

ANNUAL REPORT

2004-2005



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 VISION

A world class, diversified & transnational organization for sustainable development of hydro power and water resources with strong environment conscience.





CORPORATE MISSION

- To achieve international standards of excellence in all aspects of hydro power and diversified business.
- To execute and operate projects in a cost effective, environment friendly and socio-economically responsive manner.
- To foster competent, trained and multi-disciplinary human capital.
- To continually develop state-of-the-art technologies through innovative R&D and adopt best practices.
- To adopt the best practices of corporate governance and institutionalize value based management for a strong corporate identity.
- To maximize creation of wealth through generation of internal funds and effective management of resources.

CORPORATE OBJECTIVES

- Development of vast hydro potential at faster pace and optimum cost eliminating time and cost over-run.
- Completion of all on going projects within stipulated time frame.
- Ensure maximum utilisation of installed capacity and help in better system stability.
- Generation of sufficient internal resources for expansion and setting up new projects.
- Corporate development alongwith simultaneous human resource Development.

BOARD OF DIRECTORS

As on 25.08.2005





Shri A.K. Gangopadhyay
Chairman & Managing Director



Shri S.K. Garg
Director (Finance)



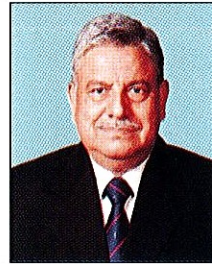
Shri S.K. Chaturvedi
Director (Personnel)



Shri S.P. Sen
Director (Technical)



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



Shri Gurdial Singh
Member (Hydro), CEA



Shri Vijay Gupta
Company Secretary

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 - 131001, Haryana

A R Maiti & Company
India Steamship Hosue, 21 Old Court
House Street, Kolkata - 700001,
West Bengal

Bhushan Bensal Jain Associates

4648/21 Sedhumal Bldg., Ansari Road,
Darya Ganj, New Delhi-110 002

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
Standard Chartered Bank
IDBI Bank Limited



CORPORATE PROFILE

FINANCIAL		2004-05	2003-04	2002-03	2001-02
Sales	**	1449.98	1276.09	1172.23	1221.00
Miscellaneous income	@	395.96	551.69	302.96	330.40
Profit before interest, depreciation & tax	\$	1438.17	1477.37	1153.39	1183.50
Profit after interest & depreciation		777.53	643.48	555.00	513.10
Profit after interest, depreciation & tax		684.58	621.38	510.50	470.90
Dividend		140.00	120.00	75.00	50.00
Reserves & surplus(cumulative)		3863.83	3338.46	2852.46	2420.10
What Corporation owns					
Gross fixed assets		10876.28	10342.71	8280.95	8113.50
Depreciation		2148.20	1882.95	1672.19	1526.70
Net fixed assets		8728.08	8459.76	6608.76	6586.80
Capital Work in progress		8787.19	6975.83	7078.00	5218.30
Construction stores and advances		849.25	805.55	621.74	525.50
Investments		3769.43	3660.87	2415.66	1965.00
Net current assets		59.58	107.76	1889.77	1512.20
Miscellaneous expenditure not w/o.		1.18	0.71	1.20	2.00
		22194.71	20010.48	18615.13	15809.80
What Corporation owes					
Net worth					
-Share capital		9933.27	8629.03	7240.61	6345.70
-Reserves		3863.83	3338.46	2852.46	2420.10
Self insurance for contingencies		304.66	255.81	213.24	178.40
Income received in advance		1071.15	939.40	801.06	648.40
on account of advance against depreciation					
Borrowings		7021.80	6847.78	7507.76	6217.20
		22194.71	20010.48	18615.13	15809.80
Operating Performance		2004-2005	2003-2004	2002-2003	2001-2002
Generation (M.U.)		11286	11046	9863	8912
Machine availability (%)		95.30	96.82	96.62	96.86
Sales (Rs.in crore)		1449.98	1276.09	1172.23	1221.00
Man power (Nos.)		13470	13648	13017	13054

** Sales are net after tariff adjustment and Advance Against Depreciation

@ Includes receipts against contracts

\$ After prior period adjustments

(Rupees in crore)

2000-01	1999-2000	1998-99	1997-98	1996-97	1995-96
1179.90	1075.70	1194.40	993.00	534.40	509.10
575.70	202.60	39.10	4.40	21.70	2.00
1209.70	1070.70	999.20	849.10	481.10	433.00
484.20	401.20	305.30	299.40	106.70	77.40
443.40	401.20	305.30	299.40	106.70	77.40
30.00	15.00	15.00	15.00	15.00	15.00
1999.20	1588.90	1206.20	917.40	634.50	544.30
7892.70	7752.70	7090.40	6903.60	3893.80	3727.50
1280.10	1029.00	811.10	598.60	622.80	490.10
6612.60	6723.70	6279.30	6305.00	3271.00	3237.40
3710.80	2768.60	2576.00	2073.10	4895.70	4444.70
613.00	511.50	322.80	332.00	116.70	169.00
679.90	-	-	-	-	-
1864.20	2100.90	1471.80	1252.50	486.80	395.40
9.80	1.90	0.40	1.70	5.00	8.60
13490.30	12106.60	10650.30	9964.30	8775.20	8255.10
5188.20	4446.20	3825.00	3393.00	2917.40	2890.30
1999.20	1588.90	1206.20	917.40	634.50	544.30
139.90	101.70	65.90	31.20	-	-
519.90	386.10	245.50	130.50	-	-
5643.10	5583.70	5307.70	5492.20	5223.30	4820.50
13490.30	12106.60	10650.30	9964.30	8775.20	8255.10
2000-2001	1999-2000	1998-1999	1997-1998	1996-1997	1995-1996
8774	8691	9917	8816	5614	6141
92.09	91.05	88.39	83.00	83.25	85.30
1179.90	1075.70	1194.40	993.00	534.40	509.10
11850	12150	11860	11799	12119	11984

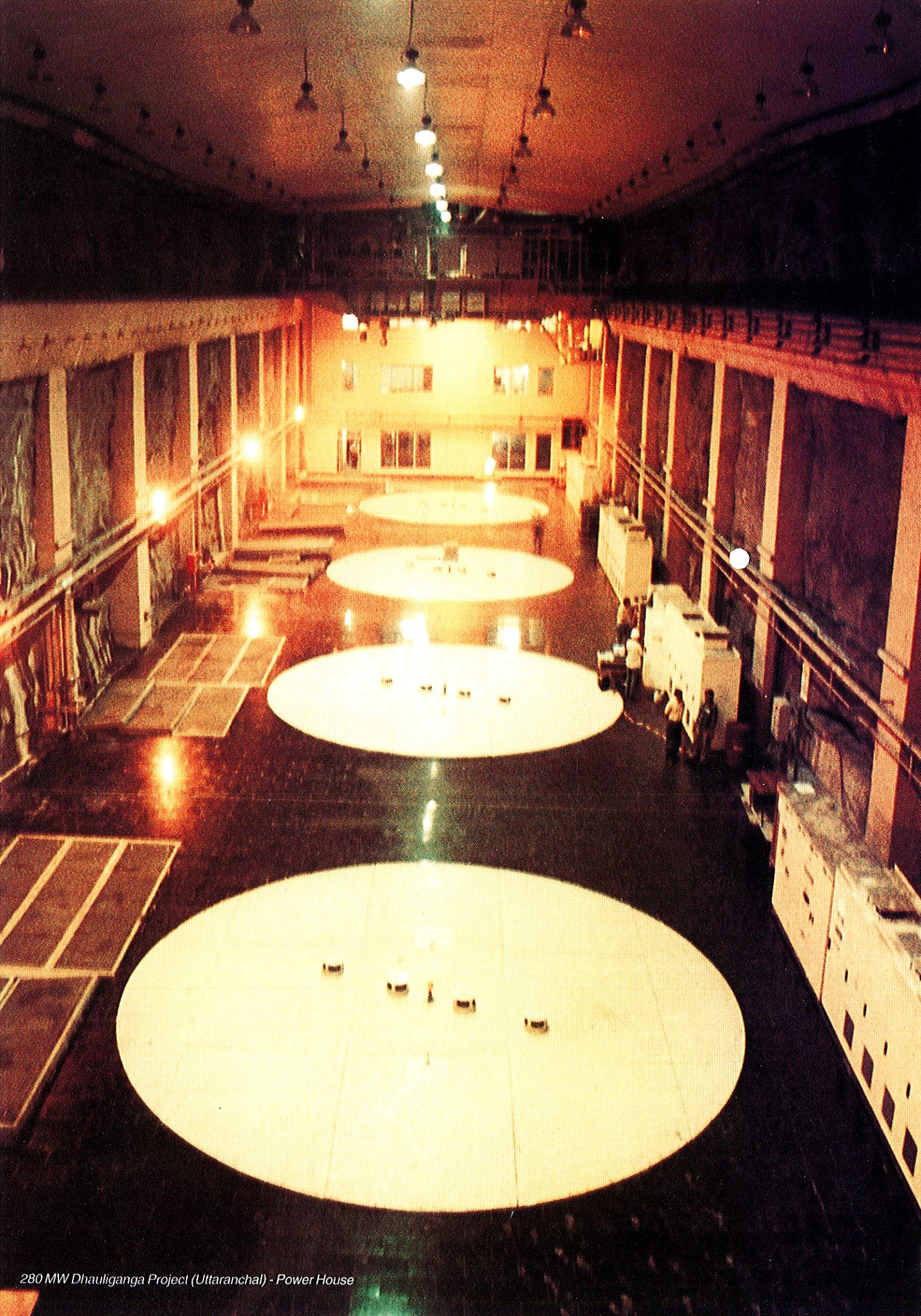
DIGEST OF IMPORTANT FINANCIAL DATA (TEN YEARS)

FINANCIAL	2004-05	2003-04	2002-03	2001-02
A Sale of energy	\$ 1581.73	1414.43	1324.86	1349.60
B Advance against depreciation	131.75	138.34	152.63	128.60
C Other income	# 395.96	551.69	302.96	330.40
D Total income (A)-(B)+(C)	1845.94	1827.78	1475.19	1551.40
E Generation & other expenses (includes contract & Consultancy Exp.)	407.77	350.41	321.80	367.90
F Gross margin (D) - (E)	1438.17	1477.37	1153.39	1183.50
G Depreciation	248.37	208.14	140.36	231.60
H Gross profit (F) - (G)	1189.80	1269.23	1013.03	951.90
I Interest and finance charges	412.27	625.75	458.03	438.80
J Net profit (H) - (I)	777.53	643.48	555.00	513.10
K Tax	92.95	22.10	44.50	42.20
L Net profit after tax (J) - (K)	684.58	621.38	510.50	470.90
M Internal resource generated (G)+(L)+(B)	1064.70	967.86	803.49	831.10
N Authorised capital	15000.00	15000.00	10000.00	7000.00
O Equity paid up capital	** 9933.27	8629.03	7240.61	6345.70
P Reserve and surplus	3863.83	3338.46	2852.46	2420.10
Q Self insurance for contingencies	304.66	255.81	213.24	178.40
R Loan fund	7021.80	6847.78	7507.76	6217.20
S Income received in advance against depreciation (AAD)	1071.15	939.40	801.06	648.40
T Gross fixed assets	10876.28	10342.71	8280.95	8113.50
U Depreciation	2148.20	1882.95	1672.19	1526.70
V Net fixed assets (T) - (U)	8728.08	8459.76	6608.76	6586.80
W Capital work-in-progress	8787.19	6975.83	7078.00	5218.30
X Construction stores and advances	849.25	805.55	621.74	525.50
Y Investments	3769.43	3660.87	2415.66	1965.00
Z Working capital	59.58	107.76	1889.77	1512.20
AA Misc. Expenditure to the extent not written off	1.18	0.71	1.20	2.00
AB Gross capital employed (V)+(W)+(X)+(Y)+(Z)	22193.53	20009.77	18613.93	15807.80
AC Net worth (O)+(P)-(AA)	13795.92	11966.78	10091.87	8763.80
AD Inventory consumption in power station	6.98	2.67	2.65	6.90
AE Value added (A)-(B)-(AD)	1443.00	1273.42	1169.58	1214.10
\$ Including tariff adjustment , Wheeling charges and provision for doubtful debts				
** Including share deposit & Govt. of India fund adjustable to equity				
# Includes receipts against contracts & consultancy				
Ratios	2004-05	2003-04	2002-03	2001-02
1. Return on gross capital employed (H) / (AB)	5.36%	6.34%	5.44%	6.02%
2. Return on net worth (L) / (AC)	4.96%	5.19%	5.06%	5.37%
3. Net sales to gross capital employed ((A)-(B)) / (AB)	6.53%	6.38%	6.30%	7.72%
4. Value added to net sales (AE) / ((A)-(B))	99.52%	99.79%	99.77%	99.43%
5. Debt to equity ratio (R) / ((O)+(P)+(Q)+(S))	0.46	0.52	0.68	0.65
6. Net profit to net sales (L) / ((A)-(B))	47.21%	48.69%	43.55%	38.57%

(Rupees in crore)

2000-01	1999-2000	1998-99	1997-98	1996-97	1995-96
1313.70	1216.30	1309.40	1123.50	534.40	509.10
133.80	140.60	115.00	130.50	-	-
575.70	202.60	39.10	4.40	21.70	2.00
1755.60	1278.30	1233.50	997.40	556.10	511.10
545.90	207.60	234.30	148.30	75.00	78.10
1209.70	1070.70	999.20	849.10	481.10	433.00
238.70	219.80	215.20	114.00	111.10	102.90
971.00	850.90	784.00	735.10	370.00	330.10
486.80	449.70	478.70	435.70	263.30	252.70
484.20	401.20	305.30	299.40	106.70	77.40
40.80	-	-	-	-	-
443.40	401.20	305.30	299.40	106.70	77.40
815.90	761.60	635.50	543.90	217.80	180.30
7000.00	5000.00	5000.00	3500.00	3500.00	2500.00
5188.20	4446.20	3825.00	3393.00	2917.40	2890.30
1999.20	1588.90	1206.20	917.40	634.50	544.30
139.90	101.70	65.90	31.20	-	-
5643.10	5583.70	5307.70	5492.20	5223.30	4820.50
519.90	386.10	245.50	130.50	-	-
7892.70	7752.70	7090.40	6903.60	3893.80	3727.50
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3710.80	2768.60	2576.00	2073.10	4895.70	4444.70
613.00	511.50	322.80	332.00	116.70	169.00
679.90	-	-	-	-	-
1864.20	2100.90	1471.80	1252.50	486.80	395.40
9.80	1.90	0.40	1.70	5.00	8.60
13480.50	12104.70	10649.90	9962.60	8770.20	8246.50
7177.60	6033.20	5030.80	4308.70	3546.90	3426.00
7.10	6.00	13.30	6.00	4.80	1.30
1172.80	1069.70	1181.10	987.00	529.60	507.80

2000-01	1999-2000	1998-99	1997-98	1996-97	1995-96
7.20%	7.03%	7.36%	7.38%	4.22%	4.00%
6.18%	6.65%	6.07%	6.95%	3.01%	2.26%
8.75%	8.89%	11.22%	9.97%	6.09%	6.17%
99.40%	99.44%	98.89%	99.40%	99.10%	99.74%
0.72	0.86	0.99	1.23	1.47	1.40
37.58%	37.30%	25.56%	30.15%	19.97%	15.20%



280 MW Dhauliganga Project (Uttaranchal) - Power House



CHAIRMAN'S STATEMENT

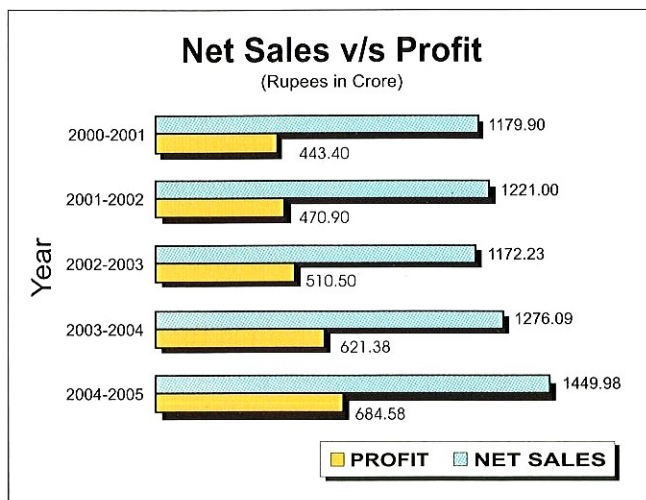




CHAIRMAN'S STATEMENT

Dear Shareholders,

It gives me great pleasure to welcome you all to the 29th Annual General Meeting of your Corporation. The Directors' Report, Audited Accounts for the year ending 31st March, 2005 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 happy to inform that the physical and financial performance of the Corporation scaled new heights in the year under report. Your Corporation generated 11286.43 million units of energy against the target of 10800 million units. The Corporation achieved a sales turnover of Rs. 1668.27 Crores and has earned a net profit of Rs.684.58 Crores, thereby registering an increase of 10% over the previous fiscal year. Your Directors have recommended a dividend of Rs.140 Crores including the interim dividend of Rs.60 Crores against the total dividend of Rs.120 Crores in previous year.

It is matter of great pleasure to inform that during 2004-05, all the power stations of NHPC exceeded their generation targets except Chamera-I and Uri. Power taken for major maintenance, while generation at Uri was

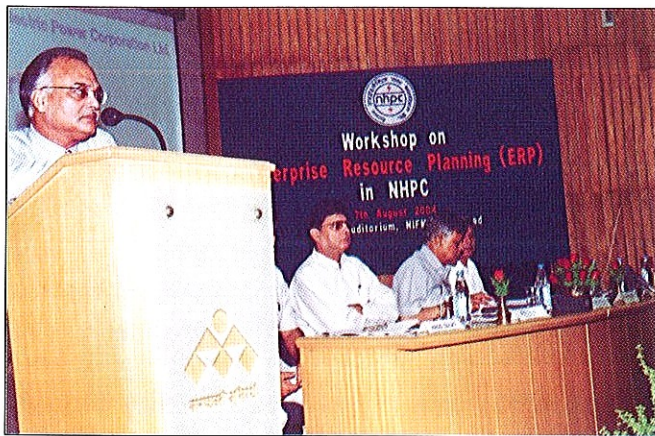
generation at Chamera-I was affected due to shutdown less on account of transmission constraints and less water availability. The corporation has achieved a capacity index 95.28 % during the year against the MOU target of 94.50%. The performance indicators in terms of generation continue to excel in the current year also with the achievement of highest ever monthly generation of 1657.50 million units during July, 05. In order to further improve the availability of Power Stations, computerized maintenance system has been introduced. As a part of improving efficiency and profitability of the Corporation, energy audit is being introduced in our power stations. Energy Audit for Salal Power Station has been awarded to Central Power Research Institute (CPRI), Thiruvananthapuram.



4th Finance Meet being addressed by Shri S.K. Garg, Director (Finance)

It is a matter of immense pleasure to inform that 2 Units of Dhauliganga Project (4x70 MW) in Uttarakhand have been successfully synchronized with the Grid during July, 2005. The completion of works at this project was achieved within schedule, despite severe geological constraints at Dam site, necessitating changes in layout mid way through construction. I take this opportunity in complementing the employees of the corporation on this milestone.

Presently, works at Dulhasti (3X130 MW) Project in Jammu & Kashmir is in an advanced stage of completion. It is expected that by the end of the current fiscal year,



Shri S.K. Garg, Director (Finance) addressing the workshop on ERP in NHPC

this Project will commence generation. The works at Teesta Stage-V (3x170 MW) in Sikkim and Parbati HE Project Stage-II (4x200 MW) in Himachal Pradesh are also progressing satisfactorily. These Projects are expected to be completed as per schedule. Works at Teesta Low Dam –III (4X33MW) in West Bengal and Sewa-II HE Project (3X40MW) in Jammu & Kashmir are picking up and progressing as per schedule.

Ministry of Environment and Forest has given final



2000 MW Subansiri Lower Project (Arunachal Pradesh) - Diversion Tunnel Inlets at Dam site

clearance for Subansiri Lower HE Project (8X250 MW) in Arunachal Pradesh. This is the largest hydro power project under construction in the country and is expected to commence power generation by Sept., 2010. Execution of major works is slowly gaining momentum at this project.

You would be glad to know that your Corporation has envisaged a capacity addition of 7707 MW during



The Hon'ble Prime Minister of India Dr. Manmohan Singh at the foundation stone laying ceremony of 45 MW Nimoo Bazgo Project in District Leh

the XI plan. Already advance action for infrastructure development at many of the identified projects is underway. I am also glad to inform that Public Investment Board (PIB) has recommended the proposals for execution of six projects viz. 240 MW Uri-II, 45 MW Nimoo Bazgo & 44 MW Chutak in J&K, 231 MW Chamara-III & 520 MW Parbati-III in HP and 160 MW Teesta Low Dam-IV in West Bengal for the approval of CCEA. Pre construction activities at these projects have already been started. I have great privilege to inform that Dr. Manmohan Singh, Hon'ble Prime Minister of India has laid the foundation stones of Nimoo Bazgo and Chutak projects in J&K on 11.06.2005. At other projects, Survey and Investigation works for preparation of Detailed Project Report/Feasibility Report are progressing well.

To finance the construction activities of the projects, your Corporation has raised loans of Rs. 583 crores from various banks during the year under report. This is in addition to the agreement already executed for the line of credit of Rs. 6500 crores from Life Insurance Corporation of India with tenure of 20 years. I am happy to inform that Corporation's Senior Unsecured National rating has been re-affirmed as 'AAA' by Fitch ratings, an international rating agency. Similarly, the international rating of the Corporation has been reaffirmed/affirmed as 'BB+' for Senior Unsecured Foreign Currency as well as Local Currency by Fitch Ratings and also by Standard & Poor.

During the year 2004-05, your Corporation realized the principal amount of Rs. 1645.58 crores (including payment received against arrear bill) towards energy sold to beneficiaries. Accordingly overall recoveries against the principal outstanding dues is 100.66 % of the energy amount billed during the year 2004-05 and thereby exceeding the MOU target of 97% for excellent rating.

Your Corporation, realizing its Corporate Social Responsibility (CSR) has opted to engage itself with electrification and development & maintenance of the access roads in rural India. NHPC has signed a MOU with Rural Electrification Corporation of India (REC) for formulation and implementation of rural electrification



MOU signed with REC for Rural Electrification in the States of West Bengal, Bihar, Chhattisgarh and J&K

projects under the Programme of Accelerated Electrification of one lakh villages and one crore households. Presently, NHPC has been assigned the work of rural electrification in the states of West Bengal, Bihar, Chhattisgarh and Jammu & Kashmir. Allotment of rural electrification work in other states is also expected.

Your Corporation has also entered into an agreement with the Ministry of Rural Development, Govt of India for development and maintenance of rural roads in six districts of Bihar under Pradhan Mantri Gram Sadak Yojna, a 100% Centrally Sponsored Scheme.

The devastating earthquake in December, 2004 disturbed the power generation from Kalpong Power Station in the Andaman & Nicobar and NHPC team worked round the clock to restore the power in six days. NHPC and its employees have contributed an amount of Rs.1.65 crores to the Prime Minister's Relief Fund for the help of Tsunami victims

It is not out of place to mention that your Corporation accords utmost importance to the conservation of natural resources. Environment Impact Assessment (EIA) studies are being conducted at each project and based on the studies, Environment Management Plan (EMP) are

formulated for implementation. ISO 14001 certificate for environmental management has been reconfirmed to your Corporation.

Your Corporation has been able to maintain absolute industrial peace and not a single man-day was lost in the whole year. In order to reduce the surplus man power, your Corporation has again introduced Voluntary Retirement Scheme. Persons with disabilities are given special consideration and reservation in employment is also given as per the directives of Government of India. The Corporation has been encouraging the progressive use of Official Language in the Corporate Office as well as in Projects. Your Corporation has laid emphasis on Human Resource Development and conducted a number of training programmes for its employees at all levels.

You would be glad to know that our joint venture Company "Narmada Hydroelectric Development Corporation Ltd." has commissioned all the 8 units of 125 MW each at Indira Sagar Project (ISP) and is feeding power from ISP to MPSEB grid. The State will be immensely benefited from the 1000 MW generating capacity of this project in easing the power supply position in Madhya Pradesh. The construction activities at 520 MW Omkareshwar Project are progressing as per schedule.

I, on behalf of the Board of Directors, acknowledge with gratitude the co-operation and support of various Ministries and Departments of Govt of India and in particular, Ministry of Power, Ministry of Finance, Ministry of Environment and Forest, Planning Commission, Central Electricity Authority, Central Water Commission and also of the various formations in the State Government including Electricity Boards/Corporations.

I take this opportunity to place on record the Board's appreciation of the help and support extended by the various Ministries and Departments of State Governments as well as Govt. of India. I also would wish to express my sincere thanks to National & International Financing Institutions for the faith and confidence reposed by them and for their continued financial assistance to NHPC.

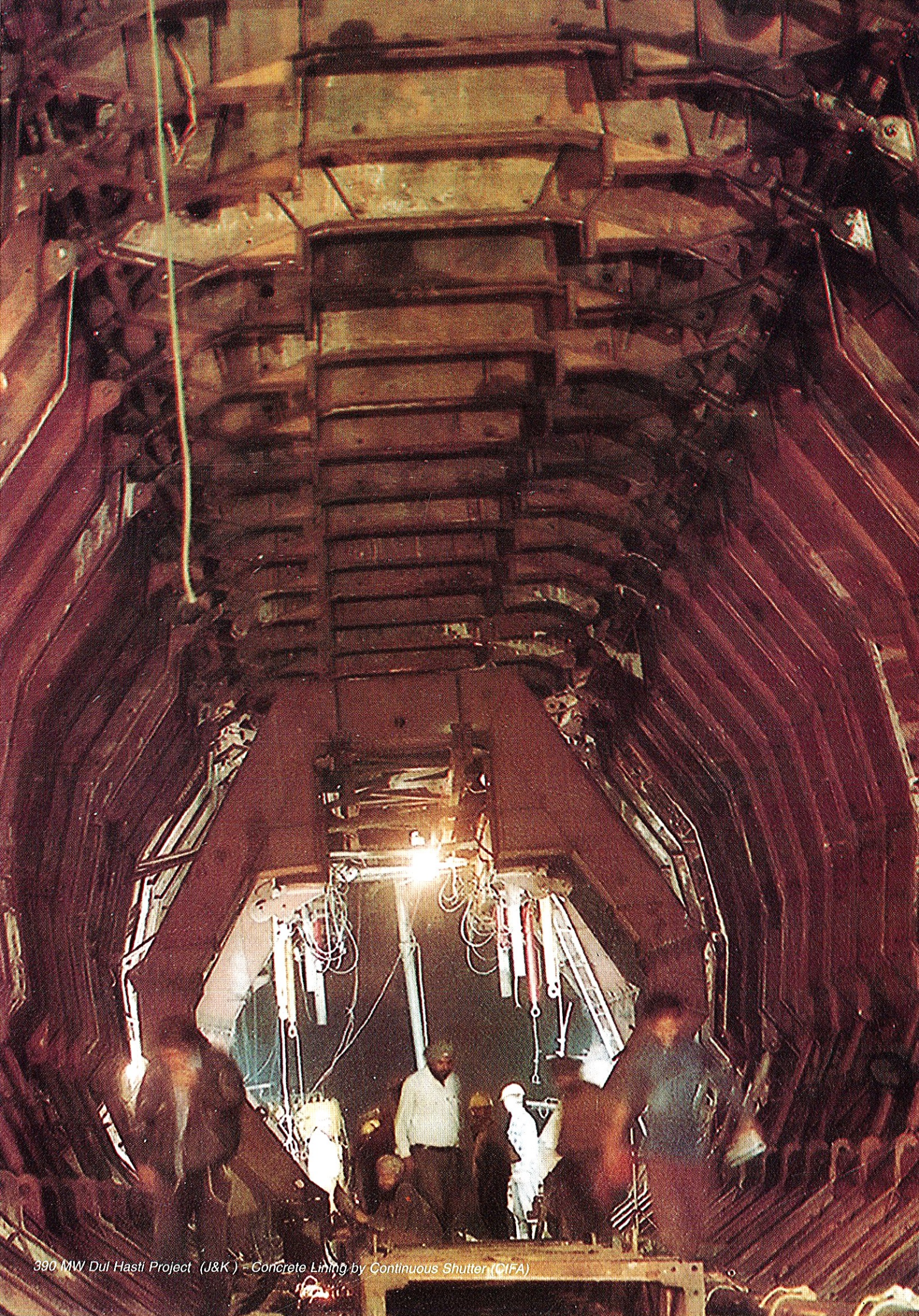
I, on behalf of all Directors on Board, thank our employees for their dedication and commitment at all levels for giving an excellent all round performance during the year.

(A.K. Gangopadhyay)

Chairman & Managing Director

Dated : 25th August, 2005

Place : Faridabad



390 MW Dul Hasti Project (J&K) - Concrete Lining by Continuous Shutter (CIFA)



DIRECTORS' REPORT



DIRECTORS' REPORT

To the Members,

National Hydroelectric Power Corporation Ltd.,

Your Directors have great pleasure in presenting the 29th Annual Report of your Corporation together with Audited Accounts, Auditors' Report and the Review of Accounts by the Comptroller and Auditor General of India for the financial year ended 31st March, 2005.

1. FINANCIAL PERFORMANCE

Your Corporation completed another successful year of operation by taking the performance indicators to a higher-level. The sales turnover increased to Rs.1668.27 crore as compared to Rs. 1414.43 crore in the previous year, registering a growth of 18% approximately and the net profit rose to Rs. 684.58 crore, which is the highest profit earned by the Corporation since its incorporation.

The financial performance as on March 31st 2005 is summarized hereunder :-

Table 1

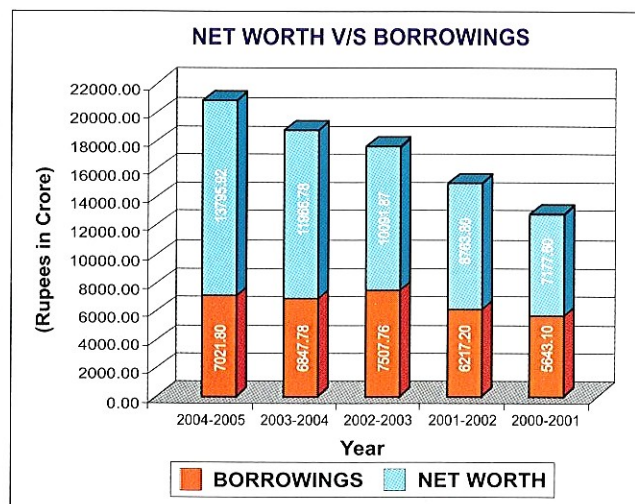
FINANCIAL HIGHLIGHTS

(Rs. in Crore)

Particulars	2004-2005	2003-2004
Sale of Power	1668.27	1414.43
Profit before Depreciation, Interest & Tax	1354.95	1198.79
Depreciation	248.37	208.14
Profit after Depreciation and before Interest and Tax.	1106.58	990.65
Interest Cost	329.05	347.17
Profit after Depreciation and Interest but before Tax	777.53	643.48
Tax	92.95	22.10
Profit after Depreciation, Interest and Tax	684.58	621.38
Surplus of Profit and Loss Account of earlier years	1753.00	1267.00
Profit available for appropriations	2437.58	1888.38
APPROPRIATIONS		
Interim Dividend	60.00	60.00
Proposed Final Dividend	80.00	60.00
Corporate Dividend Tax	19.21	15.38
Write Back for bonds Redemption Reserve	90.65	—
Balance Profit carried to Reserves and Surplus	2369.02	1753.00

2. POWER GENERATION

The eight operating power stations of the Corporation generated 11286.43 million units (MUs) during the year, exceeding the MOU target of 10800 MUs and previous year's generation of 11045.52 MUs. Loktak Power Station (105 MW) at Manipur achieved its highest ever generation of 629.67 MUs as compared to the target of 488 MUs. The Salal Power station (690 MW) at J&K generated 3443.28 MUs which is 293.28 MUs more than the target of 3150 MUs. The machine availability of operating power stations measured in terms of capacity index is 95.28% against the MOU target of 94.50%. The project wise generation is summarized in Table 2.



YEARLY GENERATION POWER STATION-WISE

Table 2.

Power Stations	Target Generation (MU) 04-05	Actual Generation (MU) 04-05	Actual Generation (MU) 03-04	Target CI (%)	Actual CI (%)
Baira Siul 180MW	690	689.68	687.79	93.74	94.72
Loktak 105 MW	488	629.67	503.20	94.43	90.06
Salal 690 MW	3150	3443.28	3477.42	98.13	99.91
Tanakpur 94.20 MW	452	495.17	510.99	98.08	100.00
Chamera-I 540MW	2157	2104.69	2462.08	90.50	91.51
Uri 480 MW	2223	2206.65	2873.54	98.15	99.10
Rangit 60 MW	340	369.73	344.26	90.32	91.97
Chamera-II 300MW	1300	1347.56	186.24	87.76	86.69
Total	10800	11286.43	11045.52	94.50	95.28

The Corporation has started a system of benchmarking to evaluate the performance and condition of the power stations in comparison with the Best Hydro Power stations in India. This will help in identification of the areas of improvements. Besides this, regular technical inspections of the operating Power Stations are also carried out to improve the availability of Power Stations. The Corporation has employed various computerised maintenance techniques like SCADA System with the objective of further improving the availability of the Power Stations.

3. REALISATION/OUTSTANDING DUES

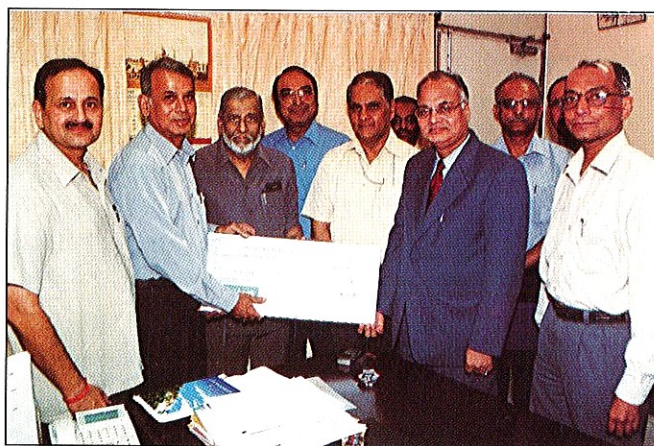
During the year 2004-05, Corporation realized Rs. 1645.58 crore against the principal outstanding dues (including payment received against arrear bills), which works out to 100.66% of the energy amount billed during financial year 2004-05, thereby exceeding the MOU target of 97% for excellent rating for realization. Apart from the above, NHPC recovered Rs. 25.41 Crore from Delhi Transco Ltd. in the form of Long-term advance, Rs. 2.80 Crore towards surcharge and Rs. 47.89 Crore towards Unscheduled Interchange (UI) charges. The current outstanding dues towards principal amount has been reduced from Rs. 147.38 Crore (as on 31.3.2004) to Rs.73.80 Crore (as on 31.3.2005), thereby reducing the outstanding dues in terms of months of average billing from 1.15 to 0.54. Doubtful debts have also been reduced from Rs. 84.75 Crore to Rs. 77.56 Crore through settlement and recovery thereof from the concerned beneficiaries.

4. PROPOSED DIVIDEND

Your Directors have recommended a lump sum dividend of Rs. 140 crore (excluding Dividend Tax) for the year 2004-2005 including the interim dividend of Rs. 60 crore subject to the approval of the shareholders in the forthcoming Annual General Meeting.

5. CAPITAL STRUCTURE

The Paid-up Share capital at the close of the financial year was Rs. 9425.6197 crore which has further increased to Rs. 9584.5097 crore as on June 30, 2005.



Dividend cheque of Rs. 80 crore being handed over to Hon'ble Union Minister of Power

6. BORROWINGS

Your Corporation has planned massive capacity addition for the years to come. The funds requirement for the capacity addition programme is to be met through budgetary support, internal resources and loans. The Corporation has tied up Second Line of Credit of Rs. 6500 Crore with Life Insurance Corporation of India. The Corporation has also raised loans of Rs. 583 Crore domestically from various banks during the year to finance its ongoing construction activities. Corporation's Senior Unsecured National Rating has been re-affirmed as 'AAA' by Fitch Ratings, an international rating agency. Similarly, the international rating of the Corporation has been reaffirmed/affirmed as "BB+" for Senior Unsecured Foreign Currency as well as Local Currency by Fitch Ratings and also by Standard & Poor.

7. PROGRESS OF ON GOING PROJECTS

Works at Dhauliganga HE Project (4X70=280 MW) in Uttarakhand has been completed. The Unit-III and IV of the project were synchronized on 28.07.05 and 26.07.05 respectively. The construction activities at Dulhasti HE project (3X130=390MW) are also at an advanced stage of completion. It is expected that the project will be commissioned by December, 2005.

The work at Teesta HE project Stage -V (3X170=510MW) in Sikkim is progressing satisfactorily. The project is scheduled for completion in February, 07. The Construction activities of all major civil works at Teesta Low Dam (4X 33=132MW), Stage-III in West Bengal and Sewa HE Project (3X40=120MW) in J&K are in full swing. The completion of these projects is likely in March, 2008 and September, 2007 respectively.

In Subansiri Lower H.E. Project (2000 MW) located in Arunachal Pradesh, the contractors have mobilized their resources after receipt of the final forest clearance from MOEF and major works are in progress. The permanent Bridge over river Subansiri has already been completed to facilitate the movement of resources and other infrastructure works. The project is scheduled for commissioning in September, 2010.

Construction activities at Parbati HE Project Stage-II (4X200 = 800MW) in Himachal Pradesh are in full swing. The Project is scheduled for commissioning in September, 2009. Major works at Loktak Downstream HE Project (3X30=90 MW) located in the state of Manipur could not be started due to law and order problems. Considering the uncertainty & high tariff involved NHPC Board has decided to close the project and referred the matter to MOP.

Kambang Small HE Project (3X2=6MW) located in Arunachal Pradesh which was ready for commissioning has suffered setback due to flash flood in the last week of March, 05. Restoration work is in progress. Works at Sippi Small H E Project (2x2 = 4 MW) is in progress and is expected to be completed by December, 2005. The Corporation has planned a capacity addition of 7707 MW during XIth plan. Of these, six projects are under sanction by the Government of India after receipt of Clearance from Public Investment Board. These are: Teesta Low Dam-IV (160MW), West Bengal, Chamara-III (231 MW), Himachal Pradesh Uri-II (240 MW), J&K, Parbati-III (520 MW), Himachal Pradesh, Chutak (44 MW) & Nimmo Bazgo (45 MW), J&K.



During Foundation laying ceremony of NHPC's 44 MW Chutak Project in Kargil, J&K (From Left to Right) H.E. The Governor of J&K Lt. Gen. (Retd.) S.K. Sinha, Hon'ble Prime Minister of India Dr. Manmohan Singh, Shri A.K. Gangopadhyay, CMD, NHPC and Hon'ble Union Minister of Power Shri P.M. Sayeed

You would be glad to know that the Hon'ble Prime Minister of India laid the foundation stones of chutak and Nimoo Bazgo projects on 11.06.05. Both the Projects are scheduled for commissioning within four years. On completion, these Projects will provide cheaper, reliable and clean power to this power starved Region and help in socio-economic development of the area. Further, Kishenganga HE project (330MW) in J&K has received TEA from Central Electricity Authority.

The status of other new Schemes under Detailed Project Report Preparation and Survey & Investigation is presented below:

Sl. No.	Project	Status
PROJECTS UNDER D P R PREPARATION		
1.	Pakal Dul (1000 MW) & Bursar (1020 MW), J&K	Detailed investigations are in final stages and preparation of DPR is in progress. However issue of Kishtwar high altitude national park is yet to be resolved by J&K Government.
2.	Subansiri Middle (1600 MW), & Subansiri Upper (2000 MW), Arunachal Pradesh	Central Electricity Authority has advised NHPC to prepare Detailed Project Report (DPR) and take up essential infrastructure works. However, DPR preparation has been hampered as proposal for Site Clearance Stage-II submitted to MOEF had been rejected on the basis of recommendation of Indian Board of Wild Life in case of Subansiri Lower Project that "there will be no construction of dam upstream of Subansiri river in future". The Hon'ble Supreme Court has also reaffirmed the same condition in its order dated 19.4.2004, while disposing case against Subansiri Lower Project. The matter has been taken up with MOEF to reconsider the case for site clearance. State Government has also filed a review petition in Hon'ble Supreme Court of India in this regard.
3.	Dibang (3000 MW), Arunachal Pradesh	Detailed Project Report of the project is under preparation.
4.	Siang Lower (1600 MW), Arunachal, Pradesh	MOEF has accorded site clearance stage-II during the year. Survey and Investigation work for preparation of DPR is in progress.
5.	Lakhwar Vyasi (420 MW), Uttaranchal	Detailed Project Report has been prepared, however submission to CEA is awaited for the want of confirmation regarding the sharing of cost of project for irrigation from the Government of UP and drinking water from Government of Delhi.
6.	Siyom (1000MW) Arunachal Pradesh	DPR submitted to CEA is under scrutiny. Forest Proposal has been forwarded to State Forest Department for onward submission to MOEF GOI .The Executive Summary has been sent to Planning commission for seeking in principle approval.
7.	Bav stage-II (20 MW), Maharashtra	Power Purchase Agreement has been signed with Maharashtra State Electricity Board on 06.01.05. DPR is under preparation.

PROJECTS UNDER SURVEY & INVESTIGATION

- | | |
|--|---|
| 1. Siang Upper/Intermediate (11000 MW), Arunachal Pradesh | Ministry of Environment & Forest has issued Stage-I site clearance. Investigation work for preparation of Feasibility Report is under progress. The installed capacity is to be firmed up/ revised downward based on data available for which Survey & Investigation work at Intermediate site being taken up. Site clearance Stage-I has been accorded by MOEF for intermediate site. |
| 2 Kotli Bhel Stage-I A, (240 MW), Uttarakhand | Commercial viability of the Project has been accorded by CEA based on the Feasibility Reports submitted by NHPC. Planning Commission has also accorded approval for the Project in principle. Site Clearance Stage-II has been accorded by the MOEF. Survey and Investigation works for preparation of DPR have been taken up. |
| 3. Kotli Bhel Stage-I B, (280 MW), Uttarakhand | Commercial viability has been accorded by CEA based on the Feasibility Reports submitted by NHPC. Planning commission has also accorded in principle approval. Site Clearance Stage-II has been accorded by the MOEF. Survey and Investigation works for preparation of DPR have been taken up. |
| 4. Kotli Bhel Stage-II, (440 MW), Uttarakhand | Commercial viability has been accorded by CEA based on the Feasibility Reports submitted by NHPC. Planning commission has also accorded in principle approval. Site Clearance Stage-II has been refused due to submergence of Bathing Ghats at Devprayag, the convergence point of Bhagirathi and Alaknanda. Revised proposal is being submitted to MOEF for reconsideration of according of Site Clearance (Stage-II). |

8. CONSULTANCY SERVICES

NHPC provides consultancy services in the area of Hydro Power development to various agencies/ organizations in India and abroad. Your Corporation has procured consultancy assignments of Rs. 52.42 Crore during the year 2004-05, which is 377% more than the MOU target of Rs. 11 Crore for excellent rating. The assignments included the prestigious work of preparation of Pre-Feasibility Report (PFR) of 1200 MW Tamanthi HE Project in Myanmar pursuant to signing of Agreement between Ministry of External Affairs (MEA) and NHPC Ltd. The PFR has been submitted to Government of Myanmar through MEA, Government of India and has been accepted by them.

A Feasibility Report for undertaking Renovation, Modernization and Upgrading of 7.4 MW Varzob-I Hydro Power Plant in Tajikistan, jointly with BHEL has been submitted to MEA. Approval of MEA for undertaking the above works is awaited.

NHPC has also been awarded Rural Electrification Works for seven districts in Bihar and Purulia District in West Bengal and eight districts in Chhattisgarh.

9. DEVELOPMENT OF GEO-THERMAL PROJECTS

NHPC being the Nodal Agency for Exploitation of Geothermal Energy has already carried out the ranking studies with cooperation of International Consultant/Contractor viz. M/s GeothermEx, USA. Six most promising geothermal fields have been identified namely :-

Tattapani in Chhattisgarh Puga in J&K, Chhumathang in J&K Cambay Graben in Gujarat, Manikaran in HP and Surajkund in Jharkhand. The proposal regarding overall development of Tattapani geothermal fields have been submitted to MNES.

10. DESIGN & ENGINEERING

Design & Engineering is an important limb in development of hydro Projects. Over the years, NHPC has established the largest D&E group in the Country with application of frontier Technology and has gained specialisation in the area of Hydrology, Hydraulics, Rock Mechanics, Geo Technical Engineering, Structural Engineering & Hydro-Mechanical Engineering. It has successfully computerised the process of preparation of Engineering drawings and use of engineering softwares for design also. The latest construction techniques backed by appropriate design introduced includes inclined TBM for excavation of Pressure Shafts at Parbati-II HE project and RCC dam at Teesta Low dam project (Stage-IV).

Design & Engineering wing has designed 135m high concrete Dam for Subansiri Lower HE Project, which is being constructed on difficult foundations. It has also planned dam on Karsitified Lime stone for Subansiri Upper by special treatment.

11. ENVIRONMENT MANAGEMENT

NHPC believes that economic development of society depends on the judicious management of its natural resources, therefore it accords utmost importance to the conservation of natural resources. The concept of sustained development has been integrated into the design, implementation and post implementation of its projects. A hydro project causes zero pollution during operation phase. The Environment Impact Assessment (EIA) studies are conducted for each Project to identify the impact on various facets of environment. Based on the findings of the studies, Environment Management Plans (EMPs) are formulated for implementation. Major thrust areas are Compensatory Afforestation plan, Catchment Areas Treatment Plan, Green Belt Development Plan, Biodiversity Conservation Plan, Resettlement and Rehabilitation of project-affected people, Public Health Delivery system, Fish Management plan, stabilization of quarry area & Muck Disposal Plan, Disaster Management Plan etc.

12. INFORMATION TECHNOLOGY & COMMUNICATIONS

NHPC has remained in the forefront in deploying tools and technologies in the areas of IT & Communications to create a state of the art information infrastructure in the organization covering Corporate Office and more than 40 Projects and Power Stations. While desktop computers, servers and high-speed local area networks at these locations have been provided in adequate numbers to create integrated computing facilities, the satellite based wide area network connects all these locations for seamless flow of information and voice communications across the organization. The information infrastructure created is being leveraged to deploy applications covering critical business functions such as Project Construction Monitoring, Generation Monitoring and Control, Materials Management, Finance and Accounts, HR, Energy Accounting and Billing and other applications such as video conferencing internet/E-mail, Voice and data communication. Moreover, initiatives for introduction of computerization in the niche areas such as Power Plant Maintenance, Inflow Forecasting and for implementation of enterprise wide ERP Solution are also taken.

13. HUMAN RESOURCE DEVELOPMENT

Employees need to develop and upgrade their skills for realising the Corporate Vision viz "a world class diversified and transnational Organisation for sustained development of hydro power and water resources with strong environment conscience", the training Programmes are designed to meet these objectives. During the year 2004-2005, 49.5% of the manpower was trained and a total 673 programmes were conducted. The Corporation has launched "Any time, Any where Learning opportunities" for employees through intranet to which employees have free access.

14. VIGILANCE ACTIVITIES

NHPC Vigilance Division at Corporate Office has been granted ISO-9001-2000 certification by BIS. All procedures have been documented and systems of monitoring of Vigilance complaint and disciplinary cases have been implemented to avoid delays. The circulars of CVC and CTE organisations' are being circulated regularly and posted at LAN system for the convenience and information of the employees. During the year, 40 training programmes for Executives and supervisors were organized on "Preventive Vigilance" at various projects.

15. OFFICIAL LANGUAGE IMPLEMENTATION

The use of Hindi in day-to-day official work is being encouraged. Endeavours are being made to maximize the use of Hindi in routine work without affecting the efficiency. Employees who do not possess the working knowledge of Hindi are provided with proper training. The system of cash incentives has been introduced to encourage employees to make progressive use of Hindi.



Rajbhasha Shield awarded to NHPC by Town Official Language Implementation Committee, Faridabad

16. CORPORATE COMMUNICATION

Corporate Communication has a critical role to play in an Organisation. It works towards strengthening the competitive advantage and enhancing of the image. During the year, achievements of NHPC have been adequately highlighted in print and electronic media as a step towards image building and to negate the negative propaganda for the development of Hydropower. The Corporation utilized various national exhibitions like India International Trade Fair 2004 at New Delhi, PowerTech 2004 in Mumbai, National Expo 2004 in Guwahti, Power Gen 2004 and India Hydro 2004 in New Delhi and Surajkund Trade Fest 2004 in Faridabad as



His Excellency, The President of India Dr. A.P.J. Abdul Kalam at NHPC pavilion in India International Trade Fair-2004, New Delhi

a platform to present NHPC as India's premier hydropower utility. NHPC's pavilions exhibited capabilities and achievements of NHPC in the development of hydropower. The "NHPC NEWS" continues to be an effective tool for disseminating information internally to all Projects/ power stations/units.

To support and encourage Sports and Cultural activities, NHPC hosted 7th Inter-CPSU Carom, 9th Inter CPSU Bridge tournaments at Tanakpur Power Station and 5th Inter CPSU Football Tournament at Kolkata under the aegis of the Power Sports Control Board, Ministry of Power. Apart from these events, NHPC's teams participated in various tournaments organised by other Power Sector PSUs during the period.

17. NHPC CONTRIBUTION –THE TSUNAMI DISASTER

The devastating earthquake in December, 2004 disrupted power generation from Kalpong Power Station (3x1.75) MW of Andaman & Nicobar administration in the North Andaman by jamming the machines and caused total black-out in the entire Diglipur area. On the request of Lt. Governor Andaman & Nicobar Administration, NHPC immediately swung into action and sent a team to the Power Station, which worked round the clock and restored power generation within six days.

Standing with the nation, NHPC contributed Rupees one crore and the employees of the Corporation contributed their one day salary amounting to Rs. 65,24,616/- to the Prime Minister's Relief Fund for disaster due to Tsunami waves during December, 2004.

18. SUBSIDIARY CORPORATION /JOINT VENTURE PROJECTS

1. Narmada Hydroelectric Development Corporation Ltd.

Narmada Hydroelectric Development Corporation Ltd., a joint venture of NHPC and Government of Madhya Pradesh was set up in the year 2000 for execution of Indira Sagar Power Station (1000 MW) and Omkareshwar Project (520 MW) on river Narmada in Madhya Pradesh. All the units of Indira Sagar Power Station (125 x 8) have been commissioned ahead of schedule and generated 1331.85 million units of energy during the period under review.

The Construction activities at the Omkareshwar HE Project (8x65 MW), Madhya Pradesh are in full swing. The project is scheduled for completion in February, 2008.

2. National Pumped Storage Power Corporation Ltd.

Formation of the Joint Venture Company between NHPC and the Government of West Bengal was under the consideration of the Public Investment Board. Recently in a meeting with MOP, it was informed that Civil and Hydro-Mechanical work of the Purulia Pumped Storage project have almost been completed. As joining of NHPC in the Joint Venture at this stage would not make any value addition, therefore, it was decided to drop the proposal.

19. CORPORATE GOVERNANCE

Your Corporation believes that good Corporate Governance practices pave the way towards building Great Corporation. It lays stress on developing adequate control system in operation and increasing the efficiency of Business Enterprise, for creation of wealth of enterprise and country as a whole. An Audit Committee consisting of three members of the Board has been in existence since 2001. The Audit

Committee regularly reviews all financial statements before placing them to the Board and monitors internal control system. The accounts of the Corporation are prepared strictly as per the applicable Accounting standards and are regularly published in National dailies after taken on record by its Board. These are also hosted on the website of the Corporation along with other communication made to the public at large. The Corporation has been particular in adhering to the provisions of the laws, guidelines of Regulatory Authorities and clauses of Listing Agreement. No penalties/ Strictures have been imposed by NSE/SEBI or any other statutory Authority on matter related to Capital Market.

20. RESERVATION FOR SC/ST/OBC

The Corporation is following the instructions relating to reservation of post for SC/ST/OBCs in service as per the Presidential Directives issued from time to time for recruitment and promotion of employees.

21. WELFARE OF PERSONS WITH DISABILITIES

The welfare of persons with disabilities is given special consideration. Reservation in employment is provided as per the directions of the Government of India.

22. 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.



23. PARTICULARS OF EMPLOYEES

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

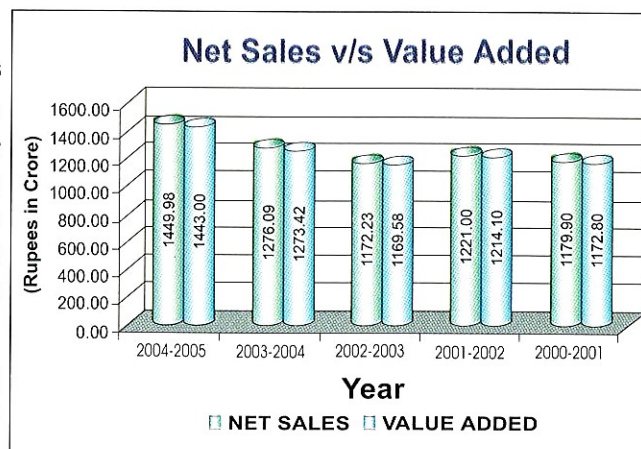
24. AUDITORS

M/s. Batra Sapra & Co, Chartered Accountants, New Delhi, was appointed as Statutory Auditors for conducting the Audit for the year 2004-2005. M/s. Gandhi Minocha & Co, Chartered Accountants, Ambala, M/s 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.

25. 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's replies thereto are given in Annexure-II. The comments of the Comptroller and Auditor General of India and replies thereon are enclosed as Annexure-III to the Report.

Review of the accounts for the year ending 31st March, 2005 by the Comptroller and Auditor General of India is given in Annexure-IV to the report.



26. ACCOUNTS OF SUBSIDIARY CORPORATION

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

27. DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with 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 Corporation at the end of the financial year and of the profit of the Corporation 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 Corporation 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.

28. BOARD OF DIRECTORS

Shri R.K. Sharma, ceased to be the Director (Technical) consequent upon his joining THDC as Chairman & Managing Director on 21.10.04.

Shri M. Sahoo, JS & FA, MOP ceased to be the Director NHPC w.e.f. 22.12.04.

Shri Yogendra Prasad also ceased to be the Chairman & Managing Director on reaching the age of superannuation w.e.f. 30.04.05.

Shri S.K. Chaturvedi joined the Board as Director (Personnel) w.e.f. 8.10.04.

Shri Gurdial Singh, Member (Hydro) CEA joined the Board as Director w.e.f. 22.12.04.

Shri A.K. Gangopadhyay, Director (Projects) got the additional charge of CMD w.e.f. 01.05.05.

Shri S.P. Sen, joined the Board as Director (Technical) w.e.f. 4.08.05.

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, 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/ Companies. The Board also places on record its appreciation for continuing support, faith and confidence reposed in the Corporation 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 for timely completion of projects.

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 the members of NHPC family whose enthusiasm, dedication and co-operation have 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**



(A.K. Gangopadhyay)
Chairman & Managing Director

Date : 22nd August, 2005

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.

a) Energy Conservation Measures Taken:

With a view to assess & optimize the 25 years old power station's performance, energy audit of electro-mechanical plants/equipments of Baira Siul Power Station has been undertaken.

(b) Additional investment and proposals if any, being implemented for reduction of consumption of energy.

- Based on the results of the initial trial which showed savings upto 7.5% in fuel consumption, the use of Fitch fuel catalyst has been recommended for field trials on different gasoline powered equipments located at various Power Stations/Projects to establish its efficacy for regular use.
- Encouraged by the results of the Energy Audit of Baira Siul Power Station, energy audit of Salal Power Station shall be undertaken during the FY 2005-06.

(C) Impact of measures at (a) and (b) above for reduction of Energy consumption and consequent impact on the cost of production of goods.

Energy efficient devices/equipments to replace the low performance one's and shall be installed in phased manner during the financial year 2005-06.

(c) 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

(d) Efforts made for technology absorption as per Form B the Annexure is attached.

C. FOREIGN EXCHANGE EARNING AND OUTGO

(f) 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.

(g) Total Foreign Exchange used and earned

		Rs. In crore	
	Particulars	2004-2005	2003-2004
1.	Value of imported Plant & Machinery & Spares on CIF basis	20.22	102.76
2.	Know-how	0.28	0.63
3.	Misc (outgo)	311.37	254.39
4.	Interest	116.75	111.44
5.	Value of spare parts & components consumed in Operating units		
	- Imported	5.38	0.07
	- Indigenous	1.60	2.60
	INCOME (ON CASH BASIS)		
6.	Interest Income	—	—
7.	Others	—	0.04

FORM-B

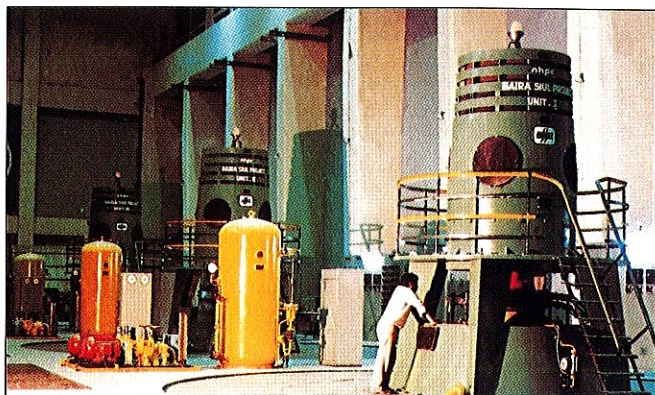
1. Specific areas in which R&D carried out by the Corporation

- Elongation of service life of underwater turbine components subjected to silt erosion in Hydro Power Stations.
- Energy Audits of Power Stations.
- Fuel Saving technology.
- Condition Monitoring & preventive health check-up of power transformers.

2. Benefits derived as a result of the above R&D

- Experimental studies are being conducted intensively by deposition of hard coating powders through HP-HVOF thermal spray process on the surfaces of underwater turbine components at Salal Power Station & Baira Siul Power Station, with a view to provide protection against silt erosion & thereby retard the erosion process and elongate their service life and optimize the machine availability. Tungsten Carbide Cobalt Coating with HP/HVOF process has shown encouraging results.
- With a view to assess and optimize the 25 years old power station's performance, energy audit of all the electro-mechanical plants/equipments of Baira Siul Power station has been undertaken. The energy saving schemes shall be implemented in FY 2005-06 and onwards. The cost benefit is likely to be around Rs. 30.00 lakhs p.a.

- The underwater components of the turbine needs extensive rebuilding due to heavy silt erosion. These being of special steel, need to be rebuilt by using special electrodes and specific welding regime. The Corporation has finalized the use of special electrodes & specific welding regimes for each type of turbine in consultation with the respective manufacturers.
- NHPC is conducting field trials for adopting the fuel saving technology. Initial trials have shown encouraging results & saving in fuel consumption upto 7.5% has been observed.
- A system consisting of various diagnostic tests have been finalised in joint collaboration with Central Power Research Institute, Bangalore for assessing the health condition of each power transformer. This would help in minimizing the failure of transformers thereby saving time & cost in the long run.



180 MW Baira Siul Power Station (Himachal Pradesh) - Power House

3. Future plan of action 2005-06

The above-mentioned R&D activities are planned to be continued for the year 2005-06 with an additional activity of Exploration of use of Solar Energy for remote locations using diesel power.

4. Expenditure on R&D

Total up to 2004-05: Rs. 628.39 Lakh including Rs. 146.39 Lakh on Development of Geothermal Power.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts in brief made towards technology absorption, adaptation and innovation:

The research project for ranking studies is being taken up jointly with ARCI for determining the effective combinations of Coating powders & thermal spray processes with specific reference to NHPC power stations. Field trials are continuing in collaboration with specialized organisations for establishing the efficacy of hard coatings for the underwater turbine components at Salal & Baira Siul power stations.

Besides this Corporation has procured sophisticated GIS software(customized to engineering geological applications) during the year 2004-05 and has trained its officers to use it in analysis of geological data.

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

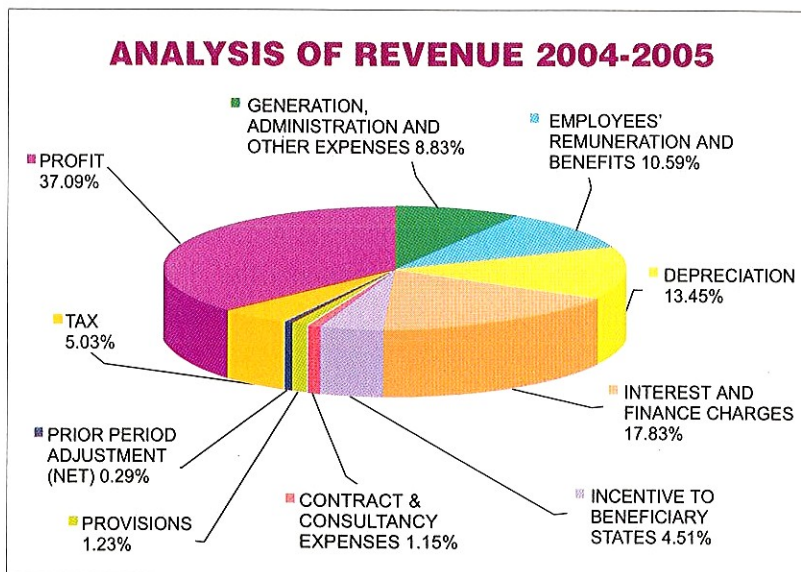
The Tungsten Carbide Cobalt coating applied with HVOF process on Guide vanes of Baira Siul Power Station have shown considerable resistance to Silt erosion after operation through two monsoon seasons. This has resulted in reduction of the rebuilding cost and savings on account of less down time and improved efficiency. The underwater components of turbine of one unit of Salal Power Station have also shown encouraging results after operation through one monsoon season. Further the performance of new experimental studies conducted at Salal Power Station & Baira Siul Power Station during 2004-05, shall be known after the monsoon season in 2005-06.

The GIS software has been used for processing and analyzing of vast geological data. It enabled fast and reliable analysis for designing of various Project components.

3. Technology imported during last five years:

NHPC is a designated as 'nodal agency' for development of geothermal power in the country, by MNES. The ranking studies of various geothermal fields in India have already been got done through an International Consultant. Further transfer of technology in the area shall take place once the MNES clears and entrusts setting of geothermal project at Puga / Tattapani to NHPC.

The engineering geophysical exploration has been carried out using sophisticated imported instruments viz. 24 & 48 channel seismographs, terrameter SAS 4000 imaging system. These technologies are successfully used in Northeastern Projects like Subansiri Lower, Subansiri Middle, Subansiri Upper, Siang Middle and Dibang Projects.





AUDITORS' REPORT TO THE MEMBERS OF NATIONAL HYDROELECTRIC POWER CORPORATION LIMITED

AUDITORS' COMMENTS

MANAGEMENT REPLY

1. We have audited the attached Balance Sheet of NATIONAL HYDROELECTRIC POWER CORPORATION LIMITED as at 31st March 2005 and also the Profit and Loss Account and Cash Flow Statement of the Company 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.
2. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors Reports) Order, 2003 and read together with the Companies (Auditor's Report) Amendment order, 2004 (hereinafter referred to as the order) 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.

4. Further to our comments in the Annexure referred to in paragraph 3 above we report that:

A debit of Rs. 48.80 crore to the Profit & Loss Account instead of Profit & Loss Appropriation Account on account of Self Insurance for contingencies, being a notional entry, has resulted in understatement of net profit to that extent.

The accounting treatment, which is being followed consistently is as per Accounting Policy No. 13. In this connection, attention is invited to following comment of the C&AG on the *qualification* of the then *Statutory Auditors* on annual accounts of the Corporation for the year 1997-98, which reads as under:

Qualification	Comment of C&AG
Accounting Policy No. 10 (now Accounting Policy No. 13) Creation of Self insurance reserve by charge to Profit & Loss Account instead of appropriation out of profit.	The qualification of Statutory Auditors is not correct as Self Insurance Reserve has been created for the purpose of meeting the unforeseen losses of assets of O&M Projects.

The above position was again confirmed by CAG vide Comment No. 9 on the Accounts of the Corporation for the year 2001-02 on a similar qualification of Statutory Auditors.

5. Subject to our report in paragraph 4 above we state 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) The allocation of work amongst the auditors has been followed as per direction contained in letter No. CA.V/COY/CENTRAL GOVT. COMP NHPC (4)/412 DATED 06.09.2004 addressed to NHPC by the Office of Comptroller & Auditor General of India, New Delhi.
- iii) 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. The Branch Auditor's Report(s) have been forwarded to us and have been appropriately dealt with;
- iv) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account and with the audited returns from the branches;



- v) In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow statement dealt with by this report comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956, to the extent applicable;
- vi) The Department of Companies Affairs, Ministry of Finance vide their Notification No. F. No. 8/5/2001-CL.V dated 21st October, 2003 have notified that provision of Section 274 (1) (g) of the Companies Act 1956, shall not apply to a Government Company.
- vii) 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 the 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:
 - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2005,
 - b) In the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date, and
 - c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For BATRA SAPRA & COMPANY
CHARTERED ACCOUNTANTS**

**(A.L. BATRA)
PARTNER
MEMBERSHIP NO : 16929**

**PLACE : NEW DELHI
DATE : 30TH MAY, 2005**

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in paragraph 3 of our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) We are informed that the fixed assets have been physically verified by the management during the year. In our opinion the frequency of verification is reasonable. As per the information given to us by the management, no material discrepancies as compared to book records were noticed in respect of fixed assets physically verified during the year.
- (c) Since there is no disposal of a substantial part of fixed assets during the year, the preparation of financial statements on a going concern basis is not affected on this account.
- (ii) (a) The inventories of stores, spare parts, steel and cement except those lying with contractors and in transit have been physically verified during the year by the management. In our opinion, the frequency of physical verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion, the Company is maintaining proper records of inventories and no material discrepancies were noticed on physical verification as compared to the record of Inventories.
- (iii) Based on the audit procedures applied by us and according to the information and explanations given to us, the Company has not granted or taken any loans, secured or unsecured, to / from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business for the purchase of inventories, fixed assets and for the sale of power and services.
- (v) Based on the audit procedures applied by us, to the best of our knowledge and belief and according to the information and explanations given to us, particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956, have been entered in the register required to be maintained under that Section.

Sub-clause (b) of sub-para (v) of para 4 of the Order is not applicable as there are no such transactions exceeding the value of Rupees Five Lacs in respect of any party in the financial year.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the rules framed there under, with regard to deposits accepted from the public.

We are informed by the Management that no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal under sections 58A and 58AA of the Companies Act, 1956.
- (vii) 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.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of these records with a view to determining whether they are accurate or complete.
- (ix) (a) According to the records of the Company, undisputed statutory dues including provident fund, investor education and protection fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues, that are required to be deposited regularly with authorities, have generally been regularly deposited with the appropriate authorities. We are informed that the Employee's State Insurance Scheme is not applicable to the Company. According to the



information and explanations given to us, no undisputed amounts payable in respect of the aforesaid statutory dues were in arrears, as at 31st March, 2005, for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us and the records of the Company, the dues of sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess, which have not been deposited on account of any dispute amount to Rs. 2066.66 Crores.
- (x) The company does not have any accumulated losses at the end of the financial year. The Company has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) On the basis of verification of records and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to Financial Institutions/Banks or Debenture holders.
- (xii) We are of the opinion that the company has maintained adequate records, where the company has granted loans and advances on the basis of security, by way of pledge of shares, debentures and other securities.
- (xiii) The company is not a chit fund or a nidhi or a mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) (a) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments.
- (b) The shares, securities, debentures and investments are held by the Company in its own name except to the extent of the exemption granted under section 49 of the Companies Act, 1956.
- (xv) In our opinion, the terms and conditions on which the company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the company.
- (xvi) In our opinion, application of term loan raised along with allocation of interest needs to be further strengthened.
- (xvii) According to the information and explanations given to us, based on an overall examination of the Balance Sheet of the company, related information made available to us and as represented to us by the Management, generally funds raised on short term basis have not been used for long term investment.
- (xviii) The Company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company has not issued any debentures during the year and therefore the question of creating security or charge in respect thereof does not arise.
- (xx) The Company has not made any public issue of any securities during the year and therefore the question of disclosing the end use of money raised by any public issue does not arise.
- (xxi) We are informed that no frauds by or on the Company have been noticed and reported during the year.

FOR BATRA SAPRA & COMPANY
Chartered Accountants

(A.L. BATRA)
PARTNER
MEMBERSHIP NO : 16929

PLACE : NEW DELHI
DATE : 30TH MAY, 2005



ANNUAL ACCOUNTS







BALANCE SHEET AS AT 31st MARCH, 2005

(Rupees in crore)

	SCHEDULE	31st MARCH, 2005	31st MARCH, 2004
SOURCES OF FUNDS			
A. SHAREHOLDERS' FUNDS			
i) Share Capital	1	9,425.62	7,775.63
ii) Share Capital deposit		158.89	427.55
iii) Government of India Fund adjustable to equity		348.76	425.85
iv) Reserves and Surplus	2	<u>3,863.83</u>	<u>3,338.46</u>
		13,797.10	11,967.49
B. LOAN FUNDS			
i) Secured Loans	3	4,004.26	4,141.35
ii) Unsecured Loans	4	<u>3,017.54</u>	<u>2,706.43</u>
		7,021.80	6,847.78
C. INCOME RECEIVED IN ADVANCE ON ACCOUNT OF ADVANCE AGAINST DEPRECIATION			
		1,071.15	939.40
D. SELF INSURANCE FOR CONTINGENCIES			
	2A	304.66	255.81
E. DEFERRED TAX			
Net Deferred Tax Liabilities		1,413.48	1,379.16
Less: Deferred Tax recoverable		<u>1,413.48</u>	<u>1,379.16</u>
		-	-
TOTAL		<u>22,194.71</u>	<u>20,010.48</u>
APPLICATION OF FUNDS			
A. FIXED CAPITAL EXPENDITURE			
i) Fixed Assets	5		
a) Gross Block		10,876.28	10,342.71
Less : Depreciation		<u>2,148.20</u>	<u>1,882.95</u>
b) Net Block		8,728.08	8,459.76
ii) Capital Work-in-Progress	6	8,787.19	6,975.83
iii) Construction Stores and Advances	7	<u>849.25</u>	<u>805.55</u>
		18,364.52	16,241.14
B. INVESTMENTS			
	8	3,769.43	3,660.87
C. CURRENT ASSETS, LOANS AND ADVANCES			
i) Interest accrued on investments		154.50	335.08
ii) Inventories		49.15	53.79
iii) Contract Work-in-Progress		42.87	26.58
iv) Sundry Debtors		450.97	498.96
v) Cash and Bank Balances		311.68	174.37
vi) Other Current Assets		85.20	66.65
vii) Loans and Advances		<u>291.27</u>	<u>238.81</u>
		1,385.64	1,394.24
LESS: CURRENT LIABILITIES AND PROVISIONS			
i) Liabilities	10	652.70	861.91
ii) Provisions		673.36	420.32
iii) Development Surcharge (held in trust)		<u>-</u>	<u>4.25</u>
		1,326.06	1,286.48
NET CURRENT ASSETS			
		59.58	107.76
D. MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)	11	1.18	0.71
TOTAL		<u>22,194.71</u>	<u>20,010.48</u>
ACCOUNTING POLICIES			
	20		
NOTES TO THE ACCOUNTS			
	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

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

(A.L.BATRA)
Partner
M.NO 16929

VIJAY GUPTA
Secretary

S.K.GARG
Director (Finance)

A.K. GANGOPADHYAY
Chairman & Managing Director

Place : New Delhi
Dated : 30 May, 2005

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2005

(Rupees in crore)

	SCHEDULE	31st MARCH, 2005	31st MARCH, 2004
INCOME			
i) Sales		1,668.27	1,414.43
Less: Tariff adjustment		86.54	-
Less: Advance against depreciation		131.75	138.34
ii) Contracts and Consultancy	12	25.58	38.29
iii) Interest on Bonds		215.14	318.69
iv) Interest on Long Term Advances		26.96	48.49
v) Other Income	13	128.28	146.22
TOTAL INCOME		1,845.94	1,827.78
EXPENDITURE			
i) Generation, Administration and Other Expenses	14	162.97	142.85
ii) Employees' Remuneration and Benefits	15	195.52	152.99
iii) Depreciation		248.37	208.14
iv) Interest and Finance charges	16	329.05	347.17
v) Provisions	17	22.78	30.00
vi) Contract and Consultancy Expenses	18	21.15	26.75
vii) Incentive to beneficiary States		83.22	278.58
viii) Prior period adjustment (Net)	19	5.35	(2.18)
TOTAL EXPENDITURE		1,068.41	1,184.30
PROFIT BEFORE TAX		777.53	643.48
Provision for Taxation			
i) Current Tax		55.98	22.10
ii) Adjustments Relating to Earlier Years		36.97	-
iii) Deferred tax		34.32	85.73
Less: Deferred Tax Recoverable Adjustment		34.32	-
		92.95	85.73
PROFIT AFTER TAX		684.58	621.38
Balance brought forward from last year's account		1,753.00	1,267.00
DISPOSABLE PROFIT		2,437.58	1,888.38
Appropriations -			
i) Interim dividend		60.00	60.00
ii) Proposed Final Dividend		80.00	60.00
iii) Corporate Dividend Tax		19.21	15.38
iv) Write back from Bonds redemption reserve		90.65	-
Balance carried to Balance Sheet		2,369.02	1,753.00
ACCOUNTING POLICIES	20		
NOTES TO THE ACCOUNTS	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

For and on behalf of the BOARD OF DIRECTORS

(A.L.BATRA)
Partner
M.NO 16929

VIJAY GUPTA
Secretary

S.K.GARG
Director (Finance)

A.K. GANGOPADHYAY
Chairman & Managing Director

Place : New Delhi
Dated : 30 May, 2005



SCHEDULE-1 SHARE CAPITAL

(Rupees in crore)

	31st MARCH, 2005	31st MARCH, 2004
A. AUTHORISED		
150,000,000 Equity Shares (Previous year 150,000,000) of Rs.1,000/- each	15,000.00	15,000.00
B. ISSUED, SUBSCRIBED AND PAID UP		
94,256,197 Equity Shares (Previous year 77,756,297) 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).	9,425.62	7,775.63
TOTAL	9,425.62	7,775.63

SCHEDULE-2 RESERVES AND SURPLUS

(Rupees in crore)

	BALANCE AS AT MARCH 31, 2005					BALANCE AS AT MARCH 31, 2004				
	Opening balance	Addition	Deduction	Adjustments	Closing balance	Opening balance	Addition	Deduction	Adjustments	Closing balance
Capital Reserve	0.06	-	-	-	0.06	0.06	-	-	-	0.06
Bond Redemption Reserve	265.40	-	90.65	-	174.75	265.40	-	-	-	265.40
General Reserve	1,320.00	-	-	-	1,320.00	1320.00	-	-	-	1,320.00
Surplus as per Profit & Loss Account	1,753.00	684.58	159.21	90.65	2,369.02	1,267.00	621.38	135.38	-	1,753.00
TOTAL	3,338.46	684.58	249.86	90.65	3,863.83	2,852.46	621.38	135.38	-	3,338.46

SCHEDULE-2A SELF INSURANCE FOR CONTINGENCIES

(Rupees in crore)

	BALANCE AS AT MARCH 31, 2005					BALANCE AS AT MARCH 31, 2004				
	Opening balance	Addition	Deduction	Adjustments	Closing balance	Opening balance	Addition	Deduction	Adjustments	Closing balance
Self Insurance for Contingencies	255.81	48.80	0.01	0.06	304.66	213.24	42.79	3.84	3.62	255.81

SCHEDULE-3 SECURED LOANS

(Rupees in crore)

	31st MARCH, 2005	31st MARCH, 2004
LONG TERM LOANS		
A. BONDS (Non-convertible and Non-cummulative)		
i) BONDS-M SERIES *5 (PRIVATE PLACEMENT) 9.55%, 5 Years Bonds of Rs. 1,00,000/- each redeemable at par on 07.01.2007 (Due for redemption within one year Rs. Nil)	430.00	430.00
ii) BONDS-N SERIES *8 6.50%, 32 months bond of Rs. 1,00,00,000/- (original face value) each redeemable at par in 5 equal half yearly instalments starting from 15.11.03. Face value as on 31/03/05 is Rs. 40,00,000/- (Due for redemption within one year Rs. 28,00,00,000/-)	28.00	56.00
iii) BONDS-O SERIES *2 7.7%, 15 years Bonds of Rs. 10,00,00,000/- each with 10 separately transferable redeemable principal parts and each separately transferable redeemable principal part comprising 1/10th of face value of Bond. Earliest redemption 31.3.2009. (Due for redemption within one year Rs. Nil)	570.00	570.00
	1028.00	1056.00
B. TERM LOANS		
i) BANK OF INDIA *1 (Due for repayment within one year Rs. Nil) (Repayable in 8 Equal Qtrly inst. from 31.03.07 onwards)	50.00	50.00
ii) BANK OF MAHARASHTRA *1 (Due for repayment within one year Rs. Nil.) (Repayable in 5 equal yearly instt. from 2.11.07 onwards)	50.00	50.00
iii) CANARA BANK *1 (Due for repayment within one year Rs. 20 crores.) (Being repaid in 5 equal yearly instalment w.e.f 27.03.04)	60.00	80.00
iv) CANARA BANK *1 (Due for redemption within one year Rs. Nil) (Repayable in 3 equal annual instalments w.e.f 26.9.06 onwards)	100.00	100.00
v) CANARA BANK *1 (Due for repayment within one year Rs. Nil) (Repayable in 5 equal yearly instalments w.e.f. 31.01.09)	85.00	85.00
vi) INDIAN OVERSEAS BANK *1 (Due for redemption within one year Rs. Nil) (Repayable in 4 equal yearly instalments w.e.f. 6.12.08 onwards)	50.00	50.00
vii) INDIAN BANK *1 (Due for repayment within one year Rs.100 crores) (Repayable on 19.12.05)	100.00	100.00
viii) LIFE INSURANCE CORPORATION OF INDIA *1 (Repaid on 4.11.2004)	-	100.00
ix) LIFE INSURANCE CORPORATION OF INDIA *1 (Repaid on 4.11.2004)	-	150.00
x) LIFE INSURANCE CORPORATION OF INDIA *1 (Due for repayment within one year Rs. 150 crores) (Repayable on 15.09.05)	150.00	150.00
xi) PUNJAB NATIONAL BANK *1 (Due for repayment within one year Rs. Nil) (Repayable on 1.10.2008)	50.00	50.00
xii) PUNJAB NATIONAL BANK *1 (Due for repayment within one year Rs. Nil) (Repayable on 3.12.08)	50.00	50.00

SCHEDULE-3 SECURED LOANS

(Rupees in crore)

	31st MARCH, 2005	31st MARCH, 2004
xiii) STATE BANK OF PATIALA *1 (Due for repayment within one year Rs. Nil) (Repayable on 9.01.07)	40.00	40.00
xiv) STATE BANK OF INDORE *1 (Due for repayment within one year Rs. 13.33 crores) (Repayable in 3 equal yearly instalments w.e.f. 22.12.03 onwards)	13.33	26.67
xv) STATE BANK OF SAURASHTRA *1 (Due for repayment within one year Rs. Nil) (Repayable in 3 equal yearly instalments w.e.f. 11.09.06 onwards)	50.00	50.00
xvi) STATE BANK OF HYDERABAD *1 (Due for repayment within one year Rs. 12 crores.) (Repayable in 5 equal yearly instalments w.e.f. 20.07.04 onwards)	48.00	60.00
xvii) BANK OF MAHARASHTRA *2 (Repaid on 02.02.05)	-	100.00
xviii) CANARA BANK *2 (Due for repayment within one year Rs. 21.43 crores) (Being repaid in 7 equal instalments w.e.f. 26.03.00)	21.43	42.86
xix) CENTRAL BANK OF INDIA *2 (Repaid on 30.7.2004)	-	10.00
xx) ICICI BANK LTD. *2 (Repaid on 11.5.2004)	-	50.00
xxi) ICICI BANK LTD. *2 (Repaid on 28.07.2004)	-	50.00
xxii) ORIENTAL BANK OF COMMERCE *2 (Repaid on 27.09.04)	-	100.00
xxiii) STATE BANK OF INDIA *2 (Due for redemption within one year Rs. Nil) (Repayable on 28.06.09)	400.00	400.00
xxiv) STATE BANK OF PATIALA *2 (Repaid on 3.02.05)	-	16.66
xxv) BANK OF INDIA *4 (Due for repayment within one year Rs. Nil) (Repayable in 10 years in 40 equal quarterly instalments w.e.f. 24.12.06)	100.00	100.00
xxvi) CENTRAL BANK OF INDIA *4 (Due for repayment within one year Rs. 10 crores) (Repayment in 20 half yearly instalments of Rs 5 crores)	90.00	100.00
xxvii) HOUSING DEVELOPMENT FINANCE CORPORATION LTD. *4 (Due for repayment within one year Rs. Nil) (Repayable in 14 equal half yearly instalments w.e.f. 13.2.07)	100.00	100.00
xxviii) PUNJAB & SIND BANK *4 (Due for repayment within one year Rs. Nil.) (Repayable in 40 quarterly instalments in 10 years w.e.f. 24.10.06)	100.00	100.00
xxix) PUNJAB NATIONAL BANK *4 (Due for repayment within one year Rs.15 crores) (Repayable in 10 years in 20 half yearly inst. w.e.f. 26.10.2004)	142.50	150.00
xxx) STATE BANK OF PATIALA *4 (Due for repayment within one year Rs. Nil) (Repayment in 14 half yearly instalments w.e.f. 30.01.2007)	50.00	50.00
xxxi) STATE BANK OF HYDERABAD *4 (Due for repayment within one year Rs. Nil) (Repayment in 14 half yearly instalments in 7 years w.e.f. 07.01.07)	50.00	50.00
xxxii) STATE BANK OF INDIA *4 (Due for repayment within one year Rs. Nil) (Repayment in 14 half yearly instalments w.e.f. 18.09.2006)	150.00	150.00

SCHEDULE-3 SECURED LOANS

(Rupees in crore)

	31st MARCH, 2005	31st MARCH, 2004
xxxiii) CANARA BANK *6 (Due for repayment within one year Rs. Nil) (Repayable in 4 equal yearly instalments w.e.f 28.6.09 onwards)	50.00	50.00
xxxiv) LIFE INSURANCE CORPORATION OF INDIA *7 (Due for repayment within one year Rs. Nil) (Repayable in 24 half yearly instalments in 12 years w.e.f 15.04.09)	232.00	232.00
xxxv) CANARA BANK *2 Note B (Due for repayment within one year Rs. Nil) Repayable in 10 equal yearly instalments w.e.f. 09.11.07)	200.00	-
xxxvi) SYNDICATE BANK *2 Note C (Due for repayment within one year Rs. Nil) (Repayable in 10 equal yearly instalments w.e.f. 23.02.08)	183.00	-
xxxvii) ORIENTAL BANK OF COMMERCE *2 Note D (Due for repayment within one year Rs. Nil) (Repayable in 10 equal yearly instalments w.e.f. 01.04.08)	200.00	-
xxxviii) LIFE INSURANCE CORPORATION OF INDIA . *9 (Due for repayment within one year Rs. Nil) (Repayable in 24 half yearly instalments in 12 years w.e.f. 30.04.12)	11.00	2976.26
xxxix) CASH CREDIT FROM BANKS (short term) *3	-	42.16
TOTAL SECURED LOANS (A+B)	4004.26	4141.35

Note (A) :-

- *1) Secured by pari-passu charge by way of Equitable Mortgage / Hypothecation against Immovable / Movable assets of Corporation's Chamara-I 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 / Movable 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 of the Corporation.
- *4) Secured by pari-passu charge by way of Equitable Mortgage / Hypothecation against Immovable / Movable assets of Corporation's Chamara-II Power Station situated in the State of Himachal Pradesh except for Book Debts and Stores.
- *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 Corporation's Loktak Power Station situated in the State of Manipur except for Book Debts and Stores.
- *7) Secured by a first charge by way of first mortgage and hypothecation against the immovable and movable 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 movable assets of the Corporation's Bairasiul Power Station situated in the State of Himachal Pradesh except for Book Debts and Stores.
- *9) Secured by the registration of hypothecation of the assets of the Corporation's Subansiri Lower H.E. Project situated in the State of Arunachal Pradesh & Teesta Low Dam-III H.E. Project situated in the State of Sikkim on 21/2/2005. The creation of mortgage is under process.

Note (B) :-

The agreement for Rs.200 crores loan from Canara Bank was entered into on 10.11.04. The charge for hypothecation was registered on 03/12/04. The registration of mortgage for the same is under process.

Note (C) :-

The agreement for Rs.183 crores loan from Syndicate Bank was entered into on 23.02.05. The charge for hypothecation was registered on 21/03/05. The registration of mortgage for the same is under process.

Note (D) :-

The agreement for Rs.200 crores loan from Oriental Bank of Commerce was entered into on 23.02.05. The charge for hypothecation was registered on 17.03.05. The creation of mortgage of the same is under process.



SCHEDULE-4 - UNSECURED LOANS

(Rupees in crore)

	31st MARCH, 2005	31st MARCH, 2004
LONG TERM LOANS		
A. Guaranteed by Government of India		
i) ABSEK (Due for repayment within one year Rs.107.30 crores)	107.30	208.97
ii) Nordic Investment Bank (Due for repayment within one year Rs.22.16 crores)	132.94	155.95
iii) Credit Commercial DE France (Due for repayment within one year Rs.96.14 crores)	528.79	595.26
iv) Export Development Canada (Due for repayment within one year Rs.47.86 crores)	513.30	471.48
v) Japan Bank of International Cooperation Tranche-I (Due for repayment within one year Rs.4.98 crores)	204.10	210.32
vi) Japan Bank of International Cooperation Tranche-II (Due for repayment within one year Rs. Nil)	669.60	671.54
vii) Japan Bank of International Cooperation Tranche-III (Due for repayment within one year Rs. Nil)	290.06	-
viii) Deutsche Bank & Others (Due for repayment within one year Rs. Nil)	<u>251.96</u>	<u>66.73</u>
	2,698.05	2,380.25
B. Others		
i) INDIAN BANK (Due for repayment within one year Rs. NIL) (Repayable in 3 equal instalments w.e.f.28/2/2012)	100.00	100.00
ii) ECB - BARCLAYS & SCB (Due for repayment within one year Rs. Nil)	<u>219.49</u>	<u>226.18</u>
	319.49	326.18
TOTAL UNSECURED LOANS	<u>3,017.54</u>	<u>2,706.43</u>

SCHEDULE-5 FIXED ASSETS

(Rupees in crore)

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	1.4.2004	Additions/ Adjust- ments	Deductions/ Adjust- ments	31.3.2005	Upto 1.4.2004	For the year*	Adjust- ments**	Upto 31.3.2005	31.3.2005	31.3.2004
i) Land freehold	171.95	8.21	25.27	154.89	—	—	—	—	154.89	171.95
ii) Land leasehold	25.83	0.20	—	26.03	1.93	0.33	—	2.26	23.77	23.90
iii) Land unclassified	75.85	374.56	0.73	449.68	6.75	0.86	0.11	7.72	441.96	69.10
iv) Buildings	962.25	59.33	3.04	1,018.54	208.07	28.18	(0.14)	236.11	782.43	754.18
v) Roads & bridges	164.57	26.26	0.21	190.62	27.20	3.91	0.07	31.18	159.44	137.37
vi) Intangible assets (Computer software)	2.98	2.44	0.01	5.41	0.60	1.25	0.35	2.20	3.21	2.38
vii) Construction plant & machinery	68.08	18.83	4.49	82.42	34.18	5.79	(2.90)	37.07	45.35	33.90
viii) Generating plant & machinery	2,559.44	38.33	1.39	2,596.38	541.23	79.34	0.76	621.33	1,975.05	2,018.21
ix) Sub-Station equipments	305.46	14.26	3.42	316.30	17.79	11.31	(1.12)	27.98	288.32	287.67
x) Hydraulic works (Dams, Tunnels etc.)	5,797.45	21.95	1.04	5,818.36	946.23	129.82	2.32	1,078.37	4,739.99	4,851.22
xi) Vehicles	34.66	2.58	2.44	34.80	21.12	3.67	(1.96)	22.83	11.97	13.54
xii) Furniture fixture & equipments	82.38	20.33	7.74	94.97	32.80	8.33	(2.31)	38.82	56.15	49.58
xiii) Transmission lines	25.14	1.30	0.02	26.42	12.50	0.86	0.22	13.58	12.84	12.64
xiv) Misc. assets/equipments	43.51	6.61	2.45	47.67	13.11	3.29	(0.49)	15.91	31.76	30.40
xv) Const. P & M declared surplus	10.85	0.35	10.59	0.61	7.13	0.02	(7.14)	0.01	0.60	3.72
xvi) Obsolete assets	—	0.36	0.02	0.34	—	—	—	—	0.34	—
xvii) Fixed Assets of minor value upto Rs. 5000/-	12.31	2.95	2.42	12.84	12.31	2.69	(2.17)	12.83	0.01	—
Total	10,342.71	598.85	65.28	10,876.28	1,882.95	279.65	(14.40)	2,148.20	8,728.08	8,459.76
Previous Year	8,280.95	2,146.73	84.97	10,342.71	1,672.19	237.25	(26.49)	1,882.95	8,459.76	6,608.76

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

A) Profit and loss account	248.37
B) Incidental Expenditure During Construction	31.12
C) Contract and Consultancy Expenses	0.16
	279.65

** Includes Prior Period Adjustments of Rs. 3.19 crores

SCHEDULE-6 CAPITAL WORK IN-PROGRESS

(Rupees in crore)

	1.4.2004	Additions	Adjust- ments	Capitalised	31.03.2005
i) Survey, Investigation and other expenses	157.49	24.38	0.24	3.46	178.17
ii) Buildings, Civil engineering works and communications	307.92	183.60	7.03	53.05	431.44
iii) Roads and bridges	87.01	59.22	3.63	24.42	118.18
iv) Hydraulic works, barrages, dams, tunnels and power channel	2,262.40	771.41	75.71	21.09	2,937.01
v) Railway siding	2.56	8.92	—	2.56	8.92
vi) Penstocks	20.43	—	—	—	20.43
vii) Plant and machinery in generating stations	1,119.76	380.13	1.75	(0.03)	1,498.17
viii) Electrical installations and sub-station equipments	1.08	1.65	(0.02)	0.47	2.28
ix) Miscellaneous assets	0.70	—	0.56	0.04	0.10
x) Trunk transmission lines	16.75	1.99	—	0.84	17.90
xi) Incidental expenditure during construction (Annexure to Schedule-6)	2,999.73	586.41	2.05	9.50	3,574.59
TOTAL	6,975.83	2,017.71	90.95	115.40	8,787.19
Previous year	7,078.00	1,973.37	57.92	2,017.62	6,975.83



ANNEXURE TO SCHEDULE-6 INCIDENTAL EXPENDITURE DURING CONSTRUCTION

(Rupees in crore)

	31st MARCH, 2005		31st MARCH, 2004	
A. EMPLOYEES' REMUNERATION AND BENEFITS				
i) Salaries, wages, allowances and benefits	222.45		195.84	
ii) Gratuity and contribution to provident fund (including administration fee)	41.89		34.01	
iii) Staff welfare expenses	33.38		25.95	
iv) Leave salary and pension contribution	5.27	302.99	1.80	257.60
B. REPAIRS AND MAINTENANCE				
i) Buildings	3.75		3.40	
ii) Machinery and construction equipments	2.45		2.29	
iii) Others	14.39	20.59	14.08	19.77
C. ADMINISTRATION AND OTHER EXPENSES				
i) Rent	14.20		12.08	
ii) Rates and taxes	0.49		0.43	
iii) Electricity charges	17.67		6.63	
iv) Insurance	2.08		1.83	
v) Travelling and conveyance	10.83		9.85	
vi) Expenses on staff cars and inspection vehicles	14.05		10.60	
vii) Telephone, telex and postage	4.74		4.23	
viii) Advertisement and publicity	4.02		6.02	
ix) Foreign consultancy charges	0.04		3.22	
x) Design and consultancy charges	1.43		1.46	
xi) Expenses on compensatory afforestation / catchment area treatment	18.04		8.41	
xii) Entertainment	0.32		0.78	
xiii) Printing and stationery	4.00		3.06	
xiv) Expenditure on land not belonging to corporation	17.02		15.22	
xv) Land acquisition and rehabilitation	0.30		0.69	
xvi) Payment to auditors	0.38		0.40	
xvii) Security expenses	18.36		17.27	
xviii) Other expenses	12.96		10.40	
xix) Loss on material/assets written off	2.80	143.73	12.74	125.32
D. INTEREST AND FINANCE CHARGES				
i) Interest on bonds	24.64		36.37	
ii) Interest on foreign loan	77.13		102.24	
iii) Interest on term loan	64.75		106.28	
iv) Bond issue expenses	0.43		0.46	
v) Commitment fee	1.31		1.89	
vi) Guarantee fee on foreign loan	18.53		21.58	
vii) Other finance charges	5.31	192.10	16.13	284.95
E. EXCHANGE RATE VARIATION (NET)				
		(12.82)		6.11
F. DEPRECIATION				
		31.12		28.86
G. PRIOR PERIOD EXPENSES (NET)				
i) INCOME	(0.09)		-	
Less :-				
ii) EXPENDITURE				
a) Salaries, wages, allowances and benefits	(0.19)		0.44	
b) Repairs and maintenance	0.25		-	
c) Others	(0.09)		(0.48)	
d) Depreciation	(0.25)		3.71	
e) Interest	(1.24)	(1.43)	-	3.67
TOTAL EXPENDITURE		676.28		726.28
LESS: RECEIPTS AND RECOVERIES				
i) Hire charges/out turn of plant and machinery	0.77		1.25	
ii) Interest on loans and advances	45.27		36.38	
iii) Miscellaneous receipts and recoveries	17.53		7.38	
iv) Profit on sale of assets	0.22		0.23	
v) Sale of power during trial run	0.14		0.14	
vi) Provisions / liability not required written back	0.15		0.05	
TOTAL RECEIPTS AND RECOVERIES		64.08		45.43
NET EXPENDITURE		612.20		680.85
LESS : Salaries,wages, allowances and benefits directly allocated to works		9.40		8.02
LESS : Share of corporate office allocated to operational and maintenance projects and deposit / turn-key contracts.		16.39		14.97
AMOUNT TRANSFERRED TO CAPITAL WORK- IN- PROGRESS		586.41		657.86

SCHEDULE-7 CONSTRUCTION STORES AND ADVANCES

(Rupees in crore)

	31st MARCH, 2005	31st MARCH, 2004
A. CONSTRUCTION STORES		
(At cost as valued and certified by management)		
i) Construction material in transit	0.18	15.16
ii) Stores	94.17	162.25
Less: Provisions	0.81	0.30
	93.54	177.11
B. ADVANCE FOR CAPITAL EXPENDITURE		
i) Secured (Considered good)	160.42	75.05
ii) Unsecured (Considered good)		
- Covered by bank guarantees	482.28	439.30
- Others	113.01	114.09
iii) Unsecured (Considered doubtful)	0.02	-
Less: Provisions	0.02	-
	-	-
TOTAL	849.25	805.55

SCHEDULE-8 INVESTMENTS

(Rupees in crore)

	31st MARCH, 2005	31st MARCH, 2004
LONG TERM		
A. INVESTMENT - SUBSIDIARY COMPANY		
Equity Shares (unquoted)		
Narmada Hydroelectric Development Corporation Limited	972.42	889.26
(8,340,000 Equity Shares of Rs.1000/- each fully paid and Share Capital Deposit of Rs.138,42,00,000/- (Previous Year 8,340,000 Equity Shares of Rs.1000/- each fully paid and Share Capital Deposit of Rs.55,26,00,000/-))		
B. INVESTMENT - OTHERS (TRADE)		
Equity Shares (quoted)		
Indian Overseas Bank * \$	0.36	0.36
(360,800 Equity shares of Rs 10/- each fully paid (Previous year 360,800 Equity shares of Rs 10/- each fully paid))		
C. INVESTMENT - OTHERS (NON TRADE)		
Power Trading Corporation of India limited**	12.00	12.00
(12,000,000 Equity shares of Rs 10/- each fully paid (Previous year 12,000,000 Equity shares of Rs 10/- each fully paid))		
D. INVESTMENT IN SEB BONDS \$		
TRADE ***	253.10	-
NON-TRADE	2,277.93	2,531.03
E. Long terms advances		
Delhi Transco Limited	253.62	228.22
TOTAL	3,769.43	3,660.87
NOTE :		
Quoted Equity Shares/Bonds		
Indian Overseas Bank *\$		
Market value		
NSE	2.74	2.03
BSE	2.74	2.03
Book value	0.36	0.36
Power Trading Corporation of India Ltd. **		
Market value		
NSE	57.36	
BSE	57.72	
Book value	12.00	12.00
SEB Bonds ***		
\$ In DEMAT form		
	Quotes not available as on 31.03.2005	



SCHEDULE-9 CURRENT ASSETS, LOANS AND ADVANCES

(Rupees in crore)

	31st MARCH, 2005	31st MARCH, 2004
CURRENT ASSETS		
A. INTEREST ACCRUED ON INVESTMENT	154.50	335.08
B. INVENTORIES		
(As taken, valued and certified by management)		
i) Stores and spares	49.86	53.42
ii) Loose tools	0.50	0.41
	50.36	53.83
Less: Provisions	1.21	0.04
C. CONTRACT WORK-IN-PROGRESS	42.87	26.58
D. SUNDRY DEBTORS (UNSECURED)		
i) Debts due over six months	311.28	338.68
ii) Other debts	217.25	245.03
	528.53	583.71
Less: Provisions	77.56	84.75
PARTICULARS OF SUNDRY DEBTORS (Unsecured)		
	2004-2005	2003-2004
i) Considered good	450.97	498.96
(Includes Rs 0.78 crores Due from Narmada Hydro Development Corporation Limited (Previous year 0.08 crores))		
ii) Considered doubtful and provided	77.56	84.75
E. CASH AND BANK BALANCES		
i) Cash, imprest, cheques and drafts in hand	184.07	110.41
ii) Balances with scheduled banks in		
a) Current account	5.95	6.10
b) Cash credit facility	17.88	5.61
c) Deposit account (Short term) *	86.80	52.17
iii) Balances with others		
Current account with Bank of Bhutan, Phuentsholing	0.54	0.08
Current account with Deutsche Bank, Tokyo Branch	16.44	-
	311.68	174.37
F. OTHER CURRENT ASSETS		
i) Interest accrued on deposits	0.88	-
ii) Others	85.65	67.86
Less: Provisions	1.33	1.21
	85.20	66.65
G. LOANS AND ADVANCES		
i) Loan and advances to subsidiaries	0.86	2.07
ii) Loans to Employees (Unsecured- Considered good)	39.78	38.80
iii) Loans to Employees (Secured- Considered good)	81.57	73.30
iv) Advances recoverable in cash or kind or for value to be received		
a) Unsecured(Considered good)		
-Covered by bank guarantees	1.90	14.71
- Others	7.13	7.32
b) Unsecured(Considered doubtful)	0.52	0.54
Less: Provision for Doubtful advances	0.52	0.54
	9.03	22.03
v) Inter Corporate Loan -Unsecured (Considered good)	-	-
vi) Advance tax deposit and tax deducted at source	133.10	70.79
vii) Other recoverable --	41.82	31.82
Less: Provisions	14.89	26.93
	291.27	238.81
TOTAL	1,385.64	1,394.24

* Deposit account (short term) includes Rs 2.07 Crores (Previous year Rs 2.07 crores) 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

	2004-2005	2003-2004
Bank of Bhutan		
i) Current account	0.54	0.79
Deutsche Bank, Tokyo Branch		
i) Current account	105.13	-

B. PARTICULARS OF LOANS AND ADVANCES DUE FROM DIRECTORS

	2004-2005	2003-2004
i) Amount due at the end of the year	0.04	0.05
ii) Maximum balance at any time during the year	0.16	0.20

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

	2004-2005	2003-2004
Narmada Hydroelectric Development Corporation Limited	3.30	200

SCHEDULE-10 CURRENT LIABILITIES AND PROVISIONS

(Rupees in crore)

	31st MARCH, 2005		31st MARCH, 2004	
A. LIABILITIES				
i) Sundry creditors				
a) Total Outstanding dues of small scale Industrial Undertaking(s). (Due over 30 days Nil)	0.17		0.10	
b) Others	<u>270.64</u>	270.81	<u>294.09</u>	294.19
ii) Unspent amount of Deposit/Agency		10.21		3.46
iii) Deposits/Retention money		82.02		100.57
iv) Interest accrued but not due on Loans		72.89		77.55
v) Advances against cost of project		5.36		5.36
vi) Advances from Contractee's		103.72		16.83
vii) Other liabilities		<u>107.69</u>	652.70	<u>363.95</u>
				861.91
B. PROVISIONS				
Provision for Taxation				
As per last Balance Sheet		65.84		86.31
Additions during the year		92.94		22.10
Amount used during the year		18.55		42.57
Amount reversed during the year		-		-
Closing Balance		<u>140.23</u>		<u>65.84</u>
Proposed Dividend				
As per last Balance Sheet		60.00		25.00
Additions during the year		80.00		120.00
Amount used during the year		60.00		85.00
Amount reversed during the year		-		-
Closing Balance		<u>80.00</u>		<u>60.00</u>
Tax on Proposed Dividend				
As per last Balance Sheet		15.38		3.20
Additions during the year		11.22		15.38
Amount used during the year		15.38		3.20
Amount reversed during the year		-		-
Closing Balance		<u>11.22</u>		<u>15.38</u>
Retirement Benefits				
As per last Balance Sheet		268.45		203.08
Additions during the year		100.48		90.24
Amount used during the year		29.44		24.87
Amount reversed during the year		-		-
Closing Balance		<u>339.49</u>		<u>268.45</u>
Provision for Project Expenses				
As per last Balance Sheet		1.68		-
Additions during the year		0.29		1.68
Amount used during the year		1.68		-
Amount reversed during the year		-		-
Closing Balance		<u>0.29</u>		<u>1.68</u>
Provision for Ex-gratia				
As per last Balance Sheet		7.17		6.83
Additions during the year		7.36		6.93
Amount used during the year		7.04		6.33
Amount reversed during the year		0.13		0.26
Closing Balance		<u>7.36</u>		<u>7.17</u>
Provisions for Contingencies				
As per last Balance Sheet		1.80		11.01
Additions during the year		-		-
Amount used during the year		-		0.04
Amount reversed during the year		-		9.17
Closing Balance		<u>1.80</u>		<u>1.80</u>
Provisions due to other obligations				
As per last Balance Sheet		-		0.04
Additions during the year		6.43		-
Amount used during the year		-		0.04
Amount reversed during the year		-		-
Closing Balance		<u>6.43</u>		<u>-</u>
Provisions for tariff adjustment				
As per last Balance Sheet		-		-
Additions during the year		86.54		-
Amount used during the year		-		-
Amount reversed during the year		-		-
Closing Balance		<u>86.54</u>	673.36	<u>-</u>
				420.32



SCHEDULE-10 CURRENT LIABILITIES AND PROVISIONS

(Rupees in crore)

	31st MARCH, 2005	31st MARCH, 2004
C. DEVELOPMENT SURCHARGE (HELD IN TRUST)		
i) Development Surcharge - Billed	-	175.51
ii) Development Surcharge - Interest account	-	5.56
Less - Receivable	-	42.22
Less : - Invested in Corporate Liquidity Term Deposit Account	-	127.93
Less : - Interest accrued but not due	-	5.56
Less : - Tax recovered on Development Surcharge	-	1.11
Development Surcharge - Investable	-	4.25
TOTAL	1,326.06	1,286.48

SCHEDULE-11 MISCELLANEOUS EXPENDITURE

(TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED)

(Rupees in crore)

	31st MARCH, 2005	31st MARCH, 2004
i) Deferred revenue expenses	1.18	0.71
ii) Losses awaiting write off sanction	3.47	3.75
Less : Provided for	3.47	3.75
TOTAL	1.18	0.71

SCHEDULE-12 CONTRACTS & CONSULTANCY INCOME

(Rupees in crore)

	31st MARCH, 2005	31st MARCH, 2004
i) Contract Income	-	0.59
Add : Contract work-in-progress - closing	42.87	26.58
Less: Contract work-in-progress - opening	26.58	10.48
ii) Consultancy income	16.29	16.69
	8.46	12.43
iii) Write back of contingencies	-	9.17
iv) Provisions / Liability not required written back	0.83	-
TOTAL	25.58	38.29

SCHEDULE-13 OTHER INCOME

(Rupees in crore)

	31st MARCH, 2005	31st MARCH, 2004
i) Income from term deposit	2.70	5.01
ii) Interest on loans and advances	1.59	1.53
iii) Dividend income (Gross)	2.26	0.10
iv) Guarantee fee	3.31	5.19
v) Surcharge	2.80	104.60
vi) Profit on sale of assets	3.05	1.53
vii) Provisions / Liability not required written back	102.84	12.69
viii) Income from scrap	0.58	0.44
ix) Interest on corporate loan	-	10.97
x) Interest on public deposit account	4.81	-
xi) Other miscellaneous income	4.34	4.16
TOTAL	128.28	146.22

SCHEDULE-14 GENERATION, ADMINISTRATION AND OTHER EXPENSES

(Rupees in crore)

	31st MARCH, 2005	31st MARCH, 2004
i) Consumption of stores and spares	6.98	2.67
ii) Repairs & maintenance –		
a) Buildings	7.72	4.90
b) Machinery	21.30	18.47
c) Others	<u>14.57</u>	<u>11.69</u>
iii) Miscellaneous operational expenses	2.23	3.40
iv) Rent	0.71	0.49
v) Rates and taxes	0.23	0.66
vi) Insurance	0.25	0.27
vii) Self insurance for contingencies	48.80	42.79
viii) Security expenses	18.07	16.17
ix) Electricity charges	5.19	5.00
x) Travelling and conveyance	3.06	2.49
xi) Expenses on staff car	2.70	2.25
xii) Telephone, telex and postage	1.50	1.23
xiii) Advertisement and publicity	0.67	0.43
xiv) Donation	1.00	0.02
xv) Printing and stationery	0.74	0.52
xvi) Corporate office management expenses	15.76	13.93
xvii) Expenditure on land not belonging to the Corporation	0.04	–
xviii) Project expenses written off	–	2.75
xix) Loss on sale of assets	5.88	8.21
xx) Deferred revenue expenditure written off	0.76	0.76
xxi) Entertainment	0.04	0.02
xxii) Interest on arbitration charges	0.22	0.30
xxiii) Other general expenses	4.23	2.78
xxiv) Exchange rate variation	0.32	0.65
TOTAL	<u>162.97</u>	<u>142.85</u>

SCHEDULE-15 EMPLOYEES REMUNERATION AND BENEFITS

(Rupees in crore)

	31st MARCH, 2005	31st MARCH, 2004
i) Salaries, wages and allowances	134.84	111.73
ii) Gratuity and contribution to provident fund (Including Administration Fees)	30.32	22.56
iii) Staff welfare expenses	<u>30.36</u>	<u>18.70</u>
TOTAL	<u>195.52</u>	<u>152.99</u>

SCHEDULE-16 INTEREST AND FINANCE CHARGES

(Rupees in crore)

	31st MARCH, 2005	31st MARCH, 2004
i) Interest on loans		
a) Bonds	55.94	68.15
b) Foreign loans	36.51	9.20
c) Term Loan	<u>190.21</u>	<u>212.41</u>
ii) Interest on cash credit facilities	5.05	22.47
iii) Bond expenses	0.77	0.92
iv) Rebate to customers	30.05	26.60
v) Guarantee fee on foreign loans	10.04	6.23
vi) Commitment fee	0.29	0.39
vii) Other finance charges	0.19	0.80
TOTAL	<u>329.05</u>	<u>347.17</u>



SCHEDULE-17 PROVISIONS

	(Rupees in crore)	
	31st MARCH, 2005	31st MARCH, 2004
i) Doubtful Debts	0.25	28.28
ii) Doubtful claims and advances	14.91	-
iii) Shortage in inventories	0.01	-
iv) Obsolescence in inventories	1.22	0.04
v) Others	6.39	1.68
TOTAL	22.78	30.00

SCHEDULE-18 CONTRACT AND CONSULTANCY EXPENSES

	(Rupees in crore)	
	31st MARCH, 2005	31st MARCH, 2004
A. DIRECT EXPENSES	10.07	18.68
(Includes labour, materials, assets and payment to contractors/suppliers)		
B. EMPLOYEES' REMUNERATION AND BENEFITS		
i) Salaries, wages, allowances and benefits	7.12	5.22
ii) Gratuity and contribution to provident fund	0.54	0.32
iii) Staff welfare expenses	0.64	0.19
	8.30	5.73
C. REPAIRS AND MAINTENANCE		
i) Buildings	0.06	0.08
ii) Machinery and construction equipments	0.12	0.01
iii) Others	0.41	0.33
	0.59	0.42
D. ADMINISTRATION AND OTHER EXPENSES		
i) Rent	0.31	0.14
ii) Travelling and conveyance	1.08	0.72
iii) Expenses on staff cars and inspection vehicle	0.40	0.27
iv) Insurance	0.01	0.01
v) Telephone, telex and postage	0.06	0.10
vi) Printing and stationery	0.22	0.23
vii) Corporate office management expenses	0.63	1.04
viii) Other expenses	0.38	0.12
	3.09	2.63
E. DEPRECIATION	0.16	0.25
TOTAL EXPENDITURE	22.21	27.71
LESS : RECEIPTS AND RECOVERIES		
i) Miscellaneous	1.06	0.60
ii) Provisions / Liability not required written back	-	0.36
	1.06	0.96
NET EXPENDITURE DURING THE YEAR	21.15	26.75

SCHEDULE-19 PRIOR PERIOD ADJUSTMENT (NET)

	(Rupees in crore)	
	31st MARCH, 2005	31st MARCH, 2004
A. INCOME		
i) Sale of Electricity	-	0.03
ii) Others	0.19	1.44
	0.19	1.47
B. EXPENDITURE		
i) Salaries and Wages	0.05	0.02
ii) Repair and Maintenance	0.03	0.26
iii) Interest	2.28	-
iv) Others	(0.01)	0.67
v) Depreciation	3.19	(1.66)
	5.54	(0.71)
TOTAL	5.35	(2.18)

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 except in case of expenditure on leave travel concession to employees which is recognized in the year of availment.
- 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, including those arising out of settlement of arbitration/court cases, in the year(s) 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 Land taken for use from State Government (without transfer of title) and expenses on relief and rehabilitation as also on creation of alternate facilities for land evacuates or in lieu of existing facilities coming under submergence and where construction of such alternate facilities is a specific pre condition for the acquisition of the land for the purpose of the project, are accounted for as Land-unclassified, to be amortized over the useful life of the project, which is taken as 35 years from the date of commercial operation of the project.
- 2.5 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.
- 2.6 Construction equipments declared surplus are shown at lower of book value and net realisable value.

3. MACHINERY SPARES

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 fully 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 on straight line method following the rates notified by the Central Electricity Regulatory Commission (CERC) for the purpose of fixation of tariff. 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 but more than Rs. 750/- and such items (excluding immovable assets) with written down value of Rs 5000/- or less at the beginning of the year are fully depreciated during the year with Re. 1 as a balance value.



- 5.4 Low value items, which are in the nature of assets (excluding immovable assets) and valuing upto Rs. 750/- are not capitalized and charged off to revenue.
- 5.5 Expenditure on software is recognized as 'Intangible Assets' to be amortized over three years.
- 5.6 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 unamortized 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 Losses towards unserviceable and obsolete stores and spares identified on review are provided in the accounts.
- 7.3 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.
- 7.4 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

- 9.1 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.
- 9.2 Exchange differences in respect of liabilities relating to fixed assets / capital work-in-progress arising out of transaction entered into prior to 01/04/2004 is adjusted to the carrying cost of respective fixed asset/capital work-in-progress.
- 9.3 Exchange differences in respect of liabilities relating to fixed assets / capital work-in-progress acquired *from outside India*, arising out of transaction entered on or after 01/04/2004 is adjusted to the carrying cost of respective fixed asset/capital work-in-progress.
- 9.4 Other exchange differences are recognised as income & expenses in the period in which they arise in Profit & Loss Account in case of operational stations and to IEDC 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:

- (a) On Power Station @ 1% of Sale of Energy for the year excluding taxes & duties.
- (b) In case of construction contract works awarded to and executed by the Corporation @ 5% of the project expenditure incurred during the year.
- (c) 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 & Loss Account, to be utilized for losses of Assets for specified contingencies.

14. MISCELLANEOUS

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

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. a) Contingent Liabilities as on: -

(Rupees in Crore)

Description	Opening Balance 01/04/2004	Closing Balance 31/03/2005
Claims against the Company not acknowledged as debts in respect of		
-Capital Works	494.32	904.23
-Land Compensation Cases	6.27	50.80
-Others	225.13	114.68
Disputed Income Tax Demand	20.76	18.60
Disputed Excise Demand	0.15	0.15
Disputed Sales Tax Demand	201.94	2090.72
Others (including bonds for Rs. 15.64 Crore (Previous year Rs.15.74 Crore) executed in favour of Custom Authorities by the Corporation)	60.27	51.91
Total	1008.84	3231.09

- b) M/s. Kajima-Daewoo JV a contractor of Dhauliganga Project has claimed compensation for delay & disruption and adoption of acceleration measure. Since the recommendations of Dispute Review Board have not been accepted by the management, the amount of claim is continuing as contingent liability.
- c) The above contingent liabilities do not include contingent liabilities on account of pending cases in respect of service matters & others where the amount cannot be quantified.
- d) It is not practicable to disclose the uncertainties relating to any outflow and possibilities of any reimbursement except for Rs. 0.04 crore.
2. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 6183.37 crore (previous year Rs. 5022.39 crore).
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. 331.60 crore (Rs. 297.60 crore being the first 50% of estimated revised cost and Rs.34.00 crore 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. 17.16 crore, (previous year Rs. 94.25 crore) being the first 50% of interest accrued during construction on Government of India loan and capitalised in respect of Tanakpur Power Station (Rs. 8.83 Crore) and Chamara-I Power Station (Rs.8.33 Crore) has been shown as Government of India fund adjustable to equity. Further adjustments, if any, shall be carried out on receipt of approval from Government of India.
4. a) Title deeds/title in respect of Land of some Projects/Units amounting to Rs. 32.48 crore (previous year Rs. 29.74 crore), covering an area of 2,728 hectare (previous year 4,280 hectare), have yet to be executed/ passed. Expenses on stamp duty etc. relating to registration thereof will be accounted for as and when incurred.

- b) Pending execution of lease deeds at some of the Units in Jammu and Kashmir, period of lease has been taken at 99 year except in certain cases where it has been taken as 30 or 40 years as the case may be and amortised accordingly.
 - c) Land does not include the land taken from SSB on lease for a period of 99 years @ notional rent of Rs.1/- per annum.
- 5.
- a) Sales include Rs. 10.23 crore (previous year Rs. 21.51 crore) as charges yet to be billed on the Beneficiaries towards ERV & Income Tax.
 - b) Sales in respect of Chamera-II Power Station have been accounted for based on provisional tariff rate notified by the Central Electricity Regulatory Commission. Further adjustments including that of Advance Against Depreciation and of Foreign Exchange Rate Variation shall be done on fixation of the final tariff by the said Commission. Similarly, adjustment relating to reversal of Advance Against Depreciation in respect of Chamera-I for the year 2004-05 shall be carried out on fixation of tariff for the period 2004-09.
 - c) Pending fixation of tariff for the period 2004-09, bills have been raised based on tariff for the year 2003-04 in terms of CERC order No.L-7/25(7)/2004-Legal dated 01/10/2004 read with CERC order dated 14/03/2005. Suitable provision of Rs.86.54 Crore including towards Advance Against Depreciation has however been kept to take care of reduction in tariff.
 - d) In terms of CERC directions in petition No. 196/2004, adjustment of Rs.46 Crore on account of revision of O&M charges based on actual escalation factor for the period 2001-02 to 2003-04 has also been accounted for in the current year.
- 6.
- a) Balances shown under Material issued to contractors, claims recoverable, 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.2.76 crore, Rs. 2.71 crore, Rs. 1 crore, Rs. 0.44 crore and Rs. 2.06 crore 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. In absence of surrender value, the gratuity fund is however continuing on the value as certified by LIC of India.
 - d) Claims recoverable include Rs.16.65 crore 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. 5.01 crore continues to appear as part of the assets of the Corporation whereas adhoc advance of Rs. 5.36 crore received from J&KPDC in respect of this Project is however shown under 'Current Liabilities' and shall be adjusted on final settlement of account.
- 7.
- a) In accordance with the decision of Government of India, Siang (13600 MW) and Subansiri (5600 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&K PDC for which demand of Rs. 84.89 crore 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. 33.66 crore towards Sewa-II Project against Rs. 41.45 crore claimed for the said Project to the extent of verification of the assets transferred

and reconciliation with accounts of J&KPDC. Out of Rs.33.66 Crore Rs.26 Crore has been discharged. The remaining expenditure as demanded by J&KPDC shall be booked on final reconciliation of items and the accounts submitted by them.

- c) In pursuance of MOU signed by NHPC with Govt. of Uttaranchal on 1st November 2003, the Lakhwar Vyasi project was handed over to NHPC. An amount of Rs.246.86 Crore spent by Govt. of Uttaranchal before its handing over to NHPC, has not been incorporated in the books of accounts as the implementation agreement for construction of said project has not been signed with Govt. of Uttaranchal.
 - d) In respect of Kambang Small HE Project, due to flash flood on 25/03/2005, the Intake Channel, Bypass Channel and Desilting Tank were damaged which may cause delay in commissioning of project. No provision for estimated loss of Rs. 0.46 Crore has been made since such amounts are reimbursable by the State Government.
8. Execution of Koel Karo Project, Loktak down Stream Project & Bav-I Project is under consideration of Govt. of India (GOI). Pending receipt of decision from GOI, the expenditure of Rs. 76.91 Crore, Rs. 26.58 Crore and Rs. 0.52 Crore respectively, incurred on these Projects upto 31/03/2005 is continuing in Capital Work-in-progress.
 9. The Company, in respect of a foreign currency loan of JPY 534.70 Crore, has entered into a hedging agreement covering interest payment on the due dates, viz., 9th January and 9th July and also for the possible repayment of the principal at the end of 5 years. Similarly such type of agreement has been entered in respect of bond issue of Rs. 430 Crore M-Series covering the interest payment only. In the absence of a specific Accounting Standard in India and being an "off balance sheet item", no adjustment is considered necessary as on the Balance Sheet date. The loss or gain arising out of the agreement will be accounted for on settlement on the due dates.
 10. Consequent upon upholding of the validity of Employees Pension Scheme, 1995 by the Hon'ble Supreme Court detailed calculation of arrears is pending in respect of some of the projects/units & the same is being done. No liability on this account shall however arise on the part of NHPC as the entire contribution already stand remitted to Employees Provident Fund Accounts.
 11. 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.
 12. a) The effect of foreign exchange fluctuation during the year is as under:

(Rupees in Crore)

	2004-05	2003-04
(i) Amount charged to Profit and Loss Account excluding depreciation	0.32	0.65
(ii) Amount charged to Incidental Expenditure During Construction	(-)12.82	6.11
(iii) Amount charged to Capital work-in-progress	4.01	80.72
(iv) Amount adjusted by addition to carrying amount of fixed assets	38.84	(-) 22.98
(v) Amount adjusted by addition to monetary assets	(-)0.39	-

- b) The amount of borrowing cost transferred to 'Incidental Expenditure During Construction' during the year is Rs. 186.79 Crore (previous year Rs. 268.82 Crore).
13. 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 in respect of bonds/long term advances issued to the Corporation by various State Electricity Boards in liquidation of the debts owed by them against energy supplied is attributable to the generation activity. Similarly, surcharge for delayed payment received from beneficiary States is attributable to the generation activity.

14. Since no directive has so far been received from Govt. of India on the issue of charging depreciation as referred to by C&AG, the depreciation on Fixed Assets is continued to be charged at rates applicable for the purpose of recovery of Tariff as notified by CERC as depreciation rates are not specified by Electricity Act, 2003. The depreciation charge for the year is lower by Rs. 199.61 Crore as compared to the rates prescribed in the Companies Act, 1956 so far as Profit & Loss Accounts is concerned.
15. The effect on the accounts for the year due to changes in accounting policies is as under:

(Rupees in Crore)

Policy	Impact on Profit for the year
Modification in Accounting Policy No. 1.1 regarding accountal of expenditure on LTC in the year of availment.	No impact as accounting practice has been translated into policy.
Modification in accounting policy No. 3.1 regarding depreciating <i>fully instead of upto 90%</i> of the cost of machinery spares over the useful life of the assets to which such machinery spares relate.	Decrease in profit by Rs.0.78 Crore
Accounting Policy No. 5.3 & 5.4 regarding charging of items of small value (upto Rs.750/-) in the nature of assets directly to Profit & Loss A/c; and charging of depreciation by Rupee1/- less in respect of assets valuing more than Rs.750 but less than or equal to Rs.5000/- instead of 100% depreciation.	Not Material
Accounting policy No. 7.2 on losses towards unserviceable and obsolete stores and spares.	No impact as accounting practice has been translated into policy.
Modification in Accounting Policy No. 9 on Foreign Exchange Fluctuation keeping in view the requirement of AS 11 (Revised) 1994, AS-11 (revised) 2003 and the Companies Act 1956.	NIL
Policy No. 14.4 regarding accountal of insurance claim on the basis of certainty of realisation.	No impact as accounting practice has been translated into policy.

Due to change in accounting policy No. 5.3, 5.4, 7.2 & 3.1, the impact on asset & liability is not material.

16. 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.
17. 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. 34.32 Crore (previous year Rs. 85.73 Crore) has been provided during the current year. The item-wise details of cumulative Deferred Tax Liability are as under :

(Rupees in Crore)

	31.03.2005	31.03.2004
Deferred Tax Liability		
i) Depreciation	1901.03	1853.57
Less: Deferred Tax Assets		
ii) Accumulated unabsorbed depreciation	173.81	170.81
iii) Advance against Depreciation to be considered as income in tax computation	129.95	138.50
iv) Provision for doubtful debts, Insurance, contingencies and incentive (Bonds)	136.89	123.50
v) Provision for employee benefit schemes	46.90	41.60
Deferred Tax Liability (Net)	1413.48	1379.16

18. 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 A. K. Gangopadhyay	Director (Projects) with additional charge of Director (Technical) and Chairman & Managing Director w.e.f. 01.05.2005.
Shri S.K. Garg	Director (Finance)
Shri S.K. Chaturvedi	Director (Personnel) (Joined on 08.10.2004)
Shri Yogendra Prasad	Chairman & Managing Director (Retired on 30/04/2005 after attaining the age of superannuation)
Shri R.K. Sharma	Director (Technical) (Upto 21.10.2004)

b) Relationship

Joint Venture Companies	NIL
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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.

19. Earning Per Share

The elements considered for calculation of Earning Per Share (Basic and Diluted) are as under :-

	Current Year	Previous year
Net Profit after Tax used as numerator (Rs. Crore)	684.58	621.38
Weighted Average number of equity shares used as denominator		
– Basic	88816419	73310061
– Diluted	92304045	77568587
Earning Per Share (Rupees)		
– Basic	77.08	84.76
– Diluted	74.17	80.11
Face value per share (Rupees)	1000	1000

20. Based on the analysis done by the Consultant, the Management is of the opinion that no case of impairment exists under the provisions of Accounting Standard 28 on impairment of Assets issued by Institute of Chartered Accountants of India.

21. a) Remuneration paid/payable to Directors :-

(Rupees in Crore)

	2004-05	2003-04
(i) Salaries & Allowances	0.34	0.33
(ii) Contribution to Provident Fund	0.03	0.03
(iii) Rent for Residential Accommodation	0.07	0.10
(iv) Medical Reimbursement	0.02	0.03
(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 km. 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

22. Remuneration to Statutory Auditors

(Rupees in Crore)

	2004-05	2003-04
Statutory Audit Fees	0.13	0.13
Tax Audit Fees	0.04	0.04
Audit Expenses	0.22	0.24
Other matters	0.06	0.03

23. Quantitative details in respect of Energy produced and sold :-

	2004-05	2003-04
(i) Licensed Capacity (M.W.)	Not Applicable	Not Applicable
(ii) Installed Capacity (M.W.)	2449.20	2,449.20
(iii) Actual Generation (Million Units) *	11286.43	11045.52
(iv) Actual Sales (Million Units) **	9758.62	9488.74

* including infirm Power.

** excluding free Power to Home States.

24.

(Rupees in Crore)

		2004-05	2003-04
a)*	Value of imported Plant and Machinery and Spares on CIF basis	20.22	102.76
b)*	Expenditure in Foreign Currency		
	i) Know - How	0.28	0.63
	ii) Interest	116.75	111.44
	iii) Other Misc. Matters	311.37	254.39
c)*	Value of spare parts and Components consumed in operating units.		
	i) Imported	5.38 (77%)	0.07 (3%)
	ii) Indigenous	1.60 (23%)	2.60 (97%)
d)**	Earnings in foreign currency		
	i) Interest	-	-
	ii) Others	-	0.04

* Accrual basis.

** Cash basis.

25. Cash & Bank balances include Rs.158.89 Crore being the cheques in hand received from Ministry of Power on account of equity vide sanction order No. 11/25/2004 dated 31.03.2005.

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

VIJAY GUPTA
Secretary

S.K. GARG
Director (Finance)

A.K. GANGOPADHYAY
Chairman & Managing Director

Place : New Delhi
Dated : 30th May, 2005



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 5

II Capital raised during the year (Rupees in Crore)

Public Issue

N I L

Right Issue

N I L

Bond Issue

N I L

Private Placement *

1 3 0 4 . 2 4

* Share Capital Deposit received from Govt. of India.

III Position of Mobilisation and Deployment of Funds (Rupees in Crore)

Total Liabilities

2 3 5 2 0 . 7 7

Total Assets

2 3 5 2 0 . 7 7

Sources of Funds

Paid-up Capital #

9 9 3 3 . 2 7

Reserves and Surplus \$

5 2 3 9 . 6 4

Secured Loan

4 0 0 4 . 2 6

Unsecured Loans

3 0 1 7 . 5 4

Includes share capital deposit Rs. 158.89 crore and Government of India Fund adjustable to equity Rs. 348.76 crore.

\$ Includes Income received in advance on account of Advance Against Depreciation amounting to Rs. 1071.15 crore and Self Insurance for contingencies amounting to Rs. 304.66 crore.

Application of Funds

Net Fixed Assets

1 8 3 6 4 . 5 2 @

Investments

3 7 6 9 . 4 3

Net Current Assets

5 9 . 5 8

Misc. Expenditure

1 . 1 8

Accumulated Losses

N I L

@ Includes Capital Work-in-Progress of Rs. 8787.19 crore and Construction Stores and Advances of Rs. 849.25 crore.

IV Performance of Company (Rupees in Crore)

Turnover

1	4	7	5	.	5	6
---	---	---	---	---	---	---

 **

Total Expenditure

1	0	6	8	.	4	1
---	---	---	---	---	---	---

Profit Before Tax

7	7	7	.	5	3
---	---	---	---	---	---

Profit After Tax

6	8	4	.	5	8
---	---	---	---	---	---

Basic Earning per share in Rs.

7	7	.	0	8
---	---	---	---	---

Dividend Amount

1	4	0	.	0	0
---	---	---	---	---	---

** Excludes Other Income Rs. 370.38 crore.

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.

	-	
--	---	--

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.

	-	
--	---	--

iii) Product Description

C	O	N	S	U	L	T	A	N	C	Y		S	E	R	V	I	C	E	S
---	---	---	---	---	---	---	---	---	---	---	--	---	---	---	---	---	---	---	---

Item Code No.

	-	
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For BATRA SAPRA & COMPANY

Chartered Accountants

(A.L. BATRA)

Partner
M.NO 16929

VIJAY GUPTA

Secretary

S.K.GARG

Director (Finance)

A.K. GANGOPADHYAY

Chairman & Managing Director

Place : New Delhi

Dated : 30 May, 2005

CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31ST MARCH, 2005

(Rupees in crore)

	For the year ended 31st MARCH, 2005	For the year ended 31st MARCH, 2004
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax and extraordinary items	777.53	643.48
ADD :		
Depreciation	251.71	206.74
Provisions for contingencies	—	-9.21
Interest paid	329.05	347.17
Self-insurance for contingencies	48.86	42.57
Deferred revenue expenditure amortized	0.76	0.76
Diminution in value of inventories	—	0.04
Project expenses written off / provided for	—	4.44
Loss on sale of assets	5.88	8.21
Exchange rate variation	0.32	0.65
Advance against depreciation	131.75	138.34
LESS :		
Profit on sale of assets	768.33	739.71
Deferred revenue expenditure	3.05	1.53
Rebate given to customers	1.23	0.27
Rebate given to customers	30.05	26.60
Excess provisions & liabilities written back	102.84	12.69
Dividend income	2.26	0.10
Cash flow from operating activities before working capital adjustments	1406.43	1342.00
Working Capital Changes		
(Increase)/Decrease in inventories	4.64	10.23
(Increase)/Decrease in contract work in progress	-16.29	-16.11
(Increase)/Decrease in receivables	190.91	-249.93
Increase/(Decrease) in trade & other payables	297.43	16.55
Cash flow from operating activities before taxes	1883.12	1102.74
Less : Taxes	92.95	22.10
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	1790.17	1080.64
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets & expenditure on construction projects (including incidental expenditure during construction)	-2468.08	-1428.35
Sale proceeds on disposal of fixed assets	57.31	49.98
Investment in shares of subsidiary company & others	-83.16	-203.26
Dividend received	2.26	0.10
NET CASH FLOW FROM INVESTING ACTIVITIES (B)	-2491.67	-1581.53
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	1145.35	960.87
Share capital deposit	158.89	427.55
Dividend & dividend tax paid	-143.37	-88.20
Proceeds on borrowings (net)	173.70	-660.63
Interest & financial charges	-495.76	-566.69
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	838.81	72.90
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	137.31	-427.99
Cash & Cash Equivalents at the beginning of the year	174.37	602.36
Cash & Cash Equivalents at the close of the year	311.68	174.37

EXPLANATORY NOTES TO CASH FLOW STATEMENT

- Cash and cash equivalents consist of cash in hand and bank balances including cheques / drafts in hands.
- 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.
- Investment in fixed assets & construction work in progress excludes interest & financial charges capitalised Rs 186.79 crore.
- 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

(A.L. BATRA)
Partner
M No. 16929

VIJAY GUPTA
Secretary

S.K. GARG
Director (Finance)

A.K. GANGOPADHYAY
Chairman & Managing Director

Place : New Delhi
Dated : 30th May, 2005

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF NATIONAL HYDROELECTRIC POWER CORPORATION LIMITED UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 FOR THE YEAR ENDED 31st MARCH 2005

COMMENTS

MANAGEMENT REPLY

A. Balance Sheet

Notes to the Accounts (Schedule 21)

1. Note No. 14

A reference is invited to comment no. B (iii) of the comments of the Comptroller and Auditor General on the accounts of the Company for the year ended 31st March 2004 under Section 619(4) of the Companies Act 1956 regarding applicability of rates of depreciation to be followed by 'generation and transmission companies' for preparation of their annual accounts, consequent upon the enactment of Electricity Act 2003 which does not contain any provision regarding rates of depreciation.

The matter was referred to the Ministry of Power, which has expressed the view that depreciation rates as notified by the Central Electricity Regulatory Commission (CERC) under Tariff Policy to be notified in terms of the Electricity Act 2003 in respect of generation and transmission assets, would be applicable for the purpose of tariff as well as accounting. However, as the Tariff Policy is yet to be notified in terms of the Electricity Act 2003, the applicability of these depreciation rates remains unresolved.

The Company continued to follow the rates of depreciation as notified by CERC in March 2004 in its accounts for the year ended 31 March 2005. Depreciation charged during the year is lower by Rs. 199.61 crore (previous year Rs. 187.47 crore) as compared to the rates laid down in the Companies Act 1956 and profit for the year is higher to that extent.

Adequate disclosure vide Note No. 14 of Schedule 21 on Notes to the Accounts has been made.



COMMENTS

MANAGEMENT REPLY

2. Note No. 24

Expenditure in Foreign Currency:

Other Misc. Matters: Rs. 311.37 crore

Above is understated by Rs. 15.59 crore due to disclosure by Dulhasti, Teesta-V, Dhauliganga and Chamera-I projects on cash basis instead of accrual basis. Noted.

3. Accounting Policy No. 10 (Schedule 20)

The date at which the actuarial valuation for determination of liability towards gratuity, leave encashment and post-retirement medical health scheme was made, has not been disclosed as required under AS 15. Noted.

B. Profit & Loss Account

Profit after tax : Rs. 684.58 crore

4. Profit of the Company is overstated by Rs. 2.81 crore on account of following: Noted.

- (a) Charging of depreciation on 'tunnels' at a lower rate in case of Rangit power station for the last five years since 2000-01. As a result, profit (including Rs.5.65 crore for prior period) and fixed assets (net block) are overstated by Rs. 6.80 crore.
- (b) Non-billing to beneficiaries the amount of Rs. 3.99 crore towards exchange rate variation arising from repayment of principal and payment of interest on foreign currency loan in respect of Chamera II power station, which as per CERC regulations as well as accounting policy no. 11.1(a) is recoverable from the beneficiary on year-to-year basis. Accordingly, sales and profit are understated by Rs. 3.99 crore.

Sd/-

(VIJAYA MOORTHY)
PRINCIPAL DIRECTOR OF COMMERCIAL
AUDIT AND EX-OFFICIO MEMBER,
AUDIT BOARD-III, NEW DELHI

Place : New Delhi
Dated : 17.08.2005

For and on behalf of BOARD OF DIRECTORS

Sd/-

(A.K. GANGOPADHYAY)
CHAIRMAN & MANAGING DIRECTOR

Place : Faridabad
Dated : 22.08.2005

REVIEW OF ACCOUNTS OF NATIONAL HYDROELECTRIC POWER CORPORATION LIMITED, FARIDABAD, FOR THE YEAR ENDED 31 MARCH, 2005 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)		
	2002-2003	2003-2004	2004-2005
1. Liabilities			
a) Paid-up capital			
i) Government (including Government funds adjustable to equity)	7240.61	8629.03	9933.27
ii) Others			
b) Reserves and surplus			
i) Free reserves and surplus	2852.40	3338.40	3863.77
ii) Share premium accounts	0.00	0.00	0.00
iii) Capital reserves	0.06	0.06	0.06
iv) Self Insurance for Contingencies	213.24	255.81	304.66
c) Borrowings			
i) from Government of India	0.00	0.00	0.00
ii) from Financial institutions	3373.58	3143.19	3076.26
iii) Foreign currency loans	2315.69	2606.43	2917.54
iv) Cash credit/Short Term Loan	634.12	42.16	0
v) Others	1184.30	1056.00	1028.00
vi) Interest accrued and due	0.07	0.00	0.00
d) i) Current liabilities and provisions	674.16	1130.54	1142.15
ii) Provision for gratuity	124.27	155.94	183.91
e) Deferred Tax Liabilities (Net)	-	-	-
f) Income received in Advance			
i) Advance against depreciation	801.06	939.40	1071.15
TOTAL	19413.56	21296.96	23520.77
Assets			
g) Gross block	8280.95	10342.71	10876.28
h) Less : Cumulative depreciation	1672.19	1882.95	2148.20
i) Net block	6608.76	8459.76	8728.08
j) Capital work-in-progress including construction stores & advances	7699.74	7781.38	9636.44
k) Investments	2415.66	3660.87	3769.43
l) Current assets, loans and advances	2688.20	1394.24	1385.64
m) Miscellaneous expenditure not written off	1.20	0.71	1.18
TOTAL	19413.56	21296.96	23520.77



n) Working capital {I-d(i)-c(vi)}	2013.97	263.70	243.49
o) Capital employed (i+n)	8622.73	8723.46	8971.57
p) Net worth {a+b(i)+b(ii)-m}	10091.81	11966.72	13795.86
q) Net worth per rupee of paid-up capital(in Rupees)	1.39	1.39	1.39

2. SOURCES AND UTILISATION OF FUNDS

Funds amounting to Rs.2641.03 crores from internal and external sources were realised and utilised during the year as follows:

Sources of funds		(Rs. in crore)
		2004-2005
Funds generated from operation		
a) Profit for the year		684.58
Add: Depreciation during the year		265.25
Add: Increase in Self Insurance Reserve		48.85
Total (a)		998.68
b) Increase in paid up capital		1304.24
c) Increase in borrowed funds		174.02
d) Increase in provision for Gratuity		27.97
e) Increase in Advance against Depreciation		131.75
f) decrease in working capital		4.37
TOTAL		2641.03

Utilisation of funds

a) Increase in Fixed assets	533.57
b) Increase in Capital work-in-progress including construction stores and advances	1855.06
c) Dividend paid	143.37
d) Misc Expenditure written off	0.47
e) Investment	108.56
TOTAL	2641.03

3. WORKING RESULTS

The working results of the Company in the last three years ended 31st March 2005 are given below :

	(Rs. in crores)		
	2002-2003	2003-2004	2004-2005
i) Sales	1172.23	1276.09	1449.98
ii) Other or Misc Income	302.96	551.69	395.96
iii) Profit before tax and prior period adjustments	561.29	641.30	782.88
iv) Prior period Adjustments	-6.29	2.18	-5.35
v) Profit before Tax	555.00	643.48	777.53
vi) Tax Provisions	44.50	22.10	92.95
vii) Profit after tax	510.50	621.38	684.58
viii) Proposed Dividend(including Dividend Tax)	78.20	135.38	159.21

4. RATIO ANALYSIS

Some important financial ratios on the financial health and working of the Company at the end of the last three years ended 31st March 2005 are as follows :

	(In Percentages)		
a) Liquidity ratio			
	2002-2003	2003-2004	2004-2005
Current Ratio (Current assets to Current liabilities & provisions and interest accrued and due but excluding provisions for gratuity) $\{l/d(i)+c(vi)\}$	3.99	1.23	1.21
b) Debit equity ratio Long term debit to Net worth $\{c(i \text{ to } v \text{ but excluding short term loans})/p\}$	0.68	0.57	0.51
c) Profitability ratios Profit (before tax) to			
(i) Capital employed	6.44	7.38	8.67
(ii) Net worth	5.50	5.38	5.64
(iii) Sales	47.34	50.43	53.62
(iv) Equity	7.67	7.46	7.83
d) Earnings per share (in Rupees)	76.65	74.57	77.08

5. INVENTORY LEVELS

The inventory levels at the close of the last three years ended 31st March, 2005 are as follows:

	(Rs. in crore)		
	2002-2003	2003-2004	2004-2005
Stores, spares and loose tools	64.06	53.79	49.15

6. SUNDRY DEBTORS

The sundry debtors and Sales in the last three years ended 31st March, 2005 are as follows:

				(Rs. in crore)	
SUNDRY DEBTORS				SALES	Percentage of
As on 31st March	Considered good	Considered doubtful	Total	(including excise duty)	Sundry Debtors to Sales
2003	1493.82	75.98	1569.80	1172.30	133.91
2004	498.96	84.75	583.71	1276.09	45.74
2005	450.97	77.56	528.53	1449.98	36.45

The agewise break up of sundry debtors at the end of 2004-2005 is as under:

Debtors outstanding for less than 1 year	335.75
1-2 years	47.09
2 years to 3 years	81.87
3 years and above	63.82
TOTAL	528.53

Place: New Delhi
Dated: 17.08.2005

S/d-
(VIJAYA MOORTHY)
PRINCIPAL DIRECTOR OF COMMERCIAL
AUDIT AND EX-OFFICIO MEMBER,
AUDIT BOARD-III NEW DELHI



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 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, 2005 |
| 3. Share of the Subsidiary Company held by NHPC and its nominees on the above date. | |
| (a) Number of Shares and Face Value | 83,40,000 Equity Shares of Rs. 1000/-each fully paid. |
| (b) Extent of Holding | Out of 1,63,23,529 shares issued 83,40,000 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, 2005. | (a) 51% of Rs. 26.26 Crore being the profit carried to Balance Sheet i.e. Rs. 13.39 Crore.
(b) Dividend of Rs. 3.47 Crore being 51% share of the recommended dividend amount of Rs. 6.80 Crore. |
| (ii) For previous Financial years of the Subsidiary company since it become Subsidiary. | 51% of Rs. 9.66 crore being the profit carried to Balance Sheet i.e. Rs. 4.93 crore. |
| 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, 2005. | NIL |
| (ii) For previous Financial years of the Subsidiary company since it become Subsidiary. | Dividend of Rs. 1.22 crore being 51% share of the recommended dividend amount of Rs. 2.40 crore. |
| 6. Change in the interest of National Hydroelectric Power Corporation Limited in the Subsidiary Company between the end of the Financial year of the Subsidiary Company and that of National Hydroelectric Power Corporation Limited. | NIL |
| 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 |

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

VIJAY GUPTA
Company Secretary

S.K. GARG
Director (Finance)

A.K. GANGOPADHAYAY
Chairman & Managing Director



DIRECTORS' REPORT

To the Members,

Narmada Hydroelectric Development Corporation Ltd.

Your Directors have great pleasure in presenting the 5th 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, 2005.

FINANCIAL HIGHLIGHTS

Rs. in Lakhs

Particulars	2004-05	2003-04
Sale of Power	17767	2734
Profit before depreciation, interest and tax	14693	2426
Depreciation	3820	380
Profit after depreciation and before interest and tax	10873	2046
Interest Cost	7093	691
Profit after Depreciation and interest but before tax	3780	1355
Tax	385	118
Profit after Depreciation, interest and tax	3395	1237
Surplus of Profit and Loss account of earlier years	966	-
Profit available for appropriations	4361	1237
APPROPRIATIONS:		
Proposed Dividend	680	240
Provision for Income Tax (on dividend)	89	31
Balance Profit carried to Reserve and Surplus	3592	966

The turnover of the Corporation during the year 2004-05 was Rs. 177.67 crore and net profit after tax was Rs. 33.95 crore against Rs. 12.37 crore for the previous year, thereby recording an increase of 174% over the previous year. During the year 2004-2005, 1331.85 MUs of energy have been generated from Indira Sagar Project and revenue of Rs. 177.67 crore have been earned from the sale of power @ 1.35 per unit. On the recoveries front, NHDC has realized principal amount of Rs. 130.92 crore towards energy sold to the beneficiary.

DIVIDEND

The Company has commissioned eight units of Indira Sagar Project upto 31st March, 2005 and earned revenue of Rs. 177.67 crore during the financial year 2004-2005. Taking into consideration the profitability of the Company, the Board recommended a dividend of Rs. 6.80 Crore on the equity capital of the Company for payment to NHPC & Govt. of Madhya Pradesh for the year under review subject to the approval of the Shareholders in the ensuing annual general meeting.

PROGRESS OF WORKS

INDIRA SAGAR PROJECT (ISP)

NHDC has achieved the much coveted milestone by commissioning all the 8 units of Indira Sagar Project by the end of March, 2005 two months ahead of the agreed schedule by CCEA. An expenditure of



1000 MW Indira Sagar Project, Madhya Pradesh-Side view of Dam

Rs. 3756.73 crore has been made on the project upto 30th June, 2005 against the estimated cost of Rs. 4355.57 crore.

Hydro-Mechanical Works

Intake gates (8 Nos) and Draft Tube Gates (21 Nos.) have been installed and commissioned. The erection of all 20 Radial gates has been completed along with testing of all gates. Testing of Radial Gates at full Reservoir Level shall be carried out once the reservoir level is achieved upto FRL, which is expected during the coming monsoon season.

Rehabilitation & Resettlement Works

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 total 39,119 Project Affected Families to be rehabilitated, the rehabilitation of 37,914 Project Affected Families has been completed till June, 2005.

An expenditure of Rs. 1320.04 crore has been made on R&R work and it is reckoned to complete all the works within an estimated cost of Rs. 1570 crore.

OMKARESHWAR PROJECT (OSP)

Omkareshwar Project is situated on River Narmada 40 Km downstream of ISP, near Omkareshwar Temple, in Khandwa district of Madhya Pradesh is under advance stage of construction.

OSP is a multipurpose Project with an installed capacity of 520 MW with annual energy generation of 1166 MU in initial stage and annual irrigation of 2.83 lacs. Ha on a Cultivable Command Area (CCA) of 1.47 lacs. Ha. Since, generation of power at OSP is directly related to the regulated releases of water from ISP, it is one of the beneficiary project of ISP. After the award of project to "M/s Jaiprakash - Voith Siemens Consortium, New Delhi" on turnkey basis, the excavation and concreting of Dam, Power House & Penstocks, Power Dam & Intake, Head Race Channel, Tail Race Channel etc. is in progress as per schedule. An expenditure of Rs. 785.60 crore has been made on the project upto 30th June, 2005 against the estimated cost of Rs. 2224.73 crore. All 8 units (65 MW each) of the project is scheduled to be commissioned by Oct., 2007.

Electro & Hydro-Mechanical Works

The fabrication / erection of turbine parts like draft tube liners, spiral casing and stay ring etc. is progressing as per schedule. Fabrication, supply and erection activities for sluice gates, intake gates, penstocks, draft tube gates etc. have commenced and are progressing as per schedule.

Rehabilitation & Resettlement Works

30 Villages are getting affected due to the reservoir of OSP, out of which in 3 villages only Govt. Land is getting affected. Section - IV & VI have been issued for all 27 villages required to be rehabilitated. Award has been passed for 10 villages and 1 village has been rehabilitated. Rehabilitation of 193 Project Affected Families has been completed out of total estimated 4613 Project Affected Families.

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 84030 Ha is completed against a total target of 86030 Ha (including 4587 Ha of new area). Likewise, Catchment Area Treatment works in forest and non-forest areas are almost completed over a target area of 62975 Ha. Works relating to relocation of Archaeologically significant monuments is also nearing completion. The work on restoration of Singhaji's Samadhi is underway. The construction of safety wall at Joga Fort is completed.



1000 MW Indira Sagar Project, Madhya Pradesh-Power House

VIGILANCE ACTIVITIES

Vigilance wing of NHDC is functioning smoothly by conducting time to time regular / surprise check at different works and records of Projects and Corporate Office to avoid common irregularities / lapses.

As a part of preventive vigilance and to create awareness among employees, Vigilance awareness programmes have also been organized at corporate office as well as at project levels.

IMPLEMENTATION OF OFFICIAL LANGUAGE POLICY

During the year under review the Corporation made all efforts to achieve the target set for implementation of Official language policy. The use of Rajbhasha was given special importance in all the activities of the Corporation. Various competition/activities during Hindi Pakhwara and Hindi training programmes have been organized in a regular interval as per the need to make the staff acquainted with Official language.

You will be glad to know that your Corporation has received a special prize in the year 2004 for outstanding performance by NAGAR RAJBHASHA KARYARANVYAN SAMITI (UPKRAM), Bhopal for outstanding performance among all the Public Sector undertakings in the city.

HUMAN RESOURCE DEVELOPMENT & SOCIAL DEVELOPMENT

HRD Group is committed for upgradation of supervisory, managerial and technical skills. Officers and staff are regularly sent for attending training programmes /seminars/workshops/refresher courses covering various aspects of technical and managerial subjects. Inhouse professional sessions are also organized to achieve continuous upgradation of managerial and technical skills. Faculties from other institutions are also invited to share their expertise. Our senior officers also attended International Seminars.

The officials have attended regular courses on Yoga etc. for physical and mental growth. NHDC spiritual society is conducting regular sessions for meditation and satsang at corporate office, ISP and OSP. These spiritual activities have tremendously increased the work efficiency of employees of the Corporation.

NHDC is setting up state-of-art offices and well planned colony at project sites with guest houses, schools, parks, clubs, community centers and professional training institute. Medical facilities have also been provided at the project site. Recently, Tele Medicine System has started in Indira Sagar Project. Central school has also been opened in Indira Sagar Project, Narmada Nagar upto 12th class.

Regular social development activities have been carried out through Welfare Association during the year. A mega Medical Camp has also been organized at Moondi Village and more than 5000 people benefited through this camp.

INDUSTRIAL RELATIONS

Industrial relations have been cordial through out the year.

RESERVATION FOR SC/ST/OBCS

The Corporation follows the instructions relating to reservation of post for SC/ST/OBCs in service as per the directives issued from time to time for recruitment and promotion of employees.

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.

AUDITORS

M/s O.P. Totla & Co., Chartered Accountants, Indore were appointed as "Statutory Auditors" for conducting the Audit for the year 2004- 2005.

AUDITORS' REPORT

The Auditors' Report refers to various notes incorporated by the Corporation in schedule 17, which are self-explanatory. The comments of the Auditors and Management's replies thereto are given in **Annex - "B"**. The comments of the Comptroller and Auditor General of India and replies thereon are enclosed as **Annex - "C"** to the report.



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 31st March, 2005, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) The Company has 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 Company has 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) The accounts have been prepared for the financial year ended 31st March, 2005 on a 'going concern' basis.

AUDIT COMMITTEE

The audit committee of the Board consists of Sh. S.K. Dodeja, Chief Executive Director, Sh. J.K. Tiwari, Member (Engg), NVDA and Sh. Rajesh Dongre, Director. The said Audit Committee has reviewed the annual financial statements before submission to the Board as required u/s Sec. 292A of the Companies Act, 1956.

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. A.K. Gangopadhyay as CMD of the Company w.e.f. 1st May, 2005 along with six other Directors.

The Govt. of Madhya Pradesh has now nominated Sh. Ranbir Singh, Addl. Chief Secretary, NVDD & Vice Chairman, NVDA and Sh. J.K. Tiwari, Member (Engg), NVDA on the Board of NHDC w.e.f. 29/01/2005 & 15/03/2005 respectively.

Sh. Pradip Bhargava, the then Principal Secretary, NVDD representing Govt. of Madhya Pradesh has now been ceased to be a director of NHDC.

Sh. Yogendra Prasad has also ceased to be CMD of NHDC consequent upon attaining the age of superannuation effective from 30th April, 2005.

The Board expresses its gratitude for the contributions made & guidance given by the outgoing directors of the Company.

ACKNOWLEDGEMENTS

The Board acknowledges with thanks the guidance and cooperation extended by various Ministries, State Govt. and other 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**
Chairman & Managing Director

Dated : 29th July, 2005.

Place : New Delhi.

CONSERVATION OF ENERGY**a) Energy conservation measures taken and on hand**

For monitoring energy consumption in Power House auxiliaries of ISP, the LTAC system (numerical relays) are installed so that the power losses are minimized.

b) Additional investments and proposals, if any, being implemented for reduction in consumption of energy;

There is no proposal for direct investment by NHDC at present.

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 help in review of energy consumed by different auxiliary and to take corrective action for further reduction of auxiliary consumption.

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 thereto.

NHDC is not in the Category of Industries mentioned in the schedule.

FORM – B**1) Specific areas in which R&D carried out by the Company.**

The measures are being taken to integrate control of auxiliary system with Power House SCADA for total automation.

2) Benefit derived as a result of the above R&D

Smooth operation and maintenance of Power House.

3) Future Plan of action.

The R&D work will be carried out with in house expertise and in consultation of various suppliers.

4) Expenditure on R&D

(a) Capital (b) Recurring (c) Total (d) Total R&D expenditure as a percentage of total turnover.

Presently no expenditure has been incurred on R&D. It is expected that the expenditure on R&D will be incurred in coming years.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**1. Efforts in brief made towards technology absorption, adaptation and innovation.**

Import, erection & operation of Rotec system from USA for rapid placement of huge concreting at Omkareshwar Project completion within record time of four years.

2. Benefits derived as result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.

The Rotec system will enable faster, uninterrupted concreting in the project even during the floods so as to complete the project ahead of schedule in less than four years which will enable the cost reduction of the project and reduce idling of other associated resources during floods.

TECHNOLOGY IMPORTED DURING LAST FIVE YEARS

Nil

FOREIGN EXCHANGE EARNINGS AND OUTGO**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

Nil

Total foreign exchange outgo.

Rs. 16056 Lacs.



AUDITORS' REPORT TO THE MEMBERS OF NARMADA HYDROELECTRIC DEVELOPMENT CORPORATION LTD. BHOPAL (M.P.)

AUDITOR'S COMMENTS

We have audited the attached Balance Sheet of **NARMADA HYDROELECTRIC DEVELOPMENT CORPORATION LIMITED, BHOPAL** as at 31st March 2005 and also the Profit and Loss Account of the Company for the year ended on that date 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 Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the companies Act, 1956, and on the basis of such checks as we considered appropriate, and according to the information and explanations given to us, we enclose in the Annexure matters specified in paragraphs 4 and 5 of the said order to the extent applicable to the Company.

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

MANAGEMENT REPLY

company so far as appears from our examination of those books of the company.

- iii) The Balance Sheet, Profit & Loss Account 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, Profit & Loss Account 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) As per the circular issued by the Department of Companies Affairs vide their General Circular No. 829 (E) dt. 21-10-03 it has been directed that the clause (g) of sub section (1) of section 274 of the said Act about disqualification of Directors shall not apply to a Govt. company, hence in our opinion the requirement of this clause does not apply to this company also.
- 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 and attached thereto give in the prescribed manner, the information required by the Companies Act, 1956, Subject to;

As per Note No. 20 (d) the company has shown the TDS (income tax not deducted but now deposited) as amount recoverable from Outstees Rs. 52.29 lacs of which recovery is not sure & ascertainable and to that extent not provided for.

As per Note No. 14 (a) in respect of taking power generating tariff rates as provisionally approved by CERC. Any variation on final fixation of rates will be adjusted in the year of actual rates fixed. At present the quantum of such variation could not be ascertained.

The TDS of Rs. 52.29 lacs has been calculated (Land-Oustees wise) and deposited with "Tax Authorities" on behalf of respective Land Oustees. A sum of Rs. 24,56,742 has already been recovered from Oustees and the recovery of balance amount be made from balance payment to Oustees or by issue of recovery certificate through Collector.

The tariff petition for the FY 2004-05 based on audited expenditure is under process and final tariff rates shall be known after CERC passed orders in this regard. The final adjustment will be made accordingly in the books of accounts.



And in the manner so required and give a true & 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, 2005 and
- b) in the case of Profit & Loss Account of Profit of the Company 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 O.P. TOTLA & CO.
Chartered Accountants

(O.P. TOTLA)
Partner
M.No. 11854

PLACE : New Delhi
DATE : 27th May, 2005

ANNEXURE REFERRED TO PARAGRAPHS OF OUR REPORT OF EVEN DATE OF NARMADA HYDROELECTRIC DEVELOPMENT CORPORATION LIMITED.

- i).
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) The fixed assets have been physically verified by the management during the year. We are informed that no material discrepancies were noticed by the management on such verification.
 - (c) The Company has not disposed off a substantial part of fixed assets during the year.
- ii).
 - (a) Physical verification of stores inventory has been conducted during the year by the management at reasonable intervals.
 - (b) The procedures of physical verification of such inventory followed by the management, are reasonable and adequate in relation to the size of the Company and nature of its business.
 - (c) The Company is maintaining proper records of stores inventory. No material discrepancies were noticed on physical verification.
- iii).
 - (a) The company has not granted any loans to companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956. In view of this, sub-clauses (b), (c) and (d) of clause (iii) are not applicable.
 - (b) The Company has not taken any loans from the parties covered in the Register maintained under section 301 of the Companies Act, 1956. In view of this, sub-clause (f) and (g) of clause (iii) are not applicable.
- iv). In our opinion and according to the information and explanations given to us, there is generally an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for sale of energy and services. However, it needs to be strengthened.
- v).
 - (a) There are no such contract or arrangement, which requires an entry in the register, maintained u/s 301 of the Companies Act.
 - (b) The provisions of clause (v)(b) of companies (Auditor's Report) order, 2003 are not applicable.
- vi). In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of the Section 58A and 58AA and any other relevant provisions of the Companies Act, 1956 and the rules framed there under.
- vii). The company has in-house Internal Audit commensurate with the size and nature of business. However it needs to be strengthened.
- viii). As per information & explanations given to us, the prescribed cost accounting records in respect of 'operational units at Indira Sagar Project have been made and maintained as required under section 209 (1)(d) of the Companies Act, 1956.
- ix).
 - a) In our opinion and according to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, investor Education and Protection Fund, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other statutory dues with the appropriate authorities wherever applicable. There are no levies of outstanding statutory dues as at the last day of the financial year for a period of more than six month.
 - (b) According to the information and explanations given to us, there are no cases of non-deposit with the appropriate authorities of disputed dues of Sales tax/Income tax/Customs tax/Wealth tax/Service tax/Excise duty/Cess.
- x). The Company has not completed Five years and clauses (x) of companies (Auditor's Report) order, 2003 is not applicable. The company has no accumulated losses and have not incurred cash losses.
- xi). As per information provided to us the Company has not defaulted in repayment of installments of dues to FIs/Banks or Debenture Holders during the year.



- xii). According to the information & explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii). The Nature of company's activities during the year have been such that clause (xiii) and (xiv) of paragraph 4 of the companies (Auditor's Report) Order, 2003 are not applicable to the company.
- xiv).
- xv). The company has not given any guarantee for loan taken by others from Banks / Financial Institutions.
- xvi). On the basis of review of utilization of funds pertaining to Term Loans on overall basis and related information as made available to us, the Company has applied term loans for the purposes for which they were obtained.
- xvii). On the basis of review of utilization of funds on overall basis and the related information as made available to us, the Company has raised funds on short term basis and has used them for its long term investments.
- xviii). The company has not made any preferential allotment of shares to any party or company.
- xix). No debentures have been issued by the Company and hence the question of creating securities in respect thereof does not arise.
- xx). During the period, the Company has not raised money by Public Issue.
- xxi). According to the information and explanations given to us
 - (a) Company's Bankers have paid 2 Cheques for Rs. 19,20,984 which subsequently turned out to be forged ones. However, the Bank has reimbursed the same.
 - (b) Another 2 Cheques which were claimed to have been stopped for payment for Rs.1,35,00 but paid by the Bank and are still outstanding except these two items no fraud on or by the Company has been noticed or reported during the financial year.

For O.P. TOTLA & CO.
Chartered Accountants

(O.P. TOTLA)
Partner
M.No. 11854

Place : New Delhi
Date : 27th May, 2005



तमसो मा ज्योतिर्गमय

ANNUAL ACCOUNTS





280 MW Dhauliganga Project, Uttarakhand - Surge Shaft



BALANCE SHEET AS AT 31ST MARCH, 2005

(Rupees in lacs)

PARTICULARS	SCHEDULE NO.	AS AT 31st MARCH, 2005		AS AT 31st MARCH, 2004	
SOURCES OF FUNDS					
A. SHAREHOLDER'S FUNDS					
Share Capital	1	163235		163235	
Share Capital Deposit	1A	30023		5526	
Reserves and Surplus	2	86560	279818	61562	230323
B. LOAN FUNDS					
Secured Loans	3	150000		78000	
Unsecured Loans	4	62425	212425	65000	143000
C. SELF INSURANCE FOR CONTINGENCIES					
			1285		182
D. DEFERRED TAX					
Net Deferred Tax Liabilities		1662		597	
Less:Deferred Tax Recoverable		1662	—	597	—
TOTAL			493528		373505
APPLICATION OF FUNDS					
A. FIXED CAPITAL EXPENDITURE					
Fixed Assets	5				
Gross Block		332840		171549	
Depreciation		5771		1608	
Net Block		327069		169941	
Capital Work-In-Progress	6	102139		134507	
Construction Stores and Advances	7	14666	443874	18419	322867
B. CURRENT ASSETS, LOANS AND ADVANCES					
Sundry Debtors	8	4722		514	
Cash and Bank Balances		66152		65883	
Other Current Assets		1978		1634	
Loans and Advances		2558	75410	1047	69078
Less : CURRENT LIABILITIES AND PROVISIONS					
Liabilities	9	24555		18175	
Provisions		1365	25920	449	18624
NET CURRENT ASSETS			49490		50454
C. MISCELLANEOUS EXPENDITURE					
(To the extent not written off or adjusted)	10		164		184
TOTAL			493528		373505
ACCOUNTING POLICIES					
NOTES TO THE ACCOUNTS AND	16				
CONTINGENT LIABILITIES	17				
CASH FLOW STATEMENT	18				
Schedule 1 to 18 form integral part of the Accounts					

As per our report of even date attached

For O.P. TOTLA & CO.
Chartered Accountants

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

O.P. TOTLA
Partner
M. No.11854

T.N. GOPALAKRISHNA
Director

S.K. DODEJA
Chief Executive Director

A.K. GANGOPADHYAY
Chairman & Managing Director

V.K. TRIPATHI
Dy. Co. Secretary

N.K. CHADHA
General Manager (F&A)

Place : New Delhi
Date : 27.05.2005

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

(Rupees in lacs)

PARTICULARS	SCHEDULE NO.	FOR THE YEAR ENDED 31st MARCH, 2005	FOR THE YEAR ENDED 31st MARCH, 2004
INCOME			
Sales		17767	2734
Less: Advance against depreciation		—	—
Contracts and Consultancy		—	—
Other Income	11	269	76
TOTAL INCOME		18036	2810
EXPENDITURE			
Generation, Administration and Other Expenses	12	2414	339
Employees' Remuneration and Benefits	13	460	45
Depreciation		4593	445
Less: Transfer from capital Reserve (see note no.10(c))		773	65
Interest and Finance charges	14	7093	691
Incentive to beneficiary states		—	—
Prior period adjustment(Net)	15	469	—
TOTAL EXPENDITURE		14256	1455
PROFIT FOR THE YEAR (BEFORE TAX)		3780	1355
Provision for Taxation			
Current Tax		385	118
Deferred tax		1065	597
Less: Deferred Tax Recoverable Adjustment		1065	597
		—	—
PROFIT AFTER TAX		3395	1237
Appropriations			
(i) Proposed Final Dividend		680	240
(ii) Corporate Dividend Tax		89	31
PROFIT CARRIED TO BALANCE SHEET		2626	966
ACCOUNTING POLICIES	16		
NOTES TO THE ACCOUNTS AND	17		
CONTINGENT LIABILITIES			
CASH FLOW STATEMENT	18		
Schedule 1 to 18 form integral part of the Accounts			

As per our report of even date attached

For **O.P. TOTLA & CO.**
Chartered Accountants

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

O.P. TOTLA
Partner
M. No.11854

T.N. GOPALAKRISHNA
Director

S.K. DODEJA
Chief Executive Director

A.K. GANGOPADHYAY
Chairman & Managing Director

V.K. TRIPATHI
Dy. Co. Secretary

N.K. CHADHA
General Manager (F&A)

Place : New Delhi
Date : 27.05.2005



SCHEDULE-1 SHARE CAPITAL

(Rupees in lacs)

PARTICULARS	AS AT 31st MARCH, 2005	AS AT 31st MARCH, 2004
AUTHORISED		
30000000 Equity Shares of Rs. 1000.00 each.	300000	300000
ISSUED SUBSCRIBED AND PAID-UP	163235	163235
163,23,529 (Previous year 163,23,529) Equity Shares of Rs. 1000 each fully paid. Out of above, 83,40,000 (Previous year 83,40,000) shares have been allotted to the holding company, National Hydroelectric Power Corporation Ltd., Faridabad. & 79,83,529(Previous Year 79,83,529) Shares allotted to govt of Madhya Pradesh		
NOTE		
Out of the above Equity shares 74,83,528 (Previous year :74,83,528) equity shares were allotted as fully paid up pursuant to a MOU without payment being received in cash		
TOTAL	163235	163235

SCHEDULE-1A SHARE CAPITAL DEPOSIT ACCOUNT

(Rupees in lacs)

PARTICULARS	AS AT 31st MARCH, 2005	AS AT 31st MARCH, 2004
i) From NHPC (Holding Co.)	13842	5526
ii) From NVDA Account	16181	30023
TOTAL	30023	5526

SCHEDULE-2 RESERVES AND SURPLUS

(Rupees in lacs)

PARTICULARS	Balance as at 1st APRIL, 2004	Additions	Deduction	Balance as at 31st MARCH, 2005
CAPITAL RESERVE				
i) Proportionate contribution by Govt of Madhya pradesh towards Irrigation Component in Indira Sagar Dam as a Grant	25462	8902	339	34025
ii) Proportionate Sub-vention towards Sardar Sarovar project transferred from NVDA Account	32536	11401	434	43503
iii) Proportionate contribution by Govt of Madhya pradesh towards Irrigation Component in Omkareswar as Grant	2598	2842	-	5440
SURPLUS	966	2626	-	3592
Surplus as per P & L A/C				
TOTAL	61562	25771	773	86560

SCHEDULE-3 LOAN FUNDS – SECURED

(Rupees in lacs)

PARTICULARS	AS AT 31st MARCH, 2005	AS AT 31st MARCH, 2004
LONG TERM LOANS		
1 ORIENTAL BANK OF COMMERCE (Due for repayment within one year Rs.Nil) (Repayable in 12 equal annual installment w.e.f. 31.03.2008 onwards)	20000	20000
2 JAMMU AND KASHMIR BANK (Due for repayment within one year Rs.Nil) (Repayable in 12 equal annual installment w.e.f. 31.03.2008 onwards)	10000	10000
3 BANK OF INDIA (Due for repayment within one year Rs.Nil) (Repayable in 12 equal annual installment w.e.f. 31.03.2008 onwards)	35000	25000
4 ANDHRA BANK (Due for repayment within one year Rs.Nil) (Repayable in 12 equal annual installment w.e.f. 31.03.2008 onwards)	10000	10000
5 CANARA BANK (Due for repayment within one year Rs.Nil) (Repayable in 12 equal annual installmentw.e.f. 31.03.2008 onwards)	15000	7500
6 DENA BANK (Due for repayment within one year Rs.Nil) (Repayable in 12 equal annual installmentw.e.f. 31.03.2008 onwards)	10000	3000
7 UNITED BANK OF INDIA (Due for repayment within one year Rs.Nil) (Repayable in 12 equal annual installment w.e.f. 31.03.2008 onwards)	10000	2500
8 PUNJAB AND SINDH BANK (Due for repayment within one year Rs.Nil) (Repayable in 12 equal annual installment w.e.f. 31.03.2009 onwards)	5000	—
9 SIDBI (Due for repayment within one year Rs.Nil) (Repayable in 12 equal annual installment w.e.f. 31.03.2009 onwards)	10000	—
10 UNION BANK OF INDIA (Due for repayment within one year Rs.Nil) (Repayable in 12 equal annual installment w.e.f. 31.03.2009 onwards)	10000	—
11 PUNJAB NATIONAL BANK (Due for repayment within one year Rs.Nil) (Repayable in 12 equal annual installment w.e.f. 31.03.2009 onwards)	10000	—
12 INDIAN OVERSEAS BANK (Due for repayment within one year Rs.Nil) (Repayable in 12 equal annual installment w.e.f. 31.03.2009 onwards)	5000	—
NOTE All the above Term loans are secured by Paripasu Charge over all the fixed Assets of Indira Sagar Hydroelectric Project.		
TOTAL	150000	78000

SCHEDULE-4 LOAN FUNDS - UNSECURED

(Rupees in lacs)

PARTICULARS	AS AT 31st MARCH, 2005	AS AT 31st MARCH, 2004
SHORT TERM LOANS		
(i) PUNJAB NATIONAL BANK Due within one year Rs. 5000000000)	—	5000
(ii) STATE BANK OF INDIA Guaranted by Holding Company NHPC Ltd. (Due within one year Rs. 6000000000)	—	60000
(iii) STATE BANK OF INDIA (Due within one year Rs. 4992500000)	49925	—
(iv) CANARA BANK (Due within one year Rs. 1250000000)	12500	—
TOTAL	62425	65000



SCHEDULE-5 FIXED ASSETS

(Rupees in lacs)

PARTICULARS	GROSS BLOCK						DEPRECIATION				NET BLOCK	
	As at 01.04.04	Additions/ Adjust ments on a/c of inter-unit transfer	Additions/ Adjust ments on a/c of others	Deductions/ Adjust ments on a/c of inter-unit transfer	Deductions/ Adjust ments on a/c of others	As at 31.03.05	As at 01.04.04	For the year	Adjust- ments	As at 31.03.05	As at 31.03.05	As at 31.03.04
	1	2A	2B	3A	3B	4	5	6	7	8	9	10
Land Freehold	35	-	-	-	-	35	-	-	-	-	35	35
Land Leasehold	-	-	149	-	-	149	-	-	-	-	149	-
Land Unclassified	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	22173	-	19466	-	476	41163	817	730	(476)	1071	40092	21356
Roads & Bridges	884	-	85	-	8	961	139	17	(7)	149	812	745
Intangible Assets (Computer Software)	-	-	-	-	-	-	-	-	-	-	-	-
Construction Plant & Machinery	79	-	286	-	13	352	11	12	(16)	7	345	68
Generating Plant & Machinery	37278	-	35397	-	14	72661	123	1236	(14)	1345	71316	37155
Sub-station Equipments	62	-	11	-	3	70	2	4	(3)	3	67	60
Hydraulic Works, Barrages,Dams,Tunnels, Power Channels & Penstocks	110336	-	106259	-	-	216595	239	2603	-	2842	213753	110097
Vehicles	129	4	7	4	5	131	43	24	(5)	62	69	86
Furniture Fixture & Equipments	412	2	102	1	22	493	120	59	(22)	157	336	292
Transmission Lines	6	-	8	-	-	14	1	1	-	2	12	5
Misc. Assets/Equipments	47	-	49	-	3	93	5	7	(2)	10	83	42
Const Plant & Machinery	-	-	-	-	-	-	-	-	-	-	-	-
Declared Surplus	-	-	-	-	-	-	-	-	-	-	-	-
Obsolete / Unserviceable Assets	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Assets of Minor Value upto Rs 5000/-	108	-	42	-	27	123	108	42	(27)	123	-	-
TOTAL	171549	6	161861	5	571	332840	1608	4735	(572)	5771	327069	169941
Previous Year	2475	-	169074	-	-	171549	589	1087	(68)	1608	169941	1886

Figures within parenthesis represent deductions.

Depreciation for the year

Less : Adjustment for Low Value items

Less : Charged to P & L a/c

Balance Charged to IEDC

Rs.

4735

-

4735

4593

142

SCHEDULE-6 CAPITAL WORK IN-PROGRESS

(Rupees in lacs)

PARTICULARS	As At 1.4.2004	Additions During the Year	Adjust- ments	Capitalised During the Year	As at 31.03.2005
1. Survey, Investigation and Other Expenses	336	-	-	-	336
2. Buildings. & Civil Engg. Works and Communications	14243	9066	-	(15799)	7510
3. Roads & Bridges	141	133	(1)	(24)	249
4. Hydraulic Works, Barrages, Dams,Tunnels & Power Channels	17838	11599	-	(14011)	15426
5. Penstock	144	245	-	-	389
6. Plant & Machinery in Generating Station	19653	43878	-	(29315)	34216
7. Electric Installation & Sub-station Equipments	-	-	-	-	-
8. Miscellaneous Assets	212	503	-	-	715
9. Trunk Transmission Lines	8	109	-	(8)	109
10. Planning,Design and Infrastructure Exp. on Turnkey Contracts	1559	2063	-	-	3622
11. Incidental Expenditure During Construction	43869	1545	-	(34654)	10760
A) Others	2093	6043	-	(4818)	3318
B) Interest During Construction	-	-	-	-	-
Sub Total	100096	75184	(1)	(98629)	76650
12. Rehabilitation Expenses	34411	53202	-	(62124)	25489
TOTAL	134507	128386	(1)	(160753)	102139
Previous Year	183124	119396	(724)	(167289)	134507

Figures within parenthesis represent deductions.

ANNEXURE TO SCHEDULE-6 INCIDENTAL EXPENDITURE DURING CONSTRUCTION

(Rupees in lacs)

PARTICULARS	FOR THE PERIOD FROM 1.4.2004 to 31.03.2005		FOR THE PERIOD FROM 1.4.2003 TO 31.3.2004	
EMPLOYEES' REMUNERATION AND BENEFITS				
Salary, Wages, Allowances and Benefits and Gratuity	1543		1651	
Contribution to Provident Fund (including Administration Fee)	75		102	
Staff welfare expenses	192		229	
Leave salary and pension contribution	105	1915	101	2083
REPAIRS AND MAINTENANCE				
Buildings	41		95	
Machinery and construction equipments	1		5	
Others	318	360	393	493
ADMINISTRATION AND OTHER EXPENSES				
Rent Office	24		27	
Rent Residential	95		92	
Rates and Taxes	1		—	
Electricity charges	243		585	
Insurance	20		54	
Travelling and Conveyance	132		142	
Expenses on staff cars and inspection vehicles	255		217	
Telephone, Telex and Postage	41		50	
Advertisement and Publicity	49		38	
Design and Consultancy charges	232		308	
Entertainment	5		10	
Printing and Stationery	42		43	
Expenditure on Asset not belonging to the Corporation	—		734	
Expenses on Security	13		24	
Other Expenses	155		118	
Audit Expenses	6		5	
Loss on materials /assets written off	—	1313	—	2447
INTEREST & FINANCE CHARGES		6186		5348
DEPRECIATION		142		574
SURVEY AND INVESTIGATION EXP		—		5
Salary, wages, preliminary expenses, plantation maintainance & Environment expenses incurred by NVDA		1268		1622
TOTAL EXPENDITURE		11184		12572
LESS : RECEIPTS AND RECOVERIES				
Interest on Term deposits / Bank Accounts	3305		1252	
Less : Income Tax on bank interest	—	3305	—	1252
Interest on Loans and advances		177		44
Miscellaneous receipts and recoveries		99		61
Sale of Infirm power		1		40
Insurance claim		—		413
Provisions / liability not required written back		—		243
TOTAL RECEIPTS AND RECOVERIES				
NET EXPENDITURE		7602		10519
ADD : PRIOR PERIOD ADJUSTMENTS				
Depreciation		3		
Admn & Other Exp.		157		
		160		
Less: Share of Corporate office Expenses allocated to operational Units/Projects		174		26
AMOUNT TRANSFERRED TO CAPITAL WORK IN PROGRESS		7588		10493



SCHEDULE-7 CONSTRUCTION STORES AND ADVANCES

(Rupees in lacs)

PARTICULARS	As at 31st MARCH,2005	As at 31st MARCH,2004
CONSTRUCTION STORES		
(At cost as taken, valued and certified by Management)		
Construction Material in Transit	-	-
Stores	25	51
Less: Provisions	-	-
	25	51
ADVANCE FOR CAPITAL EXPENDITURE		
Secured (Considered good)	-	-
Unsecured a) considered good		
- covered by bank guarantees	13494	18368
- others	1147	-
b) considered doubtful	-	-
Less: Provisions for doubtful	-	-
	14641	18368
TOTAL	14666	18419

SCHEDULE-8 CURRENT ASSETS, LOANS AND ADVANCES

(Rupees in lacs)

PARTICULARS	As at 31st MARCH, 2005	As at 31st MARCH,2004
CURRENT ASSETS		
Inventories		
(At Cost as taken, valued and certified by Management)		
Stores and spares	-	-
Loose tools	-	-
Less : Provisions	-	-
Contract Work-In-Progress	-	-
Sundry Debtors(Unsecured)		
Debts due over six months	112	-
Other debts	4610	514
LESS : Provisions	-	-
	4722	514
PARTICULARS OF SUNDRY DEBTORS (Unsecured)		
2004-05 2003-04	2003-04 2002-03	
Considered good	4722 514	514 -
Considered doubtful and provided	- -	- -
Cash and Bank Balances		
Cash,Imprest,Cheques and Drafts	3	5
Balances with scheduled banks in		
Current account	44497	5384
Deposit account(Short term)	21652	60494
	66152	65883
Balances with non-scheduled banks in		
Current account	-	-
Saving account	-	-
Other Current Assets		
Interest accrued on deposits/investments	760	434
others	1218	1200
LESS Provisions	-	-
	1978	1634
Loans and Advances		
1. Loans to employees (Unsecured - considered good)	164	75
2. Loans to employees (Secured - considered good)	247	354
3. Advances recoverable in cash or kind or for value to be received		
Secured (Considered good)	35	-
Unsecured (Considered good)	25	124
- Covered by bank guarantees	8	-
- Others	63	-
Unsecured (Considered doubtful)	-	-
LESS : Provision for Doubtful Advances	-	-
4. Advance Tax deposited and tax deducted at source	2016	494
5. Other recoverable	-	-
	2558	1047
TOTAL	75410	69078

(Amount in lacs)

PARTICULARS OF LOANS AND ADVANCES DUE FROM DIRECTORS

	2004-2005	2003-2004
Amount due at the end of the year	-	2
Maximum balance at any time during the year	2	3

SCHEDULE-9 CURRENT LIABILITIES AND PROVISIONS

(Rupees in lacs)

PARTICULARS	AS AT 31st MARCH, 2005		AS AT 31st MARCH, 2004	
LIABILITIES				
Sundry creditors				
Total Outstanding dues of small scale				
Industrial Undertaking(s) (Due over 30 days)	—		—	
Others	20477	20477	17246	17246
Unspent amount of Deposit/Agency		—		—
Deposits/Retention money		801		578
Interest accrued but not due on loans		—		—
Liability for Cheques issued		—		—
Advance against cost of project		—		—
Advances from Contractee's		—		—
Advance against Govt. Grant		2641		—
Other liabilities		636		351
		24555		18175
PROVISIONS				
Taxation		504		118
Proposed Dividend		680		240
Tax on proposed dividend		89		31
Provision for Contingencies		—		—
Provision for incentives		18		15
Provision for leave encashment		19		33
Provision for Gratuity		25		12
Provision for Retired Employees Health Scheme		30		—
Provision for Wealth Tax Liability		—		—
		1365		449
TOTAL		25920		18624

SCHEDULE-10 MISCELLANEOUS EXPENDITURE

(TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED)

(Rupees in lacs)

PARTICULARS	AS AT 31st MARCH, 2005		AS AT 31st MARCH, 2004	
Preliminary Expenses				
Balance as per Last Year Balance Sheet		184		205
Less 1/10 th of the Rs. 205/- written off during the Year		20		21
Losses awaiting write off sanction				
Less : Provided for				
TOTAL		164		184

SCHEDULE-11 OTHER INCOME

(Rupees in lacs)

	FOR THE YEAR ENDED 31st MARCH, 2005	FOR THE YEAR ENDED 31st MARCH, 2004
Income from short term deposit (TDS Rs.776 Lacs)	202	72
Interest on Bonds		
Interest on loans and advances to Staff	5	1
Interest from Others	5	1
Income from scrap		
Receipt & Recoveries of Rent	39	1
Recovery of Electrical Charges	9	
Other Miscellaneous Income	9	1
TOTAL	269	76



SCHEDULE -12 GENERATION, ADMINISTRATION AND OTHER EXPENSES

(Rupees in lacs)

	FOR THE YEAR ENDED 31st MARCH, 2005		FOR THE YEAR ENDED 31st MARCH, 2004	
Consumption of stores and spares		—		—
Repairs & Maintenance				
Buildings	61		5	
Machinery	46		—	
Others	374	481	17	22
Miscellaneous operational expenses		—		—
Rent		10		1
Rates and Taxes		—		—
Insurance		27		3
Self Insurance for contingencies		1103		182
Security expenses		15		1
Electricity charges		372		58
Travelling and Conveyance		28		2
Expenses on staff car		67		4
Telephone, Telex and Postage		10		1
Advertisement and Publicity		7		—
Donation		—		—
Printing and Stationery		5		1
Consultancy Charges		—		13
Project Expenses written off		—		—
Loss on sale of assets		—		—
Preliminary expenditure written Off		20		21
Other General Expenses		95		4
Corporate office management expenses		174		26
TOTAL		2414		339

SCHEDULE-13 EMPLOYEES REMUNERATION AND BENEFITS

(Rupees in lacs)

	FOR THE YEAR ENDED 31st MARCH, 2005		FOR THE YEAR ENDED 31st MARCH, 2004	
Salaries, wages and allowances		352		35
Gratuity and contribution to provident fund (Including Administration Fees)		36		4
Staff welfare expenses		72		6
TOTAL		460		45

SCHEDULE-14 INTEREST AND FINANCE CHARGES

(Rupees in lacs)

	FOR THE YEAR ENDED 31st MARCH, 2005		FOR THE YEAR ENDED 31st MARCH, 2004	
Interest on Fixed Loans				
Interest on Government of India loans	—		—	
Interest on bonds	—		—	
Interest on foreign loans	—		—	
Interest on Term loan	6819	6819	475	475
Interest on Other Loans				
Interest on Cash credit facilities	—		—	
Bond expenses	—		—	
Rebate to customers	—		37	
Commitment fee	—		—	
Guarantee fee on loan	224		43	
Other finance charges	50		136	
TOTAL		7093		691

SCHEDULE-15 PRIOR PERIOD ADJUSTMENT (NET)

(Rupees in lacs)

	FOR THE YEAR ENDED 31st MARCH, 2005	FOR THE YEAR ENDED 31st MARCH, 2004
INCOME		
Sale of Electricity	(469)	—
Interest / Surcharge received from Debtors	—	—
Others	—	—
	<u>(469)</u>	<u>—</u>
EXPENDITURE		
Salaries and Wages	—	—
Repair and Maintenance	—	—
Interest	—	—
Others	—	—
Depreciation	—	—
TOTAL	<u>(469)</u>	<u>—</u>

Figures within parenthesis represents deductions.



SCHEDULE - 16 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 except in case of expenditure on leave travel concession to employees, which is recognized in the year of availment due to uncertainties in accrual.
- 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, capitalization is done on estimated basis subject to necessary adjustment, including those arising out of settlement of arbitration/court cases, in the year(s) of final settlement.
- 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.
- 2.3 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.
- 2.4 Construction equipments declared surplus are shown at lower of book value and net realizable value.

3. MACHINERY SPARES

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 fully 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 infrastructure 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 on straight line method following the rates notified by the Central Electricity Regulatory Commission (CERC) for the purpose of fixation of tariff. In respect of assets, where rate has not been notified by regulations of 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 but more than Rs. 750/- and such items (excluding immovable assets) with written down value of Rs. 5000/- or less at the beginning of the year are fully depreciated during the year with Re. 1 as a balance value

- 5.4 Low value items, which are in the nature of assets (excluding immovable assets) and valuing upto Rs. 750/- are not capitalized and charged off to revenue.
- 5.5 Expenditure on software is recognized as 'Intangible Assets' to be amortized over three years.
- 5.6 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 unamortized balance of such assets is depreciated prospectively over the residual life determined on the basis of the rate of depreciation.

6. INVESTMENTS

Investment 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 Losses towards unserviceable and obsolete stores and spares identified on review are provided in the accounts.
- 7.3 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.
- 7.4 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

- 8.1 Miscellaneous expenditure of the Project is written off over a period of five years after start of commercial operation.
- 8.2 Preliminary expenditure of the Projects will be written off over a period of 10 years after start of commercial operation.

9. FOREIGN EXCHANGE FLUCTUATION

- 9.1 Transaction 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.
- 9.2 Exchange differences in respect of liabilities relating to fixed assets/ capital work-in-progress arising out of transaction entered into prior to 01/04/2004 is adjusted to the carrying cost of respective fixed asset/capital work-in progress.
- 9.3 Exchange differences in respect of liabilities relating to fixed assets/ capital work-in progress acquired from outside India, arising out of transaction entered on or after 01/04/2004 is adjusted to the carrying cost of respective fixed asset/ capital work-in-progress.
- 9.4 Other exchange difference are recognised as Income & expenses in the period in which they arise in profit & Loss Account in case of operational station and to IEDC 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.
- (aa) 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 recognized 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 / Turnkey basis is recognized on %age of completion method as under: -

Progress of work	Recognition of Revenue
(a) upto 66.67%	Nil
(b) Above 66.67 to 90%	80%
(c) Above 90%	100%

Losses including those anticipated in the contracts are recognized 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/deposit/ 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

- (a) On Power Station @ 1% of Sale of Energy for the year excluding taxes & duties.
- (b) In case of construction contract works awarded to and executed by the Corporation @ 5% of the project expenditure incurred during the year.
- (c) 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 & Loss Account, to be utilized for losses of Assets for specified contingencies. The fund shall be earmarked.

14. MISCELLANEOUS

14.1 Liabilities for Goods in transit/Capital works executed but not certified are not provided for, pending inspection and acceptance by the Corporation.

14.2 Power supplied from Power Stations to Projects under construction is charged as per normal tariff.

14.3 Prepaid expenses and prior period expenses/income of items of Rs. 50,000/- and below are charged to natural heads of accounts.

14.4 Insurance claims are accounted for based on certainty of realization

15. BORROWING COST

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

16. TAXES ON INCOME

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

16.2 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.

17. REHABILITATION & RESETTLEMENT EXPENSES

Payment made provisionally towards compensation and other expenses relatable to land, which is going to be sub-merged, are treated as Rehabilitation & Resettlement expenses to be capitalized as Dam cost.



NARMADA HYDROELECTRIC DEVELOPMENT CORPORATION LTD., BHOPAL

NOTES TO THE ACCOUNTS: SCHEDULE – 17

1. Contingent Liabilities not provided for in respect of :-

Description	Balance as on 31.03.2005 (Rs.in Lacs)	Balance as on 31.03.2004 (Rs.in Lacs)
a. Claims against the Corporation not acknowledged as debts in respect of		
- Capital Works	10,517	4,336
- Land Compensation Cases	64	857
- Others	227	227
TOTAL	10,808	5420
b. Indication of uncertainties relating to any outflow	It is not practicable to disclose as the uncertainties as well as the amount is not ascertainable at this stage	
c. Possibility of any reimbursement		

2. i) Foreign Letters of Credit opened by Bankers in favour of M/s Technopromexport, Moscow, Russia Rs. 835 Lacs (Previous Year Rs. 2752 Lacs).
- ii) Foreign Letters of Credits opened by Bankers in favour of M/s Voith Siemens Hydro Pvt. Ltd. amounting to Rs. 41020 Lacs (Previous year Rs. 59200 Lacs).
3. Estimated amount of Contracts remaining to be executed on capital account not provided for Rs. 98001 Lacs (Net of advances) (Previous Year Rs. 142656 Lacs)
4. (a) Government of Madhya Pradesh (GoMP) has incurred a sum of Rs. 1366 Lacs (Previous year Rs. 1359 Lacs) during the year on various account intimated by NVDA. Total expenditure adjusted by the Corporation on account of expenditure incurred by GoMP up to 31.03.2005 is Rs. 119465 Lacs (Upto previous Year Rs. 118099 Lacs) in respect of Indira Sagar Project.
- (b) Rs. 119465 Lacs credited towards NVDA account in respect of Indira Sagar Project as a result of adjustment detailed in note 4 (a) above and Rs. 21204 Lacs (previous year Rs. 5271 Lacs) received during the year and Rs. 30475 Lacs up to 31.03.2005 have been adjusted as under :-
- i. Rs. 66000 Lacs toward Allotment of 65,99,999 equity shares to GoMP up to 31.03.2005.
- ii. Rs. 34392 Lacs (including Rs. 25491 Lacs in previous year) being proportionate contribution by GoMP towards irrigation component of Indira Sagar Dam credited to Capital Reserve, treating it as a part of Grant against total grant of Rs. 36352 Lacs. This is as per CCEA clearance dt. 28.03.02.
- iii. Rs. 43973 Lacs (including Rs. 32572 Lacs in previous year) 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. This is as per CCEA Clearance dt.28.03.02.
- iv. Balance Rs. 3308 Lacs has been adjusted towards Equity and Irrigation components of Omkareshwar project.
- v. Rs. 2267 Lacs (previous year Nil) has been shown as advance against Grant and same shall be adjusted against Sardar Sarovar Project and Irrigation Component in subsequent years.

- (c) The GoMP has incurred a sum of Rs. 696 Lacs (Previous year Rs. 177 Lacs) during the year on various account intimated by NVDA. Total expenditure adjusted by the Corporation on account of expenditure incurred by GoMP up to 31.03.2005 is Rs. 6022 Lacs (Up to Previous Year Rs. 5326 Lacs) in respect of Omkareshwar Project.
- (d) Amount received from NVDA up to 31.03.2005 Rs. 26500 Lacs, expenditure incurred by NVDA Rs. 6022 Lacs and amount adjusted from Indira Sagar Project Rs. 3308 Lacs aggregating to Rs. 35830 Lacs (Previous Year Rs. 16434 Lacs) towards NVDA account for OSP has been accounted for as under :-
 - i. Rs. 13835 Lacs towards Allotment of 13,83,529 equity shares to GoMP and rest of Rs. 16181 Lacs shown as Share Capital Deposit.
 - ii. Rs. 5440 Lacs (including Rs. 2598 Lacs in previous year) being proportionate contribution by GoMP towards Irrigation component of Omkareshwar project to Capital Reserve, treating it as a part Grant against total grant of Rs. 18280 Lacs as per CCEA clearance dt.29.05.03.
 - iii. Rs. 374 Lacs (previous year Nil) has been shown as advance against Grant and same shall be adjusted against Irrigation Component in subsequent years.
5. Other current assets includes Rs. 599 Lacs (Previous year Rs. 599 Lacs) due from NVDA towards electricity and other charges, which is under correspondence for settlement.
6. (a) Expenditure incurred up to 31.03.2005 on Rehabilitation & Resettlement include Cost of Sub-mergeble Land, Construction of Roads, School Buildings, Hospital Buildings, Office Buildings & Other Infrastructure work , Electrification etc. shown under the head Capital Work-in-Progress is Rs. 133943 Lacs (Up to Previous Year - Rs. 81152 Lacs).
- (b) A sum of Rs. 411 Lacs has been adjusted during the current Financial Year 2004-05 towards R & R Expenditure on account of expenditure for diversion of Railway Tracks and treated as R & R expenses for the year. Thus making cumulative figure of Rs. 28706 Lacs (up to Previous Year Rs. 28295 Lacs) ,
7. During the Financial Year the balance four units of Indira Sagar Project (I.S.P.) have commenced commercial production on 27.07.04, 01.11.04, 07.01.05 & 30.03.05 respectively. The other four units (out of total eight units) had already started commercial production during the Year 2003-2004.
8. (a) During the year the Corporation has capitalized part of its cost to the units which started commercial production on the basis of technical evaluation made by the Project on each date of commencement, and the cost has been apportioned on the basis of percentage of work completed.
- (b) "Incidental expenses incurred during construction" have been apportioned on the basis of machine days before and after commissioning of respective units.
9. (a) The depreciation on Fixed Assets has been charged to Profit and Loss Account / IEDC at the rates notified by CERC. Depreciation charged for the year is lower by Rs. 5614 Lacs (Previous year lower by Rs. 272 Lacs) as compared to the rates prescribed in Schedule XIV of the Companies Act, 1956.
- (b) The Corporation has revised its accounting policy relating to accountal of low value assets, whereby items valuing upto Rs. 750 have been charged to revenue. Consequent to this change in the accounting policy the company has reduced Rs. 10 Lacs relating to previous years from both "Provision for Depreciation" and "Gross Block of Fixed Assets" during the year.
- (c) During the year the corporation has changed its Accounting Policy relating to accountal of Assets of Minor value. Depreciation at the rate of Re. 1/- per item in respect of the assets valuing upto



- Rs. 5000/- that have already been depreciated fully but not discarded or disposed off shall be written back. Had the accounting policy not changed the impact on depreciation is higher by Rs. 4140 for the year.
- (d) Depreciation on other Assets capitalized during the year 2003-04 and 2004-05 had double effect on gross block and depreciation. The gross block of such fixed assets and provision for depreciation has therefore been adjusted to that extent. This does not have any impact on the profit of the corporation.
10. (a) Contribution received towards Irrigation and Sardar Sarovar Project components from GoMP and Govt. of Gujarat has been credited to Capital Reserve in the Previous Year. Contribution received during the year has also been adjusted to the said accounts at Corporate Office and has been transferred to Project and accounted in the books of Indira Sagar and Omkareshwar Projects during the year.
- (b) Grant / sub-vention amount adjusted to the extent of amount capitalized, the equivalent amount of depreciation charge on such amount is transferred from capital reserve and recognized as deduction in total depreciation for the year in Profit and Loss Account.
- (c) Contribution received Rs. 20303 Lacs (upto previous year Rs. 58063 Lacs) from GoMP and Govt. of Gujarat towards irrigation and Sardar Sarovar Project Components has been credited to capital reserve. Such capital reserve has been reduced by Rs. 773 Lacs (Previous year Rs. 65 Lacs) being proportionate depreciation on Dam in respect of ISP.
- (d) Contribution received Rs. 2842 Lacs (Previous year Rs. 2598 Lacs) from Govt. of MP towards irrigation component has been credited to capital reserve in respect of OSP.
11. The Provision of Gratuity, earned leave encashment and retirement benefits in respect of employees of NHDC is provided on the basis of Actuarial valuation. In respect of deputationist from NHPC Ltd., the same is taken on the basis of information received from NHPC Ltd. No provision is required to be made for employees who are on deputation from GoMP.
12. The Accounts of the Corporation are prepared using the accrual method of accounting except in case of expenditure on leave travel concession to employees, which is recognized in the year of availment due to uncertainties in accrual. Due to amendment in accounting policy, there is no impact on IEDC/ Profit and Loss Account of the Corporation.
13. Claim not accepted by Govt. of India in respect of preparation of DPR for Shahganj water supply scheme, Bhopal for Rs. 92 Lacs, Now, has been charged to Indira Sagar Project treating it as IEDC.
14. (a) The sale of power to MPSEB was made at provisional rates. These are subject to final approval by the Central Electricity Regulatory Commission.
- (b) At present there is no element of advance against depreciation in-built in the present provisional rates.
15. (a) The Corporation has incurred a sum of Rs. 10380 Lacs (Previous Year Rs. 5572 Lacs), towards Interest & Financial Charges on Term Loans taken from the Banks, out of which a sum of Rs. 3287 Lacs (Previous Year Rs. 4918 Lacs) have been taken to IEDC for the pre-commissioning period on the basis of Machine days before commissioning and a sum of Rs. 7093 Lacs (Previous Year Rs. 654 Lacs) relating to post-commissioning period on such units has been charged to Profit & Loss Account for ISP & a sum of Rs. 2899 Lacs (Previous year Rs. 430 Lacs) towards interest and financial charges on Term Loan taken from the Banks for OSP and the same has been charged to IEDC as envisaged by Accounting Standard AS – 16 'Borrowing Cost'. issued by ICAI.

- (b) Interest earned on the amount of MOD/Fixed Deposits has been credited to Profit & Loss Account for Rs. 202 Lacs (Previous year Rs. 72 Lacs) to the extent it pertains to post-commissioning period and balance has been credited to IEDC for Rs. 114 Lacs (Previous year Rs. 1124 Lacs) in respect of ISP
- (c) Interest earned on the amount of MOD/Fixed Deposits has been credited to IEDC for Rs.2858 Lacs (Previous year Rs. 128 Lacs) in respect of OSP.
- (d) Interest earned on the amount of MOD/ Fixed Deposits not allocated to ISP/ OSP has been credited to Corporate Office Management Expenses/ IEDC for Rs. 333 Lacs (previous year Rs. Nil) in respect of Corporate Office.
16. (a) Electricity generation is the Principal activity of the Corporation. Other operations viz, interest income and consultancy services do not form a reportable segment as per Accounting Standard 17 issued by the Institute of Chartered Accountants of India on "Segment Reporting".
- (b) The Corporation has at present one power station at Indira Sagar Project located in the state of Madhya Pradesh only. Therefore, geographical segments are inapplicable.
17. In compliance of Accounting Standard – AS 18 – "Related party disclosures" issued by the Institute of Chartered Accountants of India, the required information is given as under:-

i. Joint venture:

- (a) The Corporation is a joint venture of NHPC Ltd. and GoMP. Investments made by NHPC during the year Rs. 8316 Lacs (Previous Year Rs. 19926 Lacs). The cumulative investment of NHPC is Rs. 97242 Lacs (Previous Year Rs. 88926 Lacs). Payments made to NHPC are as under :-

	2004-05	2003-04
a) Consultancy Charges	Rs. 280 Lacs	Rs. 186 Lacs
b) Guarantee Fee	Rs. 342 Lacs	Rs. 522 Lacs
c) Interest on Loans	Nil	Rs. 853 Lacs

- (b) Sundry Creditors (others) includes Rs. 130 Lacs (previous year Rs. 215 Lacs) dues to Holding Company NHPC Limited.

- ii. (a) **Directors:** Sh. A.K. Gangopadhyay, CMD, NHPC & NHDC, Sh. A.K. Kutty, IAS, Joint Secretary (Hydro), GOI., Sh. Ranvir Singh, IAS, VC, NVDA, GoMP, Sh S.K Dodeja, Chief Executive Director, Sh. T.N. Gopalakrishna, Sh. J.K.Tiwari, Member (Engg.), NVDA, GoMP & Sh. Rajesh Dongre.

(b) (Rupees in lacs)

	Particulars	2004-05	2003-04
	Remuneration paid to Directors		
(i)	Salaries & Allowances	7	5
(ii)	Contribution to Provident Fund	1	1
(iii)	Rent for Residential Accommodation	—	—
(iv)	Medical Reimbursement		2
(iv)	Sitting Fees	—	—

- (c) Advances outstanding at the year-end to Whole Time Director amount to Rs. Nil (Previous Year Rs. 2 Lacs)

18. 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 on mutually agreed terms. Lease payments are recognized in the statement of Incidental Expenditure incurred during construction under the head Lease Rent Office and Lease Rent Residential in Annexure to Schedule – '6' and Profit and Loss Account under the head Lease Rent Office and Lease Rent Residential in Annexure to Schedule – '12', This information is given as required by AS-19 "Leases" issued by the Institute of Chartered Accountants of India.

(Rupees in lacs)

19.	Particulars	2004-05	2003-04
	Remuneration to Statutory Auditors		
(a)	Audit Fees	2	2
(b)	Tax Audit Fees	1	1
(c)	Certification	—	—
(d)	Service Tax	—	—
(e)	Expenses	1	1

20. (a) Provision for Income tax has been made as required u/s 115JB of the Income Tax Act, 1961.
 (b) In compliance to the Accounting Standard - 22 on "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, Net Deferred Tax Liability is as under :

(Rupees in lacs)

	Deferred Tax Liability/Assets	AS AT 31.3.2005	AS AT 31.3.2004
(i)	Deferred Tax Liability :- Depreciation difference	18001	5071
(ii)	Deferred Tax Assets : Unabsorbed depreciation to be carried forward.	16339	4473
(iii)	Net deferred tax Assets/liability	(1662)	(597)

- (c) Since the amount of any taxes is recoverable from Beneficiaries under CERC guidelines the recoverability of Deferred Tax Asset in future has been deemed as virtual certainty. Consequently the Deferred Tax Assets has been created for the total amount of carried forwarded unabsorbed depreciation.
- (d) As per newly inserted Section 194LA of Income Tax Act, effective from 01/10/2004, the LAOs have not deducted Income Tax under section 194LA which they were required to deduct out of compensation amount paid to Oustees for lands etc. However, on receiving a notice from Income Tax Department, the Corporation has paid TDS liability aggregating to Rs. 52 Lacs for ISP & OSP through R&R Office. The amount so paid would be recovered from the balance payment of Oustees and balance available in their Bank accounts and through issue of Revenue Recovery Certificate through Collector.

21.	Quantity Details :	2004-05	2003-04
	Licensed Capacity (MW)	1520.000	1520.000
	Installed Capacity (MW)	1000.000	500.000
	Actual Production (MU)	1331.850	196.511
	Sales (MU) Including Infirm Power	1318.100	183.238

22. Expenditure in Foreign Currency:

(Rupees in lacs)

	2004-05	2003-04
Advance for contracts	—	6296
Towards contract works	16040	1156
Traveling	12	8
Others	4	1

(Rupees in lacs)

23.		2004-05	2003-04
	CIF Value of imports	Nil	Nil

(Rupees in lacs)

24.		2004-05	2003-04
	Earnings in Foreign Currency	Nil	Nil

25. Value of spare parts & component in operating units :

(Rupees in lacs)

	2004-05	2003-04
Imported	Nil	Nil
Indegeneous	Nil	Nil

26. Previous years figures have been rearranged/regrouped/recasted wherever necessary.

As per our report of even date attached

For O.P. TOTLA & CO.
Chartered Accountants

S.K. DODEJA
Chief Executive Director

A. K. GANGOPADHYAY
Chairman & Managing Director

O.P. TOTLA
Partner
M. No.11854

V.K. TRIPATHI
Dy.Co.Secretary

N.K. CHADHA
General Manager(F&A)

T.N. GOPALAKRISHNA
Director

Place : New Delhi
Date : 27.05.2005



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

Registration Details

I. Registration No . State Code Balance Sheet Date

1	0		1	4	3	3	7	1	0	3	1	0	3	2	0	0	5
---	---	--	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

II. Capital Raised during the year (Rupees in Lacs)

Public Issue

N	I	L
---	---	---

Right Issue

N	I	L
---	---	---

Bonus Issue

N	I	L
---	---	---

Private Placement *

2	4	4	9	7
---	---	---	---	---

* Includes Share capital deposit received from NHPC & GoMP

III. Position of Mobilisation and Deployment of funds (Rupees in Lacs)

Total Liabilities

5	2	1	1	1	0
---	---	---	---	---	---

Total Assets

5	2	1	1	1	0
---	---	---	---	---	---

Sources of Funds

Paid-up Capital #

1	9	3	2	5	8
---	---	---	---	---	---

Reserves and Surplus \$

8	7	8	4	5
---	---	---	---	---

Secured Loan

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

Unsecured Loans

6	2	4	2	5
---	---	---	---	---

Includes Share Capital Deposit Rs.30023 Lacs received from Holding Company NHPC Ltd. & GoMP

\$ Includes Self Insurance for Contingency amounting to 1285 Lacs

Application of Funds

Net Fixed Assets

3	2	7	0	6	9
---	---	---	---	---	---

Investments

N	I	L
---	---	---

Net Current Assets

4	9	4	9	0
---	---	---	---	---

Misc. Expenditure

1	6	4
---	---	---

Accumulated Losses

N	I	L
---	---	---

IV Performance of Company (Rupees in Lacs)

Turnover

1	7	7	6	7
---	---	---	---	---

 @

Total Expenditure

1	4	2	5	6
---	---	---	---	---

Profit Before Tax

3	7	8	0
---	---	---	---

Profit After Tax

3	3	9	5
---	---	---	---

Earning per share (in Rs.)

2	0	.	8	0
---	---	---	---	---

Dividend amount

6	8	0
---	---	---

@ Excludes Other Income Rs. 269 Lacs

V **Generic Names of Three Principal Products/Service of Company**

i) Product Description

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

Item Code No.

	-	
--	---	--

ii) Product Description

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Item Code No.

	-	
--	---	--

iii) Product Description

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Item Code No.

	-	
--	---	--

As per our report of even date attached

For O.P. TOTLA & CO.
Chartered Accountants

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

O.P. TOTLA
Partner
M. No.11854

T.N. GOPALAKRISHNA
Director

S.K. DODEJA
Chief Executive Director

A.K. GANGOPADHYAY
Chairman & Managing Director

V.K. TRIPATHI
Dy. Co. Secretary

N.K. CHADHA
General Manager (F&A)

Place : New Delhi
Date : 27.05.2005



SCHEDULE - 18 CASH FLOW STATEMENT

(Rupees in lacs)

	For the year ended 31st MARCH, 2005	For the year ended 31st MARCH, 2004
A) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax and extraordinary items	3,780	1,355
Add: Depreciation	3820	379
Preliminary expenditure written off	20	21
Self insurance for contingency	1103	182
	<u>8723</u>	<u>1937</u>
Interest & financial charges considered separately	7,093	691
Operating profit before working capital changes	<u>15,816</u>	<u>1,246</u>
Working Capital Changes		
Increase in Sundry Debtor	(4,208)	(514)
Decrease in Loans & advances	11	(90)
Increase in Other current assets	(344)	(1,046)
Increase in Current liabilities & provisions	<u>6,412</u>	<u>13,260</u>
	<u>17,687</u>	<u>12,856</u>
Less: Taxes	<u>(1521)</u>	<u>(494)</u>
Cash generated from operations (A)	<u>16,166</u>	<u>12,362</u>
B) CASH FLOW FROM INVESTING ACTIVITIES		
Fixed assets	(1,110)	(1192)
Capital work in progress	(1,22,057)	(85,459)
Construction stores & advances	<u>3,753</u>	<u>(23,623)</u>
Net cash used in Investing Activities (B)	<u>(1,19,414)</u>	<u>(1,10,274)</u>
C) CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	—	19,400
Receipts of share capital deposit	24,497	5,526
Holding Co. NHPC	Rs. 8316	
GOMP	Rs. 16181	
Proceeds from Borrowings	69,425	1,13,000
Funds received from GOMP by adjustment of expenditure on ISP & OSP)	23,145	3,179
Funds received from GOMP as grant	—	8,071
Dividend Paid	(271)	—
Interest and Financial Charges Paid	(13,279)	(5609)
Cash flow from Financing Activities (C)	<u>1,03,517</u>	<u>1,43,567</u>
Net increase/decrease in Cash and Cash equivalents (A+B+C)	<u>269</u>	<u>45,655</u>
Cash and cash equivalents (Opening balance)	65,883	20,228
Cash and cash equivalents (Closing balance)	66,152	65,883

As per our report of even date attached

For O.P. TOTLA & CO.
Chartered Accountants

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

O.P. TOTLA
Partner
M. No.11854

T.N. GOPALAKRISHNA
Director

S.K. DODEJA
Chief Executive Director

A.K. GANGOPADHYAY
Chairman & Managing Director

V.K. TRIPATHI
Dy. Co. Secretary

N.K. CHADHA
General Manager (F&A)

Place : New Delhi
Date : 27.05.2005

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT 1956, ON THE ACCOUNTS OF NARMADA HYDROELECTRIC DEVELOPMENT CORPORATION LTD FOR THE YEAR ENDED 31ST MARCH, 2005.

COMMENTS

MANAGEMENT REPLY

1. Balance Sheet

Significant Accounting policy (Schedule 16) : Accounting policy No 5. Notes to Accounts (Schedule 17): Notes No. 9 (a)

A reference is invited to the comments of the comptroller and Auditor General of India on the accounts of the Company for the year ended 31 March 2004 under section 619 (4) of the company Act 1956 regarding applicability of rates of depreciation to be followed by 'generation and transmission companies' for preparation of their annual accounts, consequent upon the enactment of Electricity Act, 2003 which does not contain any provision regarding rates of depreciation.

The matter was referred to the Ministry of Power, which has expressed the view that depreciation rates as notified by the Central Electricity Regulatory Commission (CERC) under Tariff policy to be notified in term of the Electricity Act 2003 in respect of generation and transmission assets, would be applicable for the purpose of tariff as well as accounting. However, as the tariff policy is yet to be notified in term of the Electricity Act 2003, the applicability of these depreciation rates remains unresolved.

The Company continued to follow the rates of depreciation as notified by CERC in March 2004 in its accounts for the year ended 31 March 2005. Depreciation charged during the year is lower by Rs. 56.14 crores as

The Company shall take action as per the decision of the Government of India.

compared to the rates laid down in the Companies Act 1956. Profit for the year is higher by Rs. 54.92 crore and capital work-in progress (Incidental expenditure during construction) is lower by Rs. 1.22 crore.

2. Profit & Loss Account

Basic earnings per share (EPS) of Rs. 20.80 and diluted EPS of Rs. 19.60 for the current year (Rs 9.47 and Rs. 9.05 for the previous year respectively) have not been shown on the face of the profit and loss account, as required by AS-20. Numerator and denominator for calculating EPS have also not been disclosed in the notes to accounts.

Noted.

Sd/-

(Revathi Bedi)

Principal Director of Commercial Audit and
Ex-officio Member Audit Board- III, New Delhi

Place: New Delhi

Dated: 28th July, 2005



Afforestation at 540 MW
Chamera Power Station-I



National Hydroelectric Power Corporation Ltd.

(A Government of India Enterprise)

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

Website : <http://www.nhpcindia.com>