

Report of Audit Committee of Jaiprakash Power Ventures Limited

1. Background:

1.1 A meeting of the Audit Committee was held on 15th November, 2014 to consider the proposal to transfer the businesses in relation to two of the Company's Hydro Power Plants namely, 300MW Baspa II Hydro-Electric Plant and 1091 MW Karcham Wangtoo Hydro- Electric Plant, both located in Himachal Pradesh, on a going concern basis on Slump Exchange basis to Himachal Baspa Power Company Limited (HBPCL), a subsidiary, as recommended by the Committee of Directors (for restructuring) held prior to the meeting.

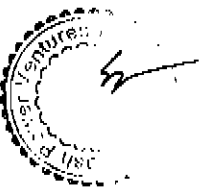
1.2 The said meeting was attended by Shri B.B.Tandon, Chairman, Shri R.N.Bhardwaj and Shri A.K.Goswami, Members, Shri Manoj Gaur Chairman, Shri Suren Jain, Managing Director & CFO and Shri M.M.Sibbal, Sr.General Manager & Company Secretary. The representative of M/s. Bansi S.Mehta & Company, Independent Valuers and the representative of M/s. Sobhagya Capital Options Ltd, SEBI registered Merchant Bankers were also invited for the meeting.

1.3 This report of the Audit Committee is made in terms of Circular no. Circular number CIR/CFD/DIL/5/2013 dated February 4, 2013 and Circular number CIR/CFD/DIL/8/2013 dated May 21, 2013 (together the "SEBI Circulars") issued by the Securities and Exchange Board of India ("SEBI")

1.4 The Committee noted that consequent upon demerger of appraised Hydro Power Plants by transfer and vesting of plants to HBPCL, on a going concern basis, HBPCL shall allot Equity Shares and Non-Convertible Debentures to the Company on Slump Exchange basis. Accordingly in terms of para 4.2 of SEBI Circular dated May 21, 2013, Valuation Report from an Independent Chartered Accountants viz. **M/s. Bansi S Mehta & Co.**, Chartered Accountants, Mumbai was placed at the Meeting and considered by the Committee.

1.5 The Committee considered the following, circulated amongst the Members :

- (i) Valuation Report dated 14th November, 2014 issued by M/s. Bansi S. Mehta & Co. Independent Chartered Accountants; and



- (ii) Fairness Opinion dated 15th November, 2014 issued by M/s. Sobhagya Capital Options Limited, New Delhi, a SEBI Registered Merchant Bankers, as Independent Merchant Bankers on the valuation done by M/s. Bansi S Mehta & Company .

2. Review of Valuation Report by Audit Committee:

The Audit Committee reviewed the Valuation Report dated 14th November, 2014 of M/s. Bansi S Mehta & Co., Chartered Accountants, and Independent Valuers at length. The Committee also reviewed the methodology and approach adopted by the Independent Valuers. The members also interacted with the Valuers who made detailed presentation about the methodology and approach adopted by them. Being satisfied with the Valuation, the Committee concluded that the Valuation as per the Valuation Report was fair and reasonable.

3. Fairness Opinion of M/s. Sobhagya Capital Options Limited, New Delhi, SEBI Registered Merchant Bankers :

The Audit Committee reviewed the Fairness Opinion dated 15th November, 2014 of M/s. Sobhagya Capital Options Limited, New Delhi, SEBI Registered Independent Merchant Bankers on the Valuation done by M/s. Bansi S Mehta & Co., Chartered Accountants and interacted with the representatives of Independent Merchant Bankers. The members sought clarifications and the same were duly provided.

4. Salient Features of the Scheme of Arrangement

The Committee also considered the draft Scheme of Arrangement between the Company, HBPCL and their respective shareholders and creditors

4.1 The proposed Scheme of Arrangement provides for transfer of the entire business related to 300 MW Baspa Hydro Electric Project ("**Baspa Undertaking**") and 1091 MW Karcham Wangtoo Hydro Power Plant ("**Karcham Undertaking**"), both located in the district of Kinnaur in Himachal Pradesh, from the Company to HBPCL, a subsidiary of the Company.

The Scheme contemplates that, with effect from the effective date, the Baspa Undertaking and Karcham Undertaking shall, be transferred to and vested in or be deemed to have been transferred to and vested in HBPCL as a "going concern" on a slump exchange basis i.e., for consideration other than cash. The other businesses/projects of the Company shall continue to remain with JPVL.



The Scheme shall be 'effective' later of the date on which:

- (a) the certified copy of the High Court order sanctioning the Scheme is filed with the Registrar of Companies, Himachal Pradesh;
- (b) conditions referred to in Clause 8.3 of the Scheme are satisfied; and
- (c) the following consents have been obtained for the Transferred Undertaking No. 1 and Transferred Undertaking No. 2 or, waived in accordance with Clause 8.1(g) of the Scheme:
 - i) Consent of Chief Inspector of factories/ other competent authority for transfer of factories license;
 - ii) Consent of Controller of Explosives/ other competent authority under Explosives Rules, 2008 for use, storage and possession of explosives; and
 - iii) Consent of licensing authority under the Petroleum Rules, 2002 for use, storage and transportation of petroleum

4.3 Immediately upon the Scheme becoming effective, HBPCL shall issue and allot the following Securities to JPVL, in dematerialised form, towards transfer of Baspa Undertaking and Karcham Undertaking to HBPCL:

- i. 125 crore equity shares of HBPCL of face value of Rs.10 each at par aggregating to Rs.1250 crore; and
- ii. 25 crore 13% Non-Convertible Debentures of HBPCL of face value of Rs.100 each at par aggregating to Rs.2500 crore.

4.4 The assets, liabilities, contracts, employees, licenses and permissions forming a part of Baspa Undertaking and Karcham Undertaking proposed to be transferred shall stand transferred and vested in HBPCL upon the Scheme becoming effective.

Pursuant to the divestment of two of the Company's operating power plants, project level debt will also be transferred to HBPCL.

4.5 Part of the Authorized Capital of the Company is also proposed to be transferred to HBPCL, upon the Scheme becoming effective.

4.6 The Equity Shares and Non-Convertible Debentures contemplated to be issued in pursuance of the Scheme has been determined based on the Enterprise Value of the Karcham and Baspa Undertakings, arrived at as per valuation report dated 14th November, 2014 of M/s. Bansi S. Mehta & Co. The Fairness Opinion dated 15th November, 2014 has been provided by M/s.Sobhagya Capital Options Ltd.



5. Recommendations

The Committee also accepted and took on record the Valuation Report dated 14th November, 2014 of M/s. Bansi S. Mehta & Co., Independent Valuers and Fairness Opinion dated 15th November, 2014 by M/s. Sobhagya Capital Options Ltd, SEBI registered Merchant Bankers and directed that the same may also be placed before the Board. After discussions, the Audit Committee recommended the draft Scheme of Arrangement for approval by the Board, Stock Exchanges and SEBI.

