



CHAIRMAN'S SPEECH

Dear Members,

With immense pleasure I am welcoming you all to the 32nd Annual General Meeting of your Corporation. It is my privilege to steer the Corporation on taking over the charge of Chairman & Managing Director of the Corporation on 6th June 2008. The Corporation has accelerated its growth both in performance and profitability, declaring higher dividends and consistently breaking its previous records. The year 2007-08 under review has been no exception. True to its stature as one of the largest Power utilities in the region, the Corporation has greatly contributed in making Power available to the region as a whole with reliability, quality and economy of operations. A network of seven O&M projects with 26 units in the grid at present, NEEPCO since its establishment in 1976 has been rendering valuable services to the socio-economic development and strategic growth of the region in particular and the country as a whole. Strengthened by the commitment and capability of our people, we performed well on the fronts of Project implementation, Operation &

Maintenance of the Power Stations & other areas during the year 2007-08.

We have generated 5475 MU electricity against a target of 5145 MU, which is about 20% higher than the previous year's generation of 4566 MU. The generation would have been much higher had there been no damage of Stator in Kopili Unit-I, forced shutdown of KHEP Stage-II Unit for APM and occurrence of mishap during lifting operation of the Surge Shaft gate. The generation of Kopili Power Station and Khandong Power Station also suffered due to serious law and order problem in and around the Project area. The generation from 291 MW Assam Gas Based Power Plant has also been affected for lesser availability of gas.

The Corporation is continuing to register profit of Rs. 200 crores plus during the last 5 (five) consecutive years. During the year the Corporation achieved gross revenue of Rs.962.68 crores and a profit of Rs. 282.00 crores

before tax, which is 19.50% higher than the previous year's figure of Rs. 236.00 crores, thereby maintaining a steady growth. This year the Corporation has already paid an interim dividend of Rs. 18.4 crores and the Board has recommended dividend of Rs. 59.10 crores. So the total amount of dividend will be Rs. 77.50 Crores, which is the



(Photo Caption)

highest so far, and the same shall be declared once it receives your seal of approval.

While talking about the progress of on-going Kameng HE Project, changes in design parameters of Bichom and Tenga Dam and change in HPT alignment from fully under ground to partly under ground and over ground are the main reasons for not achieving expected targets apart from other setback such as formation of cavity and ingress of water, slush etc. encountered in boring of HRT due to fragile Himalayan geology. This unprecedented situation has been tackled with suitable remedial measures. In order to overcome such eventuality in future and to expedite the progress of boring by suitably modifying the tunneling method; procurement of additional machineries have been approved by the Board. With the induction of these state of the art machineries, we are confident to complete the critical activities as per schedule of the revised PERT.

The Techno Economic Clearance and Environment Clearance of 110 MW Pare HEP have already been obtained. The PIB has recommended the project proposal for placing before CCEA for clearance and accordingly draft CCEA note has been sent to the Ministry of Power, Govt. of India on 8th April 2008. The clearance from CCEA is expected shortly. The Hon'ble Prime Minister of India has laid the foundation stone of this Project on 31st January 2008. The Notice Inviting Bid (NIB) for Package-I (Civil & HM works) and Package-II (Electro Mechanical works) and NIB for design and review consultancy had already been published. The date of opening of Techno-commercial Bid for package-I & II is scheduled in August 2008 & September, 2008 respectively. The Corporation is in advanced stage of finalization of loan with kfW, Germany

for execution of this project.

Efforts are being made to revive the 60 MW Tuirial HE Project. Ministry of Power, Govt. of India has been approached for providing a grant of Rs. 134 crores to make the project viable.

The PIB has recommended the 1500 MW Multipurpose Tipaimukh HE Project for placement before CCEA subject to certain observations. Works for attending these observations are in progress.

Memorandum of Agreement (MoA) for 90MW Mawphu HE Project in Meghalaya was signed on 20th December 2007 for execution. However, Government of Meghalaya on 9th April 2008 has directed the Corporation not to operationalise the MoA until further communication. Corporation has taken up the matter with Government of Meghalaya for revoking their decision. We are hopeful that a favourable response will follow shortly. The project will be completed within 4½ years from the date of CCEA clearance.

The 100+20 MW Tripura Gas Based Power Project is expected to receive Investment decision very soon. The Gas Supply Agreement of the Project with M/s ONGC has been signed on 05.06.2008. The updated/ revised DPR and draft PIB Memorandum have also been submitted to the Ministry of Power, Govt. of India.



(Photo Caption)

Govt. of Arunachal Pradesh is constantly being pursued for signing of MoA/ MoU for 70 MW Badao HE Project, 130 MW Ranganadi HE Project, Stage-II and 160 MW Kapak Leyak HE Project. In-principle approval of the Ministry of Power, Govt. of India has been sought to sort out the issue of upfront payment so that the projects can be taken up for execution.

In view of abundant coal reserves with high calorific value in the North East, your Corporation proposes setting up of 3 (three) Coal Based Thermal Power Projects with a total capacity of 1220 MW. Among these, Margherita Thermal Power Project (480 MW), Assam is considered for setting up by NEEPCO through Joint Venture with the Government of Assam. Action is being initiated to finalize the modalities in this regard with Govt. of Assam. Draft MOA for 240 MW West Khasi Hills Thermal Power Project in Meghalaya has already been submitted to the State Government for consideration. Though the Corporation has signed MoA for execution of 500 MW Garo Hills Thermal Power Project with Government of Meghalaya in December 2007, they have further requested not to operationalise the MoA until further order. The site of the Project has been finalized and limited tender for EIA/EMP study is under evaluation. Empanelment of consultants for preparation of FR/DPR has also been made. Detailed tender for preparation of FR/DPR from the empanelled consultants is being invited.

The Corporation is giving emphasis for implementation of environmental requirements in the O&M Projects as well as in the Projects under construction.

To maintain quality and international standards for environment, health & safety, your Corporation has obtained Re-Certification of up gradation of ISO 14001:1996 (EMS) to ISO 14001:2004, Re-Certification of OHSAS 18001:1999 and Certification of ISO 9001:2000 (QMS).

During the year 2007-08 efforts in all sectors of your Corporation has received support and guidance from the Ministry of Power, Ministry of Finance, Ministry of DoNER, other Ministries of Government of India, Central Electricity Authority, Central Water Commission and other Departments of Government of India, State Governments and other Departments of all North East States, Financial Institutions, Bank and lending Agencies. I

on behalf of all of you take this opportunity to express Corporation's gratitude and appreciation for their invaluable support and contribution. I also like to place on record, on behalf of all of you, our sincere thanks to the Statutory Auditors of the Corporation, the Cost Auditors and the Comptroller & Auditor General of India for their constructive suggestions.

Lastly I, on your behalf, would like to place on record the Corporation's appreciation for the sincere and devoted service rendered by all employees who made it possible for maintaining its excellent growth and performance.

May I now request that the Director's Report, the Audited Accounts, the Reports of Auditors and comments of the C & AG for the Year ended 31st March' 2008 be considered and adopted.

Thanking you all,

Place: New Delhi
Dated: 14th Aug.08

(V.K. Abbey)
Chairman &
Managing Director

DIRECTORS' REPORT FOR THE YEAR 2007-08

Dear Members,

On behalf of the Board of Directors, it is my privilege to present the 32nd Annual Report on the performance of your Corporation during the financial year ended on March 31, 2008 along with audited Statement of Accounts, Auditors' Report and Review of the Accounts by the Comptroller and Auditor General of India for the reporting period.

FINANCIAL PERFORMANCE

The Year 2007-08 has been an outstanding year with performance surpassing all previous records. The Corporation achieved Gross Revenue of Rs.962.68 Crores in the year 2007-08 against previous year's figure of Rs.945.26 Crores recording a growth of 1.84 %. The Corporation earned a profit before tax of Rs.282.24 Crores against previous year's figure of Rs.236.27 Crores recording a growth of 19.46 % and the profit after tax amounts to Rs.258.31 Crores against previous year's figure of Rs. 218.64 Crores. The generation during the year under report was 5475.25 MU against the generation of 4566 MU during the previous year recording a growth of 19.91%.

The performance of the Corporation for the financial year ended 31st March 2008 is summarized below:

	(Rs. In Crores)	
Particulars	2007-08	2006-07
Gross Revenue	962.68	945.26
Sale of Power	860.31	827.75
Gross Margin	604.47	580.10
Depreciation	149.69	150.21
Deferred Revenue Expenditure	2.06	8.78
Gross Profit	452.72	421.11
Interest and Finance Charges	112.48	128.85
Provision against Tariff revision	00	55.99
Write off	58.00	00
Provision for Taxes	23.93	17.63
Profit after Tax	258.31	218.64
Add: Balance of Profit from last year	0.97	0.82
Write back from Bond Redemption Reserve	26.27	25.00
Profit available for Appropriation	285.55	244.46
Appropriations:		
Bond Redemption Reserve	15.26	19.34
Proposed Dividend (including interim dividend)	77.50	65.60
Tax on Dividend	13.17	10.55
General Reserve	179.00	148.00
Balance carried over to Balance Sheet	0.62	0.97
Total	285.55	244.46



(Photo Caption)

DIVIDEND

Your Directors recommended highest ever dividend of Rs.77.50 Crores for the year 2007-08 including the interim dividend of Rs.18.40 Crores, paid in March 2008, subject to your approval in the Annual General Meeting. The total dividend pay-out represents 30% of Profit after Tax (PAT) as per the policy decision of Government of India.

REVENUE REALISATION:

During the year the Corporation realized an amount of Rs. 866.00 Crores from the beneficiaries against a billing of Rs.860.31 crores.

FINANCIAL REVIEW:

A) CAPITAL STRUCTURE

The Authorised Share Capital of the Corporation as on 31.03.2008 stood at Rs.3500 Crores. The Authorised Capital is proposed to be increased to Rs 5000.00 Crores subject to approval of President of India and the Shareholders. The Paid up Capital, including amount received against share capital pending allotment was Rs.3183.94 Crores (Previous year Rs. 2659.32 Crores). Government of India has converted GOI Loan amounting to Rs.361.09 Crores into Equity in respect of Ranganadi H E Project, to conform to the approved pattern of financing of the Project.

B) BORROWINGS

The borrowings of the Corporation as on 31st March, 2008 were brought down to Rs.962.49 Crores from Rs.1612.98 Crores as on 31st March, 2007 through effective fund management and financial restructuring.

C) NET WORTH

The Net Worth of the Corporation excluding committed reserve as on 31st March, 2008 was Rs.3974.97 Crores against Rs.3284.63 Crores as on 31st March, 2007 representing a growth of 21.02%.

D) COST ACCOUNTING RECORD RULES

The Central Government has approved the appointment of M/S Bandyopadhyaya Bhaumik & Co., Cost Accountants, as Cost Auditor of the Corporation for the financial year 2007-08. The Cost Audit for the year 2007-08 has since been completed and Report is under finalization.

PROJECTS UNDER OPERATION :

POWER GENERATION:

The generation during the year 2007-08 was 5475 MU which is 6.41% higher than the MOU target of 5145 MU (RE) for the year. The project wise generation vis-à-vis targets during the year 2007-08 were as follows:-

Sl No	Projects	Target (RE) (MU)	Generation (MU)	Achievement (%)	Normative CI(%)	Actual CI(%)	Availability (%)
1	KHEP (275 MW) Kopili Power Station (4x50MW)	790	990	125.31	85	70.04	
	Khandong Power Station (2x25MW)	180	220	122.22	85	84.79	
	KHEP Stage II (1X25MW)	70	70	100.00	85	72.40	
	SubTotal - KHEP(275MW)	1040	1280	123.00			
2	DHEP (75 MW)	239	268	112.13%	85	94.92	
3	RHEP (405 MW)	1510	1540	101.99%	85	97.60	
4	AGBP (291 MW)	1699	1727	101.65%	-	-	69.45
5	AGTP (84 MW)	657	660	100.45%	-	-	95.68
	Total	5145	5476	106.41%			

MAJOR EVENTS AND ISSUES

HYDRO PROJECTS

A) Kopili Hydro Electric Power Station (275 MW), Assam:

The Project consists of three power stations namely, Kopili Power Station (4X50 MW), Khandong Power Station (2X25 MW) and KHEP Stage II Power Station (1X25 MW).

The capacity index for **Kopili Power Station** (4x50MW) was lower than the normative capacity index of 85% on account of shut down of Unit I for 100 days and Unit-II for 78 days due to dislodgement



(Photo Caption)

of brake track segment, damage of stator bar and high vibration problems respectively.

The capacity index for KHEP **Stage II** (1X25 MW) was lower than the normative capacity index of 85% on account of shut down for 85 days because of the accident occurred at Surge Shaft Gate.

In view of deteriorating law and order situation in the vicinity of the Project area, Khandong Power Station, KHEP-Stage-II Power Station and Kopili Power Station were under shut down for 4 days, 5 days and 10 respectively. An attack on Power Station and subsequent ambush on the convoy escorting the operation staff resulted in 9(nine) casualties which includes 5(five) security personnel. Due to the restricted working hours on account of law & order problem, the maintenance / restoration works took longer period that affected the generation schedule of the power stations with consequent lowering in capacity indices.

B) Doyang Hydro Electric Power Station (75 MW), Nagaland:



(Photo Caption)

Generation of 268 MU achieved against 239 MU of MoU target with a capacity index of 94.92%. The Plant has generated 118% of the design energy.

C) Ranganadi Hydro Electric Power Station (405 MW), Arunachal Pradesh:

The Power Station has achieved generation of 1540 MU against MoU target of 1510 MU with a capacity index of 97.60%. During 2007-08, the Plant has generated 102% of the design energy.



(Photo Caption)

THERMAL PROJECTS

A) Assam Gas Based Power Project (291 MW):

The Power Station achieved generation of 1727 MU against target of 1699 MU during 2007-08 with PLF of 67.56% and Availability of 69.45%. Due to gradual decline in calorific value and less quantum of supply of gas, generation was to the tune of 190-210 MW only. In order to increase the availability to around 80%,



(Photo Caption)

the gas requirement is of the order of 1.65 MMSCUMD. The Corporation as well as the Ministry of Power has taken up the matter with the Ministry of Petroleum & Natural Gas as well as Oil India Limited, for enhancement of the gas supply.

B) Agartala Gas Turbine Project (84 MW), Tripura:

Agartala Gas Turbine Power Plant has achieved generation of 660 MU against target of 657 MU during 2007-08 with PLF of 89.45% and Availability of 92.68%. The Plant has achieved an all time high generation since its commissioning during the year.



Photo Caption

ACHIEVEMENTS:

- Highest recorded generation of 25.04 MU in a day from NEEPCO Power Plants was achieved on 31-07-07.
- Highest recorded contribution of 1078 MW from NEEPCO to the grid on 30-07-07

ONGOING PROJECTS:

A) Kameng H. E. Project (4x150 MW), Arunachal Pradesh:

The Kameng HE Project (600MW) is located in the West Kameng District of Arunachal Pradesh and the project is planned as a Run of River Scheme, utilizing the flows of Bichom and Tenga rivers (both tributaries of the Kameng River).

Amidst various major geological surprises

encountered in the critical faces of the Head Race Tunnel (HRT), such as formation of cavity and ingress of water etc, 73% of the MoU target for tunnel boring was achieved during the year.

As advised by the Committee set up by the Ministry of Power, the design and drawings under revised parameters of both Bichom dam and Tenga Dam have been firmed up. Concreting works in Tenga Dam and Portal erection for cut & cover portion has been taken up. Although, 2.91 Lakh cum of excavation and 3302 cum of concreting was carried out in Bichom dam prior to the revision of parameter, the excavation work under the revised layout would resume on completion of construction of new access roads which has already been taken up.

Due to adverse geology, the alignment of High Pressure Tunnel (HPT) has undergone change from fully underground to partly underground and partly surface penstock. The HPT layout under the revised parameters has already been firmed up and 344 m of boring could be achieved.

65% of boring and 18.2 m of lining concreting of the Surge Shaft have been completed till Mar 2008. Geological hurdles are being faced in maintaining the slope of the Power House excavation. Remedial measure in the form of Micro Piling works are being taken up shortly at two Berms (EL 248 m and EL 237 m) for stabilization and consolidation of the slope.

The work of Package-VII (Transformer) also has been awarded. Various actions are taken to augment the progress of the project works and the project is expected to be commissioned as per schedule.

B) Tuirial H. E. Project (60 MW), Mizoram:

About 30% of project work were completed till June, 2004. However, all activities came to a standstill since June, 2004 due to the agitation launched by Tuirial Crop Compensation Claimant Association.

As advised by Ministry of Power, the project cost has been updated at January, 2007 PL. The Govt. of

Mizoram has given consent for purchasing the entire power to be generated in Tuirial HEP. The Government of Mizoram has also requested the Ministry of DoNER for a special grant for completion of the Tuirial HEP. With financial support in the form of grant, NEEPCO would be able to complete the Project within 3 (three) years from the date of resumption of works. However, the Ministry of DoNER has intimated Government of Mizoram that the Ministry does not have provision for providing such grant. Meanwhile, cost of the Project has again been revised at January, 2008 Price Level with hard cost of Rs 705.17 Crs at January, 2008 PL duly vetted by CEA. The Corporation is making all out efforts for revival of the Project and has taken up with the Ministry of Power, Government of India and the State Government of Mizoram. Possibility of executing the Project through a Joint Venture with the Government of Mizoram is also being explored.

C) Khangten Small Hydel Project (7.50 MW), Arunachal Pradesh:

In terms of the MOU drawn between NEEPCO and Government of Arunachal Pradesh for execution of 600 MW Kameng HEP, Khangten SHP is required to be executed in Tawang District of Arunachal Pradesh on BOOT basis. Techno Commercial Bid and Price bid for the EPC contract was opened on 29th January, 2008 and 6th June, 2008 respectively and the same is under finalization and will be awarded shortly.

PROJECTS AWAITING INVESTMENT DECISION:

A) Pare H.E Project (110 MW), Arunachal Pradesh:

The Techno Economic Clearance (TEC) of the project has been obtained on 24th September, 2007. All statutory clearances in regard to the project including environmental clearance and in-principle approval of diversion of forest land have been obtained. The Foundation Stone of the Project was laid by the Hon'ble Prime Minister of India on 31st



Photo Caption

January, 2008. The PIB meeting of the project was held on 28th January, 2008 wherein the PIB recommended the project for consideration of CCEA clearance. The Board of Director has approved certain preliminary infrastructural works, so that the major works could commence immediately on receipt of CCEA clearance, which are in advanced stage of completion.

Corporation has explored the option of obtaining loan with soft rate of interest from kfw, Germany under Indo German Financial Co-operation. kfw, Germany has accorded in principle clearance for sanction of loan against the project.

Government of Arunachal Pradesh has issued preliminary Gazette Notification on 7th May, 2008 for Land Acquisition of the Project.

The Notice Inviting Bids (NIB) for Design & Review Consultancy work had been published on 30th January, 2008 and the Techno-Commercial bid has been opened on 21st April, 2008. Techno-Commercial Bid is presently under evaluation.

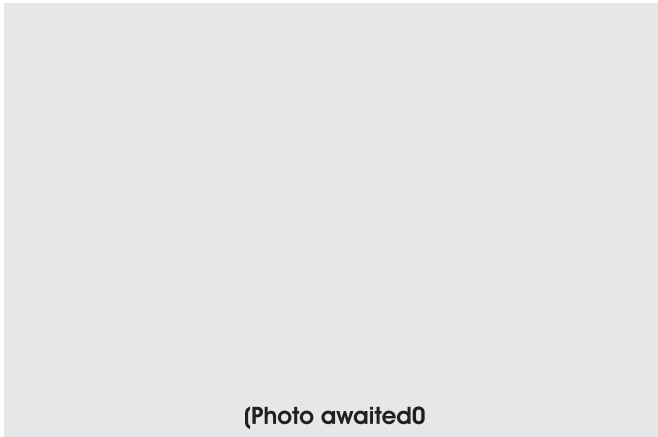
The NIB for Package-I (Civil & HM works) and Package-II (EM works) under ICB route had been floated on 30th January, 2008 with the date of opening of Techno-Commercial Bids being rescheduled on 1st August, 2008 and 18th August, 2008 respectively. Pre-Bid meeting with the prospective bidders for Package-I works and Package-II works held on 23rd April, 2008 and 18th June, 2008 respectively.

CCEA clearance for the Project is expected to be

obtained shortly and the project is scheduled to yield benefit during XIIth Five Year Plan Period.

B) Tipaimukh (Multipurpose) H.E. Project (1500 MW), Manipur:

The Foundation Stone of the project was laid by Hon'ble Minister of Power, Government of India (GoI) in presence of Hon'ble Minister of Heavy Industries, GoI on 16th December, 2006. The PIB



recommended the project for placing the same before CCEA subject to certain observations which included obtaining Environment & Forest clearance.

As desired by MoE&F, the 2nd Public Hearing meeting at Kaimai village in Tamenglong district and at Tipaimukh dam site in Churachandpur district in the State of Manipur were successfully held on 26.03.08 and 31.03.08 respectively.

The EAC members conducted aerial survey of the project site on 11.04.2008 and thereafter attended the 4th EAC meeting at Imphal on 12.04.2008. MOE&F has forwarded various observations which are being attended. On completion of the same, the updated reports will be placed before the EAC for consideration regarding environmental clearance.

NEEPCO submitted the revised forest land requirement to the Forest Department, Manipur in January, 2007 and to the Forest Department, Mizoram in July, 2007. The Government of Manipur has forwarded its recommendation regarding diversion of forest land to MOE&F, NER while

Government of Mizoram is yet to forward the proposal of diversion of forest land to MOE&F

In pursuance to the meeting taken by the Secretary (Power), Government of India on 26.02.2008, field survey was conducted at selected project areas in Kaimai and Tipaimukh villages, dam site on 16th March, 2008.

Power Purchase Agreements aggregating to 1545 MW have been signed with the beneficiary states of N.E. region.

ICB for Engineering, Procurement and Construction (EPC) of the project has been floated and the bids are scheduled for opening on 28th November, 2008.

As desired by MoP, updating / field verification of DPR data is being carried out at Project site. The work on updating of Agro-Socio Economic benefit to be accrued from the project has been carried out. The work of updating of Pisciculture benefit to be derived from the project is awarded to the Assam University, Silchar and the same is under progress.

C) Tripura Gas Based Power Project (104 MW), Monarchak, Tripura:

ONGC conveyed in-principle allocation of 0.5 MMSCUMD of Natural Gas for 15(fifteen) years for the project and accordingly the project report for 100 MW (Nominal) \pm 20% combined cycle power project to be set up at Monarchak was prepared and submitted to the Ministry of Power in March, 2007.



Mr. V.K. Abbey, CMD, NEEPCO and Mr. I.P. Barooah, Director(Personnel) NEEPCO alongwith other officials of NEEPCO meets Mr. Manik Sarkar, Hon'ble Chief Minister, Govt. of Tripura on 13/06/2008 to discuss and appraise on the issues of TGBPP.



ISO 9001:2001
OHSAS 18001

The Project Cost has been revised at March, 2008 PL and submitted to MoP on 02.06.2008. Power Purchase Agreement (PPA) has been signed with Tripura State Electricity Corporation on 19th March, 2008 for the entire power. Notice Inviting Tenders (NIT) for EPC contract has been floated on 10th April, 2008 with date of opening of tender scheduled on 12th August, 2008.

Various Statutory clearances viz. Environmental clearance, clearance from Airport Authority etc for the project has been obtained.

Gas Supply Agreement was signed between NEEPCO And M/S ONGC on 5th June, 2008.

PROJECTS OF NEEPCO IN THE PIPELINE

HYDRO PROJECTS

A) Mawhu H.E Project (90 MW), Meghalaya:

The DPR of the Project has been submitted to MoP during March'07. The Project is scheduled to be commissioned within 4 ½ years from the date of CCEA clearance. The observations made by CEA / CWC against various provisions of DPR are being attended. Draft final report of EIA/EMP has been prepared and under scrutiny.

Although, the MOA for execution of the project has been signed between NEEPCO and Government of Meghalaya on 20th December'07, the Government of Meghalaya vide letter dated 9th April, 2008 had directed not to make operational the MoA until further order. The Corporation is making concerted effort to impress upon Government of Meghalaya to withdraw this letter and to make operational the MoA drawn in regard to execution of the project.

B) Ranganadi H.E Project- stage-II (130 MW), Arunachal Pradesh:

The DPR of the project is being reviewed in order to ascertain the possibility to contain the tariff of the project within the threshold limit.

The State Govt. has extended authorization for S&I work till end of Mar'08. Draft MOA has been forwarded to the State Government. The issue regarding payment of upfront fee to the Government of Arunachal Pradesh as a prerequisite for signing of MOA has been forwarded to MOP, Government of India for their concurrence. On accordance of the concurrence by the MOP, signing of MOA will be concluded.

THERMAL PROJECTS

NEEPCO has identified three coal based thermal Projects for execution in the States of Meghalaya and Assam. These Projects are:

- A) Garo Hills Thermal Power project (500 MW), Nangalbibra, Meghalaya.
- B) West Khasi Hills Thermal Power project (240MW), Nongstoin, Meghalaya.
- C) Margherita Thermal Power Project (480 MW), Margherita, Assam

In regard to Garo Hills Thermal Power Project, the MoA was signed with the Government of Meghalaya on 20-12-07. The Site for the project is finalized and the Limited tender for EIA / EMP study was opened in Mar' 08. However, the Government of Meghalaya vide letter dated 9th April, 2008 had directed not to make operational the MoA until further order. In regard to West Khasi Hills TPP (240 MW), the draft MoA has been forwarded to the Government of Meghalaya for execution.

The Corporation has requested Government of Assam for in-principle approval in regard to execution of the Margherita TPP (480 MW) by NEEPCO or through Joint Venture with the Government of Assam.

SURVEY & INVESTIGATION WORKS

A) Kameng-I H.E. Project (1120 MW), Arunachal Pradesh:

The MOA for the execution of the project has been signed with Govt. of Arunachal Pradesh on 21st

September, 2006.

S&I activities and DPR preparation could not be completed due to dominant environmental issues involving Pakke Tiger Reserve. The matter was placed before the EAC, MOE&F, GOI with TOR & Scoping. This issue has been taken up with the State Chief Wildlife Warden for getting clearance from the National Wildlife Board. Meanwhile, alternative studies were carried out with various FRL for optimization of power benefit with a view to minimize submergence of Pakke Tiger Reserve and submitted to MoP.

In regard to demarcation of project area, Deputy Commissioner; Bomdila has constituted a Committee on 06.08.2007. Circle Officer, Jamiri has visited the project site on 19.09.2007 and submitted a proposal for taking up the detailed land demarcation survey work of the project area, which is under process.

B) Badao H.E. Project (70 MW), Arunachal Pradesh:

The revised DPR of the project has been submitted to MOP during April, 2007 while the EIA /EMP studies completed.

The State Govt. has extended authorization for S&I works till end of Mar'08. Draft MOA has been forwarded to the State Government. The issue regarding payment of upfront fee to the Government of Arunachal Pradesh as a prerequisite for signing of MOA has been forwarded to MOP, Government of India, for their concurrence. On accordance of the concurrence by the MOP, signing of MOA will be concluded.

C) Kapak Leyak H. E. Project (160 MW), Arunachal Pradesh

The State Government has extended authorization for S&I work till end of Mar'08. The work of preparing DPR was awarded to CES (I) Private Ltd in April' 2005 with a completion schedule of 10 months. Although in the initial stage work suffered primarily on account of poor approach, the Consultant is yet to submit the draft DPR. In the meantime, draft MOA has been forwarded to the State Government. The issue regarding payment of upfront fee to the Government

of Arunachal Pradesh as a prerequisite for signing of MOA has been forwarded to MOP, Government of India, for their concurrence. On accordance of the concurrence by the MOP, signing of MOA will be concluded.

HANDING OVER OF PROJECTS

A) Tuivai H. E. Project (210 MW), Mizoram:

As per the decision of the Board of Directors, the list of assets & liabilities along with the details of incomplete contracts has been submitted to the Government of Mizoram on 2nd August, 2007. Necessary modalities are being worked out for settlement of account with the State Government of Mizoram.

B) Lower Kopili H.E. Project (150 MW), Assam

Decision of the Board of Directors was intimated to the Government of Assam. However, the State Government is yet to carry out necessary formalities for receiving the documents of the project. Necessary modalities are being worked out for settlement of account with the Assam SEB.

C) Talong H.E. Project (160 MW), Arunachal Pradesh

The Bipartite Agreement for handing over of the Project, Tripartite Agreement for Novation and Assignment of Contract for preparation of DPR and Tripartite Agreement for Novation and Assignment of Contract for carrying out EIA/ EMP studies has been signed with GMR, WAPCOS and NEEPCO. Necessary adjustment will be made in the year of actual handing over.

D) Dibbin H.E. Project (125 MW) , Arunachal Pradesh

Draft Bilateral Agreement between KSK Dibbin and NEEPCO for handing over of the projects, draft Tripartite Agreement among M/s KSK Dibbin Power Ltd., M/s Poyry Energy AG and NEEPCO for transfer of DPR contracts, draft Tripartite Agreement among M/s KSK Dibbin Power Ltd. M/s WAPCOS and



ISO 900, 14001
OHSAS 18001

NEEPCO for transfer of EIA / EMP contract was finalized. However, handing over of the project could not be done as the Developer did not turn up for signing of agreement on the scheduled date. Necessary adjustment will be made in the year of actual handing over.

E) Kameng Dam H.E.Project (600 MW) , Arunachal Pradesh

Draft Bilateral Agreement between M/s Kameng Dam Hydro Power Ltd. and NEEPCO for handing over of the projects was finalized. However, handing over of the project could not be done as the Developer did not turn up for signing the agreement on the scheduled date. Necessary adjustment will be made in the year of actual handing over.

F) Kameng-II H.E.Project (600 MW), Arunachal Pradesh

The work of preparation of DPR was not initiated. No EIA / EMP studies were undertaken. The developer has not turned up and as such the process of transfer of the project remains inconclusive. Necessary adjustment will be made in the year of actual handing over.

ORGANISATION:

STRENGTH OF EMPLOYEES :

The total number of employees in the Corporation as on 31.03.2008 was 3197 which includes 3188 regular employees and 9 work-charged employees. Out of 3188 regular employees, 216 employees belong to SC category while 803 employees belong to ST category. During the year, 25 numbers of ST employees from Arunachal Pradesh were appointed under a special drive.

HUMAN RESOURCE DEVELOPMENT :

Human Resource Development is considered critical to developing and sustaining workforce competencies which is the life line for sustenance of company's growth and developing a competitive edge in today's corporate world. It has been our endeavor to develop our



(Photo Caption)

employees through seminars, workshops, training programmes etc on various functional areas with faculty assistance drawn from within and outside the organization. A total of 697 employees of different levels were trained during the year under report through in-house programmes organized at the HRD Institute of the Corporation as well as external training programmes through various training agencies.

Apart from in-house training programmes, 195 employees were deputed to attend training programmes conducted by different institutions of repute within the country.

The Corporation deputed 22 executives to various overseas training programmes including 17 numbers on 'Transfer of Technology' (TOT) programmes to enhance their professional knowledge and skills

RULES AND POLICIES :



Photo Caption

The 2nd edition of Personnel Manual, a compendium of all HR Policies incorporating all amendments, supplements & changes till 01.01.08 was published during the year.

CORPORATE SOCIAL RESPONSIBILITY

Since its inception, the Corporation has always given top priority towards all-round development of the people residing in and around its operational areas. As a responsible corporate citizen, NEEPCO has undertaken various community development activities particularly in the field of education, health, sports, infrastructure development and other community needs, as reflected elsewhere in the Report.



Photo Caption

WELFARE ACTIVITIES :

The Corporation has well equipped hospitals/dispensaries at its various Project sites manned by qualified doctors. There are 16 doctors posted at various Project sites and Corporate office. These hospitals/ dispensaries provide free treatment to the people of neighbouring villages also, as a social welfare measure. In addition to the Corporation hospitals / dispensaries at sites, there are 31 hospitals and nursing homes approved by the Corporation all over the country for treatment of employees and their dependent family members.

As in the previous years, NEEPCO Women's Welfare Association gave away awards to meritorious children of NEEPCO employees in recognition of their excellent performance in Class X and Class XII (Arts, Commerce &



Photo Caption

Science Streams) examinations conducted during the year. On 21st November, 2007 the Association organized a Blood Donation Camp in collaboration with H.D. Gordon Robert Hospital, Jaiaw, Shillong in which donors from among NEEPCO employees voluntarily stepped forward to donate their precious blood.

On the occasion of International Women's Day (8th March, 2008), the Association distributed clothes, food items and other essential commodities to the Missionaries of Charity, Laitumukhrah, Shillong.

SPORTS ACTIVITIES :

During the year 2007-2008, a range of sporting activities were held. NEEPCO Badminton Team participated in the XIIth Inter CPSU Badminton Tournament organized by Power Finance Corporation Ltd, at New Delhi during 28th to 30th May, 2007.

The Corporation organised the XIIth Inter CPSU Chess Tournament at its Corporate Office at Shillong during 15th to 16th November, 2007. All together 6(six) teams representing MoP, NHPC, PFC, PGCIL, THDC and NEEPCO participated in the tournament while THDC and NHPC emerged as Winners and Runners-up respectively. In the individual event, NEEPCO stood second.

The 31st meeting of the Executive Committee of Power Sports Control Board (PSCB) was held on 16th November, 2007 at Shillong. The General Secretary, PSCB who presided over the meeting appreciated NEEPCO for its presentation and the way the Chess Tournament was conducted in which the players of the

participating teams highly acclaimed the arrangements made.

EDUCATION :

The Corporation continued to provide schooling facilities for children and wards of employees posted at Project sites where no schooling facility is available nearby. A good number of children of the neighbouring localities are also admitted to these schools. The Vivekananda Kendra Shiksha Vibhag is the nodal agency for managing the Corporation schools. These are English medium schools of good academic standard affiliated to Central Board of Secondary Education. In addition, a few kindergarten schools are also functioning in some Project sites.



Photo Caption

PUBLIC RELATIONS

The Public Relations Wing of NEEPCO continued its sustained efforts to work towards improvement of communications with the public so that NEEPCO's mission and vision are known and appreciated. The Wing continued to publish the Corporation's quarterly in-house journal "NEEPCO News" and other publications as required from time to time. It also worked to effectively project the image of the Corporation through print and electronic media.

USE OF RAJBHASHA (HINDI) :

The Corporation is making all out efforts to implement the Official language Policy of the Government of India at its Corporate Office as well as Projects and other offices. Efforts were made to issue papers referred to in Section

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3 (3) of the Official Language Act in bilingual. Training of employees in Hindi, conducting workshops on use of Hindi in official communications and incentive scheme for employees are some of the methods used to increase use of the language. Offices were also inspected to assess the progress made in the use of Hindi and necessary guidelines were provided for proper implementation of the Official Language Policy of the Government of India. In the House Journal - 'NEEPCO NEWS' valuable information relating to use of Hindi were provided for the guidance of the employees. NEEPCO website is also available in Hindi. Key words in Hindi with English equivalent were displayed under the programme "Today's Word" in order to enrich the Hindi vocabulary of the employees.

Rajbhasha (Hindi) Pakhwara was observed and "Hindi Divas" was celebrated throughout the Corporation during the year to create awareness and to encourage the employees for doing their official works in Hindi. A Hindi Souvenir "NEEPCO JYOTI" was published on the occasion. An exhibition was also organized where the achievements made in the use of Official Language Hindi in the Corporation were displayed.

The Akhil Bharatiya Rajbhasha Sammelan was organized by the Corporation under the guidance of Ministry of Power, Government of India. The Corporation was awarded Rajbhasha Shield (2nd Prize) by Town Official Language Implementation Committee (TOLIC), Shillong and Rastriya Rajbhasha Shield by Rastriya Hindi Academy, Rupambara

Rajbhasha (Hindi) Pustakalaya has been functioning at

Corporate Office, Shillong which was further enriched with valuable books. In sub-ordinate offices also reference books in Hindi were made available for the use of the employees. Since installation of Hindi Software in Corporate office as well as other offices, a remarkable progress has been made in the use of Hindi in official works.

INDUSTRIAL RELATIONS :

Industrial Relations in NEEPCO remained cordial and harmonious throughout the year. No man-days were lost in NEEPCO on account of any Industrial Disputes. Regular meetings were convened between the Management and representatives of the Trade Unions to discuss various issues across the table leading to amicable settlement of all issues in the best interest of all concerned.

CORPORATE GOVERNANCE

The Corporation is an unlisted Company with 100% shares held in the name of the President of India. The Corporation firmly believes in the importance of good Corporate Governance in the conduct of its affairs. It stresses in increasing efficiency along with adequate control systems in its operations. An Audit Committee regularly reviews all financial statements before placing before the Board. The Annual Report along with various other communications are hosted on the website for information of the Public at large.

AUDIT COMMITTEE

The Audit Committee was re-constituted during the year with the appointment of non-official part time Directors in the Board of the Corporation. The Audit Committee of the Corporation presently constitutes of the following members:

- | | |
|---------------------------------|-------------|
| 1. Shri J.P.Rajkhwa | - Chairman. |
| Non-official part time Director | |
| 2. Shri Sujit Chakravorti | - Member. |
| Non-official part time Director | |
| 3. Shri Rajeev Verma, | - Member. |

Director (Finance),
Ministry of Power, Govt. of India.

The Audit Committee regularly reviews all financial statements before placing before the Board. Discussions with the Statutory Auditors and Internal Auditors are regularly held to ensure adequacy of audit and internal control systems.

AUDITOR'S REPORT

M/s. ADD & ASSOCIATES, Chartered Accountants, Kolkata were appointed as Statutory Auditor's for the year 2007-08. The report of the Statutory Auditors and comments of the Comptroller & Auditor General of India on the Accounts in terms of Sec.619 (4) of the Companies Act, 1956 are furnished in Annex I & II. There is neither any qualification made by Statutory Auditors in their Report nor any comments of C&AG on the Accounts of the Corporation.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors certify the followings:-

- A) In the preparation of the annual accounts, the mandatory accounting standards have been followed.
- b) The accounting policies adopted are reasonable and prudent so as to give a true and fair view of the state of affairs of the Corporation at the end of the financial year and of the profit or loss of the Corporation for that period.
- c) Adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Corporation and for preventing and detecting fraud and other have been maintained.
- d) Annual accounts have been prepared on a going concern basis.

VIGILANCE ACTIVITIES

During the year 2007-08, NEEPCO Vigilance Department dealt with various facets of Vigilance Mechanism under the directives and guidelines issued from the Central Vigilance Commission from time to time. A full time CVO has joined in this Corporation in the



Photo Caption

month of August, 07. Exclusive and independent functioning of vigilance department, NEEPCO ensured transparency, objectivity and quality in vigilance functioning. Complaints received from various sources were taken up for investigation promptly and the same have been disposed off in accordance with the time frame prescribed by the CVC. Emphasis was given to the aspect of preventive vigilance to streamline the rules and procedures and making all efforts to arrest the loopholes detected during investigation of various cases.

As emphasized in the previous year, the management is now at an advance stage of formulation of contract and works manual of the Corporation with a view to maintain uniform policy and more transparency in functioning of activities of corporation.

In order to improve system and procedure in respect of various short comings observed related to processing of tender of works and procurement, the management was advised to follow the CVC circulars/guidelines strictly as had been circulated from time to time. All the important CVC circulars and OMs issued from the year 2000 onwards have been circulated to all HOPs & HODs for record and ready reference with a view to improve overall system in the Corporation.

CVO and Officers in Vigilance department have also undergone various training courses conducted by CVC/CBI and other agencies. In-house vigilance training for the officers in vigilance department has also been planned and will be conducted in due course as and when personals are posted in vigilance department by the Competent Authority.

Vigilance awareness week was also observed in NEEPCO with tremendous enthusiasm in all projects and other offices including corporate HQ from November 12, 2007 to November 16, 2007. During this

period, seminar and open sessions were organized at corporate office and site offices as a part of preventive vigilance measures.

DIRECTORS

Shri V.K.Abbey assumed charge as Chairman & Managing Director on 06.06.2008 and Shri J.Barkakati, was released from the post of Director (Technical) of the Corporation on 04.06.2008. Shri J.P.Rajkhowa, former Chief Secretary, Assam, Shri Shantikam Hazarika Director, Assam Institute of Management and Shri Sujit Chakravorti, Chartered Accountant and former Chairman & Managing Director, Andrew Yule & Co Limited were appointed as non-official part-time Directors on 20.02.2008. Further, the following part-time official Directors relinquished office since the last Report. The Board of Directors places on record its deep appreciation for the valuable services rendered by these Directors:

Shri C.L.Thangliana, Chief Engineer (Power & Electricity), Govt. of Mizoram ceased to be part time Director of NEEPCO w.e.f.10.12.2007.

Shri J.P.Meena, Principal Secretary (Power), Govt. of Assam ceased to be part time Director of NEEPCO w.e.f.10.12.2007.

Shri T. Temjen Toy, Commissioner & Secretary (Power), Govt. of Nagaland, Kohima ceased to be part time Director of NEEPCO w.e.f. 29.01.2008.

Also, the following part-time official Directors were appointed to the Board since the last Report :

Shri K.L.Nghinglova , Secretary, Power & Electricity Department, Govt. of Mizoram was appointed as part time Director of NEEPCO w.e.f 10.12.07.

Shri B. Mushahary , Principal Secretary(Power), Govt. Of Assam was appointed as part time Director of NEEPCO w.e.f 10.12.07.

Shri R.B.Thong , Commissioner & Secretary (Power), Govt. of Nagaland was appointed as part time Director of NEEPCO w.e.f 29.01.2008.

CONSERVATION OF ENERGY

Particulars required under the Companies (Disclosure of

Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Director's Report regarding Conservation of Energy/Technology Absorption and Foreign Exchange earnings and outgo during the financial year 2007-2008 is enclosed in Annex-III.

PARTICULARS OF EMPLOYEES

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

ACKNOWLEDGEMENT

The Directors are grateful to the various Ministries and Departments of the Government of India particularly the Ministry of Power, Ministry of Home Affairs, Ministry of Finance, Ministry of Environment and Forest, Planning Commission, Department of Public Enterprises, North Eastern Council, Central Electricity Authority, Central Water Commission, Central Electricity Regulatory Commission, Central Soil and Material Research Station, Geological Survey of India, Survey of India and North Eastern Regional Electricity Board for their continued cooperation and assistance.

The Directors express their sincere gratitude to the State Government of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura for the cooperation and help extended by them. The Directors further expressed their appreciation to the State Governments who had made full payment against their current dues during the period 2006-07.

The Directors are also grateful to the Bankers, the Statutory Auditors, the Cost Auditors, the Commercial Audit Wing of the Comptroller and Auditor General of India and the Registrar of Companies.

Last but not least, the Directors wish to place on record their high appreciation of the dedicated efforts made by all sections of employees of the Corporation to achieve the goals of the Corporation.

For and behalf of the Board of Directors

14th August, 2008
New Delhi.

(V.K.Abbey)
Chairman & Managing Director

PARTICULARS AS REQUIRED UNDER THE COMPANIES (DISCLOSURES OF

PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES 1988.

A. CONSERVATION OF ENERGY:

I. Energy conservation measures taken:

(A) Adoption of combined cycle power system for gas power station at Kathalguri incorporating Waste Heat Recovery Boilers. An average of 10% improvement in efficiency is being achieved thereby saving fuel gas in large quantity.

(b) Introduction of high voltage distribution system for supply of construction power in the ongoing projects.

(c) Based on grid demand, operation of both the reservoir under Kopili H. E. Project is being made with a view to achieve optimal utilization of water.

(d) For Doyang Reservoir, action is being taken for raising the FRL upto 333 Meter.

B. ADDITIONAL INVESTMENT AND PROPOSAL FOR REDUCTION OF ENERGY CONSUMPTION:

A) With a view to reduce energy loss in the distribution system, appropriate apparatus/ instrument etc. is put in service.

b) Action is taken to keep auxiliary consumption within limit by using appropriate module in respect of gas-based power stations. This has resulted in reducing the consumption of gas.

C. FOREIGN EXCHANGE EARNING AND OUTGO:

1. Activity relating to exports, initiatives taken to increase exports, development of new export markets for products/services and export plans :- NIL.

2. Total foreign exchange used during the year 2007-08:
(Rs. in Lakhs)

a) Consultancy	Nil
b) Capital Equipment	Nil
c) Spares	489.65
d) Interest	88.69
e) Others (TA/Consultancy)	14.17

14th August, 2008
New Delhi.

(V.K.Abbey)
Chairman & Managing Director