

**PROPOSED SLUMP SALE OF
RENEWABLE ENERGY UNDERTAKINGS OF
THE TATA POWER COMPANY LIMITED
INTO
ITS
SUBSIDIARIES**

ACCOUNTANTS' REPORT

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1 Introduction

1.1 Background and Terms of Engagement

1.1.1 There is a proposal before the Audit Committee and Boards of Directors of the following companies:

- i. The Tata Power Company Limited ("Tata Power" or "Transferor Company"),
- ii. Tata Power Renewable Energy Limited ("Transferee Company No. 1"),
- iii. Supa Windfarm Limited ("Transferee Company No. 2"),
- iv. Nivade Windfarm Limited ("Transferee Company No. 3"),
- v. Tata Power Green Energy Limited ("Transferee Company No. 4"),
(the companies at serial no. (ii) to (v) above are hereinafter collectively referred to as the "Transferee Companies")

to consider the slump sale of the Renewable Energy Undertakings (more specifically described and defined in para 1.1.2 below) into the Transferee Companies in the following manner:

- Renewable Energy Undertaking No. 1 into Transferee Company No. 1
- Renewable Energy Undertaking No. 2 into Transferee Company No. 2
- Renewable Energy Undertaking No. 3 into Transferee Company No. 3
- Renewable Energy Undertaking No. 4 into Transferee Company No. 4

through a scheme of arrangement under Section 230 to 232 of the Companies Act, 2013 ("Scheme"). As a consideration for the transfer, each of the Transferee Companies shall pay a lump sum consideration to Tata Power.



1.1.2 The brief summary of the Renewable Energy Undertakings is as under:

Undertaking	Units covered
Renewable Energy Undertaking No. 1	(i) 11.3 MW wind project in Brahmanvel, Maharashtra; (ii) 50.4 MW wind project in Khandke, Maharashtra; (iii) 17.5 MW wind project in Sadawaghapur, Maharashtra; (iv) 50.4 MW wind project in Gadag, Karnataka; (v) 10 MW wind project in Visapur, Maharashtra; (vi) 49.5 MW wind project in Agaswadi, Maharashtra; (vii) 50.4 MW wind project in Samana, Gujarat; (viii) 3 MW solar project in Mulshi, Maharashtra; and (ix) 99 MW wind project in Poolavadi, Tamil Nadu
Renewable Energy Undertaking No. 2	17 MW wind project in Supa, Maharashtra
Renewable Energy Undertaking No. 3	21 MW wind project in Nivade, Maharashtra
Renewable Energy Undertaking No. 4	120 MW production - waste heat recovery project in Haldia, West Bengal

The Renewable Energy Undertakings No. 1 to 4 as described above are collectively referred to as Renewable Energy Undertakings.

- 1.1.3 In this regard, a report is required by the Management of Tata Power ("the Management") in order to comply with Regulations 11 and 37 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Clarification Fifteen issued vide circular CIR/CFD/CMD/15/2015 dated 30-11-2015 and other regulatory requirements.
- 1.1.4 We have been approached by the Management to give our report on the net asset values of Renewable Energy Undertakings of Tata Power for its consideration for the purpose of the proposed transfer of the said undertakings to the respective Transferee Companies ("the Report").
- 1.1.5 This Report sets out the net asset values of the Renewable Energy Undertakings based on their net asset position as on December 31, 2016. We are hereby not commenting on the fair values of the Renewable Energy Undertakings.



1.2 Profiles of the Companies

(a) Tata Power

The Tata Power Company Limited is a public limited company incorporated under the Indian Companies Act VIII of 1913, having its registered office at Bombay House, 24, Homi Mody Street, Mumbai 400 001. The Transferor Company is, inter alia, engaged in the business of generation of electricity with presence in all the segments of the power sector viz. fuel and logistics, generation (thermal, hydro, solar and wind), transmission and distribution. The Transferor Company is a listed company, having its equity shares listed on BSE Limited ("BSE") and the National Stock Exchange of India Limited ("NSE").

(b) Tata Power Renewable Energy Limited (Transferee Company No. 1):

Transferee Company No. 1 is an unlisted public limited company incorporated under the provisions of the Companies Act, 1956 having its registered office at Corporate Center, 34 Sant Tukaram Road, Carnac Bunder, Mumbai 400 009. The Transferee Company No. 1 is, inter alia, engaged in the business of power generation, including but not limited to solar power generation, wind power generation and captive generation, and sale of electrical energy, as also undertake all other activities that are permitted under the applicable law. The Transferee Company No. 1 is a wholly owned subsidiary of the Transferor Company.

(c) Supa Windfarm Limited (Transferee Company No. 2):

Transferee Company No. 2 is an unlisted public limited company incorporated under the provisions of the Companies Act, 2013 having its registered office at Corporate Center, A Block, 34 Sant Tukaram Road Carnac Bunder Mumbai 400 009. The Transferee Company No. 2 will be, inter alia, engaged in the business of power generation, including but not limited to solar power generation, wind power generation and captive generation, and sale of electrical energy, as also undertake all other activities that are permitted under the applicable law. The Transferee Company No. 2 is incorporated as a wholly owned subsidiary of the Transferee Company No. 1.

(d) Nivade Windfarm Limited (Transferee Company No. 3)

Transferee Company No. 3 is an unlisted public limited company incorporated under the provisions of the Companies Act, 2013 having its registered office at Corporate Center, A Block, 34 Sant Tukaram Road Carnac Bunder Mumbai 400 009. The Transferee Company No. 3 will be, inter alia, engaged in the business of power generation, including but not limited to solar power generation, wind power generation and captive generation, and sale of electrical energy, as also undertake all other activities that are permitted under the applicable law. The Transferee Company No. 3 is incorporated as a wholly owned subsidiary of the Transferee Company No. 1.



(e) Tata Power Green Energy Limited (Transferee Company No. 4):

Transferee Company No. 4, is an unlisted public limited company incorporated under the provisions of the Companies Act, 1956 having its registered office at Corporate Center, A Block, 34 Sant Tukaram Road Carnac Bunder Mumbai 400 009. The Transferee Company No. 4 is currently a wholly owned subsidiary of Tata Power Renewable Energy Limited or Transferee Company No. 1. There is proposal to transfer the shares of Transferee Company 4 by its current shareholder to Tata Power before the Scheme is filed with the National Company Law Tribunal ("NCLT").

1.3 Basic Financial Information of the Companies:

(a) Tata Power:

The authorized, issued subscribed and paid-up share capital of Tata Power as on December 31, 2016 is as under:

Share Capital	Amount in Rs. Crores
<u>Authorised Share Capital</u>	300.00
300,00,00,000 Equity Shares of Rs. 1 each	
2,29,00,00,000 Cumulative Redeemable Preference Shares of Rs. 100/- each	229.00
Total	529.00
<u>Issued Share Capital</u>	
276,17,00,970 Equity Shares of Re. 1 each	276.17
<u>Subscribed and Paid-up Share Capital</u>	
270,47, 73, 510 Equity Shares of Re. 1 each	270.47
	0.04
Less: Calls in Arrears	0.06
Add: 16,52,300 Equity Shares forfeited- Amount paid-up	
Total	270.48

The shareholding pattern of Tata Power as on December 31, 2016 is as under:

Shareholding	% of holding
(A) Promoter and Promoter Group	33.02%
(B) Public	66.98%
Total (A)+(B)+(C)	100%



The shareholding pattern of each of the Transferee Companies on the date of the Report is as under:

Shareholding	% of Holding	Number of Equity Shares held	Total Face and Paid-up Value in Rs. Crores
Transferee Company No. 1			
Tata Power Limited	100%	50,61,07,715	506.11
Transferee Company No. 2			
Tata Power Renewable Energy Limited	100%	50,000	0.05
Transferee Company No. 3			
Tata Power Renewable Energy Limited	100%	50,000	0.05
Transferee Company No. 4			
Tata Power Renewable Energy Limited	100%	50,000	0.05



2 Data Obtained

We have called for and obtained such data, information, etc. as were necessary for the purpose of our assignment, which have been, as far as possible, made available to us by the Management. Appendix A hereto broadly summarizes the data obtained.

For the purpose of our assignment, we have relied on such data summarized in the said Appendix A and other related information and explanations provided to us in this regard.



3. Consideration of Factors

- 3.1 As discussed earlier, the proposal is to transfer the Renewable Energy Undertakings of Tata Power Limited into Transferee Companies at book values, as appearing in the books of account of Tata Power.
- 3.2 Regard needs to be given to the fact that the Transferee Companies are in effect wholly owned subsidiaries of Tata Power. Thus, the entire Equity Share Capital of Transferee Companies is directly or indirectly held by shareholders of Tata Power. Pursuant to the slump sale, a lump sum consideration would be paid by the respective Transferee Companies to Tata Power.
- 3.3 From the foregoing, it is evident that the ultimate interest in the Renewable Energy undertakings continue to lie with the same set of shareholders.
- 3.4 The Transferee Companies are direct/indirect wholly owned subsidiaries of Tata Power and the proposal is to consider the transfer of the Renewable Energy Undertakings. For this purpose as brought out in para 1.1.5 we have computed the Net Assets of the Renewable Energy Undertakings as on December 31, 2016 based on the statement of assets and liabilities provided by the Management as on that day.
- 3.5 The broad steps undertaken to arrive at the Net Assets are discussed hereunder:
- 3.5.1. The Appointed Date for the transaction is the Effective Date. As the said date is a future date, for the purpose of determining the net assets of the Renewable Energy Undertakings, reliance has been placed on their Statement of Assets and Liabilities as on December 31, 2016 as provided by the Management .
- 3.5.2. We have considered the assets and liabilities of each of the Renewable Energy Undertaking as at December 31, 2016 to arrive at the net assets of respective Renewal Energy Undertaking.
- 3.5.3. The working for the same is attached as Appendix B.



4. Conclusion

Based on the foregoing, the Net Assets of each of the Renewable Energy Undertakings as on December 31, 2016 is as under:

Sr. No.	Particulars	Amount in Rs. Crores
1	Renewable Energy Undertaking No. 1	
i	Brahmanvel	6.24
ii	Khandke	25.54
iii	Sadawaghapur	18.61
iv	Gadag	18.68
v	Visapur	(7.11)
vi	Agaswadi	(25.85)
vii	Samana	170.48
viii	Mulshi	(0.39)
ix	Poolavadi	(9.72)
2	Renewable Energy Undertaking No. 2	18.76
3	Renewable Energy Undertaking No. 3	14.57
4	Renewable Energy Undertaking No. 4	(56.48)



5. Limitations and Disclaimer

- 5.1 Our Report is subject to the scope of limitations detailed hereinafter. The Report is to be read in totality and not in parts.
- 5.2 Our report is based on the information furnished to us being complete and accurate in all material respects. Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the information provided to us. We have, therefore, not performed any audit, review or examination of any information used or tax implications of the transaction and therefore, do not express any opinion with regard to the same.
- 5.3 Our report is meant for the purpose mentioned in Para 1.1 and should not be used for any purpose other than the purpose mentioned therein. The Report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared. However, we understand that the Report will be shared with the relevant National Company Law Tribunal, advisors of the Companies, shareholders and Stock Exchanges in relation to the Scheme of arrangement as well as with the statutory authorities. The Company may even upload the Report on their Website if so required by the regulatory authorities.
- 5.4 Our work does not constitute an audit or certification or due diligence of the past working results of the Companies and we have relied upon the information provided to us by the Management as regards such working results.
- 5.5 We have no obligation to update this report because of events or transactions occurring subsequent to date of the Report.

PLACE: MUMBAI

BANSI S. MEHTA & CO.



Bansi S. Mehta

DATE: MAY 15, 2017

CHARTERED ACCOUNTANTS

APPENDIX A: BROAD SUMMARY OF DATA OBTAINED

From the Management:

1. Statement of Assets and Liabilities of Renewable Undertakings as on December 31, 2016
2. Shareholding position of Transferee Companies and Tata Power as on December 31, 2016
3. Answers to specific questions and issues raised by us to the Management after examining the foregoing data.



APPENDIX B : STATEMENT OF NET ASSETS OF THE RENEWAL ENERGY UNDERTAKINGS AS AT DECEMBER 31, 2016
(Refer Para 3.5.3 given on Page 8)

Particulars	RENEWAL ENERGY UNDERTAKING NO.1									
	BRAMIHA NVEL	KHANDKE	SADAWAG HAPUR	GADAG	VISAPUR	AGASWADI	SAMANA	MULSHI	POOLAVADI	
Non-current assets										
a) Property, plant and equipment	19.68	91.50	40.99	124.18	32.57	190.75	120.37	25.34	357.71	
b) Capital Work-in-Progress	-	0.01	0.01	0.08	-	-	0.07	0.03	-	
c) Other Intangible Assets	-	-	0.11	-	-	-	-	-	-	
f) Other Non-current Assets	0.98	-	-	-	-	3.12	1.23	-	-	
(A) Total - Non-current assets	20.65	91.51	41.11	124.26	32.57	193.87	121.67	25.36	357.71	
Current assets										
c) Other Current Assets	-	0.05	-	2.03	-	-	3.10	-	62.63	
(B) Total - Current assets	-	0.05	-	2.03	-	-	3.10	-	62.63	
Total Assets before Regulatory Deferral Account	20.65	91.56	41.11	126.29	32.57	193.87	124.78	25.36	420.34	
TOTAL - ASSETS	20.65	91.56	41.11	126.29	32.57	193.87	124.78	25.36	420.34	
Liabilities										
Non-current liabilities										
a) Financial Liabilities										
(i) Borrowings	6.43	31.33	8.60	87.97	22.39	144.14	87.03	16.00	223.19	
Provisions	-	-	0.25	0.06	-	-	0.02	0.00	0.02	
Deferred Tax Liabilities (Net)	4.95	21.19	9.11	2.41	13.68	55.31	(149.81)	9.57	170.82	
(C) Total - Non-current liabilities	11.38	52.52	17.96	90.43	36.07	199.45	(62.76)	25.58	394.02	
Current liabilities										
a) Financial Liabilities										
(ii) Trade payables	0.43	0.79	0.97	0.51	0.99	2.57	0.58	0.16	6.99	
(iii) Other financial liabilities	0.04	0.19	0.05	4.08	-	0.95	4.04	-	3.14	
Provisions	-	-	(0.01)	(0.00)	-	-	(0.00)	-	(0.00)	
Other Current Liabilities	2.57	12.53	3.52	12.58	2.62	16.75	12.45	0.01	25.92	
(D) Total - Current liabilities	3.04	13.51	4.54	17.17	3.61	20.27	17.06	0.17	36.05	
NET WORTH [(A) - (B) - (C) - (D)]	6.24	25.54	18.61	18.68	(7.11)	(25.85)	170.48	(0.39)	(9.72)	

APPENDIX B : STATEMENT OF NET ASSETS OF THE RENEWAL ENERGY UNDERTAKINGS AS AT DECEMBER 31, 2016
(Refer Para 3.5.3 given on Page 8)

Particulars	Amount in Rs. Crores		
	RENEWAL ENERGY UNDERTAKING NO. 2 SUPA	RENEWAL ENERGY UNDERTAKING NO. 3 NIVADE	RENEWAL ENERGY UNDERTAKING NO. 4 HALDIA
Non-current assets			
a) Property, plant and equipment	30.29	24.82	358.62
b) Capital Work-in-Progress	-	-	(1.20)
c) Other Intangible Assets	-	-	-
f) Other Non-current Assets	-	-	8.95
(A) Total - Non-current assets	30.29	24.82	366.38
Current assets	-	-	-
c) Other Current Assets	-	-	20.41
(B) Total - Current assets	-	-	20.41
Total Assets before Regulatory Deferral Account	30.29	24.82	386.79
TOTAL - ASSETS	30.29	24.82	386.79
Liabilities			
Non-current liabilities			
a) Financial Liabilities	-	-	-
(i) Borrowings	-	-	328.95
b) Provisions	0.07	0.10	1.34
c) Deferred Tax Liabilities (Net)	10.50	9.03	38.40
(C) Total - Non-current liabilities	10.57	9.13	368.70
Current liabilities			
a) Financial Liabilities	-	-	-
(ii) Trade payables	0.95	1.09	73.38
(iii) Other financial liabilities	-	-	0.49
b) Provisions	0.00	(0.00)	(0.03)
d) Other Current Liabilities	0.01	0.03	0.72
(D) Total - Current liabilities	0.96	1.11	74.57
NET WORTH [(A) + (B) - (C) - (D)]	18.76	14.57	(56.48)

