

# Chairman's Statement

## **Dear Shareholders,**

I extend very warm welcome to you on this thirty fifth Annual General Meeting of the Company .Copies of the Annual Report comprising Directors' Report, the Audited Financial Statements alongwith Auditors' Report thereon and comments of the C&AG have already been mailed to you. With your permission I take them as read.

I am happy to submit to you the Annual Report and Accounts of NHPC Limited for the year ending 31<sup>st</sup> March 2011. I am pleased to report that NHPC has made excellent progress during 2010-11 which has retained our position as a premier player in the Indian Hydropower Sector. During this period, your Company has made commendable performance in spite of facing numerous challenges & hurdles.

## **Sector background**

Our country is endowed with enormous economically exploitable and viable hydropower potential of 1,48,700 MW out of which 38,106 MW has been developed so far and projects totaling 15,226 MW are under development by various developers. Thus, about 64 per cent of the total potential remains to be exploited. The remaining untapped potential provides ample opportunities to the hydropower developers.

## **Indian Power Scenario**

India's generation capacity is expected to grow from current levels of about 177 GW (during 2011) to about 512 GW by 2022. Parallel to this, energy & peak demand will also be growing year after year and as per 17<sup>th</sup> Electric Power Survey (EPS) report, it is expected to reach at 14 lacs MU & 218 GW respectively by the end of 12<sup>th</sup> plan and at 19 Lacs MU & 298 GW respectively by the end of 13<sup>th</sup> plan. In India, comparative to other sources of energy like Thermal, the Hydro power generation is quite low and presently stands at merely 21.5% of the total installed capacity. Further, due to increasing environmental concerns, quality as well as availability of domestic coal, waste disposal issues and higher risk associated with nuclear power, the energy need of the country would require other sources of energy to coexist with necessary improvements in their generating processes.

The inherent advantages of hydro power in terms of high conversion efficiency, flexibility in operation, environmentally benign, inflation free energy and ability to

provide reliability and stability to grid system make it the most viable option, which will represent energy independence for the country. Envisioning the hydropower as a most reliable & environment friendly option out of other available resources in Indian context, Hydro Generation Capacity is expected to increase from present level of 38.10 GW (during Jul-11) to 112 GW by 2022 as per Hydro Policy 2008 of Gol.

### **NHPC's Vision**

NHPC envisages to become a world class, diversified & transnational organization for sustainable development of hydro power and water resources with strong environment conscience and in its endeavor to achieve this mission, NHPC has targeted to add 13000 MW plus capacity by the end of 2022 in subsequent plan periods. This is in addition to the already added capacity of 5295 MW till date. To achieve this target, NHPC has entered into alliances with various State Govts./ PSUs to form JVCs besides its own construction capabilities which is a testimony of the strong willingness to harness hydro potential through all available means.

### **Financial performance**

I am proud to state that your Company has achieved its highest ever net Profit after Tax of ₹ 2,166.67 crore. The sales of your Company during the year were ₹ 4,046.59 crore. It is a matter of great satisfaction that we achieved 100 per cent sales realization against 97 per cent achieved last year.

### **Power Generation**

Your Company has made a commendable performance in terms of Power Generation during 2010-11 and has generated 18606 Million Units (MUs) from its own Power Stations which exceeded the annual MoU target of 18000 Million Units for "Excellent" rating. The generation so achieved was 9.69 per cent higher than the generation achieved during the previous year.

### **Capacity Addition**

It was a proud moment for all NHPCians as Shri Sushilkumar Shinde, Hon'ble Union Minister of Power dedicated NHPC's 120 MW Sewa-II Power Station in Jammu & Kashmir to the Nation on 29<sup>th</sup> September 2010. With the commissioning of Sewa-II, NHPC's installed capacity increased to 5,295 MW through its 14 operating power stations (including 1000 MW Indira Sagar and 520 MW Omkareshwar Power Stations through NHDC Limited - a Joint Venture of NHPC with Government of Madhya Pradesh). During the current plan, NHPC has now added 1,150 MW through three projects (510 MW Teesta-V in Sikkim, 120 MW Sewa-II in Jammu and Kashmir and 520 MW Omkareshwar of NHDC in Madhya

Pradesh). Your Company is currently engaged in the construction of hydroelectric projects with combined installed capacity of 4,502 MW in the States of Jammu and Kashmir, Himachal Pradesh, West Bengal and Arunachal Pradesh/Assam. Seven new projects with combined capacity of 5,965 MW are in the clearance and approval stages. With the commissioning of ongoing projects, NHPC will be a 9,500 MW Company during XII plan itself.

### **Joint Ventures**

Your Company has been actively pursuing business development and has entered into various agreements towards expanding its business portfolio. Eight projects, totaling 4006 MW are to be implemented through joint ventures. A Joint Venture Company the Loktak Downstream Hydroelectric Corporation Limited has been incorporated for execution of the 66 MW Loktak Downstream Project in Manipur with a 74 per cent shareholding by NHPC and 26 per cent by Government of Manipur. Another Joint Venture Company, Chenab Valley Power Projects (Pvt.) Limited has been formed in which NHPC, JKPDC and PTC are partners on 49:49:2 basis for taking up 3 projects totaling 2,120 MW in Chenab river basin , J&K. Another JV Company with SJVN Limited and Govt. of Manipur to implement 1,500 MW Tipaimukh Hydroelectric (Multipurpose) Project in Manipur is in advance stage of formation with share holding of NHPC, SJVNL and Govt. of Manipur being 69, 26 and 5 per cent respectively. NHPC has signed MoU for formation of a JV Company with Orissa Hydro Power Corporation Limited (OHPC) to implement three Hydroelectric Projects - Sindol-I, II & III with an aggregate capacity of 320 MW on the Mahanadi River in Orissa. NHPC will hold 51% share in JV Company.

### **Diversification**

NHPC is committed to maintain a leading position in hydropower sector and also expanding its business domain. The Company is making a foray in the thermal power business through its subsidiary NHDC which has been entrusted the task of setting up the 1,320 MW Reva Thermal Power Project in Khandwa district by Government of Madhya Pradesh. Your Company is also in the process of establishing a wind power plant near the Salal Power Station in the Bidda district of Jammu and Kashmir. A specialized group has been formed to explore the possibilities of adding capacity under renewable source of energy in coming years.

### **Consultancy and Business Development**

The expertise available with NHPC is being utilized in the area of hydropower development in countries like Bhutan, Myanmar and Tajikistan. NHPC has been entrusted with the task of preparing DPRs of 670 MW Chamkarchhu-I and 1,800

MW Kuri-Gongri HE Projects in Bhutan. NHPC has also been appointed as the Engineering & Design consultant for the execution of 720 MW Mangdechhu HE

Project in Bhutan. The Company has also been designated as executing agency for the 1,200 MW Tamanthi and 642 MW Shwezaye hydropower projects in Myanmar. NHPC has signed a MoU with Russia's largest power generating Company, JSC RusHydro on 23rd May 2011 for cooperation in the field of hydropower. This has been signed with a view to have co-operation in areas of mutual interest for benefit of both the Company in the field of hydropower development and renewable energy sources. This will help NHPC in getting access to new technology as well as business opportunity and global presence

### **Environmental & Social aspects**

I am happy to state that NHPC continues to maintain its strong commitment towards environment and is spearheading the government's green drive in the power sector. The Company has given paramount importance to executing and operating its projects in an environment-friendly and socially responsive manner. In the event of any adverse impact on the environment, NHPC takes care to mitigate such impact through compensatory measures. Your Company takes its social responsibility very seriously that is why it takes a special interest in Project Affected Families (PAFs). Its policy provides certain extra benefits over and above those proposed in NRRP 2007.

### **Rural Electrification and Rural Road works**

Your Company is ever dedicated to nation building and is part of the national programme of providing electricity in the remote far-flung corners of the country. Under the Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY), as on 31.08.11, NHPC has completed electrification of 8,742 UE/DE villages and provided 16.72 lakh BPL connections. NHPC is also executing 66 KV transmission lines in the Leh and Kargil districts of Jammu and Kashmir under RGGVY. Your Company has also been entrusted with construction of rural roads and their maintenance under the Pradhan Mantri Gram Sadak Yojana (PMGSY) in six districts of Bihar. So far, NHPC has completed 2326 km length of road at a cost of Rs 1195 crore.

### **Clean Development Mechanism (CDM)**

The 45 MW Nimoo-Bazgo and 44 MW Chutak Projects have been registered by CDM Executive Board of United Nations Framework Convention on Climate Change (UNFCCC) in pursuance of securing benefits from projects under Clean

Development Mechanism (CDM). Our 510 MW Teesta-V Power Station has been successfully validated under Voluntary Emission Reduction (VER) scheme.

### **Rajbhasha implementation**

Your Company has given prime importance to promotion of Rajbhasha, which is reflected in its daily usage across its offices. I am happy to inform that on 14.9.11, Her Excellency The President of India, Smt. Pratibha Devisingh Patil, has awarded "First Prize" to NHPC under Indira Gandhi Rajbhasha Award programme for outstanding work in implementation of Rajbhasha among Public Sector Undertakings located in Region 'A' for the year 2009-10. This is the highest award for Rajbhasha Implementation in the Union Government.

### **Human Resource**

The true strength of NHPC lies with its 11350 strong skilled manpower which is well versed in investigating, planning, designing and executing hydropower projects and also in their operation and maintenance. The Company constantly endeavours to maintain employee morale. It has undertaken numerous HR initiatives to create an ideal work atmosphere and create a perfect work-life balance for its employees. The organization's strong HR policy system has also been re-engineered to meet the organization requirement and the wages / perks of the employee of all categories have been revised as per recommendations of Gol. The Company has executed many strategic training programmes to keep its employees abreast with the latest trends and techniques at the workplace. Training was imparted across all level to over 98 per cent of the employees last year relating to Operation & Maintenance of Power Stations. We also maintained excellent industrial relations across the Company due to which no single man-day was lost. Your Company is also dedicated towards the National Skill Development Mission of the Government of India and has adopted 11 nos ITIs in J&K, Uttarakhand and Arunachal Pradesh so far through Public Private Partnership (PPP), Vocational Training Improvement Programme (VTIP) and Centre of Excellence (CoE).

### **IT initiatives**

Your Company is constantly shaping itself to be a dynamic, robust and modern organization. The IT initiative of the specialized Enterprise Resource Planning (ERP) system has been successfully implemented across the Company to efficiently manage the utilization of generating assets and expeditious implementation of construction projects thereby improving the quality and profitability of the organization.

### **CSR initiatives**

Your Company has adopted a new comprehensive CSR policy in line with DPE guidelines by earmarking 0.5% of profits for CSR activities. The initiatives include creating Herbal parks, Afforestation, organizing Medical/ Vaccination camps, Upgrade / Construct Educational Institutions, Peripheral Development, Organizing Sports/Cultural Festivals, Melas etc in and around Projects / Power Stations, Empowerment of women and Scholarship to SC/ST students. The theme for the MoU target for this year has been upliftment and empowerment of the women in order to make them capable to support the family by engaging in some activities which can provide financial support to the family. Your Company's endeavor will help the needy and at the same time establish the commitment towards socio-economic development of the society.

### **Awards and Recognitions**

I am delighted to say that NHPC's constant effort in developing clean and green power have not gone unrecognized and your Company has won many laurels across the industry at various platforms. Your Company was conferred with 'India Power Award 2010' by Council of Power Utilities for 'Social and Community Impact' for its outstanding work under Corporate Social Responsibility. NHPC was also conferred with the 'Best PSU in creating Alternative Energy Resources Award' at the 2<sup>nd</sup> Infrastructure Excellence Awards. NHPC was adjudged as the 'Top Indian Company in the Power Sector' at the Dun & Bradstreet- Rolta Corporate Awards 2010 for its contribution to the Indian economy. It was also conferred with the 'Gentle Giants Award' under Non-Manufacturing Mini Ratna Category by Dalal Street Investment Journal. NHPC was also given the 'CIDC Vishwakarma Award 2011' under the category for 'Social Responsibility'.

### **Acknowledgements**

I am deeply grateful to the immense support and guidance received for the Company from the Hon'ble Minister for Power, Hon'ble Minister of State for Power, Secretary (Power), Joint Secretary (Hydro) and other officers of Ministry of Power. I am thankful to the officers in CEA, CWC, CERC and Planning Commission for their support and continuous guidance. I am also thankful to other bodies including Ministries of Heavy Industries & Public Enterprises, Finance, Home Affairs, Defence, External Affairs, Environment & Forest, New Renewable Energy, Ministry of Statistics & Programme Implementation and State Governments including Electricity Boards and Discoms, the Comptroller & Auditor General of India and the Statutory Auditors of the Company for their constant support. I express my thanks to the faith imposed in the Company by our investors, bankers and lenders.

I would like to place on record my appreciation for the invaluable contributions of my fellow Members on the Board which are extremely vital for taking NHPC to greater heights of achievements.

I thank all NHPC employees for their dedication and commitment in achieving the excellence which is shaping Company's future. I am confident that we shall be getting continued support and guidance from each and everyone to excel in our performance.

A.B.L Srivastava  
Chairman & Managing Director

Place: Faridabad

Date: 19<sup>th</sup> September 2011

NOTE: This does not purport to be a record of the proceedings of the Annual General Meeting.