Since its inception, Tata Group has imbibed the policy of honest commitment to all its business ventures. While evolving as India's foremost private power company, Tata Power realizes that the essence of being a leader is to have a powerful vision.

New alliances were sought and powerful future centric initiatives helped it to consolidate its position as a leading private entity in the power sector. In the process of creating synergy with its business partners it also ensured its social commitments were met.

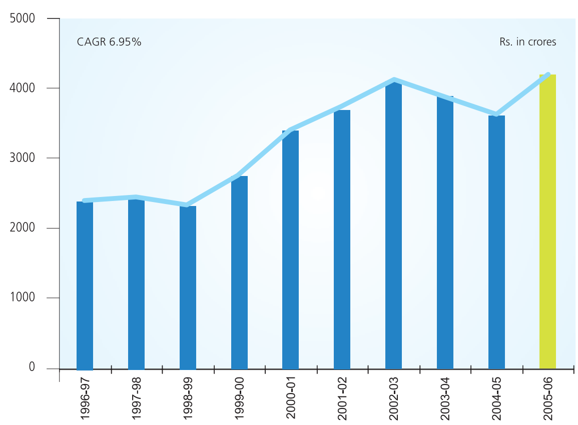
Tata Power's strength lies in meeting its commitments. With its ability to manage well in changing environment and stimulate ingenuity in its employees, Tata Power is poised to be a strong player in the national power arena.

MISSION

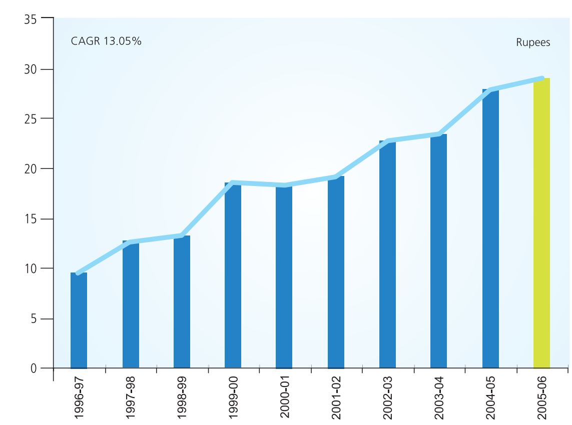
To improve the quality of life.

FINANCIALS AT A GLANCE

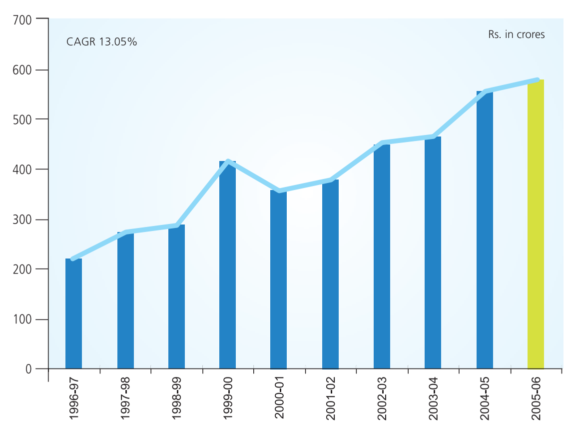
Revenue



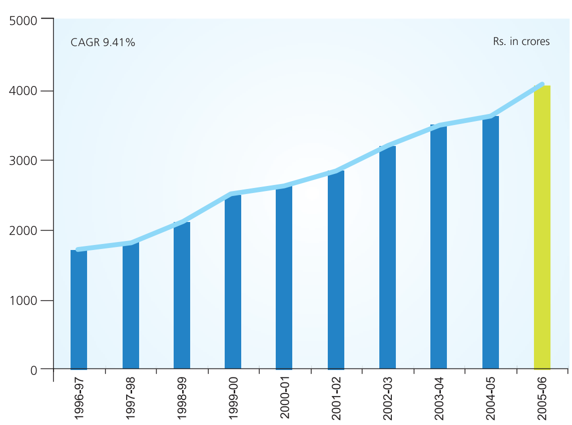
EPS



Distributable Profits



Networth



FINANCIAL HIGHLIGHTS

- **Annual Sales** this year recorded at **13,616 MUs** as against 12,663 MUs in the previous year.

- Revenues at **Rs. 4562.79 crores** as compared to **Rs. 3930.44 crores** in the previous year.

- **Profit After Tax** (PAT) for the year 2005-2006 touched **Rs. 610.54 crores**, growth of 10.7% over previous year.

- The Strategic Electronics Division registered an operating revenue of **Rs. 38.18 crores.**

- **North Delhi Power Limited** has recorded revenues of **Rs. 1840.55 crores** and PAT of **Rs. 112.53 crores.**

- Tata Power's trading subsidiary - **Tata Power Trading Company Ltd. (TPTCL)** in its first full year of operation, traded 674 MUs, earning revenue of **Rs. 206.95 crores** and PAT of **Rs. 3.01 crores.**

- During the year, the Company completed the sale of Tata Power Broadband Company Ltd. to Videsh Sanchar Nigam Ltd. (VSNL) for a consideration of **Rs. 201.97 crores** and transfer of Power Systems Division to Tata Projects Limited for a consideration of **Rs. 80.21 crores.**

- **ICRA,** India's leading credit rating agency, has accorded Tata Power's Rs. 1,000 crore and Rs. 500 crore Non-Convertible Debenture programmes the highest "LAAA" rating from the earlier "LAA+" rating. The "LAAA" rating is the highest credit quality rating assigned by ICRA, and signifies the lowest credit risk for corporates.

... committed to **out perform**

“It is an immutable law in business that words are words, explanations are explanations, promises are promises but only performance is reality.”

- Harold S. Geneen

OPERATIONAL HIGHLIGHTS

- Tata Power recorded **the highest ever generation** of **13746 MUs** registering an increase of **3.5%** from last year.
- **Hydro stations** registered the **highest ever generation** at **2024 MUs.** This was aided by an exceptionally good water level in Tata Power's lakes post a good monsoon season, due to which the Company has been able to generate higher electricity from its hydro plants, thus optimizing the balance between hydro and thermal generation and reducing the pressure of rising fuel costs.
- The **120 MW Jojobera project** was successfully commissioned in a record time of 23 months.
- **Highest ever generation** achieved at Jojobera thermal power plant at **2375 MUs.**
- Maharashtra was also affected on several occasions with severe break downs during the year due to Grid disturbances. Tata Power successfully **operated its islanding protection system**, thus maintaining power supply to Mumbai.
- During the **unprecedented flood crisis in Mumbai** post July 26 record rainfall, Tata Power's units at **Trombay operated at full capacity** to keep Mumbai powered. Tata Power extended its full support to its consumers in Mumbai including other utilities.
- The indigenous design and development activity for PINAKA (Multi-barrel Rocket Launcher) finally culminated in **Strategic Electronics Division (SED)** bagging a Rs. 172.4 crores production Order from the Ministry of Defence (MoD). This is for the first time that the MoD, Government of India, has chosen private sector companies to participate in the production of a major Weapons System. SED also concluded negotiations for the supply of multiple Advanced Air Defence Systems to be installed and commissioned in a three year span.
- The Bareilly - Mandola portion of the prestigious **Tala Transmission Project**, was completed three months ahead of its scheduled completion in June 2006. The project, executed by **Powerlinks Transmission Limited** (a 51%: 49% joint venture between The Tata Power Company Ltd. and Power Grid Corporaton of India Ltd.) represents India's first inter-state transmission project with public-private partnership, since the enactment of the Electricity Act and paves the way for similar successful partnerships in this sector.
- The Company's distribution joint venture **North Delhi Power Limited (NDPL)** brought down its Aggregated Technical and Commercial Losses (AT&C) to 28.4% against the regulatory target of 35.35%. NDPL has thus been able to bring down the losses by 25% (from 53.4% to 28.4%) in a period of only 3 years and 9 months as against a target of reducing losses by 17% in a span of 5 years. This has resulted in overachieved revenue of Rs. 170 crores during the FY 06 and Rs. 168 crores during the previous year, enabling NDPL to pass on the benefit of over achievement to the consumers as per the agreement.

... committed to **grow**

"Energy and persistence conquer all things."

- Benjamin Franklin

NEW INITIATIVES

Company has drawn up significant and aggressive growth plans to augment generation capacity.

- Tata Power is implementing a **250 MW coal based plant at Trombay,** to meet Mumbai's future power requirement. The project has received all important clearances and project site development activities are in progress. The project is scheduled to be commissioned in next 28 months.

- The Company is in the process of installing **100 MW low capital cost Diesel Generating Sets,** which have a short commissioning period of 10-12 months, as an interim arrangement to meet the additional requirements of the Mumbai Licence Area.

- The Company is setting up a **1000 MW imported coal based coastal power plant** in Maharashtra to meet the long-term power requirement of Mumbai and Maharashtra.

- The Company has completed the acquisition of 74% equity stake in **Maithon Power Limited (MPL)** from Damodar Valley Corporation for implementing the 1000 MW Maithon Right Bank Thermal Power Project which is targeted for commissioning in year 2010.

- The Company is setting up a **120 MW Captive Plant for Tata Steel** in Jamshedpur, based on utilizing the waste gases from the steel making process. It is also in discussions with Tata Steel for setting up the captive power plants for their expansion projects in various States in India such as Chattisgarh, Orissa and Jharkhand.

- The Company has submitted its Expression of Interest to Government of India to bid for four **Ultra Mega Power Projects,** one each in Gujarat, Madhya Pradesh, Maharashtra and Karnataka. Consequently, the Company has received the Request for Qualification documents for the Sasan project in Madhya Pradesh and the Mundra project in Gujarat. The Company will be participating in the bidding process for these projects.

- **International Initiatives : Bangladesh -** Consequent to the Expression of Interest by the Company with the Board of Investment, Bangladesh, along with two other Tata Group Companies viz. Tata Steel and Tata Chemicals, a joint proposal has been submitted for the consideration of the Bangladesh Government.

  South Africa - The Company, along with its local partners has been pre-qualified and has been invited to participate in the bidding process for a 290-380 MW Open Cycle Gas Turbine Peaking IPP project in South Africa.

- **Captive Coal Blocks :** The Company's applications for allotment of captive coal blocks in Jharkhand, Orissa and Andhra Pradesh are awaiting approval from the Government of India.

... committed to **care**

“No success… is worthwhile unless it serves the needs or interests of the country and its people.”

- J.R.D. Tata

SOCIAL RESPONSIBILITY INITIATIVES

SOCIAL

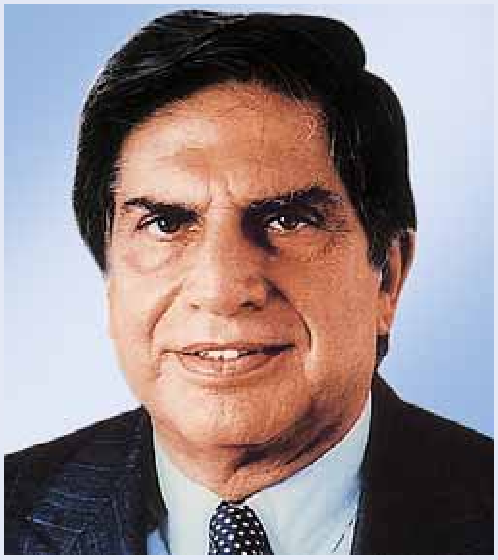
- During the **unprecedented flood crisis in Mumbai** post July 26, Tata Power alongwith Sir Dorabji Tata Trust, BMC, TISS, Somaiyya College and Nirmala Niketan **spearheaded the relief operation** extending to over 35,000 families in Kurla, 15,000 families in Chembur and 16,000 families in Mumbra over a span of 15 days. Relief work involved providing medical help, initial survival kits, chlorine liquid and tablets for water purification, food grains, information literature and Oral Rehydration to the families.
- Tata Power in association with the Confederation of Indian Industries (CII) has kick-started **a drive to educate and motivate the consumers to conserve energy** which has evoked a good response. The campaign aims to seek the involvement of every individual and inspire the spirit of energy conservation in every Mumbaikar.
- Tata Power's **projects for community development** included infrastructure for primary education such as construction and repairs of schools, teachers' quarters, asphalting of roads, construction of bus stops, donation of computers and ceiling fans.
- The Company contributed 10% of the total cost of Rs. 40 lakhs for **Solar electrification in Udhewdi near Lonavla** which is working satisfactorily for over 1 year. Solar street lights were also donated at villages near Jojobera. Village youth have been trained to maintain the Unit.
- The Company **extended health care** through 10 permanent centers and 35 medical camps to over 42000 villagers free of cost. Tata Power also focused on dental check ups, family planning, cataract and lens implantation and polio immunization. Thousand of villagers including children from rural schools availed and benefited from such camps.
- The Company continues to **impart training in tailoring, computers, horticulture, floriculture, organic farming, nursing etc** and reached out to youth and farmers in rural areas. The programmes are arranged based on the local training needs.
- **Utkarsha-the community development centre at Somwadi** is responsible for creating awareness about their rights and were successful in strengthening the public distribution system, distribution of identity cards for senior citizens and caste certificates through Tehsildar's office.

ENVIRONMENT

- Over **9.90 saplings were planted across different locations in hydro catchment** in Maval and Mulshi area, Jojobera, Belgaum and other locations. The areas have turned green and picturesque and attract several species of birds and animals.
- The **Company's focus on Mahseer breeding and conservation** led to collection of 3.90 lakhs of Mahseer eggs and production of 2.4 lakhs of fry/semi fingerlings. Over 1 lakh Mahseer semi fingerlings were sent to various States for Mahseer Conservation programme.

BOARD OF DIRECTORS

(As on 29th May 2006)



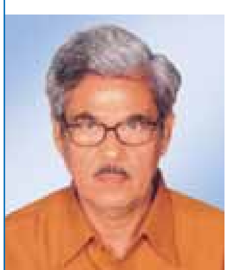
Mr. R.N. Tata
(Chairman)

Mr. Syamal Gupta

Mr. R. Gopalakrishnan

Mr. C.P. Mistry

Dr. H.S. Vachha



Mr. R.K. Misra
(LIC Nominee)

Mr. A.J. Engineer

Mr. S.S. Bhatia
(State Government Director)

Mr. S. Ramakrishnan
(Executive Director)

Secretary	:	Mr. B.J. Shroff
Registered Office	:	Bombay House, 24, Homi Mody Street, Mumbai 400 001
Share Registrars	:	TSR Darashaw Limited (formerly Tata Share Registry Limited), Army & Navy Building, 148, M.G. Road, Mumbai - 400 001
Solicitors	:	Mulla & Mulla and Craigie, Blunt & Caroe
Auditors	:	A.F. Ferguson and Company, Chartered Accountants S.B. Billimoria and Company, Chartered Accountants Deloitte Haskins & Sells (Proposed to be appointed for FY 2006-07)
Bankers	:	State Bank of India Citibank N.A. Standard Chartered Bank Ltd. ICICI Bank Ltd.

AWARDS & RECOGNITION

- **"Golden Peacock Environment Award"** for the year 2006 for Jojobera Division, Jamshedpur.
- **"CII EXIM Bank Award 2005"** Certificate for Strong Commitment to Excel.
- **"Energy Efficient Unit Award"** at the National Award for Excellence in Energy Management 2005 for T&D divisions conducted by CII.
- **"Rajiv Gandhi National Quality Award 2005"** for Jojobera Division.
- **"Golden Peacock Special Commendation Certificate"** for the year 2005 for Jojobera Division for Environment Management.
- **"Gold Shield by ICAI"** for excellence in financial reporting in 2005.
- **"Greentech Safety Award - Platinum"** to Jojobera Thermal Power Plant, Jharkhand in 2005.

Contents

Annual General Meeting on Tuesday, the 1st day of August 2006 at 3 p.m. at Birla Matushri Sabhagar,
Sir Vithaldas Thackersey Marg, 19, New Marine Lines, Mumbai 400 020
As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting.
Shareholders are requested to kindly bring their copies to the meeting.

Directors' Report

TO THE MEMBERS,

The Directors are pleased to present their Eighty-seventh annual report on the business and operations of the Company and the statement of accounts for the year ended 31st March, 2006.

1. FINANCIAL RESULTS

		FY 2006 (Rupees crores)	*FY 2005 (Rupees crores)*
(a)	Net Sales / Income from other Operations	4562.79	*3930.44*
(b)	Operating Expenditure	3727.33	*2977.72*
(c)	**Operating Profit**	**835.46**	***952.72***
(d)	*Add*: Other Income	325.61	*387.13*
(e)	*Less*: Interest and Finance charges	165.28	*191.44*
(f)	Profit before Depreciation, Provision for Contingencies and Tax	995.79	*1148.41*
(g)	*Less*: Depreciation	278.34	*359.62*
(h)	*(Add)/Less*: Provision for Contingencies	(30.00)	*30.00*
(i)	**Profit before tax**	**747.45**	***758.79***
(j)	*Less*: Provision for taxes (including provision for deferred tax and fringe benefit tax)	136.91	*207.43*
(k)	**Net Profit after tax**	**610.54**	***551.36***
(l)	*Less/(Add)*: Statutory appropriations	35.29	*(3.73)*
(m)	**Distributable Profits**	**575.25**	***555.09***
(n)	*Add*: Balance brought forward from the previous year	1432.83	*1197.64*
(o)	**Balance**	**2008.08**	***1752.73***
	which the Directors have appropriated as under to :		
	(i) Proposed Dividend	168.41	*148.60*
	(ii) Additional Income-tax on Dividend	23.52	*21.30*
	(iii) General Reserve	150.00	*150.00*
	TOTAL	341.93	*319.90*
	Leaving a balance of to be carried forward	1666.15	*1432.83*

2. FINANCIAL HIGHLIGHTS

During the year, Operating Revenue increased by 16% to Rs. 4562.79 crores from Rs. 3930.44 crores in the previous year. Profit after tax registered an increase of 11% to Rs. 610.54 crores as against Rs. 551.36 crores in the previous year. However, the Operating Profit was lower at Rs. 835.46 crores as against Rs. 952.72 crores for the previous year and Profit before tax was also lower at Rs. 747.45 crores as against Rs. 758.79 crores in the previous year. Basic Earnings per Share on Profit after tax showed an increase of 11% to Rs. 30.82 as against Rs. 27.83 in the previous year.

The increase in Operating Revenue from Power Supply is due to higher volume sold coupled with higher recoverable fuel and power purchase costs, recognised as revenue in Licence Area and commissioning of Jojobera Unit 4.

The drop in Operating Profit in Licence Area is due to revenue reduction consequent to adjustments for FY 05 and FY 06 of the surplus Clear Profit earned in excess of the Reasonable Return permitted.

Some significant items relating to the financial results are reported hereunder:

The Company's debt paper continues to be highly rated by CRISIL and ICRA. CRISIL reaffirmed the highest credit rating of AAA for the Company's non-convertible debenture program. ICRA upgraded its rating to LAAA from LAA+. The Company's international credit rating from Standard & Poor's and Moody's remains limited to the sovereign rating.

The consolidated statements of the Company have been prepared in accordance with Accounting Standard 21 on Consolidated Financial Statements, Accounting Standard 23 on Accounting of Investments in Associates and Accounting Standard 27 on Financial Reporting of Interests in Joint Ventures, issued by the Council of the Institute of Chartered Accountants of India.

3. DIVIDEND

Your Directors are pleased to recommend for the approval of the shareholders, a dividend of 85% (Rs. 8.50 per share) (FY 05 total dividend Rs. 7.50 per share).

4. POWER BUSINESS

4.1. Operational Highlights

The Company generated a total of 13746 Million Units (MUs) of power from all its power plants during the year as compared to 13283 MUs in the previous year. This is higher than the previous high in FY 05.

During the unprecedented flood crisis in Mumbai post July 26, 2005 record rainfall, the Company's thermal units at Trombay operated at full capacity to keep Mumbai powered. The Company extended its full support to its consumers in Mumbai including other utilities.

The Company was awarded a certificate for "Strong Commitment to Excel Award, 2005" by CII-EXIM Bank.

4.2. Mumbai Power Business

4.2.1. Thermal Power Station – Trombay

Trombay Thermal Power Station recorded a generation of 9185 MUs during the current year as compared to 9511 MUs generated in the previous year. The generation at Trombay was backed down to accommodate higher generation at the hydro stations on account of the excellent monsoon during the year. The capital overhaul of 500 MW Unit 5 was completed in a record time of 23 days.

The construction of the Captive Coal Berth at Trombay is progressing as per schedule. The civil work is expected to be completed before the monsoons and installation of the mechanical items will begin thereafter. The Berth will improve coal supply logistics to the Thermal Power Plant, as coal can be directly unloaded at the Berth, instead of the current circuitous route involving road and rail transport in addition to shipping and barging.

4.2.2. Hydro Power Plants – Bhira, Bhivpuri and Khopoli

The three hydro power plants collectively generated 2024 MUs during the year as compared to 1439 MUs in the previous year, an increase of 41%. This is the highest ever generation by the Hydro plants with the previous high being 1636 MUs in 1992.

This year has been significant with the hydro lakes receiving the second highest total inflow of 2331 million cubic metres (MCM), the highest being 2350 MCM in 1927. Maximising hydro generation during the monsoons helped in minimising floods and preventing damage to property in Lonavla, Maval and Mulshi areas.

The Company continued its efforts of water augmentation to the lakes. The Walwandi Scheme has been completed during the year.

4.2.3. Wind Power

The 17 MW wind farm at Supa near Ahmednagar, Maharashtra generated 27 MUs during the year as against 29 MUs generated in the previous year.

4.2.4. Mumbai Transmission and Distribution

During the year, 15 consumer sub-stations, 73 circuit km (ckt.km) of High Tension /Low Tension cable network and 3 ckt. km of Transmission lines were added.

There was an all round improvement in the operational parameters of the Transmission and Distribution system with increased availability of Receiving Station equipment, Overhead lines and Underground Cables. The Distribution Automation System for consumer sub-stations was commissioned for consumers in the Bandra-Kurla Complex area. A Customer Portal was launched on the Company's web site making it possible for residential consumers in the Mumbai Licence Area to pay their bills online and also view their consumption pattern and payment details.

4.2.5. Power Sales

During the year, the Mumbai Licence Area recorded a sale of 10421 MUs, as against 9583 MUs during the previous year. In addition, the Company sold its off peak surplus generation of 686 MUs to Maharashtra State Electricity Distribution Company Limited to meet the growing demand in the rest of Maharashtra and to some states in the Northern Region. However, to meet the increased demand in the Mumbai Licence Area during peak hours, the Company also purchased 448 MUs.

The power supply agreement with BEST came up for renewal in August, 2005. The renewed agreement between the Company and BEST is awaiting Maharashtra Electricity Regulatory Commission's (MERC) ratification. The power supply agreement with Reliance Energy Limited (REL) is also under discussion. The Company has entered into a power supply agreement with Hindustan Petroleum Corporation Limited for supply of 48 MW for its expansion project.

The Company has applied for parallel distribution licences in seven areas of Maharashtra including Pune Urban Zone, Bhandup Circle, Vashi Circle, Nashik etc.

4.3. Captive Power Plant and Independent Power Producer Business

4.3.1. Jojobera

The Jojobera Thermal Power Station recorded generation of 2375 MUs as compared to the previous year generation of 1950 MUs.

A new industry benchmark was set by way of construction and commissioning of the 120 MW coal-fired Unit 4 at the Jojobera Power Plant in a record time of 23 months.

During the year, the Jojobera Power Plant received the Rajiv Gandhi National Quality Award.

4.3.2. Belgaum

The 81.3 MW Belgaum Independent Power Producer (IPP) plant generated 135 MUs as against 244 MUs last year due to lower requirement of Karnataka. This was mainly due to the excellent monsoon in Karnataka. As per agreement, the purchaser continues to pay for the fixed charges.

4.4. Generation Projects

4.4.1. Mumbai Licence Area Projects

4.4.1.1. 250 MW Expansion Project at Trombay

The Company is implementing a 250 MW coal based plant at Trombay, to meet Licence Area's future power requirement. The project has received all important clearances and project site development activities are in progress. The project is scheduled to be commissioned during FY 09.

4.4.1.2. 100 MW Diesel Generating Sets

To meet the urgent needs of its Licence Area's demand, the Company is in the process of installing 100 MW low capital cost Diesel Generating sets, which have a short commissioning period of 10 -12 months.

4.4.1.3. Coastal Project

The Company is actively pursuing setting up an imported coal based 1000 MW power plant in coastal Maharashtra to meet the long-term power requirements of Maharashtra (including Mumbai). The Government of Maharashtra (GoM) has been approached for acquisition of land for this project.

4.4.2. Maithon Project

The Company has signed the Shareholders' Agreement with Damodar Valley Corporation (DVC) and holds 74% equity stake in Maithon Power Ltd. and the balance 26% is held by DVC.

About 55% of the land has been acquired, while the rest of the land is in the process of being acquired. The project has received all requisite clearances. Coal linkage has been provided for around 50% of the total requirement while the balance is being identified by Coal India. The Project has been targeted for commissioning in FY 2010.

4.4.3. Captive Power Plants for Tata Steel Limited

The Company is setting up a 120 MW power plant for Tata Steel Limited (Tata Steel) in Jamshedpur, utilizing the waste gases from the steel making process. The estimated project cost is Rs. 490 crores and the project period is expected to be 26 months. The Company is in discussions with Tata Steel for setting up Captive Power Plants for their expansion projects in various states in India such as Chhattisgarh, Orissa and Jharkhand.

4.4.4. Ultra Mega Power Projects

The Government of India (GoI) has announced the implementation of several Ultra Mega Power Projects through an International Competitive Bidding process. The Company has submitted its Expression of Interest for four Ultra Mega Power Projects, one each in Gujarat, Madhya Pradesh, Maharashtra and Karnataka. Consequently, the Company has received the Request for Qualification documents for the Sasan Project in Madhya Pradesh and the Mundra Project in Gujarat. The Company will be participating in the bidding process for these projects.

4.4.5. Alaknanda Hydro Project

The Company sold its shareholding in Alaknanda Hydro Power Company Limited having considered it not in alignment with its current strategy and to focus on other major projects.

4.5. Overseas Projects

4.5.1. Bangladesh

Consequent to the Expression of Interest signed on October 13, 2004 by the Company with the Board of Investment, Bangladesh, along with two other Tata Group companies viz. Tata Steel and Tata Chemicals Limited, a joint final proposal has been submitted for the consideration of the Bangladesh Government. The Company has proposed to set up a 480 MW gas based power plant for meeting the requirement of the steel plant to be set up by Tata Steel and 250-300 MW coal based plant to supply power to the Bangladesh Power Development Board.

4.5.2. South Africa

The Company, along with its local partners, has been pre-qualified and has been invited to participate in the bidding process for a 290-380 MW Open Cycle Gas Turbine Peaking IPP project in South Africa. The Company will be participating in this bidding process.

4.6. Captive Coal Blocks

The Company's applications for allotment of captive coal blocks in Jharkand, Orissa and Andhra Pradesh are awaiting approval from the GoI.

4.7. Distribution Business

4.7.1. North Delhi Power Limited

The Company's distribution joint venture North Delhi Power Limited (NDPL) posted a revenue of Rs. 1840.55 crores, a growth of 16% as compared to the previous year and net profit of Rs. 112.52 crores as compared to Rs. 56.76 crores in the previous year. The Aggregated Technical and Commercial (AT&C) losses have been brought down from 53.40% to 28.40% in a period of 3 years and 9 months, as against the regulatory target of 31.10% by the end of 5 years. This has resulted in additional revenue of Rs.172.16 crores during the current year as against Rs. 160.96 crores during the previous year, enabling NDPL to have additional operating profit of Rs. 55.39 crores in the current year as against Rs. 38.06 crores in the previous year. NDPL also achieved 100% of its regulatory targets for capital expenditure for the fourth consecutive financial year in succession and has invested about Rs. 1,000 crores since privatisation.

NDPL's Centre for Efficiency in Power Distribution has become one of the landmark resources for the power sector in India and has imparted over 13000 mandays of training which includes participants from 18 utilities across the country and overseas.

NDPL has been awarded a certificate for "Strong Commitement to Excel Award, 2005" by CII-EXIM Bank.

4.8. Transmission Projects

4.8.1. Tala Transmission Project

The Tala Transmission Project is being implemented by Powerlinks Transmission Limited, as a joint venture between the Company and Power Grid Corporation of India Limited (PGCIL). The Bareilly-Mandola portion of the project has been completed three months ahead of the scheduled project completion date of June, 2006.

This project involves the construction of 1200 km of 400 kV transmission lines from Siliguri in West Bengal to Delhi region and was conceptualized to evacuate 1020 MW of power from Bhutan and transmit it to the power deficit states in North India, while also facilitating the transmission of surplus power from the North-Eastern region.

Powerlinks Transmission Ltd. has implemented the Integrated Management System and has been awarded the ISO 9001:2000, ISO 14001:2004 and OHSAS (Occupational Health & Safety Assessment Series) 18001:1999 certifications for Quality System, Environmental Management System and Occupation Health and Safety respectively in September, 2005.

4.8.2. Other Transmission Projects

PGCIL has issued Notice Inviting Tender for strengthening of Transmission Systems through the Independent Power Transmission Company route. The Company is actively considering participating in these tenders.

4.9. Power Trading

Tata Power Trading Company Limited (TPTCL), in its first full year of operation, traded 675 MUs, earning a revenue of Rs. 207.76 crores and profit after tax of Rs. 3.18 crores.

TPTCL is now a well recognized power trading company in the country among the eighteen licensed power trading companies. In FY 05, TPTCL was issued a Category "A" trading licence which restricted TPTCL to trade power up to 100 MUs per annum. During the current year, the same was upgraded to Category "F" which entitles TPTCL to trade power without any quantity restrictions.

5. OTHER BUSINESSES

5.1. Power Systems Division

The Power Systems Division (PSD) recorded a turnover of Rs. 267.41 crores in the current year, an increase of 45% over last year and was successful in bagging new contracts from PGCIL.

PSD (excluding the Bangladesh projects) has been transferred to Tata Projects Limited for a consideration of Rs. 80.21 crores, effective 1st January, 2006.

5.2. Strategic Electronics Division

The Strategic Electronics Division (SED) during the current year registered an operating revenue of Rs. 38.18 crores, as against Rs. 62.05 crores during the previous year. This was due to a significantly lower 'Book and Bill' revenue as a result of Ministry of Defence (MoD) programs taking longer time than anticipated to fructify into orders.

SED, however, ended the year on a positive note with order bookings in excess of Rs. 200 crores. SED now has the status of a Prime Contractor with the MoD having received the Pinaka Multi Barrel Rocket Launcher contract in March, 2006. SED also concluded negotiations for the supply of multiple Advanced Air Defence Systems to be installed and commissioned in a three year span.

5.3. Broadband Communications Business

During the year, the Company completed the sale of Tata Power Broadband Company Limited to Videsh Sanchar Nigam Limited for a consideration of Rs. 201.97 crores. This resulted in a profit of Rs. 131.97 crores.

6. ENERGY CONSERVATION AND ENVIRONMENT PROTECTION

6.1. Energy Conservation Initiatives

Some of the energy conservation initiatives taken up by the Company are as follows:

- The Company ensured consistent control in its Auxiliary Power Consumption at all its generating units at Trombay, Hydros, Jojobera and Belgaum.
- A Public Awareness Campaign on saving power was initiated in Mumbai by the Company in association with Confederation of Indian Industries. The main objective was to create public awareness regarding the looming power shortage in Maharashtra and make attitudinal changes towards power saving by inducing self-restraint and educating the public about simple ways of saving power.
- Transmission and Distribution losses were reduced by switching off under-utilized transformers at Receiving Stations, optimization of system operations, load balancing on power transformers, cutting out transformers at consumer sub-stations and savings due to opening of ring network at low loss point.
- Transmission and Distribution divisions of the Company received the "Energy Efficient Unit Award" at the National Awards for Excellence in Energy Management.

6.2. Environment

- The Jojobera Power Station received the Greentech Platinum Award for Environmental Management and Golden Peacock Commendation for Environment Management.
- During the current year, more than 3000 saplings were planted in and around the Belgaum plant premises.
- Fly Ash utilisation at Jojobera was a record 90%.

7. TATA BUSINESS EXCELLENCE MODEL

The Company has institutionalised the Tata Business Excellence Model (TBEM) process. Current major improvement initiatives include mapping the existing business processes for standardization and uniform deployment across the Company, sustained focus on continuous improvement, creating a team based culture, reduction in Cost of Poor Quality and knowledge sharing.

TBEM reinforcement is continued through familiarization programmes for officers and workmen. This year, "TBEM Samvad" an interactive program, conducted by the workmen themselves was rolled out for a wider reach and understanding amongst employees.

8. RISK MANAGEMENT

In its second year of implementation, the Risk Management Process consisted of planning, organizing, co-ordinating and managing of activities undertaken with the intent of providing an environment that minimizes the adverse impact of risk. The Risk Management Committee reviewed the risks and made appropriate changes in the Risk Plans. The Internal Audit Plan for the year covers the risk areas identified by the Risk Management Process.

9. REGULATORY MANAGEMENT

The Appellate Tribunal for Electricity has completed the hearing of the Appeal filed by the Company against MERC's Standby Order dated 31st May, 2004. The Order is awaited. However, the Company, as a matter of prudence, has accounted standby charges for the year ended 31st March, 2005 and 31st March, 2006 on the basis determined by the MERC Order.

The Appellate Tribunal vide its Order dated 22nd May, 2006 has held that the Company has not been granted licence to undertake retail distribution of electricity in the area within which REL has been distributing power in retail to customers directly. The Appellate Tribunal has also held that till 1997, the Company was never engaged in distribution of power in retail and the conflict has arisen between the parties only after REL set up its own generating plant or soon thereafter.

The Company is of the view, supported by independent legal opinion, that the Tribunal's Order can be successfully challenged. The Company is in the process of filing an appeal.

10. HUMAN RESOURCE DEVELOPMENT

During the year, the Company has undertaken a review of its attraction and retention strategies besides undertaking several initiatives aimed at enhancing employee productivity and talent management. Renewed thrust has been provided to initiatives to improve aspects such as employee safety, productivity and motivation.

A compensation benchmarking exercise was undertaken to align the current compensation structures to the market. Based on the findings, the compensation levels and structures have been revamped to stay competitive.

The Company continues its focus on developing its employees and has designed training initiatives to achieve a balance between the strategic organizational objectives and individual aspirations. Consistent high performers are trained at reputed institutes in India and abroad for future leadership roles.

Industrial relations continue to be cordial. The Company has signed a four year settlement with the Tata Electric Employees' Union at its Jojobera unit. The Company has put in place a gradation system, which apart from addressing workers' aspirations will reinforce productivity.

11. FOREIGN EXCHANGE EARNINGS / OUTGO

The foreign exchange earnings of the Company during the year under review amounted to Rs. 82.88 crores (previous year Rs. 74.04 crores), mainly on account of Euro Notes currency swaps, interest earned on FCCB funds parked abroad and Trading Exports. The foreign exchange outflow during the year was Rs. 647.95 crores (previous year Rs. 655.72 crores), mainly on account of fuel purchase of Rs. 470.22 crores (previous year Rs. 431.03 crores), repayment of foreign currency loans with interest thereon, NRI dividends and FCCB Issue expenses of Rs. 129.99 crores (previous year Rs. 175.34 crores) and purchase of capital equipment, components and spares and other miscellaneous expenses of Rs. 47.74 crores (previous year Rs. 49.35 crores).

12. SAFETY

The Company continues to give prime importance to workplace safety, health and ergonomics and bagged the 'Greentech Safety Gold Award' for the third successive year. The GoM also conferred a momento and certificate of appreciation to the Company for constructive contribution made in Electrical Safety.

Trombay Thermal Power Station obtained OHSAS 18001:1999 certifications by TUV Management Services. Khopoli and Bhira divisions received Safety Awards by National Safety Council, Maharashtra Chapter for the "Lowest Accident Frequency Rate" and "Developing and implementing effective management systems and procedures and achieving good performance in Occupational Safety and Health during 2002 to 2004" respectively. Belgaum plant was certified under OHSAS 18000 in July, 2005. Greentech Safety Platinum Award '06 was conferred to the Jojobera plant by Greentech Foundation for Safety Management System. Powerlinks Transmission Limited took special initiatives for the Safety and Welfare of Transmission line workers and conducted safety training programs at various camps on the sites.

13. COMMUNITY DEVELOPMENT AND CORPORATE SOCIAL RESPONSIBILITY

In Licence Area, the Company continued its contribution to building of infrastructure in the areas of education, asphalting of roads and in drinking and irrigation schemes. The Company also constructed and repaired schools at various locations in nearby villages in the Hydro areas.

In Jojobera, solar street lights were provided and a Community Hall constructed at Khayerbani village, with facilities for volley ball, carrom and football.

In the area of health care, medical check ups were organized and medicines provided free at health centres run by the Company's Medical Officers. Dental check up camps and AIDS Awareness programmes were also conducted. The Company participated in National Polio immunization drive. The Company also organised family planning camps.

During the period of heavy monsoons in Mumbai, post July 26, 2005, the Company extended its relief operations for fifteen days with about 60 employees of the Company. A joint team from Sir Dorabji Trust, Tata Institute of Social Science, Municipal Corporation of Greater Mumbai and the Company along with volunteers provided relief to more than 35,000 families in the form of food, medicine, ambulance services, medical assistance, family kits, dewatering assistance, cleaning of nallas and removal of debris, washing and disinfection of eleven schools. Volunteers have worked selflessly during the relief operation to bring some relief to the victims.

14. GLOBAL COMPACT COMPLIANCE

The Company has declared its support to the Global Compact Initiative taken up by the United Nations Secretary General in 2002. The Compact requires businesses to adhere to Ten Principles in the areas of Human Rights, Labour Standards and Environment. The Company submitted its "Communication on Progress" in respect of implementation of the Ten Principles in its business processes.

15. DISCLOSURE OF PARTICULARS

Particulars required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in the prescribed format as Annexure I to the Directors' Report.

Particulars of Employees: Information in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956 (the Act), read with the Companies (Particulars of Employees) Rules, 1975, as amended, regarding employees is given in Annexure II to the Directors' Report.

16. SUBSIDIARIES

On an application made by the Company under Section 212(8) of the Act, the Central Government, vide letter dated 27th April 2006, exempted the Company from attaching a copy of the Balance Sheet, Profit and Loss Account, Directors' Report and Auditors' Report of the subsidiary companies and other documents required to be attached under Section 212(1) of the Act to the Balance Sheet of the Company. Accordingly, the said documents are not being attached with the Balance Sheet of the Company. A gist of the financial performance of the subsidiary companies is contained in the report. The Annual Accounts of the subsidiary companies are open for inspection by any member/investor and the Company will make available these documents/details upon request by any Member of the Company or to any investor of its subsidiary companies who may be interested in obtaining the same. Further, the Annual Accounts of the subsidiary companies will be kept open for inspection by any investor at the Company's Head Office and that of the subsidiary company concerned.

17. DIRECTORS

Consequent upon the resignation of Mr F A Vandrevala, as Managing Director, the Board constituted a Managing Committee comprising of Mr R N Tata, Mr Syamal Gupta and Mr A J Engineer to oversee the Company's operations.

Consequent upon the cessation of his tenure of office, Mr P K Kukde has ceased to be the Executive Director and also a Director of the Company with effect from the close of business hours on 31st March, 2006. The Board has placed on record its appreciation of the valuable contribution made to the Company by Mr Kukde.

In accordance with the requirements of the Act and the Articles of Association of the Company, Dr H S Vachha and Mr R N Tata retire by rotation and are eligible for re-appointment.

18. AUDITORS

Messrs. A F Ferguson & Co. and Messrs. S B Billimoria & Co., the existing Statutory Auditors are now part of Messrs. Deloitte Haskins & Sells (DHS) in India. Taking into consideration the above, the Company has decided to appoint DHS as the Statutory Auditors to audit the Accounts of the Company for FY 07. Messrs. A F Ferguson & Co. and Messrs. S B Billimoria & Co. have communicated that they are not seeking re-appointment at the ensuing Annual General Meeting. The Company has received a special notice from a shareholder of the Company, in terms of the provisions of the Act, signifying its intention to propose the appointment of DHS as the Statutory Auditors of Company from the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting. DHS have also expressed their willingness to act as Auditors of the Company, if appointed, and have further confirmed that the said appointment would be in conformity with the provisions of Section 224(1B) of the Act.

As per the requirement of the Central Government and pursuant to Section 233B of the Act, the Company carries out an audit of cost accounts relating to electricity every year. Subject to the approval of the Central Government, the Company has appointed M/s. N I Mehta & Associates to audit the cost accounts relating to electricity for FY 07.

Members will also be requested to pass a resolution (vide Item No. 10 of the Notice) authorising the Board of Directors to appoint Hoda Vasi Chowdhury & Co. as the Branch Auditors of the Bangladesh Branch of the Company and to fix their remuneration.

Vide the same resolution, members are also requested to authorize the Board of Directors, in consultation with the Company's Auditors, to appoint Auditors/Branch Auditors/Accountants for the purpose of auditing the accounts maintained in respect of other branches of the Company, if any, which may be opened during the year, in India and abroad.

19. AUDITORS' REPORT

The notes to the Accounts referred to in Auditors' Report are self explanatory and, therefore, do not call for any further explanation under Section 217 (3) of the Act.

20. CORPORATE GOVERNANCE

To comply with conditions of Corporate Governance, pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, a Management Discussion and Analysis Statement, Corporate Governance Report and Auditors' Certificate, are included in the Annual Report.

21. DIRECTORS' REPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Act, the Directors based on the representations received from the Operating Management, confirm that:

i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to all material departures;

ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

iii) they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv) they have prepared the annual accounts on a going concern basis.

On behalf of the Board of Directors,

R. N. TATA
Chairman

Mumbai, 29th May, 2006.

Annexure I to the Directors' Report

FORM B

Form for disclosure of particulars with respect to technology absorption

Research and Development (R&D)

1.	Specific area in which R&D carried out by the Company	:	Design and Development of custom built systems for the Strategic Electronics Industry.
2.	Benefits derived as a result of the above R&D	:	Indigenous capability leading to Import Substitution and the associated savings in Foreign Exchange.
3.	Future Plan of Action	:	Process Design and concurrent engineering practices for large scale production.
4.	Expenditure on R&D (in Rs. lakhs)		
	(a) Capital	:	519.28
	(b) Recurring	:	53.67
	(c) Total	:	572.95

Technology absorption, adaptation and innovation

1.	Efforts, in brief, made towards Technology absorption, adaptation and innovation	:	1. Design and development of a servo system controller cum Man-Machine / External Systems Interface 2. Backup Islanding Scheme at Generating Station 3. State-of-art controller for Electrostatic Precipitator.
2.	Benefits derived as a result of the above efforts	:	1. Universal module that can be adapted for any launcher application for missile / rocket including activation of firing sequence. 2. For enhanced system security and reliability 3. Better control and savings in auxiliary power.
3.	In case of imported technology (imported during the last five years reckoned from the beginning of the financial year), following information may be furnished :		
	a) Technology imported	:	None
	b) Year of import	:	NA
	c) Has technology been fully absorbed	:	NA
	d) If not fully absorbed, areas where this has not taken place, reasons thereof and future plans of action	:	NA

Annexure II to the Directors' Report

Statement pursuant to Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975

Sr. No.	Names	Age (Years)	Designation/ Nature of Duties	Remuneration Gross Rs.	Net Rs.	Qualification	Total Experi-ence (Years)	Date of Commence-ment of Employment	Last Employment held and Designation
1.	VANDREVALA F A*	55	MANAGING DIRECTOR	6,571,456	6,098,813	B.TECH (HONS), PG DBM	34	01/11/01	THE TATA IRON & STEEL CO. LTD. (DY. MANAGING DIRECTOR - NEW & ALLIED BUSINESSES)
2.	KUKDE P K	62	EXECUTIVE DIRECTOR (OPERATIONS)	6,689,032	4,379,175	ME (ELEC) UNIVERSITY OF ROORKEE	36	23/01/03	MSEB (TECH. MEMBER T&D)
3.	RAMAKRISHNAN S	57	EXECUTIVE DIRECTOR (FINANCE)	5,565,854	3,547,186	B.TECH (MECH), PG DBA IIM - AHD.	34	01/10/04	TATA TELESERVICES LTD. (MANAGING DIRECTOR)
4.	CHARAN AMULYA	57	VICE PRESIDENT (INTERNAL AUDIT AND RISK MGMT)	4,184,367	2,632,021	B.E. (MECH), PG DBA IIM - AHD.	35	15/10/01	INFORMATION TECHNOLOGY PARK LTD. (FINANCE DIRECTOR)
5.	CHAUDHRY RAHUL	45	CHIEF EXECUTIVE OFFICER (SED)	4,518,239	2,794,603	B.E. (ELN), M.TECH. (MANAGEMENT SYSTEM)	26	23/08/01	BT WIRELESS (PROGRAMME DIRECTOR)
6.	DESHPANDE S D	59	VICE PRESIDENT (OPERATIONS)	3,186,833	2,017,356	B.E., MTECH.	36	14/05/99	NATIONAL THERMAL POWER CORP. LTD. (ADDITIONAL GENERAL MANAGER)
7.	BHANDARI MAHESH	45	VICE PRESIDENT (REGULATION)	3,941,172	2,499,933	B.COM., LL.B., ACA, MSM (USA), CPA (USA)	21	09/10/03	TATA CONSULTANCY SERVICES (EXECUTIVE VICE PRESIDENT)
8.	SARDANA A K	47	MANAGING DIRECTOR (NDPL)	5,187,059	3,383,042	B.E. (ELEC) UNIVERSITY OF DELHI, ICWAI, PGDM	25	12/07/02	BSES LIMITED (V.P. HEAD OF CORP. PLANNING & EPC BUSINESS GROUP)
9.	WADHWA SUNIL	46	EXECUTIVE DIRECTOR (NDPL)	4,004,302	2,535,534	ACSI, ACAI	23	02/08/02	TATA CHEMICALS LIMITED (CHIEF FINANCE OFFICER)
10.	SEQUIERA R C	46	VICE PRESIDENT (HR)	3,325,984	1,997,329	B.Sc., PGD - PM&IR	22	10/06/04	HSBC (SENIOR REWARDS MANAGER)
11.	SHROFF B J	54	COMPANY SECRETARY & SR. GM (CORP. AFFAIRS)	2,515,606	1,598,087	B.COM., FCS, ASSOCIATE MEMBER OF THE INSTITUTE OF INTERNAL AUDITORS, FLORIDA,USA	35	05/10/98	THE BOMBAY BURMAH TRADING CORP. LTD. (COMPANY SECRETARY)

* Employed for part of the year

Notes:
(1) Gross remuneration comprises salary, allowances, monetary value of perquisites, commission to Directors and the Company's contribution to Provident and Superannuation Funds, but excludes provision for retiring gratuity for which separate figures are not available.
(2) Net remuneration is after tax and is exclusive of Company's Contribution to Provident and Superannuation Funds and monetary value of non cash perquisites.
(3) The nature of employment in all cases is contractual.
(4) None of the employees mentioned above is a relative of any Director of the Company.

On behalf of the Board of Directors,

R. N. TATA
Chairman

Mumbai, 29th May, 2006.

Management Discussion and Analysis

1. INDUSTRY STRUCTURE AND DEVELOPMENTS

1.1. Power Sector in India

The Indian power sector is progressing on the policy and regulation front, consequent to the enactment of The Electricity Act, 2003. Various policy initiatives which have taken place are the finalization of National Electricity Policy, National Tariff Policy, Competitive bidding guidelines, 100% Rural Electrification Policy, establishment of National Appellate Tribunal and institutionalizing effective Central and State level regulatory mechanisms and unbundling of different State Electricity Boards. The regulatory mechanism in the country is also in the process of maturing with the formulation of new rules and regulations in place of antiquated rules, by Central and different State regulators, in line with the spirit of The Electricity Act, 2003, by balancing interests of different stakeholders.

1.1.1. Generation

While there is some progress on the policy front, the overall gap between power supply and demand continues in the country, with the peak demand shortage at 12-13% and energy gap at 7-8% resulting in frequent load shedding. Most major States like Maharashtra, Gujarat, Madhya Pradesh, Uttar Pradesh, and Punjab have been facing much higher power shortage in the range of 20-25%. The Government of India (GoI) has expressed concern about this power shortage situation and has launched an ambitious program to augment the country's present generation capacity of about 1,24,000 MW by installing an additional 1,00,000 MW of generation capacity by 2012.

To provide a much needed impetus to this capital intensive capacity augmentation program, the GoI has now proposed installation of Ultra Mega Power Projects, each consisting of 4000 MW of capacity, at select 5 to 7 locations. These projects would be offered to interested parties for development on competitive bidding basis, after completion of the necessary infrastructure work like land acquisition, water supply, rail and road networks, fuel linkages, power evacuation as well as obtaining necessary statutory clearances.

This would offer opportunities for capacity addition to the private sector. The power sector is also likely to see an increasing level of competition from a multitude of players, including global companies. This is expected to change the market dynamics from a protective environment to a competitive one, although the pace of change remains uncertain.

1.1.2. Transmission

The GoI has also acknowledged the need for a robust transmission network to overcome corridor constraints and to ensure congestion-free flow of power across the country. The Central Transmission Utility, namely Power Grid Corporation of India Limited (PGCIL) has been mandated to enhance the interstate capacity to 30,000 MW. PGCIL proposes to carry out this extensive activity through the joint venture route with private parties. It is also proposed that certain identified transmission networks in the country could be awarded to interested private sector parties directly. The GoI has recently finalized guidelines for encouraging private sector participation and competitive bidding in this sector.

1.1.3. Distribution and State Electricity Boards

While many State Electricity Boards (SEBs) have been unbundled and are now operating as separate Generation, Transmission and Distribution entities, the expected efficiencies in technical operations and financial performance are not yet visible. The Aggregated Technical and Commercial losses continue to remain at high levels, with the national average being 36% due to reasons such as lack of law and order support to curb thefts and general inability of SEBs to take tough measures. Creditworthiness of most SEBs remain a concern for private investors. While privatization of the distribution sector in Delhi, has achieved demonstrable improved quality and reliability of supply as well as services to the end users, similar efforts in privatization of distribution areas, which could have improved matters in different States have not yet been seen. Load shedding continues in many areas due to lack of adequate generation capacity. Consumers and industries are, therefore, compelled to either face the inevitable load shedding or rely upon sub-optimal solutions such as inverters, DG sets and captive power plants to meet power shortages.

1.1.4. Rural Electrification

The GoI has launched the Rajiv Gandhi Grameen Vidyutikaran Yojana – a National Rural Electrification Programme, which proposes 100% village electrification and access to electricity to all households in India in the next 5 years. The GoI has committed financial resources of about Rs.16000 crores, distributed over 5 years, for this ambitious target.

1.2. Other Developments

Maharashtra has been facing unprecedented power shortage of about 4000 MW. This has led to a planned load shedding of up to 12 hours in rural areas and 4-6 hours in other urban areas. The situation is likely to worsen in the coming years unless new capacity addition is done.

We are now seeing the revival of the 2184 MW Ratnagiri Gas and Power Pvt. Ltd. However, the key issue of sourcing of Liquified Natural Gas (LNG) at affordable prices remains to be resolved.

Consequent to the notification of guidelines for tariff based bidding, some States have started using this route for sourcing their future requirements. Concerns are, however, expressed regarding the timing and actual implementation in different States.

2. OPPORTUNITIES AND THREATS

Announcement of the Ultra Mega Power Projects by the GoI has opened opportunities. The Nuclear Power sector is also likely to be opened up for foreign and private sector participation in the future.

While there are future opportunities for the private sector and some of the players have announced their plans, their fructification would largely depend upon the GoI and the States addressing the basic issues relating to risk profile of the sector due to long project development time and capital intensive nature of sector, slow pace of distribution reforms, the coal sector's inability to meet growing demand of the power sector, inadequate evacuation capacity of transmission corridors and credit worthiness of SEBs etc.

The GoI has acknowledged some of these issues and decided to privatise/allot, yet to be developed, coal mines to power producers to meet their fuel requirement. However, delays in opening up the coal sector for the private sector and lack of clarity in allotment of captive coal blocks to the power sector continues to be a cause for concern. Reforms in distribution and fuel sectors hold the key to long-term sustenance of investments in the power sector.

3. SEGMENT–WISE REVIEW OF THE COMPANY'S BUSINESS

3.1. Profile

The Company is primarily engaged in the business of generation, transmission and distribution of electricity with operations in the states of Maharashtra, Jharkhand and Karnataka. Through its Strategic Electronics Division, the Company carries out design and development of defence systems like Multi Rocket Launcher Systems.

During the current year, the power business contributed about 94% of the Company's revenues. The Mumbai Licence Area operations contributed about 86% of the power business revenues.

3.2. Generation, Transmission and Distribution of Electricity

3.2.1. *Mumbai Licence Area*

3.2.1.1. Sales :

The sales in Licence Area were higher at 11107 Million Units (MUs) as against 10376 MUs during the previous year. Sales from Licence Area operations to consumers outside Licence Area stood at 686 MUs as against 793 MUs during the previous year. Sales to various consumers of the Company in the current year compared to the previous year are as under:

	2005-06		*2004-05*	
Customer	**(MUs)**	**%**	***(MUs)***	***%***
BEST	4156	38	*3962*	*38*
REL	3924	35	*3352*	*32*
Railways	765	7	*782*	*8*
Others	1576	14	*1487*	*14*
Sales in Licence Area	**10421**	**94**	***9583***	***92***
MSEB / MPEB/ TPTCL	686	6	*793*	*8*
Total	**11107**	**100**	***10376***	***100***

3.2.1.2. *Thermal Generation*

Trombay Thermal Power Station generated 9185 MUs as against 9511MUs during the previous year. Thermal generation was required to be backed down during monsoon to accommodate the highest ever recorded hydro generation due to unprecedented monsoon this year.

Generation at Trombay is largely dependent on domestic Low Sulphur Heavy Stock (LSHS) and imported coal to meet the stringent environmental requirements. Fluctuations in oil prices have a major bearing on the Company's tariff in its Licence Area. Increase in international crude prices has resulted in a sharp increase in the cost of LSHS. Gas availability also remained low during the year. A break up of the fuel mix is provided below:

(Figures in %)	**2005-06**	***2004-05***
Fuel mix (based on MUs)		
Coal	32	*35*
Oil	37	*38*
Gas	13	*14*
Hydro	18	*13*
Total	**100**	***100***
Fuel mix (based on Fuel Cost)		
Coal	22	*31*
Oil	73	*63*
Gas	5	*6*
Hydro	—	—
Total	**100**	***100***

3.2.1.3. *Hydro Generation*

Hydro generating plants of the Company generated 2024 MUs during the year as compared to 1439 MUs during the previous year. This is the highest ever generation of hydros, the previous high being 1636 MUs in the year 1992.

3.2.1.4. *Transmission and Distribution*

The Company lays strong emphasis on continuous improvement in the quality of power supply, closely monitoring its reliability indices. Commissioning of new sub-stations, enhancing cable and transmission network have further helped in improving reliability of power supply to customers. The Company also launched a Customer Portal on its web site whereby Licence Area residential customers can view and pay their bills on-line and also view their consumption pattern and payment details.

3.2.2. *Captive Power Plants and Independent Power Plants*

Jojobera Power Plants generated 2375 MUs which is the highest till date, an increase of 22% over the previous year.

The generation at Belgaum Plant was lower at 135 MUs as against 244 MUs of last year due to lack of demand on account of excellent monsoon in Karnataka.

3.3 Strategic Electronics Division

Through the Defence Procurement Procedure 2005, the Ministry of Defence (MoD) has introduced offset requirements for imported defence equipments. Strategic Electronics Division (SED) proposes to exploit this offset window and is targeting export of design and engineering services to Foreign Prime Defence contractors.

SED now has the status of a prime contractor with the MoD, having received the Pinaka Multi Barrel Rocket Launcher contract in March, 2006. SED also concluded negotiations for the supply of multiple Advanced Air Defence Systems to be installed and commissioned in a three year span. SED ended the year on a positive note with order bookings in excess of Rs. 200 crores.

3.4 Power Systems Division

In view of significant operational synergies with Tata Projects Limited (TPL), the Company decided to sell Power Systems Division (excluding the Bangladesh projects) to TPL at a consideration of Rs. 80.21 crores, effective 1st January, 2006.

3.5 Disputes

There are certain ongoing disputes between the Company and Reliance Energy Ltd. (REL) in the Mumbai Licence Area: Sharing of standby charges case and Interpretation of the Company's licence etc. All these matters are going through the appropriate dispute resolution process through the Regulatory Commission hearing and legal process as required.

The Appellate Tribunal for Electricity has completed the hearing of the Appeal filed by the Company against the Maharashtra Electricity Regulatory Commission's (MERC) Standby Order dated 31st May, 2004. The Order is awaited. However, the Company, as a matter of prudence, has accounted standby charges for the year ended 31st March, 2005 and 31st March, 2006 on the basis determined by the MERC Order.

MERC passed an Order on 3rd July, 2003 holding that the Company has a right to supply electricity to all types of consumers in bulk as well as in retail but retrained the Company from distributing power to consumers below 1000 KVA and offering new connections till such time a level playing field was established.

Both REL and the Company appealed against the MERC's Order before the Appellate Tribunal for Electricity. The Appellate Tribunal vide its Order dated 22nd May, 2006 has set aside the findings of MERC and has held that the Company has not been granted licence to undertake retail distribution of electricity in the area within which REL has been distributing power in retail to customers directly. The Appellate Tribunal has also held that till 1997, the Company was never engaged in distribution of power in retail and the conflict has arisen between the parties only after REL set up its own generating plant or soon thereafter.

The Company is of the view, supported by independent legal opinion, that the Tribunal's Order can be successfully challenged. The Company is in the process of filing an appeal.

4. COMPANY'S GROWTH PLANS IN THE POWER SECTOR

The Company has a long-term strategic growth plan, in order to enable it to capitalise on the opportunities being presented and mitigate the inherent risks. The Company is currently pursuing the development of several projects to achieve growth. These are:

- 250 MW Thermal Power Plant at Trombay based on imported coal and utilising the existing infrastructure at Trombay. This plant will help in addressing the power shortage scenario in Mumbai. The project is scheduled to be commissioned in FY 09. The Company is also examining the feasibility of installing further additional capacity at Trombay.
- The Company is in the process of setting up 100 MW Diesel Generating sets, which have a short commissioning period of 10-12 months, acting as an interim measure in meeting the deficit in the Mumbai Licence Area. The project is subject to receiving necessary regulatory and environment approvals.
- The Company is setting up a 120 MW captive plant for Tata Steel Limited (Tata Steel) in Jamshedpur, utilizing the waste gases from the steel making process. The estimated project cost is Rs. 490 crores.
- The Company is in discussions with Tata Steel to set up Captive Power Plants to cater to the needs of their expansion projects at Chhatisgarh (744 MW), Orissa (1000 MW) and Jharkhand (1000 MW). As and when Tata Steel firms up its plans, the Company will enter into Power Purchase Agreements with Tata Steel for the sale of power from these units.
- The Company proposes to bid for Ultra Mega Power Projects that meet its strategic interest. These will be awarded on a tariff based bidding process. The GoI has envisaged an aggressive timeline for selection and implementation of these projects. In the Company's view, the probability of these timelines being met would depend on how soon certain intricate issues such as fuel, payment security mechanism, power evacuation, etc. are resolved so as to meet the concerns of investors.
- The Company is developing the 1000 MW Maithon Right Bank Project through a joint venture with Damodar Valley Corporation (DVC). The Company has signed the Shareholders' Agreement with DVC and holds 74% equity stake in Maithon Power Limited and the balance 26% is held by DVC. The project has been targeted for commissioning in FY 2010. The project has tied up 50% of coal requirement so far and the balance is being tied up.
- The Company is exploring the possibility of setting up a generation facility to service the load of North Delhi Power Limited (NDPL), the Company's distribution subsidiary in Delhi. While bulk of the power from the project would be sold to consumers in Delhi, part of it could be sold to consumers in neighbouring States such as Punjab, Haryana and Rajasthan. The project implementation is subject to tying up various inputs such as coal, water, land, power evacuation and tariff being competitive. A project site near Delhi is under active consideration for setting up this plant.
- An imported coal based 1000 MW Mega Power Plant on the west coast of India to primarily serve consumers in Maharashtra (including Mumbai) is under consideration. The Government of Maharashtra has been approached for land acquisition. This project is in the early stages of development.
- Recognizing the need to have its own primary fuel, the Company has applied for allocation of 12 captive coal blocks in the coal rich states of Jharkhand, Orissa and Andhra Pradesh. Upon allotment, the Company plans to establish mega pit head based power plants, generating cheap electricity for transmission to the State markets of

its choice. The allocation of captive coal blocks and the timeframe cannot be ascertained with surety as clarity on the process to be followed for such allocations is awaited.

- The Company is also considering generation projects in other countries like Bangladesh and South Africa. These are under various stages of evaluation, bidding or development. These projects will be implemented subject to each of them being financially and technically viable.
- The Company is also pursuing an opportunity to bid for transmission lines to be owned and operated on a long-term basis in the Western Region of India.

Besides the above, the Company is tracking developments in the distribution sector to take advantage of future opportunities.

5. OUTLOOK

The Company believes that the Indian power sector with its growing demand-supply gap is under crisis and in need of transformation. It would need to grow at a much faster pace to support the GDP growth targets set by the GoI. This presents enormous growth and investment opportunities. However, the key to successful implementation of these projects lies in materialization of necessary reforms in distribution, availability of fuel linkages and reducing off take risk. While several States have declared distribution reforms, the actual implementation remains a cause for concern. The Company believes that in the short-term, select generation projects supplying to some of the better run distrubtion companies would take off based on the risk appetite of the investors. However, in the long-term, the flow of investments would certainly depend on the pace of reforms. The Company believes that the growing demand and aspirations of consumers would compel the States to launch reforms expeditiously.

6. RISK AND CONCERNS

The Risk Management process has enabled identification of the following major risks the Company may face and steps undertaken to mitigate these risks.

6.1. Fuel

One common threat power utilities face is the risk of increasing and volatile international fuel prices. To mitigate this risk, the Company has secured 88% of its coal requirements by way of long-term contracts for a period of 5 years (up to FY 09) and can be extended by another 5 years at the Company's option. The prices are negotiated annually. This has helped in securing supply, getting lower prices compared to spot market prices and avoiding market fluctuations.

About 40% of the thermal generation is from LSHS which is sourced indigenously from IOCL, BPCL and HPCL. Due to the reduction by ONGC, in allocation of Bombay High Crude to these three local refineries, availability of LSHS for the Company may not be adequate, in future. The Company has taken initiatives to reduce the dependence on oil by ensuring that capacity augmentation at Trombay would be coal based.

Availability of gas from Bombay High fields is depleting every year. Additional gas in Mumbai region will only be available with the commissioning of the Dahej – Uran pipe line which is expected to be functional by February, 2007. Talks are in progress with ONGC/GAIL to augment gas supplies.

6.2. Environmental controls and emission norms

The Maharashtra Pollution Control Board has imposed stringent pollution norms on effluents as well as fuel inputs necessitating usage of low ash, low sulphur coal. Such low ash eco-friendly coal is available from mines in Indonesia, with whom the Company has entered into long-term contracts.

6.3. Deregulation

There is a risk of the off-take from the Company being lower with deregulation since the distribution licensees can now source power from any source. To mitigate this risk, the Company has plans to reduce the cost of power generation, secure consumers by signing Power Purchase Agreements and identify new consumers outside Mumbai.

6.4. Tariff

MERC approves the tariff for the Company's Licence Area. MERC formulates various regulations and the Company participates in committees set up by MERC.

During the year, MERC has notified the regulations relating to the Terms and Conditions of Tariff, which interalia necessitate, integrated utilities like the Company to disaggregate their assets and costs into the areas of Generation, Transmission and Distribution to enable transparency, accountability and focus on efficiency improvements.

The new Tariff regulations, amongst other things, have made the following significant changes to the existing regulations:

- The Tariff shall be determined under a multi year tariff framework (effective FY 08)
- The Return on Equity Capital (hitherto Reasonable Return on Capital Base) in respect of generation reduced to 14% p.a. from 16% p.a.
- The mechanism for the pass through / sharing of the gains or losses is defined and will depend on whether the factors affecting them were controllable or not.
- Normative return in respect of interest on working capital, normative debt and interest thereon, generation O&M expenses and fuel efficiency norms have been defined.
- Incentive entitlements based on thermal generation / hydro stations' availability exceeding certain norms have been introduced for better performance.
- The new depreciation rates given in the regulations are in line with the Central Electricity Regulatory Commission recommendations and are significantly lower than the rates prescribed in the old regulations.

However, MERC has clarified the applicability of the norms enunciated in the Tariff Order of FY 05 as the basis for approval of Tariff for FY 06 and the new Tariff Regulations from FY 07 onwards. Accordingly, the Company has computed for FY 05 and FY 06, the excess of Clear Profit over Reasonable Return based on the provisions of the erstwhile Electricity (Supply) Act, 1948 and has submitted the Annual Revenue Requirement for FY 07 to MERC under the new regulations.

6.5. Competition

To deal with the increasing competition in the power sector, the Company continued to take up new initiatives under a sustainable cost reduction program. Further, subsequent to Trombay unit 4 overhaul, the unit capability was restored from 120 MW to 145 MW. Also, the generating assets were fully utilised at Trombay and Hydro stations to optimise purchase of power during peak periods.

7. INTERNAL CONTROLS AND SYSTEMS

The Internal Audit function was outsourced to a firm of Chartered Accountants for the year under review. Audit of the various departments was carried out on the basis of the Annual Audit Plan which covers key areas of operations and also, areas where the operational risks are perceived to be higher. The Internal Audit process involves identification of the risks perceived for a particular function and a review and evaluation of the effectiveness of the existing controls for ensuring adherence to policies and systems and recommendations for improvement. The existence and effectiveness of the controls are evaluated through the Control Effectiveness Index given by the Internal Auditors.

The significant issues and recommendations are then reported to the Audit Committee which reviews the Internal Audit Reports and the status of implementation of actions recommended.

8. FINANCIAL PERFORMANCE OF THE COMPANY

In the current year, the total income of Rs. 4888.40 crores was higher by 13% as compared to Rs. 4317.57 crores in the previous year. The increase in revenue from power supply is primarily due to higher volume sold coupled with higher recoverable fuel and power purchase costs recognised as revenue in Licence Area and commissioning of Jojobera Unit 4. The other income of Rs. 325.61 crores (previous year Rs. 387.13 crores) includes an extra-ordinary income of Rs. 131.97 crores relating to gain on sale of Tata Power Broadband Company Ltd. and Rs. 22.43 crores on sale of Power Systems Division. The Profit after Tax increased by 11% to Rs. 610.54 crores as against Rs. 551.36 crores in the previous year.

Break-up of Total Income

Rs. crores

	2005-06	***2004-05***
Power business	**4328.51**	***3674.22***
(a) Revenue from Power Supply	4293.27	*3655.39*
(b) Income from other Operations	35.24	*18.83*
Other business	**234.28**	***256.22***
(a) Power Systems Division	195.91	*184.53*
(b) Strategic Electronics Division	38.18	*62.05*
(c) Broadband	—	*7.71*
(d) Power Plant Refurbishment Group & Task Force	0.19	*1.93*
Other income	**325.61**	***387.13***
Total income	**4888.40**	***4317.57***

The cost of power purchased was Rs. 583.20 crores compared to Rs. 415.70 crores during the previous year. The fuel cost increased from Rs. 1863.98 crores in the previous year to Rs. 2396.51 crores in the current year mainly due to higher oil prices.

The Generation, Distribution, Administration and Other expenses of the Company have increased to Rs. 721.15 crores in the current year from Rs. 652.08 crores in the previous year.

Depreciation was lower at Rs. 278.34 crores as against Rs. 359.62 crores in the previous year. The drop is on account of additional debits in previous year relating to depreciation on insurance spares capitalised in the previous year and on amount written off in respect of net increase in foreign currency liabilities for purchase of fixed assets.

The drop in Interest and Finance charges from Rs.191.44 crores in the previous year to Rs. 165.28 crores is mainly on account of capitalisation of interest on funds allocated to project and repayment of loans.

Consequent to MERC's clarification, the Company has adjusted/appropriated the excess of Clear Profit over Reasonable Return for FY 06 and FY 05.

Tax is lower primarily on account of increase in Section 80IA deduction (Jojobera Unit 3) and lower tax rates, partly offset by reduction in tax free income. Tax savings of Rs. 34.39 crores regarding capital gains by virtue of investment/ proposed investment in specified assets as per Section 54EC of the Income-tax Act, 1961.

Resource Allocation

(a) ***Fixed Assets***

The gross fixed assets as on 31st March, 2006 were at Rs.5924.74 crores as compared to Rs. 5465.84 crores in the previous year. The increase is mainly on account of capitalisation of Unit 4 at Jojobera.

(b) ***Working Capital***

The net current assets as on 31st March. 2006 were Rs. 1652.03 crores compared to Rs.1236.05 crores in the previous year. The increase is mainly on account of higher debtors arising due to Fuel Adjustment Charges recoverable from the consumers.

(c) ***Credit Rating***

The Company continues to be highly rated by CRISIL and ICRA. CRISIL reaffirmed the highest credit rating of AAA for the Company's debenture program. ICRA has also upgraded its rating to LAAA from LAA+. The Company's international credit rating from Standard & Poor's and Moody's remains limited to the sovereign rating.

9. HUMAN RESOURCE MANAGEMENT

During the year, employee relations were cordial. The Company has entered into a discussion with the Tata Hydro Company's Employees' Union to sign a new long-term wage settlement. Discussions are under way and it is hoped to be settled shortly. Long-term settlement (Oct '05 to Dec '08) has been signed with The Tata Electric Employees' Union, Jojobera and TEDS Employees' Association, SED Bangalore (Jan '03 to Dec '06).

Staff strength as of 31st March, 2006 was 2870 as compared to 2996 in the previous year. A detailed manpower break-up is provided below:

Manpower Strength as of 31st March, 2006

Business Area	Officer	Other Staff	Total
Licence Area	842	1625	2467
Strategic Electronics Division	128	58	186
Jojobera	99	59	158
Belgaum	22	12	34
Power Systems Division	25	—	25
Total	**1116**	**1754**	**2870**

10. ENTERPRISE RESOURCE PLANNING AND INFORMATION TECHNOLOGY

SAP is being used for transacting and monitoring the primary operational processes of the Company. A major upgrade of SAP is underway in areas such as customer support and information management. New high-capacity SAP servers have been installed to allow for increased usage consistent with the Company's expansion plans. A customer support portal has been introduced, accessible via the Company's web-site, providing our customers with the facility for on-line viewing of their account information as well as electronic bill payments. Also, an automated customer query/complaint handling system has been introduced, which will reduce complaint closure times and improve customer satisfaction. For support to our other stake-holders, the investor relations portal on the Company's web-site has been significantly upgraded.

11. TECHNOLOGY

The Company has continued its efforts of introducing new technologies in the areas of Generation, Transmission and Distribution of power, to enable it to retain its technology leadership position and also to get competitive advantage in the power business.

(a) **Centralized control of Receiving Stations / Automation**

Centralized operation of 17 Receiving stations was established by setting up a Central Control Room (CCR) at Dharavi. This was achieved by extending existing Supervisory Control And Data Acquisition Systems. Further, three more stations have been integrated with CCR. This will help in monitoring and improving management of high voltage network, optimize manpower and improve maintenance.

(b) **Distribution Automation**

The Company has implemented pilot Distribution Automation System for consumer sub-stations in the Bandra-Kurla Complex area for improving the services to its consumers. This is now being extended to cover all the sub-stations in Central Mumbai and North Mumbai area. State-of-theart communication network using CDMA technology is being used for the first time in the country for this purpose. This will help in quicker fault location and restoration of supply.

(c) **Power Quality Monitors and equipment diagnostic techniques**

Portable power quality monitors are being used by the Company to carry out spot analysis of power quality at the consumer end. It has also introduced Sweep Frequency Response Analysis for condition monitoring of power transformers and leakage current analysis for predicting the condition of the lightening arrestors. This would facilitate supply of quality power to its consumers.

(d) **Broadband on Power Lines**

In continuation of the efforts to use the electrical network of the Company for broadband services, a pilot project has been completed. Further, a model for commercial application is being developed.

(e) **Online Power Interchange Data**

Connectivity has been established between Availability Based Tariff meters installed at the tie points and Load Despatch Centre. The software helps to accurately monitor sale and purchase and avoid Unscheduled Interchange charges.

(f) **Bio-remediation facility for treatment of fuel oil containing waste**

The technology uses concentrated culture of bacteria present in soil to treat the fuel oil contamination/wastes. These bacteria are harmless to humans and animals but consume the fuel oil as their food. The resultant product is totally free of hazardous fuel oil residue and can be used as soil. Trombay Thermal Power Station adopted this technology for treatment of the oily wastes, by creating an in-house treatment facility using the culture provided by Tata Energy Research Institute.

(g) **Cleaner Environment**

Dry Fog system has been installed in the Secondary Crusher House Area of Conveyor No. 5 in the Coal Handling Plant at Trombay. This has reduced dust emission. The system will be installed in four more areas.

12. SUBSIDIARIES

12.1. Af-Taab Investment Company Limited

The Company holds Rs. 13.39 crores as equity in Af-Taab Investment Company Limited (Af-Taab), its wholly owned subsidiary.

The income for the year is Rs. 20.36 crores as against Rs. 47.17 crores in the previous year. Profit before tax amounted to Rs. 1.95 crores as against Rs. 33.99 crores of the previous year. Profit after tax amounted to Rs. 0.49 crores as against Rs. 30.64 crores in the previous year. The previous year profit was higher mainly on account of transfer of shares of Tata Sons Limited to the parent company.

12.2. Chemical Terminal Trombay Limited

The Company has a 72% equity stake in Chemical Terminal Trombay Limited (CTTL), with the other 28% being held by Af-Taab. The equity investment of the Company in CTTL is Rs.1.52 crores.

The income for the year stood at Rs.13.26 crores as against Rs. 11.05 crores in the previous year. Profit before tax amounted to Rs. 4.13 crores as against Rs. 4.02 crores of the previous year. Profit after tax amounted to Rs. 3.27 crores as against Rs. 4.48 crores in the previous year. The decrease in profit after tax is mainly on account of higher depreciation and deferred tax adjustment.

The Indian chemical industry and in particular, the petrochemical sector is in the growth phase. However, the high crude prices as also the volatility in petrochemical prices remain a cause for concern.

12.3. Powerlinks Transmission Limited

The Tala Transmission Project being implemented by the Powerlinks Transmission Limited (a joint venture between the Company and Power Grid Corporation of India Ltd. with equity participation of 51% and 49% respectively) is nearing completion. The Bareilly-Mandola portion of the project has been completed three months ahead of the scheduled completion date of June, 2006.

The Tala Transmission Project involves the construction of the 1200 kms of 400 KV transmission lines from Siliguri in West Bengal to Delhi region and was conceptualized to evacuate 1020 MW of power from Bhutan and transmit it to the power deficit states in North India, while also facilitating the transmission of surplus power from the North-Eastern region.

The revised cost estimate of Rs. 1612 crores has been approved by Ministry of Power, GoI. The project is expected to be completed within the approved cost. The project is funded on a debt: equity ratio of 70:30. Debt is arranged from foreign and domestic financial institutions and bankers viz IFC, ADB, SBI and IDFC.

12.4. Tata Power Broadband Company Limited

During the year, the Company completed the sale of Tata Power Broadband Company Limited to Videsh Sanchar Nigam Limited for a consideration of Rs. 201.97 crores. This resulted in a profit of Rs. 131.97 crores.

12.5. Tata Power Trading Company Limited

Tata Power Trading Company Limited (TPTCL) is a wholly-owned subsidiary with an equity capital of Rs. 2 crores and is in the business of power trading. During the current year, which was its first year of full operation, it traded 675 MUs, earning a revenue of Rs. 207.76 crores and profit after tax of Rs. 3.18 crores, as against profit after tax of Rs. 8.28 lakhs in the previous year.

TPTCL is now a well recognized power trading company in the country among the eighteen licenced power trading companies. During the year MPSEB, Rajasthan Discoms and Delhi Transco continued as its customers and new customers like Chhattisgarh State Electricity Board, West Bengal State Electricity Board, and Calcutta Electricity Supply Company Ltd. were added to its fold. TPTCL continued to source power from Mizoram, Andhra Pradesh Transco and the Company.

In FY 05, TPTCL was issued a Category "A" trading licence which restricted TPTCL to trade power up to 100 MUs per annum. During the current year, the same was upgraded to Category 'F' which entitles TPTCL to trade power without any quantity restrictions.

TPTCL expects to post higher revenues in FY 07. TPTCL has bagged close to 1000 MW power supply from MPSEB, WBSEB and some other SEBs through the competitive bidding route for the period commencing May, 06. TPTCL is in the process of tying up with customers for purchase of this power. TPTCL has also entered into long-term power trading arrangements with Tata Steel and other Captive Power Plants/ Independent Power Producers.

The profit margins for FY07 may come under pressure on account of a recent regulation issued by CERC which restricts the trading margin for all the power traders at 4 paise per unit.

12.6. Maithon Power Limited

The Company holds 74% equity stake in Maithon Power Limited and the balance 26% is held by DVC.

The Maithon Project is a 1000 MW green field coal based generation project located in the State of Jharkhand.

About 55% of the land has been acquired, while the rest of the land is in the process of being acquired. The project has received all requisite clearances. Coal linkage is available for around 50% of the total requirement while the balance is being identified by

Coal India. The power consumers will be DVC and northern states such as Delhi, Rajasthan and Haryana. The project is targeted for commissioning in FY 2010.

12.7. NELCO Limited

Effective 31st December, 2005, NELCO Limited (NELCO) became a subsidiary of the Company. The Company together with its wholly owned subsidiary Af-Taab, holds 50.04% in the equity capital of NELCO. NELCO operates in two business segments, namely Automation and Control and Network Systems.

The Automation and Control segment comprises of Strategic Electronics Division, Supervisory Control and Data Acquisition Systems, Drives systems and Traction Electronics.

The Network Systems segment provides management of network connectivity services over Very Small Aperture Terminals (VSAT) using satellite technology for large and medium corporates, broking houses, and small and medium enterprises. It also serves as a turnkey supplier and system integrator for specific VSAT projects of Government and PSU undertakings.

The Income for the year ended 30th September 2005 stood at Rs. 139.93 crores as against Rs. 167.30 crores for the period ended 30th September 2004 (18 months). Income for six months ended 31st March, 2006 is Rs. 43.32 crores.

Profit After Tax for the year ended 30th September 2005 (12 Months) stood at Rs. 0.26 crores as against loss of Rs. 18.56 crores for the year ended 30th September 2004 (18 months). Loss for six months ended 31st March, 2006 is Rs. 7.28 crores.

12.8. Tatanet Services Limited

Tatanet Services Limited (TNSL) is a subsidiary of NELCO, with NELCO holding 83% in its share capital and, therefore, a subsidiary of the Company.

TNSL is yet to begin its commercial operations and has posted a loss of Rs. 0.44 lakhs for the current year.

TNSL has entered into a "Scheme of Arrangement" for taking over the Commercial VSAT business of Tata Services Limited with effect from 1st April, 2005. The scheme has been duly approved by The Hon'ble High Court of Bombay vide its Order dated 3rd March 2006 subject to transfer of the VSAT Commercial Service licence in the name of TNSL by the Department of Telecommunication (DoT). TNSL is awaiting approval from the DoT.

12.9. Alaknanda Hydro Power Company Limited

The Company sold its shareholding in Alaknanda Hydro Power Company Limited having considered it not in alignment with its current strategy and to focus on other major projects.

13. CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis, describing the Company's objectives, projections and estimates, are forward-looking statements and progressive, within the meaning of applicable security laws and regulations. Actual results may vary from those expressed or implied, depending upon economic conditions, Government Policies and other incidental / related factors.

Auditors' Report

TO THE MEMBERS OF

THE TATA POWER COMPANY LIMITED

1. We have audited the attached balance sheet of THE TATA POWER COMPANY LIMITED, as at 31st March, 2006, and also the profit and loss account and the cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

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

   (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (b) in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books. The report on the accounts of Bangladesh branch audited by other auditors has been forwarded to the Company and has been appropriately dealt with;

   (c) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;

   (d) without qualifying our opinion,

      (i) we draw attention to Note 12 to the Notes forming part of the Accounts. As stated in the note, subject to the outcome of the Appeal filed before the Appellate Tribunal, no adjustment has been made by the Company in respect of the standby charges accounted for as revenue in earlier periods and estimated at Rs.503 crores and its consequential effects for the period upto 31st March, 2006. The impact of the above on the results for the year cannot presently be determined pending the ultimate outcome of the matter.

      (ii) we draw attention to Note 10 (d) to the Notes forming part of the Accounts. As mentioned in the note the Company proposes to appeal in the Supreme Court in connection with an Appellate Tribunal Order setting aside the Maharashtra Electricity Regulatory Commission (MERC) Order confirming the Company's right of distribution in certain areas and related matters thereto and allowing as a whole the appeal preferred by Reliance Energy Ltd. The financial consequences of the Appellate Tribunal Order has neither been quantified in the Order nor been ascertained by the Company. The Company is of the view, supported by legal opinion, that the Tribunal's Order can be successfully challenged. In view of this no provision/adjustment has been considered necessary.

   (e) in our opinion, the balance sheet and the profit and loss account comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

(f) on the basis of written representations received from the directors, as on 31st March, 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

(g) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(1) in the case of the balance sheet, of the state of affairs of the Company as at 31st March, 2006;

(2) in the case of the profit and loss account, of the profit for the year ended on that date; and

(3) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For S. B. BILLIMORIA & CO.
Chartered Accountants

UDAYAN SEN
Partner.
Membership Number: 31220

For A. F. FERGUSON & CO.
Chartered Accountants

R. A. BANGA
Partner.
Membership Number : 37915

Mumbai, 29th May, 2006

Annexure to the Auditors' Report

Referred to in paragraph 3 of our report of even date.

(i) (a) In respect of fixed assets, the Company has maintained proper records showing full particulars including quantitative details and situation in most cases of such assets.

(b) Physical verification of fixed assets was carried out during the year by the management, in accordance with the established system of periodical verification of fixed assets once in two / three years. In our opinion, the frequency of verification is reasonable, considering the size of the Company and the nature of its assets. Except in respect of one location where we have been informed that the reconciliation with books is in progress, no material discrepancies between the book records and the physical records were noticed in respect of the assets physically verified.

(c) During the year, in our opinion, a substantial part of fixed assets has not been disposed off by the Company.

(ii) (a) The inventory of the Company has been physically verified during the year by the management under a perpetual inventory system, except for fuel which was verified during the year and / or at the end of the year. In respect of materials lying with third parties, these have substantially been physically verified or confirmed by third parties. In our opinion the frequency of verification is reasonable.

(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management were found reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) On the basis of our examination of records of inventory, in our opinion, the Company has maintained proper records of inventory and the discrepancies noticed on physical verification between the physical stocks and book records were not material in relation to the operations of the Company.

(iii) (a) In our opinion and according to the information and explanations given to us, the Company has granted unsecured loans, to three companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount of loans granted during the year which are at call was Rs.140.73 crores and the year end balance of loans given to such companies was Rs.82.80 crores.

(b) In our opinion, the rate of interest and other terms and conditions on which loans have been granted to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 are not, *prima facie*, prejudicial to the interest of the Company.

(c) The parties are repaying the principal amounts as stipulated and have generally been regular in payment of interest.

(d) In our opinion and according to the information and explanations given to us, there is no overdue amount of loans granted by the Company to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

(e) In our opinion and according to the information and explanations given to us, the Company has not taken any loans, secured or unsecured from Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. As the Company has not taken any loans from parties covered in the register maintained under section 301 of the Companies Act, 1956, clause (iii) (f) and (iii) (g) of the Order are not applicable.

(iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items are of a special nature and their prices cannot be compared with alternative quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. Further, on the basis of our examination, and according to the information and explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control system.

(v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956, have been entered in the register required to be maintained under that section.

(b) In our opinion, and having regard to our comments in para (iv) above, and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

(vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of sections 58A, 58AA and any other relevant provisions of the Companies Act, 1956, and the Companies (Acceptance of Deposits) Rules, 1975, as applicable, with regard to the deposits accepted from the public. According to the information and explanations given to us, no order under the aforesaid sections has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal, on the Company.

(vii) In our opinion, the internal audit function carried out during the year by a firm of Chartered Accountants appointed by the management have been commensurate with the size of the Company and the nature of its business.

(viii) We have broadly reviewed the books of account maintained by the Company in respect of the electricity business and electronic products of the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956. We are of the opinion that *prima facie* the prescribed accounts and records have been maintained and are being made up. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.

(ix) (a) According to the information and explanations given to us and according to the books and records as produced and examined by us, in our opinion, the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, customs duty, excise duty, cess and other material statutory dues applicable to the Company have generally been regularly deposited during the year with the appropriate authorities. In case of service tax there have been delays in depositing the dues with the authorities during the year. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, service tax, customs duty, excise duty and cess were in arrears, as at 31st March, 2006 for a period of more than six months from the date they became payable.

(b) As at 31st March, 2006 according to the records of the Company and the information and explanations given to us, the following are the particulars of disputed dues on account of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess matters that have not been deposited:

Name of the statute	Nature of the Dues	Amount (Rs. in Crores)	Period to which the amount relates	Forum where pending
			Various years covering the period	
Income Tax Laws	Income tax (incl. interest)	5.23	1997-1998	Commissioner of Income Tax (Appeals)
Customs Laws	Customs duty	4.13	1999-2000, 1993 to 1995, 1999-2000 and 2001 to 2005	Appellate Authority - upto Commissioner level
Central Excise Laws	Excise Duty	0.86	1992-1993 to1995-1996	Appellate Authority - upto Commissioner level
		0.04	1993-1994 to1995-1996	Appellate Authority - Tribunal level
Cess Laws	Cess	7.78	1992-2003	Appellate Authority of The Water (Prevention and Control of Pollution) Cess Act, 1977

(x) The Company does not have accumulated losses as at 31st March, 2006 and has not incurred cash losses during the financial year ended on that date or in the immediately preceding financial year.

(xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution, bank or to debenture holders during the year.

(xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) The provisions of any special statute as specified under Clause (xiii) of the Order are not applicable to the Company.

(xiv) In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.

(xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the Company.

(xvi) In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purposes for which they were obtained and to the extent that these have not been utilized, Euro notes of Rs.250.01 crores, as explained, is invested in long term and short term investments.

(xvii) Based on the information and explanations given to us and on an overall examination of the balance sheet of the Company, in our opinion, there are no funds raised on short term basis which have been used for long term investment.

(xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year.

(xix) In our opinion and according to the information and explanations given to us, the Company has created securities / charges in respect of the debentures issued.

(xx) The Company has not raised any money by public issue during the year.

(xxi) According to the information and explanations given to us, during the year, no fraud on or by the Company has been noticed or reported.

For S. B. BILLIMORIA & CO.
Chartered Accountants

UDAYAN SEN
Partner.
Membership Number: 31220

For A. F. FERGUSON & CO.
Chartered Accountants

R. A. BANGA
Partner.
Membership Number : 37915

Mumbai, 29th May, 2006

Balance Sheet as at 31st March, 2006

	Schedule No.	Schedule Page	Rupees Crores	Rupees Crores	As at 31-03-2005 Rupees Crores
FUNDS EMPLOYED:					
1. SHARE CAPITAL	"A"	48		197.92	*197.92*
2. RESERVES AND SURPLUS	"B"	49		4,782.30	*4,363.13*
3 SPECIAL APPROPRIATION TOWARDS PROJECT COST				533.61	*533.61*
4. CAPITAL CONTRIBUTIONS FROM CONSUMERS				41.81	*41.81*
5. SECURED LOANS	"C"	50		946.00	*1,059.07*
6. UNSECURED LOANS	"D"	51		1,809.00	*1,800.94*
7. DEFERRED TAX LIABILITY (NET) (*See Note 25*)				Nil	*11.32*
8. TOTAL FUNDS EMPLOYED				**8,310.64**	***8,007.80***
APPLICATION OF FUNDS:					
9. FIXED ASSETS	"E"	51			
Gross Block			5,924.74		*5,465.84*
Less : Depreciation to date			2,921.72		*2,657.37*
				3,003.02	*2,808.47*
Capital Work-in-Progress (including advances against capital expenditure Rs. 12.39 crores- *Previous Year Rs. 35.68 crores*)				211.81	*437.65*
Increase in foreign currency liabilities (net) for purchase of capital assets			645.32		*645.32*
Less : Amount written off to date			645.32		*645.32*
				Nil	*Nil*
				3,214.83	*3,246.12*
10. INVESTMENTS	"F"	52		3,412.17	*3,502.92*
11. DEFERRED TAX ASSET (NET) (*See Note 25*)				16.15	*Nil*
12. CURRENT ASSETS, LOANS AND ADVANCES	"G"	54			
(a) Inventories			442.26		*297.03*
(b) Sundry Debtors			1,058.23		*696.63*
(c) Cash and Bank Balances			990.55		*979.60*
(d) Other Current Assets			18.06		*12.87*
(e) Loans and Advances			463.94		*537.49*
			2,973.04		*2,523.62*
Less:					
13. CURRENT LIABILITIES AND PROVISIONS	"H"	55			
Current Liabilities			731.81		*706.87*
Provisions			589.20		*580.70*
			1,321.01		*1,287.57*
14. NET CURRENT ASSETS				1,652.03	*1,236.05*
15. MISCELLANEOUS EXPENDITURE (to the extent not written off)	"I"	55		15.46	*22.71*
16. TOTAL APPLICATION OF FUNDS				**8,310.64**	***8,007.80***
17. NOTES FORMING PART OF THE ACCOUNTS	"J"	60			

As per our report attached.

For S.B.BILLIMORIA & CO.
Chartered Accountants

UDAYAN SEN
Partner

For A. F. FERGUSON & CO.
Chartered Accountants

R. A. BANGA
Partner

Mumbai, 29th May, 2006.

For and on behalf of the Board,

R. N. TATA
Chairman

B. J. SHROFF
Secretary

S. RAMAKRISHNAN
Executive Director

Mumbai, 29th May, 2006.

TATA

Profit and Loss Account for the year ended 31st March, 2006

	Schedule No.	Schedule Page	Rupees Crores	Rupees Crores	Previous Year Rupees Crores
INCOME:					
1. REVENUE FROM POWER SUPPLY [*See Note 21(a)*]			4,314.19		3,643.39
Less : Cash Discount			20.43		11.51
Consumer Benefit Account (@ includes Rs. 9.82 crores in respect of previous year)			24.89@		Nil
			4,268.87		3,631.88
Add : Wheeling Charges recoverable			24.40		23.51
				4,293.27	3,655.39
2. INCOME FROM OTHER OPERATIONS	1	56			
a. Sale of Electronic Products			33.03		57.60
Less: Excise Duty			0.48		0.29
			32.55		57.31
b. Other Operations			235.05		214.34
				267.60	271.65
3. OTHER INCOME	1	56		325.61	387.13
4. NET ADJUSTMENT IN RESPECT OF PREVIOUS YEARS				1.92	3.40
5. TOTAL INCOME				**4,888.40**	**4,317.57**
EXPENDITURE :					
6. COST OF POWER PURCHASED [*See Note 21(b)*]			585.78		415.70
Less: Cash Discount			2.58		Nil
				583.20	415.70
7. COST OF FUEL				2,396.51	1,863.98
8. GENERATION, DISTRIBUTION, ADMINISTRATION AND OTHER EXPENSES	2	57		721.15	652.08
9. TAX ON SALE OF ELECTRICITY				26.47	45.96
10. DEPRECIATION/AMORTISATION				278.34	359.62
11. INTEREST AND FINANCE CHARGES	3	58		165.28	191.44
12. PROVISION FOR CONTINGENCIES				(30.00)	30.00
13. TOTAL EXPENDITURE				**4,140.95**	**3,558.78**
PROFIT BEFORE TAXES AND STATUTORY APPROPRIATIONS				747.45	758.79
14. PROVISION FOR TAXATION					
a. CURRENT TAX			146.76		139.88
b. DEFERRED TAX			(23.41)		29.77
c. FRINGE BENEFIT TAX			6.94		Nil
				130.29	169.65
15. PROVISION FOR TAXATION IN RESPECT OF EARLIER YEARS					
a. CURRENT TAX...			10.29		18.54
b. DEFERRED TAX			(4.06)		18.78
				6.23	37.32
16. PROVISION FOR WEALTH TAX (Net)				0.39	0.46
PROFIT AFTER TAXES AND BEFORE STATUTORY APPROPRIATIONS				**610.54**	**551.36**
17. STATUTORY APPROPRIATIONS	4	58		35.29	(3.73)
DISTRIBUTABLE PROFITS				**575.25**	**555.09**
APPROPRIATIONS :					
18. PROPOSED DIVIDEND				168.41	148.60
19. ADDITIONAL INCOME-TAX ON DIVIDEND [including Rs. (0.10) crore of previous year- *Previous Year- Rs. 0.36 crore*]				23.52	21.30
20. TRANSFER TO GENERAL RESERVE				150.00	150.00
				341.93	319.90
BALANCE CARRIED TO BALANCE SHEET				**233.32**	**235.19**
21. EARNINGS PER SHARE (in Rs.) (on distributable profits on shares outstanding) (Face Value Rs. 10) (*See Note 34*)					
BASIC EARNINGS PER SHARE				29.03	28.02
DILUTED EARNINGS PER SHARE				27.34	27.84
22. NOTES FORMING PART OF THE ACCOUNTS	"J"	60			

As per our report attached to the Balance Sheet.

For S.B.BILLIMORIA & CO.
Chartered Accountants

UDAYAN SEN
Partner

For A. F. FERGUSON & CO.
Chartered Accountants

R. A. BANGA
Partner

Mumbai, 29th May, 2006.

For and on behalf of the Board,

R. N. TATA
Chairman

B. J. SHROFF
Secretary

S. RAMAKRISHNAN
Executive Director

Mumbai, 29th May, 2006.

Cash Flow Statement for the year ended 31st March, 2006

				Year ended 31-03-2006 Rs. Crores		*Year ended 31-03-2005 Rs. Crores*
A.	**Cash Flow from Operating Activities**					
	Net Profit before Taxes and Extraordinary Items			747.45		*758.79*
	Adjustments for:					
	Depreciation/Amortisation		278.34		*359.62*	
	Interest Expenditure		148.46		*166.98*	
	Interest Income		(109.83)		*(97.80)*	
	Income from Trade Investments		(19.31)		*(1.27)*	
	Dividend from Subsidiaries		(1.22)		*(9.80)*	
	Income from Other Investments		(20.81)		*(7.91)*	
	Provision for doubtful debts/advances (Net)		15.44		*2.22*	
	Provision for diminution in value of investments written back (Net)		(2.00)		*(46.22)*	
	Provision for Contingencies		(30.00)		*30.00*	
	Retiring Gratuities		9.54		*24.54*	
	Leave Encashment		7.25		*6.01*	
	Pension Scheme		4.76		*2.58*	
	Profit on sale/retirement of Assets (Net) [including profit on sale of Power Systems Division Rs. 22.43 crores - *Previous Year including profit on sale of power plant at Wadi - Rs. 32.75 crores]*		(31.80)		*(35.96)*	
	Loss on Exchange on loan repayments (Net)		(0.06)		*0.03*	
	Guarantee Fees for Loans		Nil		*0.04*	
	Profit on Sale of Investments (Net)		(149.39)		*(191.01)*	
	Unrealised Exchange Loss/(Gain) (Net)		(0.01)		*5.42*	
	Provision for future foreseeable losses, etc.		3.77		*Nil*	
	Provision for Warranties		(0.22)		*0.59*	
	Bad Debts		6.75		*0.02*	
	Miscellaneous Expenditure written off		9.82		*18.20*	
				119.48		*226.28*
	Operating Profit before Working Capital Changes			866.93		*985.07*
	Adjustments for:					
	Trade & Other Receivables		(401.15)		*(41.62)*	
	Inventories		(145.23)		*(31.04)*	
	Trade Payables		(6.01)		*(189.05)*	
				(552.39)		*(261.71)*
	Cash Generated from Operations			314.54		*723.36*
	Taxes Paid (including Fringe Benefit Tax) (Net)		(3.95)		*(229.50)*	
	Retiring Gratuities Paid		(5.82)		*(17.38)*	
	Leave Encashment Paid		(3.18)		*(5.00)*	
	Pension Paid		(2.69)		*(2.62)*	
	Voluntary Retirement Scheme Compensation Paid		(2.04)		*(24.77)*	
				(17.68)		*(279.27)*
	Net Cash from Operating Activities	**A**		**296.86**		***444.09***
B.	**Cash Flow from Investing Activities**					
	Purchase of Fixed Assets			(231.85)		*(418.97)*
	Sale of Fixed Assets			10.65		*4.30*
	Purchase of Investments			(3,882.24)		*(6,973.38)*
	Sale of Investments			4,216.16		*6,436.51*
	Interest Received			81.56		*101.90*
	Inter-corporate deposits/advances (Net)			(91.16)		*157.00*
	Income from Trade Investments			19.31		*1.27*
	Income from Subsidiaries			1.22		*9.80*
	Income from Other Investments			20.81		*8.04*
	Sale proceeds on sale of Power Plant at Wadi			Nil		*235.45*
	Sale proceeds on sale of Broadband Division			Nil		*130.00*
	Net Cash from Investing Activities	**B**		**144.46**		***(308.08)***
C.	**Cash Flow from Financing Activities**					
	Proceeds from Borrowings			22.16		*1,536.83*
	Repayment of Borrowings			(154.09)		*(396.68)*
	Guarantee/Upfront Fees for Loans			Nil		*(0.04)*
	Interest Paid			(150.78)		*(164.99)*
	Dividend Paid			(148.03)		*(137.86)*
	Additional Income-tax on Dividend Paid			(20.84)		*(18.13)*
	Securities Premium received			0.03		*Nil*
	FCCB and Debenture Issue Expenses Paid			(2.21)		*(20.55)*
	Net Cash used in Financing Activities	**C**		**(453.76)**		***798.58***
	Net Increase/(Decrease) in Cash and Cash Equivalents	**(A+B+C)**		**(12.44)**		***934.59***
	Cash and Cash Equivalents as at 1st April, 2005 (Opening Balance)			**986.49**		***51.90***
	Adjustment consequent to sale of Broadband Division			**Nil**		***
	Cash and Cash Equivalents as at 31st March, 2006 (Closing Balance)			**974.05**		***986.49***

Cash Flow Statement for the year ended 31st March, 2006 *(Contd.)*

Notes : 1. Interest paid is exclusive of and purchase of Fixed Assets is inclusive of interest capitalised Rs.15.06 crores *(Previous Year Rs. 9.29 crores)*.

2. Cash and cash equivalents include :

		Year ended 31-03-2006 Rs. Crores	*Year ended 31-03-2005 Rs. Crores*
(i)	Cash and Cheques on Hand (includes cheques on hand Rs. Nil - *31st March, 2005 - Rs. 10.53 crores*)	0.21	*11.15*
(ii)	Current Accounts with Scheduled Banks	25.36	*28.27*
(iii)	Term Deposits with Scheduled Banks	886.15 @	*424.14 @*
(iv)	Term Deposits with Standard Chartered Bank, London - Non-Scheduled Bank	* !	*437.21 !*
(v)	Margin money deposit with a Scheduled Bank (against a Bank Guarantee).	78.83	*78.83*
		990.55	*979.60*
Add:	Unrealised Exchange Loss/(Gain) included in Cash and Cash Equivalents	(16.50)	*6.89*
		974.05	*986.49*

@ Includes Rs. 885.10 crores (*31st March, 2005 - Rs. 421.14 crores*) in foreign currency.

! In foreign currency

3. Purchase of Investments - others - include purchase of shares in Subsidiaries:
   (a) Tata Power Broadband Co. Ltd. Rs. Nil *(Previous Year Rs. 69.90 crores)*
   (b) Powerlinks Transmission Ltd. Rs. 114.70 crores *(Previous Year Rs. 32.56 crores)*
   (c) Maithon Power Ltd. Rs. 4.24 crores *(Previous Year Rs. Nil)*
   (d) Preference Shares of Tata Power Trading Co. Ltd. Rs. 18.00 crores (*Previous Year Rs. Nil*)
4. Sale of Investments - others - include sale of shares in Subsidiaries:
   (a) Tata Power Broadband Co. Ltd. Rs. 201.97 crores (*Previous Year Rs. Nil*)
   (b) Alaknanda Hydro Power Co. Ltd. Rs. 3.12 crores (*Previous Year Rs. Nil*)
   (c) Tata Petrodyne Ltd. Rs. Nil (*Previous Year Rs. 327.00 crores*)
5. Sale of Investments - others - includes sale of shares in Associates - Tata Ceramics Ltd. Rs. Nil (*Previous Year Rs. 14.55 crores*)
6. Sale proceeds received on sale of Power Systems Division - Rs. Nil (Refer Note 15 in Notes forming part of the Accounts - Schedule "J")
7. Previous year's figures have been restated, wherever necessary, to conform to this year's classification.

As per our report attached.

For and on behalf of the Board,

For S.B.BILLIMORIA & CO.
Chartered Accountants

UDAYAN SEN
Partner

For A. F. FERGUSON & CO.
Chartered Accountants

R. A. BANGA
Partner

R. N. TATA
Chairman

B. J. SHROFF
Secretary

S. RAMAKRISHNAN
Executive Director

Mumbai, 29th May, 2006.

Mumbai, 29th May, 2006.

Schedule forming part of the Balance Sheet

SCHEDULE "A" : SHARE CAPITAL

		Rupees Crores	Rupees Crores	*As at 31-03-2005 Rupees Crores*
AUTHORISED CAPITAL –				
2,29,00,000	Cumulative Redeemable Preference Shares of Rs. 100 each	229.00		*229.00*
30,00,00,000	Equity Shares of Rs. 10 each	300.00		*300.00*
			529.00	*529.00*
ISSUED CAPITAL –				
20,35,37,712	Equity Shares of Rs.10 each [including 2,30,308 shares *(31st March, 2005 - 2,30,308 shares)* not allotted but held in abeyance, 4,40,270 shares cancelled pursuant to a Court Order and 48,04,040 shares of the Company held by the erstwhile The Andhra Valley Power Supply Company Limited cancelled pursuant to the Scheme of Amalgamation sanctioned by the High Court of Judicature, Bombay].		203.54	*203.54*
SUBSCRIBED CAPITAL –				
19,78,97,864	Equity Shares of Rs.10 each (excluding 2,30,308 shares not allotted but held in abeyance, 4,40,270 shares cancelled pursuant to a Court Order and 48,04,040 shares of the Company held by the erstwhile The Andhra Valley Power Supply Company Limited cancelled pursuant to the Scheme of Amalgamation sanctioned by the High Court of Judicature, Bombay).	197.90		*197.90*
	Less : Calls in arrears [including Rs.0.01 crore *(31st March, 2005 - 0.01 crore)* in respect of the erstwhile The Andhra Valley Power Supply Company Limited and the erstwhile The Tata Hydro-Electric Power Supply Company Limited] ..	0.04		*0.04*
		197.86		*197.86*
1,65,230	*Add:* Equity Shares forfeited - Amount paid -	0.06		*0.06*
			197.92	***197.92***

Of the above Equity Shares :

(i) 1,67,500 shares are allotted at par as fully paid pursuant to contracts without payment being received in cash.

(ii) 11,33,790 shares issued as Bonus Shares by capitalisation of General Reserve.

(iii) 49,63,500 shares issued on exercise of the options by the financial institutions for the conversion of part of their loans/subscription to debentures.

(iv) 56,81,818 shares are allotted at premium as fully paid pursuant to contracts without payment being received in cash.

(v) 5,20,84,832 shares (excluding 47,560 shares held in abeyance) have been allotted to the shareholders of the erstwhile The Andhra Valley Power Supply Company Limited pursuant to the Scheme of Amalgamation sanctioned by the High Court of Judicature, Bombay.

(vi) 3,50,97,824 shares (excluding 45,168 shares held in abeyance) have been allotted to the shareholders of the erstwhile The Tata Hydro-Electric Power Supply Company Limited pursuant to the Scheme of Amalgamation sanctioned by the High Court of Judicature, Bombay.

Schedule forming part of the Balance Sheet

SCHEDULE “B” : RESERVES & SURPLUS

	Opening Balance Rupees Crores	Additions Rupees Crores	Deductions Rupees Crores	Closing Balance Rupees Crores
STATUTORY RESERVES: [Under the repealed Electricity (Supply) Act,1948]				
TARIFFS AND DIVIDENDS CONTROL RESERVE	22.43	24.89 [a]	—	47.32
CONTINGENCIES RESERVE NO. 1 [*See Note 5(a)*]	179.83	10.40 [a]	—	190.23
CONTINGENCIES RESERVE NO. 2 [*See Note 5(b)*]	13.38	—	—	13.38
DEVELOPMENT RESERVE (created prior to 1st April, 1976)	5.29	—	—	5.29
DEFERRED TAXATION LIABILITY FUND	395.85	—	—	395.85
INVESTMENT ALLOWANCE RESERVE .... (including Development Reserve created after 31st March, 1976)	121.18	—	—	121.18
DEBT REDEMPTION RESERVE	51.94	—	—	51.94
DEBENTURE REDEMPTION RESERVE	56.63	—	—	56.63
OTHER RESERVES:				
CAPITAL RESERVE	0.67	—	—	0.67
CAPITAL REDEMPTION RESERVE	1.60	—	—	1.60
SECURITIES PREMIUM	723.30	0.03 [b]	—	723.33
Less: Adjustment of Global Depository Shares Issue Expenses (*Schedule "I"*)................................	4.78	—	0.53 [c]	4.25[c]
	718.52	0.03	(0.53)	719.08
DEBENTURE REDEMPTION RESERVE	72.81	—	—	72.81
GENERAL RESERVE	1,290.17	150.00 [d]	—	1,440.17
PROFIT AND LOSS ACCOUNT	1,432.83	233.32 [d]	—	1,666.15
Total Reserves and Surplus - 2005-06	**4,363.13**	**418.64**	**(0.53)**	**4,782.30**
- 2004-05	*4,277.00*	*405.17*	*319.04*	*4,363.13*

[a] Amount set aside during the year including Rs. 9.82 crores to Tariffs and Dividends Control Reserve in respect of 2004-05 (*See Note 13*)

[b] Securities Premium received during the year.

[c] Adjustment of Global Depository Share issue expenses after charging Rs. 0.53 crore to the Profit and Loss Account for the year.

[d] Transfer from Profit and Loss Account.

Schedule forming part of the Balance Sheet

SCHEDULE "C" : SECURED LOANS

		Rupees Crores	Rupees Crores	As at 31-03-2005 Rupees Crores
	DEBENTURES :			
(a)	8.25% Secured, Redeemable, Non-Convertible Debentures (1999-2009)	124.72		*154.29*
(b)	10.90% Secured, Redeemable, Non-Convertible Debentures (2001-2006)	Nil		*40.00*
(c)	10.20% Secured, Redeemable, Non-Convertible Debentures (2001-2010)	131.00		*131.00*
(d)	7.10% Secured, Redeemable, Non-Convertible Debentures (2004-2015)	600.00		*600.00*
			855.72	*925.29*
	OTHER LOANS AND ADVANCES :			
(e)	Loan from ANZ Grindlays Export Finance Ltd.(ANZ) **	Nil		*51.79*
(f)	Term Loan from Infrastructure Development Finance Company Limited	60.00		*60.00*
(g)	Loan from Export Import Bank of India **	30.28		*21.99*
			90.28	*133.78*
			946.00	***1,059.07***

** In foreign currency

Security

(i) The Debentures mentioned in *(a)* have been secured by land, moveable and immovable properties in Maharashtra as also receiving stations, sub-stations and godowns in Maharashtra.

(ii) The Debentures mentioned in *(b)*, *(c)* and *(d)* have been secured by land in Village Takve Khurd (Maharashtra), moveable and immovable properties in and outside Maharashtra, as also all transmission stations/lines, receiving stations and sub-stations in Maharashtra.

(iii) The loan from ANZ mentioned in *(e)* has been secured by mortgage/charge on the assets and licences held by the Company.

(iv) The loan from IDFC mentioned in *(f)* has been secured by a charge on the moveable assets of the Company.

(v) The loan from Export Import Bank of India mentioned in *(g)* has been secured by receivables (present and future), book debts and outstanding moneys.

Redemption

(i) The debentures mentioned in *(a)* are redeemable at par in forty equated quarterly instalments commencing from 15th October, 1999. The Company had the call option to redeem the same at the end of 5 years from 24th November, 1999, by giving 30 days prior period notice, which was not exercised.

(ii) The debentures mentioned in *(b)* have been redeemed at par in five equal instalments commencing from 24th January, 2002.

(iii) The debentures mentioned in *(c)* are redeemable at par in three equal instalments commencing from 30th July, 2008.

(iv) The debentures mentioned in *(d)* are redeemable at premium in three instalments at the end of 9th, 10th and 11th year from 18th October, 2004. The Company has the call option to redeem the same at a premium of 11.20% at the end of five years from 18th October, 2004.

Schedules forming part of the Balance Sheet

SCHEDULE "D" : UNSECURED LOANS

		Rupees Crores	Rupees Crores	*As at 31-03-2005 Rupees Crores*
	FIXED DEPOSITS :			
(a)	From Shareholders (short term)	Nil		*0.04*
(b)	From Others	Nil		*25.85*
(c)	Interest accrued and due on *(b)* above....	Nil		*
			Nil	*25.89*
	SHORT TERM LOANS AND ADVANCES :			
	FROM BANKS -			
(d)	Temporary overdrawn balance in bank current accounts	17.24		*23.09*
	FROM OTHERS -			
(e)	Short Term Borrowing from Companies	5.07		*5.07*
			22.31	*28.16*
	OTHER LOANS AND ADVANCES :			
(f)	7.875% Euro Notes (2007)**	542.16		*533.08*
(g)	8.500% Euro Notes (2017)**	288.34		*288.34*
(h)	1% Foreign Currency Convertible Bonds (2010) [*See Note 3(a)*] **	897.20		*879.60*
(i)	Sales Tax Deferral (repayable in 2014-2018)	56.67		*42.50*
(j)	Loans from Housing Development Finance Corporation Ltd. (including short term Rs. 1.12 crores - *31st March, 2005 - Rs. 1.05 crores*)	2.32		*3.37*
			1,786.69	*1,746.89*
			1,809.00	***1,800.94***

** Repayable in foreign currencies

SCHEDULE "E" : FIXED ASSETS

Rs. Crores

	GROSS BLOCK				DEPRECIATION/AMORTISATION				NET BLOCK	
	As at 1-4-2005 (at cost)	Additions	Deductions	**As at 31-3-2006 (at cost)**	As at 1-4-2005	For the year	Deductions	**As at 31-3-2006**	**As at 31-3-2006**	As at 31-3-2005
INTANGIBLE ASSETS :										
1. GOODWILL	7.60	—	7.60	—	6.08	1.14	7.22	—	Nil	1.52
2. TECHNICAL KNOW-HOW	0.95	—	—	0.95	0.87	0.07	—	0.94	0.01	0.08
TANGIBLE ASSETS :										
3. LAND (including land development)	15.45	—	0.06	15.39	—	—	—	—	15.39	15.45
4. LEASEHOLD LAND	4.48	0.10	0.26	4.32	0.25	0.05	—	0.30	4.02	4.23
5. HYDRAULIC WORKS	467.83	1.29	0.02	469.10	65.78	14.50	0.01	80.27	388.83	402.05
6. BUILDINGS	413.78	73.09	0.20	486.67 @	125.90	18.75	0.13	144.52	342.15	287.88
7. RAILWAY SIDINGS, ROADS, CROSSINGS, ETC.	21.11	0.32	0.02	21.41	5.77	0.64	0.01	6.40	15.01	15.34
8. PLANT AND MACHINERY	3,768.91	377.15 #	12.44	4,133.62	2,119.06	201.60	4.71	2,315.95	1,817.67	1,649.85
9. TRANSMISSION LINES, CABLE NETWORK, ETC.	678.79	23.76	*	702.55	270.97	36.05	*	307.02	395.53	407.82
10. FURNITURE, FIXTURES AND OFFICE EQUIPMENT	31.42	2.66	1.09	32.99	18.09	2.29	0.61	19.77	13.22	13.33
11. MOTOR VEHICLES, LAUNCHES, BARGES, ETC.	31.34	3.80	1.58	33.56	22.83	3.25	1.30	24.78	8.78	8.51
12. HELICOPTERS	24.18	—	—	24.18	21.77	—	—	21.77	2.41	2.41
TOTAL - 2005-2006	**5,465.84**	**482.17**	**23.27**	**5,924.74**	**2,657.37**	**278.34**	**13.99**	**2,921.72**	**3,003.02**	**2,808.47**
2004-2005	*5,534.70*	*315.36*	*384.22*	*5,465.84*	*2,364.36*	*359.62*	*66.61*	*2,657.37*	*2,808.47*	*3,170.34*

@ Buildings include Rs.* being cost of ordinary shares in co-operative housing societies.

\# Plant and Machinery includes Exchange loss (net) capitalised Rs. 4.42 crores (*31st March, 2005 - Rs. 43.87 crores*).

Schedule forming part of the Balance Sheet

SCHEDULE “F” : INVESTMENTS

	Quantity						
	Opening Balance	Additions	Deductions/ Cancellations	Closing Balance	Face Value Rupees Crores	Cost Rupees Crores	*Cost as at 31-3-2005 Rupees Crores*
1. CONTINGENCIES RESERVE INVESTMENTS-							
A. Government of India Securities - (Quoted)							
6.85% GOI (2012)	9,08,700	—	—	9,08,700	9.09	9.00	*9.00*
B. Other Securities - (Quoted)							
5.20% EXIM Bonds G11 Series (2003-04)	21.78	—	—	21.78	21.78	21.78	*21.78*
6.75% Unit Trust of India - Tax free US 64 Bonds 2008	87,56,054	—	—	87,56,054	87.56	126.94	*126.94*
						148.72	*148.72*
C. Other Securities - (Unquoted)							
5.50% NABARD Capital Gain Bonds (2009)	15,500	—	—	15,500	15.50	15.50	*15.50*
5.50% NABARD Capital Gain Bonds (2011)	—	19,980 !	—	19,980	19.98	19.94	*Nil*
						35.44	*15.50*
						193.16	*173.22*
2. DEFERRED TAXATION LIABILITY FUND INVESTMENTS-							
A. Government of India Securities - (Quoted)							
6.85% GOI (2012)	40,91,300	—	—	40,91,300	40.91	40.53	*40.53*
B. Other Securities - (Quoted)							
6.75% Unit Trust of India - Tax free US 64 Bonds 2008	1,75,99,774	—	—	1,75,99,774	176.00	292.09	*292.09*
9.40% IDBI Flexibonds (2010)	20,000	—	—	20,000	10.00	9.97	*9.97*
7.85% EXIM Bonds F6 Series (2012)	40	—	—	40	40.00	39.84	*39.84*
						341.90	*341.90*
C. Other Securities - (Unquoted)							
7% NABARD Capital Gain Bonds (2008)	15,000	—	15,000 !!	—	—	Nil	*15.00*
5.50% NABARD Capital Gain Bonds (2011)	—	15,000 !	—	15,000	15.00	15.00	*Nil*
						397.43	*397.43*
3. TRADE INVESTMENTS -							
A. Ordinary Shares-(Quoted) fully paid up							
NELCO Ltd.	1,10,99,630	—	1,10,99,630 @	—	—	Nil	*11.07*
Tata Teleservices (Maharashtra) Ltd.	16,15,65,693	—	—	16,15,65,693	161.57	115.44	*115.44*
VSNL Ltd.	—	25,75,837 !	—	25,75,837	2.58	121.84	*Nil*
Power Trading Corporation of India Ltd.	1,57,05,300	—	—	1,57,05,300	15.71	17.63	*17.63*
						254.91	*144.14*
B. Ordinary Shares-(Unquoted) fully paid up							
Tata Services Ltd.	1,112	—	—	1,112	0.11	0.11	*0.11*
The Associated Building Co. Ltd.	1,400	—	—	1,400	0.13	0.13 **	*0.13***
Yashmun Engineers Ltd.	9,600	—	—	9,600	0.10	0.01	*0.01*
Tata Projects Ltd.	45,000	—	—	45,000	0.45	0.52	*0.52*
Tata Teleservices Ltd	60,00,00,000	8,40,00,000 !	—	68,40,00,000	684.00	726.00	*600.00*
Panatone Finvest Ltd.	50,00,00,000	—	—	50,00,00,000	500.00	500.00	*500.00*
North Delhi Power Limited	18,03,20,000	—	—	18,03,20,000	180.32	180.32	*180.32*
						1,407.09	*1,281.09*
						1,662.00	*1,425.23*
4. INVESTMENTS IN SUBSIDIARY COMPANIES -							
A. Ordinary Shares - (Quoted) fully paid up							
NELCO Ltd. (subsidiary with effect from 31st December, 2005)	—	1,10,99,630 @	—	1,10,99,630	11.10	11.07	*Nil*
B. Ordinary Shares - (Unquoted) fully paid up							
Chemical Terminal Trombay Ltd.	1,52,064	—	—	1,52,064	1.52	26.39	*26.39*
Af-Taab Investment Co. Ltd	13,39,200	—	—	13,39,200	13.39	85.72	*85.72*
Alaknanda Hydro Power Co. Ltd.	31,00,000	—	31,00,000 !!	—	—	Nil	*3.12*
Powerlinks Transmission Ltd.	9,95,01,000	11,46,99,000 !	—	21,42,00,000	214.20	214.20	*99.50*
Tata Power Trading Co. Ltd.	20,00,000	—	—	20,00,000	2.00	2.00	*2.00*
Tata Power Broadband Co. Ltd.	7,00,00,000	—	7,00,00,000 !!	—	—	Nil	*70.00*
Maithon Power Ltd.	—	40,09,120 !	—	40,09,120	4.01	4.24	*Nil*
						332.55	*286.73*
C. Preference Shares-(Unquoted) fully paid up							
Tata Power Trading Co. Ltd.	—	1,80,00,000 !	—	1,80,00,000	18.00	18.00	*Nil*
						361.62	*286.73*
5. OTHER INVESTMENTS-							
A. Ordinary Shares-(Quoted) fully paid up							
Titan Industries Ltd.	3,48,300	—	—	3,48,300	0.35	0.85	*0.85*
PSI Data Systems Ltd.	1,35,244	—	—	1,35,244	0.14	6.45 **	*6.45***
HDFC Bank Ltd.	1,500	—	—	1,500	*	*	***
Industrial Development Bank of India	1,42,720	—	—	1,42,720	0.14	1.14	*1.14*
Voltas Ltd.	23,342	—	—	23,342	0.02	0.25	*0.25*
Tata Consultancy Services Ltd.	113	—	—	113	*	*	***
						8.69	*8.69*
B. Ordinary Shares-(Unquoted) fully paid up							
Tata Industries Ltd.	35,51,903	—	—	35,51,903	35.52	40.09	*40.09*
Rujuvalika Investments Ltd.	1,83,334	—	—	1,83,334	0.18	0.30	*0.30*
Tata BP Solar India Ltd.	17,82,000	—	—	17,82,000	17.82	24.49	*24.49*
Tata Ceramics Ltd.	91,10,000	—	—	91,10,000	## 1.82	9.11 **	*9.11***
Tata Sons Ltd.	5,673	—	—	5,673	0.57	136.69	*136.69*
India Natural Gas Co. Pvt. Ltd	1,00,000	—	—	1,00,000	1.00	1.00 **	*1.00***
Haldia Petrochemicals Ltd.	2,24,99,999	—	—	2,24,99,999	22.50	22.50	*22.50*
						234.18	*234.18*
Carried over..						2,857.08	*2,525.48*

Schedule forming part of the Balance Sheet

SCHEDULE "F" : INVESTMENTS *(Contd.)*

		Quantity						
		Opening Balance	Additions	Deductions/ Cancellations	Closing Balance	Face Value Rupees Crores	Cost Rupees Crores	*Cost as at 31-3-2005 Rupees Crores*
	Brought forward.						2,857.08	*2,525.48*
C.	Preference Shares-(Unquoted) fully paid up							
	Inshaallah Investments Pvt. Ltd.	2,00,000	—	2,00,000 !!	—	—	Nil	*2.00 ***
	Rallis India Ltd.	50,00,000	—	—	50,00,000	5.00	5.00	*5.00*
							5.00	*7.00*
D.	Other Securities-(Quoted)							
	6.75% Unit Trust of India - Tax free US 64 Bonds 2008	31,12,268	—	—	31,12,268	31.12	38.39 **	*38.39 ***
	Unit Trust of India - US2002	1,50,820	—	—	1,50,820	0.15	0.11 **	*0.11 ***
	5.20% EXIM BONDS G11 SERIES(2003-04)	3.22	—	—	3.22	3.22	3.22	*3.22*
							41.72	*41.72*
E.	Other Securities-(Unquoted)							
	5.50% NABARD Capital Gain Bonds (2011)	—	1,31,330 !	—	131,330	131.33	131.09	*Nil*
	5.20% NABARD Capital Gain Bonds (2011)	—	1,24,540 !	—	124,540	124.54	124.37	*Nil*
	J M Equity Fund-Units	5,00,000	—	—	5,00,000	0.50	0.50	*0.50*
	BOI Mutual Fund	6,66,667	—	—	6,66,667	0.67	0.50	*0.50*
	Templeton India Growth Fund	2,50,000	—	—	2,50,000	0.25	0.25	*0.25*
#	Birla Cash Plus Institutional Premium Plan	9,56,48,961	6,21,31,379 !	9,47,91,519 !!	6,29,88,821	62.99	66.43	*99.86*
#	Birla Cash Plus Dividend Option Plan	—	3,87,11,144 !	1,73,66,136 !!	2,13,45,008	21.34	21.39	*Nil*
#	JM High Liquidity Fund Institutional Plan-Growth	8,67,89,249	83,30,221 !	9,51,19,470 !!	—	—	Nil	*90.35*
#	JM High Liquidity Fund Institutional Plan-Dividend	—	15,27,96,959 !	11,97,31,290 !!	3,30,65,669	33.07	33.12	*Nil*
#	Grindlays Cash Fund Plan C - Institutional Plan - Growth	9,49,85,078	11,87,96,488 !	21,37,81,566 !!	—	—	Nil	*98.93*
#	Grindlays Cash Fund Plan C - Institutional Plan- Dividend	—	100,31,74,523 !	97,94,04,101 !!	2,37,70,422	23.77	23.77	*Nil*
#	SBI Mutual Fund - Savings Plan - Dividend Reinvestment	1,98,61,326	—	1,98,61,326 !!	—	—	Nil	*30.01*
#	HDFC Liquid Fund	7,58,80,035	—	7,58,80,035 !!	—	—	Nil	*99.10*
#	HDFC Cash Management Fund - Growth	5,25,55,028	4,42,29,912 !	9,67,84,940 !!	—	—	Nil	*71.98*
#	HDFC Cash Management Fund - Dividend	—	8,62,54,405 !	7,31,45,049 !!	1,31,09,356	13.11	13.94	*Nil*
#	HSBC Cash Fund	5,95,08,911	1,36,57,544 !	7,31,66,455 !!	—	—	Nil	*66.05*
#	HSBC Cash Fund- Dividend	—	65,87,49,636 !	62,79,44,394 !!	3,08,05,242	30.81	30.82	*Nil*
#	Templeton India Treasury Management	5,42,984	—	5,42,984 !!	—	—	Nil	*89.44*
#	Prudential ICICI Liquid Plan	5,71,69,961	—	5,71,69,961 !!	—	—	Nil	*92.47*
#	SBI Magnum Institutional Cash Fund	41,33,025	1,03,97,018 !	1,45,30,043 !!	—	—	Nil	*6.13*
#	SBI Mutual Fund - Income Fund	29,90,282	—	29,90,282 !!	—	—	Nil	*3.05*
#	DSP Merill Lynch Liquidity Fund	6,09,06,989	—	6,09,06,989 !!	—	—	Nil	*98.50*
#	Tata Liquid Fund High Investment Plan	8,89,738	3,91,879 !	5,70,900 !!	7,10,717	71.07	86.26	*107.67*
							532.44	*954.79*
							822.03	*1,246.38*
							3,436.24	***3,528.99***
**	Provision for diminution in value of Investments						(24.07)	*(26.07)*
							3,412.17	***3,502.92***

Notes :

		As at 31-3-2006 Rupees Crores	*As at 31-3-2005 Rupees Crores*
(1)	Aggregate of Quoted Investments-Cost	856.54	*734.70*
	Market Value [including face value Rs. 381.35 crores - *(31st March, 2005 - Rs. 125 crores)* in respect of items listed but not quoted]	1,284.68	*972.97*
(2)	Aggregate of Unquoted Investments-Cost	2,579.70	*2,794.29*

(3) During the year, the Company acquired and sold the following Investments :

	No of units	Purchase Cost Rupees Crores
SBI Magnum Institutional Income Fund - Growth	14,01,54,043	152.62
SBI Magnum Institutional Income Fund - Dividend	3,58,83,379	36.00
HDFC Liquid Fund - Premium Plus Plan - Growth	11,61,10,705	154.34
HSBC Mutual Fund - Institutional Plan - Growth	13,93,32,979	145.75
Prudential ICICI - Institutional Plus - Growth	8,83,79,632	146.44
Prudential ICICI - Institutional Plus - Dividend	20,48,68,582	242.80
Templeton India Treasury Management Account	12,91,248	134.25

#	Current Investments - all other investments are long term investments.
!	Acquired during the year.
!!	Sold/redeemed during the year.
##	Consequent to restructuring of share capital.
@	Consequent to becoming a Subsidiary.

Schedule forming part of the Balance Sheet

SCHEDULE "G" : CURRENT ASSETS, LOANS AND ADVANCES

	Rupees Crores	Rupees Crores	As at 31-03-2005 Rupees Crores
CURRENT ASSETS-			
(a) Inventories -			
Stores and Spare Parts at or below cost	406.58		*219.60*
Loose Tools at or below cost	0.19		*0.14*
Stores, Tools and Equipment in transit at cost	26.36		*73.42*
Work-in-progress	9.13		*3.87*
		442.26	*297.03*
(b) Sundry Debtors -			
(i) Debts outstanding for more than six months	268.84		*310.13*
(ii) Other debts	824.70		*417.25*
	1,093.54#		*727.38*
Less: Provision for Doubtful Debts	35.31		*30.75*
		1,058.23	*696.63*
Notes -			
Sundry Debtors fully secured	10.14		*5.61*
Sundry Debtors unsecured and considered good	1,048.09		*691.02*
Sundry Debtors considered doubtful	35.31		*30.75*
	1,093.54		*727.38*
# includes Rs. 81.15 crores, which, in accordance with the terms of the contracts were not due for payments as at 31st March, 2006.			
(c) Cash and Bank Balances-			
(i) Cash and Cheques on Hand (includes cheques on hand Rs.Nil - *31st March, 2005 - Rs. 10.53 crores*)	0.21		*11.15*
(ii) Current Accounts with Scheduled Banks	25.36		*28.27*
(iii) Term Deposits with Scheduled Banks	886.15@		*424.14*@
(iv) Term Deposits with Standard Chartered Bank, London - Non-Scheduled Bank (maximum amount outstanding during the year Rs. 437.21crores - *31st March, 2005 - Rs. 437.21 crores*)	* !		*437.21*!
(v) Margin money deposit with a Scheduled Bank (against a Bank Guarantee).	78.83		*78.83*
		990.55	*979.60*
@ Includes Rs. 885.10 crores *(31st March, 2005 - Rs. 421.14 crores)* in foreign currency.			
! In foreign currency			
(d) Other Current Assets -			
Interest accrued on Investments		18.06	*12.87*
		2,509.10	***1,986.13***
LOANS AND ADVANCES-Considered good- unless otherwise stated - (Unsecured)			
(a) Advances with public bodies (including balances with Customs and Excise Rs. 0.11 crores - *31st March, 2005 - Rs. 4.67 crores*)	0.62		*5.14*
(b) VAT Receivable (Inputs) (Net)	29.17		*Nil*
(c) Deposits with Af-Taab Investment Co. Ltd. (a Subsidiary Company) (including interest accrued Rs. 0.84 crores - *31st March, 2005 - Rs. 1.73 crores*)	81.99		*62.47*
(d) Deposits with NELCO Ltd. (a Subsidiary Company with effect from 31st December, 2005)	1.65		*1.65*
(e) Advances with Subsidiaries :			
Advances with Alaknanda Hydro Power Co. Ltd.	Nil		*8.05*
Advances with Tata Power Broadband Co. Ltd.	Nil		*0.06*
Advances with Maithon Power Ltd	0.01		*Nil*
Advances with Tata Power Trading Co. Ltd.	Nil		*0.14*
	0.01		*8.25*
(f) Deposits with other Companies (including deposits considered doubtful Rs. 1.27 crores - *31st March, 2005 - Rs. 1.27 crores*)	134.27		*63.52*
Less: Provision for doubtful deposits	1.27		*1.27*
	133.00		*62.25*
(g) Other Advances (including amount due from Directors Rs. Nil - *31st March, 2005 - Rs. 0.17 crore* - maximum amount due during the year Rs. 0.17 crore - *31st March, 2005 - Rs. 0.18 crore*) (including advances considered doubtful Rs. 12.94 crores - *31st March, 2005 - Rs. 2.18 crores*)	147.70		*157.04*
Less: Provision for doubtful advances	12.94		*2.18*
	134.76		*154.86*
(h) Payment of Taxes (net of provisions and including Fringe Benefit Tax)	82.74		*242.87*
		463.94	***537.49***
		2,973.04	***2,523.62***

Schedules forming part of the Balance Sheet

SCHEDULE "H" : CURRENT LIABILITIES AND PROVISIONS

		Rupees Crores	Rupees Crores	*As at 31-03-2005 Rupees Crores*
CURRENT LIABILITIES -				
(a)	Consumers Benefit Account (@ includes Rs. 9.82 crores in respect of previous year transferred during the year)	46.82 @		*21.94*
(b)	Sundry Creditors (*See Note 9*)	548.86		*534.12*
(c)	Advance and progress payments	17.03		*45.84*
(d)	Interest accrued but not due on Secured Loans	23.33		*24.25*
(e)	Interest accrued but not due on Unsecured Loans	8.60		*9.93*
(f)	Investor Education and Protection Fund shall be credited by the following amounts namely:- **			
	(i) Unpaid Dividend	6.52		*5.95*
	(ii) Unpaid Matured Debentures	0.24		*0.24*
	(iii) Interest	0.10		*0.17*
	(iv) Unpaid Matured Deposits	1.03		*Nil*
(g)	Other Liabilities	38.29		*23.25*
(h)	Security Deposits from Consumers	22.68		*22.49*
(i)	Sundry Deposits	18.31		*18.69*
			731.81	***706.87***

** includes amounts aggregating Rs.0.20 crore (*31st March, 2005 - Rs. 0.20 crore*) outstanding for more than seven years pending legal cases.

		Rupees Crores	Rupees Crores	*As at 31-03-2005 Rupees Crores*
PROVISIONS -				
(a)	Provision for Wealth Tax	0.72		*0.63*
(b)	Provision for Proposed Dividend	168.41		*148.60*
(c)	Provision for Additional Income-tax on Dividend	23.62		*20.94*
(d)	Provision for Gratuities	68.58		*65.00*
(e)	Provision for Pension Scheme	12.79		*10.75*
(f)	Provision for Leave Encashment	32.95		*28.96*
(g)	Provision for Premium on redemption of Debentures (*See Note 35*).	134.70		*134.70*
(h)	Provision for Premium on redemption of Foreign Currency Convertible Bonds (*See Note 35*)	141.16		*138.40*
(i)	Provision for Contingencies (*See Note 35*)	Nil		*30.00*
(j)	Provision for future foreseeable losses on contracts, etc.	3.77		*Nil*
(k)	Provision for Warranties (*See Note 35*)	2.50		*2.72*
			589.20	***580.70***
			1,321.01	***1,287.57***

SCHEDULE "I" : MISCELLANEOUS EXPENDITURE (to the extent not written off)

	Expenditure incurred	Amount Written off			
	Till 31-3-2006 Rupees Crores	Till 31-3-2005 Rupees Crores	During the year Rupees Crores	Closing Balance Rupees Crores	*As at 31-3-2005 Rupees Crores*
INTANGIBLE ASSETS-					
"The Bombay (Hydro-Electric) Licence, 1907"	0.13	0.13	—	Nil	*Nil*
"The Andhra Valley (Hydro-Electric) Licence, 1919"	0.05	0.05	—	Nil	*Nil*
"The Nila Mula Valley (Hydro-Electric) Licence, 1921"	0.08	0.08	—	Nil	*Nil*
"The Trombay Thermal Power Electric Licence, 1953"	*	*	—	*	*
OTHER EXPENDITURE-					
Expenses re: New Ordinary Shares	0.03	0.03	—	Nil	*Nil*
Expenses towards Rights Shares issued in 1993	3.66	2.09	0.17	1.40	*1.57*
Global Depository Shares (GDS) issue expenses	11.12	6.34	0.53	4.25	*4.78*
Discount on issue of Debentures	0.53	0.53	—	Nil	*Nil*
Discount on issue of Euro Notes	5.54	4.35	0.19	1.00	*1.19*
Merger expenses- Tata Hydro & Andhra Valley	61.93	61.93	—	Nil	*Nil*
Merger expenses - Jamshedpur Power Co. Ltd	0.54	0.54	—	Nil	*Nil*
Preliminary Expenses	0.01	0.01	—	Nil	*Nil*
Voluntary Retirement Scheme Compensation	26.81	4.82	8.93	13.06	*19.95*
	110.43	80.90	9.82	19.71	*27.49*
Less: GDS issue expenses adjusted against Securities Premium				4.25	*4.78*
				15.46	***22.71***

Schedule forming part of the Profit and Loss Account

SCHEDULE "1" : INCOME FROM OTHER OPERATIONS AND OTHER INCOME

	Rupees Crores	Rupees Crores	*Previous Year Rupees Crores*
1. INCOME FROM OTHER OPERATIONS –			
(a) Rental of Land, Buildings, Plant and Equipment, etc.	7.95		*5.99*
(b) Income in Respect of Services rendered	12.55		*12.25*
(c) Income from Broadband services and sale of dark fibre	Nil		*8.00*
(d) Revenue from Contracts - Transmission EPC Business Unit	194.43		*174.39*
(e) Miscellaneous Revenue and Sundry Credits	10.75		*10.50*
(f) Profit on Sale/Retirement of Assets (Net) (@ includes Rs. 8.72 crores on sale of land including development rights).	9.37 @		*3.21*
		235.05	***214.34***
2. OTHER INCOME –			
(a) Interest on Government and Other Securities, Loans, Advances, Deposits, etc.(including Rs. 3.16 crores - *Previous Year Rs. 2.60 crores* on Contingencies Reserve Investments and Rs. 7.65 crores on Deferred Tax Liability Investments - *Previous Year Rs. 7.93 crores*)(including interest from subsidiaries Rs. 5.64 crores - *Previous Year Rs. 10.72 crores*) (including Income-tax deducted Rs. 5.53 crores - *Previous Year Rs. 8.98 crores*)	89.94		*77.91*
(b) Interest on US 64 Tax Free Bonds from Unit Trust of India (including Rs. 5.91 crores - *Previous Year Rs. 5.91 crores* on Contingencies Reserve Investments and Rs. 11.88 crores on Deferred Tax Liability Investments - *Previous Year Rs. 11.88 crores*)	19.89		*19.89*
(c) Income from Trade Investments	19.31		*1.27*
(d) Dividend from Subsidiaries	1.22		*9.80*
(e) Income from Other Investments (including Income-tax deducted Rs. 0.04 crore - *Previous Year Rs. 0.04 crore*)	20.81		*7.91*
(f) Profit on Sale of Investments (Net) (including Rs. 129.97 crores - *Previous Year Rs. 175.69 crores* in respect of Long Term Investments) (*See Note 17*)	149.39		*191.01*
(g) Provision for Diminution in value of Investments written back (Net)	2.00		*46.22*
(h) Profit on Sale of Power Plant at Wadi (*See Note 16*)	Nil		*32.75*
(i) Profit on Sale of Power Systems Division (*See Note 15*)	22.43		*Nil*
(j) Sundry Receipts	0.62		*0.37*
		325.61	***387.13***
		560.66	***601.47***

Schedule forming part of the Profit and Loss Account

SCHEDULE "2" : GENERATION, DISTRIBUTION, ADMINISTRATION AND OTHER EXPENSES

	Rupees Crores	Rupees Crores	*Previous Year Rupees Crores*
1. PAYMENTS TO AND PROVISIONS FOR EMPLOYEES -			
(a) Salaries, Wages and Bonus (excluding Rs. 0.20 crore on Repairs and Maintenance - *Previous Year Rs. 0.16 crore)* (net of provision written back Rs. Nil - *Previous Year Rs. 22.00 crores*)	114.45		*83.25*
(b) Company's contribution to Provident Fund	6.35		*6.28*
(c) Retiring Gratuities	9.54		*24.54*
(d) Welfare Expenses	22.42		*23.64*
(e) Contribution to Superannuation Fund	8.91		*9.10*
(f) Leave Encashment Scheme	7.25		*6.01*
(g) Pension Scheme	4.76		*2.58*
		173.68	*155.40*
2. OPERATION EXPENSES -			
(a) Stores, Oil, etc. consumed (excluding Rs. 25.60 crores on Repairs and Maintenance - *Previous Year Rs. 20.51 crores)*	23.40		*22.24*
(b) Rental of Land, Buildings, Plant and Equipment, etc. (net of provision written back Rs. Nil - *Previous Year Rs. 17.70 crores)*	12.58		*(9.53)*
(c) Repairs and Maintenance-			
(i) To Buildings and Civil Works	19.40		*14.21*
(ii) To Machinery and Hydraulic Works	94.35		*97.17*
(iii) To Furniture, Vehicles, etc.	2.23		*2.16*
	115.98		*113.54*
(d) Rates and Taxes	20.98		*21.20*
(e) Insurance	15.98		*16.67*
(f) Components consumed relating to manufacturing activities	11.06		*28.41*
(g) Cost of materials and erection charges - Transmission EPC Business Unit	204.07		*164.83*
(h) Other Operation Expenses	41.37		*27.73*
(i) Provision for future foreseeable losses on contracts	3.27		*Nil*
(j) Agency Commission	2.93		*Nil*
		451.62	*385.09*
3. WHEELING CHARGES PAYABLE		17.40	*20.51*
4. ADMINISTRATION EXPENSES -			
(a) Rent	1.04		*0.64*
(b) Rates and Taxes	1.04		*1.01*
(c) Insurance	0.28		*3.37*
(d) Other Administration Expenses	10.56		*11.33*
(e) Directors' Fees	0.09		*0.11*
(f) Auditors' Fees (*See Note 27*)	2.25		*1.87*
(g) Government Audit Fees	Nil		*0.01*
(h) Cost of Services Procured	17.01		*15.44*
(i) Miscellaneous Expenses	28.50		*49.08*
(j) Bad Debts	6.75		*0.02*
(k) Provision for Doubtful Debts and Advances (Net)	15.44		*2.22*
		82.96	*85.10*
Carried Over		725.66	*646.10*

Schedules forming part of the Profit and Loss Account

SCHEDULE "2" : GENERATION, DISTRIBUTION, ADMINISTRATION AND OTHER EXPENSES *(Contd.)*

	Rupees Crores	Rupees Crores	*Previous Year Rupees Crores*
Brought Forward....		725.66	*646.10*
5. (INCREASE)/DECREASE IN WORK-IN-PROGRESS-			
Opening Balance	3.87		*11.95*
Less - Transfer on sale of Power Systems Division.	3.69		*Nil*
Less - Closing Balance	9.13		*3.87*
		(8.95)	*8.08*
6. AMOUNT WRITTEN OFF - MISCELLANEOUS EXPENDITURE - (*Schedule "I"*)		9.82	*18.20*
7. TRANSFER OF REVENUE EXPENSES TO CAPITAL		(5.38)	*(20.30)*
		721.15	***652.08***

SCHEDULE "3" : INTEREST AND FINANCE CHARGES

	Rupees Crores	Rupees Crores	*Previous Year Rupees Crores*
INTEREST :			
(a) INTEREST ON DEBENTURE LOANS	52.22		*55.42*
(b) INTEREST ON FIXED PERIOD LOANS FROM INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND INTERNATIONAL FINANCE CORPORATION	Nil		*0.48*
(c) INTEREST ON FIXED PERIOD EURO NOTES & FCCB	93.59		*87.95*
(d) OTHER INTEREST AND COMMITMENT CHARGES (including Rs. 7.64 crores on Fixed Period Loans - *Previous Year Rs. 14.90 crores)*	17.71		*32.42*
	163.52		*176.27*
Less : INTEREST CAPITALISED	15.06		*9.29*
		148.46	*166.98*
FINANCE CHARGES :			
(a) LOSS ON EXCHANGE (NET)	8.01		*7.89*
(b) COMMISSION AND BROKERAGE	4.65		*3.80*
(c) GUARANTEE FEES FOR LOANS	Nil		*0.04*
(d) DELAYED PAYMENT CHARGES	0.22		*4.05*
(e) OTHER FINANCE CHARGES	3.94		*8.68*
		16.82	*24.46*
		165.28	***191.44***

SCHEDULE "4" : STATUTORY APPROPRIATIONS

	Rupees Crores	*Previous Year Rupees Crores*
(a) CONTINGENCIES RESERVE	10.40	*19.98*
(b) DEFERRED TAXATION LIABILITY FUND	Nil	*(23.71)*
(c) TARIFFS AND DIVIDENDS CONTROL RESERVE (includes Rs. 9.82 crores in respect of previous year)	24.89	*Nil*
	35.29	***(3.73)***

Schedule forming part of the Profit and Loss Account

SCHEDULE "5" : COMPUTATION OF NET PROFIT IN ACCORDANCE WITH SECTION 309(5) OF THE COMPANIES ACT, 1956 AND COMMISSION PAYABLE TO THE WHOLE-TIME AND OTHER DIRECTORS

	Rupees Crores	Rupees Crores	*Previous Year Rupees Crores*
Profit before Taxes and Statutory Appropriations as per Profit and Loss Account.		747.45	*758.79*
Add - Managerial Remuneration	1.80		*2.74*
Provision for diminution in value of Investments written back (Net)	(2.00)		*(46.22)*
Provision for Doubtful Debts and Advances (Net)	15.44		*2.22*
		15.24	*(41.26)*
		762.69	*717.53*
Less - Profit on Sale of Investments (Net)	149.39		*191.01*
Profit on Sale of Power Plant	Nil		*32.75*
Profit on Sale of Power Systems Division	22.43		*Nil*
Profit on Sale of land including development rights	8.72		*Nil*
		180.54	*223.76*
Net Profit as per Section 309(5)		582.15	*493.77*
Commission payable to :			
(a) Whole-time Directors (inclusive of excess provision of Rs. 0.23 crore of previous year written back) *(Previous Year - Rs. 0.07 crore)*		0.56	*0.85*
(b) Non Whole-time Directors (inclusive of provision of Rs. 0.04 crore of previous year written back) *(Previous Year - Rs. Nil)* restricted to		0.64	*0.50*
		1.20	*1.35*

Note :

The Company has been legally advised that commission payable to the non Whole-time Directors in terms of Section 309 and other applicable provisions, if any, of the Companies Act, 1956, does not require the approval of the Central Government. The Company has, therefore, not applied for such approval.

Signatures to Notes and Schedules "A" to "I" and "1" to "5"
For and on behalf of the Board,

R. N. TATA
Chairman

Mumbai, 29th May, 2006.

B. J. SHROFF
Secretary

S. RAMAKRISHNAN
Executive Director

Schedule "J" - Notes forming part of the Accounts

1. Major Accounting Policies: -

(a) Fixed Assets :

All fixed assets are stated at cost less depreciation. Cost comprises the purchase price and any other applicable costs. For this purpose cost also includes :

(i) Borrowing costs attributable to the acquisition and construction of fixed assets upto the date the asset is ready for use and

(ii) Exchange differences, in case of borrowed funds and liabilities in foreign currencies for the acquisition of fixed assets from a country outside India.

(b) Depreciation/Amortisation :

(i) Depreciation for the year in respect of assets relating to the electricity business of the Company as Licensee has been provided on straight line method in terms of the repealed Electricity (Supply) Act, 1948 on the basis of Central Government Notification No. S. O. 265(E) dated 27th March, 1994, except that computers acquired on or after 1st April, 1998 are depreciated at the rate of 33.40% p.a. on the basis of approval obtained from the State Government.

(ii) Depreciation for the year in respect of assets relating to the electricity business of the Company as other than a Licensee has been provided on straight line method in terms of the repealed Electricity (Supply) Act, 1948 on the basis of Central Government Notification No. S. O. 266(E) dated 29th March, 1994.

(iii) In respect of assets relating to the other business of the Company, depreciation has been provided for on written down value basis at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956, except in the case of technical know-how which is written off on a straight line basis over a period of six years.

(iv) Assets costing less than Rs. 5,000/- are written off in the year of purchase.

(v) Leasehold Land is amortised over the period of the lease.

(vi) Goodwill is amortised over a period of five years.

(vii) Depreciation on additions/deletions of assets is provided on pro-rata basis.

(viii) Depreciation rates used for various classes of assets are :

Hydraulic Works	- 1.95% to 3.40%
Buildings	- 3.02% to 33.40%
Railway Sidings, Roads, Crossings, etc.	- 3.02% to 5.00%
Plant and Machinery	- 1.80% to 45.00%
Transmission Lines, Cable Network, etc.	- 3.02% to 13.91%
Furniture, Fixtures and Office Equipment	- 12.77% to 18.10%
Motor Vehicles, Launches, Barges, etc.	- 25.89% to 33.40%
Helicopters	- 33.40%

Depreciation so provided has been determined as being not less than the depreciation which would have been recognized in the Profit and Loss Account had the rates and the manner prescribed under Schedule XIV to the Companies Act, 1956, been applied.

(c) Investments :

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

(d) Inventories :

Inventories of stores and spare parts and loose tools are valued at or below cost. Cost is ascertained on weighted average basis. Work-in-progress is valued at lower of cost and net realisable value. Cost includes material costs, labour and manufacturing overheads on the basis of absorption costing.

(e) Taxes on Income :

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods - (*See Note 25*). Where there is unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future.

(f) Research and Development Expenses :

Research and Development costs of a revenue nature are charged as an expense in the year in which these are incurred.

(g) Premium on redemption of Debentures and Foreign Currency Convertible Bonds (FCCB):

Premium payable on redemption of FCCB and Debentures as per the terms of their respective issues is provided fully in the year of issue by adjusting against the Securities Premium Account.

(h) Warranty Expenses :

Anticipated product warranty costs for the period of warranty are provided for in the year of sale. Other warranty obligations are accounted for as and when claims are admitted.

(i) Foreign Exchange Transactions :

All monetary assets and monetary liabilities in foreign currencies are translated at the relevant rates of exchange prevailing at the year end. In respect of foreign exchange contracts, the premium or discount arising at the inception of such a contract is amortised as expense or income over the life of the contract. In case of monetary assets and monetary liabilities in foreign currencies (other than those for acquisition of fixed assets from a country outside India) the exchange differences are recognised in the Profit and Loss account.

Exchange differences in case of borrowed funds and liabilities in foreign currencies for the acquisition of fixed assets from a country outside India are adjusted to the cost of fixed assets.

(j) Retirement Benefits :

Provision for accruing liability for gratuity, pension and leave encashment on separation is made on the basis of the liability as actuarially determined as at the year-end. There are no separate trust funds in respect of these liabilities. Contribution to Provident Fund and Superannuation Fund are accounted on accrual basis with corresponding contributions to recognised funds.

(k) Revenue Recognition :

(i) Revenue from Power Supply is accounted for on the basis of billings to consumers and is inclusive of Fuel Adjustment Charges.

(ii) Delayed payment charges and interest on delayed payments for power supply are recognised, on grounds of prudence, as and when recovered.

(l) Accounting for Contracts :

Income on contracts in respect of the Transmission EPC Business Unit and manufacture of electronic products are accounted on "Percentage of completion" basis measured by the proportion that cost incurred upto the reporting date bear to the estimated total cost of the contract.

(m) Issue Expenses :

(i) Expenses incurred in connection with issue of Rights Shares and Global Depository Shares are amortised over the remaining period of the licence for supply of electricity, in accordance with the treatment adopted for the determination of "Clear Profit" under the repealed Electricity (Supply) Act, 1948. However, the closing balance of the expenditure in connection with Global Depository Shares carried forward under 'Miscellaneous Expenditure (to the extent not written off)' has been disclosed as an adjustment against Securities Premium Account.

(ii) Expenses incurred in connection with the issue of Euro Notes, Foreign Currency Convertible Bonds and Debentures are adjusted against Securities Premium Account.

(iii) Discount on issue of Euro Notes are amortised over the tenure of the Notes.

(n) Expenditure on Amalgamation :

The expenditure incurred is amortised over a period of five years.

(o) Payments under Voluntary Retirement Schemes (VRS) :

Compensation paid under VRS is amortised over a period of thirty six months commencing from the month following the month of separation.

(p) Segment Reporting :

The accounting policies adopted for segment reporting are in line with the accounting policy of the Company. Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated income/expenses".

2. During the previous year the Company issued 1% Foreign Currency Convertible Bonds (FCCB) aggregating to U.S. $ 200 million (Rs.878.80 crores at issue). The bondholders have an option to convert these Bonds into shares, at an initial conversion price of Rs.590.85 per share at a fixed rate of exchange on conversion of Rs.43.38 = U.S. $ 1.00, at any time on or after 6th April, 2005, upto 15th February, 2010. The conversion price is subject to adjustment in certain circumstances. The FCCB may be redeemed, in whole but not in part, at the option of the Company at any time on or after 24th February, 2008 and prior to 15th February, 2010 subject to satisfaction of certain conditions. Unless previously converted, redeemed or repurchased and cancelled, the FCCB fall due for redemption on 25th February, 2010 at 115.734 percent of their principal amount.
3. Net proceeds received on issue of FCCB pending utilisation have been invested in short term deposits with banks. [items (c) (iii) and (c) (iv) - Schedule "G"].
4. Contingency Reserve Investments and Deferred Taxation Liability Fund Investments include 6.75% Unit Trust of India-Tax Free US Bonds 2008 of face value of Rs. 87.56 crores and Rs. 176.00 crores respectively received on conversion of units in Scheme US-64 which are being carried at the cost at which the units were acquired viz. Rs. 126.94 crores and Rs. 292.09 crores respectively. No provision has been made for diminution in the value of these investments as the loss on realisation of these investments, if any, will be adjusted against the said reserves.
5. *(a)* Contingencies Reserve No.1 represents the transfer to such reserves in terms of Para IV of the Sixth Schedule to the repealed Electricity (Supply) Act, 1948.

   (b) Contingencies Reserve No.2 represents the transfer to such reserves in respect of the "Net surplus on cancellation of foreign exchange forward cover contracts", in accordance with the approval of the State Government.
6. The Company has been legally advised that the Company is considered to be established with the object of providing infrastructural facilities and accordingly, Section 372A inserted by the Companies (Amendment) Act, 1999 effective 31st October, 1998 is not applicable to the Company.
7. *(a)* (i) The Company has -

   (a) an investment in Tata Teleservices Limited (TTSL) of Rs.726.00 crores (*31st March, 2005 - Rs.600.00 crores*);

   (b) given guarantees to third parties on behalf of TTSL aggregating to Rs.56.50 crores (*31st March, 2005 - Rs. 177.50 crores*) and provided letters of awareness to banks and financial institutions in respect of facilities aggregating to Rs.Nil (*31st March, 2005 - Rs. 50.00 crores*);

   (c) issued a non - disposal undertaking on existing and future shareholding in TTSL in consideration of a grant of a short term loan of Rs. Nil (*31st March, 2005 - Rs.100.00 crores*) by the institution to TTSL;

   (d) pledged 34,88,40,000 shares held by it in TTSL in favour of IDBI Bank Limited, acting as security trustee on behalf of secured lenders of TTSL and

   (e) in terms of the shareholders agreement, an obligation to subscribe for or arrange along with the participants of the Tata Group, for additional capital as per specified schedule.

   (ii) TTSL has accumulated losses as at 31st March, 2005, based on latest audited accounts for March, 2005, which has significantly eroded its net worth. In the opinion of the Management, having regard to the long gestation period inevitable in the nature of its business, there is no permanent diminution in the value of the investment.

   (b) The Company has an investment in the Equity Shares of Panatone Finvest Limited (PFL) of Rs.500.00 crores (*31st March, 2005 - Rs. 500.00 crores*) and has provided guarantees to PFL's bankers for an aggregate amount of Rs.500.00 crores (*31st March, 2005 - Rs. 500.00 crores*).

   (c) The Company has an investment in Tata Teleservices (Maharashtra) Limited (TTML) of Rs.115.44 crores (*31st March, 2005 - Rs. 115.44 crores*) and has issued guarantees on behalf of TTML aggregating to Rs.50.00 crores (*31st March, 2005 - Rs. 50.00 crores*) to TTML's bankers.

   (d) The Company has provided Undertakings to certain Financial Institutions for non - disposal of its shareholding in North Delhi Power Limited (NDPL) during the tenure of two loans taken by NDPL from certain Financial Institutions aggregating to Rs.280.28 crores (*31st March, 2005 - Rs. 280.28 crores*). Further the Company has issued a guarantee on behalf of NDPL of Rs.0.09 crore (*31st March, 2005 - Rs.0.10 crore*) to NDPL's banker's.

   (e) The Company has -

   (i) an investment in Powerlinks Transmission Limited (PTL) of Rs.214.20 crores (*31st March, 2005 - Rs. 99.50 crores*).

   (ii) entered into a Sponsor Support Agreement with PTL and its Lenders under which it has agreed to provide or cause to be provided to PTL from time to time a maximum amount of Rs.366.00 crores (*31st March, 2005 - Rs.366.00 crores*) in the form of Loans or Equity contributions on the terms and conditions set forth in the agreement.

(iii) in terms of the Deed of Pledge of Shares executed by the Company and Power Grid in favour of Infrastructure Development Finance Company Limited (IDFC) acting as Security Trustee for the Lenders with PTL as a confirming party for pledging the Company's current and future shareholding in PTL, Powers of Attorney is executed in favour of the Security Trustee and the Lenders to accomplish the purpose of the Deed with full authority in terms of the Deed.

(f) In connection with the sale of shares of Tata Honeywell Ltd. (THL), in the previous year the Company had issued a Deed of Indemnity to Honeywell Asia Pacific Inc., upto Rs.0.74 crore (*31st March, 2005 - Rs. 0.74 crore*) from the potential direct tax exposures in THL.

(g) The Company has furnished a Corporate Indemnity of Rs. 315.30 crores (*31st March, 2005 - Rs.315.30 crores*) in favour of ICICI Bank Limited for an amount equal to the liability of The Punjab National Bank under the Bank Guarantee issued by them in connection with the dispute with Reliance Energy Limited on the sharing of standby charges (refer note 12).

(h) During the year, a 100% subsidiary of the Company, Af-Taab Investment Company Limited has invested in the equity share capital of NELCO Limited (NELCO). Consequently, NELCO has become a subsidiary of the Company. NELCO holds 83% of the Share Capital of Tatanet Services Limited, as a result of which Tatanet Services Limited has become a subsidiary of the Company. Further, the Company has given Letter of Comfort on behalf of NELCO to the bank for availing short term loans of Rs.25.00 crores.

8. Capital commitments not provided for are estimated at Rs.101.00 crores (*31st March, 2005 - Rs.156.01 crores*).

9. *(a)* Sundry Creditors [item *(b)* under 'Current Liabilities' - Schedule "H"] include Rs.0.84 crore (*31st March, 2005- Rs.0.08 crore*) due to small scale and ancillary undertakings.

(b) Small scale and ancillary undertakings to whom amount is outstanding for more than 30 days are as follows :-

(i) Boiler Controls Pvt. Ltd.

(ii) C S Diesel Engineering Pvt. Ltd.

(iii) GEA Energy System (India) Ltd.

(iv) Meco Instruments Pvt. Ltd.

(v) Mikroflo Filters Pvt. Ltd.

(vi) Modern Petro-Packagings

(vii) Nitin Fire Protection Industries Ltd.

(viii) Precimeasure Controls Pvt. Ltd.

(ix) Shaw Engineering Corporation

(x) Yashmun Engineers Ltd.

The above information has been compiled in respect of parties to the extent to which they could be identified as small scale and ancillary undertakings on the basis of information available with the Company.

10. Contingent Liabilities :

(a) Claims against the Company not acknowledged as debts Rs.166.73 crores (*31st March, 2005 - Rs.228.38 crores*) consists mainly of the following:

(i) Octroi claims disputed by the Company aggregating to Rs.5.03 crores (*31st March, 2005 - Rs. 5.03 crores*), consisting of Octroi exemption claimed by the Company regarding which the Writ has been admitted by the High Court.

(ii) A Suit has been filed against the Company claiming compensation of Rs.20.51 crores (*31st March, 2005 - Rs. 20.51 crores*) by way of damages for alleged wrongful disconnection of power supply and interest accrued thereon Rs.81.85 crores (*31st March, 2005 - Rs.77.53 crores*).

(iii) Rates, Duty and Cess claims disputed by the Company aggregating to Rs.14.88 crores (*31st March, 2005 - Rs.26.61 crores*), consisting mainly for levy of cess and way leave fees by Maharashtra Pollution Control Board at higher rates which is challenged by the Company.

(iv) Encashment of bank guarantee of Rs.Nil (*31st March, 2005 - Rs.10.00 crores*) by Mumbai Port Trust (MbPT) on account of non-performance by the Company.

(v) Delayed Payment Charges on Standby Charges and interest on delayed payments payable to MSEB estimated at Rs.31.00 crores (*31st March, 2005 - Rs.31.00 crores*) (refer note 12).

(vi) Other claims against the Company not acknowledged as debts Rs.13.46 crores (*31st March, 2005 - Rs. 57.70 crores*).

(vii) Other employee matters - amount not ascertainable.

(b) Taxation matters for which liability, relating to issues of deductibility and taxability, is disputed by the Company and provision is not made (computed on the basis of assessments which have been re-opened and assessments remaining to be completed):

		Rs. crores *As at 31st March, 2005*
(i) Matters on which there are decisions of the appellate authorities in the Company's favour, not accepted by the tax authorities	29.67	*33.96*
(ii) Interest and penalty demanded	15.69	*15.69*

(c) Under the Share Purchase Agreement entered into with Tata Industries Limited (TIL) in January 2001, the Company had agreed payment of production upside in the event the total gas production is more than 1.2 Trillion Cubic Feet (TCF) to Tata Industries Limited for net incremental production over and above 1.2 TCF. The said production is based upside for the Tata Petrodyne Limited's (TPL) participating interest of 10% at the rate of US $0.23 per TCF. The obligation on the Company to pay TIL in case of upside in production continues even after the sale of shares of TPL.

(d) In July, 2003 Maharashtra Electricity Regulatory Commission (MERC) by its Order on reviewing the repealed Electricity Act, 1910, repealed Electricity (Supply) Act, 1948 and the licenses of the Company had been unable to concur with the argument put forward by Reliance Energy Limited (REL) that the Company cannot supply energy directly to any consumer. However, as stated in the Order, MERC had as a temporary measure and till such time a level playing field was established, restrained the Company from offering new connections and distributing power to consumers below 1000 KVA, but did not pass any Order in respect of REL's claim that the Company should hand over the financial gains made by the Company to REL or the Government of Maharashtra.

By its Order dated 22nd May, 2006, the Appellate Tribunal has set aside the findings of MERC, against whose Order both the Company and REL had preferred appeals, and has allowed as a whole the appeal preferred by REL. Further the Appellate Tribunal has held that TPCL has not been granted license to undertake retail distribution of electricity in the area within which REL has been distributing power in retail to customers directly and also concluded that till 1997, TPCL was never engaged in distribution of power in retail and the conflict has arisen between the parties only after REL set up its own generating plant or soon thereafter.

The financial consequences of the Appellate Tribunal Order, has neither been quantified in the Order nor been ascertained by the Company.

The Company is of a view, supported by independent legal opinion, that the Appellate Tribunal's Order can be successfully challenged, and consequently no provision/adjustment is considered necessary. The Company proposes to appeal to the Supreme Court against this Order.

Note: If any liability materialises in respect of items *(a)* and *(b)* above, the same would have to be considered for the purposes of the computations of aggregate gain / loss under the MERC (Terms and Conditions of Tariff) Regulations, 2005, to the extent it pertains to the licensed business.

11. *(a)* (i) Provision has been made in the accounts for supply of gas upto 29th January, 1987 by Oil and Natural Gas Commission (ONGC) on the basis of their bills. The Company has been advised that the price at which the gas is billed is to be treated as provisional. The Company has not accepted this position.

(ii) In respect of gas supplied by ONGC from 30th January, 1987 to 15th May, 1992, transportation charges have been billed on a provisional basis. The Company has also been advised that the excise duty and octroi, if levied, on the price of gas, together with the sales tax on the excise duty, transportation charges and octroi would be recovered from the Company.

(iii) Prices of Natural Gas from 1st April, 2000 is under review by the Ministry of Petroleum and Natural Gas (MOPNG).

(iv) In respect of gas purchased from ONGC and later from GAIL, claims aggregating to Rs.40.09 crores (*31st March, 2005 - Rs.40.09 crores*) have been made on the Company towards shortfall in the off take of minimum guaranteed quantities of gas during the period from 1st April, 1992 to 31st December, 2001 which claims have been contested by the Company.

(v) In respect of supply of fuel by Hindustan Petroleum Corporation Limited, the Company has not accepted claims for quantities billed which are in excess of the Company's meter readings. The amount of such claims not provided for aggregates Rs.3.74 crores (*31st March, 2005 - Rs.3.74 crores*).

(b) If any amount is payable by the Company in respect of the items referred to in (a) above, the same would be recoverable as part of fuel surcharge from the consumers. No provision has, therefore, been made in the accounts in respect of these items.

12. In respect of the share of Standby Charges billed by Maharashtra State Electricity Board (MSEB) and recoverable from Reliance Energy Ltd. (REL), the Company had in respect of the periods upto 31st March, 2004, taken credit in previous years for the amount recoverable in terms of the Common Order dated 3rd June, 2003 passed by Hon'ble Bombay High Court in Maharashtra Electricity Regulatory Commission (MERC) Appeal No. 1 of 2002 and MERC Appeal No. 2 of 2002. This amount upto 31st March, 2004 aggregates to Rs. 1,019.00 crores. However, these amounts have been disputed by REL and only Rs. 895.55 crores has been paid by REL to MSEB through the Company/MERC as per the orders passed by MERC and the High Court.

MERC passed an order dated 31st May, 2004 whereby, an amount of Rs. 313.93 crores as on 31st March, 2004 was directed to be refunded by the Company to REL together with interest @10% per annum commencing from 1st April, 2004 till the date of payment and Rs. 225.39 crores as on October, 2003, was directed to be paid to MSEB towards interest and delayed payment charges. The Company had filed a Writ Petition in the Hon'ble Bombay High Court against the said order dated 31st May, 2004 as the Appellate Tribunal under the Electricity Act, 2003 was not constituted and/or functional. REL had also filed a Writ Petition in the Hon'ble Bombay High Court against the said order dated 31st May, 2004. The Hon'ble Bombay High Court by an Order dated 1st July, 2004 stayed the order for refund to REL on the condition that the Company furnishes a Bank Guarantee in favour of the Prothonotary and Senior Master, High Court, Bombay for the sum of Rs. 315.30 crores, within 4 weeks. The Company has accordingly furnished such a Bank Guarantee on 23rd July, 2004. The Guarantee has been renewed for a further period of one year. REL filed a petition in the Supreme Court for Special Leave to Appeal against the said Order. The Hon'ble Supreme Court, had granted REL Leave to Appeal against the said Order dated 1st July, 2004.

Further, by the said Order dated 1st July, 2004, the Company was directed to pay a sum of Rs. 100.00 crores to MSEB within 4 weeks and the balance in two equal installments on or before 31st October, 2004 and 31st January, 2005 respectively. The Company has accordingly paid all the three installments to MSEB. The Hon'ble High Court however, did not stay or modify the payment of standby charges from 1st June, 2004 onwards. The Company has accordingly been paying a sum of Rs. 33.00 crores every month, to MSEB towards standby charges.

By a Judgement dated 24th December, 2004, the Hon'ble High Court has disposed off the Writ Petition filed by the Company directing that the matter be decided by the Appellate Tribunal to be constituted under the Electricity Act, 2003. The Hon'ble Court has further directed that during the interregnum period, the parties shall pay the standby charges according to the said Order dated 1st July, 2004. Both, the Company and REL, had filed Petitions in the Hon'ble Supreme Court of India to appeal against the said Order dated 24th December, 2004. Both were granted leave to appeal. The Supreme Court by its common Order dated 30th November, 2005 disposed off the Special Leave Petitions with directions to the Company to file an appeal before the Appellate Tribunal. Accordingly the Company has filed an appeal dated 12th December, 2005.

Consequent to the Appellate Tribunal becoming functional, during the year, the Company has also filed an appeal before the Appellate Tribunal against the MERC Tariff Order dated 11th June, 2004 to the limited extent of fixing the charges for the standby facility being provided by the Company to REL or sharing by the Company and REL of the Standby Charges payable to MSEB. The hearings have been concluded on 28th April, 2006 and the judgement is awaited.

Since the aforementioned payments are subject to the final outcome of the Appeals, no adjustment has been made for the reversal in terms of the MERC Order dated 31st May, 2004 of standby charges credited in previous years estimated at Rs.503.00 crores for the period from 1st April, 1998 to 31st March, 2004. Further, consequent to the MERC Order, interest estimated at Rs. 31.00 crores is payable to MSEB which has also not been accounted for [refer note 10(a)(v)]. The aggregate of these amounts net of tax is estimated at Rs.354.00 crores, which MERC in its Order has allowed to be adjusted, wholly by a withdrawal/set-off from certain Statutory Reserves created by the Company under the repealed Electricity (Supply) Act, 1948 in earlier years. Adjustments if any, will be recorded by the Company on the final outcome of the said Appeal. Accordingly, adjustment to the Deferred Tax Liability Fund and the Deferred Tax Liability Account will also be made on the disposal of the said Appeal and no provision has been made in the accounts towards interest that may be determined as payable to REL (on amounts determined as excess recovery in the MERC Tariff Order in respect of which refund the Company has obtained a stay) for the year ended 31st March, 2006 in terms of the MERC Order. However, since 1st April, 2004, the Company, as a matter of prudence, has accounted standby charges on the basis determined by the MERC Order.

13. (i) MERC vide its Tariff Order dated 11th June, 2004, had directed the Company to treat the investment in its Wind energy project as outside the Mumbai Licensed Area, consider a normative Debt Equity ratio of 70:30 to fund the Company's fresh capital investments effective 1st April, 2003 and had also allowed a normative interest charge @ 10% p.a. on the said normative debt. The change to the Clear Profit and Reasonable Return (consequent to the change in the Capital Base) as a result of the above mentioned directives for the period upto 31st March, 2004, has been adjusted by MERC from the Statutory Reserves along with the disputed Standby Charges referred to in Note 12 above. Consequently, the effect of these adjustments would be made with the adjustments pertaining to the Standby Charges dispute as mentioned in Note 12 above.

(ii) MERC vide the Tariff Order for 2004-05 issued on 11th June, 2004 has indicated the method of recovering FAC charges. Further during the previous year, MERC had clarified the above method. This method indicated a new basis applicable retrospectively from 1st April, 2004 that provided for pass through of change in per unit generation / power purchase costs (between actual and the approved rates as per the Tariff Order).

However, the Company had made submissions before MERC for the same to be effective from 1st June, 2004, since the tariff applied in April and May 2004 was based on the then prevailing tariff which had a different mix of Demand charge, Energy charge and FAC. Accordingly, FAC as per the basis indicated in the Tariff Order for 2004-05 has been accounted effective 1st June, 2004. MERC by its Order dated 3rd August, 2005, has clarified that the excess recovery of FAC for the months of April and May 2004 as per the new method may be adjusted at the time of 'truing up' for the year 2004-05 along with other expenses and revenue heads which is being processed by MERC. Adjustments, if any, will be made on receipt of the Order.

(iii) The tariff in respect of the Mumbai Licensed Area for the year ended 31st March, 2006 is based on the Tariff Order dated 11th June, 2004 issued by MERC for the years 2003-04 and 2004-05. The Annual Revenue Requirement (ARR) and Tariff Petition of the Company for the year 2005-06 is being processed by MERC. The Maharashtra Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2005 came into force with effect from 26th August, 2005. These Regulations, supercede the Maharashtra Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004. However, MERC, by its Order dated 13th April, 2006, has given the ruling that the norms for approval of the ARR and principles for determination of tariff as enunciated in the latest Tariff Orders of each Licensee, shall form the basis for approval of the ARR of the Licensees/ Utility for FY 2005-06. Adjustments, if any, will be made on receipt of the MERC Order which is awaited.

The latest Tariff Order dated 11th June, 2004, states that the Reasonable Return and the Clear Profits have been computed in line with the provisions of the Sixth Schedule of the Electricity (Supply) Act, 1948. Accordingly, and also based on a legal opinion, the Company has computed the Clear Profits and Reasonable Returns for the years ended 31st March, 2005 and 31st March, 2006 respectively, and consequent appropriations have been made during the year as required by Para II of the Sixth Schedule to the Electricity (Supply) Act, 1948. Also Provision for Contingencies in respect of 2004-05 has been reversed during the year.

14. *(a)* Salaries, Wages and Bonus [item 1 (a) -Schedule"2"] and Rental of land, Buildings, Plant and Equipment, etc. [item 2 (b) - Schedule "2"] for the year ended 31st March, 2005, are net of amounts written back aggregating to Rs. 22.00 crores and Rs. 17.70 crores respectively.

(b) The Wage Agreement entered into by the Company with the employees expired on 31st December, 2005 and a fresh Agreement is under negotiation. Pending finalisation of these negotiations, provision on an estimated basis has been made on this account and is included in item 1(a) of Schedule "2" and no separate allocation has been made towards the Company's contribution to Provident and other Funds etc. included therein. Any adjustment necessary consequent on final determination of the liability pertaining to the period from 1st January, 2006 to 31st March, 2006 will be made in the year in which such negotiations are concluded.

(c) The Cost of Fuel for the year ended 31st March, 2005 is net of Rs. 40.19 crores on account of reversal of provision made in earlier years for levy of entry tax on fuel oil in terms of the Supreme Court Order dated 26th October, 2004. Consequently, the Revenue from Power Supply is net of Rs. 37.44 Crores.

15. Under an agreement dated 17th May, 2006, the Company has sold effective 1st January, 2006 its undertaking (Power Systems Division) for a consideration of Rs.80.21 crores. Consequently, the profit of Rs.22.43 crores, has been disclosed under Other Income [item 2(i) - Schedule "1"] and the consideration receivable has been included under Sundry Debtors [item *(b)* - Schedule "G"]. Further, for the period from 1st January, 2006 to 31st March, 2006, the operations of the Division were conducted by the Company for and on behalf of and in trust for the purchaser. Net amount receivable on this account of Rs.18.51 crores is also included under Sundry Debtors [item *(b)* - Schedule "G"].

16. Effective 1st July, 2004, the Company had sold its 75MW Power Plant at Wadi to Associated Cement Companies Limited and the Broadband division of the Company to Tata Power Broadband Co. Ltd. Consequently, the results for the year ended 31st March, 2006, do not include the results from the operations of the Wadi Power Plant and of the Broadband business of the Company and hence are not comparable.

17. During the year, the Company has sold its entire equity holding in its wholly owned subsidiaries The Tata Power Broadband Company Ltd. and Alaknanda Hydro Power Company Limited (AHPCL). The resultant profit of Rs.131.97 crores has been included under "Other Income" [Profit on Sale of Investments (net) item 2(f) - Schedule "1"].

18. Effective 1st April, 2004, exchange difference arising on the repayment / realignment of liabilities incurred for the purpose of acquiring fixed assets, which were carried in terms of historical cost, in respect of assets relating to the electricity business as Licensee, had been adjusted in the carrying amount of fixed assets as required by Accounting Standard 11 (AS - 11). Consequently, the unamortized portion of such exchange differences as at 1st April, 2004 and exchange differences arising on the repayment / realignment of liabilities incurred for the purpose of acquiring fixed assets from 1st April, 2004 had been capitalised (Rs.44.59 crores) and depreciation aggregating Rs.44.59 crores was provided thereon. Accordingly, depreciation charge during the year ended 31st March, 2005 was higher to the extent of Rs.44.59 crores.

19. The Company has paid during the year monthly payments aggregating to Rs.0.57 crore (*2004-05 - Rs. 0.53 crore*) under the post retirement scheme to former Managing/Executive Directors.

20. Information in regard to components consumed relating to the manufacturing activities of the Company.

	Nos.	Rs.Crores	*2004-2005* Nos.	*2004-2005* Rs. Crores
(i) Integrated Circuits	1396	0.66	*15026*	*2.52*
(ii) Others (including diodes, transistors, printed circuit boards, etc.) ...		10.40		*25.89*
		11.06		*28.41*

21. *(a)* Total number of electricity units sold during the year - 13,616 M.U. *(2004 - 2005 - 12,663 M.U.).*

(b) Total number of electricity units purchased during the year - 617 M.U. *(2004 - 2005 - 85 M.U.).*

(c) Turnover, opening and closing stock relating to the manufacturing activities of the Company:

Class of Products		Turnover Rs. crores		*2004-2005*	
		Nos.	Value	*Nos.*	*Value*
(i)	Ruggedised Minicomputer/Microprocessor based Systems	52	6.83	*42*	*4.24*
(ii)	Platform Servo Controller Systems	19	41.53	—	—
(iii)	Sonobuoys	909	2.79	*558*	*1.75*
(iv)	Sub systems for Airborne Applications	205	3.97	*85*	*1.12*
(v)	Software	—	—	—	*4.31*
(vi)	System for Vehicle Mounting Application	1	1.02	*5*	*3.87*
(vii)	VM Tactical display Control & ATC Control	3	0.85	—	—
(viii)	Spares	—	0.39	—	*3.11*
(ix)	Energy Meters	—	—	*2 @*	—
(x)	Radar Data Processor	—	—	*2*	*0.13*
(xi)	Simulators	1	0.07	—	—
			57.45		*18.53*
Add:	Unbilled Revenue / (Revenue booked in earlier years)		(24.42)		*39.07*
			33.03		*57.60*

Opening stock and closing stock in respect of the above Items - Nil

@ excludes internal consumption – Nil (*2004-05 - Nil*)

22. During the year, the Company has commissioned its new 120 MW thermal power unit at Jojobera, Jharkhand. The billing has been done on the basis of draft Power Purchase Agreement prepared jointly by the Company and Tata Steel Limited, which is pending for signature on account of certain regulatory issues.

23. In respect of the contracts pertaining to the Transmission EPC Business Unit, disclosures required as per AS-7 (Revised) are as follows :

(a) Contract revenue recognised as revenue during the year Rs.194.43 crores *(2004-05 - Rs.174.39 crores).*

(b) In respect of contracts in progress –

(i) The aggregate amount of costs incurred and recognised profits upto 31st March, 2006 Rs.446.94 crores (*31st March, 2005 - Rs.252.51 crores*).

(ii) Advances and progress payments received as at 31st March, 2006 Rs.11.93 crores (*31st March, 2005 - Rs.44.74 crores*).

(iii) Retention money included as at 31st March, 2006 in Sundry Debtors Rs.10.26 crores (*31st March, 2005 - Rs.12.76 crores*).

(c) Gross amount due to customers for contract work as a liability as at 31st March, 2006 Rs.36.60 crores (*31st March, 2005 - Rs.43.11 crores*).

Further cost of materials and erection charges for Transmission EPC business Unit comprises of:

		Rs. crores
		2004-2005
Material Cost	141.17	*123.93*
Sub-Contracting charges	62.90	*40.90*
	204.07	*164.83*

24. Disclosures as required by Accounting Standard 19 (AS-19) issued by The Institute of Chartered Accountants of India are as follows:

(i) The Company's significant leasing arrangements are in respect of residential flats, office premises, plant and machinery and equipments taken on lease. The arrangements range between 11 months and 10 years generally and are usually renewable by mutual consent or mutually agreeable terms. Only in one arrangement there is an escalation clause. Under these arrangements, generally refundable interest-free deposits have been given. In respect of the above arrangements, lease rentals payable are recognised in the Profit and Loss Account for the year and included under Rental of Land, Buildings, Plant and Equipment, etc. (disclosed under Operation Expenses in Schedule "2") and Rent (disclosed under Administration Expenses in Schedule "2").

(ii) Commercial / residential premises have been given on operating lease having original cost of Rs.34.98 crores *(31st March, 2005 - Rs.38.58 crores)* and accumulated depreciation of Rs.4.69 crores (*31st March, 2005 - Rs.4.60 crores*) as at 31st March, 2006. Depreciation on the above assets for the current year is Rs.1.07 crores (*31st March, 2005 - Rs.1.17 crores*). Under these arrangements, generally refundable interest-free deposits have been taken. In respect of the above arrangements, lease rentals receivable are recognised in the Profit and Loss Account for the year and included under Rental of Land, Buildings, Plant and Equipment, etc. (disclosed under Income from Other Operations and Other Income in Schedule "1"). The future minimum lease payments under non-cancellable operating leases aggregating to Rs.2.61 crores (*31st March, 2005 - Rs.4.81 crores*), in each of the following periods are as under:

		Rs. crores
		2004-2005
(a) not later than one year	2.20	*2.20*
(b) later than one year and not later than five years	0.41	*2.61*
(c) later than five years	Nil	*Nil*

(iii) The initial direct costs in respect of operating lease are recognised in the Profit and Loss Account.

25. *(a)* The aggregate deferred tax liability (net) accounted for by the Company is Rs.308.67 crores (*Rs.343.81 crores as at 31st March, 2005*).

(b) In respect of the non licensed area and adjustments [other than as mentioned in Note 25 *(c)* below] relating to licensed business the aggregate deferred tax asset amounts to Rs.16.15 crores (*liability of Rs.11.32 crores as at 31st March, 2005*).

(c) In respect of the Licensed Business, in terms of the Government of Maharashtra approvals, on the difference between the written down value of fixed assets (including foreign exchange fluctuations on approved borrowings) as per the books of account and the Income-tax Act, 1961, deferred tax liability was being set up by a special appropriation to the Deferred Tax Liability Fund. In terms of the approvals, the amounts credited to the Fund are invested and permitted to be utilised, only subject to certain conditions, currently not arisen. Any resultant excess of the aggregate of the Deferred Tax Liability Fund and Deferred Tax Liability recognised, currently estimated at Rs.71.03 crores (*Rs.63.36 crores as at 31st March, 2005*) will be accounted for on determination of the matter stated in note 12.

(d) Deferred Tax Liability / (Asset) [Net] as at 31st March, 2006 comprises of :

				Rs. crores
				2004-2005
Deferred Tax Liability :				
Arising on account of timing differences in :				
Depreciation		371.35		*396.31*
Less : Balance in Deferred Tax Liability Fund	395.85		*395.85*	
Less : Reversal of deferred tax liability, not adjusted	71.03	324.82	*63.36*	*332.49*
(A)		46.53		*63.82*
Deferred Tax Assets:				
Arising on account of timing differences in:				
Provision for doubtful debts and advances		12.55		*11.51*
Provision for tax, duty, cess, fee		9.87		*11.00*
Provision for gratuities		23.28		*21.70*
Provision for leave encashment		8.72		*6.48*
Others		8.26		*1.81*
(B)		62.68		*52.50*
Net Deferred Tax Liability/(Asset) (A) – (B)		(16.15)		*11.32*

		Rs. crores
		2004-2005
26. (a) (i) Managerial Remuneration for Directors	@1.71	*@2.63*
The above is inclusive of :		
(a) Estimated value of benefits in cash or in kind provided to Whole-time Directors	0.54	*0.50*
(b) Contribution to Provident and other Funds	0.10	*0.12*
(c) Commission to Directors	0.93	*1.27*
(d) Ex-gratia Payment	0.04	*Nil*
(ii) Directors' Sitting Fees	0.09	*0.11*

@ Includes Rs.0.12 crore (*31st March, 2005 - Rs.0.34 crore*) which is subject to the approval of members in the forthcoming Annual General Meeting.

(b) Managerial Remuneration shown above is net of :

(i) Rs.0.27 crore (*31st March, 2005 - Rs.0.08 crore*) being reversal of excess provision for commission relating to the previous year.

(ii) Rs.0.27 crore (*31st March, 2005 - Rs.Nil*) being reversal of excess provision (net) for retirement benefits i.e. gratuity, leave encashment etc. in respect of period of service with the Company.

(c) Managerial Remuneration shown above is exclusive of :

		Rs. crores
		2004-2005
(i) Fees as Technical Advisor to a Non Whole-time Director	0.21	*Nil*
(ii) Salary to an Ex-Managing Director in the capacity of an Advisor	0.20	*Nil*

			Rs. crores 2004-2005
27.	Details of Auditors' Remuneration		
(i)	Audit Fees # (*2004-05 - includes Rs.0.16 crore for the previous year*)	0.96	*0.88*
(ii)	Fees for taxation matters **	0.38	*0.31*
(iii)	Fees for company law matters	*	*
(iv)	Fees for other services @	0.90	*0.68*
(v)	Reimbursement of out-of-pocket expenses (included under Miscellaneous Expenses)	0.03	*0.02*
(vi)	Audit Fees to Branch Auditors	0.01	*0.01*

\# Includes Service Tax Rs.0.10 crore (*2004-05 - Rs.0.08 crore*)

** Includes Service Tax Rs.0.04 crore (*2004-05 - Rs.0.03 crore*)

@ Includes Service Tax Rs.0.09 crore (*2004-05 - Rs.0.05 crore*)

The above excludes payments aggregating Rs.0.05 crore (*2004-05 - Rs.0.12 crore*) to an associated firm of the auditors.

Fees for other services and reimbursement of out-of-pocket expenses exclude Rs.Nil (*2004-05 - Rs.0.33 crore*) and Rs.Nil (*2004-05 - Rs.0.05 crore*) respectively which have been adjusted against Securities Premium Account, being FCCB issue expenses.

28. Licensed and installed capacities and production relating to the manufacturing activities of the Company

	Class of Products	Licensed Capacity	Installed Capacity@	Production	*2004-2005* Licensed Capacity	*2004-2005* Installed Capacity@	*2004-2005* Production
		Nos.	Nos.	Nos.	*Nos.*	*Nos.*	*Nos.*
(i)	Video Mappers	15	15	—	*15*	*15*	—
(ii)	Tactical Display Consoles	50	15	3	*50*	*15*	—
(iii)	Ruggedised Minicomputer/ Microprocessor based Systems	70	200	52	*70*	*200*	*42*
(iv)	Simulators	30	5	1	*30*	*5*	—
(v)	Platform Servo Controller System with Microprocessor Console Option	20	20	19	*20*	*10*	—
(vi)	Sonobuoys	3000	1000	909	*3000*	*1000*	*558*
(vii)	AMTI/Radar Data Processor	10	10	—	*10*	*10*	*2*
(viii)	Air Traffic Control Display	20	20	—	*20*	*20*	—
(ix)	Display Test Sets	50	20	—	*50*	*20*	—
(x)	Low Frequency Receivers	20	10	—	*20*	*10*	—
(xi)	GPS receivers	—	500	—	—	*500*	—
(xii)	Sub systems for Airborne Applications	—	500	205	—	*500*	*85*
(xiii)	Switched Mode Power Supplies	400	—	—	*400*	—	—
(xiv)	Modems	200	—	—	*200*	—	—
(xv)	Power Line Monitors	200	—	—	*200*	—	—
(xvi)	Sub systems for Locos	—	20	—	—	*20*	—
(xvii)	Voltage Stabiliser	—	50000	—	—	*50000*	—
(xviii)	System for vehicle mount application	—	40	1	—	*40*	*5*
(xix)	Energy Meters	—	10000	—	—	*10000*	*2*

@ As certified by the concerned Senior Manager and accepted by the Auditors.

				Rs. crores *2004-2005*
29.	*(a)*	C.I.F. value of imports :		
		(i) Capital goods	9.96	*17.94*
		(ii) Components and spare parts	30.54	*26.23*
		(iii) Fuel	470.22	*431.03*
	(b)	Expenditure in foreign currency :		
		(i) Professional and consultation fees	5.34	*1.72*
		(ii) Interest and commitment charges#	75.74	*69.29*
		(iii) FCCB issue expenses**	Nil	*18.96*
		(iv) Other matters	1.90	*3.46*

\# Includes interest capitalised Rs. 9.85 crores *(2004-05 – Rs. 6.51 crores)*

** Adjusted against Securities Premium Account.

(c) Value of components, stores and spare parts consumed:

(1) Relating to activities other than manufacturing activities (including fuel consumed and stores consumption included in Repairs and Maintenance):

				Rs. crores
				2004-05
(i) Imported	425.18	17.39%	*518.33*	*27.10%*
(ii) Indigenous	2020.33	82.61%	*1394.19*	*72.90%*
	2445.51	100.00%	*1912.52*	*100.00%*

(2) Relating to manufacturing activities:

(i) Imported	4.89	44.19%	*17.23*	*60.65%*
(ii) Indigenous	6.17	55.81%	*11.18*	*39.35%*
	11.06	100.00%	*28.41*	*100.00%*

(d) Remittances by the Company in foreign currencies for dividends (including amounts credited to Non-Resident External Accounts):

		2004-05
Dividend for the year ended	31st March, 2005	*31st March, 2004*
No. of non-resident shareholders	2,236	*2,374*
No. of Equity Shares of face value Rs.10 each held	28,48,446	*31,59,295*
Amount of Dividend (Rs. Crores)	2.14	*2.21*

The above excludes Rs.0.37 crore (*2004-05 Rs.0.69 crore*) being dividend remitted to non-resident depository of the Global Depository Shares holding 4,88,530 shares *(2004-05 – 9,82,930 shares)*.

		Rs. crores *2004-05*
(e) Earnings in foreign exchange:		
(i) Interest	41.32	*39.74*
(ii) Export on FOB basis	41.56	*34.30*

30. Disclosure as required by Accounting Standard 18 (AS-18) "Related Party Disclosures" issued by The Institute of Chartered Accountants of India are as follows :

Names of the related parties and description of relationship :

(a) Related parties where control exists :

Subsidiaries

Af-Taab Investment Co. Ltd.
Chemical Terminal Trombay Ltd.
Tata Power Trading Co. Ltd.
Tata Petrodyne Ltd. (upto 13th March, 2005)
Tata Power Broadband Co. Ltd. (upto 31st October, 2005)
Alaknanda Hydro Power Co. Ltd. (upto 12th November,2005)
Powerlinks Transmission Ltd.
NELCO Ltd. (w.e.f. 31st December, 2005)
Tatanet Services Ltd.** (w.e.f. 31st December, 2005)
Maithon Power Ltd. (w.e.f. 2nd September, 2005)

(b) Other related parties (where transactions have taken place during the year) :

(i) Associates

NELCO Ltd. (upto 30th December, 2005)
Panatone Finvest Ltd.
Rujuvalika Investments Ltd.
Tata Ceramics Ltd.
Tata Projects Ltd.
Yashmun Engineers Ltd.
Tata BP Solar India Ltd.

(ii) Joint Venture — North Delhi Power Ltd.

(iii) Promoters holding together with its Subsidiary is more than 20% — Tata Sons Ltd.

(c) Key Management Personnel

Vandrevala F. A. (upto 30th June, 2005)
Kukde P. K.
S. Ramakrishnan
Engineer A. J. (w.e.f. 1st June, 2005)

** Through Subsidiary Companies

(d) Details of Transactions:

Rs. crores

	Subsidiaries	Associates	Joint Venture	Key Management Personnel	Promoters
Purchases of goods	25.96	0.63	—	—	—
	—	*0.14*	—	—	—
Sale of goods and scrap	1.32	13.49	—	—	—
	11.04	—	—	—	—
Purchase of fixed assets	0.34	5.37	—	—	—
	—	*1.00*	—	—	—
Rendering of services	4.16	0.12	1.98	—	—
	5.02	*0.17*	*3.27*	—	—

Rs. crores

	Subsidiaries	Associates	Joint Venture	Key Management Personnel	Promoters
Receiving of services	1.65	33.14	0.80	—	2.45
	1.81	*18.60*	—	—	*1.24*
Sale of Division	—	80.21	—	—	—
	130.00	—	—	—	—
Transactions of the sold Division entered on behalf, pending legal formalities (net)	—	18.51	—	—	—
	—	—	—	—	—
Management contracts	—	—	—	—	12.60
	—	—	—	—	*10.29*
Remuneration paid	—	—	—	1.53	—
	—	—	—	*2.13*	—
Interest received	5.64	2.09	—	*	—
	10.72	*2.01*	—	*0.01*	—
Dividend received	1.22	3.17	18.03	—	3.97
	9.80	*2.69*	*0.20*	—	*2.74*
Dividend paid	0.03	—	—	—	42.66
	0.03	—	—	—	*39.82*
Guarantee commission paid	—	—	—	—	0.11
	—	—	—	—	*0.09*
Bad Debts	6.73	—	—	—	—
	—	—	—	—	—
Provision for doubtful debts provided during the year	—	0.05	—	—	—
	—	—	—	—	—
Deposits given	240.73	124.90	—	—	—
	46.99	*27.10*	—	—	—
Refunds towards deposits given	220.32	40.00	—	—	—
	175.91	*14.10*	—	—	—
Equity contribution (including advance towards equity contribution)	118.94	—	—	—	—
	102.46	—	—	—	—
Purchase of Investments	18.00	—	—	—	—
	111.07	—	—	—	—
@ (Reduction in Face Value of Equity Shares of Tata Ceramics Ltd. from Rs.10 to Rs.2 consequent to restructuring).	—	@	—	—	—
	—	—	—	—	—
Sale of Investments	—	—	—	—	—
	—	*4.05*	—	—	*327.00*
Sale of Fixed Assets	—	—	—	0.06	—
	—	—	—	—	—
Loans repaid	—	—	—	0.16	—
	—	—	—	*0.01*	—
Advances given	0.01	—	—	—	—
	2.64	—	—	—	—
Guarantees and collaterals	—	—	—	—	—
	45.00	*500.00*	*0.10*	—	—
Letter of Comfort	25.00	—	—	—	—
	—	—	—	—	—
Balances outstanding					
Deposits given (including interest accrued)	83.64	125.24	—	—	—
	62.47	*40.54*	—	—	—
Deposit provided for as doubtful advances	—	1.27	—	—	—
	—	—	—	—	—
Doubtful debts provided for	—	0.43	—	—	—
	—	—	—	—	—
Other receivables	0.39	99.18	0.61	—	—
	8.40	*0.42*	*1.31*	—	—
Loans given	—	—	—	—	—
	—	—	—	*0.17*	—
Other Payables	0.35	0.86	—	0.56	12.76
	—	*3.61*	—	*0.87*	*9.56*
Guarantees and Collaterals outstanding	—	500.00	—	—	—
	45.00	*500.00*	*0.10*	—	—
Letter of Comfort outstanding	25.00	—	—	—	—
	—	—	—	—	—

Note : Previous year's figures are in italics.

(e) Details of material related party transactions [included under *(d)* above]

(i) Subsidiaries

Rs. crores

Particulars	Af-Taab Invest-ment Co. Ltd.	Tata Petrodyne Ltd.	Powerlinks Transm-ission Ltd.	Tata Power Broadband Co. Ltd.	Tata Power Trading Co. Ltd	Alaknanda Hydro Power Co. Ltd.	Maithon Power Ltd.	NELCO Ltd.	Chemical Terminal Trombay Ltd.
Purchase of Goods	— —	— —	— —	— —	25.96 —	— —	— —	— —	— —
Sale of Goods	— —	— —	— —	— —	1.32 *11.04*	— —	— —	— —	— —
Rendering of services	— —	—	— —	2.31 *2.48*	— —	— *1.15*	— —	— —	— —
Receiving of services	— —	— —	— —	1.16 *1.75*	— —	— —	— —	— —	— —
Sale of Business	— —	— —	— —	— *130.00*	— —	— —	— —	— —	— —
Purchase of Investments	— *111.07*	— —	— —	— —	18.00 —	— —	— —	— —	— —
Interest received	5.25 *9.91*	— *0.81*	— —	— —	— —	— —	— —	— —	— —
Dividend received	— —	— *9.80*	— —	— —	— —	— —	— —	— —	1.22 —
Deposits given	186.20 *46.99*	— —	— —	— —	54.53 —	— —	— —	— —	— —
Refund towards Deposits given	165.79 *133.11*	— *42.80*	— —	— —	54.53 —	— —	— —	— —	— —
Equity Contribution (including advance towards equity contribution)	— —	— —	114.70 *32.56*	— *69.90*	— —	— —	4.24 —	— —	— —
Advances given	— —	— —	— —	— —	— —	— *2.64*	— —	— —	— —
Letter of Comfort	— —	— —	— —	— —	— —	— —	— —	25.00 —	— —
Bad Debts	— —	— —	— —	— —	— —	6.73 —	— —	— —	— —

(ii) Associates

Rs. crores

Particulars	Tata BP Solar India Ltd.	NELCO Ltd.	Panatone Finvest Ltd.	Tata Projects Ltd.	Yashmun Engineers Ltd.
Sale of Goods	— —	— —	— —	13.49 —	— —
Purchase of Fixed Assets	— —	2.54 —	— —	— *1.00*	2.28 —
Receiving of services	— —	1.39 —	— —	29.92 *13.70*	1.81 —
Sale of Division	— —	— —	— —	80.21 —	— —

Rs. crores

Particulars	Tata BP Solar India Ltd.	NELCO Ltd.	Panatone Finvest Ltd.	Tata Projects Ltd.	Yashmun Engineers Ltd.
Transactions of the sold Division entered on behalf, pending legal formalities (net)	— —	— —	— —	18.51 —	— —
Guarantees and Collaterals given	— —	— —	— *500.00*	— —	— —
Interest received	— —	— —	1.96 *1.83*	— —	— —
Dividend received	3.12 *2.67*	— —	— —	— —	— —
Deposits given	— —	— —	124.90 *26.10*	— —	— —
Refund towards Deposits given	— —	— —	40.00 —	— —	— —

Note: Previous year's figures are in italics.

31. Disclosures as required under Clause 32 of listing agreement :
Loans and Advances in the nature of Loans to Subsidiaries and Associates

Rs. crores

		Name	Amount Outstanding as at the year-end**	Maximum Amount Outstanding during the year	Investments in Company's shares (Nos.)
Subsidiary	#	Af-Taab Investment Co. Ltd.	81.15 *60.74*	118.15 *169.69*	Nil *Nil*
"		Tata Petrodyne (upto 13th March, 2005)	Nil *Nil*	Nil *42.80*	Nil *Nil*
"	#	Chemical Terminal Trombay Ltd.	Nil *Nil*	Nil *Nil*	40,058 *40,058*
"		Tata Power Trading Co. Ltd.	Nil *Nil*	20.93 *Nil*	Nil *Nil*
"	@	NELCO Ltd. (from 31st December, 2005)	1.65 *Nil*	1.65 *Nil*	Nil *Nil*
Associates	#	Panatone Finvest Ltd.	123.00 *38.10*	123.00 *38.10*	Nil *Nil*
"	@	NELCO Ltd. (upto 30th December, 2005)	Nil *1.65*	1.65 *1.65*	Nil *Nil*
"		NELCO Ltd. (upto 30th December, 2005)	Nil *Nil*	Nil *1.00*	Nil *Nil*
"		Nelito Systems Ltd. (from 31st December, 2005)	1.27 *Nil*	1.27 *Nil*	Nil *Nil*
Promoters	#	Tata Sons Ltd.	Nil *Nil*	Nil *Nil*	5,68,79,052 *5,68,79,052*
Parties in which Directors are interested (Section 301)		Rallis India Ltd.	Nil *Nil*	Nil *15.00*	Nil *Nil*
"		Tata Industries Ltd.	Nil *Nil*	Nil *Nil*	2,68,000 *2,68,000*

Note: Previous year's figures are in italics.
@ No repayment schedule
# On call - no repayment schedule
** Excluding Interest accrued

32. (i) Derivative Instruments :

The Company has entered into Swaps (being a derivative instrument), which are not intended for trading or speculative purposes but for hedge purposes, to establish the amount of reporting currency required or available at the settlement date of certain payables and receivables.

The following are the outstanding Swaps, entered into by the Company, as on 31st March, 2006 :

	Foreign Currency (in Millions)	Rs. crores
Euro Notes - Swaps	USD 109.05	520.94

(ii) The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below :

	Foreign Currency (in Millions)	Rs. crores
(a) Amounts receivable in foreign currency on account of the following :		
(i) Export of goods	USD 17.01	75.60
	BD TAKA 84.37	5.31
(ii) Deposits receivable	USD 199.12	885.10
(iii) Interest receivable	USD 6.08	27.03
(b) Amounts payable in foreign currency on account of the following :		
(i) Import of goods and services	USD 20.32	91.15
	Euro 0.60	3.29
	GBP 0.27	1.93
	AUS $ 0.02	0.06
(ii) Capital Imports (including Intangibles)	Euro 1.43	7.81
(iii) Interest payable	USD 1.53	6.88
(iv) Loans payable	USD 306.75	1,376.10
(v) Premium payable on borrowings	USD 31.47	141.16

The above disclosures have been made consequent to an announcement by the Institute of Chartered Accountants of India in December, 2005, which is applicable to the financial periods ending on or after 31st March, 2006. Therefore, figures for the previous year have not been disclosed.

33. Segment Information :

(a) Primary Segment Information :

Rs. crores

	Power	Others	Eliminations	Total
REVENUE				
External Revenue	4,327.56	235.23	—	4,562.79
	3,682.40	*248.04*	—	*3,930.44*
Inter-segment Revenue	2.63	1.66	(4.29)	—
	0.71	*9.89*	*(10.60)*	—
Total Revenue	4,330.19	236.89	(4.29)	*4,562.79*
	3,683.11	*257.93*	*(10.60)*	*3,930.44*
RESULT				
Total Segment Results	634.90	2.71	—	637.61
	626.77	*10.98*	—	*637.75*
Interest Expense	—	—	—	(148.46)
	—	—	—	*(166.98)*
Unallocable Income net of unallocable expense	—	—	—	258.30
	—	—	—	*288.02*
Income Taxes	—	—	—	(136.91)
	—	—	—	*(207.43)*
Profit after Tax	—	—	—	610.54
	—	—	—	*551.36*

Rs. crores

OTHER INFORMATION	Power	Others	Eliminations	Total
Segment Assets	4,544.41	289.02	—	4,833.43
	4,147.14	*241.59*	—	*4,388.73*
Unallocated Assets	—	—	—	4,844.75
	—	—	—	*4,959.14*
Total Assets	—	—	—	9,678.18
	—	—	—	*9,347.87*
Segment Liabilities	748.46	75.68	—	824.14
	772.03	*120.38*	—	*892.41*
Unallocated Liabilities	—	—	—	3,340.21
	—	—	—	*3,360.80*
Total Liabilities	—	—	—	4,164.35
	—	—	—	*4,253.21*
Capital Expenditure	251.23	5.10	—	256.33
	487.17	*4.89*	—	*492.06*
Non-cash Expenses other than Depreciation/ Amortisation	33.03	5.36	—	38.39
	31.97	*0.68*	—	*32.65*
Depreciation/Amortisation	274.65	3.69	—	278.34
	353.50	*6.12*	—	*359.62*

Types of products and services in each business segment :
Power - Generation, Transmission and Distribution of Electricity.
Others - Electronics and Project Consultancy etc.

Segment revenue comprises of :

Rs. crores

			2004-2005
1. Revenue from Power Supply		4,293.27	*3,655.39*
2. Income from Other Operations			
a. Sale of Electronic Products (net of excise)	32.55		*57.31*
b. Other Operations	235.05		*214.34*
		267.60	*271.65*
3. Net adjustments in respect of Previous Years		1.92	*3.40*
		4,562.79	*3,930.44*

(b) Secondary Segment information :

The export turnover of the Company being 0.91% *(2004-05 - 0.87%)* of the total turnover, there are no reportable geographical segments.

34. Earnings per share:

			2004-2005
(a)	Distributable Profits (Rs. crores)	575.25	*555.09*
(b)	The weighted average number of Equity Shares for Basic EPS (Nos.)	19,81,28,172	*19,81,28,172*
(c)	The nominal value per Equity Share (Rupees)	10.00	*10.00*
(d)	Basic Earnings per share (Rupees)	29.03	*28.02*
(e)	Distributable Profits for Basic EPS (Rs. crores)	575.25	*555.09*
	Add: Interest Payable on FCCB (net of tax) (Rs. crores)	6.67	*0.55*
(f)	Distributable Profits for Diluted EPS (Rs. crores)	581.92	*555.64*
(g)	The weighted average number of Equity Shares for Basic EPS (Nos.)	19,81,28,172	*19,81,28,172*
	Add: Effect of potential Equity Shares on conversion of FCCB (Nos.)	1,46,83,930	*14,48,278*
(h)	The weighted average number of Equity Shares for Diluted EPS (Nos.)	21,28,12,102	*19,95,76,450*
(i)	Diluted Earnings per share (Rupees)	27.34	*27.84*

35. Disclosures as required by AS-29 "Provisions, Contingent Liabilities and Contingent Assets" issued by ICAI in respect of provisions as at 31st March, 2006, are as follows :

Rs. crores

Particulars	Opening Balance	Provision during the year	Payments made during the year	Reversal made during the year	Closing Balance
Provision for Warranties	2.72	1.97	(0.23)	(1.96)	2.50
	2.19	*1.30*	*(0.77)*	—	*2.72*
Provision for Premium on Redemption of FCCB	138.40	2.76	—	—	141.16
	—	*138.40*	—	—	*138.40*
Provision for Premium on Redemption of Debentures	134.70	—	—	—	134.70
	—	*134.70*	—	—	*134.70*
Provision for Contingencies	30.00	—	—	(30.00)	—
	—	*30.00*	—	—	*30.00*
Provision for future foreseeable losses on contracts etc.	—	3.77	—	—	3.77
	—	—	—	—	—

Note: Previous year's figures are in italics.

36. Interest in Joint Ventures :

(a) The Company's interest, as a venture, in jointly controlled entity is :

Name	Country of Incorporation	Principal activities	Precentage of Voting Power as at 31st March, 2006
North Delhi Power Ltd.	India	Distribution of Power	49

The Company's interest in this Joint Venture is reported as Long Term Investment (Schedule "F") and stated at cost less provision, if any, for permanent diminution in value of such investment. The Company's share of each of the assets, liabilities, income and expenses, etc. (each without elimination of the effect of transactions between the Company and the Joint Venture) related to its interest in this joint venture is:

Rs. crores

			2004-2005
I	ASSETS		
	1. Fixed Assets (including CWIP, etc.)	748.69	*601.30*
	2. Investments	9.98	*6.77*
	3. Current Assests, Loans and Advances		
	(a) Inventories	5.39	*17.03*
	(b) Sundry Debtors	121.34	*138.10*
	(c) Cash and Bank Balances	11.87	*24.54*
	(d) Loans and Advances	46.06	*47.42*
	4. Miscellaneous Expenditure (to the extent not written off)	13.36	*27.73*
II	LIABILITIES		
	1. Loan Funds		
	(a) Secured Loans	410.26	*421.05*
	(b) Unsecured Loans	3.83	*5.13*
	2 . Capital Grants	4.25	*4.50*
	3. Consumer Contribution for Capital Works	21.82	*13.76*
	4. Current Liabilities and Provisions		
	(a) Liabilities	194.96	*149.89*
	(b) Provisions	0.36	*1.17*
	5. Deferred Tax - Net	53.26	*34.01*
III	INCOME		
	1. Sales and other operations	863.44	*785.42*
	2. Other Income	18.19	*17.56*
	3. Prior Period Income	17.10	*25.53*
IV	EXPENSES		
	1. Cost of Power Purchased	584.23	*537.79*
	2. General, Distribution, Administration and Other Expenses	129.41	*143.61*
	3. Tax on Sale of Electricity	37.55	*33.81*
	4. Depreciation/Amortisation	53.89	*55.29*
	5. Interest	11.28	*9.64*
	6. Provision for Taxation	27.22	*20.57*
V	OTHER MATTERS		
	1. Contingent Liabilities	156.83	*131.77*
	2. Capital Commitments	40.74	*141.17*

(b) Further, in accordance with Accounting Standard 27 (AS-27) "Financial Reporting of Interests in Joint Ventures" issued by The Institute of Chartered Accountants of India, the jointly controlled entity "India Natural Gas Company Private Ltd." has not been considered as the company is under members voluntary winding up.

37. Previous year's figures have been restated, wherever necessary, to conform to this year's classification. Figures are rounded off to nearest lakh. Figures below Rs.50,000 are denoted by '*'.

Statement Pursuant to Part IV of Schedule VI to the Companies Act, 1956 : Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No. 11-00567 State Code 11

Balance Sheet Date 31 (Date) 03 (Month) 2006 (Year)

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue	NIL
Bonus Issue	NIL
Rights Issue	NIL
Private Placement	NIL

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	83106398
Total Assets	83106398

Sources of Funds :

Paid-up Capital	1979199
Reserves & Surplus (Including Special Appropriation towards Project Cost - 53,36,129 and Capital Contributions from Consumers 4,18,003)	53577085
Secured Loans	9460021
Unsecured Loans	18090093

Application of Funds:

Net Fixed Assets	32148524
Investments	34121660
Net Current Assets	16520011
Miscellaneous Expenditure	154726
Deferred Tax Asset (Net)	161477
Accumulated Losses	NIL

IV. Performance of the Company (Amount in Rs. Thousands)

Turnover (Total Income)	48884003
Total Expenditure	41409440
+ ✓ - Profit/(Loss) Before Tax	7474563
+ ✓ - Profit/(Loss) After Tax	6105391

Please tick appropriate box (+ for Profit, - for loss)

Basic Earnings per Shares in Rupees (Rs.)

(on profit after taxes)	30.82
(on distributable profits)	29.03
Dividend Rate (%)	85

V. Generic Names of Three Principal Products/Services of Company (as per Monetary terms)

Item Code Nos. (ITC Codes)	Product Descriptions
N.A.	POWER
N.A.	ELECTRONIC PRODUCTS
N.A.	TECHNICAL SERVICES

Performance Perspective

Rs. crores

	2001-02	2002-03	2003-04	2004-05	2005-06
Sales	3803	4300	4239	3930	4563
Sales in MUs	11107	12318	12231	12663	13616
Other Income	356	152	160	387	326
PBT and Statutory Appropriations	672	677	734	759	747
Distributable Profits	381	450	467	555	575
Basic EPS (Rs.) (on Distributable Profits)	26	26	26	28	29

Financial Statistics

BALANCE SHEET - KEY DETAILS **Rs. crores**

As on	Capital	Shareholders' Reserves	Statutory Reserves	Borrowings	Gross Block (incl.Cap WIP)	Deprecia- Block	Net ments	Invest- Ratio	Debt/Equity
31-3-1992	21.26	46.22	187.90	620.17	866.00	94.67	771.33	44.97	2.43:1
31-3-1993	49.47	127.48	228.65	719.44	1117.01	116.80	1000.21	56.07	1.77:1
31-3-1994	67.52	296.83	293.92	804.35	1330.28	140.21	1190.07	163.81	1.22:1
31-3-1995	109.02	584.51	350.94	913.50	1493.68	192.44	1301.23	495.16	0.87:1
31-3-1996	109.00	636.15	490.09	781.21	1493.16	265.83	1227.33	556.26	0.63:1
31-3-1997	115.06	798.07	511.59	706.06	1641.83	341.84	1299.99	613.04	0.50:1
31-3-1998	115.22	899.94	524.60	1125.91	1747.36	431.64	1315.72	1069.03	0.73:1
31-3-1999	115.45	1006.02	546.90	1225.94	1895.09	523.70	1371.39	1208.15	0.73:1
31-3-2000	115.54	1168.44	572.60	1248.01	2041.21	622.19	1419.02	1354.92	0.67:1
31-3-2001	197.91	2507.12	1163.03	2597.89	5046.89	1446.88	3600.01	1505.19	0.67:1
31-3-2002	197.91	2744.66	1290.07	2788.93	5531.17	1724.57	3806.60	1882.09	0.66:1
31-3-2003	197.91	3162.38	1359.97	2399.20	5708.74	2034.74	3674.00	2451.83	0.51:1
31-3-2004	197.92	3450.28	1402.14	1721.42	5841.09	2364.36	3476.73	2728.83	0.34:1
31-3-2005	197.92	3578.52	1360.03	2860.01	5903.50	2657.37	3246.12	3502.92	0.56:1
31-3-2006	197.92	3962.40	1395.33	2755.00	6136.55	2921.72	3214.83	3412.17	0.50:1

PROFIT AND LOSS ACCOUNT **Rs. crores**

Year	Gross Revenue	Cost of Power Purchased	Operation Expenses (incl.fuel)	Depreciation	Interest	Taxes	Statutory Appropriations	Distributable Profits	Retained Profits	Dividends	Rate of Equity Dividend (%)
1991-92	559.61	153.29	320.65	14.65	44.54	0.00	15.57	10.91	6.73	4.18	20
1992-93	772.22	228.68	398.75	22.34	52.94	2.24	38.38	28.89	21.75	7.14	25
1993-94	966.72	345.04	433.90	25.63	66.48	-0.29	52.73	43.23	36.09	15.28	28
1994-95	1089.72	286.03	539.00	55.34	82.04	7.80	45.37	74.14	58.86	28.13	30
1995-96	1243.70	148.03	630.06	74.56	78.88	89.18	138.07	84.92	56.79	38.70	35
1996-97	1262.36	170.07	737.74	77.23	75.71	87.56	6.83	107.22	68.52	38.72	35
1997-98	1308.35	155.54	724.51	91.70	88.31	87.96	17.08	143.25	104.53	43.02	37
1998-99	1268.70	172.31	658.21	94.61	98.89	83.07	16.00	145.61	102.59	43.01	37
1999-00	1570.93	186.87	849.30	100.60	104.54	97.59	25.23	206.80	163.79	47.94#	42
2000-01	3650.65	401.28	2283.90	204.55	230.91	140.42	26.31	363.28	315.34	99.06	50
2001-02	4159.08	399.03	2507.97	281.65	298.59	163.61	126.85	381.38	224.82##	99.06	50
2002-03	4451.78	406.90	2708.69	318.04	341.21&	157.02	69.91	450.01	271.54@	128.78	65
2003-04	4399.07	409.49	2637.64	333.95	283.72&	225.19	42.16	466.92	362.61$	138.69	70
2004-05	4317.57	415.70	2592.02+	359.62	191.44&	207.43	-3.73	555.09	385.19	148.60	75
2005-06	4888.40	583.20	3114.13*	278.34	165.28&	136.91	35.29	575.25	383.32	168.41	85

Including net reversal of provision for dividend for earlier years Rs. 0.63 crore.
Net of Transfer to Debenture Redemption Reserve Rs. 57.50 crores.
@ Net of Transfer to Debenture Redemption Reserve Rs. 49.69 crores.
$ Includes transfer from Debenture Redemption Reserve Rs. 34.38 crores.
& Includes Finance charges.
+ Includes Provision for Contingencies Rs. 30.00 crores.
* Includes reversal of Provision for Contingencies Rs. 30.00 crores.

Important Ratios

(for the year ended 31st March, 2006)

Sales/Total Gross Fixed Assests	0.77:1
Operating Profit/Capital Employed	14%
Return on Networth	14%
Profit/Sales	13%

The figures from the year ended 31st March, 2001 represent the merged entity consequent upon the amalgamation of The Andhra Valley Power Supply Co. Ltd. and The Tata Hydro-Electric Power Supply Co. Ltd. with the Company effective 1st April, 2000 whereas the figures for the previous years represent The Tata Power Co. Ltd., (without amalgamation) and hence are not comparable.

Report on Corporate Governance

Company's Philosophy on Corporate Governance

Corporate Governance is a synonym for sound management, transparency and disclosure and has always been an integral part of your Company's philosophy. The Company firmly believes that good corporate governance stems from the management's mindset and cannot be regulated by legislation alone. The Company has been practicing good governance practices even before they were mandated. "Leadership with Trust" is the principle of operation of the Company. The Business Excellence Brand Promotion (BEBP) process includes the Tata Business Excellence Model and the Tata Code of Conduct, which form guidelines for "Leadership with Trust". The Company has adopted all these processes formally right from inception and continuously works on them to improve business performance and enhance stakeholder trust. In addition to these, the Company has also adopted the requirements of Corporate Governance under Clause 49 of the Listing Agreements.

Your Company has complied with the requirements of the Corporate Governance Code, the disclosure requirements of which are given below:

Board of Directors

➢ **Composition :**

Presently, the Board of Directors has nine members, out of whom one is an Executive Director and eight are Non-Executive Directors (NEDs) who bring in a wide range of skills and experience to the Board. The Company has a Non-Executive Chairman and the number of Independent Directors is more than one-third of the total number of Directors. The composition of the Board is in conformity with Clause 49 of the Listing Agreement.

None of the Directors on the Board is a Member on more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49), across all the companies in which he is a Director. The necessary disclosures regarding Committee positions have been made by the Directors.

The composition of the Board as on 31st March 2006 was as under :

Name of the Director and Business Relationship	Category of Directorship	*No. of other Directorships	#No. of other Committee Memberships held		No. of Board Meetings attended during the year	Attendance at the 86th Annual General Meeting held on 4th August 2005
			Chairman	Member		
Mr R N Tata Chairman	Promoter, Non-Executive	13	-	-	5	Yes
Mr Syamal Gupta	Promoter, Non-Executive	10	-	3	5	Yes
Mr R Gopalakrishnan	Promoter, Non-Executive	11	-	4	6	Yes
Mr C P Mistry	Independent, Non-Executive	10	-	3	5	Yes
Dr H S Vachha	Independent, Non-Executive	4	3	1	5	Yes
Mr R K Misra (Representative of LIC as Investor/ Lender)	Independent, Non-Executive	-	-	-	5	Yes
Mr A J Engineer	Non-Independent Non-Executive	7	-	-	6	Yes
Mr S S Bhatia State Government Director	Independent, Non-Executive	2	-	-	3	Yes
Mr P K Kukde $ Executive Director	Executive	-	-	-	5	Yes
Mr S Ramakrishnan Executive Director	Executive	10	2	5	6	Yes

* Directorships in private companies, foreign companies and associations are excluded.
# Represents Memberships/Chairmanships of Audit Committee and Shareholders'/ Investors' Grievance Committee.
$ Consequent upon the completion of the tenure of office, Mr P K Kukde ceased to be the Executive Director and a Director w.e.f. close of business hours on 31st March 2006.

6 Board Meetings were held during the year and the gap between two meetings did not exceed four months.

Leave of absence was granted by the Board to the Directors who were absent at the respective Board Meeting(s).

➢ **Dates of Board Meetings**

30th May 2005, 26th July 2005, 18th October 2005, 15th December 2005, 20th January 2006 and 31st March 2006.

The information as required under Annexure IA to Clause 49 is being made available to the Board.

The Board has laid down separate Codes of Conduct for Non-Executive Directors and senior management personnel of the Company and the same are posted on the Company's website www.tatapower.com

Committees of Directors

Audit Committee

The Audit Committee was reconstituted on 31st March 2006.

The terms of reference, role and scope are in line with those prescribed by Clause 49 of the Listing Agreement with the Stock Exchanges. The Company also complies with the provisions of Section 292A of the Companies Act, 1956 pertaining to Audit Committee and its functioning.

At its meeting held on 29th March 2001, the Board delegated the following powers to the Audit Committee :

- To investigate any activity within its terms of reference.
- To seek information from any employee.
- To obtain outside legal or other professional advice.
- To secure attendance of outsiders with relevant expertise, if it considers necessary.

The Board redefined the role of the Audit Committee, as under :

1. Oversight of the Company's financial reporting process and the disclosure of its financial information, to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to :
   a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956
   b. Changes, if any, in accounting policies and practices and reasons for the same
   c. Major accounting entries involving estimates based on the exercise of judgement by management
   d. Significant adjustments made in the financial statements arising out of audit findings
   e. Compliance with listing and other legal requirements relating to financial statements
   f. Disclosure of any related party transactions
   g. Qualifications in the draft audit report
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
6. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors any significant findings and follow-up there on.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The composition of the Audit Committee as on 31st March 2006 was as under :

Sl. No.	Name of the Director	Designation	No. of Meetings attended during 2005-06	Remarks
1.	Dr H S Vachha	Chairman	10	Dr Vachha is a former executive of ICICI Limited and has the requisite accounting/related financial management expertise
2.	Mr Syamal Gupta	Member	10	Is financially literate
3.	Mr R K Misra	Member	10	Is financially literate
4.	Mr C P Mistry *	Member	-	Is financially literate

* Appointed on 31st March 2006

All the above Directors are Non-Executive and three Directors, including the Chairman, are Independent.

The Audit Committee invites such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at its meetings. The Finance Director and head of Internal Audit attend the meetings. The Statutory Auditors are also invited to the meetings. Mr B J Shroff, the Company Secretary, acts as the Secretary of the Committee.

The Audit Committee met ten times during the year under review on the following dates :

1st April 2005, 14th May 2005, 30th May 2005, 26th July 2005, 2nd August 2005, 12th September 2005, 18th October 2005, 4th December 2005, 4th January 2006, 20th January 2006.

Remuneration Committee

Terms of Reference :

The terms of reference of the Committee include recommending to the Board of Directors specific remuneration packages for Executive Directors and management staff.

The composition of the Remuneration Committee as on 31st March 2006 was as under :

Sl. No.	Name of the Director	Designation	No. of Meetings attended during 2005-06
1.	Mr C P Mistry	Chairman	2
2.	Mr Syamal Gupta	Member	2
3.	Mr R Gopalakrishnan	Member	2

All the above Directors are Non-Executive and the Chairman is an Independent Director.

The Remuneration Committee met twice during the year on the following dates :

14th July 2005 and 18th October 2005.

Remuneration Policy :

➢ **Management Staff**

Remuneration of employees largely consists of basic remuneration, perquisites, allowances and performance incentives. The components of the total remuneration vary for different grades and are governed by industry patterns, qualifications and experience of the employee, responsibilities handled by him, his individual performance etc. For the last few years, effort has also been made to link the annual variable pay of senior managers with the performance of the Company in general and their individual performance for the relevant year measured against specific Key Performance Areas which are aligned to the Company's objectives.

➢ **Non-Executive Directors**

The Non-Executive Directors (NEDs) are paid remuneration by way of Commission and Sitting Fees. In terms of the shareholders' approval obtained at the Annual General Meeting held on 4th August 2003, the Commission is paid at a rate not exceeding 1% per annum of the net profits of the Company (computed in accordance with Section 309(5) of the Companies Act, 1956). The distribution of Commission amongst the NEDs is placed before the Remuneration Committee and the Board. The Commission payment for the year ended 31st March 2005 was distributed broadly on the basis of attendance at meetings of the Board and substantive committees of the Board, individual contributions at the meetings and time spent other than in meetings relating to the operations of the Company.

The Company pays Sitting Fees of Rs.10,000/- per meeting to the NEDs for attending meetings of the Board, Executive Committee of the Board, Audit Committee, Management Committee and Nominations Committee; the fees for other Committee meetings being Rs. 5,000/- per meeting.

➢ **Executive Directors**

The Company pays remuneration by way of salary, perquisites and allowances (fixed component) and commission (variable component) to the Managing Director and the Executive Directors. Salary is paid within the range approved by the shareholders. Annual increments effective 1st April each year, as recommended by the Remuneration Committee, are placed before the Board for approval. The ceiling on perquisites and allowances as a percentage of salary, is fixed by the Board. Within the prescribed ceiling, the perquisite package is recommended by the Remuneration Committee and approved by the Board. Commission is calculated with reference to the net profits of the Company in a particular financial year and is determined by the Board/ Committee of Directors at the end of the financial year, subject to overall ceilings stipulated in Sections 198 and 309 of the Companies Act, 1956. Specific amount payable to such Directors is based on the performance criteria laid down by the Board which broadly takes into account the profits earned by the Company for the year.

Retirement Policy for Directors

On the recommendation of Tata Sons Ltd., the Board of the Company has, in May 2006, adopted the Revised Guidelines for retirement age wherein Managing Directors and Executive Directors retire at the age of 65 years whilst all the Non-Executive Directors retire at the age of 75 years. The Company has also adopted a Retirement Policy for Managing Directors and Executive Directors which offers special retirement benefits including pension, ex-gratia and medical and other benefits. In addition to the above, the retiring Managing Director is entitled to residential accommodation or compensation in lieu of accommodation on retirement. The quantum and payment of the said benefits are subject to an eligibility criteria of the retiring director and is payable at the discretion of the Board in each individual case on the recommendation of the Remuneration Committee. The said Retirement Policy has also been approved by the Members at their Annual General Meetings held on 11th August 1995 and 6th August 2002.

Remuneration to Directors

During the year under review, the Non-Executive Directors of the Company were paid remuneration as under :

Name of the Director	Sitting Fees paid (Gross) (Rs.)	Commission paid (Gross) (Rs.) *
Mr R N Tata	80,000	8,56,000
Mr Syamal Gupta	1,80,000	8,78,000
Mr R Gopalakrishnan	1,00,000	6,26,000
Mr C P Mistry	70,000	1,42,500
Dr H S Vachha	1,50,000	9,94,000
Mr R K Misra	1,50,000	4,56,000@
Mr A J Engineer $	90,000	4,05,000
Mr S S Bhatia #	30,000	1,42,500

* Commission relates to the financial year ended 31st March 2005 which was paid during the financial year under review. Commission of Rs.63.75 lakhs has been provided as payable to the eligible Non-Executive Directors in the accounts for the year ended 31st March 2006.

$ During the year, the Company paid Rs. 28,82,280 by way of pension and Rs. 5,913 as medical to Mr A J Engineer. During the year, the Company also sought and obtained from the Central Government opinion that Mr Engineer had the requisite qualification for functioning as Technical Advisor of the Company w.e.f. 1st June 2005. Subsequently, the Board of Directors appointed Mr Engineer as Technical Advisor w.e.f. the same date, for such duration as the Board may decide, on a retainer of Rs. 2 lakhs per month.

The remuneration of Mr Bhatia, State Government Director, was paid to the Government Treasury.

@ The Commission of Mr Misra, Nominee Director of LIC, was paid to LIC. Travel and other out-of-pocket expenses were reimbursed to Mr Misra for attending Board and Committee Meetings.

Apart from this, none of the Non-Executive Directors had any pecuniary relationship or transactions with the Company other than the Directors Fees and Commission received by them.

The details of the remuneration and perquisites paid and/or value calculated as per Income-tax Act, 1961 to the Executive Directors are:

Name	Salary (Rs.)	** Commission paid in 2005-06 (Rs.)	Perquisites (Rs.)	Retirement Benefits (Rs.)	Total (Rs.)
Mr F A Vandrevala, (Managing Director - upto 30th June 2005) (Advisor - from 1st July 2005 to 31st October 2005)	6,00,000	25,00,000	8,72,332	25,99,124	65,71,456
Mr P K Kukde, Executive Director	15,60,000	25,00,000	22,07,832	4,21,200	66,89,032
Mr S Ramakrishnan, Executive Director (w.e.f 1st October 2004)	15,60,000	12,50,000	23,34,654	4,21,200	55,65,854

In addition, the Company paid Rs. 1,72,280 towards pension and Rs. 4,30,695 towards ex-gratia to Mr Vandrevala. Mr Vandrevala has also purchased assets used by him aggregating to Rs. 4,93,019.

** Commission relates to the financial year ended 31st March 2005 which was paid during the financial year under review. Commission of Rs. 56.25 lakhs has been provided as payable to the eligible Executive Directors in the accounts of the current year, the distribution of which is yet to be determined.

Salient features of the agreements executed by the Company with Mr Vandrevala, Managing Director and Mr Kukde and Mr Ramakrishnan, Executive Directors consequent upon obtaining shareholders' approval at respective Annual General Meetings are given below. Shareholders' approval is being sought for the Agreement executed with Mr Kukde for the period from 23rd January 2006 to 31st March 2006.

Terms of Agreement	Mr F A Vandrevala Managing Director	Mr P K Kukde Executive Director	Mr S Ramakrishnan Executive Director
Period of appointment	1-9-2002 to 31-8-2007 (Resigned w.e.f. 30-6-2005)	23-1-2003 to 22-1-2006 23-1-2006 to 31-3-2006	1-10-2004 to 30-9-2009
Remuneration - Salary	In the salary scale of Rs. 12,00,000 – Rs. 40,00,000 per annum	In the salary scale of Rs. 7,80,000 - Rs. 26,00,000 per annum	In the salary scale of Rs. 7,80,000 - Rs. 26,00,000 per annum
- Commission	At the discretion of the Board within the limits stipulated under the Companies Act, 1956.		
- Perquisites and allowances (excluding Company's contribution to Provident Fund, Superannuation, Gratuity, Leave Encashment)	Upto 140% of salary		
Notice period	The agreement may be terminated by either party giving to the other party six months' notice or the Company paying six months' remuneration in lieu thereof.	The agreement may be terminated by either party giving to the other party one month's notice or the Company paying one month's basic salary in lieu thereof.	The agreement may be terminated by either party giving to the other party six months' notice or the Company paying six months' basic salary in lieu thereof.
Severance fees	There is no separate provision for payment of severance fees		
Stock Option	Nil		

The above agreements are contractual in nature.

Details of number of shares and convertible instruments held by Non-Executive Directors

Except for Mr R N Tata, who holds 400 Equity Shares of Rs.10/- each of the Company, no other Non-Executive Director holds any shares or convertible instruments of the Company.

Shareholders'/Investors' Grievance Committee

The composition of the Shareholders'/Investors' Grievance Committee as on 31st March 2006 was as under :

Name of the Director	Designation	Category of Directorship
Mr Syamal Gupta	Chairman	Non-Executive
Mr S Ramakrishnan	Member	Executive

The Shareholders'/Investors' Grievance Committee met twice during the year as under :
20th October 2005 and 20th March 2006

In accordance with Clause 49(IV)(G)(iv) of the Listing Agreements with the Stock Exchanges, the Board has authorised Mr B J Shroff, Company Secretary and Compliance Officer and Mr A S Bapat, Asst. General Manager (Legal) of the Company, to severally approve share transfers/transmissions, in addition to the powers with the members of the Shareholders'/Investors' Grievance Committee. Share Transfer formalities are regularly attended to and atleast once a fortnight.

All investor complaints which cannot be settled at the level of Mr B J Shroff, Company Secretary and Compliance Officer, are placed before the Committee for final settlement.

The status of total number of complaints received during the year were as follows :

Sl. No.	Description	Nos. received				Total		
		Q1	Q2	Q3	Q4	Received	Replied	Pending
A.	**Letters received from Statutory Bodies**							
	Securities & Exchange Board of India	6	1	3	1	11	11	0
	Ministry of Company Affairs	0	0	0	0	0	0	0
	Stock Exchanges	1	0	1	3	5	5	0
	NSDL/CDSL	1	0	1	1	3	3	0
B.	**Legal matters**							
	Court/Consumer Forum matters	0	0	0	0	0	0	0
C.	**Dividends**							
	- Non-receipt of dividend / interest warrants (pending reconciliation at the time of receipt of letters)	0	15	38	0	53	53	0
	- Fraudulent encashment of dividend/ interest warrants	0	0	0	0	0	0	0
D.	**Letters in the nature of reminders/ complaints**	0	0	0	0	0	0	0
	Total	**8**	**16**	**43**	**5**	**72**	**72**	**0**

There were no unresolved complaints as on 31st March 2006.

24 transfers and 126 demats which were pending as on 31st March 2006 have been subsequently processed and completed.

Investor Survey

A questionnaire was sent to all the shareholders of the Company in November 2005 to determine the satisfaction levels and explore avenues for improvement based on suggestions made by them. 3,326 responses were received. Various suggestions received from the shareholders were duly considered and appropriate action was taken on the merits. The Company would welcome suggestions that will further help improving its services to shareholders.

Management Committee

During the year, a Committee of Directors titled 'Management Committee' was constituted comprising of Mr R N Tata (Chairman), Mr Syamal Gupta and Mr A J Engineer to oversee the Company's operations.

Executive Committee of the Board

During the year, the Executive Committee of the Board was reconstituted to comprise of Mr R N Tata (Chairman), Mr Syamal Gupta, Mr R Gopalakrishnan, Mr A J Engineer, Mr C P Mistry, the Managing Director (or CEO) and the Executive Directors. This Committee covers a detailed review of the following items before being presented to the full Board:

- Business and strategy review
- Long-term financial projections and cash flows
- Capital and Revenue Budgets and capital expenditure programmes
- Acquisitions, divestments and business restructuring proposals
- Senior management succession planning
- Any other item as may be decided by the Board

Nominations Committee

During the year, the Board constituted a Nominations Committee comprising of Dr H S Vachha (Chairman), Mr R N Tata and Mr C P Mistry. This Committee makes recommendations regarding composition of the Board and would therefore identify Independent Directors to be inducted to the Board from time to time and take steps to refresh the composition of the Board from time to time.

Ethics and Compliance Committee

In accordance with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended (the Regulations), the Board of Directors of the Company adopted the Code of Conduct for Prevention of Insider Trading and the Code of Corporate Disclosure Practices (the Code) to be followed by Directors, Officers and other Employees. The Code is based on the principle that Directors, Officers and Employees of a Tata Company owe a fiduciary duty to, among others, the shareholders of the Company to place the interest of the shareholders above their own and conduct their personal securities transactions in a manner that does not create any conflict of interest situation. The Code also seeks to ensure timely and adequate disclosure of Price Sensitive Information to the investor community by the Company to enable them to take informed investment decisions with regard to the Company's securities.

In terms of this Code, a Committee has been constituted called 'Ethics and Compliance Committee' comprising of Dr H S Vachha (Chairman) and Mr A J Engineer.

The Executive Director (Finance) is the Compliance Officer to ensure compliance and effective implementation of the Regulations and also this Code across the Company.

Committee for opening/closing Bank Accounts and granting/revocation of Powers of Attorney

During the year, a Committee was constituted for opening/closing of the Company's Bank Accounts and for granting/revocation of Powers of Attorney granted by the Company to its Officers. This Committee currently comprises of the following Directors:

1) Mr Syamal Gupta
2) Mr R Gopalakrishnan
3) Mr A J Engineer
4) Mr S Ramakrishnan

Committee for Operating Bank Accounts

During the year, a Committee was constituted for changing operating instructions in the existing Bank Accounts of the Company. This Committee currently comprises of :

1) Mr S Ramakrishnan, Executive Director
2) Mr Amulya Charan, Vice-President
3) Mr R K Kanga, Senior General Manager

General Body Meetings

The last three Annual General Meetings (AGMs) were held as under :

Financial Year ended	Day & Date	Time	Venue
31st March 2003	Monday, 4th August 2003	3 p.m.	Birla Matushri Sabhagar, Sir Vithaldas Thackersey Marg, Mumbai 400 020.
31st March 2004	Tuesday, 29th June 2004	3 p.m.	Nehru Centre Auditorium, Discovery of India Building, Dr Annie Besant Road, Worli, Mumbai 400 018.
31st March 2005	Thursday, 4th August 2005	3 p.m.	Birla Matushri Sabhagar, Sir Vithaldas Thackersey Marg, Mumbai 400 020.

Details of Special Resolutions passed in the previous three Annual General Meetings (AGM)

Date of AGM	Particulars of Special Resolutions passed thereat
4th August 2003	i) Commission to Directors ii) Voluntary Delisting of the Company's Equity Shares from certain Stock Exchanges iii) Appointment of Auditors iv) Appointment of Branch Auditors
29th June 2004	i) Amendment to Articles of Association ii) Raising of additional long-term resources iii) Appointment of Auditors iv) Appointment of Branch Auditors
4th August 2005	i) Raising the limit for investment by Foreign Institutional Investors in the Company's paid-up capital ii) Appointment of Auditors iii) Appointment of Branch Auditors

All special resolutions moved at the last AGM were passed with requisite majority on a show of hands by the shareholders present at the meeting.

None of the business required to be transacted at this AGM is proposed to be passed by postal ballot.

Postal Ballot

The Company successfully completed the process of obtaining the approval of its Members on the Ordinary Resolution under Section 293(1)(a) for transferring the undertaking which comprised of the Power Systems Division of the Company consisting of the business of undertaking design, fabrication, galvanizing, supply, erection, construction and commissioning of transmission lines and all activities encompassing the entire gamut of the Power Systems like sub-station equipments, conductors, cables, insulators, hardwares and Power Plant equipment (excluding the Bangladesh project which comprises of (a) the 132 kV Ishurdi-Baghabari general purpose Transmission line and (b) the 230 kV Ishurdi-Khulna general purpose Transmission line, to transmit power from power plants of Power Grid Corporation of Bangladesh to their sub-stations), to Tata Projects Limited with its rights, title and interest therein in the movable and immovable properties, if any.

Ms Shirin Bharucha, Legal Advisor, who was appointed as the Scrutinizer, carried out the Postal Ballot process in a fair and transparent manner. The results were announced on 15th May 2006.

Voting Pattern and Procedure for Postal Ballot

1. The Board of Directors of the Company, vide Resolution passed on 16th March 2006, had appointed Ms Shirin Bharucha, Legal Advisor, as the Scrutinizer for conducting the postal ballot voting process.
2. The Company had completed on 7th April 2006, the dispatch of postal ballot forms alongwith postage prepaid business reply envelopes to its Members whose name(s) appeared on the Register of Members/list of beneficiaries as on 17th March 2006.
3. Particulars of the postal ballot forms received from the Members were entered in a register separately maintained for the purpose.
4. The postal ballot forms were kept under her safe custody in sealed and tamper proof ballot boxes before commencing the scrutiny of such postal ballot forms.
5. All postal ballot forms received/receivable up to the close of working hours on 6th May 2006, the last date and time fixed by the Company for receipt of the forms, had been considered for her scrutiny.
6. Envelopes containing postal ballot forms received after close of business hours on 6th May 2006, had not been considered for her scrutiny.
7. Mr S Ramakrishnan, Executive Director, had announced the following result of the Postal Ballot as per the Scrutinizer's Report:

Number of valid postal ballot forms received	7,785
Number of invalid postal ballot forms received	660
Votes in favour of the Resolution	7,95,95,982
Votes against the Resolution	20,447
Invalid votes	2,19,561

Accordingly, the Ordinary Resolution set out in the Notice dated 16th March 2006 was duly passed by the requisite majority of the shareholders.

No Court-convened Meetings were held during the last three years.

Disclosures

1. There were no materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, directors or the management, their subsidiaries or relatives etc. during the year, that may have potential conflict with the interests of the Company at large.
2. The Board has received disclosures from key managerial personnel relating to material, financial and commercial transactions where they and/or their relatives have personal interest. There are no materially significant related party transactions which have potential conflict with the interest of the Company at large.
3. There was no non-compliance during the last three years by the Company on any matter related to Capital Market. There were no penalties imposed nor strictures passed on the Company by Stock Exchanges, SEBI or any statutory authority.
4. The Board of Directors of the Company has adopted a Whistle Blower Policy for establishing a mechanism for employees to report to the management concerns about unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct or ethics policy. The said policy has been posted on the Company's intranet site. The Company affirms that no employee has been denied access to the Audit Committee.
5. All mandatory requirements as per Clause 49 of the Listing Agreement have been complied with by the Company.
6. The Company follows Accounting Standards issued by the Institute of Chartered Accountants of India and there are no statutory audit qualifications in this regard.
7. In terms of Clause 49(V) of the Listing Agreement, the Executive Director (Finance) made a certification to the Board of Directors in the prescribed format for the year under review which has been reviewed by the Audit Committee and taken on record by the Board.

Means of Communication

1. Quarterly and half-yearly reports are published in the following newspapers :

Name of the Newspaper	Region	Language
Indian Express – All editions	Ahmedabad, Vadodara, Mumbai, Chandigarh, New Delhi, Lucknow, Nagpur and Pune	English
Loksatta – All editions	Ahmednagar, Mumbai, Pune and Nagpur	Marathi
Jam-e-Jamshed Weekly	Mumbai	Gujarati
Vyapar	Mumbai and Rajkot	Gujarati

Half-yearly report was sent to all the shareholders for the half-year ended 30th September 2005.

2. Official news releases are given directly to the press.
3. Financial results and other information was displayed on the Company's website www.tatapower.com
4. Management's Discussion & Analysis forms part of this Annual Report, which is being posted to the shareholders of the Company.
5. To familiarise our shareholders with the Company's operations, based on requests by its shareholders, the Company arranges for visits to its hydro stations in small batches. During FY06, shareholders were taken to Khopoli Generating Station.

Secretarial Audit for reconciliation of Capital

A qualified practicing Company Secretary carried out a Secretarial Audit to reconcile the total admitted capital with NSDL and CDSL and the total issued and listed capital. The audit confirms that the total issued/paid up capital is in agreement with the aggregate of the total number of shares in physical form and the total number of shares in dematerialised form (held with NSDL and CDSL).

General Shareholder Information

1. The Annual General Meeting is scheduled to be held on Tuesday, 1st August 2006 at 3 p.m. at Birla Matushri Sabhagar, Sir Vithaldas Thackersey Marg, Mumbai 400 020.

   As required under Clause 49(IV)(G)(i) of the Listing Agreements with the Stock Exchanges, particulars of Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting (AGM) are given in the Annexure to the Notice of the AGM to be held on 1st August 2006.

2. Financial Year : April to March
3. Book Closure : From 11th July 2006 to 1st August 2006, both days inclusive
4. Dividend Payment Date : 4th August 2006
5. Listing on Stock Exchanges : The Company's Shares are listed on the following 2 Stock Exchanges in India :

Bombay Stock Exchange Limited
(Regional Stock Exchange)
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai 400 001

National Stock Exchange of India Limited
'Exchange Plaza'
Bandra-Kurla Complex
Bandra (E)
Mumbai 400 051

The Global Depository Shares (GDS) issued by the Company jointly with the erstwhile The Tata Hydro-Electric Power Supply Company Limited and The Andhra Valley Power Supply Company Limited in the International Market have been listed on the Luxembourg Stock Exchange and have been accepted for clearance through Euroclear and Cedel. They have also been designated for trading in the PORTAL System of the National Association of Securities Dealers, Inc. The Foreign Currency Convertible Bonds issued by the Company are listed on Singapore Stock Exchange.

The following series of Debentures issued by the Company have been listed on the Wholesale Debt Market segment of National Stock Exchange of India Ltd :

Sl. No.	Series	Amount outstanding as on 31/3/2006 (Rs. in crores)
1.	10.2% Redeemable Transferable Secured Non-Convertible Debentures	131
2.	6000 7.1% Transferable Secured Redeemable Non-Convertible Debentures	600

The Company has paid the requisite Annual Listing Fees to the 2 Stock Exchanges for the financial year 2005-06.

6. Stock Code (For Equity Shares)

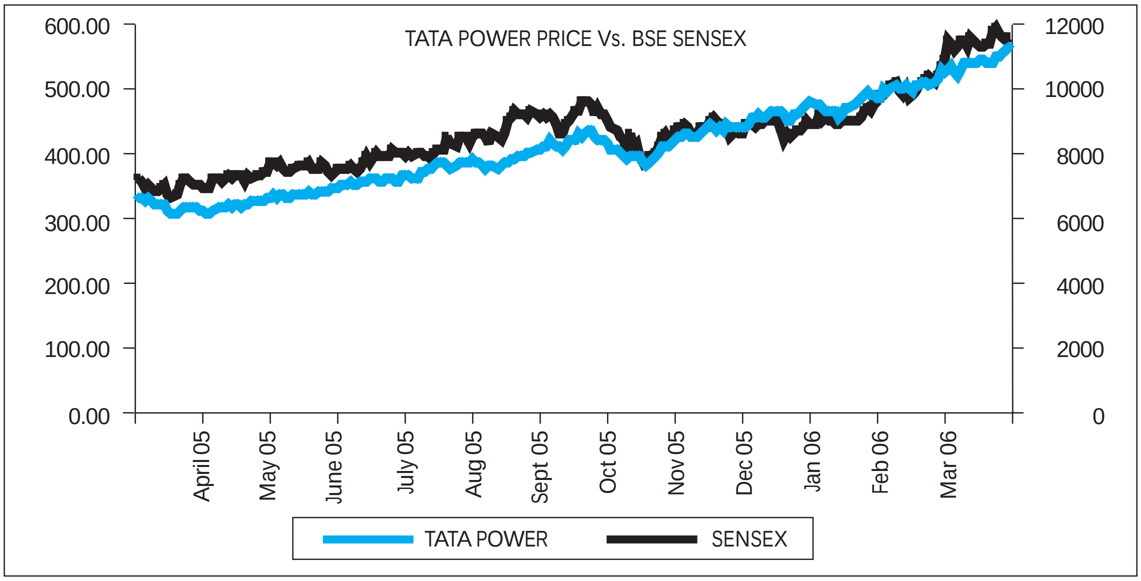
Bombay Stock Exchange Limited (physical form) (demat form)	 400 500400
National Stock Exchange of India Ltd.	TATAPOWER EQ

7. Market Information :

(a) Market Price Data : High, Low during each month and trading volumes of the Company's Equity Shares during the last financial year at Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) are given below :

Stock Exchange	BSE			NSE		
Month	High	Low	No. of shares traded during the month	High	Low	No. of shares traded during the month
2005 April	363.15	332.30	2896685	362.25	331.55	8544711
May	386.65	347.25	3478644	389.20	346.90	8728427
June	388.90	366.30	2648064	388.75	366.65	7089164
July	407.95	385.75	2775863	408.15	385.00	7243291
August	450.65	403.35	4839119	450.75	403.40	12278527
September	483.15	429.85	3481672	480.90	430.30	9543318
October	481.40	386.30	5289415	481.30	386.50	13836204
November	458.05	400.05	3430880	459.00	399.90	9995620
December	451.80	419.45	5323176	452.45	418.90	12145968
2006 January	471.65	434.55	2531214	471.80	434.20	6981229
February	519.30	465.45	4773683	521.80	465.65	12123047
March	593.60	522.25	5115642	594.70	525.25	13044059

(b) Performance of Tata Power Share price in comparison to BSE Sensex :



8. Registrars and Transfer Agents :

TSR Darashaw Limited (TSRDL)
(formerly Tata Share Registry Limited)
Army & Navy Bldg.
148, Mahatma Gandhi Road
Mumbai 400 001
Tel. :022 66568484
Fax :022 66568494
Email: csg-unit@tsrdarashaw.com
Website: www.tsrdarashaw.com

For the convenience of shareholders based in the following cities, transfer documents and letters will also be accepted at the following branches / agencies of TSRDL :

Branches of TSRDL

1. TSR Darashaw Limited
503, Barton Centre, 5th Floor
84, Mahatma Gandhi Road
Bangalore 560 001
Tel : 080 25320321
Fax : 080 25580019
E-mail : tsrlbang@tsrdarashaw.com

2. TSR Darashaw Limited
Bungalow No.1, 'E' Road
Northern Town, Bistupur
Jamshedpur 831 001
Tel : 0657 2426616
Fax : 0657 2426937
E-mail: tsrljsr@tsrdarashaw.com

3. TSR Darashaw Limited
Tata Centre, 1st Floor
43, Jawaharlal Nehru Road
Kolkata 700 071
Tel : 033 22883087
Fax : 033 22883062
E-mail : tsrlcal@tsrdarashaw.com

4. TSR Darashaw Limited
Plot No.2/42, Sant Vihar
Ansari Road, Darya Ganj
New Delhi 110 002
Tel : 011 23271805
Fax : 011 23271802
E-mail : tsrldel@tsrdarashaw.com

Agent of TSRDL
Shah Consultancy Services Limited
1, Sumatinath Complex, 2nd Dhal
Pritam Nagar, Ellisbridge
Ahmedabad 380 006
Telefax : 079 26576038
E-mail : shahconsultancy@hotmail.com

9. Share Transfer System : Share Transfers in physical form can be lodged with TSRDL at the abovementioned address or at their branch offices, addresses of which are available on website: www.tsrdarashaw.com

The Transfers are normally processed within 20 days from the date of receipt. If the documents are complete in all respects, Mr B J Shroff, Company Secretary and Compliance Officer and Mr A S Bapat, AGM (Legal), are severally empowered to approve transfers, in addition to the powers with the members of the Shareholders'/Investors' Grievance Committee.

10. Distribution of Shares as on 31st March 2006

Slab	Number of shareholders				Number of Shares					
	Physical	Demat	Total	%	Physical	%	Demat	%	Total	%
1 - 500	51309	76308	127617	86.49	7195272	3.64	9953085	5.03	17148357	8.67
501 - 1000	4580	7496	12076	8.18	3099018	1.57	5417431	2.74	8516449	4.31
1001 - 2000	1224	3406	4630	3.14	1699691	0.85	4839374	2.45	6539065	3.30
2001 - 3000	342	1066	1408	0.95	830382	0.42	2628358	1.33	3458740	1.75
3001 - 4000	181	473	654	0.44	637516	0.32	1659938	0.84	2297454	1.16
4001 - 5000	67	251	318	0.22	300230	0.15	1150950	0.58	1451180	0.73
5001 - 10000	90	441	531	0.36	601250	0.30	3049248	1.54	3650498	1.84
10001 and above	21	301	322	0.22	447948	0.23	154388173	78.01	154836121	78.24
Total	**57814**	**89742**	**147556**	**100.00**	**14811307**	**7.48**	**183086557**	**92.52**	***197897864**	**100.00**

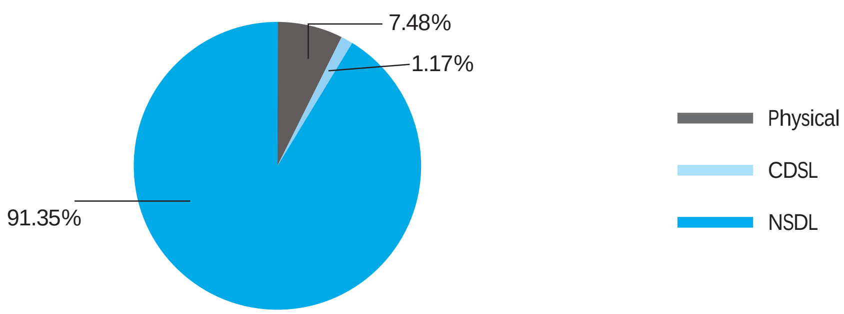
* Excluding 230308 shares not allotted but held in abeyance, 440270 shares cancelled pursuant to a Court Order and 4804040 shares of the Company held by the erstwhile The Andhra Valley Power Supply Co. Ltd. cancelled pursuant to the Scheme of Amalgamation sanctioned by the High Court of Judicature at Bombay.

11. Shareholding pattern as on 31st March 2006

Particulars	Equity Shares	
	No. of Shares	Percent
Life Insurance Corporation of India	19821068	10.02
GIC & Other Insurance Companies	20074045	10.14
Mutual Funds	2898516	1.46
Bodies Corporate, Trusts etc.	66667828	33.69
Other Financial Institutions	1382543	0.70
FIIs and GDR Holders	42410042	21.43
Nationalised Banks	324799	0.16
Individuals	44319023	22.40
Total	**197897864**	**100.00**

12. Dematerialisation of Shares as on 31st March 2006 and Liquidity :

The Company's shares are compulsorily traded in dematerialised form and are available for trading on both the Depositories in India – National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL). 18,30,86,557 Equity Shares of the Company representing 92.52% of the Share Capital are dematerialised as on 31st March 2006.



Under the Depository system, the International Securities Identification Number (ISIN) allotted to the Company's shares is INE245A01013.

Shares held in electronic form

Shareholders holding shares in electronic form may please note that :

i) Instructions regarding bank details which they wish to have incorporated in future dividend warrants must be submitted to their Depository Participants (DP). As per the regulations of NSDL and CDSL, the Company is obliged to print bank details on the dividend warrants, as furnished by these Depositories to the Company.

ii) Instructions already given by them for shares held in physical form will not be automatically applicable to the dividend paid on shares held in electronic form.

iii) Instructions regarding change of address, nomination and power of attorney should be given directly to the DP.

iv) The Company provides ECS facilities for shares held in electronic form and shareholders are urged to avail of this facility.

The Company's shares are regularly traded on BSE and NSE as is seen from the volume of shares indicated in the table containing market information.

13. Number of GDS outstanding as on 31st March 2006 : 4319
Since the underlying Equity Shares represented by GDS have been allotted in full, the outstanding GDS have no impact on the Equity of the Company.

14. Plant Location :

(a) Thermal Power Stations :

(i) Trombay Generating Station
Mahul Road, Chembur
Mumbai 400 074
Maharashtra

(ii) Jojobera Power Plant,
Jojobera
Jamshedpur 831 016
Jharkhand

(iii) Belgaum Power Plant
Plot Nos.1234 to 1240 & 1263 to 1297
KIADB Kanbargi Industrial Area
Auto Nagar, Belgaum 590 010, Karnataka

(b) Hydro Generating Stations :

(i) Bhira
P O Bhira
Taluka Mangaon
Dist. Raigad
Maharashtra 402 308

(ii) Bhivpuri
P O Bhivpuri Camp
Taluka Karjat
Dist. Raigad
Maharashtra 410 201

(iii) Khopoli
P O Khopoli Power House
Taluka Khalapur
Dist. Raigad
Maharashtra 410 204

(c) Strategic Electronics Division : 42/43 Electronic City
Electronic City Post Office
Hosur Road
Bangalore 561 229, Karnataka

(d) Distribution Division : Senapati Bapat Marg
Lower Parel
Mumbai 400 013, Maharashtra

15. Address for correspondence : The Tata Power Company Limited
Bombay House, 24, Homi Mody Street
Mumbai 400 001, Maharashtra
Tel. : 66658282 Fax : 66658801

16. Compliance with Non-Mandatory Requirements

i) The Board

Being the Group Chairman, the Company does not reimburse expenses incurred by the Non-Executive Chairman for maintenance of a separate Chairman's Office.

At its meeting held on 29th May 2006, the Board of Directors has adopted the Revised Guidelines (2006) regarding the retirement age of Directors. In line with best practice to continuously refresh the Board's membership, the Board is encouraged to seek a balance between change and continuity. Accordingly, the Board may consider adopting a broad guideline for the maximum tenure in the case of Non-Executive Directors. A tenure of nine years may be considered a threshold for granting further tenure/s based, inter alia, on the merit and contribution of each Director.

ii) Remuneration Committee

The Board has set up a Remuneration Committee. Please see details in para on Remuneration Committee.

iii) Shareholder Rights

A half yearly declaration of financial performance including summary of the significant events in last six months, is sent to all the shareholders. The results are also put up on the Company's website www.tatapower.com and is also available on www.sebiedifar.nic

iv) Audit qualifications

During the year under review, there was no audit qualification in the Company's financial statements. The Company continues to adopt best practices to ensure a regime of unqualified financial statements.

v) Training of Board Members

The Company's Board of Directors comprises of professionals with expertise in their respective fields and industry. They endeavour to keep themselves updated with changes in the economy, legislation and technologies.

vi) Mechanism for evaluation of Non-Executive Board Members

Performance evaluation of Non-Executive Board Members is done by the Remuneration Committee and its recommendations are placed before the Board for consideration.

vii) Whistle Blower Policy

The Company has adopted a Whistle Blower Policy. Please see details in para under the head 'Disclosures'.

17. Other information

TOLL FREE Investor Helpline

During the year, the Company introduced a TOLL FREE Investor Helpline to give shareholders the convenience of one more contact point with TSR Darashaw Ltd. (formerly Tata Share Registry Ltd.), Registrars and Transfer Agents of the Company, for redressal of grievances/ queries, at no additional cost. This was intimated to all shareholders. Please note that the Company's Toll Free number has now been changed to 1800-22-8775.

Bank Details

Shareholders holding shares in physical form are requested to notify/send the following to TSR Darashaw Limited to facilitate better servicing:

i) any change in their address/mandate/bank details, and

ii) particulars of the bank in which they wish their dividend to be credited, in case these have not been furnished earlier.

Shareholders are advised that respective bank details and address as furnished by them or by NSDL/CDSL to the Company, for shares held in physical form and in dematerialised form respectively, will be printed on their dividend warrants as a measure of protection against fraudulent encashment.

Nomination Facility

Shareholders who hold shares in the physical form and wish to make/change the nomination in respect of their shares in the Company, as permitted under Section 109A of the Companies Act, 1956, may submit to TSR Darashaw Limited the prescribed Form 2B.

Electronic Clearing Service (ECS) Facility

The Company, with respect to payment of dividend to shareholders, provides the facility of ECS at the following cities :

Ahmedabad, Bangalore, Bhubaneshwar, Chandigarh, Chennai, Cochin, Coimbatore, Delhi, Guwahati, Hyderabad, Indore, Jaipur, Kanpur, Kolkata, Lucknow, Ludhiana, Mumbai, Nagpur, Nasik, Patna, Pune, Surat, Thiruvananthapuram and Vadodara.

Shareholders holding shares in physical form, who wish to avail ECS facility, may send their ECS mandate in the prescribed form to the Company, in the event they have not done so earlier.

Depository Services

Shareholders may write to the respective Depository or to TSR Darashaw Limited for guidance on depository services. Address for correspondence with the Depositories are as follows :

National Securities Depository Limited
Trade World, 4th Floor
Kamala Mills Compound
Senapati Bapat Marg, Lower Parel
Mumbai 400 013
Tel. No. : 022-24994200
Fax Nos : 022-24972993/24976351
e-mail : info@nsdl.co.in
website : www.nsdl.co.in

Central Depository Services (India) Limited
Phiroze Jeejeebhoy Towers
28th Floor, Dalal Street
Mumbai 400 023
Tel. No. : 022-22723333
Fax Nos : 022-22723199/22722072
e-mail : investor@cdslindia.com
website : www.cdslindia.com

Odd Lot Facility

Having regard to the difficulties experienced by shareholders in disposing of the shares held by them in physical form, TSR Darashaw Limited has framed a Scheme for the purchase of such shares. Interested shareholders may contact TSR Darashaw Limited for further details.

- Shareholders holding shares in dematerialised form should address their correspondence to their respective Depository Participants, other than for dividend, which should be addressed to TSR Darashaw Limited.
- Shareholders are requested to provide their email address, telephone/fax numbers and quote their account numbers/DP ID & Client ID numbers in all correspondence with TSR Darashaw Limited to facilitate prompt response.

DECLARATION

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, I affirm that the Board Members and the Senior Management Personnel have confirmed compliance with the Codes of Conduct, as applicable to them, for the year ended 31st March 2006.

For The Tata Power Company Limited

S Ramakrishnan
Executive Director

Mumbai, 29th May 2006

Certificate

To the Members of The Tata Power Company Limited

We have examined the compliance of conditions of Corporate Governance by The Tata Power Company Limited, for the year ended 31st March, 2006, as stipulated in Clause 49 of the Listing Agreement of the said company with stock exchanges in India.

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

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the directors and the management, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

For S. B. Billimoria & Co.
Chartered Accountants

Udayan Sen
Partner

Membership No. : 31220

Mumbai : 29th May, 2006

For A. F. Ferguson & Co.
Chartered Accountants

R. A. Banga
Partner

Membership No. : 37915

Statement pursuant to Section 212 of the Companies Act, 1956, relating to subsidiary companies

Name of the Subsidiary	NELCO Limited !	Chemical Terminal Trombay Limited	Af-Taab Investment Company Limited	Tata Power Trading Company Limited	Tatanet Services Limited	Powerlinks Transmission Limited	Maithon Power Limited
1. Financial year of the subsidiary ended on	30th Sept, 2005	31st March, 2006	31st March, 2006	31st March, 2006	31st March,2006	31st March, 2006	31st March, 2006
2. Shares of the subsidiary held by the Company on the above date:							
(a) Number and Face Value (alongwith the Subsidiaries)	1,13,68,090 Equity Shares of Rs.10/- each, fully paid	2,11,200 Equity Shares of Rs.100/- each, fully paid	13,39,200 Equity Shares of Rs.100/- each, fully paid	20,00,000 Equity Shares of Rs. 10/- each, fully paid 1,80,00,000 Preference Shares of Rs. 10/- each fully paid	5,000 Equity Shares of Rs. 100/- each fully paid	21,42,00,000 Equity Shares of Rs. 10/- each, fully paid	40,09,120 Equity Shares of Rs. 10/- each , fully paid
(b) Extent of holding	49.82%#	100%##	100%	100%	83.33%@	51%	74%
3. Net aggregate amount of profits/(losses) of the subsidiary for the above financial year of the subsidiary, so far as they concern members of the Company (In Rs.):							
(a) dealt with in the accounts of the Company for the year ended 31st March, 2006	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(b) not dealt with in the accounts of the Company for the year ended 31st March, 2006	Nil	3,02,84,000	48,79,097	3,00,39,998	(37,020)	Nil	Nil
4. Net aggregate amount of profits/(losses) for previous financial years of the subsidiary, since it became a subsidiary so far as they concern members of the Company (In Rs.):							
(a) dealt with in the accounts of the Company for the year ended 31st March, 2006	Nil	3,99,51,360	Nil	Nil	Nil	Nil	Nil
(b) not dealt with in the accounts of the Company for the year ended 31st March, 2006	Nil	8,85,18,002	8,57,44,942	8,27,552	Nil	Nil	Nil
5. Changes in the Company's interest in the subsidiary company between the end of the financial year or of the last of the financial years of the subsidiary and the end of the Company's financial year (along with subsidiaries)	0.22%$	Nil	Nil	Nil	Nil	Nil	Nil
6. Material changes between the end of the financial year or of the last of the financial years of the subsidiary and the end of the Company's financial year in respect of							
(i) Fixed Assets purchased (Rs.'000)	1,19,34	N.A	N.A	N.A	N.A	N.A	N.A.
(ii) Investments sold (Rs.'000)	(22,50)	N.A	N.A	N.A	N.A	N.A	N.A
(iii) Moneys lent recovered (Rs.'000)	(40,83)	N.A	N.A	N.A	N.A	N.A	N.A
(iv) Borrowings repaid (Rs.'000)	(9,86,90)	N.A	N.A	N.A	N.A	N.A	N.A

! NELCO Ltd. became a subsidiary of the Company with effect from 31st December, 2005.
\# Includes 1.18% held by Af-Taab Investment Co. Ltd., a 100% subsidiary of the Company.
\## Includes 28% held by Af-Taab Investment Co. Ltd., a 100% subsidiary of the Company.
@ The Company's subsidiary, NELCO Ltd., holds 83.33% of the shares of Tatanet Services Ltd.
$ Acquired by Af-Taab Investment Co. Ltd, a 100% subsidiary of the Company.
N.A. Not applicable.

For and on behalf of the Board,
R. N. TATA
Chairman

B. J. SHROFF
Secretary

S. RAMAKRISHNAN
Executive Director

Mumbai, 29th May, 2006.

Consolidated Financial Statements

Auditors' Report

TO THE BOARD OF DIRECTORS OF

THE TATA POWER COMPANY LIMITED

ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TATA POWER COMPANY LIMITED

1. We have audited the attached consolidated Balance Sheet of The Tata Power Company Limited (the Company) and its subsidiaries (the Group) as at 31st March, 2006, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of The Tata Power Company Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

3. We did not audit the financial statements of certain subsidiaries and joint venture, whose financial statements reflect the Group's share of total assets of Rs. 336.35 crores as at 31st March, 2006, the total revenues of Rs. 50.21 crores for the year ended on that date, and the net cash outflows amounting to Rs. 10.29 crores for the year ended on that date and associates whose financial statements reflect the Group's share of profit upto 31st March, 2006 of Rs. 85.66 crores and the Group's share of profit of Rs. 89.14 crores for the year ended on that date as considered in the consolidated financial statements. These financial statements and other financial information other than to the extent as referred to in Notes 1(b)(i)(c),1(b)(iii)(b)(ii) and 1(b)(iii)(b)(iii) of the Notes forming part of financial statements, have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as they relate to the amounts included in respect of these subsidiaries, joint venture and associates, is based solely on the reports of the other auditors.

4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, 'Consolidated Financial Statements', Accounting Standard 23, 'Accounting for Investments in Associates in Consolidated Financial Statements' and Accounting Standard 27, 'Financial Reporting of Interests in Joint Ventures', issued by The Institute of Chartered Accountants of India and on the basis of the separate audited / unaudited financial statements of The Tata Power Company Limited and its subsidiaries, joint venture and associates included in the consolidated financial statements.

5. In so far as it relates to the results of operations and the financial position of The Tata Power Company Limited included in these consolidated financial statements, without qualifying our opinion:

   i. we draw attention to Note 12 to the Notes forming part of the financial statements. As stated in the note, subject to the outcome of the Appeal filed before the Appellate Tribunal, no adjustment has been made by the Company in respect of the standby charges accounted for as revenue in earlier periods and estimated at Rs.503.00 crores and its consequential effects for the period upto 31st March, 2006. The impact of the above on the results for the year cannot presently be determined pending the ultimate outcome of the matter.

   ii. we draw attention to Note 10 (d) to the Notes forming part of the financial statements. As mentioned in the note the Company proposes to appeal in the Supreme Court in connection with an Appellate Tribunal Order setting aside the Maharashtra Electricity Regulatory Commission (MERC) Order confirming the Company's right of distribution in certain areas and related matters thereto and allowing as a whole the appeal preferred by Reliance Energy Ltd. The financial consequences of the Appellate Tribunal Order has neither been quantified in the Order nor been ascertained by the Company. The Company is of the view, supported by legal opinion, that the Tribunal's Order can be successfully challenged. In view of this no provision /adjustment has been considered necessary.

6. In so far as it relates to the results of operations and the financial position of North Delhi Power Limited included in these consolidated financial statements:

   Attention is invited to Note 25 of the Notes forming part of the financial statements, regarding reconciliation and classification of debtors' balances and the absence of balance confirmations from some parties for amounts recoverable from / payable to them, and the resultant impact of the differences, if any, that may arise out of such reconciliation / confirmation. Pending reconciliation / confirmation of these balances, we are unable to comment on the same.

   Further, as stated in the Note referred to above, in the absence of adequate information, the Company has allocated debtors' balances between debts outstanding for more than six months and other debts on an estimated basis.

7. Based on our audit and on consideration of the reports of other auditors on separate financial statements and on the other financial information of the components, in our opinion and to the best of our information and according to the explanations given to us, the attached consolidated financial statements, subject to the matters stated in paragraph 6 above, give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of the consolidated balance sheet, of the state of affairs of The Tata Power Company Limited and its subsidiaries as at 31st March, 2006,

   (b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date, and

   (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

FOR S. B. BILLIMORIA & CO.
Chartered Accountants

UDAYAN SEN
Partner
Membership Number: 31220

FOR A. F. FERGUSON & CO.
Chartered Accountants

R. A. BANGA
Partner
Membership Number : 37915

Mumbai, 16th June, 2006

Consolidated Balance Sheet as at 31st March, 2006

	Schedule No.	Page	Rupees Crores	Rupees Crores	*As at 31-03-2005 Rupees Crores*
FUNDS EMPLOYED:					
1. SHAREHOLDERS' FUNDS					
Share Capital	"A"	103		197.88	*197.88*
Reserves and Surplus	"B"	104		4,682.54	*4,129.66*
2. MINORITY INTEREST				206.75	*95.60*
3. SPECIAL APPROPRIATION TOWARDS PROJECT COST				533.61	*533.61*
4. CAPITAL GRANT			Nil		*Nil*
SHARE IN JOINT VENTURE			4.25		*4.50*
				4.25	*4.50*
5. CAPITAL CONTRIBUTIONS FROM CONSUMERS			41.81		*41.81*
SHARE IN JOINT VENTURE			21.82		*13.76*
				63.63	*55.57*
6. SECURED LOANS	"C"	105		2,363.93	*1,949.47*
7. UNSECURED LOANS	"D"	105		1,864.54	*1,806.30*
8. DEFERRED TAX LIABILITY (NET) *(See Note 24)*				33.62	*43.96*
9. TOTAL FUNDS EMPLOYED				**9,950.75**	***8,816.55***
APPLICATION OF FUNDS:					
10. FIXED ASSETS	"E1"	106			
Gross Block			6,925.93		*6,415.28*
Less: Depreciation/Amortisation to date.			3,277.34		*2,952.32*
				3,648.59	*3,462.96*
Capital Work -in- Progress (including advances against capital expenditure)			1,573.18		*1,071.80*
SHARE IN JOINT VENTURE			146.73		*93.69*
				1,719.91	*1,165.49*
Incidental expenditure incurred during construction period	"E2"	106		110.29	*46.06*
				5,478.79	*4,674.51*
11. INVESTMENTS.	"F"	107		2,863.15	*2,882.34*
12 CURRENT ASSETS, LOANS AND ADVANCES	"G"	108			
(a) Inventories			496.55		*323.76*
(b) Sundry Debtors			1,242.26		*838.87*
(c) Cash and Bank Balances			1,079.32		*1,074.36*
(d) Other Current Assets			18.11		*12.87*
(e) Loans and Advances			453.62		*531.13*
			3,289.86		*2,780.99*
Less:					
13. CURRENT LIABILITIES AND PROVISIONS	"H"	109			
Current Liabilities			1,113.50		*988.96*
Provisions			596.47		*582.90*
			1,709.97		*1,571.86*
14. NET CURRENT ASSETS				1,579.89	*1,209.13*
15. MISCELLANEOUS EXPENDITURE (to the extent not written off)	"I"	109		28.92	*50.57*
16. TOTAL APPLICATION OF FUNDS				**9,950.75**	***8,816.55***
17. NOTES FORMING PART OF CONSOLIDATED ACCOUNTS	"J"	114			

As per our report attached.
For S.B.BILLIMORIA & CO.
Chartered Accountants

UDAYAN SEN
Partner

Mumbai, 16th June, 2006

For A. F. FERGUSON & CO.
Chartered Accountants

R. A. BANGA
Partner

B. J. SHROFF
Secretary

Mumbai, 16th June, 2006

For and on behalf of the Board,

R. N. TATA
Chairman

S. RAMAKRISHNAN
Executive Director

Consolidated Profit and Loss Account for the year ended 31st March, 2006

	Schedule No.	Schedule Page	Rupees Crores	Rupees Crores	Previous Year Rupees Crores
INCOME:					
1. REVENUE FROM POWER SUPPLY			4,472.94		3,664.52
Add: SHARE IN JOINT VENTURE			901.87		778.06
Add: INCOME RECOVERABLE FROM FUTURE TARIFFS (Share in Joint Venture) (*See Note 27 (b)*)			Nil		58.80
Less: INCOME TO BE UTILISED IN FUTURE TARIFFS DETERMINATION (Share in Joint Venture) (*See Note 27(c)*)			44.65		60.22
				5,330.16	4,441.16
2. INCOME FROM OTHER OPERATIONS					
(a) SALE OF ELECTRONIC PRODUCTS			62.27		57.60
Less: EXCISE DUTY			1.95		0.29
			60.32		57.31
(b) OTHER OPERATIONS	1	110	285.95		427.32
				346.27	484.63
3. OTHER INCOME	1	110		309.21	348.45
4. NET ADJUSTMENT IN RESPECT OF PREVIOUS YEARS			1.92		3.40
Add: SHARE IN JOINT VENTURE (*See Note 27 (b)*)			17.10		25.53
				19.02	28.93
5. TOTAL INCOME				**6,004.66**	**5,303.17**
EXPENDITURE:					
6. COST OF POWER PURCHASED			756.47		424.36
SHARE IN JOINT VENTURE			584.23		537.79
				1,340.70	962.15
7. COST OF FUEL				2,396.51	1,863.98
8. GENERATION, DISTRIBUTION, ADMINISTRATION AND OTHER EXPENSES	2	111		901.35	843.71
9. TAX ON SALE OF ELECTRICITY			26.47		45.96
SHARE IN JOINT VENTURE			37.55		33.81
				64.02	79.77
10. DEPRECIATION /AMORTISATION			291.84		419.83
SHARE IN JOINT VENTURE			53.89		55.29
				345.73	475.12
11. EXPLORATION EXPENSES WRITTEN OFF / SITE RESTORATION EXPENSES				Nil	4.51
12. SHARE OF PROFIT OF GOVT. OF INDIA UNDER PSC				Nil	7.86
13. INTEREST AND FINANCE CHARGES	3	112		180.65	206.77
14. PROVISION FOR CONTINGENCIES				(30.00)	30.00
15. TOTAL EXPENDITURE.				**5,198.96**	**4,473.87**
PROFIT BEFORE TAXES, STATUTORY APPROPRIATIONS, MINORITY INTEREST AND SHARE OF ASSOCIATES				**805.70**	**829.30**
16. PROVISION FOR TAXATION					
(a) CURRENT TAX			150.10		150.07
(b) DEFERRED TAX			(22.52)		32.58
(c) FRINGE BENEFIT TAX			7.27		Nil
				134.85	182.65
17. SHARE IN JOINT VENTURE					
(a) CURRENT TAX			6.78		3.80
(b) DEFERRED TAX			19.26		16.77
(c) FRINGE BENEFIT TAX			1.18		Nil
				27.22	20.57
18. PROVISION FOR TAXATION IN RESPECT OF EARLIER YEARS					
(a) CURRENT TAX			10.29		18.54
(b) DEFERRED TAX			(4.06)		18.78
				6.23	37.32
19. PROVISION FOR WEALTH TAX				0.39	0.47
PROFIT AFTER TAXES AND BEFORE STATUTORY APPROPRIATIONS, MINORITY INTEREST AND SHARE OF ASSOCIATES				**637.01**	**588.29**
20. SHARE OF PROFIT OF ASSOCIATES FOR THE YEAR (Net) [*See Note 1(b)(iii)(b)(i)*]				110.20	3.02
21. MINORITY INTEREST				0.19	(0.34)
PROFIT AFTER TAXES, MINORITY INTEREST, SHARE OF ASSOCIATES AND BEFORE STATUTORY APPROPRIATIONS				**747.40**	**590.97**
22. STATUTORY APPROPRIATIONS	4	113		35.29	(3.73)
PROFIT AFTER TAXES, STATUTORY APPROPRIATIONS, MINORITY INTEREST AND SHARE OF ASSOCIATES				**712.11**	**594.70**
APPROPRIATIONS:					
23. PROPOSED DIVIDEND				168.38	148.57
24. ADDITIONAL INCOME-TAX ON DIVIDEND (including JV's share Rs. 2.53 crores)				26.70	22.56
25. TRANSFER TO GENERAL RESERVE				150.49	150.45
26. TRANSFER TO SPECIAL RESERVE FUND				0.10	6.12
27. **BALANCE CARRIED TO BALANCE SHEET**				**366.44**	**267.00**
28. EARNINGS PER SHARE (In Rs.) (on Profit After Taxes, Statutory Appropriations, Minority Interest and Share of Associates on share outstanding) (Face Value Rs. 10) (*See Note 31*)					
BASIC EARNINGS PER SHARE				35.95	30.02
DILUTED EARNINGS PER SHARE				33.78	29.83
29. NOTES FORMING PART OF CONSOLIDATED ACCOUNTS	"J"	114			

As per our report attached to the Balance Sheet.

For S.B.BILLIMORIA & CO.
Chartered Accountants

UDAYAN SEN
Partner

For A. F. FERGUSON & CO.
Chartered Accountants

R. A. BANGA
Partner

Mumbai, 16th June, 2006

For and on behalf of the Board,

R. N. TATA
Chairman

S. RAMAKRISHNAN
Executive Director

B. J. SHROFF
Secretary

Mumbai, 16th June, 2006

Consolidated Cash Flow Statement for the year ended 31st March, 2006

				Year ended 31-03-2006 Rs. Crores		*Year ended 31-03-2005 Rs. Crores*
A.	**Cash Flow from Operating Activities**					
	Profit before Taxes			805.70		*829.30*
	Adjustments for:					
	Depreciation / Amortisation		345.73		*475.12*	
	Interest Expenditure		163.82		*180.44*	
	Interest Income		(107.08)		*(90.24)*	
	Income from Trade Investments		(1.50)		*(1.44)*	
	Income from Other Investments		(17.89)		*(9.52)*	
	Provision for diminution in value of Investments		(2.00)		*(46.23)*	
	Retiring Gratuities		10.03		*24.62*	
	Leave Encashment		7.62		*6.12*	
	Pension Scheme		4.83		*2.66*	
	Profit on Sale of Assets (Net)[including profit on sale of Power Systems Division Rs.22.43 crores-*Previous year including profit on sale of Wadi-Rs. 32.75 crores*]		(28.49)		*(28.82)*	
	(Profit)/Loss on Exchange on loan repayments (Net)		(0.06)		*0.03*	
	Guarantee Fees for Loans		Nil		*0.04*	
	Profit on Sale of Investments (Net)		(138.94)		*(164.61)*	
	Provision for Contingencies		(30.00)		*29.67*	
	Provision for Doubtful debts/Deposits (Net)		28.92		*34.32*	
	Exploration expenses written off/site restoration cost		Nil		*4.51*	
	Unrealised Foreign Exchange Loss/(Gain) (Net)		(0.01)		*5.44*	
	Provision for warranties		(0.40)		*Nil*	
	Grants Transferred		(0.25)		*(0.25)*	
	Bad Debts		6.75		*Nil*	
	Provision for future foreseeable losses, etc.		3.77		*Nil*	
	Miscellaneous Expenditure written off		24.23		*34.71*	
				269.08		*456.57*
	Operating Profit before Working Capital Changes			1,074.78		*1,285.87*
	Adjustments for:					
	Trade & Other Receivables		(341.12)		*(148.02)*	
	Inventories		(151.43)		*(41.26)*	
	Trade and other Payables		38.41		*(149.85)*	
				(454.14)		*(339.13)*
	Cash Generated from Operations			620.64		*946.74*
	Taxes Paid (including Fringe Benefit Tax)		(18.20)		*(240.93)*	
	Retiring Gratuities Paid		(5.92)		*(17.24)*	
	Payments under Voluntary Separation Scheme		(2.43)		*(26.36)*	
	Leave Encashment Paid		(3.40)		*(4.90)*	
	Pension Paid		(2.78)		*Nil*	
	Payments for Warranties		(0.44)		*(2.62)*	
				(33.17)		*(292.05)*
	Net Cash from Operating Activities	**A**		**587.47**		***654.69***
B.	**Cash Flow from Investing Activities**					
	Purchase of Fixed Assets			(1,228.80)		*(1,082.49)*
	Sale of Fixed Assets			18.67		*9.52*
	Exploration Expenditure			Nil		*(2.26)*
	Development Expenditure			Nil		*(32.71)*
	Purchase of Investments			(3,911.12)		*(6,813.64)*
	Sale of Investments			4,357.58		*6,487.87*
	Interest Received			81.33		*86.85*
	Inter-corporate deposits/advances (Net)			(70.75)		*29.18*
	Income from Trade Investments			1.50		*1.84*
	Income from Other Investments			17.89		*9.51*
	Sale proceeds of Power Plant at Wadi			Nil		*235.45*
	Net Cash used in Investing Activities	**B**		**(733.70)**		***(1,070.88)***
C.	**Cash Flow from Financing Activities**					
	Increase in Capital Contribution			8.05		*6.81*
	Proceeds from Share issue by subsidiaries			112.18		*31.29*
	Proceeds from Borrowings			770.73		*2,112.79*
	Repayment of Borrowings			(331.92)		*(398.79)*
	Guarantee Fees for Loans			(0.12)		*(0.04)*
	Interest Paid			(237.40)		*(192.15)*
	Dividend Paid			(148.00)		*(137.83)*
	Securities Premium received			0.03		*Nil*
	FCCB and Debenture Issue expenses paid			(2.21)		*(20.55)*
	Additional Income-tax on Dividend Paid			(23.61)		*(19.39)*
	Net Cash from Financing Activities	**C**		**147.73**		***1,382.14***
	Net (Decrease)/Increase in Cash and Cash Equivalents	**(A+B+C)**		**1.50**		***965.95***
	Cash and Cash Equivalents as at 1st April, 2005 (Opening Balance)			**1,081.25**		***109.43***
	Cash taken over from subsidiaries			**2.69**		***Nil***
	Adustment consequent upon sale of subsidiaries			**(22.62)**		***(22.12)***
	Adjustment consequent to Powerlinks Transmission Ltd., being considered as subsidiary w.e.f. 1st April, 2004			**Nil**		***27.99***
	Cash and Cash Equivalents as at 31st March, 2006 (Closing Balance)			**1,062.82**		***1,081.25***

Notes:

		31-03-2006 Rs. Crores	*31-03-2005 Rs. Crores*
1.	Cash and Cash Equivalents include:		
	Cash and Cheques on hand	0.26	*11.16*
	Current Accounts with Scheduled Banks	37.79	*30.49*
	Term/Call Deposits with Scheduled Banks	949.51@	*492.13@*
	Term deposits with Standard Chartered Bank, London-Scheduled Bank	* !	*437.21 !*
	Margin money deposit with Scheduled Banks (against Bank Guarantees)	79.89	*78.83*
	Share in Joint Venture	11.87	*24.54*
		1,079.32	*1,074.36*
	Add: Unrealised Exchange Loss/(Gain) included in Cash and Cash Equivalents	(16.50)	*6.89*
		1,062.82	*1,081.25*

@ includes Rs.885.10 crores *(31st March, 2005-Rs.421.14 crores)* in foreign currency
! in foreign currency

2. Purchase of Investments include purchase of Shares in subsidiaries:
(a) Maithon Power Ltd. Rs.4.24 crores *(Previous Year Rs. Nil)*
(b) NELCO Ltd. Rs.0.81 crores *(Previous Year Rs. Nil)*
3. Sale of Investments include sale of shares in Subsidiaries:
(a) Tata Power Broadband Co. Ltd. Rs. 201.97 crores (*Previous Year Rs. Nil*)
(b) Alaknanda Hydro Power Co. Ltd. Rs. 3.12 crores (*Previous Year Rs. Nil*)
(c) Tata Petrodyne Ltd. Rs. Nil (*Previous Year Rs. 327 crores*)
4. Sale of Investments include sale of shares in Associates:
Tata Ceramics Ltd. Rs.Nil (*Previous Year Rs.14.55 crores*)
5. Sale Proceeds received on sale of Power Systems Division Rs. Nil (Refer Note 15 of the Notes forming part of the Consolidated Accounts Schedule"J")
6. Previous year's figures have been restated, wherever necessary, to conform to this year's classification.

As per our report attached to the Balance Sheet.

For and on behalf of the Board,

For S.B.BILLIMORIA & CO.
Chartered Accountants

For A. F. FERGUSON & CO.
Chartered Accountants

R. N. TATA
Chairman

UDAYAN SEN
Partner

R. A. BANGA
Partner

B. J. SHROFF
Secretary

S. RAMAKRISHNAN
Executive Director

Mumbai, 16th June, 2006

Mumbai, 16th June, 2006

Schedule forming part of the Consolidated Balance Sheet

SCHEDULE "A" : SHARE CAPITAL

		Rupees Crores	Rupees Crores	*As at 31-03-2005 Rupees Crores*
AUTHORISED CAPITAL -				
2,29,00,000	Cumulative Redeemable Preference Shares of Rs. 100 each..	229.00		*229.00*
30,00,00,000	Equity Shares of Rs. 10 each	300.00		*300.00*
			529.00	*529.00*
ISSUED CAPITAL-				
20,35,37,712	Equity Shares of Rs.10 each [including 2,30,308 shares not allotted but held in abeyance, 4,40,270 shares cancelled pursuant to a Court Order and 48,04,040 shares of The Tata Power Company Limited held by the erstwhile The Andhra Valley Power Supply Company Limited cancelled pursuant to the Scheme of Amalgamation sanctioned by the High Court of Judicature, Bombay]		203.54	*203.54*
SUBSCRIBED CAPITAL-				
19,78,97,864	Equity Shares of Rs.10 each (excluding 2,30,308 shares not allotted but held in abeyance, 4,40,270 shares cancelled pursuant to a Court Order and 48,04,040 shares of The Tata Power Company Limited held by the erstwhile The Andhra Valley Power Supply Company Limited cancelled pursuant to the Scheme of Amalgamation sanctioned by the High Court of Judicature, Bombay)	197.90		*197.90*
	Less: Calls in arrears (including Rs. 0.01 crore (*31st March, 2005 - Rs. 0.01 crore)* in respect of the erstwhile The Andhra Valley Power Supply Company Limited and the erstwhile The Tata Hydro-Electric Power Supply Company Limited) ..	0.04		*0.04*
		197.86		*197.86*
1,65,230	*Add*: Equity Shares forfeited - Amount paid	0.06		*0.06*
			197.92	*197.92*
40,058	*Less*: Equity Shares held by Chemical Terminal Trombay Ltd. which were acquired before it became a Subsidiary		0.04	*0.04*
			197.88	***197.88***

Of the above Equity Shares:

(i) 1,67,500 shares are allotted at par as fully paid pursuant to contracts without payment being received in cash.

(ii) 11,33,790 shares issued as Bonus Shares by capitalisation of General Reserve.

(iii) 49,63,500 shares issued on exercise of the options by the financial institutions for the conversion of part of their loans/subscription to debentures.

(iv) 56,81,818 shares are allotted at premium as fully paid pursuant to contracts without payment being received in cash.

(v) 5,20,84,832 shares (excluding 47,560 Shares held in abeyance) have been allotted to the shareholders of erstwhile The Andhra Valley Power Supply Company Limited pursuant to the Scheme of Amalgamation sanctioned by the High Court of Judicature, Bombay).

(vi) 3,50,97,824 shares (excluding 45,168 Shares held in abeyance) have been allotted to the shareholders of erstwhile The Tata Hydro-Electric Power Supply Company Limited pursuant to the Scheme of Amalgamation sanctioned by the High Court of Judicature, Bombay).

Schedule forming part of the Consolidated Balance Sheet

SCHEDULE "B" : RESERVES & SURPLUS

Rupees Crores

	Opening Balance	Additions	Deductions	Closing Balance
STATUTORY RESERVES: [Under the repealed Electricity (Supply) Act,1948]				
TARIFFS AND DIVIDENDS CONTROL RESERVE	22.43	24.89 [a]	—	47.32
CONTINGENCIES RESERVE NO. 1	179.83	10.40 [a]	—	190.23
CONTINGENCIES RESERVE NO. 2	13.38	—	—	13.38
DEVELOPMENT RESERVE (created prior to 1st April, 1976)	5.29	—	—	5.29
DEFERRED TAXATION LIABILITY FUND	395.85	—		395.85
INVESTMENT ALLOWANCE RESERVE .... (including Development Reserve created after 31st March, 1976)	121.18	—	—	121.18
DEBT REDEMPTION RESERVE	51.94	—	—	51.94
DEBENTURE REDEMPTION RESERVE	56.63	—	—	56.63
OTHER RESERVES:				
CAPITAL RESERVE	0.67	—	—	0.67
CAPITAL REDEMPTION RESERVE	1.60	—	—	1.60
CAPITAL RESERVE ON CONSOLIDATION	4.34	—	—	4.34
SECURITIES PREMIUM	736.21	0.03 [b]	—	736.24
Less: Adjustment of Global Depository Shares Issue Expenses (*Schedule "I"*)	4.78	—	0.53 [c]	4.25
	731.43	0.03	(0.53)	731.99
DEBENTURE REDEMPTION RESERVE	72.81	—	—	72.81
SPECIAL RESERVE FUND	7.84	0.10 [d]	—	7.94
GENERAL RESERVE	1,331.03	150.49 [d]	—	1,481.52
PROFIT AND LOSS ACCOUNT	1,080.37	331.86 [d]	—	1,412.23
Total Reserves and Surplus	**4,076.62**	**517.77**	**(0.53)**	**4,594.92**
Share in Joint Venture	**53.04**	**34.58** [d]	—	**87.62**
Total Reserves and Surplus - 2005-2006	**4,129.66**	**552.35**	**(0.53)**	**4,682.54**
- 2004 - 2005	*4,005.15*	*443.55*	*319.04*	*4,129.66*

[a] Amount set aside during the year including Rs. 9.82 crores to Tariffs and Dividends Control Reserve in respect of 2004-05 *(See Note 13).*
[b] Securities premium received during the year.
[c] Adjustment of Global Depository Share issue expenses after charging Rs. 0.53 crore to the Profit and Loss Account for the year.
[d] Transfer from Profit and Loss Account.

Schedules forming part of the Consolidated Balance Sheet

SCHEDULE "C" SECURED LOANS

		Rupees Crores	Rupees Crores	*As at 31-03-2005 Rupees Crores*
	DEBENTURES :			
(a)	Secured, Redeemable, Non-Convertible Privately Placed Debentures		855.72	*925.29*
	LOANS AND ADVANCES FROM BANKS :			
(b)	Loans from Banks		219.78	*145.13*
	OTHER LOANS AND ADVANCES :			
(c)	Loan from International Finance Corporation (IFCW)**	298.92		*94.48*
(d)	Loan from ANZ Grindlays Export Finance Ltd. (ANZ) **	Nil		*51.79*
(e)	Loan from Infrastructure Development Finance Company Ltd.	275.95		*156.07*
(f)	Loan from EXIM Bank**	30.28		*21.99*
(g)	Loan from Asian Development Bank	272.97		*133.67*
(h)	On Hire Purchase	0.05		*Nil*
			878.17	*458.00*
			1,953.67	*1,528.42*
	Share in Joint Venture		410.26	*421.05*
			2,363.93	***1,949.47***

** In foreign currency [*See Note 20* for security details]

SCHEDULE "D" UNSECURED LOANS

		Rupees Crores	Rupees Crores	*As at 31-03-2005 Rupees Crores*
	FIXED DEPOSITS :			
(a)	From Shareholders	Nil		*0.04*
(b)	From Others	2.11		*25.85*
			2.11	*25.89*
	SHORT TERM LOANS AND ADVANCES :			
	FROM BANKS -			
(c)	Temporary overdrawn balance in bank accounts	17.24		*23.09*
(d)	Term loans	33.24		*Nil*
	FROM OTHERS -			
(e)	Loans from Companies	16.12		*5.30*
			66.60	*28.39*
	OTHER LOANS AND ADVANCES :			
(f)	Euro Notes**	830.50		*821.42*
(g)	1 % Foreign Currency Convertible Bonds (2010)**	897.20		*879.60*
(h)	Sales Tax Deferral	61.77		*42.50*
(i)	Loans from Companies	2.53		*3.37*
			1,792.00	*1,746.89*
			1,860.71	*1,801.17*
	Share in Joint Venture		3.83	*5.13*
			1,864.54	***1,806.30***

** repayable in foreign currencies

Schedules forming part of the Consolidated Balance Sheet

SCHEDULE "E1" FIXED ASSETS

Rupees Crores

	GROSS BLOCK					DEPRECIATION/AMORTISATION					NET BLOCK	
	As at 1-4-2005 (at cost)	Acquired@ during the year	Additions	Deductions/ Adjustments	As at 31-3-2006 (at cost)	As at 1-4-2005	Acquired@ during the year	For the year	Deductions	As at 31-3-2006	As at 31-3-2006	As at 31-3-2005
INTANGIBLE ASSETS:												
GOODWILL	7.60	—	—	7.60	—	6.08	—	1.14	7.22	—	Nil	1.52
GOODWILL ON CONSOLIDATION	10.40	2.19	—	—	12.59	5.46	—	1.38	—	6.84	5.75	4.94
TECHNICAL KNOW-HOW	0.95	9.07	—	—	10.02	0.87	8.98	0.11	—	9.96	0.06	0.08
LICENSE FEES	2.00	—	—	2.00	—	—	—	0.05	0.05	—	Nil	2.00
TANGIBLE ASSETS :												
LAND (including land development)	15.45	—	—	0.06	15.39	—	—	—	—	—	15.39	15.45
LEASEHOLD LAND	4.48	0.36	0.09	0.26	4.67	0.25	—	0.05	—	0.30	4.37	4.23
HYDRAULIC WORKS	467.83	—	1.29	0.02	469.10	65.78	—	14.50	0.01	80.27	388.83	402.05
BUILDINGS	419.97	3.27	73.10	0.20	496.14	128.12	0.97	18.93	0.13	147.89	348.25	291.85
RAILWAY SIDINGS, ROADS, CROSSINGS, ETC.	21.11	—	0.32	0.02	21.41	5.76	—	0.64	0.01	6.39	15.02	15.35
PLANT AND MACHINERY**	3,936.73	7.95	397.99	159.81	4,182.86	2,154.24	3.99	212.54	24.96	2,345.81	1,837.05	1,782.49
TRANSMISSION LINES, CABLE NETWORK, ETC.	678.78	—	23.76	—	702.54	270.97	—	36.05	—	307.02	395.52	407.81
FURNITURE, FIXTURES AND OFFICE EQUIPMENT⁎⁎	35.02	20.52	3.76	4.91	54.39	18.82	9.37	3.32	1.29	30.22	24.17	16.20
MOTOR VEHICLES, LAUNCHES, BARGES, ETC.	32.12	0.55	4.29	1.78	35.18	23.15	0.20	3.49	1.47	25.37	9.81	8.97
HELICOPTERS	24.18	—	—	—	24.18	21.77	—	—	—	21.77	2.41	2.41
TOTAL	**5,656.62**	**43.91**	**504.60**	**176.66⁎**	**6,028.47**	**2,701.27**	**23.51**	**292.20**	**35.14⁎**	**2,981.84**	**3,046.63**	**2,955.35**
SHARE IN JOINT VENTURE	758.66	—	158.12	19.32	897.46	251.05	—	53.89	9.44	295.50	601.96	507.61
Grand Total - 2005-2006	**6,415.28**	**43.91**	**662.72**	**195.98**	**6,925.93**	**2,952.32**	**23.51**	**346.09$**	**44.58**	**3,277.34**	**3,648.59**	**3,462.96**
- 2004-2005	*6,515.43*	*0.25#*	*558.62*	*659.02*	*6,415.28*	*2,762.00*	*0.01#*	*475.89$*	*285.58*	*2,952.32*	*3,462.96*	—

Notes: $ Including Rs. 0.36 crore *(31st March, 2005 - Rs. 0.77 crore)* charged to Capital work-in-progress.
@ Pertains to assets acquired on NELCO becoming a subsidiary w.e.f. 31st December, 2005.
# Pertains to assets of PTL, considered as a subsidiary for consolidation w.e.f. 1st April, 2004 (upto 31st March, 2004, it was treated as joint venture)
** Plant and machinery includes -
a) Exchange loss (net) capitalised Rs. 4.42 crores [*31st March, 2005 - Rs. 43.87 crores*].
b) Assets given on lease - Rs. 1.83 crores (*31st March, 2005 - Rs. 1.83 crores*).
⁎ Includes Rs. 152.09 crores and Rs. 20.24 crores respectively on sale of subsidiaries.
⁎⁎ Office Equipment include assets given on hire costing Rs. 9.60 crores.

SCHEDULE "E2" FIXED ASSETS

Incidental expenditure incurred during construction period

Particulars	Rupees Crores	Rupees Crores	*As at 31-03-2005 Rupees Crores*
Balance b/f		46.06	*14.22*
Adjustment consequent to PTL being considered as Subsidiary (w.e.f. 1st April, 2004)		Nil	*6.88*
Acquired during the year - MPL		3.33	*Nil*
Payment to and provision for employees-			
Salaries, Wages and Bonus	3.49		*2.93*
Company's contribution to Provident Fund	0.24		*0.19*
Retirement Benefits	0.09		*0.09*
Welfare Expenses	0.20		*0.20*
		4.02	*3.41*
Operation Expenses -			
Repairs and Maintenance	0.14		*0.21*
		0.14	*0.21*
Administration Expenses -			
Rent	0.54		*0.63*
Electricity Charges	0.07		*0.10*
Rates & Taxes	0.50		*1.24*
Insurance	0.01		*0.01*
Directors' Fees	0.04		*0.04*
Auditors' Fees	0.06		*0.06*
Cost of Services Procured	2.18		*0.11*
Miscellaneous Expenses	3.69		*5.39*
Carried Over.....		7.09	*7.58*

Schedules forming part of the Consolidated Balance Sheet

SCHEDULE "E2" FIXED ASSETS *(Contd.)*

Incidental expenditure incurred during construction period

	Rupees Crores	Rupees Crores	*As at 31-03-2005 Rupees Crores*
Brought Forward.....		7.09	*7.58*
Depreciation	0.18		*0.31*
		0.18	*0.31*
Interest & Finance charges-			
Interest & Finance charges	63.51		*14.72*
		63.51	*14.72*
		124.33	*47.33*
Less: Income earned during construction period	2.32		*1.27*
		2.32	*1.27*
Less: Adjustment consequent to AHPCL being sold off during the year		11.72	*Nil*
TOTAL		**110.29**	***46.06***

SCHEDULE "F" : INVESTMENTS

(Long term unless otherwise stated)

	Rupees Crores	*As at 31-03-2005 Rupees Crores*
1. CONTINGENCIES RESERVE INVESTMENTS - (Quoted)	157.72	*157.72*
- (Unquoted)	35.44	*15.50*
2. DEFERRED TAXATION LIABILITY FUND INVESTMENTS - (Quoted)	382.43	*382.43*
- (Unquoted)	15.00	*15.00*
3. TRADE INVESTMENTS -		
(a) Ordinary Shares - (Quoted) fully paid up	255.03	*133.20*
(b) Ordinary Shares - (Unquoted) fully paid up:		
Associates	593.93@	*496.04@*
Others	420.46	*293.00*
(c) Preference Shares - (Unquoted) fully paid up	3.00	*3.00*
4. OTHER INVESTMENTS -		
(a) Ordinary Shares - (Quoted) fully paid up	21.55	*20.65*
(b) Ordinary Shares - (Unquoted) fully paid up:		
Associates	76.38@	*62.85@*
Others	293.53	*293.51*
(c) Preference Shares - (Unquoted) fully paid up	5.05	*7.05*
(d) Debentures - (Quoted)	1.14	*Nil*
(e) Other Securities - (Quoted)	41.72	*41.72*
(f) Other Securities - (Unquoted)	Nil	*3.55*
(g) Other Securities - (Unquoted) - Current	575.94	*975.69*
	2,878.32	*2,900.91*
Less: Provision for diminution in value of Investments [including in respect of associates Rs. 9.18 crores *(31st March, 2005 - Rs. 9.18 crores)]*	25.15	*25.34*
	2853.17	*2875.57*
Share in Joint Venture (Quoted)	9.98	*6.77*
	2,863.15	***2,882.34***
Notes:		
(1) Aggregate of Quoted Investments-		
Cost	869.57	*742.00*
Market Value	1,363.05	*1,123.49*
(2) Aggregate of Unquoted Investments-		
Cost	2,018.73	*2,165.68*

@ In respect of those associates that are consolidated in the financial statements as indicated in Note 1(b)(iii)(b)(i).

Schedule forming part of the Consolidated Balance Sheet

Schedule "G": CURRENT ASSETS, LOANS AND ADVANCES

	Rupees Crores	Rupees Crores	Rupees Crores	As at 31-03-2005 Rupees Crores
CURRENT ASSETS -				
(a) Inventories -				
Stores and Spare Parts	406.58			*219.60*
Stock of Shares	30.51			*9.71*
Loose Tools	0.19			*0.13*
Stores, Tools and Equipment in transit at cost	26.46			*73.42*
Products/ Tools under development	1.16			*Nil*
Spares for Resale	8.76			*Nil*
Raw Materials	5.41			*Nil*
Work-in-progress	12.09			*3.87*
	491.16			*306.73*
Share in Joint Venture	5.39			*17.03*
		496.55		*323.76*
(b) Sundry Debtors-				
(i) Debts outstanding for more than six months	298.70			*311.04*
(ii) Other Debts	863.27			*420.93*
	1,161.97#			*731.97*
Less: Provision for Doubtful Debts	41.05			*31.20*
	1,120.92			*700.77*
Share in Joint Venture	121.34			*138.10*
		1,242.26		*838.87*
Notes-				
Sundry Debtors fully secured	10.14			*5.61*
Sundry Debtors unsecured and considered good	1,110.78			*695.16*
Sundry Debtors considered doubtful	41.05			*31.20*
	1,161.97			*731.97*
Share in Joint Venture	121.34			*138.10*
	1,283.31			*870.07*
# Includes Rs. 81.15 crores, which, in accordance with the terms of the contracts, were not due for payments as at 31st March, 2006				
(c) Cash and Bank Balances-				
(i) Cash and Cheques on Hand	0.26			*11.16*
(ii) Current Accounts with Scheduled Banks	37.79			*30.49*
(iii) Term/Call Deposits with Scheduled Banks	949.51@			*492.13*@
(iv) Term Deposits with Standard Chartered Bank, London-Non-Scheduled Bank (maximum amount outstanding during the year Rs. 437.21 crores - *31st March, 2005 - Rs. 437.21 crores*) in foreign currency.	*			*437.21*
(v) Margin money deposit with Scheduled Banks (against a Bank Guarantee).	79.89			*78.83*
	1,067.45			*1,049.82*
Share in Joint Venture	11.87			*24.54*
		1,079.32		*1,074.36*
@ including Rs. 885.10 crores (*31st March, 2005 - Rs. 421.14 crores*) in foreign currency				
(d) Other Current Assets- Interest accrued on Investments		18.11		*12.87*
			2,836.24	*2,249.86*
LOANS AND ADVANCES-Considered good - unless otherwise stated - (Unsecured)				
(a) Advances with public bodies		1.96		*7.21*
(b) VAT Receivable (Inputs) (Net)		29.17		*Nil*
(c) Deposits with other Companies	134.27			*72.51*
Less: Provision for doubtful deposits	1.27			*1.27*
		133.00		*71.24*
(d) Other Advances (including advances considered doubtful Rs.13.14 crores - *31st March, 2005 - Rs. 4.92 crores*)	166.85			*157.91*
Less: Provision for doubtful advances	13.14			*4.92*
		153.71		*152.99*
(e) Share Application money		Nil		*9.63*
(f) Payment of Taxes (net of provision)		89.72		*242.64*
		407.56		*483.71*
Share in Joint Venture		46.06		*47.42*
			453.62	*531.13*
			3,289.86	*2,780.99*

Schedules forming part of the Consolidated Balance Sheet

Schedule "H" : CURRENT LIABILITIES AND PROVISIONS

		Rupees Crores	Rupees Crores	As at 31-03-2005 Rupees Crores
CURRENT LIABILITIES -				
(a)	Consumers Benefit Account (@ includes Rs. 9.82 crores in respect of previous year transferred during the year).	46.82@		21.94
(b)	Sundry Creditors	709.93		647.44
(c)	Acceptances	0.03		Nil
(d)	Advance and progress payments	18.15		56.27
(e)	Interest Accrued but not due on Secured Loans	23.33		24.25
(f)	Interest Accrued but not due on Unsecured Loans	19.54		13.60
(g)	Investor Education and Protection Fund shall be credited by the following amounts namely:- **			
	(i) Unpaid Dividend	6.58		5.95
	(ii) Unpaid Matured Debentures	0.24		0.24
	(iii) Interest	0.10		0.17
	(iv) Unpaid Matured Deposits	1.14		Nil
(h)	Other Liabilities	51.51		26.85
(i)	Security Deposits from Consumers	22.69		22.49
(j)	Sundry Deposits	18.48		19.87
		918.54		839.07
	Add: Share in Joint Venture	194.96		149.89
			1,113.50	988.96
PROVISIONS -				
(a)	Provision for Wealth Tax	0.86		0.78
(b)	Provision for Proposed Dividend	168.38		148.57
(c)	Provision for Additional Income-tax on Dividend	24.03		20.94
(d)	Provision for Gratuities	71.48		65.29
(e)	Provision for Pension Scheme	13.11		11.04
(f)	Provision for Leave Encashment	35.11		29.29
(g)	Provision for Premium on Redemption of Debentures	134.70		134.70
(h)	Provision for Premium on Redemption of Foreign Currency Convertible Bonds	141.16		138.40
(i)	Provision for Contingencies	Nil		30.00
(j)	Provision for future foreseeable losses on contracts, etc.	3.77		Nil
(k)	Provision for Warranties	3.51		2.72
		596.11		581.73
	Add: Share in Joint Venture	0.36		1.17
			596.47	582.90
	Total Liabilities & Provisions		**1,709.97**	**1,571.86**

** Includes amount aggregating Rs. 0.20 crore *(31st March, 2005 - Rs. 0.20 crore)* outstanding for more than seven years pending legal cases.

SCHEDULE "I" : MISCELLANEOUS EXPENDITURE (to the extent not written off)

	Expenditure Incurred	Amount Written off			
	Till 31-3-2006 Rupees Crores	Till 31-3-2005 Rupees Crores	During the year Rupees Crores	Closing Balance Rupees Crores	As at 31-3-2005 Rupees Crores
INTANGIBLE ASSETS-					
"The Bombay (Hydro-Electric) Licence, 1907"	0.13	0.13	—	Nil	Nil
"The Andhra Valley (Hydro-Electric) Licence, 1919"	0.05	0.05	—	Nil	Nil
"The Nila Mula Valley (Hydro-Electric) Licence, 1921"	0.08	0.08	—	Nil	Nil
"The Trombay Thermal Power Electric Licence, 1953"	*	*	—	*	*
OTHER EXPENDITURE-					
Expenses re: New Ordinary Shares	0.03	0.03	—	Nil	Nil
Expenses towards Rights Shares issued in 1993	3.66	2.09	0.17	1.40	1.57
Global Depository Shares (GDS) issue expenses	11.12	6.34	0.53	4.25	4.78
Discount on issue of Debentures	0.53	0.53	—	Nil	Nil
Discount on issue of Euro Notes	5.54	4.35	0.19	1.00	1.19
Merger expenses - Tata Hydro & Andhra Valley	61.93	61.93	—	Nil	Nil
Merger expenses - Jamshedpur Power Co. Ltd.	0.54	0.54	—	Nil	Nil
Preliminary Expenses	2.86	2.73	0.03	0.10	0.13
Voluntary Retirement Scheme Compensation	26.81	4.82	8.93	13.06	19.95
	113.28	83.62	9.85	19.81	27.62
Less: GDS issue expenses adjusted against Securities Premium				4.25	4.78
				15.56	22.84
Add: Share in Joint Venture	46.00	18.26	14.38	13.36	27.73
Total after Joint Venture	**159.28**	**101.88**	**24.23**	**28.92**	**50.57**

Schedule forming part of the Consolidated Profit and Loss Account

SCHEDULE "1" : INCOME FROM OTHER OPERATIONS AND OTHER INCOME

		Rupees Crores	Rupees Crores	*Previous Year Rupees Crores*
1.	INCOME FROM OTHER OPERATIONS :			
(a)	Rental of Land, Buildings, Plant and Equipment, etc	5.83		*4.84*
(b)	Income in Respect of Services Rendered	10.98		*9.50*
(c)	Income from Broadband Services and sale of dark fibre	20.56		*50.57*
(d)	Revenue from contracts - Transmission EPC Business Unit	194.43		*174.39*
(e)	Sale of Crude Oil, Natural Gas and Condensate	Nil		*131.81*
(f)	Income from services rendered (Storage & Terminalling Income)	11.06		*8.76*
(g)	Sale of Stock of Shares	11.94		*6.25*
(h)	Income from Investments [including profit on sale of investments Rs. Nil (*31st March, 2005 - Rs. 13.43 crores*)].	3.27		*16.93*
(i)	Income from Shares treated as Stock in Trade	0.31		*0.21*
(j)	Miscellaneous Revenue and Sundry Credits	10.77		*11.78*
(k)	Profit on Sale/Retirement of Assets (Net) (@ includes Rs. 8.72 crores on sale of land including development rights)	10.58@		*3.17*
(l)	Provision for Contingencies written back	Nil		*0.33*
		279.73		*418.54*
	Add: Share in Joint Venture	6.22		*8.78*
			285.95	***427.32***
2.	OTHER INCOME :			
(a)	Interest on Government and Other Securities, Loans, Advances, Deposits etc.	86.17		*69.12*
(b)	Interest on US 64 Tax free Bonds from Unit Trust of India	20.05		*20.05*
(c)	Income from Trade Investments	1.50		*1.44*
(d)	Income from Other Investments	17.89		*8.94*
(e)	Profit on Sale of Investments (Net) (*See Note 1(b)(i)(d)(i)*)	138.94		*151.18*
(f)	Provision for Diminution in value of Investments written back (Net)	2.00		*46.23*
(g)	Sundry Receipts	1.22		*0.37*
(h)	Leave and License Fees	0.82		*0.81*
(i)	Profit on sale of Power Plant at Wadi	Nil		*32.75*
(j)	Profit on sale of Power Systems Division	22.43		*Nil*
		291.02		*330.89*
	Add: Share in Joint Venture	18.19		*17.56*
			309.21	***348.45***
			595.16	***775.77***

Schedule forming part of the Consolidated Profit and Loss Account

Schedule "2" : GENERATION, DISTRIBUTION, ADMINISTRATION AND OTHER EXPENSES

			Rupees Crores	Rupees Crores	*Previous Year Rupees Crores*
1.	PAYMENTS TO AND PROVISIONS FOR EMPLOYEES -				
(*a*)	Salaries, Wages and Bonus (Refer Note 14(i))		121.49		*86.23*
(*b*)	Company's contribution to Provident Fund		6.68		*6.48*
(*c*)	Retiring Gratuities		10.03		*24.62*
(*d*)	Welfare Expenses		23.22		*24.17*
(*e*)	Contribution to Superannuation Fund		9.18		*9.15*
(*f*)	Leave Encashment Scheme		7.62		*6.12*
(*g*)	Pension Scheme		4.83		*2.66*
			183.05		*159.43*
	Add : Share in Joint Venture		62.71		*52.49*
				245.76	*211.92*
2.	OPERATION EXPENSES-				
(*a*)	Stores, Oil, etc. consumed		23.72		*22.43*
(*b*)	Raw Materials consumed				
	Opening Balance	Nil			*Nil*
	Add: On NELCO becoming a subsidiary w.e.f. 31st December, 2005	5.83			*Nil*
	Add: Purchases	6.36			*Nil*
	Less: Closing Balance	5.41			*Nil*
			6.78		*Nil*
(*c*)	Purchase of goods/ Spares for resale		9.34		*Nil*
(*d*)	Production Cost Field Operating Expenses		Nil		*22.28**
(e)	Rental of Land, Buildings, Plant and Equipment, etc. (Refer Note 14(i))		12.87		*(6.92)*
(*f*)	Repairs and Maintenance-				
	(i) To Buildings and Civil Works		19.55		*14.65*
	(ii) To Machinery and Hydraulic Works		95.83		*100.76*
	(iii) To Furniture, Vehicles, etc.		3.44		*2.37*
			118.82		*117.78*
(*g*)	Rates and Taxes		22.73		*21.47*
(*h*)	Insurance		16.25		*16.91*
(*i*)	Components consumed relating to manufacturing activities		11.06		*28.41*
(*j*)	Cost of materials and erection charges - Transmission EPC Business Unit		204.07		*164.83*
(*k*)	Other Operation Expenses		44.68		*34.76*
(*l*)	Provision for future foreseeable losses on contracts		3.27		*Nil*
(*m*)	Agency Commission		2.93		*Nil*
			476.52		*421.95*
	Add: Share in Joint Venture		25.95		*29.03*
				502.47	*450.98*
3.	WHEELING CHARGES PAYABLE			17.40	*20.51*
4.	ADMINISTRATION EXPENSES -				
(*a*)	Rent		1.04		*0.94*
(*b*)	Rates and Taxes		1.04		*1.01*
(*c*)	Insurance		0.39		*3.47*
(*d*)	Other Administration Expenses		11.16		*12.09*
(*e*)	Directors' Fees		0.09		*0.11*
(*f*)	Auditors' Fees		2.25		*1.87*
(*g*)	Government Audit Fees		Nil		*0.01*
(*h*)	Cost of Services Procured		15.49		*11.70*
(*i*)	Miscellaneous Expenses		34.37		*56.39*
(*j*)	Provision for Doubtful Debts and Advances (Net)		15.44		*2.73*
(*k*)	Bad Debts		6.75		*0.02*
			88.02		*90.34*
	Add: Share in Joint Venture		27.62		*43.51*
				115.64	*133.85*
	Carried Over			881.27	*817.26*

* Includes:	Hire charges	*12.12*
	Insurance	*0.78*
	Fuel, water and others	*0.43*
	Manpower charges	*2.08*
	Other expenses	*0.07*
	Production expenses for Gas	*6.80*
		22.28

Schedules forming part of the Consolidated Profit and Loss Account

Schedule "2" : GENERATION, DISTRIBUTION, ADMINISTRATION AND OTHER EXPENSES *(Contd.)*

			Rupees Crores	Rupees Crores	*Previous Year Rupees Crores*
		Brought forward......		881.27	*817.26*
5.	*(a)*	(INCREASE)/DECREASE IN WORK-IN-PROGRESS/F.G./ Spares for Resale			
		Opening Balance	3.87		*11.95*
		Add: On NELCO becoming a subsidiary w.e.f. 31st December, 2005	12.99		*Nil*
		Less: Transfer on sale of Power Systems Division	3.69		*Nil*
		Less: Closing Balance	20.85		*3.87*
				(7.68)	*8.08*
	(b)	(INCREASE)/DECREASE IN CRUDE OIL STOCK			
		Opening Balance	Nil		*5.18*
		Less: Adjustment consequent upon sale of subsidiary	Nil		*6.41*
		Less: Closing Balance	Nil		*Nil*
				Nil	*(1.23)*
	(c)	(INCREASE)/DECREASE IN STOCK OF SHARES			
		Opening Balance .	9.71		*4.74*
		Less: Closing Balance	30.51		*9.71*
				(20.80)	*(4.97)*
6.		AMOUNT WRITTEN OFF - MISCELLANEOUS EXPENDITURE *(Schedule "I")*	9.85		*18.57*
		Add: Share of Joint Venture	14.38		*16.14*
				24.23	*34.71*
7.		LOSS ON SALE/RETIREMENT OF ASSETS (NET)	Nil		*Nil*
		SHARE IN JOINT VENTURE	4.52		*7.10*
				4.52	*7.10*
8.		PURCHASE OF STOCK		30.96	*7.72*
9.		TRANSFER OF REVENUE EXPENSES TO CAPITAL	(5.38)		*(20.30)*
		Add: Share of Joint Venture	(5.77)		*(4.66)*@
				(11.15)	*(24.96)*
				901.35	***843.71***

@ Represents 10% of the personnel cost transferred to Capital work-in-progress during the year as per the directives of the DERC vide its Tariff Order dated 26th June, 2003.

Schedule "3" : INTEREST AND FINANCE CHARGES

			Rupees Crores	Rupees Crores	*Previous Year Rupees Crores*
1.		INTEREST :			
	(a)	INTEREST ON DEBENTURE LOANS		52.22	*55.42*
	(b)	INTEREST ON FIXED PERIOD LOANS FROM INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND INTERNATIONAL FINANCE CORPORATION		Nil	*0.48*
	(c)	INTEREST ON FIXED PERIOD EURO NOTES & FCCB		93.59	*87.95*
	(d)	OTHER INTEREST AND COMMITMENT CHARGES [includes Rs. 10.81 crores on fixed period loans (*31st March, 2005 - Rs.16.03 crores)*]	21.79		*38.32*
		Share in Joint Venture	11.28		*9.77*
				33.07	*48.09*
				178.88	*191.94*
		Less: INTEREST CAPITALISED	15.06		*11.37*
		Share in Joint Venture	Nil		*0.13*
				15.06	*11.50*
				163.82	*180.44*
2.		FINANCE CHARGES :			
	(a)	LOSS ON EXCHANGE (NET)		7.98	*8.31*
	(b)	COMMISSION AND BROKERAGE		4.69	*3.80*
	(c)	GUARANTEE FEES FOR LOANS		Nil	*0.04*
	(d)	DELAYED PAYMENT CHARGES		0.22	*4.05*
	(e)	OTHER FINANCE CHARGES		3.94	*10.13*
				16.83	*26.33*
				180.65	***206.77***

Schedule forming part of the Consolidated Profit and Loss Account

Schedule "4" : STATUTORY APPROPRIATIONS

		Rupees Crores	Previous Year Rupees Crores
(a)	CONTINGENCIES RESERVE	10.40	19.98
(b)	SPECIAL APPROPRIATION TOWARDS PROJECT COST	Nil	Nil
(c)	DEFERRED TAXATION LIABILITY FUND	Nil	(23.71)
(d)	TARIFFS AND DIVIDENDS CONTROL RESERVE (includes Rs. 9.82 crores in respect of previous year)	24.89	Nil
		35.29	***(3.73)***

Signatures to Notes and Schedules "A" to "I" and "1" to "4"

For and on behalf of the Board,

R. N. TATA
Chairman

B. J. SHROFF
Secretary

S. RAMAKRISHNAN
Executive Director

Mumbai, 16th June, 2006

Schedule J - Notes forming part of the Consolidated Accounts

1. Major Accounting Policies: -

   (a) Basis of Accounting:

   The financial statements have been prepared under the historical cost convention and on the accrual basis of accounting. The accounts of the Parent Company and the subsidiaries have been prepared in accordance with the Accounting Standards issued by The Institute of Chartered Accountants of India, and generally accepted accounting principles.

   (b) Principles of consolidation:

   The consolidated financial statements have been prepared in accordance with Accounting Standard 21 (AS–21) - "Consolidated Financial Statements", Accounting Standard 23 (AS–23) - "Accounting for Investments in Associates in Consolidated Financial Statements" and Accounting Standard 27 (AS–27) - " Financial Reporting of Interests in Joint Ventures" issued by The Institute of Chartered Accountants of India. The consolidated financial statements have been prepared on the following basis:

   (i) (a) Investments in Subsidiaries:

   - The financial statements of The Tata Power Company Limited ('The Parent Company') and its subsidiary companies have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses.
   - The excess of cost to the Parent Company of its investment in the Subsidiary over the Parent Company's portion of equity of the Subsidiary is recognised in the financial statements as Goodwill, which is amortised over a period of five years.
   - The excess of Parent Company's portion of equity of the Subsidiary as at the date of its investment is treated as Capital Reserve.
   - The financial statements of the subsidiaries used in the consolidation are drawn upto the same reporting date as that of the Parent Company i.e. year ended 31st March, 2006, except as stated in (c) below.
   - Minority interest in the net assets of consolidated subsidiaries consist of:
     1) the amount of equity attributable to minorities at the date on which investment in a subsidiary is made; and
     2) the minorities' share of movements in equity since the date the parent subsidiary relationship came into existence.

   (b) The subsidiary companies (which along with the Tata Power Company Limited, the parent, constituted the Group) considered in the preparation of these consolidated financial statements are :

Name	Country of Incorporation	% voting power held as at 31st March, 2006	*% voting power held as at 31st March, 2005*
Tata Petrodyne Ltd. (TPL) (100% upto 13th March, 2005)	India	—	—
Chemical Terminal Trombay Ltd. (CTTL)	India	100	*100*
Af-Taab Investment Co. Ltd. (AICL)	India	100	*100*
Tata Power Broadband Co. Ltd. (TPBC) (100% upto 31st October, 2005)	India	—	*100*
Tata Power Trading Co. Ltd. (TPTCL)	India	100	*100*
Alaknanda Hydro Power Co. Ltd. (AHPCL) (100% upto 12th November, 2005)	India	—	*100*
Powerlinks Transmission Ltd. (PTL)	India	51	*51*
Maithon Power Ltd. (MPL) (w.e.f. 2nd September, 2005)	India	74	—
NELCO Ltd. (NELCO) (w.e.f. 31st December, 2005)	India	50.04	—
Tatanet Services Ltd. (TSL) (w.e.f. 31st December, 2005) (through NELCO)	India	83.33	—

   (c) Consolidation of the following subsidiaries for the respective periods as mentioned below, has been done on the basis of Unaudited Financial Statements, certified by the management of the respective subsidiaries :

   - TPBC for the six months ended 30th September, 2005;
   - AHPCL for the period from 1st April, 2005 to 12th November, 2005 and
   - NELCO for the period from 31st December, 2005 to 31st March,2006.

(d) (i) During the year, the Parent Company has sold its investments in its wholly owned subsidiaries TPBC and AHPCL. The resultant profit of Rs.119.90 crores to the Group has been included under "Other Income" [Profit on Sale of Investments (net) item 2 *(e)* – Schedule "1"].

(ii) Consequent to the sale mentioned in (i) above, all assets and liabilities at net book value have been reversed in the books and therefore previous year's figures are not comparable.

(iii) In March 2005, the Parent Company sold its investment in TPL. As a result current year figures exclude TPL figures and therefore previous year's figures are not comparable.

(ii) Interest in Joint Ventures :

(a) The Group's interest in jointly controlled entity is :

Name	Country of Incorporation	Percentage of Ownership Interest as at 31st March, 2006	*Percentage of Ownership Interest as at 31st March, 2005*
North Delhi Power Ltd. (NDPL)	India	49	*49*

(b) In accordance with Accounting Standard – 27 "Financial Reporting of Interests in Joint Ventures" issued by The Institute of Chartered Accountants of India, the jointly controlled entity "India Natural Gas Company Private Limited" (Indigas) has not been considered for consolidation as the company is under members voluntary winding up.

(c) The Financial Statements of the Joint Venture is drawn upto 31st March, 2006. The Group's interest in this Joint Venture, has been accounted for using proportionate consolidation method.

(iii) (a) Investments in Associates :

The Group's Associates are:

Name	Country of Incorporation	Percentage of Ownership Interest as at 31st March, 2006	*Percentage of Ownership Interest as at 31st March, 2005*
NELCO Ltd. (upto 30th December, 2005)	India	—	*49.82*
Yashmun Engineers Ltd.	India	27.27	*27.27*
Tata Ceramics Ltd.	India	40.00	*40.00*
Panatone Finvest Ltd.	India	39.98	*39.98*
Tata BP Solar India Ltd.	India	49.00	*49.00*
Vantech Investments Ltd.	India	50.00	*50.00*
Tata Projects Ltd.	India	30.00	*30.00*
ASL Advanced Systems Pvt. Ltd. (formerly known as Aerospace Systems Pvt. Ltd.) #	India	37.00	*37.00*
The Associated Building Co. Ltd. #	India	33.14	*33.14*
Rujuvalika Investments Ltd. #	India	27.59	*27.59*
Questar Investments Ltd. #	India	20.83	—
Hemisphere Properties Ltd. #	India	50.00	—
Brihat Trading Co. Ltd. #	India	33.50	—
Nelito Systems Ltd. (w.e.f. 31st December, 2005)	India	49.46	—

These associates have not been considered for consolidation being not material to the Group.

(b) (i) The break–up of Investment in Associates is as under : -

Rs. crores

		Nelito System Limited	Panatone Finvest Limited	NELCO Limited	Yashmun Engineers Limited	Tata BP Solar India Limited	Vantech Investments Limited	Tata Ceramics Limited	Tata Projects Limited
	Refer Schedule "F"	3(b)	3(b)	3(a)	3(b)	4(b)	4(b)	4(b)	3(b)
(i)	Number of Equity Shares (Nos.)	10,20,000	50,00,00,000	@	9,600	17,82,000	9,95,000	91,10,000	67,500
		—	*50,00,00,000*	*1,13,68,090*	*9,600*	*17,82,000*	*9,95,000*	*91,10,000*	*67,500*
(ii)	Percentage holding	49.46%	39.98%	@	27.27%	49.00%	50.00%	40.00%	30.00%
		—	*39.98%*	*49.82%*	*27.27%*	*49.00%*	*50.00%*	*40.00%*	*30.00%*
(iii)	Cost of Investment (Equity Shares)	4.34	500.00	@	0.01	24.49	2.55	9.11	1.54
		—	*500.00*	*13.21*	*0.01*	*24.49*	*2.55*	*9.11*	*1.54*
(iv)	Including Goodwill/ (Capital Reserve)	—	0.18	@	(0.24)	1.88	0.39	22.29	(14.39)
		—	*0.18*	*(1.53)*	*(0.24)*	*1.88*	*0.39*	*22.29*	*(14.39)*
(v)	Share in accumulated profits/ (losses) net of dividends received upto 31st March, 2005	—	(4.27)	#(13.21)	0.30	33.98	0.49	1.34	#(1.54)
		—	*3.99*	*#(13.21)*	*0.27*	*23.92*	—	*0.64*	*#(1.54)*
(vi)	Share of (losses)/profits for the year	0.31	88.67	#—	0.06	17.89	0.10	(1.34)	4.51
	Less: Dividend received during the year	—	—	—	—	3.12	—	—	—
	Share of (losses)/profits net of dividends received during the year	0.31	88.67	#—	0.06	14.77	0.10	(1.34)	4.51
		—	*(8.26)*	*# —*	*0.03*	*10.06*	*0.49*	*0.70*	*#—*
(vii)	Provision for diminution in value of investments (Equity Shares)	—	—	—	—	—	—	$(9.11)	—
		—	—	—	—	—	—	*$(9.11)*	—
(viii)	Carrying Cost	4.65	584.40	@	0.37	73.24	3.14	—	4.51
		—	*495.73*	—	*0.31*	*58.47*	*3.04*	*1.34*	—

Previous year's figures are in italics.

\# Share of loss restricted to the original cost of investments as per the equity method of accounting for associates under AS-23 'Accounting for Investments in Associates in Consolidated Financial Statements'.

$ Included in Schedule "F" under Provision for diminution in value of Investments.

@ Not disclosed since no longer an associate as at 31st March, 2006.

The Financial Statements of all associates are drawn upto 31st March, every year except as stated in (ii) below.

(ii) The share of profit in respect of investments in associate companies is net of loss of Rs.Nil (*2004-05 – Rs.Nil*) of NELCO, an associate company upto 30th December, 2005, which is considered on the basis of Unaudited Financial Statements for the nine months ended 31st December, 2005, certified by the Management of the said associate company, as the company's year ends as on 30th September.

(iii) The share of profit in respect of investments in associate companies include profit of Rs.4.51 crores (*2004-05 - Rs. Nil*) of Tata Projects Ltd., an associate company which is considered on the basis of Unaudited Financial Statements for the year ended 31st March, 2006, certified by the Management of the said associate company.

(iv) The Associates not considered for consolidation being not material to the Group have been stated at cost as under:

Rs. crores

		Questar Investments Ltd.	Hemisphere Properties Ltd.	Brihat Trading Co. Ltd.	ASL Advanced Systems Pvt.	The Associated Building Co. Ltd.	Rujuvalika Investments Ltd.
Refer Schedule "F"		4(b)	4(b)	4(b)	4(b)	3(b)	4(b)
(i)	Number of Equity Shares (Nos.)	50,000	25,000	3,350	5,55,000	1,825	3,66,667
		—	—	—	*5,55,000*	*1,825*	*3,66,667*
(ii)	Percentage holding	20.83%	50.00%	33.50%	37.00%	33.14%	27.59%
		—	—	—	*37.00%*	*33.14%*	*27.59%*
(iii)	Cost of Investment (Equity Shares)	0.61	0.03	0.01	0.56	0.17	0.60
		—	—	—	*0.56*	*0.17*	*0.60*
(iv)	Provision for diminution in value of Investment (Equity Shares)	—	—	—	—	0.07$	—
		—	—	—	—	*0.07$*	—
(v)	Carrying Cost	0.61	0.03	0.01	0.56	0.10	0.60
		—	—	—	*0.56*	*0.10*	*0.60*

Previous year's figures are in italics.

$ Included in Schedule "F" under Provision for diminution in value of Investments.

On adoption of AS–23, investments as stated in (iii) (b) (i) above have been accounted for using equity method whereby the investment is initially recorded at cost and adjusted thereafter for post acquisition change in the Group's share of net assets.

(c) Fixed Assets:

(i) All fixed assets are stated at cost less depreciation. Cost comprises the purchase price and any other applicable costs. For this purpose cost also includes;

(a) Borrowing costs attributable to the acquisition and construction of fixed assets upto the date the asset is ready for use and

(b) Exchange differences, in case of borrowed funds and liabilities in foreign currencies for the acquisition of fixed assets from a country outside India.

(ii) In the case of NDPL, the assets transferred from erstwhile Delhi Vidyut Board (DVB) are stated at the transaction value as notified by the Government of National Capital Territory of Delhi (GNCTD) under the Transfer Scheme. Values assigned to different heads of Fixed Assets are as per an independent valuer's estimation.

(d) Depreciation/Amortisation:

(i) Fixed assets are depreciated over the estimated useful lives as determined by the management or over the lives determined based on rates of depreciation specified under various applicable statutes/government approvals, whichever is shorter, on a straight line method except:

(a) assets relating to the business other than electricity business of the Parent Company, CTTL and TPBC, where depreciation is provided on written down value basis;

(b) assets given on lease which are depreciated on a straight line basis over the primary period of the lease.

(ii) Depreciation on additions/deletions of assets is provided on pro-rata basis.

(iii) Assets costing less than Rs.5,000/- are written off in the year of purchase.

(iv) License fees is amortised over the period of the license.

(v) Leasehold Land is amortised over the period of the lease.

(vi) Goodwill is amortised over a period of five years.

(vii) Technical know-how is generally written off on a straight line basis over a period of six years.

(viii) Depreciation rates used for various classes of assets are:

Hydraulic Works	–	1.95% to 3.40%
Buildings	–	3.02% to 33.40%
Railway Sidings, Roads, Crossings, etc.	–	3.02% to 5.00%
Plant and Machinery	–	1.80% to 45.00%
Transmission Lines, Cable Network, etc.	–	3.02% to 13.91%
Furniture, Fixtures and Office Equipment	–	12.77% to 60.00%
Motor Vehicles, Launches, Barges, etc.	–	25.89% to 33.40%
Helicopters	–	33.40%

(e) Investments:

(i) Long term investments other than in associates considered for consolidation are carried at cost less provision, if any, for permanent diminution in value of such investments. Current investments are carried at lower of cost and fair value. Investments in associates considered for consolidation are accounted for using the equity method.

(ii) In the case of AICL, purchase of securities of Tata Group Companies / Mutual Funds and investments in debentures of all the companies are considered as investments. Expenses for dematerialisation of shares have been written off. Investments, other than above, are considered as stock-in-trade.

(f) Inventories:

(i) Inventories of raw materials, semi-finished products, products / tools under development, stores and spare parts and loose tools are valued at or below cost. Cost is ascertained on weighted average basis. Work-in-progress and finished products are valued at lower of cost and net realisable value. Cost includes material costs, labour and manufacturing overheads.

(ii) In the case of AICL, investments considered as stock-in-trade are valued at average cost or market value whichever is lower. Expenses for dematerialisation of shares have been written off.

(g) Taxes on Income:

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods – (*See Note 24)*. Where there is unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future.

(h) Research and Development Expenses:

Research and Development costs of a revenue nature are charged as an expense in the year in which these are incurred.

(i) Premium on redemption of Debentures and Foreign Currency Convertible Bonds (FCCB):

Premium payable on redemption of FCCB and Debentures as per the terms of their respective issues is provided fully in the year of issue by adjusting against the Securities Premium Account.

(j) Warranty Expenses:

Anticipated product warranty costs for the period of warranty are provided for in the year of sale. Other warranty obligations are accounted for as and when claims are admitted.

(k) Foreign Exchange Transactions:

All monetary assets and monetary liabilities in foreign currencies are translated at the relevant rates of exchange prevailing at the year end. In respect of foreign exchange contracts, the premium or discount arising at the inception of such a contract is amortised as expense or income over the life of the contract. In case of monetary assets and monetary liabilities in foreign currencies (other than those for acquisition of fixed assets from a country outside India) the exchange differences are recognised in the Profit and Loss Account.

Exchange differences in case of borrowed funds and liabilities in foreign currencies for the acquisition of fixed assets from a country outside India are adjusted to the cost of fixed assets.

(l) Retirement Benefits:

Provision for accruing liability for gratuity, pension and leave encashment on separation is made on the basis of the liability as actuarially determined as at the year-end. There are no separate trust funds in respect of these liabilities in the Parent Company. Contribution to Provident Fund and Superannuation Fund are accounted on accrual basis with corresponding contributions to recognised funds.

(m) Revenue Recognition:

(i) Revenue from Power Supply is accounted for on the basis of billings to consumers and is inclusive of Fuel Adjustment Charges.

(ii) Delayed payment charges and interest on delayed payments for power supply are recognised, on grounds of prudence, as and when recovered.

(iii) Revenue in respect of Broadband and communication business is accounted for on the basis of sale of fibre cables and services rendered.

(iv) In the case of NDPL, the amount received from consumers on account of Service Line charges are treated as Income on installation of connection.

(v) In the case of AICL, dividend income from Investments and Securities treated as stock is accounted on an accrual basis.

(vi) In the case of NELCO, sales are inclusive of income from services and are recognised on the basis of terms of sale. Consent charges and licence fees are recognised as per terms of the agreement.

(n) Accounting for Contracts:

Income on contracts in respect of the Transmission EPC Business Unit and manufacture of electronic products are accounted on "Percentage of completion" basis measured by the proportion that cost incurred upto the reporting date bear to the estimated total cost of the contract.

(o) Issue Expenses:

(i) Expenses incurred in connection with issue of Rights Shares and Global Depository Shares are amortised over the remaining period of the licence for supply of electricity, in accordance with the treatment adopted for the determination of "Clear Profit" under the repealed Electricity (Supply) Act, 1948. However, the closing balance of the expenditure in connection with Global Depository Shares carried forward under 'Miscellaneous Expenditure (to the extent not written off)' has been disclosed as an adjustment against Securities Premium Account.

(ii) Expenses incurred in connection with the issue of Euro Notes, Foreign Currency Convertible Bonds and debentures are adjusted against Securities Premium Account.

(iii) Discount on issue of Euro Notes are amortised over the tenure of the Notes.

(p) Expenditure on Amalgamation:

The expenditure incurred is amortised over a period of five years.

(q) Payments under Voluntary Retirement Schemes (VRS):

Compensation paid under VRS is amortised over a period of thirty six months commencing from the month following the month of separation.

(r) Preliminary Expenses:

In the case of TPTCL, preliminary expenses are written off over a period of five years after commencement of business.

(s) Segment Reporting:

The accounting policies adopted for segment reporting are in line with the accounting policy of the Companies. Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated income/expenses".

2. During the previous year the Parent Company issued 1% Foreign Currency Convertible Bonds (FCCB) aggregating to U.S. $ 200 million (Rs. 878.80 crores at issue). The bondholders have an option to convert these Bonds into shares, at an initial conversion price of Rs. 590.85 per share at a fixed rate of exchange on conversion of Rs.43.38 = U.S. $ 1.00, at any time on or after 6th April, 2005 upto 15th February, 2010. The conversion price is subject to adjustment in certain circumstances. The FCCB may be redeemed, in whole but not in part, at the option of the Parent Company at any time on or after 24th February, 2008 and prior to 15th February, 2010 subject to satisfaction of certain conditions. Unless previously converted, redeemed or repurchased and cancelled, the FCCB fall due for redemption on 25th February, 2010 at 115.734 percent of their principal amount.

3. Net proceeds received on issue of FCCB pending utilisation have been invested in short term deposits with banks [Item *(c)*(iii) and *(c)*(iv) – Schedule "G"].

4. Contingency Reserve Investments and Deferred Taxation Liability Fund Investments include 6.75% Unit Trust of India-Tax Free US Bonds 2008 of face value of Rs. 87.56 crores and Rs. 176.00 crores respectively received on conversion of units in Scheme US-64 which are being carried at the cost at which the units were acquired viz. Rs. 126.94 crores and Rs. 292.09 crores respectively. No provision has been made for diminution in the value of these investments as the loss on realisation of these investments, if any, will be adjusted against the said reserves.

5. *(a)* Contingencies Reserve No.1 represents the transfer to such reserves in terms of Para IV of the Sixth Schedule to the repealed Electricity (Supply) Act, 1948.

   (b) Contingencies Reserve No.2 represents the transfer to such reserves in respect of the "Net surplus on cancellation of foreign exchange forward cover contracts", in accordance with the approval of the State Government.

6. The Parent Company has been legally advised that the Parent Company is considered to be established with the object of providing infrastructural facilities and accordingly, Section 372A inserted by the Companies (Amendment) Act, 1999 effective 31st October, 1998 is not applicable to the Parent Company.

7. *(a)* (i) The Parent Company has:

   (a) an investment in Tata Teleservices Limited (TTSL) of Rs.726.00 crores (*31st March, 2005 – Rs. 600.00 crores*);

   (b) given guarantees to third parties on behalf of TTSL aggregating to Rs. 56.50 crores (*31st March, 2005 – Rs.177.50 crores*) and provided letters of awareness to banks and financial institutions in respect of facilities aggregating to Rs. Nil (*31st March, 2005 – Rs.50.00 crores*);

   (c) issued a non–disposal undertaking on existing and future shareholding in TTSL in consideration of a grant of a short term loan of Rs. Nil (*31st March, 2005 - Rs.100.00 crores*) by the institution to TTSL;

   (d) pledged 34,88,40,000 shares held by it in TTSL in favour of IDBI Bank Limited, acting as security trustee on behalf of secured lenders of TTSL and

   (e) in terms of the shareholders agreement, an obligation to subscribe for or arrange along with the participants of the Tata Group, for additional capital as per specified schedule.

   (ii) TTSL has accumulated losses as at 31st March, 2005, based on latest audited accounts for March, 2005, which has significantly eroded its net worth. In the opinion of the Management, having regard to the long gestation period inevitable in the nature of its business, there is no permanent diminution in the value of the investment.

   (b) The Parent Company has an investment in the Equity Shares of Panatone Finvest Limited (PFL) of Rs.500.00 crores (*31st March, 2005 – Rs. 500.00 crores*) and has provided guarantees to PFL's bankers for an aggregate amount of Rs. 500.00 crores *(31st March, 2005 – Rs. 500.00 crores).*

   (c) The Parent Company has an investment in Tata Teleservices (Maharashtra) Limited (TTML) of Rs. 115.44 crores (*31st March, 2005 – Rs. 115.44 crores*) and has issued guarantees on behalf of TTML aggregating to Rs. 50.00 crores (*31st March, 2005 – Rs. 50.00 crores*) to TTML's bankers.

   (d) The Parent Company has provided Undertakings to certain Financial Institutions for non-disposal of its shareholding in NDPL during the tenor of two loans taken by NDPL from certain Financial Institutions aggregating to Rs. 280.28 crores (*31st March, 2005 – Rs. 280.28 crores*). Further the Parent Company has issued a guarantee on behalf of NDPL of Rs. 0.09 crore (*31st March, 2005 – Rs.0.10 crore*) to NDPL's banker's.

   (e) The Parent Company has:

   (i) entered into a Sponsor Support Agreement with PTL and its Lenders under which it has agreed to provide or cause to be provided to PTL from time to time a maximum amount of Rs.366.00 crores (*31st March, 2005 - Rs.366.00 crores*) in the form of Loans or Equity contributions on the terms and conditions set forth in the agreement.

   (ii) In terms of the Deed of Pledge of Shares executed by the Parent Company and Power Grid in favour of Infrastructure Development Finance Company Limited (IDFC) acting as Security Trustee for the Lenders with PTL as a confirming party for pledging the Company's current and future shareholding in PTL, Powers of Attorney is executed in favour of the Security Trustee and the Lenders to accomplish the purpose of the Deed with full authority in terms of the Deed.

   (f) In connection with the sale of shares of Tata Honeywell Ltd. (THL), in the previous year, the Parent Company had issued a Deed of Indemnity to Honeywell Asia Pacific Inc., upto Rs.0.74 crore (*31st March, 2005 – Rs.0.74 crore*) from the potential direct tax exposures in THL.

   (g) The Parent Company has furnished a Corporate Indemnity of Rs. 315.30 crores (*31st March, 2005 – Rs.315.30 crores*) in favour of ICICI Bank Limited for an amount equal to the liability of The Punjab National Bank under the Bank Guarantee issued by them in connection with the dispute with Reliance Energy Limited on the sharing of Standby Charges (Refer Note 12).

(h) During the year the Parent Company has given Letter of Comfort on behalf of NELCO to the bank for availing short term loans of Rs.25.00 crores.

8. Capital commitments not provided for are estimated at Rs.169.43 crores *(31st March, 2005 - Rs.751.83 crores)* [including Rs.40.74 crores *(31st March, 2005 – Rs.141.17 crores)* of the Joint Venture].

9. Disclosures as required by Accounting Standard 19 (AS-19) issued by The Institute of Chartered Accountants of India are as follows:

(a) The Parent Company's significant leasing arrangements are in respect of residential flats, office premises, plant and machinery and equipments taken on lease. The arrangements range between 11 months and 10 years generally and are usually renewable by mutual consent or mutually agreeable terms. Only in one arrangement there is an escalation clause. Under these arrangements, generally refundable interest-free deposits have been given. In respect of the above arrangements, lease rentals payable are recognised in the Profit and Loss Account for the year and included under Rental of Land, Buildings, Plant and Equipment, etc. (disclosed under Operation Expenses in Schedule "2") and Rent (disclosed under Administration Expenses in Schedule "2").

(b) (i) Commercial / residential premises and furniture and fixtures have been given on operating lease by the Parent Company and CTTL having original cost of Rs.38.14 crores (*31st March, 2005 – Rs. 38.58 crores*) and accumulated depreciation of Rs 6.15 crores (*31st March, 2005 – Rs. 4.60 crores*) as at 31st March, 2006. Depreciation on the above assets for the current year is Rs. 1.16 crores (*31st March, 2005 – Rs.1.17 crores*). Under these arrangements, generally refundable interest-free deposits have been taken. In respect of the above arrangements, lease rentals receivable are recognised in the Profit and Loss Account for the year and included under Rental of Land, Buildings, Plant and Equipment, etc. (disclosed under Income From Other Operations and Other Income in Schedule "1"). The future minimum lease payments under non-cancellable operating leases aggregating to Rs. 3.70 crores (*31st March, 2005 – Rs.4.81 crores*), in each of the following periods are as under:

		Rs. crores
		2004-05
(a) not later than one year	2.75	*2.20*
(b) later than one year and not later than five years	0.95	*2.61*
(c) later than five years	Nil	*Nil*

(ii) The initial direct costs in respect of operating lease are recognised in the Profit and Loss Account .

10. Contingent Liabilities:

(a) Claims against the Group not acknowledged as debts Rs.174.57 crores (*31st March, 2005 - Rs.234.60 crores*) [including Rs.4.96 crores *(31st March, 2005 – Rs.5.05 crores)* of the Joint Venture] consists mainly of the following:

(i) Octroi claims disputed by the Parent Company aggregating to Rs. 5.03 crores *(31st March, 2005 - Rs. 5.03 crores)*, consisting of Octroi exemption claimed by the Parent Company regarding which the Writ has been admitted by the High Court.

(ii) A Suit has been filed against the Parent Company claiming compensation of Rs.20.51 crores *(31st March, 2005 - Rs. 20.51 crores)* by way of damages for alleged wrongful disconnection of power supply and interest accrued thereon Rs.81.85 crores *(31st March, 2005 - Rs.77.53 crores).*

(iii) Rates, Duty & Cess claims disputed by the Parent Company aggregating to Rs.14.88 crores *(31st March, 2005 - Rs.26.61 crores)*, consisting mainly for levy of cess and way leave fees by Maharashtra Pollution Control Board at higher rates which is challenged by the Parent Company.

(iv) Encashment of bank guarantee of Rs.Nil *(31st March, 2005 - Rs.10.00 crores)* by Mumbai Port Trust (MbPT) on account of non-performance by the Parent Company.

(v) Delayed Payment Charges on Standby Charges and interest on delayed payments payable to MSEB estimated at Rs.31.00 crores *(31st March, 2005 - Rs. 31.00 crores)* [Refer Note 12].

(vi) In the case of NDPL, the Group's share being Rs.4.96 crores (*31st March, 2005 – Rs.5.05 crores*), consisting mainly of legal cases filed by consumers, employees and others.

(vii) In the case of CTTL, claims raised by Mumbai Port Trust towards Penal Way Leave Fees Rs.1.17 crores (*31st March, 2005 – Rs.1.17 crores*). Company has been legally advised that the claim towards Penal Way Leave Fees is unsustainable in law.

(viii) Other claims against the Group not acknowledged as debts Rs.15.17 crores (*31st March, 2005 – Rs. 57.70 crores*).

(ix) Other employee matters – amount not ascertainable.

(b) Taxation matters for which liability relating to issues of deductibility and taxability, is disputed by the Group and provision is not made (computed on the basis of assessments which have been re-opened and assessments remaining to be completed):

		Rs. crores *As at* *31st March,2005*
(i) Matters on which there are decisions of the appellate authorities in the Parent Company's favour, not accepted by the tax authorities	29.67	33.96
(ii) Other matters in appeal in case of subsidiaries	18.90	*Nil*
(iii) Interest and penalty demanded	22.73	15.69

(c) Under the Share Purchase Agreement entered into with Tata Industries Limited (TIL) in January 2001, the Parent Company had agreed payment of production upside in the event the total gas production is more than 1.2 Trillion Cubic Feet (TCF) to Tata Industries Limited for net incremental production over and above 1.2 TCF. The said production is based upside for the Tata Petrodyne Limited's (TPL) participating interest of 10% at the rate of US $0.23 per TCF. The obligation on the Parent Company to pay TIL in case of upside in production continues even after the sale of shares of TPL.

(d) In July, 2003 Maharashtra Electricity Regulatory Commission (MERC) by its Order on reviewing the repealed Electricity Act, 1910, repealed Electricity Supply Act, 1948 and the licenses of the Parent Company had been unable to concur with the argument put forward by Reliance Energy Limited (REL) that the Parent Company cannot supply energy directly to any consumer. However, as stated in the Order, MERC had as a temporary measure and till such time a level playing field was established, restrained the Parent Company from offering new connections and distributing power to consumers below 1000 KVA, but did not pass any Order in respect of REL's claim that the Parent Company should hand over the financial gains made by the Parent Company to REL or to the Government of Maharashtra.

By its Order dated 22nd May, 2006, the Appellate Tribunal has set aside the findings of MERC, against whose Order both the Parent Company and REL had preferred appeals, and has allowed as a whole the appeal preferred by REL. Further the Appellate Tribunal has held that TPCL has not been granted license to undertake retail distribution of electricity in the area within which REL has been distributing power in retail to customers directly and also concluded that till 1997, TPCL was never engaged in distribution of power in retail and the conflict has arisen between the parties only after REL set up its own generating plant or soon thereafter.

The financial consequences of the Appellate Tribunal Order, has neither been quantified in the Order nor been ascertained by the Parent Company.

The Parent Company is of a view, supported by independent legal opinion, that the Appellate Tribunal's Order can be successfully challenged, and consequently no provision/adjustment is considered necessary. The Parent Company proposes to appeal to the Supreme Court against this Order.

(e) CTTL has "Line of Credit (LOC) through" facility with Housing Development Finance Corporation Ltd. (HDFC) for an amount of Rs.0.30 crore *(31st March, 2005 - Rs. 0.30 crore)* under CTTL's Housing Loan Scheme for its employees. Total amount outstanding with HDFC under the scheme at the end of the year is Rs.0.19 crore *(31st March, 2005 -Rs.0.22 crore)* the repayment of which is guaranteed by CTTL.

(f) NDPL, has been buying goods from local suppliers, which are used in the business of distribution of electricity. These goods received are subject to the issuance of Exemption certificate in terms of Rule 11 (clause XII) of the Delhi Sales Tax Rules, 1975. In case of some of the suppliers, their sales tax authorities have denied exemption to them. Some suppliers, being the aggrieved parties, have preferred appeal against the assessment order.

The company has also proactively filed a writ in the Delhi High Court, as the Sales tax authorities have rejected company's application to intervene or represent on behalf of the dealers on the ground that the company does not have locus-standi directly to approach the Appellate authorities against the denial of exemption to its suppliers. The Hon'ble High Court has heard the writ petition on 21st March, 2006 and has issued an Order that the pendency of this writ petition shall not prevent the Appellate Authority and the Tribunal from hearing and disposing off the appeal on merits in accordance with the law which is pending before them against the order of suppliers of NDPL impugned in this petition. The Court has also made clear that

NDPL (the petitioner) may suitably amend this petition so as to challenge the orders issued by the lower Appellate authorities, if the same go against the dealers. Thus, if the decision of Appellate authorities is not in favour of the company's suppliers, company would have a right to appeal before the Hon'ble High Court. In case even Hon'ble High Court's decision is unfavorable to the company, a liability of Rs.10.05 crores (*31st March, 2005 – Rs.10.05 crores*) [the Group's share being Rs.4.92 crores (*31st March, 2005 – Rs.4.92 crores*)] would arise on account of local sales tax.

(g) In the case of NDPL, as per the provisions of the Transfer Scheme pursuant to Delhi Electricity Reforms Act, 2002, the Group is contingently liable for the liabilities arising out of litigation, suits, claims etc. pending on the date of transfer (i.e. 1st July, 2002) and / or arising due to any events prior to that date to the extent of Rs.0.49 crore p.a.

(h) In the case of NDPL, Delhi Power Company Limited (DPCL) had deducted Rs.6.83 crores (the Group's share being Rs. 3.35 crores) from the APDRP Grant sanctioned to the company in the year ended 31st March, 2004 on account of alleged short payment and wrong computation of rebate on payment of power purchase bills. The same was reflected as recoverable from DPCL. The dispute on rebate computation methodology was referred to the Delhi Electricity Regulatory Commission (DERC) which gave its decision on 2nd August, 2004. Based on the DERC Order, the rebate has been recomputed together with Delhi Transco Limited (DTL), and the impact thereof had been accounted in the year ended 31st March, 2005. With the issue having been resolved, the company has adjusted the withheld APDRP grant from amount payable to DPCL and confirmation to the effect has now been received by the company from DPCL. Thus, there is no contingent liability in this respect.

(i) In the case of NDPL, the Group's share in unexpired letter of credit given is Rs.81.32 crores (*31st March, 2005 - Rs.80.65 crores*), guarantees given by the bankers against company's counter guarantee is Rs.1.35 crores (*31st March, 2005 - Rs.1.46 crores*).

(j) In the case of NDPL, the company had introduced a Voluntary Separation Scheme (VSS) for its employees in December 2003, in response to which 1,798 employees were separated. As per the Scheme, the retiring employees were paid Ex-gratia separation amount by the company. They were further entitled to claim their Retiral Benefits (i.e., Gratuity, Leave Encashment, Pension Commutation, Pension, Medical and LTC) directly from the DVB Employees Terminal Benefit Fund 2002 (The Trust). The Trust is however of the view that its liability to pay Retiral Benefits arises only on the employee attaining age of superannuation or earlier death. On 1st November, 2004 the company entered into a Memorandum of Understanding with GNCTD, and a special Trust namely Special Voluntary Retirement Schemes Retirees Terminal Benefit Fund (SVRS Trust) was created.

For resolution of the issue through the process of law, NDPL has filed a Writ, whereby the Hon'ble Delhi High Court vide its Order dated 17th March, 2005, subject to the final outcome of the Writ Petition and without prejudice to the company's rights and contentions passed an interim order asking NDPL to advance funds to the SVRS Trust and in turn directed the Trust to pay the remaining retiral dues to the retirees. Accordingly, subject to the outcome of the Writ Petition, NDPL had advanced Rs.77.74 crores (the Group's share being Rs.38.09 crores) to the SVRS Trust for payment of retiral dues to seperated employees, and the same is shown as recoverable under 'Loans and Advances' – Schedule "G".

(k) In the case of NDPL, the liability stated in the opening Balance Sheet of the company as per the Transfer Scheme as on 1st July, 2002 in respect of consumers' security deposit was Rs.10.00 crores (the Group's share being Rs.4.90 cores). The company has engaged an independent agency to ascertain the amount of security deposits received by the erstwhile DVB from its consumers. As per the report submitted by this agency the amount of security deposit received from consumers aggregated to Rs.62.44 crores (the Group's share being Rs.30.60 crores). The company has been advised that as per the Transfer Scheme, the liability in excess of Rs.10.00 crores (the Group's share being Rs.4.90 crores) towards refund of the opening consumer deposits and interest thereon is not to the account of the company. Since the GNCTD is of the view that the aforesaid liability is that of the company, the matter has been referred to DERC and the outcome is awaited.

(l) In the case of PTL,

(i) Letters of credit issued by bank are Rs.5.56 crores (*31st March, 2005 – Rs.10.73 crores*).

(ii) Guarantees given by bank amounting to Rs.0.06 crore (*31st March, 2005 - Rs. 0.16 crore*) on behalf of the company to Delhi, West Bengal, Bihar and Uttar Pradesh Sales Tax Department for registration under State and Central sales tax laws.

(m) In the case of NELCO, the company has issued Corporate Guarantees of Rs.0.80 crore.

(n) In the case of MPL, the company has received Rs.32.60 crores towards advance against equity from Damodar Valley Corporation (DVC) for which shares are yet to be allotted. In view of the details furnished in Note 21, the company has not provided for interest amount to be paid on the contributions received from DVC for the purpose of payment to Land Authorities.

Note: If any liability materialises in respect of items (*a*) and (*b*) above in respect of the Parent Company, the same would have to be considered for the purposes of the computations of aggregate gain / loss under the MERC (Terms and Conditions of Tariff) Regulations, 2005, to the extent it pertains to the licensed business.

11. *(a)* (i) Provision has been made in the accounts for supply of gas upto 29th January, 1987 by Oil and Natural Gas Commission (ONGC) on the basis of their bills. The Parent Company has been advised that the price at which the gas is billed is to be treated as provisional. The Parent Company has not accepted this position.

(ii) In respect of gas supplied by ONGC from 30th January, 1987 to 15th May, 1992, transportation charges have been billed on a provisional basis. The Parent Company has also been advised that the excise duty and octroi, if levied, on the price of gas, together with the sales tax on the excise duty, transportation charges and octroi would be recovered from the Parent Company.

(iii) Prices of Natural Gas from 1st April, 2000 is under review by the Ministry of Petroleum and Natural Gas (MOPNG).

(iv) In respect of gas purchased from ONGC and later from GAIL, claims aggregating to Rs.40.09 crores (*31st March, 2005 - Rs.40.09 crores*) have been made on the Parent Company towards shortfall in the off take of minimum guaranteed quantities of gas during the period from 1st April, 1992 to 31st December, 2001 which claims have been contested by the Parent Company.

(v) In respect of supply of fuel by Hindustan Petroleum Corporation Limited, the Parent Company has not accepted claims for quantities billed which are in excess of the Parent Company's meter readings. The amount of such claims not provided for aggregates Rs.3.74 crores (*31st March, 2005 – Rs.3.74 crores*).

(b) If any amount is payable by the Parent Company in respect of the items referred to in *(a)* above, the same would be recoverable as part of fuel surcharge from the consumers. No provision has, therefore, been made in the accounts in respect of these items.

12. In respect of the share of Standby Charges billed by Maharashtra State Electricity Board (MSEB) and recoverable from Reliance Energy Ltd. (REL), the Parent Company had in respect of the periods upto 31st March, 2004, taken credit in previous years for the amount recoverable in terms of the Common Order dated 3rd June, 2003 passed by Hon'ble Bombay High Court in Maharashtra Electricity Regulatory Commission (MERC) Appeal No. 1 of 2002 and MERC Appeal No. 2 of 2002. This amount upto 31st March, 2004 aggregates to Rs. 1,019 crores. However, these amounts have been disputed by REL and only Rs.895.55 crores has been paid by REL to MSEB through the Parent Company/ MERC, as per the orders passed by MERC and the High Court.

MERC passed an order dated 31st May, 2004 whereby, an amount of Rs.313.93 crores as on 31st March, 2004 was directed to be refunded by the Parent Company to REL together with interest @10% per annum commencing from 1st April, 2004 till the date of payment and Rs. 225.39 crores as on October, 2003, was directed to be paid to MSEB towards interest and delayed payment charges. The Parent Company had filed a Writ Petition in the Hon'ble Bombay High Court against the said order dated 31st May, 2004 as the Appellate Tribunal under the Electricity Act, 2003 was not constituted and / or functional. REL had also filed a Writ Petition in the Hon'ble Bombay High Court against the said Order dated 31st May, 2004. The Hon'ble Bombay High Court by an Order dated 1st July, 2004 stayed the order for refund to REL on the condition that the Parent Company furnishes a Bank Guarantee in favour of the Prothonotary and Senior Master, High Court, Bombay for the sum of Rs.315.30 crores, within 4 weeks. The Parent Company has accordingly furnished such a Bank Guarantee on 23rd July, 2004. The guarantee has been renewed for the further period of one year. REL filed a petition in the Supreme Court for Special Leave to Appeal against the said Order. The Hon'ble Supreme Court had granted REL Leave to Appeal against the said Order dated 1st July, 2004.

Further, by the said Order dated 1st July, 2004, the Parent Company was directed to pay a sum of Rs. 100.00 crores to MSEB within 4 weeks and the balance in two equal instalments on or before 31st October, 2004 and 31st January, 2005 respectively. The Parent Company has accordingly paid all the three instalments to MSEB. The Hon'ble High Court however, did not stay or modify the payment of standby charges from 1st June, 2004 onwards. The Parent Company has accordingly been paying a sum of Rs.33.00 crores every month, to MSEB towards standby charges.

By a Judgement dated 24th December, 2004, the Hon'ble High Court has disposed of the Writ Petition filed by the Parent Company directing that the matter be decided by the Appellate Tribunal to be constituted under the Electricity Act, 2003. The Hon'ble Court has further directed that during the interregnum period, the parties shall pay the standby charges according to the said Order dated 1st July, 2004. Both, the Parent Company and REL, had filed Petitions in the Hon'ble Supreme Court of India to appeal against the said Order dated 24th December, 2004. Both were granted leave to appeal. The Supreme Court by its common Order dated 30th November, 2005 disposed off the Special Leave Petitions with directions to the Parent Company to file an appeal before the Appellate Tribunal. Accordingly the Parent Company has filed an appeal dated 12th December, 2005.

Consequent to the Appellate Tribunal becoming functional, during the year, the Parent Company has also filed an appeal before the Appellate Tribunal against the MERC Tariff Order dated 11th June, 2004 to the limited extent of fixing the charges for the standby facility being provided by the Parent Company to REL or sharing by the Parent Company and REL of the Standby Charges payable to MSEB. The hearings have been concluded on 28th April, 2006 and the judgement is awaited.

Since the aforementioned payments are subject to the final outcome of the Appeals, no adjustment has been made for the reversal in terms of the MERC Order dated 31st May, 2004 of Standby Charges credited in previous years estimated at Rs.503.00 crores for the period from 1st April, 1998 to 31st March, 2004. Further, consequent to the MERC Order, interest estimated at Rs.31.00 crores is payable to MSEB which has also not been accounted for [included in Note 10*(a)*(v)]. The aggregate of these amounts net of tax is estimated at Rs.354.00 crores, which MERC in its Order has allowed to be adjusted, wholly by a withdrawal/set-off from certain Statutory Reserves created by the Parent Company under the repealed Electricity (Supply) Act, 1948 in earlier years. Adjustments if any, will be recorded by the Parent Company on the final outcome of the said Appeal. Accordingly, adjustment to the Deferred Tax Liability Fund and the Deferred Tax Liability Account will be made on the disposal of the said Appeal and no provision has been made in the accounts towards interest that may be determined as payable to REL (on amounts determined as excess recovery in the MERC Tariff Order in respect of which refund the Parent Company has obtained a stay) for the year ended 31st March, 2006 in terms of the MERC Order. However, since 1st April, 2004, the Parent Company, as a matter of prudence, has accounted Standby Charges on the basis determined by the MERC Order.

13. (i) MERC vide its Tariff Order dated 11th June, 2004, had directed the Parent Company to treat the investment in its Wind energy project as outside the Mumbai Licensed Area, consider a normative Debt Equity ratio of 70:30 to fund the Parent Company's fresh capital investments effective 1st April, 2003 and had also allowed a normative interest charge @ 10% p.a. on the said normative debt. The change to the Clear Profit and Reasonable Return (consequent to the change in the Capital Base) as a result of the above mentioned directives for the period upto 31st March, 2004, has been adjusted by MERC from the Statutory Reserves along with the disputed Standby Charges referred to in Note 12 above. Consequently, the effect of these adjustments would be made with the adjustments pertaining to the Standby Charges dispute as mentioned in Note 12 above.

(ii) MERC vide the Tariff Order for 2004-05 issued on 11th June, 2004 has indicated the method of recovering FAC charges. Further during the previous year, MERC had clarified the above method. This method indicated a new basis applicable retrospectively from 1st April, 2004 that provided for pass through of change in per unit generation / power purchase costs (between actual and the approved rates as per the Tariff Order).

However, the Parent Company had made submissions before MERC for the same to be effective from 1st June, 2004, since the tariff applied in April and May 2004 was based on the then prevailing tariff which had a different mix of Demand charge, Energy charge and FAC. Accordingly, FAC as per the basis indicated in the Tariff Order for 2004-05 has been accounted effective 1st June, 2004. MERC by its Order dated 3rd August, 2005, has clarified that the excess recovery of FAC for the months of April and May 2004 as per the new method may be adjusted at the time of 'truing up' for the year 2004-05 along with other expenses and revenue heads which is being processed by MERC. Adjustments, if any, will be made on receipt of the Order.

(iii) The tariff in respect of the Mumbai Licensed Area for the year ended 31st March, 2006 is based on the Tariff Order dated 11th June, 2004 issued by MERC for the years 2003-04 and 2004-05. The Annual Revenue Requirement (ARR) and Tariff Petition of the Parent Company for the year 2005-06 is being processed by MERC. The Maharashtra Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2005 came into force with effect from 26th August, 2005. These Regulations, supercede the Maharashtra Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004. However, MERC, by its Order dated 13th April, 2006, has given the ruling that the norms for approval of the ARR and principles for determination of tariff as enunciated in the latest Tariff Orders of each Licensee, shall form the basis for approval of the ARR of the Licensees/Utility for FY 2005-06. Adjustments, if any, will be made on receipt of the MERC Order which is awaited.

The latest Tariff Order dated 11th June, 2004, states that the Reasonable Return and the Clear Profits have been computed in line with the provisions of the Sixth Schedule of the Electricity (Supply) Act, 1948. Accordingly, and also based on a legal opinion, the Parent Company has computed the Clear Profits and Reasonable Returns for the years ended 31st March, 2005 and 31st March, 2006 respectively, and consequent appropriations have been made during the year as required by Para II of the Sixth Schedule to the Electricity (Supply) Act, 1948. Also Provision for Contingencies in respect of 2004-05 has been reversed during the year.

14. (i) Salaries, Wages and Bonus [item 1*(a)* – Schedule "2"] and Rental of Land, Buildings, Plant and Equipment, etc. [item 2*(e)* – Schedule "2"] for the year ended 31st March, 2005, are net of amounts written back aggregating to Rs.22.00 crores and Rs.17.70 crores respectively.

    (ii) The Wage Agreement entered into by the Parent Company with the employees expired on 31st December, 2005 and a fresh Agreement is under negotiation. Pending finalisation of these negotiations, provision on an estimated basis has been made on this account and is included in item 1*(a)* of Schedule "2" and no separate allocation has been made towards the Company's contribution to Provident and other Funds etc. included therein. Any adjustment necessary consequent on final determination of the liability pertaining to the period from 1st January, 2006 to 31st March, 2006 will be made in the year in which such negotiations are concluded.

    (iii) The Cost of Fuel for the year ended 31st March, 2005 is net of Rs.40.19 crores on account of reversal of provision made in earlier years for levy of entry tax on fuel oil in terms of the Supreme Court Order dated 26th October, 2004. Consequently, the Revenue from Power Supply is net of Rs.37.44 crores.

15. Under an agreement dated 17th May, 2006, the Parent Company has sold effective 1st January, 2006 its Undertaking (Power Systems Division) for a consideration of Rs.80.21 crores. Consequently, the profit of Rs.22.43 crores, has been disclosed under Other Income [item 2*(j)* – Schedule "1"] and the consideration receivable has been included under Sundry Debtors [item *(b)* – Schedule "G"]. Further, for the period from 1st January, 2006 to 31st March, 2006, the operations of the Division were conducted by the Parent Company for and on behalf of and in trust for the purchaser. Net amount receivable on this account of Rs.18.51 crores is also included under Sundry Debtors [item *(b)* – Schedule "G"].

16. Effective 1st July, 2004, the Parent Company had sold its 75MW Power Plant at Wadi, and its investment in TPL was sold in March, 2005. Further, during the year the Parent Company has sold its investments in TPBC and AHPCL. Consequently, the results for the year ended 31st March, 2006, do not include the results from the operations of the Wadi Power Plant and of TPL and include the results from the operations of TPBC for part of the year and hence are not comparable.

17. In the case of the Parent Company, effective 1st April, 2004, exchange difference arising on the repayment / realignment of liabilities incurred for the purpose of acquiring fixed assets, which were carried in terms of historical cost, in respect of assets relating to the electricity business as Licensee, had been adjusted in the carrying amount of fixed assets as required by Accounting Standard 11 (AS – 11). Consequently, the unamortized portion of such exchange differences as at 1st April, 2004 and exchange differences arising on the repayment / realignment of liabilities incurred for the purpose of acquiring fixed assets from 1st April, 2004 had been capitalised (Rs.44.59 crores) and depreciation aggregating Rs.44.59 crores was provided thereon. Accordingly, depreciation charge during the year ended 31st March, 2005 was higher to the extent of Rs.44.59 crores.

18. The Parent Company has paid during the year monthly payments aggregating to Rs.0.57 crore (*2004-05 – Rs.0.53 crore*) under the post retirement scheme to former Managing / Executive Directors.

19. During the year, the Parent Company has commissioned its new 120 MW thermal power unit at Jojobera, Jharkhand. The billing has been done on the basis of draft Power Purchase Agreement prepared jointly by the Parent Company and Tata Steel Limited, which is pending for signature on account of certain regulatory issues.

20. Secured Loans – Schedule "C"

    Details of security are as under:

    (i) In case of the Parent Company the debentures and loans included in items *(a)* to *(f)* are secured by mortgages/charges on the land, moveable/immovable properties, plant and licences of the Parent Company and a floating charge on its other assets (subject to prior charges created and to be created in favour of the Parent Company's bankers over the current assets), both present and future.

    (ii) In the case of PTL, loans outstanding as at 31st March, 2006, aggregating to Rs.980.00 crores (*31st March, 2005 – Rs.409.35 crores*) included in items *(b)*, *(c)*, *(e)* and *(g)* are secured by a first ranking *pari passu* charge on all of its tangible, intangible, moveable, fixed and current assets, rights, etc., both present and future.

    (iii) In the case of NELCO, loans outstanding as at 31st March, 2006, aggregating to Rs. 27.66 crores are included in items *(b)* and *(h)*.

        (a) The cash credits are secured by hypothecation of all tangible moveable assets and creation of a second charge by way of mortgage on the fixed assets of the company and mortgage by deposit of title deeds of the company's properties at Mahape.

        (b) A term loan is to be secured by *pari-passu* first charge on the present and future fixed assets of the company at its Mahape unit. Another term loan is to be secured by *pari-passu* first charge on the present and future fixed assets of the company and first *pari-passu* charge on the receivables arising out of the lease rentals recoverable from installation of first 2000 VSAT's of Gilat, Israel on rental basis.

(c) Hire purchase loans are secured by way of hypothecation on vehicles acquired under hire purchase scheme.

(iv) In the case of NDPL,

(a) The cash credits are secured by a third charge on receivables and first charge on stores and spares (not relating to plant and machinery) and a loan from a bank is secured by a second *pari passu* charge on existing and future fixed assets of the Company and third *pari passu* charge over the receivables of the company.

(b) The loans from Delhi Power Company Limited are secured by a first *pari passu* charge on the present and future distribution system and assets of the company.

(c) The loans from Financial Institutions are secured by first *pari passu* charge on all the present and future moveable and immovable assets, intangibles, stores and spares, rights, etc. and a third *pari passu* charge on the receivables and a first charge on a Debt Service Reserve Account (exclusive to the respective loans).

21. In the case of MPL, Capital advances include Rs.32.44 crores being amounts paid to various District Authorities in the State of Jharkhand for acquiring land required for implementation of the project in the name of DVC. In terms of the clause 6.6 of the Shareholders' Agreement (SHA) executed between DVC and the Parent Company, the money advanced by DVC for the land shall be treated as advance against equity in the books of MPL and at the option of the Parent Company shall either be :

(i) converted into equity of the company on the date of Financial Closure and interest as stated in clause 6.6 of the SHA shall be paid by the company to DVC; or

(ii) repaid to DVC by the company along with interest stated in clause 6.4 of SHA.

DVC has already made application to the concerned District Authorities for transfer of GM land and Forest land in the name of the company (except Raiyati land which are being acquired under the notification as per the concerned State's Land Acquisition Act). According to the legal opinion available on the file as also the resolution of the Board of Directors of the company, the land is transferable to the company upon completion of the formalities of acquisition and physical possession from District Authorities which is in progress. The concerned Authorities have given possession of 472 acres of Raiyati land to DVC and transfer deed of 44 acres of Government land has been completed in favour of DVC as on 31st March, 2006.

22. In respect of the contracts pertaining to the Transmission EPC business Unit of the Parent Company, disclosures required as per AS-7 (Revised) are as follows:

(a) Contract revenue recognised as revenue during the year Rs.194.43 crores (*2004-05 – Rs. 174.39 crores*).

(b) In respect of contracts in progress –

(i) The aggregate amount of costs incurred and recognised profits upto 31st March, 2006 Rs.446.94 crores (*31st March, 2005 – Rs.252.51 crores*).

(ii) Advances and progress payments received as at 31st March, 2006 Rs.11.93 crores (*31st March, 2005 - Rs.44.74 crores*).

(iii) Retention money included as at 31st March, 2006 in Sundry Debtors Rs.10.26 crores (*31st March, 2005 - Rs.12.76 crores*).

(c) Gross amount due to customers for contract work as a liability as at 31st March, 2006 Rs.36.60 crores (*31st March, 2005 - Rs.43.11 crores*).

Further cost of materials and erection charges for Transmission EPC business Unit comprises of:

		Rs. crores *2004-05*
Material Cost	141.17	*123.93*
Sub-Contracting Charges	62.90	*40.90*
	204.07	*164.83*

23. In the case of TSL, the company has entered into a Scheme of Arrangement for taking over the Commercial VSAT business of Tata Services Ltd. with effect from 1st April, 2005. The scheme of arrangement has been duly approved by The Hon'ble High Court of Mumbai vide its Order dated 3rd March, 2006 subject to VSAT Commercial Service license transfer in the name of the company by Department of Telecommunication. The Scheme shall be given effect to on receipt of License from Department of Telecommunication.

24. *(a)* The aggregate deferred tax liability (net) accounted for by the Parent Company is Rs. 308.67 crores (*As at 31st March, 2005- Rs.343.81crores*).

(b) In respect of the non-licensed area and adjustments [other than as mentioned in paragraph 24*(c)* below] relating to licensed business of the Parent Company, the aggregate deferred tax asset (net) amounts to Rs.16.15 crores (*liability of Rs.11.32 crores as at 31st March, 2005*).

(c) In respect of the Licensed Business of the Parent Company, in terms of the Government of Maharashtra approvals, on the difference between the written down value of fixed assets (including foreign exchange fluctuations on approved borrowings) as per the books of account and the Income – Tax Act, 1961, deferred tax liability was being set up by a special appropriation to the Deferred Tax Liability Fund. In terms of the approvals, the amounts credited to the Fund are invested and permitted to be utilised, only subject to certain conditions, currently not arisen.

Any resultant excess of the aggregate of the Deferred Tax Liability Fund and Deferred Tax Liability recognised, currently estimated at Rs.71.03 crores (*Rs.63.36 crores as at 31st March, 2005*) will be accounted for on determination of the matter stated in Note 12.

(d) Deferred Tax Liability / (Asset) [Net] as at 31st March, 2006 comprises of:

				Rs. crores
				2004- 2005
Deferred Tax Liability:				
Arising on account of timing differences in:				
Depreciation		376.25		*398.01*
Less: Balance in Deferred Tax Liability Fund	395.85		*395.85*	
Less: Reversal of deferred tax liability, not adjusted	71.03		*63.36*	
		324.82		*332.49*
Others		2.71		*0.11*
(A)		**54.14**		***65.63***
Deferred Tax Assets:				
Arising on account of timing differences in:				
Provision for doubtful debts and advances		12.57		*12.53*
Provision for tax, duty, cess, fee		9.90		*11.07*
Provision for gratuities		23.28		*21.70*
Provision for leave encashment		8.72		*6.48*
Unabsorbed depreciation and carry forward losses		9.46		*2.08*
Others		9.85		*1.82*
(B)		**73.78**		***55.68***
Net Deferred Tax Liability / (Asset) (A) – (B)		**(19.64)**		***9.95***
Share of Joint Ventures – Liability		53.26		*34.01*
Net Deferred Tax Liability incl. Joint Ventures		**33.62**		***43.96***

25. In the case of NDPL, for confirmation/reconciliation of account balances:

(a) The amounts payable to/recoverable from :

Delhi Transco Limited (DTL) and Delhi Power Supply Company Limited (DPCL) are subject to confirmation pending resolution of certain issues concerning valuation of liabilities in respect of capital stores taken over by the company, valuation of loans to personnel and rebate on advance payments of energy bills. [See Notes 10 *(h)* and 26 *(b)*].

(b) The billing on customers is done on a standalone computerised billing system. Revenue accounting in the books of account are done on the basis of reports generated from this system. Even though the current year's transactions in the computerised billing system materially reflect the transactions in the books of account, the receivables (including classification thereof) in the books of account are under reconciliation with the customer's accounts in the billing system.

26. In the case of NDPL, issues relating to opening Balance Sheet under the Transfer Scheme Part II to Schedule "F" of the Transfer Scheme dated 20th November, 2001 notified by the Government of Delhi, provided an opening Balance Sheet as on 1st July, 2002. The value of stores and spares and loans to personnel were to be adjusted to reflect the actual book value as on the date of transfer and the difference between the actual value to be certified by independent valuers and the amounts appearing in the opening Balance Sheet were to be adjusted against the current liability to Holding Company appearing in the opening Balance Sheet.

(a) Loans to Personnel

Against Rs.6.00 crores (the Group's share being Rs.2.94 crores) provided in the opening Balance Sheet towards loans to personnel, the independent valuers formerly appointed by the company and DPCL have ascertained a sum of Rs.1.17 crores (the Group's share being Rs.0.57 crore) as loans to personnel outstanding as on 1st July, 2002 as per the revised report submitted in April, 2004. During the year 2005-06, DPCL has appointed second independent valuers to reascertain the amount of Loans to personnel as on 1st July, 2002. The second valuers appointed by DPCL have submitted their draft report according to which valuation of loans to personnel Rs.30.61 crores (the Group's share being Rs.15.00 crores) has been submitted. The company is in process of examining workings done by said valuers to arrive at the final amount of loans to personnel. Pending these, loans to personnel is reflected on the basis of the first report of April, 2004 at Rs.1.17 crores (the Group's share being Rs.0.57 crore).

(b) Opening Stores

The opening stores were valued by the independent valuers on the basis of total stores and spares lying in various stores of erstwhile Delhi Vidyut Board (DVB). The quantity and its corresponding value were to be subsequently divided amongst the three distribution companies and Delhi Transco Limited (DTL).

The company had verified the stores and spares allocated and physically received by it out of the total opening stores. The same had been accounted by the company in its books of account and reflected as payable to DPCL at the values ascertained by the independent valuers.

The valuation has been revised by the same independent valuers in the current year to take care of certain earlier inconsistencies / omissions. The revaluation has resulted in a net increase in valuation of opening stores with NDPL share of material physically taken over increasing by Rs.5.50 crores (the Group's share being Rs.2.70 crores). The entire amount has been charged in proportion of average of first two years' addition to fixed assets and material consumed for operations and maintenance.

DPCL has raised a demand for certain stores and spares which have not been allocated or physically received by the company. The company has submitted clarification on inadmissibility of some amounts. DPCL is examining company's submissions and it's invoices.

27. In the case of NDPL, Income recoverable from/adjustable in future tariffs :

(a) As per the Policy Directions issued by the GNCTD governing the transfer of business of erstwhile DVB to the company, the DERC determines the Retail Supply Tariff (RST) chargeable by the company to consumers and Bulk Supply Tariff (BST) payable by the company to Delhi Transco Limited for Power Purchase, in a manner that the company recovers its prudently incurred expenses and earns an assured Return of 16% p.a. on Equity and free Reserves.

(b) During the year ended 31st March, 2005 the DERC in its Tariff Order dated 9th July, 2005, has determined the uncovered revenue gap including its carrying cost at Rs.207.00 crores (the Group's share being Rs.101.43 crores) for the period upto 31st March, 2005. The company had recognised the uncovered Revenue Gap to the extent of Rs.172.11 crores (the Group's share being Rs.84.33 crores) comprising of Rs.120.00 crores (the Group's share being Rs.58.80 crores) for the year ended 31st March, 2005 and the balance Rs.52.11 crores (the Group's share being Rs.25.53 crores) for prior period, in the Profit and Loss Account for the year ended 31st March, 2005 as income for the year recoverable from the future tariffs and prior period income recoverable from future tariffs respectively, disclosed under 'Revenue for Power Supply' and 'Net Adjustments in respect of previous years', Item No. 1 and 4 of the Profit and Loss Account respectively.

The difference of Rs.34.89 crores (the Group's share being Rs.17.10 crores) has been now recognised in the income statement of the Current year as prior period income and is disclosed under "Net Adjustments in respect of previous years", Item No. 4 of the Profit and Loss Account.

(c) As per the Policy Directions, the company needs to achieve certain yearly AT&C Loss reduction targets in order to earn an assured Return of 16% p.a. on Equity. In the event of over achievement of AT&C loss reduction targets, the company is entitled to retain portion of such additional revenue realised which is in addition to the assured Return of 16% p.a. on Equity. The DERC is entitled to utilise the balance additional revenue from over achievement for tariff determination for the future years.

The company has over achieved its AT&C Loss reduction target for the year ended 31st March, 2006, and has generated additional revenues of Rs.172.16 crores (the Group's share being Rs.84.36 crores) included in the total income. The company is entitled to retain an estimated amount of Rs.55.39 crores (the Group's share being Rs.27.14 crores) out of such additional revenues as its share of over achievement. After adjusting for the 5% Discom's discount allowed to domestic consumers during the year and the average tariff truing of Rs.25.65 crores (the Group's share being Rs.12.57 crores), balance amount of Rs.91.13 crores (the Group's share being Rs.44.65 crores), has been provided as a liability in the current year towards utilisation of this revenue for tariff determination in future years.

As and when the said amount is adjusted for tariff determination in future years, credits shall be taken to the Profit and Loss Account of those years.

(d) In respect of certain expenses incurred during the year over and above or not included in the tariff calculation for the year, the income arising from this claim shall be recognised as and when the DERC considers them in the Tariff determination, by way of a truing up.

(e) The net impact of Notes *(b)* and *(c)* above of Rs.56.24 crores (the Group's share being Rs.27.55 crores) is carried under 'Sundry Debtors' which is included under 'Share in Joint Venture'- Schedule "G".

28. In the case of NDPL, during the year ended 31st March, 2005, the company had provided interest amounting to Rs.3.51 crores on consumer security deposits at the bank rate as per provisions of Section 47(4) of the Electricity Supply Act, 2003, on the assumption that it would be payable in that year. DERC in its Tariff Order dated 7th July, 2005, stated that no provision is being made in the ARR for the year ended 31st March, 2005 and 2006 towards interest on consumer security deposit and that as and when the DERC considers the same, it shall appropriately be included in the ARR. In view thereof, the interest in consumer security deposit provided for the year ended 31st March, 2005 has now been written back and no provision has been made for the year ended 31st March, 2006 on the basis that interest on consumer security deposit will be provided in books of account as and when DERC considers the same.

29. Disclosure as required by Accounting Standard 18 (AS-18) 'Related Party Disclosures' issued by The Institute of Chartered Accountants of India are as follows :

Names of the related parties and description of relationship :

(a) Related parties where control exists :

(i) Associates (where transactions have taken place during the year)	NELCO Ltd. (upto 30th December, 2005) Panatone Finvest Ltd. Rujuvalika Investments Ltd. Tata Ceramics Ltd. Tata Projects Ltd. Yashmun Engineers Ltd. Tata BP Solar India Ltd. Vantech Investments Ltd.
(ii) Joint Venture	North Delhi Power Ltd.
(iii) Promoters holding together with its Subsidiary is more than 20%	Tata Sons Ltd.
(b) Key Management Personnel	Vandrevala F. A. (upto 30th June, 2005) Kukde P. K. S. Ramakrishnan Engineer A. J. (w.e.f. 1st June, 2005)

(c) Details of transactions :

Rs. crores

	Associates	Joint Ventures	Key Management Personnel	Promoters
Purchases of goods..................................	0.63 *0.14*	— —	— —	— —
Sale of goods and scrap..........................	13.49 —	— —	— —	— —
Purchase of fixed assets	5.37 *1.00*	— —	— —	— —
Sale of fixed assets ………………………..	— —	— —	0.06 —	— —
Rendering of services	0.12 *0.17*	1.98 *3.27*	— —	— *0.07*
Receiving of services	33.22 *18.75*	0.80 —	— —	2.45 *1.25*
Sale of Division …………………………….	80.21 —	— —	— —	— —
Transactions of the sold Division entered on behalf, pending legal formalities (net)	18.51 —	— —	— —	— —
Management contracts	— —	— —	— —	12.60 *10.40*
Remuneration paid ………………………..	— —	— —	1.53 *2.13*	— —
Interest received	2.09 *2.01*	— —	* *0.01*	— —
Dividend received	3.30 *2.82*	18.03 *0.20*	— —	3.97 *2.74*
Dividend paid	— —	— —	— —	42.66 *39.82*
Guarantee commission paid	— —	— —	— —	0.11 *0.09*
Provision for doubtful debts provided during the year	0.05 —	— —	— —	— —
Deposits given	124.90 *27.10*	— —	— —	— —
Refunds towards deposits given	40.00 *14.10*	— —	— —	— —
@ (Reduction in Face Value of Equity Shares of Tata Ceramics Ltd. from Rs.10 to Rs.2 consequent to restructuring)....................	@ —	— —	— —	— —
Sale of Investments…………………….........	— *4.05*	— —	— —	— *327.00*
Loans repaid	— —	— —	0.16 *0.01*	— —
Guarantees and collaterals …………………	— *500.00*	— *0.10*	— —	— —

Rs. crores

	Associates	Joint Ventures	Key Management Personnel	Promoters
Balances outstanding				
Deposits given (including interest accrued)	125.24	—	—	—
	40.54	—	—	—
Deposit provided for as doubtful advances	1.27	—	—	—
	—	—	—	—
Doubtful debts provided for ………………..	0.43	—	—	—
	—	—	—	—
Other receivables	99.18	0.61	—	—
	0.42	*1.31*	—	—
Loans given	—	—	—	—
	—	—	*0.17*	—
Other payables	0.86	—	0.56	12.76
	3.61	—	*0.87*	*9.67*
Guarantees and collaterals outstanding	500.00	—	—	—
	500.00	*0.10*	—	—

Note: Previous year's figures are in italics.

(d) Details of material related party transactions [included under *(c)* above]

Rs. crores

Particulars	Associates					
	Tata BP Solar India Ltd.	NELCO Ltd.	Panatone Finvest Ltd.	Tata Projects Ltd.	Yashmun Engineers Ltd.	Vantech Investments Ltd.
Sale of Goods.....................................	—	—	—	13.49	—	—
	—	—	—	—	—	—
Purchase of fixed assets.....................	—	2.54	—	—	2.28	—
	—	—	—	*1.00*	—	—
Receiving of services..........................	—	1.39	—	29.92	1.81	—
	—	*2.56*	—	*13.70*	*2.18*	—
Sale of Investments	—	—	—	—	—	—
	—	—	—	—	—	*4.05*
Sale of Division.................................	—	—	—	80.21	—	—
	—	—	—	—	—	—
Transactions of the sold Division entered on behalf, pending legal formalities (net)................................	—	—	—	18.51	—	—
	—	—	—	—	—	—
Guarantees and Collaterals given..........	—	—	—	—	—	—
	—	—	*500.00*	—	—	—
Interest received...............................	—	—	1.96	—	—	—
	—	—	*1.83*	—	—	—

Rs. crores

Particulars	Associates					
	Tata BP Solar India Ltd.	NELCO Ltd.	Panatone Finvest Ltd.	Tata Projects Ltd.	Yashmun Engineers Ltd.	Vantech Investments Ltd.
Dividend received..............................	3.12	—	—	—	—	—
	2.67	—	—	—	—	—
Deposits given...................................	—	—	124.90	—	—	—
	—	—	*26.10*	—	—	—
Refund towards Deposits given...........	—	—	40.00	—	—	—
	—	—	*13.10*	—	—	—

Note: Previous year's figures are in italics.

30. Disclosures as required by Accounting Standard 29 (AS—29) "Provisions, Contingent Liabilities and Contingent Assets" issued by ICAI in respect of provisions as at 31st March, 2006, are as follows :

Rs. crores

Particulars	Opening Balance	Provision during the year	Payments/ Adjustments made during the year	Reversal made during the year	Closing Balance
Provision for Warranties..	3.55#	2.36	(0.44)	(1.96)	3.51
	2.19	*1.30*	*(0.77)*	—	*2.72*
Provision for Premium on Redemption of FCCB.............	138.40	2.76	—	—	141.16
	—	*138.40*	—	—	*138.40*
Provision for Premium on Redemption of Debentures.....	134.70	—	—	—	134.70
	—	*134.70*	—	—	*134.70*
Provision for Contingencies..	30.00	—	—	(30.00)	—
	—	*30.00*	—	—	*30.00*
Provision for future foreseeable losses on contracts etc.	—	3.77	—	—	3.77
	—	—	—	—	—
Provision for Site Restoration Cost...............................	—	—	—	—	—
	8.75	*4.44*	*(13.19)*@	—	—

Note: Previous year's figures are in italics.

Includes Rs.0.83 crore being provision pertaining to NELCO as at 31st December, 2005.

@ Adjustment consequent to sale of subsidiary.

31. Earnings per share :

			2004-05
(a)	Profit after taxes, statutory appropriations, minority interest and share of associates (Rs. crores)	712.11	*594.70*
(b)	The weighted average number of Equity Shares for Basic EPS (Nos.)	19,80,88,114	*19,80,88,114*
(c)	The nominal value per Equity Share (Rupees)	10.00	*10.00*
(d)	Basic Earnings per share (Rupees)	35.95	*30.02*
(e)	Profit after taxes, statutory appropriations, minority interest and share of associates for Basic EPS (Rs. crores)	712.11	*594.70*
	Add: Interest Payable on FCCB (Rs. crores)	6.67	*0.55*

			2004-05
(f)	Profit after taxes, statutory appropriations, minority interest and share of associates for Diluted EPS (Rs. crores)..	718.78	*595.25*
(g)	The weighted average number of Equity Shares for Basic EPS (Nos.)	19,80,88,114	*19,80,88,114*
	Add: Effect of potential Equity Shares on conversion of FCCB (Nos.)	1,46,83,930	*14,48,278*
(h)	The weighted average number of Equity Shares for Diluted EPS (Nos.)	21,27,72,044	*19,95,36,392*
(i)	Diluted Earnings Per Share (Rupees)..	33.78	*29.83*

32. *(a)* Managerial Remuneration in respect of the Parent Company:

			Rs. crores *2004-05*
(i)	Managerial Remuneration for Directors .... the above is inclusive of:	@1.71	*@2.63*
(a)	Estimated value of benefits in cash or in kind provided to Whole-time Directors	0.54	*0.50*
(b)	Contribution to Provident and other Funds.........................	0.10	*0.12*
(c)	Commission to Directors	0.93	*1.27*
(d)	Ex-gratia payment	0.04	*Nil*
(ii)	Directors' Sitting Fees	0.09	*0.11*

@ Includes Rs.0.12 crore (*31st March, 2005 – Rs.0.34 crore*) which is subject to the approval of members in the forthcoming Annual General Meeting.

(b) Managerial Remuneration shown above is net of :

(i) Rs. 0.27 crore (*31st March, 2005 – Rs. 0.08 crore*) being reversal of excess provision for commission relating to the previous year;

(ii) Rs. 0.27 crore (*31st March, 2005 – Rs.Nil*) being reversal of excess provision (net) for retirement benefits i.e. gratuity, leave encashment etc. in respect of period of service with the Parent Company.

(c) Managerial Remuneration shown above is exclusive of :

			Rs. crores *2004-05*
(i)	Fees as Technical Advisor to a Non Whole-time Director............	0.21	*Nil*
(ii)	Salary to an Ex-Managing Director in the capacity of an Advisor..........	0.20	*Nil*

33. Segment Information :

(a) Primary Segment Information :

Rs. crores

	Power	Others	Eliminations	Total
REVENUE				
External Revenue	5,383.66	311.79	—	5,695.45
	4,498.55	*456.17*	*—*	*4,954.72*
Inter—segment Revenue	2.63	1.66	(4.29)	—
	0.71	*9.89*	*(10.60)*	*—*
Total Revenue	5,386.29	313.45	(4.29)	5,695.45
	4,499.26	*466.06*	*(10.60)*	*4,954.72*
RESULT				
Total Segment Results	728.20	16.02	—	744.22
	677.62	*119.67*	*—*	*797.29*
Interest Expense	—	—	—	(163.82)
	—	*—*	*—*	*(180.44)*
Unallocable Income net of unallocable expense	—	—	—	225.30
	—	*—*	*—*	*212.45*
Income Taxes	—	—	—	(168.69)
	—	*—*	*—*	*(241.01)*

Rs. crores

	Power	Others	Eliminations	Total
Profit after Tax before share of associates ...	**—**	**—**	**—**	**637.01**
	—	—	—	*588.29*
Share of Profit/(Loss) of associates	—	—	—	110.20
	—	—	—	*3.02*
Profit after Tax after associates before minority interest	—	—	—	747.21
	—	—	—	*591.31*
OTHER INFORMATION				
Segment Assets	6,963.39	587.48	—	7,550.87
	5,681.16	*539.17*	—	*6,220.33*
Unallocated Assets	—	—	—	4,231.82
	—	—	—	*4,266.52*
Total Assets	**—**	**—**	**—**	**11,782.69**
	—	—	—	*10,486.85*
Segment Liabilities	1,060.00	137.72	—	1,197.72
	1,040.94	*147.36*	—	*1,188.30*
Unallocated Liabilities	—	—	—	4,964.19
	—	—	—	*4,341.80*
Total Liabilities	**—**	**—**	**—**	**6,161.91**
	—	—	—	*5,530.10*
Capital Expenditure	1,227.94	31.58	—	1,259.52
	1,245.61	*65.34*	—	*1,310.95*
Non—cash Expenses other than Depreciation /Amortisation	65.42	5.36	—	70.78
	63.56	*1.26*	—	*64.82*
Depreciation/Amortisation (to the extent allocable to segment)	328.55	15.80	—	344.35
	408.79	*42.81*	—	*451.60*

(i) Types of products and services in each business segment :
Power – Generation, Transmission, Distribution and Trading of Electricity.
Others – Electronics, Broadband Services, Project Consultancy etc.

(ii) Segment revenue comprises of:

Rs. crores

			2004-05
(a) Revenue from Power Supply		5,330.16	*4,441.16*
(b) Income from Other Operations			
(i) Sale of Electronic Products (net of excise)	60.32		*57.31*
(ii) Other Operations	285.95		*427.32*
		346.67	*484.63*
(c) Net adjustments in respect of Previous Years		19.02	*28.93*
		5,695.45	*4,954.72*

(b) Secondary Segment Information :

The export turnover of the Group being 0.73% (*2004-05 - 0.69%*) of the total turnover, there are no reportable geographical segments.

34. Previous year's figures have been restated, wherever necessary, to conform to this year's classification. Figures are rounded off to nearest lakh. Figures below Rs.50,000 are denoted by '*'.

Gist of the Financial Performance for the year 2005-06 of the Subsidiary Companies

(Rs. crores)

	Name of the Subsidiary	NELCO Ltd.	Chemical Terminal Trombay Ltd.	Af-Taab Investment Company Ltd.	Tata Power Trading Co. Ltd.	Tatanet Services Ltd.	Maithon Power Ltd.	Powerlinks Transmission Ltd.
1.	Capital	22.82	2.11	13.39	20.00	0.06	5.42	420.00
2.	Reserves and Surplus	—	37.85	88.55	1.86	—	—	—
3.	Total Assets (Fixed Assets + Current Assets+Deferred Tax Asset + Miscellaneous Expenditure)	137.19	19.13	42.00	9.59	0.05	38.41	1498.50
4.	Total Liabilities (Debts + Current Liabilities+Deferred Tax Liability)	133.78	5.53	84.17	8.07	—	32.99	1078.50
5.	Investment (except in case of investment in subsidiary co.)	4.84	26.36	144.11	20.34	—	—	—
6.	Accumulated Losses	14.57	—	—	—	0.01	—	—
7.	Turnover	30.07 @	11.95	20.36	207.76	—	—	—
8.	Profit before taxation	(1.97) @	4.13	1.95	4.95	(*)	—	—
9.	Provision for taxation	0.10 @	0.86	1.46	1.77	—	—	—
10.	Profit after taxation	(2.07) @	3.27	0.49	3.18	(*)	—	—
11.	Proposed dividend	— @	1.69	—	1.22	—	—	—

@ Figures given are for the period 31st December, 2005 to 31st March, 2006 . NELCO Ltd. became a subsidiary w.e.f. 31st December, 2005

* Less than Rs. 50,000.

Please refer to consolidated financial statement and notes appearing thereon.