

# Annual Report 2005-06

**CONTENTS**

---

Corporate Information	2
Directors' Report	3
Report on Corporate Governance	15
Auditors' Report	29
Audited Financial Statements	32
Balance Sheet Abstract	54
Management Discussion and Analysis	55

---

## CORPORATE INFORMATION

<b>Directors</b>	Sudhir Mehta Dr. Bakul Dholakia Balwant Singh, IAS Pankaj Patel Samir Mehta S. B. Kunwar Markand Bhatt Murli Ranganathan	Chairman      Director in whole-time employment Director in whole-time employment
<b>Audit Committee</b>	Dr. Bakul Dholakia Samir Mehta S. B. Kunwar	Chairman
<b>Shareholders'/Investors' Grievances Committee</b>	Pankaj Patel Samir Mehta Markand Bhatt	Chairman
<b>Operational Committee of Directors</b>	Samir Mehta Markand Bhatt Murli Ranganathan	Chairman
<b>Company Secretary</b>	Jagdish A. Mehta	
<b>Auditors</b>	C. C. Chokshi & Co.	Chartered Accountants
<b>Registered Office</b>	Torrent House, Off Ashram Road, Ahmedabad-380 009 Telephone: +91-79-2658 5090, 2658 3060 Fax: +91-79-2658 9581	
<b>Plants</b>	Power House, Sabarmati, Ahmedabad-380 005 Vatva Gas Power Station, GIDC, Phase IV, Vatva, Ahmedabad-382 445 SUGEN CCPP, Viilage-Akhakhhol, Taluka-Kamrej, Surat-394 115	
<b>Website</b>	www.torrentpower.com	
<b>Registrar and Share Transfer Agent</b>	Sharepro Services (India) Pvt. Limited Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (East), Mumbai-400 099 Telephone : +91-22-2821 5168, 2821 5991, 2832 9828 Fax : +91-22-2837 5646 Email : sharepro@vsnl.com	

Dear Shareholders,

Your Directors have pleasure in presenting the 2nd Annual Report of the Company together with the Audited Accounts for the period ended on 30th September 2006.

During the period, Torrent Power AEC Limited (TPAL), Torrent Power SEC Limited (TPSL) and Torrent Power Generation Limited (TPGL) (Transferor companies) were amalgamated with Torrent Power Limited (TPL) and the capital of the Company was reorganized effective from the appointed date i.e. 1st April 2005. This is the maiden report of Torrent Power Limited representing the collective operations of the power business of Torrent Group. Simultaneously, the Company had extended the Financial Year 2005-06 to end on 30th September 2006 after obtaining necessary approvals in this regard.

Prior to the amalgamation, the transferor companies had their independent operations with the erstwhile TPAL being engaged in generation and distribution of power, TPSL in distribution of power and TPGL in implementation of 1100 MW SUGEN CCPP. Consequently the data presented for FY 2004-05, wherever required for comparison, is the aggregate of the data of the transferor companies. The generation data reflects the operations of the erstwhile TPAL while the sales, T&D loss, reliability, purchase of power, etc. pertains to both TPAL and TPSL. In order to bring parity, the data for FY 2005-06 (18-months) has been annualized, wherever necessary, for the purpose of comparison with FY 2004-05 (12-months). However, the data is not exactly comparable even after annualizing for FY 2005-06 because of the seasonal impact on parameters like Sales, Plant Load Factor (PLF), Purchase of Power, T&D losses, etc.

### Highlights

Substantial improvement in the operations, commencement of a major initiative in the form of 1100 MW SUGEN project and selection as Distribution Franchise for Bhiwandi area are the landmarks of the period from 1st April 2005 to 30th September 2006, the key highlights of which are as follows:

- Reduction in T&D losses from 11.99 % in 2004-05 to 9.67 % in 2005-06, one of the lowest in the country.
- Peak system demand of 1333 MW showing an increase of 13.93%.
- The Plant Availability Factor (PAF) and the Plant Load Factor (PLF) were 95.46% and 90.37% respectively compared to 91.61% and 82.06% for 2004-05.
- Unprecedented floods during August '06 adversely affected the Surat distribution area wherein more than 85% of area was submerged in water, affecting 3.83 lacs consumers for 4-5 days. System restoration done on a war footing.
- Amicable resolution of long pending issue of wage settlement of employees in Ahmedabad by entering into an agreement with the Union covering the period from 1-10-1992 to 31-3-2009.
- Implementation of 1100 MW SUGEN Mega Power Project with an investment of Rs. 3096 crores, by award of EPC contract through the ICB route and construction at more than half way with the first block scheduled to go on stream in the third quarter of 2007.
- Selection of the Company as the Distribution Franchisee for Bhiwandi circle of Maharashtra State Electricity Distribution Company Limited catering to 1.6 lacs customers with an estimated demand of about 750 MVA.
- Torrent Power becomes the first Distribution Utility in India to get its meter testing laboratory at Ahmedabad accredited by National Accreditation Board for Testing and Calibration Laboratories.

- Establishment of state-of-the-art control rooms at Ahmedabad and Surat for meeting with the requirements of the Availability Based Tariff (ABT) regime.

### **Change of name**

The Company was incorporated on April 29, 2004 under the Companies Act, 1956 as “Torrent Power Trading Private Limited”. The name of the Company was changed to Torrent Power Private Limited on January 25, 2006. Consequent to the conversion of the Company into a Public Limited Company on February 08, 2006, the company came to be called as Torrent Power Limited.

### **Amalgamation**

With a view to encourage private sector participation in all segments of power industry and with the objective of distancing the regulatory responsibilities from the Government, the Electricity Act 2003 (the Act) was notified in June 2003 consolidating the prevailing laws governing the sector and providing a forward looking framework promoting competition and choice.

The funding requirements in the power sector are immense across generation, transmission and distribution and provide considerable opportunities to the private players to scale up and expand their operations. The scale of operations of private sector player is going to be increasingly important determinant for success and growth of its existing operations and new ventures. The Torrent Group has been evaluating various opportunities of bidding for new distribution circles besides looking at opportunities to set up new generating plants. Therefore the need of a company with a large capital and asset base as well as a pool of human knowledge and talent, which can be leveraged to enhance business value through inorganic growth, was recognised.

With these objectives in view, the Boards of Directors of TPAL, TPSL, TPGL and TPL, in their respective meetings held on 22nd March 2006, decided to amalgamate TPAL, TPSL and TPGL with TPL and also to reorganise the capital of the Company.

All the necessary approvals for the amalgamation, including that of the stock exchanges, shareholders, creditors, and the regulator were obtained. Further, the Hon'ble High Court of Gujarat accorded its sanction for the amalgamation vide its order dated 12th July 2006. The amalgamation is effective from 12th September 2006, the Appointed Date being 1st April 2005.

The share exchange ratio was determined as per the generally accepted principles and methodology in this respect by renowned experts M/s. N M Raiji & Co. and a fairness opinion on the exchange ratio was provided by M/s. Ernst & Young Pvt. Ltd. The equity shareholders of the transferor companies were allotted fully paid up equity shares of Rs.10/- each of Torrent Power Limited by the Allotment Committee of the Company on 30th September 2006 based on the exchange ratio and the simultaneous reorganization of the Capital of the Company as provided for in the Scheme of Amalgamation. Consequently, the actual number of shares allotted to the shareholders of the transferor companies were as follows:

- 5.5 equity shares of TPL for 1 equity share of TPAL
- 11.75 equity shares of TPL for 1 equity share of TPSL
- 0.25 equity shares of TPL for 1 equity share of TPGL

The shares of TPGL held by TPAL and TPSL prior to Amalgamation were cancelled and no shares of the Company were issued against these shares.

Your Company is currently an unlisted company. All the necessary formalities for listing of the shares, including the application to the Bombay Stock Exchange Limited and National Stock Exchange of India Limited, have been completed and the shares of the Company shall be listed upon the receipt of their approvals.

### Financial Results, Accounts and Dividend

A summary of the financial results for the period under review is as under:

(Rs in crores)

Particulars	Period ended 30-Sept-2006
Total Income	3939.51
Gross Profit before Depreciation, Interest and Tax	714.26
Depreciation	290.87
Interest	63.09
Profit before Tax	360.30
Current Tax	159.82
Deferred Tax	16.41
Fringe Benefit Tax	1.06
Shortfall in Provision for Taxation for earlier years	3.74
<b>Profit After Tax and before Contingency Reserve</b>	<b>179.26</b>
Contingency Reserve	14.00
<b>Balance Available for appropriation</b>	<b>165.26</b>
<b>Appropriations</b>	
Transfer to General Reserve	17.90
Proposed Dividend	56.69
Dividend Distribution Tax	7.95
Balance carried to Balance Sheet	82.72
	165.26

### Dividend

Consequent to the amalgamation of the erstwhile TPAL, TPSL and TPGL with the Company and the simultaneous reorganization of the Capital of the Company, the Issued and Paid up Capital of the Company as on 30th September 2006 is Rs. 472.45 crores. Considering the overall encouraging performance, positive outlook and future prospects, your Directors are pleased to recommend a Dividend of Rs. 1.20 per share (12%) for the 18 months period of FY 2005-06. The aggregate amount of the proposed dividend is Rs. 56.69 crores on 47.25 crores Equity Shares of Rs. 10/- each and with Dividend Distribution Tax of Rs. 7.95 crores, the total outflow on this account would be Rs. 64.64 crores. With this, the shareholders of the Transferor companies would actually receive 154% higher amount in the aggregate and 70% higher amount on an annualised basis.

## Operations

The total sales in million units were 10110 MUs during 2005-06, representing an increase of 12.82% over 2004-05 on an annualized basis and the customer base increased from 17.41 lacs to 18.45 lacs. This growth can be attributed to the healthy economic growth and reduction in T&D losses besides continued focus on Slum Electrification wherein 29,255 new connections were released during the year. The Company continued its thrust on reduction of T&D losses, bringing down T&D losses to 9.67% in 2005-06 from 11.99% in 2004-05. This was possible on account of sustained and concentrated efforts in theft detection, improved billing efficiency, slum electrification and strengthening and augmentation of distribution network.

The system peak demand went up from last year's level of 1170 MW to 1333 MW, showing an increase of 13.93%. The system demand was met through the Company's own generation of 5943 MUs and import of 5711 MUs during 2005-06. The generation of 5943 MUs represents an increase of 10.24% over 2004-05 on an annualised basis. The Plant Availability Factor (PAF) and Plant Load Factor (PLF) improved to 95.46% and 90.37% from 91.61% and 82.06% respectively in 2004-05.

In its continuous effort to improve the transmission & distribution system, the Company carried out various activities for upgrading the network. The power transformation capacity has been enhanced by 200 MVA during the year by commissioning of one 220 KV sub-station, one 66 KV substation and addition of capacity at existing substations. The distribution transformation capacity has been enhanced by 174 MVA by addition of 594 new distribution transformers and replacement of existing transformers. 29 kms of 33 KV and 240 kms of 11 KV lines were added during the year.

With the strengthening of the distribution system and critical monitoring of the system operation, the reliability of power improved substantially as demonstrated by reduction in the average number of interruption per customer from 19.19 during previous year to 16.35 during 2005-06 and decrease in the customer hours lost from 16.93 hours in 12 months of 2004-05 to 16.91 hours in 18 months of 2005-06.

The Company's distribution area in Surat was severely affected by unprecedented floods in August 2006. More than 85% of area was submerged in water, requiring the Company to proactively switch off 1720 out of 2003 distribution substations, affecting 3.83 lacs consumers for a few days. The approach roads, surroundings and the Company's installations were affected by silt, muck and garbage, adversely impacting the operations and revenues of the Company. The estimated expenditure to be incurred for the replacement of the transformers and consumer services apparatus such as meters, cut outs etc. after the Surat floods is approximately Rs. 35 crores. The revenue expenditure for restoring the services, repairs etc. is estimated to be approximately Rs.15 crores, of which an amount of Rs. 8.7 crores has already been incurred till 30th September 2006.

The Company continued its thrust towards improving customer services during the year. Through continuous improvements in systems and processes and increased focus on customer services, the Company has been able to improve its performance vis-à-vis the Gujarat Electricity Regulatory Commission prescribed standards of performance. The innovative concepts introduced by the Company like the Mobile Van for on-site customer services were further promoted during the year leading to increase in penetration of these services. More and more customers have started taking benefit of the non-conventional bill payment options provided by the Company like online payment, 24X7 automated bill payment terminals, etc.

National Accreditation Board for Testing and Calibration Laboratories (NABL), an autonomous body under the aegis of Department of Science and Technology, Govt. of India has accredited Meter Testing Laboratory of the Company at Ahmedabad in terms of its Quality and Technical competence. This accreditation has recognised the company's capability to meet the customers' demand for accurate and reliable metering.

Recognizing the severe problems in grid management in the past, the Ministry of Power introduced a tariff structure called Availability Based Tariff (ABT) for promoting discipline in the generation and consumption of power through a scheme of incentives and disincentives. The inter-state ABT system is in place since 2002. The intra-state ABT is likely to be introduced in Gujarat shortly. In order to meet with the requirements of ABT, your Company has installed ABT based Metering system at various import points and generating points and established state of the art control rooms both at Ahmedabad and Surat.

### **Human Resources & Industrial Relations**

During 2005-06, the company amicably resolved the long pending issue of wage settlement of its employees in Ahmedabad by entering into an agreement with the Union for the period 1-10-1992 to 31-3-2009. The settlement not only addressed issues like revision of pay scales, allowances, benefits, changes in service conditions etc, but it also helped the company to clear all past sticky issues relating to employees including pending court cases. Further the settlement aims at improving the future performance of the Company through provisions like increase in productivity. Approximately 4800 past and present employees got the benefits of this settlement.

During the year, a wage settlement for employees at Surat was also concluded for the period from 1st January 2004 to 31st December 2006.

The employees of the Company admirably rose to the occasion during the recent Surat floods. The system restoration work was initiated on a war footing as soon as waters started receding with due priority given to essential services like hospitals, water & sewage pumping, corporation offices, etc. More than 800 employees of the Company, including a special task force from Ahmedabad, braved the floods and a disease-prone environment to provide quick relief to Surat citizens from the power woes.

### **Borrowings**

The Company has been regular in meeting its obligation towards repayment of loans/deposits and interest thereon to Financial Institutions/Banks and deposit holders. The Company has drawn Rs. 456.82 crores during the period out of the total of Rs. 2,733 crores sanctioned by various financial institutions, for the on going 1100 MW SUGEN power project and other normal capital expenditure including the revamping of its transmission and distribution system. The Company has repaid an amount of Rs. 73.31 crores during FY 2005-06 towards term loans, including APDRP loans.

### **Accelerated Power Development and Reforms Programme (APDRP)**

Ministry of Power, Government of India, introduced the Accelerated Power Development and Reforms Programme to achieve reduction in Aggregate Technical and Commercial (AT&C) losses, to strengthen the T&D network and to ensure reliable and quality power supply with adequate consumer satisfaction. The projects approved for financing under the programme are eligible for a grant and soft loan each equivalent to 25% of the project cost from the Government of India. The balance 50% is required to be funded by the Company.

Various schemes approved under the programme are being implemented. The Company has incurred an expenditure of Rs. 233 crores on these schemes against which the Company received an amount of Rs. 111 crores during 2005-06.

## **Fixed Deposits**

The Company did not accept/ renew any fixed deposits during the period under review. The outstanding position as on 30th September 2006 in respect of unclaimed deposits is Rs. 6.39 lacs.

## **Insurance**

The Company's properties, including buildings, plant and machinery, stocks, stores, etc., are adequately insured against all anticipated risks.

## **A Mega strategic initiative - 1100 MW SUGEN Power Project**

### **Background**

The Government of Gujarat had directed the Torrent Group to set up its own generation facilities for the Surat distribution area. Initially, the plan was to set up a 675 MW gas based power plant near Surat. In order to cater to the increasing demand of Surat and Ahmedabad growing with CAGR of 6-7% and to avail the benefits of economies of the scale, at the same time getting the fiscal incentives of Mega Power Project status, the capacity of SUGEN plant was increased to 1100 MW. Almost 75% of the capacity of the plant will be used to cater to power requirements of these two cities. The project would help the company to secure a long term reliable source of supply for its Ahmedabad and Surat distribution areas.

### **Project Details**

After following a rigorous and transparent ICB route for the evaluation of technology and suppliers, aided by third party supervisors for monitoring the process, the EPC contract was awarded to the consortium of Siemens AG and Siemens Limited, India in June, 2005. The total cost of the project is Rs. 3,096 crores. The project will have 3 power blocks, each of 367 MW comprising advanced class gas turbine SGT5 4000F, steam turbine and common generator connected in single shaft configuration along with HRSG. The project is strategically located in close proximity to all required infrastructure and facilities like water, national highway, LNG terminals, gas transportation infrastructure, etc.

The project has been granted the 'Mega Power Project' status by the Ministry of Power. Central Electricity Regulatory Commission (CERC) has accorded its in principle approval to the project cost.

### **Financing**

The project achieved financial closure in September 2004 by tying up the entire debt requirement of Rs. 2,167 crores, with the consortium of PFC, IDBI, PNB, UCO Bank and Canara Bank, led by IDFC. Consequently, the Letters of Credit for the entire EPC contract have been established.

### **Fuel**

A substantial part of the fuel requirement has been tied up and the balance is under discussions with various suppliers. The Gas Transportation Agreement has been executed with Gujarat State Petronet Limited.

### **Status**

Having commenced the construction on 10th September, 2005 at the hands of Chief Minister of Gujarat, Shri Narendra Modi, about 56% of the EPC work has been completed by the EPC contractor, Siemens. All essential non-EPC works viz. intake well, water pipeline, reservoir, compound wall, roads, and site office have been completed. The project has achieved

considerable progress and is more than half way towards completion. The commissioning of the first block of 367 MW will be by third quarter of year 2007. A joint venture has been formed with Siemens for providing O&M services to the project.

### Evacuation Arrangements

- Joint Venture with PGCIL: As part of the arrangements for evacuation of power from the 1100 MW SUGEN project to Ahmedabad distribution area and to the National Grid through connectivity with Power Grid Corporation of India Limited (PGCIL) at Dehgam and Loop In Loop Out (LILO) of Gandhar- Vapi line, the Company has entered into a Joint Venture Agreement with the PGCIL. The Joint Venture Company will construct dedicated transmission lines of 400 kV from the SUGEN project in Surat to Ahmedabad (220 kms) and Ahmedabad to Dehgam in North Gujarat (56 kms). The project also entails LILO of the existing 400 kV Gandhar-Vapi line (24 kms) at the switchyard of the project. The estimated project cost is Rs. 550 crores. The work on the project is likely to start soon. The Company's share in the equity of the joint venture company, Torrent Power Transmission Private Limited, will be 74% whereas the balance 26% will be held by PGCIL.
- 220 KV Transmission Project: The Company is also implementing project for the evacuation of power from the SUGEN project to Surat distribution area. The project entails setting up of three 220 KV substations near the Surat distribution area and connecting them to the SUGEN project through installation of three double circuit 220 KV lines. The construction work is proceeding as per planned schedules.

### New Development Opportunities

With the opportunities available under the power sector reforms initiated by the Government, the Company is actively looking at opportunities in power generation and distribution. It is actively pursuing various generation projects as well as the distribution franchisees being offered in several states in the country. In order to obtain fuel security, the Company is also evaluating options for entering into agreements with various companies having experience in coal mining, which would be captive supplies for the generation projects with coal as fuel.

### Bhiwandi Distribution Franchisee

The Company has been selected as the Distribution Franchisee for the Bhiwandi circle of Maharashtra State Electricity Distribution Company Limited (MSEDCL). Bhiwandi is a major textile hub of western India having about one-third of the country's power looms. The estimated demand in the circle is about 750 MVA with majority of the load being industrial. The Company would undertake all activities relating to distribution of power in the franchise area as an agent of MSEDCL for a period of ten years. The Company would be supplied bulk power at the rates quoted by it and would collect the revenue from the consumers of Bhiwandi at tariff determined by MERC. The Company would not take over any past liabilities.

The Company would commence its operations in Bhiwandi on signing of the Distribution Franchisee Agreement, which is under discussions.

### Ultra Mega Power Projects

One of the major schemes of the Government of India is the setting up of five Ultra Mega Power Projects, each with a capacity of 4000 MW, at Mundra (Gujarat), Sasan (Madhya Pradesh), Girye (Maharashtra), Tadri (Karnataka) and Krishnapattnam (Andhra Pradesh). Government of India has appointed Power Finance Corporation (PFC) as the Nodal Agency

to award these projects to private sector players, on the basis of competitive bidding of tariff. The Company has qualified in the PFC invitation for Request for Qualification (RFQ) for these projects. The Company proposes to bid for two projects, one at Mundra in Gujarat based on imported coal and second at Sasan in Madhya Pradesh based on indigenous coal.

## **Health & Safety**

The Company gives utmost importance to the health and safety of the employees and all others influenced by the operations of the Company. At Sabarmati and Vatva generating stations and Transmission and Distribution System, necessary steps were taken to ensure health and safety of plant, equipments, materials/chemicals and the personnel. Various actions were initiated to bring about improvement in the safety as per the external and internal safety audits conducted from time to time.

The notable achievements on the safety front are summarized as under:

- Sabarmati Generating Station achieved continuous 198 “Accident free days work” constituting 3.5 Million accident free man-hours work, while CCPP Vatva crossed 4009 accident free days.
- With a view to enhance operational and public safety new Vacuum breaker Boards were installed along with the replacement of several old oil filled switchgears and transformers by vacuum/SF-6 gas filled switchgears and dry type transformers in densely populated areas. Further, additional towers and new cross arms were erected on EHV overhead lines for increasing the ground clearance.
- Various seminars and training programs related to safety were arranged through out the year, to continue emphasis on awareness of the importance of safety among the employees, including Safety Exhibition, screening Safety Films, celebrating National Safety Day and observing the National Safety Week.

## **Environment**

Environment protection and clean environment objectives are of special affinity to the Torrent Group and of critical concern to the Company. The Company continually strives to improve its environmental performance by adopting appropriate operational practices and suitable technologies to monitor, control and minimize the impact of its activities on environment. In this context, a mention can be made of following:

- The Company has selected the environment friendly fuel (viz. Gas) for its SUGEN Plant. The design of the plant has in built features such as increased fuel efficiencies thereby reduced emissions viz. low NOx burners; use of effluent water for irrigation and noise containment enclosures. The Environment Impact Assessment of the project has been completed and a complete environment management system is in place.
- A green belt of 50 Meters has been planned on the periphery on the SUGEN project site which is higher than the criteria of 30 Meters specified by the concerned authorities. 20% of the work has already been completed. The Company by organizing the transplanting of more than 1000 trees has ensured that the existing greenery is not affected by the construction of power plant.
- The SUGEN plant is designed so that the water discharged from the plant is directly usable for agriculture and farming. The feasibility of zero discharge of water outside the plant area is being examined.
- The SOx and NOx levels specified by the Gujarat Pollution Control Board for gas generating stations are 50 ppm. The SUGEN plant is being built on European specifications of 25 ppm and the actual levels will be even less than this.

- The Company has judiciously used low sulphur low ash environment friendly coal. Various agencies were encouraged for collecting the dry ash from ash storage silo regularly. About 95% fly ash generated was evacuated through dry ash collection and disposal system, thus avoiding issues relating to storage and disposal of ash and water pollution.
- Environment audit for the calendar year 2005 was conducted through an Auditor approved by Gujarat Pollution Control Board (GPCB). Stack emission monitoring and ambient air quality were mostly well within the prescribed norms of GPCB. The quality of effluent water discharged to river from outlet of ash pond after removal of ash was well within the limit of GPCB.
- The Company has proactively initiated action for revamping its Electrostatic precipitators for keeping SPM levels under control

### **Community Care Services**

Your Company firmly believes that it is an integral part of the social fabric and populace it caters to and SUGEN project is a noticeable example of this.

No loss of livelihood has been caused by the project activity. Besides providing large scale employment to local labour, the Company is consciously promoting the development of local skills and entrepreneurship. The company is also actively involved in supporting the infrastructure development in the surrounding villages. The quality vegetables grown at the project site using only organic manure are being provided to institutions taking care of the socially and economically deprived.

As a part of its commitment to the development of the Society, the Torrent Group launched a Corporate Social Responsibility Initiative called “Sparsh” in January 2005. The “Sparsh” project seeks to touch the thousands of lives in Ahmedabad and Surat. “Sparsh” strives to make a positive difference in the quality of life in the areas of Health, Education, Public Amenities and Community Development, involving the individual and collective will and effort of about 10000 members of the Torrent Parivar. Some of the activities undertaken in Ahmedabad include Tree Plantation, Health Checkup Camp, cleaning of water tanks, Elocution & Drawing Competition for Municipal School students, Upgradation of School Infrastructure and Hospitals.

Encouraged by acclaim received by the program in Ahmedabad, the Company decided to extend the activities of “Sparsh” in Surat. The Company is undertaking various community services in Surat like a “Pulse Polio Immunization” Camp, public health awareness campaign amongst slum dwellers, distribution of notebooks and kits to about 5500 under-privileged children in municipal schools, facilities for senior citizens, etc.

### **Directors**

Mr. Sudhir Shah resigned from the Board with effect from 29th September 2006. The Board places on record its appreciation of the valuable services rendered by Mr. Sudhir Shah during his tenure as Director of the Company.

Mr. Samir Mehta retires by rotation under the provisions of the Articles of Association of the Company and being eligible, offers himself for re-appointment.

Mr. Markand Bhatt was appointed as an Additional Director with effect from 16th September 2006, and on 29th September 2006, was appointed as a Director in Whole Time employment with effect from 1st October 2006.

Mr. Murli Ranganathan was appointed as an Additional Director with effect from 29th September 2006 and as a Director in Whole Time employment with effect from 1st October 2006.

Dr. Bakul Dholakia, Director of Indian Institute of Management- Ahmedabad, was appointed as an Additional Director on 29th September 2006.

Mr. Pankaj R. Patel, Chairman and Managing Director of Cadila Healthcare Limited, was appointed as an Additional Director on 29th September 2006.

Mr. Balwant Singh, IAS, Principal Secretary (Energy) was appointed as an Additional Director on 29th September 2006, as nominee of the Government of Gujarat.

Mr. S. B. Kunwar was appointed as an Additional Director on 29th September 2006 as nominee of the Life Insurance Corporation of India.

Mr. Sudhir Mehta was appointed as the Executive Chairman on 29th September 2006 with effect from 1st October 2006.

A brief resume of all the Directors has been included in the Corporate Governance Report.

### **Corporate Governance**

The governance philosophy of the Company rests on five basic principles viz, protection of right and interest of shareholders, equality in treatment of all shareholders, disclosure of timely and accurate information, strategic guidance and effective monitoring by the Board and the Board accountability to company and its shareholders.

A Management Discussion and Analysis Report forms part of this report. A separate report on Corporate Governance is also included as a part of the Annual Report. A certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is also attached to this Annual Report.

### **Auditors**

The observations made in the Auditors' Report, if any, are self-explanatory and, therefore, do not call for any further comments under Section 217 of the Companies Act, 1956. M/s C. C. Chokshi & Co., Chartered Accountants, will retire as auditors at the ensuing Annual General Meeting and are eligible for re-appointment. They have, pursuant to section 224(1B) of the Companies Act, 1956, furnished the certificate regarding their eligibility for re-appointment as the Auditors of the Company.

### **Directors' Responsibility Statement**

In terms of Section 217 (2AA) of the Companies Act, 1956, in relation to financial statements for the year 2005-06, the Board of Directors state that:

- i. In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- ii. Reasonable and prudent accounting policies have been adopted in preparation of the financial statements, that they have been consistently applied and that reasonable and prudent judgments and estimates have been made in respect to items not concluded by the year end, so as to give a true and fair view of the state of affairs of the Company as at 30th September 2006 and of the profit for the period ended on 30th September 2006;

- iii. Proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv. The financial statements have been prepared on a going concern basis.

### **Conservation of Energy, Technology Absorption, Forex Earnings & Outgo**

The information relating to technology absorption, foreign exchange earnings and outgo required to be disclosed under Rule 2 of the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988, is given in the annexure and forms an integral part of this report.

### **Particulars of Employees**

The information as required under section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, forms part of this report. As per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the report is being sent to all the shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining the particulars may obtain it by writing to the Company Secretary of the Company.

### **Appreciation and Acknowledgements**

The Directors are grateful and pleased to place on record their appreciation for continued guidance and support provided by Central and State Government, Gujarat Urja Vikas Nigam Limited (erstwhile Gujarat Electricity Board), Financial Institutions and Banks. The Board also recognizes the contribution of the esteemed consumers in the growth of the Company and takes this opportunity to pledge the Company's commitment to serve them. The Board also would particularly like to express great appreciation of the understanding and support extended by the employees at all levels and the Shareholders.

For and On behalf of the Board of Directors

7th November 2006  
Ahmedabad

**SUDHIR MEHTA**  
Chairman

## FORM B : ANNEXURE TO DIRECTORS' REPORT

### RESEARCH AND DEVELOPMENT (R&D)

#### 1. Specific areas in which R&D was carried out by the Company

The company per se did not carry out any basic R&D work during the 2005-06. However, some activities carried out through indigenous sources resulted in significant improvement in the performance of the system.

##### (a) Generating Stations

- Installation of improved design of Boiler Feed Pump cartridge
- Modification in Cooling Tower and Condenser at CCPP

##### (b) Transmission and Distribution

- Extension of 33 KV System
- Installation of compact Distribution Sub-station in the system.

#### 2. Benefits derived as a result of above R&D initiatives

- Reduction in Auxiliary Consumption
- Reduction in Heat Rate and better output of Steam Turbine at CCPP
- Improvement in system performance by reduction in interruptions to consumers
- Reduction in down time and land requirement for substations

#### 3. Future Plan of Action

- More numbers of 33 KV Sub-stations.
- Extension of SCADA system to all EHV sub-stations.
- Installation of ADBB Fibre Optic Cable for protection of data and voice transmission
- Introduction of Distribution Automation in 11 KV system

#### 4. Expenditure on R&D

No expenditure on R&D of capital or recurring nature has been incurred.

### TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

#### 1. Efforts made towards technology absorption and innovation

- No absorption of new technology

#### 2. Benefits derived as a result of the above efforts

- Not applicable

### FOREIGN EXCHANGE EARNINGS AND OUTGO

Description	(Rs. in lacs)
Foreign Exchange Earned	—
Foreign Exchange used (Actual Basis)	
a) Import of Capital Goods	20294.24
b) Import of Fuel, Components, Stores & Spare parts	11767.99
c) Professional and Consultation Fees	158.85
d) Travelling, Subscriptions and Others	35.51
e) Repayment of Loan	—
f) Payment of interest on Loan	—

For and On behalf of the Board of Directors

7th November 2006  
Ahmedabad

**SUDHIR MEHTA**  
Chairman

The Company has made applications to the Bombay Stock Exchange Limited and National Stock Exchange of India Limited for listing of its shares allotted pursuant to the Composite Scheme of Arrangement including Amalgamation. In accordance with para 6 of SEBI circular dated 29th October 2004, the Company has set up its Board, constituted its committees and has complied with other requirements of the Clause 49 of the Listing Agreement as described hereunder:

## I. Company's Philosophy on Code of Governance

Corporate Governance is not merely compliance – it involves leveraging Company's resources and aligning its activities to consumer need, shareholder benefits and employee growth, thereby delighting all its stakeholders while minimising risks.

Corporate Governance, relates to systems and processes that direct corporate resources and management strategies towards maximising value for stakeholders while ensuring accountability, probity and transparency in the conduct of business within the acceptable, legal and ethical framework. A good governance process should thus provide sufficient transparency in corporate policies, strategies and decision making while strengthening internal control systems and building relationship with stakeholders, including employees and shareholders. Accountability improves decision making. Transparency helps to explain the rationale behind decisions, and thereby builds stakeholder confidence. The adherence to good governance practices in true spirit, not just in letter, will help align interests of stakeholders, and hence investors' confidence and provide access to cheaper resources, in turn facilitating the creation of superior value on sustainable basis.

The Company is committed to the adoption of best governance practices and their adherence in true spirit at all times. Company's governance practices are a product of self desire to change and its improvement is a continuous process, with no upper bound. The governance philosophy of the Company rests on five basic principles viz, protection of right and interest of shareholders, equality in treatment of all shareholders, disclosure of timely and accurate information, strategic guidance and effective monitoring by the Board and the Board accountability to company and its shareholders. Above all, our governance practices reflect the true spirit of the trusteeship i.e., deeply ingrained in the value system and reflected in the strategic thought process at all times.

The Company places due emphasis on regulatory compliances including adoption of environment friendly technology; complete customer satisfaction through uninterrupted, reliable, quality power supply at affordable prices; discharge of social obligations as a responsible Corporate member of the Society/Community; dynamic organisation through competent and dedicated employees and achieving leadership in Power Sector.

## 2. Board of Directors

The Board of Directors comprises of eight members. More than 50% of the directors are non-executive directors, while 50% of the directors are independent directors. Thus, the composition of the Board is in compliance with the requirements of Clause 49 of the Listing Agreement. The detailed composition of the Board and other related information are given in the table below:

Name of the Director	Category	No. of other Directorships held *	No. of other Board Committees of which Member*/Chairman*	Board Meetings attended	Attendance at the last AGM
Sudhir Mehta	Executive Chairman Promoter Group	2	1 (as Chairman)	18	Yes
Dr. Bakul H. Dholakia (a)	Independent	6	3 (as Chairman) 4 (as Member)	Nil	No
Balwant Singh, IAS (b)	Independent Nominee of Gujarat Govt. (a shareholder)	14	2 (as Chairman) 3 (as Member)	Nil	No
Pankaj Patel (c)	Independent	9	2 (as Chairman) 1 (as Member)	Nil	No
Samir Mehta	Non-Executive Promoter Group	1	2 (as Member)	18	Yes
S.B. Kunwar (d)	Independent Nominee of LIC (a shareholder)	2	Nil	Nil	No
Sudhir Shah (e)	Non-executive	1	Nil	14	No
Markand Bhatt (f)	Director in whole-time employment	1	1 (as Member)	2	No
Murli Ranganathan (g)	Director in whole-time employment	1	Nil	1	No

\* Excludes the directorships held in private companies, foreign companies and companies registered under section 25 of the Companies Act, 1956 and includes the committee membership of only, Audit Committee and Shareholders'/ Investors' Grievances Committee.

(a) Dr. Bakul H. Dholakia was appointed as an Additional Director on 29th September, 2006.

(b) Mr. Balwant Singh, IAS was appointed as an Additional Director on 29th September, 2006.

(c) Mr. Pankaj Patel was appointed as an Additional Director on 29th September, 2006.

(d) Mr. S.B. Kunwar was appointed as an Additional Director on 29th September, 2006.

(e) Mr. Sudhir Shah has resigned with effect from 29th September, 2006.

(f) Mr. Markand Bhatt was appointed as an Additional Director w.e.f. 16th September, 2006 and as a Director in whole-time employment w.e.f. 1st October, 2006.

(g) Mr. Murli Ranganathan was appointed as an Additional Director on 29th September, 2006 and as a Director in whole-time employment w.e.f. 1st October, 2006.

**Details of Board Meetings Held**

Date of Board Meetings	No. of Directors Present	Date of Board Meetings	No. of Directors Present
22nd April, 2005	2	1st February, 2006	3
23rd June, 2005	3	10th February, 2006	3
5th July, 2005	3	22nd March, 2006	3
25th July, 2005	3	20th April, 2006	3
22nd October, 2005	3	14th June, 2006	2
15th December, 2005	3	19th July, 2006	3
9th January, 2006	3	11th September, 2006	2
13th January, 2006	3	16th September, 2006	3
27th January, 2006	3	29th September, 2006	2

**Details of Directors proposed to be appointed/ re-appointed at the next Annual General Meeting**

Mr. Samir Mehta is liable to retire by rotation at the ensuing Annual General Meeting and being eligible, has offered himself for re-appointment.

Dr. Bakul Dholakia, Mr. Balwant Singh, IAS, Mr. Pankaj Patel, Mr. S.B. Kunwar, Mr. Markand Bhatt and Mr. Murlu Ranganathan were appointed as the Additional Directors and hold their office upto the date of the ensuing Annual General Meeting of the Company. The Directors commend their appointment/re-appointment.

Their respective profiles are as under:

**Mr. Samir Mehta**

Mr. Samir Mehta, has done Graduation in Commerce and Masters in Business Administration with specialisation in Finance and General management. He has vast experience as a Director in Torrent Group. As the Managing Director of Torrent Pharmaceuticals Limited (Torrent Pharma), he has been instrumental in setting up the Torrent Research Centre as also Torrent Pharma's foray in to new therapeutic areas. His thrust on high quality, dependable products has seen Torrent Pharma's consolidated turnover grow to over Rs. 900 Crores. He has also contributed immensely to the Torrent Pharma's achievements in exports and the professionalisation of it's management.

He played a key role in setting-up of a 655 MW dual fuel combined cycle power project of Gujarat Torrent Energy Corporation Ltd. at Paguthan, Bharuch, which was subsequently divested to Powergen.

Besides being the Managing Director of Torrent Pharmaceuticals Limited and a director of Torrent Private Limited, Mr. Samir Mehta was also a Director on the Boards of erstwhile Torrent Power AEC Limited, Torrent Power SEC Limited and Torrent Power Generation Limited.

**Dr. Bakul Dholakia**

Dr. Bakul Dholakia, Ph.D. (Economics) and M.A. (Economics) (Gold Medalist) is the Director of Indian Institute of Management, Ahmedabad since October, 2002. His association with the Indian Institute of Management, Ahmedabad is for more than 31 years. He was previously associated with M.S. University for 6 years. He has provided consultancy to

various national and international organizations. He has visited various government departments and public as well as private sector organizations in many countries to develop international case studies and for management consultancy; focusing on various aspects such as economic policy reforms, export promotion strategy, economic planning, public enterprise management and privatisation programme.

**Mr. Balwant Singh, IAS**

Mr. Balwant Singh holds a Master of Science degree from Banaras Hindu University, a Master of Arts degree from University of Reading, U.K. and a Post Graduate Diploma in Management from Indira Gandhi National Open University. He is an IAS officer and has administrative and corporate experience spanning 31 years. He is currently the Principal Secretary, Energy and Petrochemicals Department, Government of Gujarat. He has held positions in the Ministry of Environment & Forest and the Ministry of Science & Technology, Government of India. He also acted as the Chief Electoral Officer, Gujarat, Principal Secretary, Ports and Fisheries Department, Government of Gujarat, and Chairman, Gujarat Maritime Board. He is a nominee of Government of Gujarat (a shareholder) on the Board of the Company.

**Mr. Pankaj R. Patel**

Mr. Pankaj R. Patel, M. Pharm; is the Chairman and Managing Director of Cadila Healthcare Limited. He is a Director in a number of public and foreign companies as well. He is also the President of Gujarat Chamber of Commerce & Industry and is associated with various associations like Federation of Indian Chamber of Commerce & Industry, Indian Pharmaceutical Alliance and Indian Drug Manufacturers Association. He was also conferred with the award “Pharma Man of the Year” by the Federation of Indian Industry and Economists in 2004.

**Mr. S.B. Kunwar**

Mr. S. B. Kunwar, a Commerce Graduate and a Chartered Accountant, was the Zonal Manager with the Life Insurance Corporation of India up to 31st December, 2004. He was also a director on the Board of erstwhile Torrent Power AEC Limited since 24th July, 2002. He is a nominee of Life Insurance Corporation of India (a shareholder) on the Board of the Company.

**Mr. Markand Bhatt**

Mr. Markand Bhatt holds a post graduate diploma in Business Management (1969 batch) from Indian Institute of Management, Ahmedabad. He was the Group Chief Executive Officer of the Torrent Group, a Rs. 3,760 crore conglomerate with predominant position in the pharmaceutical and power businesses. He commenced his professional career with reputed organisations. Later on, he practiced as a Management Consultant and was associated with premier government organisations and private groups including Torrent. He has been an advisor and active participant in the strategic planning for Torrent Group for over a decade. He was the Managing Director of Gujarat Torrent Energy Corporation Limited (GTEC), promoted by Torrent Group and the Government of Gujarat; which put up a 655 MW gas based dual fuel combined cycle power project at a cost of Rs. 2,247 Crores. He spearheaded the divestment of GTEC by Torrent Group, which was the biggest merger and acquisition deal in the country at that point of time. He was the Managing Director of Torrent Power Generation Limited implementing the 1100 MW SUGEN gas based combined cycle power project with an investment of Rs. 3,096 crores at village Akhakhhol, near Surat.

**Mr. Murli Ranganathan**

Mr. Murli Ranganathan is a Graduate in Mechanical Engineering and Post Graduate in Industrial Engineering from IIT Delhi, with wide experience of 27 years in the Industry. He had served earlier as Executive Director, Chief Executive Officer and Managing Director in various Torrent Group companies including as Chief Executive Officer in erstwhile Torrent Power AEC Limited (TPAL). He has an in-depth understanding of the power industry and under his leadership TPAL had become one of the best integrated power utilities in the country.

**3. Committees of the Board**

The Board has constituted four committees of the Board on 29th September, 2006, namely; the Audit Committee, the Shareholders'/Investors' Grievances Committee, Operational Committee of Directors and the Allotment Committee. The Board determines the Terms of Reference of the Board Committees from time to time. Minutes of Board Committee Meetings are placed for the information of the Board. The role and composition of these committees including the number of meetings held during the financial period and the Directors' attendance thereat are provided below:

**Audit Committee**

The Audit Committee was constituted on 29th September 2006. During the financial period ending on 30th September 2006, no meeting of Audit Committee took place. The composition of the Audit Committee is as under:

Name of the Director	Qualification	Category
Dr. Bakul H. Dholakia (elected as the Chairman w.e.f. 7th November 2006)	Ph.D. (Economics) and M.A. (Economics) (Gold Medalist), Director (IIM – Ahmedabad)	Independent
S.B. Kunwar	Chartered Accountant	Independent, Nominee of LIC (a shareholder)
Samir Mehta	M.B.A. (Finance)	Non-executive Promoter Group

The above composition meets all the requirements of Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.

The Company Secretary acts as the secretary of the Audit Committee. In addition, representatives of the statutory auditors and the internal auditors as well the Chief Financial Officer of the Company shall attend and participate at the meeting. The Committee has the authority to invite such of executives, as it considers appropriate to be present at the meetings of Committee.

A brief description of the Terms of Reference of Audit Committee is given below:

- 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 them.
- 4) Reviewing, with the management, the annual and quarterly financial statements before submission to the Board for approval

- 5) Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- 6) 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, frequency of internal audit and the appointment, removal and terms of remuneration of the Chief Internal Auditor.
- 7) Discussion with internal auditors for any significant findings and follow up thereon.
- 8) 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.
- 9) 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.
- 10) To review the Management discussion and analysis of financial condition and results of operations and significant related party transactions etc.

#### **Shareholders'/Investors' Grievance Committee**

Shareholders'/Investors' Grievance Committee was constituted by the Board on 29th September 2006. No meeting of the Committee was held during the financial period ending on 30th September 2006. The composition of the Committee is as follows:

Name of the Director	Category
Pankaj Patel, Chairman	Independent
Samir Mehta	Non-executive, Promoter Group
Markand Bhatt	Director in whole-time employment

The Company Secretary is the Secretary of the Committee and has been designated as the Compliance Officer.

The Company has not received any grievance. No valid requests for transfer/ transmission of shares, issue of duplicate shares etc. were pending as on 30th September, 2006.

#### **Operational Committee of Directors**

The role of the Operational Committee of Directors is to consider routine operational matters such as authorisation for opening and closing of bank accounts, demat accounts with depository/depository participants, issue of power of attorney, delegation of authority etc., and other matters assigned by the Board from time to time.

The Operational Committee of Directors was constituted on 29th September 2006. No meeting of the Committee was held during the financial period ending on 30th September 2006. The composition of Operational Committee of Directors is as follows:

Name of the Director	Category
Samir Mehta, Chairman	Non-executive, Promoter Group
Markand Bhatt	Director in Whole-time employment
Murli Ranganathan	Director in Whole-time employment

**Allotment Committee**

The Allotment Committee was constituted on 29th September 2006 to approve the allotment of shares pursuant to Composite Scheme of Arrangement including Amalgamation and for matters related thereto. The Committee met on 30th September 2006.

Name of the Director	Category	No. of meetings attended
Samir Mehta, Chairman	Non-executive, Promoter Group	1
S.B. Kunwar	Independent LIC Nominee Shareholder	1
Markand Bhatt	Director in whole-time employment	1

**4. Remuneration****Chairman & Directors in whole-time employment**

The Board in its meeting held on 29th September 2006 has approved the appointment and payment of remuneration to the Chairman and directors in whole-time employment of the Company with effect from 1st October 2006. The detailed proposals are placed for approval of the Shareholders.

**Remuneration to non-executive directors**

The Board in its meeting held on 29th September 2006 has approved payment of sitting fees of Rs. 20,000 per meeting of the Board and Committee meetings in addition to payment of incidental and other expenses incurred for attending the meetings of the Board, Committees and shareholders. The amount is within the limits prescribed under Rule 10B of the Companies (Central Government) General Rules & Forms, 1956.

The Company now proposes for payment of commission linked to the net profit of the Company, instead of sitting fees to independent non-executive directors. The commission shall be determined by the Chairman of the Company, subject to a ceiling of 1% of net profits of that financial year calculated in accordance with section 349 of the Companies Act, 1956. The commission would be determined on the basis of duration of their appointment during the year and participation at Board and Committee meetings. The detailed proposal is placed for the approval of the shareholders.

The Company paid Rs. 20,000 as sitting fees to Mr. S. B. Kunwar, an independent & non-executive director during 2005-06. There are no other pecuniary relationship/transactions with the non-executive directors.

**5. Subsidiary Company**

The Company has divested its stake partially in AEC Cements & Constructions Limited (a non-material and non-listed subsidiary) on 28th July 2006 and hence it has ceased to be a subsidiary from that date onwards. The Company does not have any subsidiary as at 30th September 2006.

## 6. General Body Meetings

The details of Annual General Meeting (AGM) and Extra-Ordinary General Meetings (EGM) held by the Company are given below:

AGM	Date	Time	Venue	No. of Special Resolutions passed
Ist AGM	16th July 2005	11.30 a.m.	Torrent House, Off Ashram Road, Ahmedabad 380 009	Nil
EGM	13th January 2006	10.00 a.m.	Torrent House, Off Ashram Road, Ahmedabad 380 009	1
EGM	21st January 2006	4.00 p.m.	Torrent House, Off Ashram Road, Ahmedabad 380 009	1
EGM	1st February 2006	10.00 a.m.	Torrent House, Off Ashram Road, Ahmedabad 380 009	2

The special resolutions indicated above were passed by show of hands.

No special resolutions were required to be put through postal ballot last year and there is no proposal for conducting the special resolution through postal ballot.

## 7. Disclosures

There have been no instances of non-compliance by the Company, and no penalties, strictures imposed on the Company by Stock Exchange or Securities & Exchange Board of India (SEBI) or any other authority, on any matter related to capital markets.

### Legal Compliance Policy

The Board in its meeting held on 29th September 2006, has adopted a formal management policy and system of legal compliance and reporting to facilitate review by the Board of Directors of compliance status of laws applicable to the Company and steps taken to rectify non-compliances, if any. Under the Policy, the legal compliance report shall be periodically reviewed by the Board.

### Code of Business Conduct

The Board in its meeting held on 29th September 2006 has adopted the Code of Business Conduct. The same is being posted on the website of the Company. The members of the Board and senior management of the Company have submitted their affirmation on compliance with the Code including disclosures of all material and commercial transactions where they have personal interest that may have a potential conflict with the interest of the Company at large, for the effective period. A declaration by the Executive Chairman to that effect forms part of this report as Annexure I.

### Related Party Transactions

Transactions with related parties are disclosed in detail in Note number 19 of Schedule 15 forming part of the financial statements for the period. Adequate care was taken to ensure that potential conflict of interest did not harm the interests of the Company at large.

### Disclosure of Accounting Treatment

In preparation of financial statements, the Company has followed the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable.

**Disclosure of Risk Management**

The Board in its meeting held on 29th September 2006, has adopted the Risk Assessment and Minimization Procedures. The management is in the process of operationalizing the framework. The same shall be periodically reviewed by the Board to ensure that executive management controls risk through means of a properly defined framework.

**Proceeds from public issues, right issues, preferential issues etc.**

On conversion to a public limited company, the Company allotted 40,000 equity shares to the existing shareholders to raise the paid-up share capital to the statutory minimum of Rs. 5 lacs. Pursuant to the Composite Scheme of Arrangement including Amalgamation, the Company has allotted 472,448,308 new equity shares of Rs. 10/- each fully paid up as per the exchange ratio and simultaneous reorganisation of capital as stated therein.

The Company has not raised money through any other issue.

**Shareholding of non-executive directors**

Mr. Samir Mehta holds 6,125 shares of the Company. None of the other non-executive directors hold any shares of the Company.

**Management Discussion & Analysis Report**

The Management Discussion & Analysis of operating results and financial condition based on financial statements for the period forms part of the Annual Report.

**Dividend Payment through Electronic Clearing Services (ECS)**

The Company intends to provide ECS facility to the members whereby they will be able to receive their dividend by direct electronic credit to their bank account.

**8. Means of Communication**

The Company will generally publish the financial results in Business Standard (English) and Jansatta (Gujarati) newspapers. They will also be put on Electronic Data Information Filing and Retrieval (EDIFAR) website maintained by National Informatics Centre (NIC). The Company's website [www.torrentpower.com](http://www.torrentpower.com) also displays the official news release in addition to the financial results.

**9. Compliance with non-mandatory requirements****Maintenance of non-executive Chairman's office**

A proposal for payment of the remuneration to Mr. Sudhir Mehta, Chairman of the Company is placed for the approval of the shareholders.

Hence, this requirement is not applicable to the Company.

**Tenure of independent directors**

The Company does not have any directors with tenure of more than nine years in aggregate. The Company shall take a decision at an appropriate time.

### **Remuneration Committee**

This is a non-mandatory requirement of Clause 49 of the Listing Agreement. All decisions on appointment and remuneration of the Chairman and the directors in whole-time employment are taken by the Board of Directors and approved by the shareholders in general meeting. Hence, the Board has not constituted a Remuneration Committee.

### **Shareholder Rights**

The Company intends to publish the financial results in widely circulated newspapers, place the same on Company's website in addition to uploading the same on EDIFAR website. Similarly, the major events shall also be placed on Company's website. Hence, distribution of half-yearly financial performance including summary of the significant events to each shareholders will not be warranted.

### **Audit Qualifications**

The Company does not have any qualifications in the auditors' report. It shall be the endeavour of the Company to have unqualified financial statements.

### **Training of Board members**

The Board shall consider the matter at an appropriate time on training of its Board members in the business model of the Company, risk profile of the business parameters of the Company, their responsibilities as directors and the best way to discharge the same.

### **Mechanism for evaluating non-executive Board members**

The Board will take the decision at an appropriate time.

### **Whistle Blower Policy**

The protection to the employees reporting any misconduct is a part of Company's Code of Business Conduct and is considered to be a satisfactory arrangement at present.

## **10. General Shareholder Information**

### **2nd Annual General Meeting**

Date	Friday, 15th December 2006
Time	10.00 a.m.
Venue	Sheth Mangaldas Girdhardas Memorial Hall (Town Hall), Ellis Bridge, AHMEDABAD 380 006

### **Financial Calendar (tentative) for Financial Year 2006-07 (6 months period):**

Financial Year	1st October – 31st March
First Quarter results	Fourth week of January, 2007
Audited Accounts for 6 months	Fourth week of June, 2007
Annual General Meeting for the year 2006-07	End September, 2007

The Board of Directors in their meeting held on 29th September 2006, has decided to close the books of accounts of the Company on 31st March 2007 (accounting period of 6 months).

**Date of Book Closure (for Dividend Payment)**

5th December, 2006 to 14th December, 2006 (both days inclusive).

**Dividend Payment Date**

The proposed dividend, if approved at the AGM, will be distributed on or around 20th December, 2006.

**Listing on Stock Exchanges and security codes**

Stock Exchange	Security Code
Bombay Stock Exchange Ltd, Mumbai P.J. Towers, Dalal Street, Fort, Mumbai 400001	Approval of listing is awaited
National Stock Exchange of India Limited Exchange Plaza, 5th floor, Plot No.C/1 'G' Block, Bandra Kurla Complex, Bandra (East), Mumbai 400051	Approval of listing is awaited

Annual Listing fees for the year 2006-07 have been duly paid to both the Stock Exchanges.

**Market Price Data**

The Shares of the Company were not listed as on 30th September 2006.

**Distribution of Shareholding as on 30th September, 2006**

By Size of Shareholding:

No. of Shares	No. of Shareholders	% Shareholders	No. of Shares	% of Shareholding
01 to 500	16,144	42.86	3,320,119	0.70
501 to 1000	11,220	29.79	6,911,050	1.46
1001 to 2000	4,570	12.13	6,241,502	1.32
2001 to 3000	1,928	5.12	4,828,773	1.02
3001 to 4000	889	2.36	3,085,139	0.65
4001 to 5000	686	1.82	3,090,926	0.66
5001 & above	2,231	5.92	444,970,799	94.19
Total	37,668	100.00	472,448,308	100.00

By Category of Shareholders:

Sr. No.	Category	No. of Shares held 30th September, 2006	% of Shareholding
1	Promoters	258,266,507	54.67
2	Mutual Funds	12,996,626	2.75
3	Nationalised Banks	477,789	0.10
4	Life Insurance Corporation of India	48,363,556	10.24
5	GIC and Subsidiaries	38,368,135	8.12
6	Governor of Gujarat with Gujarat State Invest. Ltd.	53,928,671	11.41
7	FIs	1,956,476	0.41
8	Others	58,090,548	12.30
	GRAND TOTAL	472,448,308	100.00

### **Dematerialisation of Shares**

The Company has entered into an agreement with both National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) whereby the shareholders have the option to dematerialise their shares with the depositories. Demat ISIN Numbers in NSDL and CDSL for equity shares is INE 813H01021.

### **Share Transfer System**

The Shareholders'/ Investors' Grievance Committee comprising of Mr. Pankaj Patel, Mr. Samir Mehta and Mr. Markand Bhatt, is authorised to approve transfer/transmission of shares, issue of duplicate share certificate and certificates after split/consolidation/renewal etc. in the physical segment. Further, the members of the Shareholders'/Investors' Grievances Committee are severally authorized to approve transfer and transmission upto 10,000 shares under one transfer deed/document. Moreover, Mr. Sudhir Shah and Mr. Ashok Modi, Senior Executives of the Company and Mr. Jagdish Mehta, the Company Secretary are also severally authorized to approve transfer/transmission of shares upto 5,000 shares under one transfer deed/document.

As per the SEBI requirement the appointment of M/s Sharepro Services (India) Private Limited, Mumbai as its Registrar & Share Transfer Agents for rendering the entire range of services to the Shareholders of the Company was made up to 30th September, 2008. Shareholders/Investors are requested to forward all documents, transfers, demat requests and other communication with respect to the shares in electronic and physical form to them.

Shareholders holding shares in Demat mode should address all their correspondence to their respective Depository Participants.

### **Outstanding GDRs/ADRs/Warrants/any other convertible instruments**

The Company has not issued any GDRs/ADRs/Warrants or any convertible instruments, as on date.

### **Registered Office**

Torrent House, Off Ashram Road, Ahmedabad-380 009

### **Plant Locations**

- 1) Power House, Sabarmati, Ahmedabad-380 005
- 2) Vatva Gas Power Station, Phase IV, Vatva, Ahmedabad-382 445
- 3) SUGEN CCPP, Village Akhakhol, Taluka Kamrej, Surat-394 115

### **Address for Investor Correspondence**

Company Secretary

Torrent Power Limited

Electricity House, Lal Darwaja

Ahmedabad-380 001

Telephone : 079-2550 2881

Fax : 079-2550 6386

e-mail : [companysecretary@torrentpower.com](mailto:companysecretary@torrentpower.com)

Website : [www.torrentpower.com](http://www.torrentpower.com)

**Registrar & Share Transfer Agents**

M/s Sharepro Services (India) Private Limited  
Unit – Torrent Power Limited  
Satam Estate, 3rd floor, Above Bank of Baroda  
Cardinal Gracious Road, Chakala, Andheri (East)  
MUMBAI – 400 099  
Telephone : 022-2821 5168, 2821 5991  
                  022-2832 9828, 2834 7719  
Fax : 022-2837 5646  
e-mail : sharepro@vsnl.com

For & on behalf of the Board

**Sudhir Mehta**  
Chairman

Ahmedabad,  
7th November, 2006

## ANNEXURE I TO CORPORATE GOVERNANCE REPORT

To  
The Shareholders,

I, Sudhir Mehta, Executive Chairman, declare that the Board of Directors has received affirmations on compliance with the Code of Business Conduct from the date of the approval of the Code to 30th September 2006, from all the members of the Board and employees at a level of General Manager and above.

Ahmedabad,  
Date: 7th November 2006

**Sudhir Mehta**  
Executive Chairman

## AUDITORS' CERTIFICATE

ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE AS PER CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES

To the Members of  
TORRENT POWER LIMITED

We have examined the compliance of conditions of corporate governance by TORRENT POWER LIMITED for the period ended on 30th September, 2006 as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to the 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 an 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, we certify that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned Listing Agreement.

We further 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 **C.C. CHOKSHI & CO.**  
Chartered Accountants

**Gaurav J. Shah**  
Partner

Membership No. 35701

Ahmedabad  
7th November, 2006

To the Members of  
TORRENT POWER LIMITED

1. We have audited the attached Balance Sheet of TORRENT POWER LIMITED as at 30th September, 2006 and also the Profit and Loss Account and the Cash Flow Statement for the period of eighteen months 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 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 paragraph 4 and 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 those books;
  - c. The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d. As explained in Note – 4 of Schedule 15, in accordance with the Scheme of Amalgamation approved by the Hon'ble High Court of Gujarat, the difference arising on account of Amalgamation is recorded as General Reserve.  
Having regard to this, in our opinion, the Balance Sheet, the Profit and Loss Account and the 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 representations received from the directors as on 30th September, 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30th September, 2006 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 affairs of the Company as at 30th September, 2006;
    - (ii) in the case of the Profit and Loss Account, of the profit for the period of eighteen months ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows for the period of eighteen months ended on that date.

For **C.C. CHOKSHI & CO.**  
Chartered Accountants

**Gaurav J. Shah**  
Partner

Membership No. 35701

Ahmedabad  
7th November, 2006

## 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 period 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 period and according to the information and explanations given to us, no material discrepancies have been noticed on such verification.  
(c) The Company has not disposed of a substantial part of fixed assets during the period.
3. (a) As explained to us, inventories were physically verified during the period 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 and no material discrepancies were noticed on physical verification.
4. (a) The Company has not granted any loans secured / unsecured , to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.  
(b) The Company had taken unsecured interest free loan, repayable on demand, from a company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the period was Rs. 257.59 lacs and there was no balance outstanding as at the end of the period. In our opinion and according to the information and explanations given to us, the terms and conditions of the loan were not prima facie prejudicial to the interest of the Company.
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 ; and
  - (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. The company has not accepted any deposits from the public during the period under review.
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 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, custom 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 30th September, 2006 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 the custom duty, sales tax and income tax, the following dues have not been deposited on account of any dispute.

Description	Amount (Rs. in Lakhs)	Forum where dispute is pending
Custom Duty on Higher Assessment Value	15.97	The Custom, Excise and Service tax Appellate Tribunal, Mumbai
Custom Duty on Higher Assessment Value	28.06	Supreme Court of India, New Delhi
Sales Tax on Work Contracts	53.61	Appellate Assistant Commissioner, Calicut
Sales Tax on Work Contracts	10.64	Appellate Tribunal, Cuttak
Sales Tax on Work Contracts	28.83	Andhra Pradesh High Court
Sales Tax on Work Contracts	15.41	Sales Tax Appellate Tribunal, Andhra Pradesh
Sales Tax on Work Contracts	8.94	Sales Tax Tribunal, Orissa
Income Tax Act, 1961	149.16	Commissioner of Income Tax Appeals , Ahmedabad
Income Tax Act, 1961	298.00	Commissioner of Income Tax Appeals, Surat
Sales Tax Matter	21.34	Assistant Sales Tax Commissioner Surat

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 period covered by our audit and during the immediately preceding financial period.
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. The Company has given a guarantee to a financial institution for housing loans taken by the employees of the Company. According to the information and explanations given to us, the terms and conditions whereof are not prejudicial to the interest of the Company.
15. In our opinion, the term loans have been applied for the purpose for which they were raised.
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 period 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 period.
19. The Company has not raised money by public issue during the period.
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 period 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  
7th November, 2006

## BALANCE SHEET

AS AT 30TH SEPTEMBER, 2006

		(Rs. in lacs)	
	Schedule	As at 30-Sept-2006 (See Note - 4)	As at 31-Mar-2005 (See Note - 4)
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	47,244.83	1.00
Reserves and Surplus	2	215,963.05	–
		<b>263,207.88</b>	<b>1.00</b>
<b>Loan Funds</b>			
Secured Loans	3	55,931.44	–
Unsecured Loans	4	6,377.56	7.59
		<b>62,309.00</b>	<b>7.59</b>
<b>Other Fund</b>			
Service Line and Security Deposits from Consumers		28,732.76	–
		<b>354,249.64</b>	<b>8.59</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	279,996.74	–
Less: Depreciation		29,717.34	–
Net Block		250,279.40	–
Capital Work-in-Progress		97,878.15	–
		<b>348,157.55</b>	–
<b>Investments</b>			
	6	20,777.76	–
<b>Deferred Tax Assets</b>			
		908.60	–
<b>Current Assets, Loans and Advances</b>			
	7		
Interest accrued on Investments and Deposits		183.53	–
Inventories		9,394.31	–
Sundry Debtors		40,909.58	–
Cash and Bank Balances		5,510.95	0.93
Loans and Advances		33,612.45	–
		<b>89,610.82</b>	<b>0.93</b>
<b>Less: Current Liabilities and Provisions</b>			
	8		
Current Liabilities		58,944.49	0.01
Provisions		46,260.60	–
		<b>105,205.09</b>	<b>0.01</b>
<b>Net Current Assets</b>		<b>(15,594.27)</b>	<b>0.92</b>
<b>Miscellaneous Expenditure</b> (to the extent not written off)		–	7.67
		<b>354,249.64</b>	<b>8.59</b>
<b>Significant Accounting Policies</b>			
	14		
<b>Notes on Accounts</b>			
	15		

As per our report of even date

For **C. C. CHOKSHI & CO.**  
Chartered Accountants

**Gaurav J. Shah**  
Partner

Ahmedabad, 7th November 2006

**Sudhir Mehta**  
Chairman

**Samir Mehta**  
Director

**Jagdish Mehta**  
Company Secretary

Ahmedabad, 7th November 2006

# PROFIT AND LOSS ACCOUNT

TORRENT POWER LIMITED

FOR THE PERIOD ENDED 30TH SEPTEMBER, 2006

( Rs. in lacs )

	Schedule	Period ended 30-Sept-2006 (See Note - 4)	Period ended 31-Mar-2005 (See Note - 4)
<b>INCOME</b>			
Sale of Electrical Energy		382,333.26	—
Less: Discount for prompt payment of bills		4,023.21	—
		<b>378,310.05</b>	—
Net Income of Power/Contract Services Division	9	408.51	—
Net Income of Fly Ash Division	10	(10.69)	—
Insurance Claim Receipt		1,731.31	—
Other Income	11	13,511.53	—
		<b>393,950.71</b>	—
<b>EXPENDITURE</b>			
Electrical Energy Purchased		165,711.79	—
Generation, Distribution, Administration and Other Expenses	12	156,812.33	—
Interest and Finance Charges	13	6,309.11	—
Depreciation		29,893.78	—
Less: Transfer from Service line contribution & APDRP Grant		806.50	—
		<b>29,087.28</b>	—
		<b>357,920.51</b>	—
		<b>36,030.20</b>	—
<b>Profit Before Tax</b>			—
Provision for Current Tax [Including Rs. 6 lacs for Wealth Tax (31st March, 2005: Rs. Nil)]		15,982.20	—
Fringe Benefit Tax		106.18	—
Provision for Deferred Tax		1,641.15	—
Profit After Tax		18,300.67	—
Short /(-) Excess Provision for Taxation of earlier years		373.51	—
<b>Profit After Tax but before Contingency Reserve</b>		17,927.16	—
Contingency Reserve		1,400.00	—
<b>Profit After Contingency Reserve</b>		16,527.16	—
Balance brought forward from Previous year		—	—
<b>Amount available for Appropriations</b>		16,527.16	—
<b>APPROPRIATIONS</b>			
General Reserve		1,790.00	—
Proposed Dividend		5,669.38	—
Corporate Dividend Tax		795.13	—
		8,254.51	—
<b>Balance Carried to Balance Sheet</b>		8,272.65	—
		<b>16,527.16</b>	—
<b>Basic and Diluted Earnings per Share of face value of Rs. 10 each (in Rupees) (Refer Note 16, Schedule 15)</b>		3.79	—
<b>Significant Accounting Policies</b>	14		
<b>Notes on Accounts</b>	15		

As per our report of even date

For **C. C. CHOKSHI & CO.**  
Chartered Accountants

**Gaurav J. Shah**  
Partner

Ahmedabad, 7th November 2006

**Sudhir Mehta**  
Chairman

**Samir Mehta**  
Director

**Jagdish Mehta**  
Company Secretary

Ahmedabad, 7th November 2006



# CASH FLOW STATEMENT

FOR THE PERIOD ENDED 30TH SEPTEMBER 2006

	*Period ended 30-Sept-2006 (See Note - 4)	(Rs. in lacs) Period ended 31-Mar-2005 (See Note - 4)
<b>Cash Flow from operating activities</b>		
Profit before taxation	36,030.20	-
<b>Adjustments for :</b>		
Depreciation	29,090.26	-
Excess provisions written back	(707.14)	-
Interest expenses	6,087.02	-
Profit or Loss on Sale/redemption of investments (net)	43.59	-
Loss on sale of fixed assets (net)	1,377.69	-
Dividend/Interest	(3,280.11)	-
Miscellaneous expenditure written off	7.67	-
<b>Operating Profit before working capital changes</b>	<b>68,649.18</b>	<b>-</b>
<b>Adjustments for :</b>		
Trade and other receivables	(9,269.47)	-
Inventories	(2,658.30)	-
Current liabilities and provisions	12,439.16	7.60
Service line and security deposits	2,556.19	-
Interest on security deposits	(2,482.60)	-
<b>Cash Generated from operations</b>	<b>69,234.16</b>	<b>7.60</b>
Taxes paid (net of tax refund Rs. 3,593.28 lacs)	(12,298.09)	-
<b>Net Cash Flow from operating activities</b>	<b>56,936.07</b>	<b>7.60</b>
<b>Cash Flow from investing activities</b>		
Purchase of fixed assets	(129,823.64)	-
Sale of fixed assets	1,022.13	-
Purchase of investments	(4,692.90)	-
Sale of investments	2,276.21	-
Dividend and interest received from investments	3,237.77	-
Pre-operative expenses incurred during construction period to be capitalized on completion of project	(2,430.08)	-
<b>Net Cash used in investing activities</b>	<b>(130,410.51)</b>	<b>-</b>
<b>Cash Flow from financing activities</b>		
Share capital	1,429.00	1.00
Long term borrowings	39,130.69	-
Unsecured loan	6,551.00	-
Repayments of fixed deposits	(5.28)	-
Repayments of borrowings	(7,157.90)	-
Repayments of APDRP loan	(173.44)	-
Service line contribution	7,812.70	-
APDRP grant	4,589.00	-
Dividend paid	(2,547.24)	-
Interest paid	(5,319.75)	-
Miscellaneous expenditure	-	(7.67)
<b>Net Cash used in financing activities</b>	<b>44,308.78</b>	<b>(6.67)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(29,165.66)</b>	<b>0.93</b>
<b>Cash and cash equivalents as at 01-04-2005 (Opening Balance)</b>	<b>47,203.60</b>	<b>-</b>
<b>Cash and cash equivalents as at 30-09-2006 (Closing Balance)</b>	<b>18,037.94</b>	<b>0.93</b>

\*Transaction arising out of Scheme of Arrangement is a non cash transaction and not considered.

As per our report of even date

**For C. C. CHOKSHI & CO.**  
Chartered Accountants

**Gaurav J. Shah**  
Partner

Ahmedabad, 7th November 2006

**Sudhir Mehta**  
Chairman

**Samir Mehta**  
Director

**Jagdish Mehta**  
Company Secretary

Ahmedabad, 7th November 2006

FORMING PART OF THE BALANCE SHEET

**SCHEDULE 'I' : SHARE CAPITAL**

**(Rs. in lacs)**

	<b>As at 30-Sept-2006 (See Note - 4)</b>	<b>As at 31-Mar-2005 (See Note - 4)</b>
<b>Authorised:</b>		
2,000,000,000 Equity Shares of Rs. 10/- each (31st March, 2005 : 10,000,000 Equity Shares of Rs. 10/- each )	<b>200,000.00</b>	1,000.00
	<b>200,000.00</b>	1,000.00
<b>Issued, Subscribed and Paid up:</b>		
472,448,308 Equity Shares of Rs. 10/- each (31st March, 2005 : 10,000 Equity Shares of Rs. 10/- each )	<b>47,244.83</b>	1.00
	<b>47,244.83</b>	1.00

**Notes:**

1. The Authorised Share Capital has been increased from 10,000,000 equity shares to 2,000,000,000 equity shares of Rs. 10/- each pursuant to the Composite Scheme of Arrangement including Amalgamation ("the Scheme") (See note 4 of Schedule 15)
2. The Company has allotted 40,000 equity shares as fully paid up of Rs. 10/- each before implementing the Scheme.
3. During the period, pursuant to the Scheme;
  - a. The share capital of the Company was reorganised by reducing the face value of the existing equity shares from Rs. 10/- each to Rs. 2.50 each and simultaneously, four equity shares of Rs. 2.50 each were consolidated into one equity share of Rs. 10/- each fully paid up. Accordingly, 50,000 equity shares of Rs. 10/- each were reduced and consolidated into 12,500 equity shares of Rs. 10/- each fully paid up.
  - b. 472,435,808 equity shares of Rs. 10/- each fully paid up were issued to the shareholders of the Transferor Companies i.e Torrent Power AEC Limited, Torrent Power SEC Limited and Torrent Power Generation Limited without being payment received in cash as per the ultimate exchange ratio determined pursuant to the Scheme and reorganisation of capital of the Company.
4. 258,240,991 equity shares of Rs. 10/- each fully paid up are held by holding company i.e. Torrent Private Limited.

## SCHEDULES

FORMING PART OF THE BALANCE SHEET

### SCHEDULE '2' : RESERVES AND SURPLUS

	As at 30-Sept-2006 (See Note - 4)	As at 31-Mar-2005 (See Note - 4)
<b>(Rs. in lacs)</b>		
<b>Capital Reserves</b>		
Service Line Contribution		
As per last Balance Sheet	-	-
Contributions during the Period	7,812.70	-
	<b>7,812.70</b>	-
Less: Transfer to Profit and Loss Account	347.22	-
	<b>7,465.48</b>	-
Grant in Aid under Accelerated Power Development & Reform Programme		
As per last Balance Sheet	-	-
Received during the Period	4,589.00	-
	<b>4,589.00</b>	-
Less: Transfer to Profit and Loss Account	459.28	-
	<b>4,129.72</b>	-
<b>Statutory Reserves</b>		
Contingency Reserve		
As per last Balance Sheet	-	-
Add: Amount credited on amalgamation (See Note - 4(v), Schedule 15)	6,543.36	-
	<b>6,543.36</b>	-
Add: Transfer from Profit and Loss Account	1,400.00	-
	<b>7,943.36</b>	-
Tariff and Dividend Control Reserve		
As per last Balance Sheet	-	-
Add: Amount credited on amalgamation (See Note - 4(v), Schedule 15)	1,159.17	-
	<b>1,159.17</b>	-
<b>Other Reserves</b>		
General Reserve		
As per last Balance Sheet	-	-
Add: Amount credited on amalgamation (See Note - 4(vi), Schedule 15)	185,202.67	-
	<b>185,202.67</b>	-
Add: Transfer from Profit and Loss Account	1,790.00	-
	<b>186,992.67</b>	-
<b>Balance in Profit and Loss Account</b>	<b>8,272.65</b>	-
	<b>215,963.05</b>	-

FORMING PART OF THE BALANCE SHEET

**SCHEDULE '3' : SECURED LOANS**

**(Rs. in lacs)**

	<b>As at 30-Sept-2006 (See Note - 4)</b>	<b>As at 31-Mar-2005 (See Note - 4)</b>
<b>Rupee Term Loans:</b>		
From Financial Institutions	<b>44,156.00</b>	–
From Banks	<b>11,775.44</b>	–
	<b>55,931.44</b>	–

Of the above:

1. Amount of Rs. 8,229.32 lacs from a financial institution is secured by first charge by way of hypothecation of all movables (except book debts), and by way of equitable mortgage of all immovable properties, present and future, situated at Ahmedabad and Gandhinagar, both subject to prior charges created and/or to be created in favour of bankers for securing the borrowing for working capital requirements in the ordinary course of business.
2. Amount of Rs. 8,571.43 lacs from a financial institution is secured by first charge by way of hypothecation of all movables (except book debts), and by way of equitable mortgage of all immovable properties, present and future, situated at Surat, both subject to prior charges created and/or to be created in favour of bankers for securing the borrowing for working capital requirements in the ordinary course of business.
3. Amount of Rs. 27,355.25 lacs and Rs.11,775.44 lacs from a financial institution and banks respectively, under consortium finance are secured by first charge by way of equitable mortgage of all immovable properties, present and future, situated at village Akhakhol, Surat relating to 1100 MW SUGEN Project, both subject to prior charges created and/or to be created in favour of bankers for securing the borrowing for working capital requirements in the ordinary course of business.
4. Amount of Rs. 5,248.12 lacs (31st March, 2005: Rs. Nil) is repayable within one year.

**SCHEDULE '4' : UNSECURED LOANS**

**(Rs. in lacs)**

	<b>As at 30-Sept-2006 (See Note - 4)</b>	<b>As at 31-Mar-2005 (See Note - 4)</b>
Term Loan from Government of India under Accelerated Power Development & Reform Programme	<b>6,377.56</b>	–
From Other	–	7.59
	<b>6,377.56</b>	7.59

Of the above amount of Rs. 163.78 lacs (31st March, 2005: Rs. Nil) is repayable within one year.

## SCHEDULES

FORMING PART OF THE BALANCE SHEET

### SCHEDULE '5' : FIXED ASSETS

(Rs. in lacs)

Particulars	GROSS BLOCK				DEPRECIATION / AMORTISATION			NET BLOCK	
	As at 1-Apr-05 (See Note I below)	Additions during the period	Deductions during the period	As at 30-Sep-06	For the Period	Deductions during the period	Upto 30-Sep-06	As at 30-Sep-06	As at 31-Mar-05
Land									
(a) Freehold	2,206.89	1,818.74	900.08	3,125.55	–	–	–	3,125.55	–
(b) Leasehold	2,764.88	498.28	–	3,263.16	46.29	–	46.29	3,216.87	–
Buildings	4,315.82	1,659.22	–	5,975.04	265.56	–	265.56	5,709.48	–
Railway siding	52.18	–	–	52.18	3.72	–	3.72	48.46	–
Plant and Machinery									
(a) Steam Station	55,750.62	1,249.58	9.39	56,990.81	6,704.29	0.91	6,703.38	50,287.43	–
(b) Others including Switchgears and Transformers	76,880.61	20,767.93	1,354.57	96,293.97	12,374.03	184.17	12,189.86	84,104.11	–
Transmission and Distribution systems									
(a) Overhead	12,708.18	1,273.95	–	13,982.13	2,211.78	–	2,211.78	11,770.35	–
(b) Underground	83,596.09	13,055.14	315.54	96,335.69	7,457.12	12.12	7,445.00	88,890.69	–
Electrical Fittings and Apparatus	901.21	331.43	4.10	1,228.54	201.98	0.20	201.78	1,026.76	–
Furniture, Fixture and Office Equipments	1,184.31	726.92	0.42	1,910.81	390.20	0.05	390.15	1,520.66	–
Vehicles	314.71	445.10	24.23	735.58	227.63	7.30	220.33	515.25	–
Intangible Assets – Softwares	76.10	27.18	–	103.28	39.49	–	39.49	63.79	–
<b>Total</b>	<b>240,751.60</b>	<b>41,853.47</b>	<b>2,608.33</b>	<b>279,996.74</b>	<b>29,922.09</b>	<b>204.75</b>	<b>29,717.34</b>	<b>250,279.40</b>	<b>–</b>
Previous period	–	–	–	–	–	–	–	–	–
Capital Work-in-Progress								96,230.81	–
Capital Advances								1,647.34	–
								<b>348,157.55</b>	

Notes:

- Assets of the Transferor Companies transferred at their fair value as at the Appointed Date in terms of the Composite Scheme of Arrangement including Amalgamation between the Transferor Companies and the Company. [See Note 4(i) of Schedule 15]
- Capital Work-in-Progress includes borrowing cost of Rs. 2,271.03 lacs that are directly attributable to purchase/construction of qualifying assets in accordance with Accounting Standard - 16 "Borrowing Costs" issued by the Institute of Chartered Accountants of India.
- Depreciation for the period includes Rs. 1.63 lacs (31st March, 2005: Rs. Nil) of Power/Contract Services Division and Rs. 1.35 lacs (31st March, 2005: Rs. Nil) of Fly Ash Division.
- The Company has leased a portion of its land to AEC Cements & Constructions Limited.
- Land includes freehold land at Chandkheda amounting to Rs. 4.23 lacs and leasehold land at Kathwada and Prahladnagar amounting to Rs. 286.17 lacs pending for documents.

FORMING PART OF THE BALANCE SHEET

**SCHEDULE '6' : INVESTMENTS**

(Rs. in lacs)

	No. of Units	Face Value	As at 30-Sept-2006 (See Note - 4)	As at 31-Mar-2005 (See Note - 4)
<b>A. LONG TERM INVESTMENTS</b>				
<b>Contingency Reserve Investments (Quoted):</b>				
5.30% Nuclear Power Corporation Limited Tax Free Bonds -2007	200	200.00	203.16	-
6.20% Andhra Pradesh State Development Loan -2015	-	350.00	355.85	-
6.20% Tamilnadu State Development Loan - 2015	-	350.00	355.85	-
11.70% ICICI Bond - 2011	500	500.00	660.70	-
9.00% Power Finance Corporation - 2009	400	400.00	435.02	-
9.75% ICICI Bond - 2007	10	100.00	111.25	-
7.00% Power Finance Corporation - 2011	50	500.00	498.65	-
7.95% Power Finance Corporation - 2016	50	500.00	490.00	-
7.49% GOI BOND - 2017		250.00	251.45	-
10.47% GOI BOND - 2015		500.00	613.45	-
11.43% GOI BOND - 2015		500.00	652.00	-
11.83% GOI BOND - 2014		200.00	263.36	-
7.94% GOI BOND - 2021		600.00	606.84	-
10.25% GOI BOND - 2021		600.00	722.40	-
8.70% IIFCL - 2021	20	200.00	201.60	-
11.50% IFCI - 2009	10	0.10	0.10	-
12.00% IFCI - 2012	50	0.50	0.50	-
7.35% ILFS - 2008	2,000	20.00	20.03	-
12.00% VIDC - 2008	6	6.00	6.20	-
11.50% GOI BOND - 2011		8.00	10.56	-
7.40% GOI BOND - 2012		25.00	26.87	-
6.85% GOI BOND - 2012		150.00	150.86	-
7.27% GOI BOND -2013		165.00	168.88	-
6.20% Andhra Pradesh State Loan - 2015		115.00	116.92	-
6.20% Karnataka State Loan - 2015		150.00	152.50	-
6.20% Tamilnadu State Loan - 2015		150.00	152.50	-
11.25% ICICI Bank Ltd. - 2016		250.00	328.53	-
9.75% ICICI Bank Ltd.- 2007		300.00	333.60	-
9.25% Power Finance Corporation - 2012		240.00	262.86	-
3.00% Calcutta Port Trust Debentures - 2006		1.00	0.69	-
			<b>8,153.18</b>	-
<b>OTHER INVESTMENTS:</b>				
<b>Quoted</b>				
11.40% APPFC - 2009			10.40	-
11.50% Haryana State Loan			6.74	-
11.50% Punjab State Loan			0.52	-
11.50% Tamilnadu State Loan			0.41	-
11.58% HPSEB - 2009			15.71	-
12.00% Uttar pradesh State Loan			1.75	-
13.75% National Housing Bond - 2007			10.56	-
			<b>46.09</b>	-
<b>Unquoted</b>				
<b>Trade</b>				
AEC Cements & Constructions Ltd. Equity Shares of Rs. 10/- each fully paid up	611,500	61.15	61.15	-
Torrent Power Transmission Private Limited Equity Shares of Rs. 10/- each fully paid up	5,000	0.50	0.50	-
			<b>61.65</b>	-
Less: Provision for diminution in value of investment			61.15	-
			<b>0.50</b>	-
<b>Other</b>				
Gujarat Venture Capital Fund-1995-Contribution			51.00	-
			<b>97.59</b>	-
<b>Total (A)</b>			<b>8,250.77</b>	-

## SCHEDULES

FORMING PART OF THE BALANCE SHEET

### SCHEDULE '6' : INVESTMENTS (Contd.)

(Rs. in lacs)

B. CURRENT INVESTMENT In Units - (Unquoted)	No. of Units	Face Value	As at	As at
			30-Sept-2006 (See Note - 4)	31-Mar-2005 (See Note - 4)
HDFC liquid Fund Plan	2,458,485	300.00	301.41	—
HDFC liquid Fund Plan	4,092,665	500.00	501.75	—
HDFC liquid Fund Plan	2,450,837	300.00	300.47	—
HDFC liquid Fund Plan	4,119,993	500.00	505.10	—
HDFC liquid Fund Plan	4,081,598	500.00	500.40	—
HDFC Cash Liquid Premium Plus	14,723,966	1,472.00	1,800.14	—
Prudential ICICI Institutional liquid Plan	4,023,070	400.00	402.31	—
Prudential ICICI Institutional liquid Plan	5,035,595	500.00	503.56	—
Prudential ICICI Institutional liquid Plan	5,013,830	500.00	501.38	—
Prudential ICICI Institutional liquid Plan	5,777,804	578.00	577.78	—
Templeton India Treasury Management Account	50,346	500.00	503.58	—
Templeton India Treasury Management Account	50,101	500.00	501.14	—
Templeton India Treasury Management Account	50,130	500.00	501.43	—
Templeton India Treasury Management Account	80,917	800.00	809.37	—
DSP Merrill Lynch Liquidity Fund	50,193	500.00	502.03	—
DSP Merrill Lynch Liquidity Fund	70,828	700.00	708.42	—
DSP Merrill Lynch Liquidity Fund	40,190	400.00	401.98	—
DSP Merrill Lynch Liquidity Fund	50,141	500.00	501.51	—
Grindlay Liquidity Manager	70,177	700.00	701.84	—
Grindlay Liquidity Manager	50,134	500.00	501.39	—
Kotak FMP-3 months	5,000,000	500.00	500.00	—
Prudential ICICI-3 months	5,000,000	500.00	500.00	—
<b>Total (B)</b>			<b>12,526.99</b>	—
[Aggregate NAV of Investments in Mutual Funds Rs. 12,574.07 lacs (31st March, 2005 Rs. Nil)]			—	—
<b>Total (A + B)</b>			<b>20,777.76</b>	—
Aggregate book value of quoted investments			<b>8,153.18</b>	—
Aggregate book value of unquoted investments			<b>12,624.58</b>	—
<b>Total</b>			<b>20,777.76</b>	—
Market Value of Quoted Investment			<b>7,637.79</b>	—
<b>Current Investment purchased and sold during the Period</b>				
	No. of Units	Rs. in lacs		
Birla Floating Rate Fund	9,998,500	1,000.00		
DSP Merrill Lynch - Floating Rate Fund	74,202,172	11,921.53		
Grindlays Floating Rate Plan	90,525,297	9,100.00		
HDFC Floating Rate Income Fund	145,242,706	11,900.00		
Kotak Floater Fund	13,987,123	1,400.00		
Prudential ICICI Floating Rate Plan	194,739,092	14,975.51		
Reliance Floating Rate Fund	4,986,795	500.85		
Templeton India Floating Rate Plan	99,922,115	10,009.75		
DSP Merrill Lynch Fixed Maturity Plan	20,000,000	2,000.00		
Grindlays Fixed Maturity Plan	26,000,000	2,600.00		
JM Fixed Maturity Plan	15,000,000	1,500.00		
Kotak Fixed Maturity Plan	15,000,000	1,500.00		
Prudential ICICI Fixed Maturity Plan	20,083,565	2,008.36		
Reliance Fixed Maturity Plan	20,000,000	2,000.00		
Prudential ICICI Fixed Maturity Plan	15,081,235	1,508.12		
DSP Merrill Lynch Liquidity Fund	21,741,872	9,730.03		
Grindlays Cash Fund	31,423,135	3,202.77		
Grindlays Liquidity Manager	26,237,426	5,000.50		
HDFC Cash Liquid Premium Plus	17,169,937	1,716.99		
HDFC Cash Management Fund	34,318,930	3,431.89		
HDFC Liquid Fund Premium Plan	75,697,247	9,200.00		
HSBC Cash Fund	14,367,678	1,500.00		
JM High Liquidity Fund	52,508,218	5,259.07		
Prudential ICICI Liquid Plan	121,386,506	12,138.65		
Reliance Liquid Fund	6,549,586	1,000.56		
Templeton India TMA Liquid Fund	6,369,099	14,496.27		



## SCHEDULES

FORMING PART OF THE BALANCE SHEET

### SCHEDULE '8' : CURRENT LIABILITIES AND PROVISIONS

	<b>As at 30-Sept-2006 (See Note - 4)</b>	<b>(Rs. in lacs)</b> As at 31-Mar-2005 (See Note - 4)
<b>CURRENT LIABILITIES</b>		
Sundry Creditors		
Small Scale Industries	174.88	—
Others	53,647.84	0.01
Investors Education & Protection Funds shall be credited by the following:		
Unclaimed Dividends	56.44	—
Unclaimed Amount of Debentures and Interest thereon	0.16	—
Unclaimed Fixed Deposits	6.39	—
Consumers' Benefit Account	1,200.79	—
Credit Balances of Consumers	2,752.55	—
Interest Accrued but not Due on Loans & Security Deposits	1,105.44	—
	<b>58,944.49</b>	<b>0.01</b>
<b>PROVISIONS</b>		
Provision for Gratuity and other funds	3,146.57	—
Provision for Leave Encashment	5,765.69	—
Provision for Taxation	30,883.83	—
Proposed Dividend	5,669.38	—
Provision for Corporate Dividend Tax	795.13	—
	<b>46,260.60</b>	<b>—</b>
	<b>105,205.09</b>	<b>0.01</b>

FORMING PART OF THE PROFIT AND LOSS ACCOUNT

**SCHEDULE '9' : NET INCOME OF POWER/CONTRACT SERVICES DIVISION**

**(Rs. in lacs)**

	<b>Period ended 30-Sept-2006 (See Note - 4)</b>	Period ended 31-Mar-2005 (See Note - 4)
<b>INCOME</b>		
Value of Contracts Billed & Service Charges [Tax Deducted at Source Rs. 0.98 lacs (31st March, 2005: Rs. Nil)]	<b>818.80</b>	—
Interest	<b>3.00</b>	—
Miscellaneous Income	<b>2.34</b>	—
Insurance Claim	<b>2.12</b>	—
Recovery of Bad Debts	<b>60.81</b>	—
Provisions no longer required Written Back	<b>5.00</b>	—
Increase/(Decrease) in Work-in-Progress	<b>55.99</b>	—
	<b>948.06</b>	—
<b>EXPENDITURE</b>		
Cost of Materials	<b>65.36</b>	—
Labour Charges	<b>101.66</b>	—
Salaries, Wages and Bonus	<b>280.18</b>	—
Provision for Gratuity	<b>6.80</b>	—
Provision for Leave Encashment	<b>2.59</b>	—
Contribution to Provident and Other Funds	<b>29.24</b>	—
Employees' Welfare Expenses	<b>0.57</b>	—
Insurance	<b>2.34</b>	—
Legal Expenses	<b>0.14</b>	—
Rates & Taxes	<b>1.90</b>	—
Other Expenses	<b>46.06</b>	—
Depreciation	<b>1.63</b>	—
Capital Tools written off	<b>0.16</b>	—
Provision of Doubtful Debt [Net of Recovery Rs. 6.97 lacs (31st March, 2005: Rs. Nil)]	<b>0.92</b>	—
	<b>539.55</b>	—
	<b>408.51</b>	—

## SCHEDULES

FORMING PART OF THE PROFIT AND LOSS ACCOUNT

### SCHEDULE '10' : NET INCOME OF FLY ASH DIVISION

	(Rs. in lacs)	
	Period ended 30-Sept-2006 (See Note - 4)	Period ended 31-Mar-2005 (See Note - 4)
<b>INCOME</b>	-	-
<b>EXPENDITURE</b>		
Salaries, Wages and Bonus	7.12	-
Provision for Gratuity	1.26	-
Contribution to Provident Fund & E.S.I.	0.92	-
Other Expenses	0.04	-
Depreciation	1.35	-
	<b>10.69</b>	-
	<b>(10.69)</b>	-

### SCHEDULE '11' : OTHER INCOME

	(Rs. in lacs)	
	Period ended 30-Sept-2006 (See Note - 4)	Period ended 31-Mar-2005 (See Note - 4)
Street Lighting Maintenance Contracts	1,891.17	-
Hire of Meters	3,341.84	-
Miscellaneous Income	3,471.76	-
Provisions no longer required	702.14	-
Profit on Sale/Redemption of Current Investments	100.46	-
Recovery of Bad Debts	518.56	-
Interest from Contingency Reserve Investments [Tax Deducted at Source Rs. 49.49 lacs (31st March, 2005: Rs. Nil)]	733.26	-
Dividend	1,650.72	-
Other Interest [Tax Deducted at Source Rs. 204.78 lacs (31st March, 2005: Rs. Nil)]	1,101.62	-
	<b>13,511.53</b>	-

## SCHEDULES

TORRENT POWER LIMITED

FORMING PART OF THE PROFIT AND LOSS ACCOUNT

### SCHEDULE '12' : GENERATION, DISTRIBUTION, ADMINISTRATION AND OTHER EXPENSES

(Rs. in lacs)

	Period ended 30-Sept-2006 (See Note - 4)	Period ended 31-Mar-2005 (See Note - 4)
Fuel [after credit of claims of Rs. 1,001.41 lacs (31st March, 2005: Rs. Nil)]	101,861.85	—
Consumption of Stores & Spares	7,894.60	—
Rent and Hire Charges	357.42	—
Repairs to		
Buildings	1,176.06	—
Plant & Machinery	17,151.47	—
Others	1,107.14	—
	19,434.67	—
Salaries & Wages		
Salaries, Wages & Bonus	21,884.44	—
Contribution to Provident and Other Funds	1,266.06	—
Employees Welfare Expenses	1,122.79	—
Provision for Gratuity & Leave Encashment	3,300.57	—
	27,573.86	—
Insurance	2,488.82	—
Rates and Taxes	443.51	—
Miscellaneous Expenses	6,660.48	—
Amalgamation Expenditure	1,132.18	—
Service Line Charges for Sub-Stations	666.72	—
Loss on Sale of Investments	109.73	—
Loss on Sale of Fixed Assets (net)	1,386.40	—
Audit Fee	15.71	—
Legal, Professional & Consultancy Fee	159.38	—
Donations	474.59	—
Bad debts written off Net of Provision of Rs. 78.91 lacs (31st March, 2005: Rs. Nil)	1,098.53	—
Preliminary and Deferred Revenue Expenditure written off	7.67	—
	171,766.12	—
Less: Allocated to Capital Works, Repairs and other relevant revenue accounts	14,953.79	—
	156,812.33	—

### SCHEDULE '13' : INTEREST AND FINANCE CHARGES

(Rs. in lacs)

	Period ended 30-Sept-2006 (See Note - 4)	Period ended 31-Mar-2005 (See Note - 4)
Interest on Term Loans	3,756.58	—
Interest on Security Deposits from Consumers	1,885.95	—
Others including Finance Charges	666.58	—
	6,309.11	—

## SCHEDULES

### SCHEDULE 14 : SIGNIFICANT ACCOUNTING POLICIES

#### 1. **Basis of Preparation of Financial Statements:**

The Company has applied provisions of the Companies Act, 1956 and provisions of the Electricity Act, 2003 for preparation of its financial statements. The Financial statements are prepared and presented under the historical cost convention on accrual basis of accounting, in accordance with the accounting principles generally accepted in India and comply with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India. Accounting policies have been followed consistently otherwise than stated specifically.

#### 2. **Use of Estimates:**

The presentation of financial statements requires certain estimates and assumptions. These estimates and assumptions affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognized in the period in which the results are known/materialized.

#### 3. **Capital Receipts:**

- (i) Grant received under the Accelerated Power Development and Reforms Programme (APDRP) of the Ministry of Power, Government of India, is treated as capital receipt and accounted as Capital Reserve.
- (ii) Service line contributions received from consumers is treated as capital receipt and accounted as Capital Reserve.

#### 4. **Revenue Recognition:**

- (i) Revenue (income) is recognized when no significant uncertainty as to the measurability or collectability exists.
- (ii) Dividend is accounted when the right to receive payment is established.
- (iii) Interest on overdue receivables of energy bills, insurance, coal and other claims, casual income etc. are accounted on grounds of prudence, as and when recovered.
- (iv) Power Services Division revenue is recognized when the contract is completed. Losses are recognized as and when they arise.
- (v) All expenses are accounted on accrual basis except leave travel concession, educational allowance and medical reimbursement to employees which are accounted on payment basis.
- (vi) Allocation of indirect expenses to capital / revenue account is done on the basis of technical evaluation by the Management.
- (vii) Material items of prior period expenses, non-recurring and extra-ordinary expenses are disclosed separately.

#### 5. **Inventories :**

- (i) Inventories are valued at weighted average cost or net realizable value whichever is lower.
- (ii) Work-in-Progress in respect of Power Services Division and Finished Goods of Fly-Ash Division are valued at cost or net realizable value whichever is lower.

#### 6. **Investments:**

Investments are classified into current and long term investments. Current investments are stated at the lower of cost and fair value. Long Term Investments are stated at cost less any provision for diminution in value other than temporary.

#### 7. **Fixed Assets:**

Fixed Assets are stated at historical cost less accumulated depreciation. Advances given to suppliers for identified capital project/ expenditure are included in Capital Work-in-Progress.

Certain computer software costs are capitalised and recognised as Intangible Assets based on materiality, accounting prudence and significant benefits there from expected to flow for a period longer than one year.

#### 8. **Impairment of Fixed Assets:**

Fixed Assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the higher of an assets' net selling price and value in use.

#### 9. **Expenditure During Construction Period:**

Expenditure incurred during construction/pre-operative period including interest and finance charges on specific loans, prior to commencement of commercial operation is capitalised and interest on temporary investments of the specific loan funds earned during the construction period is deducted from the total of the capital expenditure.

#### 10. **Borrowing Cost:**

Borrowing costs comprising of interest, finance charges, etc. to the extent related/attributed to the qualifying assets, such as new projects and/or specific assets created in the existing business, are capitalised up to the date of completion and ready for their intended use. Other borrowing costs are charged to the profit and loss account in the period of their accrual.

**11. Depreciation and Amortisation:**

(i) Straight Line Method of Depreciation (SLM)

In respect of following assets used for business of Generation and Supply of electricity, depreciation is provided on SLM at the rates mentioned below which have been determined on the basis of useful life of the assets as estimated by the Management and which are higher than the rates prescribed under Schedule XIV to the Companies Act, 1956;

• Generating Station	- Thermal	7.84%
	- Gas based	8.24%
• Transformers, Switch Gears & Equipments		7.84%
• Meters		12.77%
• Distribution systems	- Overhead	7.84%
	- Underground	5.27%
• Others		7.84%
• Vehicles		33.40%
• Electrical fittings, Apparatus, Furniture Fixtures, Communication equipments and office equipments		12.77%

For all other assets, depreciation is provided at the rates prescribed under Schedule XIV to the Companies Act, 1956. Leasehold land is amortized over the lease period.

Computer Software costs capitalised are amortised using the straight line method over its useful life estimated at the time of capitalisation at 3 years.

Depreciation is provided on additions/deductions of the assets during the year from/up to the month in which the asset is added/deducted.

The depreciation for the year has been shown after reducing the proportion of the amount of depreciation provided on assets created against the service line contribution & APDRP Grant received.

(ii) Written Down Value Method of Depreciation (WDV)

In respect of the assets of Power Services Division and Contract Division, depreciation is provided on WDV Method at the rates and in the manner provided under Schedule XIV of the Companies Act, 1956.

**12. Transactions in Foreign Currency:**

- Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transaction.
- Monetary items denominated in foreign currencies at the period end are restated at period end rates.
- Non monetary foreign currency items are carried at cost.
- Any income or expense on account of exchange difference either on settlement or on transaction is recognized in the profit and loss account except in cases where they relate to acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.

**13. Retirement Benefits:**

Provision for leave encashment and gratuity is made on the basis of actuarial valuation done at the period end. Contributions to provident fund and superannuation fund are accounted on accrual basis with the corresponding contributions to the recognised funds.

**14. Research and Development:**

Research and Development expenses are charged to revenue in the respective heads of accounts in the period in which they are incurred.

Capital expenditure on Research and Development is treated as additions to fixed assets.

**15. Taxation:**

Provision for Current tax is made on the basis of estimated taxable income for the current accounting period and in accordance with the provisions of the Income Tax Act, 1961. Deferred tax resulting from "timing differences" between accounting and taxable profit for the period is accounted for using the tax rates and laws that have been enacted or substantively enacted as at the balance sheet date. Deferred tax assets is recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such assets can be realized. Provision for Fringe benefit tax is made on the basis of estimated taxable liabilities for the period.

**16. Provisions, Contingent Liabilities and Contingent Assets:**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.

Liabilities which are of contingent nature are not provided but are disclosed at their estimated amount in the Notes to the Accounts.

Contingent assets are neither recognized nor disclosed in financial statements.

## SCHEDULES

### SCHEDULE '15' : NOTES ON ACCOUNTS

	(Rs. in lacs)	
	As at 30-Sept-2006	As at 31-Mar-2005
1. Estimated amount of contracts remaining to be executed on Capital Accounts	<b>29,700.10</b>	–
2. Contingent Liabilities not provided for in respect of:		
(i) Guarantee given to Housing Development Finance Corporation Ltd. for housing loans sanctioned to Employees of the Company	<b>0.75</b>	–
(ii) L/C established & Guarantee given by Banks on behalf of the Company	<b>172,748.79</b>	–
(iii) Income-tax matters		
Assessment Year 1988-89		
In respect of Department's appeal against the order of the Income Tax Appellate Tribunal on applicability of Section 115-J pending with the Gujarat High Court	<b>19.41</b>	–
Assessment Year 2003-04		
The matter pending before the Commissioner (Appeals), Ahmedabad in respect of certain disallowances	<b>149.16</b>	–
(iv) Sales-tax matters		
The matter pending before Asst. Commissioner (Appeals), Surat in respect of applicability of work contract tax	<b>21.34</b>	–
(v) Property Tax matters		
In respect of the demand raised by Ahmedabad Municipal Corporation for tax and interest in the matter of AEC Tower and Sabarmati plant, disputed by the Company	<b>217.67</b>	–
In respect of the demand raised by Surat Municipal Corporation for tax on switchyard as structure disputed by the Company	<b>36.12</b>	–
3. The Company divested 350,000 equity shares (25.12%) of AEC Cements & Constructions Ltd. on 28th July, 2006 leaving a balance 611,500 equity shares (43.88%). Hence, it has ceased to be a subsidiary of the Company from that date.		
4. (i) Pursuant to the Composite Scheme of Arrangement including Amalgamation under section 391 to 394 and section 100 of the Companies Act, 1956 (the Scheme) between the erstwhile Torrent Power AEC Ltd (TPAL), Torrent Power SEC Ltd. (TPSL) and Torrent Power Generation Ltd. (TPGL) (collectively referred to as "Transferor Companies") with the Company, sanctioned by the Hon'ble High Court of Gujarat on 12th July 2006 (made effective from 12th September, 2006), the undertakings of the Transferor Companies were transferred to and vested in the Company on going concern basis from the Appointed Date i.e. 1st April, 2005. In terms of the Scheme, all assets and liabilities have been recorded at their respective fair values on the Appointed Date under the 'Purchase Method' of accounting for amalgamation. The Scheme has, accordingly, been given effect to in these financial statements.		
(ii) TPAL was engaged in the business of generation and distribution of electricity in the cities of Ahmedabad and Gandhinagar. The total generating capacity of the Company was 500 MWs with a customer base of approx. 1.3 million customers. TPSL was engaged in the distribution of electricity to approx. 0.5 million customers in the city of Surat. TPGL was setting up a 1100 MW Combined Cycle Power Project at village Akhakhol, near Surat.		
(iii) The shareholders of TPAL, TPSL & TPGL were entitled to receive, in consideration of the vesting of the undertaking of the respective companies, and after cancellation of equity shares of TPGL held by TPAL and TPSL, the equity		

shares of face value of Rs. 10/- each of the Company credited as fully paid up as per the following exchange ratio determined by the valuers:

#### Exchange Ratio

- 22 equity shares of Rs. 10/- each fully paid up of the Company against one equity share of Rs. 10/- each fully paid up of TPAL,
- 47 equity shares of Rs. 10/- each fully paid up of the Company against one equity share of Rs. 10/- each fully paid up of TPSL and
- 1 equity share of Rs. 10/- each fully paid up of the Company against one equity share of Rs. 10/- each fully paid up of TPGL.

#### (iv) Reduction & Consolidation

As an integral part of the Scheme, the paid up value of the equity shares arrived based on above, including the existing shares of the Company, of Rs. 10/- each was reduced to Rs. 2.50 each with effect from the Appointed Date and simultaneously four equity shares of Rs. 2.50 each were consolidated into one equity share of Rs. 10/- each fully paid-up.

Thus, the equity shareholders of the Transferor Companies are actually allotted, in consideration and vesting of the undertakings of the respective companies, and after cancellation of equity shares of TPGL held by TPAL and TPSL, equity shares of the face value of Rs. 10/- each in the following manner:

- 5.5 (Five and half) equity shares of Rs. 10/- each fully paid up of the Company for every 1 (one) equity share of Rs. 10/- each fully paid up held in TPAL.
- 11.75 (Eleven and three-fourth) equity shares of Rs. 10/- each fully paid up of the Company for every 1 (one) equity share of Rs. 10/- each fully paid up held in TPSL.
- 0.25 (one-fourth) equity share of Rs. 10/- each fully paid up of the Company for every 1 (one) equity share of Rs. 10/- each fully paid up held in TPGL.

As a result, 472,435,808 equity shares of Rs. 10/- each are allotted as fully paid-up to the shareholders of TPAL, TPSL & TPGL respectively.

- (v) The following amounts are shown as reserves in the books of the Company being the corresponding balance of such reserves in the books of TPAL & TPSL on the Appointed Date under the applicable laws:-
- a) Tariff & Dividend Control Reserve Rs. 1,159.17 lacs
  - b) Contingency Reserve Rs. 6,543.36 lacs.
- (vi) Pursuant to the Scheme, the difference of Rs. 185,202.67 lacs, arising between (a) the value of assets and liabilities as recorded in the books of accounts of the Company after considering the cancellation of equity shares of TPGL held by TPAL and TPSL and (b) the aggregate value of (i) the equity shares to be allotted subject to reorganisation and the General Reserve arising pursuant to the reorganisation and (ii) the Tariff & Dividend Control Reserve and Contingency Reserve recorded in the books of the Company as mentioned above, is recorded as General Reserve in the books of the Company.
- (vii) The current financial year of the Company has been extended by six months to close on 30th September, 2006. The figures of the current period are for eighteen months and are after giving effect to the Composite Scheme of Arrangement including Amalgamation of TPAL, TPSL and TPGL with the Company and hence, are not comparable with those of the previous year. The amounts of the previous year have been regrouped and rearranged, wherever necessary.

5. The Company has given Loans and Advances of Rs. 640.18 lacs to its associate company i.e. AEC Cements & Constructions Limited, which is included in Schedule 7 i.e. Loans & Advances (maximum balance outstanding Rs. 640.18 lacs).

6. Pre-operative expenditure pending allocation to 1100 MW SUGEN CCPP under implementation till the date of financial statements are as under:

**(Rs. in lacs)**

	<b>As at 30-Sept-2006</b>	As at 31-Mar-2005
<b>PRE-OPERATIVE EXPENDITURE</b>		
Salary, wages, bonus, gratuity and superannuation	1,005.14	–
Advertisement	153.05	–
Insurance	17.50	–
Legal, Professional and Consultancy Fees	548.46	–
Rates & Taxes	42.92	–
Electricity Charges	42.63	–
Miscellaneous Expenses	395.76	–
Printing, Stationery, Postage & Telephone	62.25	–
Repairs & Maintenance	46.11	–
Traveling Expenses	264.79	–
Interest & Financial Charges	982.96	–
Auditors' Remuneration	1.37	–
Depreciation	38.52	–
Loss on sale of Fixed Assets	0.01	–
Provision for Wealth Tax	2.61	–
Provision for Fringe Benefit Tax	21.13	–
<b>Total</b>	<b>3,625.21</b>	–

7. (i) The Company uses forward contracts to hedge its risk associated with foreign currency fluctuation relating to firm commitments. The Company does not use forward contracts for speculative purposes.

The following are the outstanding foreign exchange contracts as at 30th September, 2006.

No. of Contracts	15
USD Equivalent	USD 165 Million
INR Equivalent	Rs. 74,876.25 lacs

- (ii) Foreign currency exposure not hedged by derivative instruments as at 30th September, 2006 on capital imports amount to Rs. 1,691.67 lacs

8. Names of the small scale industrial undertakings to whom the Company owes amount outstanding for more than 30 days are:

A-One Electricals Service Centre	Flowmore Pvt. Ltd.	Power Systems (Gujarat)
Atlanta Electricals Pvt. Ltd.	Globe Industries	Pyrotech Electronics Pvt. Ltd
Atlas Plastic	Hariom Fabricators	Radiant Engineers
Bina Electric & Engg. Corporation	IMECO Limited	Siemag Industries
Bharat Fabricator & Erectors	Jagruti Rubber Enterprise Pvt. Ltd	Shreenath Enterprises
Bhagyodaya Engineering	Kamal Industrial Enterprise	Shah Bhogilal Jethalal & Brothers
BL Fusegear Private Ltd.	Khodidas U Mistry	S. V. Trust
Brass Copper & Alloy (I) Ltd.	Mc Machines	UCIL Synchem Pvt. Ltd.
Danke Electricals Ltd	Mistry Brothers	Viral Corporation
Elymer International Pvt. Ltd.	Panermik electricals	

9. The confirmations of some of the parties for the amounts due to them/amount due from them as per books of accounts are not received. Necessary adjustments, if any, will be made when the accounts are reconciled/settled.

	<b>Period ended 30-Sept-2006</b>		<b>(Rs. in lacs)</b> Period ended 31-Mar-2005	
<b>10. Payments to Auditors</b>				
Audit Fee	15.71		0.01	
Tax Audit Fee	1.68		-	
Other services – certificates etc.	6.33		-	
Reimbursement of expenses	0.20		-	
	23.92		0.01	
<b>11. C.I.F Value of imports –</b>				
Components, stores, fuel and spare parts	11,767.99		-	
Capital goods	20,294.24		-	
<b>12. Expenditure in foreign currency</b>				
Subscription	1.82		-	
Travelling	32.94		-	
Professional and consultation fees	158.85		-	
Others	0.75		-	
	194.36		-	
	%		%	
<b>13. Value of stores and spare parts consumed (including fuel)</b>				
Imported	24,870.32	20.64	-	-
Indigenous	95,627.05	79.36	-	-
	120,497.37	100.00	-	-
<b>14. Quantitative information</b>				
Units sold (million KWh Units)		10,110		-
Units purchased (million KWh Units)		5,711		-

	<b>As at 30-Sept-2006</b>		<b>As at 31-Mar-2005</b>	
	Asset	Liability	Asset	Liability
<b>15. Deferred Tax:</b>				
Arising on account of timing differences in respect of:				
Depreciation	-	3,038.98	-	-
Provision for Gratuity	1,055.45	-	-	-
Leave Encashment	1,616.60	-	-	-
Provision for Doubtful Debts	254.77	-	-	-
Municipal Taxes	131.17	-	-	-
Amalgamation Expenses	342.98	-	-	-
Provision for works contract	45.29	-	-	-
Provision for wages	481.26	-	-	-
Provision for ESI Claim	20.06	-	-	-
	3,947.58	3,038.98	-	-
Net Deferred Tax (Asset)/Liability	(908.60)	-	-	-

(Rs. in lacs)

	Period ended 30-Sept-2006	Period ended 31-Mar-2005
16. Earnings Per Share		
Profit after tax	17,927.16	–
No. of Equity Shares (in lacs)	4,724.48	0.10
Basic & Diluted Earnings per Share (in Rs.)	3.79	–
17. The Company operates only in one business segment viz. “Generation and Distribution of Electricity”		
18. Information pursuant to the provisions of Part II of Schedule VI of the Companies Act, 1956. (Fly Ash Division)	As at 30-Sept-2006	As at 31-Mar-2005
a. Capacity & Production		
Product : Building Materials		
Licensed Capacity – Not applicable		
Installed Capacity – in M.T.	26,340	–
Production In M.T.	–	–
	Period ended 30-Sept-2006	Period ended 31-Mar-2005
	Quantity MT	Quantity MT
b. Turnover and Closing Stock of Building materials		
Turnover	–	NA
Closing Stock	–	NA
c. Consumption of Raw Material	–	NA

19. Related party Disclosures

	Associates		Enterprises controlled by the Company		Holding Company/ Enterprises controlled by the Holding Company		Relatives of Key Management Personnel		Enterprises controlled by Key Management Personnel/Relatives of Key Management Personnel		TOTAL	
	Period ended 30.09.06	Period ended 31.03.05	Period ended 30.09.06	Period ended 31.03.05	Period ended 30.09.06	Period ended 31.03.05	Period ended 30.09.06	Period ended 31.03.05	Period ended 30.09.06	Period ended 31.03.05	Period ended 30.09.06	Period ended 31.03.05
<b>A) Volume of Transactions</b>												
Purchase of Materials	290.40	–			11,383.36	–					11,673.76	–
Sale of Stores/Materials/Scrap	1.48	–			8.16	–					9.64	–
Services Received	22.75	–			598.47	–	10.68	–	155.86	–	787.76	–
Sale of Fixed Assets					3.82	–					3.82	–
Exps Reimbursement	0.28	–									0.28	–
Loans Received					250.00	7.59					250.00	7.59
Equity Contribution	0.50	–									0.50	–
Share Application Money	2.70	–									2.70	–
Sale of Investment					3.50	–					3.50	–
Contribution to Funds			1,604.46	–							1,604.46	–
<b>B) Balances at the end of the period</b>												
Current Liabilities	14.66	–			773.84	–			1.12	–	789.62	–
Investment in Equities	61.65	–									61.65	–
Loans & Advances	640.18	–									640.18	–
Unsecured Loans					–	7.59					–	7.59

**Names of related parties and description of relationship:**

1. Associates:	AEC Cements & Constructions Ltd. Torrent Power Transmission Private Ltd.		
2. Enterprises controlled by the Company:	The Provident Fund of The Ahmedabad Electricity Company Limited (Contribution transferred to EPFO effective from I.I.2006) Torrent Power AEC Limited Employees' Group Gratuity Scheme Torrent Power AEC Limited Officers' Superannuation Scheme The Provident Fund of Torrent Power SEC Limited (Contribution transferred to EPFO effective from I.I.2006) Torrent Power SEC Limited Employees' Group Gratuity Scheme Torrent Power SEC Limited Officers' Superannuation Scheme Torrent Power Generation Limited Employees' Group Gratuity Scheme Torrent Power Generation Limited Officers' Superannuation Scheme		
3. Holding Company/Enterprises controlled by the Holding Company	Torrent Private Ltd. Torrent Cables Ltd. Torrent Pharmaceuticals Ltd. Torrent Gujarat Biotech Ltd. Gujarat Lease Financing Ltd. Torrent Power Services Pvt. Ltd. Ahmedabad Royal Garden Hotel Pvt. Ltd. Gujarat Chlor Alkalies Industries Limited		
4. Key Management Personnel (w.e.f. 29-09-2006)	Sudhir Mehta Executive Chairman	Markand Bhatt Whole-time Director	Murli Ranganathan Whole-time Director
Relatives of Key Management Personnel	Anita Mehta, wife Shardaben Mehta, mother Samir Mehta, brother Varun Mehta, son Jinal Mehta, son Meena Modi, sister Nayna Shah, sister	Nandini Bhatt, wife Arvindbhai Bhatt, brother Maltiben Joshi, sister Anjuben Trivedi, sister Vasudhaben Pandya, sister Munjali Bhatt, son Gunjan Bhatt, son	Jayashree Ranganathan, wife T.P. Ranganathan, father Kaushalya Ranganathan mother R.Vijay Kumar, brother Suhasini Ranganathan, daughter Sujeet Ranganathan, son
5. Enterprises controlled by Key Management Personnel/Relatives of Key Management Personnel	U. N. Mehta Charitable Trust D N Modi Charitable Trust Shardaben Mehta Charitable Trust Tsunami Tours & Travels Pvt. Ltd. Torrel Cosmetics Pvt. Ltd. Zeal Pharmachem India Pvt. Ltd. Shruti Plastics Industries Pvt. Ltd. Munjali Bhatt Associates		

Signature to Schedule I to 15

As per our report of even date

**For C.C. CHOKSHI & CO.**  
Chartered Accountants

**Gaurav J. Shah**  
Partner

Ahmedabad, 7th November 2006

**Sudhir Mehta**  
Chairman

**Samir Mehta**  
Director

**Jagdish Mehta**  
Company Secretary

Ahmedabad, 7th November 2006

## BALANCE SHEET ABSTRACT

### BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

#### ADDITIONAL INFORMATION UNDER PART IV OF THE SCHEDULE VI OF THE COMPANIES ACT, 1956

#### I Registration Details

Registration Number         State Code

Balance Sheet Date

#### II Capital raised during the year (Rs.in thousands)

Public Issue

Right Issue

Bonus Issue

Private Placement

During the period, Rs. 400 thousand was raised by allotment of shares to the existing shareholders. Subsequently, new shares (including shares issued against the shares issued earlier) with a nominal value of Rs. 4,724,383 thousands were allotted pursuant to a scheme of amalgamation and reorganization of share capital.

#### III Position of Mobilisation and Deployment of Funds (Rs.in thousands)

Total Liabilities	<input type="text" value="3"/> <input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="2"/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="6"/> <input type="text" value="4"/>	Total Assets	<input type="text" value="3"/> <input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="2"/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="6"/> <input type="text" value="4"/>
<b>Source of Funds</b>		<b>Application of Funds</b>	
Paid up Capital	<input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="4"/> <input type="text" value="4"/> <input type="text" value="8"/> <input type="text" value="3"/>	Net Fixed Assets	<input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="8"/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="7"/> <input type="text" value="5"/> <input type="text" value="5"/>
Reserves and Surplus	<input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="9"/> <input type="text" value="6"/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="5"/>	Investments	<input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="7"/> <input type="text" value="7"/> <input type="text" value="7"/> <input type="text" value="7"/> <input type="text" value="6"/>
Secured Loans	<input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="5"/> <input type="text" value="9"/> <input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="4"/>	Deferred Tax Assets	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="8"/> <input type="text" value="6"/> <input type="text" value="0"/>
Unsecured Loans	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="6"/> <input type="text" value="3"/> <input type="text" value="7"/> <input type="text" value="7"/> <input type="text" value="5"/> <input type="text" value="6"/>	Net Current Assets	<input type="text" value="-"/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="5"/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="2"/> <input type="text" value="7"/>
Service Line and Security Deposits	<input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="7"/> <input type="text" value="3"/> <input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="6"/>		

#### IV Performance of the Company (Amount in Rs.thousands)

Total Income

Total Expenditure

Profit before Tax

Profit after Tax

Earnings per Share (in Rs.)

(Proposed) Dividend %

#### V Generic names of principal Service of the Company (as per monetary terms)

Item Code No. (ITC Code)

Product Description

**Sudhir Mehta**  
Chairman

**Samir Mehta**  
Director

**Jagdish Mehta**  
Company Secretary

Ahmedabad, 7th November 2006

**CAVEAT**

*This section of the Annual Report has been included in adherence to the spirit enunciated in the Code of Corporate Governance approved by the Securities and Exchange Board of India. Shareholders and Readers are cautioned that in the case of data and information external to the Company, though the same are based on sources believed to be reliable, no representation is made on its accuracy or comprehensiveness. Further, though utmost care has been taken to ensure that the opinions expressed by the management herein contain its perceptions on most of the important trends having a material impact on the Company's operations, no representation is made that the following presents an exhaustive coverage on and of all issues related to the same. The opinions expressed by the management may contain certain forward-looking statements in the current scenario, which is extremely dynamic, and increasingly fraught with risk and uncertainties. Actual results, performances, achievements or sequence of events may be materially different from the views expressed herein. Readers are hence cautioned not to place undue reliance on these statements, and are advised to conduct their own investigation and analysis of the information contained or referred to in this section before taking any action with regard to their own specific objectives. Further, the discussion following herein reflects the perceptions on major issues as on date and the opinions expressed here are subject to change without notice. The Company undertakes no obligation to publicly update or revise any of the opinions or forward-looking statements expressed in this report, consequent to new information, future events, or otherwise.*

**BACKGROUND**

Pursuant to the Composite Scheme of Arrangement including Amalgamation of Torrent Power AEC Limited (TPAL), Torrent Power SEC Limited (TPSL) and Torrent Power Generation Limited (TPGL) (transferor companies) with the Company and the reorganisation of capital of the Company (the Scheme), the undertakings of the transferor companies as going concerns are transferred to and vested in the Company with effect from the Appointed Date, i.e., 1st April, 2005. This is the maiden report of the Company representing the collective operations of the power business of Torrent Group. Prior to the amalgamation, the transferor Companies had their independent operation with the erstwhile TPAL being engaged in generation and distribution of power, TPSL in distribution of power and TPGL in implementation of 1100 MW SUGEN CCPP. Simultaneously, the Company had extended the Financial Year (FY) 2005-06 to end on 30th September 2006 after obtaining necessary approvals in this regard.

The data presented hereinafter for FY 2004-05, wherever required for comparison, is the aggregate of the data of the transferor companies. In order to bring parity, the data for FY 2005-06 (18-months) has been annualised, wherever appropriate, for the purpose of comparison with FY 2004-05 (12-months). However, the annualised data of FY 2005-06 is not exactly comparable because of the seasonal impact on parameters like Sales, Plant Load Factor, Purchase of Power, T&D Loss, etc.

## OVERVIEW

### Sector:

Based on the current trends it is estimated that the Indian economy will grow at around 8%. There is no disputing the premise that robust infrastructure is a prerequisite for sustaining and enhancing GDP growth. Of the various elements of infrastructure, power would appear to be the most critical and any shortcoming in the sector would have an almost immediate impact on the output and hence, GDP. Although there has been quantum increase in investment in the Indian power sector, there is still an overall peak shortage of about 12 per cent in the country. The following table presents the power supply scenario during 2005-06:

	Peak Demand	Peak Met	Peak Deficit/ Surplus	Peak Deficit/ Surplus	Energy Requirement	Energy Availability	Energy Deficit/ Surplus	Energy Deficit/ Surplus
	MW	MW	MW	%	MU	MU	MU	%
Gujarat	9783	7610	-2173	-22.2	57137	52436	-4701	-8.2
India	93255	81792	-11463	-12.3	631757	578819	-52938	-8.4

Viewed against this backdrop, the state of Gujarat and Indian power sector generally, provides investment opportunities on all the aspects like adding generation capacity, strengthening transmission, reforming and intensifying distribution etc., for the private sector.

### Company:

Torrent Power Limited (TPL) is an integrated power company engaged in the generation and distribution of electricity in the cities of Ahmedabad, Gandhinagar and Surat in the state of Gujarat. TPL has a distribution area admeasuring 408 sq. kms. The Company serves about 1.85 million consumers in these cities. The operational generating capacity of the Company is 500 MW, comprising 400 MW coal based thermal power plant at Sabarmati and 100 MW dual fuel gas based combined cycle power plant at Vatva, Ahmedabad. The Company is also implementing a 1100 MW SUGEN gas based combined cycle mega power plant at village Akhakhhol near Surat. The first block of 367 MW of the project is scheduled to go on stream in the third quarter of year 2007.

### Performance:

The overall performance of the Company during the financial period 2005-06 has been good. The Company generated 5943 MUs of electricity while the purchase of power stood at 5711 MUs. The units of electricity billed to consumers were at

10037 MUs excluding an export of 73 MUs of power, showing an increase of 12.82% on annualised basis. The peak system demand in the areas of supply was 1333 MW, showing an increase of 13.93%. The net sales of electricity of the Company stood at Rs. 3,783 crores and net profit was Rs. 179 crores.

The operations in the Surat distribution area were significantly affected by unprecedented floods during August, 2006. More than 85% of the area was submerged in water, requiring the Company to proactively switch off 1720 out of 2003 distribution substations, affecting 3.83 lacs consumers for few days. The estimated expenditure to be incurred for the replacement of the transformers and consumer services apparatus such as meters, cut outs etc. after the Surat floods is approximately Rs. 35 crores. The revenue expenditure for restoring the services, repairs etc. is estimated to be approximately Rs. 15 crores, of which an amount of Rs. 8.7 crores has already been incurred till 30th September 2006.

## FINANCIAL AND OPERATIONAL REVIEW AND ANALYSIS

### Financial Review:

A summary of financial results for the financial period 2005-06 (18 months) is presented hereunder:

Particulars	Amount (Rs. crores)	% of net sales
<b>Net Sales</b>	<b>3,783</b>	<b>100.00</b>
Cost of Electrical energy purchased	1,657	43.80
Cost of Fuel	1,019	26.93
<b>Contribution</b>	<b>1,107</b>	<b>29.27</b>
<b>Operating Profit (PBDIT) - including Other Income</b>	<b>714</b>	<b>18.88</b>
Interest & Finance Charges	63	1.67
Depreciation	291	7.69
<b>Profit before Tax</b>	<b>360</b>	<b>9.52</b>
Provision for Taxes	181	4.78
<b>Net Profit before Contingency Reserve</b>	<b>179</b>	<b>4.74</b>
Equity EPS (in Rupees) – not annualised	3.79	–
Equity Dividend (%) – proposed	12	–
ROCE%	7.83	–
Debt – Equity Ratio	0.23	–

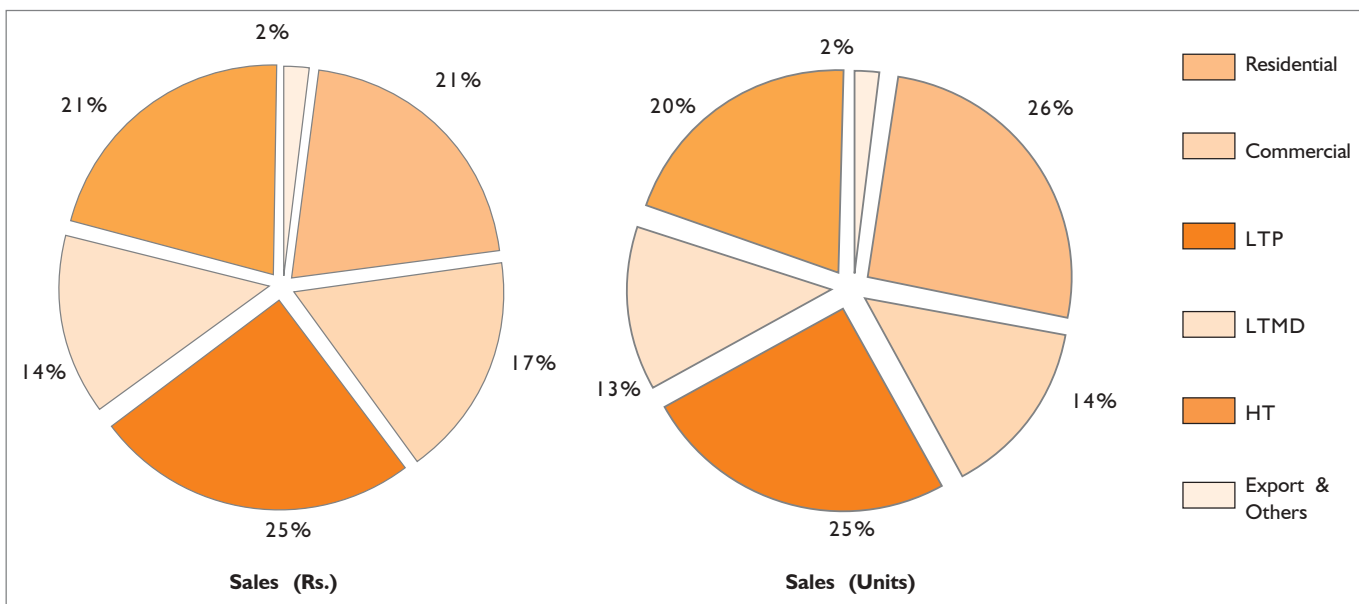
In FY 2005-06, the total revenues of the Company stood at Rs. 3,940 crores while the total expenditure was Rs. 3,580 crores.

## I. Revenue

The revenue of the Company comprises primarily sale of electricity, which is sourced from its own generation as well as purchase from Gujarat Urja Vikas Nigam Limited (GUVNL), erstwhile Gujarat Electricity Board. The Company also derives revenue from related services namely hire of meters, street light maintenance contracts, contract/ consultancy services, etc. and interest/dividend earned on investments.

### I.1 Sale of Electricity

The net revenue from sale of electricity for the financial period 2005-06 was Rs. 3,783 crores, which constituted about 96% of the total revenue. The Company witnessed demand growth from all major categories of the consumers. The sales of the Company are seasonal in nature. The charges for electricity are based on tariff approved by the Gujarat Electricity Regulatory Commission. Other major factor contributing to the net sales is the lower T&D loss of 9.67% witnessed during this financial period as against 11.99% during FY 2004-05. The Company also exports power to GUVNL in case power generated is more than system demand. The average revenue realisation per unit sold during the financial period was Rs. 3.74. The revenue composition and units sold to each category of consumers are shown in graphs hereinafter:



### I.2 Power/Contract Services Division

The Company earned Rs. 4 crores from the activities of the Division. This division undertakes activities such as Electrical Construction Jobs and Operation and Maintenance Jobs. The range of activities of the division also includes Thermal Imaging, Energy Audit, Demand Side Management etc.

### 1.3 Other Income

Other Income of Rs. 135 crores for the period under review comprises revenues from related business activities like hire of meters – Rs. 33 crores, Street Lighting Maintenance contracts - Rs. 19 crores besides other recurring items like interest & dividend on investments & deposits, sale of scrap, bad debts recovery etc.

## 2. Expenditure

The expenditure incurred is on purchase of power, fuel used for power generation and other generation, distribution, administration & other expenses including employees' costs, insurance etc.

### 2.1 Power Purchase

The total power purchase cost accounts for about 44% of net sales and 46% of the total expenditure. For power supplies in Ahmedabad and Gandhinagar, demand of power is met through own generation capacity of 500 MW and purchase of power from GUVNL. The higher efficiency achieved on generation front, represented by 10.24% growth in generation over FY 2004-05 on an annualised basis, has provided a cushion towards power purchased from GUVNL. For the supply of power to Surat, the entire requirement is sourced from GUVNL. The rates for power purchase from GUVNL are approved by GERC.

### 2.2 Fuel

The primary fuel used in power generation is coal and natural gas. Expenditure on fuel constituted over 28% of the total expenditure. The usage of fuel is also linked with the higher generation achieved by the Company. The coal used by the Company is procured both indigenously as well as imported. The Company makes conscious efforts to monitor the availability as well as optimise the sources of different fuel.

### 2.3 Operating Costs

The Operating Costs (Generation, distribution, administration and other expenses) other than fuel consist primarily of repair and maintenance of buildings, plant and machinery, employees' remuneration & benefit expenses, insurance, etc. These expenses, excluding fuel, represent a little over 15% of the total expenditure.

### 2.4 Depreciation

The depreciation charged to the profit and loss account during the year is Rs. 299 crores. A proportionate amount of Service Line Contribution and APDRP Grant attributable to depreciation on assets created against such Service Line Contribution and APDRP Grant is adjusted against depreciation for the period. The net depreciation after such transfer from Service line contribution and APDRP Grant is Rs. 291 crores. Depreciation on assets relating to 1100 MW SUGEN CCPP is treated as pre-operative expenses pending capitalisation.

### 2.5 Interest and Finance Charges

The interest charges consist primarily of interest expense on Term Loans and interest on security deposits placed by consumers of electricity. Borrowing costs amounting to Rs. 23 crores related to 1100 MW SUGEN CCPP are capitalised and shown as capital work-in-progress.

## 2.6 Taxation

The Company has provided for Rs. 160 crores in respect of Current Tax and Rs. 16 crores towards Deferred Tax. This financial period also saw introduction of Fringe Benefits Tax, payable on certain items of expenditure. The Company has provided Rs. One crore as liability computed as per the provisions of Income Tax Act towards Fringe Benefit Tax. An amount of Rs. 4 crores being the short provision made for earlier years in respect of the liability of transferor companies has also been debited to the Profit and Loss Account.

## 3. Net Profit after Tax

The net margin of the Company is 4.74% of the net sales for the period under review.

## 4. Term Loans

The term loans outstanding as at 30th September, 2006 stood at Rs. 623 crores. During the year an amount of Rs. 392 crores has been drawn for the 1100 MW SUGEN CCPP and soft loans have been received to the tune of Rs. 65 crores under the APDRP Scheme, Government of India. The Company has repaid an amount of Rs. 73 crores towards term loans including loan under APDRP. The repayments with respect to the term loans availed for the 1100 MW SUGEN CCPP will commence from year 2008 onwards.

## 5. Net Worth

The net worth of the Company at the end of financial period was Rs. 2,632 crores.

## 6. Appropriation to Reserves & Surplus

Out of the profits for the year an amount of Rs. 17.90 crores has been transferred to the General Reserve.

## Business Review – Generation:

### OPERATIONS

The power plants of the Company performed well during the year. The installed capacity and generation of power are as follows:

Particulars	Units	2005-06	2004-05	Annualised Growth %
		(18 months)	(12 months)	
Installed Capacity	MW	500	500	–
Gross Generation	MUs	5943	3594	10.24
Auxiliary Consumption	%	7.89	7.92	–
Less: Units used on auxiliary and transformation	MUs	469	301	3.88
Net Generation	MUs	5474	3293	10.82
PAF	%	95.46	91.61	–
PLF	%	90.37	82.06	–

The operating efficiency of power plants in general has improved during the year. The coal based Sabarmati Thermal Power plant consists of four Stations C, D, E and F built in different phases with capacity of 60 MW, 120 MW, 110 MW and 110 MW respectively. The availability factor (which is a measure of how much time a plant is available to generate power) of these stations improved to 94.91% from 92.32% in FY 2004-05 and the average PLF (which is a measure of capacity utilisation) increased to 93.25% from 86.69% in FY 2004-05. During the financial period, the Sabarmati plant generated 4906 MUs. The other highlights of the Sabarmati Power Plant are highest utilisation of Ash (94.71%) and continuous 198 “Accident free days work” constituting 3.5 million accident free man-hours work. The PAF for 100 MW Vatva Power Plant, consisting two gas turbines and a steam turbine, was 97.67% up from 88.74% in FY 2004-05 and PLF was 78.87% up from 63.55% in FY 2004-05. During the financial period, the Vatva plant generated 1037 MUs. It crossed 4009 days accident free work.

Further in order to increase the operational efficiency of the coal based generating plant, the Company has awarded a contract for revamping the coal handling facility at the Sabarmati Power Plant, which is about 30 years old. The project is likely to be completed by mid 2007. This will help in debottlenecking coal handling within the plant area facilitating continuous generation by increasing coal crushing and conveyor belt capacity.

With the intra-state Availability Based Tariff (ABT) to be implemented shortly in Gujarat, the Company has already installed ABT based Metering system at various power import and generating points. For the purpose state of art control rooms have been established at Ahmedabad and Surat.

## DEVELOPMENT

### **1100 MW SUGEN Power Project – A Mega Strategic Initiative:**

The Company is implementing 1100 MW SUGEN gas based combined cycle power plant at an estimated project cost of Rs. 3,096 crores at village Akhakhol, near Surat following Government of Gujarat’s direction to set up its own generation facilities for the Surat Distribution Area as well as a backward integration move to secure a long term reliable source of supply for its Ahmedabad Distribution Area.

The project achieved financial closure in September 2004 by tying up the entire debt requirement of Rs. 2,167 crores with a consortium led by IDFC. Government of India has accorded Mega Power Project status to the project, which shall bring attached fiscal incentives. Central Electricity Regulatory Commission has accorded its in principle approval to the project cost.

The project will have 3 power blocks, each of 367 MW comprising advanced class gas turbines SGT5 4000F, steam turbines and common generators connected in single shaft configuration along with HRSGs. The Engineering, Procurement and Construction (EPC) Contract was awarded to the consortium of Siemens AG and Siemens Ltd. in June 2005 after following a rigorous and transparent ICB route for the evaluation of technology and suppliers, aided by third party supervisors for monitoring the process.

The design and implementation of this project also take into account the environmental protection and clean environment objectives of the Company. The Environment Impact Assessment of the project has been completed and a complete environment management system is in place.

The Company has already tied up the substantial part of the fuel requirement for the project and discussions are on for the balance with various suppliers. The Gas Transportation Agreement has been executed with Gujarat State Petronet Limited. A joint venture has been formed with Siemens for providing Operations and Maintenance services to the project.

The Project has achieved considerable progress and about 56 per cent of the EPC work has been completed. All essential Non-EPC works viz. intact well, water pipe line, reservoir, compound wall, roads and site office have been completed. The first block is scheduled to commission by the third quarter of 2007.

### **Power Evacuation Arrangements**

#### ***Joint Venture with PGCIL***

The Company has also entered into a Joint Venture with Power Grid Corporation of India Limited (PGCIL) for setting up dedicated transmission lines of 440 KV for evacuation of power from 1100 MW SUGEN project to Ahmedabad distribution area and to the National Grid through connectivity with PGCIL at Dehgam and Loop In Loop Out of Gandhar- Vapi line. This will be implemented under the aegis of Torrent Power Transmission Private Limited (TPTPL), which has already applied for the grant of the transmission license to Central Electricity Regulatory Commission. The Company will own 74% of the equity of TPTPL while PGCIL will have the balance. The estimated project cost is Rs. 550 crores and is expected to start soon.

#### **220 KV Transmission Project:**

The Company is creating power evacuation facilities for taking the power from the project to Surat distribution area by implementing a 220 KV Transmission Project. The project entails setting up of three 220 KV substations near Surat distribution area and connecting them to 1100 MW SUGEN project through installation of three double circuit 220 KV lines. The detailed engineering for the project is complete and orders for procurement of the major equipments have been placed.

### **Business Review – Distribution:**

#### **OPERATIONS**

Pursuant to the Scheme, the Company has been vested with the power distribution business of erstwhile Torrent Power AEC Limited and Torrent Power SEC Limited. Torrent Power AEC Ltd. was generating and distributing electricity in cities of Ahmedabad & Gandhinagar with a distribution area admeasuring 356 sq. kms. while Torrent Power SEC Limited had distribution area admeasuring 52 sq. kms. in Surat.

**Consumers:**

The number of consumers at the end of current financial period was 18.45 lacs. The Company added 1.04 lacs new consumers during the current financial period, which represents a growth of 5.96% over the consumer base at the end of FY 2004-05.

The consumer mix of the Company at the end of FY 2004-05 and 2005-06 is presented in the table below. There has not been any significant shift in consumer mix of the Company vis-à-vis FY 2004-05.

Consumer Category	2005-06	% of total consumers	2004-05	% of total consumers
Residential	1357346	73.56	1286669	73.89
Commercial	346571	18.78	319075	18.32
LTP/LTMD	136291	7.39	130107	7.47
HT	805	0.04	748	0.04
Others	4128	0.23	4689	0.28
Total	1845141	100.00	1741288	100.00

**Power Purchase and Sales:**

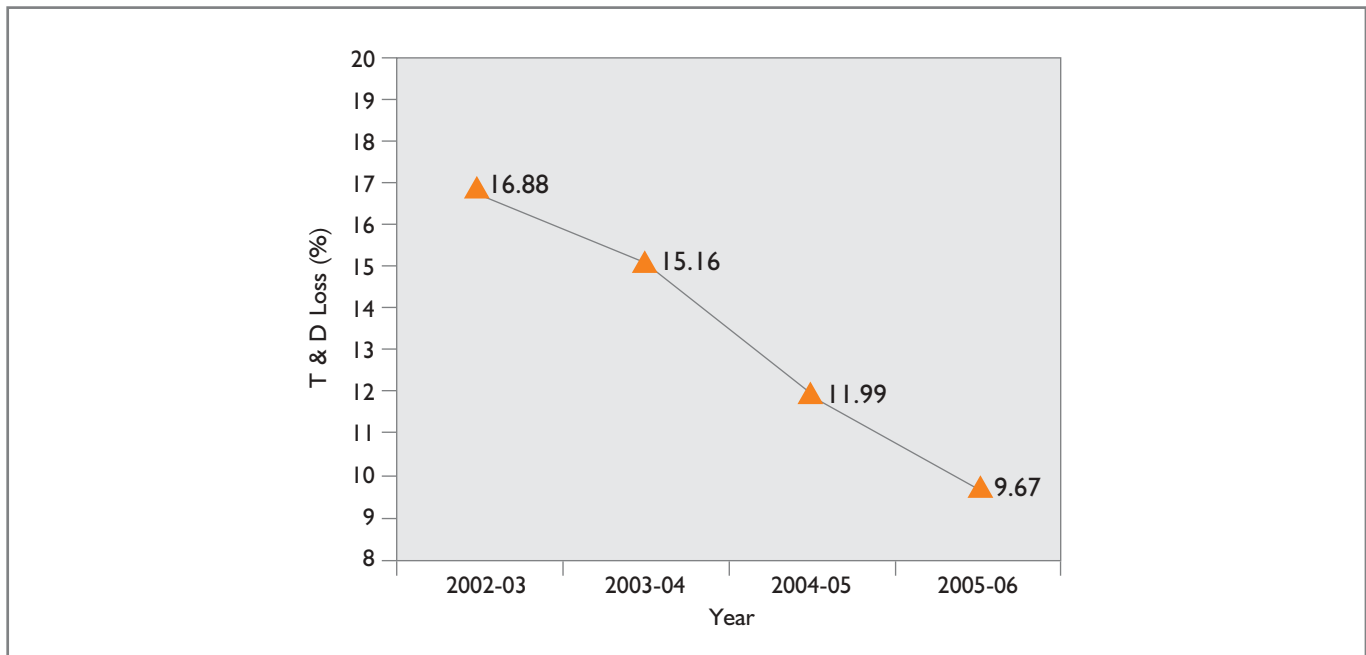
The system peak demand went up from last year's level of 1170 MW to 1333 MW showing an increase of 13.93%. The details of purchase and sale of power are as follows:

Particulars	Units	2005-06 (18 months)	2004-05 (12 months)	Annualised Growth %
Net Generation	MUs	5474	3293	10.82
Add: Purchase of power	MUs	5711	3494	8.97
Less: Units exported	MUs	73	5	873.33
Units Sent Out	MUs	11112	6782	9.23
Sales	MUs	10037	5969	12.10

**Transmission and Distribution (T&D) Loss**

The dedicated efforts of the Company on various fronts including detection of thefts, replacement of defective/stopped meters, Slum Electrification, consumer awareness initiatives etc. as well as strengthening and augmentation of distribution network have brought down the T&D loss to 9.67%, from 11.99% during 2004-05. This is amongst the lowest in the country.

The relentless efforts made by the Company to curb the T&D loss can be visualised by the reduction in the T&D loss achieved during past few years in the power distribution areas.



Well planned and organized efforts for the theft detection were made to minimize the commercial losses on account of theft of energy. The Company conducted about 12.50 lacs inspections and during the period under review, over 37,488 theft cases were detected. The recoveries from theft stood around Rs. 35 crores.

The massive drive for Slum Electrification in Ahmedabad continued vigorously. The Company released 29,255 new connections under Slum Electrification Programme.

### **System Network:**

As at 30th September 2006, the system had a High Tension (HT) mains length of more than 4400 Kms. and Low Tension (LT) mains of more than 16000 Kms. while length of Extra High Voltage mains was more than 290 Kms. The number of EHV Sub-stations was 26, the number of power transformers was 140 and the number of distribution transformers was 6783.

The highlights as regards up-gradation of the system network are:

- Enhancement of power transformation capacity by about 200 MVA by commissioning of a 220 KV sub-station, a 66 KV substation and capacity addition at existing substations taking the total power transformation capacity to about 2554 MVA.
- Enhancement of distribution transformation capacity by about 174 MVA by addition of 594 new distribution transformers and replacement of existing transformers taking the total distribution transformation capacity to about 2780 MVA.

- Commissioning of three 33 KV Sub-stations at AUDA Garden, C. G. Road and Srinandnagar in Ahmedabad.
- 66 KV connectivity established between E and G Receiving Stations by laying 3 Single Core 66 XLPE cable in Surat.

The efforts of the Company in strengthening and augmentation of the system network has helped in reducing the average number of interruptions per consumer to 16.35 hours compared to 19.19 during FY 2004-05. The number of consumer hours lost was 16.91 hours per consumer in FY 2005-06.

#### **Consumer Services:**

There is an underlying commitment from the Company to deliver the best service experience to its consumers.

The Company provides a well spread out network of bill payment facilities in its distribution areas including online payments through partner websites using convenient channels like direct debit facility tied up with prominent banks. In addition, Torrent Power Mobile links (m-links) are a special customer service initiative for the twin cities of Ahmedabad and Gandhinagar wherein the Company's fully computerised mobile vans visit and offer bill collection services at more than 150 locations across the two cities.

The Company also runs a 24 × 7 state of the art in-house consumer call centre to handle all consumer complaints, queries and other information needs. The Company's website continues to be consumer friendly.

#### **DEVELOPMENT**

##### **Bhiwandi Distribution Franchisee:**

The Company has been selected as the Distribution Franchisee for Bhiwandi circle of Maharashtra State Electricity Distribution Company Limited (MSEDCL) in first such model in Indian Power Sector. Bhiwandi is a major textile hub of western India catering to 1.6 lacs consumers having an unrestricted demand of about 750 MVA. The agreement shall be valid for 10 years and during the validity of the agreement the Company would undertake all activities relating to distribution of power in the franchise area as an agent of MSEDCL. The Company would not take over any past liabilities.

The Company would commence its operations in Bhiwandi on signing of the Distribution Franchisee Agreement, which is under discussions.

#### **HUMAN RESOURCES**

The Company has a pool of capable and experienced personnel in all its areas of operations viz. technical, commercial, finance, human resources, information technology etc. To inculcate an orientation of high performance the employees are rewarded for their significant contribution and high performance under formal Scheme for the purpose. In house training programs on various technical, attitudinal and supervisory aspects with the help of internal as well as external faculty are conducted for

employees for developing their skills to meet with the changing technology, business practices and market requirements. The focus of the training has been to create high performance culture as well as bringing an improvement in the organisation for meeting consumer's need.

The industrial relations are cordial. The Company has resolved the long pending issue of wage settlement of its employees in Ahmedabad by entering into an agreement with their Union for the period 01-10-1992 to 31-03-2009. During the year, a wage settlement for employees in Surat was also concluded for the period from 01-01-2004 to 31-12-2006.

## **INTERNAL CONTROL SYSTEMS**

The Company has adequate internal control systems for achieving efficiency in operations, optimum utilization of resources, effective monitoring thereof and compliance with applicable laws and regulations. In order to ensure that all checks and balances are in place and all internal control system are in order, regular and exhaustive internal audits are conducted by the experienced professional firms based on an annual audit plan. The audit plan is made out with due weightage to the risk parameters associated with the business processes. The reviews are carried out to ensure follow-up on the audit observations.

Any significant observations are reported to the Audit Committee, which currently comprises three non-executive Directors including financial experts. The Audit Committee meeting is also attended by representatives of Statutory and Internal Auditors. The Company's auditors have also certified the existence of an adequate system of internal control in the Company.

Audit Committee regularly reviews the adequacy and effectiveness of the internal controls and suggests improvements for strengthening the same. The system of Internal Control is constantly improved through judicious use of technology.

## **INDUSTRY STRUCTURE AND DEVELOPMENTS**

Power is a critical requirement for economic development. Sustained socio-economic growth substantially hinges upon the availability of adequate and reliable power at reasonable rates.

### **Industry Structure**

Historically, the electricity business has been a monopolistic one. At the state level, the successor entities of the State Electricity Boards dominate generation, transmission and distribution of power. The central public sector companies such as NTPC, NHPC, PGCIL, etc. continue to be the major players in the power sector. But of late, private sector entities encouraged by the ongoing reforms in the power sector have made significant inroads in the industry. The Ministry of Power prescribes guidelines for all the technical and economic matters, duly assisted by the Central Electricity Authority for technical matters. The operations and activities of entities in the power sector are regulated by respective regulatory commissions. The Central Electricity Regulatory Commission is responsible for regulating the central sector generating plants and entities engaged in inter-state supply, transmission and trading of power while the State Electricity Regulatory Commissions are responsible for regulating the State level entities.

## Developments

Fully realizing the criticality of this sector, the Government has been taking, over the last few years, and is fully committed to take in the future, path-breaking initiatives for the rapid growth of the sector on the legal and regulatory front as well as the business environment front.

With the enactment of the Electricity Act, 2003 and the notification of the National Electricity Policy, the National Electricity Rules, the National Tariff policy and Competitive bidding Guidelines, the Government has created an enabling and investor friendly policy environment.

In January 2006, the Central Government notified the National Tariff Policy (NTP) for the power sector in compliance with Section 3 of the Electricity Act and in continuation of the National Electricity Policy (NEP) passed in February 2005. The tariff policy has set some objectives like ensuring availability of electricity to consumers at reasonable and competitive rates, ensuring financial viability of the sector and attracting investments, promoting transparency, consistency and predictability in regulatory approaches across jurisdictions and encouraging competition and efficiency.

The salient features of the National Tariff Policy, 2006 are as follows:

- i) All future requirements of power by distribution licensees to be procured competitively, except in cases of expansion of existing projects.
- ii) Tariff of new public sector generation and transmission projects to be decided on the basis of competitive bidding after a period of five years.
- iii) The Central Commission to notify the rate of return on equity for generation and transmission projects. The rate of return for transmission may be adopted by the State Electricity Regulatory Commissions (SERCs) for distribution with appropriate modification taking into view the higher risks involved. Either of the two, Return on Equity approach or Return on Capital approach may be adopted by Central Commission.
- iv) Any cash resources available to the Company from its share premium account or from its internal resources that are used to fund the equity commitments of the project under consideration should be treated as equity.
- v) For financing of future capital cost of projects, a Debt: Equity ratio of 70:30 to be adopted.
- vi) The Central Commission to notify the rates of depreciation in respect of generation and transmission assets, which would also be applicable for distribution with appropriate modification as may be evolved by the Forum of Regulators. The rates to be applicable for the purpose of tariff as well as accounting.
- vii) The Central Commission, in consultation with the Central Electricity Authority (CEA), to notify operating norms for generation and transmission. The SERC to notify operating norms for distribution.
- viii) MYT framework to be adopted from April, 2006. The framework to have a five year control period, which can be relaxed to three years in case of transmission and distribution if considered necessary by regulatory commission.

- ix) For generation, a two part tariff structure to be adopted for all long term contracts to facilitate Merit Order Dispatch. Availability Based Tariff (ABT) to be introduced at State level by April, 2006 as per NEP. This framework to be extended to generating stations, including grid connected captive plants as determined by SERC.
- x) The national tariff framework for transmission to be developed by CERC taking into consideration the advice of the CEA and to be implemented by 1st April, 2006.
- xi) Central Commission to establish (within one year) norms for capital and operating costs, operating standards and performance indicators for transmission lines at different voltage levels.
- xii) Investment by transmission developer other than Central Transmission Utility or State Transmission Utility (CTU/STU) would be invited through competitive bids as per Central Government guidelines. Tariff for projects to be developed by CTU/STU after 5 years or as decided by Commission to be determined through competitive bids.
- xiii) For Distribution, the State Commission to notify the standards of performance of licensees with respect to quality, continuity and reliability of service for all consumers. The Forum of Regulators to determine basis frame work on service standards.
- xiv) Framework for revenue requirement, costs, regulatory asset and tariff design is provided.
- xv) Consumers having consumption below 30 units per month may receive a special support through cross subsidy and such tariff should be at least 50% of the average cost of supply.
- xvi) The method and formula of determination of cross-subsidy surcharge are indicated. The cross-subsidy surcharge to be brought down progressively so that by year 2010-11, tariffs are within +/- 20% of the average cost of supply.

## **OUTLOOK AND OPPORTUNITIES**

The enactment of the Electricity Act and subsequent introduction of various regulations have opened up myriad opportunities in the Indian Power Sector. Though presently, opportunities for private sector seem to be available mainly in power generation, but it will be more prudent to follow a synchronized approach to make transmission and distribution also easy investment destinations.

The Company plans to expand operations in the areas of power generation, transmission and distribution by taking advantage of opportunities created by regulatory and economic reforms. The Company is actively pursuing various generation projects as well as the distribution franchisees being offered in several states in the country. In order to obtain fuel security, the Company is also evaluating options for entering into agreements with various companies having experience in coal mining, which would be captive supplies for the generation projects with coal as fuel.

The total installed generation capacity in the country was around 1,26,994 MW at the end of August 2006. The private sector constitutes only 12% of the installed capacity. The existing peak shortage in the country stands around 12% and energy shortage is around 8%. With the peak demand expected to rise by 2012 to a level of 1,57,107 MW, in order to fully meet both energy and peak demand , there is a need to create adequate reserve capacity margin which would require a capacity

addition of over 1,00,000 MW. The transmission and distribution system also need to be correspondingly augmented to meet the increased demand. If the role of private sector is assumed at 20%, Rs. 90,000 crore investment by the private sector is envisaged in the 11th plan period.

The Government of India is proposing the setting up larged-sized power generation projects of 4000 MW each (called ultra mega projects) with a project cost of approximately Rs. 25,000 crores which are expected to provide economies of scale and faster capacity addition leading to less expensive power. Government of India has appointed Power Finance Corporation (PFC) as the Nodal Agency to award these projects to private sector players, on the basis of competitive bidding of tariff. The Company has qualified in the PFC invitation for Request for Qualification for these projects. The Company proposes to bid for two projects, one at Mundra in Gujarat based on imported coal and second at Sasan in Madhya Pradesh based on indigenous coal.

The participation of private sector in nuclear power generation may also see light of the day with the historic nuclear deal cooperation between India and the US.

In the transmission segment, the target is to create a robust National Grid by 2012 besides strengthening the existing network. In transmission, so far the role of the private sector has been limited. In accordance with the Electricity Act, as also with the National Electricity Policy, the private sector's role is expected to increase gradually. It is expected about 10-15 per cent of the transmission system to be developed through the private sector route in the next 10-15 years and the proportion may be more in the next 25 years. The CTU, PGCIL has invited private participation in various transmission projects through joint venture route wherein 74% equity will be owned by the private investors and PGCIL will have the balance.

Under the new environment, 'Open Access' in transmission and supply has become feasible and shall provide fillip to the Company to source power at competitive prices.

## **RISK AND CONCERNS**

The Company has systems and practices to help in identifying potential risks and taking measures to mitigate those risks. The Risk Management Policy of the Company addresses all potential risks including Fuel risks (availability & pricing), Regulatory Risks (Tariff Regulation, Environment Regulation etc.), Consumer Risks (Revenue Realisation, Transmission Risks), Assets Risks (Natural Calamity etc.), Human Resource Risks and IT Risks.

The Growth of business is dependent on overall growth and development of the power distribution areas of the Company and in particular on the demand generated from the industrial and commercial consumers. However, the demand for energy has been rising at a high rate in Ahmedabad, Gandhinagar and Surat in past few years, which is in line with overall economic growth taking place in Gujarat. It is expected that the demand for energy in the power distribution areas would also grow in tandem.

The Company procures substantial quantity of power for supply from GUVNL. The demand supply gap in Gujarat may impact the availability of power from GUVNL. The upcoming 1100 MW SUGEN project shall help in bridging the demand supply gap in existing distribution businesses leaving potential of sale of power outside Gujarat.

The power generation plants use coal and gas as fuel. While domestic coal production has just kept pace with past demand, the requirement for coal is expected to increase significantly in the future, driven by significant capacity addition in the power sector. High dependence on domestic coal could therefore expose the Company to potential price and availability risks. In respect of imported coal, various domestic and international factors such as import duties, fluctuations in foreign exchange, volatility in international freight, adverse diplomatic development affecting relationship with Suppliers' Countries, changes in Government Policies etc. may affect the regularity and reliability of supplies.

The Electricity Act, 2003 makes possible introduction of competition through second licensee in the Company's existing license areas of operation. The Company has built a large and established distribution network that is difficult to replicate and with the track record of supply of reliable power at competitive costs with highest consumer orientation, is well equipped to meet the threat of competition.

The GERC has notified regulations, prescribing various norms and standards of performance for the licensees, and provided for penalties for deviating from the prescribed standards of performance. The Company has been able to improve its performance vis-à-vis GERC's prescribed standards of performance.

Power projects by nature of being capital intensive run the varied risks including delay in completion, performance risks and cost over-run. The Company is currently implementing 1100 MW SUGEN gas based power project near Surat, the past experience of the Torrent Group in implementing mega projects without any time/cost overruns provides confidence on the timely completion of the power project.

All the significant parameters concerning the commissioning of SUGEN Project have been already tied up and therefore no delay is expected in the technical commissioning of the entire project. The full capacity utilisation during the commercial operations of the project will require uninterrupted supply of fuel, i.e., Natural Gas (NG)/Regasified LNG (RLNG). At present in the world and in the country there is a mismatch of demand and supply of NG/RLNG, both in terms of quantity and seasonal variations. This results into higher cost of fuel besides interrupted supplies. The project enjoys partial certainty of availability of fuel at reasonable price. However, for the balance portion, if uninterrupted supplies are not available, to that extent the commercial operations will suffer from the utilization of full capacity. At the same time possibility of purchase of fuel on spot basis exists which may partially mitigate the risk. The power generated from the plant is proposed to be used in the Company's distribution areas and sold to Power Trading Corporation. The Company is yet to have firm commitment for the purchase of the balance power.

The Company has exposure in foreign currency for the upcoming 1100 MW SUGEN power project in addition to the regular procurement of imported coal as well as capital goods and spares. The depreciation of the Rupee against foreign currencies may affect the financial results of the Company. However the Company has partially reduced the susceptibility to foreign currency fluctuations by hedging part of the exposure with respect to the SUGEN project.

The operations of the Company are subject to certain risks generally associated with power generation, transmission and distribution businesses, and the related receipt, distribution, storage and transportation of fuels, feedstocks, products and wastes. The Company could be subject to substantial civil and criminal liability and other regulatory consequences in the event

that any environmental hazard were to be found at the site of any of its power plants, or if the operation of any power plants results in material contamination of the environment.

## SOCIAL CAPITAL

The Company has always appreciated its social responsibility as a part of its Corporate Governance philosophy as well as a utility. The Corporate Social Responsibility initiative “Sparsh” carried during the year saw many social and community activities like up-gradation of schools and hospital infrastructure, health camps, tree plantations, provision of various facilities for senior citizens etc.

The Company has been a significant contributor to the social capital of the cities and the state of power supply. A value added statement, particularly as regards society, is summarised below which details the contribution made by the Company towards the state exchequer, employment generation, creditors and lenders, and investors.

### Value Added Statement

(Rs. crore)

Particulars	Period ended 30th September, 2006
Gross Income	4642.60
Less: Cost of fuel & Electrical Energy Purchased	2675.74
Distribution, Administration & Other Expenses	276.94
Add: Net Income of Power / Contact and Fly-Ash Divisions	3.97
<b>Total Value Added</b>	<b>1693.89</b>
<b>Applied to Meet</b>	
Government Duty	707.07
Other Rates & Taxes	4.43
Employee Costs	275.74
Income Taxes (including short provisions of earlier years)	164.62
Provision for Deferred Taxation	16.41
Contingency Reserve	14.00
Dividend and Tax thereon	64.65
Interest Payments	63.10
Retained in Business	383.87
Total	1693.89

As seen from the above, your Company has added a value of Rs. 1,693.89 crores to the social capital during FY 2005-06.

For and On behalf of the Board of Directors

**Sudhir Mehta**

Chairman

Ahmedabad, 7th November 2006

## NOTES

---



**TORRENT POWER LIMITED**

Registered Office: Torrent House, Off Ashram Road, Ahmedabad-380 009.  
Telephone: +91-79-2658 5090, 2658 3060 • Fax: +91-79-2658 9581  
[www.torrentpower.com](http://www.torrentpower.com)

---