

**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)

