Draft RED HERRING PROSPECTUS

Please read Section 60B of the Companies Act, 1956 Dated [•]
(The Draft Red Herring Prospectus will be updated upon RoC filing and become Prospectus on the date of filing with the RoC)

100% Book Building Issue

Power Trading Corporation of India Limited

(Incorporated on April 16, 1999 under the Companies Act, 1956
and obtained Certificate of Commencement of Business on July 15, 1999)
Registered Office: 2nd Floor, NBCC Towers, 15, Bhikaji Cama Place, New Delhi 110 066
Tel: +91-11-51659500 (5 lines), 51659127-29, 51659260; Fax +91-11-51659144
e-mail: info@ptcindia.com

Public Issue of 5,84,99,990 Equity Shares Of Rs. 10 Each At A Price Of Rs. [•] For Cash Aggregating Rs. [•] Lacs (hereinafter referred to as the "Issue"). The Issue would constitute 39% of the post issue paid-up capital of the company.

The Issue is being made through a 100% Book Building Process wherein Mandatorily 50% of the Net Offer to the Public shall be allocated on a discretionary basis to Qualified Institutional Buyers, Not Less Than 25% of the Net Offer to the Public would be allocated to Non-Institutional Investors and Not Less Than 25% of the Net Offer to the Public would be allocated to Retail Investors on a proportionate basis, subject to valid bids being received from them at or above the Issue Price.

PRICE BAND: Rs. [•] TO Rs. [•] PER EQUITY SHARE OF FACE VALUE OF RS. 10

RISK IN RELATION TO FIRST ISSUE

This being the first Issue of the Equity Shares of Power Trading Corporation of India Limited (the "Company"), there has been no formal market for the Equity Shares of the Company. The Issue Price (as determined by the Company in consultation with the Book Running Lead Managers, on the basis of assessment of market demand for the Equity Shares by way of book building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company nor regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Company and the Issue including the risks involved. The Equity Shares issued in the Issue have not been recommended or approved by the Securities and Exchange Board of India (SEBI), nor does SEBI guarantee the accuracy or adequacy of this Draft Red Herring Prospectus. Specific attention of the investors is invited to the statements in Risk Factors beginning on page no. [•].

COMPANY'S ABSOLUTE RESPONSIBILITY

Power Trading Corporation of India Limited having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Red Herring Prospectus contains all information with regard to Power Trading Corporation of India Limited and the Issue, which is material in the context of the Issue, that the information contained in this Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Draft Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The Equity Shares issued through this Draft Red Herring Prospectus are proposed to be listed on The National Stock Exchange of India Limited and The Stock Exchange, Mumbai. We have received in-principle approval from these Stock Exchanges for the listing of our Equity Shares pursuant to letters dated [•, 2004] and [•, 2004] respectively.

SBI Capital Markets Limited

BOOK RUNNING LEAD MANAGER
SBI CAPITAL MARKETS LIMITED
202, Maker Tower 'E',Cuffe Parade
Mumbai – 400 005
Tel: +91 – 22 – 2218 9166
Fax: +91 – 22 – 2218 8332
Email: ptc.ipo@sbicaps.com

REGISTRAR TO THE ISSUE
MCS LIMITED
Sri Venkatesh BhavanW-40,
Okhla Industrial Area,Phase II,
New Delhi 110 020
Tel. : +91- 011 2638 4909
Fax. : +91- 011 2638 4907
e-mail: mcsdel@vsnl.com
Contact Person: Shri K. R. Menon,
Executive Director

ISSUE PROGRAMME
BID / ISSUE OPENS ON
BID / ISSUE CLOSES ON

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DEFINITIONS AND ABBREVIATIONS

DEFINITIONS

Term	Description
"PTC" or "the Company" or "our Company" or "Power Trading Corporation of India Limited"	Power Trading Corporation of India Limited, a public limited company incorporated under the Companies Act, 1956
"we" or "us" and "our"	Unless the context otherwise requires, refers to Power Trading Corporation of India Limited
"NCT of Delhi" or "Delhi"	National Capital Territory of Delhi

Issue Related Terms

Term	Description
Allotment	Unless the context otherwise require, issue of equity shares pursuant to this issue
Articles/Articles of Association/ AoA	Articles of Association of Power Trading Corporation of India Limited
Auditors	The statutory auditors of the Company: D. C. G. & Co., Chartered Accountant
Banker(s) to the Issue	■
Bid	An offer made during the Bidding Period by a prospective investor to subscribe to Equity Shares of the Company at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue
Bid Closing Date / Issue Closing Date	The date after which the members of the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper and Hindi national newspaper and a Regional language daily circulated at the place where registered office of the issuer company is situated.
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to purchase the Equity Shares of the Company and which will be considered as the application for the Issue of Equity Shares in terms of this Draft Red Herring Prospectus
Bid Opening Date / Issue Opening Date	The date on which the members of the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English national newspaper and a Hindi national newspaper and a Regional language daily circulated at the place where registered office of the issuer company is situated.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Draft Red Herring Prospectus
Bidding Period / Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Board of Directors	The Board of Directors of Power Trading Corporation of India Limited or a committee thereof
Book Building Process	Book building route as provided under Chapter XI of the SEBI Guidelines, in terms of which the Issue is made
BRLMs	Book Running Lead Managers to the Issue, in this case being SBI Capital Markets Limited and Enam Financial Conultants Pvt. Ltd. and, Co-Book Running Lead Manager being KJMC Global Markets (I) Ltd. (Collectively being referred to as BRLMs)
BSE	The Stock Exchange, Mumbai
CAN/ Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares in the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted
Companies Act	The Companies Act, 1956 as amended from time to time
Cut-off	Cut-off refers to any price within the Price Band. A Bid submitted at Cut-off is a valid Bid at all price levels within the Price Band
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
Designated Date	The date on which funds are transferred from the Escrow Account of the Company to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall issue Equity Shares to successful bidders
Designated Stock Exchange	Designated Stock Exchange shall mean The Stock Exchange, Mumbai (BSE)
Director(s)	Director(s) of Power Trading Corporation of India Limited unless otherwise specified
Draft Red Herring Prospectus	Means this Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are issued and size of the Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with RoC at least three days before the opening of the Issue. It will become a Prospectus after filing with Registrar of Companies after the pricing and allocation

Term	Description
EPS	Earnings per Equity Share
Equity Shares	Equity shares of the Company of Face Value Rs. 10 each unless otherwise specified in the context thereof
Escrow Account	Account opened with an Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement entered into amongst the Company, the Registrar, the Escrow Collection Bank(s) and the BRLMs for collection of the Bid Amounts and refunds (if any) of the amounts collected to the Bidders
Escrow Collection Bank(s)	The banks at which the Escrow Account of the Company will be opened
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed there under
FII	Foreign Institutional Investor (as defined under FEMA (Transfer or Offer of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India
Financial Year/Fiscal/FY	Period of twelve months ended March 31 of that particular year
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted
GoI	The Government of India
HUF	Hindu Undivided Family
Indian GAAP	Generally accepted accounting principles in India
I.T. Act	The Income-Tax Act, 1961, as amended from time to time
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 0% to 100% of the Bid Amount
Memorandum / Memorandum of Association/ MoA	The Memorandum of Association of Power Trading Corporation of India Limited
Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Bidders
Non-Institutional Portion	The portion of the Issue being a minimum of 1,45,62,497 Equity Shares of Face Value of Rs. 10 each available for allocation to Non-Institutional Bidders
Non Residents	Non-Resident is a person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin under FEMA (Transfer or Offer of Security by a Person Resident Outside India) Regulations, 2000
NRI / Non-Resident Indian	Non-Resident Indian, is a person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin under FEMA (Transfer or Offer of Security by a Person Resident Outside India) Regulations, 2000
OCB/Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under FEMA (Transfer or Offer of Security by a Person Resident Outside India) Regulations, 2000
Issue/ Offer/ IPO/ Offering	Initial Public Issue of 5,84,99,990 Equity Shares of Face Value of Rs. 10 each of PTC at the Issue Price
Issue Price	The final price at which Equity Shares will be issued in terms of this Draft Red Herring Prospectus, as determined by the Company in consultation with the BRLMs, on the Pricing Date
Pay-in Date	The last date specified in the CAN sent to Bidders.
Pay-in-Period	This term means (i) with respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the Bid Closing Date, and (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the closure of the Pay-in Date
Period 2000	In relation to the financials of PTC, shall mean a period from April 16, 1999 to March 31, 2000
Price Band	Being the price band of a minimum price (Floor Price) of Rs. ■ and the maximum price (Cap Price) of Rs. ■ and includes revisions thereof.
Pricing Date	The date on which the Company in consultation with the BRLMs finalise the Issue Price
Promoters	POWERGRID, NTPC, PFC & NHPC
Promoters Agreement	An agreement entered into between the original promoters viz. POWERGRID, NTPC & PFC dated April 08, 1999 as supplemented by an agreement dated November 29, 2002 through which NHPC was added as a promoter and PTC joined as a party to the Agreement.
Prospectus	The Prospectus, filed with the RoC containing, *inter alia,* the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information
Public Issue Account	Account opened with the Banker(s) to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with IRDA, provident funds with minimum corpus of Rs. 25 crore and pension funds with minimum corpus of Rs. 25 crore.

Term	Description
RBI	The Reserve Bank of India
Registered Office of the Company	2nd Floor, NBCC Towers, 15, Bhikaji Cama Place, New Delhi 110 066
Registrar /Registrar to the Issue	Registrar to the Issue, in this case being MCS Limited
Retail Bidders	Individual Bidders (including HUFs and NRIs) who have not Bid for an amount exceeding Rs. 50,000/- in any of the bidding options in the Issue
Retail Portion	The portion of the Issue being minimum of 1,45,62,498 Equity Shares of Face Value of Rs.10 each available for allocation to Retail Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s)
RoC	Registrar of Companies, National Capital Territory of Delhi and Haryana, located at New Delhi
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI	The Securities and Exchange Board of India, constituted under the SEBI Act, 1992
SEBI Act	Securities and Exchange Board of India Act, 1992 as amended from time to time
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
Share Subscription Agreement	Agreements individually entered into between PTC and its shareholder, The Tata Power Company Limited, Damadar Valley Corporation and FIs(LIC, GIC, IDFC, IDBI and IDFC)
Stock Exchanges	BSE and NSE
Syndicate	The BRLMs and the Syndicate Members
Syndicate Agreement	The agreement to be entered into among the Company and the members of the Syndicate, in relation to the collection of Bids in this Issue
Syndicate Members	Intermediaries registered with SEBI and eligible to act as underwriters. Syndicate Members are appointed by the BRLMs. In this case being (to be finalized later)
TRS or Transaction Registration Slip	The slip or document issued by the members of the Syndicate to the Bidder as proof of registration of the Bid
Underwriters	The BRLMs and Syndicate Members
Underwriting Agreement	The Agreement among the Syndicate and the Company to be entered into on or after the Pricing Date

ABBREVIATIONS

Abbreviation	Full Form
AC	Alternating Current
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
BSE	The Stock Exchange, Mumbai
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Ltd.
CERC	Central Electricity Regulatory Commission
CGSs	Central Generating Stations
CTU	Central Transmission Utility
Ckt. kms	Circuit kilometers
DVC	Damodar Valley Corporation
ENAM	Enam Financial Consultants Private Limited
EGM	Extraordinary General Meeting
EPS	Earnings Per Equity Share
FCNR Account	Foreign Currency Non Resident Account
FEMA	Foreign Exchange Management Act, 1973
FIPB	Foreign Investment Promotion Board
FY / Fiscal	Financial year ending March 31
GIR Number	General Index Registry Number
GoI	Government of India
HVDC	High Voltage Direct Current
HUF	Hindu Undivided Family
IDBI	Industrial Development Bank of India
IDFC	Infrastructure Development Finance Company Limited
IFCI	The Industrial Finance Corporation of India
IPO	Initial Public Offering
IPPs	Independent Power Producers
LIC	Life Insurance Corporation of India
MWs	Mega Watts
MUs	Million Units
MVA	Mili Volt Ampere
NAV	Net Asset Value
NCT of Delhi	National Capital Territory of Delhi
NEEPCO	North Eastern Electric Power Corporation
NRE Account	Non Resident External Account
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Ltd.
NSE	National Stock Exchange of India Ltd.
NHPC	National Hydroelectric Power Corporation Limited
NTPC	National Thermal Power Corporation limited
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
REB	Regional Electricity Board
PFC	Power Finance Corporation Limited
POWERGRID	Powergrid Corporation of India Limited
RBI	Reserve Bank of India
RoC	Registrar of Companies, National Capital Territory of Delhi and Haryana located at New Delhi
RONW	Return on Net Worth
SBICAP	SBI Capital Markets Limited
SEBs	State Electricity Boards
SERC	State Electricity Regulatory Commission
SLDC	State Load Dispatch Centre
SO	System Operator
SPUs	State Power Utility
STU	State Transmission Utility
TPC	The Tata Power Company Limited
T & D	Transmission and Distribution
RLDC	Regional Load Dispatch Centre
KJMC	KJMC Global Market (India) Ltd.

In this Draft Red Herring Prospectus, any discrepancies in any table between the totals listed in the table and the sum of individual amounts listed in that table are due to rounding off.

FORWARD-LOOKING STATEMENTS; MARKET DATA

We have included statements in this Draft Red Herring Prospectus which contain words or phrases such as “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions, that are “forward-looking statements”.

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India which have an impact on our business activities or investments, the monetary and interest policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in the industry.

For further discussion of factors that could cause our actual results to differ, see the section entitled “Risk Factors” beginning on page [•] of this Draft Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Company nor the members of the Syndicate, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company and the BRLMs will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

Market/Industry data used throughout this Draft Red Herring Prospectus was obtained from the company and various reports of CEA, Planning Commission, Estimate of Power Ministry, Electric Power supply survey, Infraline etc. The information contained in those publications has been obtained from sources believed to be reliable, but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although, we believe market data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified. Similarly, data provided by the company, while believed by us to be reliable, have not been verified by any independent sources.

RISK FACTORS

You should carefully consider the risks described below before you make an investment decision. Risks have been quantified, wherever possible. If any of the following risks actually occur, our business, financial condition and results of operations could suffer, the trading price of our Equity Shares could decline and you may lose all or part of your investment.

INTERNAL RISK FACTORS

We are presently engaged in power trading operations based on a minimal risk strategy. Since we do not own either generation or transmission assets, we focus on 'pure' trading activities.

1) License under Electricity Act, 2003

The Electricity (Supply) Act, 1948, which is now repealed by the Electricity Act, 2003, did not require any license to undertake trading in electricity. However, under the Electricity Act, 2003, any person who undertakes trading in electricity requires a license to continue the same.

Since we are in the business of trading in electricity, we had applied for a license to the CERC in terms of the Electricity Act, 2003. In response to our application, CERC, by an Order dated July 22, 2003, permitted us to continue our trading activity in the manner undertaken by us, prior to the enactment of the Electricity Act, 2003. However this permission was granted to us until December 31, 2003, since the rules and forms for the license were in the process of being framed.

Before the expiration of December 31, 2003, we once again applied to the CERC for the extension of their permission in order to enable us to continue with our trading activity. However, CERC, vide its Order dated December 29, 2003, has recorded that the draft regulations stating the terms and conditions, for the grant of the license in inter-state trading have already been drafted and are in the process of being finalised in due course. We were therefore directed by the CERC to file another application for grant of the said license by January 31, 2004 in accordance with the regulations, to be notified by the CERC. In the meantime, CERC has stated in its Order dated December 29, 2003 that we may, if so advised, continue to undertake our trading activity in electricity for a period upto March 31, 2004, at our own risk.

On the regulation for grant of the license being notified by CERC, we shall immediately make an application for grant of the license under the Electricity Act, 2003. Until then, we are continuing with our trading activity. We believe that this license will be granted and we do not foresee any difficulty in the same being granted to us.

2) Miscellenous Expenditure not written off

As of March 31, 2003, we have miscellaneous expenditure (to the extent not written off or adjusted) of Rs. 938.96 lacs, incurred in respect of developmental expenditure on potential power projects, expense relating to increase in Authorised Capital and expenditure relating to strategic planning. We believe that write off of such expenditures in subsequent years may not significantly impact our profits.

3) Contingent Liabilities

Our contingent liabilities not provided for as on September 30, 2003 are given below. To the extent these contingent liabilities become our actual liabilities, these will adversely affect our results of operations and financial condition in future.

Serial No.	Particulars	Amount (Rs. In Lacs)
1.	Administrative Staff College of India towards their claim for consultancy services.	1.50
2.	PGCIL-towards pre-incorporation	71.85
	Total	**73.35**

Further, Rs. 71.85 lacs relate to claims pertaining to pre incorporation expenses payable to Powergrid, one of our Promoters. The matter regarding payment of developmental expenditure incurred by Powergrid on projects prior to take over of such developmental projects by us, was refereed to Ministry of Power and it was inferred that all development expenditure incurred by Powergrid prior to our commencement of business should be borne by Powergrid and not by us. Accordingly expense booked on account of amount payable to Powergrid on account of such development expenditure was reversed and shown as contingent liabilities, not provided for.

4) Outstanding litigations are pending against our promoters, companies promoted by them and ventures of Promoters

Our Promoters, companies promoted by them and ventures of promoters are defendants in a number of legal proceedings incidental to their business and operations. They are also subject to claims arising from excise, sales tax, customs, income tax, consumer disputes and other disputed demands. For information regarding litigation of our promoters, companies promoted by them and ventures of Promoters please refer to the section "Outstanding Litigation and Material Developments" on page ___ of this Red Herring Prospectus.

5) We have incurred loss in one out of the immediately preceding three years

We received our Certificate of Commencement of Business on July 15, 1999. FY 2000-2001 was practically the first year of our operations. We traded just about 44 Million Units(MUs) of power in FY 2000-2001. The trading volumes have since shown significant increase and, for the six month ended September 30, 2003, our trading volume has been 4818 MUs as compared to 4178 MUs for the whole of FY 2003.

6) Issue of Equity Shares in the last one year

In the last one year, we have issued 3,32,50,000 equity shares of the face value of Rs. 10 each at par. Out of the above 60,00,000, 60,00,000 and 40,00,000 shares of the face value of Rs. 10 each were allotted to our promoters NTPC, PFC and NHPC respectively at par.

Further we have also issued 50,00,000 equity shares of the face value of Rs. 10 each to The Tata Power Company Limited at Rs. 13 per share. (For further details refer to notes to Capital Structure on page ____).

7) Credit Risk (Weak Credit Profile of Customers)

We have not encountered chronic payment defaults since inception. However, since we are primarily dealing with the state electricity boards (or successor entities) about whom credit concerns remain, we are exposed to credit risks inherent in the Indian power industry. There have been instances where some SEBs while releasing part of the outstanding payment to us have availed of rebates which were not due to them as the payments were not made within the stipulated period. Such expenses have been accounted by us as rebate. Additionally, since the nature of our business is projected to change from the current short term trading agreements to long term contract, possibly with take or pay provisions, we use or propose to use any or all of the following security mechanism appropriately:

i) Irrevocable revolving letter of credit (LC) equivalent to 1.25 months billing or 18 days value of energy flow in case of weekly billing

ii) PTC's charge on SEB's incremental receivables through a separate account

iii) State Government's guarantee and an acceptable charge on assets

iv) Access to High Tension (HT) consumers for direct sale of power

The Power Sector in the country is undergoing a rapid process of Reforms initiated by the Central Government and adopted by the state governments. We believe that the financial condition of the sector is likely to improve in the future thereby considerably reducing the risks indicated above. Further, we intend to strengthen our Capital base to cover us for any short term liquidity mismatches that may arise.

8) Market Risks

We are presently not exposed to risks of mismatch between purchase and sale price as the sale price is fixed on the basis of the purchase price after adding a transaction margin.

However, market aggregation in the future will imply internalization of some risks on this account. Given the stage of evolution of the market, however, market stability and confidence are likely to be the key criteria for regulation for some time to come. Therefore, internalization of market risks is likely to happen in a phased manner, while the industry itself goes through a learning curve. As the first mover in the business, we expect to have a significant advantage in managing this risk.

9) Dependence on few buyers and sellers of power

In the current financial year, for transactions upto end-September 2003, our single largest seller and buyer constitute about 22% and 20% of the purchase and sale portfolio respectively in value terms. Our top three sellers during the six-month ended September 30, 2003 account for almost 54% of our total purchase in terms of value (last year ended March 31, 2003 they accounted for about 55% of our total purchase in value terms). Similarly, our top three buyers during the six-month ended September 30, 2003 accounted for almost 46% of our total sales in terms of value (last year ended March 31, 2003 they accounted for about 60% of our total sales in terms of value).

Such high dependence on a single/ group of customers/ suppliers could have a material adverse impact on our business, were we to lose any one or more of such customer(s)/ supplier(s) in future.

The number of participants, even in the existing market structure, have increased manifold and concentration levels have reduced. With a deeper market structure evolving, we expect the concentration levels to reduce further in coming periods.

For further details on the concentration risk, please refer to para Credit Concentration on page ___.

10) Competitive Risks

The Electricity Act 2003 allows trading of electricity, i.e. purchase of electricity for further sale. With its enactment, other trading entities have come into existence, though on a provisional basis. As of now, none of these entities have a significant track record, and trading, being a complicated business, requires special skills. However, it is likely that competition will garner market shares in the long-run. The key risks on this account can be:

a) **Impact on our trading margin:** Currently, we earn a trading margin on a per unit basis. A typical competitive entry strategy could be undercutting this margin. However, over a long-term, as more comprehensive pricing structures come into play, margin is likely to be determined on a `Cost-plus-Risk' criterion, rather than solely on Cost related criteria. Therefore, any short-term effects on profitability are likely to be offset by long-term operation in competitive niches.

b) **Reduction in transaction volume / market share:** A significant part of the demand for power by deficit states utilities are to meet the requirement of the subsidising categories (such as industries etc). However, most states have industries, which have a large captive generating capacity. These captive stations could, in turn, engage in localized trading activity. However, it is expected that the realisation from the other subsidised categories (domestic, irrigation etc) may not make it attractive for the utilities to actively indulge in trading of electricity. This also needs to be viewed against the high variable cost structure of the captive generators, and that captive generators may want to concentrate on their core business areas and requisition services for marketing surplus generation. Over a longer term, various segments of this nature have the potential of developing into new businesses for traders, expanding the size of the market.

c) **Taking Position in market:** Currently, in general, we do not undertake any open position in the market based on forecasted demand and supply conditions. Most of our transactions of Purchase and sale of power are on a back-to-back basis. However, with the market opening up with more players and the resulting competition, we may be required to take open positions in the market. Such positions may expose us to losses that may arise on account of our inability to tie up with either the buyer or the seller, having our self either bought or sold power in anticipation of tying up with the other party.

d) **Different delivery point for purchase and sale of power:** With the development of the Power market, the seller and the buyer of power may want to sell/buy power at a point nearer to him. It may be expected of the trader to wheel the power from the sellers' point to the buyers' point. This, in turn, may involve additional burden on the trader in terms of wheeling charges, transmission and distribution losses etc. Currently, these charges are borne by the sellers and the purchasers and constitute elements of cost recoverable from the buyers. Such developments may have impact on our trading margin and future profitability.

e) **Terms of contract may change and an element of take-or-pay may evolve:** At present, most of our transactions are on a back-to-back basis, wherein we tie up with the buyer and the seller simultaneously eliminating any risk on our part. With the development of the market and the very nature of market being shifted from a short term market to medium/long term market, we may have to enter into agreements with the sellers of power, which may involve any element of take or pay. In the event of our inability to tie up for the power purchased, we may have to bear the consequent losses.

11) Potential Conflict of Interest

National Thermal Power Corporation Limited, one of our promoters holding more than 13% of our pre issue paid up capital, has set up a 100% subsidiary, which is engaged in the business of trading in power, by the name of NTPC Vidyut Vyapar Nigam Limited (NVVN). NVVN has already commenced its business operations. NTPC, in term of our Promoters Agreement, is entitled to nominate one director on our Board.

The Tata Power Company Limited, one of our major shareholders holding more than 16% of our pre issue paid up capital, has set up Tata Power Trading Company Private Limited (TPTCL). In terms of Article 113 of our Articles of Association, every block of 10% shareholding by any shareholder/group of shareholders entitle them to nominate one part time director on our Board.

Competition from these entities and the possible conflict of interest could affect our performance and competitiveness.

12) Operational Risks: Availability and Reliability of transmission facility

While the trading activity is expected to get more competitive with the enactment of the Electricity Act 2003, the transmission system for wheeling of power would continue to be vested primarily with POWERGRID. Similarly, reliability and quality considerations would demand that a firm contract be entered into with the POWERGRID (either by the off-taker or by PTC) to assure uninterrupted power supply from the "seller" to the "buyer". Thus, our performance would be dependent to a greater extent on availability and realibility of transmission facility.

13) For short-term trade transactions undertaken by us, we normally enter into an MOU with the buyer. This is not followed up with any Power Sale Agreement with the buyer. Considering the short duration of the transaction, in most cases security in the nature of letter of credit etc are not insisted upon.There may arise a situation where the buyer may default in its commitment to pay us for the power purchased. In such circumstance, we may have no/limited recourse against the buyer.

14) **Sub- lease deed for purchase of office property not executed**
A tripartite Sub-lease deed in respect of purchase of office premises between The Ministry of Urban development, NBCC and us has been signed by NBCC, and us and lodged with the Ministry of Urban Development for their signature. Pending signing of such agreement, the said property has not been registered in our name.

15) Open Position with respect to sale of Power
We have entered into an agreement with Kurichhu Hydroelectric Power Project, Bhutan, for purchase of power from them till March 31, 2027, i.e., for a period of about 25 years. However, the sale agreement for the same has been entered into for a period of 15 years. Similarly, in the case of Chukha Hydroelectric Project, our purchase agreement is valid till March 31, 2017, i.e., for about 15 years, whereas, the sale agreement has been entered into for 5 years only.

As per the terms of the agreement, all the above agreements are extendable beyond the initial duration of the agreement as the parties may mutually agree. Since the purchase tariff from both these hydro projects are competitive, we have deliberately entered into a shorter period sale agreements with the offtakers to minimize the risk so that in case of delay/default in payment, we may advise Member Secretary, Eastern Region Electricity Board (EREB) to reallocate the share of the defaulting state to some other state, which will be willing to avail of these cheap sources of power.

16) Some of our Key Managerial Personnel (KMP) are on deputation to our Organisation from various other organisations for a period ranging from one to three years. On the expiry of the terms of deputation, they may go back to the parent organisations. Such repatriation of KMP can have impact on our day-to-day functioning due to dependence on such employees.

17) Risks pending execution of power purchase agreements for development of Power
The Company has entered into 15 MOUs with various entities, which are in the process of implementing power projects for the purpose of purchasing power from such entities when the power plant is commissioned. All these MOUs contain a clause to the effect that the MOU shall be valid for a period of two years from its date of execution. However, in the event that within the said period of 2 years the parties fail to finalise the power purchase agreement, the MOUs shall stand terminated, unless otherwise revalidated and mutually agreed by the parties in writing. We believe that the power plants shall be implemented in time and the power purchase agreements will be executed for purchase of power with the respective parties. We are in constant contact with these parties and we have already negotiated the terms of the proposed power purchase agreements with some of these parties.

18) Promoters special rights.

1. The Promoter Agreement dated April 8, 1999 as amended by the Supplemental Agreement dated November 29, 2002, inter alia, stipulate that each of the four promoters of the Company shall maintain at all times its shareholding at 8% of the paid up equity share capital of the Company.

2. Holding of 8% of paid up equity share capital of the Company by the Promoters entitles them to nominate one part-time director on the Board of the Company.

3. The quorum of the Board of Directors shall be three directors or one-third of the total strength of the Board, whichever is higher, provided that there shall be no quorum unless at least nominee directors from each of the Promoters taken together are present.

4. All matters arising at a meeting of the Board shall be decided by majority of votes, except in respect of certain matters including investment of fund and to make loans shall require two-thirds majority of directors, present and voting.

19) We rely primarily on trading income
Sale of electricity is our major source of revenue. Dependence on a single source of revenue may not be a viable proposition in the long run. India, being a power deficit nation, there is a primary risk in identifying sellers with sustainable/ long term surplus in power. Also in the FY 2002-03, inter regional trading of power accounted for just about 2.3% of the total energy consumption in India.

20) Any future equity offerings by us or our existing shareholders, or the issue of options under an employee stock option plan, may lead to dilution of your shareholding in us or affect the market price of our equity shares.

As a purchaser of equity shares in this Issue, you may experience dilution in your shareholding to the extent that we make future equity offerings or issue stock options under any employee stock option plan. Further, sale of our equity shares by our existing shareholders could impact the market price of our equity shares.

EXTERNAL RISK FACTORS

1) Changes in Government Policies

Any change in Government Policies having impact on the Generation, Transmission or Distribution or any other activates related to the Power Sector may have an impact on our business activities.

2) Evolving Regulatory framework

The Electricity Act, 2003, applicable from June 2003, has for the first time recognized trading as separate activities. CERC has been directed to frame guidelines for the issue of Licence for inter-state trading of power. The commission has issue the Draft Regulations for electricity trading on December 09, 2003. Once these regulations are finalised a clear picture will evolve on various aspect and future of our business.

3) Regulation of Trading margins

Under Section 79(1)(j) of the Electricity Act, 2003, the Central Electricity Regulatory Commission and the State Electricity Regulatory Commission have been provided with the right to regulate the trading margins of a trader. Fixation of any such trading margin by CERC/ SERC may have an adverse effect of the profitability of the industry.

4) Competition on account of direct trading between the surplus and deficit unit

Direct trading between the surplus and deficit units is already in existence. The extent of such direct trading in the future and the consequent disintermediation may have an impact on our business.

5) Risk Arising out of Volatility of Capital Markets

1. The prices of our Equity Shares on the stock exchanges may fluctuate as a result of several factors, including:

- Volatility in the Indian and global securities market;
- Our results of operations and performance;
- The market for investments in Power and Power Trading sector
- Performance of the Indian economy
- Significant developments in India's economic liberalization and deregulation policies, specifically those related to Power sector; and
- Significant developments in India's fiscal and environmental regulations.

2. There has been no public market for the Equity Shares of our Company and the prices of the Equity Shares may fluctuate. There can be no assurance that an active trading market for the Equity Shares will develop or be sustained after this Issue or that the prices at which the Equity Shares are sold through this issue will correspond to the prices at which the Equity Shares will trade in the market subsequent to this Issue.

6) Risks arising from changes in taxation policies

Statutory taxes and other levies may affect our margin in the event of our inability to factor such expense in our trading margin. Any increase in any of these taxes or levies, or the imposition of new taxes and levies in the future, may have a material adverse impact on our business, results of operations and financial condition.

Notes:

- Net Offer to the Public of 5,82,49,990 equity shares comprising fresh issue of equity shares of Rs.10 each at a price of Rs.[•] for cash aggregating Rs.[•] lacs
- Investors are advised to refer to the paragraph on "Basis of Issue Price" on page ___ of this Red Herring Prospectus.
- Investors may note that in case of over-subscription in the Issue, allotment shall be on proportionate basis to Retail Bidders and Non-Institutional Bidders. Please refer to the paragraph on "Basis of Allotment" on page ____ of this Red Herring Prospectus.
- The average cost of acquisition of Equity Shares by our Promoter is Rs.10 per Equity Share, and the book value per Equity Share of face value of Rs. 10 each, as of Sept. 30, 2003 was approximately Rs.12.76.
- Under the Promoters Agreement, supplemented on November 29, 2002, wherein we have also signed as a party, the Promoters have individually undertaken to subscribe and pay for upto 8% of our paid up capital subject to a maximum of Rs. 60 crores each at par.
- The net worth of the Company as of Sept. 30, 2003 was Rs.9504.88 lacs.
- Investors are free to contact the BRLM for any clarification or information, who will be obliged to attend to the same.
- Related party transactions for the last three years are as follows:

(Figures in Rs. Lakhs)

Name of the Related Party		**Nature of Transaction**	**For six months ended Sept. 30, 2003**	**For the year ended March 31**		
				2003	**2002**	**2001**
NTPC	Significant influence	Salary, Allowances and other Related payments	45.23	86.44	84.09	81.55
		Directors Sitting fees to nominee Directors	0.10	0.20	0.30	0.35
		Equity contribution	200.00	-	450.00	-
POWERGRID	Significant influence	Salary, Allowances and other Related payments	51.21	80.99	76.23	74.04
		Reimbursement of Expenses on office premises/ utilities	-	18.44	43.77	39.60
		Directors Sitting fees to nominee Directors	0.05	0.35	0.30	0.40
		Sale of Fixed Assets	-	-	-	3.55
		Reimbursement of pre-acquisition project development expenses	-	-	-	67.26
		Equity contribution	-	-	900.00	-
PFC	Significant influence	Salary, Allowances and other Related payments	4.60	-	-	0.30
		Purchase of Fixed Assets	-	-	-	0.39
		Directors Sitting fees to nominee Directors	0.05	0.20	0.20	0.05
		Others	-	-	-	0.52
		Equity contribution	0.00	200.00	450.00	-
NHPC	Significant influence	Salary, Allowances and other Related payments	7.50	15.84	15.33	0.53
		Directors Sitting fees to nominee Directors	0.10	0.05	-	-
		Equity contribution	-	800.00	-	-
DVC	Significant influence	Purchase of Power	8,872.58	3,436.64	-	-
		Sale of Power	2,422.06	1,248.78	-	-
		Directors Sitting fees to nominee Directors	0.10	0.05	-	-
		Equity contribution	0.00	1,000.00	-	-
IDBI	Significant influence	Directors Sitting fees to nominee Directors	0.05	0.00	-	-
		Equity contribution	0.00	500.00	-	-
TPC	Significant influence	Directors Sitting fees to nominee Directors	0.05	0.05	-	-
		Equity contribution	0.00	1,000.00	-	-
Key Management Personnel						
Sh. T.N.Thakur	Chairman & Managing Director	Remuneration	8.71	12.56	8.19	2.49
		Directors Sitting fees	-	-	-	0.25
Sh. Mahendra Kumar	Director (Business Development)	Remuneration	7.26	3.07	-	-
Sh. S.K.Dube	Director (Operations)	Remuneration	5.34	2.81	-	-
		Directors Sitting fees (as nominee Director)	-	-	0.15	0.05

SUMMARY

You should read the following summary with the Risk Factors included from page numbers (__) to (___) and the more detailed information about us and our financial statements included in this Red Herring Prospectus.

We were incorporated on April 16, 1999 under the Companies Act, 1956. We were established with the objective of carrying on the business of purchase of all forms of power/electricity from State Power Utilities, Licensees, Generating Companies, Independent Power Producers, Captive Power Plants etc. and sale of power to the State Power Utilities, Licensees, bulk consumers etc, whether in private and public sector or joint sector undertakings in India and abroad.

Our Promoters

We have been promoted by Powergrid Corp. of India Ltd. (PGCIL – India's largest transmission utility handling majority of inter-state exchange), National Thermal Power Corp. Limited (NTPC – India's largest thermal generator), Power Finance Corporation Limited (PFC – India's leading development financial institution dedicated to the power sector) and National Hydroelectric Power Corporation (NHPC – one of the dominant players in hydro power generation). Other equity holders are the Financial Institutions (IDBI, IDFC, IFCI, GIC and LIC) and power sector majors (The Tata Power Company Limited (TPC) and Damodar Valley Corporation (DVC)).

Nature of Activities

We purchase power from power generating/surplus companies/entities and trade the electric power in an optimum manner and aim to establish an efficient, reliable power trading and distribution system. We are engaged in the business of purchasing, procuring, selling, importing, exporting, trading all forms of electric power and ancillary services on commercial basis and owning, acquiring, establishing, operating and maintaining generating stations and transmission system for supply to bulk power offtakers. We act as agents of public/ private sector enterprises, financial institutions, banks, central government, state governments, etc. engaged in planning of development of power sector. We promote and organise research and development and carry out consultancy services in power sector and related activities.

Our Management

We have a strong management team comprising 12 directors having vast experience in the Power Industry. Our Chairman & Managing Director - Shri Tantra Narayan Thakur has over 25 years of extensive experience in Treasury Management, Financial Management (including Resource Mobilisation, Investment decisions and Appraisal of Projects for Project lending) etc. Before joining PTC, Shri T. N. Thakur was Director (Finance & Financial Operations), Power Finance Corporation Ltd., New Delhi. Our Director (Operations) Shri Sudhindra Kumar Dube has worked with Bokaro Steel, MECON and NTPC. He joined Powergrid in 1991 and has held various responsible positions in Project Construction, Operation & Maintenance, Operation Services, Commercial etc. and joined PTC as a nominee director of the promoter company, Powergrid. Our Director (Business Development), Shri Mahendra Kumar, has experience of over 31 years in the areas of Project Planning, Operation & Maintenance of Transmission Systems, formulation of tariffs for generation and in promotion of a power trading market and has worked with NTPC & POWERGRID in key positions and also with GRIDCO, Orissa, as its Director (Commercial) before joining PTC.

Important Indicators

In the year 2001-02, which was practically our first year of sustained operations, we traded 1617 MUs of power from the surplus to the deficit states of the country. This was increased to 4178 MUs in 2002-03 and to 6900 MUs in 2003-04 till November 30, 2003. This traded volume has been clocked with the participation of 14 sellers and 16 buyers, located in various regions of India. We have expanded the geographical scope of our operations by developing the power market through trading transactions in which counterparties are from all five regions of the country.

The break up of region wise trading volumes of PTC in the last three year is as under:

(Rs. in Lacs)

Regions	**Till Sept 30, 2003**	**2002-2003**	**2001-2002**	**2000-2001**
Purchase	97688	88246	34902	1139
North	27670	39265	4813	1100
South	4115	2530	0	0
East	38141	24178	14614	0
West	6331	15850	15475	39
North East	3799	0	0	0
Cross-Border	17631	6422	0	0
Sales	99874	90038	35403	1139

North	35874	47362	19965	0
South	3156	6379	9498	39
East	13864	6626	0	0
West	39448	29660	5940	1100
North East	3242	0	0	0
Cross-Border*	4289	11	0	0

* Reimport, subsidy from MEA

Source: PTC

Operating Strength

- Our ability to identify potential buyer(s) and seller(s) of power at a particular point/period of time
- Negotiation of price which is acceptable to both the parties
- Facilitating for the physical transfer of power from the seller to the buyer
- Acting as a creditworthy counterpart to the seller of power
- Structuring innovative deals to meet the requirement of parties.

We enjoy a dominant position on account of an early entry that gave us time to develop the market through 'product' innovations to suit the requirements of individual SEBs, which, in turn, helped us establish relationships with SEBs. Our position is further strengthened by PTC being designated as the nodal agency for dealing with inter-country transactions, which are mainly Nepal and Bhutan. We have also signed Memorandum of Understanding (MOUs) with various project developers. These projects would provide us with dedicated, long-term, competitively priced supply sources. At present, we operate basically as a match-trader and do not have any off-take commitments to the seller should the buyer fail to off-take or should we decide to discontinue sale to a buyer.

THE ISSUE

Equity Shares offered:	
Total Equity Shares	5,84,99,990 Equity Shares
Of which:	
Reservation for allotment to permanent employees of PTC	2,50,000 Equity Shares
Therefore,	
Net Offer to the Public	5,82,49,990 Equity Shares
Of which	
• Qualified Institutional Buyers portion	Mandatorily 2,91,24,995 Equity Shares (allocation on a discretionary basis)
• Non-Institutional portion	Minimum of 1,45,62,497 Equity Shares (allocation on a proportionate basis)
• Retail portion	Minimum of 1,45,62,498 Equity Shares (allocation on a proportionate basis)

Under-subscription, if any, in the Non- institutional portion and Retail Portion would be allowed to be met with spill-over from the other categories, at the sole discretion of the Company and BRLMs. In case of Under-subscription in the Qualified Institutional Buyers portion (i.e subscription less than 50% of the net offer to the public), the same shall not be available to other categories and full subscription monies shall be refunded.

Equity Shares outstanding prior to the Issue	9,15,00,010 Equity Shares
Equity Shares outstanding after the Issue	15,00,00,000 Equity Shares
Use of proceeds	We intend to use the net proceeds of the Issue to build a long-term capital base to be able to meet our capital requirements. Please see the section entitled "Objects of the Issue" on page ____ of this Red Herring Prospectus for additional information.

Corporate Information

Power Trading Corporation of India Ltd. was incorporated on April 16, 1999 and obtained Certificate of Commencement of Business on July 15, 1999 under the Companies Act. Our registered office is located at 2nd Floor, NBCC Towers, 15, Bhikaji Cama Place, New Delhi 110 066. Our telephone number is +91-11-51659500(5 lines)/ 51659127-9, 51659260.

Power Trading Corporation of India Limited

(Incorporated on April 16, 1999 under the Companies Act, 1956
and obtained Certificate of Commencement of Business on July 15, 1999)

Registered Office: 2nd Floor, NBCC Towers, 15, Bhikaji Cama Place, New Delhi 110 066
Tel: +91-11-51659500(5 lines), 51659127-9, 51659260; Fax +91-11-51659144
e-mail: info@ptcindia.com

GENERAL INFORMATION

Authority for the Issue

The current Issue has been authorised by a special resolution adopted pursuant to Section 81 (1A) of the Companies Act, at the Annual General Meeting of our shareholders held on May 21, 2003 and board resolutions dated May 14, 2003 and September 16, 2003.

Prohibition by SEBI

We, our Directors, our Promoters, other companies /entities promoted by our Promoters, and companies/entities with which our Directors are associated with as directors, have not been prohibited from accessing the capital markets under any order or direction passed by SEBI. None of our Directors or the persons in control of our Promoter companies have been prohibited from accessing the capital markets or restrained from buying/selling/dealing in securities under any order or direction passed by SEBI.

Eligibility for the Issue

Clause 2.2.2 of the SEBI (Disclosure & Investor Protection) Guidelines, 2000 specifies that,
An unlisted company not complying with any of the conditions specified in Clause 2.2.1 may make an initial public offering (IPO) of equity shares or any other security which may be converted into or exchanged with equity shares at a later date, only if it meets both the conditions (a) and (b) given below:

(a)(i)The issue is made through the book-building process, with at least 50% of the issue size being allotted to the Qualified Institutional Buyers (QIBs), failing which the full subscription monies shall be refunded.

OR

(a)(ii)The "project" has at least 15% participation by Financial Institutions/Scheduled Commercial Banks, of which at least 10% comes from the appraiser(s). In addition to this, at least 10% of the issue size shall be allotted to QIBs, failing which the full subscription monies shall be refunded

AND

(b)(i) The minimum post-issue face value capital of the company shall be Rs. 10 crore

OR

(b)(ii) There shall be a compulsory market-making for at least 2 years from the date of listing of the shares subject to the followings:
1. Market makers undertake to offer buy and sell quotes for a minimum depth of 300 shares;
2. Market makers undertake to ensure that the bid-ask spread (difference between quotations for sale and purchase) for their quotes shall not at any time exceed 10%;
3. The inventory of the market makers on each of such stock exchanges, as on the date of allotment of securities, shall be at least 5% of the proposed issue of the company)

We are eligible for the Issue as we satisfy (b)(i) of the said Clause 2.2.2 and will ensure compliance with (a)(i) of the said Clause 2.2.2 failing which the entire subscription monies shall be refunded.

Disclaimer Clause

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, SBI CAPITAL MARKETS LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI GUIDELINES FOR DISCLOSURES AND INVESTOR PROTECTION AS FOR

THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, SBI CAPITAL MARKETS LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED __________ IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

“

1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.

2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, IT’S DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.

WE CONFIRM THAT:

(A) THE RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

(B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

(C) THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.

3. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID

4. WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.”

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE ROC IN TERMS OF SECTION 60B OF THE ACT. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE ROC IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT.”

THE FILING OF THE RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER, ANY IRREGULARITIES OR LAPSES IN THE RED HERRING PROSPECTUS.

Caution

The Company and the BRLMs accept no responsibility for statements made otherwise than in the Red Herring Prospectus or in the advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information would be doing so at his or her own risk.

The BRLMs accept no responsibility, save to the limited extent as provided in the Underwriting Agreement to be entered into among the Underwriters and us and the Memorandum of Understanding among the BRLMs and us dated January 16, 2004 .

All information shall be made available by us and the BRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centres etc.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other Trust law and who are authorised under their constitution to hold and invest in shares) and to NRIs, FIIs and Foreign Venture Capital Funds Registered with SEBI. This Red Herring Prospectus does not, however, constitute an invitation to subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform him or her self about and to observe any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in New Delhi only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Red Herring Prospectus has been filed with SEBI for observations and SEBI has given its observations and the Red Herring Prospectus has been filed with RoC as per the provisions of the Companies Act. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Disclaimer Clause of the National Stock Exchange of India Limited
(will be completed before ROC filing)

Disclaimer Clause of The Stock Exchange, Mumbai
(will be completed before ROC filing)

Filing

A copy of the Red Herring Prospectus, along with the documents required to be filed under 60B of the Companies Act, will be delivered for registration to the Registrar of the Companies, National Capital Territory of Delhi & Haryana, located at Delhi and a copy of the Prospectus required to be filed under Section 60 of the Companies Act would be delivered for registration with RoC. A copy of the Draft Red Herring Prospectus has been filed with SEBI at Ground Floor, Mittal Court, “A” Wing, Nariman Point, Mumbai 400 021 (Corporation Finanace Department)

Listing

Applications have been made to the National Stock Exchange of India Limited and The Stock Exchange, Mumbai for permission to deal in and for an official quotation of the Equity Shares of our Company.

If the permission to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges mentioned above, we shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within eight days after the date on which we become liable to repay it (i.e. from the date of refusal or within 70 days from the date of Issue Closing Date, whichever is earlier), then the company and every director of the company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within seven working days of finalisation and adoption of the basis of allocation for the Issue.

Impersonation
Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

“Any person who:

- **(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or**

(b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years."

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the Issue amount including devolvement of the underwriters, if any, within 60 days from the Issue Closing Date or if subscription by the QIBs is less than 50% of the net offer to the public, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the Company becomes liable to pay the amount, the Company shall pay interest as per Section 73 of the Companies Act, 1956. If there is any delay in refund of amount collected, the Company and the Directors shall be jointly and severely liable to refund the amount due with interest @15% per annum for the delayed period.

If the number of allottees in the proposed Issue is less than 1,000, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 15 days after the Company becomes liable to pay the amount, the Company shall pay interest at the rate of 15% per annum for the delayed period.

Withdrawal of the Issue

We, in consultation with the BRLMs, reserve the right not to proceed with the issue any time after the Bid / Issue Closing Date, without assigning any reason thereof.

Letters of Allocation or Refund Orders

We shall despatch allotment advice, refund orders and give credit to the Beneficiary Account with Depository Participants and submit the allotment and listing documents to the Stock Exchanges within two working days of finalisation of the basis of allotment. We shall ensure dispatch of refund orders, if any, of value up to Rs.1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs.1,500, if any, by registered post or speed post at the sole or first bidder's sole risk.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, we further undertake that:

- Allotment of Equity Shares shall be made only in dematerialised form within 15 days from the Issue Closing Date;
- Despatch of refund orders shall be done within 15 days from the Issue Closing Date; and
- We shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above) if refund orders are not despatched and/or demat credits are not made to investors within the 15 day time prescribed above.

We will provide adequate funds required for despatch of refund orders or allocation advice to the Registrar to the Issue.

Refunds will be made by cheques, pay orders or demand drafts drawn on a bank appointed by us, as a Refund Banker and payable at par at places where bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the bidders.

Issue Programme

Bidding Period / Issue Period

BID / ISSUE OPENS ON	
BID / ISSUE CLOSES ON	

Bids and any revision in bids shall be accepted **only between 10 a.m. and 3 p.m**. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid Closing Date, the Bids shall be accepted **only between 10 a.m. and 1 PM** (Indian Standard Time) and uploaded till such time as permitted by the BSE and NSE on the Issue Closing Date. In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 13 days.

Book Running Lead Manager (BRLM)

	SBI CAPITAL MARKETS LIMITED 202, Maker Tower 'E' Cuffe Parade Mumbai – 400 005 Tel: +91 – 22 – 2218 9166 Fax: +91 – 22 – 2218 8332 Email: ptc.ipo@sbicaps.com

ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED

801/802, Dalamal Towers,
Nariman Point,
Mumbai 400 021
Tel: +91 – 22 – 5638 1800
Fax: +91 – 22 – 2284 6824
Email: ptcipo@enam.com

Co-Book Running Lead Manager (Co-BRLM)

KJMC GLOBAL MARKET (INDIA) LTD.

168, Atlanta, 16th Floor,
Nariman Point, Mumbai 400 021
Tel: +91 – 22 – 2288 5201
Fax: +91 – 22 – 2285 2892
Email: rajesh@kjmc.com

STATEMENT OF INTER-SE ALLOCATION OF RESPONSIBILITIES AMONGST BRLMs

The responsibilities and co-ordination for various activities in this Issue have been distributed amongst the BRLMs as under:

Sr. No.	Activities	Responsibilities	Co-ordinator
1.	Capital structuring with the relative components and formalities such as type of Instruments etc.	SBICAP	SBICAP
2.	Due diligence of the Company's operations/ management/ business plans/ legal etc.	SBICAP	SBICAP
3.	Drafting and Design of Red Herring Prospectus and of statutory advertisement including memorandum containing salient features of the Prospectus. The BRLM shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, Registrar of Companies and SEBI.	SBICAP	SBICAP
4.	Drafting and approval of all publicity material other than statutory advertisement as mentioned in (3) above including corporate advertisement, brochure, etc.	SBICAP	SBICAP
5.	Selection of various agencies connected with the Issue, including Registrar, Printers, Advertising Agency, Bankers to the Issue etc.	SBICAP	SBICAP
6.	Company positioning Pre-marketing exercise	SBICAP, ENAM, KJMC	ENAM
7.	Formulate the Marketing Strategy to tap respective investor categories including • Domestic and Foreign Institutional Investors • Retail Investors • HNIs, Domestic Corporates, etc.	SBICAP, ENAM, KJMC	ENAM
8.	Marketing of the issue, which will cover *inter alia,* • Formulate marketing strategy • Preparation of publicity budget • Finalise Media and PR strategy • Finalising centers for holding conferences for brokers, press, etc. • Follow-up on distribution of publicity and issue material including form, prospectus and deciding on the quantum of the issue material.	SBICAP, ENAM, KJMC	ENAM
9.	Running the Book, Deciding pricing and Finalising institutional allocation of shares, in consultation with the Company; Intimation of allocation	SBICAP, ENAM, KJMC	SBICAP
10.	Finalization of Prospectus and RoC Filing etc.	SBICAP	SBICAP
11.	The post bidding activities including, Management of escrow accounts, Co-ordinate non-institutional allocation, intimation of allocation, Dispatch of refund to bidders etc.	KJMC	KJMC

12.	The post issue activities for the Issue will involve essential follow up steps, which include the finalization of listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as the Registrars to the Issue, bankers to the Issue and the bank handling refund business. Even if many of these activities will be handled by other intermediaries, the designated BRLM shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with the Company.	KJMC	KJMC

Syndicate Members

(will be completed before RoC filing)

Registered Office
Power Trading Corporation of India Limited
2nd Floor, NBCC Towers,
15, Bhikaji Cama Place,
New Delhi 110 066
Tel: +91-11-5165 9500
Fax +91-11-5165 9144

Compliance Officer and Company Secretary

Mr. Rajiv Maheshwari
Company Secretary
Power Trading Corporation of India Limited
2nd Floor, NBCC Towers,
15, Bhikaji Cama Place,
New Delhi 110 066
Tel: +91-11-5165 9500/ 5159 5121
Fax +91-11-5165 9144
e-mail: rajivmaheshwari@ptcindia.com

Investors can contact the Compliance Officer in case of any pre-issue or post-issue related problems such as non-receipt of letters of allocation, credit of allotted shares in the respective beneficiary account or refund orders, etc.

Registrar to the Issue

MCS Limited
Sri Venkatesh Bhavan
W-40, Okhla Industrial Area,
Phase II, New Delhi 110 020
Tel. : +91- 011 2638 4909
Fax. : +91- 011 2638 4907
e-mail: mcsdel@vsnl.com
Contact Person: Shri K. R. Menon, Executive Director

Legal Advisors to the Issue

Crawford Bayley & Co.
Advocates, Solicitors & Notaries
State Bank Building, 4th Floor,
N.G. N. Vaidya Marg,
Fort, Mumbai 400 023
Tel. : +91- 22-22663713
Fax. : +91-22-22660355

Auditors
D.C.G & CO.
Chartered Accountant
4819, Mathur lane,
24, Ansari Road,
Darya Ganj, Delhi,
New Delhi -110002
Phone: +91 011-23260384
Fax: +91 011-23267234

Banker to the Issue and Escrow Collection Bankers

[•]

Bankers to the Company
Citibank N.A,
Jeevan Vihar,
3, Sansad Marg,
New Delhi - 110001

IDBI Bank Ltd,
Surya Kiran Bldg.,
19 K.G.Marg,
New Delhi – 110001.

ICICI Bank Ltd,
Corporate Branch,
9A, Phelps Building,
Connaught Place,
New Delhi – 110001.

American Express Bank Ltd.
Hamilton House,
A Block
Connaught Place
New Delhi – 110001

Indian Overseas Bank,
'Jeevan Deep'
10, Parliament Street
New Delhi

Canara Bank
74, Janapath,
New Delhi-110001

Corporation Bank
3, Ansal Chambers-I,
Bhikaji Cama Place,
New Delhi – 110066

State Bank Of India
CAG Branch
11th Floor, Jawahar Vyapar Bhwwan
Janpath,
New Delhi - 110001

Credit Rating

As the Issue is of equity shares, a credit rating is not required.

Trustees
As the Issue is of Equity Shares, the appointment of Trustees is not required.

Book Building Process

Book Building refers to the process of collection of bids from investors on the basis of the Red Herring Prospectus including the Price Band. The Issue Price is fixed after the Bid Closing Date. The principal parties involved in the Book Building Process are:

(1) The Company

(2) Book Running Lead Managers, in this case being SBI Capital Markets Limited, ENAM, and KJMC Global Markets (I) Ltd.

(3) Syndicate Members, who are intermediaries registered with SEBI, and eligible to act as underwriters. Syndicate Members are appointed by the BRLMs/ Issuer

(4) Registrar to the Issue

SEBI, through its guidelines, has permitted an Issue of securities to the public through 100% Book Building Process, wherein: (i) not less than 50% of the net offer to the public shall be allocated on a discretionary basis to QIBs (ii) not less than 25% of the net offer to the public shall be available for allocation on a proportionate basis to the Retail Individual bidders i.e. Individual Bidders (including HUFs and NRIs) whose maximum Bid amount is not more than Rs. 50,000/- and (iii) not less than 25% of the net offer to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price. The Issue Price will be ascertained after the Bid Closing Date.

In addition to the above, in terms of clause 2.2.2 of SEBI (DIP) Guidelines, 2000, at least 50% of net offer to the public (i.e. 2,91,24,995) shall be mandatorily allotted to QIBs failing which the full subscription monies shall be refunded.

Our Company shall comply with guidelines issued by SEBI for this Issue. In this regard, our Company has appointed SBI Capital Markets Limited and ENAM as the Book Running Lead Managers and KJMC as Co- Book Running Lead Manager (collectively being referred to as BRLMs) to the Issue to procure subscription to the Issue.

The process of book building, under SEBI guidelines, is relatively new and the investors are advised to make their own judgement about investment through this process of book building prior to making a Bid in the Issue.

Steps to be taken for bidding:

1. Check eligibility for bidding (please refer to the section "Issue Procedure- Who Can Bid" on page ___ of this Red Herring Prospectus);
2. Ensure that the bidder has a demat account; and
3. Ensure that the Bid-cum-Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid-cum-Application Form.

Underwriting Agreement

After the determination of the Issue Price and allocation of our Equity shares but prior to filing of the Prospectus with RoC, our Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be issued through the Issue. It is proposed that, pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

(This portion has been intentionally left blank and will be filled in before filing of the Prospectus with RoC)

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in Lacs)
SBI Capital Markets Limited 202, Maker Tower 'E' Cuffe Parade Mumbai – 400 005		[•]
ENAM Financial Consultants Private Limited 801/802, Dalamal Towers, Nariman Point Mumbai 400 021		[•]
KJMC Global Market (India) Ltd. 168, Atlanta, 16th Floor, Nariman Point, Mumbai 400 021		[•]
Other Syndicate Members (*to be added before RoC filing*)		[•]

The above mentioned amount is indicative underwriting and this would be finalized after pricing and actual allocation. The above underwriting agreement is dated [•]

In the opinion of the Board of Directors of our Company (based on a certificate given to them by BRLMs and the Syndicate Members), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act. The above Underwriting Agreement has been accepted by the Board of Directors of our Company at their meeting held on [*], 2004 and our Company has issued letters of acceptance to the Underwriters.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLMs and the Syndicate members shall be severally responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default, the respective underwriter in addition to other obligations to be defined in the Underwriting Agreement, will also be required to procure / subscribe to the extent of the defaulted amount. Allocation to QIBs is discretionary as per the terms of the Red Herring Prospectus and may not be proportionate in any way and the patterns of allocation to the QIBs could be different for the various Underwriters.

CAPITAL STRUCTURE

SHARE CAPITAL as of December 31, 2003			**(Rs. Lacs)**
		Face Value	**Total Value Including Premium**
A. Authorised Capital			
75,00,00,000	Equity Shares of Rs. 10 each	75000.00	75000.00
B. Issued Subscribed And Paid-Up Capital			
9,15,00,010	Equity Shares of Rs. 10 each fully paid-up	9150.00	9300.00
C. Share Application Money Pending Allotment			
	Share Application Money Pending Allotment	NIL	NIL
D. Present Issue to the public in terms of this Draft Red Herring Prospectus			
5,84,99,990	Equity Shares of Rs. 10 each	5850.00	[•]
E. Out of which			
2,50,000	Equity Shares of Rs. 10 each are reserved for allotment to our permanent employees.	25.00	[•]
F. Net Offer to Indian Public			
5,82,49,990	Equity Shares of Rs. 10 each	5825.00	[•]
G. Equity Capital after the Issue			
15,00,00,000	Equity Shares of Rs. 10 each	15000.00	[•]
H. Share Premium Account			
	Before the Issue		150.00
	After the Issue		[•]

Our authorised share capital was increased from Rs. 15000 lacs divided into 1500 lac Equity Shares of Rs. 10 each to Rs. 75000 lacs divided into 7500 lac Equity Shares of Rs. 10 each through a special resolution passed at our Extra Ordinary General Meeting held on November 29, 2002.

Notes to the Capital Structure:

Share Capital History:

Date of Allotment	Number of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration (cash, bonus, consideration other than cash)	Reasons for allotment (bonus, swap etc.)	Cumulative Share Premium (Rs.)
August 20, 1999	8	10	10	Cash	Subscription to shares on signing of MoA	Nil
August 20, 1999	60,00,002	10	10	Cash	Preferential allotment	Nil
May 28, 2001	1,80,00,000	10	10	Cash	Preferential allotment	Nil
November 14, 2002	60,00,000	10	10	Cash	Preferential allotment	Nil
January 15, 2003	55,00,000	10	10	Cash	Preferential allotment	Nil
January 16, 2003	37,50,000	10	10	Cash	Preferential allotment	Nil
January 17, 2003	1,40,00,000	10	10	Cash	Preferential allotment	Nil
March 10, 2003	95,00,000	10	10	Cash	Preferential allotment	Nil
March 11, 2003	37,50,000	10	10	Cash	Preferential allotment	Nil
March 25, 2003	60,00,000	10	10	Cash	Preferential allotment	Nil
April 21, 2003	20,00,000	10	10	Cash	Preferential allotment	Nil
December 03, 2003	40,00,000	10	10	Cash	Preferential allotment	Nil
December 05, 2003	40,00,000	10	10	Cash	Preferential allotment	Nil
December 29, 2003	40,00,000	10	10	Cash	Preferential allotment	Nil
December 29, 2003	50,00,000	10	13	Cash	Preferential allotment	1,50,00,000
Total	**9,15,00,010**					

1) Promoters Contribution and Lock-in

Name of the Promoter	Date on which Equity Shares were allotted and made fully paid-up	Nature of payment of consideration	Number of Equity Shares	Par Value	Issue Price	Percentage of Paid-up Capital		Lock-in Period
						Pre-Issue	Post Issue	
				Rs.	Rs.	%	%	
POWERGRID	August 20, 1999	Cash	10 Lacs	10	10	1.09	0.67	1 Year
	August 20, 1999	Cash	20 Lacs	10	10	2.19	1.33	3 Years
	May 28, 2001	Cash	90 Lacs	10	10	9.84	6.00	3 Years
NTPC Ltd.	August 20, 1999	Cash	5 Lacs	10	10	0.55	0.33	1 Years
	August 20, 1999	Cash	10 Lacs	10	10	1.09	0.67	3 Years
	May 28, 2001	Cash	45 Lacs	10	10	4.92	3.00	3 Years
	April 21, 2003	Cash	20 Lacs	10	10	2.19	1.33	1 Year
	December 03, 2003	Cash	40 Lacs	10	10	4.37	2.67	1 Year
PFC Ltd.	August 20, 1999	Cash	5 Lacs	10	10	0.55	0.33	1 Year
	August 20, 1999	Cash	10 Lacs	10	10	1.09	0.67	3 Years
	May 28, 2001	Cash	45 Lacs	10	10	4.92	3.00	3 Years
	March 25, 2003	Cash	20 Lacs	10	10	2.19	1.33	1 Year
	December 05, 2003	Cash	40 Lacs	10	10	4.37	2.67	1 Year
NHPC Ltd.	January 17, 2003	Cash	80 Lacs	10	10	8.74	5.33	3 Years
	December 29, 2003	Cash	40Lacs	10	10	4.37	2.67	1 Year
Total			**480 Lacs**			**52.46**	**32.00**	

7.33 % shareholding of POWERGRID, 3.67 % shareholding of NTPC, 3.67 % shareholding of PFC & 5.33 % shareholding of NHPC aggregating 20% of our post –issue capital would be locked in for a period of 3 years commencing from the date of allotment of Equity Shares Issued through this Issue as we have already commenced commercial operations. The Promoters may pledge its Equity Shares with banks or financial institutions as additional security for loans whenever availed by it from banks or financial institutions.

Our entire pre-issue share capital other than that locked-in as promoter's contribution shall be locked in for the period of 1 year from the date of allotment in this Issue.

POWERGRID, NTPC, PFC, NHPC has given its approval for lock-in of their shareholding as specified above, vide their letter dated January 12, 2004, January 07, 2004, January 12, 2004 and January 08, 2004 respectively.

POWERGRID, NTPC, PFC and NHPC are government companies in terms of section 617 of the Companies Act. There are no natural persons, who hold more than 10% of the equity capital of POWERGRID, NTPC, PFC and NHPC.

POWERGRID, NTPC, PFC and NHPC, our Promoters, and their directors have not purchased or sold any Equity Shares from the market during a period of six months preceding the date on which the draft Red Herring Prospectus is filed with SEBI save as disclosed below:

Two equity shares of Rs. 10 each at par were transferred in the month of July 2003 from Shri R.D. Kakkar, Ex Director, PTC to Shri J. Haque, Executive Director (OS), POWERGRID.

2) Shareholding Pattern

Shareholding pattern of the Company before and after the Issue:

Category	Pre-Issue		Post-Issue	
	Number of Equity Shares	Percentage (%)	Number of Equity Shares	Percentage (%)
Promoters	**48,000,000**	**52.45**	**48,00,000**	**32.00**
Powergrid Corporation of India Ltd.	12,000,000	13.11	12,000,000	8.00
National Thermal Power Corporation Ltd.	12,000,000	13.11	12,000,000	8.00
Power Finance Corporation Ltd.	12,000,000	13.11	12,000,000	8.00
National Hydrolectric Power Corporation Ltd.	12,000,000	13.11	12,000,000	8.00
Other Shareholders :	**43,500,010**	**47.55**	**102,000,000**	**68.00**

The Tata Power Company Ltd.	15,000,000	16.39	15,000,000	10.00
Damodar Valley Corporation	10,000,000	10.92	10,000,000	6.67
Industrial Development Bank of India	5,000,000	5.46	5,000,000	3.33
Infrastructure Development Finance Company Ltd.	5,000,000	5.46	5,000,000	3.33
Life Insurance Corporation of India	4,000,000	4.37	4,000,000	2.67
IFCI Ltd.	2,500,000	2.37	2,500,000	1.67
GIC	2,000,000	2.18	2,000,000	1.33
Public (including reservation)	10	0.00	58,500,000	39.00
Total	**91,500,010**	**100.00**	**150,000,000**	**100.00**

3) **Equity Shares held by the top ten shareholders**

The list of top 10 shareholders of the Company and the number of Equity Shares held by them is as follows:

a) Top ten shareholders on the date of and ten days prior to the date of filing of the Draft Red Herring Prospectus with SEBI is as follows:

Sr. No.	Name of the Shareholders	Number of equity shares allotted
1	The Tata Power Company Ltd.	15,000,000
2	Powergrid Corporation of India Ltd.	12,000,000
2	National Thermal Power Corporation Ltd.	12,000,000
2	Power Finance Corporation Ltd.	12,000,000
2	National Hydro-electric Power Corporation Ltd.	12,000,000
6	Damodar Valley Corporation	10,000,000
7	Industrial Development Bank of India	5,000,000
8	Infrastructure Development Finance Company Ltd.	5,000,000
9	Life Insurance Corporation of India	4,000,000
10	IFCI Ltd.	2,500,000
	TOTAL	89,500,000

(to be updated at the time of filing the Red Herring Prospectus with the RoC)

b) Top ten shareholders two years prior to filing the draft Red Herring Prospectus with SEBI is as follows:

Sr. No.	Name of the Shareholders	Number of Equity Shares
1	Powergrid Corporation of India Ltd.	3,000,000
2	National Thermal Power Corporation Ltd.	1,500,000
3	Power Finance Corporation Ltd.	1,500,000
4	Public	10
	TOTAL	6,000,010

(to be updated at the time of filing the Red Herring Prospectus with the RoC)

As of the date of the draft Red Herring Prospectus, there are no outstanding financial instruments or any other right, which would entitle the existing promoters or shareholders, or any other person any option to receive equity shares after IPO, though it may be noted that, under the promoter's agreement to which we are also a party, the promoters have committed subject to a maximum of Rs. 60 crore each, to subscribe to and pay for 8% of our paid up capital (i.e a total of 32% by all the promoters). However, we undertake that all future issue of shares to our promoters, if any, will be in accordance with the extant regulations.

5) Buyback and Standby Arrangements

We, our Directors and the BRLMs have not entered into any buy-back and/or standby arrangements for purchase of Equity Shares of the Company from any person.

6) We have not raised any bridge loan against the proceeds of this Issue.

7) Unsubscribed portion if any in the reserved category shall be added to back to the net offer to the public. In case of under-subscription in the net offer to the public portion spillover to the extent of undersubscription shall be permitted from the reserved category to the net public offer portion subject to 50% of the net offer to the public being mandatorily allotted to QIBs.

8) In case of over-subscription in all categories, at least 50% of net offer to public shall be mandatorily allocated on a discretionary basis to Qualified Institutional Buyers, further, not less than 25% of the net offer to public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 25% of the net offer to public shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid bids being received at or above the Issue Price. Under-subscription, if any, in the Non-Institutional and Retail categories would be allowed to be met with spill over from any other category at the sole discretion of the Company and the BRLMs.

9) A Bidder cannot make a Bid for more than the number of Equity Shares Issued through the Issue, i.e., 5,84,99,990 Equity Shares, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor. **However, allotment to a single Bidder would not exceed 25% of our paid-up capital**.

10) During the last one year, we have issued 3,82,50,000 equity shares of face value of Rs. 10 each, the details of which are as follows:

Sr. No.	Name	Date of Allotment	No. of Shares Alloted	Whether part of Promoter Group	Reason for such issue	Issue Price per share (Rs.)
1	DVC	March 10, 2003	40,00,000	No	Perferential Issue	10
2.	IDFC	March 10, 2003	25,00,000	No	Perferential Issue	10
3.	LIC	March 10, 2003	20,00,000	No	Perferential Issue	10
4.	GIC	March 10, 2003	10,00,000	No	Perferential Issue	10
5.	IDBI	March 11, 2003	25,00,000	No	Perferential Issue	10
6.	IFCI	March 11, 2003	12,50,000	No	Perferential Issue	10
7.	TPC	March 25, 2003	40,00,000	No	Perferential Issue	10
8.	PFC	March 25, 2003	20,00,000	Yes	Perferential Issue	10
9.	NTPC	April 21, 2003	20,00,000	Yes	Perferential Issue	10
10.	NTPC	December 03, 2003	40,00,000	Yes	Perferential Issue	10
11.	PFC	December 05, 2003	40,00,000	Yes	Perferential Issue	10
12.	NHPC	December 29, 2003	40,00,000	Yes	Perferential Issue	10
13.	TPC	December 29, 2003	50,00,000	No	Perferential Issue	13
	Total		3,82,50,000			

11) There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of the draft Red Herring Prospectus with SEBI until the Equity Shares offered through this draft Red Herring Prospectus have been listed or application monies refunded on account of non-listing/undersubscription.

12) We presently do not have any intention or proposal to alter our capital structure for a period of six months from the date of opening of the Issue, by way of split/ consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into exchangeable, directly or indirectly, for our Equity Shares) whether preferential or otherwise (except ESOPs, if any).

13) We have not issued any Equity Shares out of revaluation reserves or for consideration other than cash. For details please refer to note no.1 given under this section.

13) At any given point of time, there shall be only one denomination for the Equity Shares of our Company and the Company shall comply with such disclosure and accounting norms specified by SEBI from time to time

14) The Company had 16 members as of the date of filing of the draft Red Herring Prospectus with SEBI.

OBJECTS FOR THE ISSUE

The net proceeds of this issue after deducting underwriting and management fees, selling fees and all other issue related expenses payable by us is estimated at Rs [•] lacs. We intend to utilise net proceeds of this Issue to build a long-term capital base to be able to meet our capital requirements
As a result of this Issue, we also expect to provide greater liquidity to our strategic and financial shareholders.

BUSINESS

OVERVIEW

The Government of India (GoI) in the year 1998 issued the Mega Power Policy under which large projects (over 1000 MW and multi-state offtake) were proposed to be set-up. Mega power projects (MPPs) were provided various fiscal incentives and the projects were structured to sell power to multiple states. It was expected that the MPPs would provide cheap power, by virtue of economies of scale and the admissible fiscal incentives, to reforming states. Since multiple states were involved it was felt that a central facilitating agency needs to be established, which could provide a single point contact for the MPPs and offtakers and smoothen the process of development of these projects, while managing the credit risk for the developer.

This was the origination of Power Trading Corporation (PTC). Our initial mandate was to catalyze the development of mega power projects by acting as a credit worthy intermediary between the generators and the financially distressed SEBs. As major projects did not take off because of concerns about the weak credit profile of the State Power Utilities, we looked at our mandate of managing the risk through the alternative means of developing a liquid and deep power market, where a multi-buyer model could be successfully implemented.

Factors providing us trading opportunity are:

1) Development of Mega power projects, where we could enter into agreement with the generator for offtake of power after having identified and tied down for the sale of the same with buyers;
2) Existence of demand supply mismatch
   a) power utilities having seasonal/ daily surplus/deficit due to difference in load pattern, different supply mix, weather difference etc.
   b) huge generation capacity in certain regions without adequate committed offtake
3) Opportunities available from export of power from neighboring region of Nepal, Bhutan and Bangladesh.
4) The introduction of Availability Based Tariff (ABT) regime, wherein the utilities are required to pay fixed charges in proportion to the energy allocated to them from an inter-state/ Central sectoral plant irrespective of the actual consumption of power. The utilities, thus had an incentive to sell surplus power, for which they would have to pay fixed charges, to avoid incurring losses.

Looking at its larger mandate, we have since articulated our Statement of Purpose:

"To be a frontrunner in power trading by establishing a vibrant power market and striving to correct market distortions."

We have sought to achieve this purpose through ethical operations and the highest standards of corporate governance. Our most significant core value is `Transparency', which is well recognized by our business partners and other stakeholders. Our Mission covers the following keystones;

- Develop power market for optimal utilization of energy.
- Promote power trading to optimally utilize the existing resources.
- Catalyze development of power projects particularly environment friendly Hydro Projects.
- Promote exchange of power with neighbouring countries.

We were incorporated on April 16, 1999 under the Companies Act, 1956. We were established with the objective of carrying on the business of purchase of all forms of power/electricity from State Power Utilities, Licensees, Generating Companies, Independent Power Producers, Captive Power Plants etc. and sale of power to the State Power Utilities, Licensees, bulk consumers etc, whether in private and public sector or joint sector undertakings in India and abroad.

We enjoy a dominant position on account of early entry that gave it time to develop the market through 'product' innovations to suit the requirements of individual SEBs, which, in turn, helped us establish relationships with SEBs. The dominant position is further strengthened by PTC being designated as the nodal agency for dealing with inter-country transactions, which are mainly Nepal and Bhutan. We have also signed Memorandum of Understanding (MOUs) with various competitively priced project developers. These projects would provide us with dedicated, long-term, competitively priced supply sources. At present, we operate basically as a match-trader and do not have any off-take commitments to the seller should the buyer fail to off-take or should we decide to discontinue sale to a buyer.

Our corporate objectives are delineated below:

- To plan, promote and take up necessary developmental work for the power sector, purchase power from generating companies and trade the electric power in an optimum manner;
- To plan, promote, develop and establish an efficient, reliable power trading and distribution system, policies and procedures;
- To engage in business of purchasing, procuring, selling, importing, exporting, trading all forms of electric power and ancillary services on commercial basis
- To own, acquire, establish, operate and maintain generating stations and transmission system for supply to bulk power offtakers;
- To act as an agent of public/ private sector enterprises, financial institutions, banks, central government, state governments, etc. engaged in planning and development of power sector;
- To promote and organise research and development and to carry out consultancy services in power sector and related activities.

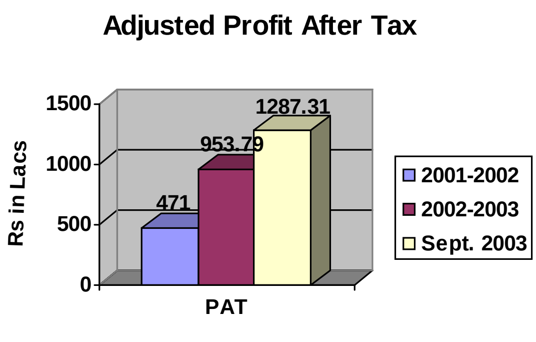
Our promoters are Powergrid Corp. of India Ltd. (PGCIL – India's largest transmission utility handling majority of inter-state exchange), National Thermal Power Corp. Limited (NTPC – India's largest thermal generator), Power Finance Corporation Limited (PFC – India's leading development financial institution dedicated to the power sector) and National Hydroelectric Power Corporation (NHPC – one of the dominant players in Hydro Power Generation). Other equity holders are the Financial Institutions (IDBI, IDFC, IFCI, GIC and LIC) and power sector majors (The Tata Power Company Limited (TPC) and Damodar Valley Corporation (DVC)). The current authorised share capital of the company is Rs 75000 lacs, while the paid-up capital is Rs. 9150 lacs. The promoters' contribution towards equity share capital stands at Rs. 4800 lacs, and the promoters have given a commitment for collectively subscribing equity at par to the extent of 32% (i.e. 8% each) upto a level equal to the authorized capital of Rs. 75000 lacs.

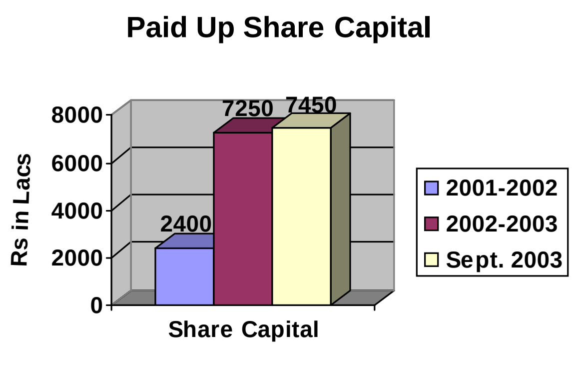
The highlights of PTC's operations in the last three years and current six month period are as follows:

Rs in lacs except MU traded figures

Parameter	2003-04 (up to Sep. 30, 2003)	2002-03	2001-02	2000-01
MUs traded	4818	4178	1617	43.77
Revenues	1,02,218.91	92,693.61	36,639.89	1,251.91
PBT & Extra ordinary items	1,910.01	1,955.22	765.89	(10.69)
Adjusted Profit after Tax	1,287.31	953.79	471.00	(251.21)
Share Capital	7450	7250	2400	600

Note: We have issued 40 lac shares each to NTPC, NHPC and PFC, our Promoters, at par in December 2003. We have further issued 50 lac shares to The Tata Power Company Limited at a premium of Rs. 3 per share in December 2003 aggregating to Rs. 6.5 crore.





In the year 2001-02, which was practically our first year of sustained operations, we traded 1617 MUs of power from the surplus to the deficit states of the country. The bulk of the power traded was through a number of contracts for trading of power primarily by buying power from West Bengal Power Development Corporation Limited, Malana in Himachal Pradesh, Goa and the newly formed Chhattisgarh State Electricity Board. In the process, we added new products to our portfolio by a ***strong customer focus*** in all our activities. In 2002-03, the number of utilities participating in trading transactions increased further, besides the product mix was also becoming more diverse. In the current financial year, by end-November, 2003, we have traded over 6900 MUs of power. This traded volume has been clocked with the participation of 14 sellers and 16 buyers, located in various regions of India. We have expanded the geographical scope of our operations by developing the power market through trading transactions in which counterparties are from all five regions of the country.

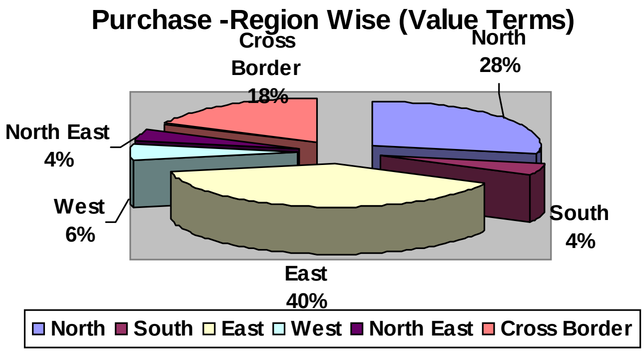
The break up of our trading volume region wise in the last three year are:

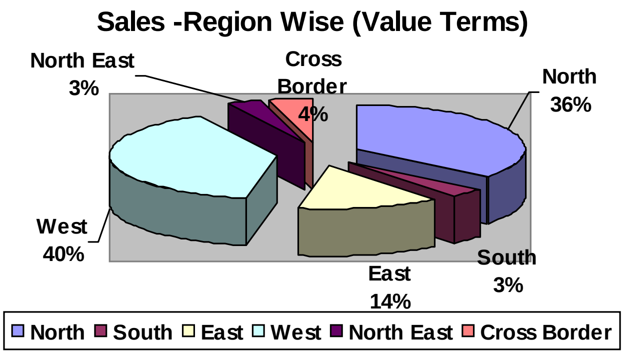
(Rs. in Lacs)

Regions	Till Sept 30, 2003	2002-2003	2001-2002	2000-2001
Purchase	**97688**	**88246**	**34902**	**1139**
North	27670	39265	4813	1100
South	4115	2530	0	0
East	38141	24178	14614	0
West	6331	15850	15475	39
North East	3799	0	0	0
Cross-Border	17631	6422	0	0
Sales	**99874**	**90038**	**35403**	**1139**
North	35874	47362	19965	0
South	3156	6379	9498	39
East	13864	6626	0	0
West	39448	29660	5940	1100
North East	3242	0	0	0
Cross-Border*	4289	11	0	0

* Reimport, subsidy from MEA

Source: PTC





INDUSTRY BACKGROUND

Power is one of the prime movers of economic development. The level of availability and accessibility of affordable and quality power is also one of the main determinants of the quality of life. The Government has, since Independence, been giving priority to this sector while fixing the Plan outlays. As a result, the installed generation capacity has risen from around 1,300 megawatt (MW) at the time of Independence to more than 1,00,000 MW today. Along with the growth in installed generation capacity, there has also been a phenomenal and required matching increase in the transmission and distribution (T&D) capacity. However, despite these achievements, the power sector has not kept pace with the growth in demand with the result that the country has been facing energy and peaking shortages. The gap between supply and demand of power has widened over time, with a reported energy gap of 8.8% and peak demand shortage of 12.2% during 2002-03.

The State Electricity Boards (SEBs) have played a significant role in the generation and supply of power, however, the present financial health of the SEBs is not sound. This is mainly due to un-economic average levels of tariff in view of subsidized rates for agriculture & lower slabs of domestic consumption and high levels of losses – both technical and commercial (theft, erroneous billing, low collection efficiency etc.). The SEBs being monolithic monopolistic players have posed the main roadblock to attracting the much-needed private investment and, in fact, their low financial credibility and payment ability have been some of the main reasons for the shortfall in capacity addition from private sector projects during the Ninth Plan. The actual capacity addition during the Ninth Plan was 19,015 MW against a target of 40,245 MW. The other major reasons for shortfall in the capacity addition were operational and procedural delays such as those in land acquisition and granting of statutory clearances, unresolved issues in fuel linkages, contractual problems, resettlement and rehabilitation (R&R) problems and law and order issues.

Source: Tenth Power Plan

Segments in Power Industry

Essentially, the delivery of electric power to the doorstep / wall-socket of the end-consumer is the result of interplay of three major segments of the generation and delivery chain:

- Generation – this segment involves generation of electric power from fossil fuels like gas, coal, oil etc., renewable energy sources covering different forms such as solar, wind, biomass, small hydro, geo-thermal, tidal, wave etc., and nuclear matter using various technologies .
- Transmission – evacuation of power from the generation facilities at high voltage (HT) levels over relatively long distances and its delivery in bulk quantities to the receiving facilities of the local distributor.
- Distribution / Supply –receipt of bulk power from the transmission facilities, and supply to end-consumers within a (contiguous) local geographical unit at lower voltage levels. The entities in this segment constitute the retail interface of the industry and address supply, quality, billing and issues typical to the end consumer.

Traditionally, the power industry has been dominated by large, government owned monolithic entities, with operations spanning all three segments of the delivery chain. Private players have had a limited presence. The ownership of the monoliths lies both with the Central and the State Governments, as power is a subject under the Concurrent List of the Constitution of India. Therefore, we have the State Power Utilities (SPUs) or State Electricity Boards (SEBs) owning generation, transmission and distribution under the respective State Governments' control, and the Central Generating Stations (CGSs) of entities like NTPC, NHPC and NEEPCO etc. under the control of the Central Government. In the generation capacity of the CGSs, the beneficiary states have pre-allocated shares as decided by the GoI at Tariffs determined by the CERC from time to time.

Structure of Sector Operations & Evolution of Trading

The operations of the Indian power industry are organized by dividing the country into five `power regions' (namely North, South, West, East and North-East). Power generation projects have traditionally been planned and set up based on the projected demand in the regions they were meant to service and also depending on the availability of the fuel/natural resource required for generation of power. However, the long gestation periods of these projects has often resulted in demand-supply mismatches, including those on account of reasons such as actual growth in demand differing from anticipated growth, changes in the consumer mix, changes in the usage profile of a class of consumers or then the projects themselves encountering time overruns. Also, some amount of demand-supply mismatches have arisen from the fact that some of the power generation projects were undertaken in regions where the necessary resources required for generation such as coal field, water resources etc. were available and not necessarily adequate demand or power distribution infrastructure. Thus, while surplus energy has been available in the power system at certain times with some of the constituents, there has been a shortfall of energy experienced by others. It is this phenomenon, like in the case of any other industry that has resulted in the concept of, exchange of power between regions having a surplus and regions facing a deficit. Such transactions have now become a feasible possibility with the coming up of some of the requisite infrastructure, and are expected to become the order of the day in view of the economics of setting up generation projects near the source of fuel and transmission of power generated to the load centers. When the exchange of power / energy is structured with commercial mechanisms, a trading transaction occurs, which then delivers value for the mutual benefit of counter-parties.

Scope for Power Trading

In the context of trading of power and its future potential, it would be pertinent to note the current status and expected trend in capacity addition / location and its comparision with the envisaged consumption.

All India Installed Capacity

(MW, as at end July 2003)

	Hydro	**Thermal**				**Wind**	**Nuclear**	**Total**
		Coal	**Gas**	**Diesel**	**Total Thermal**			
Northern Region (Nr)	8796.57	15914.50	3213.20	14.99	19142.69	60.70	1180.00	29179.96
Western Region (Wr)	4477.13	20791.50	499695	17.48	25805.93	597.01	760.00	31640.07
Southern Region (Sr)	10162.84	13392.50	2550.40	939.32	16882.22	1209.20	780.00	29034.26
Eastern Region (Er)	2459.51	14027.38	190.00	17.20	14234.58	2.59	0.00	16696.68
N. Eastern Region (Ner)	1108.93	330.00	750.50	119.82	1200.32	0.16	0.00	2309.41
Islands	5.25	0.00	0.00	64.02	64.02	0.00	0.00	69.27
All India	**27010.23**	**64455.88**	**11701.05**	**1172.83**	**77329.76**	**1869.66**	**2720.00**	**108929.65**

Source: Infraline

Capacity Addition Target for Xth Plan Period

The region wise generation capacity addition initially planned for the tenth plan period was:

Sr. No.	Region	Central Sector Capacity (MW)	State Sector Capacity (MW)	Private Sector Capacity (MW)	Grand Total Capacity (MW)
1.	Northern Region	7650.00	4645.10	1270.00	13565.10
2.	Western Region	6470.00	3936.62	3172.00	13578.62
3.	Southern Region	2140.00	4157.20	3866.70	10163.90
4.	Eastern Region	9240.00	1280.00	255.00	10775.00
5.	North-Eastern Region	365.00	432.92	-	797.92
	All India	25865.00	14451.84	8563.70	48880.54

Source: Infraline

The capacity addition plan was subsequently reduced to 41,110 MW.

A. Projects identified for addition in Thermal / Hydro / Nuclear = 41,110 MW
   The following is the breakup:

(Units in MW)

	Hydro	**Thermal**						**Nuclear**	**Cumulative Capacity**
		Coal	**Coal imported**	**Lignite**	**Gas**	**Liquid Fuel**	**Overall Thermal**		
Central Sector	8742	11,120	0	1,170	500	0	12,790	1300	22,832
State Sector	4,481	5,335	0	325	922	94	6,676	0	11,157
Private Sector	1,170	1,853	0	250	1,884	1,964	5,951	0	7,121
Overall	**14,393**	**18,308**	**0**	**1,745**	**3,306**	**2,058**	**25,417**	**1,300**	**41,110**

B. Further addition to capacity over above

Transfer of power share from Tala project	1,020 MW
Capacity addition under Ministry of Non-conventional Energy Sources	3,100 MW
Overall	**45,230 MW**

Towards giving an impetus to new power generation projects, the Government of India, in the early 1990s, announced policy measures for inviting private sector participation. However, while nearly 60 projects aggregating a capacity of nearly 30,000 MW were accorded a clearance by the Central Electricity Authority, the contribution from the Independent Power Projects (IPPs) has been fairly low with just around 7,000 MW commissioned till date. The same has been mainly due to appropriate payment security mechanisms for IPPs not being in place / operational given the rather alarming financial position of the SEBs, which are the major purchasers of power. Thus, although, the financial institutions and banks have financed the power sector to a substantial extent, given the risks associated with limited / non-recourse financing for IPPs, the lenders have viewed the sector with caution, often requiring multiple levels of payment security enhancement, which have not been possible / forthcoming. Given the dampened spirit, and towards concretizing a sustainable platform for future capacity addition, the Central Government, in consultation with the State Governments and the Reserve Bank of India has recently operationalized a one time settlement scheme aimed at cleansing the balance sheets of the SEBs and bringing in a payment discipline. The same, working in consonance with the regulatory provisions (including inter alia those pertaining to tariffs matching the cost of supply) as enumerated under and emanating from the Electricity Act 2003, are expected to turn around the power sector with a financially sound base.

Source: Infraline

Reform

Given the slow pace of generation capacity addition and recognizing the fact that the problems of the power sector lie at the distribution end, the Governments have now directed their focus on the downstream segments. The Electricity Act 2003 too makes it mandatory for restructuring of SEBs and undertaking of financial and structural reforms through unbundling into separate utilities for generation, transmission, distribution and trading of power. Simultaneously, a number of initiatives aimed at the distribution segment have been launched, like the Accelerated Power Development and Reform Programme (APDRP) of the Government of India, and the first signs of improvement in the financial fundamentals of the utilities are now visible.

Demand Forecast
All India (Region) Wise Demand Forecasts

Region	Energy Requirement MkWh			Peak Load (MW)		
	2006-07	**2011-12**	**2016-17**	**2006-07**	**2011-12**	**2016-17**
Northern Region	220820	308528	429480	35540	49674	69178
Western Region	224927	299075	395859	35223	46825	61966
Southern Region	194102	262718	354599	31017	42061	56883
Eastern Region	69467	90396	117248	11990	15664	20416
North-Eastern Region	9501	14061	20756	1875	2789	4134
Islands						
Andaman and Nicobar	236	374	591	49	77	122
Lakshadweep	44	70	Nil	111	17	26
Total All India	**719097**	**975222**	**1318644**	**115705**	**157107**	**212725**

Source: Sixteenth Electric Power Survey & India (16th EPS)

Shortfall in FY03

Actual Power Supply Position

(Figures in MU net)

	December, 2003				April- December, 2003			
	Requirement	**Availability**	**Surplus / Deficit (-)**		**Requirement**	**Availability**	**Surplus / Deficit (-)**	
State /System /Region	**(MU)**	**(MU)**	**(MU)**	**(%)**	**(MU)**	**(MU)**	**(MU)**	**(%)**
Chandigarh	81	81	0	0	846	845	-1	-0.1
Delhi	1605	1580	-25	-1.6	15661	15437	-224	-1.4
Haryana	1582	1498	-84	-5.3	15717	15030	-687	-4.4
Himachal Pradesh	298	295	-3	-1	2575	2565	-10	-0.4
Jammu & Kashmir	635	615	-20	-3.1	5213	4924	-289	-5.5
Punjab	2165	2108	-57	-2.6	24878	24129	-749	-3
Rajasthan	2517	2512	-5	-0.2	18810	18703	-107	-0.6
Uttar Pradesh	3767	3350	-417	-11.1	34420	29905	-4515	-13.1
Uttaranchal	362	355	-7	-1.9	3095	3039	-56	-1.8
Northern Region	**13012**	**12394**	**-618**	**-4.7**	**121215**	**114577**	**-6638**	**-5.5**
Chattisgarh	817	810	-7	-0.9	7403	7189	-214	-2.9
Gujarat	5378	4680	-698	-13	41862	37006	-4856	-11.6
Madhya Pradesh	3491	2992	-499	-14.3	22817	20027	-2790	-12.2
Maharashtra	7951	6946	-1005	-12.6	64509	58369	-6140	-9.5
Daman & Diu (*)	89	89	0	0	363	363	0	0
Dadar Nagar Haveli (*)	154	154	0	0	605	605	0	0
Goa	165	165	0	0	1462	1462	0	0
Western Region	**18045**	**15836**	**-2209**	**-12.2**	**139021**	**125021**	**-14000**	**-10.1**
Andhra Pradesh	4080	4004	-76	-1.9	34485	33443	-1042	-3
Karnataka	3242	2889	-353	-10.9	25910	22201	-3709	-14.3
Kerala	1102	1053	-49	-4.4	9582	9240	-342	-3.6
Tamil Nadu	4011	3946	-65	-1.6	33229	32887	-342	-1

Pondicherry	123	123	0	0	1105	1105	0	0
Southern Region	**12558**	**12015**	**-543**	**-4.3**	**104311**	**98876**	**-5435**	**-5.2**
Bihar	656	457	-199	-30.3	5708	4277	-1431	-25.1
DVC	766	753	-13	-1.7	6216	6132	-84	-1.4
Jharkhand	282	274	-8	-2.8	2427	2316	-111	-4.6
Orissa	1146	1126	-20	-1.7	10301	10134	-167	-1.6
West Bengal + Sikkim	1576	1548	-28	-1.8	16727	16385	-342	-2
Eastern Region	**4426**	**4158**	**-268**	**-6.1**	**41379**	**39244**	**-2135**	**-5.2**
Arunachal Pradesh	12	12	0	0	138	136	-2	-1.4
Assam	288	282	-6	-2.1	2657	2518	-139	-5.2
Manipur	50	50	0	0	374	368	-6	-1.6
Meghalaya	105	100	-5	-4.8	826	791	-35	-4.2
Mizoram	28	28	0	0	211	207	-4	-1.9
Nagaland	30	30	0	0	232	229	-3	-1.3
Tripura	56	54	-2	-3.6	539	509	-30	-5.6
North-Eastern Region	**569**	**556**	**-13**	**-2.3**	**4977**	**4758**	**-219**	**-4.4**
All India	**48610**	**44959**	**-3651**	**-7.5**	**410903**	**382476**	**-28427**	**-6.9**

Peak Demand vs. Peak Met
(Figures in net MW)

State / System / Region	**December, 2003**				**April- December, 2003**			
	Peak Demand	**Peak Met**	**Surplus / Deficit (-)**		**Peak Demand**	**Peak Met**	**Surplus / Deficit (-)**	
	(MW)	**(MW)**	**(MW)**	**(%)**	**(MW)**	**(MW)**	**(MW)**	**(%)**
Chandigarh	167	167	0	0	188	188	0	0
Delhi	3354	3259	-95	-2.8	3389	3284	-105	-3.1
Haryana	3045	2799	-246	-8.1	3465	3278	-187	-5.4
Himachal Pradesh	670	670	0	0	670	670	0	0
Jammu & Kashmir	1235	1045	-190	-15.4	1268	1218	-50	-3.9
Punjab	3995	3740	-255	-6.4	5922	5622	-300	-5.1
Rajasthan	3899	3899	0	0	3937	3937	0	0
Uttar Pradesh	6750	5400	-1350	-20	7218	5973	-1245	-17.2
Uttaranchal	725	677	-48	-6.6	766	726	-40	-5.2
Northern Region	**22643**	**21269**	**-1374**	**-6.1**	**23817**	**21961**	**-1856**	**-7.8**
Chattisgarh	1547	1439	-108	-7	1669	1485	-184	-11
Gujarat	9509	7056	-2453	-25.8	9820	7196	-2624	-26.7
Madhya Pradesh	6158	4660	-1498	-24.3	6158	4660	-1498	-24.3
Maharashtra	13370	11353	-2017	-15.1	14211	11353	-2858	-20.1
Daman & Diu (*)	172	172	0	0	181	181	0	0
Dadar Nagar Haveli (*)	245	245	0	0	315	315	0	0
Goa	329	329	0	0	332	332	0	0
Western Region	**29704**	**23657**	**-6047**	**-20.4**	**29704**	**23657**	**-6047**	**-20.4**
Andhra Pradesh	6784	6618	-166	-2.4	8679	7143	-1536	-17.7
Karnataka	5895	5189	-706	-12	6213	5189	-1024	-16.5
Kerala	2630	2324	-306	-11.6	2630	2324	-306	-11.6
Tamil Nadu	6955	6831	-124	-1.8	6955	6831	-124	-1.8
Pondicherry	190	190	0	0	235	235	0	0
Southern Region	**21463**	**20152**	**-1311**	**-6.1**	**21788**	**20152**	**-1636**	**-7.5**
Bihar	785	626	-159	-20.3	973	741	-232	-23.8
DVC	1245	1145	-100	-8	1275	1154	-121	-9.5

Jharkhand	502	475	-27	-5.4	539	475	-64	-11.9
Orissa	2103	1952	-151	-7.2	2103	1958	-145	-6.9
West Bengal + Sikkim	3350	3012	-338	-10.1	3836	3652	-184	-4.8
Eastern Region	**7840**	**7085**	**-755**	**-9.6**	**8594**	**7710**	**-884**	**-10.3**
Arunachal Pradesh	45	45	0	0	50	50	0	0
Assam	589	544	-45	-7.6	738	635	-103	-14
Manipur	97	97	0	0	115	111	-4	-3.5
Meghalaya	226	172	-54	-23.9	226	195	-31	-13.7
Mizoram	70	70	0	0	71	70	-1	-1.4
Nagaland	65	65	0	0	65	65	0	0
Tripura	164	140	-24	-14.6	190	144	-46	-24.2
North-Eastern Region	**1155**	**1046**	**-109**	**-9.4**	**1259**	**1071**	**-188**	**-14.9**
All India	**82805**	**73209**	**-9596**	**-11.6**	**82805**	**73209**	**-9596**	**-11.6**

(*) Daman & Diu and Dadar Nagar Haveli figures for the period of April-August'03 are included in Gujarat

Source: CEA

It will be observed from the tabulations above, while there is an overall deficit in power availability, there are significant differences in energy requirements and availability across various states/regions in the country, with some of the regions reporting a surplus capacity.

Mega Power Project Policy

In view of the urgent need to fill in the short fall in capacity addition, the Central Government also has in place a "Mega Power Policy", which covers thermal power plants having a minimum capacity of 1000 MW plant capacity (and hydel having a minimum capacity of 500 MW) and set up for supplying power to more than one State. The inter state sale of power has been envisaged through Power Trading Corporation (PTC).

Power Transmission and Distribution

The responsibility for transmission of power within the country is allocated to either Powergrid Corporation of India Limited (POWERGRID) or the SEBs. While POWERGRID is responsible for setting up inter state transmission facilities, the work of setting up an intra state transmission and distribution network is primarily the responsibility of the respective state utilities.

POWERGRID was incorporated in 1989 and was entrusted with the task of undertaking transmission of energy through Inter-State Transmission System by way of construction, operation and maintenance of Extra High Voltage AC and High Voltage DC Transmission lines, Sub-stations, Load Despatch Centres and Communication facilities.

Powergrid, although incorporated in 1989, started functioning on management basis with effect from August 1991. Subsequently, the transmission assets and manpower from the constituent Central Sector and Joint Sector undertakings viz. NTPC, NHPC, NEEPCO, NIC, NPC, THDC, NJPC and CEA were transferred to Powergrid in a phased manner after promulgation of Ordinance from Govt. of India in 1993. Today, PowerGrid acts as the Central Transmission Utility (CTU) and amongst other functions at present also discharges the role of the System Operator (SO) by controlling the activities related to scheduling and dispatch of power through the Regional Load Dispatch Centres (RLDCs), located in each of the five power regions of the country. The RLDCs in turn coordinate at the next level, with state level State Load Dispatch Centres (SLDC). A forum for resolution of operational issues / disputes is provided by the Regional Electricity Boards (REBs) that have representation from all utilities in the region, as well as the CGSs and the CTU.

Given the above set up, the policy structure and the economics of power generation and transmission, a national grid to facilitate transfer of power from regions of surplus to regions deficient in power is under implementation. While an initial step towards interconnecting the regional grids has been achieved, further strengthening of the inter regional and intra regional grids is essential to facilitate large scale power exchange.

Towards facilitating the effective use of the transmission capacity, the Electricity Act 2003 allows neutral and non-discriminatory open access to the transmission lines with immediate effect. As per the structure proposed, there would be a transmission utility at the center, as also in the states to manage and develop the transmission system. Load dispatch would remain in the hands of a government company. There would, however, be flexibility about keeping transmission utility and load dispatch together or separate. An appropriate commission will license private transmission companies. Neither the load dispatch centre nor the transmission utility or the transmission licensee will trade in power.

It is also proposed to interconnect the regional systems to the national power grid, which will also facilitate power sharing from neighboring states or countries with surplus power. Currently, there are five regional transmission grids for the northern, eastern, north-eastern, western and the southern regions, a diagrammatic representation of which is given below:

The total transmission capacity in the country stands at over 5 million ckt. kms. and its capacity addition in the last plan period (9th plan) presents an impressive growth of around 40% as compared to the additions in the 8thn plan period. The program for construction of transmission works in the 9th plan period for evacuation of power from generating stations as well as for strengthening of system was developed initially on the basis of around 52000 MW of generation capacity addition and later revised based on reduced estimates of 25000 Mw of capacity addition. The generation capacity finally installed was 19,119 MW, however, addition in transmission was 34093 ckm and in the transformation capacity 56147 MVA, much close to the targets set at 35843 ckm and 56497 MVA. The details of the targets and achievements during the Ninth Plan in respect of major transmission capacity addition are as in the table below:

Transmission capacity addition during 9th plan period

	(All fig in CKM)						
	9th Plan Targets	**Achievement**					**Total 9th Plan**
		1997-1998	**1998-1999**	**1999-2000**	**2000-01**	**2001-02**	
800 kV Lines	1333	0	318	416	375	51	1160
$\pm$ 500 kV HVDC	2184	369	1135	0	0	800	2304
400 kV Lines	13236	2767	3262	3336	2091	1780	13236
220 kV Lines	18090	2914	3330	3932	3674	3543	17393
Total	**35843**	**6050**	**8045**	**7684**	**6140**	**6174**	**34093**

Source: Infraline

Power Trading

It is now increasingly recognized that promotion of power trading in India would help in reducing the imbalance of power systems both in the surplus and the deficit regions. Trading of power would help in better utilization of existing generation and transmission capacities as well as help in realistic assessment of investment requirements in generation capacities in deficit regions. Balanced movement of power between regions would also address the issue of quality of power by containing the wide fluctuations in frequency that was experienced in the past. Keeping these benefits in view, several regulatory initiatives have been taken in the past.

The Central Electricity Regulatory Commission (CERC) introduced the Availability Based Tariff (ABT) regime in January 2000 to create incentives and disincentives for deviation for planned generation and consumption schedules given by various utilities. The ABT Regime introduced a charge for Unscheduled Interchange (UI), thus incentivizing grid discipline. Among other results, this created opportunities for power trading, encouraged better utilization of existing resources and reduced average power tariffs.

In, Financial Year 2002-03, inter-regional trading of power accounted for about 2.3% of the total energy consumption in India and takes place mainly from the surplus Eastern Region to the neighboring Northern, Western, Southern and North- Eastern Regions. The present inter-regional transfer from Eastern Region to the neighboring regions is of the order of 3000-3500 MW (previous years' levels were in the range of 1000-1200 MW) and is mostly firm in nature. The power exchanges between other regions are mostly of seasonal and infirm nature and take place depending on surplus and deficit in the neighboring regions from time to time. Intra-regional exchanges are also prevalent which are of seasonal and non-firm nature. However, the evolving market has clearly shown opportunities to trade across varying time epochs i.e. annual, seasonal, and even daily.

Total Inter regional Energy Exchange– FY 2003

(In Million Units)

Seller Region	Buyer/ Purchaser Region					
	North	West	South	East	North East	Total
North	0	1631.1	0	1.6	0	1632.7
West	104	0	169.6	0	0	273.6
South	0	748.9	0	0	0	748.9
East	1637.5	2810.0	4697.5	0	846.5	9991.5
North East	0	0	0	0	0	0
Total	1741.5	5190.0	4867.1	1.6	846.5	12646.7

Source: Central Electricity Authority

Regulatory Framework

The most significant regulatory development for the industry in recent times has been the enactment of a comprehensive legislation in the form of Electricity Act, 2003 in June 2003. The Act replaces the previous legislations by a comprehensive, single legislation. In summary, the intent of the Act is to provide for the reforms agenda to proceed on all fronts. The Act envisages altering the Market Structure to be conducive to greater competition and choice.. The Act attempts to move the market to a more efficient and Demand-Supply determined outcome by enabling competition under a strong and predictable regulatory regime. In connection with the trading of power, it needs to be noted that Trading has been recognized as a distinct activity for the first time, and a restriction has been imposed on transmission companies being allowed to engage in Trading. This would enable the setting up of a level playing field as far as this activity is concerned.

Players for trading

The Electricity Act excludes several entities from engaging in the trading activity, namely:
i. The National Load Dispatch Centre (NLDC);
ii. The Regional Load Dispatch Centre (RLDC};
iii. The State Load Dispatch Centre (SLDC);
iv. The Central Transmission Utility (CTU);
v. The State Transmission Utility (STU); and
vi. A transmission licensee.

The Electricity Act enumerates several entities would be “deemed” holders of a trading license, and hence are not obliged to apply for a trading license even when undertaking a trading activity. Firstly, in case the Central Government undertakes trading in electricity, whether before or after the commencement of the Act, it shall be deemed to be a licensee. Secondly, the Act also states that a distribution licensee shall not require a license to undertake trading in electricity. Thirdly, the Act enables the CERC, on the recommendation of the Central Government, to direct by notification (subject to such conditions and restrictions, if any, and for such period as may be specified) that no trading license is required for any local authority, Panchayat Institution, users’ association, co-operative societies, non governmental organizations, or franchisees.

The Electricity Act mandates CTU to provide non-discriminatory open access to its transmission system for use by any licensee or generating company (on payment of the transmission charges); and any consumer as and when such open access is provided by the State Commission (under sub-section (2) of section 42) on payment of the transmission charges and a surcharge thereon, as may be specified by the Central Commission. The Electricity Act enables the SERC to introduce open access, or the non-discriminatory provision for the use of the distribution system with such lines by any licensee, consumer or generator, to the distribution system.

A brief description of the Act’s impact on players in the downstream segments is:

- **Open access** to facilities of transmission and distribution utilities allowed, with a definite time frame. (Intermediate step of payment of surcharge kept towards meeting cross-subsidy levels in tariff, to be phased out.) The CERC has recently announced guidelines for market participants to apply for booking of transmission capacity under the open access regime. The guidelines clearly distinguish between a long-term (5 years or more) and short term (1 year or less) contract for transmission capacity. It lays down the ground rules including time bound responses from the concerned agencies.
- Distribution licensee does **not require separate trading license** and is now allowed to give **franchises** for distribution, as well as enter into generation. Also allowed to use assets for different businesses. (possibly leading to reduction in wheeling charges)
- **Multiple licensees** have been allowed in each distribution area.

- **Transmission licensee** allowed to use assets for different businesses. (with similar possibilities as in the case of distribution)
- Private Sector participation would be permitted in transmission through transmission licenses

Similarly, the Act's impact on players in the upstream segment is likely to be:

- Thermal Generation delicensed; may lead to encouragement of additional capacity over the longer term, with new possibilities in business models as generating companies are now allowed to supply electricity directly to any licensee.
- Captive Generation and supply freely permitted (without payment of surcharge in case of self-use).
- Generation from renewable sources is sought to be promoted and ERCs may prescribe a minimum percentage of power to be purchased from such sources.

Given the above impacts, and the following provisions for power trading, the overall impact of the Act on the activities related to power trading will be positive, as a major thrust has been provided by the Act to make conditions conducive for development of the Market. Three levels of regulation for traders are envisaged in the Act;

- Laying down financial (Capital adequacy and creditworthiness) and technical requirements.
- Guiding the evolution of the market structure.
- Coordinating regulatory overlaps.

Draft Regulation for Inter State trading in Electricity

The Electricity Act, 2003 recognises trading as a separate licensed activity. The Central Electricity Regulatory Commission (CERC) is required to issue the license for inter-state trading. Consequent upon the enactment of The Electricity Act, 2003, the Commission has been receiving applications for grant of license for trading. The Commission has ordered that these applicants may, at their own risk, carry out trading in electricity by complying with all the existing Laws and Regulations till the license application is processed as per the Commission's regulations.

The Commission has issued the Draft Regulations for electricity trading on December 09, 2003. The regulations deal with the requirements of being an electricity trader, which includes the technical requirement, capital adequacy and credit worthiness. The trader is to have at least one full time professional each having experience in the power system operations, finance, commerce and accounts. The capital adequacy requirements and credit worthiness is related to the volume of electricity traded. The trading licensees are divided into six categories based on the volume of electricity traded. The net worth is stipulated in the range of Rs.2 crores for the lowest and Rs.25 crores for the highest category. The license fee for these six categories of traders varies from Rs. one lakh to Rs.15 lakhs per annum.

The trading is initially proposed only by bilateral contracts which will be entered into between the generators and the traders on one hand and the traders and the licensees on the other. The Commission has recently introduced open access in transmission. The State Commissions are expected to introduce open access in distribution in due course. The Central Commission is also working on the introduction of market mechanism including power pool, power exchange etc. These trading regulations shall be reviewed, from time to time, to take into account these developments.

The licensee has to maintain separate account for the trading activity and shall also submit the information like source of purchase and the agency to which the electricity is sold along with the purchase price, sale price etc. through the RLDC/REB to the Commission.

The salient provisions of draft regulations:

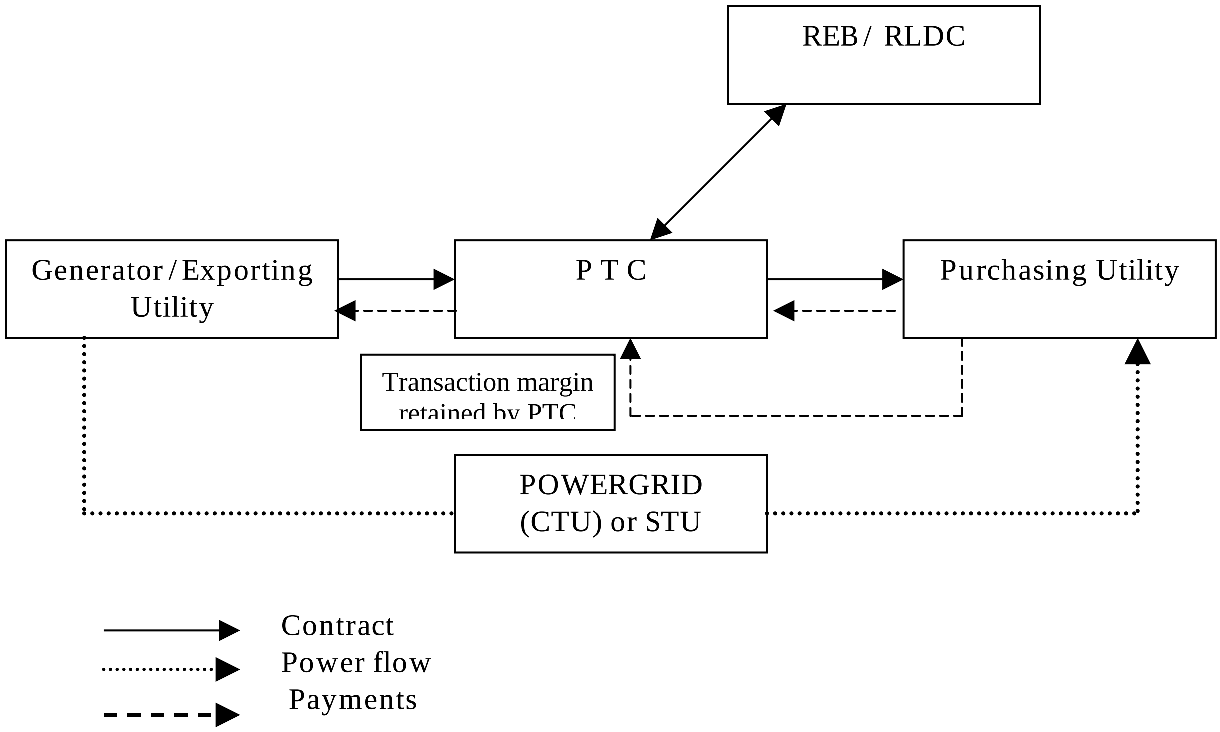
- Any person interested in obtaining inter-state trading license shall apply to the CERC .
- The application fee shall be Rs. one lakh provisionally subject to adjustment as and when the Government of India notifies the fee.
- The present Regulation will apply to trading to be carried out bilaterally between generator and trader, and trader and licensee. The Regulations would be modified as and when open access in distribution is allowed, and when power exchange is introduced.
- The applicant has to publish his application, within 7 days of making such application, in at least two national english daily newspapers and two local newspapers. The publication shall include the name of the applicant, address, share holding pattern, financial and technical strength, management profile, volume of power intended to be traded, areas in which the proposed trading is to be taken place etc.
- The trader has to comply with the minimum technical requirements and Capital adequacy and credit worthiness standards in relation to the volume traded
- The Commission may fix the trading margin from time to time.
- The license shall be valid for a period of 25 years unless revoked earlier.
- The Commission may issue appropriate directions, in case any trading licensee is found to be abusing its position.

- The terms and conditions of the license (as covered in detail in para Terms and Conditions of the License) may be modified by the Commission in the public interest or on an application made by the licensee, following the notified procedure.
- The license may also be revoked in the event of defaults or violation of any of the terms and conditions of the license.

The Commission has already issued the orders for open access in transmission. Introduction of trading licensees is expected to promote trading and will facilitate better utilisation of generation capacity. This will facilitate harnessing of the bottled up energy of captive power plants as well, if the sale rate of power is attractive, taking into account the wheeling charges, transmission losses, trading margin etc.

OUR BUSINESS OPERATION

A generic schematic of our business model for trading of power is presented below:



The key features of our business model are as follows:

We buy power from an entity in a surplus location / surplus utilities / generating stations and sell it to an entity in deficit states / deficit utilities. Our key strength lies in

- Our ability to identify potential buyer(s) and seller(s) of power at a particular point/period of time
- Negotiation of price which is acceptable to both the parties
- Facilitating the physical transfer of power from the seller to the buyer
- Acting as a creditworthy counterpart to the seller of power
- Structuring innovative deals to meet the requirement of parties.

The Trading Process

1. Identifying potential buyer and supplier of power

We have a marketing department, which, on a continuous basis, maps surplus and deficit power pockets in the country. Based on this research, marketing efforts are directed to culminate into transactions of power trade by matching a power deficit entity with a surplus entity. Toward this objective, we undertake the following activities:

1. Mapping variation in monthly / seasonal demand curves in different states
2. Mapping variation in daily demand curves in different states and therefore enter into trading transactions for certain periods of the day.
3. Mapping variations due to temporary over capacity or temporary deficits in certain states.

4. Aggregation / disaggregation of surplus and shortages.
5. Facilitate development of large projects both within India and abroad, purchase power from the same under short term / long term contracts and sell the power to various utilities across the country.
6. Leverage other trading opportunities presented by regulatory developments like Availability Based Tariff and the Electricity Act, 2003.

2) Transaction Margin

For the services provided by us, we charge a transaction margin. Such transaction margin may be determined as a fixed amount per kWh traded or as a percentage of cost of power traded. The transaction margin is the difference between the price at which power is sold to the buyer and the price paid by us to the supplier. The hallmark of our operations has been a complete transparency of the transaction structure, where each counterparty has clear cost / price information about the other. This is in keeping with the company's most significant core value – transparency. The contracts for sale / purchase of power provide for a defined pricing for the power. The pricing is currently proposed as back-to-back between our suppliers and our buyers. However, we are exploring options to offer a pooled price to our customers based on the average costs of purchase from a portfolio of suppliers.

3) Entering into Sale and Purchase Agreement

We enter into a sale and purchase agreement on a back-to-back basis with our purchaser and seller of power. The standard terms of these contracts are described below:

Particulars	**Contract with Buyers**	**Contract with Sellers**
Manner of agreement	Memorandum of Understanding (MoU) between us and the buyer	Power Purchase Agreement/ Memorandum of Agreement between us and the seller
Nature of transaction	Currently Short term	100-200 MW power to be made available for different time periods in a month, subject to pre agreed quantity
Default in supply by PTC	No / limited payoff to Buyer	No / limited payoff from seller. In case of forced conditions (tripping of generating unit(s) and/or transmission system) "seller has the right to reduce/ interrupt power supply to PTC"
Point of sale of power	Identified as per nature of transaction	
Energy accounting	Regional Electricity Board from their regional energy account (REA)	
Transmission charges & losses, RLDC charges and other charges	Beyond the delivery point borne by "buyer"	Upto the delivery point borne by "seller"
Tariff	Fixed	
Trading margins	Presently a per unit structure	
Billing cycle	Weekly, subsequent adjustments are made after receipt of final REA.	Weekly/ Monthly
Payment security mechanism	Irrevocable Letter of Credit equivalent to 8-18 days of peak billing OR/AND Irrevocable bank guarantee/Fixed Deposit equivalent to 10-18 days of peak billing	Irrevocable Letter of Credit equivalent to 8-18 days or 1 month of average billing (depending on MOU)based on past three months billing
Right of termination	With PTC – in case of default in timely payment	With PTC in case of breach of agreement.

Particulars	Contract with Buyers	Contract with Sellers
Scheduling of power	As per Indian Electricity Grid Code (IEGC)	

Purchase and sale of power is currently through short term and medium term contracts but is also expected to be undertaken eventually through long term contracts (upto 25 years) between us and our counterparties, which may even have an element of `take or pay' based contracts

4) Trading of Power

The trading of power could be through actual delivery of energy or through displacement of power. The Central Transmission Utility currently provides the required transmission facilities for exchange of energy. The recent implementation of `Open Access' in transmission (described below) clears the ground rules in this respect. Presently, in most power trade transactions, the delivery point of the buyer and supplier is the same, thus eliminating the possibility of our undertaking any Transmission& Distribution Loss. However, it is envisaged that, as the competition in the market grows to meet enhanced customer expectations, we would eventually need to wheel power from the purchase point to the sale point. We would need to accordingly modify our pricing to undertake the additional risks and costs that we may be required to assume as a result of different delivery points for our purchase and sale.

5) Payment Mechanism

The payment security mechanism (PSM) typically put in place to mitigate credit risk of the counterparties in our trading operations is as follows:

- A letter of credit/ bank guarantee provided by buyers in our favor that covers us for at least two billing cycles.
- A billing cycle for buyers that is shorter than the payment cycle to suppliers

We are currently exploring more elaborate PSMs for our trading transactions including charge on utility receivables. The key components of the PSM proposed are:

1. Irrevocable revolving letter of credit (LC) equivalent to 1.25 months billing or 18 days value of energy flow in case of weekly billing
2. PTC's charge on SEB's incremental receivables through a separate account
3. State Government's guarantee and an acceptable charge on assets
4. Access to High Tension (HT) consumers for direct sale of power

As described above, our present business model is based on minimal risk being borne by us. In the future also we do not envisage assuming any significant market risk and propose to generally enter into back to back arrangements for long term contracts. We do not in general propose to take any positions in the power market based on projected demand supply scenarios.

Total Inter regional Energy Traded by PTC– FY 2003

The total inter-regional energy traded by PTC in FY 2003 is as follows:

(in Million Units)

Seller Region	Buyer/ Purchaser Region					
	North	West	South	East	North East	Total
North	1215.68	424.58	14.97	0	0	1655.23
West	39.63	518.17	124.08	0	0	681.88
South	0	0	101.21	0	0	101.21
East	769.86	526.66	34.8	0	0	1331.32
North East	0	0	0	0	0	0
Cross-Border	0	0	0	408.43	0	408.43
Total	2025.17	1469.41	275.06	408.43	0	**4178.07**

Source: PTC

Key Business Segments:

1. Trading of surplus power.
2. Trade with neighbouring countries.
3. Future trading of power from major projects (capacity more than 250 mw) under development.

Trading of surplus power

In this category of activity, 4 clear sub-categories for trading opportunities within the country can be identified;

a. Trading of Seasonal surplus power

Whereas power planning of the country as a whole and of individual states is done on the basis of peak annual requirement, variation in the seasonal power demand across the country is quite significant. Seasonal pattern of demand differs from state to state, depending on factors like dominant consumer groups, mix of agriculture and industry, cropping pattern etc. We have been able to identify opportunities emanating from such complementary surplus and deficits due to differing demand pattern. Such opportunities are likely to further grow as different state plan to reach sufficiency in power availability and reduce power cuts.

b. Medium Term Trading

Development of power generation projects being a long gestation period activity, it has been noted that some of the states are having surplus power on medium term basis of the order of 2-3 years, whereas other states have such long term shortages either due to lack in growth of demand or lack in development of power projects etc. Therefore, trading opportunities arise.

c. Time of the day Trading

Peak demand time of different states during different seasons also shows varying patterns. Predominantly agricultural states look for cheaper power with flexibility in time for agricultural demand, which is quite high in India. This is a new concept introduced by us in our efforts to add breadth to the market.

d. `As and When Available' Power

After the implementation of ABT, utilities have to manage their power generation and purchase portfolio to minimise losses / maximise benefits induced by the regime of incentives and disincentives. We have structured transactions to capture this opportunity so that surplus power, when available due to frequency rising in a certain region due to unanticipated demand variations, are dispatched for the benefit of utilities in a contiguous region. This is a `Win-Win' situation for all counterparties.

In the current financial year, during the period ending on September 30, 2003 this segment contributed 3637 MUs or about 76% of our total traded volumes.

Trade with neighbouring countries (Cross-Border Trade)

We have been designated by GOI as the nodal agency for cross border exchange of power with Nepal & Bhutan. Exchange of power with neighbouring countries is another distinct activity with high potential for development, as India is the biggest market in the region, while Nepal and Bhutan are blessed with ample water resources, and Bangladesh with gas reserves. Regional co-operation is already underway to a limited extent, with purchase of surplus power from 336 MW Chukha Project and 60 MW Kurichhu Power Project in Bhutan by us for sale to utilities in the Eastern Region.

We have entered into an agreement with Kurichhu Hydroelectric Power Project, Bhutan, for purchase of 60 MW power from them till March 31, 2027, i.e., for a period of about 25 years. Back to back, we have entered into sale of this power to West Bengal SEB, DVC and Eastern Regional Electricity Board. The sale agreement for the same has been entered into for a period of 15 years. Similarly, in the case of Chukha Hydroelectric Project, we have entered into purchase agreement for 336 MW of power which is valid till March 31, 2017, i.e., for about 15 years. The sale agreement for the same has been entered into with Bihar SEB, Jharkhand SEB, West Bengal SEB, Grid Corporation of Orissa Ltd., Power Department of Sikkim and Eastern Regional Electricity Board for 5 years.

As per the terms of the agreement, all the above agreements are extendable beyond the initial duration of the agreement as the parties may mutually agree. Since the purchase tariff from both these hydro projects are competitive, we have deliberately entered into a shorter period sale agreements with the offtakers to minimize the risk so that in case of delay/default in payment, we may advise Member Secretary, Eastern Region Electricity Board (EREB) to reallocate the share of the defaulting state to some other state, which will be willing to avail of these cheap sources of power.

The 1020 MW Tala project in Bhutan, due to be commissioned by the middle of the year 2005, will provide India an opportunity for purchase of the entire power generation. Similarly, in the case Nepal, presently exchanges take place at 21 points on the Indo-Nepal border. The 144 MW Kaligandaki project has been partly commissioned and that would make Nepal a surplus State. The contribution of cross-border trade to our total revenues has increased from about 7% in FY2002-03 to over 18% during the period ending 30th September 2003. In the current financial year, during the period ending on September 30, 2003 this segment contributed to 1149 MUs or about 24 % of our total traded volumes.

Future trading of power from projects under development

Against the backdrop of weak fundamentals and concerns about credit quality of most utilities, sufficient generating capacity has not been added in recent years. Our business model provides an alternative to developers for financing projects on the strength of existence of a power market, rather than any paper guarantees. In case of default by a buyer, we would be able to substitute with an alternative customer to mitigate the investors' risk. On the strength of this model, MOUs have already been signed with the developers of projects aggregating to a capacity of about 2000 MW. Discussions are on with the developers of many small and medium sized projects, and we expect to facilitate structuring of these projects in the interest of creating a stable, long-term market for power. These agreements would place us in a unique position, over the long term, to keep some part of the capacity of these projects as a reserve to meet the liquidity requirements of the short-term market.

Our commitment in terms of substituting with an alternative customer is on a best effort basis. With the growing number of participants in the market, we do not envisage any major risk to our business on account of any liability to substitute with an alternative buyer. Any risk on account of taking market position by maintaining some capacity reserve for meeting the requirement of the short-term markets would also be similarly mitigated.

Credit Concentration

In the current financial year, for transactions upto end-September 2003, our single largest seller and buyer constitute about 22% and 20 % of the purchase and sale portfolio respectively in value terms. Our top 10 sellers during the six month period ended September 30, 2003 account for more than 95% of our total purchases. The same group of sellers accounted for a similar percentage of our purchases in FY 2003. Similarly, our top 10 buyers during the six month period ended September 30, 2003 account for more than 87% of our total sales. The same group of buyers accounted for a similar percentage of our sales in FY 2003

	Upto September 2003		FY 2003		FY 2002		FY 2001	
Top 10 Sellers to PTC upto Sept. 2003	Purchased (Rs. in Lacs)	% to Total Purchase of PTC	Purchased (Rs. in Lacs)	% to Total Purchase of PTC	Purchased (Rs. in Lacs)	% to Total Purchase of PTC	Purchased (Rs. in Lacs)	% to Total Purchase of PTC
Seller 1	21852.81	22.37	20741.57	23.55	14613.67	41.87	0	0.00
Seller 2	16040.77	16.42	23460.81	26.64	887.4	2.54	0	0.00
Seller 3	15128.49	15.49	4989.07	5.67	0	0.00	0	0.00
Seller 4	8872.58	9.08	3436.64	3.90	0	0.00	0	0.00
Seller 5	6852.25	7.01	0	0.00	0	0.00	0	0.00
Seller 6	6330.89	6.48	14148.7	16.07	8006.08	22.94	0	0.00
Seller 7	5587.03	5.72	6672.81	7.58	3925.42	11.25	0	0.00
Seller 8	5109.58	5.23	7964.72	9.04	0	0.00	0	0.00
Seller 9	4114.69	4.21	2530.13	2.87	0	0.00	0	0.00
Seller 10	3139.23	3.21	0	0.00	0	0.00	0	0.00
Total	93028.32	95.23	83944.45	95.33	27432.57	78.60	0.00	0.00

	Upto September 2003		FY 2003		FY 2002		FY 2001	
Top 10 Buyers from PTC upto Sept. 2003	Sales (Rs. in Lacs)	% to Total Sales of PTC	Sales (Rs. in Lacs)	% to Total Sales of PTC	Sales (Rs. in Lacs)	% to Total Sales of PTC	Sales (Rs. in Lacs)	% to Total Sales of PTC
Buyer 1	20493.58	20.52	31133.63	34.58	14360.22	40.56	0	0.00
Buyer 2	17837.59	17.86	11776.16	13.08	0	0.00	0	0.00
Buyer 3	8138.78	8.15	11442.48	12.71	5604.33	15.83	0	0.00
Buyer 4	7934.16	7.94	7460.66	8.29	5940	16.78	1100.45	96.58
Buyer 5	7381.43	7.39	0	0.00	0	0.00	0	0.00
Buyer 6	6886.58	6.90	2869.5	3.19	0	0.00	0	0.00
Buyer 7	6295.12	6.30	10423.66	11.58	0	0.00	0	0.00
Buyer 8	4438.2	4.44	1248.78	1.39	0	0.00	0	0.00
Buyer 9	4415.99	4.42	2586.06	2.87	0	0.00	0	0.00
Buyer 10	3241.88	3.25	0	0.00	0	0.00	0	0.00
Total	87063.31	87.17	78940.93	87.67	25904.55	73.17	1100.45	96.58

Source: PTC

The number of participants, even in the existing market structure, have increased manifold, and concentration levels have reduced. With a deeper market structure evolving, we expect the concentration levels to reduce further in coming periods.

Project Development

One of our objectives is to act as a facilitator for the development of new power projects. This role includes entering into a long-term Power Purchase Agreement (PPA) with the developer(s), long-term Power Sale Agreement (PSA) with offtakers, tariff negotiations, involvement in negotiation of fuel supply agreement between the developer and the fuel supplier, co-ordination with Power Grid Corporation of India Ltd., REBs & RLDCs for evacuation of the power to the various offtakers etc. In some cases, PTC may also select the developer where only the site and the nominal capacity have been determined by the Govt. of India.

Under the Mega Power Policy of the Government of India, we were initially assigned the task of facilitating the development of the 2000 MW Pipavav Mega Power Project (a new project for which we were to select the developer also) and the 3960 Mw Hirma Mega Power Project (being facilitated previously by Power Grid Corporation of India Ltd.) by the Govt. of India. Subsequently, the Ministry of Power, Govt. of India, requested us to facilitate development of the 1850 MW Ennore LNG based Power Project (being facilitated previously by the Tamil Nadu Industrial Development Corporation - TIDCO and the Tamil Nadu Electricity Board) and the 750 MW West Seti Hydro Electric Project. Our role envisaged in respect of all the above projects is to act as a bulk buyer of electricity generated from these projects and then to sell the same onwards to multiple offtakers. This insulates the project developers from the risks of negotiating with multiple buyers at the initial stage and also renegotiations with new buyers in case of default by one of the existing buyers during the Operation stage of the project.

Since there is a substantial demand – supply gap for electricity, the Govt. of India has been keen that PTC should continue its efforts to source power from new projects. On account of this, the expenditure incurred by us towards development of these project have been treated as deferred expenses.

Impact of the Electricity Act, 2003 on our business

Our business model depends significantly on the extent and pace of development of the power market. The Electricity Act, 2003 provides impetus to development of the power market on various dimensions like Market Players, Cost and Price and Market Structure. We summarize below the impact of the Act on these dimensions:

Market Players

- **More types of entities, with varying business models**, are likely to emerge and will be prospective participants in the market. (some with distinctive strengths in distribution will emerge as traders, others with strengths in generation could become distribution licensees).
- Impetus to captive generators' active participation in the market, creating new business segments for trading.
- Rural Energy Systems (based possibly on distributed generation) expected to emerge, enabling entities like Users Associations / Co-operatives to also support trading at local levels.

Cost and Price

- The Act has created a foundation for pricing structure that are more market based rather than be cost base. More variables will be taken into account for determining power prices in future, leading to a more comprehensive pricing structure.
- Market forces are also expected to keep a downward pressure on surcharges, proposed under the Act, as new entrants will model their business on the basis of competitive advantages like better cost structures. The Act also allows utilization of transmission and distribution assets for different businesses, which will also keep a downward pressure on surcharges, over a longer term.
- The activities that will be most watched by market players are; ease in issue of distribution licenses to second licensee, and the movement on `Open Access'. It is expected that before new investments come into generation, better utilization of captive capacities will occur and some investments in generation will be deferred.

Market Structure

The emerging market structure may enable trading at many levels e.g. local within a small region, intra-state, inter-state and inter-regional. Accordingly, trading entities may have business models to be national, regional or local trading entities. Such entities will need to have specialized knowledge of forecasting capabilities etc. of niche areas.

Depending on speed and effectiveness of the regulatory initiatives, markets in some states / regions could develop faster, while others could lag.

Application of Availability Based Tariff (ABT), which preceded the implementation of the Act, has already sent strong signals for trading on incremental cost plus basis and it may provide many new opportunities for trading of power especially with reference to replacement of power with high fuel cost by low incremental cost power. True application of this philosophy may need some time for its implementation and market acceptance of the new regime. These regulatory initiatives together signal a growth period for the trading business in India, and PTC would endeavor to leverage its significant experience and distinctive strengths to develop its business in these conditions.

OUR HISTORY

Incorporation & Initial Progress

1. Incorporation:
We were incorporated on April 16, 1999 under the Companies Act, 1956 and received certificate of commencement of business on July 15, 1999. 100% of the initial contribution to our capital of Rs 600 lacs was made by POWERGRID, NTPC and PFC and the balance by individuals (Rs. 100).

Main Objects of the Company

Our main objects as set forth in our Memorandum of Association are:

1. To carry on the business of purchase and sale of all forms of electrical Power, both conventional and non-conventional, and also to supply, import and export or otherwise deal in all forms of electrical energy in all aspects.

   Without prejudice to generality of the above functions the Company shall carry out the business of (i) Purchase of all forms of power/electricity from Independent Power Producers (IPPs), Captive Power Plants, other Generating Companies, Transmission Companies, State Electricity Boards, State Governments statutory bodies, Licensees, Power utilities and to procure it from other sources (whether in Private, Public or Joint Sector Undertaking) including import from abroad; (ii) Sell all forms of electrical power to the State Electricity Boards, Vidut Boards, Power Utilities, Generating Companies, Transmission Companies, Distribution Companies, State Governments, Licensees, statutory bodies, other organisations and bulk consumers of power, whether in private and public sector or joint sector undertakings in India and abroad; (iii) Supply, distribute, transmit, export, or otherwise transfer/exchange of electrical power, and (iv) Co-ordinate with all concerned for purchase, import, sale, export, distribute, transmit and supply all forms of electrical power, and undertake all connected functions.

2. To plan, promote and take up necessary developmental work, selection of prospective/established Independent Power Producers/generating transmission/distribution companies utilities and enter into contracts/Power Purchase Agreements/other Agreements with them; to act as catalyst and also to provide connected services to them so as to augment power generation, transmission, distribution, optimum utilisation of electrical power and its trading.

3. To plan, promote, develop and establish an efficient and reliable power trading and distributing system, policies and procedures towards competitive procurement, transfer/wheeling of power from the power producers/generating and transmission companies within India and abroad and supply within India and abroad and comply with the broad guidelines and objects laid down by the Government of India or any Statutory/Regulatory authorities created or established from time to time.

4. To own, acquire establish, operate and maintain generating stations, transmission systems and power system for generation, evacuation, distribution and transmission of power for supply to the State Electricity Boards, Vidut Boards, Power Utilities Generating Companies, Transmission Companies, Distribution Companies, State Governments, Licensees, statutory bodies, other organisations and bulk consumers of power.

5. To act as agent of Public or Private Sector enterprises, Financial institutions, banks, Central Government and State Governments engaged in the planning and development of power, financing investigation, research, design and preparation of preliminary feasibility, definite project reports and appraisal report for generation, purchase, sale, trading, transmission and distribution of all form of power, both conventional and non-conventional, and for manufacturers of Plant and Equipment for Power Sector in India and abroad.

6. To engage in the business of purchasing/procuring, selling, importing, exporting, trading or otherwise dealing in electrical power and ancillary activities, on competitive basis and commercial lines throughout India and abroad.

7. To promote and organise research and development or to carry on consultancy services in the field of power supply, trading, conservation of electricity and other related activities of the Company.

Changes in the Memorandum of Association

Since our incorporation, the following changes have been made to our Memorandum of Association:

Date of Amendment	Amendment
November 29, 2002	The Authorised Share Capital was increased from Rs. 150 crore to Rs. 750 crore (15 crore equity shares of Rs. 10 each to 75 crore equity shares of Rs. 10 each)

The details of the capital raised are given in the section “Capital Structure” on page ■ of this Draft Red Herring Prospectus.

Agreements related to our Shareholders

Promoters Agreement
Pleae refer to the sectionon ‘Our Promoters’ on page ___.

Share subscription Agreement

We have entered into various share subscription agreement as under:

1. Share Subscription Agreement executed between The Tata Power Company Limited (“TPC”) and PTC dated January 17, 2003.
2. Share Subscription Agreement executed between Damodar Valley Corporation (“DVC”) and PTC dated September 26, 2002.
3. Share Subscription Agreement executed between IDBI, Infrastructure Development Finance Company Limited (“IDFC”), IFCI Limited, Life Insurance Corporation of India (“LIC”), General Insurance Company of India (“GIC”) (collectively referred to as the “Subscribers”) and PTC dated December 27, 2002.
4. Share Subscription Agreement executed between The Tata Power Company Limited (“TPC”) and PTC dated December 24, 2003.

A. Share Subscription Agreement executed between The Tata Power Company Limited (“TPC”) and PTC dated January 17, 2003

The salient features of this agreement are reproduced below:

1. Pursuant to this agreement, TPC agreed to subscribe at par to the share capital of our Company upto Rs. 10 crores in one or more tranches in the manner and at the time when our Board of Directors shall issue the share capital.

2. TPC shall have the option to subscribe to additional shares if offered by the Company beyond Rs. 10 crores and shall execute a supplementary subscription agreement for the said purpose.

3. TPC shall be entitled to nominate one director on our Board with every block of 10% subscribed by TPC of the paid – up equity share capital of the Company. However, the right of TPC to appoint a nominee director shall cease to exist if its shareholding in the paid-up capital falls below 10%.

4. This agreement is irrevocable till the entire subscription of Rs. 10 crores shall be subscribed to and paid up by TPC unless the parties mutually agree to terminate this Agreement.

B. Share Subscription Agreement executed between Damodar Valley Corporation (“DVC”) and PTC dated September 26, 2002.

The salient features of this agreement are reproduced below:

1. Pursuant to this agreement, DVC has agreed to subscribe at par to the share capital of our Company upto Rs. 10 crores in one or more tranches in such manner and at the time when our Board of Directors shall issue the share capital.

2. DVC shall have the option to subscribe to additional shares if offered by the Company beyond Rs. 10 crores and shall execute a supplementary subscription agreement for the said purpose.

3. DVC has agreed to subscribe to and we have agreed to allot to DVC equity shares of the Company of Rs 10 each of the aggregate face value of Rs. 10 crore for cash at par.

4. DVC shall be entitled to nominate one director on our Board with every block of 10% subscription to the paid – up equity share capital of the Company. However, the right of DVC to appoint a nominee director shall cease to exist if its shareholding in the paid-up capital falls below 10%.

5. In the event that the subscription by DVC is less than 10% of the paid-up equity capital of the Company, DVC shall have the option to join with another subscriber for the said purpose. Further, in the event that the aggregate subscription by DVC is 10% or more of the paid up capital of the Company, DVC may request us for a nominee director on the basis of every block of 10% shareholding.

6. This Agreement is irrevocable till the entire subscription of Rs. 10 crores shall be subscribed to and paid up by DVC unless the parties mutually agree to terminate this Agreement.

C. Share Subscription Agreement executed between IDBI, Infrastructure Development Finance Company Limited ("IDFC"), IFCI Limited, Life Insurance Corporation of India ("LIC"), General Insurance Company of India ("GIC") (collectively referred to as the "Subscribers") and PTC dated December 27, 2002.

The salient features of this agreement are reproduced below:

1. The Subscribers agree to subscribe to and the Company agrees to allot to the Subscribers, equity shares of the Company of Rs. 10/- each of the aggregate face value of Rs. 18.5 crores for cash at par. Further, the Company shall allot the shares on the date of receipt of full subscription money from the Subscribers.

2. The Company shall issue the shares in the dematerialised form by crediting respective demat accounts of the Subscribers for the number of shares allotted within 14 days from the date of allotment.

3. The Company shall carry out such alterations to the MOA and AOA of the Company as may be mutually deemed necessary to safeguard the interest of the subscribers arising out of this agreement.

4. The Company shall get its shares listed within a period of eighteen months from the date the subscription money of the last subscriber is received or within such extended time as may be mutually agreed between the Company and the Subscribers.

5. The Subscribers, in the event of subscribing 10% or more of the paid up capital of the Company, shall have the right to appoint and remove from time to time, one nominee director (for every block of shares of 10 % of total paid up equity capital) on the Board of Directors of the Company at any time during the currency of this agreement. Further, the nominee director shall not be required to hold qualification shares.

6. In the event that at any time the nominee director is not able to attend the meeting of the Board of Directors or any of its committees of which he is a member, the concerned subscriber may depute an observer to attend the meeting. The expenses incurred by the subscriber in this connection shall be borne by the Company.

7. The Subscribers may terminate or suspend the access of Company to the subscription by a written notice on the happening of all or any of the following events:

    (a) Default in performance of covenants and conditions of this agreement;
    (b) Supply of misleading information by the Company;
    (c) Inability to pay debts by the Company;
    (d) Refusal to disburse loan by other financial institutions to the Company;
    (e) The Company is subject to proceedings under any bankruptcy or any insolvency laws or the Company is voluntarily or involuntarily dissolved;
    (f) Inability of the Company to pay its debts; and
    (g) Appointment of a Liquidator or Receiver or an attachment on the properties of the Company.

D. Supplementary Equity Subscription Agreement executed between Tata Power Company Limited ("TPC") and PTC dated December 24, 2003

The salient features of this agreement are as follows:

1. Pursuant to this agreement, TPC has agreed to subscribe and pay up 50 lacs additional equity shares of Rs.10 each at a premium of Rs.3 each in the manner and at the time our Company may make a call for subscription.

2. TPC shall have the option to subscribe to additional shares if offered by the Company beyond the agreed number and shall execute an additional supplementary subscription agreement for the said purpose.

3. The agreement is valid, binding and enforceable. Further, all modifications and amendments are binding only if they are made in writing.

SELECTED FINANCIAL DATA

The following financial data have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines and restated as described in the Auditor's Report of D. C. G. & Co., Chartered Accountant dated December 23, 2003 in the section entitled "Financial Statements" on page ____ of this Red Herring Prospectus. You should read this financial data in conjunction with our financial statements (as restated) for year period ended March 31, 2000 and each of fiscal 2001, 2002 and 2003 and six months ended September 30, 2003 including the notes thereto and the reports thereon, which appear elsewhere in this Red Herring Prospectus, and "Management's Discussion and analysis of financial condition and results of operations".

I. SUMMARY OF PROFIT AND LOSS ACCOUNT, AS RESTATED

(**Figures in Rs. Lakhs)**

Particulars	For six months ended Sept. 30, 2003	For the year ended March 31			For the period ended March 31, 2000
		2003	2002	2001	
INCOME					
Sales:					
Electricity Sales	99,873.88	90,038.17	35,402.53	1,139.40	771.26
Service Charges	182.00	333.49	307.88	23.26	47.52
Discount on Purchase of Power	-	187.46	-	-	-
Rebate on Purchase of Power	1,842.06	1,778.12	683.06	-	-
Other Income	320.97	356.38	246.41	89.25	95.98
Total Income	**102,218.91**	**92,693.61**	**36,639.89**	**1,251.91**	**914.77**
EXPENDITURE					
Electricity Purchased	97,687.50	88,245.89	34,901.70	1,139.04	764.17
Rebate on sale of power	2,028.57	2,052.20	746.96	-	-
Staff costs	196.86	150.98	99.14	55.13	51.79
Other Expenses	188.88	147.88	90.55	40.38	73.59
Loss on sale of fixed assets	0.32	2.92	-	-	-
Interest	38.22	26.81	-	-	-
Depreciation	66.56	68.94	10.77	3.18	1.60
Miscellaneous expenditure written off	101.99	42.78	24.87	24.87	26.84
Total Expenditure	**100,308.90**	**90,738.39**	**35,874.00**	**1,262.60**	**917.99**
Net Profit before tax and extraordinary items	1,910.01	1,955.22	765.89	(10.69)	(3.23)
Provision for taxation					
Current Tax	696.77	587.04	31.16	-	2.77
Deferred Tax	(8.33)	119.50	-	-	-
Net Profit/ (Loss) after tax before extraordinary items	**1,221.57**	**1,248.68**	**734.73**	**(10.69)**	**(6.00)**
Extraordinary items (net of tax)	-	-	-	-	-
Net Profit/ (Loss) before prior period adjustments	1,221.57	1,248.68	734.73	(10.69)	(6.00)
Prior Period Adjustments (net of tax)					
Deferred Tax Expenses/(Income)-relating to earlier years	(8.46)	235.80	-	-	-
Earlier year adjustments (net of tax)	(115.44)	29.03	-	0.48	-
Net Profit/ (Loss) as per audited statement of accounts (A)	**1,345.47**	**983.86**	**734.73**	**(10.21)**	**(6.00)**

- change in accounting policies	57.28	(159.30)	(233.07)	(240.52)	5.54
- impact of material adjustments and prior period items	(115.44)	129.23	(30.66)	(0.48)	0.48
Total Adjustments (B)	**(58.16)**	**(30.07)**	**(263.73)**	**(241.00)**	**6.02**
Adjusted Profit/ (Loss) (A+B)	**1,287.31**	**953.79**	**471.00**	**(251.21)**	**0.02**
Carry forward Profit/ (Loss) from previous year/ period	801.80	71.49	(251.19)	0.02	-
Profit available for appropriation	**2,089.10**	**1,025.28**	**219.81**	**(251.19)**	**0.02**
Appropriations					
Proposed/Interim Dividend	-	223.48	148.32	-	-
Balance carried to Balance sheet	**2,089.10**	**801.80**	**71.49**	**(251.19)**	**0.02**

The accompanying significant accounting policies and notes are integral part of this statement

II. SUMMARY OF ASSETS AND LIABILITIES, AS RESTATED

(**Figures in Rs. Lakhs)**

	Particulars	As at Sept. 30, 2003	As at March 31			
			2003	2002	2001	2000
A.	**Fixed Assets**					
	Gross Block	2,282.65	2,267.45	2,014.40	49.80	11.65
	Less: Depreciation	215.40	149.46	31.73	9.80	1.60
	Net Block	**2,067.26**	**2,117.99**	**1,982.67**	**40.00**	**10.05**
	Less: Revaluation Reserves	-	-	-	-	-
	Add: Capital work-in-progress	2.00	-	-	-	-
	Total	**2,069.26**	**2,117.99**	**1,982.67**	**40.00**	**10.05**
B.	**Investments-Short Term**	5,368.16	175.76	52.68	-	-
C.	**Current Assets, Loans and Advances**					
	Cash & Bank Balances	8,209.98	9,882.97	4,117.20	2,092.38	680.85
	Receivables	12,193.66	5,061.44	3,067.06	17.06	-
	Inventories	-	-	-	-	-
	Loans and Advances	4,235.15	1,448.18	161.82	226.03	16.58
	Other Current Assets	191.77	65.51	98.68	45.37	15.05
	Total	**24,830.56**	**16,458.09**	**7,444.76**	**2,380.84**	**712.48**
D.	**Liability & Provisions**					
	Loan funds					
	Secured Loans	-	-	-	-	-
	Unsecured Loans	-	-	-	-	-
	Deferred Tax Liability (net)	**104.63**	**86.18**	**46.29**	**18.12**	**3.98**
	Current liabilities & Provisions					
	Sundry liabilities	20,873.09	9,592.76	6,620.93	299.83	168.63
	Provisions	1,785.37	1,064.80	493.72	133.87	54.96
	Total	**22,763.09**	**10,743.74**	**7,160.94**	**451.83**	**227.57**

E.	**Share Application Money (Pending Allotment)**	**-**	**-**	**-**	**1,800.00**	**-**
F.	**Net Worth (A+B+C-D-E)**	**9,504.88**	**8,008.10**	**2,319.16**	**169.01**	**494.96**
H.	**Represented by**					
	Share Capital	7,450.00	7,250.00	2,400.00	600.00	600.00
	Reserves & surplus	2,089.10	801.80	71.49	(251.19)	0.02
	Less: Revaluation Reserves	-	-	-	-	-
	Total	**9,539.10**	**8,051.80**	**2,471.49**	**348.81**	**600.03**
I.	Miscellaneous expenditure to the extent not written off	34.22	43.70	152.33	179.80	105.07
J.	**Net Worth (H-I)**	**9,504.88**	**8,008.10**	**2,319.16**	**169.01**	**494.96**

The accompanying significant accounting policies and notes are integral part of this statement

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with our audited financial statements for each of the fiscal years 2001, 2002 and 2003 and for six months period ended September 30, 2003, including the notes thereto and the reports thereon, which appear elsewhere in this Red Herring Prospectus. These financial statements are prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines and restated as described in the Auditor's Report of 30th September 2003 in the section with the title "Financial Statements".

The following discussion is based on our audited financial statements (as restated) for each of fiscal years 2001, 2002, 2003 and six months period ending September 2003, which have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines and on information available from other sources. Our fiscal year ends on March 31 of each year, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year.

Overview

We occupy a leading position in the business of power trading, having pioneered the concept in India. Our promoters, all established names in various segments of the power industry, envisioned the need for competition and availability of choice in an industry, which has traditionally seen as a controlled, and monopoly centered structure. Therefore, we were conceived as an intermediary that enables counter parties to effectively participate in transactions for exchange of power.

The main purpose of our business is to provide opportunities to generators for optimally utilizing existing power facilities, while allowing bulk customers to plan their power purchase portfolios in a reliable and cost-effective manner through an organized market. A power trading transaction offers complementary benefits to both the seller and the buyer. Power has conventionally been viewed as a commodity; we have the distinction of having established it as a product with differentiable characteristics, based on variables like time of power flow, utility to the user, and time left to transaction. Therefore, the impact of our intermediation is that of an exacting influence on the standards of performance of various business entities participating in the market.

While there may not be any significant barriers to entry in the business, we believe that our first mover advantage is sustainable, as trading is essentially a knowledge driven business. To sustain our knowledge edge, we have the right mix of human resources with industry experience and fresh blood from leading business schools in India, working in a performance driven environment that encourages innovation. Our key business segments are trading of short-term surplus power, long-term trading of power through future contracts with power projects and trading with neighbouring countries.

In the current financial year, during the period ending on September 30, 2003, trading in short term surplus power contributed to 3637 MUs or about 76% of our total traded volumes whereas trades with neighbouring countries contributed to 1149 MUs or about 24 % of our total traded volumes.

Business Metrics

The financial year 2002-03 was virtually the second year of our operations. The trading volume jumped to 4,178 MUs, which was a major leap when compared to 1,617 MUs traded during the year 2001-02. We also maintained a track record of 'no defaults' to our suppliers. The mode of realisation through weekly billing and a simple back up payment security continued to work well. We have also effectively innovated and marketed concepts like 'time of day' trading involving power flows for specific time bands during the year, by virtue of which the same customer purchased and sold power in the course of same day i.e. purchased when in deficit and sold when in surplus. Seasonal diversity also gave us ample opportunities for short term trading.

Our total income in FY 2003 was Rs. 92,693.61 Lacs, representing an increase of about 153% from Rs. 36,639.89 Lacs in FY 2002. The adjusted net profit after tax in FY 2003 was Rs. 953.79 Lacs representing an increase of about 102% from Rs. 471 Lacs in FY 2002.Our net profit margins have been 1.87%,2.11%,and 2.09%for the period ending September 2003,FY 2003 and FY 2002 respectively. Net profit margins for a particular period has been arrived at as the ratio of profit before extraordinary items and adjustments to total income during each year.

Geographical Breakdown of Revenues

Our business is organized geographically and the following table represents the percentage breakdown of our total revenues by region:

Rs. in Lacs

Region	**Period till Sept. 30, 2003**	**FY 2003**	**FY 2002**	**FY 2001**	**Period 2000**
North	35,874	47,362	19,965	0	0
South	3,156	6,379	9,498	39	0
East	13,864	6,626	0	0	0
West	39,448	29,660	5,940	1,100	771

North Eastern	3,242	0	0	0	0
Cross Border	4289	11	0	0	0
Total	**99874**	**90038**	**35403**	**1139**	**771**

Source: PTC

Factors affecting our business operations

Our business is determined by the extent of imbalances in power availability across various regions and states of the country, as well as different time periods within a time-epoch. Therefore, our revenue model centers on boosting the inter-regional power sales, thereby effecting an optimum utilization of generating capacities across the country. There are certain regions in the country, which are power surplus during certain seasons or during some parts of the day, while there are other regions that are deficit during the corresponding period. Prior to incorporation of PTC, most of the power transfer from surplus to deficit states was arranged by bilateral agreements, hence ad-hoc prices were arrived at instead of a market driven price discovery mechanism. We have already embarked on a major role in coordinating systematically the purchase of surplus power and selling to the deficit zones. With the establishment of inter-regional HVDC back-to-back systems, 400 KV AC and HVDC links in the country, there is considerable scope for exchange of large quantum of power seasonally between regions.

Though the power-trading scenario in the country is at a nascent stage, it is growing at a rapid pace. The competition in electricity supply is yet to be felt in the Indian power sector due to the availability of few suppliers of bulk power, non-availability of merchant generators, transmission constraints, limited surpluses and distressed financial health of state power utilities. The power market has evolved over the last four years and it is expected that power markets are likely to grow at a faster pace – with the reforms of SEBs, building up of transmission highways across the regional grids including strengthening of transmission systems. As the market conditions change and newer developments take place, we expect the scale of our trading operations to increase.

Sundry Debtors

The following table represents age profile of our debtors for the respective fiscal years. The Sundry Debtors have grown with the increasing volume of business however majority of dues are being realized in less than 90 days. As on September 30, 2003 less than 5% of the debtors were outstanding for more than 30 days.

Rs. in Lacs

Region	Period till Sept. 30, 2003	% of O/s Debtors	FY 2003	% of O/s Debtors	FY 2002	% of O/s Debtors	FY 2001	% of O/s Debtors
0-30 Days	11,602.06	95.15	4,873.97	98.90	3,067.06	100.00	-	0.00
31-60 Days	59.54	0.49	7.98	0.16	-	0	-	0.00
61-90 Days	506.80	4.16	46.32	0.94	-	0	-	0.00
More than 90 Days	25.25	0.21	-	0.00		0	17.06	100.00
Total	12,193.65	100.00	4,928.28	100.00	3,067.06	100.00	17.06	100.00

Note: The above data has been certified by PTC and does not form part of the Audit Report dated December 23, 2003.

Income

Sale of electricity is the main source of our income contributing to more than 97% of our total income for the FY 2003 and six month ended September 30, 2003. For the FY 2002, it contributed to about 97% as compared to about 90% for FY 2001. Total units of Power sold by us in the six-month ended September 30, 2003 was 4818 MU as compared to 4178 MU for the whole of the FY 2003.

The following table sets forth the contribution of the different components of our revenue and of other income:

Rs. in Lacs

Particulars	For six months ended Sept. 30, 2003	For the year ended March 31		
		2003	2002	2001
INCOME				
Sales:				
Electricity Sales	99,873.88	90,038.17	35,402.53	1,139.40
Service Charges	182.00	333.49	307.88	23.26
Discount on Purchase of Power	-	187.46	-	-
Rebate on Purchase of Power	1,842.06	1,778.12	683.06	-
Other Income	320.97	356.38	246.41	89.25
Total Income	**102,218.91**	**92,693.61**	**36,639.89**	**1,251.91**

Services charges

Service charges include transaction fees charged under the contracts of purchase and supply of power. Revenue from sale of power is accounted for based on rates agreed with the beneficiaries, excluding service charges wherever separately indicated in the agreement. The service charges constituted 0.18%, 0.36%, 0.84% and 1.86% of total income for the period ending September2003, FY2003, FY2002 and FY 2001 respectively.

Discount on purchase of power during the year 2002-2003 was in the nature of off season discount given by sellers on purchase of power.

The other component of out total income is Rebate on Purchase of Power. We are generally entitled to a rebate of 2%-2.5% on purchases made by us on timely payments. Rebate on Purchase of Power accounted for 1.80%, 1.92% and 1.86% of our total income respectively for the six month ended September 30, 2003 and FY 2003 and 2002 respectively.

Other Income

Our other income mainly comprises Interest / Dividends from Fixed Deposits/Mutual Funds and Rental Income. The other income accounted for 0.31%, 0.38%, 0.67% and 7.13% of our total income respectively for the six month ended September 30, 2003 and each of the FY 2003, FY 2002 and FY2001.

Expenditure

Rs. in Lacs

Particulars	For six months ended Sept. 30, 2003	For the year ended March 31		
		2003	2002	2001
EXPENDITURE				
Electricity Purchased	97,687.50	88,245.89	34,901.70	1,139.04
Rebate on sale of power	2,028.57	2,052.20	746.96	0.00
Staff costs	196.86	150.98	99.14	55.13
Other Expenses	188.88	147.88	90.55	40.38
Loss on sale of fixed assets	0.32	2.92	-	-
Interest	38.22	26.81	-	-
Depreciation	66.56	68.94	10.77	3.18
Miscellaneous expenditure written off	101.99	42.78	24.87	24.87
Total Expenditure	**100,308.90**	**90,738.39**	**35,874.00**	**1,262.60**

Purchase of Power

Purchase of electricity constitutes more than 97% of our total expenditure for the six month ended September 30, 2003 and each of FY 2003 and 2002 and about 90% for FY 2001.

Rebate on Sale of Power

After Purchase of electricity, rebate on sale of power constitutes a significant portion of expenditure. We generally offer 2% -2.5% rebate on sale of power to our customers on timely payments. Rebate on sale of power accounted for 2.02% of our total expenditure for the six month ended September 2003 as compared to 2.26% and 2.08% for FY 2003 and 2002 respectively.

Expense on account of Staff Cost, Other expenses, Interest Cost, Depreciation etc.accounted for 0.59%, 0.49%, 0.63% and 9.79% of our total expenditure respectively for the six month ended September 30, 2003 and each of the FY 2003, 2002 and 2001.

Results of our operations

The table below sets forth various line items from our audited financial statements for FY 2001, 2002, 2003 and six month ended September 30, 2003 as a percentage of Electricity sold:

Rs. in Lacs

Particulars	**Six months ended Sept. 30, 2003**	**FY ended March 31,**		
		2003	**2002**	**2001**
Electricity Sales	99,873.88	90,038.17	35,402.53	1,139.40
Electricity Purchases to Elect. Sales	**97.81%**	**98.01%**	**98.59%**	**99.97%**
Electricity Purchased	97,687.50	88,245.89	34,901.70	1,139.04
Rebate on sale to Elect. Sales	**2.03%**	**2.28%**	**2.11%**	**0.00%**

Rebate on sale of power	2,028.57	2,052.20	746.96	-
Staff Cost to Elect. Sales	**0.20%**	**0.17%**	**0.28%**	**4.84%**
Staff costs	196.86	150.98	99.14	55.13
Other Expenses to Elect. Sales	**0.19%**	**0.16%**	**0.26%**	**3.54%**
Other Expenses	188.88	147.88	90.55	40.38
Interest Cost to Elect. Sales	**0.04%**	**0.03%**	**0.00%**	**0.00%**
Interest	38.22	26.81	-	-
Depreciation to Elect. Sales	**0.07%**	**0.08%**	**0.03%**	**0.28%**
Depreciation	66.56	68.94	10.77	3.18
Total expenditure to Elect. Sales	**100.44%**	**100.78%**	**101.33%**	**110.81%**
Total Expenditure	100,308.90	90,738.39	35,874.00	1,262.60
PBT and Extra ordinary items to Elect. Sales	**1.91%**	**2.17%**	**2.16%**	**-0.94%**
Net Profit before tax and extraordinary items	1,910.01	1,955.22	765.89	(10.69)
Adjusted PAT to Elect. Sales	**1.29%**	**1.06%**	**1.33%**	**-22.05%**
Adjusted Profit/ (Loss)	1,287.31	953.79	471.00	(251.21)

Summary of six months ended September 30, 2003

Some of the key developments that occurred during the six months period ended September 30, 2003 includes the following: ***(Figures for the six-month period ended September 30, 2003 are strictly not comparable with FY 2003, which is for a period of 12 months.)***

Sale of Electricity
Sale of electricity for the six months period ended September 30, 2003 stood at Rs. 99,873.88 lacs. It represents an increase of about 10.92% from Rs. 90,038.17 lacs- the sales for the whole of the FY 2003. In Million Units, the sales increased to 4818 MU for the six months period ended September 2003 from 4178 MU during the entire FY 2003.

Electricity Purchased
With the increased sales volume, our purchases also increased correspondingly. Increase in purchases was by about 10.70% to Rs. 97,687.50 lacs for the six month period ended September 30, 2003 as compared to Rs. 88,245.89 lacs for the whole of FY 2003.

Net Profit before tax and extra ordinary items
Consequent to the increase in the overall trading volume from 4178 MUs for the whole of FY 2003 to 4818 MUs for the six month ended September 30, 2003, our net profit before tax and extra ordinary items stood at Rs. 1910.01 lacs for the six months ended September 30, 2003 as compared to Rs. 1955.22 lacs for FY 2003.

Adjusted Profit after tax
The adjusted PAT stood at Rs. 1287.31 lacs for the six months ended September 30, 2003 as compared to Rs. 953.79 lacs for the FY 2003 representing an increase of about 35%.

Comparison of FY 2003 with FY 2002

Our trading volume increased by 158% to 4,178 MUs during the FY 2003 as compared to 1,617 MUs in FY 2002. This increase in volume was contributed by increase in the number of buyers and sellers. We also structured innovative products to address opportunities across various time-epochs such as time-of-the-day, as and when available power etc.

Some of the key developments that occurred during FY 2003 include the following:

Income
The Electricity Sales comprises our core business activity and contributes to more than 96% of the total income. Our total income increased by about 153% from Rs. 36,639.89 Lacs in FY 2002 to Rs. 92,693.61 Lacs in FY 2003. The increase in income was attributable mainly to increase in volume of power trading.

Sale of Electricity
Our company increased its trading activities by implementing innovative concepts in trading of surplus power, like, time of day trading for specific hours of the day with differential pricing, infirm (as and when available) power, short term trading for periods as low as three days etc., as a result of which sales increased by about 154% from Rs. 35,402.53 Lacs in FY 2002 to Rs. 90,038.17 Lacs in FY 2003.

Other Income

Incidental to our core activity, our company was also able to garner income from interest etc by better management of treasury operations. Other Income increased by about 45% from Rs. 246.41 Lacs in FY 2002 to Rs. 356.38 Lacs in FY 2003.

Expenditure

Our expenditure (comprising purchase of power, rebate on sale of power, staff cost, other expenses, interest, depreciation, loss on sale of fixed assets and miscellaneous expenditure written off) increased by about 153% from Rs. 35,874.00 Lacs in FY 2002 to Rs. 90,738.39 Lacs in FY 2003.

Purchase of Power

Purchase of power remained more or less at around 97% of the total expenditure. As a percentage of electricity sales, it reduced marginally from 98.59% in FY 2002 to 98.01% in FY 2003. In absolute terms, this expenditure increased from Rs. 34,901.70 lacs in FY 2002 to Rs. 88,245.89 lacs in FY 2003. In percentage, terms the increase is by about 153% in FY 2003 as compared to FY 2002, which is mainly attributable to increase in the volume of trading.

Rebate on sale of power

Corresponding to increased sales, rebate on sale of power as a percentage to electricity sales increased from 2.11% in FY 2002 to 2.28% in FY 2003. In absolute terms, the increase for the same period was from Rs. 746.96 lacs to Rs. 2,052.20 lacs, a rise of about 174%.

Staff Cost

Staff cost as a percentage to electricity sales decreased from 0.28% in FY 2002 to 0.17% in FY 2003, though in absolute terms, the amount has increased for the same period from Rs. 99.14 lacs to Rs. 150.98 lacs, a rise of about 52%. Increase in staff cost was due to augmentation of manpower for increased level of activitie, and increase in DA etc. of existing employees.

Other Expenditures including Depreciation and Interest Expense

The share of all other expenditure in the total expenditure reduced from 0.35% in FY 2002 to 0.32% in FY 2003 as a percentage of total expenditure. In absolute terms this amount increased from Rs.126.19 lacs to Rs. 289.33 lacs during the same period. However, as a percentage of electricity sold, there has been a fall from about 0.36% in FY 2002 to 0.32% in FY 2003. Increase in other expenditures was mainly in relation to increase in trading volumes.

Depreciation is provided on Written Down Value Method as per the rates and in the manner prescribed in the Schedule XIV to the Companies Act, 1956. In respect of the assets costing Rs. 5,000/- or below, depreciation is provided at 100%.

Adjusted Profit after Tax

The adjusted profit after tax increased in absolute terms from Rs. 471.00 lacs in FY 2002 to Rs. 953.79 lacs in FY 2003 registering a rise of about 102%. In comparision with sales however, the percentage has fallen from 1.33% in FY 2002 to 1.06% in FY 2003.

Comparison of FY 2002 with FY 2001

Our company made its presence felt in a short span of time and started moving towards the direction of establishing a competitive power market in the country. During the year, the company traded 1,617 MUs as compared to 43 MUs of the earlier year. On account of such drastic rise in trading volumes, resulting in a lower base for comparison purpose, the figures for the two years are not strictly comparable.

Some of the key developments that occurred during FY 2002 include the following:

Income

Our total income increased from Rs. 1,251.91 Lacs in FY 2001 to Rs. 36,639.89 Lacs in FY 2002. The increase in income was attributable to increase in volume of power trading.

Sale of Electricity

Electricity Sales increased from Rs. 1,139.40 Lacs in FY 2001 to Rs. 35,402.53 Lacs in FY 2002. This increase was primarily due to enhanced sales.

Other Income

Other Income increased from Rs. 89.25 Lacs in FY 2001 to Rs. 246.41 Lacs in FY 2002. This increase primarily resulted by increase in collection and time float of short-term investible funds.

Expenditure

Our expenditure increased from Rs. 1,262.60 Lacs in FY 2001 to Rs. 35,874.00 Lacs in FY 2002. However, total expenditure as a percentage of electricity sold decreased from 110.81% FY 2002 to 101.33% FY 2003.

Purchase of Power
Purchase of Power increased from Rs. 1,139.04 Lacs in FY 2001 to Rs. 34,901.70 Lacs in FY 2002 due to increase in volume of purchase in proportion to increase in sales. As a percentage of electricity sold, there has been a fall from 99.97% in FY 2001 to 98.59% in FY 2002.

Staff Cost
Staff cost increased from Rs. 55.13 Lacs in FY 2001 to Rs. 99.14 Lacs in FY 2002 due to increase in number of employees and DA etc. As a percentage of Electricity sold, there has been a fall from 4.84% to 0.28%.

Other Expenditure including Depreciation and Interest Expense
The share of all other expenditure in the total expenditure reduced from 5.42% in FY 2001 to 0.35% in FY 2002 as a percentage of total expenditure. In absolute terms this amount increased from Rs. 68.43 lacs to Rs. 126.19 lacs during the same period. However, as a percentage of electricity sold, there has been a fall from about 6.01% in FY 2001 to 0.36% in FY 2002. Increase in other expenditure was mainly in relation to increase in trading volumes.

Adjusted Profit after Tax
The adjusted profit after tax stood at Rs. 471.00 lacs in FY 2002 as compared to a loss of Rs. 251.21 lacs in FY 2001.

Liquidity and Capital Resources
Liquidity

Our primary liquidity needs have been historically for meeting any temporary mismatch between our receivables and payables. To fund these, we have relied on cash flow from operations and investing activities.

Cash Flows

The table below summarises our cash flow for each of the FY 2001, 2002, 2003 and six-month period ended September 30, 2003.
(Rs in Lacs)

Period/ Year	**Six month ended September 2003**	**FY 2003**	**FY 2002**	**FY 2001**
Net cash flow from operating activities	3016.60	1,339.71	3,795.69	(420.91)
Net cash used in investing activity	(4,889.59)	(52.13)	(1,770.88)	32.44
Net cash flow from financing activities	200.00	4,478.19	0.00	1,800.00
Net Increase/(Decrease) in cash and Cash Equivalents	(1672.99)	5765.77	2024.81	1411.53

The trading volume of the company has increased in the current year and correspondingly the payables and receivables have also gone up. To have better leverage and yield on funds, the Company invests in Short Term instruments and manages its payables and receivables. As on 30th September 2003, the company had short-term investment of Rs 5,368.16 Lacs and Cash & Bank Balance of Rs 8,209.98 Lacs.

Indebtedness
We have not raised any funds through Secured or Unsecured Loans as on September 30, 2003.

Loans outstanding to Directors and Key employees
As of September 30, 2003, there are no outstanding loans given to Directors while an aggregate amount of Rs 1.06 Lacs is outstanding in respect of loans to key employees. All employees, including Directors and Key employees are entitled to various categories of loans in accordance with our policy.

Financial Market Risks

Quantitative and Qualitative Disclosures about Market Risk

Our payables and receivables are denominated in domestic currency. The risk from change in interest rate will be to the extent of corresponding change in our financial expenses Therefore, the financial market risks, i.e. foreign exchange rates and interest rates, do not have any significant impact on our operations.

Effect of Inflation

The viability of a trading transaction depends on the pricing level. Pricing of power in a trading transaction depends on several factors including utility of the power to buyer, time to transaction, nature of flow (whether firm / infirm). While inputs costs like fuel charges for power generation are impacted by inflation, it does not seriously impact the potential trading volumes, as the pricing tends to track marginal costs, rather than full costs.

Information required as per Clause 6.8 of SEBI Guidelines

1. Unusual or infrequent events or transactions

There have been no events, to the best of our knowledge, other than as described in this Draft Red Herring Prospectus, which may be called “unusual” or “infrequent”.

2. Significant economic/regulatory changes

The most significant regulatory development for the industry in recent times has been the enactment of a comprehensive legislation in the form of Electricity Act, 2003 in June 2003. The Act provides special impetus to power trading. In summary, the intent of the Act is to provide for the reforms agenda to proceed on all fronts. The Act envisages altering the Market Structure to be conducive to greater competition and choice. Clear examples of this intent are available in provisions like those relating to bypassing of the distributor by the HT customers. The Act attempts to move the market to a more efficient and Demand-Supply determined outcome by enabling competition under a strong and predictable regulatory regime. The Act enjoins the Regulatory Commissions to promote development of a market (including trading), and to determine tariffs keeping in mind the principles of competition, efficiency, economical use of resources, and consumers’ interest.

Consequent to the enactment of The Electricity Act, 2003, the Central Electricity Regulatory Commission (CERC) has issued Draft Regulations on grant of licence for inter-state trading of power.

3. Known trends or Uncertainties

Other than as described elsewhere in the Red Herring Prospectus, to our knowledge, there are no known trends and uncertainties that have or had or are expected to have a material adverse impact on revenue or income of the company from continuing operations.

4. Future relationship between costs and income

Other than as described elsewhere in the Red Herring Prospectus, to our knowledge, there are no known factors, which will affect the future relationship between the costs and income, or which will have a material impact on the operations and finances of the Company.

5. Total turnover of each major industry segment in which the Company operates

The Company does not operate in multiple industry segments. Its operations are confined to a single industry segment.

6. New Products or business segments

Apart from the business segments described in the paragraphs titled `Overview’ at the beginning of this section, we do not produce or market any other products or services.

7. Seasonality of business

Though power generation from some sources (like hydel) does have a seasonal character, the overall trading business does not have a seasonal nature. This is because several seasonal trends in demand and supply are compensating and complementary in nature, and trading volumes are a result of several trends overlaying each other.

8. Dependence on single or few suppliers / customers

In the current financial year, for transactions upto end-September 2003, our single largest seller and buyer constitute about 22% and 20% of the purchase and sale portfolio respectively in value terms as compared to previous years figures of 23% and 34% respectively in case of largest seller and buyer. The number of participants, even in the existing market structure have increased manifold, and concentration levels have reduced. With a deeper market structure evolving, we expect the concentration levels to reduce further in coming periods.

9. Competitive Conditions

The Electricity Act 2003 allows trading of electricity i.e. purchase of electricity for further sale. With its enactment, other trading entities have come into existence, though on a provisional basis. None of these entities as yet have a significant track record, and trading being a complicated business, requires special skills. However, it is likely that competition will garner market shares in the long run. A market share game is very likely till major capacity additions happen and grid flexibility improves, because these factors can potentially limit the market size. The key risks on this account may be an impact on our trading margin and a reduction in transaction volume / market share.

10. Significant developments after September 30, 2003 that may affect our future results of operations

Save as stated elsewhere in the Red Herring Prospectus, to our knowledge, no circumstances have arisen since the date of the last financial statement as disclosed in the Red Herring Prospectus which materially and adversely affect or is likely to affect the trading or profitability of the Company, or the value of its assets, or its ability to pay its liability within the next twelve months.

OUR MANAGEMENT

Board of Directors

Our Company is currently managed by a Board of Directors comprising 12 Directors. Shri T. N. Thakur is currently our Chairman and Managing Director.

Article 111 of our AoA provides that the Board of Directors of the Company shall consist of not less than 3 directors and a maximum of 15 Directors. A person need not hold any qualification shares to become Director. The Chairman / Chairman & Managing Director, the Managing Director and any other Whole-time Director(s) shall be appointed by the General body in accordance with the provisions of the Act. Not less than two third of the total number of Directors shall be liable to retire by rotation in accordance with the provisions of section 256 and 257 of the Act and shall be eligible for reappointment.

As per Article 113 of our AOA every block of minimum 10% shareholding by any shareholder/ group of shareholders shall entitle it to nominate one part-time Director on the Board of the Company. It also provides that not withstanding anything to the contrary contained in these Articles, the Board of Directors shall include at least one nominee director each from POWERGRID, NTPC, PFC and NHPC and one nominee Director by the Government of India, Ministry of Power.
Our present Board of Directors comprises the following members:

Sr. No.	Name, Designation, Father's Name, Address, Occupation and Term	Age (Years)	Other Directorships
1.	Shri Tantra Narayan Thakur Chairman & Managing Director (S/o Shri Bindeshwar Thakur) D-I/60, Satya Marg, Chanakyapuri, New Delhi – 110 021 Service Whole-time Director since 11/10/2000	54	NIL
2.	Shri Sudhindra Kumar Dube Director (Operations) (S/o Late Sh. Dharani Dhar) C-304 Nagarjuna Apartments, Mayur Kunj, Delhi 110 096 Service Whole Time Director since 02/12/2002	56	NIL
3.	Shri Mahendra Kumar Director (Business Development) (S/o Late Sh. Manohar Lal) 89-B, Pocket – A, Sukhdev Vihar, New Delhi 110 025 Service Whole Time Director since 02/12/02	55	Uttaranchal Power Corp. Ltd., Director
4.	Shri Ranjeet Rae Director (S/o Late Sh. K. C. Rae) 171, Gulmohar Enclave, New Delhi 110 049 Government Service Jt. Secretary, Ministry of External Affairs Part Time Director liable to retire by rotation	46	NIL
5.	Shri Ram Dayal Gupta Director (Commercial), NTPC (S/o Sh. Panna Lal) V-4, Prasad Nagar, New Delhi – 110 005 Service Nominee of National Thermal Power Corporation Ltd. Part Time Director liable to retire by rotation	59	Director National Thermal Power Corporation Ltd. NTPC Electric Supply Company Ltd. NTPC Vidyut Vyapar Nigam Ltd.
6.	Shri Ramanathan Krishnamoorthy Director (Finance), PFC (S/o Late Sh. K. Ramanathan) C-23, Pocket –B, Mayur Vihar, Phase – II, Delhi 110 091 Service Nominee of Power Finance Corporation Ltd Part Time Director liable to retire by rotation	58	Power Finance Corporation Ltd., Director

7.	Shri J. Haque ED (OS), POWERGRID (S/o Late Sh. Azimullah) B2/702, Power Welfare Organisation, Sector – 43, Gurgaon 122 002 Service Nominee of Powergrid Corporation of India Ltd. Part Time Director liable to retire by rotation	57	NIL
8.	Shri Sudhir Singh Jamwal ED (Contracts), NHPC (S/o Sh. Santosh Singh Jamwal) 4C, Hydel Apartments, Sector – 46, Faridabad – 121 002 Service Nominee of National Hydroeletric Power Corporation Ltd. Part Time Director liable to retire by rotation	58	NIL
9.	Shri F. A. Vandrewala MD, The Tata Power Co. Ltd. (S/o Sh. Ardershir) 71, NCPA Apartments, Nariman Point, Mumbai 400 021 Service Nominee of The Tata Power Company Ltd Part Time Director liable to retire by rotation	53	**Chairman** Tata Teleservices Ltd. Tata Teleservices (Maharashtra) Ltd. Tata Power Broadband Co. Pvt. Ltd. **Managing Director** The Tata Power Co. Ltd. **Director** Tata Power Trading Company Pvt. Ltd. Tata Ryerson Ltd Af-Taab Investments Co. Ltd. Nelco Ltd. North Delhi Power Ltd. Tata Ceramics Ltd. Chemical Terminal Trombay Ltd. Videsh Sanchar Nigam Ltd. Tata Services Ltd. Powerlinks Transmission Ltd.
10.	Shri Khwaja Gholamul Husnain Director (Comml.), DVC (S/o Late Md.Abdul Hai) Flat No. B-6, GB Block, DVC Complex, Sector –3, Saltlake City, Kolkatta – 700 097 Service Nominee of Damodar Valley Corporation Part Time Director liable to retire by rotation	60	Damodar Valley Corporation, Director
11.	Shri Vinod Kumar Saxena Chief General Manager, IDBI (S/o Late Sh. B. Lal Saxena) D-20, Oberoi Apartments, No. 2 Shamnath Marg, Delhi – 110 054 Service Nominee of Financial Institutions Part Time Director liable to retire by rotation	54	**Nominee Director** Binani Cements Ltd. Biotech Consortium India Ltd. **Member** Small Farmers' Agri-Business Consortium
12	Shri Gireesh B. Pradhan Nominee Director (S/o Sh. Bhaskar Vasudeo Pradhan) D-1/9, Satya Marg, Chanakya Puri, New Delhi 110 021 Government Service Jt. Secretary, Ministry of Power Part Time Director liable to retire by rotation	51	Powergrid Corporation of India Limited, Director

Brief Profile of the Directors

Shri Tantra Narayan Thakur - Chairman & Managing Director

Mr. T. N. Thakur is presently posted as Chairman & Managing Director of the Power Trading Corporation of India Ltd. (PTC). Prior to joining PTC, he was associated with PFC as Director (Finance & Financial Operations). He was the Chief Financial Officer at the Board level responsible for managing the entire financial systems of the company. On several occasions, during this period, he was invited as resource person in the Euro money conferences and other such seminars.

Mr. Thakur has over 27 years of extensive experience, as a member of the Indian Audit & Accounts Service, in Treasury Management, Financial Management (including Resource Mobilisation, Investment decisions and Appraisal of Projects for Project lendings), Accounts, Cash Management, Budgeting and Budgetary Control, Human Resource Management etc.

After a two-year training in Financial Management, Accounting and Audit, he worked for seven years in the offices of the Accountants General of three states in India, for four years in the Office of the Comptroller and Auditor General of India, for three years as Deputy Secretary/Director in the Government of India, for one year as Secretary to Chief Minister of Bihar, for five years as Principal Director of Audit under the Comptroller & Auditor General of India and more than five years in the immediate past assignment.

He was deputed to the United Nations High Commissioner for Refugees (UNHCR) at Geneva for 12 weeks, in two spells during 1994-95, for audit of that organisation on behalf of the United Nations Board of Auditors. The audit exercise was more oriented towards performance and systems review and was greatly appreciated by the UN Board of Auditors.

As Principal Director of Audit, Scientific Departments, he made innovative and significant contributions on evaluation of research and development activities and it was in recognition of his efforts that he was invited to make a presentation at the Indian National Science Congress in January 1994, on "Public Accountability of Science and Technology".

Shri Sudhindra Kumar Dube - Director

Shri S. K. Dube, on his appointment as whole time Director, assumed charge as Director (Operations) on December 02, 2002. He has been on the Board of Directors of PTC from August 26, 2000 as nominee Director of one of the promoter company viz, POWERGRID.

After graduation in Electrical Engineering in year 1969 from Jadavpur University, Calcutta, he served with Bokaro Steel & MECON for 6 years, followed by 4 years in private sector. Thereafter, he joined NTPC in 1980 and was associated with the Farakka Project & its evacuation system. He joined POWERGRID in 1991 and has held various responsible positions in Project Construction, Operation & Maintenance, Operation Services, Commercial etc.

He played a leading role in standardisation of Operation & Maintenance procedures/ manuals in 1994-96 that facilitated ISO-9001 certification of POWERGRID. Some of his major achievements are construction & commissioning of 400 KV Uri Transmission system in Kashmir Valley under adverse conditions ahead of commissioning of Uri H.E.P (480 MW) of National Hydro Electric Power Corporation and commissioning of 800 KV Kishanpur-Moga, the first such transmission line in the country . He was involved in the negotiation and signing of the first PPA of PTC with SWS Ltd. for 750 MW Hydro Power Projects at West Seti in Nepal.

A Fellow of Institution of Engineers (India), he has published papers in International Conference on " Condition Monitoring of Sub-station Equipments". He is also a member of CIGRE, an International Council on Large Electric Systems.

Shri Mahendra Kumar – Director

Shri Mahendra Kumar, on his appointment as Whole-time Director, assumed charge as Director (Business Development) on December 02, 2002. Shri Mahendra Kumar was earlier Executive Vice President (Business Development) with PTC. Prior to that, he has worked with NTPC & POWERGRID in key positions and also with GRIDCO, Orissa, as its Director (Commercial). At POWERGRID, he held areas of responsibilities in tariff policy matters, fixation of tariff, revenue realisation, dispute resolution and CEA/MOP/CERC approvals. At GRIDCO he was responsible for power planning trading, commercial matters, system operations, generation planning, interaction with external agencies and other Board level functions. He has worked in various capacities in UPSEB, NHPC and NTPC with assignments like Project Planning, Feasibility Study, Design, Contracts, Construction, Operations and Maintenance etc.. He has to his credit the achievement in voltage control in southern and eastern regions through MVAR management.

He is a graduate in Electrical Engineering from the University of Roorkee (now IIT, Roorkee) and has experience of over 31 years in the areas of Project Planning, Operation & Maintenance of Transmission Systems, formulation of tariffs for generation and in promotion of a power trading market. Shri Kumar is a Fellow member of The Institute of Engineers (India) and a member of CIGRE, France.

Shri Ramanathan Krishnamoorthy - Director
Shri R. Krishnamoorthy represents one of the promoter companies viz.Power Finance Corporation Ltd, where he holds charge as Director (Finance & Financial Operations). Shri Krishnamoorthy holds a B.Sc Degree from the University of Madras in Mathematics. He has also qualified as SAS(Commercial) of Indian Audit & Accounts Deptt. and is a Fellow member of the Institute of Cost & Works Accountant of India. Having joined PFC in its initial year of incorporation, 12 years ago, he has held various important positions in PFC and had the unique opportunity of having handled all the facets of finance & financial operations of PFC.

He started his career in the Indian Audit and Accounts Deptt., where he was associated with audit of Petroleum Refinery and Oil Marketing Companies in Southern region covering Indian Oil Corporation, HPCL, BPCL, Madras (Chennai) Refineries Ltd., Cochin Refineries Ltd., etc. He has also worked in a mineral exploration organization for a brief period of about 3 years. Before joining PTC, he worked with NHPC for over 10 years and was instrumental in establishing the Corporate Planning and Cost Engineering Services Unit.

Shri Krishnamoorthy is member of various Committees and possesses a rich experience in the working of power sector. He was a member of the Task Force constituted by the Government of Karnataka for Power Sector Reforms in the State. He is a member of the Advisory Council of the Project Management Institute of NTPC, Noida and of the Institute of Chartered Financial Analysts of India, Gurgaon.

Shri Ram Dayal Gupta - Director
Shri R. D. Gupta represents one of the promoter companies, National Thermal Power Corporation Ltd. (NTPC), where he holds charge as Director (Commercial). He is a graduate in Mechanical Engineering from University of Jodhpur and a Masters in Business Administration from IGNOU. He is a Member of the State Advisory Committee, Punjab State Electricity Regulatory Commission and a Fellow member of the Institute of Engineers (India). His work experience includes, working with regulatory agencies for evolution of regulatory framework, interacting with CERC on all matters of policy and procedural aspects of regulatory compliance, formulation of contractual framework for sale of power through PPAs with SEBs/ Power Utilities, etc. He has also made significant contribution in the formulation of the Electricity Act, 2003. Out of his total experience of more than 36 years, he has worked for about 25 years with NTPC and about 11 years with Central Electricity Authority.

At NTPC, he has headed two of the largest regions, viz., Western Region and National Capital Region, providing effective leadership. He was instrumental in the commissioning of 500 MW units at Vindhyachal 12 months ahead of schedule. At CEA he played a leading role for planning and forecasting of electricity scenarios of India and approving capacity addition/ transmission projects.

Shri J. Haque - Director
Mr. J. Haque represents one of the promoter companies, POWERGRID, where he holds charge as Executive Director (Operation Services), heading Corporate Operation Services. Mr. Haque holds a first class degree in Mechanical Engineering and has worked in Central Power Sector Undertakings for over three decades since his graduation in 1969. He has been associated with the implementation and O & M of power generation/ transmission project for more than two decades in POWERGRID, NTPC and National Aluminum Co. Ltd. He has handled responsibilities in various functional areas like Corporate Planning, Corporate Contracts, Information Technology, Corporate Communication and Southern Region Transmission System in the past.

As head of Operation & Maintenance of Southern Region Transmission System, he has been responsible for upkeep and efficient running of upwards of 43,000 Ckt. Kms of transmission lines and 27,500 MVA of transmission capacity. He has been responsible for the implementation and completion of several large & complex projects ahead of schedule such as Jeypore-Gajuwaka Transmission System, prestigious HVDC back to back Terminal at vizag, Gas insulated Substation (GIS) at Kayamkulam and Kayamkulam Transmission System, Kaiga-Sirsi Transmission System, EMS/SCADA & Telecom Projects(SR).

Shri Sudhir Singh Jamwal - Director

Shri S. S. Jamwal represents one of the promoter companies, viz, National Hydroeletric Power Corporation Ltd. (NHPC), where he holds charge as Executive Director (Contracts). He has rich and vast experience in power sector. Presently, he is working in the contracts department and, in the past too, he had a significant role in the integrated and efficient development of hydroelectric power in the central sector covering all aspects - investigation, planning, design, construction, operation and maintenance. He is a part-time Director in Power Trading Corporation of India Ltd. w.e.f. February 24, 2003. He joined NHPC in December 1975 as Asst. Manager (Engineer). Before joining NHPC, he had worked with Jammu & Kashmir Power Development Department for about 7 years where he had handled the work relating to erection, testing, commissioning and maintenance of Stage I and Stage II of Chenani Hydroelectric Power Station in collaboration with Ganz Mavag, Hungary. At NHPC he has handled work relating to the installation, testing, commissioning, operation and maintenance of number of power projects. As Executive Director, NHPC, he is in charge of procurement and contracts services of NHPC at corporate office. He is also controlling Liaison & Project Services Complex at Jammu and import and liaison related activities at Mumbai.

Shri F. A. Vandrevala - Director
Shri F. A. Vandrevala represents The Tata Power Company Ltd. where he holds charge as Managing Director. He has graduated in Electrical Engineering (Hon) from IIT, Kharagpur and subsequently earned a Post Graduate Diploma in Business Management from XLRI, Jamshedpur. Mr. Vandrevala joined The Tata Power Company Ltd. on November 1, 2001 as Dy. Managing Director and was elevated to the present position from September 1, 2002. Prior to joining TPC, in a career spanning 29 years at Tata Steel, Mr. Vandrevala has held several responsible positions from being a Superintendent at the Company's Bar Forging Mill to being Executive Director (Marketing & Sales) on the Company's Board.

He is also on the Board of several Tata Companies and the Chairman of Tata Teleservices Ltd. He has held various important positions in Confederation of Indian Industry (CII) and is presently the Chairman of the Western Region of CII. He is also a Member of many reputed Professional Bodies.

Shri Vinod Kumar Saxena - Director
Shri V. K. Saxena holds charge as Chief General Manager at IDBI and represents all the 5 Financial Institutions (viz. IDBI, IFCI, IDFC, LIC and GIC) on the Board. Mr. Saxena joined IDBI in 1978 directly as an Officer. At present, as a Chief General Manager, he is in charge of the Northern Zone. He is a nominee director on the Boards of a number of assisted companies. He has Masters degree in Science (Organic Chemistry) and a Masters in Technology (Chemical Technology) from Lakshmi Narayan Institute of Techonology, Nagpur.

Shri Khwaja Gholamul Husnain - Director

Shri K. G. Husnain represents the Damodar Valley Corporation, where he holds charge as Director (Commercial). He is a part-time Director in Power Trading Corporation of India Ltd.. The Damodar Valley Corporation is a joint venture participation undertaken by the Central Government and the State Governments of West Bengal and Bihar (now Jharkhand) to participate jointly for the purpose of building the Damodar Valley. Shri Husnain joined DVC as an Asst. Engineer (Elec.) and was gradually promoted to the post of Director (Commercial). He has been working with DVC for more than 38 years. As Director (Commercial) of DVC, he deals with the sale/ purchase of power to/ from different organizations, tariff fixation, revenue monitoring and allied activities.

Shri Ranjeet Rae - Director
Shri Ranjeet Rae represents the Ministry of External Affairs (MEA), where he holds charge as Joint Secretary (Nepal & Bhutan). He holds a Masters Degree in Arts (Economics) and has been working with the Indian Foreign Service since September 1980. He has been a career diplomat posted as first, second and third secretary in Indian Mission at New York, Kampala and Vienna respectively. He was also deputed to UN Mission in Kosovo & United General Assembly.

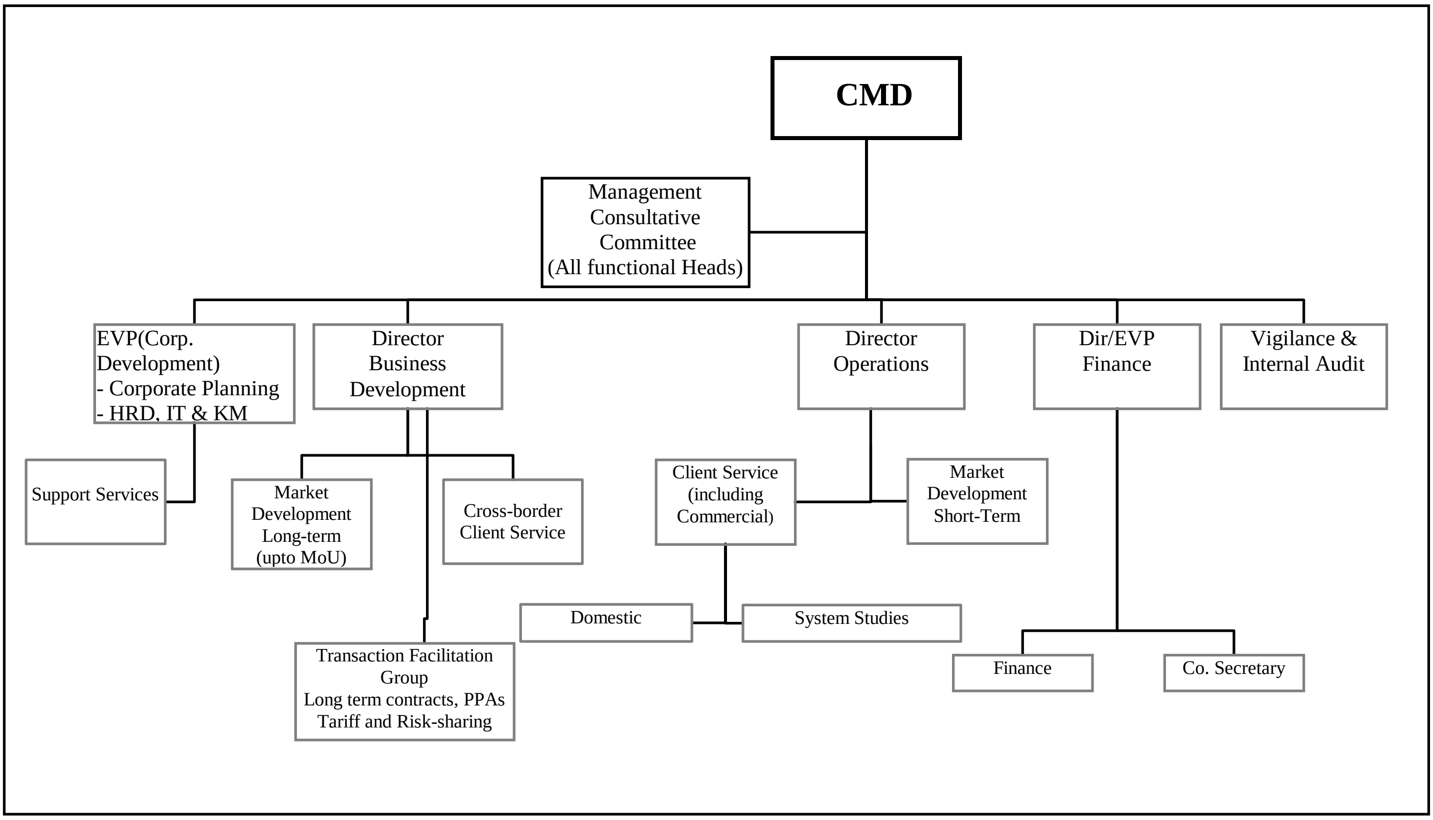
Shri Gireesh B. Pradhan – Director
Shri Gireesh B. Pradhan represents the Ministry of Power (MoP) where he holds charge as Joint Secretary. He holds a Masters Degree in Arts (History) from St. Stephen's College, Delhi University, Delhi, Masters Degree in Public Administration from School of Public Administration, Carleton University, Canada, and a Masters Degree in Military Science from National Defence College, New Delhi.

As a Joint Secretary, MoP, he is associated with dealing with Central & State sector transmission matter, administrative matters relating to MoP including Central Electricity Authority, matters relating to Training and Research division of MoP etc. Prior to being Jt. Secretary, MoP, he has had the opportunity to work as Secretary to the Hon'ble Speaker of Lok Sabha, Indian Parliament, Joint Secretary to the President of India, Director, President of India's Office, Member of Maharashtra State Electricity Board, etc.

Shareholding of our Directors
Our Articles do not require our Directors to hold any qualification shares. The shareholding of our Directors as on date of this Red Herring Prospectus is as follows:

Sr. No.	Director	No. of Shares	Date Acquired
1.	Shri J. Haque	2	July 2003

Organisation Chart



Term of Office of Directors

In accordance with the Companies Act, all our Directors except Shri Tantra Narayan Thakur, Chairman & Managing Director, Shri Sudhindra Kumar Dube, Whole Time Director and Shri Mahendra Kumar, Whole Time Director, are liable to retire by rotation. For details of the terms of appointment of our Whole Time Directors, please refer to the section titled “Statutory and Other Information”.

Changes in the Board of Directors during the last three years

Changes in our Board of Directors in the last three years are as follows:

Name	Date of Appointment	Date of Cessation	Reason
Shri R. K. Madan	April 16, 1999	July 03, 2000	Appointment/ Resigned
Shri T. N. Thakur CMD w.e.f Oct. 11, 2000	April 16, 1999	-	Appointment
Shri P. I. Suvrathan	April 16, 1999	July 10, 2002	Appointment/nominating agency changed the nominee
Shri H. L. Bajaj	April 16, 1999	July 01, 2002	Appointment/nominating agency changed the nominee
Shri R. D. Kakkar	April 16, 1999	October 31, 2002	Appointment/nominating agency changed the nominee
Shri Rakesh Nath	July 18, 2000	October 16, 2001	Appointment/ Resigned
Shri S. K. Dude Whole Time Director w.e.f. December 02, 2002	August 26, 2000	-	Appointment
Shri K. K. Govil	March 09, 2001	July 31, 2003	Appointment/nominating agency changed the nominee
Shri Shyam Wadhera	July 08, 2002	May 21, 2003	Appointment/nominating agency changed the nominee
Shri Mahendra Kumar	December 02, 2002	-	Appointment
Shri A. K. Kutty	October 28, 2002	July 01, 2003	Appointment/nominating agency changed the nominee

Shri J. Haque	November 14, 2002	-	Appointment
Shri A. K. Palit	November 29, 2002	August 18, 2003	Appointment/nominating agency changed the nominee
Shri F. A. Vandrevala	February 24, 2003	-	Appointment
Shri S. S. Jamwal	February 24, 2003	-	Appointment
Shri V. K. Saxena	May 05, 2003	-	Appointment
Shri R. D. Gupta	May 21, 2003	-	Appointment
Shri R. Krishnamoorthy	August 18, 2003	-	Appointment
Shri K. G. Husnain	August 18, 2003	-	Appointment
Shri Ranjeet Rae	September 24, 2003	-	Appointment
Shri Shashi Shekhar	July 01, 2003	October 06, 2003	Appointment/ceased to be an employee of the nominating agency
Shri Gireesh B. Pradhan	December 29, 2003	-	Appointment

Corporate Governance

The SEBI Guidelines in respect of Corporate Governance will be applicable to us immediately upon listing of our equity shares on the various stock exchanges. We undertake to take the necessary steps to comply with all the requirements of the guidelines on Corporate Governance as would be applicable to us upon listing of our shares. In this regard, we will take steps to further broad base our Board of Directors and also set up the necessary Committees as per the requirements of the revised guidelines.

Audit Committee

The Audit Committee was set up through a Board resolution passed at the 12th meeting of the Board of Directors held on March 9, 2001.The members of the Audit Committee are Shri R. Krishnamoorthy, Director(Finance) PFC, Shri J. Haque, ED(OS), POWERGRID, and Shri S. K. Dube, Director (OPS), PTC, and the invitees are Head of Finance, PTC & the Auditors.

The Audit Committee reviews the report of the Internal Auditors and Statutory Auditors along with the comments and action taken by the Management.

Key Managerial Personnel

Details of our key managerial personnel are as follows:

I) Key Managerial Personnel who are our permanent employees

1) **Shri Rajiv Bhardwaj, Executive Vice President (Corporate Development/ Support Services)**, age 45 years, graduate in Chemistry with honours, joined PTC in May 20, 2003. Prior to joining PTC, he has worked with PFC for 6 years, where he was responsible for developing and institutionalizing the risk management function, policy and strategy for the corporation. He has experience in fund raising from international markets, structuring financial solutions for Private Power Projects and state sponsored projects, evaluating project risk, contractual structure and mitigation techniques. He began his career as a member of Indian Audit and Accounts Service in 1983. He has handled several government postings in audit and accounts service for central as well as state government.

2) **Shri G. S. Gupta, Sr. Vice President**, age 58 years, is a Graduate in Electrical Engineering from Jodhpur University. He joined PTC in April 26, 2000 as a Dy. General Manager(OPS) on deputation from NTPC. Prior to joining NTPC, in 1980, he had worked with Central Elecrticity Authority, New Delhi, Beas Control Board and Rajasthan State Electricity Board. His present assignment includes servicing to Domestic Clients for dispatch of Power to the buyers, Coordination with RLDCs & REBs for scheduling & Energy Accounting, participation in Technical Coordination Committee meeting and Board meeting of all five Region at Electricity Boards of India. He is one of the senior fellow members of the Institution of Engineers. He has about 36 years of experience in the power industry. In fiscal 2003 he has received a gross remuneration of Rs.6.45lacs.

3) **Shri Rakesh Kumar, Vice President,** age 47 years, graduated in Electrical Engineering from Ranchi University and holds a Post Graduate Diploma in Management from XIM Bhubaneshwar. He joined PTC in May 19, 2000 and currently handles the cross-border trading besides Corporate Development. He has a total experience of 20 years. He has started his career with NHPC in 1982. Prior to joining PTC, he has worked for more than 19 years with POWERGRID, for about 10 years in various construction planning, O & M and commercial function including 3 years in Western Regional Load Despatch Centre, Mumbai. In the fiscal year 2003 he has received a gross remuneration of Rs. 5.67 lacs.

4) **Shri A. Mohan Menon, Vice President**, age 45 years, graduated in Electrical Engineering from Regional Engineering College (now National Institute of Technology), Bhopal, and has an MBA degree from the Faculty of Management

5) Studies, University of Delhi. He has a total experience of 23 years. He currently heads the Transaction Facilitation Group in PTC. He has also held a position of responsibility in Corporate Development Group. He joined PTC on August 12, 1999. Prior to joining PTC he has worked for more than 19 years with NTPC in various functions like planning, site execution, monitoring, co-ordination of generation projects and transmission lines etc. In fiscal 2003 he has received a gross remuneration of Rs. 7.00 lacs approx.

6) **Shri Sanjeev Mehra, Vice President(Marketing Development)**, age 44 years, has done his B. Tech(Elect) from G. B. Pant University of Agriculture & Technology. He joined PTC in October 01, 1999. Prior to his joining PTC he was Chief Manager at POWERGRID. He had worked with the Commercial Department of Powergrid, where he was involved in fixation of Transmission Tariff and entering into bulk power transmission agreement with State Electricity Boards. Prior to Powergrid, he has worked with NTPC in Corporate Electrical Design Department. He has more than 21 years of experience in the power industry. In fiscal 2003 he has received a gross remuneration of Rs.6.12lacs.

7) **Shri Rajiv Maheshwari, Company Secretary,** age 26 years, is ACS and has a LLB degree from the Delhi University. He has joined PTC in December 12, 2000. Prior to joining PTC, he has undergone training for a period of 15 months in NTPC. In fiscal 2003 he has received a gross remuneration of Rs.2.74lacs.

II) Key Managerial Personnel who are on deputation with us

1) **Shri Deepak Amitabh**, **CFO,** age 43 years, has completed his Masters of Science (Physics) from St. Stephen's College, Delhi University. He belongs to the 1984 batch of Indian Revenue Services. As a member of Indian Revenue Services, a Prestigious Civil Service in India, he has 19 years of experience in Auditing, Financial Analysis, Revenue Mobilization and Coordination with various other authorities. He joined PTC in September 03, 2003 on deputation from the Income Tax Department for a period of three years. He has acted as Financial Advisor to Director General Naval Projects, Mumbai. In addition to this, he has held in the Indian Revenue Service, the post of Addnl. Commissioner of Income Tax, New Delhi and Joint Commissioner of Income Tax, Mumbai.

2) **Shri S. S. Sharma, Vice President (Market Development- Projects),**age 51 years, is a graduate in Engineering from Delhi College of Engineering and MBA from Faculty of Management Studies, Delhi University. He joined PTC on December 8, 2003 on deputation from Powergrid for a period of one year. He has a total experience of more than 28 years in the power sector. His previous employment has been with premier organizations like NTPC and POWERGRID. He was associated with the Corporate Contracts Function in NTPC and the Corporate Commercial Function in POWERGRID.

3) **Shri Arun Kumar, Vice President,** age 48 years, graduated in Science. Further he is F.I.C.W.A. and holds a Post Graduate Diploma in I.T. and Management from Indian Institute of Public Administration, Delhi. He has a total of 27 years of experience, out of which more than 13 years is in the power sector. His experience has been in the areas of fund raising, evaluation of financial proposals, evaluation of bids. During his tenure in power sector he has as well gained experience in Tariff working/filing of petition etc. He joined PTC on October 28, 2003 on deputation from Satkuj Jal Vidyut Nigam Limited, for a period of 1 year.

Shareholding of our Key Managerial Personnel

The shareholding of our Key Managerial Personnel as on date of this Draft Red Herring Prospectus is NIL.

Bonus or Profit sharing plan for our Key Managerial Personnel

There is no bonus or profit sharing plan for our Key Managerial Personnel. However, there is an incentive scheme, which is available to all the employees.

Changes in our Key Managerial Personnel in the last three years

Following are the changes in our key management personnel in the last three years:

Name	**Designation**	**Date of Change**	**Reason**
Sh. T.N. Thakur	CMD	03.07.2000	Joined
Sh. Rakesh Nath	Director	18.07.2000	Joined
Sh. Mahendra Kumar	EVP*	31.03.2000	Joined
Ms. Saroj Punhani	EVP	07.09.2000	Joined
Sh. S.K. Sanyal	Sr. V.P.	19.04.2000	Joined
Sh. S.K. Sanyal	Sr. V.P.	27.07.2000	Repatriated to NTPC
Sh. V.L. Dua	Sr. V.P.	03.07.2000	Repatriated to PGCIL
Sh. P. Mondal	VP (Fin)	31.05.2001	Repatriated to NTPC

Sh. Rakesh Nath	Director	16.10.2001	Repatriated to CEA
Sh. O.P. Maken	V.P.	30.09.2002	Repatriated to NTPC
Sh. S.K. Dube	Director	02.12.2002	Joined
Sh. Rajiv R. Bhardwaj	EVP	20.05.2003	Joined
Ms. Saroj Punhani	EVP	08.09.2003	Repatriated to CAG
Sh. Deepak Amitabh	Sr. V.P. (F)	03.09.2003	Joined
Sh. Arun Kumar	V.P. (F)	28.10.2003	Joined
Sh. S.S. Sharma	V.P	08.12.2003	Joined

* Elevated to Director from December 02, 2002

Interest of the Directors

NIL

OUR PROMOTERS

We have been promoted by Powergrid Corporation of India Ltd. Limited (“POWERGRID”), Power Finance Corporation Limited (PFC), National Thermal Power Corporation of India Ltd. (NTPC) and National Hydroelectric Power Corporation Ltd. (NHPC).

Promoters Agreements

Promoters Agreement dated April 08, 1999 as supplemented by Promoters Agreement dated November 29, 2002

The original promoter’s agreement was entered on April 08, 1999 between the original promoters, viz. POWERGRID, NTPC and PFC. This agreement was supplemented on November 29, 2002, wherein NHPC was added as a promoted and PTC was also added as a party to the agreement.

The main terms of the promoter’s agreement, as supplemented from time to time, are as follows:

1. The Authorised Share capital of the company shall be Rs. 750 crore. The share of promoter’s, viz. POWERGRID, NTPC, PFC and NHPC, shall be 8% each subject to a maximum of Rs. 60 crores each. The Promoters agree and undertake to subscribe to the shares offered by the company at par in the agreed proportion upto the authorized capital of Rs. 750 crore.

2. It will be optional for the promoters to subscribe to additional shares offered by the company beyond the agreed proportion.

3. The remaining 68% of the issued Equity Share capital of the company shall be open for subscription by state Governments, State Electricity Boards, Power Utilities, Generation/ Transmission/ Distribution Companies, Financial Institutions, Unit Trust of India, Life Insurance Corporation of India, Insurance Companies, Banking Institutions, Corporations, Investment Companies, Independent Power Producers, Power Utilities and others including Public at large.

4. 8% subscription to the paid up equity capital by the promoters shall entitle them to nominate one part time director each on the Board of the Company. Union Minister of Power will nominate one part time director on the Board of the Company.

5. No party (to the Promoters Agreement) shall sell, transfer, assign, mortgage or otherwise encumber its share holding in the company for initial period of twelve (12) years from the date of incorporation of the Company.

6. Appointment of Chairman or Chairman & Managing Director or Managing Director/ Whole time Director shall be decided in the General Body Meeting of the company by passing a special resolution. For any such appointment, the consent of Chairman & Managing Director of the Promoters shall be necessary.

7. The Board of Directors of the Company shall comprise not less than three (3) but not more than fifteen (15) Directors. The actual number of directors shall be determined from time to time at the general body meeting of the members of the company.

8. The Quorum for any meeting of the Board of Directors of the Company shall be three directors or one-third of the total strength of the Board, whichever is higher, provided there shall be no quorum in any meeting unless at least two nominee directors from the promoters taken together are present.

9. The parties (to the Promoters Agreement) agree that this Agreement is irrevocable till the entire Authorised Capital of the Company is fully paid up unless all parties agree to terminate it with mutual agreement.

10. If any of the parties (to the Promoters Agreement) fail to pay its Agreed proportion of the Share Capital on the date specified in the call notice issued by the company, it shall be liable to pay interest @ 18% p.a for the period till the payment is made.

POWERGRID CORPORATION OF INDIA LIMITED

History of the Company

POWERGRID was incorporated as a Government of India enterprise on October 23, 1989 under the Companies Act, 1956 with an authorized share capital of Rs. 5,000 crore and received Certificate of Commencement of Business on November 08, 1990. The mission of the corporation is "Establishment and Operation of Regional and National Power Grids to facilitate transfer of power within and across the regions with reliability, security and economy on sound commercial principles.

POWERGRID is one of the largest transmission utilities in the world. POWERGRID has been recognised as a "Mini Ratna (Category-I)" PSU by the Government of India with effect from October 1998. POWERGRID has also been notified as Central Transmission Utility (CTU) of the country and is one of the best managed transmission utilities in the world.

Business

Today, POWERGRID is operating a network of about 46,245 Ckt. Kms. The sub stations have increased from 39 to 79 and transformation capacity increased from 12,201 MVA in 1992-93 to 44,736 MVA in 2002-03.

The business of POWERGRID comprises:-

- Construction, operation and maintenance of Extra High Voltage AC & HVDC transmission systems, Load Despatch and Communication facilities.
- Providing infrastructure for National Long Distance Telecom.
- Consultancy in the area of Transmission and Telecom.
- Advisor- consultant under APDRP (Accelerated Power Development & Reform Project) launched by Govt. of India.

The objectives of POWERGRID are:

- To provide evacuation system for Centarl Sector Generation stationsand private power utilities providing power to multiple states,
- To undertake grid strengthening schemes,
- To undertake inter-regional schemes for facilitating inter-regional exchange of power,
- To operate regional Load Despatch Centres,
- To implement state-of –the-art Unified Load Despatch and Communication schemes,
- To assist GoI in power sector reforms through APDRP as advisor-cum-Consultant for improvement of T& D network,
- Disaster management,
- To exploit synergic advantage through convergence of Transmission and Telecom techonology,
- To provide consultancy services in transmission and telecom sectors.

Shareholding

POWERGRID is wholly owned by the Government of India. The President of India and its nominees hold 100% of its equity share capital.

List of Directors

As on December 24, 2003, the Board of Directors of POWERGRID comprises:

Name	**Designation**
Shri R.P. Singh	Chairman & Managing Director
Dr. V.K. Garg	Director (Finance)
Shri Bhanu Bhushan	Director (Operations)
Shri S.C. Misra	Director (Projects)
Shri U.C. Misra	Director (Personnel)
Shri M. Sahoo	JS&FA, Ministry of Power
Shri Gireesh B. Pradhan	JS, Ministry of Power

Financial Performance

(Rs. in lacs.)

Particulars	**For the Year ended March 31**		
	2001	**2002**	**2003**
Sales	249748	225189	210300
Other Income	18514	20363	42974
PBDIT	214005	184738	191484
PBT	81225	79525	75184
PAT	74249	68862*	64259*
Share Capital**	306388	306781	307406
Reserves & Surplus	356458	404200	469337
Net Worth	624709	675711	731242
EPS (Rs.)	242.34	224.46	209.04
Book Value per share (Rs.)	2038	2200	2380
Debt Equity Ratio	56:44	59:41	61:39
Dividend	5000	5066	10000

*After deferred tax ** Including share capital deposits

Sales include Transmission Income, Sale of Electric Power, Consultancy, project management and supervisory fees.

Joint Venture/ Subsidiaries

POWERGRID has promoted Bina Dehgam Transmission Company Limited as a 100% subsidiary and Powerlinks Transmission Limited as a Joint Venture Company with POWERGRID holding 49% while the balance 51% being held by The Tata Power Company Limited.

Bina Dehgam Transmission Company Ltd. (BDHC)

History

BDHC was incorporated on September 2, 2002 as project specific 'SHELL COMPANY' to take up the implementation of Bina-Nagda-Dehgam Transmission Lines through IPTC route to Build, Own, Operate and Transfer (BOOT) basis. BDHC has its Registered Office located at B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi- 110016.

Activities

BDHC was incorporated on September 2, 2002 to construct, operate and maintain transmission system network including implementation of 400kV D/C Bina-Nagda Dehgam Transmission line and to act as consultant /technical advisors of public/private sector enterprises etc.

Shareholding Pattern

BDHC is a 100% subsidiary of POWERGRID

List of Directors

The Board of Directors of BDHC as on December 24, 2003, comprises the following directors:

1. Shri J. Sridharan
2. Shri Anand Mohan
3. Shri Ashwani Jain

Financial Performance

BDHC was set up on September 02, 2002. As on March 31, 2003 the share capital of BDHC stood at Rs. 5 lacs and the Net Worth at Rs. 4.62 lacs.

Powerlinks Transmission Limited (PTL)

History

PTL was incorporated on May 4, 2001 as a project specific 'SHELL COMPANY' to take up the implementation of Transmission System associated with TALA HEP though Joint Venture route on Build, Own, Operate and Transfer (BOOT) basis. PTL obtained certificate of commencement of business on August 13, 2003. Thus there was not business during the year 2002-2003. The company has its Registered Office at 4t" Floor, Kanchanjunga Building, 18, Barakharnba Road, New Delhi. Initially, PTL was wholly owned by its promoter, i.e. Power Grid Corporation of India Ltd., however, The Tata Power Company Limited (TPC) was selected as 51% joint venture partner and 51 % equity was transferred to The Tata Power on July 3, 2003.

Business

PTL was incorporated on May 4, 2001 to construct, operate and maintain transmission system network including transmission system associated with TALA HEP of Bhutan and to act as Government /Banks/ Financial Institutions.

POWERGRID in consultation with Ministry of Power had identified specific transmission lines associated with the Tala Hydro Electric Project, East-North Interconnector & Northern Region Transmission System as a pilot project to be taken up for implementation through the Joint Venture route on Build Own Operate and Transfer (BOOT) basis. The specific transmission lines to be established through the JV route basis are:

	Projects	**Kms**
1.	Siliguri-Purnea 400 kV D/C (quad. conductor) line	162 kms
2.	Purnea-Muzaffarpur (New) 400kV D/C (quad.conductor) line	242 kms
3.	Muzaffarpur (New)- Gorakhpur (New) 400kV D/C line (quad. conductor)	233 kms
4.	220kV D/C line from Muzaffapur 400/220kV new S/S to Muzaffarpur 220kV S/S of BSEB	20 kms
5.	Gorakhpur (New) - Lucknow (New) 400kV D/C line (Twin conductor)	277 kms
6.	Bareilly-Mondola 4OOkV D/C line (Twin Conductor)	237 kms
	TOTAL	1171 kms

Shareholding

The shareholding pattern of PTL as on December 24, 2003 is:

Shareholder	**Percentage Holding**
Power Grid Corporation of India Ltd.	49%
The Tata Power Company Ltd	51%

List of Directors
The Board of Directors of PTL as on December 24, 2003 comprised:

Name	Designation
Shri R.P. Singh	Chairman
Shri Utpal Dhar	Managing Director
Shri F.A. Vanrevala	Director
Shri P.K. Kukde	Director
Shri Mohan Gurunath	Director
Shri Suresh Sachdev	Director
Shri V.M. Kaul	Director

Financial Performance
PTL obtained certificate of commencement of business on August 13, 2003. Thus there was not business during the year 2002-2003. As on March 31, 2003, the Share Capital of PTL stood at Rs. 5 lacs whereas the Net Worth stood at Rs. 4.44 lacs.

POWER FINANCE CORPORATION LIMITED

History of Power Finance Corporation Ltd.

PFC a company incorporated under the Companies Act, 1956 on July 16, 1986 is one of our promoters. It received Certificate of Commencement of Business on December 31, 1987. PFC was formed to finance power related activities, i.e., Hydro and Thermal Power Projects, Transmission and Distribution Works, Renovation and Modernization of Power Plants, Manufacturing of Capital Equipments of Power Sector, System Improvement and Energy Conservation, Maintenance and Repair of Capital Equipment of power, Survey and Investigation of power project and Promotion and Development of Other energy resources including alternate and renewable energy sources.

Power Finance Corporation Ltd. (PFC) is a Public Financial Institution (PFI) under Section 4A of the Companies Act, 1956. It was accorded the status of a Mini-Ratna (Category-I) Public Sector Undertaking in September 1998. It has also received awards from Hon'ble President for the Memorandum of Understanding for the year 2001-2002 on April 05, 2003.

To attain its objectives of financing power related activities, PFC meets its funding requirement by raising resources from different sources such as deposits, loans, issue of bonds, debentures, foreign line of credit, commercial loan etc.

PFC has developed appropriate criteria for financing of power projects and assigning financial resources more closely with physical requirement of projects and securing balanced growth of power in all the regions and optimizing power development & supply in accordance with the national priorities in term of availability, reliability and quality.

PFC has contributed immensely in motivating state sector utilities to adopt measures of reforms through its friendly policies to the reforming states and has been instrumental in implementing various reform initiatives of Govt. of India. As a result 23 states have set-up regulatory commissions and 18 states have committed to Power sector reforms with comprehensive package of financial and technical assistance from PFC. PFC has introduced a number of incentives to state utilities by way of financial support, grant and interest free/ concessional loans for studies, holding training/workshops in various regions/ SEBs, converting higher cost loans to lower cost loans etc.

Operations
During the financial year 2002-03, PFC has sanctioned financial assistance worth Rs.14,001 crores and an amount of Rs.7338 crores was disbursed during the same period to the Power Sector, apart from sanction of Guarantees worth Rs.29 crores. With this, cumulatively an amount of Rs.50,560 crores has been sanctioned and an amount of Rs. 31,735 crores stands disbursed as on 31.03.2003, apart from sanction and issue of Guarantees worth Rs.3404 crores & Rs.1644 crores, respectively.

Business
To finance power projects, (particularly thermal and hydro) transmission and distribution works, renovation and modernization of power plants, system improvement and energy conservation schemes etc. and other objects as per the Memorandum of Association of PFC.

Shareholding Pattern
As on September 30, 2003, the Government of India holds 100% of the Equity Share capital of Power Finance Corporation Ltd.

List of Directors
The Board of Directors of Power Finance Corporation Ltd. consists of the following functional directors:

Name	Designation
Shri AA. Khan	Chairman & Managing Director, PFC
Shri R. Krishnamoorthy	Director (F&FO), PFC
Shri V.S. Saxena	Director (ID&A), PFC
Shri Shyam Wadhera	Director (Projects), PFC
Shri Arvind Jadhav	Jt. Secretary, Ministry of Power.
Shri Ajay Shankar	Jt. Secretary, Ministry of Power.

Financial Performance

The key operating results of Power Finance Corporation Ltd. for the financial year ended March 31, 2001, March 31, 2002 and March 31, 2003 are as follows:

(in Rs. Lacs except per share data)

For the year ended March 31,	2003	2002	2001
Operating Income	262150	209433	189829
Other Income	1319	256	1169
PBDIT	255366	200527	177909
PBT	136795	96315	77193
PAT	117189	77833	60413
Share Capital	103045	103045	103045
Reserves & Surplus*	403451	316503	253092
Net Worth	506496	419548	356137
Earning Per Share (Rs.)	1137.25	755.33	586.28
Book Value Per Share (Rs.)	4915.28	4071.50	3456.13
Debt Equity Ratio	2.46	2.32	2.62
Dividend	23500	20000	15000

** Excluding reserved for bad and doubtful debt and bond redemption reserves.*

The shares of the company are fully held by the GoI and hence there are no previous issues by the company nor are the shares of the company listed on any stock exchange.

NATIONAL THERMAL POWER CORPORATION LIMITED

History
NTPC was incorporated as a Private Limited Company on November 7, 1975. Since NTPC was incorporated as a Private Limited Company, it did not require a Certificate of Commencement of Business.

Business
The main business of NTPC is to plan, promote and organise an integrated and efficient development of thermal/hydel power and power through non-conventional/renewable energy sources in India and abroad in accordance with national economic policies and objectives laid down by the Central Government from time to time.

Operations
NTPC has under operation/implementation coal based super thermal power plants/projects at 13 locations including Singrauli (UP), Vindhyachal (MP) and Ramagundam (AP), Farakka (WB). NTPC is also implementing combined cycled gas power projects at 7 locations including Anta (Rajasthan), Kawas (Gujarat). Currently, NTPC has already commissioned 21,435 MW from these power stations. The totaled installed capacity today is 21,749 MW. NTPC is also implementing its first hydro electric power project Koldam-HEPP (800 MW) in Himachal Pradesh.

Shareholding
NTPC is wholly-owned by the Government of India. The President of India and its nominees hold 100% of its equity share capital.

List of Directors
As on December 23, 2003, the Board of Directors of NTPC comprises:

Name	Designation
Shri C.P. Jain	Chairman & Managing Director
Dr. P. Narasimharamulu	Director (Finance)

Shri B.N. Ojha	Director (Operations)
Shri T. Sankaralingam	Director (Projects)
Shri S.L. Kapur	Director (Technical)
Shri KK Sinha	Director (HR)
Shri R.D.Gupta	Director (Commercial)
Shri M Sahoo	Director
Shri Arvind Jadhav	Director
Prof. Shri Ashok Misra	Director
Dr. R.K. Pachauri	Director

Financial Performance

(Rs. In Millions)

Particulars	**For the Year ended March 31**		
	2001	**2002**	**2003**
Sales	189890	178153	190475
Other Income	12794	6727	8024
PBDIT	74879	59982	62747
PBT	40738	37521	37540
PAT	37338	35396	36075
Share Capital (paid up)	78125	78125	78125
Reserves & Surplus	180082	208400	237002
Net Worth	258117	286453	315040
EPS (Rs.)*	4.78	4.53	4.62
Book Value per share (Rs.)*	33.04	36.67	40.32
Debt Equity Ratio	0.38	0.40	0.42
Dividend (including Dividend Tax)	8232	7079	7475

** Considering Share Value of Rs. 10 each*

Joint Venture/ Subsidiaries
NTPC has promoted the following wholly-owned subsidiaries

1. Pipavav Power Development Company Limited
2. NTPC Electric Supply Company Limited
3. NTPC Vidyut Vyapar Nigam Limited
4. NTPC Hydro Limited

NTPC has jointly promoted five companies by way of joint venture agreements, namely

1. Utility Powertech Limited
2. NTPC-ALSTOM Power Services Private Limited
3. NTPC-SAIL Power Company Private Limited
4. Bhilai Electric Supply Company Private Limited
5. NTPC Tamil Nadu Energy Co. Limited

Pipavav Power Development Company Limited ("PPDCL")

PPDCL was incorporated on December 20, 2001 and was granted the Certificate of Commencement of Business on June 17, 2002. The Government of India issued a Presidential directive to NTPC on December 15,1999 in terms of Article 45 of the Articles of Association of NTPC for establishing a shell company and for releasing a sum of Rs 6.05 crores to Gujarat Power Corporation Limited (GPCL), for acquisition of 212 hectares of land and development of infrastructure for setting up a power project in Amreli district of Gujarat. Accordingly, PPDCL was incorporated on December 20, 2001 as a wholly owned subsidiary of NTPC.

Shareholding Pattern
PPDCL is a 100% subsidiary of NTPC.

List of Directors

The Board of Directors of PPDCL comprises:

Name	Designation
Shri T. Sankaralingam	Director
Shri S.L. Kapur	Director
Shri S. Trivedi	Director

Financial Performance

As on March 31, 2003, the share capital of PPDCL stood at Rs. 36 lacs. There is no income of PPDCL. The excess of expenditure over income is carried over the balance sheet as pre - operative expenses. The pre-operative expenses for the period ending March 31, 2002 was Rs. 4515 and for year ended 31st March, 2003 the expenses were Rs. 21,201. The sum of Rs. 6,05,00,000/- paid by NTPC on behalf of PPDCL has been shown as advance to GPCL.

NTPC Electric Supply Company Limited (NESCL)

NESCL was incorporated on August 21, 2002 and was granted the Certificate of Commencement of Business on September 26, 2002. NESCL was incorporated with the objective to make a foray in the business of distribution and supply of electrical energy as a sequel to reforms initiated in the power sector. NESCL is exploring various options to acquire electrical energy distribution in various electricity distribution circles in different states.

Shareholding Pattern

NESCL is a 100% subsidiary of NTPC.

List of Directors

As on December 08, 2003 the Board of Directors of NESCL comprises of:

Name	Designation
Shri C.P. Jain	Part-time Chairman
Shri S.L. Kapur	Part-time Director
Shri P. Narasimharamulu	Part-time Director
Shri K.K. Sinha	Part-time Director
Shri R. D. Gupta	Part-time Director

Financial Performance

(Rs. in lacs.)

Particulars	**For the year ended March 31, 2003**
Sales	NIL
Other Income	NIL
PBDIT	(-) 0.46
PBT	(-) 0.46
PAT	(-) 0.46
Share Capital includes share capital deposit of Rs. 3,09,100/-	8.09
Reserves & Surplus	NIL
Net Worth	-
EPS (Rs.)	NIL
Book Value per share (Rs.)	10/-
Debt Equity Ratio	-
Dividend	NIL

NTPC Vidyut Vyapar Nigam Limited ("NVVN")

NVVN was incorporated on November 1, 2002. NVVN was granted the Certificate of Commencement of Business on November 26, 2002. NVVN has commenced its power trading operations and, during the first financial ending March 2003, NVVN transacted a business of approximately 21 million units. In the current financial year, the total energy traded is around 250 million units.

Shareholding Pattern

NVVN is a 100% subsidiary of NTPC.

List of Directors

As on December 17, 2003 the Board of Directors of NVVN comprises:

Name	Designation
Shri C.P. Jain	Chairman
Shri Shyam Wadhera	Director
Shri P. Narasimharamulu	Director
Shri K.K. Sinha	Director
Shri R. D. Gupta	Director
Shri B.N. Ojha	Director

Financial Performance

(Rs. in lacs.)

Paticulars	For the Year ended March 31, 2003
Sales	394.10
Other Income	10.54
PBDIT	-2.05
PBT	-2.05
PAT	-1.32
Share Capital	8.23
Reserves & Surplus	-
Net Worth	Nil
EPS (Rs.)	-1.60
Book Value per share (Rs.)	8.40
Debt Equity Ratio	-
Dividend	Nil

NTPC Hydro Limited ("NHL")

NHL was incorporated on December 12, 2002 and commenced business from December 12, 2002. NHL was incorporated with the objective of studying, planning and organising an integrated and efficient development of Hydro Electric Power and to undertake, wherever necessary, the construction of transmission line and ancillary works. Further, NHL is involved in the generation, operation and maintenance including renovation and modernisation of hydroelectric power stations and projects.

Shareholding Pattern

NHL is a 100% subsidiary of NTPC.

List of Directors

As on March 31st, 2003 the Board of Directors of PPDCL comprises:

Name	Designation
Shri C.P. Jain	Chairman and Managing Director
Shri K.K. Sinha	Director (HR)
Shri P.Narasimharamulu	Director (Finance)
Shri T.Sankaralingam	Director (Projects)

Financial Performance

As on March 31, 2003, the Share Capital & Net worth of NHL stood at Rs. 8.23 lacs.

Utility Powertech Limited (UPL)

UPL was incorporated on November 23, 1995 and was granted the Certificate of Commencement of Business on January 22, 1996. UPL is a joint venture company formed by two leading companies namely BSES and NTPC and was incorporated with an initial share capital of Rs. 10 lakhs and a shareholding in the ratio 51:49 between BSES and NTPC respectively. Subsequently, the paid up share capital was increased to the present Rs. 2 crores in December 1997 and, in March 2002, the shareholding of UPL was further changed to a proportion of 50:50 between the two promoters. This joint venture company was formed with the objective of synergising and utilising the strengths available with NTPC in the form of engineering, construction equipment and contracting experience of BSES.

Shareholding Pattern

Name of Promoter	Number of equity shares held	% Shareholding
NTPC LIMITED	10,00,000	50%
BSES LIMITED	10,00,000	50%

List of Directors

As on December 10, 2003, the Board of Directors of UPL comprises:

Name	**Designation**
Shri K.K. Sinha	Director
Shri A. N. Sethuraman	Director
Shri J.P. Chalasani	Director
Shri T. Sankaralingam	Director
Shri P. Narasimharamulu	Director
Shri S.C. Manocha	Director

Financial Performance

(Rs. in lacs.)

Particulars	**2001**	**2002**	**2003**
Sales	3856.79	6766.07	7788.25
Other Income	40.30	58.20	117.24
PBDIT	251.69	558.80	755.04
PBT	236.63	543.80	737.05
PAT	138.78	349.86	462.90
Share Capital	200.00	200.00	200
Reserves & Surplus	110.68	403.05	527.51
Net Worth	310.68	603.05	727.51
EPS (Rs.)	6.94	17.49	23.14
Book Value per share (Rs.)	10	10	10
Debt Equity Ratio	NA	NA	NA
Dividend	20%	30%	150%

NTPC-ALSTOM Power Services Private Limited (NAPSPL)

NAPSPL was incorporated on September 27, 1999. NAPSCL was granted a Certificate of Commencement of Business on September 27, 1999. NAPSPL is a 50:50 Joint Venture Company formed by two leading companies in the global power sector namely NTPC and ALSTOM Power Generation AG, Germany (APG).

Shareholding Pattern

Name of Promoter	Number of equity shares held	% Shareholding
NTPC LIMITED	3,000,000	50%
APG LIMITED	3,000,000	50%

List of Directors

As on December 19, 2003, the Board of Directors of NASPL comprises:

Name	**Designation**
Shri S.L. Kapur	Chairman & Director (Tech), NTPC
Shri Rakesh Chandra	Managing Director
Shri D.K.Jain	Whole-time Director
Dr. Krishna Pillai	Director
Shri A.K. Singhal	Director
Shri Antonius Klokkaris	Director

Financial Performance

(Rs. in lacs.)

Particulars	For the Year ended March 31		
	2001	2002	2003
Sales	101	941	3489
Other Income	24	29	39
PBDIT	(194)	(160)	89
PBT	(193)	(164)	83
PAT	(193)	(164)	44
Share Capital	400	600	600
Reserves & Surplus	0	0	0
Net Worth	189	228	308
EPS (Rs.)	(4.83)	(2.74)	0.74
Book Value per share (Rs.)	10.00	10.00	10.00
Debt Equity Ratio	NIL	NIL	0.08
Dividend	0	0	0

NTPC-SAIL Power Services Private Limited (NSPSL)

NSPSL was incorporated on February 8, 1999. Since NSPSL was incorporated as a private limited company, it does not require a Certificate of Commencement of Business. **NSPSL** is a 50:50 Joint Venture Company of NTPC and SAIL. The joint venture company has taken over the captive power plants (CPP) – II of Durgapur and Rourkela in March 2001 for supplying power to the respective steel plants on captive basis namely CPP – II of Durgapur Steel plant (DSP): 120 MW (2X 60 MW) and CPP – II of Rourkela Steel Plant (DSP): 120 MW (2X 60 MW).

Shareholding Pattern

NTPC – 58650050 equity shares
SAIL– 58650050 equity shares

List of Directors

As on December 12, 2003 the Board of Directors of NASPL comprises:

Name	Designation
Shri B.N. Ojha	Part-time chairman nominated by NTPC
Shri S.L. Kapur	Part-time director nominated by NTPC
Shri Balmiki Prasad	Part-time director nominated by NTPC
Shri A.K. Shahi	Part-time director nominated by SAIL
Shri Nilotpal Roy	Part-time director nominated by SAIL
Shri N.M. Verma	Part-time director nominated by SAIL

Financial Performance

(Rs. in crores.)

Particulars	For the Year ended March 31		
	2001	2002	2003
Sales	10.56	140.77	156.30
Other Income	-	2.54	4.34
PBDIT	5.88	97.96	98.64
PBT	0.86	26.29	23.83
PAT	0.79	26.29	21.91
Share Capital: Authorised Paid-up	 130.00 117.30	 130.00 117.30	 130.00 117.30
Reserves & Surplus	0.78	9.95	12.90
Net Worth	118.08	127.25	130.20
EPS (Rs.)	-	2.24	2.00
Book Value per share (Rs.)	-	-	-
Debt Equity Ratio	-	2.19	2.00
Dividend	-	16.00 (13.64%)	16.00 (13.64%)

**25 days of operation in the year 2000-2001*

BHILAI ELECTRIC SUPPLY COMPANY PRIVATE LIMITED (BESCL)

BESCL was incorporated on September 20, 2001. Since BESCL was incorporated as a private limited company it does not require a Certificate of Commencement of Business. BESCL is a 50:50 Joint Venture Company formed by joining hands by two leading companies namely NTPC and SAIL. BESCL has taken over the captive power plant (CPP)-II of Bhilai in March 2002 for supplying power and saturated steam to the steel plants on captive basis namely CPP-II of Bhilai Steel Plant (BSP): 74MW(2X30MW + 1X14MW)

Shareholding Pattern

NTPC –16600000 equity shares
SAIL - 16600000 equity shares

List of Directors

As on December 12, 2003 the Board of Directors of NASPL comprises:

Name	**Designation**
Shri B.N. Ojha	Part-time chairman nominated by NTPC
Shri S.L. Kapur	Part-time director nominated by NTPC
Shri Balmiki Prasad	Part-time director nominated by NTPC
Shri A.K. Shahi	Part-time director nominated by SAIL
Shri Ashis Das	Part-time director nominated by SAIL
Shri S.B. Singh	Part-time director nominated by SAIL

Financial Performance

(Rs. in crores.)

Particulars	**For the Year ended March 31**	
	2002	**For the Year ended March 31, 2003**
Sales	2.47	57.78
Other Income	-	0.59
PBDIT	1.57	28.70
PBT	0.21	6.58
PAT	0.21	6.32
Share Capital	33.20	33.20
Reserves & Surplus	0.21	6.53
Net Worth	33.41	39.73
EPS (Rs.)	-	1.97
Book Value per share (Rs.)	-	-
Debt Equity Ratio	-	1.82
Dividend	-	-

NTPC-Tamil Nadu Energy Company Limited (NTEC)

NTEC was incorporated on May 23, 2003. NTEC was granted a Certificate of Commencement of Business on September 2, 2003. NTEC is a 50:50 Joint Venture Company formed by NTPC and Tamil Nadu Electricity Board and has an authorised share capital of Rs. 5 crores and a paid-up capital of Rs. 10 lakhs. The main objectives of NTEC are to undertake various activities related to identification of a suitable and techno-commercially feasible site at Ennore (Tamil Nadu) and develop the 1000MW coal based Thermal Power Project at the identified site.

Shareholding Pattern

NTPC – 50000 equity shares
TNEB - 50000 equity shares

List of Directors

The Board of Directors of NTEC comprises of:

Name	Designation
Shri C.P. Jain	Director
Shri Kumarasamy Gnanadesikan	Director
Shri P. Narasimharamulu	Director
Shri S.L. Kapur	Director
Shri Sellappan Nagalsamy	Director

Financial Performance
NTEC was incorporated on May 23, 2003 hence details of past Financial are not available.

NATIONAL HYDROELECRTIC POWER CORPORATION LIMITED (NHPC)

History
The National Hydroelectric Power Corporation Ltd. (NHPC) was incorporated in November 7, 1975 as a Private Limited Company with an initial authorized capital of Rs. 200 crore. It became a Public Limited Company in 1986.

NHPC was incorporated to take over the execution of Salal-Stage-I, Baira Siul and Loktak hydroelectric power project from the Central Hydroelectric Project Construction Control Board. NHPC has an authorized share capital of Rs. 10,000 crores.

Business
The corporation was established with the objective to plan promote and organize an integrated and efficient development of Hydroelectric Power in all aspects and later enter into other sources of renewable energy namely, geothermal, tidal, wind etc. Since incorporation NHPC has executed 8 projects with installed capacity of 2375 MW on ownership basis and 5 projects with capacity of 89.35 MW on turnkey basis, two of these projects have been commissioned in neighbouring countries, i.e.,Nepal and Bhutan.

Presently NHPC is executing 9 projects with an installed capacity of 4422 MW and projects with installed capacity of 2489 MW are under various stages of clearances. NHPC has also taken up Survey and Investigation work of another 15 schemes for total installed capacity of 23536 MW.

Shareholding
The Govt. of India, under the administrative control of Ministry of Power, wholly owns NHPC. The entire share capital is being held by the President of India and it six Nominees holding one share each.

List of Directors
The Board of Directors of NHPC as on December 26, 2003 consisted of the following persons:

Shri Yogendra Prasad	Chairman & Managing Director
Shri S K Garg	Director (Finance)
Shri. A.K. Gangopadhyay	Director (Projects)
Shri. R.K. Sharma	Director (Technical)
Shri A.K. Kutty	Part Time Director, Joint Secretary, MOP
Shri M. Sahoo	Part Time Director, JS & FA (MOP)

Financial Performance
The key operating results of NHPC for the financial year ended March 31, 2001, March 31, 2002 and March 31, 2003 are as follows:

(in Rs. Millions except per share data)

For the year ended March 31,	2003	2002	2001
Operating Income	12259	13354	14901
Other Income	2493	2160	2679
PBT	5550	5131	4842
PAT	5105	4709	4434
Shareholders Funds	100930	87658	73273
Share Capital	66934	52931	46144
Share Capital deposit	1214	6268	1480
GoI fund adjustable to equity	4258	4258	4258
Reserves & Surplus	28524	24201	21391
Earning Per Share (Rs.) on Face value of Rs. 1000 per share	81.69	91.05	102.22

Book Value Per Share (Rs.)*	1426.15	1457.23	1463.54
Debt Equity Ratio	0.68	0.65	0.72
Dividend	750	500	300

Source: Audited Annual Reports of NHPC

* Book value per share has been calculated excluding Share Capital Deposits and GoI fund adjustable to equity.

Joint Ventures of NHPC

NHPC has formed a Joint Venture with Govt. of Madhya Pradesh in the name of Narmada Hydroelectric Development Corporation Limited for executing two projects with an installed capacity of 1520 MW. Also, NHPC has signed an MOU with the Govt. of West Bengal for execution of Pumped Storage scheme by forming a Joint venture company, however necessary approval from Govt. of India is still awaited.

Narmada Hydroelectric Development Corporation Limited ("NHDC")

NHDC was incorporated on August 1, 2003. Since NHDC was incorporated as a private limited company it does not require a Certificate of Commencement of Business. NHDC is a joint venture company of NHPC formed by the joining of hands of NHPC and the Government of Madhya Pradesh. This joint venture company was formed to construct, operate and maintain the Indira Sagar Project and the Omkareshwar Project aggregating to an installed capacity of 1520 MW.

Shareholding Pattern

As on March 31, 2003, the shareholding pattern of Narmada Hydroelectric Development Corporation Limited is:

Name	No. of Shares of Rs. 1000 FV	% held
National Hydroelectric Power Corporation Ltd.	65,95,512	61.24
Government of Madhya Pradesh	41,75,100	38.76
Total	107,70,612	100.00

List of Directors

Shri Yogendra Prasad	Chairman and Managing Director
Shri S.K. Dubey	Chief Executive Director
Shri A.K. Kutty	Director
Shri Pradip Bhargava	Director
Shri K.P. Choubey	Director
Shri H.D. Khunteta	Director
Lt. Col. Sheonarayan Singh	Director

Financial Performance

The financial position of Narmada Hydroelectric Development Corporation Limited for the financial year ended March 31, 2001, March 31, 2002 and March 31, 2003 are as follows:

(in Rs. Millions except per share data)

For the year ended March 31,	2003	2002	2001
Shareholders Funds	17776	2096	796
Share Capital	10771	2096	796
Share Capital deposit	2729	-	-
Reserves & Surplus	4276	-	-

Source: Audited Annual Reports of Narmada Hydroelectric Development Corporation Limited.

GOVERNMENT APPROVALS

The Electricity (Supply) Act, 1948, which is now repealed by the Electricity Act, 2003, did not require any license to undertake trading in electricity. However, under the Electricity Act, 2003, any person who undertakes trading in electricity requires a license to continue the same.

Since we are in the business of trading in electricity, we had applied for a license to the CERC in terms of the Electricity Act, 2003. In response to our application, CERC, by an Order dated July 22, 2003, permitted us to continue our trading activity in the manner undertaken by us, prior to the enactment of the Electricity Act, 2003. However this permission was granted to us until December 31, 2003, since the rules and forms for the license were in the process of being framed.

Before the expiration of December 31, 2003, we once again applied to the CERC for the extension of their permission in order to enable us to continue with our trading activity. However, CERC, vide its Order dated December 29, 2003, has recorded that the draft regulations stating the terms and conditions, for the grant of the license in inter-state trading have already been drafted and are in the process of being finalised in due course. We were therefore directed by the CERC to file another application for grant of the said license by January 31, 2004 in accordance with the regulations, to be notified by the CERC. In the meantime, CERC has stated in its Order dated December 29, 2003 that we may, if so advised, continue to undertake our trading activity in electricity for a period upto March 31, 2004, at our own risk.

On the relevant regulations for the grant of license being notified by CERC, we shall make an application for grant of the said license under the Electricity Act, 2003. Until then, we shall continue with our trading activity.

Except for the above, there are no other major approvals from any government authority / RBI required to undertake and continue our trading activities.

In order to undertake cross border transactions, we have been granted the following permissions by the Government of India:

Sr. No	Description	Issuing Authority	Date/ Validity	Contents and Remarks
1.	Letter dated July 4, 2001	Ministry of External Affairs, New Delhi	With effect from July 4, 2001	Vide this letter, the Government of India has appointed us as the nodal agency to deal with matters relating to the exchange of power between India and Nepal.
2.	Letter dated February 11, 2002	Ministry of Power	With effect from March 1, 2002	Vide this letter, the Ministry has transferred operations with respect to the sale and purchase of the Chukhah and Kurichu power to us from Power Grid.
3.	Letter dated May 26, 2003	Ministry of External Affairs	With effect from May 26, 2003	Vide this letter, the Ministry has transferred the financial transactions on the Chukha Project to us from Power Grid and has designated us as the nodal agency for dealing with inter-country transactions which are namely Nepal and Bhutan.

We have made the following applications, which are awaiting approvals pertaining to the business of the Company:

Sr. No	Description	Issuing Authority	Date/ Validity	Contents and Remarks
1.	Application made to the Reserve Bank of India	Reserve Bank of India	December 16, 2003	Application is made to the Reserve Bank of India for obtaining approval for accepting applications from NRI's/ FIIs on a repatriation basis and to allot shares to them subsequent to the basis of allotment which would be finalised in accordance with the SEBI guidelines and approval for export of allotted shares to these entities. The approval on this application is awaited.

OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS

Except as described below, there are no outstanding litigations, suits or criminal or civil prosecutions, proceedings or tax liabilities against, its directors, its promoters or companies promoted by its promoters that would have a material adverse effect on our business and there are no defaults, non-payment or over dues of statutory dues, institutional/ bank dues and dues payable to holders of any debentures, bonds and fixed deposits that would have a material adverse effect on our business other than unclaimed liabilities by PTC or its directors, its promoter or companies promoted by its promoters.

Outstanding Litigation against our Company

Contingent liabilities not provided for as on September 30, 2003:

Serial No.	Particulars	Amount (Rs. In Lacs)
1.	Administrative Staff College of India towards their claim for consultancy services.	1.50
2.	PGCIL-towards pre-incorporation	71.85
	Total	**73.35**

Outstanding litigation as on September 30, 2003 (of value of Rs. 10 million and more, where value is quantifiable)

NIL

A) National Thermal Power Corporation Limited, our promoter ("NTPC")

Contingent liabilities not provided for as on March 31, 2003:

Rs. Million

	As at 31st March	
	2003	2002
Claims against the Company not acknowledged as debts in respect of :		
Capital Works	5,163	3,968
Land compensation cases	9,924	5,593
Others	3,828	3,309
Disputed Sales Tax demand	318	263
Letters of Credit other than for capital expenditure	1,205	1,030
Others	45	40
	20,483	**14,203**

Outstanding litigation as on November 30, 2003 (of value of Rs. 10 million and more, where value is quantifiable)

Projects	Civil/ arbitration case	Bond/ securities	Statutory charges/ tax/ duties/ royalty / cess etc.	Labour / industrial/ tribunal	Land acquisition cases	Commer-cial cases (CERC/SERC)	Other cases	Amount involved (approx.) (rupees in lacs)
Corporate Centre	-	1	-	-	-	-	-	900
EOC	-	-	1	-	-	-	-	100
CERC	-	-	-	-	-	85	-	
Taxation	-	-	12	-	-	-	-	2383
NCPP	3	-	-	-	10*	-	-	13123 10055
BTPS	-	-	1	-	1	-	-	859

Faridabad	-	-	-	-	1	-	1	1180 (actual) 5170 (continental) 105 (actual) 180 (contingent)
Auraiya GPP	4	-	-	-	106*	-	-	2477
NCRHQ	1	-	-	-	-	-	-	105
NR Rihand STPP	-	-	1	-	1	-	-	251 2682
Singrauli	-	-	1	-	-	-	-	1000
SR Ramagundam	4	-	-	-	-	-	-	344 125 323 385
Kayamkulam	-	-	-	-	375*	-	-	2712
Simhadri	-	1	-	-	-	-	-	729
MSTPP	-	-	-	-	-	-	-	NIL
SRHQ	-	-	-	-	-	-	-	NIL
ER FSTPP	4	-	-	-	-	-	-	149 1167
Khalgaon	-	1	-	-	-	-	-	5850 2450 323
TSTPP	-	2	-	-	-	-	-	270 1678
TTPS	-	-	-	-	-	-	1	6302
ERHQ	-	-	-	-	-	-	-	NIL
WR Gandhar	-	-	1	-	158*	-	-	3348
Kawas	3	-	2	-	3	-	-	2134 2000 4000
Korba	4	-	-	-	-	-	-	2511
Vindhyachal	1	-	3	-	-	-	-	6500 114
WRHQ	-	-	-	-	-	Cases of this Project are already covered in the corporate	-	

						division cases.		
Hydro Region **Koldam**	-	-	-	-	63*	-	-	63888

* The amount indicated under the Land Acquisition cases of the respective projects is for the total number of land acquisition cases of the said project, as generally the land acquisition cases would be disposed off on bunch wise.

Outstanding litigation involving subsidiaries / joint ventures of NTPC

A1) PIPAVAV POWER DEVELOPMENT COMPANY LIMITED

Contingent liabilities not provided for as on March 31, 2003:

NIL

Outstanding litigation as on September 30, 2003 (of value of Rs. 10 million and more, where value is quantifiable):

NIL

A2) NTPC ELECTRIC SUPPLY COMPANY LIMITED

Contingent liabilities not provided for as on March 31, 2003:

NIL

Outstanding litigation as on 8th December, 2003 (of value of Rs. 10 million and more, where value is quantifiable):

NIL

A3) NTPC VIDYUT VYAPAR NIGAM LIMITED

Contingent liabilities not provided for as on March 31, 2003:

NIL

Outstanding litigation as on December 17, 2003 (of value of Rs. 10 million and more, where value is quantifiable):

NIL

A4) NTPC HYDRO LIMITED

Contingent liabilities not provided for as on March 31, 2003:

NIL

Outstanding litigation as on December 15, 2003 (of value of Rs. 10 million and more, where value is quantifiable):

NIL

Outstanding litigations involving joint ventures of NTPC

A5) UTILITY POWERTECH LIMITED

Contingent liabilities not provided for as on March 31, 2003:

NIL

Outstanding litigation as on December 10, 2003 (of value of Rs. 10 million and more, where value is quantifiable)

NIL

A6) NTPC-ALSTROM POWER SERVICES PRIVATE LIMITED

CONTINGENT LIABILITY NOT PROVIDED FOR AS ON MARCH 31, 2003

NIL

Outstanding litigation as on December 19, 2003 (of value of Rs. 10 million and more, where value is quantifiable)

NIL

A7) NTPC-SAIL POWER COMPANY PRIVATE LIMITED

Contingent liabilities not provided for as on March 31, 2003:

NIL

Outstanding litigation as on December 12, 2003 (of value of Rs. 10 million and more, where value is quantifiable)

NIL

A8) BHILAI ELECTRIC SUPPLY COMPANY PRIVATE LIMITED

Contingent liabilities not provided for as on March 31, 2003:

NIL

Outstanding litigation as on December 12, 2003 (of value of Rs. 10 million and more, where value is quantifiable)

NIL

A9) NTPC TAMIL NADU ENERGY COMPANY LIMITED

Contingent liabilities not provided for as on March 31, 2003:

NIL, since this company was incorporated on May 23, 2003.

Outstanding litigation as on December 23, 2003 (of value of Rs. 10 million and more, where value is quantifiable)

NIL

B) POWERGRID CORPORATION OF INDIA LIMITED ("POWERGRID")

Contingent liabilities not provided for as on March 31, 2003:

Serial No	**Nature of Liability**	**Rs. (In lacs)**
1.	Cases before Arbitration and Court	73385
2	Demand raised by Sales Tax Department	3135
3	Land, Tree and Crop compensation	32806
4	Bank Guarantee submitted to Department of Telecommunication	10000
5	Value of continuity bonds submitted to customs	122890
6	Liability in respect if deemed export benefit of Talcher- II	5535
	Total	247751

Outstanding litigation as on January 6, 2004 (of value of Rs. 10 million and more, where value is quantifiable):

Nature of cases	Number of cases	Amount claimed (in lacs)
Tree/Crop Compensation Cases		
There are various tree and crop compensation cases instituted against POWERGRID which are pending before the District Courts at Pallakad & Trichur, Mavelikara, Kollam, Pathanamthita, Allapuzha & Kottayam, Coimbatore, and High Court of Kerala.	1812	20618 plus interest
There is a case instituted against POWERGRID by Arcuttipore Tea Company Limited for claiming compensation for the damages done to tea bushes, shade trees & compensation for trees and land. This case is pending before District Judge, Cacher, Silchar.	1	107.24 (approx.)
There is a case instituted against POWERGRID which is pending before the Sub-judge, Bhabua, which relates to land, tree and crop compensation.	1	200
There certain cases instituted against POWERGRID by Ms. Bhawani Devi claiming tree compensation. This case is pending before the District Court, Mandi	-	109.82
There certain cases instituted against POWERGRID by Ms. Padam Devi claiming tree compensation. This case is pending before the District Court, Mandi	-	166.66
There certain cases instituted against POWERGRID by Sarwar Hussain & Others, Lassi Pandoo & Others, claiming compensation for the land acquired by POWERGRID. This case is pending before the District Court, Mandi	-	134.32
Land Cases		
There are six land acquisition cases pending before the district court of Meerut.	6	986.23
Sales Tax		
Sales tax demands have been raised by the Jammu and Kashmir Sales Tax Department for Assessment year 1988-89 to 1997-98 which are pending before appropriate forum.	-	2743.27
Service Matters		
There are various service matters filed before various courts including High Courts, industrial tribunals, labor courts and other appropriate authorities. These cases are filed in respect of seeking employment, fitment and absorption into POWERGRID, regularisation of the terms of employment, revocation of suspension, setting aside transfers, alleging illegal termination of services and other labor related matters.	53	Not quantifiable
Contract Labor Cases		
There are various contract labor cases filed and pending before Industrial Tribunal Nagpur and before the Labor Court situated at Jabalpur in respect of reinstatement of contract laborers and challenging removal and regularization of employment.	3	Not quantifiable
CERC cases		
There are various cases instituted by POWERGRID before the Delhi High Court challenging the orders passed by the CERC.	13	Not quantifiable
Further there is a case instituted by POWERGRID against the disallowance of depreciation vide tariff order dated 31.03.2003. The same is pending before the Delhi High Court.	1	10592
Custom and Excise Cases		
This amount has been raised towards interest provided for custom duty against deemed export benefits availed by various contractors of ESI-II (Talcher Project). This issue has been further taken up by the management of POWERGRID with the Ministry of Power and the Ministry of Finance.	-	915.06
This amount has been raised as custom duty alongwith interest and Interest on Excise Duty due to non-availability of World Bank Loan.	-	1507.10

This amount is towards interest provided for excise duty against deemed export benefits availed by various contractors of ESI-II (Talcher Project).	-	1786.41

ARBITRATION COURT CASES

S.No	**Brief Discussion (Principal Parties and Charges /Allegations involved)**	**Amount Involved in (Rs. Lacs)**	**Court before which the cases are pending and present status**
1.	M/s. Bhanu Construction Co. Vs. POWERGRID	151 + Interest	At Delhi High Court.
2.	M/S Galada Power & telecommunication Ltd. & Powergrid Corpn. Ltd.	US $4.74 + 3.43 + Interest. Rs. 12.51 + Rs. 561.40 + Interest	3 Arbitrators at New Delhi. Present Status is for finalization of issues.
3.	M/S Bhanu Construction Co. Vs. Powergrid regarding Work for Testing & Commissioning of 220/132 KV S/S at Birpara, Silliguri & Rangit	1167.21	Sole Arbitrator
4.	M/S Masluck Corporation Vs. Powergrid regarding Construction of Central School Building at Malda	176.87	Sole Arbitrator
5.	M/S Power Process Vs. Powergrid regarding External electriciation work at Silliguri, Birpara & Salakati	123.35	Sole Arbitrator
6.	M/S Siemens Vs. Powergrid regarding Entry Tax	102.73	Arbitrator
7.	Klen & Marshall (Non Supply of material & BG encashment)	309.73	Delhi High Court
8.	M/S RPG – FERV related	183.32	Arbitration Panel
9.	M/S KEC – LD & material recovery	206.24	Arbitration Panel
10.	Klen & Marshall (Encashment of Bank Guarantee of Supplier)	322	At Delhi High Court
11.	M/s Toco Engg. Co. V/s NTPC (Now POWERGRID) This Arbitration case has been instituted for various reasons including Loss due to idling of labour & equipment, Overhead expenditure, refund of retention of Bank Guarantee amount and cost for fixing extra-poise earthing.	149 lacs	Mr. Justice S.C.Agrawal Retd. Judge Supreme Court of India, New Delhi. (The Sole Arbitrator published the Arbitral Award on 22.10.2003, which is challenged by POWERGRID in the High Court of Delhi vide application dated 29.11.2003 u/s 30 of Arbitration Act, 1940)
12.	Kvaerner Cementation India Ltd. Vs POWERGRID. This case is an appeal instituted against the order of Arbitral Tribunal dated 13.07.2000	181 lacs together with interest @ 18% p.a. from 01.01.2000 Kawas TS Stage-I	Before District Judge, Nagpur (MS).
13.	POWERGRID Vs. BCC. The matter is related to 400 KV Cuddapah-Redhills TL (A/c SR-I)	An amount of Rs. 115.05 Lacs awarded to POWERGRID against total amt. of Rs. 787 Lacs. No amount has been	Pending before Hon’ble Delhi High Court.

		awarded to M/s BCC against their total claim amount of Rs. 405 Lacs. However, since the objections and counter objections have been filed challenging the award under section 34 of the Arbitration and Conciliation Act, the financial liability stands at Rs. 1,27,06,15,900/- with interest @ 21% as on 30th September 2003.	
14	POWERGRID Vs. BCC The matter is related to 400 KV Shankargarh-Kanpur Tr. Line (A/c SR-I)	An amount of Rs. 192.81 Lacs awarded to PGCIL against total amount of Rs. 266 Lacs. No amount has been awarded to M/s BCC against their total claim amount of Rs. 938 Lacs. However, since the objections and counter objections have been filed challenging the award under section 34 of the Arbitration and Conciliation Act, the financial liability stands at Rs. 2,29,46,22,565 with interest @ 21% as on 30th September 2003	High Court, Delhi
15.	M/s Galada Power & Telecommunication Ltd. Vs. POWERGRID. This case was instituted for various reasons including replacement of Rusted Conductors in respect of Contract for Supply of Conductor.	US$ 8,16,549 Plus Rs. 5,73,90,883/- with past, pendentilite and future interest @ 18.25% p.a. till the realization. Counter Claim by POWRGRID:- US$ 3,77,909.56 Plus Rs. 1,43,93,196.71. Contingent Liability is Rs. 9,41,41,700/-	Pending before Arbitration Tribunal
16.	POWERGRID Vs. EMC The matter relates to 400 KV Kanpur-Etha	An amount of Rs. 72.70 Lacs was awarded to M/s EMC with interest @ 18% from the date of award dated 5.5.1993 against their total claim of Rs. 398 Lacs. The total liability (contingent) as on 30 September 2003 is Rs. 2,10,09,016/-	High Court, Delhi
17	POWERGRID Vs Kirat Chand Jain Family Trust This Case has been instituted for the removal of arbitrator appointed by M/s KCJFT contrary to arbitration clause.	-	Before 3rd Joint Civil Judge, Senior. Division. Nagpur (MS)
18	M/s. Pandey & Co Vs POWERGRID This Case has been filed for the	-	Before High Court of MP, Jabalpur (MP)

WRIT PETITIONS

Serial .No	Brief Discussion (Principal Parties and Charges /Allegations involved)	Amount Involved in (Rs. Lacs)	Court before which cases are pending and present status
1	Canara Bank Vs. POWERGRID case has been filed by Canara Bank challenging the forfeiture of bonds and for registration of bonds in the name of Canara Bank	4000 plus interest	Delhi High Court. Pending for arguments
2	Shashi Sagar Verma v/s State of Chhattisgarh & three others. (Challenging the acquisition of land at Raipur Sub-station) VTS Stage-II	-	Before High Court of Chhattisgarh, Bilaspur (CG).
3	S.P. Anand v/s State of MP & others This petition has been instituted challenging the rate of supply of power.	-	Before High Court of MP, Bench- Jabalpur (Transferred to S. C) Transferred to Delhi High Court
4.	Madhu Barua Vs. POWERGRID, praying inter-alia regarding allotment of land to PWO and alienation of land to PWO is void	-	Before P&H High Court at Chandigarh Listed for 8.1.04. To come for hearing any day.
5.	Binay Kumar Vs. UOI (POWERGRID-respondent no 2) Filed by Ex-Director, Personnel, for quashing of his ACR	-	Before Delhi High Court Petition dismissed by the court. UOI filed application for extension of period and an application filed by the petitioner for revival of petition. Date of Hearing is 30.1.04
6.	SRLDC,BANGALORE KPTCI V/s. CERC, SRLDC & Others/CERC MATTER	-	High Court of Karnataka
7.	Salem CAO (Salem-Udpt Line) Prior Compensation before cutting of trees	-	High Court of Madras
8.	P. Rajendra V/s. POWERGRID/Right of way	-	At High Court of Madras
9.	Sirsi-TLO Parisara Samrakshanasamithi V/s. POWERGRID/Right of way	-	High Court of Karnataka

CIVIL SUITS

Serial .No	Brief Discussion (Principal Parties and Charges /Allegations involved)	Amount Involved in (Rs. Lacs)	Court before which cases are pending and present status
1	Canara Bank Vs. POWERGRID case has been filed for recovery of interest on bonds worth Rs. 3999 lacs Plus overdue interest on the interest accrued	282 lacs	Delhi High Court.

2	POWERGRID Vs. Canara Bank This Case has been filed by POWERGRID challenging the order of the Company Law Board directing POWERGRID to restore the name of Canfina in respect of Bonds.	13000 lacs upto 15.7.2003	Delhi High Court.
3	CANBANK Financial Services Ltd. Vs. POWERGRID This Appeal has been filed by CANFINA under Clause 10 of the letters patent against the judgment and order dated 10.10.2002 in Company Appeal No. 5 of 1995.	300 lacs Plus Interest	Delhi High Court. Pending for arguments
4	Syndicate Bank Vs. POWERGRID This is a Suit for declaration that the transaction is valid and for rectification of the record of POWERGRID registering the name of Syndicate Bank in the Register of Bondholders.	500 lacs Plus Interest	Special Court, Bombay. The matter is being settled between the parties.
5	Shree Cements Vs. POWERGRID This petition has been filed by Shree Cement under Section 111(2) & (3) of the Companies Act for registration of the Bonds worth Rs. 100 lacs in their name.	100 lacs Plus Interest	Before Company Law Board. The matter is likely to be settled between the Parties
6	AL Jaggi Vs UOI & Others, Appeal to set aside judgment dated 13.5.98 of Single Judge in CWP no 2357/97 regarding appointment of the petitioner prevented (now retired) and favouring respondent no 4 (CMD)	-	Before the Delhi High Court. To be listed
7	Sajjan Kr. Ranka Vs. POWERGRID, suit for rendition of accounts and for passing of decree found due thereunder. (Case pertaining to ER filed in the court of Delhi Civil Judge)	-	Before Civil Judge, Delhi Date of Hearing: 15.1.04
8.	S'Pudar SS Ms.LCrooker Vs. POWERGRID/Encroachment of premised		High Court of Karnataka -To be listed
9.	O.P. No.4321/98/7556 (Matthew J Punjikarun)/Right of way		High Court of Kerala -To be listed
10.	O.P. No.2861/99/8094 (Aleyamma & Ors.) Before High Court of Kerala/Right of way		High Court of Kerala -To be listed

11.	O.S. No.01 of 2002 Ms. Ranganayaki V/s. POWERGRID/Right of way		Munsif Court. Erode. -To be listed
12.	O.S. No.19 of 2003 R.Palanisamy & others V/s. POWERGRID/Right of way		Munsif Court. Erode. -To be listed
13.	Trivandrum CAO Ayoob & Najuma Beevi V/s. POWERGRID/Right of way		Munsif Court. Kottarakkara -To be listed
14.	Kolar-Hoody Line Kembhathyappa V/s. POWERGRID/Right of way		Civil Judge Court (Junior Division) Court Hoskote -To be listed
15.	Jagappa V/s. POWERGRID/Right of way		Civil Judge Court (Junior. Division) Court Hoskote -To be listed
16.	Kolar-Chennai Line Ms. Victoria V/s. POWERGRID/ROW		District Munsif Court. Kanchipuram -To be listed

CRIMINAL CASES

Serial .No	**Brief Discussion (Principal Parties and Charges /Allegations involved)**	**Court before which cases are pending and present status**
1.	Labour Inspector, Sidhi v/s F.E.E.C. & POWERGRID This case is regarding the contravention of provisions of I.S.M.W. Act, 1979.	Before the Magistrate First Class, Labour Court, Sidh.

Outstanding litigation involving subsidiaries / joint ventures of POWERGRID

B1) Bina Dehgam Transmission Company Ltd.

Contingent liabilities not provided for as on March 31, 2003:

NIL

Outstanding litigation as on December 24, 2003 (of value of Rs. 10 million and more, where value is quantifiable):

NIL

B2) Powerlinks Transmission Limited

Contingent liabilities not provided for as on March 31, 2003:

NIL

Outstanding litigation as on September 30, 2003 (of value of Rs. 10 million and more, where value is quantifiable):

NIL

C National Hydroelectric Power Corporation Limited, our promoter ("NHPC")

1. **Contingent liabilities not provided for as on September 30, 2003:**

a) Claims against NHPC not acknowledged as debts Rs. 102040 lacs. This includes 7570 lacs towards additional guarantee fee in respect of external commercial borrowing for which application for waiver is still pending with Government of India.

b) Custom Bonds for Rs. 1740 lacs executed in favour of Customs Authorities by the Corporation.

c) Corporate Guarantee given to Bank on behalf of Narmada Hydroelectric Development Corporation Limited, a subsidiary Company of the Corporation for Rs. 30000 lacs.

2. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 312890 lacs.

Outstanding litigation as on September 30, 2003 (of value of Rs. 10 million and more, where value is quantifiable):

Arbitration cases

NHPC has seven arbitration cases pending before various Arbitrators where the aggregate amount involved is approximately Rs. 17676 lacs.

Civil Cases

Serial No	Name of the case	Details of the case	Amount involved in Rs.
1.	**HCC vs. NHPC pending in the High Court of Delhi against the award regarding material mark up & contract No. NH/Contracts/CC/CH/06 dated 19.2.86.**	Construction of PHC Switchyard Power Tunnel Surge and Pressure Shafts. **The dispute is in relation to the contractors claim of 25% over head charges on departmental material issued by NHPC**	**Not quantifiable at this stage**
2	**HCC vs. NHPC pending in the High Court of Delhi against the award regarding material mark up & contract No. NH/Contracts/CC/CH/08.**	Construction of Power Tunnel (Downstream) **The dispute is in relation to the contractors claim of 25% over head charges on departmental material issued by NHPC**	**Not quantifiable at this stage**
3	**CCL vs. NHPC pending in the High Court of Delhi against the award regarding the material mark up & contract No. NH/Contracts/CC/CH/35 dated 1.10.85.**	Construction of Power Tunnel (Upstream Package Part-I (HRT). **The dispute is in relation to the payment of an additional 25% on the owners supplied materials to over head profits/supervision or other charges.**	**Not quantifiable at this stage**
4	CCL vs. NHPC pending in the High Court of Delhi against the award regarding material mark up & contract No. NH/Contrat/CC/CH/07	Construction of Tail Race Tunnel (TRT). **The dispute is in relation to the payment of an additional 25% on the owners supplied materials to over head profits/supervision or other charges.**	**Not quantifiable at this stage**
5	**JIL vs. NHPC pending in the High Court of Delhi against the award regarding the material mark up & contract No. NH/Contracts/CC/CH/07 dated 27.5.86.**	Construction of Main Concrete Dam & Coffer Dam **This dispute is in relation to the payment of an additional 25% on the owners supplied materials to over head profits/supervision or other charges.**	**Not quantifiable at this stage**
6	HCC vs. NHPC pending in the High Court of Delhi against the award regarding Labour mark up & contract No. NH/Contracts/CC/CH/04 dated 10.12.85	Construction of Tail Race tunnel. **The Dispute is in relation to the claim made by a contractor for 147.16% of labour mark up for extra work and deviation items of work.**	**Not quantifiable at this stage**

7	**HCC vs. NHPC pending in the High Court of Delhi against the award regarding Labour mark up & contract No. NH/Contracts/CC/CH/06 dated 19.2.84**	Construction of power House Complex Switchyard power Tunnel surge Shaft and Pressure Shaft. **The dispute is in relation to a claim made by the contractor for 128.73% of the value of labour mark up of the value of extra deviated items of the work.**	**Not quantifiable at this stage**
8	**CCL vs. NHPC pending in the High Court of Delhi against the award regarding Labour mark up & contract No. NH/Contracts/CC/CH/04 dated 1.10.85.**	Construction of power Tunnel U/S Package at CHEP (HRT) **The dispute is in relation to a claim made by a contractor for 84.35% of the value of labour mark up of the value of extra deviated items of the work.**	**Not quantifiable at this stage**
9	**CCL vs. NHPC pending in the High Court of Delhi against the award regarding Labour mark up & Agreement No. NH/Contracts/CC/CH/06 dated 28.5.86**	Construction of Tail Race Tunnel (TRT). **The dispute is in relation to a claim made by a contractor for 84.35% of the value of labour mark up of the value of extra deviated items of the work.**	**Not quantifiable at this stage**
10	**JIL vs. NHPC pending in the High Court of Delhi against the award regarding Labour mark up & contract No. NH/Contracts/CC/CH/07dated 27.5.86**	Construction of main concrete Dam and Coffer Dam. The dispute is in relation to a claim made by a contractor for 141.56% of the value of labour mark up of the value of extra deviated items of the work.	**Not quantifiable at this stage**
11	**MIL vs. NHPC pending in the High Court of Delhi against the award .**	GE Contract awarded for 3 generators associated equipment installation and commissioning. MIL contract awarded for Turbines, generators Gates equipment, Turbine, Generator Units. This dispute is in relation to the award which has been challenged in the High Court of Delhi.	1465251.39 $ CDN **+ Interest @ 6% with effect from 14.2.94 and @ 10% after the date of award.**
12	TEXMACO and NHPC reg. Agreement No. NH/CPG/MC/S-91 dated 21.10.82 **Pending in the High Court of Delhi.**	Design, fabrication supply erection and commissioning of Radial Gates, Hoists Stoplogs and DT Gates. The dispute is in relation to the increase in the weight of steel. Disputes and difference coverage finality CL 56 is to be decided. Further the claim on variation if arbitrable to be examined.	**94.41 lacs + 18% interest.**
13	**M/s KCT and Bros. (CS) Ltd. and NHPC reg. Agreement t. No. NH/Contracts/CC/SL(II) dated 18.9.89.** Pending in Supreme court of India.	Construction of TRT-II outlet Package (Stage-II) This dispute is in relation to the Objection raised against the Award passed.	21151505 and 24% interest per annum compound
14	NHPC vs. M/s Karam Chand Thapar regarding the Agreement No. NH/Contracts/CC/SL-001 dated. 7.3.90. Pending in the High court of J&K Jammu.	Construction of TRT-II out let package The Dispute is in relation to the losses caused due to a flood	21151505 and 24% interest per annum compound

15. The Custodian Vs NHPC

An appeal has been filed to condone the delay and set aside the order dated 3.7.2002 passed by the Special court imposing the penal interest on NHPC. The appeal for the stay of the above order has also been filed. An amount of Rs.165 lacs pertaining to principal and unpaid interest of the B&D Series has been deposited with the Custodian on 29.9.2003.

16. Unit Trust of India is claiming a penal interest of Rs.10039 lacs for the delay in the creation of security in respect of Rs 3000 lacs Term Loan availed in 1998 and G series subscription of Rs 1000 lacs dated 9.03.2002. The matter has been referred to the Ministry of Power to take up the same with the Committee of Secretaries for arbitration in this regard.

Writ Petitions

1. A writ petition being Writ Petition No.419 of 99 has been filed in the High Court of Jammu and Kashmir challenging the validity of levy of duty on the generation of electricity at H.E. Projects amounting to Rs. 68,70,31,500/-.

2. A writ petition being Writ Petition No (civil rule No) 1138 of 98 has been filed by NHPC in the High Court of Imphal against the State of Manipur regarding levy collection and demand under Water (prevention and control of pollution) Cess Act 1977 amounting to Rs. 1,32,74,320/-.

Other Cases

1. The Corporation has preferred a Leave Petition Application being C-34/99 of 1999 in the case of NHPC & Ors Vs Kartar Singh Lambardar & Ors. This LPA has been filed in the High Court of Jammu & Kashmir against a judgement dated 13.5.99 passed by the Hon'ble Single Bench in CIA No.47/90 whereby the appeal filed by the Appellant and Collector (SDM) has been allowed in part and the Judgment & decree of the District Judge Udhampur dated .31.3.90 fixing compensation at an enhanced rate for various types of land has been upheld. The approximate amount involved in this case is Rs 1,10,00,000/-

2. The Divisional Forest Officer has filed a case No 28/2000 dated 21.11.02 before the District Court of Gangtok, for an approximate value of Rs 14,98,71,966/-for the unauthorised encroachment upon forest land at Teesta River.

Non Payment of Statutory Dues

Serial. No	Name of the case	**Details of the case**	**Amount involved in Rs.**
1.	NHPC Vs. Custom Department	Non Compliance of Project Import	approximately Rs. 119 lacs upto 10.05.02
2.	Sales Tax appeal against Assessing Authority Sopore	Appeal for passing an ex-parte order and issuance of demand notice for the payment of Rs.7555 lacs for the accounting year94-55	Rs.7555 lacs for the accounting year 94-55
3.	Sales Tax appeal against Assessing Authority Sopore	Appeal for passing order and issuance of demand notice for the payment of Rs.15, 94,95,000.	Rs.15, 94,95,000

Outstanding litigation involving subsidiaries / joint ventures of NHPC

C1) Narmada Hydroelectric Development Corporation Limited

Contingent liabilities not provided for as on March 31, 2003:

1(a) Claims not acknowledged as debts for Rs. 28,268 Lacs (Previous year Rs. 13,269 Lacs) including pending Court Cases for Rs. 685 Lacs (Previous year Rs. Nil) relating to Awards & Special Rehabilitation Grants in respect of Land Compensation to Land oustees. These claims do not include contractual claims / Arbitration Awards prior to the date of take over of the project by the Corporation. All such claims have been transferred to Government of Madhya Pradesh (NVDA) as per CCEA Clearance dated 28th March 2002.

(b) Foreign Letter of Credit opened in favour of Technopromexport Rs. 3,389 Lacs (Previous Year Nil).

2. Estimated Amount of Contracts remaining to be executed on capital account not provided for Rs. 54,611 Lacs (Previous Year Rs. 23,977 Lacs).

Outstanding litigation as on September 30, 2003 (of value of Rs. 10 million and more, where value is quantifiable):

NIL

D) Power Finance Corporation Limited, our Promoter ("PFC")

Contingent liabilities not provided for as on March 31, 2003:

(a) On account of guarantees issued by the Corporation:

(i) Rs. 10,882.96 lacs equivalent to JPY 2.726 Billion (previous year Rs. 20,108.39 lacs equivalent to JPY 5.452 billion).
(ii) Rs. 2,752.77 lacs equivalent to EURO 5.322 million (Previous year Rs. 3,382.15 lacs equivalent to EURO 7.906 million).
(iii) Rs. 18,324.44 lacs equivalent to US $ 38.391 million (previous year Rs. 16,341.63 lacs equivalent to US $ 33.630 million).
(iv) Rs. 1,204.74 lacs (previous year Rs. 1,200.00 lacs).

(b) The Tax Department has filed an appeal before ITAT against the order of CIT (Appeals) granting the relief of Rs. 800.79 lacs to the Corporation for the Assessment Year 1996-97. The case is pending before the ITAT.

Outstanding litigation as on September 30, 2003 (of value of Rs. 10 million and more, where value is quantifiable):

NIL

DIVIDEND POLICY

Dividend is declared at the Annual General Meeting based on the recommendation of the Board of Directors, at their discretion to be paid to members according to their respective rights and will depend on number of factors, including but not limited to our earnings, capital requirements and overall financial condition. It will be our endeavour to give, on a yearly basis, adequate dividend payout. The Board may also from time to time pay to the members interim dividends, as appears to the Board to be justified by the profits of the Company.
The dividends paid or provided for by the Company in the last four fiscal years are follows:

FY Ended March 31st,	Face Value of Equity Share (Rs.)	Amount (Rs. In Lacs)	Dividend (%)
2000	**10**	**Nil**	**-**
2001	**10**	**Nil**	**-**
2002	**10**	**148.32**	**7%**
2003	**10**	**223.48**	**7%**

BASIS OF ISSUE PRICE

The Issue Price will be determined by us in consultation with the BRLMs on the basis of assessment of market demand for the Equity Shares issued by way of Book Building.

You should read the following summary with the Risk Factors included from page number __ to __ and the details about us and our financial statements included in this Draft Red Herring Prospectus. The trading price of our equity shares could decline due to these risks and you may lose all or part of your investments.

Qualitative Factors

We are the first company in India to start trading in power way back in 1999. Starting with a modest trading volume of 28.35 MU in 1999-2000, our trading volumes have increased to 4178 MU in 2002-2003. For the six-month period ended September 30, 2003, we have traded 4818 MU with total revenues of Rs. 1,02,218.91 lacs and adjusted profit after tax of Rs. 1,287.31 lacs.

1. ***Dominant market position and first mover advantage in power trading in India***
   We have the first mover advantage in power trading in India. As on date, we have over 25 number of clients with whom we have developed strong relations and who are either trading power or have traded power through us. Further, we have entered into a number of MOUs with Mega Power Producers for offtake of power from them. We have, in turn, entered into back-to-back agreements with various SEBs and other utilities for selling such power to them.

2. ***Designated Nodal Agency for cross-border trade with Nepal and Bhutan (Chukha & Kurichhu)***
   We have been appointed as the nodal agency for cross border trades in power with Nepal and Bhutan. To that extent, we expect to have an assured market in terms of power from projects such as Chukha and Kurichhu, and in the future, once the various projects being developed for exporting power to India from Bhutan *(Tala HEP) and* Nepal (West Seti HEP) start generating power.

3. ***Promoters with experience relevant to our business***
   We have been promoted by POWERGRID, NHPC, NTPC and PFC, who have experience relevant to our business. Each one of them is either a market leader or a dominant player in their respective fields of Power Generation, Transmission of Power and Power Sector Financing. We derive technical and managerial strength from our promoters, who have actively supported us in our operations.

4. ***Strong Management Team***
   We have a strong management team with our Directors having representatives from our promoter companies and major shareholders. Our team of key managerial personnel has adequate experience required for our business operations.

Quantitative Factors

1. Earning Per Share (EPS) *(as adjusted for changes in capital)*

Year	**EPS (Rs.)**	**Weight**
2000-2001	(4.19)	1
2001-2002	2.22	2
2002-2003	2.99	3
Weighted Average	**1.54**	

Note:

a. The Earnings per Share has been computed on the basis of the adjusted profits and losses of the respective years drawn after considering the impact of accounting policy changes and material adjustments/prior period items pertaining to the earlier years.

b. The denominator considered for the purpose of calculating Earnings per Share is the weighted average number of Equity Shares outstanding during the year.

2. Price/Earning Ratio (P/E) in relation to Issue Price of Rs. [●]

a. Based on FY 2003 adjusted EPS of Rs.2.99 on equity share of face value of Rs. 10 each **-**[●]

b. Based on weighted average adjusted EPS of Rs. 1.54 on equity share of face value of Rs. 10 each **-** [●]

As there are no other listed companies engaged solely in trading of power, hence no industry comparison including ratios can be worked out.

3. Average Return on Net Worth

Year	**RONW %**	**Weight**
2000-2001	(148.64)	1
2001-2002	20.31	2
2002-2003	11.91	3
Weighted Average	**(12.05)**	

Note:
a. The average return on net worth has been computed on the basis of the adjusted profits and losses of the respective years drawn after considering the impact of accounting policy changes and material adjustments/regroupings pertaining to earlier years.

4 Minimum Return on Increased Net Worth to maintain pre-Issue EPS - [●]

5 Net Asset Value (NAV) per share as per the Balance Sheet for the year ended March 31, 2003 Rs.11.05

Note:
Net Asset Value Per Share represents Shareholder's Equity as per restated financial statements less miscellaneous expenditure as divided by number of shares outstanding at the end of the period.

6 Net Asset Value (NAV) per share post-Issue and comparison with the Issue price*
* would be compared after discovery of the Issue Price through Book Building.

The Issue Price of Rs. [●] has been determined by us in consultation with the BRLMs, on the basis of assessment of market demand for the Equity Shares by way of Book Building and is justified on the basis of the above factors.

D.C.G & CO.
CHARTERED ACCOUNTANTS

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New Delhi -110002
Phone: 011-23260384, 23252523
Fax: 011-23267234
Email: dcgcomp@vsnl.com

Auditors' Report

To
The Board of Directors
Power Trading Corporation of India Limited
New Delhi

Dear Sirs,
We have examined the books of account of Power Trading Corporation of India Limited (PTCIL) for the four financial years/ period ended March 31, 2003 being the date to which the accounts of the Company have been made up and audited for presentation to the member. We have also audited the accounts of PTCIL for the period ended September 30, 2003 being the last date to which the accounts of the Company have been made up and approved by the Board of Directors of the Company.

In accordance with the requirements of:

a. Paragraph B (1) of Part II of Schedule to the Companies Act, 1956
b. The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI in pursuance of Section 11 of SEBI Act, 1992, " SEBI Guidelines"
c. Instructions dated December 10, 2003 received from the Company, requesting us to carry out the work relating to the offer document being issued by the company in connection with the issue of shares by the company to the public through an Initial Public Offering (IPO),

we report that the Profits/ (Losses) of the Company for the above years/ period are as set out below. These Profit/ (Losses) (expressed in Rs. Lakhs) have been arrived at after charging all expenses of Management, including depreciation and after making such adjustments as in our opinion are appropriate and are subject to the notes given below. Adjustments may be necessary to make the accounts for the period from April 1, 2003 to September 30, 2003, to comply with the requirements of the law relating to accounts to be laid before the Company in the General Meeting, but at the date of signing of this report, we are not aware of any material adjustments which would affect the results of the accounts.

For M/s D.C.G. & Co.
Chartered Accountants

(D.C. Gupta)
Partner

Place: New Delhi
Date: December 23, 2003

I. SUMMARY OF PROFIT AND LOSS ACCOUNT, AS RESTATED

(Figures in Rs. Lakhs)

Particulars	For six months ended Sept. 30, 2003	For the year ended March 31 2003	2002	2001	For the period ended March 31, 2000
INCOME					
Sales:					
Electricity Sales	99,873.88	90,038.17	35,402.53	1,139.40	771.26
Service Charges	182.00	333.49	307.88	23.26	47.52
Discount on Purchase of Power	-	187.46	-	-	-
Rebate on Purchase of Power	1,842.06	1,778.12	683.06	-	-
Other Income	320.97	356.38	246.41	89.25	95.98
Total Income	**102,218.91**	**92,693.61**	**36,639.89**	**1,251.91**	**914.77**
EXPENDITURE					
Electricity Purchased	97,687.50	88,245.89	34,901.70	1,139.04	764.17
Rebate on sale of power	2,028.57	2,052.20	746.96	-	-
Staff costs	196.86	150.98	99.14	55.13	51.79
Other Expenses	188.88	147.88	90.55	40.38	73.59
Loss on sale of fixed assets	0.32	2.92	-	-	-
Interest	38.22	26.81	-	-	-
Depreciation	66.56	68.94	10.77	3.18	1.60
Miscellaneous expenditure written off	101.99	42.78	24.87	24.87	26.84
Total Expenditure	**100,308.90**	**90,738.39**	**35,874.00**	**1,262.60**	**917.99**
Net Profit before tax and extraordinary items	1,910.01	1,955.22	765.89	(10.69)	(3.23)
Provision for taxation					
Current Tax	696.77	587.04	31.16	-	2.77
Deferred Tax	(8.33)	119.50	-	-	-
Net Profit/ (Loss) after tax before extraordinary items	**1,221.57**	**1,248.68**	**734.73**	**(10.69)**	**(6.00)**
Extraordinary items (net of tax)	-	-	-	-	-
Net Profit/ (Loss) before prior period adjustments	1,221.57	1,248.68	734.73	(10.69)	(6.00)
Prior Period Adjustments (net of tax)					
Deferred Tax Expenses/(Income)-relating to earlier years	(8.46)	235.80	-	-	-
Earlier year adjustments (net of tax)	(115.44)	29.03	-	0.48	-
Net Profit/ (Loss) as per audited statement of accounts (A)	**1,345.47**	**983.86**	**734.73**	**(10.21)**	**(6.00)**
- change in accounting policies	57.28	(159.30)	(233.07)	(240.52)	5.54
- impact of material adjustments and prior period items	(115.44)	129.23	(30.66)	(0.48)	0.48
Total Adjustments (B)	**(58.16)**	**(30.07)**	**(263.73)**	**(241.00)**	**6.02**
Adjusted Profit/ (Loss) (A+B)	**1,287.31**	**953.79**	**471.00**	**(251.21)**	**0.02**

Carry forward Profit/ (Loss) from previous year/ period	801.80	71.49	(251.19)	0.02	-
Profit available for appropriation	**2,089.10**	**1,025.28**	**219.81**	**(251.19)**	**0.02**
Appropriations					
Proposed/Interim Dividend	-	223.48	148.32	-	-
Balance carried to Balance sheet	**2,089.10**	**801.80**	**71.49**	**(251.19)**	**0.02**

The accompanying significant accounting policies and notes are integral part of this statement

<u>Adjusted Profit & Loss Account</u>

(**Figures in Rs. Lakhs)**

Particulars	For six months ended Sept. 30, 2003	For the year ended March 31			For the period ended March 31, 2000
		2003	2002	2001	
Net Profit/ (Loss) as per audited statement of accounts (A)	1,345.47	983.86	734.73	(10.21)	(6.00)
Change in accounting policy (having quantifiable financial impact)					
Developmental Expenditure on potential Power Projects	77.61	(326.92)	(213.23)	(235.90)	-
Increase in Authorised Capital	14.90	(119.21)	-	-	-
Miscellaneous Pre-incorporation Expenses	-	(28.57)	9.52	9.52	9.52
Deferred Tax Adjustments	(35.23)	315.40	(28.17)	(14.14)	(3.98)
Total of adjustments	**57.28**	**(159.30)**	**(231.88)**	**(240.52)**	**5.54**
Tax impact of adjustments	-	-	(1.20)	-	-
Total of Adjustments - Net of Tax impact (B)	**57.28**	**(159.30)**	**(233.07)**	**(240.52)**	**5.54**
Impact of material adjustments and prior period items					
Prior Period Income	(151.11)	149.40	1.71	(2.77)	2.77
Prior Period Expenses	35.66	(6.64)	(29.03)	2.29	(2.29)
Total of adjustments	(115.44)	142.76	(27.32)	(0.48)	0.48
Tax impact of adjustments	-	(13.53)	(3.34)	-	-
Total of Adjustments - Net of Tax impact (C)	(115.44)	129.23	(30.66)	(0.48)	0.48
Adjusted Profit & Loss Account (A+B+C)	**1,287.31**	**953.79**	**471.00**	**(251.21)**	**0.02**

II. SUMMARY OF ASSETS AND LIABILITIES, AS RESTATED

(Figures in Rs. Lakhs)

	Particulars	As at Sept. 30, 2003	As at March 31			
			2003	2002	2001	2000
A.	**Fixed Assets**					
	Gross Block	2,282.65	2,267.45	2,014.40	49.80	11.65
	Less: Depreciation	215.40	149.46	31.73	9.80	1.60
	Net Block	**2,067.26**	**2,117.99**	**1,982.67**	**40.00**	**10.05**
	Less: Revaluation Reserves	-	-	-	-	-
	Add: Capital work-in-progress	2.00	-	-	-	-
	Total	**2,069.26**	**2,117.99**	**1,982.67**	**40.00**	**10.05**
B.	**Investments-Short Term**	5,368.16	175.76	52.68	-	-
C.	**Current Assets, Loans and Advances**					
	Cash & Bank Balances	8,209.98	9,882.97	4,117.20	2,092.38	680.85
	Receivables	12,193.66	5,061.44	3,067.06	17.06	-
	Inventories	-	-	-	-	-
	Loans and Advances	4,235.15	1,448.18	161.82	226.03	16.58
	Other Current Assets	191.77	65.51	98.68	45.37	15.05
	Total	**24,830.56**	**16,458.09**	**7,444.76**	**2,380.84**	**712.48**
D.	**Liability & Provisions**					
	Loan funds					
	Secured Loans	-	-	-	-	-
	Unsecured Loans	-	-	-	-	-
	Deferred Tax Liability (net)	**104.63**	**86.18**	**46.29**	**18.12**	**3.98**
	Current liabilities & Provisions					
	Sundry liabilities	20,873.09	9,592.76	6,620.93	299.83	168.63
	Provisions	1,785.37	1,064.80	493.72	133.87	54.96
	Total	**22,763.09**	**10,743.74**	**7,160.94**	**451.83**	**227.57**
E.	**Share Application Money (Pending Allotment)**	**-**	**-**	**-**	**1,800.00**	**-**
F.	**Net Worth (A+B+C-D-E)**	**9,504.88**	**8,008.10**	**2,319.16**	**169.01**	**494.96**
H.	**Represented by**					
	Share Capital	7,450.00	7,250.00	2,400.00	600.00	600.00
	Reserves & surplus	2,089.10	801.80	71.49	(251.19)	0.02
	Less: Revaluation Reserves	-	-	-	-	-
	Total	**9,539.10**	**8,051.80**	**2,471.49**	**348.81**	**600.03**
I.	Miscellaneous expenditure to the extent not written off	34.22	43.70	152.33	179.80	105.07
J.	**Net Worth (H-I)**	**9,504.88**	**8,008.10**	**2,319.16**	**169.01**	**494.96**

The accompanying significant accounting policies and notes are integral part of this statement

III. STATEMENT OF DIVIDEND PAID

We further report that the dividends declared by Power Trading Corporation of India Limited in respect of five financial periods/ years ended September 30, 2003 are as follows

(Figures in Rs. Lakhs)

Year/Period ending on	For six months ended Sept. 30, 2003	For the year ended March 31			For the period ended March 31, 2000
		2003	2002	2001	
Equity Share Capital	7,450	7,250	2,400	600	600
Rate of Dividend	-	7%	7%	-	-
Amount of Dividend	-	223.48	148.32	-	-
Corporate Dividend Tax	-	-	-	-	-

IV. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

IV(A). Significant Accounting Policies

1. Basis of preparation of Accounts

The financial statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards in India. The financial statements adhere to the relevant presentational requirement of the Companies Act, 1956.

2. Fixed Assets

i. Fixed Assets are stated at original cost less accumulated depreciation. Cost of acquisition is inclusive of freight, duties, taxes and other incidental expenses related to acquisition, installation and commissioning.

ii. Depreciation is provided on Written Down Value method as per the rates and in the manner prescribed in the Schedule XIV to the Companies Act, 1956. In respect of the assets costing Rs. 5,000/- or below, depreciation is provided at 100%.

3. Revenue

i. Revenue from sale of power is accounted for based on rates agreed with the beneficiaries, excluding service charges wherever separately indicated in the agreement.

ii. Service charges include transaction fee charged under the contracts of purchase and supply of power.

iii. Revenue in the form of Management and/or Success Fee for services rendered in relation to development work of potential Power Projects is recognised when such fee is assured and determinable under the terms of the respective contract.

iv. The surcharge on late/non-payment of dues by sundry debtors for sale of energy is not treated as accrued due to uncertainty of its realization and is, therefore, accounted for on receipt basis.

4. Expenditure

Developmental expenditures incurred in relation to potential Power Projects up to 31st March, 2003 are being carried forward as Deferred Revenue Expenditure and shall be written off equally in five years beginning with the financial year 2003-04. Such expenditure inter-alia include payments to consultants, legal expenses, salaries and allowances to employees engaged in the developmental activities, other direct expenses and allocation of common expenses in proportion to the employee cost and is net of incidental revenue arising from sale of tender documents, processing fee, etc.

Pre-acquisition Development Expenditure i.e. payment towards developmental expenditure on potential Power Projects (net of revenue earned thereagainst), in respect of the period prior to take over of the developmental work by the company is treated as 'Deferred Revenue Expenditure' to be written off equally in five years from the year of take over.

Payments to consultants, other than those related to potential Power Projects, where the aggregate value of assignment exceeds Rs.10,00,000 and benefit of which is expected to accrue over a number of years, are treated as Deferred Revenue Expenditure to be written off over a period of 5 years .

Preliminary Expenses are amortized over a period of 5 years.

Prepaid and prior-period items up to Rs. 5000/- are accounted to natural heads of accounts.

The expenditure, the benefits of which shall accrue in future over a number of years, may be treated as 'Deferred Revenue Expenditure' at the discretion of board and shall be written off equally in five years beginning with the year of its incidence.

5. Retirement Benefits

i. Liability towards retirement benefits to employees of the company in respect of gratuity and leave encashment is accounted for on actuarial valuation basis.

ii. Liability in respect of gratuity, leave encashment and provident fund of employees on deputation with the company are accounted for on the basis of terms and conditions of deputation of the parent organisations.

6. Foreign Exchange

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Liability / receivables on account of foreign currency are converted at the exchange rates prevailing as at the end of the year and gains / losses thereon are taken to the Profit & Loss Account, except in case of liabilities relating to fixed assets, which are adjusted to the cost of acquisition of the asset.

7. Investments

Long term investments are carried at cost less provision, if any, for permanent diminution in the value of such investments. Whereas short term investments are carried at lower of cost and fair value.

IV(B). Notes to Accounts

1. During the period PTC has called for and received Rs. 2 crores from Promoters i.e., NTPC towards equity subscription and same has been utilized towards the business operations.

2. During the financial year 2001-02, PTC had paid a sum of Rs. 2.0 lakhs to Central Electricity Authority (CEA) as advance towards carrying out consultancy works. The assignment has since been completed but CEA has not yet submitted its bill. Pending this the advance has been adjusted on the basis of execution certificate given by the department.

3. As per PPAs entered into with the off takers of Chukha and Kurichhu power projects, the interest earned on the Term Deposits made with commercial banks for the payments received from them, is passed back to them. PTC has accounted for the same as income as well as an expense in its books of accounts.

4. The Deferred Tax Liability/Assets have been determined on the basis of Accounting Standard 22 (AS-22) "Accounting for Taxes on Income" and details thereof are as follow:-

(Figures in Rs.)

Particulars	For the period ended 30.09.2003	For the year ended 31.03.2003	31.03.2002	31.03.2001	For the period ended 31.03.2000
Deferred Tax liability arising on account of timing difference					
Depreciation	28,71,730	63,52,435	36,41,573	3,18,036	-
Deferred Revenue Expenditure					
-Pre-Acquisition Project Development Expenditure	-	-	-	-	17,06,323
-Strategic Planning	-	-	-	33,419	4,06,823
-Developmental Expenditure on Potential Power Projects	-	77,14,213	74,06,736	1,06,45,553	-
Total (A)	28,71,730	1,40,66,648	1,10,48,309	1,09,97,008	21,13,146
Deferred Tax Assets arising on account of timing difference					
Depreciation	-	-	-	-	8,948
Deferred Revenue Expenditure					
-Pre-Acquisition Project Development Expenditure	-	8,53,162	4,26,581	4,26,581	-
-Strategic Planning	68,521	1,37,041	1,37,041	-	-
-Developmental Expenditure on Potential Power Projects	28,91,393	-	-	-	-
Retirement Benefits	98,726	85,429	2,091	982	-
Property Tax	6,45,750	13,25,683	1,38,017	-	-
Total (B)	37,04,390	24,01,315	7,03,730	4,27,563	8,948
Net Deferred Tax Liability/ (Assets) (A-B)	**(8,32,660)**	**1,16,65,333**	**1,03,44,579**	**1,05,69,445**	**21,04,198**

5. PTC had purchased office accommodation valuing Rs. 19.64 crores (inclusive of stamp duty) at Bhikaji Cama Place from M/s National Buildings Construction Corporation Ltd., a Govt. of India Undertaking and 'Agreement to Sell' in respect thereof had been signed on 21.02.2002 and possession taken over. Sale Deed in respect of the premises is yet to be executed.

6. During the period ending 30th September, 2003 the value of the building was segregated to leasehold land of Rs.3.26 crores on the basis of land premium fixed by Ministry of Urban Affairs and Employment (land and Development) as per their letter no. L-II-1 (978)/97/234 dated 6/6/1997 and accordingly balance amount of Rs 16.38 crores is taken as building cost. Excess depreciation charged on the value of land during the previous years has been written back. As the lease is perpetual no amortizations in respect of leasehold land has been provided.

7. In the absence of invoice(s) from seller(s), the company has accounted for its liability based on the data available.

8. Names of small scale industrial undertakings to which the company owes any sum, which was outstanding for more than 30 days as at the Balance Sheet date - NONE.

9. Estimated amount of capital commitments:

(Figures in Rs.)

For the period ended 30.09.2003	For the year ended 31.03.2003	31.03.2002	31.03.2001	For the period ended 31.03.2000
19,98,000	1,31,000	5,00,000	NIL	NIL

10. Claims not acknowledged as debts –

(Figures in Rs.)

For the period ended 30.09.2003	For the year ended 31.03.2003	31.03.2002	31.03.2001	For the period ended 31.03.2000
73,34,539	73,34,539	20,99,329	20,99,329	11,99,329

11. Quantitative information in respect of purchase and sale of power:

Particulars	For the period ended 30.09.2003	For the year ended			For the period ended 31.03.2000
		31.03.2003	31.03.2002	31.03.2001	
Purchase (MUs)	4,818.11	4,178.30	1,617.43	43.77	28.35
Sales (Figures in Rs. crores)	998.74	882.46	349.02	11.39	7.64
Sales (MUs)	4,818.11	4,178.30	1,617.43	43.77	28.35
Purchase (Figures in Rs. crores)	976.88	900.38	354.03	11.39	7.71

12. Remuneration to Directors (including Chairman & Managing Director):

(Figures in Rs.)

Particulars	For the period ended 30.09.2003	For the year ended			For the period ended 31.03.2000
		31.03.2003	31.03.2002	31.03.2001	
Salary, Allowances & Benefits	20,03,194	17,17,227	7,28,532	2,22,266	61,428
Contribution to Pension Fund	30,912	61,824	61,824	15,939	-
Leave Salary Contribution	71,219	55,815	29,073	10,445	-
Contribution to Gratuity Fund	24,710	8,168	-	-	-
Directors' Sitting Fees	50,000	90,000	1,05,280	80,000	40,000
Total	**21,80,035**	**19,33,034**	**9,24,709**	**3,28,650**	**1,01,428**

In addition to the above remuneration, the whole time Directors have been allowed the use of staff car on payment of Rs. 780/- p.m. as contained in the Ministry of Finance (BPE) Circular No. (18)/pc 164 dtd. 29.11.1964 as amended.

13. Expenditure in foreign currency (on accrual basis):

(Figures in Rs.)

Particulars	For the period ended 30.09.2003	For the year ended			For the period ended 31.03.2000
		31.03.2003	31.03.2002	31.03.2001	
Payment to Consultants	*(62,662)	*(43,863)	14,65,759	49,48,669	7,07,846
Traveling	90,850	6,52,666	1,58,216	2,87,395	-
Business Development	-	-	-	-	35,080
Others	-	11,765	-	-	-

* Pertains to the foreign exchange fluctuation for the payment to be made to foreign consultant.

14. Income earned in foreign exchange:

(Figures in Rs.)

Particulars	For the period ended 30.09.2003	For the year ended			For the period ended 31.03.2000
		31.03.2003	31.03.2002	31.03.2001	
Sale of RFP Documents	-	-	-	-	5,42,750

15. The actuarial valuation in respect of retirement benefits of the company's employees has been made as on the closing date of the respective year/period.

16. Current liabilities, Sundry debtors and Loans and Advances are subject to confirmation.

17. Audit Fee is subject to approval by the shareholders.

18. Figures of the previous year have been regrouped/ reclassified wherever considered necessary to conform to current year's classification.

19. Figures for the period ending September, 2003 are not comparable with previous year figures as they are for 12 months.

IV(C). STATEMENT OF ADDITION/CHANGE IN ACCOUNTING POLICY AND IMPACT THEREOF

Financial Year	**Addition/ Change in Accounting Policy**	**Financial impact**
2000-2001		
1.	Preliminary Expenses are amortized over a period of 5 years.	No financial impact
2.	The Corporation has changed its accounting policy with respect to treatment of developmental expenditure incurred on potential Power Projects. In the preceding year, such expenditure were being dealt with based on the terms of individual Proposals. The expenditure were treated as 'Deferred Revenue Expenditure' only in cases proposal envisaged payment of Management Fee to the Corporation. Otherwise, the expenditures were charged to the Profit & Loss Account. New Policy is as follow:- Developmental Expenditure in relation to potential Power Projects is carried forward as Deferred Revenue Expenditure to be written off equally in five years beginning with the financial year 2003-04 when it is expected that significant developmental work would get concluded and the Preparatory Stage would end. Such expenditure comprises of payments to consultants, legal expenses, salaries and allowances to employees engaged in the developmental activities, other direct expenses and allocation of common expenses in proportion to the employee cost and is net of incidental revenue arising from sale of tender documents, processing fee, etc.	Had the Corporation not changed the Accounting Policy as above and accounted for Developmental Expenditure on the same basis as in the preceding financial year, loss for the year would have been higher by Rs. 2,91,57,705/-.
2001-2002		
1.	The surcharge on late/non-payment of dues by sundry debtors for sale of energy is not treated as accrued due to uncertainty of its realization and is, therefore, accounted for on receipt basis.	No financial impact
2002-2003		
1.	The expenditure, the benefits of which shall accrue in future over a number of years, may be treated as 'Deferred Revenue Expenditure' at the discretion of board and shall be written off equally in five years beginning with the year of its incidence.	As per this Accounting Policy, an expenditure of Rs. 1,49,01,100/- incurred in connection with increasing the Authorised Capital from Rs. 150 crores to Rs. 750 crores is treated as "Deferred Revenue Expenditure" and shall be written off equally in five years beginning with the financial year 2002-03.Had the company not adopted this policy and charged off this expenditure to revenue, the profit of the company for the period would have been lower by Rs. 1.19 crores.

2.	Long term investments are carried at cost less provision, if any, for permanent diminution in the value of such investments. Current investments are carried at lower of cost and fair value.	No financial impact

IV(D). STATEMENT OF QUALIFICATION OF ACCOUNT
There is no qualification on accounts of the Company.

Annexure-A

Statement of Accounting Ratios

	Year/ Period ended				
	Sept. 30, 2003	**March 31, 2003**	**March 31, 2002**	**March 31, 2001**	**March 31, 2000**
Adjusted Net Profit/Loss (A)	1,287.31	953.79	471.00	(251.21)	0.02
Weighted Average Number of Equity Shares outstanding during the year/period (B)	743.03	319.26	211.89	60.00	51.72
Number of equity shares outstanding at the end of the year/ period (in lacs) (C)	745.00	725.00	240.00	60.00	60.00
Net Worth (D)	9,504.88	8,008.10	2,319.16	169.01	494.96
Accounting Ratios					
Earning per Share (EPS) (A)/(B)	1.73	2.99	2.22	(4.19)	0.00
Net Asset Value per Share (Rs.) (D)/(C)	12.76	11.05	9.66	2.82	8.25
Return on Net Worth (%) (A)/(D)	13.54	11.91	20.31	(148.64)	0.01

Formula

1. Earning Per Share (EPS) = $\frac{\text{Net Profit after tax and before extraordinary items}}{\text{Weighted Average Number of Equity Shares outstanding during the year/period}}$

2. Net Asst Value per Share (Rs.) = $\frac{\text{Net Worth}}{\text{Number of equity shares outstanding at the end of the year/ period}}$

3. Return on Net Worth (%) = $\frac{\text{Net Profit after tax and before extraordinary items}}{\text{Net Worth}}$

Note:
1. Ratios has been computed on the basis of the adjusted profits/(losses) for the respective periods/years
2. EPS and Return on Net Worth for the period ended September 30, 2003 are for a period of 6 months and therefore not comparable with other years

Annexure-B

CAPITALISATION STATEMENT

(Figures in Rs. Lakhs)

	Pre-issue as at 30/9/2003	Adjusted after the Public Issue
Borrowing		
Short-Term debt	-	-
Long-term debt	-	-
Total Debt	-	-
Shareholders' funds		
Equity Share Capital	7,450.00	15,000.00
Share premium	-	*
Reserves & Surplus	2,676.04	2,676.04
Less: Miscellaneous Expenditure not written off	836.98	836.98
Total Shareholders Funds	9,289.07	*
Long-term Debt/Equity ratio	N.A.	N.A.

* To be determined subsequent to the completion of the book building process

Note: Since September 30, 2003 (which is the last date as of which financial information has been given in para of this document) paid up share capital was increased from Rs. 7450 lacs to Rs. 9150 lacs by issue of 1,20,00,000 shares of face value Rs. 10 on preferential basis to existing promoters (40,00,000 shares each to NTPC, PTC and NHPC) at par. Further 50,00,000 shares of Face Value Rs. 10 were issued to TPC at Rs. 13 per share. (This note does not form part of the Audit Report)

Annexure-C

STATEMENT OF TAX SHELTERS

(Rs. in Lakhs)

PARTICULARS	For six months ended Sept. 30, 2003	For the year ended March 31			For the period ended March 31, 2000
		2003	2002	2001	
Profit/(Loss) before tax as per books (A)	2,061.12	1,953.22	765.89	(12.98)	(3.23)
Tax Rate	35.875%	36.75%	35.70%	39.55%	38.50%
Tax on actual rate of profits	739.43	717.81	273.42	(5.14)	(1.24)
Adjustments :					
Permanent Differences:					
Dividend Income (Exempt U/s 10)	(81.83)	-	(0.56)	-	-
Preliminery Expenses	1.58	3.16	3.16	3.16	3.16
Prior Period Expenses	(17.96)	2.00	-	2.29	-
Repair & Maintenance for rented property u/s 24(1)	(4.18)	(4.18)	-	-	-
Miscellaneous Pre-incorporation Expenses	-	-	-	-	2.95
Total Permanent Differences (B)	(102.38)	0.98	2.60	5.45	6.11
Timing Differences :					
Difference between book depreciation and tax depreciation	(80.05)	(185.32)	(101.51)	(8.87)	0.25
Miscellaneous Expenditure Written off (Net of claimed in income tax)	97.41	(224.70)	(190.75)	(304.00)	(58.90)
Provision for Gratuity	0.75	0.61	0.02	0.01	-
Provision for Leave Salary	2.01	1.77	0.04	0.01	-
Loss on sale of Fixed Assets	0.32	2.92	-	-	-
Provision of Property Tax	18.00	36.95	-	-	-
Rebate Refunded	(133.15)	133.15	-	-	-
Excess Provision Written Off	-	(28.57)	-	-	-
Foreign Exchange Fluctuation	(0.63)	(0.44)	-	-	-
Total Timing Differences (C)	(95.35)	(263.62)	(292.20)	(312.84)	(58.65)
Net Adjustments (B+C)	(197.73)	(262.64)	(289.59)	(307.39)	(52.54)
Tax Saving thereon	(70.94)	(96.52)	(103.38)	(121.57)	(20.23)
Profit/ (Loss) as per Income(D) =(A+B+C)	1,863.39	1,690.58	476.30	(320.37)	(55.77)
Brought Forward Losses adjusted (E)	-	-	(376.14)	-	-
Taxable Income/ (Loss) (D+E)	1,863.39	1,690.58	100.15	(320.37)	(55.77)
Taxable income as per MAT	-	-	760.56	-	-
Tax due	668.49	621.29	58.18	-	-
Carried Forward Business Loss	-	-	-	(308.33)	(54.42)
Carried Forward Unabsorbed Depreciation	-	-	-	(12.05)	(1.35)
Total carried forward loss as per return	-	-	-	(320.37)	(55.77)

Annexure-D (I)

STATEMENT OF OTHER INCOMES FOR LAST FIVE YEARS AND LATEST PERIOD

(Figures in Rs. Lakhs)

Pariculars	For six months ended Sept. 30, 2003	For the year ended March 31			For the period ended March 31, 2000	Remarks
		2003	2002	2001		
Other Income						
Interest	224.58	290.78	245.85	70.59	41.05	Recurring
Dividend from Mutual Funds	81.83	22.20	0.56	-	-	Recurring
Rental Income	13.93	13.93	-	-	-	Recurring
Sale of Tender Document	-	0.46	-	-	54.93	Non recurring
Foreign Currency Fluctuation	0.63	0.44	-	6.44	-	Recurring
Excess Provision Written Back	-	28.57	-	12.22	-	Non recurring
Total	**320.97**	**356.38**	**246.41**	**89.25**	**95.98**	

Note:

There was a negative foreign exchange fluctuation of Rs. 14.05 lakhs for the year ended 31/03/2002, which had been included in the other expenditure.

Annexure-D (II)

Age-wise analysis of Sundry Debtors for the last four years and latest period

(Figures in Rs. Lakhs)

Age wise Break-up	September 30, 2003	March 31, 2003	March 31, 2002	March 31, 2001	March 31, 2000
Receivable from promoters	-	-	-	-	-
Receivable from promoters group	-	-	-	-	-
Receivable from group companies	-	-	-	-	-
Receivable from Directors	-	-	-	-	-
Receivable from relatives of Directors	-	-	-	-	-
Others					
Less than six months	12,168.40	4,928.28	3,067.06	17.06	-
More than six months	25.25	-	-	-	-
Total	12,193.66	4,928.28	3,067.06	17.06	-

Annexure- D (III)

Details of Loans and Advances for the last four years and latest period

(Figures in Rs. Lakhs)

Age wise Break-up	September 30, 2003	March 31, 2003	March 31, 2002	March 31, 2001	March 31, 2000
Receivable from promoters	-	-	-	-	-
Receivable from promoters group	-	-	-	-	-
Receivable from group companies	-	-	-	-	-
Receivable from Directors	-	-	-	-	-
Receivable from relatives of Directors	-	-	-	-	-
Others	4,235.15	1,448.18	161.82	226.03	13.81
Total	4,235.15	1,448.18	161.82	226.03	13.81

Annexure-D (IV)

Details of Unsecured Loans as on 30/9/2003

Sr. No.	Name of the Lender	Amount	Repayment Schedule	
------------------------------------ ***NIL*** ---				

Annexure-D (V)

Statement of investments (as at 30/9/2003)

Rs. In lakhs

Sr. No.	Details of the investment	Book value	Market/value quoted value	Diminution in the value
1	Grindlays Cash Fund	1,647.18	Not quoted	NIL
2	Grindlays Cash Fund	405.34	Not quoted	NIL
3	Principal Cash Management Fund	2,050.00	Not quoted	NIL
4	Franklin Money Plus Account	1,265.63	Not quoted	NIL
	Total	**5,368.16**		

Annexure-D (VI)

DETAILS OF EXPENDITURE INCURRED ON PROJECTS UPTO 2 MONTHS PRIOR TO SEBI THEN ROC FILING AND SOURCES OF FUNDING FOR THE SAME

------------------------------------ ***NIL*** ---

Annexure-D (VII)

Existing working capital facilities

1 For the existing working capital facilities, the exact working capital requirement and the means of financing the same should be furnished

The details are as under:

Rs. in Lacs

Sr.No.	Particulars	9/30/2003	3/31/2003	Increase(+)/ Decrease(-)
1	Current Assets	24,830.56	16,458.09	8372.47
2	Less: Current Liabilities other than Bank Finance	22,658.46	10,657.55	12,000.91
3	Working surplus/(Capital Gap)	2,172.09	5800.54	-3,628.44
4	Less: Bank Finance	-	-	-
5	Net Working Capital	2,172.09	5,800.54	-3628.44
Long term Working Capital (Margin requirement for the period ending 30/9/2003				NIL

2 Kindly provide CMA data for the working capital, which has been submitted to the consortium of Banks for approval/sanction etc.

Remark: No CMA data is furnished to banks

3 The present working capital facilities enjoyed by the Company in the form of Bank Finance should be clearly stated

The details are as under:

Rs. in lacs

Name of Bank	Amount	Type
IDBI Bank Ltd.	500.00	Cash Credit
IDBI Bank Ltd.	1,000.00	letter of credit
Union Bank	500.00	letter of credit
Union Bank	2,000.00	Cash Credit
IOB	7,000.00	letter of credit
Total	**11,000.00**	

However, the Company has not utilised any Cash Credit facility

Working capital facilities for the new project: **N.A.**

Annexure-D (VIII)

Details of Contingent Liabilities (as at 30/9/2003)

1 The Company has following contingent liabilities for which no provisions have been made in the books of accounts of the Company for a period ended 30/9/2003

Sr.No.	Particulars	Amount (Rs. In Lacs)
1.	Administrative Staff Collage of India-towards their claim for consultancy charges	1.50
2.	PGCIL-towards pre-incorporation expenses	71.85
	Total	**73.35**

2 We have examined all the contracts, claims and litigations against the Company and have analysed the likely impact of the same as indicated above. We certify that apart from the contingent liabilities indicated above, the Company does not have any other contingent liabilities

Annexure-D (IX)

Related Party Disclosure

The company has entered into the following related party transactions. Such parties and transactions have been identified as per Accounting Standard 18 “Related Party Disclosures' issued by the Institute of Chartered Accountants of India/ SEBI Guidelines.

(Figures in Rs. Lakhs)

Name of the Related Party		**Nature of Transaction**	**For six months ended Sept. 30, 2003**	**For the year ended March 31**		
				2003	**2002**	**2001**
National Thermal Power Corporation Ltd.	Significant influence	Salary, Allowances and other Related payments	45.23	86.44	84.09	81.55
		Directors Sitting fees to nominee Directors	0.10	0.20	0.30	0.35
		Equity contribution	200.00	-	450.00	-
Power Grid Corporation of India Ltd.	Significant influence	Salary, Allowances and other Related payments	51.21	80.99	76.23	74.04

		Reimbursement of Expenses on office premises/ utilities	-	18.44	43.77	39.60
		Directors Sitting fees to nominee Directors	0.05	0.35	0.30	0.40
		Sale of Fixed Assets	-	-	-	3.55
		Reimbursement of pre-acquisition project development expenses	-	-	-	67.26
		Equity contribution	-	-	900.00	-
Power Finance Corporation Ltd.	Significant influence	Salary, Allowances and other Related payments	4.60	-	-	0.30
		Purchase of Fixed Assets	-	-	-	0.39
		Directors Sitting fees to nominee Directors	0.05	0.20	0.20	0.05
		Others	-	-	-	0.52
		Equity contribution	0.00	200.00	450.00	-
National Hydro Power Corporation Ltd.	Significant influence	Salary, Allowances and other Related payments	7.50	15.84	15.33	0.53
		Directors Sitting fees to nominee Directors	0.10	0.05	-	-
		Equity contribution	-	800.00	-	-
Damodar Valley Corporation	Significant influence	Purchase of Power	8,872.58	3,436.64	-	-
		Sale of Power	2,422.06	1,248.78	-	-
		Directors Sitting fees to nominee Directors	0.10	0.05	-	-
		Equity contribution	0.00	1,000.00	-	-
IDBI	Significant influence	Directors Sitting fees to nominee Directors	0.05	0.00	-	-
		Equity contribution	0.00	500.00	-	-
The Tata Power Company Ltd.	Significant influence	Directors Sitting fees to nominee Directors	0.05	0.05	-	-
		Equity contribution	0.00	1,000.00	-	-

Key Management Personnel						
Sh. T.N.Thakur	Chairman & Managing Director	Remuneration	8.71	12.56	8.19	2.49
		Directors Sitting fees	-	-	-	0.25
Sh. Mahendra Kumar	Director (Business Development)	Remuneration	7.26	3.07	-	-
Sh. S.K.Dube	Director (Operations)	Remuneration	5.34	2.81	-	-
		Directors Sitting fees (as nominee Director)	-	-	0.15	0.05

Annexure- D (X)

CASH FLOW STATEMENT

Rs. in lacs

	For six months ended Sept. 30, 2003	**For the year ended March 31**		
		2003	**2002**	**2001**
CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit Before Tax	2,061.12	1,953.22	765.89	(12.98)
Adjustment for:				
Depreciation	47.98	68.94	10.77	3.18
Amortised Expenditure	101.99	42.78	24.87	24.87
Loss on sale of fixed assets	0.32	2.92	-	-
Foreign Exchange Fluctuation	(0.63)	(0.44)	14.05	(6.44)
Excess Provision Written Back	-	(28.57)	-	(12.22)
Other Income (excluding income from sale of tender documents)	(320.34)	(326.91)	(246.41)	(70.59)
Operating Profit before Working Capital Changes	**1,890.44**	**1,711.94**	**569.17**	**(74.18)**
Adjustment for:				
Sundry Debtors	(7,265.37)	(1,861.23)	(3,050.00)	(17.06)
Loans & Advances	(2,283.43)	(767.27)	140.78	(196.39)
Other Current Assets	(126.26)	33.17	(53.32)	(30.31)
Current Liabilities	11,280.33	2,971.82	6,307.05	133.49
Provisions	24.43	114.17	146.80	100.34
Miscellaneous Expenditure	-	(343.80)	(188.22)	(320.96)
Cash Generated from Operating Activities	**3,520.14**	**1,858.80**	**3,872.26**	**(405.07)**
Direct Taxes Paid (Net)	(503.54)	(519.09)	(76.57)	(15.84)
Net Cash from Operating Activities (A)	**3,016.60**	**1,339.71**	**3,795.69**	**(420.91)**
CASH FLOW FROM INVESTING ACTIVITIES				
Other Income	320.34	326.91	246.41	70.59
Purchase of fixed assets	(17.53)	(257.04)	(1,964.61)	(38.15)

Sale of fixed assets	-	1.08	-	-
Purchase of investments	(5,192.40)	(123.08)	(52.68)	-
Net Cash used in Investing Activities (B)	**(4,889.59)**	**(52.13)**	**(1,770.88)**	**32.44**
<u>CASH FLOW FROM FINANCING ACTIVITES</u>				
Proceeds from issue of Share Capital	200.00	4,850.00	-	1,800.00
Dividend paid	-	(371.81)	-	-
Cash flow from Financing Activities (C)	**200.00**	**4,478.19**	**0.00**	**1,800.00**
Net increase in cash and cash equivalent (A+B+C)	**(1,672.99)**	**5,765.77**	**2,024.81**	**1,411.53**
Cash and Cash equivalent (Opening Balance)	**9,882.97**	**4,117.20**	**2,092.38**	**680.85**
Cash and Cash equivalent (Closing Balance)	**8,209.98**	**9,882.97**	**4,117.20**	**2,092.38**

Note: The above cash flow statement is not part of the Auditors report dated December 23, 2003 and forms part of the Auditors certificate.

D.C.G & CO.
CHARTERED ACCOUNTANTS
Phone: 23260384,23252523
Fax: 011-23267234
Email: dcgcomp@vsnl.com

4819/24 Ansari Road,
New Delhi -110002

Auditors' Certificate

We hereby certify that the enclosed annexure states the tax benefits available to the shareholders of Power Trading Corporation of India Ltd. (the "Company") under the provisions of the Income Tax Act, 1961 and other direct tax laws presently in force.

The contents of this annexure is based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

A shareholder is advised to consider in his/her/its own case the tax implications of an investment in the equity shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits that an investor can avail.

For M/s D.C.G. & Co.
Chartered Accountants

(D.C. Gupta)
Partner

Place: New Delhi
Date: December 23, 2003

TAX BENEFITS

A. To the Members of the Company - Under the Income Tax Act, 1961

A.1 Resident Members

❑ In terms of section 10(34) of the Income Tax Act, 1961, any income by way of dividends referred to in *section* 115-O (i.e. dividends declared, distributed or paid on or after 1April 2003) received on the shares of the company is exempted from the tax.

❑ In terms of section 10(36) of the Act, any long term capital gain arising to the shareholder from the transfer of a long term capital asset being an eligible equity share in a company purchased on or after the 1st day of March 2003 and before 1st day of March 2004 and held for a period of 12 months or more would not be liable to tax in the hands of the shareholder.

For this purpose "eligible equity share means-
a) an equity share in a company being a constituent of BSE – 500 Index of the Stock Exchange, Mumbai as on 1st day of March 2003 and the transaction of purchase and sale of such equity share are entered into on a recognised stock exchange in India; or

(b) an equity share in a company allotted through a public issue on or after 1st day of March 2003 and listed in a recognized stock exchange in India before 1st day of March 2004 and the transaction of sale of such share is entered into on a recognized stock exchange in India.

In our opinion, the equity shares under this offer document constitutes eligible shares and the benefit, as stated above, would be available provided the above conditions are complied with.

❑ In terms of section 10(23D) of the Income Tax Act, 1961 all Mutual Funds set up by Public Sector Banks or Public Financial Institutions or Mutual Funds registered under the Securities and Exchange Board of India or authorized by the Reserve Bank of India, subject to the conditions specified therein are eligible for exemption from income tax on all their income, including income from investment in the shares of the company.

❑ Under section 48 of the Income Tax Act, 1961 if the company's shares are sold after being held for not less than twelve months, the gains (in cases not covered under section 10(36) of the Act) if any will be treated as long term capital gains and the gains shall be calculated by deducting from the gross consideration, the indexed cost of acquisition.

❑ Under section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(36) of the Act) arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gain are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in bonds issued by

- National Bank for Agriculture and Rural Development established under section 3 of The National Bank for Agriculture and Rural Development Act, 1981;

- National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;

- Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956;

- National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987; and

- Small Industries Development Bank of India established under section 3(1) of the Small Industries Development Bank of India Act, 1989;

❑ Under section 54ED of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(36) of the Act) on the transfer of shares of the Company, as and when it is listed, will be exempt from capital gains tax if the capital gains are invested in shares of an Indian Company forming part of an eligible public issue, within a period of 6 months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely –

the issue is made by a public company formed and registered in India;
the shares forming part of the issue are offered for subscription to the public;

❑ Under section 54F of the Income Tax Act, 1961 long term capital gains (in cases not covered under section 10(36) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the company will be exempt from capital gain tax subject to other conditions, if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

- Under section 112 of the Income Tax Act, 1961 and other relevant provisions of the Act, Long term capital gains, (i.e., if shares are held for a period exceeding 12 months) (in cases not covered under section 10(36) of the Act), arising on transfer of shares in the Company, shall be taxed at a rate of 20% (plus applicable surcharge) after indexation as provided in the second proviso to section 48. The amount of such tax should however, be limited to 10% (plus applicable surcharge) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.

A.2 Non-Resident Indians/ Non Residents Members [Other than FIIs and Foreign venture capital investors]

- Under section 115-I of the Act, a non-resident Indian (i.e. an individual being a citizen of India or person of Indian origin who is not a 'resident') has an option to be governed by the provisions of Chapter XII-A of the Income Tax Act, 1961 viz. "Special Provisions Relating To Certain Incomes of Non-Residents" which are as follows: -

– Under section 115E of the Income Tax Act, 1961, where shares in the company are acquired or subscribed for in convertible Foreign Exchange by a Non Resident Indian, capital gains arising to the nonresident on transfer of shares held for a period exceeding 12 months shall (in cases not covered under section 10(36) of the Act) be concessionally taxed at the flat rate of 10% (Plus applicable Surcharge) (without indexation benefit but with protection against foreign exchange fluctuation).

– Under provisions of section 115F of the Income Tax Act, 1961 long term capital gains (in cases not covered under section 10(36) of the Act) arising to a non-resident Indian from the transfer of shares of the company subscribed to in convertible Foreign Exchange shall be exempt from Income tax, if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition.

– Under provisions of section 115G of the Income Tax Act, 1961 it shall not be necessary for a Non-Resident Indian to furnish his return of income if his income chargeable under the Act, consists of only investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted therefrom.

- In terms of section 10(34) of the Income Tax Act, 1961, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1April 2003) received on the shares of the company is exempted from the tax.

- In terms of section 10(36) of the Act, any long term capital gain arising to the shareholder from the transfer of a long term capital asset being an eligible equity share in a company purchased on or after the 1st day of March 2003 and before 1st day of March 2004 and held for a period of 12 months or more would not be liable to tax in the hands of the shareholder.

    For this purpose "eligible equity share means-

    a) an equity share in a company being a constituent of BSE – 500 Index of the Stock Exchange, Mumbai as on 1st day of March 2003 and the transaction of purchase and sale of such equity share are entered into on a recognised stock exchange in India; or

    (b) an equity share in a company allotted through a public issue on or after 1st day of March 2003 and listed in a recognized stock exchange in India before 1st day of March 2004 and the transaction of sale of such share is entered into on a recognized stock exchange in India.

In our opinion, the equity shares under this offer document constitutes eligible shares and the benefit, as stated above, would be available provided the above conditions are complied with.

- Under the first proviso to section 48 of the Income Tax Act, 1961, in case of a non- resident, in computing the capital gains arising from transfer of shares of the company acquired in convertible foreign exchange (as per exchange control regulations) protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case. The capital gains/ loss in such a case is computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer into the same foreign currency which was utilised in the purchase of the shares.

- Under section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(36) of the Act) arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gain are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in bonds issued by

- National Bank for Agriculture and Rural Development established under section 3 of The National Bank for Agriculture and Rural Development Act, 1981;

- National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;

- Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956;

- National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987; and

- Small Industries Development Bank of India established under section 3(1) of the Small Industries Development Bank of India Act, 1989;

❑ Under section 54ED of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(36) of the Act) on the transfer of shares of the company, as and when it is listed, will be exempt from capital gains tax if the capital gain are invested in shares of an Indian company forming part of an eligible public issue, within a period of 6 months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely –

(a) the issue is made by a public company formed and registered in India;

(b) the shares forming part of the issue are offered for subscription to the public;

❑ Under section 54F of the Income Tax Act, 1961 long term capital gains (in cases not covered under section 10(36) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the company will be exempt from capital gain tax subject to other conditions, if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

❑ Under section 112 of the Income Tax Act, 1961 and other relevant provisions of the Act, Long term capital gains (i.e. if shares are held for a period exceeding 12 months) (in cases not covered under section 10(36) of the Act), arising on transfer of shares in the Company, shall be taxed at a rate of 20% (plus applicable surcharge) after indexation as provided in the second proviso to section 48. The amount of such tax should however, be limited to 10% (plus applicable surcharge) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.

A.3 Foreign Institutional Investors (FIIs)

❑ In terms of section 10(34) of the Income Tax Act, 1961, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003) received on the shares of the company is exempted from the tax.

❑ In terms of section 10(36) of the Act, any long term capital gain arising to the shareholder from the transfer of a long term capital asset being an eligible equity share in a company purchased on or after the 1st day of March 2003 and before 1st day of March 2004 and held for a period of 12 months or more would not be liable to tax in the hands of the shareholder.

For this purpose "eligible equity share means**-**
a) an equity share in a company being a constituent of BSE – 500 Index of the Stock Exchange, Mumbai as on 1st day of March 2003 and the transaction of purchase and sale of such equity share are entered into on a recognised stock exchange in India; or

(b) an equity share in a company allotted through a public issue on or after 1st day of March 2003 and listed in a recognized stock exchange in India before 1st day of March 2004 and the transaction of sale of such share is entered into on a recognized stock exchange in India.

In our opinion, the equity shares under this offer document constitutes eligible shares and the benefit, as stated above, would be available provided the above conditions are complied with.

❑ The income by way of short term capital gains or long term capital gains (not covered under section 10(36) of the Act) realized by FIIs on sale of shares in the company would be taxed at the following rates as per section 115AD of the Income Tax Act, 1961.

• **Short term capital gains – 30% (Plus applicable surcharge)**

• Long term capital gains – 10% Plus applicable surcharge (without cost indexation and protection against foreign exchange fluctuation)

(Shares held in a company would be considered as a long term capital asset provided they are held for a period exceeding 12 months.)

- ❑ Under section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(36) of the Act) arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gain are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in bonds issued by:

  - National Bank for Agriculture and Rural Development established under section 3 of The National Bank for Agriculture and Rural Development Act, 1981;
  - National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
  - Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956;
  - National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987; and
  - Small Industries Development Bank of India established under section 3(1) of the Small Industries Development Bank of India Act, 1989;

- ❑ Under section 54ED of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(36) of the Act) on the transfer of shares of the Company, as and when it is listed, will be exempt from capital gains tax if the capital gain are invested in shares of an Indian Company forming part of a eligible public issue, within a period of 6 months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely –

(a) the issue is made by a public company formed and registered in India;
(b) the shares forming part of the issue are offered for subscription to the public;

A.4 Venture Capital Companies/ Funds

- ❑ In terms of section 10(23FB) of the Income Tax Act, 1961 all Venture capital companies/funds registered with Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including dividend from and income from sale of shares of the company.

B. Benefits to Members of the Company under the Wealth Tax Act, 1957

- ❑ Shares of the company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act, 1957, hence Wealth Tax Act will not be applicable.

C. Benefits to Members of the company under the Gift Tax Act, 1958

- ❑ Gift of shares of the company made on or after October 1, 1998 would not be liable to Gift tax.

Notes:

1. All the above benefits are as per the current tax law as amended by the Finance Act, 2003.

2. The stated benefits will be available only to the sole/first named holder in case the shares are held by joint holders.

3. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non resident has fiscal domicile.

4. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.

OTHER REGULATORY DISCLOSURES

Stock Market Data for our Equity Shares

This being the initial public offering of the Company, our Equity Shares are not listed on any stock exchanges.

Particulars Regarding Previous Public Issues During the Last Five Years

We have not made any previous public issue during the last five years.

Companies under the Same Management

There are no companies under the same management whether within the meaning of Section 370(1B) of the Companies Act, or otherwise, other than the ones disclosed elsewhere in the Red Herring Prospectus.

Mechanism Evolved for Redressal of Investor Grievances

We will settle the investor grievances expeditiously and satisfactorily. The agreement between us and the Registrar to the Issue will provide for retention of records with the Registrar to the Issue, MCS Limited, for a period of at least one year from the last date of dispatch of letters of allotment, demat credit, and refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to this Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection centre where the application was submitted.

Disposal of Investor Grievances

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances shall be seven working days from the date of receipt of the complaint. In case of non-routine complaints and where external agencies are involved, we or the Registrars will seek to redress these complaints as expeditiously as possible. We have appointed Mr. Rajiv Maheshwari, Company Secretary, Power Trading Corporation of India Limited as the Compliance Officer and he may be contacted in case of any pre-issue or post-issue related problems. He can be contacted at: Power Trading Corporation of India Limited, 2nd Floor, NBCC Towers, 15, Bhikaji Cama Place, New Delhi 110 066 , Tel: +91-11-5165 9500/ 5159 5121, F ax +91-11-5165 9144, e-mail: info@ptcindia.com.

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, the Memorandum and Articles of the Company, RBI approvals, the terms of this Red Herring Prospectus, Bid-cum-Application Form, the Revision Form, the Confirmation of Allocation Note ("CAN") and other terms and conditions as may be incorporated in the Allotment Advice, and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Stock Exchanges, RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles and shall rank *pari passu* in all respects with the other existing shares of the Company including rights in respect of dividend. The Allottees will be entitled to dividend or any other corporate benefits (including dividend), if any, declared by the Company after the date of Allotment.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10/- each are being issued in terms of this Red Herring Prospectus at a total price of Rs. [•] per share. At any given point of time, there shall be only one denomination for the Equity Shares of the Company, subject to applicable laws.

Compliance with SEBI Guidelines

The Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and Memorandum and Articles of Association of the Company.

For a detailed description of the main provisions of the Company's Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, refer to the section on "Main Provisions of Articles of Association of the Company" on page _____in this Red Herring Prospectus.

Market Lot

In terms of Section 68B of the Companies Act, the Equity Shares of the Company shall be allotted only in dematerialised form. In terms of existing SEBI Guidelines, the trading in the Equity Shares of the Company shall only be in dematerialised form for all investors.

Since trading of our Equity Shares is in dematerialised mode, the tradable lot is one equity share. Allocation and allotment of Equity Shares through this Issue will be done only in electronic form in multiples of 100 Equity Shares to the successful bidders.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in New Delhi, India.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first bidder, along with other joint bidder, may nominate any one person in whom, in the event of the death of sole bidder or in case of joint bidders, death of all the bidders, as the case may be, the Equity Shares transferred, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the equity share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to equity share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of equity share(s) by the person nominating.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

a. to register himself or herself as the holder of the equity shares; or
b. to make such transfer of the equity shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the equity shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the equity shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors require to change the nomination, they are requested to inform their respective depository participant.

Subscription by NRIs and FIIs registered with SEBI

As per the extant policy of the Government of India, OCBs cannot participate in this Issue. We have received approval from the RBI stating that the RBI has no objection for Non Resident Indians and FIIs registered with SEBI to acquire Equity Shares in this Issue pursuant to its letter no. ___________ dated ____, 2004. The final permission for acquisition of shares is to be received on completion of certain filing requirements. Subject to obtaining such approvals, it will not be necessary for the investors to seek separate permission from the FIPB/RBI for this specific purpose. However, it is to be distinctly understood that there is no reservation for NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI and all NRI, FII and Foreign Venture Capital Funds registered with SEBI applicants will be treated on the same basis with other categories for the purpose of allocation.

The allotment of the Equity Shares to Non-Residents shall be subject to the conditions as may be prescribed by the Government of India/RBI while granting such approvals.

ISSUE STRUCTURE

The present issue is a fresh issue of 5,84,99,990 Equity Shares, of Face Value Rs. 10 each, for cash at a price of Rs. [•] per Equity Share aggregating Rs. [•] lacs. This Issue is being made through a 100% book building process under clause 2.2.2 of SEBI(DIP) Guidelines, 2000. Out of the above 2,50,000 equity shares are reserved for allotment to our permanent employees. The net offer to the public is 5,82,49,990 equity shares.

	QIBs	**Non-Institutional Bidders**	**Retail Individual Bidders**
Number of equity shares*	At least 2,91,24,995 Equity Shares	Minimum of 1,45,62,497 Equity Shares or Issue size less allocation to QIBs and Retail Individual Bidders	Minimum of 1,45,62,498 Equity Shares or Issue Size less allocation to QIBs and Non-Institutional Bidders
Percentage of Issue Size available for allocation	A minimum of 50% or Issue size less allocation to Non-Institutional Bidders and Retail Individual Bidders, subject to mandatorily 50% being allocated.	Minimum 25% or Issue size less allocation to QIBs and Retail Individual Bidders	Minimum 25% or Issue Size less allocation to QIBs and Non-Institutional Bidders
Basis of Allocation if respective category is oversubscribed	Discretionary	Proportionate	Proportionate
Minimum Bid	Minimum Bid Amount of Rs. 50,001 and thereafter in multiples of 100 Equity Shares	Minimum Bid Amount of Rs. 50,001 and thereafter in multiples of 100 Equity Shares	200 Equity Shares and thereafter in multiples of 100 Equity Shares
Maximum Bid	Not exceeding the Issue Size	Not exceeding the Issue Size	Not exceeding Rs. 50,000
Mode of Allotment	Compulsory in Dematerialised form	Compulsory in Dematerialised form	Compulsory in Dematerialised form
Trading Lot	One	One	One
Size of allocation	100	100	100
Who can Apply	Public financial institutions, as specified in section 4A of the Companies Act, 1956, scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, venture capital funds registered with SEBI, Foreign Venture Capital Investors registered with SEBI, State Industrial Development Corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 25 crores and pension funds with minimum corpus of Rs. 25 crores.	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, societies and trusts	Individuals (including NRIs and HUFs) applying for a total value of up to Rs. 50,000/-
Terms of Payment	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate	Margin Amount applicable to Non-Institutional Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate
Margin Money	Nil	100%	100%

* Subject to valid bids being received at or above the Issue Price, undersubscription in the reserved catogery shall be added back to the net offer to the public. Under-subscription, if any, in the category of Retail Individual Bidders and Non Institutional Bidders, would be allowed to be met with spill-over from any other categories including oversubscription if any in the reserved catogery at the discretion of the Company and the BRLMs, subject to compliance with clause 2.2.2 of SEBI(DIP), 2000 i.e., the company shall mandatorily allot 50% of the net offer to the public to QIBs, failing which the entire issue proceeds shall be refunded.

ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process under clause 2.2.2 of SEBI(DIP) Guidelines, 2000, wherein mandatorily 50% of the net offer to the public shall be available for allocation on a discretionary basis to QIBs. Further, not less than 25% of the net offer to the public shall be available for allocation on a proportionate basis to the Retail Individual Bidders and not less than 25% of the net offer to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the members of the Syndicate. We, in consultation with the BRLMs reserve the right to reject any Bid procured by any or all members of the Syndicate without assigning any reason therefore from QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, the Company would have a right to reject the Bids only on technical grounds.

Investors should note that Equity Shares would be transferred to all successful allottees only in the dematerialised form.

Bid-cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple bids. Upon the allocation of Equity Shares, dispatch of the Confirmation of Allocation Note, ("CAN"), and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorised the Company to make the necessary changes in this Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

Catogery	Colour of Bid-cum-Application Form
India Public, NRIs applying on a non-repatriation basis	White
Eligible non residents, NRIs or FIIs applying on a repatriation basis	Blue
Permanent Employees	Pink

Who can Bid

1. Indian nationals resident in India who are majors, in single or joint names (not more than three);
2. Hindu Undivided Families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
3. Companies and corporate bodies not having majority ownership and control of persons resident outside India and societies registered under the applicable laws in India and authorised to invest in the Equity Shares;
4. Indian Mutual Funds registered with SEBI;
5. Indian Financial Institutions, commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to RBI regulations, as applicable);
6. Venture Capital Funds registered with SEBI;
7. State Industrial Development Corporations;
8. Insurance companies registered with the Insurance Regulatory and Development Authority;
9. Provident funds with minimum corpus of Rs. 25 crore and who are authorised under their constitution to hold and invest in Equity Shares;
10. Pension funds with minimum corpus of Rs. 25 crore and who are authorised under their constitution to hold and invest in Equity Shares;
11. Trust/ society registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/ society and who are authorised under their constitution to hold and invest in Equity Shares; and
12. Scientific and/ or Industrial Research Organisations authorised to invest in Equity Shares.

Note: The BRLMs, Syndicate Members and any associate of the BRLMs, and Syndicate Members (except asset management companies on behalf of mutual funds, Indian financial institutions and public sector banks) cannot participate in that portion of the Issue where allocation is discretionary. Further, the BRLMs, and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

OCBs are not eligible to apply in this Issue.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under the relevant regulations or statutory guidelines.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

1. No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds.
2. No mutual fund under its scheme should own more than 10% of any company's paid-up capital carrying voting rights.

Further, bidders may bid as per the limits prescribed above.

The above information is given for the benefit of the Bidders. Our Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

(a) For Retail Individual Bidders: The Bid must be for a minimum of 200 Equity Shares and in multiples of 100 Equity Shares thereafter, subject to a maximum Bid amount of Rs.50,000. In case the maximum Bid amount is more than Rs.50,000, then the same would be considered for allocation under the Non-Institutional Bidders category.

(b) For Other (Non-Institutional Bidders and QIBs) Bidders: The Bid must be for a minimum of Rs.50,001 and in multiples of 100 Equity Shares. All Individual Bidders whose maximum bid amount exceeds Rs.50,000 would be considered under the category of Non-Institutional Bidders. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them.

Bidders may note that allotment to a single Bidder would not exceed 25% of the post issue paid up capital of the company.

Bidding Process

a. Our Company will file the Red Herring Prospectus with the RoC at least three days before the Bid/ Issue Opening Date.
b. The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to potential investors.
c. Any investor (who is eligible to invest in our Equity Shares), who would like to obtain the Red Herring Prospectus and/ or the Bid-cum-Application Form, can obtain the same from our registered office or from the BRLMs.
d. Our Company and the BRLMs shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in two widely circulated newspapers (one each in English and Hindi).
   This advertisement shall contain the salient features of the Red Herring Prospectus as specified under Form 2A of the Companies Act, the method and process of bidding and the names and addresses of the BRLMs and their bidding centres. The BRLMs and Syndicate Members shall accept Bids from the Bidders during the Issue Period.
e. Investors, who are interested in subscribing for our Company's Equity Shares, should approach any of the BRLMs or Syndicate Members or their authorised agent(s) to register their Bid.
f. The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of the members of the Syndicate. Bid-cum-Application Forms which do not bear the stamp of the members of the Syndicate will be rejected.

Bidding

(a) Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled "Bids at Different Price Levels" on page ____ below) and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
(b) The Bidder cannot bid on another Bid-cum-Application Form after his or her Bids on one Bid-cum-Application Form have been submitted to any member of the Syndicate. Submission of a second Bid-cum-Application Form to either the same or to another member of the Syndicate will be treated as multiple bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph "Build up of the Book and Revision of Bids" on page ____.
(c) The BRLMs and Syndicate Members will enter each bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form.
(d) Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph "Terms of Payment" on this page.

Bidding by Permanent Employees

1. Bids by our Permanent Employees shall be made only in the prescribed Bid-cum-application form or revised form,(i.e., pink colour forms marked "Employees")
2. The sole/first bidder should be our permanent employee as on the cutt off date i.e. January 14, 2004.
3. Permanent Employees will have to bid like any other bidders. Only those bids, which are received at or above the Issue Price, would be considered for allocation under this catogery.
4. A single applicant in the reserved category can make an application for a number of securities which exceeds the reservation.
5. A permanent employee can make an application in the net offer to the public portion also and the same shall not be treated as a multiple applications.

Bids at Different Price Levels

(a) The Price Band has been fixed at Rs.___ to Rs.___ per Equity Share of Rs.10 each, Rs.____ being the Floor Price and Rs.___ being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Re 1. In accordance with SEBI Guidelines, the Company, in consultation with the BRLMs, can revise the Price Band by informing the stock exchanges, releasing a press release, disclosure on the website of the members of Syndicate, if any and notification on the terminal of the members of the Syndicate. In case of a revision in the Price Band, the Issue will be kept open for a period of three days after the revision of the Price Band, subject to the total Bidding Period not exceeding thirteen days. The Company in consultation with the BRLMs can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.

(b) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. **Retail Individual Bidders may bid at "Cut-off". However, bidding at "Cut-off" is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.**

(c) Retail Individual Bidders, who bid at the Cut-Off, agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders (i.e. the total number of equity shares allocated in the Issue multiplied by the Issue Price), Retail Individual Bidders shall receive the refund of the excess amounts from the Escrow Account.

(d) The Price Band can be revised during the Bidding Period in which case the maximum revisions on either side of the Price Band shall not exceed 20% fixed initially, i.e, the floor of price band can move up or down to the extend of 20% of the floor of the price band disclosed in RHP and the cap of the revised price band will be fixed accordingly.

(e) Any revision in the Price Band shall be widely disseminated including by informing the stock exchanges.

Escrow Mechanism

Escrow Account of the Company

Our Company and members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the bid. Cheques or demand drafts received for the full Bid amount from Bidders in a certain category would be deposited in the Escrow Account of the Company. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and an Escrow Agreement. The monies in the Escrow Account of the Company shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Issue Account with the Bankers to the Issue as per the terms of the Escrow Agreement with the Company.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Escrow Collection Bank(s), our Company, the Registrar to the Issue and BRLMs and Syndicate Members to facilitate collections from the Bidders.

Payment of refund, if any, to the Bidders shall also be made from the respective Escrow Account by the Escrow Collection Banks, as per the terms of the Escrow Agreement and this Red Herring Prospectus.

Terms of Payment and Payment into the Escrow Collection Account

Each Bidder shall, with the submission of the Bid-cum-Application Form draw a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (For further details, see "Issue Procedure - Payment Instructions") and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid-cum-Application Forms accompanied by cash shall not be accepted. The maximum bid price has to be paid at the time of submission of the Bid-cum-Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders until such time as the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account, as per the terms of the Escrow Agreement, into the Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Issue Account shall be held for the benefit of the Bidders who are entitled to refunds on the Designated Date, and no later than 15 days from the Bid / Issue Closing Date, the Escrow Collection Bank(s) shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allocation to the Bidders.
Each category of Bidders, i.e., QIBs, Non-Institutional Bidders and Retail Individual Bidders, would be required to pay their applicable Margin Amount at the time of the submission of the Bid-cum-Application Form. The details of margin Amount payable will be available with the members of the syndicate and will be as per the syndicate agreement. The margin amount shall be uniform across all the bidders in the same category. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for equity shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM and Co-BRLMs. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid Form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date.

Electronic Registration of Bids
(a) The members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity to each city where the Bids are accepted.

(b) NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorised agents during the Bidding Period. Members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the online facilities for book building on an half-hourly basis. On the Bid Closing Date, the members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges.

(c) The aggregate demand and price for bids registered on the electronic facilities of NSE and BSE will be downloaded on a half hourly basis, consolidated and displayed on-line at all bidding centers. A graphical representation of consolidated demand and price would be made available at the bidding centers during the bidding period.

(d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the investor
- Investor Category such as Individual, Corporate, Mutual Fund, etc..
- Numbers of Equity Shares bid for
- Bid price
- Bid-cum-Application Form number
- Whether payment is made upon submission of Bid-cum-Application Form
- Depository Participant Identification No. and Client Identification No. of the Demat Account of the Bidder

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or the Company.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) Consequently, the member of the Syndicate also has the right to accept the Bid or reject it without assigning any reason, in case of QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids would not be rejected except on the technical grounds listed elsewhere in the Red Herring Prospectus.

(h) It is to be distinctly understood that the permission given by NSE and BSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company, BRLMs are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our promoters, our management or any scheme or project of our Company.

(i) It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that the Red Herring Prospectus has been cleared or approved by the NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the equity shares will be listed or will continue to be listed on the NSE and BSE.

Build Up of the Book and Revision of Bids
(a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on half-hourly basis

(b) The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis.

(c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum-Application Form.

(d) Revisions can be made in both the desired number of Equity Shares and the bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid-cum- Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid-cum-Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

(e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid.

(f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of the Red Herring Prospectus. In case of QIBs, the members of the Syndicate may, at their sole discretion, waive the payment requirement at the time of one or more revisions by the QIB Bidders.

(g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

(h) In case of discrepancy of data between NSE or BSE and the members of the Syndicate, the decision of the BRLMs based on the records of NSE or BSE shall be final and binding to all concerned.

Price Discovery and Allocation

(a) After the Bid/Issue Closing Date, the BRLMs will analyse the demand generated at various price levels and discuss pricing strategy with us.

(b) The Company, BRLM and Co-BRLMs shall finalise the "Issue Price", the number of Equity Shares to be allotted and the allocation to successful QIB Bidders. The allocation will be decided based on the quality of the Bidder determined broadly by the size, price and time of the Bid.

(c) The allocation for QIBs for 50% of the net offer to the public would be discretionary subject to 50% being mandatorily being allotted to QIBs. The allocation to Non-Institutional Bidders and Retail Individual Bidders of not less than 25% of the net offer to the public each and would be on proportionate basis, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.

(d) Undersubscription in the reserved catogery if any shall be added back to the net offer to the public. Undersubscription, if any, in any category under the net offer to the public would be allowed to be met with spill over from any of the other categories under net offer to the public or allowed to be met from oversubscription, if any, in the reserved catogry at the discretion of the Company and BRLMs except in the case of QIBs who shall be mandatorily allotted 50% of the net offer to the public failing which the entire subscription monies shall be refunded.

(e) Allocation to Eligible NRIs or FIIs applyingon repartiation basis will be subject to the terms and conditions stipulated by RBI while granting permission for issue/ allotment of equity shares to them.

(f) The BRLM and Co-BRLMs, in consultation with us, shall notify the Syndicate Members of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

(g) We, in consultation with the BRLMs, reserve the right to cancel the Issue any time after the Bid/Issue Opening Date but before allotment.

(h) In terms of SEBI Guidelines, QIBs shall not be allowed to withdraw their Bid after the closure of Bidding.

(i) The allotment details shall be put on the website of the Registrar to the Issue.

(j) Bidders may note that allotment to a single bidder would not exceed 25% of our post issue paid up capital.

Signing of Underwriting Agreement and RoC Filing
(a) We, the BRLMs and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) to the Bidders.

(b) After signing the Underwriting Agreement, we would update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue Size, underwriting arrangements and would be complete in all material respects.

Advertisement regarding Issue Price and Prospectus
A statutory advertisement will be issued by the Company after the filing of the Prospectus with the RoC. This advertisement in addition to the information that has to be set out in the statutory advertisement shall indicate the Issue Price along with a table showing the number of Equity Shares and the amount payable by an investor. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note

(a) The BRLM, Co-BRLMs or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue.

(b) The BRLM, Co-BRLMs or Syndicate Members would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The despatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Account of the Company at the time of bidding shall pay in full the amount payable into the Escrow Account of the Company by the Pay-in Date specified in the CAN.

(c) Bidders, who have been allocated Equity Shares and who have already paid into the Escrow Account of the Company at the time of bidding, shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Account of the Company. The despatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be transferred to such Bidder.

Designated Date and Transfer of Equity Shares

(a) After the funds are transferred from the Escrow Account of the Company to the Issue Account on the Designated Date, we would ensure allotment of Equity Shares to the allottees within two days of the finalisation of the basis of allotment.

(b) All allottees will receive credit for the Equity Shares directly in their depository account. **Equity Shares will be issued only in the dematerialised form to the allottees**. Allottees will have the option to re-materialise the Equity Shares so transferred, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

We would ensure the allotment of Equity Shares within 15 days of Bid Closing Date and also ensure that credit is given to the allottees' depository accounts within two working days from the date of allotment.

GENERAL INSTRUCTIONS
Do's:
a) Check if you are eligible to apply;
b) Read all the instructions carefully and complete the Bid-cum-Application Form (white in colour for general, NRIs bid cum application form – blue in colour, our permanent employees – Pink in colour);
c) Ensure that the details about Depository Participant and Beneficiary Account are correct as Equity Shares will be transferred in the dematerialized form only;
d) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;
e) Ensure that you have been given a TRS for all your Bid options; and
f) Submit Revised Bids to the same member of the Syndicate through whom the Original Bid was placed and obtain a revised TRS.

Dont's:

(a) Do not Bid for lower than the minimum Bid size;

(b) Do not Bid/ revise Bid price to less than the lower end of the price band or higher than the higher end of the price band;

(c) Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate;

(d) Do not pay the Bid amount in cash;

(e) Do not send Bid-cum-Application Forms by post; instead submit the same to a member of the Syndicate only;

(f) Do not Bid at cut off price (for QIBs and non-institutional bidders);

(g) Do not fill up the Bid-cum-Application Form such that the Equity Shares bid for exceeds the Issue size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations.

(h) Do not submit Bid accompanied with Stockinvest.

(i) Do not Bid if you are an OCB.

Instructions for Completing the Bid-cum-Application Form

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the BRLM, Co-BRLMs or Syndicate Members.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

(a) Made only in the prescribed Bid-cum-Application Form or Revision Form as applicable.

(b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum- Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected.

(c) The Bids from the Retail Individual Bidders must be for a minimum of 200 Equity Shares and in multiples of 100 thereafter subject to a maximum Bid amount of Rs.50,000.

(d) For Non-institutional and QIBs, Bids must be for a minimum Bid Amount of Rs.50,001 and in multiples of 100 Equity Shares. All Individual Bidders, whose maximum bid amount exceeds Rs.50,000, would be considered under the category of Non-institutional Bidders. Bids cannot be made for more than the Issue Size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.

(e) In single name or in joint names (not more than three).

(f) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's Bank Details

The name of the sole or first Bidder's bank, branch, type of account and account numbers must be mandatorily completed in the Bid-cum- Application Form. This is required for the Bidder's own safety so that these details can be printed on the refund orders. Bids without these details are liable to be rejected.

Bidder's Depository Account Details

Equity Shares shall be transferred only in dematerialised form. All Bidders should mention their Depository Participant's name, Depository Participant Identification number and Beneficiary Account Number in the Bid-cum-Application Form. In case the Bid-cum-Application Form is submitted in joint names, it should be ensured that the Depository Account is also held in the same joint names and in the same sequence in which they appear in the Bid-cum-Application Form.

Bids under Power of Attorney

In case of Bids made pursuant to a Power of Attorney or by limited companies, corporate bodies, registered societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum and Articles of Association and/or Bye Laws must be lodged along with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by Insurance Companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by provident funds with minimum corpus of Rs.25 crore and pension funds with minimum corpus of Rs.25 crore, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Bid-cum-Application form, subject to such terms that we may deem fit.

Bids by eligible NRIs or FIIs on a repatriation basis

1. Eligible NRI / FII Bidders can obtain the Bid-cum-Application Forms from the BRLMs or the Syndicate members or the Registrar to the Issue.

2. Eligible NRI / FII Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange through approved banking channels shall be considered for allocation under the NRI category.

3. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid-cum-Application form meant for Resident Indians.

Bids and revision to Bids must be made:

a. on the Bid-cum-Application Form or the Revision Form, as applicable, (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.

b. in a single name or joint names (not more than three).

c. NRIs **-** For a minimum of 100 Equity Shares and in multiples of 100 thereafter subject to a maximum Bid amount of Rs 50,000 for the Bid to be considered as part of the Retail Portion. Bids for Bid Amount more than Rs 50,001 would be considered under Non Institutional Category for the purposes of allocation. For further details see "Issue Procedure **-** Maximum and Minimum Bid Size" on page ___.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money payable upon submission of the Bid-cum-Application Form or Revision Form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Payment Instructions

We, the BRLM and Co-BRLMs and the Syndicate Members shall open an Escrow Account(s) with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account of the Company:

(i) The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid-cum-Application Form draw a payment instrument for the Bid Amount in favour of the Escrow Account of the Company and submit the same to the members of the Syndicate.

(ii) In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the equity shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account of the Company within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM.

(iii) The payment instruments for payment into the Escrow Account of the Company should be drawn in favour of

a. In case of Resident bidders: **"Escrow Account – PTC Public Issue"**

b. In case of Non Resident Bidder **"Escrow Account – PTC Public Issue – NR"**

- In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non- Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non- Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by Bank Certificate confirming that the draft has been issued by debiting to NRE or FCNR Account.
- In case of Bids by Eligible non residents / FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should

be accompanied by Bank Certificate confirming that the draft has been issued by debiting to Special Rupee Account.

(iv) Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Account of the Company.

(v) The monies deposited in the Escrow Account of the Company will be held for the benefit of the Bidders until Designated Date.

(vi) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account of the Company as per the terms of the Escrow Agreement into the Issue Account with the Bankers to the Issue.

(vii) On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders

Payment by Stockinvest
In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003,the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of bid money has been withdrawn.

Submission of Bid-cum-Application Form
All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid. Member of the Syndicate may at its sole discretion waive the requirement of payment at the time of submission of the Bid-cum-Application Form and Revision Form.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals
Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("First Bidder "). All communications will be addressed to the First Bidder and will be despatched to his or her address.

Multiple Bids
A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

We reserve the right to reject, in our absolute discretion to accept or reject, all or any multiple Bids in any or all categories.

PAN or GIR Number
Where the maximum Bid for Equity Shares by a Bidder is for the total value of Rs.50,000 or more, i.e. the actual numbers of Equity Shares Bid for multiplied by the Bid Amount is Rs. 50,000 or more, the Bidder or, in the case of a Bid in joint names, each of the Bidders should mention his or her Permanent Account Number (PAN) allotted under the I.T. Act or where the same has not been allotted, the General Index Register (GIR) Number and the Income-Tax Circle, Ward or District. In case neither the PAN nor the GIR number has been allotted, the Bidders must mention "Not allotted" in the appropriate place. Bid-cum-Application Forms without this information will be considered incomplete and are liable to be rejected.

Our Right to Reject Bids
We, the BRLM and the members of the Syndicate reserve the right to reject any Bid without assigning any reason therefor in case of QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, we, BRLM and Co-BRLMs have a right to reject bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the bidder's address at the Bidder's risk.

Grounds for Technical Rejections
Bidders are advised to note that Bids are liable to be rejected on, among others the following technical grounds:
1. Amount paid doesn't tally with the highest number of Equity Shares bid for;

2. Bank account details (for refund) are not given;
3. Age of First Bidder not given;
4. Bid by minor;
5. PAN or GIR Number not given if Bid is for Rs. 50,000 or more;
6. Bids for lower number of Equity Shares than specified for that category of investors;
7. Bids at a price less than lower end of the Price Band;
8. Bids at a price more than the higher end of the Price Band;
9. Bids at cut-off price by Non-Institutional and QIB Bidders;
10. Bids for number of Equity Shares which are not in multiples of 100;
11. Category not ticked;
12. Multiple bids as defined elsewhere;
13. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
14. Bids accompanied by Stockinvest;
15. Signature of sole and / or joint bidders missing;
16. Bid-cum-Application Form does not have the stamp of the BRLMs or Syndicate Members;
17. Bid-cum-Application Form does not have Bidder's depository account details;
18. Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bid-cum-Application Form, Bid/ Issue Opening Date advertisement and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid-cum-Application Form;
19. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. see the details regarding the same at page ___ of this Red Herring Prospectus;
20. Bids by OCBs.

Equity Shares in Dematerialised Form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be transferred only in a dematerialized form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two tripartite agreements have been signed between our Company and the Depositories:
a) an agreement dated January 29, 2003 with NSDL and MCS Limited.
b) an agreement dated January 31, 2003 with CDSL and MCS Limited.

All bidders can seek allotment only in dematerialised mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected.

a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.

b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's Identification number) appearing in the Bid-cum-Application Form or Revision Form.

c) Equity shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder

d) Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

e) Non-transferable allotment advice or refund orders will be directly sent to the Bidder by the Registrar to this Issue.

f) If incomplete or incorrect details are given under the heading 'Request for Equity Shares in electronic form' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.

g) The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.

h) It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

i) The trading of the Equity Shares of the Company would be in dematerialised form only for all investors.

j) **Investors are advised to instruct their Depository Participants to accept the Equity Shares that may be allocated to them pursuant to this Issue.**

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid-cum-Application Form number, number of Equity Shares applied for, date, bank and branch where the Bid was submitted and cheque, draft number and issuing bank thereof.

Despatch of Refund Orders

The Company shall ensure despatch of refund orders of value over Rs.1,500 by registered post or speed post only and adequate funds for the purpose shall be made available to the Registrar to the Issue by us. Refund orders shall be payable at par at all centres where bidding terminals was set-up to receive bids from bidders.

Undertaking by the Company

We undertakes as follows:

- that the complaints received in respect of this Issue shall be attended to expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- that the funds required for despatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue;
- that no further issue of Equity Shares shall be made till the Equity Shares issued through this Red Herring Prospectus are listed or until the bid monies are refunded on account of non-listing, under-subscription etc.

Utilisation of Issue proceeds

We certify that:

(a) all monies received out of the Issue shall be transferred to a separate Bank Account other than the bank account referred to in subsection (3) of Section 73 of the Companies Act;

(b)Since the object of the issue is to build a long-term capital base to be able to meet capital requirements of the Company, disclosures in the Balance Sheet regarding details of all monies utilised out of the issue referred to in (a) above including reservation to permanent employees and details of unutilised monies out of the issue of shares indicating the form in which such monies have been invested would be made, to the extent applicable.

Procedure and Time Schedule for issue of Equity Shares

We and the members of the Syndicate reserve the right to reject any Bid without assigning any reason thereof in case of QIBs. In case of Non- Institutional Bidders and Retail Individual Bidders, we have a right to reject bids based on technical grounds. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. Our Company will ensure allotment of the Equity Shares within 15 days from the Bid/Issue Closing Date, and we shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if Equity Shares are not allotted, refund orders are not dispatched and/ or demat credits are not made to investors within two working days from the date of allotment.

Disposal of Applications and Applications Money

The Issue shall ensure dispatch of allotment advice or refund orders and give benefit to the Beneficiary Account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of date of finalisation of allotment of Equity Shares. We shall dispatch refund orders, if any, of value up to Rs. 1,500, “Under Certificate of Posting”, and shall dispatch refund orders above Rs.1,500, if any, by Registered Post or Speed Post at the sole or First Bidder’s sole risk.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for allotment and trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of finalisation of the basis of allotment.

In accordance with the Companies Act, the requirements of the stock exchanges and SEBI Guidelines, we further undertake that:

- allot Equity Shares only in dematerialised form within 15 days of the Bid/Issue Closing Date;
- despatch refund orders within 15 days of the Bid/Issue Closing Date would be ensured; and

- **Interest in Case of Delay in Despatch of allotment letters / refund orders**

  We shall pay interest at 15% per annum (for any delay beyond the 15-day time period as mentioned above), if allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 15-day time prescribed above.

We will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay orders or demand drafts drawn on a bank appointed by us as a refund banker and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the record of the Bidder.

Interest on Refund of excess Bid Amount

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received if refund orders are not dispatched within 15 days from the Bid/Issue Closing Date as per the Guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No.F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

STATUTORY AND OTHER INFORMATION

Consents

Consents in writing of: (a) the Directors, the Company Secretary, the Auditors, Legal Advisor, Bankers to the Company, Escrow Collection Banks and Bankers to the Issue; and (b) Book Running Lead Managers to the Issue, Syndicate Members and Registrars to the Issue, to act in their respective capacities, have been obtained and filed along with a copy of the Draft Red Herring Prospectus with the Registrar of Companies, Delhi and Haryana as required under Section 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration.

M/s DCG & Co., Chartered Accountants, our statutory auditors have given their written consent to the inclusion of their report in the form and context in which it appears in the Draft Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of the Draft Red Herring Prospectus for registration to the Registrar of Companies, Delhi and Haryana.

M/s DCG & Co., Chartered Accountants, have given their written consent to the tax benefits accruing to the Company and its members in the form and context in which it appears in the Draft Red Herring Prospectus and has not withdrawn the same up to the time of delivery of the Draft Red Herring Prospectus for registration to the Registrar of Companies, Delhi and Haryana.

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the Issue amount including devolvement of the Syndicate, if any, within 60 days from the Issue Closing Date or if subscription by the QIB is less than 50% of the net issue to the public, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the Company becomes liable to pay the amount, the Company shall pay interest @ 15% per annum.

If the number of allottees in the proposed Issue is less than 1,000, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 15 days after the Company becomes liable to pay the amount, the Company shall pay interest at the rate of 15% per annum for the delayed period.

Expert Opinion

Save as stated elsewhere in the Draft Red Herring Prospectus, the Company has not obtained any expert opinions.

Changes in Auditors during the last three years and reasons thereof

The Statutory Auditor in the Financial Year 2000 – 2001 was M/s. K. N. Goyal & Co. This Auditor was replaced by M/s. DCG & Co. for the Financial Years 2001-2002 and 2002-2003. The reason for the change is that the Auditor and Comptroller General decided to appoint M/s. DCG & Co in place of M/s. K. N. Goyal & Co.

Basis of Allotment or Allocation

(A) For Retail Bidders

- Bids received from the Retail Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Retail Bidders will be made at the Issue Price.
- The Issue size less allocation to Non-Institutional Bidders and QIBs shall be available for allocation to Retail Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 1,45,62,498 Equity Shares at or above the Issue Price, full allocation shall be made to the Retail Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 1,45,62,498 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of [.] Equity Shares. For the method of proportionate basis of allotment, refer below.
- Any under subscription in the reservation of Equity Shares for Permanent Employees of the Company would be added to this category.

(B) For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less allocation to Retail Bidders and QIBs shall be available for allocation to Non-institutional Bidders, who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 1,45,62,497 Equity Shares at or above the Issue Price, full allocation shall be made to Non-Institutional Bidders to the extent of their demand.

- In case the aggregate demand in this category is greater than 1,45,62,497 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of [.] Equity Shares. For the method of proportionate basis of allotment refer below.
- Allotment to a single Bidder would not exceed 25% of the post Issue paid-up capital of the Company (i.e. 3,75,00,000 Equity Shares)

(C) For QIBs

- Since the issue is being made under clause 2.2.2 of SEBI (DIP), 2000, mandatorily 50% of the net offer to the public, i.e., 2,91,24,995 Equity Shares, shall be allotted to QIBs
- Bids received from QIBs at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all successful QIBs will be made at the Issue Price.
- The Issue size less allocation to Retail Bidders and Non-institutional Bidders shall be available for allocation to QIBs who have bid in the Issue at a price, which is equal to or greater than the Issue Price. However, the allocation to QIBs in any case shall not be less than 50% of the net offer to the public.
- The allocation would be broadly decided based on the quality of the Bidder determined by the size, price and date of the Bid.
- Allotment to a single Bidder would not exceed 25% of the post Issue paid-up capital of the Company (i.e. 3,75,00,000 Equity Shares)

The Company shall in consultation with the BRLMs would have the discretion for any allocation to QIBs.

Method of Proportionate Basis of Allocation

In the event the Issue is over-subscribed, the basis of allotment to Retail and Non-Institutional Bidders shall be finalised by the Company in consultation with the Stock Exchange, Mumbai. The Executive Director of the BSE along with the BRLMs and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalised in a fair and proper manner.

The allocation/ transfer shall be made in allocation lot of 100 Equity Shares, on a proportionate basis as explained below:

(a) Bidders will be categorised according to the number of Equity Shares applied for.

(b) The total number of Equity Shares to be allocated to each category as a whole shall be arrived at on a proportionate basis which is the total number of Equity Shares applied for in that category (number of bidders in the category multiplied by the number of shares applied for) multiplied by the inverse of the over-subscription ratio.

(c) Number of Equity Shares to be allocated to the successful Bidders will be arrived at on a proportionate basis which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

(d) In all Bids where the proportionate allocation is less than 100 Equity Shares per Bidder, the allocation shall be made as follows:
   - Each successful Bidder shall be allocated a minimum of 100 Equity Shares; and
   - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allocated in that category is equal to the number of Equity Shares calculated in accordance with (b) above.

(e) If the proportionate allocation to a Bidder works out to a number that is more than 100 but is not a multiple of 100 (which is the allocation lot), the number in excess of the multiple of 100 would be rounded off to the higher multiple of 100 if that number is 50 or higher. If that number is lower than 50, it would be rounded off to the lower multiple of 100. All Bidders in such categories would be allocated Equity Shares arrived at after such rounding off.

(f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allocated/transferred to the Bidders in that category, the remaining Equity Shares available for allocation/transfer shall be first adjusted against any other category, where the allocated shares are not sufficient for proportionate allocation to the successful bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising the Bidders applying for minimum number of Equity Shares.

Expenses of the Issue

The expenses of the Issue payable by the Company inclusive of brokerage, fees payable to the BRLMs, Syndicate Members, other advisors to the Issue, fees of Legal Advisors, stamp duty, printing, publication, advertising and distribution expenses, bank charges, fees payable to the Registrars to the Issue, listing fees and other miscellaneous expenses is estimated to be approximately [.] % of the Issue size.

[to be updated before ROC filing]

Fees Payable to the Book Running Lead Managers

The total fees payable to the BRLMs will be as per the Terms of Appointment Letter issued by the company.A copy of the Terms of Appointment letter and the Memorandum of Understanding signed amongst the Company and the BRLMs, is available for inspection at the Registered Office of the Company.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue will be as per the Memorandum of Understanding signed with the Company, a copy of which is available for inspection at the Registered Office of the Company.

The Registrar will be reimbursed for all relevant out-of-pocket expenses including such as cost of stationery, postage, stamp duty, communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allocation advice by registered post/ Speed Post. Refund Orders up to Rs. 1500/- would be sent under certificate of posting.

Underwriting Commission, Brokerage and Selling Commission

The underwriting commission and selling commission for the Issue is as set out in the Syndicate Agreement amongst us, the Company, the BRLMs and Syndicate Members.

The underwriting commission shall be paid as set out in the Syndicate Agreement based on the Issue Price and amount underwritten in the manner mentioned elsewhere in the Red Herring Prospectus.

Commission and Brokerage on Previous Issues

Except as stated elsewhere in the Red Herring Prospectus, no sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares of the Company since its inception.

Outstanding Debenture or Bond Issues

As of date, the Company does not have any outstanding Debenture or Bond Issue.

Outstanding Preference Shares

As of date, the Company does not have any outstanding preference shares.

Capitalisation of Reserves or Profits

The Company has not capitalised its reserves or profits at any time since its inception.

Issues otherwise than for Cash

The company has not issued any shares for consideration other than for cash.

Option to Subscribe

Equity shares being issued through this Red Herring Prospectus can be applied for in dematerialised form only.

Purchase of Property

No property which the Company has purchased or acquired or propose to purchase or acquire which is to be paid for wholly or partly out of the proceeds of the present Issue or the purchase or acquisition of which has not been completed on the date of this Red Herring Prospectus, other than property in respect of which:

- the contracts for the purchase or acquisition were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of the Issue nor is the Issue contemplated in consequence of the contracts; or
- the amount of the purchase money is not material.

Except as elsewhere stated in this Draft Red Herring Prospectus, we have not purchased any property in which any of its promoters and/or Directors, have any direct or indirect interest in any payment made thereof.

Remuneration of Managing Director/Whole-Time Director

Mr. Tantra Narayan Thakur, Chairman and Managing Director

Mr. Tantra Narayan Thakur was appointed as the Chairman and Managing Director of the Company with effect from October 11, 2000 for a period of 5 years in accordance with the resolution passed in the meeting of the Board of Directors held on June 16, 2000 and confirmed at the Extraordinary General Meeting of the Company held on June 23, 2000 at New Delhi.

In accordance with a resolution passed at the extraordinary general meeting of shareholders held on June 23, 2000, Mr. Tantra Narayan Thakur, CEO and Managing Director, is entitled to draw remuneration (including perquisites) in accordance with the standard deputation terms as applicable to government employees and within the overall ceiling specified in the Companies Act, 1956.

Salary: 44,697/- per month in the scale of Rs. 27750-750-31500 with an annual increment of Rs. 750/-.

Perquisites:

Housing: Rent free accommodation along with benefits of electricity (Rs. 3,000 per month), telephone, internet and fax as also upkeep and maintenance of Company's accommodation or if Mr. Tantra Narayan Thakur offers a house in his own name/spouse, the same may be taken on lease by the Company.

Medical Reimbursement: Reimbursement of medical expenses for self and family including dependent parents in accordance with the PTC Medical Attendance Rules framed by the Company.

Leave Travel Allowance: Leave Travel allowance will be paid by the Company as per the Leave Travel Concession Rules of the Company.

Club Fees: Reimbursement of club fees, subject to a maximum of two clubs.

Group Personal Accident Insurance Scheme: Pursuant to this scheme, Mr. Tantra Narayan Thakur is entitled to 50 months of basic pay plus Dearness Allowance with regard to the pay as on 1st April of the Financial year during which death/disablement takes place

Furniture at residence: Upto Rs. 75,000/- (Rupees seventy five thousand only).

Other Benefits:

Contribution to pension fund will be made in accordance with the Government Rules.

Car: Car with the services of a driver to be maintained by the Company for official use. The permissible limit for personal use would be 1000 kms per month for specified cities and upto 750 kms for non-specified cities.

Leave/Leave Salary: As per the Government Rules.

Performance Incentive:

The performance incentive is decided by the Board of Directors of the Company. The maximum amount distributable amongst the employees including the whole time Directors is worked out as percentage of the Profit after tax (PAT) [2002-2003 5% of the PAT].

Mr. Tantra Narayan Thakur will further be entitled to any and all other allowances, perquisites and benefits under the appropriate schemes and rules applicable generally to the officers of the company provided however that the total remuneration shall be within the limits approved under the Companies Act, 1956.

Mr. Tantra Narayan Thakur shall not be paid any sitting fees for attending the meetings of the Board of Directors of any committee

Mr. S.K. Dube, Whole-time Director

Mr. S.K. Dube was appointed as the Whole–time Director of the Company with effect from December 2, 2002 for a period of 3 years on the recommendations of a Committee constituted by the Board of Directors in its meeting held on July 8, 2002 at New Delhi and pursuant to the resolution passed at the Extraordinary General Meeting of shareholders held on November 29, 2002 Mr. S.K. Dube, Whole-time Director, is entitled to draw his remuneration (including perquisites) in accordance with the standard deputation terms and shall be subject to the applicable provisions relating to remuneration as specified under the Companies Act, 1956.

Salary:

Rs. 49,847 /- per month in the scale of Rs. 25750-650-30950 with an annual increment of Rs. 650/-.

Perquisites:

Housing: Rent free accommodation along with benefits of electricity (Rs. 2,500 per month), telephone, internet and fax as also upkeep and maintenance of Company's accommodation or if Mr. S.K. Dube offers a house in his own name/spouse, the same may be taken on lease by the Company.

Medical Reimbursement: Reimbursement of medical expenses for self and family including dependent parents shall be in accordance with the PTC Medical Attendance Rules framed by the Company.

Leave Travel Allowance: Leave Travel allowance will be paid by the Company as per the Leave Travel Concession Rules of the Company

Club Fees: Reimbursement of club fees, subject to a maximum of two clubs.

Group Personal Accident Insurance Scheme: Pursuant to this scheme, Mr. S.K. Dube entitled to 50 months of basic pay plus Dearness Allowance with regard to the pay as on 1st April of the Financial year during which death/disablement takes place.
Furniture at residence: Upto Rs. 60,000/- (sixty thousand).

Other Benefits:

Contribution to provident fund, pension, will be made in accordance with the rules of the Company.

Gratuity: At a rate not exceeding one half months salary for each completed year of service.

Car: Car with the services of a driver to be maintained by the Company for official use. The permissible limit for personal use would be 1000 kms per month for specified cities and upto 750 kms for non-specified cities.

Leave/Leave Salary: As per the rules of the parent organization (i.e. POWERGRID).

The performance incentive is decided by the Board of Directors of the Company. The maximum amount distributable amongst the employees including the whole time Directors is worked out as percentage of the Profit after tax (PAT) [2002-2003 5% of the PAT].

Mr. S.K. Dube will further be entitled to any and all other allowances, perquisites and benefits under the appropriate schemes and rules applicable generally to the officers of the company provided however that the total remuneration shall be within the limits approved under the Companies Act, 1956.

Mr. S.K. Dube shall not be paid any sitting fees for attending the meetings of the Board of Directors of any committee

Mr. Mahendra Kumar, Whole-time Director

Mr. Mahendra Kumar was appointed as the Whole-time Director of the Company with effect from December 2, 2002 for a period of 3 years on the recommendations of a Committee constituted by the Board of Directors in its meeting held on held on July 8, 2002 at New Delhi and in accordance with a resolution passed at the Extraordinary General Meeting of shareholders held on November 29, 2002 Mr. Mahendra Kumar, Whole-time Director is entitled to draw his remuneration (including perquisites) in accordance with the standard deputation terms and shall be subject to the applicable provisions relating to remuneration as specified under the Companies Act, 1956.

Salary:

Rs. 49,847/- per month in the scale of Rs. 25750-650-30950 with an annual increment of Rs. 650/-.

Perquisites:

Housing: Rent free accommodation along with benefits of electricity (Rs. 2,500 per month), telephone, internet and fax as also upkeep and maintenance of the Company's accommodation or if Mr. Mahendra Kumar offers a house in his own name/spouse, the same may be taken on lease by the Company.

Medical Reimbursement: Reimbursement of medical expenses for self and family including dependent parents shall be in accordance with the PTC Medical Attendance Rules framed by the Company.

Leave Travel Allowance: Leave Travel allowance will be paid by the Company as per the Leave Travel Concession Rules of the Company

Club Fees: Reimbursement of club fees, subject to a maximum of two clubs.

Group Personal Accident Insurance Scheme: Pursuant to this scheme, Mr. Mahendra Kumar is entitled to 50 months of basic pay plus Dearness Allowance with regard to the pay as on 1st April of the Financial year during which death/disablement takes place

Furniture at residence: Upto Rs. 60,000/- (sixty thousand).

Other Benefits:

Contribution to provident fund, pension, will be made in accordance with the rules of the Company.

Gratuity: At a rate not exceeding one half months salary for each completed year of service.

Car: Car with the services of a driver to be maintained by the Company for official use. The permissible limit for personal use would 1000 kms per month for specified cities and upto 750 kms for non-specified cities.

Leave/Leave Salary: As per the rules of the parent organization (i.e. POWERGRID).

Performance Incentive:
The performance incentive is decided by the Board of Directors of the Company. The maximum amount distributable amongst the employees including the whole time Directors is worked out as percentage of the Profit after tax (PAT) [2002-2003 5% of the PAT].

Mr. Mahendra Kumar will further be entitled to any and all other allowances, perquisites and benefits under the appropriate schemes and rules applicable generally to the officers of the company provided however that the total remuneration shall be within the limits approved under the Companies Act, 1956.

Mr. Mahendra Kumar shall not be paid any sitting fees for attending the meetings of the Board of Directors of any committee

Mr. Ranjit Rae, Part-time Director

Mr. Ranjit Rae was appointed as the Part-time Director of the Company with effect from September 24, 2003 by a circular resolution dated September 24,2003 of the Board of Directors upto the date of the next Annual General Meeting and shall be eligible for reappointment.

Mr. Ranjit Rae is entitled to sitting fees of an amount of Rs. 5000/- per meeting by the Company.

Mr. R.D. Gupta, Part-time Director

Mr. R.D. Gupta was appointed as the Part-time Director of the Company with effect from May 21,2003 at the Annual general Meeting held on May 21,2003 at New Delhi and is liable to retire by rotation.

Mr. R.D. Gupta is entitled to sitting fees of an amount of Rs. 5000/- per meeting by the Company.

Mr. R. Kishnamoorthy, Part-time Director

Mr. R. Kishnamoorthy was appointed as the Part-time Director of the Company with effect from August 18, 2003 by a circular resolution dated 18th August, 2003 upto the date of the next Annual General Meeting and shall be eligible for re-appointment.

Mr. R. Kishnamoorthy is entitled sitting fees of an amount of Rs. 5000/- per meeting by the Company.

Mr. J. Haque, Part-time Director

Mr. J. Haque was appointed as the Part-time Director of the Company with effect from November 14, 2002 at the meeting of the Board of Directors (BOD) and confirmed by the shareholders at the 4th Annual General Meeting held on May 21, 2003 and is liable to retire by rotation.

Mr. J. Haque is entitled to sitting fees of an amount of Rs. 5000/- per meeting by the Company.

Mr. S.S. Jamwal, Part-time Director

Mr. S.S. Jamwal was appointed as the Part-time Director of the Company with effect from February 24,2003 at the meeting of the Board of Directors and confirmed by the shareholders at the 4th Annual General Meeting held on May 21, 2003 and is liable to retire by rotation.

Mr. S.S. Jamwal is entitled to sitting fees of an amount of Rs. 5000/- per meeting by the Company.

Mr. F.A.Vandrewala, Part-time Director

Mr. F.A.Vandrewala was appointed as the Part-time Director of the Company with effect from February 24,2003 at the meeting of the Board of Directors (BOD) and confirmed by the shareholders at the 4th Annual General Meeting held on 21st May 2003 and is liable to retire by rotation.

Mr. F.A. Vandrewala is entitled to sitting fees of an amount of Rs. 5000/- per meeting by the Company.

Mr. K.G. Husnain, Part-time Director

Mr. K.G. Husnain was appointed as the Part-time Director of the Company with effect from August 18,2003 by a Circular Resolution dated August 18, 2003 passed by the Board of Directors upto the date of the next Annual General Meeting and shall be eligible for reappointment.

Mr. K.G. Husnain is entitled to sitting fees of an amount of Rs. 5000/- per meeting by the Company.

Mr. V.K. Saxena, Part-time Director

Mr. V.K. Saxena from IDBI, was appointed as the Part-time Director of the Company with effect from May 5, 2003 as a nominee of the financial institution IDBI, IDFC, LIC, IFCI and GII.

Mr. V.K. Saxena is entitled sitting fees of an amount of Rs. 5000/- per meeting by the Company.

Mr. Gireesh B. Pradhan, Part-time Director

Mr. Gireesh Pradhan was appointed as the Part-time Director of the Company with effect from December 29, 2003 at the meeting of the Board of Directors held on December 29, 2003 at New Delhi, upto the date of the next Annual General Meeting and shall be eligible for reappointment.

Mr. Gireesh B. Pradhan is entitled to sitting fees of an amount of Rs. 5000/- per meeting by the Company.

Interest of Promoters and Directors

Except as stated in “Related Party Transactions” on page [■] of the Draft Red Herring Prospectus, the Promoters, Powergrid, NTPC, NHPC and PFC, do not have any interest in the Company's business except to the extent of investments made by them in the Company and earning returns thereon.

All the Company's Directors may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or committee thereof as well as to the extent of other remuneration and/or reimbursement of expenses payable to them under the Articles. The Chairman and Managing Director, and Whole Time Directors are interested to the extent of remuneration paid to them for services rendered as officers or employees of the Company. All the Directors may also be deemed to be interested to the extent of Equity Shares, if any, already held by them or their friends and relatives in the company, or that may be purchased for and allotted to them out of the present issue in terms of the Draft Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

The Directors may also be regarded as interested in the Equity Shares, if any, held by or that may be subscribed by and allotted to the companies, firms and trust, in which they are interested as Directors, Members, partners and/or trustees.

All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by us with any company/entity in which they hold Directorships or any partnership firm in which they are partners.

Except as stated otherwise in this Draft Red Herring Prospectus, the Company has not entered into any contract, agreements or arrangement during the preceding two years from the date of the Draft Red Herring Prospectus in which the directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements are proposed to be made to them.

Borrowing powers of Directors

Article 65 provides that subject to the provisions of Section 292 and 293 and other applicable provisions of the Act, the Board of Directors may, from time at its discretion, by a resolution passed at a meeting of the Board of Directors, accept deposits from Members, either in advance of calls or otherwise, and generally raise or borrow or secure the payment of any sums of money for the purpose of the Company. Provided however, where the moneys already borrowed. (apart from temporary) loans obtained from the Company's bankers in the ordinary due course of business) exceed the aggregate of the paid-up capital of the Company and its free reserves (not being reserves set apart for any specific purpose), the Board shall not borrow such moneys without the consent of the Company in General Meeting.

Article 67 provides that any debentures or other securities may be issued or otherwise or may be issued on condition that they shall be convertible into shares of any denomination, and with any privileges and conditions to redemption, surrender, drawing, allotment of shares and attending (but not voting) at General Meetings. Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in General Meetings accorded by special resolution.

The Board of Directors of the Company has passed a resolution in its meeting held on September 16, 2003 that the approval which was accorded to issue and float in the market from time to time commercial paper (CP) with a rate of discount as considered suitable by the Chairman and Managing Director, with the condition that the total short term borrowing from the market at no stage shall exceed 50 crores.

The Board of Directors of the Company has passed a resolution in its meeting held on September 16, 2003 that the powers to avail of a funded/non-funded credit facilities to the extent of Rs. 50 crores from scheduled banks etc granted to the Chairman and Managing Director in its earlier meeting held on December 3, 2001 was enhanced to 150 crores.

Revaluation of Assets

The Company has not revalued any of the Company's assets since its inception.

Classes of Shares

The Company's authorised capital is Rs. 750 crore, which is divided into 75 crore Equity Shares of Rs. 10 each.

Payment or Benefit to Promoters or Officers of the Company

Except as stated otherwise in this Draft Red Herring Prospectus, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our promoters or officers except the normal remuneration for services rendered as directors, officers or employees.

MAIN PROVISIONS OF OUR ARTICLES OF ASSOCIATION

Increase of capital by the Company and how carried into effect
Article 3 provides that the Authorised share capital of the Company shall be Rupees seven hundred and fifty crores. However, the Company in General Meeting may from time to time, by resolution increase its Authorized capital by creation of new shares, such increase may be of such aggregate amount divided into shares of such respective amounts subject to the provisions of the Act. For increase in the Authorised Capital, the Company shall comply with the provisions of Section 97 of the Act.

Reduction of capital
Article 5 provides that the Company may (subject to the provisions of Section 78, 80 and 100 to 105 of the Act) from time to time, by special resolution, reduce its capital in any manner for the time being authorized by law and, in particular, capital may be paid off either with or without extinguishing liability on shares, pay of any paid up share capital which is in excess of the want of the company.

Sub-division, consolidation of shares
Article 6 provides that subject to the provisions of Section 94 of the Act, the Company in a General Meeting may, from time to time increase its share capital, consolidate and divide all or any of its share capital into share of larger amount and convert off its fully paid up shares.

Issue of capital
Article 10, inter alia, provides that not less than thirty two percent (32%) of the issued equity share capital shall be subscribed and paid up by parties i.e. eight percent (8%) of the issued equity share capital shall be subscribed and paid up each by POWERGRID, NTPC, PFC and NHPC and the remaining sixty eight percent (68%) of the issued equity share capital shall be open for subscription by state governments, state electricity boards, power utilities, generating / transmission/ distribution companies, financial institutions, unit trust of India , Life Insurance Corporation of India, insurance companies, banking institutions, corporations, investment companies, independent power producers (IPPS), private utilities an others including public at large.

Minimum Subscription
Article 12 provides that

- The initial paid up Share Capital of the Company shall be Rs. 3,00,00,000/- (Rupees three crores) divided into 30,00,000 (thirty lakhs) equity shares of the face value of Rs. 10 each, which shall be subscribed within twenty (20) days of the date of incorporation of the Company by the Promoters i.e. POWERGRID shall pay Rs. 150 lacs, NTPC shall pay Rs. 75 lacs and PFC shall pay Rs. 75 lacs.

- The Company shall ensure that the share application money paid by the Promoters is held by it in an account with a Scheduled Commercial Bank (in the name of the Company) and the Company shall not utilise the same unless and until the initial share capital of Rs. 3 crores is paid; called the minimum subscription.

Further Issue of Capital
Article 13 states that if at any time the company wishes to raise its subscribed share capital it shall first offer such shares in accordance with the provisions of section 81 of the act. However the same shall be subject to the limitations set forth in clause 10 above, the parties shall subscribe to the shares offered by the company in agreed proportion upto the authorised capital of Rs. 750 crore. If any party fails to subscribe to these shares offered to it for subscription then after issue of advance notice to such party and expiry of the notice period such offered shares, which are unpaid shall be allotted to the other party(s) ready and willing to subscribe in proportion to their respective shareholdings of the company. It will be optional for the partie(s) to subscribe to additional shares offered by the company beyond the agreed proportion. Further the article states that the shareholding of a shareholder/ group of shareholders except central power sector organisations taken together shall not exceed 25% (twenty five percent) of the paid up capital of the company at any point of time and in such a likely situation offer of shares shall, subject to compliance of section 81 of the act, be made to other shareholders/ group of shareholders / others. Further the company shall subject to applicable provisions of the act and articles of association, make uniform calls from time to time upon all the shareholders in respect of the moneys remaining unpaid on the issued share capital within 30 days or such time, as the board may deem fit and appropriate.

Share allotment by directors
Article 14 inter alia provides that subject to the provisions of the Act, the Directors may allot the shares to such persons in such proportion, on such uniform terms and conditions and at such times, as the Directors may think fit. Further Article provides that subject to the sanction of the Company in General Meeting and the provisions of Sections 78 and 79 of the Act the Directors may allot the shares at a premium or at par or at a discount and such option being exercisable for such time and for such consideration as the Directors think fit. The Board shall cause to be filed the returns as to allotment provided for in Section 75 of the Act.

Power also to the Company in general meeting to issue shares
Article 15 inter alia provides that, the Company in General Meeting may subject to the provisions of Section 81 of the Act shall provide that any shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered

to such persons (whether a Member or not), in such proportion and on such terms and conditions of the Act) at a premium or at par or at a discount, as such General Meeting shall determine and with full power to give any person (whether a Member or not) the option to call for or be allotted shares of any class of the Company either subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at par or at discount, such option being exercisable at such times and for such consideration as may be directed by such General Meeting or the Company in General Meeting may make any other provisions whatsoever for the issue, allotment or disposal of any shares.

Liability of members

Article 18 provides that every Member, or his heirs, executors or administrators, shall pay to the Company the portion of the capital represented by his share or shares which may, for the time being, remain unpaid thereon, in such amounts, at such time or times and in such manner as the Board shall, from time to time, in accordance with the Company's regulations, require or fix for the payment thereof.

Share Certificates

Article 19 inter alia provides that every Member or allottee of shares shall be entitled, without payment, to receive one certificate specifying the name of the person in whose favour it is issued, the shares to which it relates and the amount paid-up thereof. Such certificates shall be issued only in pursuance of a resolution passed by the Board and on surrender to the Company of the letter of allotment or the fractional coupons of requisite value, save in case of issues against letters of acceptance or of renunciation or in cases of issue of bonus shares. Every such certificate shall be issued under the seal of the Company, which shall be affixed in the presence of two Directors and the Secretary or some other person appointed by the Board for the purpose, and the two Directors and the Secretary or other persons shall sign the share certificate provided if the composition of the Board permits of it, at least one of the aforesaid two directors shall be a person other than a Managing or a Whole Time Director. Particulars of every share certificate issued shall be entered in the Register of Members against the name of the person, to whom it has been issued, indicating the date of issue. For any further duplicate certificate the Board shall be entitled, but shall not be bound, to prescribe a charge not exceeding Rupee One. The Company shall comply with the provisions of Section 113 of the Act. Further a Director may sign a share certificate by affixing his signature thereon by means of any machine, equipment or other mechanical means such as engraving in metal or lithography, but not by means of a rubber stamp provided that the Director shall be responsible for the safe custody of such machine equipment or other material used for the purpose.

Renewal of share certificate

Article 20, inter alia, provides that no certificate of any share or shares shall be issued either in exchange for those which are subdivided or consolidated or in replacement of those which are defaced, torn, destroyed, or where the cages on the reverse, for recording transfers have been fully utilised, unless the certificate in lieu of which it is issued is surrendered to the Company. If a share certificate is lost or destroyed a new certificate in lieu thereof shall be issued only with the prior consent of the Board and on such terms, if any, as to evidence and indemnity and as to the payment of out-of-pocket expenses incurred by the Company in investing evidence, as the Board thinks fit. When a new share certificate has been issued in lieu of a lost or a destroyed share certificate, it shall state on the face of it and against the stub or counterfoil to the effect that it is "duplicate issued in lieu of share certificate No. ———————". The word "Duplicate" shall be stamped or punched in bold letters across the face of the share certificate. Where a new share certificate has been issued, particulars of every such share certificate shall be entered in a Register of Renewed and Duplicate Certificates indicating against the names of the persons to whom the certificate is issued, the number and date of issue of the share certificate in lieu of which the new certificate is issued and the necessary changes indicated in the Register of Members by suitable cross reference in the "Remarks" column. Further all blank forms to be used for issue of share certificates shall be printed and the printing shall be done only on the authority of a resolution of the Board. The blank forms shall be consecutively machine-numbered and the forms and the blocks, engravings, facsimiles relating to the printing of such forms shall be kept in the custody of the Secretary or of such other person as the Board may appoint for the purpose and the Secretary or the other person aforesaid shall be responsible for rendering an account of these forms to the Board. The managing Director of the Company for the time being or, if the Company has no Managing Director, every Director of the Company shall be responsible for the maintenance, preservation and safe custody of all books and documents relating to the issue of share certificates except the blank forms of share certificates referred to in sub-Article.

Joint holders

Article 21 interalia provides that (a) Where two or more persons are registered as the holders of any share, they shall be deemed to hold the same as joint holders with benefits of survivorship subject to the following and other provisions contained in these Articles; (b) The Company shall be entitled to decline to register more than four persons, as the holders of any share; (c) The Joint holders of any share shall be liable, severally as well as jointly, for and in respect of all calls and other payments which ought to be made in respect of such shares. Where two or more persons are registered as the holders of any share, they shall be deemed to hold the same as joint holders with benefits of survivorship subject to the following and other provisions contained in these Articles; (d) On the death of any such joint holder, the survivor or survivors shall be the only person or persons recognised by the Company as having any title to the share, but the Directors may require such evidence of death as they may deem fit and nothing herein contained shall be taken to release the estate of the deceased joint holder from any liability on shares held by him jointly with any other person; (e) Any of such joint holders may give effectual receipts for any dividends or other moneys payable in respect of such shares; (f) Only the person whose name stands in the Register of Members as the first of the joint holders of any shares shall be entitled to delivery of the certificate relating to such share or to receive notices from the Company, and any notice given to such person shall be deemed proper notice to all joint holders; (g) Any one of two or more joint holders may vote at any meeting either personally or by proxy in respect of such share as if he were solely entitled thereto, and if more than one of such joint holders be present at any meeting personally or by proxy, the holder whose name stands first or higher (as the case may be) on the Register of Members in respect of such share shall alone be entitled to vote in respect thereof provided always that a member present at any meeting personally shall be entitled to vote in preference to a person present by proxy although the name of such person present by proxy stands first on the Register of Members in respect of such shares.

Company not bound to recognise holding of shares on trust or any interest in shares other than that of registered holder

Article 22 inter alia provides that except as ordered by a Court of competent jurisdiction and as law required, the Company shall not be bound to recognise trust or any interest in shares holding any share upon any trust and to recognise any other than that of registered equitable, contingent, future or partial interest in any share, holder or (except only as is by these Articles otherwise expressly provided) any right in respect of a share other than an absolute right thereto, in accordance with these Articles, in the person from time to time registered as the holder thereof, but the Board shall be at liberty at their sole discretion to register any share in the joint names of any two or more persons or the survivor or survivors of them.

Funds of the Company may not be applied in purchase of shares of the Company
Article 23 provides that the Company shall not give, either directly or indirectly, and either by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with the purchase or subscription made or to be made by any person for purchase of any shares in the Company except in conformity with the provisions of Section 77 of the Act.

Commission may be paid
Article 25 provides that subject to the provisions of Section 76 of the Act, the Company may at any time pay a commission to any person in consideration of his subscribing or agreeing to subscribe for any shares in or debentures of the Company, or procuring, or agreeing to procure subscriptions for any shares in or debentures of the Company, but so that the commission shall not exceed in case of shares, and in case of debentures, two and half percent of the price at which the debentures are issued. Such commission may be satisfied by payment in cash or by allotment of fully or partly paid shares or partly in one way and partly in the other.

Brokerage
Article 26 provides that the Company may also on any issue of shares or debentures, pay such brokerage as may be lawful.

Interest may be paid out of capital

Article 27 provides that where any shares are issued for the purpose of raising money to defray the expenses of the construction of any work or building or the provision of any plant, which cannot be made profitable for a lengthy period, the Company may pay interest on so much of that share capital as is for the time being paid up, for the period, at the rate and subject to the conditions and restrictions provided by Section 208 of the Act and may charge the same to capital as part of the cost of construction of the work or building, or the provision of plant.

Directors may make calls

Article 28 provides that the Board may, from time to time, subject to the terms on which any shares may have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of the Board (and not by resolution by circulation) make such call as it thinks fit upon the Members in respect of all moneys unpaid on the shares held by them respectively and each member shall pay the amount of every call so made on him to the person or persons and at the times and places appointed by the board. A call may be made payable by installments.

Notice of calls

Article 29 provides that not less than thirty days' notice in writing of any call shall be given by the Company specifying the time and place of payment, and the person or persons to whom such call shall be paid.

When call made

Article 30 provides that a call shall be deemed to have been made after the resolution authorising such call was passed at a meeting of the Board and demand notice is issued.

Directors may extend time

Article 32 provides that the Board may, from time to time at its discretion, extend the time fixed for the payment of any call, and may extend such time as to all or any of the Members for reasons which the Board may consider satisfactory, but no Member shall be entitled to such extension save as a matter of grace.

Calls to carry interest

Article 33 provides that if any Member fails to any call due from him on the day appointed for payment thereof, or any such extension thereof as aforesaid, he shall be liable to pay interest on the same from the day appointed for the payment thereof to the time of actual payment at rate of 18 per cent annum, but the Board may in its absolute discretion and in special circumstances waive or reduce the levy of interest as deemed appropriate.

Sums deemed to be call

Article 34 provides that any sum, which by the terms of issue of a share becomes payable on allotment or at any fixed date, shall for the purposes of these Articles be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable, and in case of non-payment all the relevant provisions of these Articles as to payment of interest and forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

Partial payment not to preclude forfeiture

Article 35 provides that neither the receipt by the Company of a portion of any money which shall from time to time be due from any Member to the Company in respect of his shares, either by way of principal or interest nor any indulgence granted by the Company in respect of the payment of any such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as hereinafter provided.

Payment in anticipation of calls may carry interest

Article 36 provides that the Board may, (a) if it thinks fit, agree to and in anticipation receive from any Member willing to advance the same, all of calls money or any part of the amounts of his respective shares beyond the sums actually called up, and upon the moneys so paid in advance, or upon so much thereof, from time to time, and at any time thereafter as exceeds the amount of the calls then made upon and due in respect of the shares on account of which such advances are made, the Board may pay or allow interest, at such rate as the Member paying the sum in advance and the Board agree upon. The Board may agree to repay at any time any amount so advanced or may at any time repay the same upon giving to the Member three months' notice in writing provided that moneys paid in advances of calls on any shares may carry interest but shall not confer a right to dividend or to participate in profits.(b) No Member paying any such sum in advance shall be entitled to voting rights in respect of the moneys so paid by him until the same would but for such payment become presently payable.

Company's lien on shares

Article 37 interalia provides that the Company shall have a first and paramount lien upon all shares (other than fully paid up shares) registered in the name of each member (whether solely or jointly with others) and upon the sale proceeds thereof, for all moneys (whether presently payable or not) called or payable at a fixed time in respect of all such shares (not being fully paid up) for all moneys presently payable by him or his estate to the Company. Any such lien shall extend to all dividends from time to time declared in respect of such shares.

Cancellation of share certificate in respect of forfeited shares

Article 49 provides that upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate or forfeited shares certificates originally issued in respect of the relative shares shall (unless the same shall on demand by the Company have been (previously) surrendered to it by the defaulting member) stand cancelled and become null and void and of no effect and the Directors shall be entitled to issue a duplicate certificate or certificates in respect of the said shares to the person or persons entitled thereto.

Register of transfers

Article 52 provides that the Company shall maintain a Register of Transfers and therein shall be fairly and distinctly entered the particulars of every transfer or transmission of any share.

Instrument of Transfer to be completed and presented to the Company

Article 55 provides that the Instrument of Transfer duly stamped and executed by the Transferor and the transferee shall be delivered to the Company in accordance with the provisions of the Act. The instrument of transfer shall be accompanied by the Share Certificate or such evidences the Board may require to prove the title of transferor and his right to transfer the shares and every registered Instrument of Transfer shall remain in the custody of the Company until destroyed by order of the Board. Any instrument of transfer which the Directors may decline to register shall be returned to the person depositing the same.

Closure of Register of Members of Debenture Holders

Article 58 provides that the directors shall have power on giving seven days' notice by advertisement as required by Section 154 of the Act, to close the transfer books, Register of Members or Register of Debenture holders of the Company for such period of time not exceeding in the whole 45 days in each year (but not exceeding 30 days at a time) as they may determine.

Title to share of deceased holder
Article 60 provides that in the event there is no nomination, the executors or administrators of a deceased Member or the holder of a Succession Certificate in respect of the shares of a deceased Member (not being one of two or more joint holders) shall be the only persons whom the Company will be bound to recognise as having any title to the shares registered in the name of such Member, and the Company shall not be bound to recognise such executors or administrators or holders unless such executors, administrators or holders shall have first obtained probate or Letters of Administration or Succession Certificate as the case may be, from a duly constituted Court of India provided that the Directors may, at their absolute discretion dispense with production of Probate, Letters of Administration or Succession Certificate upon such terms as to indemnity or otherwise as they think fit and may enter the name of the person who claims to be absolutely entitled to the shares standing in the name of a deceased Member, as a Member.

Transmission Clause
Article 61 provides that any person becoming entitled to any share in consequence of the death, lunacy or insolvency of any Member or by any lawful means other than by a transfer in accordance with these Articles, may, with the consent of the Directors (which they shall be under no obligation to give) and upon producing such evidence that he sustains the character in respect of which he proposes to act under this. Article or of his title as the Directors may require, and upon such indemnity as the Directors may require, either be registered as a Member in respect of such shares or elect to have some person nominated by him and approved by the Directors registered as a Member in respect of such shares provided that if such persons shall elect to have his nominee registered, he shall testify his election by executing in favour of his nominee an instrument of transfer in accordance with these Articles, and until he does so he shall not be freed from any liability in respect of such shares.

Copies of memorandum and articles of association to be sent by the company
Article 64 provides that copies of the Memorandum and Articles of Association of the Company and other documents referred to in Section 39 of the Act shall be sent by the Company to every Member at his request within seven days of the request on payment of such sum of Rupee One for each copy.

Dematerialization of securities
Article 64A, inter alia, provides that the Company shall be entitled to dematerialize its securities and to offer securities in a dematerialized form pursuant to the provisions of Depositories Act, 1996. Every person subscribing to securities offered by the Company shall have the option to receive security certificates or to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of a Depository, if permitted by law, in respect of any security and the Company shall, in the manner and within the time prescribed provided by the Depository Act, 1996 issue to the beneficial owner the required Certificates of Securities. If a person opts to hold his security with a depository, then notwithstanding anything to the contrary contained in the Act or in these Articles, the Company shall intimate such Depository the details of allotment of the security and on receipt of the information, the Depository shall enter in its record the name of the allottee as the beneficial owner of the security.
All securities held by a depository shall be dematerialized and be in fungible form. A depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of securities on behalf of the beneficial owner. However, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it. Every person holding shares of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member/debenture holder of the Company. Such beneficial owner of the securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities, which are held by a depository.

Borrowing powers
Article 65 provides that subject to the provisions of Section 292 and 293 and other applicable provisions of the Act, the Board of Directors may, from time at its discretion, by a resolution passed at a meeting of the Board of Directors, accept deposits from Members, either in advance of calls or otherwise, and generally raise or borrow or secure the payment of any sums of money for the purpose of the Company. Provided however, where the moneys already borrowed (apart from temporary) loans obtained from the Company's bankers in the ordinary due course of business) exceed the aggregate of the paid-up capital of the Company and its free reserves (not being reserves set apart for any specific purpose), the Board shall not borrow such moneys without the consent of the Company in General Meeting.

Payments or repayment of moneys
Article 66 provides that the payment and borrowed repayment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects as the Board of Directors may think fit, by resolutions passed at a meeting of the Board and in particular, by the issue of bonds or debentures of the Company whether unsecured or secured by a mortgage of charge over all or any part of the property of the Company (both present and future) including its uncalled capital for the time being, and debentures and other securities.

Terms of issue of debentures
Article 67 provides that any debentures or other securities may be issued or otherwise or may be issued on condition that they shall be convertible into shares of any denomination, and with any privileges and conditions to redemption, surrender, drawing, allotment of shares and attending (but not voting) at General Meetings. Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in General Meetings accorded by special resolution.

Index of debenture holders
Article 69 provides that the Company shall, if at any time it issues debentures, keep a Register and Index of Debenture holders in accordance with Section 152 of the Act. The Company shall have the power to keep in any State or Country outside India a branch Register of Debenture holders-resident in that State or country.

Annual general meeting and Annual Return
Article 72 provides The Company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other meetings in that year. An Annual General Meeting of the Company shall be held within six months after the expiry of each financial year PROVIDED that not more than fifteen months shall elapse between the date of the one Annual General Meeting and that of the next. Nothing contained in the foregoing provisions shall be taken as affecting the right conferred upon the Registrar under the proviso of Section 166 (1) of the Act to extend the time within which any Annual General Meeting may be held. Every Annual General Meeting shall be called for a time during business hours, on a day that is not a public holiday, and shall be held at the Registered Office of the Company or at some other place within the City, Town or Village in which the Registered Office is situate as the Board may determine and the Notices calling the Meeting shall specify it as the Annual General Meeting. Every Member of the Company shall be entitled to attend either in person or by proxy and the Auditor of the Company shall have the right to attend and to be heard at any General Meeting on any part of the business which concerns him as Auditor. At every Annual General Meeting of the Company there shall be laid on the table the Directors' Report and Audited Statement of Accounts, Auditors' Report (if not already incorporated in the Audited Statement of Accounts). The Proxy Register shall remain open and accessible during the continuance of the meeting to any person having the right to attend the meeting. The Company shall file the Annual Return, Balance Sheet and Profit and Loss Account with the Registrar in accordance with Section 159, 161 and 220 of the Act.

Extraordinary general meeting
Article 73 provides that the Board may, whenever it thinks fit, call an Extraordinary General Meeting and it shall do so upon a requisition in writing by any Member or Members holding in the aggregate not less than one-tenth of such of the paid-up capital as at that date carries the right of voting in regard to the matter in respect of which the requisition has been made.

Requisition of members to state object of meeting
Article 74 provides that any valid requisition so made by a Member must state the object or objects of the Meeting proposed to be called, and must be signed by the requisitionists and be deposited at the office provided that such requisition may consist of several documents in like form each, signed by one or more requisitionists.

On receipt of requisition directors to call meeting and in default requisitionists may do so
Article 75 provides that upon the receipt of any such requisition, the Board shall forthwith call an Extraordinary General meeting and if they do not proceed within twenty-one days from the date of the requisition being deposited at the office to cause a Meeting to be called on a day not later than forty-five days from the date of deposit of the requisition, the requisitionists or such of their number as represent either a majority in value of the paid-up share capital held by all of them or not less than one-tenth of such of the paid up share capital of the Company as is referred to in Section 169(4) of the Act, whichever is less, may themselves call the meeting but in either case any meeting so called shall be held within three months from the date of the delivery of the requisition as aforesaid.

Meeting called by requisitionists
Article 76 provides that any meeting called under the foregoing Articles by the requisitionists shall be called in the same manner as far as possible, as that in which Meetings are to be called by the Board.

Twenty-one day’s notice of meeting to be given
Article 77 provides that every twenty-one days' notice at the least of every General Meeting, meeting to be given Annual or Extraordinary, and by whomsoever called, specifying the day, place and hour of meeting, and the general nature of the business to be transacted thereat, shall be given in the manner hereinafter provided, to all such persons as are under these Articles entitled to receive notice from the Company provided that in the case of an Annual General Meeting with the consent in writing of all the Members entitled to vote thereat and in case of any other meeting, with the consent of Members holding not less than 95 per cent of such part of the paid-up share capital of the Company as gives a right to vote at the meeting, a meeting may be convened by a shorter notice.

Business to be transacted at the General Meeting and nature thereof
Article 78 provides that In the case of an Annual General Meeting, if any business other than (i) the consideration of the Accounts, Balance Sheet and Reports of the Board of Directors and of the Auditors, (ii) the declaration of dividend, (iii) the appointment of Directors in place of those retiring, (iv) the appointment of, and fixing of the remuneration of, the Auditors, is to be transacted, and in the case of any other meeting, in any event, there shall be annexed to the notice of the Meeting an Explanatory statement setting out all material facts concerning each such item of business, including in particular the nature of the concern or interest, if any, therein of every Director, and the Manager (if any). Where any such item of Special Business relates to, or affects any other company, the extent of shareholding interest in such other company of every Director and the Manager, if any, of the Company

shall also be set out in the statement if the extent of such shareholding interest is not less than 20 per cent of the paid-up share capital of that other company and where any item of business consists of the according of approval to any documents by the meeting, the time and place where the document can be inspected shall be specified in the statement aforesaid.

Meeting not to transact business not mentioned in notice
Article 80 provides that no General Meeting, Annual or Extraordinary, shall be competent to enter upon, discuss or transact any business which has not been mentioned in notice or the notices upon which it was convened.

Body corporate deemed to be personally present
Article 81 provides that a body corporate being a Member shall be deemed to be personally present if it is represented in accordance with Section 187 of the Act.

Quorum at general meeting
Article 82 provides that at least 5 members present in person shall form a quorum for the general meeting.

Chairman of the general meetings
Article 84 provides that The Chairman or in his absence Managing Director of the Company shall be entitled to take the Chair at every General Meeting. If the Chairman or the Managing Director is not present within fifteen minutes after the time appointed for holding such meeting or is unwilling to act, the members present shall choose another Director as Chairman, and if no Director be present or if all the Directors present decline to take the Chair, then the Members present shall on a show of hands or on a poll if properly demanded, elect one of the members to be the Chairman for the Meeting.

No business whilst chair vacant
Article 85 provides that no business shall be discussed at any General Meeting except the election of the Chairman ,whilst the chair is vacant.

Chairman with consent may adjourn meeting
Article 86 provides that the Chairman, with the consent of the Members, may adjourn any meeting from time to time and from place to place within the city, town or village in which the Registered Office of the Company is situated, but no business shall be transacted at any adjourned at the meeting other than the business left unfinished at the meeting from which the adjournment took place.

Questions at general meeting how decided
Article 87 provides that before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the Chairman of the meeting of his own motion and shall be ordered to be taken by him on a demand made in that behalf by any member or members present in person or by proxy, and holding shares in the Company, which confer a power to vote on the resolution not being less than one-tenth of the total voting power in respect of the Resolution or on which an aggregate sum of not less than fifty thousand rupees has been paid up. The demand for a poll may be withdrawn at any time by the person or persons making the demand. Unless a poll is so demanded, a declaration by the Chairman that a resolution has, on show of hands, been carried through unanimously or by a particular majority or lost and an entry to that effect in the Minutes Book of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.

Chairman's Casting Vote
Article 88 provides that in the case of an equality of votes, the Chairman shall have a casting vote in addition to the vote or votes to which he may be entitled otherwise.

Poll to be taken, if demanded
Article 89 provides that if a poll is demanded as aforesaid, the same shall be taken at such time (not later than forty-eight hours from the time when the demand was made) and place in the city or town in which the Registered Office of the Company is for the time being situated, as the Chairman shall direct, either at once or after an interval or adjournment and the result of the poll shall be deemed to be the resolution of the meeting. The demand for a poll may be withdrawn at any time by the person or persons who made the demand.

Scrutineers at poll
Article 90 provides that where a poll is to be taken, the Chairman of the meeting shall appoint two scrutineers to scrutinize the votes given on the poll and to report thereon to him. One for the scrutineers so appointed shall always be a Member (not being an officer or employee of the Company) present at the meeting, provided such a Member is available and willing to be appointed. The Chairman shall have the power at any time before the result of the poll is declared to remove a scrutineer from office and fill vacancy in the office of scrutineer arising from such removal or from any other cause.

In which case poll taken without adjournment
Article 91 provides that any poll duly demanded on the election of the Chairman of a meeting or on any question of adjournment shall be taken at the Meeting forthwith.

Demand for poll not to prevent transaction of other business
Article 92 provides that the demand for a poll except on the question of the election of the Chairman of the Meeting and of an adjournment shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.

Members in arrears not to vote
Article 93 provides that that no Member shall be entitled to vote either personally or by proxy at any General Meeting or meeting of a class of shareholders either upon a show of hands or upon a poll in respect of any shares registered in his name on which any calls of other sums presently payable by him have not been paid or in regard to which the Company has, or has not exercised, any right of lien.

Number of votes to which
Article 94 inter alia provides that subject to the provisions of these Articles and without prejudice to any special privileges or restrictions as to voting for the time being attached to any class of shares for the time being forming part of the capital of the Company, every Member shall be entitled to be present, and to speak and vote at such meeting by show of hand for which the Member present in person shall have one vote upon a poll the voting right of every Member present in person or by proxy shall be in proportion to his share in the total no. of shares paid-up in equity share capital of the Company.

Votes by members entitled to more than one vote
Article 95 provides that on a poll taken at a Meeting of the Company a Member entitled to more than one vote, or his proxy or other person entitled to vote for him, as the case may be, need not, if he votes use all his votes, or cast in the same way all the votes he uses and he may vote in a different manner as he deems fit.

Vote by member who is a minor
Article 96 provides that if any Member is a minor, the vote in respect of his share or shares shall be by his guardian, or any one of his guardians if more than one, to be selected in case of dispute by the Chairman of the Meeting.

Vote of joint members
Article 97 provides that if there be joint registered holders of any shares, any one of such persons may vote at any Meeting or may appoint another person (whether a Member or not) as his proxy in respect of such shares, as if he were solely entitled thereto but the proxy so appointed shall not have any right to speak at the Meeting and if more than one of such joint holders are present at any meeting, that one of the said persons so present whose name stands higher on the Register of Members shall alone be entitled to speak and to vote in respect of such share, but the other or others of the joint holders shall be entitled to be present at the Meeting. Several executors or administrators of a deceased Member in whose name shares stand shall for the purpose of these Articles be deemed joint holders thereof.

Voting in person or by proxy or Representative
Article 98 provides that subject to the provisions of these Articles, votes may be given either personally or by proxy. A body corporate being a Member may vote either by a proxy or by a representative duly authorised in accordance with Section 187 of the Act and such representative shall be entitled to exercise the same rights and powers (including the right to vote by proxy) on behalf of the body corporate which he represents as that body could exercise if he were an individual Member.

Votes in respect of shares of deceased
Article 99 provides that any person entitled under the Transmission clause to transfer any share may vote at any General Meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that at least forty eight hours before the time of holding the Meeting or adjourned Meeting as the case may be at which he proposes to vote, he shall satisfy the Directors of his right to transfer such shares and give such indemnity (if any) as the Full Chairman or Managing Director may require or the Full Chairman and Managing Director shall have previously admitted his right to vote at such Meeting in respect thereof.

Appointment of proxy
Article 100 provides that every proxy (whether a Member or not) shall be appointed in writing under the hand of the appointer or his attorney, or if such appointer is a corporate body under the Common Seal of such corporation or be signed by an officer or any attorney duly authorised by it, and a guardian may appoint such proxy. The proxy shall not have the right to speak at the Meetings.

Proxy either for specified meeting or for a period
Article 101 provides that an instrument of proxy may appoint a proxy for the purpose of a particular Meeting specified in the instrument and any adjournments thereof or it may appoint for the purpose of every meeting of the Company, or of every meeting to be held before a date specified in the instrument and every adjournment of any such meeting.

Proxy to vote
Article 102 provides that a Member present by proxy shall be entitled to vote both on a show of hand and at a poll.

Deposit of instrument of proxy
Article 103 provides the instrument appointing a proxy and the power of attorney etc. or other authority (if any), under which it is signed or a notarially certified copy of that power or authority, shall be deposited at the Registered Office not later than forty-eight hours before the time for holding the meeting at which the person named in the instrument proposes to vote, and in default, the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of twelve months from the date of its execution.

Form of proxy
Article 104 provides that every instrument of proxy shall as nearly as circumstances will admit, be in any of the form set out in Schedule IX of the Act.

Validity of votes given by proxy notwithstanding death of member
Article 105 provides that a vote in accordance with the terms of an instrument of proxy shall be valid notwithstanding subsequent to execution there of Member was death or insanity of the principal, or revocation of the proxy or of any power of attorney under which such proxy was signed, or the transfer of the share in respect of which the vote is given provided that no intimation in writing of the death or insanity, revocation or transfer shall have been received at the Registered Office before the meeting.

Time for objection to vote
Article 106 provides that no objection shall be made to the validity of any vote, except at any Meeting or poll at which such vote shall be so tendered, and every vote whether given personally or by proxy, not disallowed at such Meeting or poll shall be deemed valid for all purposes of such Meeting or poll whatsoever.

Chairman of the meeting to be the judge of the validity of any vote
Article 107 provides that the Chairman of any Meeting shall be sole judge of the validity of every vote tendered at such Meeting. The Chairman of the Meeting present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

Minutes of general meeting
Article 108 provides that the Company shall cause minutes of all proceedings of every General Meeting to be kept by making within thirty days of the conclusion of every such Meeting concerned, records thereof in books kept for the purpose with their pages consecutively numbered. The procedure for maintaining the minute book has been prescribed in this Article 108.

Number and Appointment of directors
Article 111 provides that the Board of Directors of the Company shall consist of not less than 3 directors and a maximum of 15 Directors. A person need not hold any qualification shares to become Director. The Chairman / Chairman & Managing Director, the Managing Director and any other Whole-time Director(s) shall be appointed by the General body in accordance with the provisions of the Act. Not less than two third of the total number of Directors shall be liable to retire by rotation in accordance with the provisions of section 256 and 257 of the Act and shall be eligible for reappointment.

Company may increase the number of Directors

Article 112 provides that subject to Section 259 of the Act, the Company may subject to Resolution in General Meeting and with the approval of Central Govt. increase the maximum number of Directors, and may alter their qualification.

Further, the Company may, subject to the provisions of Section 284 of the Act, remove any Director before the expiration of his period of office and appoint another person in his stead provided in case the Director removed is a nominee Director of a Shareholder or a Group of Shareholders, the person appointed in his stead shall also be a nominee proposed by the same Shareholder/ Group of Shareholders. The person so appointed shall hold office for *such* time as the Director in whose place he is appointed would have held the same office if he had not been removed.

Nominee director
Article 113 provides that every block of minimum 10% shareholding by any shareholder/ Group of Shareholders shall entitle it to nominate one part-time Director on the Board of the Company by a notice in writing addressed to the Company. However notwithstanding anything to the contrary contained in these Articles, the Board of Directors of the Company shall include:

(a) at least one nominee Director each from the Parties viz. POWERGRID, NTPC, PFC and NHPC.

(b) one nominee Director by the Government of India, Ministry of Power.

Appointment of alternate directors
Article 114 provides that the appointment of alternate Directors, if any, on the Board shall be governed by the provisions of section 313 of the Act. Provided in case of a nominee Director appointed pursuant to Article 113, the alternate Director shall also be the nominee of the respective Party (s) or the Government of India or shareholder/ Group of Shareholders as the case may be.

Directors power to fill casual vacancies
Article 115 provides that if the office of any Director is vacated before his term of office or the term of office of a director expires in the normal course, the resulting casual vacancy shall be filled up by the Board from the nominee of the Shareholder/ Group of Shareholders whose nominee has vacated the office.

Appointment of additional directors
Article 115A provides that the appointment of additional directors if any, on the Board shall be governed by the provisions of Section 260 of the Act.

Director may act notwithstanding any vacancy
Article 116 provides that the continuing Directors may act subject to the provisions of this Article, notwithstanding any vacancy in their body but if and so long as their number is reduced below the minimum number fixed by Article 110, the continuing Directors may act for the purpose of increasing the number of Directors to that number or of summoning a General Meeting but for no other purpose.

Remuneration of directors
Article 117 provides that subject to the provisions of the Act, the full time Chairman, the Chairman & Managing Director or any other Whole-time Director(s) may be paid remuneration either by way of a monthly payment or at a specified percentage of the net profit of the Company or partly by one way and partly by the other, keeping in view the limiting provisions governing the Managerial remuneration under provisions of the Act.

Further it provides that subject to the provisions of the Act, a Director, who is neither in the whole-time employment nor a Chairman and Managing Director /Managing Director of the Company may be paid remuneration either :-

a) by way of monthly, quarterly or annual payment with the approval of the Central Government, or

b) by way of commission if the Company by a special resolution authorises such payment; and the sitting fee payable to a Director (excluding chairman , Chairman & Managing director , Managing Director or any other Full-time Director) for attending a meeting of the Board or Committee thereof shall be Rs. 5000/- or such other sum as prescribed in the Act as amended from time to time.

Travelling expenses incurred by a director going out on company's business
Article 118 provides that the Board may allow and pay to any Director who is not a bonafide resident of the place where the Registered Office of the Company or where the meetings of the Board are actually held and who has to come to such place for the purpose of attending any meeting, such sum as the Board may consider fair compensation for travelling, boarding, lodging and other actual incidental expenses, in addition to his fee for attending such meeting as specified above. If any Director be called upon to go or reside out of the bonafide place of his residence on the Company's business, he shall be entitled to be paid and reimbursed any travelling or other actual expenses incurred by him in connection with the business of the Company.

Director may contract with company
Article 120, inter alia, provides that (1) except with the consent of the Board a Director of the Company, which shall be accorded by a resolution passed at a meeting of the Board and not otherwise, or Company or a firm in which such a Director or his relative is a partner or a private company of which the Director is a member or Director, shall not enter into any contract with the Company for the sale, purchase or supply of any goods, materials or services; or for underwriting the subscription of any shares in, or debentures of the Company. Certain exception to the nature of contract are also prescribed in this Article.

This Article further prescribes the procedure to act in times of urgent necessity. If the consent is not accorded to any contract under this Article, anything done in pursuance of the contract shall be voidable at the option of the Board.

Disclosure of interest by Directors
Article 121 provides that every Director of the Company who is in any way, whether directly or indirectly concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into by or on behalf of the Company shall disclose the nature of his concern or interest at a meeting of the Board in the manner provided in Section 299 of the Act. Nothing in this sub-clause (1) of this Article shall apply to any contract or arrangement entered into between the Company and any other company, where any of the Directors of the Company or two or more of them together hold or hold not more than two per cent of the paid-up share capital in any such other company.

Interested directors not to participate or vote in board's proceedings
Article 122 provides that no Director shall as a Director take any part in the discussion of, or vote on any contract or arrangement entered into or to be entered into by or on behalf of the Company, if he is in any way, whether directly or indirectly, concerned or interested in such contract arrangement, nor shall his presence count for the purpose of forming a quorum at the time of any such discussion or vote, and if he does vote, his vote shall be void provided however that nothing herein contained shall apply to:

a) any contract of indemnity against any loss which the Directors, or any one or more of them, may suffer by reason of becoming or being sureties or a surety for the Company;

b) any contract or arrangement entered into or to be entered into with a public company or a private company which is a subsidiary of a public company in which the interest of the Director consists solely:

(i) in his being :

- a director of such company; and
- in his being a Member holding not more than two percent of its paid-up share capital.

Register of contracts in which the directors are interested
Article 123provides that the Company shall keep a Register in accordance with Section 301(1) of the Act and shall within the time specified in Section 301(2) of the Act enter therein such particulars as may be relevant having regard to the application thereto of Section 297 or Section 299 of the act as the case may be. The Register aforesaid shall also specify in relation to each Director of the Company, the names of the bodies corporate and firms of which notice has been given by him under Section 299. The Register shall be kept at the office of the Company and shall be open to inspection at such Office and extracts may be taken therefrom and copies thereof may be required by any Member of the Company to the same extent, in the same manner and on payment of the same fee as in the case of the Register of Members of the company and the provisions of Section 163 of the Act shall apply accordingly.

Directors may be directors of companies promoted by the company
Article 124 provides that a Director may be or become a Director of any company promoted by the Company or in which it may be interested as a vendor, purchaser, shareholder or otherwise. And no such Director shall be accountable for any benefits received as a director or shareholder of such company except in so far as Section 309(6) or Section 314 of the Act may be applicable.

Disclosure by director of appointment to any other body corporate
Article 126 provides that every Director (including a person deemed to be a Director by virtue of the Explanation to sub-section (1) of Section 303 of the Act), Manager or Secretary of the Company shall, within twenty days of his appointment to, or as the case may be, relinquishment of any of the above offices in any other body corporate, disclose to the Company the particulars relating to his office in the other body corporate which are required to be specified under sub-section (1) of Section 303 of the Act.

Meeting of directors

Article 128 provides that the Directors may meet together as a Board for the dispatch of business from time to time, and shall so meet at least once in every three months and at least four such meetings shall be held in every year. The Directors may adjourn and regulate their meetings as they think fit. The proceedings of the Meetings shall be recorded in terms of Section 193 of the Act.

Appointment of Chairman or Chairman & Managing Director /Whole-time Directors.
Article 129 provides that initially the Chairman and Managing Director of the Company shall be Shri R.K. Madan, nominee of POWERGRID,. Thereafter the appointment of Chairman or Chairman & Managing Director /Whole-time Directors shall be made by the Members in General Meeting . Such Directors shall act under superintendence, control and direction of the Board of Directors and their appointment shall not be for a period more than five years at a time. The remuneration of these Directors may be fixed by the Board till the appointments is made by the general meeting, as permissible under the Act.

For the appointment of Chairman or Chairman & Managing Director or Managing Director/ Whole-time Director, consent of the Chairman & Managing Director of POWERGRID, NTPC, PFC and NHPC shall be necessary. "

Notice of Directors meetings
Article 131 provides that

- At least 7 day's notice of every meting of the Board shall be given in writing to every Director whether in or outside India at his address as has been notified to the Company. In the case of Directors residing outside India, notice may be sent by cable, telex or fax. However, in emergent cases, so certified by the Full-time Chairman or in his absence by the Managing Director a meeting may be held at shorter notice.

- Every notice convening a meeting of the Board of Directors shall set out the agenda of the business to be transacted thereat in sufficient detail and no item of business shall be transacted at such meeting, unless the same has been started in sufficient detail in the said notice convening the meeting.

When meeting to be convened
Article 132 provides that The Company Secretary shall, as and when directed by the Full-time Chairman or in his absence Managing Director to do so, convene a meeting of the Board by giving a notice in writing to every Director as provided in proceeding Article 131. The Meeting can be called at the instance of any Director, who may approach the Full-time Chairman or in his absence the Managing Director to call the meeting.

Quorum at the Board Meeting
Article 133 provides that subject to Section 287 of the Act, the Quorum for any meeting of the Board of directors of the Company shall be three Directors or one-third of the total strength of Board whichever is higher, provided that there shall be no quorum in any meeting unless at least two nominee Directors from Parties taken together, appointed pursuant to Article 113(ii) (a) of the Articles of Association are present.

Questions at board meetings how to be decided
Article 134 provides that all questions arising at a Meeting of the Board or any how to be decided committee thereof shall be decided by majority of votes of directors present and voting. Provided that in respect of the certain matters specified in this Article including Adoption of the Company's annual capital and revenue budgets and investment of funds, no resolution shall be passed or decision taken at a Meeting of the Board or at any Committee thereof unless it has been approved by two third majority of Directors present and voting: -

Restrictions on the powers of the Board of Directors
Article 135 provides that the Board of Directors shall not place any of the following matters before the General Body meeting for decision unless the Parties, as long as they are the Members of the Company, have accorded their prior consent to such a proposal in writing: -

1) To sell or otherwise dispose of the whole or substantially the whole of the undertaking of the Company.

2) Any proposal for creation of any subsidiary, acquisition or control either directly or indirectly, of any other Company.

3) Any proposal to merge the Company with another economic organization or to form a Joint Venture or partnership between the Company and any organization. .

4) Any proposal for providing loan or guarantee or extension of credit to any person, firm or Company except in the ordinary course of business of Company and beyond the limits of authority of the Board.

Approval through special Resolution

Article 136 provides that the following matters shall be decided in the General Meeting of the Company by passing special resolutions (a) to increase or otherwise altered the authorised share capital of the Company (b) Declaration of Dividend by the Company (c) Appointment of Chairman or Chairman & Managing Director or Managing Director / Whole-time Director.

Directors committees
Article 137 provides that subject to the restrictions contained in Section 292 and 293 of the Act and preceding Articles, the Board may delegate any of its powers to Committees of the Board consisting of such member or members of its body as it may think fit. Provided that the members of such Committee shall always comprise of the Directors or respective alternate, and Board may, from time to time, revoke, modify and discharge any such Committee of the Board either wholly or in part. Every Committee of the Board so formed shall in the exercise of the powers so delegated conform to any Policy/regulations that may, from time to time, be laid down by the Board. All acts done by any such Committee of the Board in conformity with such regulations and in fulfillment of the purposes of their appointment shall have the like force and effect as if done by the Board. Further provided that no item mentioned in Article 134 shall be referred to any Committee of the Board.

Meeting of committee how to be governed
Article 138 provides that The meetings and proceedings of any such Committee of the Board consisting of two or more members shall be governed by the provisions and guidelines laid down for regulating the meetings and proceedings of the Directors, so far as the same are applicable thereto and are not superceded by any regulations made by Directors under the last preceding Article.

Resolution by circulation
Article 139 provides that no resolution (on matters other than covered by Section 292 of the Act and 131 to 133 Articles above) shall be deemed to have been duly passed by the Board or by a Committee thereof by circulation, unless the resolution has been circulated in draft, together with the necessary papers, if any, to all the Directors, or to all the members of the Committee, then in

India (not being less in number than the quorum fixed for a meeting of the Board or Committee, as the case may be), and to all other Directors or members of the Committee, at their usual address in India and has been approved by such of the Directors or members of the Committee as are then in India, or by a majority of such of them, as are entitled to vote on the resolution.

Acts of board or committee valid notwithstanding informal defect in appointment
Article 140 provides that subject to the provisions of these Articles, all acts done by any meeting of the Board, or by a committee of the Board, or by any person acting as a Director shall notwithstanding that it shall afterwards be discovered that there is some defect in the appointment of such Director or persons acting as aforesaid, or that they, or any of them, were disqualified or had vacated office or the appointment of any of them had been terminated by virtue of any provisions contained in the Act or in these Articles, be as valid as if every such person had been duly appointed, and was qualified to be a Director and had not vacated his office of his appointment had not been terminated provided that nothing in this Article shall be deemed to give validity to acts done by a Director after his appointment has been shown to the Company to be invalid or to have terminated provided that nothing in this Article shall be deemed to give validity to acts done by a Director after his appointment had been shown to the Company to be invalid or to have determine.

Minutes of proceedings of meetings of board
Article 141, inter alia, provides that the Company shall cause minutes of all proceedings of every meeting of the Board and committees thereof to be kept by making within 30 (thirty) days of every such meeting entries thereof in books kept for the purpose with their pages consecutively numbered. The manner of maintaining the minute books is set out in detail in this Article.

Powers of Directors
Article 142 provides that the Board may exercise all such powers of the Company and do all such acts and things as it is entitled to do under the Act, or by the Memorandum or Articles of the Company but shall not decide matters required to be exercised or done by the Company in General Meeting, Subject to these Articles no regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been so made.

Certain powers of the board

- Article 143 inter alia provides that without prejudice to the general powers conferred by the Act and preceding Article and so as not in any way to limit or restrict those powers, and without prejudice to the other powers conferred by these Articles and by General Body, the Board shall have powers including: -to pay and charge to the capital account any commission or interest lawfully payable under the provisions of Sections 76 and 208 of the Act.
- to purchase or otherwise acquire for the Company any property, rights or privileges on such terms and conditions as they may think fit
- to pay for any property, rights, privileges acquired by or services rendered to the Company either wholly or partially, in cash or in shares, bonds, debentures etc.
- to secure the fulfilment of any contract or engagement by mortgage or charge of all or any of the property of the company and its uncalled capital
- to invest and deal with any moneys of the Company not immediately required for the purposes thereof upon such security (not being shares of this Company), or without security and in such manner as they may think fit
- to distribute by way of bonus amongst the staff a share or shares in the profits of the Company, and to give to any officer or other person employed by the Company a commission on the profits of any particular business or transaction and to charge such bonus or commission as part of the working expense of the Company
- before recommending any dividend, to set aside out of the profits of the Company such sums as they may think proper for depreciation or to a depreciation fund, etc.

Divisions of profits and dividends in proportion to amounts paid-up
Article 147 provides that

a) The profits of the Company, subject to any special rights relating thereto created or authorised to be created by these Articles and subject to the provisions of these Articles, shall be divisible among the Members in proportion to the amount of capital paid-up or credited as paid-up on the shares held by them.

b) All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares held during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend from a particular date, such share shall rank for dividend accordingly.

Company in general meeting may declare a dividend
Article 148 provides that the Company in General Meeting may declare dividends to be Meeting may declare a paid to Members according to their respective rights, but no dividend dividends shall exceed the amount recommended by the Board, but the Company in General Meeting may declare a smaller dividend.

Dividends only to be paid out of profits
Article 149 states that no dividend shall be declared or paid by the Company for any financial year except out of its profits arrived at in the manner set out in Section 205 of the Act and where, owing to inadequacy or absence of profits in any year and the Company proposes to declare dividend out of the accumulated profits earned by it in previous year and transferred to reserves, such declaration of dividend shall not be made except in accordance with such rules as may be made in that behalf by the Government, and where any such declaration is not in accordance with such rules, it shall not be made except with the previous approval of the Central Government.

Interim dividend
Article 150 provides that the Board may, from time to time, pay the Members such interim dividend as in their judgement the position of the Company justifies.

Capital paid-up in advance to carry interest
Article 151 provides that where capital is paid in advance of calls, such capital may carry interest but shall not in respect thereof confer a right to dividend or participation in profits.

Retention of dividends until completion of transfer under Article 59 and 60
Article 152 provides that the Board may retain the dividends payable on shares in terms of Section 206 A in respect of which any person, under Articles 59 and 60 is entitled to become a Member, or on completion any person under those Articles is entitled to transfer, or until such person shall become a Member in respect of such shares or shall duly transfer the same.

Dividends, etc to joint holders
Article 153 provides that any one of several persons who are registered as the joint holders of any shares may give effectual receipts for all dividends or bonus and payments on account of dividends or bonus or other moneys payable in respect of such shares.

No member to receive dividend whilst indebted to the company and company's right of reimbursement thereon
Article 154 provides that no Member shall be entitled to receive payment of any interest or dividend in respect of his share or shares whilst any money may be due or owing from him to the Company in respect of such share or shares or otherwise however, either alone or jointly with any other person or persons and the Board may deduct from the interest or dividend payable to any Member all sums of money so due from him to the Company.

Transfer of shares must be registered
Article 155 provides that a transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer. Pending transfer, the Company shall transfer the dividend in relation to such shares to the special account referred to in Section 205A of the Act unless the Company is authorised by the registered holder of such shares in writing to pay such dividend to the transferee specified in such instrument of transfer and keep in abeyance in relation to such shares any offer of right shares under clause (a) to sub-section (1) of Section 81 of the Act and any issue of fully paid-up bonus shares in pursuance of sub-section (3) of Section 205 of the Act.

Dividends how remitted
Article 156 provides that unless otherwise directed, any dividend may be paid by cheque or warrant or by a pay slip or receipt having the force of a cheque or warrant sent through the post to the registered address of the Member or persons entitled or in case of joint-holders to that one of them first named in the register in respect of the joint holdings. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. The Company shall not be liable or responsible for any cheque or warrant or pay slip or receipt lost in transmission, or for any dividend lost to the Member or person entitled thereto by the forged endorsement of any cheque or warrant or the forged signature of any pay slip or receipt or the fraudulent recovery of the dividends by any other means.

No interest on dividend
Article 157 provides that no unpaid or unclaimed dividend shall bear interest as against the Company.

Dividend and calls made together
Article 158 provides that provides that any General Meeting declaring a dividend may on the recommendation of the Board make a call on the Members of such amount as the Meeting fixes, but so that the call on each Member shall not exceed the dividend payable to him and so that the call be made payable at the same time as the dividend may, if so arranged between the Company and the Member, be set off against the calls.

Unclaimed dividend
Article 159 provides that no unclaimed dividend shall be forfeited and all unclaimed dividends shall be dealt with in accordance with the provisions of Section 205A.

Capitalisation
Article 160 inter alia provides that the Company in a General Meeting may resolve that any amounts standing to the credit of the Share Premium Account or the Capital Redemption Reserve Account or any moneys, investment or other assets forming part of the undivided profits including profits or surplus moneys arising from the realisation and (when permitted by the law) from the appreciation in value of any capital assets of the Company standing to the credit of the General Reserve or any other Reserve or Reserve Fund or any other Fund of the Company or in the hands of the Company and available for dividend be capitalised either by the issue and distribution of shares, as fully paid-up, and to the extent permitted by the Act, debentures, debenture stock, bonds or other obligations of the Company or by crediting share of the Company, which may have been issued and are not fully paid-up, with the whole or any part of the sum remaining unpaid thereon, provided that any amounts standing to the credit of the Share Premium Account or the Capital Redemption Reserve Account shall be applied only in crediting the payment of capital on shares to be issued to Members as fully paid bonus shares. This Article further prescribes the procedure for issue, distribution and payment to the credit of unpaid share capital.

Directors to keep true accounts
Article 161 inter alia provides that the Company shall keep at its office it at such other place in India as the Board thinks fir, proper books of accounts in accordance with Section 209 of the Act with respect to (i) all sums of money received and expended by the Company and the matters in respect of which the receipts and expenditure take place; (ii) all sales and purchases of goods by the Company; (iii) the assets and liabilities of the Company.

Statement of accounts to be furnished to general meeting
Article 163 provides that the Directors shall from time to time, in accordance with Sections 210, 211, 212, 215, 216, and 217 of the Act cause to be prepared and to be laid before the Company in General Meeting such balance sheet, profit & loss accounts and reports as are required by these sections.

Copies shall be sent to each member
Article 164 provides that subject to the provisions of Section 219 of the Act, a copy of every Profit & Loss Account and Balance Sheet (including the Auditors' Report and every other document required by law to be annexed or attached to the Balance Sheet) shall at least twenty-one days before the meeting at which the same are to be laid before the members, be sent to the members of the Company, to every trustee for the holders of any debentures issued by the Company and to all persons other than such members are trustees, being persons so entitled to attend the General Body Meeting.

Accounts to be audited
Article 165 provides that the Auditors shall be appointed and their rights and duties and responsibilities are to be regulated in accordance with sections 224 to 233 of the Act.

To whom documents or notices must be served or given
Article 171 provides that documents or notices of every General Meeting shall be served or given in such manner hereinbefore authorised on or to (a) every Member, (b) every person entitled to a share inconsequence of the death or insolvency of a Member, and (c) the Auditor or Auditors for the time being of the Company.

Liquidator may divide assets in specie
Article 175 provides that the Liquidators on any winding up (whether voluntary, under supervision or compulsory) may, with the sanction of special resolution, but subject to the rights attached to any preference share capital, divide among the contributories in specie any parts of the assets of the Company and may with the like sanction, vest any part of the assets of the Company in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction shall think fit.

Indemnity and responsibility
Article 176, inter alia, provides that subject to provisions of Section 201 (1) of the Companies Act, 1956, every officer or duly authorised agent for the time being of the Company shall be indemnified out of the assets of the Company against all liability incurred by him in defending any proceedings arising out of his position as an officer or as such agent of the Company, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or discharged or in connection with any application under Section 633 of the Companies Act, 1956 in which relief is granted to him by the Court.

Secrecy
Article 177 provides that **e**very Director, Manager, Auditor, Treasurer, Trustee, member of a committee, officer, servant, agent, accountant or other person employed in the business of the Company, shall, if so required by the Directors, before entering upon his duties, sign a declaration pledging himself to observe strict secrecy respecting all transactions and affairs of the Company with the customers and the state of the accounts with individuals and in matters relating thereto, and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties except when required so to do by the Directors or by law or by the person to whom such matters relate and except so far as may be necessary in order to comply with any of the provisions in these presents contained. Further subject to provisions of Article 163 above, no Member shall be entitled to visit or inspect any work of the Company without the permission of the Directors or to require discovery of or any information respecting any details of the Company's trading, or any matter which is or may be in the nature of a trade secret,

mystery of trade, secret process or any other matter which may relate to the conduct of the business of the Company and which in the opinion of the Directors, it would be in expedient in the interest of the Company to disclose.

Promoters' Agreement

Article 178 provides that after Incorporation, the Company shall adopt the Promoters' Agreement executed among POWERGRID, NTPC and PFC on 8^{th} April, 1999 for formation of this Company and supplement thereof dated 29^{th} November, 2002. Upon adoption of the Promoters' Agreement including any amendment thereto or supplement thereof, the Company shall be bound by the same and shall give effect to the terms thereof as by law permits.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company or contracts entered into more than two years before the date of this Draft Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by the Company. These contracts, copies of which have been attached to the copy of this Draft Red Herring Prospectus have been delivered to the Registrar of Companies, National Capital Territory of Delhi and Haryana for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered office of the Company from 10.00 a.m. to 4.00 p.m. on working days from the date of this Draft Red Herring Prospectus until the date of closure of the Issue.

A. Material Contracts

1. Promoters Agreement between Powergrid Corporation of India Ltd. Limited ("POWERGRID"), Power Finance Corporation Limited (PFC), National Thermal Power Corporation of India Ltd. (NTPC) and National Hydroelectric Power Corporation Ltd. (NHPC) dated April 08, 1999 as supplemented by Promoters Agreement dated November 29, 2002

2. Subscription Agreement between us and Industrial Development Bank of India, Infrastructure Development Finance Company Limited, IFCL Limited, Life Insurance Corporation of India and General Insurance Corporation of India. dated 27th December, 2002.

3. Subscription Agreement between us and Damodar Valley Corporation dated 26th September 2002.

4. Subscription Agreement between us and Tata Power Company Limited dated 17th January 2003 supplemented by agreement dated December 29, 2003.

5. Letter dated November 28, 2003, January 15, 2004 and December 23, 2003 from us appointing SBI Capital Markets Limited, ENAM as Book Running Lead Manager, and KJMC as Co-Book Running Lead Manager, respectively, and their acceptance thereto.

6. Memorandum of Understanding between us and SBI Capital Markets Limited, ENAM & KJMC dated January __, 2004.
7. Letter from us dated December 27, 2003 appointing MSC Limited as Registrar to the Issue.
8. Memorandum of Understanding between us and MCS Limited dated January 10, 2003.
9. Underwriting Agreement dated_____ entered among the Company, BRLMs and the syndicate members.
10. Escrow Agreement dated_____ entered into with Escrow Collection Banks for Escrow account of the Company in terms of this red herring prospectus.
11. Escrow Agreement dated_____ entered into with Escrow Collection Banks and member of the Syndicate Escrow account in erms of this Red Herring Prospectus.
12. Syndicate Agreement dated_____ signed with the BRLMs and Syndicate Members.
13. Agreement to sell between us and National Buildings Construction Corporation Limited dated 21st February, 2002 for the purchase of the office premises of the Company.

Documents for Inspection

1. The Memorandum and Articles of Association of the Company, as amended from time to time.
2. Certificate of Incorporation of the Company dated April 16, 1999.
3. Certificate of Commencement of Business dated July 15, 1999.
4. Promoters Agreement dated April 08, 1999 as supplemented by Promoters Agreement dated November 29, 2002
5. Memorandum of Understanding between us and SBI Capital Markets Limited, ENAM & KJMC dated January __, 2004.
6. Memorandum of Understanding between us and MCS Limited dated January 10, 2004.
7. Resolution of the Board of Directors of the Company, passed at its Meeting held on September 16, 2003 approving this issue.
8. Agreement to sell between us and National Buildings Construction Corporation Limited dated 21st February, 2002
9. The report of the statutory auditors, DCG & Co., Chartered Accountant dated December 23, 2003 prepared as per Indian GAAP and mentioned in the Draft Red Herring Prospectus and copies of balance sheet and profit and loss account of the Company referred to therein.
10. Consent dated __________ from DCG & Co., Chartered Accountant for inclusion of their reports on accounts in the form and context in which they appear in the Draft Red Herring Prospectus.
11. A copy of the tax benefit report dated December 23, 2003 from Company's statutory auditors DCG & Co., Chartered Accountant.

12. Consents of Directors, Auditors, Legal Advisors of the Issue, Expert named in the Draft Red Herring Prospectus, BRLMs, Syndicate Members, Registrar to the Offer, Escrow Collection Bankers, Bankers to the Issue, Bankers to the Company, Company Secretary and Compliance Officer as referred to in their respective capacities.
13. General Power of Attorney executed by Directors of the Company in favour Shri T. N. Thakur, Chairman & Managing Director for signing and making necessary changes to the Red Herring Prospectus.
14. Resolution of the Members of PTC passed at the Annual General Meeting held on 21st May 2003 appointing DCG & Co., Chartered Accountant as statutory auditors for the year 2003-2004.
15. Resolution of the Meeting of the Board of Directors held on 9th March 2001 for the formation of the Company's audit committee.
16. Resolution of the members of the Company passed at their Extra Ordinary General Meeting held on 23rd June 2000 appointing CEO & Managing Director of the Company and approving the remuneration payable to him.
17. Resolution of the Board of Directors of the Company, passed at its meeting held on _____and ______ approving the remuneration payable to _______________________respectively.
18. Due Diligence Certificate dated ______ to SEBI from SBI Capital Markets Limited. SEBI observation Letters No. _____ dated ______, in-seriatim reply dated ______ and fresh due-diligence certificate dated ______.
19. In-principle listing approval dated _________ and ______ from BSE and NSE. Initial listing application dated __________ and ________, for listing the equity shares at The Stock Exchange, Mumbai and The National Stock Exchange of India Limited, respectively.
20. Tripartite Agreement between the Company, NSDL and MCS Limited dated January 29, 2003.
21. Tripartite Agreement between the Company, CDSL and MCS Limited dated January 31, 2003.

Any of the contracts or documents mentioned in this Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the GoI or the guidelines issued by Securities and Exchange Board of India, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules made thereunder or guidelines issued, as the case may be.

SIGNED BY THE DIRECTORS OF THE COMPANY

Shri Tantra Narayan Thakur - Chairman & Managing Director

Shri Sudhindra Kumar Dube - Director

Shri Mahendra Kumar – Director*

Shri Ramanathan Kishnamoorthy – Director*

Shri Ram Dayal Gupta – Director*

Shri J. Haque – Director*

Shri F. A. Vandrevala – Director*

Shri Sudhir Singh Jamwal – Director*

Shri Vinod Kumar Saxena – Director*

Shri Khwaja Gholamul Husnain – Director*

Shri Ranjeet Rae – Director*

*** Signed by Power of Attorney holder on behalf of the directors**

SIGNED BY THE CHIEF EXECUTIVE OFFICER

SIGNED BY THE CHIEF FINANCIAL OFFICER

Date: _________

Place: _________