts and Consultancy	12	500	1,089
iii) Other Income	13	<u>2,489</u>	<u>2,160</u>
TOTAL INCOME		<u>14,712</u>	<u>15,459</u>
EXPENDITURE			
i) Generation, Administration and Other Expenses	14	1,244	1,412
ii) Employees' Remuneration and Benefits	15	1,601	1,492
iii) Depreciation		1,404	2,316
iv) Interest and Finance charges	16	3,779	4,388
v) Contract and Consultancy Expenses	17	310	712
vi) Provisions	18	801	-
vii) Prior period adjustment (Net)	19	<u>63</u>	<u>63</u>
TOTAL EXPENDITURE		<u>9,202</u>	<u>10,383</u>
PROFIT BEFORE TAX		5,510	5,076
Provision for Taxation			
i) Current Tax		437	422
ii) Adjustments Relating to Earlier Years		8	-
iii) Deferred tax		1,606	2,198
Less: Deferred Tax Recoverable Adjustment		<u>1,606</u>	<u>2,198</u>
PROFIT AFTER TAX		5,065	4,654
Balance brought forward from last year's account		<u>8,291</u>	<u>4,137</u>
DISPOSABLE PROFIT		<u>13,356</u>	<u>8,791</u>
Appropriations -			
i) Interim dividend		500	-
ii) Proposed Final Dividend		250	500
iii) Corporate Dividend Tax		32	-
Balance carried to Balance Sheet		<u>12,574</u>	<u>8,291</u>
		<u>13,356</u>	<u>8,791</u>
EARNING PER SHARE (BASIC) (RUPEES)		81.05	89.99
FACE VALUE (RUPEES)		1000/-	1000/-

NOTES TO THE ACCOUNTS AND CONTINGENT LIABILITIES 20

Schedule 1 to 20 form integral part of the Accounts

As per our attached report of even date

For **BATRA SAPRA & COMPANY**
Chartered Accountants

SANDEEP MANAKTALA
Partner
Membership No. 91408

VIJAY GUPTA
Secretary

For and on behalf of the **BOARD OF DIRECTORS**

S.K.GARG
Director (Finance)

YOGENDRA PRASAD
Chairman & Managing Director

PLACE : NEW DELHI
DATED : 28th JULY,2003

SCHEDULE-1 SHARE CAPITAL

		(Rs. in millions)	
		31st MARCH,2003	31st MARCH,2002
A. AUTHORISED			
100,000,000 Equity Shares (Previous year 70,000,000) of Rs.1000/- each.		<u>100,000</u>	<u>70,000</u>
B. ISSUED , SUBSCRIBED AND PAID UP			
66,933,897 Equity Shares (Previous year 52,930,547) of Rs.1000/- each fully paid up (Out of above, 6,29,529 Shares have been allotted for consideration other than cash pursuant to agreement with government of India and one Share has been allotted for part consideration other than cash.)		66,934	52,931
TOTAL		<u>66,934</u>	<u>52,931</u>

SCHEDULE-2 RESERVES AND SURPLUS

		(Rs. in millions)		
	1st.APRIL,2002	ADDITIONS	DEDUCTIONS	31st.MARCH,2003
A. CAPITAL RESERVE	1	2186	-	2,187
B. BOND REDEMPTION RESERVE	2,654	-	-	2,654
C. GENERAL RESERVE	13,200	-	-	13,200
	15,855			18,041
D. SURPLUS AS PER PROFIT & LOSS ACCOUNT	8,291	5,065	782	12,574
TOTAL	<u>24,146</u>	<u>7,251</u>	<u>782</u>	<u>30,615</u>

SCHEDULE-3 LOAN FUNDS - SECURED

	(Rs. in millions)	
	31st MARCH,2003	31st MARCH,2002
LONG TERM LOANS		
A. BONDS (Non-convertible and Non-cumulative)		
i) BONDS - J SERIES *2 (PRIVATE PLACEMENT) 16.5% 7 year bonds of Rs.1,000/- each redeemed at par on 21.07.2002	-	250
ii) BONDS-L SERIES *2 (PRIVATE PLACEMENT) 16% 7 Year Bonds of Rs.1,000/- each redeemable at par on 31.03.2004 (Due for redemption within one year Rs. 633 millions) 10.5%(Tax-Free) 7 Year Bonds of Rs.1,000/- each redeemable at par on 31.03.2004 (Due for redemption within one year Rs. 510 millions)	633 <u>510</u> 1,143	633 <u>510</u> 1,143
iii) BONDS-M SERIES *5 (PRIVATE PLACEMENT) 9.55% 5 Year Bonds of Rs.1,00,000/- each redeemable at par on 07.01.2007 (Due for redemption within one year Rs. Nil millions)	4,300	4,300
iv) BONDS-N SERIES *8 (NOTE 1) 6.50% 32 months bond of Rs. 1,00,00,000/- each redeemable at par in 5 equal 6 monthly instalments starting from 15.11.2003 (Due for redemption within one year Rs. 140 millions)	700	-
v) BONDS-O SERIES *2 (NOTE 1) 7.7% 15 year Bonds of Rs. 10,00,00,000/- each with 10 Separately transferable redeemable principal parts (STRPP) and each Separately transferable redeemable principal parts comprises 1/10th of face value of bond. Earliest redemption 31.03.2009. (Due for redemption within one year Rs. Nil millions)	5,700	-
vi) INTEREST ACCRUED & DUE	1	-
B. TERM LOANS		
i) BANK OF INDIA *1 (Due for repayment within one year Rs. Nil millions.) (Repayable in 8 Equal Quarterly instalment From 28.03.2007 onwards)	500	500
ii) BANK OF MAHARASHTRA *1 (Due for repayment within one year Rs. Nil millions.) (Repayable in 5 equal yearly instalment - 02.11.2007 onwards)	500	500
iii) CANARA BANK *1 (Due for repayment within one year Rs. 200 millions.) (Repayable in 5 equal yearly instalment w.e.f. 27.03.2004)	1,000	1,000
iv) CANARA BANK *1 (Due for redemption within one year Rs. Nil millions) (Repayable in 3 equal annual instalments w.e.f 26.09.2006 onwards)	1,000	1,000
v) INDIAN OVERSEAS BANK *1 (Due for redemption within one year Rs. Nil millions) (Repayable in 4 equal yearly instalments w.e.f 06.12.2008 onwards)	500	500
vi) INDIAN BANK *1 (Due for repayment within one year Rs. Nil millions.) (Repayable on 19.12.2005)	1,000	1,000

SCHEDULE-3 LOAN FUNDS - SECURED

	(Rs. in millions)	
	31st MARCH,2003	31st MARCH,2002
vii) LIFE INSURANCE CORPORATION OF INDIA *1 (Due for repayment within one year Rs. Nil millions.) (Repayable on 15.02.2005)	1,000	1,000
viii) LIFE INSURANCE CORPORATION OF INDIA *1 (Due for repayment within one year Rs. Nil millions.) (Repayable on 15.03.2005)	1,500	1,500
ix) LIFE INSURANCE CORPORATION OF INDIA *1 (Due for repayment within one year Rs. Nil millions.) (Repayable on 15.09.2005)	1,500	1,500
x) PUNJAB NATIONAL BANK *1 (Due for repayment within one year Rs. Nil millions.) (Repayable on 01.10.2008)	500	500
xi) PUNJAB NATIONAL BANK *1 (Due for repayment within one year Rs. Nil millions.) (Repayable on 3.12.08)	500	500
xii) STATE BANK OF PATIALA *1 (Due for repayment within one year Rs. Nil millions.) (Repayable on 9.01.07)	400	400
xiii) STATE BANK OF INDORE *1 (Due for repayment within one year Rs. 133.33 millions.) (Repayable in 3 equal yearly instalments w.e.f 22.12.2003 onwards)	400	400
xiv) STATE BANK OF SAURASHTRA *1 (Due for repayment within one year Rs. Nil millions.) (Repayable in 3 equal yearly instalments w.e.f 11.09.2006 onwards)	500	500
xv) STATE BANK OF HYDERABAD *1 (Due for repayment within one year Rs. Nil millions.) (Repayable in 5 equal yearly instalments w.e.f 20.07.2004 onwards)	600	600
xvi) BANK OF MAHARASHTRA *2 (Due for repayment within one year Rs. Nil millions.) (Repayable on 02.02.2005)	1,000	1,000
xvii) CORPORATION BANK *2 (Due for repayment within one year Rs. 1,000 millions.)	1,000	1,000
xviii) CANARA BANK *2 (Due for repayment within one year Rs. 214.29 millions.) (Being repaid in 7 Equal instalments w.e.f 26.03.2000)	643	857
xix) CENTRAL BANK OF INDIA *2 (Due for repayment within one year Rs. 100 millions.) (Being repaid in 5 Equal yearly instalments w.e.f 30.07.2000)	200	300
xx) HOUSING DEVELOPMENT FINANCE CORPORATION Ltd. *2 (Due for repayment within one year Rs. 17.18 millions.) (Being repaid in EMI's over a period of 7 years ending on 01/2004)	17	36
xxi) I C I C I BANK Ltd. *2 (Due for repayment within one year Rs. 1,000 millions.)	1,000	1,000
xxii) I C I C I BANK Ltd. *2 (Due for repayment within one year Rs. 500 millions.) (Being repaid in 3 equal yearly instalments w.e.f 11.05.2002)	1,000	1,500
xxiii) I C I C I BANK Ltd. *2 (Due for repayment within one year Rs. 500 millions.) (Being repaid in 3 equal yearly instalments w.e.f 28.07.2002)	1,000	1,500
xxiv) INDUSTRIAL DEVELOPMENT BANK OF INDIA *2 (Due for repayment within one year Rs. 2,000 millions.)	2,000	3,000
xxv) INDIAN OVERSEAS BANK *2 (Due for repayment within one year Rs. 500 millions.)	500	500
xxvi) ORIENTAL BANK OF COMMERCE *2 (Due for repayment within one year Rs. Nil millions.) (Repayable on 27.09.2004)	1,000	1,000

SCHEDULE-3 LOAN FUNDS - SECURED

(Rs. in millions)

	31st MARCH,2003	31st MARCH,2002
xxvii) STATE BANK OF INDIA Term loan *2 (Due for redemption within one year Rs. Nil millions) (Repayable on 28.06.2009)	4,000	2,000
xxviii) STATE BANK OF PATIALA *2 (Due for repayment within one year Rs. 166.67 millions.) (Being repaid in 3 equal yearly instalments w.e.f 03.02.2003)	333	500
xxix) BANK OF INDIA *4 (Due for repayment within one year Rs. Nil millions.) (Repayable in 10 years in 40 equal quarterly instalments w.e.f 24.12.2006)	810	410
xxx) CENTRAL BANK OF INDIA *4 (Due for repayment within one year Rs. 50 millions.) (Subject to commission date being July '2003) (Repayment in 20 half yearly instalments of 50 millions)	810	310
xxxi) HOUSING DEVELOPMENT FINANCE CORPORATION LTD. *4 (Due for repayment within one year Rs. Nil millions.) (Repayable in 14 equal half yearly instalments w.e.f. 13.02.2009)	910	310
xxxii) PUNJAB & SIND BANK *4 (Due for repayment within one year Rs. Nil millions.) (Repayable in 40 quarterly instalments in 10 years w.e.f 24.10.2006)	700	310
xxxiii) PUNJAB NATIONAL BANK *4 (Due for repayment within one year Rs. Nil millions.) (Repayment in 10 years in 20 half yearly instalments After moratorium of 5 years from date of first disbursal i.e. 18.09.2001 OR one year from commercial operating date, whichever is earlier.)	1,200	470
xxxiv) STATE BANK OF PATIALA *4 (Due for repayment within one year Rs. Nil millions.) (Repayment in 14 half yearly instalments w.e.f 30.01.2007)	400	160
xxxv) STATE BANK OF HYDERABAD *4 (Due for repayment within one year Rs. Nil millions.) (Repayment in 14 half yearly instalments in 7 years w.e.f 07.01.2007)	400	160
xxxvi) STATE BANK OF INDIA *4 (Due for repayment within one year Rs. Nil millions.) (Repayment in 14 half yearly instalments w.e.f 18.09.2006)	1,200	770
xxxvii) CANARA BANK *6 (Due for repayment within one year Rs. Nil millions.) (Repayable in 4 equal yearly instalments w.e.f 28.6.2009 onwards)	500	-
xxxviii) LIFE INSURANCE CORPORATION OF INDIA *7 (Due for repayment within one year Rs. Nil millions.) (Repayable in 24 half yearly instalments in 12 years w.e.f 15.04.2009)	1,000	-
xxxix) INTEREST ACCRUED & DUE (CENTRAL BANK OF INDIA)	<u>1</u> 33,024	<u>-</u> 28,493

SCHEDULE-3 LOAN FUNDS - SECURED

	(Rs. in millions)	
	31st MARCH,2003	31st MARCH,2002
xl) WORKING CAPITAL DEMAND LOAN FROM BANKS (short term) *3	712	2,090
xli) CASH CREDIT FROM BANKS (short term) *3	1,191	1,173
TOTAL SECURED LOANS	46,771	37,449

Note :-

- *1) Secured by pari-passu charge by way of Equitable Mortgage/Hypothecation against Immovable/ Moveable assets of Corporation's Chamera Power Station situated in the state of Himachal Pradesh except for Book Debts and Stores.
- *2) Secured by pari-passu charge by way of Equitable Mortgage/Hypothecation against Immovable/ Moveable assets of Corporation's Uri Power Station situated in the state of Jammu & Kashmir except for book debts and stores.
- *3) Secured by hypothecation against Debtors and O & M Stores.
- *4) Secured by pari-passu charge by way of Equitable Mortgage/Hypothecation against Immovable/ Moveable assets of Corporation's Chamera HE Project Stage - II situated in the state of Himachal Pradesh.
- *5) Secured by a first pari-passu charge by way of Equitable Mortgage/Hypothecation against the assets of the Corporation's Rangit Power Station situated in the state of Sikkim subject to prior charge of Bankers against book debts and stores.
- *6) Secured by exclusive charge by way of equitable mortgage/hypothecation against the assets of the Corporation's Loktak Power Station situated in the state of Manipur.
- *7) Secured by a first charge by way of first mortgage and hypothecation against the immovable and moveable assets of the Corporation's Parbati HE Project Stage-II situated in the state of Himachal Pradesh.
- *8) Secured by a first pari-passu mortgage and charge over all the immovable and moveable assets of the Corporation's Bairasiul Power Station situated in the state of Himachal Pradesh.

Note-1)

N' and 'O' Series of bonds were allotted on 15th March 2003 and 31st March 2003 respectively. Pending finalisation of documents relating to execution of Trust Deed / Trustee Agreement with the Trustees, M/s UTI Bank Limited: for both the series of bonds security could not be created on the date of the Balance Sheet. However charge by hypothecation has been created on 06.06.2003 in respect of 'N' & 'O' series bonds. Mortgage of 'N' & 'O' series bonds is under process.

SCHEDULE-4 LOAN FUNDS - UNSECURED

(Rs.in millions)

	31st MARCH,2003	31st MARCH,2002
A. SHORT TERM LOANS		
i) BANK OF MAHARASHTRA (Due for repayment within one year Rs. 500 millions.)	500	-
ii) BANK OF INDIA (Due for repayment within one year Rs. Nil millions.)	-	500
iii) CORPORATION BANK (Due for repayment within one year Rs. Nil millions.)	-	500
iv) HDFC BANK LTD. (Due for repayment within one year Rs. 750 millions.)	750	-
v) INDIAN BANK (Due for repayment within one year Rs. 500 million.)	500	400
vi) ORIENTAL BANK OF COMMERCE (Due for repayment within one year Rs. 500 millions.)	500	-
vii) STATE BANK OF MYSORE (Due for repayment within one year Rs. Nil millions.)	-	500
viii) STATE BANK OF PATIALA (Due for repayment within one year Rs. 400 millions.)	400	400
ix) STATE BANK OF INDORE (Due for repayment within one year Rs. Nil millions.)	-	500
x) STATE BANK OF SAURASHTRA (Due for repayment within one year Rs. 500 millions.)	500	500
xi) UNITED BANK OF INDIA (Due for repayment within one year Rs. 1,000 millions.)	1,000	-
xii) UNION BANK OF INDIA (Due for repayment within one year Rs. 1,000 millions.)	1,000	-
xiii) STATE BANK OF INDIA (Due for repayment within one year Rs. 3,000 millions.)	<u>3,000</u>	<u>-</u>
	8,150	3,300
B. LOAN FROM GOVERNMENT OF INDIA (Due for repayment within one year Rs NIL millions.)	-	287
C. TERM LOANS		
LOAN FROM OTHERS		
i) EXPORT DEVELOPMENT CORPORATION (Due for repayment within one year Rs. Nil millions.)	-	843
LOAN FROM OTHERS (Guaranteed by Government of India)		
i) WEST LB (FORMERLY WEST MERCHANT BANK LIMITED) (Due for repayment within one year Rs. Nil millions.)	-	1,015
ii) SKANDINAVISKA ENSKILDA BANKEN AB (Due for repayment within one year Rs. 1,088.96 millions.)	3,267	4,048
iii) NORDIC INVESTMENT BANK (Due for repayment within one year Rs. 240.21 millions.)	1,922	2,216
iv) CREDIT COMMERCIAL DE FRANCE (Due for repayment within one year Rs. 872.52 millions.)	6,551	6,137
v) EXPORT DEVELOPMENT CORPORATION (Due for repayment within one year Rs.227.80 millions.)	3,808	2,156
vi) JAPAN BANK OF INTERNATIONAL COOPERATION-(FORMERLY O.E.C.F)TRANCHE-I (Due for repayment within one year Rs. Nil millions.)	1,984	1,787
vii) JAPAN BANK OF INTERNATIONAL COOPERATION-(FORMERLY O.E.C.F)TRANCHE-II (Due for repayment within one year Rs. Nil millions.)	4,999	2,934
viii) DEUTSCHE BANK & OTHERS (Due for repayment within one year Rs. Nil millions.)	626	-
ix) GOVERNMENT OF MADHYA PRADESH (NVDA) (Due for repayment within one year Rs. Nil millions.)	<u>1,549</u>	<u>8,389</u>
	24,706	29,525
TOTAL UNSECURED LOAN	<u>32,856</u>	<u>33,112</u>

SCHEDULE-5 FIXED ASSETS

(Rs.in millions)

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	1.4.2002	Additions/ Adjustments	Deductions/ Adjustments	31.3.2003	Upto 1.4.2002	For the year*	Adjust- ments**	Upto 31.3.2003	31.3.2003	31.3.2002
i) Land Freehold	1,533	127	1	1,659	-	-	-	-	1,659	1,533
ii) Land Leasehold	186	55	-	241	20	3	-	23	218	166
iii) Land Unclassified	223	115	-	338	-	-	-	-	338	223
iv) Buildings	7,582	557	6	8,133	1,674	190	2	1,866	6,267	5,908
v) Roads and Bridges	979	264	5	1,238	219	23	-	242	996	760
vi) Construction Plant and Machinery	708	12	35	685	314	47	(33)	328	357	394
vii) Generating Plant and Machinery	19,586	453	5	20,034	4,456	367	-	4,823	15,211	15,130
viii) Sub-Station Equipments	495	3	-	498	133	(4)	-	129	369	362
ix) Hydraulic Works (Dams, Tunnels, etc.)	47,902	220	6	48,116	7,466	866	4	8,336	39,780	40,436
x) Vehicles	298	44	8	334	179	22	(5)	196	138	119
xi) Furniture Fixture and Equipments	527	139	9	657	168	97	(2)	263	394	359
xii) Transmission Lines	228	13	-	241	114	1	-	115	126	114
xiii) Miscellaneous Assets / Equipments	289	81	9	361	81	18	(3)	96	265	208
xiv) Construction Plant and Machinery Declared Surplus	551	27	170	408	363	5	(117)	251	157	188
xv) Fixed Assets Of Minor Value Upto Rs. 5000/-	91	22	-	113	91	22	-	113	-	-
TOTAL	81,178	2,132	254	83,056	15,278	1,657	(154)	16,781	66,275	65,900
Previous Year	78,993	2,392	207	81,178	12,804	2,529	(55)	15,278	65,900	-

* Depreciation for the year is allocated as given below :-

A) Profit and loss account	1404
B) Incidental Expenditure During Construction	251
C) Contract and Consultancy Expenses	2
	<u>1657</u>

** Includes Prior Period Adjustments of Rs.15 millions

SCHEDULE-6 CAPITAL WORK-IN-PROGRESS

(Rs.in millions)

	1.4.2002	ADDITIONS	ADJUST- MENTS	CAPITALISED	31.03.2003
i) Survey, Investigation and Other Expenses	474	191	(18)	-	647
ii) Buildings, Civil Engineering Works and Communications	4,309	1,313	(13)	480	5,129
iii) Roads and Bridges	703	441	3	257	890
iv) Hydraulic Works, Barrages, Dams, Tunnels and Power Channel	22,078	10,598	(38)	-	32,638
v) Railway Siding	1	1	-	-	2
vi) Penstocks	204	-	-	-	204
vii) Plant and Machinery in Generating Stations	9,274	3,328	-	42	12,560
viii) Electrical Installations and Sub-Station Equipments	63	42	(1)	7	97
ix) Miscellaneous Assets	9	5	-	6	8
x) Trunk Transmission Lines	139	32	-	13	158
xi) Exchange Rate Variation	224	(27)	(197)	-	-
xii) Rehabilitation Expenses	1,637	2,466	-	-	4,103
xiii) Incidental Expenditure During Construction (Annexure to Schedule-6)	23,146	9,503	(86)	-	32,563
TOTAL	62,261	27,893	(350)	805	88,999
Previous year	37,931	28,776	(3,813)	633	62,261

ANNEXURE TO SCHEDULE-6 INCIDENTAL EXPENDITURE DURING CONSTRUCTION

(Rs. in millions)

	31st MARCH,2003	31st MARCH,2002
A. EMPLOYEES' REMUNERATION AND BENEFITS		
i) Salaries, wages, allowances and benefits	1,972	1,659
ii) Gratuity and contribution to provident fund (including administration fee)	392	394
iii) Staff welfare expenses	251	171
iv) Leave salary and pension contribution	16	16
B. REPAIRS AND MAINTENANCE	2,631	2,240
i) Buildings	39	28
ii) Machinery and construction equipments	18	20
iii) Others	111	81
C. ADMINISTRATION AND OTHER EXPENSES	168	129
i) Rent	104	81
ii) Rates and taxes	7	3
iii) Electricity charges	87	50
iv) Insurance	26	17
v) Travelling and conveyance	94	75
vi) Expenses on staff cars and inspection vehicles	101	80
vii) Telephone, telex and postage	28	31
viii) Advertisement and publicity	38	26
ix) Foreign consultancy charges	6	7
x) Design and consultancy charges	49	101
xi) Expenses on compensatory afforestation/catchment area treatment	42	78
xii) Entertainment	3	2
xiii) Printing and stationery	33	29
xiv) Expenditure on land not belonging to corporation	119	240
xv) Land acquisition and rehabilitation	7	12
xvi) Payment to auditors	2	2
xvii) Security expenses	129	93
xviii) Other expenses	109	81
xix) Loss on material/assets written off	11	2
D. INTEREST AND FINANCE CHARGES	995	1,010
i) Interest on Government of India loan	10	42
ii) Interest on bonds	109	130
iii) Interest on foreign loan	938	668
iv) Interest on cash credit facilities/term loan	1,208	745
v) Bond issue expenses	18	-
vi) Commitment fee	24	48
vii) Guarantee fee on foreign loan	156	112
viii) Other finance charges	765	48
E. EXCHANGE RATE VARIATION (NET)	323	1,793
F. DEPRECIATION	251	-
G. EXPENDITURE DURING NVDA PERIOD	2,427	206
H. PRIOR PERIOD EXPENSES (NET)		2,078
i) INCOME	-	1
Less :-		
ii) EXPENDITURE		
a) Salaries, wages, allowances and benefits	5	-
b) Repairs and maintenance	-	1
c) Others	(14)	83
d) Depreciation	(1)	4
e) Interest	-	1
TOTAL EXPENDITURE	(10)	88
LESS: RECEIPTS AND RECOVERIES	10,013	7,544
i) Hire charges/out turn of plant and machinery	8	10
ii) Interest on		
a) Term deposit and saving bank	20	-
b) Loans and advances	237	164
Less:-Income tax on bank interest	7	2
iii) Miscellaneous receipts and recoveries	250	162
iv) Profit on sale of assets	84	184
v) Provisions / liability not required written back	19	1
TOTAL RECEIPTS AND RECOVERIES	7	49
NET EXPENDITURE	368	406
LESS: Share of corporate office allocated to operational and maintenance projects and deposit / turn-key contracts.	9,645	7,138
AMOUNT TRANSFERRED TO CAPITAL WORK- IN- PROGRESS	142	161
	9,503	6,977

SCHEDULE-7 CONSTRUCTION STORES AND ADVANCES

	(Rs. in millions)	
	31st MARCH,2003	31st MARCH,2002
A. CONSTRUCTION STORES		
(At cost as valued and certified by management)		
i) Construction material in transit	203	7
ii) Stores	<u>787</u> 990	<u>985</u> 992
B. ADVANCE FOR CAPITAL EXPENDITURE		
i) Secured (considered good)	2,350	2,649
ii) Unsecured (considered good)	<u>5,186</u> 7,536	<u>2,825</u> 5,474
TOTAL	<u>8,526</u>	<u>6,466</u>

SCHEDULE-8 INVESTMENTS

	(Rs. in millions)	
	31st MARCH,2003	31st MARCH,2002
LONG TERM		
INVESTMENT - (NON TRADE)		
UNQUOTED		
i) Government of Uttar Pradesh-11% Redeemable-Bonds in the nature of promissory note	3,000	3,000
ii) Uttar Pradesh Power Corporation Limited-12% Redeemable-Bonds/promissory note in lieu of Bonds	2,873	2,873
Interest accrued and due	539	172
iii) Haryana Vidut Prasaran Nigam Limited-11.89% Redeemable non-convertible non-cumulative-Bonds	3,000	3,000
Interest accrued and due	531	178
iv) Haryana Vidut Prasaran Nigam Limited-11% Redeemable non-convertible non-cumulative-Bonds	500	500
Interest accrued and due	82	28
v) Government of Jammu & Kashmir-12% Redeemable non-convertible-Bonds	7,200	7,200
Interest accrued and due	54	-
vi) Punjab State Electricity Board-11.85% Redeemable-Bonds	600	600
Interest accrued and due	16	-
vii) 80,00,000 Fully paid-up equity shares of Rs. 10/- each in Power Trading Corporation Limited as co-promoter	80	-
QUOTED		
360800 Fully paid-up equity shares of Rs. 10/- each in Indian Overseas Bank	4	4
TOTAL	<u>18,479</u>	<u>17,555</u>
NOTE :		
QUOTED INVESTMENT		
Book Value	4	4
Market Value	6	3

SCHEDULE-9 CURRENT ASSETS, LOANS AND ADVANCES

(Rs. in millions)

	31st MARCH,2003		31st MARCH,2002	
CURRENT ASSETS				
A. INTEREST ACCRUED BUT NOT DUE ON INVESTMENT		-		825
B. INVENTORIES				
(As taken, valued and certified by management)				
i) Stores and spares	643		847	
ii) Loose tools	<u>1</u>		<u>2</u>	
	644		849	
Less: Provisions	<u>3</u>	641	<u>12</u>	837
C. CONTRACT WORK-IN-PROGRESS		105		11
D. SUNDRY DEBTORS (UNSECURED)				
i) Debts due over six months	11,655		8,524	
ii) Other debts	<u>4,043</u>		<u>4,911</u>	
	15,698		13,435	
Less: Provisions	<u>760</u>	14,938	<u>775</u>	12,660
PARTICULARS OF SUNDRY DEBTORS (Unsecured)				
	2002-2003	2001-2002		
i) Considered good	14,938	12,660		
ii) Considered doubtful and provided	<u>760</u>	<u>775</u>		
E. CASH AND BANK BALANCES				
Cash, imprest, cheques and drafts in hand	229		5,358	
i) Balances with scheduled banks in				
a) Current account	2,993		42	
b) Deposit account(Short term) *	<u>4,821</u>		<u>15</u>	
c) Others (post office)	-		50	
ii) Balances with non-scheduled banks				
(With Bank of Bhutan)				
Current account	<u>3</u>	8,046	<u>26</u>	5,491
F. OTHER CURRENT ASSETS				
i) Interest accrued on deposits	3		-	
ii) Others	<u>832</u>		<u>570</u>	
Less: Provisions	<u>2</u>	833	<u>-</u>	570
G. LOANS AND ADVANCES				
i) Loans to employees (unsecured- considered good)	743		548	
ii) Advances recoverable in cash or kind or for value to be received				
a) Unsecured(considered good)	302		265	
b) Unsecured(considered doubtful)	<u>5</u>	307	<u>6</u>	271
Less: Provision for doubtful advances		<u>5</u>		<u>6</u>
	302		265	
iii) Inter Corporate Loan -unsecured (considered good)	1,000		-	
iv) Advance tax deposit and tax deducted at source	<u>832</u>		<u>918</u>	
v) Other recoverable -				
Due from Power Grid Corporation of India Ltd.	<u>318</u>	3,195	<u>398</u>	2,129
TOTAL		27,758		22,523

* Deposit account(short term) includes Rs 21 millions in the name of PNB Capital services limited trustee account on account of unclaimed redemption amount of 'C' series Bond.

A. PARTICULARS OF MAXIMUM BALANCE DURING THE YEAR WITH NON-SCHEDULED BANKS

	2002-2003	2001-2002
Bank of Bhutan		
i) Current account	5	213
ii) Term deposit	-	50

B. PARTICULARS OF LOANS AND ADVANCES DUE FROM DIRECTORS

	2002-2003	2001-2002
i) Amount due at the end of the year	0.62	0.80
ii) Maximum balance at any time during the year	0.83	1.00

Advance due by Companies in which any Director of the Corporation is a Director or member amounts to Rs NIL (Previous year Rs. NIL)

SCHEDULE-10 CURRENT LIABILITIES AND PROVISIONS

			(Rs. in millions)	
	31st MARCH,2003		31st MARCH,2002	
A. LIABILITIES				
i) Sundry creditors				
a) Total outstanding dues of small scale industrial undertaking(s). (due over 30 days Nil)	-		1	
b) Others	2,444	2,444	3,524	3,525
ii) Unspent amount of deposit/agency		16		13
iii) Deposits/Retention money		680		336
iv) Interest accrued but not due on loans		387		803
v) Advances against cost of project		54		54
vi) Advances from Contractee's		101		33
vii) Other liabilities		607	374	5,138
		4,289		
B. PROVISIONS				
i) Taxation		876		835
ii) Proposed dividend		250		500
iii) Tax on proposed dividend		32		-
iv) Provision for incentive (bonds)		801		-
v) Provision for wage revision		-		8
vi) Provision for exgratia		68		68
vii) Provision for leave encashment		484		344
viii) Provision for gratuity		1,243		916
ix) Provision for retired employees health scheme		306		224
x) Provision for contingencies		110	280	3,175
		4,170		
C. DEVELOPMENT SURCHARGE (HELD IN TRUST)				
Development surcharge - Billed		1,105		-
Less - Receivable		581		-
Less - Invested in corporate liquidity term deposit account		393		-
Development surcharge - Investable				
		131		
TOTAL		8,590		8,313

SCHEDULE-11 MISCELLANEOUS EXPENDITURE

(TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED)

(Rs. in millions)

	31st MARCH,2003	31st MARCH,2002
i) Preliminary expenses	21	20
ii) Deferred revenue expenses	12	20
iii) Losses awaiting write off sanction	46	37
Less : Provided for	46	37
TOTAL	33	40

SCHEDULE-12 CONTRACTS & CONSULTANCY INCOME

(Rs. in millions)

	31st MARCH,2003	31st MARCH,2002
i) Contract income	372	1,070
Add : Contract work-in-progress - closing	105	11
Less: Contract work-in-progress - opening	11	18
ii) Consultancy income	466	1,063
TOTAL	500	1,089

SCHEDULE-13 OTHER INCOME

(Rs. in millions)

	31st MARCH,2003	31st MARCH,2002
i) Income from short term deposit	-	9
ii) Interest on bonds	1,181	1,988
iii) Interest on loans and advances	11	7
iv) Dividend income (gross)	1	-
v) Surcharge	1,221	65
vi) Profit on sale of assets	17	17
vii) Provisions / liability not required written back	16	59
viii) Income from scrap	1	4
ix) Interest on term loan and saving bank	1	-
x) Other miscellaneous income	40	11
TOTAL	2,489	2,160

SCHEDULE-14 GENERATION, ADMINISTRATION AND OTHER EXPENSES

(Rs. in millions)

	31st MARCH,2003	31st MARCH,2002
i) Consumption of stores and spares	27	69
ii) Repairs & maintenance -		
a) Buildings	39	36
b) Machinery	157	160
c) Others	109	134
iii) Miscellaneous operational expenses	31	19
iv) Rent	5	3
v) Rates and taxes	3	1
vi) Insurance	3	5
vii) Self Insurance for contingencies	387	386
viii) Security expenses	141	174
ix) Electricity charges	5	6
x) Travelling and conveyance	26	21
xi) Expenses on staff car	20	21
xii) Telephone, telex and postage	12	9
xiii) Advertisement and publicity	4	5
xiv) Donation (Rs. 50,000/-)	-	-
xv) Printing and stationery	6	4
xvi) Corporate office management expenses	128	131
xvii) Diminution in value of stores & spares	65	63
xviii) Project expenses written off	-	119
xix) Loss on sale of assets	5	4
xx) Deferred revenue expenditure written off	8	8
xxi) Other general expenses	66	23
xxii) Exchange rate variation	(3)	11
TOTAL	1,244	1,412

SCHEDULE-15 EMPLOYEES REMUNERATION AND BENEFITS

	(Rs. in millions)	
	31st MARCH,2003	31st MARCH,2002
i) Salaries, wages and allowances	1,149	1,068
ii) Gratuity and contribution to provident fund (Including administration fees)	245	265
iii) Staff welfare expenses	207	159
TOTAL	1,601	1,492

SCHEDULE-16 INTEREST AND FINANCE CHARGES

	(Rs. in millions)	
	31st MARCH,2003	31st MARCH,2002
i) Interest on loans		
a) Government of India loans	3	520
b) Bonds	474	461
c) Foreign loans	224	448
d) Term loan	2,569	3,270
ii) Interest on cash credit facilities	118	2,285
iii) Bond expenses	13	318
iv) Rebate to customers	267	9
v) Guarantee fee on foreign loans	87	234
vi) Other finance charges	24	109
TOTAL	3,779	4,388

SCHEDULE-17 CONTRACT AND CONSULTANCY EXPENSES

	(Rs. in millions)	
	31st MARCH,2003	31st MARCH,2002
A. DIRECT EXPENSES	198	520
(Includes labour, materials, assets and payment to contractors/suppliers)		
B. EMPLOYEES' REMUNERATION AND BENEFITS		
i) Salaries, wages, allowances and benefits	37	87
ii) Gratuity and contribution to provident fund	6	10
iii) Staff welfare expenses	2	2
C. REPAIRS AND MAINTENANCE	45	99
i) Buildings	2	1
ii) Machinery and construction equipments	-	10
iii) Others	5	6
D. ADMINISTRATION AND OTHER EXPENSES	7	17
i) Rent	1	3
ii) Travelling and conveyance	6	11
iii) Expenses on staff cars and inspection vehicle	4	6
iv) Insurance	1	3
v) Telephone, telex and postage	2	4
vi) Advertisement and publicity	1	1
vii) Printing and stationery	1	1
viii) Corporate office management expenses	14	30
ix) Contingencies	-	49
x) Other expenses	41	8
E. DEPRECIATION	71	116
TOTAL EXPENDITURE	323	758
LESS: RECEIPTS AND RECOVERIES		
i) Miscellaneous	10	41
ii) Provisions / liability not required written back	2	1
NET EXPENDITURE DURING THE YEAR	311	716
F. PRIOR PERIOD ADJUSTMENTS	(1)	(4)
TOTAL	310	712

SCHEDULE-18 PROVISIONS

		(Rs. in millions)	
		31st MARCH,2003	31st MARCH,2002
Provision for incentive- Bonds		801	-
TOTAL		801	-

SCHEDULE-19 PRIOR PERIOD ADJUSTMENT (NET)

		(Rs. in millions)	
		31st MARCH,2003	31st MARCH,2002
A. INCOME			
i) Sale of electricity		(3)	5
ii) Others		3	12
		-	17
B. EXPENDITURE			
i) Salaries and wages	13	-	-
ii) Repair and maintenance	2	1	-
iii) Interest	-	1	-
iv) Others	32	46	-
v) Depreciation	16	32	80
TOTAL		63	63

SCHEDULE – 20 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1.
 - a) The Consolidated Financial Statements (CFS) comprises of the financial statements of National Hydroelectric Power Corporation Limited (NHPC) and its subsidiary named Narmada Hydroelectric Development Corporation Limited (NHDC), which is a Joint Venture of NHPC and Government of Madhya Pradesh.
 - b) These have been prepared after combining on a line-by-line basis by adding together like items of Assets/Liabilities and Income/Expenses in accordance with Accounting Standard - 21 on "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
 - c) Profit & Loss Account of NHDC is not prepared as its Projects are under construction stage, however, 'Incidental Expenditure During Construction Account' is prepared forming part of 'Capital Work-in-progress'.
2. The Consolidated Financial Statements have been prepared using uniform Accounting Policies except:
 - in respect of Depreciation. NHDC provides for depreciation as per rates prescribed under the Electricity (Supply) Act, 1948 whereas NHPC provides depreciation at rates notified by regulations by Central Electricity Regulatory Commission. No adjustment in the financial statement of NHDC to bring the depreciation policy in line with NHPC has been made considering the fact that there is no impact on the profit for the year and the fact that the total depreciation provided by NHDC is carried under 'Incidental Expenditure During Construction' for allocation to fixed assets. The total proportion of fixed assets of NHPC is Rs.82809 Millions (99.70%) and of NHDC is Rs.247 millions (0.3%).
 - in case of treatment of expenditure towards compensation and other expenses relating to land. NHDC is showing such expenses as part of Capital Work in Progress, whereas NHPC is treating it as cost of land.
3. Prior to formation of Narmada Hydroelectric Development Corporation Limited, Madhya Pradesh Government (NVDA) had undertaken the construction of Indira Sagar & Omkareshwar Projects and has reported incurring of total expenditure, upto 31.03.2003, of Rs.12372 Millions on the Projects. After necessary verification/ reconciliation the Corporation has accounted for Rs.12025 millions (previous year Rs.8390 millions). For balance amount, the verification and reconciliation is in progress.
4. In compliance of Accounting Standard– 18 on related party disclosures issued by the Institute of Chartered Accountants of India, the required information is given as under:
 - a) **Whole time Directors:**

Shri Yogendra Prasad	Chairman & Managing Director
Shri R. Natarajan	Director (Finance) (upto 06.05.2003)
Shri S.K. Garg	Director (Finance) (w.e.f. 01.07.2003)
Shri Binay Kumar	Director (Personnel)
	(under 'compulsory waiting' w.e.f. 07.07.2003).
Shri A. K. Gangopadhyay	Director (Projects)
Shri R. K. Sharma	Director (Technical)
Shri S. C. Sharma	Managing Director (upto 21.11.2002) (NHDC)
Shri S. K. Dodeja	Chief Executive Officer w.e.f. 21.11.2002 (NHDC)
 - b) **Related Party transactions** :Remuneration to Directors as per respective accounts.
5. Contingent liabilities: -
 - a) Claims not acknowledged as debts Rs.13074 millions. (previous year Rs.11291 millions)
 - b) Bonds for Rs.174 millions (previous year Rs.174 millions) executed in favour of Customs Authorities.

c) Foreign Letter of Credit opened in favour of Technopromexport Rs.339 millions (previous year nil)

6. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs.36750 millions (previous year 24552 millions).

7. The subsidiary company considered in the Consolidated Financial Statements is:

Name of the Subsidiary	Country of Incorporation	Proportion of Ownership Interest
Narmada Hydroelectric Development Corporation Limited	India	51%

8. Electricity generation is the principal business activity of the Group. Other operations viz., contract works, interest income and consultancy services do not form a reportable segment as per Accounting Standard 17 on Segment Reporting issued by the Institute of Chartered Accountants of India.

9. In compliance of Accounting Standard – 20 on “Earning Per Share” issued by Institute of Chartered Accountants of India the elements considered for calculation of Earning Per Share (Basic) are as under:

	31.03.2003	31.03.2002
Profit After Tax (Rupees in Millions)	5,065	4,654
Weighted Average number of equity shares	6,24,89,876	5,17,16,576
Earning Per Share (Basic) (Rupees)	81.05	89.99

10. In compliance to the Accounting Standard 22 on “Accounting for Taxes on Income” issued by the Institute of Chartered Accountants of India, Deferred Tax Liability amounting to Rs.1,606 millions (previous year Rs. 2,198 millions) has been provided during the current year. The item-wise details of cumulative Deferred Tax Liability are as under:

	(Rs. in Millions)	
	31.03.2003	31.03.2002
Deferred Tax Liability		
i) Depreciation	17,864	16,965
Less: Deferred Tax Assets		
ii) Accumulated unabsorbed depreciation	1,784	2,929
iii) Advance against Depreciation to be considered as income in tax computation	1,419	1,419
iv) Provision for doubtful debts, Insurance, contingencies and incentive (Bonds)	1,397	1,043
v) Provision for employee benefit schemes	329	245
Deferred Tax Liability (Net)	12,935	11,329

11. Accounting Policies and Notes to Accounts of the financial statement of the Corporation and its subsidiary are set out in their respective financial statements.

VIJAY GUPTA
Secretary

S.K. GARG
Director (Finance)

YOGENDRA PRASAD
Chairman & Managing Director

PLACE : NEW DELHI
DATED : 28th JULY, 2003

CONSOLIDATED CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31ST MARCH 2003

(Rs. in millions)

	For the year ended 31st March, 2003	For the year ended 31st March, 2002
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax and extraordinary items	5,510	5076
ADD :		
Depreciation	1,422	2354
Provisions for contingencies	(170)	49
Interest Paid	3,779	4388
Self-Insurance for contingencies	349	385
Provisions for incentive	801	
Deferred revenue expenditure amortized	8	8
Diminution in value of inventories	65	63
Project expenses written off	-	119
Loss on sale of assets	5	4
Exchange rate variation	(3)	11
Advance against depreciation	1,526	1,286
	7,782	8,667
LESS :		
Profit on sale of assets	17	17
Deferred revenue expenditure	-	1
Rebate given to customers	267	234
Exchange rate variation paid	(3)	11
Excess provisions and liabilities written back	16	59
Dividend income	1	-
	298	322
Cash flow from operating activities before working capital adjustments	12,994	13,421
Working Capital Changes		
(Increase)/Decrease in inventories	132	4
(Increase)/Decrease in contract work in progress	(94)	7
(Increase)/Decrease in receivables	(3,504)	(3,903)
Increase/(Decrease) in trade and other payables	(745)	(1,186)
	(4,211)	(5,078)
Cash flow from operating activities before taxes	8,783	8,343
Less : Taxes	445	422
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	8,338	7,921
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets and expenditure on construction projects (including incidental expenditure during construction)	(26,559)	(24,100)
Sale proceeds on disposal of fixed assets	116	89
Investment in shares of subsidiary company & others	(80)	-
Dividend received	1	-
NET CASH FLOW FROM INVESTING ACTIVITIES (B)	(26,522)	(24,011)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	7,735	5305
Share capital deposit	1,214	6268
Funds received from GOMP by adjustment of expenditure	3,635	-331
Dividend and dividend tax paid	(1,000)	
Proceeds on borrowings (net)	16,306	14132
Interest and financial charges	(7,151)	(6,167)
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	20,739	19,207
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,555	3,117
Cash and Cash Equivalents at the beginning of the year	5,491	2374
Cash and Cash Equivalents at the close of the year	8,046	5491

EXPLANATORY NOTES TO CASH FLOW STATEMENT

1. Cash and cash equivalents consist of cash in hand and bank balances including cheques / drafts in hands.
2. Bonds allotted to the Corporation in discharge of debts and interest earned thereon being related to the core generating activity has been considered as part of cash from operating activities.
3. The above includes exchange variation loss on restatement of foreign currency liabilities at year end rates Rs 2114 millions.
4. Investment in fixed assets and construction work in progress excludes interest & financial charges capitalised Rs 3228 millions.
5. The previous year's figures has been regrouped / re-arranged / re-cast wherever necessary.

As per our attached report of even date

For BATRA SAPRA & COMPANY
Chartered Accountants
For and on behalf of the **BOARD OF DIRECTORS**
SANDEEP MANAKTALA
Partner
Membership No. 91408

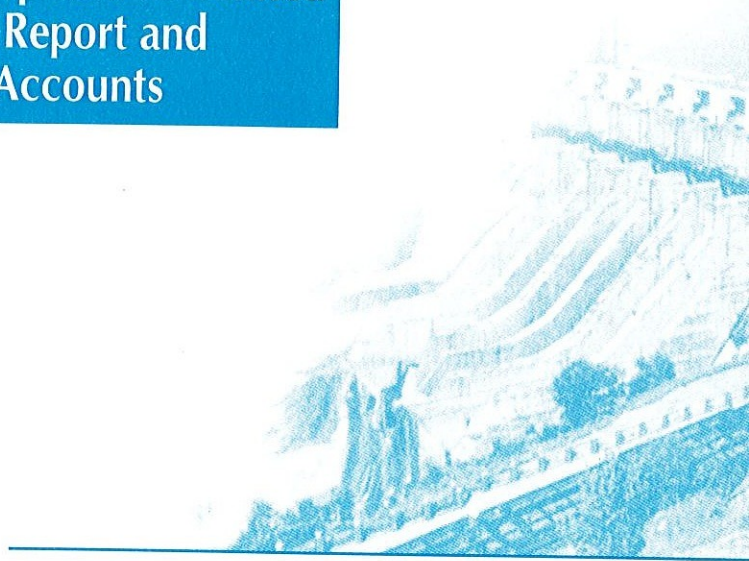
VIJAY GUPTA
Secretary

S.K.GARG
Director (Finance)

YOGENDRA PRASAD
Chairman & Managing Director

PLACE : NEW DELHI
DATED : 28th JULY, 2003

**Narmada Hydroelectric
Development Corporation Limited
Directors' Report and
Annual Accounts**



Directors' Report

To the Members,

Narmada Hydroelectric Development Corporation Ltd.

Your Directors have great pleasure in presenting the 3rd Annual Report of your company together with the audited Accounts, Auditor's Report and the comments of the Comptroller and Auditor General of India for the financial year ended 31st March, 2003.

PERFORMANCE HIGHLIGHTS

The company was incorporated on 1st August, 2000 as a joint venture Company of M/s National Hydroelectric Power Corporation (NHPC), A Govt. of India Enterprise and Govt. of Madhya Pradesh. The company is executing the 1000 MW Indira Sagar Project and 520 MW Omkareshwar Project. The projects on completion will yield benefits of power besides promotion of industries, pisi-culture, tourism and irrigation and help in improving the social upliftment of people and in betterment of their life.

PROGRESS OF WORKS

INDIRA SAGAR PROJECT

Dam

Out of total estimated quantity of 14.00 lakh cum till date 12.65 lakh cum of concrete has been placed in the Dam. Further Block Nos. 4-15 have been raised ranging from EL 225 to EL 238 M with an average level of Dam as EL 229.51 M. Piers No.16 to 24 have been raised upto EL 265.5 M alongwith 1st stage embedments. In addition, the work of Spillway Deck Bridge is also in progress for two spans i.e. 24-23 and 23-22. The concreting at Dam is held up due to monsoon season.



1000 MW Indira Sagar Project (Madhya Pradesh) - Dam Site

POWER HOUSE

Progress of civil works and erection work in Power House is going on as per schedule. Out of estimated quantity of 3.55 lakh cum till date 3.38 lakh cum of concrete has been placed in Power House, wherein first 3 Units have achieved service bay level i.e. EL 201 M and for Unit 4 concreting from EL 191 M to 193 M is in progress, besides erection of E&M components. The work of all other structures in power house has been completed. In addition, protection works in Tail Race pool / channel is in progress and about 82.6% job has been completed. The mechanical spinning for Unit 1 has been done on 14/08/2003. Stator and Rotor has been lowered for unit 2 and work of stator frame and rotor core fabrication for Unit 3 is in progress. Hydro test for Unit 5 has been completed successfully. Welding of stay ring to spiral casing has been completed for Unit 6. For unit 7 fitment of cylindrical joints of spiral casing has been completed and Unit 8 has been completed upto stay ring. For unit 2, the mechanical spinning is scheduled to be held in the first week of September, 2003. Power House roof has been completed upto unit 3 in all respects. The work of Switchyard Control Building is in progress. Out of estimated quantity of 1730 cum, till date 1312 cum concrete has been placed and ground floor roof has

been completed and first floor columns have been raised upto lintel level. The work of excavation and concreting of foundations for 400 KV Switchyard is also in progress. All the E&M packages have been awarded. For drawings/supply of material, the contractors are being pursued.

HYDRO-MECHANICAL WORKS

The work of intake gates and penstocks has been completed. All Draft Tube gates have been erected and lowered. The emergency gate for Goose Neck Tunnel and Diversion Tunnel have been assembled and erected. The design and fabrication work for Spillway Radial gates is in progress. The work of erection of Radial gates is scheduled to be completed by October, 2004.

DIVERSION OF RAILWAY LINE

Due to construction of Indira Sagar Project the Railway Line between chainage 583.864 Km to 635.150 Km of North South Main Line is coming under submergence between Talwadia and Khirkiya station at many locations for a stretch of 27.11 Kms. The diverted line is of 57 kms and diversion work is being executed by Central Railway on deposit work basis at an estimated cost of Rs. 342.81 Crores. The Central Railway has planned to complete the entire job by the end of September, 2003.

Upto August, 2003, one track of up line and 30 Kms of down line linking has been completed. Trial run of goods trains has been carried out. 90% work on stations has been completed. 60% of work on erection of electric poles and stringing of conductor has been completed. So far, Rs. 277.10 Crores have been released to Railways and approximately Rs. 6.00 crores have been spent by NHDC for supply and procurement of critical items.

REHABILITATION & RESETTLEMENT WORK

Due to construction of Indira Sagar Project 249 villages are coming under submergence, out of which for 38 villages only Government land is coming under submergence. Out of 33956 Project Affected Families (PAFs), 11777 PAFs have been shifted till 08.08.2003,. Section- IV has been issued for all 211 villages, Section – VI for 127 villages and award has been passed for 87 villages. Till date 49 villages have been shifted fully and 26 villages partially. It is worth to mention here that all 27 villages coming under submergence in first stage have been vacated completely. The work of shifting of PAFs has been suspended now a days due to monsoon season and work will commence after monsoon season.

At 13 different resettlement sites, the work of development of plots have been taken up for Resettlement of displaced families, where 6268 plots have been developed till 31.07.2003. So far, only 395 PAFs have opted for these plots and others have opted for receiving Rs. 20,000/- in lieu of plots and 5873 plots are available at these sites. In addition, 6 new resettlement sites have been identified by the task force, on which demarcation of plots, fixing of corner stone, survey work etc. is in progress. The R&R works are being done in accordance with R&R policy and R&R works are being monitored closely to match its progress with the project construction schedule.

ENVIRONMENT & FOREST

While fully acknowledging the corporate responsibilities for Environmental concerns all stipulations of Ministry of Environment & Forests are being adhered to in true spirit. Compensatory Afforestation over an area of 80,359 Ha is completed against total target of 80,945 Ha. Likewise, Catchment Area Treatment works in forest and non-forest areas is completed over an area of 52,480 Ha against total target of

62,975 Ha. Work relating to relocation of Archaeologically significant monument is also under progress. All monuments are being relocated/restored scientifically by expert agencies. Work on restoration of Singhaji's Samadhi is underway. Replica of Shiv Mandir, Punghat is prepared. Archaeologically significant mounds namely Naval Khere, Bijalpur Khurd, Gannor have been excavated and explored by State Archaeology Department to find out artifacts etc. Preliminary survey for construction of Safety Wall at Joga Fort is completed.

One National Park and Two Sanctuaries are also being notified to compensate loss of forest habitat for wildlife.

OMKARESHWAR PROJECT

The CCEA has accorded approval for construction of 520 MW, multipurpose Omkareshwar Project on 29.05.2003. Contract agreement for turnkey execution of Omkareshwar Project has been signed with "M/s Jaiprakash – Voith Siemens Consortium, New Delhi" on 18.07.2003, with completion period of 48 months for an amount of Rs. 1476.4 Crores and on completion, the project will generate 1166 Million Units annually. The contractor has started the preliminary works at site, which include transportation of construction equipments, survey works and construction of temporary residence etc. Infrastructure development works have already been taken up and are in progress, details of which are as below:

- i. The work of construction of approach road from Barwaha to Sidhwarkoot (16 km) was given major emphasis and approximately 90% work has been completed.
- ii. The work of construction of internal roads, pre cast fencing work, Administrative Office complex and Executive Field Hostel of colony have been awarded.
- iii. The work of construction of Foot Bridge to Omkareshwar temple has been awarded in Feb'03 and is in progress.

R&R WORKS OF OMKARESHWAR PROJECT

Due to construction of Omkareshwar project, 30 villages are coming under submergence. A survey was conducted to freeze the Project Affected Families (PAFs) for OSP, accordingly 4613 PAFs have been identified.

Section – IV has been issued for 7 villages and proposal for 7 villages is under preparation. In Sailani, Manjara and Panthia villages 136 PAFs have been shifted out of 193 PAFs. Resettlement of PAFs is being done at Village Kothi and 30 plots have been allotted for this purpose. In addition, the shifting of stones of Shiv Temple, Chaubis Avtar Temple and Pashupatinath Temple at Village Panthia has been completed by Archeological Department, Government of Madhya Pradesh.

DIVIDEND

The Corporation has not started commercial operation and generation of revenue, with both the Projects still in construction stage. Your directors have not, therefore, recommended any dividend for the year ending 31st March, 2003.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information regarding conservation of energy, technology absorption and foreign exchange earnings and outgo in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 is given in annex "A" to this report.

INDUSTRIAL RELATIONS

Industrial relations have been cordial since the inception of the Corporation and a number of steps have been taken for employee's welfare, which are as follows:

- i. Group Personal Accident Insurance for all employees.
- ii. Empanelment of Hospital at Bhopal and Indore besides establishment of Hospitals at ISP & OSP with recruitment of Medical officer for treatment of employees and their dependent
- iii. Establishment of Kendriya Vidyalaya at ISP.

The industrial relation was cordial throughout the year.

HUMAN RESOURCES DEVELOPMENT

Human Resource Development Policy of the Corporation is being worked out. The Training Programmes/Seminars are being organized for enhancing Technical & Managerial skills of the employees. Computer Training programmes have been conducted to make each employee of the organisation a Computer Literate. In addition, NHDC Spiritual Committee has started functioning, in which spiritual lectures are being organized for mental/internal purity/spiritual growth of employees.

OFFICIAL LANGUAGE IMPLEMENTATION

For the implementation and growth of Official Language (Hindi) a number of programmes have been introduced, given below:

- i. Arrangement of Group Discussions, in which suggestions are being asked from the employees for better implementation of official language.
- ii. Monthly meeting of Head of the Departments.
- iii. Organisation of Training Sessions for Executives / Non-Executives for clarifications and to increase the knowledge from practical point of view.
- iv. Formation of Internal Inspection Committee.

Targets have been fixed for each Department for implementation of Official Language, which are being reviewed through Monthly and Quarterly Progress Reports.

AUDITORS

M/s M. Mehta & Co., Chartered Accountants, Indore were appointed as "Statutory Auditors" for conducting the Audit for the year 2002- 2003.

AUDITORS' REPORT

The Auditors' Report refers to various notes in schedule-10 incorporated by the Corporation, which are self-explanatory. The comments of the Comptroller and Auditor General of India and replies thereon are at Annexure "B".

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to requirement under section 217 (2AA) of the Companies Amendment Act, 2000 with respect to Directors Responsibility Statement, it is hereby confirmed:

- i) That in the preparation of the Annual Accounts for the financial year ended 31.03.2003, the applicable accounting standards had been followed alongwith proper explanation relating to material departures;
- ii) That the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and the statement of incidental expenditure for that period;
- iii) That the Directors had 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;

- iv) That the Directors had prepared the accounts for the financial year ended 31.03.2003 on a 'going concern' basis.

AUDIT COMMITTEE

The audit committee of the Board consists of Sh. S.K. Dodeja, Chief Executive, Sh. Pradip Bhargava, Director and Sh. Sheo Narayan Singh. The said Audit Committee has reviewed the annual financial statements before submission to the Board as required Under Section 292 A of the Companies Act, 1956.

VIGILANCE ACTIVITIES

The Vigilance Wing set up at the Corporation has made regular and surprise checks at Projects/Corporate office time to time. Further vigilance awareness program/vigilance week has been observed during the year under review.

PARTICULARS OF EMPLOYEES

Information required under section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975, may be treated as nil.

PARTICULARS OF DIRECTORS

The composition of the Board includes Sh. Yogendra Prasad as Chairman cum Managing Director of the Company w.e.f. 30.12.02 along with six other Directors.

Sh. S.K. Dodeja has taken over the charge as Chief Executive of NHDC w.e.f. 21.11.02 and Sh. S.C. Sharma has ceased to be Managing Director of the Company w.e.f. 20.11.2002.

Sh. U.C. Saxena, Member Engineering, NVDA, Government of Madhya Pradesh has ceased to be a Director of the company w.e.f. 01.11.2002. The Government of Madhya Pradesh has nominated Sh. K.P. Choubey, Member (Engg) NVDA as Director on the board of NHDC w.e.f. 08.11.2002.

The Govt. of Madhya Pradesh has nominated Sh. Sheo Narayan Singh as Director on the board of NHDC w.e.f. 11.11.2002.

Sh. Anil Razdan, Joint Secy. Hydro, Ministry of Power, Govt. of India has ceased to be a Director of the Company w.e.f. 05.06.2003 and Sh. A.K. Kutty, Joint Secretary (Hydro), Ministry of Power, Govt. of India has been appointed as part time director on the Board of the company w.e.f. 11.08.2003

The Board expresses its gratitude for the contributions made and guidance given by Sh. S.C. Sharma, Sh. U.C. Saxena and Sh. Anil Razdan as Directors of the company.

ACKNOWLEDGEMENTS

The Board of Directors acknowledge with thanks the guidance and cooperation extended by various Ministries and Govt. agencies at various stages of work.

The Board records its deep appreciation of cooperation extended by the Statutory Auditors, Bankers and other concerned authorities.

Further, the Board takes the opportunity to thank all the dedicated employees of the Corporation but for whose valuable contributions and unstinted support, the achievements of the Company would not have been possible.

For and on behalf of the Board of Directors

**Sd/-
Chairman**

**PLACE : NEW DELHI
DATED : 17.09.03**

Annexure-A

CONSERVATION OF ENERGY

Sr. No.	Information Sought	Reply
a	Energy conservation measures taken	The numerical relays provided in LTAC system will be utilised for monitoring energy consumption in Power House auxiliaries of Indira Sagar Project.
b	Additional investments and proposals, if any, being implemented for reduction of consumption of energy;	NIL
c	Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods;	This will be assessed on operation of Power House.
d	Total energy consumption and energy consumption per unit of production as per Form –A of the annexure thereto in respect of industries specified in the schedule there to.	NHDC is not in the category of industries mentioned in the schedule.

Form - B

Sr. No.	Information Sought	Reply
1	Specific areas in which R&D carried out by the Company.	The efforts have been made for total automation of Power House operation of Indira Sagar Project.
2	Benefit derived as a result of the above R&D	The remote operation of the Power House.
3	Future Plan of action.	This will be extended to remote parameterisation of feeder relays for which discussion are underway with MPSEB.
4	Expenditure on R&D (a) Capital (b) Recurring (c) Total (d) Total R&D expenditure as a percentage of total turnover	No expenditure has been incurred on the R&D.

Technology Absorption, Adaptation and Innovation

Sr. No.	Information Sought	Reply
1	Efforts in brief made towards technology absorption, adaptation and innovation	Total automation of the system, use of numerical relays, computer aided system have been advocated.
2	Benefits derived as result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.	This will improve automatic & remote operation of the plant. This will also facilitate proper monitoring of the system.

Technology imported during last five years

Sr. No.	Information Sought	Reply
1	Technology imported during last five years	NIL

Foreign exchange earnings and outgo

Sr. No.	Information Sought	Reply
1	Activities relating to exports; initiatives taken to increase export; development of new export markets for products and services; and export plans;	NIL
2	Total foreign exchange earning. Total foreign exchange outgo	NIL Rs.374 Lacs.

Auditors' Report

To the Members,

Narmada Hydroelectric Development Corporation Ltd.

We have audited the attached Balance Sheet of **NARMADA HYDROELECTRIC DEVELOPMENT CORPORATION LIMITED, BHOPAL**, as at 31st March, 2003 and also the Statement of Incidental Expenditure during construction (pending allocation/capitalization) and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

Further to our comments in the Annexure referred to above, we report that :-

- i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books of the company.
- iii) The Balance Sheet, Statement of Incidental Expenditure and cash flow statement dealt with by this report are in agreement with the books of account of the company.
- iv) In our opinion, the Balance Sheet, statement of incidental Expenditure and cash flow statement dealt with by this report comply with the accounting standards referred to sub-section (3C) of section 211 of the Companies Act, 1956;
- v) On the basis of written representations received from all the directors, as on 31st March, 2003, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- vi) In our opinion and to the best of our information and according to the explanation given to us, the said accounts together with the notes thereon give in the prescribed manner, the information required by the Companies Act, 1956, read with notes to the accounts in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :-

- a) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2003 and
- b) In the case of Statement of Incidental Expenditure during construction (Pending Capitalization / Allocation) of the net expenditure incurred for the year ended on that date.
- c) In the case of the cash flow statement, of the cash flows for the year ended on that date.

For **M/S M. MEHTA & COMPANY**
Chartered Accountants

PLACE : NEW DELHI
DATED : 22.07.2003

P.R.BANDI
Partner
M. No. 16402

ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in paragraphs (1) of Auditors Report to the Members of **NARMADA HYDROELECTRIC DEVELOPMENT CORPORATION LIMITED, BHOPAL** on the Accounts for the year ended 31st March 2003.

On the basis of such checks as we considered appropriate and in terms of the information and explanation given to us, we state that: -

1. The Corporation has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. There is a regular programme of verification which in our opinion is reasonable having regard to the size of the Corporation and the nature of the Assets. No discrepancies have been noticed on such verification.
2. None of the fixed assets have been revalued during the year.
3. The stock of Stores, Spare Parts & Consumables, has been physically verified by the management at reasonable intervals during the year.
4. In our opinion, the procedure of physical verification of Spares & Stores, followed by the Management are reasonable & adequate in relation to the size of the corporation & nature of the Business.
5. No material discrepancies have been noticed on physical verification of stock as compared to book records.
6. In our opinion & on the basis of our examination the valuation of the stocks, is fair & proper in accordance with the normally accepted accounting principles and is on the same basis as in the earlier year.
7. The corporation has not taken any loan from Companies, Firms & Other Body Corporate listed in the Register maintained u/s 301 of the Companies Act, 1956 **except adjustment of assets acquired from NVDA has been shown as unsecured loan, for which no interest has been provided and temporary unsecured loan taken from holding Company at reasonable rate of interest.** In terms of Sub- section (6) of Section 370 of the Companies Act, the provisions of sub section are not applicable to a company on or after the commencement of the Companies (Amendment) Act, 1999.
8. The Corporation has not given loans and advances in the nature of loans to Companies, Firms or other parties listed in the register maintained u/s 301 of the Companies Act, 1956. In terms of sub section (6) of section 370 of the Companies Act, the provisions of sub section are not applicable to a company on or after the commencement of the Companies (Amendment) Act, 1999.
9. The Corporation has given loans and advances in the nature of loans only to its employees at interest and free of Interest. Repayments of principals amount and interest are as stipulated and are regular, wherever applicable.
10. In our opinion and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the Corporation and the nature of its business with regard to purchases of Stores, Raw Materials including Components, Plant & Machinery, Equipment and other assets.
11. In our opinion and according to the information and explanation given to us no goods and material aggregated during the year to Rs.50,000/- or more in respect of each party were purchased and no goods, materials and services aggregating during the year to Rs.50,000/- or more in respect of each party were sold in pursuance of contracts or arrangement entered in the register maintained under section 301 of the

Companies Act, 1956 **except has paid consultancy fees of Rs.359 Lacs (Previous Year Rs.547 Lacs) to Holding Company in which some of the Directors are interested at reasonable charges considering the services of a special nature and are not comparable.**

12. As explained to us the Corporation have regular procedure for the determination of unserviceable or damaged stores on projects.
13. The Corporation has not accepted any deposit u/s 58 A of the Companies Act from the public during the year **except temporary loan from holding company.**
14. According to the information and explanation given to us, the Corporation is maintaining reasonable records for sale and disposal of the realizable scrap. The corporation has no by products.
15. The Corporation has constituted its own internal audit department during the year. In our opinion the same requires further strengthening areas and frequency of checking.
16. We have been informed that maintenance of cost record u/s 209(A)(d) of the Companies Act, 1956 are not prescribed by the Central Government.
17. The Corporation has been regular in transferring the dues of Employees Provident Fund to N.H.P.C. Provident Fund Trust who are maintaining the records and employees who are on deputation from M.P.Govt. And other employees their P.F. & C.G.I.S. are paid regularly to relevant authorities. We have been informed that Employees State Insurance Act, 1948 is not applicable to the Corporation.
18. According to the information and explanation given to us no undisputed amount payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty were outstanding at 31st March, 2003 for a period of more than six months from the date they became payable.
19. According to the information and explanation given to us no personal expenses of directors have been charged to revenue account, other than those payable under contractual obligation or in accordance with generally accepted business practices.
20. The Corporation is not a sick industrial company within the meaning of Clause (O) of sub section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

For **M/S.M.MEHTA & COMPANY**

Chartered Accountants

PLACE : NEW DELHI

DATED : 22.07.2003

P.R.BANDI

Partner

M. No. 16402

BALANCE SHEET AS AT 31.03.2003

				(Rupees in Lacs)	
Particulars	Schedule No.	As at 31st March, 2003		As at 31st March, 2002	
SOURCES OF FUNDS					
SHAREHOLDERS' FUNDS					
Share Capital	1	107706		20955	
Share Capital Deposit	1A	27294		-	
Reserves and Surplus	2	42756	177756	-	20955
LOAN FUNDS					
Secured Loans	3	-		-	
Unsecured Loans		45490	45490	83,896	83,896
TOTAL			<u>223246</u>		<u>104851</u>
APPLICATION OF FUNDS					
FIXED CAPITAL EXPENDITURE					
Fixed Assets	4				
Gross Block		2475		430	
Depreciation		589		116	
Net Block		1886		314	
Capital Work-In-progress	5	183124		101312	
Construction Stores and Advances	6	23090	208100	12115	113741
CURRENT ASSETS, LOANS AND ADVANCES					
Inventories		-		-	
Contract work in progress		-		-	
Sundry Debtors		-		-	
Cash and Bank Balances		20228		745	
Other Current Assets		699		374	
Loans and Advances		478	21405	252	1371
Less: Current Liabilities and Provisions	8				
Liabilities		6313		10340	
Provisions		151	6464	126	10466
NET CURRENT ASSETS			14941		(9095)
MISCELLANEOUS EXPENDITURE	9		205		205
(To the extent not written off or adjusted)					
TOTAL			<u>223246</u>		<u>104851</u>
NOTES TO THE ACCOUNTS AND CONTINGENT LIABILITIES	10				
Schedule 1 to 10 and Accounting Policies form integral part of the Accounts					

V.K. TRIPATHI
Asstt. Secretary

N.K. CHADHA
Chief (F&A)

H.D. KHUNTETA
Director

S.K. DODEJA
Chief Executive

YOGENDRA PRASAD
Chairman & Managing Director

As per our report of even date attached
For **M/S M.MEHTA & CO**
Chartered Accountants
P.R. BANDI
Partner

PLACE : NEW DELHI
DATED : 22.07.2003

SCHEDULE-1 SHARE CAPITAL

(Rupees in Lacs)		
Particulars	As at 31st March, 2003	As at 31st March, 2002
AUTHORISED		
30000000 Equity Shares of Rs. 1000 each	300000	300000
Issued Subscribed and Paid-up	107706	20955
107,70,612 (Previous year 20,95,513) Equity Shares of Rs. 1000 each fully paid. Out of above, 65,95,512 (Previous year 20,95,512) shares have been allotted to holding company National Hydroelectric Power Corporation Ltd., Faridabad and 41,75,100 (Previous year one) Shares allotted to Govt. of Madhya Pradesh		
NOTE		
Out of the above Equity shares 4175099 (Previous year nil) Equity shares were allotted as fully paid up for consideration other than cash pursuant to M.O.U		
TOTAL	107706	20955

SCHEDULE-1A SHARE CAPITAL DEPOSIT

(Rupees in Lacs)		
Particulars	As at 31st March, 2003	As at 31st March, 2002
Share Capital Deposit		
i) Received from NHPC	3045	-
ii) Transferred from NVDA A/C	24249	-
TOTAL	27294	-

SCHEDULE-2 RESERVES AND SURPLUS

(Rupees in Lacs)		
	Balance As at 31st March, 2003	Balance As at 31st March, 2002
CAPITAL RESERVE		
i) Proportionate contribution by Govt. of Madhya Pradesh towards irrigation Component in Indira Sagar Dam as a grant.	18771	-
ii) Proportionate Sub-vention towards Sardar Sarover Project transferred from NVDA Account.	23985	-
TOTAL	42756	-

SCHEDULE-3 LOAN FUNDS

(Rupees in Lacs)		
Particulars	As at 31st March, 2003	As at 31st March, 2002
A. SECURED LOANS		
TOTAL	-	-
B. UNSECURED LOANS		
i) Short Term Loans (Guaranted by Holding Company) State Bank of India (Due within one year Rs. 30000 Lacs)	30000	-
ii) Loan Fund from Others Government of M.P. (NVDA) * See Note No. 3		
Towards ISP Account	10341	83896
Towards OSP Account	5149	15490
TOTAL	45490	83896

SCHEDULE-4 FIXED ASSETS

(Rupees in Lacs)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1.4.02	Additions/ Adjust- ments	Deductions/ Adjust- ments	As at 31.3.03	As at 1.4.02	For the year	Adjust- ments	As at 31.3.03	As at 31.3.03	As at 31.3.02
Land Freehold	-	-	-	-	-	-	-	-	-	-
Buildings	37	671	-	708	4	253	-	257	451	33
Roads and Bridges	9	812	-	821	-	127	-	127	694	9
Construction Plant and Machinery	2	22	-	24	-	1	-	1	23	2
Generating Plant and Machinery	-	422	-	422	-	3	-	3	419	-
Substation Equipments	-	4	-	4	-	-	-	-	4	-
Vehicles	65	5	-	70	28	19	-	47	23	37
Furniture Fixture and Equipments	246	73	-	319	32	37	-	69	250	214
Transmission Lines	6	-	-	6	-	1	-	1	5	6
Misc. Assets /Equipments	15	6	-	21	2	2	-	4	17	13
Fixed Assets of Minor Value Upto Rs. 5000/-	50	30	-	80	50	30	-	80	-	-
Total	430	2045	-	2475	116	473	-	589	1886	314
Previous Year	674	182	(426)	430	28	88	-	116	314	646

SCHEDULE-5 CAPITAL WORK-IN-PROGRESS

(Rupees in Lacs)

PARTICULARS	As at 1st April, 2002	Additions During the Year	Adjustments During the Year	Capitalised	As at 31st March, 2003
1. Survey, Investigation and other Expenses	-	288	-	-	288
2. Buildings & Civil Engg. Works and Communications	21422	4315	-	641	25096
3. Roads & Bridges	155	689	-	778	66
4. Hydraulic Works, Barrages, Dams, Tunnels & Power Channels	24432	10996	-	1	35427
5. Plant & Machinery in Generating Station	15071	14555	-	422	29204
6. Electric Installation & Sub-Station Equipments	-	-	-	-	-
7. Miscellaneous Assets	-	-	-	-	-
8. Trunk Transmission Lines	2	8	-	-	10
9. Incidental Expenditure During Construction					
a) Others	23859	28055	-	-	51914
b) Interest during construction	-	89	-	-	89
Sub Total	84941	58995	-	1842	142094
10. Rehabilitation Expenses	16371	24659	-	-	41030
Total	101312	83654	-	1842	183124
Previous Year	8233	93109	-	30	101312

ANNEXURE TO SCHEDULE-5 INCIDENTAL EXPENDITURE DURING CONSTRUCTION

(Rupees in Lacs)

Particulars	For the period from 1.4.2002 to 31.3.2003		For the period from 1.4.2001 to 31.3.2002	
Employees Remuneration and Benefits				
Salary, wages, allowances and benefits and gratuity	1399		1104	
Contribution to provident fund (Including administration fee)	71		58	
Staff welfare expenses	102		141	
Leave salary and pension contribution	32	1604	31	1334
Repairs and Maintenance				
Buildings	49		26	
Machinery and construction equipments	-		-	
Others	142	191	102	128
Administration and other Expenses				
Rent office	24		14	
Rent residential	73		66	
Rates and taxes	-		2	
Electricity charges	280		126	
Insurance	70		5	
Travelling and conveyance	105		73	
Expenses on staff cars and inspection vehicles	156		108	
Telephone, telex and postage	30		31	
Advertisement and publicity	48		37	
Design and consultancy charges	787		1506	
Entertainment	6		4	
Printing and stationery	30		34	
Expenses on security	36		55	
Other expenses	89		73	
Audit expenses	3		2	
Loss on materials/assets written off	24	1761	-	2136
Interest and Finance Charges		89		
Depreciation		473		88
Others				
Salary, wages, preliminary expenses, plantation, maintainance and environment expenses incurred by NVDA		24268		20778
Total Expenditure		28386		24464
Less : Receipts and Recoveries				
Interest on term deposits/bank accounts	195		62	
Less : Income tax on bank interest	-72	123	-22	40
Interest on loans and advances		11		6
Miscellaneous receipts and recoveries		63		1174
Provisions/liability not required written back		45		-
Total Receipts and Recoveries		242		1220
Net Expenditure Transferred to C.W.I.P.		28144		23244

V.K. TRIPATHI
Asstt. SecretaryN.K. CHADHA
Chief (F&A)H.D. KHUNTETA
DirectorS.K. DODEJA
Chief ExecutiveYOGENDRA PRASAD
Chairman & Managing Director

As per our report of even date attached
For **M/S M.MEHTA & CO**
Chartered Accountants
P.R. BANDI
Partner

PLACE : NEW DELHI
DATED : 22.07.2003

A) PARTICULARS OF REMUNERATION PAID TO DIRECTORS

(Rupees in Lacs)

	<u>2002 - 2003</u>	<u>2001 - 2002</u>
i) Salaries and allowances	4	4
ii) Contribution to provident fund	-	-
iii) Other benefits	-	-
iv) Reimbursement of expenses	1	3

B) PARTICULARS OF PAYMENT TO STATUTORY AUDITORS

	<u>2002 - 2003</u>	<u>2001 - 2002</u>
i) Audit fees	2	1
ii) Tax audit fees	-	-
iii) Audit expenses	1	1

SCHEDULE-6 CONSTRUCTION STORES AND ADVANCES

(Rupees in Lacs)

Particulars	As at 31st March, 2003	As at 31st March, 2002
CONSTRUCTION STORES		
(At cost as valued and certified by management)		
Construction material in transit	-	-
Stores	41	12
ADVANCE FOR CAPITAL EXPENDITURE		
Secured (considered good)	-	-
Unsecured (considered good)	23049	12103
TOTAL	23090	12115

SCHEDULE-7 CURRENT ASSETS, LOANS AND ADVANCES

Particulars	(Rupees in Lacs)	
	As at 31st March, 2003	As at 31st March, 2002
CURRENT ASSETS		
Inventories		
(At cost as taken, valued and certified by management)		
Stores and spares	-	-
Loose tools	-	-
Construction work-in-progress (contracts)	-	-
Sundry debtors (unsecured)		
Debts outstanding for a period exceeding six months	-	-
Other debts	-	-
Total debtors	-	-
Less : Provisions	-	-
Particulars of sundry debtors (unsecured)		
Considered good		
Considered doubtful and provided		
Cash and bank balances		
Cash, imprest, cheques and drafts in hand	4	2
Balances with scheduled banks in		
Current account	4224	92
Deposit account (short term)	16000	151
Others (post office)	-	500
Other current assets		745
Interest accrued on deposits	27	3
Others	672	371
Loans and advances		
Loans and advances to employees	250	174
(Unsecured considered good)		
ADVANCES RECOVERABLE IN CASH OR KIND OR FOR VALUE TO BE RECEIVED		
Secured (considered good)	-	-
Unsecured (considered good)	103	23
Unsecured (considered doubtful)	-	-
Less : Provision for doubtful	-	-
Advance tax deposited and tax Deducted at source	125	55
TOTAL	21405	1371
	2002-2003	2001-2002
A. PARTICULARS OF MAXIMUM BALANCE DURING THE YEAR WITH NON-SCHEDULED BANKS	-	-
B) PARTICULARS OF LOANS AND ADVANCES DUE FROM DIRECTORS		
Amount due at the end of the year	-	-
Maximum balance at any time during the year	-	-

SCHEDULE-8 CURRENT LIABILITIES AND PROVISIONS

		(Rupees in Lacs)	
Particulars	As at 31st March, 2003	As at 31st March, 2002	
Liabilities			
Sundry creditors			
Total outstanding dues of small scale industrial undertaking (s)	-	-	
Total outstanding dues of creditors other than small scale industrial undertaking (s)	5846	9971	9971
Unspent amount of deposit/agency	-	-	
Deposits/retention money	318	233	
Interest accrued but not due on loans	-	-	
Liability for cheques issued but not presented	-	11	
Advance against construction contracts	-	-	
Other liabilities	149	125	10340
	6313		
Provisions			
Taxation	126	54	
Proposed dividend	-	-	
Tax on proposed dividend	-	-	
Staff benefits	25	72	126
	151		
	6464		10466

SCHEDULE-9 MISCELLANEOUS EXPENDITURE

(To the Extent not written off or Adjusted)

		(Rupees in Lacs)	
Particulars	As at 31st March, 2003	As at 31st March, 2002	
Preliminary expenses	205	205	
Losses awaiting write off sanction	1	1	
Less : Provided for	1	1	-
	205		205

SCHEDULE-10 NOTES TO THE ACCOUNTS

1. Contingent Liabilities not provided for in respect of
 - (a) Claims not acknowledged as debts for Rs. 28268 Lacs (Previous year Rs.13269 Lacs) including pending Court Cases for Rs.685 Lacs (Previous year Rs.Nil) relating to Awards and Special Rehabilitation Grants in respect of Land Compensation to Land oustees. These claims does not include contractual claims/Arbitration Awards prior to the date of take over of the project by the Corporation. All such claims have been transferred to Government of Madhya Pradesh (NVDA) as per CCEA Clearance Dated. 28.03.2002.
 - (b) Foreign Letter of Credit opened in favour of Technopromexport Rs.3389 Lacs (Previous Year Nil).
2. Estimated amount of Contracts remaining to be executed on capital account not provided for Rs.54611 Lacs (Previous Year Rs.23977 Lacs).
3.
 - (a) During the year, the Corporation has further identified and accounted Rs.24766 Lacs (Previous Year Rs.83896 Lacs) being the amount incurred by Government of Madhya Pradesh (NVDA) towards ISP Project upto 31.08.2000, as against reported amount of Rs.110578 Lacs. The Corporation has not so far identified and reconciled 1916 Lacs for which adjustment is pending and the work of reconciliation is in progress.
 - (b) The M.P. Govt. has further incurred a sum of Rs. 7256 Lacs during the period September,2000 to March,2003 on various account intimated vide its letters dt.10.04.2003 & 12.06.2003. Against that the Corporation has accounted a sum of Rs. 6435 Lacs only after adjusting Rs. 85 Lacs already advanced and excluding Rs.700 Lacs already accounted upto 31.8.2000 and balance Rs. 36 Lacs is still under reconciliation and pending for adjustment.
 - (c) Rs. 115097 Lacs credited towards NVDA A/c. in respect of Indira Sagar Project as a result of adjustment detailed in note 3(a) and (b) above and Rs. 4000 Lacs received during the year have been adjusted as under :-
 - (i) Rs.41751 Lacs toward Allotment of 4175099 equity shares to M.P.Govt. on 24.06.2002.
 - (ii) Rs.24249 Lacs towards Share Capital deposit for which equity shares are to be allotted to have the holding of Rs.66000 Lacs of GOMP as per CCEA clearance dt.28.03.02.
 - (iii) Rs.18771 Lacs being proportionate contribution by Govt. of M.P. towards irrigation component of Indira Sagar Dam to Capital Reserve, treating it as a part Grant against total grant of Rs.36352 Lacs as per CCEA clearance dt. 28.03.02 and also as per letter of NVDA dt. 24.06.2003.
 - (iv) Rs.23985 Lacs being proportionate sub-vention towards Sardar Sarovar Project to capital reserve, treating it as a part Grant against total contribution to be made of Rs. 46451 Lacs as per CCEA Clearance dt.28.03.02 and also as per letter of NVDA dt. 24.06.2003.
 - (v) Balance Rs.10341 Lacs as unsecured loan, to be adjusted towards irrigation and SSP components of Indira Sagar Project.
 - (d) During the year, the Omkareshwar project has identified assets/expenditure of Rs. 5157 Lacs out of total assets reported by GOMP (NVDA) of Rs. 5883 Lacs as per their letter dt.24.06.03. Out of amount identified Rs. 5149 Lacs

has been adjusted in the Accounts during the year. Out of unadjusted amount of Rs. 734 Lacs the Corporation has not so far adjusted stores of Rs.8 Lacs as the same was not taken over by the corporation. In the same way assets of Rs.626 Lacs has not been handed over to the corporation and balance Rs. 100 Lacs expenses incurred on compensatory afforestation has also not been accounted as these expenditure are pending for further verification. The amount of Rs. 5149 Lacs has been shown as unsecured loan to be adjusted towards irrigation component and equity contribution in next financial year.

4. The Corporation have allotted 65,95,512 equity shares (including 2095512 equity shares allotted upto 31.3.2002) to NHPC Ltd., Holding Company and 4175100 equity shares (including one equity share allotted upto 31.3.2002) allotted to MP Govt. till 31.03.2003.
5. (a) Sundry Creditors (others) includes Rs.379 Lacs (previous year Rs.574 Lacs) due to Holding Company NHPC Limited.
(b) Other current assets includes Rs.572 Lacs (Previous year Rs. 351 Lacs) due from NVDA towards electricity charges.
6. (a) Expenses incurred on Rehabilitation & Resettlement includes cost of sub – merged Land, Construction of Roads, School Building, Hospital Building, Office Building, Electrification & Other infrastructure of Rs.40988 Lacs (Previous year Rs. 16371 Lacs) under the head work in progress.
(b) Construction Stores & Advances includes Advances for Capital Expenditure of Rs20287 Lacs (Previous Year Rs. 9720 Lacs) given to Indian Railway towards diversion of Railway Track, which will be adjusted to R&R on completion of the work.
(c) Incidental Expenditure during Construction Account includes Rs.359 lacs consultancy charges (Previous Year Rs.549 Lacs) and Interest Rs.37 Lacs Previous year Nil) paid to Holding Company NHPC Ltd.
7. (a) Depreciation on assets acquired from GOMP (NVDA) has been provided as per rates prescribed under Electricity Supply Act, 1948 from the date of actual commencement/installation of that particular assets, by GOMP (NVDA).
(b) Out of total depreciation of Rs.403 Lacs provided during the year on these assets, depreciation to the extent of Rs.337 Lacs pertains to the period upto 31.03.2002.
8. The Provision of Gratuity and retirement benefits in respect of employees on deputation from NHPC Ltd. is taken on the basis of information received from NHPC Ltd. However, no provision is required to be made for employees who are on deputation from Govt. of MP and for employees of NHDC it is provided on the basis of actuarial valuation.
9. In the opinion of the Board, the Accounting Standard – AS-18 – “Related party disclosures” issued by the Institute of Chartered Accountants of India does not apply to this Company, as the said company is controlled by another State Control Enterprises.
10. The Company has taken various residential and office premises under Operating Lease. These are non cancelable and range from one year to three years generally or longer, and are usually renewable by mutual consent on mutually agreed terms. Lease payments are recognized in the statement of Incidental Expenditure incurred during construction under the head Rent Office and Rent Residential in Annexure to Schedule – ‘5’, This information is given as required by AS-19 “Lease Accounting” issued by the Institute of Chartered Accountants of India.
11. In view of the theoretical estimation involved in providing for un-availed Leave Travel Concession, which vary significantly from the actual expenditure, the

Corporation has now discontinued the practice of making provision for Leave Travel Concession in respect of un-availed cases therein. Had the provision been made the IEDC should have increased by Rs.13 Lacs approx.

12. (a) Provision for Income Tax has been made on Interest Income earned during the year, based on legal opinion taken by the Corporation.
- (b) No Deferred Tax liability/assets as per AS-22 ("Accounting for Taxes on Income") issued by the Institute of Chartered Accountants of India have been recognized as there is no such Accounting Income/Taxable Income during the year, which being in the nature of timing difference.
13. Quantity Details :

	2002-03	2001-02
i. Licensed Capacity (MW)	Not Applicable	Not Applicable
ii. Installed Capacity (MW)	Not Applicable	Not Applicable
iii. Actual Production (MW)	Nil	Nil
iv. Sales (MW)	Nil	Nil
14. Expenditure in Foreign Currency (towards capital goods)

	374 Lacs	Nil
--	----------	-----
15. CIF Value of import

	Nil	Nil
--	-----	-----
16. Earnings in Foreign Currency sale of Tender

	Nil	Nil
--	-----	-----
17. (a) The company has prepared a statement of Incidental Expenditure during construction (pending allocation/capitalization) only, no Profit & Loss Account has been prepared as the projects are under construction.
- (b) As such the requirement of Segment Reporting as required under AS-17 issued by the Institute of Chartered Accountants of India does not apply for the year.
18. Previous years figures have been rearranged/ regrouped/ recasted wherever necessary.

V.K. TRIPATHI	N.K. CHADHA	H.D. KHUNTETA	S.K. DODEJA	YOGENDRA PRASAD
Asstt. Secretary	Chief (finance)	Director	Chief Executive	Chairman & Managing Director

As per our report of even date attached

For **M/S M. MEHTA & CO.**

Chartered Accountants

P.R. BANDI

Partner

PLACE : NEW DELHI

DATED : 22.07.03

CASH FLOW STATEMENT

	(Rupees in Lacs)	
	For the Year ended 31.03.2003	For the Year ended 31.03.2002
A) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax and extraordinary items	-	-
Operating profit before working capital changes	-	-
Working capital changes		
Loans & advances	(226)	(164)
Other current assets	(325)	94
Current liabilities and provisions	(4002)	6963
Cash generated from operations (A)	(4553)	6893
B) CASH FLOW FROM INVESTING ACTIVITIES		
Fixed assets	(270)	64
Capital work in progress	83654	92683
Construction stores and advances	10975	11983
Net cash used in investing activities (B)	(94359)	(104730)
C) CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	45000	13000
Receipts of share capital deposit from Holding company	3045	-
Short term loan from State bank of India	30000	-
Funds received from GOMP by adjustment of expenditure on ISP & OSP.	36350	83896
Funds received from GOMP as grant	4000	-
Cash Flow from financing activities	118395	96896
D) MISC. EXPENSES TO THE EXTENT NOT WRITTEN OFF	-	-
Net increase / decrease in cash and cash equivalents (A + B + C + D)	19483	(941)
Cash and cash equivalents (opening balance)	745	1686
Cash and cash equivalents (closing balance)	20228	745

V.K. TRIPATHI
Asstt. Secretary

N.K. CHADHA
Chief (F&A)

H.D. KHUNTETA
Director

S.K. DODEJA
Chief Executive

YOGENDRA PRASAD
Chairman & Managing Director

As per our report of even date attached
For **M/S M.MEHTA & CO**
Chartered Accountants
P.R. BANDI
Partner

PLACE : NEW DELHI
DATED : 22.07.2003

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. ACCOUNTING CONVENTIONS

- 1.1 The financial statements are drawn up on historical cost basis.
- 1.2 The Company follows mercantile system of Accounting.

2. FIXED ASSETS

- 2.1 Fixed assets are carried at cost of acquisition/construction. However, where actual cost is not ascertainable due to non-submission/adjustment of bills from contractors/suppliers etc., the same are carried at estimated cost.
- 2.2 Fixed Assets created on land not belonging to the Corporation are included under Fixed Assets except those assets which are created for Rehabilitation/Resettlement.

3. CAPITAL WORK PROGRESS

- 3.1 Expenditure on Establishment maintenance, Administration, Interest and Depreciation on Fixed assets is charged to 'Incidental Expenditure During the Construction'.
- 3.2 On start of commercial production, the entire amount of 'Incidental Expenditure During Construction' will be allocated on immovable major components of the Project excluding Land and Infrastructure works.

4. PRELIMINARY EXPENDITURE

Preliminary expenditure of the Projects will be written off over a period of 10 years after start of commercial operation (upto 31.3.2002 the said period was 5 years only).

5. REHABILITATION AND RESETTLEMENT EXPENSES

Payment made provisionally towards compensation and other expenses relatable to land which is going to be sub-mergence are treated as Rehabilitation and Resettlement expenses.

6. DEPRECIATION AND AMORTISATION

- 6.1 Premium on lease-hold land is amortized over the period of lease.
- 6.2 Depreciation is provided on Straight Line Method in the year in which the assets become available for use, as per rates prescribed under the Electricity (Supply) Act, 1948 and as notified from time to time, except in case of assets valuing Rs. 5,000/- or less purchased during the year and those with similar W.D.V.(excluding immovable assets) at the beginning of the year, which are depreciated fully during the current year. In respect of assets where the rates are not available as per the said Act, the rates as prescribed in Schedule XIV to the Companies Act, 1956 are adopted.

7. VALUATION OF INVENTORIES

- 7.1 Stores & spares are valued at weighted average cost. However, scrap & unserviceable stores are valued at net realizable value.
- 7.2 Loose tools issued during the year are charged to consumption where cost of individual items is Rs.5,000/- or less and in other cases written off in 5 yearly equated installments.

8. FOREIGN CURRENCY TRANSACTIONS

Foreign currency loans/balances are translated /converted with reference to the rates of exchanges ruling at the year end. The difference is transferred to Capital work-in-progress/ Fixed assets in case of capital Assets and to I.E.D.C. in case of current assets.

9. RETIREMENT BENEFITS

Provision for Gratuity, Leave Encashment and Post Retirement Medical Health Scheme is made on actuarial valuation basis every year.

10. MISCELLANEOUS

- 10.1 Liabilities for Goods in Transit/Capital Works executed but not certified are not provided for pending inspection and acceptance by the corporation.
- 10.2 Pre-paid expenses and prior period expenses/ income of items of Rs.50,000/- and below are charged to natural head of accounts.

11. ALLOCATION OF CORPORATE OFFICE EXPENSES

The Corporate Office Expenses are allocated to projects in the ratio of capital expenditure incurred during the year.

12. BORROWING COST

Borrowing cost attributable to the Fixed Assets during construction are capitalized.

13. TAXES ON INCOME

Taxes on income for the current year is determined on the basis of taxable income under the Income Tax Act, 1961.





National Hydroelectric Power Corporation Ltd.

(A Government of India Enterprise)

NHPC Office Complex, Sector - 33, Faridabad - 121 003 (Haryana)

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