

AUDITORS' REPORT

To the Shareholders of
TORRENT POWER LIMITED

1. We have audited the attached Balance Sheet of **Torrent Power Limited** as at 31st March, 2009 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 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, (the 'Order') issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.
4. Further to our comments in the annexure referred to in Paragraph 3 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 it appears from our examination of the books;
 - (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) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (e) On the basis of written representation received from the directors as on 31st March, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with significant accounting policies and other notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of the affairs of the Company as at 31st March, 2009;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **C.C. Chokshi & Co.**
Chartered Accountants

Gaurav J. Shah
Partner

Membership No. 35701

Ahmedabad
16th May, 2009

ANNEXURE TO THE AUDITORS' REPORT

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

1. The nature of the Company's business / activities during the year is such that the requirements of clause (xiii) and (xiv) of paragraph 4 of the Order are not applicable to the Company.
2. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
(b) The Company has a programme of physical verification of its fixed assets over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, certain fixed assets have been physically verified by the management during the year and according to the information and explanations given to us, no material discrepancies have been noticed on such verification. As regards underground distribution systems, we have been informed that the same are not physically verifiable.
(c) The Company has not disposed off a substantial part of fixed assets during the year.
3. (a) As explained to us, inventories were physically verified during the year by the management at reasonable intervals.
(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories. No material discrepancies were noticed on physical verification.
4. (a) The Company has granted unsecured loans to two companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved Rs.101.95 crores and the year end balance of such loans granted to such parties was Rs.2.22 crores.
(b) In our opinion and according to the information and explanations given to us, the aforesaid loans are interest free and other terms and conditions are not prima facie prejudicial to the interest of the Company.
(c) The interest free loans granted by the company are repayable on demand. Under the circumstances, the question of regularity of repayment, overdue amount and steps for recovery do not arise.
(d) The Company has not taken any loan secured / unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
5. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services and we have not observed any continuing failure to correct major weaknesses in such internal controls.
6. In respect of transactions that need to be entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956:
(a) The particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956, have been so entered;
(b) The transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time. No such transactions have been recorded in the said register in respect of sale of electricity as the Company is of the view that such transactions, being for cash at prevailing market prices, do not require to be entered in the register maintained under Section 301 of the Companies Act, 1956.

7. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under, where applicable, with regard to the deposits accepted from the public. During the year, the Company has not accepted public deposits as defined under Section 58A of the Companies Act, 1956. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
8. In our opinion, the Company has an adequate internal audit system commensurate with its size and nature of its business.
9. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 in respect of generation and distribution of electricity and are of the opinion that prima facie the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the said records.
10. (a) According to the information and explanations given to us, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding, as at 31st March, 2009 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of wealth tax, excise duty and cess which have not been deposited on account of any dispute. In respect of customs duty, sales tax and income tax, the following dues have not been deposited on account of dispute:

Name of Statute	Nature of Dues	Amount (Rs. in Crores)	Period to which the amount relates	Forum where the dispute is pending
Custom Act, 1962	Custom Duty on Higher Assessment Value	0.28	2005-06	Supreme Court of India, New Delhi
Custom Act, 1962	Custom Duty on Higher Assessment Value	0.07	2004-05	Commissioner of Appeal, Jamnagar
Kerala General Sales Tax Act, 1963	Sales Tax on Works Contracts	0.20	2001-02	Sales Tax Appellate Tribunal, Calicut
Andhra Pradesh General Sales Tax Act, 1957	Sales Tax on Works Contracts	0.13	1995-96 & 1996-97	Appellate Deputy Commissioner, Vijaywada
Andhra Pradesh General Sales Tax Act, 1957	Sales Tax on Works Contracts	0.20	1993-94 & 1994-95	Sales Tax Appellate Tribunal, Andhra Pradesh
Income Tax Act, 1961	Demand of Tax	11.39	2003-04 & 2005-06	Income Tax Appellate Tribunal
Income Tax Act, 1961	Demand of Tax	7.54	1998-99 to 2001-02	Gujarat High Court

11. The Company has been registered for a period less than five years and neither it has any accumulated losses nor cash losses during the financial year covered by our audit and during the immediately preceding financial year.
12. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions or banks. The Company has not issued any debentures.
13. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
14. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
15. In our opinion, the term loans have been applied for the purpose for which they were raised except to the extent the funds deployed temporarily elsewhere pending application for the specified purpose.
16. According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, funds raised on short term basis have, prima facie, not been used during the year for long term investment.
17. The Company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
18. The Company has not issued any debentures during the year.
19. The Company has not raised money by public issue during the year.
20. To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud on or by the Company was noticed or reported during the year except in case of theft of electricity reported by the vigilance department of the Company, the amount for which is not ascertainable.

For **C.C. Chokshi & Co.**
Chartered Accountants

Gaurav J. Shah
Partner

Membership No. 35701

Ahmedabad
16th May, 2009