

## **TORRENT POWER LIMITED**

**Registered Office:** Torrent House, Off Ashram Road,  
Ahmedabad, Gujarat – 380 009.

Phone: 079 – 26585090 Fax: 079 - 26589581, Website: [www.torrentpower.com](http://www.torrentpower.com)

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Torrent Power Limited was incorporated on April 29, 2004 under the Companies Act, 1956 as “Torrent Power Trading Private Limited”. The name of the Company was, thereafter, changed to Torrent Power Private Limited on January 25, 2006. The Company was converted into Public Limited Company on February 08, 2006 and the name of the Company was thus changed to its present name Torrent Power Limited.

### **INFORMATION MEMORANDUM FOR LISTING OF 47,24,48,308 EQUITY SHARES OF RS. 10 EACH**

#### **NO EQUITY SHARES ARE PROPOSED TO BE SOLD OR OFFERED PURSUANT TO THIS INFORMATION MEMORANDUM**

#### **GENERAL RISKS**

Investment in equity and equity related securities involve a degree of risk and investors should not invest in the equity shares of Torrent Power Limited unless they can afford to take the risk of losing their investment. Investors are advised to read the Risk Factors carefully before taking an investment decision in the shares of Torrent Power Limited. For taking an investment decision, investors must rely on their own examination of the Company including the risks involved. Specific attention of the investors is invited to the statements in the section titled “Risk Factors” beginning on page 7.

#### **ABSOLUTE RESPONSIBILITY OF TORRENT POWER LIMITED**

Torrent Power Limited having made all reasonable inquiries, accepts responsibility for, and confirms that this Information Memorandum contains all information with regard to Torrent Power Limited, which is material, that the information contained in the Information Memorandum is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Information Memorandum as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

#### **LISTING**

The Equity Shares of Torrent Power Limited are proposed to be listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited

#### **REGISTRAR AND SHARE TRANSFER AGENT**

Sharepro Services (India) Private Limited  
Satam Estate, 3<sup>rd</sup> floor, Above Bank of Baroda,  
Cardinal Gracious Road, Chakala, Andheri (East), Mumbai 400 099  
Email: [sharepro@vsnl.com](mailto:sharepro@vsnl.com)  
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## GENERAL

### DEFINITIONS, ABBREVIATIONS & INDUSTRY RELATED TERMS

“TPL” or “the Company” or “our Company” or “Transferee Company” or Torrent Power Limited.	Torrent Power Limited, a public limited company incorporated under the Companies Act, 1956.
“we” or “us” and “our”	Refers to Torrent Power Limited
“Torrent Group” or “the Group”	Refers to, as the context requires, to the companies under common control of Promoters of Torrent Power Limited including Torrent Private Limited.
Article / Articles of Association	Articles of Association of Torrent Power Limited
Auditors	The statutory auditors of Torrent Power Limited
Board of Directors / Board / Directors	The Board of Directors of Torrent Power Limited or a committee constituted thereof.
BSE	Bombay Stock Exchange Limited
CDSL	Central Depository Services (India) Limited
Companies Act / Act	The Companies Act, 1956 as amended from time to time.
Depository	A body corporate registered under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository Participant	A depository participant as defined under the Depositories Act.
Designated Stock Exchange	Bombay Stock Exchange Limited
DSE	Designated Stock Exchange
EPS	Earnings per equity share
Equity Shares	Equity shares of the Company of Rs. 10 each unless otherwise specified in the context thereof
Financial Year / Fiscal / FY	The twelve months ended 31 <sup>st</sup> March, unless otherwise stated
Information Memorandum	This document filed with the Stock Exchanges is known as and referred to as the Information Memorandum
I.T. Act	The Income – Tax Act, 1961, as amended from time to time.
Memorandum / Memorandum of Association	The Memorandum of Association of Torrent Power Limited
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
RBI	Reserve Bank of India
Registered Office of the Company	Torrent House, Off Ashram Road, Ahmedabad, Gujarat – 380 009.
ROC	Registrar of Companies
Scheme	Composite Scheme of Arrangement including Amalgamation of Torrent Power AEC Limited and Torrent Power SEC Limited and Torrent Power Generation Limited with Torrent Power Limited and reorganization of capital of Torrent Power Limited as sanctioned by Hon’ble High Court of Gujarat by its order dated July 12, 2006.
SEBI	The Securities and Exchange Board of India constituted under the Securities and Exchange Board of India Act, 1992

SEBI Act	Securities and Exchange Board of India Act, 1992 as amended from time to time
SEBI Guidelines	Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 issued by Securities and Exchange Board of India effective from January 27, 2000, as amended, including instructions and clarifications issued by Securities and Exchange Board of India from time to time.
Stock Exchanges	BSE and NSE
Transferor Companies	Means "TPAL", "TPSL" and "TPGL" collectively, and where the context requires any of the Transferor Companies.
TPAL	Torrent Power AEC Limited
TPSL	Torrent Power SEC Limited
TPGL	Torrent Power Generation Limited
ABT	Availability Based Tariff
APDRP	Accelerated Power Development and Reforms Programme
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
BTU	Billion Thermal Unit
CAGR	Compounded Annual Growth Rate
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
GERC	Gujarat Electricity Regulatory Commission
KWh	Kilowatt Hour
GOI	Government of India
GOG	Government of Gujarat
MVA	Mega Volt Ampere
MW	Megawatt
MoP	Ministry of Power
Indian GAAP	Generally accepted accounting principles in India.
PLF	Plant Load Factor
PAF	Plant Availability Factor
Scmd	Standard Cubic Meters per day
SCM	Standard Cubic Meter
SEB	State Electricity Board
SERC	State Electricity Regulatory Commission
SUGEN	1100 MW gas based Combined Cycle Power Plant being set up at village Akhakhol, near Surat.
T&D	Transmission & Distribution
Unit	1 kWh; that is, the energy contained in a current of one thousand amperes flowing under an electromotive force of one volt during one hour.

## **CERTAIN CONVENTIONS; USE OF MARKET DATA**

Unless stated otherwise, the financial data in this Information Memorandum is derived from our restated financial statements. The fiscal year commences on April 1 and ends on March 31 of each year, so all references to a particular fiscal year are to the twelve month period ended March 31 of that year. However, the last fiscal year of Torrent Power Limited commenced on April 1, 2005 and ended on September 30, 2006. In this Information Memorandum, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding.

All references to “India” contained in this Information Memorandum are to the Republic of India. All references to “Rupees” or “Rs.” are to Indian Rupees, the official currency of the Republic of India.

For additional definitions, please see the section titled “Definitions, Abbreviations and Industry Related Terms” of this Information Memorandum.

Unless stated otherwise, industry data used throughout this Information Memorandum has been obtained from the published data of CEA, MoP, the Planning Commission of India, other Government Authorities and from industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that industry data used in this Information Memorandum is reliable, it has not been independently verified.

The information included in this Information Memorandum about various other Companies is based on their respective Annual Reports and information made available by the respective companies.

## **FORWARD-LOOKING STATEMENTS**

We have included statements in this Information Memorandum which contain words or phrases such as “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions, that are “forward-looking statements”. Similarly, statements that describe our objectives, plans or goals also are forward-looking statements

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to,

- General economic and business conditions in India and other countries;
- Overall growth and development in the of our License Areas;
- Regulatory changes relating to the power sector in India and our ability to respond to them;
- Our ability to successfully implement our strategy, our growth and expansion plans;
- Technological changes;
- Our exposure to market risks, general economic and political conditions in India which have an impact on our business activities or investments;
- The monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally;
- Changes in domestic and foreign laws, regulations and taxes and changes in competition in our industry.

For further discussion of factors that could cause our actual results to differ, see the section titled “Risk Factors” of this Information Memorandum. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated.

We do not have any obligation to, and do not intend to, update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not materialize.

## **RISK FACTORS**

*An investment in equity securities involves a high degree of risk. Investors should carefully consider all of the information in this Information Memorandum, including the risks and uncertainties described below, before making an investment in our Equity Shares. Occurrence of any of the following risks as well as the other risks and uncertainties discussed in this Information Memorandum could have a material adverse effect on our business, financial condition and results of operations and could cause the trading price of our Equity Shares to decline, which could result in the loss to the investor.*

### **Internal Risk Factors**

*Growth of the business is dependent on overall growth and development of the License areas of the company.*

The Company is in the area of generation and distribution of power. At present we have distribution license comprising cities of Ahmedabad (293 sq. Kms.) & Gandhinagar (63 sq. Kms.) and Surat (52 sq. Kms.) in the state of Gujarat with a consumer base of approximately 13.25 lacs in the cities of Ahmedabad and Gandhinagar and approximately 5.5 lacs in the city of Surat. The Consumer mix includes all categories of consumers viz. residential, commercial, industrial, agricultural etc. The demand and sales growth for our Company is directly affected by the overall economic, infrastructural and social development of the license areas. Any adverse development relating to the usage of power by industries and commercial establishments located in these cities and changes in living standards of people residing in these areas, their power consumption habits, patterns etc. may have adverse impact on the revenues of the Company.

*Non-availability of economical and reliable power may adversely affect results of the operation of the Company.*

The current demand of power in the license areas of the Company at Ahmedabad, Gandhinagar and Surat is much more than the existing generating capacity of the Company. Hence, substantial quantity of power for supply in its license areas is sourced from Gujarat Urja Vikas Nigam Limited (GUVNL) (erstwhile Gujarat Electricity Board, GEB). The requirements of power for the State of Gujarat, barring the license areas of the company are catered to by GUVNL. The demand supply gap in the State of Gujarat may impact the availability of power from GUVNL. Unavailability of power at reasonable cost and reliability of its supply from GUVNL may affect the supply of power by the Company in its license areas thereby adversely affecting the operations of the Company.

*The Industrial / Commercial Consumers account for substantial sales of power.*

The Company derives substantial portion of its revenues from the industrial and commercial consumers located in its license areas accounting for approximately 73% of sales of power in MUs. The average revenue per unit realized from this category is highest amongst the present consumer mix of the Company. Any adverse changes in Government Policies towards these commercial and industrial consumers, their relocation out of our license areas, negative developments in their own businesses (financial or operational) and switch over to alternative arrangements of power such as establishment of Captive Power Plants, sourcing of their requirements from other operators under Open Access regime etc. may slow down the demand of power from this category of consumers. This may eventually affect the results of our operations and cash flows.

***Our operations have significant fuel requirements and unavailability of fuel at competitive prices may adversely impact our operations and financial performance.***

The generation plants of the Company use coal and gas as fuel. The requirement of coal is currently met from supplies tied up with South Eastern Coalfields Limited and use of imported coal. With respect to coal, while India has substantial proven reserves, significant investments would be required to exploit and mine these reserves. We cannot assure that this will occur. 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 us to potential price and availability risks. Further with respect of imported thermal Coal, which is presently being sourced primarily from Indonesia, various domestic and international factors such as import duties, fluctuations in foreign currency rates and other foreign exchange matters, volatility in international freights, adverse diplomatic development and relationship with Suppliers' Countries, changes in Government Policies etc. may affect the regularity and reliability of supplies.

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 utilization 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 Electricity Business is a regulated business. The undergoing reforms and regulatory changes could result in increased competition for us.***

The electricity businesses in India are regulated by the provisions of the Electricity Act, 2003 and the rules and regulations thereunder. The present circumstances also demands to set tariff so that industrial and commercial consumers effectively subsidise the domestic and other consumers. Approval of the regulatory commission is required prior to committing major capital expenditure. The Open access provisions allow consumers to source power from alternate sources. The Electricity Act has done away with licensing requirements for establishing generating plants. Large industrial consumer may set up captive power plants or source their power requirements directly from other generators/suppliers. Further the Electricity Act, 2003 provides for multiple licensees in a distribution area, which could result in increased competition for us in future. The statutory and regulatory framework for the Indian Power Sector has changed significantly in recent. There may be other changes to the regulatory framework that could adversely affect us. GOI has notified the National Tariff Policy in January, 2006. The Tariff Policy contains provisions that are likely to be unfavourable to us, such as reductions in the return on equity or additional limitations on our ability to recover depreciation expenses or fuel and other costs through our tariffs. Due to provisions like these, our results of operations and financial performance could be adversely affected.

The GERC has notified regulations, prescribing various norms and standards of performance for the licensees, we may be subjected to penalties for deviating from the prescribed standards of performance.



***Our expansion plans are subject to varied risks.***

We plan to expand our operations in the areas of power generation, transmission and distribution by taking advantage of opportunities created by regulatory and economic reforms.

The Company is setting up 1100 MW SUGEN Gas based mega power project at an estimated project cost of Rs.3,096 crores. Any delay in the execution of this project or any cost overrun would impact the performance and operation of the Company as a whole. Additionally, the Company is building power evacuation facilities for taking the power for the project to its license areas as well as for outside sale. Any delay in this would lead to delay in the commissioning of the project. The generating station uses the gas as fuel. Any non-availability / delay in availability or availability of gas at higher prices could lead to delay in commissioning of project and can also impact the operations of the Company.

The Company is proposing to take up additional distribution areas from various mechanisms provided under the provisions of the Electricity Act. The taking over of any such area would entail substantial improvement in its operational efficiencies including T&D losses, collection efficiencies, operating efficiencies etc. If the required levels of efficiencies are not achieved, it may impact the overall operations of the Company. Secondly, it would also involve substantial capital commitments which may impact the cash flows of the Company.

These new businesses/ operations and the regulatory environment may pose significant challenges. The early stage and evolving nature of the power sector reforms and our diversification programme makes it difficult to predict competition and consumer demand. These new business areas require capital and other resources, as well as management attention, which could place a burden on our resources. However we may not be successful in these businesses and cannot provide with any assurances as to the timing and amount of any returns or benefits that we may receive from these new businesses or any other new businesses we may enter into.

***Our operations create difficult environmental challenges, and changes in environmental laws and regulations may exposes to liability and result in increased costs.***

Our power plants and power generation projects are subject to environmental laws and regulations promulgated by the Ministry of Environment of the Government and the Pollution Control Boards of the relevant states. These include laws and regulations that limit the discharge of pollutants into the air and water and establish standards for the treatment, storage and disposal of hazardous waste materials. We expect that environmental laws will continue to become stricter. Compliance with current and future environmental regulations, particularly by our older plants, may require substantial capital expenditure..

We generate high levels of ash in our operations. There are limited avenues of utilisation of ash. We are subject to a Government requirement that by 2014, 100% of the fly ash produced through our generation activities will be gainfully utilised. Compliance with this requirement, as well as any future norms with respect to ash utilisation, may add to our capital expenditures and operating expenses.

We 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 our power stations, or if the operation of any of our power stations results in material contamination of the environment.

### ***Operating Risks***

Company's operations are subject to certain risks generally associated with power generation, transmission and distribution businesses, and the related receipt, distribution, storage and transportation of feedstocks, products and wastes. The occurrence of hazards like explosions, fires, earthquakes and other natural disasters, mechanical failures, accidents, acts of terrorism, operational problems, transportation interruptions, chemical or oil spills, discharges of toxic or hazardous substances or gases, and other environmental risks, may have a direct and adverse effect on the performance of the Company's business.

These hazards can cause personal injury and loss of life, environmental damage and severe damage to or destruction of property and equipment, and may result in the limitation or interruption of the Company's business operations and the imposition of civil or criminal liabilities.

***If we are unable to adapt to technological changes, our business could suffer.***

Our future success will depend in part on our ability to respond to technological advances and emerging power generation, transmission & distribution industry standards and practices on a cost-effective and timely basis. The development and implementation of such technology entails significant technical and business risks. We cannot assure that we will successfully implement new technologies effectively or adapt our processing systems to customer requirements or emerging industry standards. If we are unable, for technical, legal, financial or other reasons, to adapt in a timely manner to changing market conditions, customer requirements or technological changes, our business, financial performance and the trading price of our Equity Shares could be adversely affected.

***This section should also be read along with the section "Legal & Other Information" part titled Outstanding Litigations and Material Developments as well as the details of Contingent Liabilities as mentioned in section "Financial Information".***

### **External Risk Factors**

***A slowdown in economic growth due to negative political, social and economic developments in India could cause our business to suffer.***

We derive all of our revenues from India. Our performance and growth are directly and indirectly dependent on the health of the Indian economy. The economy could be adversely affected by various factors such as political or regulatory action, including adverse changes in liberalisation policies, social disturbances, natural calamities, interest rates, commodity and energy prices and various other factors. Any slowdown in the Indian economy may adversely impact our business and financial performance and the price of our Equity Shares.

***Depreciation of the Rupee against foreign currencies may have an adverse effect on our results of operations.***

While all our revenues are denominated in Rupees, we have exposure in foreign currency for the upcoming 1100 MW SUGEN power project in addition to our regular procurement of imported coal as well as capital goods and spares. The foreign currency exposure may

further get increased on account of our future projects and expansion plans. Accordingly, the depreciation of the rupee against foreign currencies will increase the rupee cost to us and thereby would impact the project cost and our financial performance.

***Terrorist attacks and other acts of violence or war involving India and other countries could adversely affect the financial markets and our business.***

Terrorist attacks and other acts of violence or war, including those involving India or other countries and other such acts, could adversely affect Indian and worldwide financial markets. Such acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, results of operations and financial condition. Increased volatility in the financial markets can have an adverse impact on the economy of India and other countries including economic recession.

***After listing, the price of our equity shares may be volatile, or an active trading market for our equity shares may not develop.***

The prices of our equity shares may fluctuate after listing due to a wide variety of factors, including volatility in the Indian and global securities markets; our operational performance, financial results and capacity expansion; developments in India's economic liberalization and deregulation policies, particularly in the power sector; and changes in India's laws and regulations impacting our business. There is no assurance that an active trading market for our equity shares will develop or be sustained after listing.

## INTRODUCTION

### SUMMARY

This is only a summary. Investors should read the following summary with the Risk Factors mentioned and the more detailed information about us and our financial statements included elsewhere in this Information Memorandum

### Industry and Business Overview

Growth of Indian Economy is targeted to be over 8%. Energy has to play critical role in sustainable development of the economy. According to the sectoral analysis, for achieving growth of such magnitude electricity, gas and water supply put together should also grow by 8%. Electricity is a prime mover of economic development. Creation of world-class power infrastructure is a prerequisite for sustained development of the economy. The availability of reliable and quality power at competitive costs acts as a catalyst for rapid economic growth, spurring the creation of millions of jobs in agriculture, industry, trade and services. The domestic power sector is adversely affected by huge capacity shortages, high level of transmission, distribution and commercial losses, lack of grid discipline, excessive workforce, ageing networks, and lack of commercial orientation. With the renewed policy thrust towards encouraging private participation in generation, transmission, and distribution and with the objective of distancing the regulatory bodies from the government, there was a need for balancing the provisions in the Indian Electricity Act, 1910; the Electricity (Supply) Act, 1948 and the Electricity Regulatory Commissions Act, 1998 with a new self contained legislation. The Electricity Act, 2003 was passed on May 26, 2003 and replaced the earlier Acts. The Act aims at liberalizing the power sector, by creating a vibrant and progressive legislative framework to facilitate India's economic growth. The Act provides a comprehensive and flexible legislative framework for the development of the sector, and envisages a gradual shift towards a competitive market in the power sector. The Central Government has followed the enactment of the Electricity Act with other major reform initiatives, which include:

- Notification of National Electricity Policy & National Tariff Policy
- Thrust on capacity creation in generation (100,000 MW thermal and 50,000 MW hydro initiatives)
- Issue of Guidelines for Determination of Tariff by Bidding Process for Procurement of Power by distribution licensees
- Notification of Constitution and Functions of National Load Dispatch Centre
- Notification of rules regarding credit worthiness, capital adequacy and code of conduct for distribution licensees
- Launch of nation-wide Rural Electricity Infrastructure and Household Electrification Programme- Rajiv Gandhi Gramin Vidyutikaran Yojana

The Government has also formulated a roadmap for increased participation by the private sector in the power industry leading to the development of the national power sector. The objective of Government of India's Vision 2012 is 'Quality and affordable power for all by 2012'.

## **Torrent Group in Power Sector**

The interest of Torrent Group in the power sector was represented by TPAL, TPSL and TPGL. While the TPAL is a company involved in generation and distribution of electricity, TPSL is a power distribution company and TPGL is setting up a new power 1100 MW power generation plant.

In order to consolidate all the businesses of the Group in the power sector, it was felt that all the operations in the power sector should be brought under one umbrella as to ensure sustainability of the existing efficiencies in the operations and for future growth. Keeping in mind this objective, the Boards of Directors of the respective companies at their meetings held on March 22, 2006 approved the amalgamation of TPAL, TPSL and TPGL with Torrent Power Limited (TPL). Pursuant to this, all other necessary formalities were fulfilled including that of obtaining the sanction of the Honourable High Court of Gujarat to the Composite Scheme of Arrangement, which was granted on July 12, 2006.

*For further details on the Scheme, please refer the Section III - part titled "Scheme of Arrangement" of this Information Memorandum.*

As per the Scheme of Arrangement, TPL stands vested with undertakings of TPAL, TPSL & TPGL on going concern basis with effect from Appointed Date, i.e., April 1, 2005. Further by virtue of order of GERC passed on July 7, 2006 the power distribution licenses of two of the amalgamating companies, namely, TPAL and TPSL are transferred in favour of TPL under section 17 of the Electricity Act, 2003. TPL thus operate in the business area of generation and distribution of electricity.

The generation capacity of the Company shall be 1600 MW out of which 500 MW is operational which comprises 400 MW coal based power plant at Sabarmati and 100 MW gas based power plant at Vatva in Ahmedabad. The 1100 MW SUGEN gas based combined cycle power project under implementation at village Akhakhol near Surat is scheduled to be commissioned in 2007-2008.

TPL has a distribution license area admeasuring 408 sq. km. covering cities of Ahmedabad, Gandhinagar and Surat in Gujarat The combined customer base of all three cities is approximately 1.88 million.

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 with TPL holding 74% of the equity in TPTPL while PGCIL will hold the rest.

## GENERAL INFORMATION

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### Address of Registered Office of Company

Torrent House,  
Off Ashram Road, Ahmedabad,  
Gujarat – 380 009.  
Tel: 079 – 26585090  
Fax: 079 - 26589581

**Registration Number:** 04-44068 (CIN - U31200GJ2004PLC044068)

### Address of Registrar of Companies

Registrar of Companies, Gujarat, Dadra & Nagar Haveli  
ROC Bhavan, CGO Complex,  
Opp. Rupal Park Society,  
Near Ankur Bus Stand,  
Naranpura, Ahmedabad,  
Gujarat – 380 013.

### Board of Directors as on the date of Information Memorandum

No.	Name
1.	Mr. Sudhir Mehta – Chairman
2.	Dr. Bakul H. Dholakia
3.	Mr. Balwant Singh, IAS
4.	Mr. Pankaj R. Patel
5.	Mr. Shyam Bahadur Kunwar
6.	Mr. Samir Mehta
7.	Mr. Markand Bhatt
8.	Mr. Murli Ranganathan

For further details of the Board of Directors of the Company, please see the section titled “Management”.

### Registrar and Share Transfer Agent

Sharepro Services (India) Pvt. Limited  
Satam Estate, 3<sup>rd</sup> floor, Above Bank of Baroda,  
Cardinal Gracious Road, Chakala, Andheri (East),  
Mumbai 400 099  
Email: [sharepro@vsnl.com](mailto:sharepro@vsnl.com)  
Tel: 022 – 28215168, 28215991, 28329828  
Fax: 022 – 2837 5646

### Auditors

C. C. Chokshi & Co.  
Chartered Accountants  
3<sup>rd</sup> Floor, ‘Heritage’  
Near Gujarat Vidyapith  
Off Ashram Road  
Ahmedabad – 380 014  
Fax: 079 – 27582551  
Tel: 079 – 27582542-43

**Company Secretary and Compliance Officer**

Jagdish A. Mehta  
Torrent House,  
Off Ashram Road, Ahmedabad,  
Gujarat – 380 009.  
Tel: 079 – 25502881  
Fax: 079 - 25506386  
Email: [jagdishmehta@torrenpower.com](mailto:jagdishmehta@torrenpower.com)

**Bankers to the Company**

HDFC Bank Ltd.  
HDFC House, 1<sup>st</sup> Floor,  
Near Mithakali Six Roads,  
Navrangpura  
Ahmedabad – 380 009  
Fax: 079 – 26563464 Tel: 079 – 26564917

Bank of Baroda  
Opp. Dinbai Towers,  
Lal Darwaja, Ahmedabad – 380 001  
Fax: 079 – 25506043 Tel: 079 - 25507252

UCO Bank  
Bhadra, Ahmedabad – 380 001  
Fax: 079 – 25507146 Tel: 079 – 25507115

UCO Bank  
UCO Bhavan, Near Sanyas Ashram  
Ashram Road, Ahmedabad – 380 009  
Fax: 079 – 26578477 Tel: 079 – 26579312

UCO Bank,  
Station Road,  
Surat  
Fax /Tel: 0261-2439034

Syndicate Bank  
Manikyam Apartment  
Sardarpatel Nagar,  
Ellisbridge, Navrangpura  
Ahmedabad – 380 006  
Fax: 079 – 26582864 Tel: 079 - 26461864

IDBI Bank  
IDBI Tower, WTC Complex,  
Cufe Parade, Colaba,  
Mumbai – 400 0005  
Fax: 022 – 22181195 Tel: 079 – 56552153

IDBI Bank  
Ess Enn House,  
Ghod Dod Road,  
Surat  
Fax: 0261- 265 6374 Tel: 0261 - 2656375

Punjab National Bank  
Ground Floor, Pelican Building  
Ashram Road, Ahmedabad – 380 009  
Fax: 079 – 26586405 Tel: 079 – 26586404

Canara Bank  
II & III Floor, Canara Bank Building,  
Adi Marzban Path, Ballard Estate,  
Mumbai – 400 038  
Fax: 022 – 22626641 Tel: 079 – 22666951

Investors can contact the Compliance Officer in case of any share transfer or other related problems.



## CAPITAL STRUCTURE

	Pre-Scheme		Post-Scheme	
	No. of Shares	Amount (in Rs.)	No. of Shares	Amount (in Rs.)
<b>A. Authorized Share Capital</b>				
Equity Shares of Rs. 10/- each	10,000,000	100,000,000	2,000,000,000	20,000,000,000
<b>B. Issued, Subscribed &amp; Paid-up Share Capital</b>				
Equity Shares of Rs. 10/- each	50,000	500,000	472,448,308	4,724,483,080
<b>C. Share premium Account</b>	-----	Nil	-----	Nil

1. The authorized share capital of the Company at the time of incorporation was Rs. 10 crores, divided into 10,000,000 equity shares of Rs. 10/- each.
2. In terms of the Clause 13 of the Scheme, the Authorized Share Capital of the Company stood increased to Rs. 2,000 crores divided into 2,00,00,00,000 Equity Shares of Rs. 10/- each.
3. Pursuant to the Clause 12.2 of the Scheme, the equity shareholders of the Transferor Companies are entitled to shares in TPL as per the following share swap ratio before giving effect of the reorganisation of the share capital as per Clause 12.3 of the Scheme.
  - 22 Equity shares in the Transferee Company for 1 Equity share of TPAL
  - 47 Equity shares in the Transferee Company for 1 Equity share of TPSL
  - 1 Equity share in the Transferee Company for 1 Equity share of TPGL

Further as provided in Clause 12.3 of the Scheme, with a view to rationalize the capital structure of the Company, the Share Capital of the Company has been reorganized, as an integral part of the Scheme, by way of reducing the face value of the equity shares from 1 (One) fully paid up equity share of Rs.10/- each to 1 (One) fully paid up equity share of Rs. 2.50 each and simultaneously consolidating 4 (Four) equity shares of Rs. 2.50 each, into 1 (One) fully paid up equity share of Rs. 10/- each .

Therefore, in consideration of the transfer and vesting of the Undertaking of the Transferor Companies in the Transferee Company, TPL shall issue and allot to the equity shareholders of the Transferor Companies whose names appear in the Register of Members of the Transferor Companies as on the Record Date, equity shares mentioned hereunder of the face value of Rs. 10/- each in the Transferee Company credited as fully paid-up, in the following manner:

- (a) 5.5 (Five and Half) equity shares of Rs. 10/- each fully paid-up of Torrent Power Limited for every 1 (One) equity share of Rs 10/- each fully paid-up held in Torrent Power AEC Limited.
- (b) 11.75 (Eleven and Three-fourth) equity shares of Rs. 10/- each fully paid-up of Torrent Power Limited for every 1 (One) equity share of Rs 10/- each fully paid-up held in Torrent Power SEC Limited.

- (c) 0.25 (One-fourth) equity shares of Rs. 10/- each fully paid-up of Torrent Power Limited for every 1 (One) equity share of Rs 10/- each fully paid-up held in Torrent Power Generation Limited.

It is clarified that pursuant to the Scheme, the shares of TPGL held by TPAL and TPSL would be cancelled and no shares shall be issued by the Transferee Company against these shares.

**Notes to the Capital Structure:**

1) Share Capital History of our Company

Sl. No	Date of Allotment	Date when fully Paid-up	Consideration	Number of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Lock-in period
1**	*12.05.04	12.05.04	Cash	10000	10	10	Nil
2**	13.01.06	13.01.06	Cash	40000	10	10	Nil
3	30.09.06	30.09.06	Issuance of equity shares pursuant to the Scheme (post reorganisation of Capital)	472448308	10	N.A.	Refer Note-2 below

\* Subscription to the Memorandum on 26.04.2004

\*\* Pursuant to the Scheme, the entire paid-up capital of the Company including the pre-Scheme paid-up capital, has been reorganized by way of reducing the face value of the equity shares from 1 (One) fully paid up equity share of Rs.10/- each to 1 (One) fully paid up equity share of Rs. 2.50 each and simultaneously consolidating 4 (Four) equity shares of Rs. 2.50 each, into 1 (One) fully paid up equity share of Rs. 10/- each. The particulars of capital in Sl. No. 1 & 2 are before such reorganization.

- 2) As per clause 8.3.5.1 (VIII) of the SEBI (DIP) Guideline 2000, the 1,51,25,001 equity shares of TPL issued against equity capital of erstwhile TPGL after cancellation of holding of TPAL and TPSL in TPGL pursuant to the Scheme shall be locked in for a period of 3 years from the date of the listing of the shares of the Company.
- 3) Shareholding pattern of Equity Shares of the Company before and after the Scheme is as follows:

**PRE-SCHEME SHAREHOLDING**

(I)(a) Statement showing Shareholding Pattern

Category code	Category of shareholder	Number of share-holders	Total number of shares	Number of shares held in dematerialised form	Total shareholding as a percentage of total number of shares	
					As a percentage of (A+B)	As a percentage of (A+B+C)
<b>(A)</b>	<b>Shareholding of Promoter and Promoter Group</b>					
<b>(1)</b>	<b>Indian</b>					
(a)	Individuals/ Hindu Undivided Family	2	49500	0	99.00	99.00
(b)	Central Government/ State Government(s)					
(c)	Bodies Corporate					
(d)	Financial Institutions/ Banks					
(e)	Any Other (Specify)					
	<b>Sub-Total (A)(1)</b>	2	49500	0	99.00	99.00
<b>(2)</b>	<b>Foreign</b>					
(a)	Individuals (Non-Resident Individuals/ Foreign Individuals)					
(b)	Bodies Corporate					
(c)	Institutions					
(d)	Any Other (specify)					
	<b>Sub-Total (A)(2)</b>	0	0	0	0.00	0.00
	<b>Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)</b>	2	49500	0	99.00	99.00
<b>(B)</b>	<b>Public shareholding</b>					
<b>(1)</b>	<b>Institutions</b>					
(a)	Mutual Funds/ UTI					
(b)	Financial Institutions/ Banks					
(c)	Central Government/ State Government(s)					
(d)	Venture Capital Funds					
(e)	Insurance Companies					
(f)	Foreign Institutional Investors					
(g)	Foreign Venture Capital Investors					
(h)	Any Other (specify)					
	<b>Sub-Total (B)(1)</b>	0	0	0	0.00	0.00

<b>(2)</b>	<b>Non-institutions</b>					
(a)	Bodies Corporate					
(b)	Individuals -	5	500	0	1.00	1.00
	i. Individual shareholders holding nominal share capital up to Rs. 1 lakh.					
	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.					
(c)	Any Other (Specify)					
	<b>Sub-Total (B)(2)</b>	5	500	0	1.00	1.00
	<b>Total Public Shareholding (B)= (B)(1)+(B)(2)</b>	5	500	0	1.00	1.00
	<b>TOTAL (A)+(B)</b>	7	50000	0	100.00	100.00
(C)	<b>Shares held by Custodians and against which Depository Receipts have been issued</b>	0	0	0	0.00	0.00
	<b>GRAND TOTAL (A)+(B)+(C)</b>	7	50000	0	100.00	100.00

(I)(b) Statement showing Shareholding of persons belonging to the category “Promoter and Promoter Group”

Sr. No.	Name of the shareholder	Number of shares	Shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
1.	Sudhir U. Mehta	25000	50.00
2.	Samir U. Mehta	24500	44.00
	<b>TOTAL</b>	49500	99.00

(I)(c) Statement showing Shareholding of persons belonging to the category “Public” and holding more than 1% of the total number of shares

Sr. No.	Name of the shareholder	Number of shares	Shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
1.	Nil		
	<b>TOTAL</b>		

(I)(d) Statement showing details of locked-in shares

Sr. No.	Name of the shareholder	Number of locked-in shares	Locked-in shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
1.	Nil		
TOTAL			

(II)(a) Statement showing details of Depository Receipts (DRs)

Sr. No.	Type of outstanding DR (ADRs, GDRs, SDRs, etc.)	Number of outstanding DRs	Number of shares underlying outstanding DRs	Shares underlying outstanding DRs as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
1.	Nil			
TOTAL				

(II)(b) Statement showing Holding of Depository Receipts (DRs), where underlying shares are in excess of 1% of the total number of shares

Sr. No.	Name of the DR Holder	Type of outstanding DR (ADRs, GDRs, SDRs, etc.)	Number of shares underlying outstanding DRs	Shares underlying outstanding DRs as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
1.	Nil			
TOTAL				

**POST-SCHEME SHAREHOLDING**

(As on September 30, 2006)

(I)(a) Statement showing Shareholding Pattern

Category code	Category of shareholder	Number of shareholders	Total number of shares	Number of shares held in dematerialised form	Total shareholding as a percentage of total number of shares	
					As a percentage of (A+B)	As a percentage of (A+B+C)
<b>(A)</b>	<b>Shareholding of Promoter and Promoter Group</b>					
<b>(I)</b>	<b>Indian</b>					
(a)	Individuals/ Hindu Undivided Family	6	25516	13108	0.01	0.01

(b)	Central Government/ State Government(s)					
(c)	Bodies Corporate	1	258240991	258240991	54.66	54.66
(d)	Financial Institutions/ Banks					
(e)	Any Other (Specify)					
	<b>Sub-Total (A)(1)</b>	<b>7</b>	<b>258266507</b>	<b>258254099</b>	<b>54.67</b>	<b>54.67</b>
<b>(2)</b>	<b>Foreign</b>					
(a)	Individuals (Non- Resident Individuals/ Foreign Individuals)					
(b)	Bodies Corporate					
(c)	Institutions					
(d)	Any Other (specify)					
	<b>Sub-Total (A)(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
	<b>Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)</b>	<b>7</b>	<b>258266507</b>	<b>258254099</b>	<b>54.67</b>	<b>54.67</b>
<b>(B)</b>	<b>Public shareholding</b>					
<b>(1)</b>	<b>Institutions</b>					
(a)	Mutual Funds/ UTI	5	12996626	12996511	2.75	2.75
(b)	Financial Institutions/ Banks	41	551176	373643	0.12	0.12
(c)	Central Government/ State Government(s)	3	7058742	846	1.49	1.49
(d)	Venture Capital Funds					
(e)	Insurance Companies	7	86731691	86710541	18.36	18.36
(f)	Foreign Institutional Investors	4	1956476	1956476	0.41	0.41
(g)	Foreign Venture Capital Investors					
(h)	Any Other - Government Company	3	47156361	284740	9.98	9.98
	<b>Sub-Total (B)(1)</b>	<b>63</b>	<b>156451072</b>	<b>102322757</b>	<b>33.11</b>	<b>33.11</b>
<b>(2)</b>	<b>Non-institutions</b>					
(a)	Bodies Corporate	528	3332952	3273078	0.71	0.71
(b)	Individuals - i. Individual shareholders holding nominal share capital up to Rs. 1 lakh.	36019	35150807	20664614	7.43	7.43
	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	751	17793590	13023174	3.77	3.77
(c)	Any Other – Foreign National Non-resident Indians Trusts	1 269 31	275 1231159 221946	275 883549 59737	0.00 0.26 0.05	0.00 0.26 0.05
	<b>Sub-Total (B)(2)</b>	<b>37599</b>	<b>57730729</b>	<b>37904427</b>	<b>12.22</b>	<b>12.22</b>

	<b>Total Public Shareholding (B)= (B)(1)+(B)(2)</b>	<b>37662</b>	<b>214181801</b>	<b>140227184</b>	<b>45.33</b>	<b>45.33</b>
	<b>TOTAL (A)+(B)</b>	<b>37669</b>	<b>472448308</b>	<b>398481283</b>	<b>100.00</b>	<b>100.00</b>
(C)	<b>Shares held by Custodians and against which Depository Receipts have been issued</b>	0	0	0	0.00	0.00
	<b>GRAND TOTAL (A)+(B)+(C)</b>	<b>37669</b>	<b>472448308</b>	<b>398481283</b>	<b>100.00</b>	<b>100.00</b>

(I)(b) Statement showing Shareholding of persons belonging to the category “Promoter and Promoter Group”

Sr. No.	Name of the shareholder	Number of shares	Shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
1.	Torrent Private Limited	258240991	54.66
2.	Sudhir U. Mehta	6882	0.01
3.	Samir U. Mehta	6125	
4.	Naynaben D. Shah	33	
5.	Dineshbhai N. Modi	12476	
	<b>TOTAL</b>	<b>258266507</b>	<b>54.67</b>

(I)(c) Statement showing Shareholding of persons belonging to the category “Public” and holding more than 1% of the total number of shares

Sr. No.	Name of the shareholder	Number of shares	Shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
1.	Life Insurance Corporation. of India	48363556	10.24
2.	Gujarat State Investments Ltd.	46871621	9.92
3.	Reliance Capital Trustee Co. Ltd.	12941093	2.74
4.	The New India Assurance Co. Ltd.	12397286	2.63
5.	General Insurance Corporation of India	10881479	2.30
6.	National Insurance Co. Ltd.	8108710	1.72
7.	Governor of Gujarat	7057050	1.49
8.	The Oriental Insurance Co. Ltd.	5122524	1.08
	<b>TOTAL</b>	<b>151743319</b>	<b>32.12</b>

(I)(d) Statement showing details of locked-in shares

Sr. No.	Name of the shareholder	Number of locked-in shares	Locked-in shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
1.	Torrent Private Limited	15125001	3.20
TOTAL		15125001	3.20

(II)(a) Statement showing details of Depository Receipts (DRs)

Sr. No.	Type of outstanding DR (ADRs, GDRs, SDRs, etc.)	Number of outstanding DRs	Number of shares underlying outstanding DRs	Shares underlying outstanding DRs as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
1.	Nil			
TOTAL				

(II)(b) Statement showing Holding of Depository Receipts (DRs), where underlying shares are in excess of 1% of the total number of shares

Sr. No.	Name of the DR Holder	Type of outstanding DR (ADRs, GDRs, SDRs, etc.)	Number of shares underlying outstanding DRs	Shares underlying outstanding DRs as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
1.	Nil			
TOTAL				

4) a. Top ten shareholders of the Torrent Power Limited (Transferee Company):

Sr. No.	Name	No. of Shares of Rs. 10 each	% of Total paid-up Capital
1.	Torrent Private Limited	258240991	54.66
2.	Life Insurance Corporation of India	48363556	10.24
3.	Gujarat State Investments Ltd.	46871621	9.92
4.	Reliance Capital Trustee Co. Ltd.	12941093	2.74
5.	The New India Assurance Co. Ltd.	12397286	2.63
6.	General Insurance Corporation of India	10881479	2.30
7.	National Insurance Co. Ltd.	8108710	1.72
8.	Governor of Gujarat	7057050	1.49
9.	The Oriental Insurance Co. Ltd.	5122524	1.08
10.	United India Insurance Company Limited	1858136	0.39



b. Top ten shareholders of the Company on the date of incorporation

<b>Name of the Shareholder</b>	<b>No. of Shares</b>	<b>% of Total Shares</b>
Sudhir Mehta	5000	50.00
Samir Mehta	5000	50.00
<b>Grand Total</b>	<b>10000</b>	<b>100.00</b>

Note: The Company had only two shareholders at the time of its incorporation.

- 5) As on the date of this Information Memorandum, there are no outstanding warrants, options or rights to convert debentures, loans or other instruments into equity shares of the Company.
- 6) There has been no further issue of capital except as stated above whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from the date of approval of the Scheme by the High Courts till the date of filing of this Information Memorandum.
- 7) There shall be only one denomination for the Equity Shares of the Company, subject to applicable regulations and the company shall comply with such disclosure and accounting norms specified by SEBI, from time to time.
- 8) The Company has about 37,669 members as on the date of Information Memorandum.

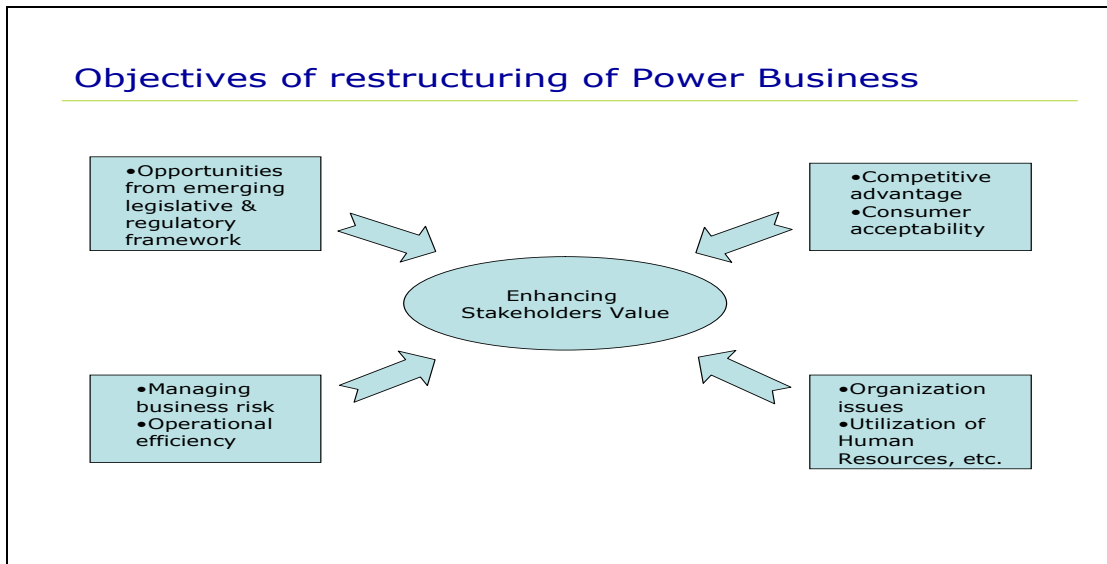
## SCHEME OF ARRANGEMENT

### Rationale for Arrangement

The size and operations of private power utilities are limited to defined areas. The focus on operational efficiencies with the advent of the regulatory commissions in various states and the liberal policy frame-work of the Electricity Act, 2003 is likely to provide significant force to private sector participation in power sector. 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 platform of knowledge, human talent, experience and initiative can be leveraged only with large size undertaking to enhance the value through inorganic growth.

The Torrent Group has been evaluating various opportunities of bidding for new distribution circles besides looking at opportunities to set up generating capacity. In the process, it was felt that an organization with large resources would be in a better position to successfully take up these existing growth opportunities. With these objectives in view, it was decided to understand, analyze and evolve a suitable business model to address the twin objects of sustainability of the existing efficiency parameters and of future growth without jeopardizing the security and serviceability of existing Stakeholders and hence the amalgamation of TPAL, TPSL and TPGL with Torrent Power Limited.

The objectives of restructuring of the power business of the Group can be summarised as below:



Thus, the amalgamation of TPAL, TPSL and TPGL with Torrent Power Limited while paving way for a substantial growth will prove beneficial to all the stakeholders.

The management's perception about the benefits of amalgamation is, inter alia, as follows:

- (i) The key determinants for success in the energy sector are size, scale and integration. The proposed amalgamation shall help the amalgamated entity to achieve size, scale, integration and greater financial strength and flexibility, in the interest of maximizing overall shareholder value.

- (ii) Post amalgamation, combined capital resources would result in increasing the leveraging capacity of TPL i.e. its capacity to borrow funds for business purposes.
- (iii) TPL will benefit from improved organisational capability, arising from the combination of people from all the transferor companies who have the diverse skills, talent and vast experience to compete successfully in an increasingly competitive industry. TPL would also benefit from the proven leadership and management ability of the transferor companies in different facets of the power sector and a consistent track record of success in executing key strategies. TPL would be a consolidated entity with a common pool of human talent in terms of manpower, management, administration and marketing and therefore, would be able to benefit from the synergies leading to various benefits.
- (iv) The Scheme will result in various benefits for all the stakeholders. TPL shall be in a position to garner the benefits arising out of economies of scale. The amalgamation would also facilitate inter transfer of resources and optimum utilization of assets.
- (v) TPL would be a financially strong entity reflecting the consolidated net worth of these companies in one balance sheet. This would also result in increased liquidity and market capitalization.
- (vi) TPL would also face fewer risks of varied business cycles relatable to different geographical areas in which the Transferor Companies operate, and would be able to compete globally with consolidated strength and diversified business areas.
- (vii) The Indian power sector is undergoing reforms phase particularly in view of the enactment of the Electricity Act, 2003 and government policies seeking higher participation of private companies in all the segments of the power sector. TPL would be better equipped to enter new areas and increase its customer base and tap new opportunities for growth, which have arisen after the enactment of Electricity Act, 2003.
- (viii) The Scheme will also improve the service of equity capital and enhance the shareholder value in TPL.

## **Brief Profile of Transferor Companies**

### **Torrent Power AEC Limited (TPAL)**

TPAL was promoted by Killick Nixon & Co., a U.K. based company in the year 1913. The original promoters ceased to be the managing agents in 1969. Torrent group took control over the management of the TPAL in 1998. TPAL was a listed public limited company and pre-merger the shares of the Company were listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited. TPAL was an integrated power utility company, mainly engaged in the business of generation and distribution of electricity in Ahmedabad and Gandhinagar. It had a generating capacity of 500 MW and it supplied approximately 3.4 billion units of power to around 1.26 million customers over a distribution license area of 356 sq kms in the cities of Ahmedabad and Gandhinagar in 2004-05. The shortfall in supply of the power was met by purchase from Gujarat Urja Vikas Nigam Limited (earlier known as Gujarat Electricity Board).

TPAL's generating facilities include a 400 MW coal based power plant at Sabarmati and 100 MW gas based power plant at Vatva which have one of the highest Plant Availability Factor (PAF) & Plant Load Factor (PLF) in the country. TPAL had been continuously striving to curb the menace of Transmission & Distribution losses, and had been successfully able to reduce its T&D losses by 6 % in the period of two years comprising

2003-04 and 2004-05. T&D losses for the year 2004-05 at 12.63% were among the lowest in the country.

Briefly stated, the financial performance of TPAL pre merger was as under:

(Rs. In Lacs)

Particulars	2004-05 Audited	2003-04 Audited	2002-03 Audited	2001-02 Audited	2000-01 Audited
Total Income	133493	123705	113315	106549	98214
Profit before tax	15906	6488	5031	3458	2719
Net Profit after tax	10671	4659	3329	1699	2359
Equity Share Capital	6327	6327	6327	6327	6327
EPS (Rs.)	*16.86	7.36	5.26	1.85	2.68
Return on Capital Employed	18.53%	9.86%	13.02%	9.71%	7.00%

\* Considering exceptional items (Rs. 16.24 before exceptional items).

### **Torrent Power SEC Limited (TPSL)**

TPSL was promoted by Killick Nixon & Co., a U.K. based Company, who were granted the license in 1918 under the Indian Electricity Act. The company started operations as a licensee and the original promoters ceased to be the managing agents in 1971. The Torrent Group acquired management control in the Company in 1996. TPSL was a listed company and pre-merger the shares were listed on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

It was a company mainly engaged in the business of procuring electricity from Gujarat Urja Vikas Nigam Limited and distributing such electricity in the license area of Surat, and as such, does not have any plant/generating facilities. TPSL distributed around 2.5 billion units of power to over 4.7 lac consumers in 52 Sq. Kms of Surat in 2004-05. With continuous and focused efforts towards increasing efficiency the Company had been able to bring down its T&D losses from 14.18% during 2000-01 to 11.11% in the year 2004-05.

Briefly stated the, the financial performance of TPSL pre merger was as under:

(Rs. in Lacs)

Particulars	2004-05 Audited	2003-04 Audited	2002-03 Audited	2001-02 Audited	2000-01 Audited
Total Income	96364	86937	83263	66604	62821
Profit before tax	6696	5063	4279	2475	2428
Equity Share Capital	930	930	930	465	465
EPS (Rs.)*	42.96	33.99	25.66	17.47	19.48
Return on Capital Employed	16.91%	16.34%	14.93%	11.70%	14.63%

\* Adjusted for Bonus of 1:1 during 2002-03.

### **Torrent Power Generation Limited (TPGL)**

TPGL was a company, which had been promoted by TPAL, TPSL and Torrent Private Limited, as a special purpose vehicle to set up gas based Mega Power plant of 1100 MW SUGEN Combined Cycle Power Plant at village Akhakhhol in Surat District of Gujarat which in under construction.

The estimated project cost of Rs. 3096 Crores is to be funded by debt and equity component in the ratio of 70:30. The project has been appraised by the consortium of bank and financial institutions

with Infrastructure Development Finance Company Limited in the Lead. Siemens AG and Siemens Ltd., are the EPC contractors selected on an International Competitive Bidding basis. The project is moving on schedule and is expected to be commissioned in 2007-08.

*All the three Transferor Companies are dissolved without winding up u/s 394 of the Companies Act, 1956 upon the Scheme coming in effect.*

### **Salient features of the Scheme**

The salient features of the Scheme are as under:

- 1) The “Appointed date” for the Scheme is April 1, 2005.
- 2) The Scheme shall become effective from the date of filing a copy of the Order of the Honourable High Court of Gujarat sanctioning the Scheme with the Registrar of Companies, Gujarat.
- 3) The undertakings of TPAL, TPSL and TPGL (“Transferor Companies”) as a going concern shall be transferred to and vested in or be deemed to be transferred to and vested in Torrent Power Limited (Transferee Company).
- 4) The assets and liabilities of the Transferor Companies shall be transferred to and vested in or deemed to be transferred to and vested in the Transferee Company as a going concern from the Appointed date.
- 5) With effect from the Appointed Date, the borrowing limits of the Transferee Company in terms of Section 293 (1) (d) of the Act shall, without further act or deed, stand increased to Rs.50,000,000,000/- (Rupees Five Thousand Crores only), notwithstanding that the monies to be borrowed together with the monies already borrowed (apart from temporary loans obtained from the company's bankers in the ordinary course of business), may exceed the aggregate of the paid up capital of the Transferee Company and its free reserves.
- 6) All contracts to which the Transferor Companies are a party shall be continued to be in full force and effect with the Transferee company being treated as a party to all such contracts.
- 7) All obligations in respect of any inter corporate loans, deposits, balances inter-se between the Transferor Companies shall come to an end.
- 8) All contracts, deeds and other instruments of whatsoever nature entered into between the Transferor Companies inter-se or between the Transferor Companies and the Transferee Company be treated as cancelled and shall cease to operate.
- 9) All suits, actions and proceedings of whatever nature by or against the Transferor Companies pending and or arising on or before the Effective Date shall be continued, prosecuted and enforced by or against the Transferee Company.
- 10) All staff, workmen and employees of the Transferor Companies shall become the staff, workmen and employees of the Transferee Company without any break or interruption in their services and on the same terms and conditions as applicable to the employees of the respective Transferor Companies.

- 11) The equity shares of TPGL held by TPAL and TPSL shall stand cancelled upon the Scheme becoming effective.
- 12) All the reserves of the Transferor Companies shall cease to exist except the statutory reserves viz. Tariff and Dividend Control Reserves and Contingency Reserves.
- 13) The difference, if any, arising between the aggregate value of (a) the Equity shares allotted subject to reorganization as mentioned hereinafter and General Reserve arising pursuant to such reorganization (b) the Tariff and Dividend Control Reserve and Contingency Reserve recorded in the books of accounts of the Transferee Company and the value of Assets and Liabilities as recorded in the books of account of the Transferee Company after taking into consideration the cancellation of equity shares of TPGL shall be recorded as General Reserve in the books of the Transferee Company.
- 14) The Equity Shareholders of the Transferor Companies shall be entitled to Equity shares in the Transferee Company as per the following swap ratio (based on the valuation report provided by the independent valuers M/s. N.M. Rajji & Co., Chartered Accountants and fairness opinion thereon by M/s Ernst and Young Pvt. Ltd.)
  - 22 Equity shares in the Transferee Company for 1 Equity share of TPAL
  - 47 Equity shares in the Transferee Company for 1 Equity share of TPSL
  - 1 Equity share in the Transferee Company for 1 Equity share of TPGL
- 15) The Share Capital of the Transferee Company shall be reorganized by way of reducing the face value of the equity shares from 1 (One) fully paid up equity share of Rs.10 each to 1 (One) fully paid up equity share of Rs. 2.50 each and simultaneously consolidating 4 (Four) equity shares of Rs. 2.50 each, into 1 (One) fully paid up equity share of Rs. 10 each and the difference arising out of this would be treated as General Reserve of the Transferee Company. This shall be given effect as an integral part of the Scheme.
- 16) Consequently, TPL will issue and allot:
  - 5.5 Equity shares of Rs. 10 each fully paid up for each Equity share of Rs. 10 each held in TPAL
  - 11.75 Equity shares of Rs. 10 each fully paid up for each Equity share of Rs. 10 each held in TPSL
  - 0.25 equity share of Rs. 10 each fully paid up for each Equity share of Rs. 10 each held in TPGL
- 17) On the Scheme becoming effective, the authorized capital of the Company would be Rs. 20,000,000,000/- (Rupees Two Thousand Crores only) divided into 2,000,000,000 (Two Hundred Crores only) Equity Shares of Rs. 10/- (Rupees Ten) each.
- 18) The Transferor Companies shall be dissolved without winding up u/s 394 of the Companies Act, 1956 on the Scheme becoming effective. The salient features of the Scheme are as under:

### **Approval with respect to the Scheme**

The Honorable High Court of Gujarat at Ahmedabad, vide its Order dated July 12, 2006 has approved the Composite Scheme of Arrangement including Amalgamation between Torrent Power AEC Limited (TPAL), Torrent Power SEC Limited (TPSL) and Torrent Power Generation Limited (TPGL) with Torrent Power Limited (TPL) and their respective shareholders and creditors and reorganization of capital of Torrent Power Limited (the "Scheme") whereby the undertakings of TPAL, TPSL and TPGL transferred to and vested in TPL w.e.f. April 1, 2005 (i.e. the Appointed Date under the Scheme) under Sections 391 to 394 of the Companies Act, 1956. In accordance with the said Scheme, the equity shares of TPL (including new equity shares to be issued pursuant to the Scheme), subject to the applicable regulations are proposed to be listed and admitted to trading on BSE and NSE.

The aforesaid Order of the Honorable High Court of Gujarat at Ahmedabad was filed by TPL with the ROC, Gujarat on September 12, 2006.

## STATEMENT OF POSSIBLE TAX BENEFITS

The following tax benefits shall be available to the Company and the shareholders/prospective shareholders under the current Direct Tax Laws. (As certified by our auditor M/s. C. C. Chokshi & Co. vide their letter dated September 29, 2006.

### A. Under the Income Tax Act, 1961 (“the Act”)

#### I. Benefits available to the company

1. As per section 10(33) of the Act, any income arising from a transfer of a capital asset, being a unit of the Unit Scheme, 1964 referred to in Schedule I to the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 (58 of 2002) is not liable to tax where transfer of such asset takes place on or after the 1<sup>st</sup> Day of April, 2002.
2. As per section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1<sup>st</sup> April, 2003 by domestic companies) received on the shares of any company is exempt from tax.
3. As per section 10(35) of the Act, the following income will be exempt in the hands of the Company:
  - a. Income received in respect of the units of a Mutual Fund specified under clause (23D) of section 10; or
  - b. Income received in respect of units from the Administrator of the specified undertaking; or
  - c. Income received in respect of units from the specified company:

However, this exemption does not apply to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified Company or of a mutual fund, as the case may be.

For this purpose (i) “Administrator” means the Administrator as referred to in section 2(a) of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 and (ii) “Specified Company” means a Company as referred to in section 2(h) of the said Act.

4. As per section 10(38) of the Act, Long term capital gains arising to the company from the transfer of long term capital asset being an equity share in a company or a unit of an equity oriented fund where such transaction is chargeable to securities transaction tax will be exempt in the hands of the Company.

For this purpose, “Equity Oriented Fund” means a fund –

- (i) where the investible funds are invested by way of equity shares in domestic companies to the extent of more than sixty five percent of the total proceeds of such funds; and
- (ii) which has been set up under a scheme of a Mutual Fund specified under section 10(23D) of the Act.

As per section 115JB, while calculating “book profits” the Company will not be able to reduce the long term capital gains to which the provisions of section 10(38) of the Act apply and will be required to pay Minimum Alternate Tax @ 10% (plus applicable surcharge and education cess) of the book profits.



5. The company is entitled to claim additional depreciation @ 20% (10% if the assets are used for less than 182 days) in accordance with provisions of section 32(1)(ia) for the purchase of new plant and machinery acquired and installed after 31<sup>st</sup> March, 2005.
6. In accordance with and subject to the provisions of Section 35, the Company would be entitled to deduction in respect of expenditure laid out or expended on scientific research related to the business.
7. In accordance with provisions of Section 35DD of the Act, expenditure incurred for the purpose of amalgamation or demerger of an undertaking, the company shall be allowed a deduction of an amount equal to one fifth of such expenses for each of the five consecutive previous years beginning with the previous year in which the amalgamation or demerger takes place.
8. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in a "long term specified asset" within a period of 6 months after the date of such transfer. However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.

A "long term specified asset" means any bond, redeemable after three years and issued on or after the 1<sup>st</sup> day of April 2006:

- (i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or
  - (ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.
9. As per Section 74 Short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' short-term as well as long-term capital gains. Long-term capital loss suffered during the year is allowed to be set-off against long-term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long-term capital gains.
10. In accordance with and subject to the condition specified in Section 80 IA of the Act, the Company would be entitled to deduction of 100% of profits derived from Undertaking engaged in generation and/or distribution or transmission of power or undertakes substantial renovation and modernization of existing network of transmission or distribution lines for any 10 consecutive assessment years out of fifteen years beginning from the year in which the undertaking generated power or commences transmission or distribution of power before 31.03.2010.
11. As per Section 80JJA of the Act, profits and gains derived from the business of collecting and processing or treating of bio-degradable waste for generating power or producing bio-fertilizers, bio-pesticides or other biological agents or for producing bio-gas or making pellets or briquettes for fuel or organic manure is deductible from the income for a period of five consecutive

assessment years beginning with the assessment year relevant to the previous year in which such business commences.

12. As per section 111A of the Act, short term capital gains arising to the Company from the sale of equity share or a unit of an equity oriented fund transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 10% (plus applicable surcharge and education cess).
13. As per section 112 of the Act, taxable long-term capital gains, if any, on sale of listed securities or units or zero coupon bonds will be charged to tax at the concessional rate of 20% (plus applicable surcharge and education cess) after considering indexation benefits in accordance with and subject to the provisions of section 48 of the Act or at 10% (plus applicable surcharge and education cess) without indexation benefits, at the option of the Company. Under section 48 of the Act, the long term capital gains arising out of sale of capital assets excluding bonds and debentures (except Capital Indexed Bonds issued by the Government) will be computed after indexing the cost of acquisition/ improvement.
14. Under section 115JAA(1A) of the Act, credit is allowed in respect of any Minimum Alternate Tax ('MAT') paid under section 115JB of the Act for any assessment year commencing on or after April 1<sup>st</sup>, 2006. Tax credit eligible to be carried forward will be the difference between MAT paid and the tax computed as per the normal provisions of the Act for that assessment year. Such MAT credit is allowed to be carried forward for set off purposes for up to 7 years succeeding the year in which the MAT credit is allowed.

## **II. Benefits available to Resident Shareholders**

1. As per section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003 by the domestic companies) received on the shares of the Company is exempt from tax.
2. As per section 10(38) of the Act, long term capital gains arising from the transfer of a long term capital asset being an equity share of the Company, where such transaction is chargeable to securities transaction tax, will be exempt in the hands of the shareholder.
3. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in a "long term specified asset" within a period of 6 months after the date of such transfer. However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.

A "long term specified asset" means any bond, redeemable after three years and issued on or after the 1<sup>st</sup> day of April 2006:

- (i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or
- (ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.

4. As per section 54F of the Act, long term capital gains (in cases not covered under section 10(38)) arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family (HUF) will be exempt from capital gains tax if the net consideration is utilised, within a period of one year before, or two years after the date of transfer, in the purchase of a residential house, or for construction of a residential house within three years. Such benefit will not be available:
- (a) if the individual or Hindu Undivided Family-
    - owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or
    - purchases another residential house within a period of one year after the date of transfer of the shares; or
    - constructs another residential house within a period of three years after the date of transfer of the shares; and
  - (b) the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head “Income from house property”.

If only a part of the net consideration is so invested, so much of the capital gain as bears to the whole of the capital gain, the same proportion as the cost of the new residential house bears to the net consideration, will be exempt.

If the new residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, will be deemed to be income chargeable under the head “Capital Gains” of the year in which the residential house is transferred.

6. As per Section 74 Short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years’ short-term as well as long-term capital gains. Long-term capital loss suffered during the year is allowed to be set-off against long-term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years’ long-term capital gains.
7. As per section 88E of the Act, the securities transaction tax paid by the shareholder in respect of taxable securities transactions entered into in the course of the business will be eligible for deduction from the amount of income tax on the income chargeable under the head “Profits and Gains of Business or Profession” arising from taxable securities transaction, subject to certain limit specified in the section.
8. As per section 111A of the Act, short term capital gains arising from the sale of equity shares of the Company transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 10% (plus applicable surcharge and education cess).
9. As per section 112 of the Act, taxable long-term capital gains, if any, on sale of listed securities or units or zero coupon bonds will be charged to tax at the rate of 20% (plus applicable surcharge and education cess) after considering indexation benefits or at 10% (plus applicable surcharge and education cess) without indexation benefits, whichever is less. Under section 48 of the Act, the long term capital gains arising out of sale of capital assets excluding bonds and

debentures (except Capital Indexed Bonds issued by the Government) will be computed after indexing the cost of acquisition/ improvement.

### **III. Benefits available to Non-Resident Indians/Non-Resident Shareholders (Other than FIIs and Venture Capital Companies / Funds)**

1. As per section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003 by the Company) received on the shares of the Company is exempt from tax.
2. As per section 10(38) of the Act, long term capital gains arising from the transfer of long term capital asset being an equity share of the Company, where such transaction is chargeable to securities transaction tax, will be exempt in the hands of the shareholder.
3. As per first proviso to section 48 of the Act, in case of a non resident shareholder, the capital gain/loss arising from transfer of shares of the Company, acquired in convertible foreign exchange, is to be computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively incurred in connection with such transfer, into the same foreign currency which was initially utilized in the purchase of shares. Cost Indexation benefit will not be available in such a case. As per section 112 of the Act, taxable long-term capital gains, if any, on sale of shares of the company will be charged to tax at the rate of 20% (plus applicable surcharge and education cess).
4. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in a "long term specified asset" within a period of 6 months after the date of such transfer. However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.

A "long term specified asset" means any bond, redeemable after three years and issued on or after the 1<sup>st</sup> day of April 2006:

- (i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or
  - (ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.
5. As per section 54F of the Act, long term capital gains (in cases not covered under section 10(38)) arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family (HUF) will be exempt from capital gains tax if the net consideration is utilised, within a period of one year before, or two years after the date of transfer, in the purchase of a residential house, or for construction of a residential house within three years. Such benefit will not be available:
    - (a) if the individual or Hindu Undivided Family-

- owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or
  - purchases another residential house within a period of one year after the date of transfer of the shares; or
  - constructs another residential house within a period of three years after the date of transfer of the shares; and
- (b) the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head “Income from house property”.

If only a part of the net consideration is so invested, so much of the capital gain as bears to the whole of the capital gain, the same proportion as the cost of the new residential house bears to the net consideration, will be exempt.

If the new residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, will be deemed to be income chargeable under the head “Capital Gains” of the year in which the residential house is transferred.

- 6 As per Section 74 Short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years’ short-term as well as long-term capital gains. Long-term capital loss suffered during the year is allowed to be set-off against long-term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years’ long-term capital gains.
7. As per section 88E of the Act, the securities transaction tax paid by the shareholder in respect of taxable securities transactions entered into in the course of the business will be eligible for deduction from the amount of income tax on the income chargeable under the head “Profits & Gains of Business or Profession” arising from taxable securities transaction subject to certain limit specified in the section.
8. As per section 111A of the Act, short term capital gains arising from the sale of equity shares of the Company transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 10% (plus applicable surcharge and education cess).
9. As per section 115E of the Act, in the case of a shareholder being a non-resident Indian, and subscribing to the shares of the Company in convertible foreign exchange, in accordance with and subject to the prescribed conditions, long term capital gains arising on transfer of the shares of the Company (in cases not covered under section 10(38) of the Act) will be subject to tax at the rate of 10% (plus applicable surcharge and education cess), without any indexation benefit.
10. As per section 115F of the Act and subject to the conditions specified therein, in the case of a shareholder being a non-resident Indian, gains arising on transfer of a long term capital asset being shares of the Company will not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act. If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act then such gains would not be chargeable to tax on a proportionate basis. Further, if the specified asset or savings certificates

in which the investment has been made is transferred within a period of three years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.

11. As per section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under section 139(1) of the Act, if their only source of income is income from specified investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.
12. As per section 115H of the Act, where Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under section 139 of the Act to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
13. As per section 115I of the Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing a declaration along with his return of income for that assessment year under section 139 of the Act, that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

#### **Provisions of the Act vis-à-vis provisions of the Tax Treaty**

In respect of non-residents, the tax rates and consequent taxation mentioned above will be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the non-resident has fiscal domicile. As per the provisions of section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the Tax Treaty to the extent they are more beneficial to the non-resident.

#### **IV. Benefits available to Foreign Institutional Investors ('FIIs')**

1. As per section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003 by the Company) received on the shares of the Company is exempt from tax.
2. As per section 10(38) of the Act, long term capital gains arising from the transfer of long term capital asset being an equity share of the Company, where such transaction is chargeable to securities transaction tax, will be exempt to tax in the hands of the FIIs.
3. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in a "long term specified asset" within a period of 6 months after the date of such transfer. However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.

A "long term specified asset" means any bond, redeemable after three years and issued on or after the 1<sup>st</sup> day of April 2006:

- (i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or
- (ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.
4. As per Section 74 Short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' short-term as well as long-term capital gains. Long-term capital loss suffered during the year is allowed to be set-off against long-term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long-term capital gains.
  5. The tax rates and consequent taxation mentioned above will be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the FII has fiscal domicile. As per the provisions of section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the Tax Treaty to the extent they are more beneficial to the FII.
  6. As per section 111A of the Act, short term capital gains arising from the sale of equity shares of the Company transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 10% (plus applicable surcharge and education cess).
  7. As per section 115AD of the Act, FIIs will be taxed on the capital gains that are not exempt under the provision of section 10(38) of the Act, at the following rates:

Nature of income	Rate of tax (%)
Long term capital gains	10
Short term capital gains (other than referred to in section 111A)	30

The above tax rates have to be increased by the applicable surcharge and education cess.

In case of long term capital gains, (in cases not covered under section 10(38) of the Act), the tax is levied on the capital gains computed without considering the cost indexation and without considering foreign exchange fluctuation.

## **VI. Benefits available to Mutual Funds**

As per section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Bank of India will be exempt from income tax, subject to such conditions as the Central Government may, by notification in the Official Gazette, specify in this behalf.

## **VII. Benefits available to Venture Capital Companies / Funds**

As per section 10(23FB) of the Act, all Venture Capital Companies / Funds registered with the Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from income tax on their entire income, including income from sale of shares of the Company. However, income received by a person out of investment made in a venture capital company or in a venture capital fund shall be chargeable to tax in the hands of such person.

### **B. Benefits available under the Wealth Tax Act, 1957**

Asset as defined under section 2(ea) of the Wealth tax Act, 1957 does not include shares in companies and hence, shares of the Company are not liable to wealth tax.

### **C. Benefits available under the Gift Tax Act.**

Gift tax is not leviable in respect of any gifts made on or after October 1, 1998. Therefore, any gift of shares of the Company will not attract gift tax.

The above Statement of Possible Direct Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares.

### **NOTES:**

- (i) All the above benefits are as per the current tax laws.
- (ii) In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her investments in the shares of the company.



## **ABOUT TORRENT POWER LIMITED**

### **POWER INDUSTRY IN INDIA - EMERGING SCENARIO**

Power Industry in India has been characterised by energy shortages. With historical GDP growth rates of 5% to 6% per annum and historical energy demand growth rates of around 6% per annum, the energy deficit and peak deficit are currently around 8% and 12% respectively. With the economy now on a higher growth trajectory of 7% to 8% per annum with aspirations around 10%, the situation can only worsen, unless electricity supply witness rapid growths. Indeed, according to the CEA's 16<sup>th</sup> Electric power Survey, energy demand and peak demand are forecast to increase by a staggering 274% and 77% respectively, from current levels, by 2012. Nearly 50% of the electricity generated in the country goes unbilled, and is euphemistically termed Transmission and Distribution (T&D) losses, and another 10% is never collected. The average Plant Load Factor (PLF) of thermal generation plants is 74%, much lower than international standards, owing to the age of plants, inadequate maintenance and transmission bottlenecks. On the distribution side, most of the urban areas in the country face outages during the peak summer season, and staggering percent of rural households do not have access to electricity.

Historically, state and central government entities played the dominant role in the development of Indian Power Industry. However the capacity growth did not keep pace with demand, due to inadequate investment and poor financial health of the SEBs. At the time of Independence in 1947, India had power generating capacity of a meagre 1362 MW. Power was not available in villages or rural areas, and only few urban cities / centers had electricity. Generation and distribution of power was carried out primarily by private utilities companies. The Electricity (Supply) Act, 1948 of India created the institutional framework under which the industry was developed. The Supply Act led to the creation of the SEBs-the State Government agencies with the sole responsibility for generation, transmission and distribution of electricity. CEA was established to develop a uniform national power policy and PGCIL was established to construct, operate and maintain interstate and interregional transmission systems. To supplement public sector investments the Government took steps in 1991 to attract private sector investments in the power industry. The Government permitted 100% foreign ownership of the power generating assets and provided assured returns, a 5 year tax holiday, low equity requirements, and for some private generators counter guarantees against non payment of dues by SEBs. However these reforms still did not address the poor financial health of the SEBs and power shortage persisted. Transmission and Distribution losses were high due to inadequate metering, obsolete equipments and power theft.

That was the legacy of past. The future holds promise. 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. To start with, the Government has targeted to provide quality access to electricity for all by 2012. 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 the generation segment, the plan is to add 100,000 MW across the thermal, hydro, nuclear and renewable sub-segments. The seven proposed ultra Mega Power Projects of 4,000 MW each are a significant step in this regard. In the transmission segment, the target is to create a robust National Grid by 2012 besides strengthening the existing network. In the distribution segment, the Government has been consistently pushing through reforms at the state level: unbundling of SEBs, increasing metering, billing and collection efficiency, checking electricity pilferage and privatization of distribution through privatization of discoms or through the licensing / franchising models. Rural electrification is also being given a big fillip through various

schemes. Trading in electricity has been opened up for the private sector, and is witnessing fast growth. Efforts are on to set up an electricity exchange in the country soon.

All the above initiatives clearly demonstrate the Government's strong commitment to build an efficient and rapidly growing electricity sector with large-scale private and foreign investment and state of the art technology; one in which there is fair and transparent competition in every segment. It is estimated that an aggregate investment of US\$ 200 billion would be required for the sector's targets to be achieved by 2012, and needless to say, a huge chunk of this is expected to come from the domestic and foreign private sector. The sector therefore offers tremendous business potential for players in all segments investors, project developers, EPC contractors, technology and equipment providers, and transmission and distribution companies.

## **BUSINESS**

Pursuant to the Scheme the Company stands vested with the entire businesses of the transferor companies viz. TPAL, TPSL and TPGL as going concerns. TPL, thus, shall be in the business of generation and distribution of electricity. Further the Company shall have investment in equity shares of Torrent Power Transmission Private Limited, a transmission company and AEC Cements & Constructions Limited as an associate.

### **Brief Details of business, transferred to TPL pursuant the Scheme**

The details of business of the Company in the different segments of the power sector are discussed below:

#### **Generation**

Presently the installed and operational power generation capacity of TPL is 500 MW, which will increase to 1600 MW upon commissioning of the 1100 MW SUGEN power project.

#### ***Power Generation Technologies***

We currently operate only thermal power stations, using coal or gas fuel.

##### *Coal-Fired Power Stations*

All of our coal-fired power stations employ proven Pulverized Coal Combustion technology, which utilizes the heat energy released by the combustion of pulverized coal in a boiler to create steam at high pressures and temperatures. The steam then drives a turbine, which in turn rotates an alternator to produce electricity.

##### *Gas-Fired Power Stations*

Our gas-fired power stations employ Combined Cycle Gas Turbine technology, which employs both gas and steam turbines. The energy for electricity generation under this technology comes from the combustion of the gas fuel. Hot gas formed by the combustion of the fuel drives a turbine, which in turn rotates an alternator to produce electricity. The exhaust gas from the turbine is still hot enough after driving the turbine to produce some steam in a heat recovery boiler. The steam captured in the heat recovery boiler drives a steam turbine, which rotates another alternator to produce additional electricity.

#### ***Power Stations***

##### **1. Sabarmati Power Station, Ahmedabad (400 MW)**

The Sabarmati Coal based Thermal Power Plant consists of four Stations C, D, E and F built in different phases having ratings of 60 MW, 120 MW, 110 MW and 110 MW respectively. The complex also have other common auxiliaries/ facilities for all stations like French well in river Sabarmati, water treatment plants, coal/fuel oil handling plants, railway siding, ash disposal system & ash dykes, workshop, laboratories etc.

Sabarmati thermal power plant was adjudged as of the one the best plants in the country for FY 2003-04 by Ministry of Power in May 2004 with a high PLF of 86% as against a national average of 75% around that time.

## 2. Vatva Power Station, Ahmedabad (100 MW)

This Station G consists of two gas turbines and steam turbine. The plant also has other requisite facilities and auxiliaries. The plant is located near the major industrial load center at GIDC (Gujarat Industrial Development Corporation), Vatva, in order to reduce the transmission and distribution losses and to maintain quality of power to customers.

## 3. SUGEN Power Project, Akhakhol, Surat (1100 MW)

The 1100 MW SUGEN combined cycle power plant is being set up by the Company at village Akhakhol, Taluka Kamrej, Surat in compliance with the condition stipulated by GoG while renewing the distribution license of Torrent Power SEC Ltd. and in response to increasing power demand with project investment of Rs. 3096 crores. The project achieved financial closure in September 2004. The Engineering, Procurement and Construction Contract was awarded to the consortium of Siemens Aktiengesellschaft and Siemens Ltd. and agreement for the same was entered into on 17<sup>th</sup> June 2005. GOI has accorded Mega power plant status to the project. The Company has also received a Host Country Approval from the GOI, which is prerequisite for obtaining the Carbon Credit Certification from the UNFCCC under Clean Development Mechanism. Plant will have 3 power blocks each of 367 MW CCPP in single shaft configuration comprising advanced class gas turbine with high thermal efficiency, heat recovery steam generator, steam turbine and common generators.

The three blocks are scheduled to commission in 3rd quarter of 2007, 4th quarter of 2007 and 1st quarter of 2008 respectively. A joint venture has been formed with Siemens for providing Operations and Maintenance services to the project. The major part of the power generated will meet the power demand of TPL in its license areas for distribution and the balance is proposed to be sold to other users including PTC India Ltd. for sale of power outside the state of Gujarat. The project was originally set up under the aegis of Torrent Power Generation Limited, now amalgamated with the Company pursuant to the Scheme.

### **Transmission**

The Company shall have presence in the Transmission Segment of the power sector through its investment in Torrent Power Transmission Private Limited (TPTPL) incorporated in 2005. TPTPL is 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 with TPL holding 74% of the equity in TPTPL while PGCIL will hold the rest.

### **Distribution**

Pursuant to the Scheme and GERC order under section 17 of Electricity Act, 2003 dated July 7, 2006, TPL have power distribution rights for cities of Ahmedabad (area admeasuring 293 sq. kms.), Gandhinagar (area admeasuring 63 sq. kms.) and Surat (area admeasuring 52 sq. kms.) in the State of Gujarat. The Company serves around 1.88 million consumers in the cities of Ahmedabad, Gandhinagar and Surat. The consumer mix includes residential, commercial, LTP (Low Tension Power), LTMD (Low Tension Maximum Demand), HTP (High Tension Power) and others. Depending on the demand and supply, the surplus power from company's generating plants is also exported to Gujarat Urja Vikas Nigam Limited.

**Contract Division (Power Services Division)**

The contract division of the company undertakes activities such as Electrical Construction Jobs and Operation and Management Projects. The range of activities of this division also includes Thermal Imaging, Energy Audit, Demand Side Management etc.

**Fuel Supply**

The company uses primarily two fuels for its generating plants.

*Coal*

The coal required for the generating plants is principally sourced from the domestic suppliers with balance quantity being imported from various countries primarily Indonesia.

We procure domestic coal from subsidiaries of Coal India Limited, a Government-owned enterprise. Coal supply for each of our plants is allocated by the Standing Linkage Committee (“SLC”), which is a Government committee led by a representative of the Ministry of Coal along with representatives of other stakeholders, including the MoP. The coal requirements of users are reviewed by the SLC on a quarterly basis. Coal allocation to power plants is made by the SLC based on their specific requirements for generation as well as coal required for stock building.

The imported coal is received at one of the ports in Gujarat – mainly Navlakhi. After unloading at the port, it is transported to the plant through rail.

*Natural Gas*

The company sources its current gas requirements for the generating plant at Vatva from Gujarat State Petroleum Corporation Limited – Niko Resources Limited. The gas is transported to the plant site through the pipelines owned by Gujarat State Petronet Limited.

**Human Resource**

Pursuant to Clause 8 of the Scheme, all staff, workmen and employees of the Transferor Companies, viz. TPAL, TPSL and TPGL on the Effective Date of the Scheme become the staff, workmen and employees of TPL on such date without any break or interruption in their service and on the same terms and conditions as applicable to the employees of the respective Transferor Companies as on the said date. The company has a vast pool of experienced personnel in all its areas operations viz. technical, commercial, finance, human resources, information technology etc.

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 organization for meeting customer’s need. The industrial relations are cordial.

## **REGULATION & POLICIES**

### **BRIEF BACKGROUND**

Electricity (power sector) falls in the Concurrent List under Entry 38, List III of the Seventh Schedule read with Article 246(2) of the Constitution of India, 1950 and thus, both the Union of India and the States of India have jurisdiction over this sector. Hence, the State legislature has full power to legislate regarding the power sector, subject to the provision that the State enactment does not conflict with any Central enactment in this sector.

### **ELECTRICITY ACT, 2003**

The Central Government has enacted the Electricity Act, 2003 (“Act”) as a comprehensive legislation governing various aspects of the power sector, repealing the Indian Electricity Act, 1910 (which governed the transmission, supply and use of electricity), the Electricity (Supply) Act, 1948 (which set up statutory bodies at the Central, Regional and State levels to govern generation, transmission and distribution of electricity) and also the Electricity Regulatory Commissions Act, 1998 (to enable setting up of the Central and State Electricity Regulatory Commissions), which is applicable to our Company.

All the provisions of the Act (other than Section 121 of the Act) are applicable to Gujarat State from December 10, 2003. Further, an Electricity (Amendment) Act was enacted on December 30, 2003 amending certain provisions of the Act w.e.f. January 27, 2004.

The Rules made under the old laws continue till such time as the new relevant Rules are notified under the Act and any directions issued by a State Government under the old laws will continue for the time specified in such directions. In addition, the State enactments shall apply to the respective States to the extent they are not inconsistent with the provisions of the Act.

The Act regulates the following activities in the power sector applicable to our Company:

#### ***Generation of Electricity***

The Act states that any generating company may establish, operate and maintain a generating station without obtaining a license under the Act so long as it complies with the technical standards relating to connectivity with the grid. However, a generating company intending to establish hydro generating station is required to submit a scheme estimated to involve a capital expenditure exceeding such sum as specified by the Central Government (Rs. 500 crores or Rs. 2500 crores as specified in Central Government notification dated April 18, 2006) from time to time to the CEA for its concurrence.

The duties of a generating company shall be to establish, operate and maintain generating stations, tielines, sub-stations and dedicated transmission lines connected therewith in accordance with the provisions of the Act or the rules or regulations made thereunder. A generating company may supply electricity to any licensee or directly to consumers, subject to certain requirements prescribed in the Act and the rules and regulations made thereunder. In addition, every generating company must submit technical details to the Appropriate Central/State Electricity Regulatory Commission (“Appropriate Commission”) and the Central Electricity Authority (“CEA”) and co-ordinate with the Central Transmission Utility or the State Transmission Utility for transmission of electricity generated by it.

A captive power plant may be set up by any Person to generate electricity primarily for his own use and includes a power plant set up by any Co-operative Society or Association of Persons for

generating electricity primarily for use of members of such co-operative society or association. The Act permits any Person to construct, maintain or operate a captive generating plant and dedicated transmission lines provided that the supply of electricity from the captive generating plant through the grid shall be regulated in the same manner as the generating station of a generating company. In addition, every Person who constructs, maintains or operates a captive generating plant shall have the right to open access for carrying electricity from his captive generating plant to the destination of his use, provided that such open access shall be subject to availability of adequate transmission facility as determined by the Central Transmission Utility or the State Transmission Utility as the case may be.

### ***License for transmission, distribution and trading in Electricity***

The Act mandates that a license must be issued in favour of the person before the person undertakes any transmission, distribution or trading in electricity in any area, unless the said person is exempt by the Appropriate Commission, on recommendations of the Appropriate Government, in accordance with section 13 of the Act. However, Persons engaged in the business of transmission or supply of electricity under the provisions of the laws repealed by the Act shall be deemed to be licensees under the Act for such period as stipulated in the license.

Every person seeking a license must apply in the prescribed form and manner along with the requisite statutory fee and publish a notice of his application with specified particulars. The Appropriate Commission shall consider any objections or suggestions received with respect to the grant of a license to the said person, ascertain that there are no objections to the grant of license on the part of the Central Government and either issue or reject a license, as far as possible, within 90 days of the receipt of such application.

The Appropriate Commission may specify any general or specific conditions that may apply to a particular licensee or a class of licensees. In addition, the Act prohibits a licensee to:

- (a) (i) undertake any transaction to acquire by purchase or takeover or otherwise, the utility of any other licensee; or (ii) merge his utility with the utility of any other licensee, without prior approval of the Appropriate Commission. Such approval is not required if the utility of the licensee is situate in a State other than the State in which the utility referred to in (i) or (ii) is situate.
- (b) to assign his license or transfer his utility or any part thereof, by sale, lease, exchange or otherwise without the prior approval of the Appropriate Commission.

Any agreement relating to a transaction for (a) or (b) above shall be void, unless with prior approval of the Appropriate Commission.

A license shall continue to be in force for a period of 25 years unless such license is revoked. The Appropriate Commission may at any time alter the terms and conditions of the license or revoke the license as it thinks fit in accordance with the procedure prescribed in the Act. Further, the Act empowers the Appropriate Commission to issue directions to licensees, if necessary, to maintain an efficient supply, secure equitable distribution of electricity and promote competition.

### ***Transmission of Electricity***

The Act has permitted private participation in transmission by granting transmission licenses as explained above. However, the CEA shall prescribe certain Grid Standards under the Act and every transmission licensee must comply with such technical standards of operation and maintenance of transmission lines.

**Inter-State, Regional and Inter-regional Transmission:** Central Government may make regional demarcations of the country and make necessary modifications for efficient, economical and integrated transmission and supply of electricity. Central Government may establish National and Regional Load Dispatch Centres (“RLDCs”) for optimum scheduling and dispatch of electricity among the RLDCs. The National Load Dispatch Centre is prohibited from trading in electricity and the RLDCs are prohibited from engaging in the business of generation or trading of electricity-

**Intra-state Transmission:** The Act mandates the State Electricity Regulatory Commissions to facilitate and promote transmission, wheeling and inter-connection arrangements within its territorial jurisdiction for efficient and economical transmission and supply of electricity. The State Government shall establish a State Load Dispatch Centre for the same and it shall comply with the directions of the Regional Load Dispatch Centres- The Act also prescribes that the Central Government may notify any Government company as the Central Transmission Utility and the State Government may notify the State Electricity Boards or any Government company as the State Transmission Utility. Both the Central and the State Transmission Utilities shall not engage in the business of trading in electricity. The Central Transmission and State Transmission utilities shall be responsible for undertaking transmission of electricity, planning and co- ordination of Transmission system.

The Central and the State Transmission Utilities shall also provide non-discriminatory open access to its transmission system for use by any licensee or generating company on payment of transmission charges and to any consumer on payment of transmission charges and a surcharge thereon in accordance with the provisions of the Act.

#### ***Distribution and Supply of Electricity***

A distribution licensee is required to develop and maintain an efficient, coordinated and economical distribution system in his area of supply and to supply electricity in accordance with the provisions of the Act.

The Act states that the State Electricity Regulatory Commissions shall introduce the concept of open access within the prescribed timeframe and lays down certain conditions relating to open access. The ‘open access’ system essentially mandates a non-discriminatory provision for use of transmission or distribution system or associated facilities with such lines or system by any licensee or consumer or person engaged in generation in accordance with the regulations. The Electricity (Amendment) Act, 2003 mandates the State Electricity Regulatory Commission to issue regulations providing open access to all consumers, who require a supply of electricity where the maximum power to be made available at any time exceeds one megawatt, within 5 years from the date of commencement of the Electricity (Amendment) Act, 2003.

A distribution licensee is mandated to supply electricity to the premises within one month of receipt of an application made by an owner or occupier of any premises requesting for the same, so long as the distribution licensee is not prevented from doing the same by cyclones, floods or any circumstances beyond his control.

The charges for the electricity supplied by distribution licensees shall be fixed in accordance with the methods and the principles specified by Regulations of the concerned State Electricity Regulatory Commissions and in accordance with the provisions of the Act.

The distribution licensee is entitled to recover from the person requiring supply, the expenses incurred in providing electric line or electric plant to give the supply.



### ***Trading***

Trading is purchase of electricity for resale thereof. Technical requirements, capital adequacy requirements and creditworthiness as specified by Appropriate Commission are to be complied for being an electricity trader. A distribution licensee is not required to obtain a license to undertake trading in electricity. Appropriate Commission shall endeavour to promote the development of market (including trading) in power as may be specified.

### ***Tariffs***

Under the Act, the Appropriate Commission is vested with the authority to determine the tariffs for supply of electricity by a generating company to a distribution licensee, for transmission of electricity, for wheeling of electricity and for retail sale of electricity. Tariffs are determined by in accordance with the provisions in the Tariff Regulations notified by Appropriate Commission. Trading margin in the trading of electricity may be fixed by Appropriate Commission.

Further the Central Government has notified National Electricity Policy and also National Tariff Policy.

### **NATIONAL ELECTRICITY POLICY (NEP)**

In compliance with Section 3 of the Electricity Act, 2003, the Central Government notified the NEP on February 12, 2005 for the power sector. NEP while laying down guidelines for the accelerated development of the electricity sector aims at providing reliable supply of electricity to all by 2012 and at the same time promises to protect the interest of all consumers & stake holders.

The salient features of the National Electricity Policy (NEP), 2005 are as follows:

- i) Rural Electrification Corporation (REC) to be nodal agency for rural electrification at Central Government level.
- ii) Creation of adequate generation capacity with a spinning reserve of at least 5% by 2012 within availability of installed capacity at 85%.
- iii) Full development of hydro potential. Provision of long tenor finance for these projects.
- iv) Choice of fuel for thermal generation to be based on economics of generation and supply of electricity.
- v) Development of National Grid.
- vi) Cost of recovery of service from consumers at tariff reflecting efficient costs to ensure financial viability of the sector.
- vii) Provision of support to lifeline consumers (households below poverty line having consumption of 30 units per month) in terms of tariffs
- viii) Availability Based Tariff (ABT) to be extended to State level for better grid discipline through economic signaling.
- ix) Special emphasis on time bound reduction of transmission and distribution losses.
- x) Measures to promote competition aimed at consumer benefits.
- xi) Reliability and quality of power supply to be monitored by State Electricity Regulatory Commissions.
- xii) Exploitation of non-conventional energy sources such as small hydro, solar, biomass and wind for additional power generation capacity.
- xiii) Support for adoption of IT system for ensuring correct billing to consumers.
- xiv) Speedy implementation of stringent measures against theft of electricity.
- xv) Transmission capacity to have redundancy level and margins as per international standards.

- xvi) Adequate transitional financial support for reforming power utilities. Encouragement for private sector participation in distribution.

### **NATIONAL TARIFF POLICY (NTP)**

On January 6, 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 passed on February 12, 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 (NTP), 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 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, 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 1<sup>st</sup> 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 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.

### **GUJARAT ELECTRICITY INDUSTRY (REORGANISATION AND REGULATION) ACT, 2003**

Government of Gujarat has enacted the Gujarat Electricity Industry (Reorganisation and Regulation) Act, 2003 on 12<sup>th</sup> May 2003. This Act is enacted to provide for reorganization and rationalization of electricity industry in the State of Gujarat and for establishing an Electricity Regulatory Commission in the State for regulating the electricity industry. This Act also includes provisions in respect of Licensing, Tariffs, Advisory Committee, Standard of performance of Licensees, etc.

### **GUJARAT ELECTRICITY REGULATORY COMMISSION REGULATIONS**

Gujarat Electricity Regulatory Commission has notified following regulations under the Electricity Act, 2003 providing framework for functioning of power sector in Gujarat State.

- i) Establishment of Forum for Redressal of Grievances of the Consumers Regulations
- ii) Establishment of Ombudsman for Redressal of Grievances of the Consumers Regulation
- iii) Distribution Code
- iv) Grid Code
- v) Conduct of Business Regulations
- vi) Procedure for filing Appeal before the Appellate Authority Regulations
- vii) Transmission License
- viii) Trading License
- ix) Distribution License
- x) SLDC Charges
- xi) Fees, Fines & Charges
- xii) Power System Management Standards
- xiii) Security Deposit
- xiv) Licensee's Power to Recover Expenditure incurred in providing supply and other Miscellaneous Charges
- xv) Standard of Performance of Distribution Licensee
- xvi) Electricity Supply Code and Related Matters
- xvii) Terms and Conditions of Tariff
- xviii) Open Access
- xix) Power procurement from renewable sources
- xx) Appointment of consultants

Electricity Act, 2003 has also mandated notification of rules and regulations by Central Government (Competitive bidding guidelines for procurement of power by distribution licensee, Competitive

bidding guidelines for transmission project, etc.), Central Electricity Regulatory Commission (Indian Electricity Grid Code, Tariff regulations, License regulations, etc.) and Central Electricity Authority (Regulations on Installation and operation of meters, Grid connectivity, Safety and electric supply, etc.).

## HISTORY

Torrent Power Limited was originally incorporated on April 29, 2004 under the Companies Act, 1956 as “Torrent Power Trading Private Limited”. The name of the Company was, thereafter, changed to Torrent Power Private Limited on January 25, 2006. The Company was converted into Public Limited Company on February 08, 2006 and the name of the Company was thus changed to its present name Torrent Power Limited.

Pursuant to the Composite Scheme of Arrangement including Amalgamation sanctioned by the order of the Hon’ble High Court of Gujarat at Ahmedabad dated July 12, 2006, the undertakings of Torrent Power AEC Limited, Torrent Power SEC Limited and Torrent Power Generation Limited as a going concern are transferred to and vested in TPL on and from the Appointed Date, i.e., April 1, 2005. Thus, TPL shall undertake the consolidated operations of the transferor companies of the Torrent Group in the power sector.

**The main object for which the Company has been established is set out in its Memorandum of Association as hereunder:**

*“To generate, transmit, distribute, purchase, procure, sell, trade, import, export or accumulate or otherwise deal in all forms of electrical power in all aspects, to own, promote, set up, establish, develop, maintain, run, operate, manage and acquire generating company, generating station or stations of every kind and description, and to own, promote, set up, establish, develop, maintain, run, operate and manage transmission and distribution networks or systems and to acquire, in any manner, these networks or systems and to act as agent or representative of any person engaged in the planning, development, generation, transmission, distribution, supply, trading or financing of power and to investigate, research, design and prepare feasibility, appraisal or project reports and to build and execute projects for generation, transmission, distribution, supply, purchase, sale, trading, import, export, storage and accumulation of all forms of electrical power and to engage in all activities incidental thereto.”*

### **Changes in Memorandum of Association of the Company since inception**

<b>Date</b>	<b>Particulars</b>
13.01.2006	Alteration of Main Object Clause
25.01.2006	Change of name from Torrent Power Trading Private Limited to Torrent Power Private Limited
01.02.2006	Alteration in the objects incidental or ancillary to the attainment of the main objects
08.02.2006	The status of the Company was changed from Private Limited to Public Limited Company (& consequent change in name from Torrent Power Private Limited to Torrent Power Limited).
12.09.2006	Substitution of Authorised Capital Clause pursuant to the Scheme.

### **Subsidiary**

The company does not have any subsidiary.

## MANAGEMENT

### Board of Directors

The following table sets forth details regarding the Board of Directors of TPL.

Sr. No.	Name, Age, Designation, Father's Name, Address, Occupation	Other Directorships
1.	<p>Mr. Sudhir Mehta Age: 52 years Designation: Executive Chairman S/o Mr. Uttamlal Mehta Address: "Akalpya", Opp. Jain Derasar Temple, Near Karnavati Club, S.G. Highway, Ahmedabad –380 058. Occupation: Industrialist</p>	<p>Torrent Pharmaceuticals Limited The Arvind Mills Limited Torrent Private Limited Torrent Power Transmission Pvt. Limited</p>
2.	<p>Dr. Bakul H. Dholakia Age: 59 years Designation: Director S/o Mr. Harshdrai Dholakia Address: House No. 502, IIM-A Campus, Vastrapur, Ahmedabad – 380 015. Occupation: Academician</p>	<p>Ashima Dyecot Private Limited Ashima Limited Oil and Natural Gas Corporation Limited Reliance Natural Resources Limited Mahanagar Gas Limited Hexaware Technologies Limited Nachmo Knitex Limited</p>
3.	<p>Mr. Balwant Singh, IAS Age: 54 years Designation: Director S/o Mr. Ram Pravesh Singh Address: K-8, Sector-19, Gandhinagar –382019. Occupation: Government Service</p>	<p>Gujarat Industries Power Co. Ltd. Gujarat Power Corporation Ltd. GSPC GAS Co. Ltd. Gujarat State Energy Generation Ltd. Gujarat State Petroleum Co. Ltd. Gujarat State Petronet Ltd. Gujarat State Fertilizers &amp; Chemicals Ltd. Gujarat Alkalies &amp; Chemicals Ltd. Gujarat Narmada Valley Fertilizers Co. Ltd. Gujarat State Investments Ltd. Gujarat Green Revolution Co. Ltd. Gujarat Chemical Port Terminal Company Ltd</p>
4.	<p>Mr. Pankaj R. Patel Age: 53 years Designation: Director S/o Mr. Ramanbhai Patel Address: 16, Azad Society, Ambawadi, Ahmedabad – 380 015. Occupation: Industrialist</p>	<p>Cadila Healthcare Limited Dialforhealth India Limited Zydus Pharmaceuticals Limited Gujarat Themis Biosyn Limited Pharmaceuticals Business group (I) Limited Vadilal Chemicals Limited Sarabhai Zydus Animal Health Limited BA Research India Limited BAAP Diagnostics Limited Pripan Investment Private Limited Cadila Laboratories Private Limited Cadmach Machinery Co. Private Limited Zydus Infrastructure Private Limited BSV Pharma Private Limited</p>

		<p>BSV Research and Development Private Limited  Zydus Healthcare S.A. (Pty) Limited (South Africa)  Zydus International Pvt. Limited (Ireland)  Onconova Therapeutics Inc. (U.S.A.)  Zydus Healthcare (U.S.A.) LLC (Member of Board of Managers)  Zydus Healthcare Brazil Limitada  Zydus France  Zydus Pharmaceuticals USA Inc.</p>
5.	<p>Mr. Shyam Bahadur Kunwar  Age: 61 years  Designation: Director  S/o Mr. Brinda Kunwar  Address:  Flat No. 504,  Bloom Fountain Apartment,  177, Faijabad Road,  Lucknow – 226 007.  Occupation: Retired Executive of LIC</p>	<p>Allahabad Bank  Modi Rubber Limited</p>
6.	<p>Mr. Samir Mehta  Age: 43 years  Designation: Director  S/o Mr. Uttamlal Mehta  Address:  “Akalpya”, Opp. Jain Derasar Temple,  Near Karnavati Club, S.G. Highway,  Ahmedabad –380 058.  Occupation: Industrialist</p>	<p>Torrent Pharmaceuticals Limited  Torrent Private Limited</p>
7.	<p>Mr. Markand Bhatt  Age: 60 years  Designation: Director  S/o Mr. Induprasad Bhatt  Address:  2, Panchsheel Enclave  Near Sundarvan,  Satellite Road,  Ahmedabad – 380 015.  Occupation: Company Executive</p>	<p>Torrent Pharmaceuticals Limited</p>
8.	<p>Mr. Murli Ranganathan  Age: 51 years  Designation: Director  S/o Mr. Parthasarathy Ranganathan  Address:  9, Prerna Tirth, Opp. Rosewood Estate, Off. Satellite Road,  Ahmedabad – 380 015.  Occupation: Company Executive</p>	<p>AEC Cements &amp; Constructions Limited</p>

## **Brief Biography of Directors**

### **Mr. Sudhir Mehta**

Mr. Sudhir Mehta, Chairman of the Torrent Group and Torrent Pharmaceuticals Limited, is a science graduate from Gujarat University. He has been instrumental in the growth of the flagship company, Torrent Pharmaceuticals Limited, from a small-sized company in 1975 to a Rs. 1033 crore pharmaceutical major in 2005-06.

Mr. Mehta foresaw the opportunity in the Indian power sector and initiated significant forays into this sector from the early nineties. Thereafter, he systematically expanded the power business of Torrent Group by acquiring significant stake in the erstwhile The Ahmedabad Electricity Company Limited and The Surat Electricity Company Limited. He has to his credit the implementation of the 655MW Gujarat Torrent Energy Corporation Limited, and one of the few successful independent power projects in India. He is again replicating this success by establishing a gas based Mega Power Project of 1100 MW near Surat at an estimated cost of Rs.3096 Crore.

Mr. Mehta has also been instrumental in merging the power businesses into a single entity Torrent Power Limited, which is now amongst the top Power players in the country with presence in the entire value chain viz: Generation, Transmission and Distribution.

Mr. Sudhir Mehta's leadership has enabled The Torrent Group to evolve as one of the top groups in the Pharmaceutical and Power sectors with a turnover exceeding Rs. 3700 Crore. It has strategic alliances with leading international giants from UK, Germany, France and USA.

### **Dr. Bakul H. Dholakia**

Dr. Bakul H. Dholakia, Ph. D. (Economics) and M.A. (Economics), is currently Director of Indian Institute of Management, Ahmedabad. He has more than 37 years of academic and professional experience including 31 years at Indian Institute of Management, Ahmedabad.

He is consultant to several national and international organizations and has held various external positions including as Board Member, Reserve Bank of India (Western Area) and Member, National Productivity Council. He is author / co-author of several books on the subjects like economics, aquaculture etc., monographs based on research/ consultancy projects and research papers published in Indian and abroad.

### **Mr. Balwant Singh, IAS**

Mr. Balwant Singh, IAS 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 over 31 years. He is currently the Principal Secretary, Energy and Petrochemicals Department, GOG. He has held positions in the Ministry of Environment & Forest and the Ministry of Science & Technology. He was appointed as Chief Electoral Officer - Gujarat, Principal Secretary - Ports and Fisheries Department, GOG and Chairman - Gujarat Maritime Board.



### **Mr. Pankaj R. Patel**

Mr. Pankaj R. Patel, a post Graduate (M. Pharm), is Chairman and Managing Director of Cadila Healthcare Limited, Ahmedabad. He is currently President of Gujarat Chamber of Commerce & Industry. He is associated with various Associations like Federation of Indian Chamber of Commerce & Industry (FICCI), Indian Pharmaceuticals Alliance (IPA) and Indian Drug Manufacturers Association (IDMA).

He was conferred with the award “Pharma Man of the Year” by the Federation of Indian Industry and Economists (FIIIE) in 2004. He has published 35 research papers in leading Indian as well as International Journals on Research and Development in the field of Drugs & Pharmaceuticals.

### **Mr. Shyam Bahadur Kunwar**

Mr. Shyam Bahadur Kunwar, a Commerce Graduate and a Chartered Accountant, was a Zonal Manager with Life Insurance Corporation of India (LIC) up to 31<sup>st</sup> December, 2004. After his retirement, he continues to be a nominee of LIC.

### **Mr. Samir Mehta**

Mr. Samir Mehta is the Vice-Chairman of the Torrent Group and Managing Director of Torrent Pharmaceuticals Limited. A Post graduate in Business Management, Mr. Mehta has honed his professional skills from the past 20 years in all the business activities of the Group..

Mr. Mehta has been ably guiding the Torrent Group by providing strong strategic direction to all the business units. His eye for detail and commitment towards Organisational Development has been instrumental in fueling the growth of both its businesses – Pharma and Power.

Under his able leadership, Torrent Pharma has today established itself as a strong player with operations in over 50 countries having a turnover of Rs.1033 crores. He has to his credit the continuous and systematic improvement in operations of both the Pharma and power businesses.. An ardent believer in professionalism, Mr. Mehta’s hard work and zeal for perfection has driven the Torrent Group’s focus on operational and people excellence.

### **Mr. Markand Bhatt**

Mr. Markand Bhatt is post graduate diploma from Indian Institute of Management, Ahmedabad, in the year 1969. He was the Group Chief Executive Officer of the Torrent Group, a Rs. 3,760 crore conglomerate with predominant position in the healthcare and power business. He commenced his professional career with reputed organizations. Later on, he practiced as a Management Consultant and was associated with premier government organizations 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 which put up a 655 MW gas based Dual Fuel Combined Cycle Power Project at a cost of Rs. 2247 crore. Torrent and the Government of Gujarat promoted GTEC. 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 crore at village Akhakol, 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 almost 25 years in various positions in several business organizations.

He has been with the Torrent Group of Companies for over 15 years and has served earlier as Executive Director, Chief Executive Officer and Managing Director in various Torrent Group companies including as Chief Executive Officer in 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.

### **Borrowing Powers of the Directors of the Company**

Pursuant to Para 5.3 of the Scheme, our Board of Directors has been authorised to borrow money for the Company, upon such terms and conditions and with or without security as the Board of Directors may think fit, a sum not exceeding Rs. 5,000 Crores notwithstanding that the money or monies to be borrowed together with the monies already borrowed by the Company (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the paid up capital and free reserves of the Company.

### **Compensation of Executive Chairman and Whole time Directors**

<b>Name of Director</b>	<b>Contract/Appointment Letter / Resolution</b>	<b>Details of Remuneration</b>	<b>Term</b>
Mr. Sudhir Mehta	By resolution of Board of Director dated September 29 and November 7, 2006	Rs. 11 lacs per month plus commission plus allowances and perquisites	Appointed as Executive Chairman for the period of five years starting from October 1, 2006
Mr. Markand Bhatt	By resolution of Board of Director dated September 29 and November 7, 2006	Rs. 10 lacs per month plus plus allowances and perquisites	Appointed as Whole-time Director for the period of five years starting from October 1, 2006
Mr. Murli Ranganathan	By resolution of Board of Director dated September 29 and November 7, 2006	Rs. 6 lacs per month plus commission plus allowances and perquisites	Appointed as Whole-time Director for the period of five years starting from October 1, 2006

Further Independent non-executive Directors shall be paid commission not exceeding 1% of the net profits of the Company.

### **Corporate Governance**

The provisions of Listing Agreement to be entered into with the Stock Exchanges with respect to the corporate governance will be applicable to TPL immediately upon listing its Equity Shares on the Stock Exchanges.

Mr. Sudhir Mehta is the Executive Chairman of the Board. The Board of the Company comprising 8 Directors has 4 independent Directors. The Board has also constituted the

Audit Committee and Shareholders'/Investors' Grievance Committee as required under Clause 49 of the Listing Agreement as under:

<b>Director</b>	<b>Category</b>	<b>Member of Audit Committee</b>	<b>Member of Shareholders'/ Investors' Grievance Committee</b>
Dr. Bakul Dholakia	Non- executive & Independent	Yes	No
Mr. Pankaj Patel	Non- executive & Independent	No	Yes
Mr. Shyam Bahadur Kunwar	Non-executive & Independent	Yes	No
Mr. Samir Mehta	Non-executive & Non- Independent	Yes	Yes
Mr. Markand Bhatt	Executive & Non-Independent	No	Yes

The role, powers, scope of functions and duties of the Audit Committee and Shareholders/Investors' Grievance Committee of the Board are as per applicable provisions of the Companies Act, 1956, Clause 49 of the Listing Agreement and Torrent Power Limited – Corporate Governance Policies and Code of Conduct.

The status of the Company's compliance with the provisions of Clause 49 of the Listing Agreement of is given below:

<b>Particulars</b>	<b>Clause of Listing Agreement</b>	<b>Compliance Status (Yes/No/N.A.)</b>	<b>Remarks</b>
<b>I. Board of Directors</b>	49(I)		
(A) Composition of Board	49(IA)	YES	
(B) Non-Executive Directors' Compensation & Disclosures	49(IB)	YES	
(C) Other provisions as to Board and Committees	49(IC)	YES	
(D) Code of Conduct	49(ID)	YES	
<b>II. Audit Committee</b>	49(II)		
(A) Qualified & Independent Audit Committee	49(IIA)	YES	
(B) Meeting of Audit Committee	49(IIB)	YES	
(C) Power of Audit Committee	49(IIC)	YES	
(D) Role of Audit Committee	49 (IID)	YES	
(E) Review of Information by Audit Committee	49(IIE)	YES	
<b>III. Subsidiary Companies</b>	49(III)	N.A.	
<b>IV. Disclosures</b>	49(IV)		
(A) Basis of related party transaction	49 (IVA)	YES	
(B) Disclosure of Accounting Treatment	49(IVB)	YES	
(C) Board Disclosures	49(IVC)	YES	The framework has been approved by the Board and same is being implemented.

(D) Proceeds from public issues, rights issues, preferential issues etc.	49(IVD)	N.A.	
(E) Remuneration of Directors	49(IVE)	YES	
(F) Management	49(IVF)	YES	
(G) Shareholders	49(IVG)	YES	
<b>V. CEO/CFO Certification</b>	49(V)	NO	
<b>VI. Report on Corporate Governance</b>	49(VI)	YES	
<b>VII. Compliance</b>	49(VII)	YES	

#### Shareholding of Directors

Name of Director	No. of Shares of Rs. 10/- each
Mr. Sudhir Mehta	6882
Mr. Samir Mehta	6125
Mr. Markand Bhatt	542
Mr. Murli Ranganathan	25
<b>TOTAL</b>	<b>13574</b>

#### Change in Board of Directors of TPL since inception

Name	Date of Appointment	Date of Resignation	Reasons
Mr. Sudhir Mehta	Since Incorporation	-	Appointed as Director
Mr. Samir Mehta	Since Incorporation	-	Appointed as Director
Mr. Sudhir Shah	12.05.2004	29.09.2006	Resigned
Mr. Markand Bhatt	16.09.2006	-	Appointed as Additional Director
Mr. Bakul H. Dholakia	29.09.2006	-	Appointed as Additional Director
Mr. Balwant Singh, IAS	29.09.2006	-	Appointed as Additional Director
Mr. Pankaj R. Patel	29.09.2006	-	Appointed as Additional Director
Mr. Shyam Bahadur Kunwar	29.09.2006	-	Appointed as Additional Director
Mr. Murli Ranganathan	29.09.2006	-	Appointed as Additional Director

#### Key Management Personnel

The Company is managed, controlled and directed by the Board of Directors. The Board has appointed Mr. Sudhir Mehta as the Executive Chairman of the Company with effect from October 1, 2006. Mr. Sudhir Mehta shall be responsible for the overall management of the affairs of the Company under superintendence, control and direction of the Board of Directors. Apart from above, the Board has appointed Mr. Markand Bhatt and Mr. Murli Ranganathan as whole-time directors of the Company.

## **Employees**

Pursuant to Clause 8 of the Scheme, all staff, workmen and employees of the Transferor Companies, viz. TPAL, TPSL and TPGL on the Effective Date of the Scheme become the staff, workmen and employees of TPL on such date without any break or interruption in their service and on the same terms and conditions as applicable to the employees of the respective Transferor Companies as on the said date. The company has qualified and experienced professionals in all its areas of operations.

## PROMOTERS

Torrent Power Limited (TPL) is promoted by the Torrent Group.

The Torrent Group was founded in 1959 when Mr. U. N. Mehta, established Trinity Laboratories as a modest small scale pharmaceutical enterprise. The enterprise has grown over the years into one of the foremost Pharmaceutical Groups. The Group entered into the power sector in the early nineties and is now one of the dominant player in the power sector.

TPL was incorporated on April 29, 2004 under the Companies Act, 1956 as “Torrent Power Trading Private Limited” and was then promoted by Mr. Sudhir Mehta and Mr. Samir Mehta. The name of the Company was, thereafter, changed to Torrent Power Private Limited on January 25, 2006 and was converted into Public Limited Company on February 08, 2006.

## TORRENT PRIVATE LIMITED

Torrent Private Limited, hereinafter referred as TL, was incorporated on 17<sup>th</sup> January 1985 as Torrent Investments Limited. The name of the Company was changed to its present name and fresh certificate of incorporation was obtained on 8<sup>th</sup> May 2001. The company is a Non-Banking Financial Company registered with the Reserve Bank of India under section 45-IA of the Reserve Bank of India Act, 1934 vide reg. no. B.01.00352. The registered office of TL is situated at Torrent House, Off Ashram Road, Ahmedabad – 380 009.

TL is the parent company of the Torrent Group and its principal business is investments. The objects of the Company are to carry on business as a holding and investment company and for that purpose or otherwise acquire, hold, invest either in the name of the Company or in that of any nominee, immovable and movable property of all kinds in any part of the world and in particular lands, buildings, etc. The objects of the Company include, to acquire any such shares, stock, debentures, debenture-stock, etc. whether or not fully paid up and to subscribe for the same either conditionally or otherwise and subject to such terms and conditions (if any) as may be thought fit. The Company may, subject to Section 58A of the Companies Act 1956 and rules thereunder and directions of the Reserve Bank of India, raise and borrow money by the issue of shares, stock, debentures, debenture-stock, bonds, etc.

Mr. Sudhir Mehta and Mr. Samir Mehta are the directors of the Company with former being the Chairman of the Board of Directors.

The Mehta family holds 100% equity of the company.

As on date, the equity holding of TL in various Torrent Group companies was as follows:

<b>Sr. No.</b>	<b>Company</b>	<b>% of Equity Share Holding</b>
1	Torrent Pharmaceuticals Limited	47.84
2	Torrent Power Limited	54.66
3	Torrent Cables Limited	62.51
4	Torrent Gujarat Biotech Limited	50.97
5	Gujarat Lease Financing Limited	25.07

TL is a private limited company and its equity shares are not listed.

Besides above, Ahmedabad Royal Garden Hotel Pvt. Limited and Gujarat Chlor Alkalies Industries Limited are its subsidiaries.

**Financial Performance:***(Rs. in Crore except per share data)*

<b>Particulars</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>
Sales & Other Income	27.77	23.10	25.44
Profit / (Loss) after Tax	8.11	11.22	(54.82)
Equity Capital	0.64	0.64	0.64
Reserves	624.94	636.16	581.34
EPS (Rs.)	127.37	176.21	(860.78)
Book Value (Rs.)	9823.46	9999.67	9138.89

We confirm that the permanent account number, bank account number, company registration number and the address of the registrar of companies where Torrent Private Limited is registered have been submitted to the stock exchange.

**Mr. Sudhir Mehta**

Mr. Sudhir Mehta, Chairman of the Torrent Group and Torrent Pharmaceuticals Limited, is a science graduate from Gujarat University. He has been instrumental in the growth of the flagship company, Torrent Pharmaceuticals Limited, from a small-sized company in 1975 to a Rs. 1033 crore pharmaceutical major in 2005-06.

Mr. Mehta foresaw the opportunity in the Indian power sector and initiated significant forays into this sector from the early nineties. Thereafter, he systematically expanded the power business of Torrent Group by acquiring significant stake in the erstwhile The Ahmedabad Electricity Company Limited and The Surat Electricity Company Limited. He has to his credit the implementation of the 655MW Gujarat Torrent Energy Corporation Limited, and one of the few successful independent power projects in India. He is again replicating this success by establishing a gas based Mega Power Project of 1100 MW near Surat at an estimated cost of Rs.3096 Crore.

Mr. Mehta has also been instrumental in merging the power businesses into a single entity Torrent Power Limited, which is now amongst the top Power players in the country with presence in the entire value chain viz: Generation, Transmission and Distribution.

Mr. Sudhir Mehta's leadership has enabled The Torrent Group to evolve as one of the top groups in the Pharmaceutical and Power sectors with a turnover exceeding Rs. 3700 Crore. It has strategic alliances with leading international giants from UK, Germany, France and USA.

The voter id number of Mr. Sudhir Mehta is LBR 6844393 and the driving license number is GJ 01/612837/01.

**Mr. Samir Mehta**

Mr. Samir Mehta is the Vice-Chairman of the Torrent Group and Managing Director of Torrent Pharmaceuticals Limited. A Post graduate in Business Management, Mr. Mehta has honed his professional skills from the past 20 years in all the business activities of the Group.

Mr. Mehta has been ably guiding the Torrent Group by providing strong strategic direction to all the business units. His eye for detail and commitment towards Organisational Development has been instrumental in fueling the growth of both its businesses – Pharma and Power.

Under his able leadership, Torrent Pharma has today established itself as a strong player with operations in over 50 countries having a turnover of Rs.1033 crores. He has to his credit the continuous and systematic improvement in operations of both the Pharma and power businesses.. An ardent believer in professionalism, Mr. Mehta's hard work and zeal for perfection has driven the Torrent Group's focus on operational and people excellence.

The driving license number of Mr. Samir Mehta is GJ 01/ 613054/ 01.



## **CURRENCY OF PRESENTATION**

In this Information Memorandum, all references to “Rupees” or “Rs.” are to Indian Rupees, the legal currency of the Republic of India.

## **DIVIDEND POLICY**

There is no set dividend policy. Dividend is intended to be declared based on the quantum and availability of future profits and will be disbursed subject to shareholder approval based on the recommendation of the Board of Directors.

We have not paid any dividends in the past.

## FINANCIAL INFORMATION

### Auditors' Report

**The Board of Directors,  
Torrent Power Limited,**  
Torrent House,  
Off Ashram Road,  
Ahmedabad – 380 009.

1. We have examined the financial information of TORRENT POWER LIMITED (formerly known as Torrent Power Private Limited) (“the Company”), as attached to this report stamped and initialed by us for identification and as approved by the Board of Directors of the Company, which has been prepared in accordance with the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 as amended from time to time (‘the SEBI Guidelines’) issued by the Securities and Exchange Board of India (‘SEBI’) on January 19, 2000 in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related clarifications, and in accordance with your instructions dated 16<sup>th</sup> September, 2006 requesting us to carry out work in connection with listing of its fully paid up equity shares.
2. The Company was incorporated on 29<sup>th</sup> April, 2004. The financial statements of the Company for the first financial period from 29<sup>th</sup> April, 2004 to 31<sup>st</sup> March, 2005 were audited by M/s Pankaj B. Shah & Co., Chartered Accountants. The Company has been granted permission to extend its financial year by a period of six months and the current accounting period is of 18 months ending on 30<sup>th</sup> September, 2006. We have examined the accounts of the Company for the fifteen months period ended on 30<sup>th</sup> June, 2006 being the last date to which the accounts of the Company have been made up for presentation to the members of the Company and for the purpose of the financial information of the Company attached hereto which have been prepared by the management of the Company from the books of account examined by us.
3. In accordance with the requirements of the SEBI Guidelines and our terms of reference with the Company dated 16<sup>th</sup> September, 2006, requesting us to make this report for the purpose of the Information Memorandum as aforesaid, we report that:
  - i) The restated assets and liabilities of the Company as at 31<sup>st</sup> March, 2005, and 30<sup>th</sup> June, 2006 are as set out in Annexure – I to this report to be read together with notes appearing in Annexure – IV to this report.
  - ii) The restated profit and loss account of the Company for the above stated periods ended on 31<sup>st</sup> March, 2005 and on 30<sup>th</sup> June, 2006 are as set out in Annexure – II to this report to be read together with notes appearing in Annexure – IV to this report.
  - iii) The restated cash flows of the Company for the above stated periods ended on 31<sup>st</sup> March, 2005 and on 30<sup>th</sup> June, 2006 are as set out in Annexure – III to this report to be read together with notes appearing in Annexure – IV to this report.

4. We have examined the following financial information relating to the Company and as approved by the Board of Directors for the purpose of inclusion in the Information Memorandum:
- i) The Company has not declared dividends during any financial year covered in this report hence the information regarding rates of dividend in respect of the equity shares in accordance with the paragraph 6.10.2.1(b) of the SEBI Guidelines have not been disclosed.
  - ii) Accounting ratios as appearing in Annexure – V to this report.
  - iii) Capitalization statement as at 30th June, 2006 as appearing in Annexure – VI to this report.
  - iv) Statement of Tax Shelter as appearing in the Annexure - VII to this report.
  - v) Statement of outstanding balance of secured and unsecured loans, principal terms of the loans and assets charged as security, appearing in the Annexure – VIII and Annexure – VIII – A to this report.
  - vi) Statement of Investments as at 31<sup>st</sup> March, 2005 and as at 30<sup>th</sup> June, 2006 as appearing in Annexure – IX to this report.
  - vii) Statement of Sundry Debtors as at 31<sup>st</sup> March, 2005 and as at 30<sup>th</sup> June, 2006 as appearing in Annexure – X to this report.
  - viii) Statement of Loans and Advances as appearing in Annexure – XI to this report.
  - ix) Statement of Other Income as appearing in Annexure – XII to this report.
5. In our opinion the above financial information of the Company and notes attached to the Information Memorandum, after making adjustments and re-groupings as considered appropriate, has been prepared in accordance with the SEBI guidelines.
6. This report is intended solely for your information and for inclusion in the Information Memorandum in connection with the listing of the equity shares of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

**FOR C. C. CHOKSHI & CO.,**  
Chartered Accountants

Sd/-  
**(Gaurav J. Shah)**  
Partner  
Membership No. 35701  
Place: Ahmedabad  
Date: 29<sup>th</sup> September, 2006

**TORRENT POWER LIMITED**

**Annexure – I**

**STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED**

*Rs. In lacs*

	<b>Particulars</b>	<b>*As at June 30, 2006</b>	<b>As at March 31, 2005</b>
<b>A</b>	<b>Fixed Assets</b>		
	Gross Block	272,684.49	
	Less: Depreciation	24,450.61	
	Net block	248,233.88	
	Capital Work-in- Progress	82,053.46	
		<b>330,287.34</b>	
<b>B</b>	<b>Investments</b>	<b>20,220.10</b>	
<b>C</b>	<b>Deferred Tax Assets</b>	<b>1,479.21</b>	
<b>D</b>	<b>Current Assets, Loans and Advances</b>		
	<b>Current Assets</b>		
	Interest accrued on Investments and Deposits	374.57	
	Inventories	12,990.53	
	Sundry Debtors	39,923.25	
	Cash and Bank Balances	10,247.89	0.93
		<b>63,536.24</b>	<b>0.93</b>
	<b>Loans and Advances</b>	<b>30,367.30</b>	
	<b>Total</b>	<b>93,903.54</b>	<b>0.93</b>
<b>E</b>	<b>Loan Funds</b>		
	Secured Loans	48,775.61	
	Unsecured Loans	6,434.27	7.60
	<b>Total</b>	<b>55,209.88</b>	<b>7.60</b>
<b>F</b>	<b>Other Funds</b>		
	Service line and Security Deposits from Consumers	<b>28,300.11</b>	
<b>G</b>	<b>Current Liabilities and Provisions</b>		
	Current Liabilities	60,956.44	
	Provisions	36,725.52	
	<b>Total</b>	<b>97,681.96</b>	
<b>H</b>	<b>Net Worth (A+B+C+D-E-F-G)</b>	<b>264,698.24</b>	<b>(6.67)</b>
<b>I</b>	<b>Represented by:</b>		
	Paid up Share Capital		
	-Equity Share Capital	1.25	1.00
	Share capital – Pending allotment	47,243.58	
	Reserves and Surplus	217,453.41	
	<b>Total</b>	<b>264,698.24</b>	<b>1.00</b>
<b>J</b>	Miscellaneous Expenditure to the extent not written off or adjusted		7.67
<b>K</b>	<b>Net Worth (I-J)</b>	<b>264,698.24</b>	<b>(6.67)</b>

\* The current accounting year has been extended by a period of 6 months to close on September 30, 2006.

**TORRENT POWER LIMITED**

**Annexure – II**

**STATEMENT OF PROFIT AND LOSS, AS RESTATED**

*Rs. In lacs*

	<b>Particulars</b>	<b>15 Months ended on June 30, 2006</b>	<b>*Year ended on March 31, 2005</b>
<b>A</b>	<b>Income</b>		
	Sale of Electrical Energy	315,053.46	
	Less: Discount for prompt payment of bills	3,281.68	
		311,771.78	
	Net Income of Power / Contract Services Division	355.44	
	Net Income of Fly-Ash Division	(9.61)	
	Insurance Claim Receipt	1,718.44	
	Other Income	10,018.77	
	<b>Total</b>	<b>323,854.82</b>	
<b>B</b>	<b>Expenditure</b>		
	Electrical Energy Purchased	135,942.42	
	Generation, Distribution, Administration and Other Expenses	129,898.62	
	Interest and Finance Charges	5,436.18	
	Depreciation (net of Service Line Contribution & APDRP Grant)	23940.10	
	Miscellaneous Expenditure written off	7.67	
	<b>Total</b>	<b>295,224.99</b>	
<b>C</b>	<b>Profit before tax (A-B)</b>	<b>28,629.83</b>	
<b>D</b>	Provision for Current Tax	13,007.00	
	Provision for Deferred tax	1,070.53	
	Provision for Fringe Benefit tax	94.18	
	<b>Total</b>	<b>14,171.71</b>	
<b>E</b>	<b>Profit after tax (C-D)</b>	<b>14,458.12</b>	
<b>F</b>	Short / (Excess) Provision for taxation of earlier years	373.51	
<b>G</b>	<b>Profit after tax</b>	<b>14,084.61</b>	
<b>H</b>	<b>Balance carried to Balance Sheet (G)</b>	<b>14,084.61</b>	

\* During the year ended 31<sup>st</sup> March, 2005, the Company had not commenced operations and hence no Profit & Loss Account was prepared.

**TORRENT POWER LIMITED**

Annexure – III

**CASH FLOW STATEMENT, AS RESTATED**

*Rs. In lacs*

	<b>Particulars</b>	<b>*15 Months ended on June 30, 2006</b>	<b>Year ended on March 31, 2005</b>
<b>A</b>	<b>Cash flow from operating activities</b>		
	Net profit before tax and extraordinary item	28,629.83	0.00
	<b>Adjustments for:</b>		
	Depreciation	23,942.64	
	Excess provision written back	(64.99)	
	Interest Expenses	5,241.69	
	Profit or (Loss) on sale / redemption of investments (net)	12.54	
	Profit or Loss on sale of fixed assets (net)	979.35	
	Dividend / Interest	(2,383.97)	
	Miscellaneous Expenditure written off	7.67	
	<b>Operating profit before working capital changes</b>	<b>56,364.76</b>	<b>0.00</b>
	<b>Adjustments for:</b>		
	Trade and other receivables	(8,683.62)	
	Inventories	(6,254.53)	
	Current Liabilities and Provisions	13,632.20	7.60
	Service line and security Deposits	2,043.83	
	Interest on Security Deposits	(2,173.30)	
	<b>Cash generated from operating activities</b>	<b>54,929.34</b>	<b>7.60</b>
	Taxes Paid (net of Tax Refund of Rs. 3,593.28 lacs)	(8,628.47)	
	<b>Net Cash flow from operating activities</b>	<b>46,300.87</b>	<b>7.60</b>
<b>B</b>	<b>Cash flow from investing activities</b>		
	Purchase of fixed assets	(108,515.53)	
	Sale of fixed assets	1,006.00	
	Pre-operative expenses incurred during construction period to be capitalised on completion of project	(1,333.49)	
	Increase in liability on Capital Account	30,730.77	
	Purchase of investments	(3,223.31)	
	Sale of investments	2,303.26	
	Dividend and interest received on investments	2,141.67	
	<b>Net Cash used in investing activities</b>	<b>(76,890.63)</b>	<b>0.00</b>
<b>C</b>	<b>Cash flow from financing activities</b>		
	Share Capital	1,429.00	1.00
	Long term borrowings	2,634.08	
	Unsecured Loans	3,870.00	
	Repayments of fixed deposits	(4.87)	
	Repayments of borrowings	(5,845.87)	
	Repayments of APDRP Loans	(77.40)	
	Service line contributions	6,476.58	
	APDRP Grant	4,589.00	
	Dividend paid	(2,539.55)	
	Interest paid	(3,461.99)	
	Preliminary Expenditure		(7.59)

	Deferred Revenue Expenditure		(0.08)
	<b>Net Cash used in financing activities</b>	<b>7,068.98</b>	<b>(6.67)</b>
	<b>Net increase/ (decrease) in cash and cash equivalents (A+B+C)</b>	<b>(23,520.78)</b>	<b>0.93</b>
	<b>Opening balance of cash and cash equivalents</b>	<b>47,203.60</b>	<b>0.00</b>
	<b>Closing balance of cash and cash equivalents</b>	<b>23,682.82</b>	<b>0.93</b>

**\*Note:**

1. Transactions arising out of Scheme of Arrangement, as stated in Note No. 4 of Annexure-IV –II are not considered in above cash flow workings.
2. The opening balance of cash and cash equivalents includes balances of the Transferor Companies.
3. The amount of dividends paid pertains to dividend declared for the financial year 2004-05 and paid, by erstwhile Transferor Companies i.e. TPAL and TPSL.

**NOTES TO RESTATED ASSETS AND LIABILITIES, PROFIT AND LOSS ACCOUNT AND RESTATED CASH FLOW STATEMENT FOR THE PERIOD ENDED JUNE 30, 2006****I. 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 not specifically referred to otherwise have been followed consistently.

**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 statement 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 contribution 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 collect-ability 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 & 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 capitalized. Income earned during the construction period is deducted from the total of the 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 capitalized up to the date of completion and ready for their intended use. Other borrowing costs are charged to the Profit & Loss Account in the year 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 capitalization 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. TRANSACTION IN FOREIGN CURRENCY:**

Transactions in foreign currency are accounted at exchange rate prevailing on the date of transaction. The net gain / loss on account of exchange differences arising on settlement of foreign currency transactions related to acquisition of fixed assets are adjusted in the carrying amount of the related fixed assets. Current assets and Current liabilities in foreign currency at the year-end are converted at the exchange rate prevailing at the end of the year and resultant gain / loss is recognized in the Profit and Loss Account for the reporting period.

**13. RETIREMENT BENEFITS:**

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

**14. 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 disclosed at their estimated amount in the Notes to the Accounts.

Contingent assets are neither recognized nor disclosed in financial statements.

**15. RESEARCH AND DEVELOPMENT:**

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

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

16. **TAXATION:**

Provision for Current Income tax is made on the basis of estimated taxable income for the period. Deferred Tax is recognized, subject to consideration of prudence, on timing differences between taxable income and accounting income for the period that originate in one period and are capable of reversal in one or more subsequent periods. Provision for Fringe Benefit tax is made on the basis of estimated taxable liabilities for the period.

**II. Notes**

(Rs. in lacs)

		<b>15 Months Ended 30.06.2006</b>	<b>Year Ended 31.03.2005</b>
1.	Estimated amount of contracts remaining to be executed on Capital Accounts	19,562.32	0.00
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.	1.24	0.00
(ii)	L/C established & Guarantee given by Banks on behalf of the Company	179,624.17	0.00
(iii)	Income-tax matters		
	<u>Assessment Year 1988-89</u> In respect of Department's appeal against the order of the Income Tax Appellate Tribunal on applicability of Section 115J pending with the Gujarat High Court.	19.41	0.00
	<u>Assessment Year 2003-04</u> The matter pending before the Commissioner (Appeals), Ahmedabad in respect of certain disallowances	149.16	0.00
(iv)	Sales-tax matters		
	The matter pending before Asst. Commissioner (Appeals), Surat in respect of applicability of work contract tax	21.34	0.00
(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	217.67	0.00
	In respect of the demand raised by Surat Municipal Corporation for tax on switchyard as structure disputed by the Company	36.12	0.00

3. The Company divested 3,50,000 equity shares (25.12 %) of AEC Cement & Constructions Ltd. on 28<sup>th</sup> July, 2006 leaving a balance 6,11,500 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 12<sup>th</sup> July 2006 (made effective from 12<sup>th</sup> 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. 1<sup>st</sup> 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 an 1100 MW Combined Cycle Power Project at village Akhakhhol, 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 to be actually issued and 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, 47,24,35,808 equity shares of Rs.10 each are to be issued as fully paid-up to the shareholders of TPAL, TPSL TPGL respectively, Pending allotment / reduction / consolidation etc. of the said shares, an amount of Rs. 47243.58 lacs has been shown under the head “Equity Shares- Pending Allotment Account”.

(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.1,159.16 lacs
- b) Contingency Reserve Rs.6,543.36 lacs.

(vi) Pursuant to the Scheme, the difference of Rs. 185202.67 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.

5. 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>EXPENDITURE</b>	As at June 30, 2006
Salary, wages, bonus, gratuity and superannuation etc.	885.02
Advertisement	132.46
Insurance	16.75
Legal, Professional and Consultancy Fees	537.04
Rates & Taxes	42.92
Electricity Charges	28.33
Misc. Expenditure	359.05
Printing, Stationary, Postage & Telephone etc	50.73
Repairs & Maintenance	28.17
Travelling Expenses	238.70
Interest & Financial Charges	1581.59
Auditors' Remuneration	1.65
Depreciation	33.02
Wealth Tax	2.34
Fringe Benefit Tax	2.63
Total Expenditure	3940.40
<b>Less:</b>	
Other Income Capitalised	
-Dividend Income from Investments	(1362.08)
-Profit on sale of Investments	(31.97)
<b>Net Pre-operative expenditure</b>	<b>2546.35</b>

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

Ahmedabad Victoria Iron Works Co. Ltd.  
 Atlanta Electricals Ltd.  
 Bala Electricals  
 Boiler Controls Pvt. Ltd.  
 BL Fusegear Private Ltd.  
 Danke Electricals Ltd.  
 Favourite Industrial Corporation  
 Globe Industries  
 Khodidas U Mistry  
 L.N. Enginnering Corporation  
 Panermik electricals  
 Rupal Steel Industries  
 Universal Traders  
 Veeshna Poly Pack Pvt. Ltd.  
 Viral Corporation

A-One Electricals Service Centre  
 Atlas Plastic  
 Bina Electric & Engg. Corporation  
 Bharat Fabricator & Erectors  
 Chhabi Electricals Pvt. Ltd.  
 Elymer International Pvt. Ltd.  
 General Electrical & Mechanical Corp.  
 Hariom Fabricators  
 Kumar Electric & Engineering Company  
 Mc Machines  
 Power Systems (Gujarat)  
 Subodhan Engineers (Pune) Pvt. Ltd.  
 Vatco Elec-Power Pvt. Ltd.  
 Venus Fittings & Valves Pvt. Ltd.

7. The Financial year of the Company has been extended by six months to close on 30th September 2006.

8. Deferred Tax:

	Deferred Tax		Deferred Tax	
	Asset	Liability	Asset	Liability
Arising on account of timing differences in respect of:				
Depreciation		2017.06		
Provision for Gratuity	930.49			
Leave Encashment	1727.89			
Provision for Doubtful Debts	199.35			
Municipal Taxes	128.54			
Provision for works contract	45.29			
Provision for wages	444.65			
Misc. Claims	20.06			
	<b>3496.27</b>	<b>2017.06</b>	0.00	0.00
Net Deferred Tax Liability (Assets)		<b>(1479.21)</b>		0.00

9. The Company operates only in one business segment viz. "Generation and Distribution of Electricity".

10. The figures of the current period are including the impact of the Amalgamation of TPAL, TPSL and TPGL with the Company and hence are not comparable with those of the previous year. The amount of previous year has been regrouped and rearranged wherever necessary.

#### 11. Related Party Disclosure

	Subsidiary/ Associate		Enterprises controlled by the Company		Controlling Company/Enterprises controlled by the Controlling Company		TOTAL	
	15 months ended 30.06.06	Year ended 31.03.05	15 months ended 30.06.06	Year ended 31.03.05	15 months ended 30.06.06	Year ended 31.03.05	15 months ended 30.06.06	Year ended 31.03.05
<b>Purchase of Materials:</b> AEC Cements & Constructions Ltd. Torrent Cables Ltd. Torrent Pharmaceuticals Ltd.	248.49				9771.44		<b>10053.04</b>	
<b>Sale of Stores/Materials:</b> AEC Cements & Constructions Ltd.	0.71						<b>0.71</b>	

<b>Sale of Scrap / empty drums:</b> Torrent Cables Ltd.					8.11		<b>8.11</b>	
<b>Exps Reimbursement: (by Company)</b> Torrent Pvt. Ltd. AEC Cements & Constructions Ltd.	20.62				504.09		<b>524.71</b>	
<b>Exps Reimbursement &amp; Other Service:</b> Torrent Power Transmission Pvt. Ltd.	0.28						<b>0.28</b>	
<b>Equity Contribution:</b> Torrent Power Transmission Pvt. Ltd.	0.50						<b>0.50</b>	
<b>Unsecured Loans:</b> Torrent Pvt. Ltd.					(0.01)	7.60	<b>(0.01)</b>	7.60
<b>Contribution to Funds:</b> Gratuity Contribution Superannuation Contribution P.F. Contribution			956.49 116.25 158.46				<b>1231.20</b>	
<b>Current Liabilities:</b> Torrent Pvt. Ltd. Torrent Cables Ltd. Torrent Pharmaceuticals Ltd. AEC Cements & Constructions Ltd. Funds Controlled by the Company	3.28		21.95		115.95 657.40 1.96		<b>800.54</b>	
<b>Investment in Equities:</b> AEC Cements & Constructions Ltd. Torrent Power Transmission Pvt. Ltd.	96.15 0.50						<b>96.65</b>	
<b>Loans &amp; Advances:</b> AEC Cements & Constructions Ltd. Torrent Cables Ltd.	640.18				0.04		<b>640.22</b>	
<b>Unsecured Loans</b> Torrent Private Ltd.					7.59	7.60	<b>7.59</b>	7.60

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

1. Subsidiary: AEC Cements & Constructions Ltd.
2. Associate: Torrent Power Transmission Private Ltd.
3. Enterprises controlled by the company:
  - The Provident Fund of The Ahmedabad Electricity Company Limited (Trust stand dissolved on 31.12.2005)
  - Torrent Power AEC Limited Employees' Group Gratuity Scheme
  - Torrent Power AEC Limited Officers' Superannuation Scheme
  - 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
4. Controlling Company / Enterprises controlled by the Controlling Company
  - Torrent Private Ltd.
  - Torrent Cables Ltd.
  - Torrent Pharmaceuticals Ltd.

- Torrent Power Services Private Ltd.
  - Torrent Gujarat Biotech Ltd.
  - Gujarat Lease Financing Ltd.
  - U. N. Mehta Charitable Trust
5. Key Management Personnel
- Mr Sudhir Mehta – Executive Chairman (wef. 29-09-06)
  - Mr Markand Bhatt – Whole Time Director (wef. 29-09-06)
  - Mr Murli Ranganathan – Whole Time Director (wef. 29-09-06)



**TORRENT POWER LIMITED**

Annexure – V

**STATEMENT OF ACCOUNTING RATIOS**

	<b>Particulars</b>	<b>15 Months ended on June 30, 2006</b>	<b>Year ended on March 31, 2005</b>
<b>1</b>	<b>Earnings per share</b> (refer note below)		
	Profit after Tax (Rs. in lacs)	14,084.61	NA
	No. of equity shares (includes pending allotment)	472,448,308	10,000
	Earnings per share (Rs.) - Basic and Diluted	2.98	NA
<b>2</b>	<b>Return on Net Worth</b>		
	Profit after Tax (Rs. in lacs)	14,084.61	NA
	Net Worth	264,698.24	(6.67)
	Return on Net Worth (%)	5.32	NA
<b>3</b>	<b>Net Asset Value</b>		
	Net Assets (Rs. in lacs)	264,698.24	(6.67)
	No. of equity shares	472,448,308	10,000
	Net Asset Value per share	56.03	(66.70)

**Note:**

The effect of shares to be issued pursuant to the Scheme of Arrangement including reorganisation of Pre-Scheme shares of Torrent Power Limited is anti dilutive in nature and hence basic and diluted earnings per share remains the same. The Scheme of Arrangement is applicable from April 1, 2005.

**TORRENT POWER LIMITED**

Annexure – VI

**CAPITALISATION STATEMENT AS AT JUNE 30, 2006***Rs. In lacs*

	<b>Particulars</b>	<b>Pre –Scheme</b>	<b>Post-Scheme</b>
<b>A</b>	<b>Borrowings</b>		
	Short Term Debt	7.59	7.59
	Long term Debt		55,194.70
	<b>Total Debt</b>	<b>7.59</b>	<b>55,202.29</b>
<b>B</b>	<b>Shareholders Funds*</b>		
	Equity Share Capital	5.00	1.25
	Share Capital-pending allotment		47,243.58
	Reserves and Surplus		217,453.41
	<b>Total Shareholders Funds</b>	<b>5.00</b>	<b>264,698.24</b>
<b>C</b>	<b>Total Capitalisation (A+B)</b>	<b>12.59</b>	<b>319,900.53</b>
<b>D</b>	<b>Debt/Equity (A/B)</b>	<b>1.52</b>	<b>0.21</b>

\* Refer Note 4 of Annexure IV (Notes on Accounts) for details.

**TORRENT POWER LIMITED**

**Annexure – VII**

**STATEMENT OF TAX SHELTERS**

	<b>Particulars</b>	<b>15 Months ended on June 30, 2006</b>	<b>*Year ended on March 31, 2005</b>
<b>A</b>	<b>Tax Rate</b>	33.66%	33.66%
<b>B</b>	<b>Net Profit before tax</b>	28,629.83	
<b>C</b>	<b>Tax at Notional rate (A*B)</b>	9,636.80	
<b>D</b>	<b>Adjustments:</b>		
	- Donations	209.51	
	- Difference between tax and book depreciation	8,113.23	
	- Miscellaneous Expenditure written off	(21.18)	
	- Dividend on Mutual Fund	(791.34)	
	- Interest on Contingency Reserve Investment	(104.18)	
	- Provision for Gratuity	(127.47)	
	- Provision for Leave Encashment	1,658.81	
	- Municipal Tax/ Education Cess	152.45	
	- Provision for wages	1,321.00	
	- Other Adjustments	(398.35)	
	<b>Total</b>	<b>10,012.48</b>	
<b>E</b>	<b>Tax on Adjustment (A*D)</b>	<b>3,370.20</b>	
<b>F</b>	<b>Total Taxation (C+E)</b>	<b>13,007.00</b>	

\* During the year ended 31<sup>st</sup> March, 2005, the Company had not commenced operations and hence calculation of tax shelter is not applicable.

**TORRENT POWER LIMITED**

Annexure – VIII

**STATEMENT OF SECURED AND UNSECURED LOANS***Rs. in lacs*

	<b>Particulars</b>	<b>As at June 30, 2006</b>	<b>As at March 31, 2005</b>
<b>A</b>	<b>Secured Loans</b>		
	Rupee Term Loans:		
	From Financial Institutions	40,053.86	
	From Banks	8,721.75	
	<b>Total</b>	<b>48,775.61</b>	<b>0.00</b>
<b>B</b>	<b>Unsecured Loans</b>		
	Term Loan from GOI under APDRP	6,426.68	
	Loan from Others	7.59	7.60
	<b>Total</b>	<b>6,434.27</b>	<b>7.60</b>

**Note:**

The details of principal terms and conditions of the secured loans and unsecured loans outstanding as at June 30, 2006 are disclosed in Annexure VIII-A.

**DETAILS OF PRINCIPAL TERMS AND CONDITIONS OF LOANS OUTSTANDING AS  
AT JUNE 30, 2006**

**SECURED LOANS AS AT JUNE 30, 2006****A) Secured Loans other than for 1100 MW SUGEN CCPP Project***Rs. in lacs*

<b>S. No.</b>	<b>Name of Institution</b>	<b>Amount Outstanding</b>	<b>Interest Rate (per annum)</b>	<b>Repayment Terms</b>	<b>Security</b>
1 (a)	Infrastructure Development Finance Company Limited	1,750.00	11.00%	Repayment to be made through 20 quarterly equal installments commencing April 15, 2003	Secured by (i) a first charge by way of equitable mortgage of all immovable properties, present & future situated at
(b)		1,842.11	9.75%	Repayment to be made through 19 quarterly equal installments commencing July 15, 2003	Ahmedabad and Gandhinagar and (ii) a first charge by way of hypothecation of all movables (except
(c)		1,842.11	7.25%	Repayment to be made through 19 quarterly equal installments commencing July 15, 2003	book debts), present & future, both subject to prior charges created and / or to be created in favour of bankers on
2.	Infrastructure Development Finance Company Limited	3,750.00	8.17% (interest rate linked to the lender's Prime Lending Rate ('PLR') at the time of disbursement plus 0.11%)	Repayment to be made through 28 quarterly equal installments commencing October 15, 2004	certain stocks and such other movables for securing borrowing for working capital.
3.	Infrastructure Development Finance Company Limited	8,928.57	8.25% (interest rate linked to the lender's Prime Lending Rate ('PLR') at the time of disbursement plus 0.11%)	Repayment to be made through 28 quarterly equal installments commencing April 15, 2005	Secured by (i) a first charge by way of equitable mortgage of all immovable properties, present & future situated at Surat and (ii) a first charge by way of hypothecation of all movables (except book debts), present &

					future, both subject to prior charges created and/or to be created in favour of bankers on certain stocks and such other movables for securing borrowing for working capital (iii) first parri passu charge on all book debts, cash flows and receivables of the Company
<b>Total (A)</b>		<b>18,112.79</b>			

**B) Secured Loans under Common Rupee Loan Agreement for 1100 MW SUGEN CCPP Project**

*Rs. in lacs*

<b>S. No.</b>	<b>Name of Institution</b>	<b>Amount Outstanding</b>	<b>Interest Rate (per annum) Payable Monthly</b>	<b>Repayment Terms</b>
1.	Infrastructure Development Finance Company Limited (IDFC)	930.77	IDFC PLR – 0.33% prevailing of the date of each disbursement. Provided the aggregate Senior Loan outstanding upon the last disbursement shall then carry interest at the Weighted Average Rate of Interest from the date of last disbursement.	48 equal quarterly installments commencing from Apr 15, 2008 payable on Jan 15, Apr 15, Jul 15 and Oct 15
2.	Industrial Development Bank of India (IDBI)	19,613.32	Fixed Rate of 8.25%	48 equal quarterly installments commencing from Apr 15, 2008 payable on Jan 15, Apr 15, Jul 15 and Oct 15.
3.	Power Finance Corporation of India Limited (PFC)	1,396.98	Pre Commercial Operating Date (COD) rate prevalent on the date of each disbursement with no post COD reduction applicable.	48 equal quarterly installments commence from Jan 15, 2008 or the first repayment date falling six month after COD, whichever is earlier payable on Jan 15, Apr 15, Jul 15 and Oct 15.
4.	Punjab National Bank (PNB)	713.48	Bank PLR + Term premia (0.5%) – 4.0% as prevailing on date of each disbursement	48 equal quarterly installments commence from Apr 15, 2008 payable on Jan 15, Apr 15, Jul 15 and Oct 15.

5.	UCO Bank (UCO)	8,008.27	Bank PLR + Term spread (0.5%) – 4.25% as prevailing on date of each disbursement	48 equal quarterly installments commence from Apr 15, 2008 payable on Jan 15, Apr 15, Jul 15 and Oct 15.
6.	Canara Bank (CB)	0.00	Bank PLR -3.5% as prevailing on date of each disbursement	48 equal quarterly installments commence from Apr 15, 2008 payable on Jan 15, Apr 15, Jul 15 and Oct 15
<b>Total (B)</b>		<b>30,662.82</b>		

**Note:**

The Term Loan, granted under consortium finance from IDFC Limited, Mumbai acting as a lead banker and IDBI, Mumbai, PFC India Limited, New Delhi, Canara Bank, Mumbai, Punjab National Bank, Ahmedabad, UCO Bank, Ahmedabad are secured by first equitable mortgage of all the immovable properties situated at Village Akhakhol, Surat, movables, including movable machinery, machinery spares, tools and accessories, furniture, fixtures, vehicles and all other movable assets, Company's operating cash flows, book debts and receivables and any other revenues of whatsoever nature and wherever arising and all intangibles and the Trust and Retention Account including all sub-accounts, Debt Service Reserve Account and other reserves and bank accounts of the Company pertaining to 1100 MW SUGEN CCPP, ranking pari passu. The Security Interests are also secured by hypothecation of rights, titles, interests, benefits, claims and demands whatsoever of the Company pertaining to 1100 MW SUGEN CCPP in:

- The Project Documents, duly acknowledged and consented to by the relevant counter-parties to such Project Documents, all as amended, varied or supplemented from time to time;
- The Clearances;
- Any letter of credit, guarantee, performance bond provided by any party to the Project Documents, and
- All Insurance Contracts/ Insurance Proceeds;

**UNSECURED LOANS AS AT JUNE 30, 2006**

*Rs. in lacs*

S. No.	Name of Institution	Amount Outstanding	Interest Rate (per annum)	Repayment Terms
1.	Loan under APDRP Scheme, Ministry of Finance, GOI	3,792.60	9.00%	Repayment to be made through 10 equal monthly installment from June to March over period of 20 years commencing October, 2005 subject to initial five year grace period for 50% of the loan amount.
2.	Loan under APDRP Scheme, Ministry of Finance, GOI	2,634.08	9.00%	Repayment to be made through 10 equal monthly installment from June to March over period of 20 years subject to initial five year grace period for 50% of the loan amount.
3.	Loan from Torrent Private Ltd.	7.59	0.00%	-
<b>Total</b>		<b>6,434.27</b>		

**TORRENT POWER LIMITED**

Annexure –IX

**INVESTMENTS***Rs. in lacs*

	<b>As at June 30, 2006</b>	<b>As at March 31, 2005</b>
<b>Quoted Investments</b>		
In Promoter Group Companies		
In Subsidiary / Associate Companies		
Others		
in Contingency Reserve Investments	6,683.58	
in Other Investments	46.09	
<b>Total (A)</b>	<b>6,729.67</b>	<b>0.00</b>
<b>Unquoted Investments</b>		
In Promoter Group Companies		
In Subsidiary / Associate Companies	96.65	
Others		
in Mutual Funds	13,434.93	
in Other Investments	55.00	
<b>Total (B)</b>	<b>13,586.58</b>	<b>0.00</b>
<b>Grand Total C = A+B</b>	<b>20,316.25</b>	<b>0.00</b>
Less: Provision for diminution in value of investments (D)	96.15	
<b>Net Investment C-D</b>	<b>20,220.10</b>	<b>0.00</b>
Market Value of Quoted Investments	6,197.74	0.00

**Note:**

Investments in Subsidiary / Associate Companies include:

- i. 961,500 Equity shares of Rs. 10/- each fully paid-up of AEC Cements and Constructions Limited (AECCL) aggregating Rs. 96.15 lacs. AECCL was a subsidiary of erstwhile TPAL, which is one of the transferor companies. TPAL had sold 350,000 equity shares held in AECCL on 28<sup>th</sup> July 2006. Consequently, AECCL is not a subsidiary of Torrent Power Limited (TPL) on the effective date of the Scheme; however as on date of the above statement such investment is disclosed as investment in subsidiary. TPAL had provided for diminution in the value of investment in AECCL in full, the same provision is continued in the books of TPL.
- ii. 5,000 Equity shares of Rs. 10/- each in Torrent Power Transmission Private Limited aggregating Rs. 0.50 lacs.



**TORRENT POWER LIMITED**

Annexure –X

**SUNDRY DEBTORS***Rs. In lacs*

	<b>Particulars</b>	<b>As at June 30, 2006</b>	<b>As at March 31, 2005</b>
<b>A</b>	<b>Debts outstanding over six months:</b>		
	Secured -Considered good	749.94	
	Unsecured -Considered good	7,855.58	
	-Considered Doubtful	847.25	
	<b>Total</b>	<b>9,452.77</b>	<b>0.00</b>
<b>B</b>	<b>Other debts</b>		
	Secured- Considered good	9,679.81	
	Unsecured- Considered good	21,637.92	
	<b>Total</b>	<b>31,317.73</b>	<b>0.00</b>
	Less: Provision for doubtful debts	847.25	
	<b>Total Debtors (A+B)</b>	<b>39,923.25</b>	<b>0.00</b>

**TORRENT POWER LIMITED**

Annexure –XI

**LOANS AND ADVANCES***Rs. In lacs*

	<b>Particulars</b>	<b>As at June 30, 2006</b>	<b>As at March 31, 2005</b>
<b>A</b>	<b>Advances &amp; Loans to Subsidiary Company</b>		
	AEC Cements & Constructions Ltd.	640.18	
	Less: Provision for doubtful loans and advances	640.18	
		<b>0.00</b>	<b>0.00</b>
<b>B</b>	<b>Advances recoverable in cash or kind or for value to be received</b>		
	Considered Good	<b>4,681.51</b>	<b>0.00</b>
<b>C</b>	<b>Balance with Government Authority</b>	<b>50.00</b>	<b>0.00</b>
<b>D</b>	<b>Advance tax &amp; Tax Deducted at Source</b>	<b>25,635.79</b>	<b>0.00</b>
	<b>Total (A+B+C+D)</b>	<b>30,367.30</b>	<b>0.00</b>

## Note:

AEC Cements & Constructions Ltd. (AECCL) was a subsidiary of erstwhile TPAL, which is one of the transferor companies. TPAL had sold 350,000 equity shares held in AECCL on 28<sup>th</sup> July, 2006. Consequently, AECCL is not a subsidiary of Torrent Power Limited on the effective date of the Scheme; however as on date of the above statement AECCL is shown as subsidiary.

**TORRENT POWER LIMITED**

Annexure –XII

**OTHER INCOME***Rs. In lacs*

<b>Particulars</b>	<b>15 Months ended on June 30, 2006</b>	<b>Year ended on March 31, 2005</b>	<b>Nature</b>
Street Lighting Maintenance Contracts	505.86		Recurring
Hire of Meters	3,812.04		Recurring
Interest from Contingency Reserve Investments	602.77		Recurring
Dividend	791.34		Recurring
Other Interest	987.69		Recurring
Profit on Sale / Redemption of Current Investment	64.45		Recurring
Recovery of Bad Debts	421.59		Recurring
Provision of Earlier Years Written Back	53.02		Non- Recurring
Miscellaneous Income includes scrap sales, incidental charges, penalty charges etc.	2,780.01		Recurring
<b>Total</b>	<b>10,018.77</b>	<b>0.00</b>	

**AUDITED FINANCIAL STATEMENTS AS ON 30<sup>th</sup> SEPTEMBER, 2006**

**BALANCE SHEET**

**AS AT 30TH SEPTEMBER, 2006**

	<b>(Rs. in lacs)</b>	
	<b>As at</b>	<b>As at</b>
	<b>30-Sept-2006</b>	<b>31-Mar-2005</b>
	<b>(See Note - 4)</b>	<b>(See Note - 4)</b>
<b>SOURCES OF FUNDS</b>		
<b>Shareholders' Funds</b>		
Share Capital	47,244.83	1.00
Reserves and Surplus	<u>215,963.05</u>	-
	<b>263,207.88</b>	1.00
<b>Loan Funds</b>		
Secured Loans	55,931.44	-
Unsecured Loans	<u>6,377.56</u>	7.59
	<b>62,309.00</b>	7.59
<b>Other Fund</b>		
Service Line and Security Deposits from Consumers	<u>28,732.76</u>	-
	<b>354,249.64</b>	<b>8.59</b>
<b>APPLICATION OF FUNDS</b>		
<b>Fixed Assets</b>		
Gross Block	279,996.74	-
Less: Depreciation	<u>29,717.34</u>	-
Net Block	<b>250,279.40</b>	-
Capital Work-in-Progress	<u>97,878.15</u>	-
	<b>348,157.55</b>	-
<b>Investments</b>	<b>20,777.76</b>	-
<b>Deferred Tax Assets</b>	<b>908.60</b>	-
<b>Current Assets, Loans and Advances</b>		
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	<u>33,612.45</u>	-
	<b>89,610.82</b>	0.93
<b>Less: Current Liabilities and Provisions</b>		
Current Liabilities	58,944.49	0.01
Provisions	<u>46260.60</u>	-
	<b>105,205.09</b>	0.01
<b>Net Current Assets</b>	<b>(15,594.27)</b>	0.92
<b>Miscellaneous Expenditure (to the extent not written off)</b>	<b>-</b>	7.67
	<b>354,249.64</b>	<b>8.59</b>

**PROFIT AND LOSS ACCOUNT**  
**FOR THE PERIOD ENDED 30TH SEPTEMBER, 2006**

(Rs. in lacs)

	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	408.51	-
Net Income of Fly Ash Division	(10.69)	-
Insurance Claim Receipt	1,731.31	-
Other Income	13,511.53	-
	<b>393,950.71</b>	-
<b>EXPENDITURE</b>		
Electrical Energy Purchased	165,711.79	-
Generation, Distribution, Administration and Other Expenses	156,812.33	-
Interest and Finance Charges	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>Profit Before Tax</b>	<b>36,030.20</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	-
<b>Profit After Tax</b>	<b>18,300.67</b>	-
Short /(-) Excess Provision for Taxation of earlier years	373.51	-
<b>Profit After Tax but before Contingency Reserve</b>	<b>17,927.16</b>	-
Contingency Reserve	1,400.00	-
<b>Profit After Contingency Reserve</b>	<b>16,527.16</b>	-
<b>Balance brought forward from Previous year</b>	-	-
Amount available for Appropriations	16,527.16	-
<b>APPROPRIATIONS</b>		
General Reserve	1,790.00	-
Proposed Dividend	5,669.38	-
Corporate Dividend Tax	795.13	-
	<b>8,254.51</b>	-
<b>Balance Carried to Balance Sheet</b>	<b>8,272.65</b>	-
	<b>16,527.16</b>	-

**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	36030.20	-
<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>	<u>68,649.18</u>	<u>-</u>
<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>	<u>69,234.16</u>	<u>7.60</u>
Taxes paid (net of tax refund Rs. 3,593.28 lacs)	(12,298.09)	-
<b>Net Cash Flow from operating activities</b>	<u>56,936.07</u>	<u>7.60</u>
<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>	<u>(130,410.51)</u>	<u>-</u>
<b>Cash Flow from financing activities</b>		
Share capital	1429.00	1.00
Long term borrowings	39,130.69	-
Unsecured loan	6551.00	-
Repayments of fixed deposits	(5.28)	-
Repayments of borrowings	(7,157.90)	-
Repayments of APDRP loan	(173.44)	-

Service line contribution	<b>7812.70</b>	-
APDRP grant	<b>4589.00</b>	-
Dividend paid	<b>(2,547.24)</b>	-
Interest paid	<b>(5,319.75)</b>	-
Miscellaneous expenditure	-	<b>(7.67)</b>
<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>	0.93
<b>Cash and cash equivalents as at 01-04-2005 (Opening Balance)</b>	<b>47203.60</b>	-
<b>Cash and cash equivalents as at 30-09-2006 (Closing Balance)</b>	<b>18,037.94</b>	0.93

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

## **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/attribution 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:**

- (a) Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transaction.
- (b) Monetary items denominated in foreign currencies at the period end are restated at period end rates.
- (c) Non monetary foreign currency items are carried at cost.
- (d) 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.

#### NOTES ON ACCOUNTS

	(Rs. in lacs)	
	As at 30-Sept-2006	As at 31-Mar-2005
Estimated amount of contracts remaining to be executed on		
1 Capital Accounts	29700.10	-
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	0.75	-
(ii) L/C established & Guarantee given by Banks on behalf of the Company	172,748.79	-
(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	19.41	-
Assessment Year 2003-04		
The matter pending before the Commissioner (Appeals), Ahmedabad in respect of certain disallowances	149.16	-
(iv) Sales-tax matters		
The matter pending before Asst. Commissioner (Appeals), Surat in respect of applicability of work contract tax	21.34	-
(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	217.67	-
In respect of the demand raised by Surat Municipal Corporation for tax on switchyard as structure disputed by the Company	36.12	-
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 Akhakhhol, 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. 1,85,202.67 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:

	<b>(Rs. in lacs)</b>	
	<b>As at</b>	<b>As at</b>
	<b>30-Sept-2006</b>	<b>31-Mar-2005</b>
<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>	<b>-</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) Pyrotech Electronics Pvt. Ltd
Atlanta Electricals Pvt. Ltd.	Globe Industries	Radiant Engineers
Atlas Plastic	Hariom Fabricators	Siemag Industries
Bina Electric & Engg. Corporation	IMECO Limited	Shreenath Enterprises
Bharat Fabricator & Erectors	Jagruti Rubber Enterprise Pvt. Ltd	Shah Bhogilal Jethalal & Brothers
Bhagyodaya Engineering	Kamal Industrial Enterprise	S. V. Trust
BL Fusegear Private Ltd.	Khodidas U Mistry	UCIL Synchem Pvt. Ltd.
Brass Copper & Alloy (I) Ltd.	Mc Machines	Viral Corporation
Danke Electricals Ltd	Mistry Brothers	
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.

	(Rs. in lacs)	
	Period ended 30-Sept-2006	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	-

**14 Quantitative information**

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	1616.60	-	-	-
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	-	-
<b>Net Deferred Tax (Asset)/Liability</b>	<b>(908.60)</b>	-	-	-

**16. Earning Per Share**

Profit after tax	17927.16	NA
No.of Equity Shares ( in lacs )	4724.48	0.10
Basic & Diluted Earning per Share	3.79	NA

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)

	(Rs.in lacs)			
	<b>Period</b>		<b>Period</b>	
	<b>Ended</b>		<b>Ended</b>	
	<b>30-09-2006</b>		<b>31-03-2005</b>	
a. Capacity & Production				
Product : Building Materials				
Licensed Capacity – Not applicable				
Installed Capacity – in M.T.	26340		NA	
Production In M.T.	0		NA	
b. Turnover and Closing Stock of Building materials				
	<b>Quantity</b>		<b>Quantity</b>	
	<b>Rs.lacs</b>		<b>Rs.lacs</b>	
	<b>MT</b>		<b>MT</b>	
Turnover	Nil	Nil	NA	NA
Closing Stock	Nil	Nil	NA	NA
c. Consumption of Raw Material				
	Nil	Nil	NA	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 1.1.2006) 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 1.1.2006) 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		

## GROUP COMPANIES FINANCIAL AND OTHER INFORMATION

### Promoter Group Companies

In addition to our Promoter, i.e., Torrent Private Limited, the following companies shall form part of our Promoter Group:

### Listed Group Companies:

The listed companies forming part of the Promoter Group are:

#### 1. TORRENT PHARMACEUTICALS LIMITED

Torrent Pharmaceuticals Limited was incorporated on 15<sup>th</sup> July 1972. The registered office of the Company is situated at Torrent House, Off Ashram Road, Ahmedabad – 380 009. The Company is engaged in manufacturing and sale of pharmaceutical products. The Company is having few foreign subsidiaries.

### Shareholding

The equity share holding pattern of Torrent Pharmaceuticals Ltd. is as under:

	Category	No. of shares held	% Shareholding
A.	Promoter Holding	62691528	74.09%
B.	Non Promoter Holding	21919832	25.91%
	<b>Total</b>	<b>84611360</b>	<b>100.00%</b>

### Board of Directors:

The directors on the board are as under:

1. Mr. Sudhir Mehta – Chairman
2. Mr. Markand Bhatt
3. Mr. S. H. Bhojani
4. Dr. Prasanna Chandra
5. Mr. Kiran Karnik
6. Mr. Sanjay Lalbhai
7. Prof. S. Ramnarayan
8. Mr. Mihir Thakore
9. Dr. Chaitanya Dutt – Director – R&D
10. Mr. Samir Mehta – Managing Director

## Financial Performance

The financial results for the last three financial years are summarised below:

*(Rs. in Crore, except per share data)*

Particulars	2003-04	2004-05	2005-06*
Total Income	446.72	501.75	693.27
Profit / (-) Loss after tax	64.17	52.92	65.83
Equity Capital	21.16	21.16	42.31
Reserves	286.03	319.66	340.21
EPS (Rs.)	30.33	25.02	7.78**
Book Value (Rs.)	145.22	161.12	45.21**

\*During the year, equity shares of face value Rs. 10 each were sub-divided into two equity shares of Rs. 5 each and bonus shares were issued on post-split basis in the ratio of one bonus share for every existing share held.

\*\*Post Share Split and Bonus issue.

## Details of Listing:

Equity shares of the Company are listed on National Stock Exchange of India Limited and Bombay Stock Exchange Limited.

## Monthly High & Low price of the Equity Shares during preceding six months:

Month	NSE		BSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
May 2006	298.00	200.05	336.80	199.55
June 2006	220.00	165.00	217.00	160.10
July 2006	205.00	156.20	205.90	158.00
August 2006	205.00	170.00	209.00	171.30
September 2006	207.90	176.90	207.80	176.10
October 2006	209.00	179.15	204.50	180.00

## Promise V/s. Performance:

In February, 1994, Torrent Pharmaceuticals Limited made a public issue of 54,00,000 – 15% Secured Redeemable Partly Convertible Debentures (PCDs) of Rs. 170/- each for cash at par aggregating Rs. 91.80 crores, Part A of Rs. 95/- each of which was converted into one equity share of Rs. 10/- each at a premium of Rs. 85 each and Part B of the face value of Rs. 75/- was redeemed at par in the three equal annual installments commencing from the end of the 6<sup>th</sup> year from the date of allotment.

The following table compares the performance vis a vis the projections given in the Offer Document for the aforesaid issue:

Rs. in lacs

Year ended	Projection				
	1994	1995	1996	1997	1998
March 31,					
Net Sales	25792	32736	40293	48323	56408
Other Income	50	50	50	50	50
PBIDT	4196	5539	6998	8868	10784
Profit After Tax	1834	2086	3071	3606	4618
EPS (Rs.)	12.12	10.75*	14.74	17.31	22.16

\*On Pro-rata capital during the year

Rs. in lacs

Year ended	Performance				
	1994	1995	1996	1997	1998
March 31,					
Net Sales	22584	23328	29873	31794	36178
Other Income	296	1414	823	876	1034
PBIDT	3965	4539	4137	4942	6197
Profit After Tax	1848	2437	3301	3320	3972
EPS (Rs.)	12.08	11.79*	15.72	15.69	18.77

\*On Pro-rata capital during the year

## 2. TORRENT CABLES LIMITED (TCL)

TCL was incorporated on 26<sup>th</sup> November 1960. The registered office of TCL is situated at Torrent House, Off Ashram Road, Ahmedabad – 380 009. TCL is engaged in manufacturing and sale of Power Cables.

As on 31.03.1999, the networth of TCL became negative. The company filed its reference with BIFR u/s 15(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 and was declared a sick unit u/s 31(1)(o) of the SICA vide BIFR order dated 04.08.1999. A Revival Scheme was sanctioned by BIFR on 11.04.2002.

However, the performance of the Company was far better than projected in BIFR Revival Scheme. Vide its order dated 12.03.2004, BIFR discharged TCL from the purview of SICA.

### Shareholding

The equity share holding pattern of TCL is as under:

	Category	No. of shares held	% Shareholding
A.	Promoter Holding	4693450	62.75%
B.	Non Promoter Holding	2786312	37.25%
	<b>Total</b>	<b>7479762</b>	<b>100.00%</b>

### Board of Directors:

The directors on the board are as under:

1. Mr. V. S. Parikh – Chairman
2. Mr. Prafull Anubhai
3. Mr. Harsh V. Jain
4. Mr. Radhey Shyam Agarwal
5. Mr. V. A. Shah

**Financial Performance:**

The financial results for the last three financial years are summarised below:

*(Rs. in Crore, except per share data)*

<b>Particulars</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>
Total Income	95.62	126.02	146.52
Profit / (-) Loss after tax	11.78	14.87	17.72
Equity Capital	7.49	7.49	7.49
Reserves	14.11*	27.28	42.44
EPS (Rs.)	15.75	19.88	23.69
Book Value (Rs.)	28.88	46.48	66.74

\* Net of debit balance of Profit and Loss Account.

**Details of Listing:**

Equity Shares of TCL are listed on the Bombay Stock Exchange Limited.

**Monthly High & Low price of the Equity Shares during preceding six months:**

<b>Month</b>	<b>BSE</b>	
	<b>High (Rs.)</b>	<b>Low (Rs.)</b>
May 2006	250.00	160.00
June 2006	185.50	112.05
July 2006	127.00	94.00
August 2006	128.80	95.55
September 2006	134.90	112.95
October 2006	139.85	112.00

**Promise V/s. Performance:**

In October, 1993, TCL made a right cum public issue, as detailed hereunder:

- (i) Public - 7,48,038 - 14% Secured Redeemable Partly Convertible Debentures (PCDs) of Rs. 150/- each, for cash at par aggregating Rs. 11.22 crores.
- (ii) Rights - 31,59,960 Equity shares of Rs. 10/- each, at a premium of Rs. 10 each, for cash aggregating Rs. 6.32 crores and
- (iii) Rights - 6,31,992 - 14% Partly Convertible Debentures (PCDs) of Rs. 150/- each for cash at par aggregating Rs. 9.48 crores.

The following table compares the performance vis a vis the projections given in the Offer Document for the aforesaid issue:

Rs. in lacs

Year ended March 31,	Projection		
	1994	1995	1996
Gross Sales & Other Income	4587	7019	8431
Profit before Tax	355	509	824
Profit after Tax	283	398	561
Gross Cash Accruals	405	628	803
<b>As at</b>	<b>31/03/94</b>	<b>31/03/95</b>	<b>31/03/96</b>
Equity Capital	612	750	750
Reserves	3160	3875	4097
EPS (Rs.)**	10.40	6.15	7.48
Cash EPS (Rs.)**	14.92	9.71	1071
Networth	3772	4625	4847
Book Value per Share (Rs.)*	28.10	36.63	41.91

\*Excluding Revaluation Reserve

\*\*on weighted capital

Rs. in lacs

Year ended March 31,	Performance		
	1994	1995	1996
Gross Sales & Other Income	4206	6388	10201
Profit before Tax	266	408	507
Profit after Tax	266	368	507
Gross Cash Accruals	328	470	634
<b>As at</b>	<b>31/03/94</b>	<b>31/03/95</b>	<b>31/03/96</b>
Equity Capital	603	748	749
Reserves	3060	3842	4099
EPS (Rs.)**	6.91	5.40	6.76
Cash EPS (Rs.)**	8.52	6.90	8.45
Networth	3663	4590	4848
Book Value per Share (Rs.)*	25.34	34.38	38.92

\*Excluding Revaluation Reserve

\*\*On weighted capital

### 3. GUJARAT LEASE FINANCING LIMITED (GLFL)

GLFL was incorporated on 13<sup>th</sup> July 1983. The registered office of GLFL is situated at 6<sup>th</sup> Floor, Hasubhai Chambers, Opp. Town Hall, Ellisbridge, Ahmedabad – 380 006. GLFL was incorporated to conduct Lease Financing operations. However, the Company has discontinued business since last five years. Presently, GLFL is a debt free company. GLFL is having subsidiaries namely GLFL Housing Finance Ltd, GLFL Securities Ltd and GLFL International Ltd.

#### Shareholding

The equity share holding pattern of GLFL is as under:

	Category	No. of shares Held	% of Shareholding
A.	Promoter Holding*	14575616	53.73%
B.	Non Promoter Holding	12550151	46.27%
	<b>Total</b>	<b>27125767</b>	<b>100.00%</b>

\*Torrent Private Ltd. holds 6,799,749 shares (25.07%) and Government of Gujarat holds 7,775,867 shares (28.66%) through its agencies viz. Gujarat Industrial Investment Corporation Limited, Gujarat State Investment Corporation Ltd., Gujarat Maritime Board and Gujarat Industrial Development Corporation.

#### **Board of Directors:**

The directors on the board are as under:

1. Mr. D. Rajagopalan, IAS – Chairman
2. Mr. A. K. Joti, IAS
3. Mr. G. C. Murmu, IAS
4. Mr. Surendra M. Shah
5. Mr. Ajay Mehta
6. Mr. V. A. Shah – Managing Director

#### **Financial Performance:**

The financial results for the last three financial years are summarised below:

*(Rs. in Crore, except per share data)*

<b>Particulars</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>
Total Income	3.43	0.98	1.00
Profit / (-) Loss after tax	2.63	67.58	0.18
Equity Capital	27.16	27.16	27.16
Reserves#	-125.15	-57.56	-57.38
EPS (Rs.)	0.97	24.91	0.07
Book Value (Rs.)	-36.12	-11.21	-11.14

# Net of Debit Balance in Profit & Loss Account.

#### **Details of listing:**

Equity Shares of GLFL are listed on National Stock Exchange of India Limited and Bombay Stock Exchange Limited

#### **Monthly High & Low price of the Equity Shares during preceding six months:**

<b>Month</b>	<b>NSE</b>		<b>BSE</b>	
	<b>High (Rs.)</b>	<b>Low (Rs.)</b>	<b>High (Rs.)</b>	<b>Low (Rs.)</b>
May 2006	10.95	5.60	10.33	5.75
June 2006	7.25	4.05	8.92	4.32
July 2006	5.90	4.10	5.89	4.09
August 2006	5.20	4.00	5.25	4.05
September 2006	5.40	4.50	5.47	4.16
October 2006	5.80	4.55	5.80	4.51

#### **Promise V/s. Performance:**

In June 1996, GLFL made public issue of Secured Redeemable Non-Convertible Debentures, aggregating Rs. 60 crore. The proceeds of the issue were used for the purpose for which it was raised.



#### 4. TORRENT GUJARAT BIOTECH LIMITED (TGBL)

TGBL was incorporated on 22<sup>nd</sup> March 1991. The registered office of TGBL is situated at Torrent House, Off Ashram Road, Ahmedabad – 380 009. TGBL was earlier carrying out manufacturing of Penicillin-G and its derivatives. The Company has sold its manufacturing facility and is presently not having operations.

TBGL made a reference to the BIFR on 19.05.1999 u/s 15(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) as the accumulated losses at the end of the financial year 1998-99 exceeded the Share Capital and the Reserves & Surplus. BIFR declared TGBL as a sick industrial company vide its order dated 24.09.1999. A Revival Scheme was sanctioned by BIFR on 10.03.2003.

TGBL was discharged from the purview of SICA by BIFR from 12.12.2005, subject to fulfillment of un-implemented provisions of the sanctioned scheme.

#### Shareholding

The equity share holding pattern of TGBL is as under:

	Category	No. of shares Held	% of Shareholding
A.	Promoter Holding	22806596	50.97%
B.	Non Promoter Holding	21938720	49.03%
	<b>Total</b>	<b>44745316</b>	<b>100.00%</b>

#### Board of Directors:

The directors on the board are as under:

1. Mr. S. M. Shah – Chairman
2. Mr. V. A. Shah – Director-in-Charge
3. Mr. A. G. Thakore
4. Mr. J. K. Satta

#### Financial Performance:

The financial results for the last three financial years are summarised below:

*(Rs. in Crore, except per share data)*

Particulars	2003-04	2004-05	2005-06*
Total Income	95.39	42.73	4.74
Profit / (-) Loss after tax	-9.55	-19.18	-67.21
Equity Capital	44.84	44.84	44.84
Reserves#	-13.57	-32.76	-99.97
EPS (Rs.)	-2.14	-4.29	-15.02
Book Value (Rs.)	6.99	2.70	-12.32

#Net of Debit Balance in Profit & Loss Account.

\*The financial year 2005-06 was extended by 3 months. The figures are for a period of 15 months ended 30<sup>th</sup> June 2006.

**Details of listing:**

Equity Shares of TGBL are listed on Bombay Stock Exchange Limited.

**Monthly High & Low price of the Equity Shares during preceding six months:**

Month	BSE	
	High (Rs.)	Low (Rs.)
May 2006	10.60	7.65
June 2006	7.95	5.50
July 2006	6.50	4.55
August 2006	6.38	4.88
September 2006	5.77	4.60
October 2006	7.49	5.03

**Promise V/s. Performance:**

In August, 1995, TGBL made a rights issue of 1,50,00,004 – Equity shares of Rs. 10/- each, at a premium of Rs. 10 each, for cash aggregating Rs. 30 crores.

The following table compares the performance vis a vis the projections given in the Offer Document for the aforesaid issue:

Rs. in lacs

Year ended	Projection		
	1996	1997	1998
<b>March 31,</b>			
Total Income	12284.88	19071.50	21747.00
PBIDT	4514.22	6383.31	7470.40
Net Profit (After Tax)	1221.12	3018.14	4063.96
<b>As at</b>	<b>31/03/96</b>	<b>31/03/97</b>	<b>31/03/98</b>
EPS (Rs.)	2.71	6.71	9.03
Book Value per Share (Rs.)	22.71	28.42	35.45

Rs. in lacs

Year ended	Performance		
	1996	1997	1998
<b>March 31,</b>			
Total Income	4473.20	10782.37	6591.83
PBIDT	658.93	3610.00	(1842.73)
Profit / (Loss) After Tax	(1225.99)	463.48	(5676.50)
<b>As at</b>	<b>31/03/96</b>	<b>31/03/97</b>	<b>31/03/98</b>
EPS (Rs.)	(2.72)	1.03	(12.61)
Book Value per Share (Rs.)	15.32	16.22	3.66

**Unlisted Group Companies:**

The Group Companies, which are unlisted entities, inter alias, are as follows:

**TORRENT POWER SERVICES PRIVATE LIMITED**

The company was incorporated on 7<sup>th</sup> October, 2005 and is having its registered office at Torrent House, Off Ashram Road, Ahmedabad -380009. It is joint venture between Torrent Private Limited and Siemens AG with a view to carry out business of marketing, sale, order execution and the

performance of all activities related to Operation and Maintenance of power plants in India. The company has not started its operation.

**TORRENT POWER TRANSMISSION PRIVATE LIMITED (TPTPL)**

TPTPL was incorporated on 25<sup>th</sup> August 2005. The registered office of TPTPL is situated at Electricity House, Lal Darwaja, Ahmedabad – 380 001. The main object and the principal business of the Company is to carry on in India or abroad the business of establishing, commissioning, setting up, operating and maintaining electric power transmission system/networks, power systems for evacuation and allied activities.

TPTPL is a Joint Venture between Torrent Power Limited and Power Grid Corporation of India Limited for setting up transmission system for evacuation of power from 1100 MW SUGEN project.

**AEC CEMENTS AND CONSTRUCTIONS LIMITED (AECCL)**

AECCL was incorporated on 25<sup>th</sup> May 1998. The registered office of AECCL is situated at AEC Tower, 5<sup>th</sup> Floor, Shahpur, Ahmedabad – 380 001. The principal business of the Company is to carry manufacturing and sale of flyash based building materials. The Company was subsidiary of TPAL, one of the transferor companies now amalgamated with TPL pursuant to the Scheme. Currently TPL has investment in AECCL as an associate company.

## MANAGEMENT DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Investors should read the following discussion of our financial condition and results of operations together with our audited financial statements for and as of the fiscal period ended March 31, 2005 and for the eighteen months period ended September 30, 2006 including the notes thereto, which appear in this Information Memorandum. These financial statements have been prepared in accordance with Indian GAAP and the Companies Act.

The first fiscal year of the Company was from the date of incorporation, i.e. 29th April, 2004 to 31st March, 2005. However, the current fiscal year 2005-06 which commenced on April 1, 2005 has been extended by six month to end on September 30, 2006. In view of this, the financial results for the period ended September 30, 2006 are not comparable with that of previous fiscal year.

### Overview

#### Sector:

Based on the current trends it is estimated that the Indian economy will grow 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. km. The Company serves about 1.8 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 increase of 12.82% on annualised basis. The peak system demand in the area of supply was 1333 MW showing an increase of 13.93%. The net sales of electricity of the Company stood at Rs.3783 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 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.

Pursuant to the Scheme, the undertakings of the transferor companies are transferred to and vested in the Company with effect from the Appointed Date, i.e., April 1, 2005. In view of incorporation of the consolidated operations of the transferor Companies, the financial results for the period ended September 30, 2006 are not comparable with that of previous fiscal year.

### Material Developments

In the opinion of the Board, there have not arisen, since the date of the financial statements disclosed in this Information Memorandum, any circumstances that materially or adversely affect or are likely to affect the profitability of our Company or the value of its assets or its ability to pay its liabilities within the next twelve months.

### Results of Operation

The following table sets forth certain information with respect to our revenues, expenditures and profits, as a percentage of net sales, for the period indicated therein. Since TPL was not carrying any business activity during the fiscal year ended March 31, 2005, details thereof are not relevant for production hereunder.

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>3783</b>	<b>100.00</b>
Cost of Electrical energy purchased	1657	43.80
Cost of Fuel	1019	26.93
<b>Contribution</b>	<b>1107</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 (%)	12	-
ROCE% -annualised	7.83	-
Debt – Equity Ratio	0.23	-

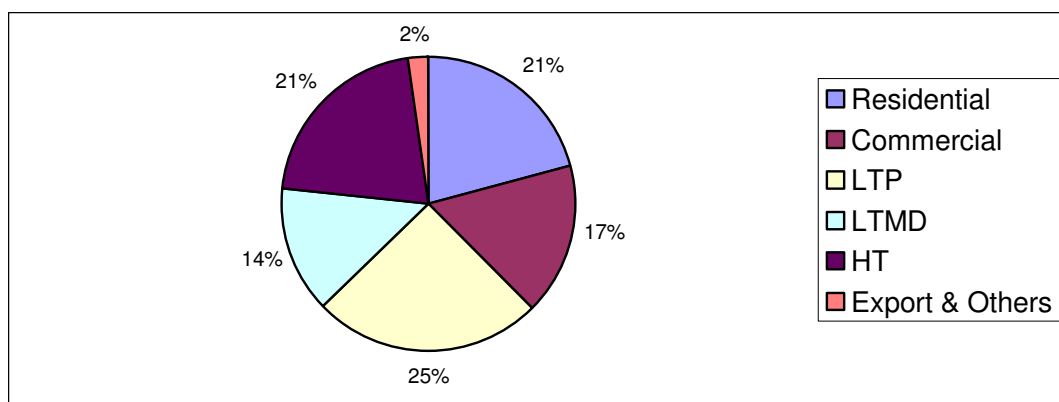
In FY 2005-06, the total revenues of the Company stood at Rs. 3940 crores while the total expenditure was Rs. 3580 crores.

## 1. 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.

### 1.1 Sale of Electricity

The net revenue from sale of electricity for the financial period 2005-06 was Rs. 3783 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 for each category of consumes is shown in graph below:



### 1.2 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, fuels 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 annualized basis, has provided a cushion towards power purchase 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 with us by consumers of electricity. Borrowing costs amounting to Rs. 23 crores related to 1100 MW SUGEN CCPP are capitalized and shown as capital work in progress.

### **2.6 Taxation**

The Company has provided for Rs. 160 crores in respect of Current taxes 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 toward 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 September 30, 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.



## LEGAL & OTHER INFORMATION

### OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

As per the Scheme, all suits, actions and proceedings of whatever nature by or against the Transferor Companies pending and/ or arising on or before the Effective Date of the Scheme shall not abate, or be discontinued or be in any way prejudicially affected by reason of the transfer of the business of the Transferor Companies pursuant to the Scheme but be continued, prosecuted and enforced by or against the Transferee Company, viz. TPL as effectually as if the same had been pending and/or arising against TPL.

Save as stated herein, there are no outstanding or pending material litigation, suit, criminal or civil prosecution, proceeding initiated for offence (irrespective of whether specified in paragraph (I) of Part 1 of Schedule XIII of the Companies Act) or litigation for tax liabilities against the Company, its Promoters, directors or Promoter Group companies and there are no material defaults, non payments or overdue of statutory dues, institutional or bank dues or dues towards holders of debentures, bonds and fixed deposits and arrears of preference shares, other than unclaimed liabilities of the Company, its Promoters or Promoter Group Companies.

From time to time, TPL experiences routine litigation and disputes with counter parties in its normal course of business, which are typical that are experienced by power utilities. Further similar litigation and disputes, which are pending / outstanding in relation with erstwhile TPAL and TPSL, will also continue to be addressed by TPL. However, TPL believes that none of such pending routine litigations or disputes either individually or in the aggregate are material.

#### **I. Pending Litigations or Disputes of routine nature in which the Company is associated:**

- An appeal has been filed before Commissioner of Income Tax (Appeals) against the order of Assistant Commissioner of Income tax dated 31<sup>st</sup> March, 2006 disallowing certain expenses amounting to Rs. 509.32 lacs for Assessment Year 2003-04 in respect of erstwhile TPAL.
- The Income Tax Department has filed an appeal before Income Tax Tribunal, Ahmedabad, against the order of Commissioner of Income Tax (Appeals) dated 2<sup>nd</sup> August, 2005 allowing a provision for wage liability of Rs. 411.00 lacs in respect of erstwhile TPAL for Assessment Year 2001-02.
- An appeal has been made against an order passed by the Commissioner of Customs (Appeals), Ahmedabad has been filed before the Customs, Excise and Service Tax Appellate Tribunal, West Zonal Bench at Mumbai. This appeal relates to a demand of Rs. 15.97 lacs made by the Department of Customs in relation to the import of a consignment of Steaming (Non-Coking) coal in respect of which Customs duty was assessed on a value higher than the value declared by the Company. This appeal relates to erstwhile TPAL.
- A demand for works contract tax to the tune of Rs. 44.23 lacs in respect of financial years 1993-94, 1994-95, 1995-96 and 1996-97 was made by the Department of Sales Tax, Nandigama, Andhra Pradesh, in relation to contract executed in Andhra Pradesh for supply, installation and commissioning of cable and cable accessories by Power Services Division of erstwhile TPAL. An appeal was filed to Deputy Commissioner of Commercial tax, which was rejected. The Company paid Rs. 9.10 lacs and appealed against the said demand before the Sales Tax Appellate Tribunal, Andhra Pradesh.

- A demand for works contract tax to the tune of Rs. 29.50 lacs in respect of financial years 1999-2000, 2000-01 and 2002-03 was made by the Department of Sales Tax, Koraput, Orissa, in relation to contract executed in Orissa for supply of materials for construction of 132 kv switchyard and design engineering, erection, testing, commissioning of 132 kv switchyard by Power Services Division of erstwhile TPAL. An appeal was filed to Assistant Commissioner of Sales tax, which was rejected. The Company paid the aforesaid amount and appealed against the said demand before Sales Tax Tribunal Orissa.
- A demand for works tax of Rs. 68.09 lacs in respect of financial years 1999-2000, 2000-01, 2001-02 and 2002-03 was made by the Department of Sales Tax, Calicut, in relation to contract executed in Kerala for design, supply, transport, construction, testing, erection and commissioning of sub project by Power Services Division of erstwhile TPAL. The Company has appealed against the said demand before the Deputy Commissioner (Appeals).
- Erstwhile TPSL had filed writ petitions under Article 226, 14 and 19(1)(g) of the Constitution of India before Hon'ble Gujarat High court challenging the validity of the issuance of notices by the Assistant Commissioner of Income Tax under section 148 of the Income Tax Act, 1961 dated 3<sup>rd</sup> September, 2004 and 30<sup>th</sup> March, 2005 for re-opening the assessments made for assessment year 2000-01 and 1998-99 respectively.
- Erstwhile TPSL had filed an appeal before the Commissioner of Income Tax (Appeals) Surat against the order of Assistant Commissioner of Income Tax for assessment year 2003-04 for disallowance of certain expenses. The aggregate amount of tax in dispute along with interest sums up to Rs 497.69 lacs against which the company has already paid a sum of Rs. 200 lacs.
- Erstwhile TPSL had filed an appeal before Assistant Sales Tax Commissioner, Surat on 21st May 2003, against the assessment order dated 31<sup>st</sup> March 2003 issued by Sales tax officer for FY 1998-99, demanding Rs. 19.54 lacs under Gujarat Sales Tax Act and Rs. 1.80 lacs under Central Sales tax act, including interest/penalty. The demand is towards applicability of works contract tax in respect of the Contract Division of TPSL. The Company had deposited the amount of Rs. 21.34 lacs under protest.
- Erstwhile TPSL had filed appeals before Civil Judge (SD), Surat against various demands raised by Surat Municipal Corporation (SMC) towards assessment of switchyard as a structure for "F" Receiving Station, for the years 2002-03 to 2005-06 which is disputed by the Company. The Company has paid amount aggregating Rs. 26.49 lacs under protest toward the gross demand of Rs. 36.12 lacs for Property tax.

However, TPL believes that none of the above pending litigations or disputes either individually or in the aggregate are material so as to adversely affect the financials or the business operations of the Company.

## **II. Pending Litigations / Disputes in which Promoter / Group Companies are associated**

- The assessing officer passed an assessment order dated 30-Mar-06 in respect of the return of income for accounting year 2002-03 (AY 2003-04) under the Income tax Act, 1961 and raised a demand of Rs. 817.17 lacs. Torrent Pharmaceuticals Limited has filed an appeal against the above order with Commissioner of Income Tax (Appeals), disputing all the additions / disallowances.

- Employee State Insurance Corporation is of the view that Employee State Insurance Act, 1948 is applicable in INDRAL area in which Torrent Pharmaceuticals Limited has its manufacturing facility since 1991, though as per Company same is not applicable. Lower Court has decided in the matter in favour of the Company. Employee State Insurance Corporation has appealed in High Court for the same. The amount in disputed is Rs. 161.44 lacs.
- Contract was signed between Torrent Pharmaceuticals Limited (TRC) and Mr. Chandrakant Modi of M/s. SVP Impex P. Ltd., in the year 1996 for supplying contractual labour at TRC. The contract labour went on strike in the year 1999 demanding permanent employment at TRC. As a result TRC terminated the contract and workers approached the labour court and the matter is under litigation since then. Total 47 cases are pending for the same in the labour court. Thirteen medical representatives have filed cases against Torrent Pharmaceuticals Limited demanding reinstatement with back wages, which are pending before various courts throughout the country.
- Nineteen workers of Contractor have filed cases against Torrent Pharmaceuticals Limited and Contractor in labour courts for reinstatement with back wages. 35 contract workers have filed cases against the Contractors for reinstatement with back wages and the Company has been made the second party. In respect of 6 contract workers, proceeding have been initiated against the company for non-issuance of identity cards, etc.
- The Income Tax department has initiated the penalty proceedings u/s 271 (1) (c) for the Assessment Year 2002-03. The Assessment Order is under litigation before the Commissioner of Income Tax (Appeals) and Appellate Tribunal. So far, Torrent Cables Limited has not received the order quantifying the penalty amount and demand notice for the same.
- The High Court of Gujarat in suo moto Special Civil Application (SCA) in 1997 passed an oral order and issued public notice to all the polluting units.

The High Court in SCA No. 6290 of 1997 directed the closure of industrial units discharging effluents, which included Torrent Gujarat Biotech Limited (TGBL). TGBL filed CA No. 9110 of 1997 before the High Court for modifying the order passed in SCA No 6290/1997 on the ground that TGBL had upgraded the treatment facility and the Court passed order on 24/09/1997 directing TGBL to pay penalty of 1% of the highest turnover (Rs. 96.25 lacs) for betterment of environment. TGBL has already deposited Rs. 25 lacs with the High Court in 1997, against 1% penalty of Rs. 96.25 lacs and filed SLP before the Supreme Court in December, 1997. The Supreme Court remanded the pollution matter to the High Court of Gujarat vide Order dated 05/05/2004.

- Torrent Gujarat Biotech Limited (TGBL) earned income by deployment of surplus funds during the Assessment Year 1993-94, 1994-95 & 1995-96. Commissioner of Income Tax (Appeals) allowed deduction of interest payment against interest receipt for A.Y. 1993-94 & 1994-95. The department has filed appeal against the order of CIT (Appeals) before Income-tax Appellate Tribunal (ITAT) and matter is pending. For A. Y. 1995-96, the Assessing Officer taxed the interest receipt as income from other sources and raised demand. The demand was confirmed by CIT (Appeals). TGBL has filed appeal against the order before ITAT.
- In case of Gujarat Lease Financing Limited (GLFL), matters relating to income – tax are pending before various appellate authorities for which liabilities are not ascertainable.

Further sales tax authorities of various states have raised demand for Rs. 140.86 lacs. GLFL has preferred appeal against said demands. An amount of Rs. 87.26 lacs is paid against these demands.

- Dr. Arvind Gupta has filed a public interest litigation in 1998 against Government of Gujarat against the divestment of the government stake in erstwhile Torrent Power AEC Limited in favour of Torrent Private Ltd and included Torrent Private Limited and Torrent Power AEC Limited as one of the respondents in the matter. The matter is pending before Hon'ble High Court of Gujarat at Ahmedabad.
- In case of Torrent Private Limited, matters relating to income – tax are pending before various appellate authorities for various assessment years which are not material in nature.

## GOVERNMENT APPROVALS

Pursuant to the Scheme of Arrangement the entire businesses of the transferor Companies with all its approvals, licenses, permissions, benefits, rights, registrations, consents etc. are being transferred to the transferee Company that would be carried on by the transferee Company on a going concern basis. The Company has all the necessary permissions and approvals from the Government and various Government agencies for the existing activities. No further approvals from any Government authority/ Reserve Bank of India (RBI) are required by the Company to undertake the existing activities, save and except those approvals, which may be required to be taken in the normal course of business from time to time.

The grant of approval by the respective statutory authorities including the Central Government/ RBI etc. does not mean that they accept any responsibility for the financial soundness or correctness of the statements made in this Information Memorandum.

The major approvals/ permissions/ consents/ NOCs from Government and other agencies pertaining to our business are as under:

### A. 1100 MW SUGEN CCPP, Village Akhakhol, Surat

Sl. No.	Description	Reference/ License No.	Issue Date	Expiry Date
1.	Permission for laying water pipeline from Dhoran Pardi by Executive Engineer, Panchayat (R&B) Div. 2, Surat	CB/8149-50	10-11-03	
2.	No objection certificates from Gujarat Pollution Control Board	PC/NOC/SRT-1351/687	09-01-04	
3.	Forest Clearance for site of CCPP by Dy. Conservator of Forests, Social Forestry Division, Surat	LND/T.11/C/296 of 2003-04	29-01-04	
4.	Chimney & Cooling Tower Clearance by Airport Authority of India	AAI/20012/279/2004-ARI	17-03-04	4 years upto 17-03-08
5.	Rights of Use for Water Pipeline crossing 5489 sq. m. land of block no. 8, 100, 119, 245 of village Dhoran Pardi & Akhakhol by District Collector, Surat	A/GMP/TPGL/Pipeline/Vashi/81	08-04-04	
6.	Environmental Clearance from Ministry of Environment and Forests, GOI	J-13012/2/2004 IA-II(T)	12-07-04	
7.	Permission for creating mortgage on acquired lands u/s 44-A of Land Acquisition Act, 1894 by Revenue Department, GoG	LSU-1604-200-GH	20-09-04	

8.	Approval for Installing 220 kV overhead lines for 1100MW SUGEN CCPP to 3 receiving stations u/s 68 of Electricity Act	SEC-11-2004-5331-K	28-01-05	
9.	Grant of Mega Power Status to SUGEN CCPP by MoP	A-118/2003-IPC	31-08-05	

**B. Sabarmati Thermal Power Station, Ahmedabad**

Sl. No.	Description	Reference/ License No.	Issue / Renewal Date	Expiry Date
1.	License under the Factories Act, 1948	Reg. No. 40 (400) 1 / A License No. 103530	11-03-96	31-12-07
2.	License issued by Inspector of Boilers for the use of boiler number GT-3699 under Indian Boilers Act	2730	29-11-05	28-11-06
3.	License issued by Inspector of Boilers for the use of boiler number GT-1861 under Indian Boilers Act	2723	18-12-05	17-12-06
4.	License issued by Inspector of Boilers for the use of boiler number GT-2280 under Indian Boilers Act	2786	21-02-06	20-02-07
5.	License issued by Inspector of Boilers for the use of boiler number GT-2582 under Indian Boilers Act	2827	12-11-05	11-11-06
6.	Consolidated Consent & Authorisation issued by Gujarat Pollution Control Board under Water (Prevention and Control of Pollution) Act, 1974, the Air (Prevention and Control of Pollution) Act, 1974 Hazardous Waste (Management & Handling) Rules, 1989 under the Environmental (Protection) Act, 1986	371	29-09-03	26-05-08
8.	License issued by Chief Controller of Explosives to Import and Store 15 KL Petroleum in Installation under Petroleum Act, 1934	P/HQ/GJ/15/1557(P1193 4)	30-04-97	31-12-06
9.	License issued by Controller of Explosives to store compressed gas in cylinders under Indian Explosives Act	G/WC/GJ/06/810 (G13928)	20-06-06	30-09-08

10.	License issued by Chief Controller of Explosives to Store 15 KL Petroleum in connection with Pump Outfit under Petroleum Act, 1934	P/WC/GJ/14/1288(P278 10)	11-11-92	31-12-06
11.	License issued by Chief Controller of Explosives to Store 4.5 KL Petroleum in connection with Pump Outfit under Petroleum Act, 1934	P/WC/GJ/14/2866(P278 58)	28-09-77	31-12-2006
12.	License issued by Dy. Commissioner of Police – Traffic to Import and Store 300 litres Petroleum in Installation under Petroleum Act, 1934	283/Sabarmati	15-02-91	31-12-06
13.	License issued by Chief Controller of Explosives to Import and Store 234 KL Petroleum in Installation under Petroleum Act, 1934	P/HQ/GJ/15/295(P9900)	24-01-79	31-12-06
14.	License issued by Controller of Explosives to store compressed gas in cylinders under Indian Explosives Act	G/WC/GJ/06/917 (G14110)	08-05-06	30-09-08
15.	License issued under the rules issued under Section 2 of the Poisons Act, 1919 by Dy. Commissioner of Police – Traffic	255/Sabarmati	04-04-03	31-12-06

### C. Vatva Gas Power Station, Ahmedabad

Sl. No.	Description	Reference/ License No.	Issue / Renewal Date	Expiry Date
1.	License under the Factories Act, 1948	Reg. No. 40(400-2)4210/A License No.014302	03-01-04	31-12-07
3.	License issued by Inspector of Boilers for the use of boiler number GT-2902 under Indian Boilers Act, 1923 (“Indian Boilers Act”)	1894	27-12-05	26-12-06
4.	License issued by Inspector of Boilers for the use of boiler number GT-2903 under Indian Boilers Act	1893	27-12-05	26-12-06
5.	License issued by Inspector of Boilers for the use of boiler number GT-2876 under Indian Boilers Act	1896	27-12-05	26-12-06

6.	License issued by Inspector of Boilers for the use of boiler number GT-2875 under Indian Boilers Act	1895	27-12-05	26-12-06
7.	Consolidated Consent & Authorisation issued by Gujarat Pollution Control Board under Water (Prevention and Control of Pollution) Act, 1974, the Air (Prevention and Control of Pollution) Act, 1974 Hazardous Waste (Management & Handling) Rules, 1989 under the Environmental (Protection) Act, 1986	826	15-11-03	20-03-08
8.	License issued by Chief Controller of Explosives to Import and Store 3250 KL Petroleum in Installation under Petroleum Act, 1934	P/HQ/GJ/15/2265(P17463)	31-05-96	31-12-06
9.	License for Storage of Solvent & LDO under The solvent rafinate and slop (Acquisition, Sale, Storage and Prevention of use in Automobiles) Order, 2000.	SM-4	01-01-04	31-12-07
10.	License issued under the rules issued under Section 2 of the Poisons Act, 1919 by Dy. Commissioner of Police – Traffic	257/Vatva GIDC	01-01-06	31-12-06

**D. Other Major Approvals/Licenses etc.**

Sl. No.	Description	Reference/ License No.	Issue / Renewal Date	Expiry Date
1. (a)	License for supply of energy in cities of Ahmedabad and Gandhinagar	-	29-11-1944*	28-11-2025
(b)	Sanction to engage in business of supplying electrical energy in city of Surat	-	08-04-1968*	11-04-2028
2.	License issued by Licensing Board, Government of Gujarat under Government Notification, Industries, Mines & Power Department, No. GU-40/IER-1067/2336-K dated 7 <sup>th</sup> April, 1969 as amended from time to time.	G/A/C 82 and G/O/C/116	01-01-2006	31-12-2006



## **REGULATORY AND STATUTORY DISCLOSURES**

### **Authority for Listing**

The Honorable High Courts of Judicature at of Gujarat at Ahmedabad, vide its Order dated July 12, 2006 has approved the Scheme of Arrangement including Amalgamation between Torrent Power AEC Limited (TPAL) and Torrent Power SEC Limited (TPSL) and Torrent Power Generation Limited (TPGL) with Torrent Power Limited (TPL) and their respective shareholders and creditors and reorganization of capital of Torrent Power Limited (the "Scheme") whereby the entire business of TPAL, TPSL and TPGL transferred to and vested in TPL w.e.f. April 1, 2005 (i.e. the Appointed Date under the Scheme) under Sections 100, and 391 to 394 of the Companies Act, 1956. In accordance with the said Scheme, the Equity Shares of TPL issued pursuant to the Scheme as well as existing shares of TPL issued for the purpose of incorporation shall, subject to applicable regulations, be listed and admitted to trading on Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE). Such listing and admission for trading is not automatic and will be subject to fulfillment by TPL of listing criteria of BSE and NSE for such issues and also subject to such other terms and conditions as may be prescribed by BSE and NSE at the time of the application by TPL seeking listing.

The aforesaid Order of the Honorable High Court of Gujarat at Ahmedabad was filed by TPL with the RoC, Gujarat on September 12, 2006.

Subsequently, SEBI vide its letter CFD/DIL/EB/79759/2006 dated November 14, 2006 has granted relaxation from the applicability of Rule 19(2)(b) of the Securities Contract Regulation (Rules), 1957 for listing of shares of TPL.

### **Eligibility Criterion**

There being no Initial Public Offering or Rights Issue, the eligibility criteria in terms of Clause 2.2.1 of SEBI (DIP) Guidelines, 2000 does not become applicable. However, the permission for relaxation under Regulation 19(2)(b) of Securities Contract (Regulations) Rules, 1957 was sought from SEBI.

The Company has submitted this Information Memorandum making disclosures in line with the disclosure requirement for public issues for making the said Information Memorandum available to public.

The Company will publish an advertisement in the newspapers containing its details in line with the details required as per clause 8.3.5.4 of SEBI (DIP) Guidelines. The advertisement will draw a specific reference to the availability of aforesaid Information Memorandum on its website.

TPL also undertakes that all material information about itself shall be disclosed to stock exchanges on a continuous basis so as to make the same available to the public, in addition to any requirements, if any, specified in the Listing Agreement for disclosures about its subsidiaries.

### **Prohibition by SEBI**

The Company, its directors, its promoters, other companies promoted by the promoters and companies with which the Company's directors are associated as directors have not been prohibited from accessing the capital markets under any order or direction passed by SEBI.

### **Caution**

The Company accepts no responsibility for statements made otherwise than in the Information Memorandum or in the advertisements to be published in terms of Clause 8.3.5.4 of SEBI (DIP) Guidelines, 2000 or any other material issued by or at the instance of the Company and anyone placing reliance on any other source of information would be doing so at his or her own risk. All information shall be made available by the Company to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner.

### **Disclaimer Clause of BSE**

As required, a copy of this Information Memorandum has been submitted to BSE. The BSE has vide its letter dated April 25, 2006, has given no objection certificate to the said Scheme under Clause 24(f) of the Listing Agreement and by virtue of that approval the BSE's name in this Information Memorandum has been incorporated as one of the Stock Exchanges on which the Company's securities are proposed to be listed.

The BSE does not in any manner:

- warrant, certify or endorse the correctness or completeness of any of the contents of this Information Memorandum; or
- warrant that this Company's securities will be listed or will continue to be listed on the BSE; or
- take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed to mean that this Information Memorandum has been cleared or approved by the BSE. Every person who desires to apply for or otherwise acquire any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

### **Disclaimer Clause of the NSE**

As required, a copy of this Information Memorandum has been submitted to NSE. The NSE has vide its letter dated April 27, 2006, has approved the said Scheme under Clause 24(f) of the Listing Agreement and by virtue of that approval the NSE's name in this Information Memorandum has been incorporated as one of the Stock Exchanges on which the Company's securities are proposed to be listed.

It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed to mean that this Information Memorandum has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Information Memorandum; nor does it warrant that this Company's securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of the Company.

Every person who desires to apply for or otherwise acquires any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

### **Listing**

Applications have been made to BSE and NSE for permission to deal in and for an official quotation of the Equity Shares of the Company. The Company has nominated BSE as the Designated Stock Exchange for the aforesaid listing of the shares.

The Company has already taken steps for the completion of necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above.

### **Allotment of Shares**

The Company has executed Agreements with NSDL and CDSL for admitting its securities in demat form. On September 30, 2006 the Company made allotment of the equity shares to those shareholders whose names appeared in the register of members on September 28<sup>th</sup>, 2006, i.e., the Record Date, fixed for the purpose in consultation with the Stock Exchange.

### **Demat Credit**

Such shares shall be allotted in demat form to those shareholders who have provided necessary details to the Company and/ or who were holding their shares in TPAL, TPSL and TPGL in demat form, as on Record Date.

### **Dispatch of Share Certificate**

Upon allotment of Shares to eligible shareholders pursuant to the Scheme on September 30, 2006 the Company shall despatch share certificates to the shareholders who were holding shares in TPAL, TPSL and TPGL, as the case may be, in physical form, as on record date.

### **Expert Opinions**

Save as stated elsewhere in this Information Memorandum, we have not obtained any expert opinions.

### **Stock Market Data for Equity Shares of TPL**

Equity Shares of TPL are not listed on any stock exchanges. TPL is seeking approval for listing of its shares through this Information Memorandum.

### **Particulars Regarding Previous Public or Rights Issues**

TPL has not made any public or rights issue since incorporation.

### **Issues otherwise than for Cash**

There is no issue of shares otherwise than for cash except pursuant to the Scheme sanctioned by the High Court of Gujarat at Ahmedabad.

### **Commission or brokerage on previous issues**

Since the Company has not issued shares to the public in the past, no sum has been paid or payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares since its inception.

### **Capital Issues -Companies under the Same Management**

There are no companies under the same management within the meaning of Section 370(1B) of the Companies Act, which has made any capital issue during the last three years.

### **Outstanding Debentures or Bonds or Redeemable Preference Shares**

There are no outstanding debentures or bonds or redeemable preference shares issued by us as of the date of this Information Memorandum.

### **Redressal of Investors Grievances**

All investors' grievances would be redressed within 7 days of receipt by the Company or its Share Transfer Agent. Investors can contact the Company's Share Transfer Agent or the Compliance Officer or the Secretarial Department of the Company in case of any share transfer related problem. The addresses and contact numbers are given elsewhere in this Information Memorandum. For quicker response, investors are requested to mention their contact numbers and email addresses while communicating their grievances.

Similar arrangements are in place for group companies also.

### **Changes in Auditors**

There have been no changes in the Auditors since inception except that M/s. C. C. Chokshi & Co., Chartered Accountants has been appointed as auditors of the Company at an Extra Ordinary General Meeting held on 14.02.2006 in place of M/s. Pankaj B. Shah & Co., Chartered Accountants, who expressed their inability to continue as the Auditors of the Company due to their pre-occupation. M/s. Pankaj B. Shah & Co., Chartered Accountants were the first auditors of the Company.

### **Capitalisation of Reserves or Profits**

We have not capitalised any reserves or profits since our incorporation.

### **Disclosure on negative net worth/winding up/sick/BIFR/disassociation/strike off from ROC**

There is no group company having a negative net worth or under winding up or a sick company or under BIFR except as mentioned elsewhere in this Information Memorandum. Further, TPL has not disassociated from any company. Further, none of group companies of TPL have applied for striking off their name from the ROC.

## **MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION**

### **5. Increase of Capital**

The Company may by ordinary resolution in General Meeting, in accordance to the law for the time being in force, alter the conditions of its Memorandum as follows, that is to say, it may:

- (a) increase its share capital by such amount as it thinks expedient by issuing new shares of such amount as may be deemed expedient and the new shares shall be issued on such terms and conditions and with such rights and privileges annexed thereto, as the General Meeting resolving upon the creation thereof, shall direct and if no direction be given, as the Board of Directors shall determine, and in particular such shares may be issued with a preferential right to dividends and in the distribution of the assets of the Company.
- (b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (c) convert all or any of its fully paid up shares into stock and reconvert that stock into fully paid up shares of any denomination;
- (d) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum so however, that in the sub division of the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;
- (e) cancel shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled. A cancellation of shares in pursuance of this Clause shall not be deemed to be a reduction of share capital within the meaning of the Act

### **8. Capital of two kinds only**

Neither the original capital nor any increased capital shall be of more than two kinds, namely (a) Equity Share Capital - with voting rights or with differential rights as to dividend, voting or otherwise in accordance with the rules and conditions prescribed under the Act from time to time and (b) Preference Share Capital as defined in Section 85 of the Act.

### **10. Further issue of Capital**

- (1) Where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares made for the first time, whichever is earlier, it is proposed to increase the Subscribed Capital of the Company by allotment of further shares then,
  - (a) Such further shares shall be offered to the persons, who at the date of the offer, are holders of the Equity shares of the Company, in proportion, as nearly as circumstances admit, to the capital paid up on those shares at that date;
  - (b) the offer aforesaid shall be made by notice specifying the number of shares offered and limiting a time not being less than fifteen days from the date of the offer within which the offer, if not accepted, will be deemed to have been declined;

- (c) the offer aforesaid shall be deemed to include right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of other person; and the notice referred to in sub-clause (b) hereof shall contain a statement of this right.
- (d) after the expiry of the time specified in the notice aforesaid, or in receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose of them in such manner as they think most beneficial to the Company;
- (2) Notwithstanding anything contained in sub-clause(1),the further shares aforesaid may be offered to any person (whether or not those persons include the persons referred to in sub-clause (1)(a)) in any manner whatsoever;
  - (a) if a Special Resolution to that effect is passed by the Company in General Meeting, or
  - (b) where no such Special Resolution is passed, if the votes cast whether on a show of hands or on a poll (as the case may be) in favour of the proposal contained in the resolution moved in that General Meeting (including the casting vote, if any, of the Chairman)by members, who being entitled to do, vote in person, or by proxy, exceed the votes, if any cast against the proposal by members so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in that behalf, that the proposal, is most beneficial to the Company.
  - (3) Nothing in Clause (c) of sub-clause (1) hereof shall be deemed a) to extend the time within which the offer should be accepted; or b) to authorise any person to exercise the right of renunciation for a second time, on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

#### **11. How far new shares to rank with shares of original Capital**

Except so far as otherwise provided by the conditions of issue or by these Articles of Association any capital raised by the creation of new shares shall be considered part of the original capital and shall be subject to the provisions herein contained with reference to the payment of calls, and instalments, transfers and transmission, forfeiture, lien, surrender, voting and otherwise.

#### **16. Buyback of shares**

The Company shall have power, subject to and in accordance with the provisions of Sections 77A, 77AA and 77B of the Act and other relevant regulations as applicable including regulations laid down by the SEBI and or the Government of India in this regard from time to time, to purchase any of its own shares, or such other specified securities as may be notified by the Central Government from time to time, on such terms and conditions and in such manner as may be prescribed by law from time to time.

#### **17. Reduction of Capital**

The Company may from time to time by Special Resolution subject to requisite confirmation of the authority and subject to the provisions of Sections 100 to 104 of the Act, reduce its Share Capital, and Capital Redemption Reserve Account and Securities Premium Account in any way and in particular without prejudice to the generality of the foregoing power by:

- (a) extinguishing or reducing the liability on any of its shares in respect of the Share Capital not paid up; or

- (b) canceling either with or without extinguishing or reducing liability on any of its shares, any paid up Share Capital which is lost or is unrepresented by available assets; or
- (c) paying off, either with or without extinguishing or reducing liability on any of its shares, any paid up Share Capital which is in excess of the wants of the Company, and capital may be paid off upon the footing that it may be called up again or otherwise and paid up capital may be cancelled as aforesaid without reducing the nominal amount of shares by the like amount to the intent that the unpaid and uncallable capital shall be increased by the like amount.

## **21. Fractional Shares**

If and whenever as a result of issue of new or further shares or any consolidation or subdivision of shares, any shares held by members become fractional shares, the directors shall, subject to the provisions of the Act and the Articles and to the directions of the Company in general meeting, if any, sell those shares which members hold in fractions for the best price reasonably obtainable and shall pay and distribute to and amongst the members entitled to such shares in due proportion, the net proceeds of the sale thereof. For the purpose of giving effect to any sale, the directors may authorize any person to transfer the shares sold to the purchaser thereof comprised in any such transfer and he shall not be bound to see the application of the purchase money nor shall his title to the shares be effected by any irregularity or invalidity in the proceedings in reference to the sale.

## **23. Sweat Equity Shares**

The Company shall have the power, subject to and in accordance with the provisions of Section 79A of the Act and other relevant regulations including regulations laid down by the authorities in this regard from time to time, to issue sweat equity shares to employees and/or directors on such terms and conditions and in such manner as may be prescribed by law from time to time.

## **25. Preferential Allotment**

In addition to and without derogating from the powers for the purpose conferred on the Board under these Articles, the Company in General Meeting may subject to the provisions of section 81 of the Act, determine that any shares (whether forming part of the original capital or of any increased capital of the Company) be offered to such persons (whether members or not) in such proportion and on such terms and conditions and either at a premium or at par or at discount as such general meeting may determine and with full power to give any person (whether members or not) the option to call for or be allotted shares of any class of the Company either at a premium or at par or at discount (subject to compliance with the provisions of the Act) such option being exercisable at such time and for such consideration as may be directed by such general meeting or the Company in general meeting may make any other provision whatsoever for the issue, allotment or disposal of such shares.

## **31. Liability of Joint holders of shares**

The joint holders of a share shall be severally as well as jointly liable for the payment of all instalments and calls due in respect of such shares.

### **32. Trusts not recognised**

Save as otherwise provided by Articles of Association or by the Act, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share or whose name appears as the beneficial owner of the shares in the records of the Depository, as the absolute owner thereof and accordingly shall not (except as ordered by a Court of competent jurisdiction) be bound to recognise any benami trust or equity or equitable, contingent or other claim to or interest in such share on the part of any other person, whether or not the Company shall have express or implied notice thereof and the provisions of Section 153 of the Act shall apply accordingly.

### **37. Issue of new certificate in place of one defaced or destroyed**

If any certificate is lost or destroyed or defaced, mutilated or torn or has no further space on the back thereof for endorsement of transfers then in case of a lost or destroyed certificate upon proof to the satisfaction of the Directors as to its loss or destruction and on such indemnity as the Directors deem adequate being given and in other cases, upon surrender of the certificate to the Company, a new certificate in lieu thereof shall be given to the person entitled to such certificate. Any new or renewed certificate may be marked as such. The out of pocket expenses incurred by the Company in investigating the evidence as to the loss or destruction shall be paid to the Company. No fee shall be charged for issue of new certificates in replacement of those which are old, decrepit or worn out or where the cages on the reverse for recording transfers have been utilised fully.

Where a new certificate has been issued as aforesaid, particulars of every such certificates shall be entered in a register of Renewed and Duplicate Certificates indicating against the name or names of the person or persons to whom the certificate is issued. All entries made in the said Register shall be authenticated by the Secretary or such other person as may be appointed by the Board.

### **40. The first named of joint holders deemed sole holder**

If any shares stand in the names of two or more persons, the person first named in the Register shall as regards receipt of dividends or bonus or service of notices and all or any other matters connected with the company except voting at the meeting and the transfer of shares be deemed the sole holder thereof.

### **49. Form of transfer**

The instrument of transfer of any share shall be in writing in the usual common form or in such form as may be approved by or current in any recognised Stock Exchange or as near thereto as circumstances may require.

### **51. The Board may decline to register transfer**

- (a) The Directors may subject to the provisions of section 111 and section 111A of the Act in their absolute and uncontrolled discretion decline to register any transfer of or the transmission by operation of law of the right to any securities of the Company to any person of whom they do not approve and in particular, may so decline in any case in which the Company has a lien upon the shares or any of them. The registration of a transfer shall be conclusive evidence of the approval by the Board of the transferee but so far only as regards the share or shares in respect of which the transfer is so registered and not further or otherwise and not so as to debar the directors from declining to register any subsequent or other transfer of other shares applied for in the name of such transferee. Provided that



registration of any transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except as stated herein above.

- (b) Where the securities of the Company are listed on stock exchange/s the Directors may decline to register transfer of shares on the ground that the share transfer is not of a marketable lot. The marketable lot will be decided in consultation with the concerned Stock Exchange / SEBI.

## **52. Transfer of securities**

- (1) An application for registration of transfer of securities may be made either by the transferor or transferee.
- (2) Where the application for transfer is made by the transferor and relates to partly paid shares, the transfer shall not be registered unless the Company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice.
- (3) For the purpose of sub-clause (2) hereof notice to the transferee shall be deemed to have been duly given if it is dispatched by prepaid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been duly delivered in the ordinary course of post.
- (4) It shall be lawful for the Company to refuse to register a transfer of any shares, unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupation, if any, of the transferee has been delivered to the Company alongwith the certificate relating to the shares or if no such certificate is in existence alongwith the letter of allotment of shares provided that where on an application in writing made to the Company by the transferee and bearing the stamp required for an instrument of transfer, it is proved to the satisfaction of the Board of Directors that the instrument of transfer signed by or on behalf of the transferor and by or on behalf of the transferee has been lost, the Company may register the transfer on such terms as to indemnity as the Board may think fit.
- (5) If the Company refuses to register any such transfer or transmission of right, the Company shall within two months from the date on which the instrument of transfer or the intimation of such transmission as the case may be, was delivered to the Company send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission as the case may be giving reasons for such refusal.

Nothing in sub-clause(4) hereof shall prejudice any power of the Company hereunder to refuse to register the transfer of or the transmission by operation of law of the right to any securities of the Company.

The Company shall comply with the provisions of Section 108 of the Act.

## **57. Nomination of shares and/or debentures**

- (a) Notwithstanding anything contained hereinabove, every holder of shares in or debentures of the company may at any time nominate, in the manner prescribed under the Act, a person to whom his/her shares in or debentures of the company shall vest in the event of his/her death.
- (b) Where the shares or debentures of the company are held by more than one person jointly, the joint holders may together nominate, in the manner prescribed under the Act a person to whom all the rights in the shares or debentures of the company shall vest in the event of death of all the joint holders.
- (c) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of the shares or debentures where a nomination is made in the manner prescribed under the Act, purports to confer on any person the right to vest the shares or debentures of the company, the nominee shall on the death of the shareholder or the debenture holder concerned, or on the death of the joint holders shall become entitled to all the rights in relation to such shares or debentures as the case may be to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner under the Act.
- (d) Where the nominee is a minor, the holder of the shares or debentures concerned, can make the nomination to appoint in the prescribed manner under the Act, any person to become entitled to the shares or debentures concerned in the event of his death during the minority.

## **58. Transmission Clause**

Any person becoming entitled to shares in consequence of the death, lunacy or insolvency of any member, upon producing proper evidence of the grant of probate or Letters of Administration or Succession Certificate or such other evidence that he sustains the character in respect of which he proposes to act under this Clause or of his title as the Directors think sufficient, may with the consent of the Directors (which they shall not be under any obligation to give) be registered as a member in respect of such share. This clause is herein referred to as the "Transmission Clause".

Notwithstanding anything contained above, any person who becomes a nominee by virtue of the provisions of Section 109A, upon the production of such evidence as may be required as indicated above elect either-

- (a) to be registered himself/herself as holder of the share or debenture as the case may be; or
- (b) to make such transfer of the share or debenture as the case may be as the deceased shareholder or debenture holder as the case may be could have made.

If the person being a nominee, so entitled, elects to be registered as holder of the share or debenture himself/herself as the case may be he/she shall deliver or send to the company a notice in writing duly signed by him/her that the nominee concerned so elects and such notice shall be accompanied with the death certificate of the deceased shareholder/debenture holder as the case may be.

All the limitations, restrictions and provisions of this Act relating to the right to transfer and the registration of transfers of shares or debentures shall be applicable to any such notice or transfer as aforesaid as if the death of the member had not occurred and the notice or transfer were signed by that shareholder or debenture holder, as the case may be.

A person being a nominee, becoming entitled to a share or debenture by reason of the death of the holder shall be entitled to the same dividends and other advantages to which he/she would be entitled if he/she were the registered holder of the share or debenture except that he/she shall not, before being registered a member in respect of his/her share or debenture, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the company.

Provided that the Board may, at any time give notice requiring any such person to elect to be registered himself/herself or to transfer the share or debenture, and if the notice is not complied with within ninety days, the Board may thereafter withhold all payments of all dividends, bonuses, or other moneys payable in respect of the share or debenture, until the requirements of the notice have been complied with.

**60. Board may require evidence of transmission**

Every transmission of share shall be verified in such manner as the Directors may require and the Company may refuse to register any such until the same be so verified or until and unless an indemnity be given to the Company with regard to such registration which the Directors in their discretion shall consider sufficient; Provided nevertheless that there shall not be any obligations on the Company or the Directors to accept an indemnity.

**67. Calls**

The Directors may, from time to time by resolution passed at a meeting of the Directors and not by a circular resolution, make such calls as they may think fit, upon the members in respect of all moneys unpaid on the shares held by them respectively, whether on account of the nominal value of the shares or by way of premium, and not by the conditions of allotment thereof made payable at fixed times and each member shall pay the amount of every call so made on him to the Company or persons and at the times and places appointed by the Directors. A call may be made payable by installments.

**75. Partial payment not to preclude forfeiture**

Neither the receipt by the Company of a portion of any money which shall from time to time be due from any member to the Company in respect of his shares, either by way of principal or interest, nor any indulgences granted by the Company in respect of the payment of such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as hereinafter provided.

**77. Liability of joint holders**

The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

**80. Payment of dividend in proportion to amount paid up**

The Company may pay dividends in proportion to the amount paid up on each share where a large amount is paid up on some shares than others

**82. If Installment not paid notice may be given**

If any member fails to pay any call or installment of a call on or before the date appointed for the payment of the same, the Directors may at any time thereafter, during such time as the call or installment remains unpaid, serve a notice on such member or his heir, administrator, executor or

assignee or if none be known to the Company, then by advertisement, requiring him to pay the same together with any interest that may be accrued and all expenses that may have been incurred by Company by reason of such non-payment.

For the purposes of the provisions of these presents relating to forfeiture of shares, the sum payable upon allotment in respect of a share shall be deemed to be a call payable upon such share on the date of allotment.

**84. If notices not complied with shares may be forfeited**

If the requirements of any such notice as aforesaid are not complied with any shares in respect of which such notice has been given may, at any time thereafter before payment of all calls or installments, interest and expenses due in respect thereof, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.

**85. Notice after forfeiture**

When any share shall have been so forfeited notice of the resolution shall be given to the member in whose name it stood immediately prior to the forfeiture and any entry of the forfeiture with the date thereof shall forthwith be made in the Register provided however that the failure to give the notice will not in any way invalidate the forfeiture.

**87. Power to annul forfeiture**

The Directors may at any time before any share so forfeited shall have been sold, reallocated or otherwise disposed of, annul the forfeiture thereof as a matter of grace and favour but not as of right upon such terms and conditions as they may think fit.

**88. Arrears to be paid notwithstanding forfeiture**

Any members whose share shall have been forfeited shall, notwithstanding such forfeiture, be liable to pay and shall forthwith pay to the Company all calls, installments, interests and expenses owing upon or in respect of such shares at the time of the forfeiture together with interest thereon from the time of the forfeiture until payment at such rate as may be prescribed under the Act or such percentage as shall be decided by the Board whichever is lower and the directors may enforce the payment of such moneys or any part thereof if they think fit, but shall not be under any obligation so to do.

**92. Partial payment not to preclude forfeiture**

Neither a judgment nor a decree in favour of the company for calls or other moneys due in respect of any shares nor any part payment or satisfaction thereof nor the receipt by the Company of a portion of any money which shall from time to time be due from any member in respect of any shares either by way of principal or interest nor any indulgence granted by the Company in respect of payment of any such money shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as herein provided.

**93. The Provision of these Articles as to forfeiture to apply in case of non payment of any sum**

The provisions of these Articles as to forfeiture shall apply to the case of non-payment of any sum which by the terms of issue of a share become payable at a fixed time whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

**94. Board may accept surrender of shares**

The Board may, at any time so far as may be permissible by law, accept the surrender of any share, from or by any shareholder desirous of surrendering, on such terms as the Board may think fit.

**95. Cancellation of Share Certificates in respect of forfeited Shares and issue of new Certificates**

Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the Certificate or Certificates originally issued in respect of the relative Shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting member) stand cancelled and become null and void and of no effect. Where any Shares under the powers in that behalf herein contained are sold by the Board of Directors and the certificate in respect thereof has not been delivered up to the Company by the formal holder of such Shares, the Board of Directors may issue a new certificate for such Shares distinguishing it in such manner as it may think fit from the certificate not so delivered up.

**96. Company's lien on shares**

The Company shall have no lien on its fully paid shares. In the case of partly paid up shares, the Company shall have a first and paramount lien thereon only in respect of all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares and such lien shall extend to all dividends from time to time declared and payable in respect of such shares. Unless otherwise agreed, the registration of a transfer of shares shall operate as a waiver of the Company's lien, if any, on such shares. The Directors may at any time declare any share to be wholly or in part exempt from the provisions of this clause.

**97. As to enforcing lien by sale**

For the purpose of enforcing such lien the Board of Directors may sell the shares subject thereto in such manner as they think fit but no sale shall be made unless a sum in respect of which the lien exists is presently payable and until notice in writing of the intention to sell shall have been served on such member or the person or persons entitled by transmission to the shares and default shall have been made by him or them in the payment of sum payable as aforesaid for seven days after the date of such notice.

**98. Application of proceeds of sale**

The net proceeds of any such sale, after payment of the cost of such sale, shall be applied in or towards satisfaction of all moneys called and payable in respect of such shares and the residue (if any) paid to such member or to the person (if any) entitled by transmission to the shares so sold.

## **100. Annual General Meeting**

- (1) (a) The Company shall in each year hold in addition to any other meetings, a General meeting as its Annual General Meeting and shall specify the meeting as Annual General Meeting in the notices Calling the same.
  - (b) Annual General Meeting shall be held by the Company within six months after the expiry of each financial year; and
  - (c) Not more than fifteen months shall elapse between the date of one Annual General Meeting and that of the next;

Unless the Registrar of Companies shall have for any special reason extended the time for holding any Annual General Meeting.

- (2) Every Annual General Meeting shall be called at a time during the business hours on a day that is not public holiday and shall be held either at the Registered Office of the Company or at some other place within the city, town or village in which the Registered Office of the Company is situate, as the Directors may determine.
- (3) Every member of the Company shall be entitled to attend either in person or by proxy and the Auditor of the Company shall have the right to attend and to be heard at any general meeting which he attends on any part of the business which concerns him as auditor.
- (4) At every Annual General Meeting of the Company there shall be laid on the table the Director's report and the Audited Statement of Accounts, Auditors' Report (if not already incorporated in the Audited Statement of Accounts), the proxy register and the Register of Director's Shareholdings and other statutory registers which shall remain open and accessible during the continuance of the meeting.

## **102. Circulation of members' resolution**

- (1) Subject to the provisions of Section 188 of the Act, the Directors shall on the requisition in writing of such number of members as is hereinafter specified and (unless the General Meeting otherwise resolves) at the expenses of the requisitionists:-
  - (a) give to the members of the Company entitled to receive notice of the next Annual General Meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting.
  - (b) circulate to members entitled to have notice of any General Meeting sent to them, any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or any business to be dealt with at that meeting.
- (2) The number of members necessary for a requisition under sub-clause (1) hereof shall be -
  - (a) such number of member as represent not less than one twentieth of the total voting power of all the members having at the date of the requisition a right to vote on the resolution or business to which the requisition relates; or
  - (b) not less than one hundred members having the right aforesaid and holding shares in the Company on which there has been paid up an aggregate sum of not less than one lakh rupees in all.

- (3) Notice of any such resolution shall be given and any such statement shall be circulated to members of the Company entitled to have notice of the meeting sent to them, by serving a copy of the resolution or statement on each member in any manner permitted by the Act for service of notice of the meeting and notice of any such resolution shall be given to any other member of the Company by giving notice of the general effect of the resolution in any manner permitted by the Act for giving him notice of meeting of the company. The copy of the resolution shall be served or notice of the effect of the resolution shall be given, as the case may be, in the same manner and, so far as practicable, at the same time as the notice of the meeting and where it is not practicable for it to be served or given at that time, it shall be served or given as soon as practicable thereafter.
- (4) The Company shall not be bound under this article to give notice of any resolution or to circulate any statement unless a copy of the resolution signed by the requisitionists (or two or more copies of which between them contain the signatures of all the requisitionists) is deposited at the Registered Office of the Company (i) in the case of a requisition requiring notice of resolution not less than six weeks before the meeting and (ii) in the case of any other requisition, not less than two weeks before the meeting; and there is deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expenses in giving effect thereto; Provided that if after a copy of the requisition requiring notice of a resolution has been deposited at the Registered Office of the Company, an Annual General Meeting is called for a date six weeks or less after such copy has been deposited, the copy although not deposited within the time required by this Article shall be deemed to have been properly deposited for the purposes thereof.
- (5) The Company shall also not be bound under this Article to circulate any statement, if on the application either of the Company or of any other person who claims to be aggrieved, the court is satisfied that the rights conferred by this article are being abused to secure needless publicity for defamatory matter.
- (6) Notwithstanding anything in these present contained, the business which may be dealt with at an Annual General Meeting shall include any resolution of which notice is given in accordance with this Article and for the purposes of this sub-clause notice, shall be deemed to have been so given notwithstanding accidental omission in giving it, to one or more members.

#### **105. Calling of Extra- ordinary General meeting on requisition**

- (1) The Directors shall on the requisition of such number of members of the Company as is specified in sub-clause (4) hereof forthwith proceed duly to call an Extraordinary General Meeting of the Company and in the case of such requisition the following provisions shall have effect.
- (2) The requisition shall set out the matters for the consideration of which the meeting is to be called, shall be signed by the requisitionists and shall be deposited at the Registered Office of the Company.
- (3) The requisition may consist of several documents in the like form each signed by one or more requisitionists.
- (4) The number of members entitled to requisition a meeting in regard to any matter shall be such number as hold at the date of deposit of the requisition not less than one tenth of such of the paid up Capital of the Company as at that date carries the right of voting in regard to that matter.

- (5) Where two or more distinct matters are specified in the requisition, the provisions of sub-clause (4) hereof shall apply separately in regard to each such matter and the requisition shall accordingly be valid only in respect of those matters in regard to which the condition specified in that sub-clause is fulfilled.
- (6) If the Directors do not, within twenty one days from the date of the deposit of a valid requisition in regard to any matter, proceed duly to call a meeting for the consideration of those matters on a day not later than forty five days from the date of the deposit of requisition, the meeting may be called by the requisitionists themselves or by such of the requisitionists as represent either a majority in value of the Paid up share capital held by all of them or not less than one tenth of such of the paid up share Capital of the Company as at the deposit of the requisition carries the right of voting in regard to the matter referred to in the requisition whichever is less but any meeting so convened shall not be held after the expiry of three months from the date of the deposit of the requisition provided however that nothing herein contained shall be deemed to prevent a meeting duly commenced before the expiry of the said period of three months from adjourning to some other day after the expiry of that period.
- (7) In the case of a meeting at which resolution is to be proposed as a Special Resolution, the Directors shall be deemed not to have duly convened the meeting if they do not give such notice thereof as is required to be given for a special resolution under section 189(2) of the Act.
- (8) Any meeting convened under this Article by the requisitionists or any of them shall be convened at the Registered Office of the Company or within any other city, town or village in which more than one-tenth of the total number of members entered in the Register of Members reside, in the same manner as nearly as possible as that in which meetings are to be convened by the Directors.
- (9) Where two or more persons hold any shares in the company jointly, a requisition or a notice calling a meeting signed by one or more only of them shall for the purpose of this clause have the same force and effect as if it had been signed by all of them.
- (10) Any reasonable expenses incurred by the requisitionists, by reason of the failure of the Directors duly to call a meeting shall be repaid to the requisitionists by the Company and any sum so repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration for their services to such of the Directors as were in default.

#### **106. Length of notice for calling meeting**

- (1) Any General Meeting of the Company whether Annual General Meeting or Extraordinary General Meeting may be called by giving not less than twenty-one days notice in writing.
- (2) A General Meeting may be called after giving shorter notice than that specified in sub-clause (1) hereof if consent is accorded thereto:-
  - (i) in the case an Annual General Meeting by all the members entitled to vote thereat; and
  - (ii) in the case of any other meeting, by members of the Company holding not less than ninety- five per cent of such part of the Paid up Share Capital of the Company as gives a right to vote at the meeting;



Provided that where any members of the Company are entitled to vote only on some resolution or resolutions to be moved at the meeting and not on the others, those members shall be taken into account for the purposes of this sub-clause in respect of the former resolution or resolutions and not in respect of the later.

**109. Explanatory statement to be annexed to notice.**

Where any items of business to be transacted at any meeting of the Company are deemed to be Special as aforesaid, there shall be annexed to the notice of the meeting a Statement setting out all material facts concerning each such item of business, including in particular the nature of the concern or interest as may be specified in the Act, if any, therein of every Director, and the Manager, if any, and specifying where any item of business consists of the according of approval to any document by the meeting, the place and time where the document can be inspected.

Provided that where any item of Special Business to be transacted at a meeting relates to or affects any other company, the extent of shareholding interest in that other company of every Director, and the Manager, if any, of the Company, shall be set out in the statement if the extent of such shareholding interests is not less than twenty per cent of the paid up capital of that other Company.

**110. General Meeting not competent to discuss or transact any special business without special notice**

No General Meeting, Ordinary or Extraordinary shall be competent to enter upon, discuss or transact any item of business deemed to be Special unless notice thereof is given in the notice convening the meeting.

**111. Quorum**

Five members entitled to vote and present in person shall be a quorum for a General Meeting. When more than one of the joint holders of a share is present, not more than one of them shall be counted for ascertaining the quorum. Several executors or administrators of a deceased person in whose sole name shares stand shall for the purposes of this clause be deemed joint holders thereof.

**113. Chairman of General Meetings**

The Chairman of the Board of Directors shall be the chairman at every General Meeting. If there be no such Chairman or if at any meeting he shall not be present within fifteen minutes after the time appointed for holding such meeting or being present declines to take the chair, the Directors present may choose one of their member to be Chairman and in default of their doing so, the members present shall choose one of the Directors to be Chairman, and if no Director present be willing to take the Chair, the Chairman is to be appointed as per applicable provisions of the Act.

**115. Resolution must be proposed and seconded**

No resolution submitted to a meeting, unless proposed by the Chairman of the meeting, shall be discussed nor put to vote until the same has been proposed by a member present and entitled to vote at such meeting and seconded by another member present and entitled to vote at such meeting.

#### **116. How Questions to be decided at meetings**

At any General Meeting a resolution put to the vote of the meeting shall unless a poll is demanded be decided on a show of hands.

#### **117. Chairman's declaration of result of voting by show of hands to be conclusive**

A declaration by the Chairman that on a show of hands a resolution has or has not been carried or has or has not been carried either unanimously or by a particular majority and an entry to that effect in the books containing the minutes of the meeting of the Company, shall be conclusive evidence of the fact without proof of the number or proportion of the votes cast in favour of or against such resolution.

#### **118. Demand for poll**

- (1) Before or on the declaration of the result of the voting on any resolution on a show of hands a poll may be ordered to be taken by the Chairman of the meeting of his own motion, and shall be ordered to be taken by him on a demand made in that behalf by the persons or person specified below, that is to say
  - (a) any member or members present in person or by proxy and holding shares in the Company which confer a power to vote on the resolution not being less than one tenth of the total voting power in respect of the resolution.
  - (b) by any member or members present in person or by proxy and holding shares in the Company on which an aggregate some of not less than fifty thousand rupees has been paid up.
- (2) The demand for a poll may be withdrawn at any time by the person or persons who made the demand.

#### **119. Manner of taking poll and result thereof**

Subject to the provisions of the Act the Chairman of the meeting shall have power to regulate the manner in which a poll shall be taken. The result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken.

#### **120. Postal Ballot**

The Company shall put to vote such of the resolutions as are specified by the Authority, pursuant to provision of section 192A of the Act through postal ballot as may be specified from time to time and shall declare the results thereof within the time specified under the Act at the Registered Office of the Company without holding the meeting.

#### **121. Discretionary power to resort to postal ballot**

Notwithstanding the provisions of Article 114, the Board of Directors of the Company shall at their absolute discretion, obtain the decision of the members with regard to any matters through postal ballot and if the Directors so decide, the provisions of section 192A and other provisions of the Act shall apply to such resolutions as if the resolutions were compulsorily required to be passed through postal ballot.

**122. Power to adjourn General Meeting**

The Chairman of a General Meeting may, with the consent of the meeting, adjourn the same from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

**123. Time of taking poll**

Any poll duly demanded on the question of adjournment shall be taken forthwith. A poll demanded on any other question (not being question relating to the election of a Chairman) shall be taken at such time not exceeding 48 hours from the time when the demand was made as the Chairman may direct.

**124. Business may proceed notwithstanding demand for poll**

The demand of a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded.

**126. Right of member to use his vote differently**

On a poll taken at a meeting of the Company a member entitled to more than one vote or his proxy or other person entitled to vote for him as the case may be need not, if he votes, use all his votes or cast in the same way all the votes he uses.

**128. Chairman to be the sole judge of the validity of the vote tendered at poll**

The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting. The chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

**129. Chairman's casting vote**

In the case of equality of votes, the Chairman shall both on a show of hands and on a poll, have a second or casting vote in addition to the vote or votes to which he may be entitled as a member.

**130. If quorum is not present, meeting to be dissolved and when to be adjourned**

If within half an hour from the time appointed for the meeting a quorum is not present the meeting if called upon such requisition as aforesaid, shall be dissolved but in any other case, it shall stand adjourned to the same day in the next week, at the same time and place or to such other day, time and place, as the Board of Directors may determine

**131. Adjourned meeting to transact business**

If at the adjourned meeting also a quorum is not present within half an hour from the time appointed for holding the meeting , the members present shall be a quorum and may transact the business for which the meeting was called.

### **137. Votes of members holding equity shares**

No member shall exercise any voting right in respect of any shares registered in his name, on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has and has exercised any right of lien.

### **138. Restrictions on voting rights**

Subject to the provisions of this Article

- (a) every member of the Company holding any Equity Share Capital and otherwise entitled to vote shall on a show of hands when present in person, have one vote.
- (b) every member of the Company holding any Equity Share Capital and otherwise entitled to vote shall on a poll when present in person or by proxy have one vote for each Equity Share of the nominal value of Rs.10 held by them.
- (c) every member of the Company holding Equity Share Capital and otherwise entitled to vote shall on a poll when present in person or by proxy have voting right in proportion to his share of the paid up Equity capital of the company.
- (d) In respect of shares with differential rights, a member thereof shall have voting rights in accordance with the terms of issue thereof.

### **141. No voting by proxy on show of hands**

No member not personally present shall be entitled to vote on a show of hands unless such member is a company or a corporation present by proxy or by a representative duly authorised under section 187 of the Act in which case, such proxy or representative may vote on a show of hands as if he were a member of the company.

### **142. Proxy permitted**

Votes may be given either personally or by proxy or in the case of a Company or other corporation, by a representative duly authorised as aforesaid.

### **143. Voting Rights of Depositories and beneficial owner**

Notwithstanding anything contained in the Article of Association, a Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of shares on behalf of a beneficial owner. Save as otherwise provided hereinabove, the Depository as a registered owner shall not have any voting rights or other rights in respect of shares held by it; and the beneficial owner shall be entitled to all the rights and benefits and subject to all liabilities in respect of its shares held by a Depository.

### **151. Joint holder**

Where there are joint-holders of any shares, any of such persons may vote at any meeting either personally or proxy or by agent duly authorised under a power of attorney in respect of such share as if he were solely entitled thereto; and if more than one such joint holders be present at any meeting personally or by proxy or by an agent duly authorised under a power of attorney that one of the said persons so present whose name stands first or higher as the case may be on the register in respect of such share shall alone be entitled to vote in respect thereof but the other or others of the joint-holders shall be entitled to be present at the meeting provided always that a

person present at any meeting personally shall be entitled to vote in preference to a person present by proxy although the name of such person present by an agent or proxy stands first or higher in the Register in respect of such share. Several executors or administrators of a deceased member in whose (deceased member's) sole name any shares stand, shall for purpose of this clause be deemed joint-holders thereof.

#### **182. Appointment of directors to be voted individually**

- (1) No motion at any General Meeting of the Company shall be made for the appointment of two or more persons as Directors of the Company by a single resolution, unless a resolution that it shall be so made has been first agreed to by the meeting without any vote being given against it.
- (2) A resolution moved in contravention of sub-clause(1) hereof shall be void, whether or not objection was taken at the time of it being so moved. Provided that where a resolution so moved is passed, no provision for the automatic reappointment of Directors retiring by rotation in default of another appointment as hereinbefore provided shall apply.
- (3) For the purpose of this Article, a motion for approving a person's appointment, or for nominating a person for appointment, shall be treated as a motion for his appointment.

#### **183. Right of person other than Retiring Directors to stand for directorship**

- (1) A person who is not a Retiring Director shall, subject to the provisions of the Act, be eligible for appointment to the office of Director at any General Meeting, if he or some member intending to propose him has, not less than fourteen days before the meeting, left at the office of the company a notice in writing under his hand signifying his candidature for the office of Director or the intention of such member to propose him as a candidate for that office, as the case may be, along with such deposit as may be specified which shall be refunded to such person or as the case may be to such member, if the person succeeds in getting elected as a Director.
- (2) The company shall inform its members of the candidature of a person for the office of a Director or the intention of a member to propose such person as a candidate for that office, by serving individual notices on the members not less than seven days before the meeting. Provided that it shall not be necessary for the Company to serve individual notices upon the members as aforesaid if the company advertises such candidature or intention not less than seven days before the meeting in atleast two newspapers circulating in the place where the Registered Office of the Company is located, of which one is published in the English language and the other in the regional language of that place.

The expression "Retiring Director" in this Article means a Director retiring by rotation.

#### **184. Removal of Directors**

- (1) The company may, by ordinary resolution remove a Director before the expiry of his period of office.
- (2) Special notice shall be required of any resolution to remove a Director under this clause, or to appoint some body instead of a Director so removed at the meeting at which he is so removed.

- (3) On receipt of a notice of a resolution to remove a Director under this clause, the Company shall forthwith send a copy thereof to the Director concerned and the Director (whether/or not he is a member of the Company) shall be entitled to be heard on the resolution at the meeting.
- (4) Where notice is given of a resolution to remove a Director under this clause and the Director concerned makes with respect thereto representations in writing to the Company (not exceeding a reasonable length) and requests their notification to members of the Company, the Company shall, unless the representations are received by it too late for it to do so -
  - (a) in any notice of the resolution given to members of the Company state that fact of the representation having been made; and
  - (b) send a copy of the representation to every member of the Company to whom notice of the meeting is sent (whether before or after receipt of the representations by the Company) and if a copy of the representations is not sent as aforesaid because they were received too late or because of the Company's default, the Director may (without prejudice to his right to be heard orally) require that the representations shall be read out at the meeting. Provided that copies of the representations need not be sent out and the representations need not be read out at the meeting if, on the application either of the Company or of any other person who claims to be aggrieved, the Court is satisfied that the rights conferred by this sub-clause are being abused to secure needless publicity for defamatory matter.
- (5) A vacancy created by the removal of a Director under this clause, may, if he had been appointed by the Company in General Meeting or by the Boards under Article 138 hereof, be filled by the appointment of another Director in his stead by the meeting at which he is removed, provided special notice of the intended appointment has been given under sub-clause(2) hereof. A Director so appointed shall hold office until the date up to which his predecessor would have held office if he had not been removed as aforesaid.
- (6) If the vacancy is not filled up under sub-clause (5) hereof, it may be filled as a casual vacancy in accordance with the provisions, so far as they may be applicable, of Article 138 hereof and all the provisions of that Article shall apply accordingly.

Provided that the Director who is removed from office shall not be appointed as a Director by the Board of Directors.

- (7) Nothing in this Article shall be taken -
  - (a) As depriving persons removed thereunder of any compensation or damage payable to him in respect of the termination of his appointment as Director or of any appointment terminating with that as a Director, or
  - (b) as derogating from any power to remove a Director which may exist apart from this Article.

### **185. Managing Director / Whole – Time Director**

- (1) Subject to the provisions of Section 269 and Schedule XIII of the Act and subject to section 198, the Directors may from time to time subject to the provisions of the Act and wherever necessary, the approval of the Central Government, appoint or re-appoint one or more of the Directors to be the Managing Director and/or Whole-time Director, for a term not exceeding five years at a time and may from time to time subject to the provisions of any contract between the Company and him or them remove or dismiss him or them from office and appoint another or other in his or their place or places.

- (2) The Managing Director or Managing Directors or Whole-time Director or Whole-time Directors, while he or they continues or continue to hold that office, shall not be subject to retirement by rotation and shall not be taken into account in determining the retirement by rotation of Directors or the number of Directors to retire, but he or they shall be subject to the same provisions as to resignations or removal of the other Directors of the Company and he or they shall ipso facto and immediately cease to be a Managing Director or Managing Directors or whole-time Director or Whole-time Directors if he or they ceases or cease to hold the office of a Director(s) for any cause.
- (3) Subject to the provision of the Act, the remuneration of Managing Director(s) or Whole-time Director(s) shall, subject to the provisions of any contract between the Company and him or them, be from time to time fixed by the Directors and subject to the provisions of the Act, may be by way of fixed salary or commission and/or in any other mode and may be in addition to the remuneration for attendance of the Board Meetings and any other remuneration which may be provided under any other Articles.
- (4) The Directors may from time to time subject to the provisions of the Act entrust to or confer upon the Managing Director(s) or Whole-time Director(s) for the time being such of the powers exercisable by the Directors under these presents or by law, as they may think fit, and may confer such powers for such time and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions, as they think expedient, and they may confer such powers either collaterally with or to the exclusion of or in substitution for all or any of the powers of the Directors in that behalf and may from time to time revoke withdraw alter or vary all or any of such powers.

#### **187. Minimum managerial remuneration in absence or inadequacy of profits**

If in any financial year the Company has no profits or its profits are inadequate, the company may subject to the approval of the Central Government, if required, pay its Directors including the Managing Director(s) or Whole-time Director(s) or its Manager(s) by way of minimum remuneration such sum (exclusive of any fees payable to Directors under Section 309(2) of the Act) as agreed in the contract between the Company and him or them or as may be permitted by the applicable provisions of the Act.

#### **205. General Power of the Board**

- (1) Subject to the provisions of the Act and these Articles the Directors of the Company shall be entitled to exercise all such powers and to do all such acts and things as the Company is authorised to exercise and do.

Provided that the Directors shall not exercise any power or do any act or thing which is directed or required, whether by the Act or any other Act or by the Memorandum or Articles of Association of the Company or these presents or otherwise to be exercised or done by the Company in General Meeting.

Provided further that in exercising any such power or doing any such act or thing, the directors shall be, subject to the provisions contained in this behalf in the Act or in any other Act or in the Memorandum or Articles of Association of the company or in any regulations, not inconsistent therewith and duly made there under, including, regulations made by the company in General Meeting.

- (2) No regulation made by the Company in General Meeting shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made.

#### **209. Power to Borrow**

Subject to the provisions of Section 292 and 293 of the Act the Board of Directors may from time to time at their discretion and by means of resolutions passed at their meetings accept deposits from members either in advance of calls or other-wise or borrow or secure the payment of any sum or sums of money for the purpose of the Company

Provided however that where the moneys to be borrowed, together with money already borrowed by the company (apart from temporary loans obtained from the company's bankers in the ordinary course of business) exceed the aggregate of the paid up capital of the company and its free reserves that is to say, reserves not set apart for any specific purpose, the Directors shall not borrow such moneys without the consent of the Company in General Meeting. Every resolution passed by the Company in General Meeting in relation to the exercise of the power to borrow moneys shall specify the total amount upto which moneys may be borrowed by the Board of Directors. No debt incurred by the Company in excess of the limit imposed by this clause shall be valid or effectual unless the lender proves that he advanced the loan in good faith and without knowledge that the limit imposed by this Article has been exceeded.

#### **212. Debentures**

Any debentures, bonds or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any special privileges as to redemption, surrender, drawings, allotments of shares, attending (but not voting) at General Meetings of the Company appointment of Directors and otherwise.

Provided however that no debentures with the right to conversion into or allotment of shares shall be issued except with the consent of the Company in General Meeting.

#### **213. Mortgage of uncalled capital**

If any uncalled capital of the Company is included in or charged by any mortgage or other security the Directors may, by instrument under the Company's Seal authorise the person in whose favour such mortgage or security is executed or any other person in trust for him to make calls on the members in respect of such uncalled capital and the provisions hereinbefore contained in regard to calls, shall mutatis mutandis, apply to calls made under such authority and such authority may be made exercisable either conditionally or unconditionally and either presently or contingently and either to the exclusion of the Directors powers or otherwise and shall be assignable if expressed so to be.

#### **253. Dividends**

- (a) Subject to the provisions of the Act and these Presents and subject to the right of persons entitled to shares with special rights as to dividend (the profits of the Company which it shall from time to time determine to distribute in dividends), shall be divisible amongst the members in proportion to the capital paid up or credited as paid up on the shares held by them respectively.
- (b) No amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of this Clause as paid on the share.



- (c) All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid but if any share is issued on terms providing that it shall rank for dividend as from a particular date, such share shall rank for dividend accordingly.

**254. Declaration of dividends**

The Company in General Meeting may declare a dividend to be paid to the members according to their rights and interests in the profits and may fix the time for payment.

**258. Interim Dividend**

The Board of directors may declare interim dividend and the amount of dividend (including interim dividend) shall be deposited in a separate bank account within five days from the date of declaration of such dividend:

Provided that interim dividend declared once shall neither be revoked nor modified.

The amount of dividend (including interim dividend) so deposited in the bank account pursuant to section 205(2), shall be used for payment of dividend only.

**259. Debts may be deducted**

The Directors may retain any dividend on which the Company has a lien and may apply the same in or towards the satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

**260. Call & Dividends**

Any General Meeting declaring a dividend may take a call on the member of such amount as the meeting fixes but so that the call on each member shall not exceed the dividend payable to him and so that the call may be made payable at the same time as the dividend and the dividend may, if so arranged between the Company and the member, be set off against the call. The making of a call under this clause shall be deemed ordinary business of an Ordinary General Meeting which declares a dividend.

**266. Unclaimed dividend**

As regards all dividends unpaid or unclaimed the Company shall comply with the provisions of Section 205A of the Act

**267. Capitalisation**

Subject to the provisions of the Act;

- (1) Any general meeting may upon the recommendation of the Directors resolve that any moneys, investments or other assets forming part of the undivided profits of the Company standing to the credit of any of the Company's Reserve Accounts or to the credit of any Capital Redemption Reserve Account and available for dividend or representing the premiums received on the issue of shares standing to the credit of the share premium account be capitalised and distributed amongst such of the members as would be entitled to receive the same if distributed by way of dividend and interests and in proportion to the amount paid or credited as paid thereon, of paid up shares, debentures or debenture stock,

bonds or other obligations of the Company, or by crediting shares of the Company which may have been issued and are not fully paid up in proportion to the amount paid or credited as paid thereon, respectively, with the whole or any part of the sums remaining unpaid thereon, and the Directors shall give effect to such resolution and apply such portion of the profits or Company's Reserve Accounts as may be required for the purpose of making payment in full or part for the shares, debentures or debenture-stock, bonds or other obligations of the Company so distributed or (as the case may be) for the purpose of paying in whole or in the part, the amount remaining unpaid on the shares which may have been issued and are not fully paid up, provided that no such distribution or payment shall be made unless recommended by the Directors and if so recommended such distribution and payment shall be accepted by such share-holders in full satisfaction of their interest in the said capitalised sum.

- (2) For the purpose of giving effect to any such resolution the Directors may settle any difficulty which may arise in regard to the distribution or payment as aforesaid as they think expedient and in particular they may issue fractional certificates and generally may make such arrangement for the acceptance, allotment and sale of such shares, debentures, debenture-stock bonds or other obligations and fractional certificates or otherwise as they may think fit and may make cash payments to any holders of shares on the footing of the value so fixed in order to adjust rights and may vest any shares, debentures, debenture-stock, bonds or other obligations in trustees upon such trusts for adjusting such rights as may seem expedient to the Directors. In cases where some of the shares of the Company are fully paid and others are partly paid, only such capitalisation may be effected by the distribution of further shares in respect of the fully paid shares, by crediting the partly paid shares with the whole or part of the unpaid liability thereon, but so that as between the holders of fully paid shares and partly paid shares the sums so applied in the payment of such further shares and in the extinguishment or diminution of the liability on the partly paid shares shall be so applied prorata in proportion to the amounts then already paid or credited as paid on the existing fully paid and partly paid shares respectively. When deemed requisite a proper contract shall be filed in accordance with the Act and the Board may appoint any person to sign such contract on behalf of the holders of the shares of the Company which have been issued prior to such capitalisation and such appointment shall be effective.

Provided that reserves created by revaluation of the Company's assets shall not be used by it for the issue of bonus shares.

#### **271. Service of documents or notices on the members of the Company**

- (1) A document or notice may be served or given by the Company on any member or an Officer thereof their personally or by sending it by post to him to his registered address or (if he has no registered address in India) to the address, if any, in India supplied by him to the Company for serving documents or notices on him.
- (2) Where a document or notices is sent by post, service of the document or notice shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the documents or notice, provided that where a Member has intimated to the Company in advance that documents or notices should be sent to him under a certificate of posting or by registered post with or without acknowledgment due and has deposited with the Company a sum sufficient to defray the expenses of doing so, service of the document or notice shall not be deemed to effected unless it is sent in the manner intimated by the Member and, such service shall be deemed ~ been effected in case of a notice of a Meeting, at the expiration of forty-eight hours after the letter containing the document or notice is posted and in any other case, at the time at which the letter would be delivered in the ordinary course of post.

- (3) Provided that where the Securities are held in Depository, the records of the Beneficial Ownership may be served by such Depositories on the Company by means of Electronic Mode or by delivery of Depository Floppy or Disks.

**272. Notice by Advertisement**

A document or notice advertised in a news paper circulating in the neighbourhood of the registered office of the Company shall be deemed to be duly served or sent on the day on which the advertisement appears on or to every member who has no registered address in India and has not supplied to the Company an address within India for the serving of documents on or the sending of notices to him.

**273. On Joint- Holders**

A document or notice may be served or given by the Company on or to the joint-holders of a Share by serving or giving the document or notice on or to the joint-holder named first in the Register in respect of the Share.

**276. Members bound by documents or notices served on or given to previous holders**

Every person, who by operation of law, transfer or other means whatsoever, shall become entitled to any Share, shall be bound by every document or notice in respect of such Share, which, previously to his name and address being entered on the Register, shall have been duly served on or given to the person from whom he derives his title to such Share.

**279. Liquidator may divide the assets in specie**

The Liquidator on any winding-up (whether voluntary, under supervision, or compulsory) may, with the sanction of a Special Resolution, divide among the contributories in specie any part of the assets of the Company and may, with the like sanction, vest any part of assets of the Company in trustees upon such trusts for the benefit of the contributories, as the Liquidator, with the like sanction, shall think fit.

## OTHER INFORMATION

### MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Information Memorandum) which are or may be deemed material have been entered or to be entered into by our Company.

Copies of following documents are available at our registered office of TPL at Torrent House, Off Ashram Road, Ahmedabad, Gujarat – 380 009, for inspection on any working day (i.e. Monday to Friday and not being a bank holiday in Ahmedabad) from 11.00 a.m. to 4.00 p.m. These documents have been delivered to the Stock Exchange along with this Information Memorandum.

#### Documents for Inspection:

1. Memorandum and Articles of Association of TPL, as amended from time to time.
2. Certificate of Incorporation dated April 29, 2004 and Fresh Certificate of Incorporation consequent to change in name dated January 25, 2006 and February 08, 2006.
3. The order by Hon'ble High Court of Gujarat at Ahmedabad dated July 12, 2006 sanctioning the Scheme of Arrangement including amalgamation between Torrent Power AEC Limited and Torrent Power SEC Limited and Torrent Power Generation Limited with Torrent Power Limited and their respective shareholders and creditors and reorganization of capital of Torrent Power Limited.
4. Letters dated April 25, 2006 and April 27, 2006 of BSE and NSE respectively according their no objection to Scheme.
5. Copy of Tripartite Agreement with National Securities Depository Ltd. (NSDL) dated September 29, 2006 and Central Depository Services (India) Limited dated September 19, 2006.
6. Memorandum of Understanding with the Registrar and Share Transfer Agent dated September 18, 2006.
7. Reports of Statutory Auditors of the Company dated September 29, 2006 prepared as per Indian GAAP and mentioned in this Information Memorandum.
8. Copies of Annual Report of our Company for financial year 2004-05.
9. Certificate of Statutory Auditor to the Statement of Possible Tax Benefit mentioned in this Information Memorandum.
10. Order dated July 7, 2006 of GERC under Section 17 of the Electricity Act, 2003.
11. Resolution for appointment of Executive Chairman and Whole-time Directors.
12. SEBI letter CFD/DIL/EB/79759/2006 dated November 14, 2006 granting relaxation from the applicability of Rule 19(2)(b) of the Securities Contract Regulation (Rules), 1957 for listing of shares of TPL

**DECLARATION**

To the best of knowledge and belief of the Board of Directors of the Company, all statements made in this Information Memorandum are true and correct.

**SIGNED ON BEHALF OF THE BOARD OF DIRECTORS**

**For Torrent Power Limited**

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**Chairman**

**Ahmedabad  
November 15, 2006**