

**REPORT OF THE AUDIT COMMITTEE OF TORRENT POWER LIMITED
(‘TRANSFEROR COMPANY’) RECOMMENDING THE DRAFT SCHEME OF
ARRANGEMENT BETWEEN TORRENT POWER LIMITED AND TORRENT GREEN
ENERGY PRIVATE LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND
CREDITORS**

Members Present in meeting held on August 10, 2023:

Ketan Dalal - Chairperson

Keki Mistry - Member

Usha Sangwan – Member

Radhika Haribhakti - Member

In Attendance:

Saurabh Mashruwala, Chief Financial Officer

Rahul Shah, Company Secretary

1. Background:

1.1 A meeting of the Audit Committee of Torrent Power Limited was held on August 10, 2023 to inter-alia consider and recommend the draft Scheme of Arrangement between Torrent Power Limited (‘Transferor Company’) and Torrent Green Energy Private Limited (‘Transferee Company’) and their respective shareholders and creditors (‘Scheme’) under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 and rules made thereunder which provides for the transfer and vesting of the Renewable Power Undertakings (*as defined in the Scheme*) from the Transferor Company to the Transferee Company as a going concern, on Slump Sale basis and for which lump sum cash consideration shall be paid by the Transferee Company to the Transferor Company subject to Book Value Adjustments provided in the Scheme and as per the other terms and conditions mentioned in the Scheme.

1.2 This report of the Audit Committee is made in order to comply with the requirements of the Securities and Exchange Board of India (‘SEBI’) (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 (‘SEBI Master Circular’) and any amendments / modifications thereof and applicable provisions of Companies Act, 2013 and rules made thereunder. Pursuant to SEBI Master Circular, the Audit Committee is required to also comment on:

- Need for the demerger
- Rationale of the Scheme



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For Torrent Power Limited
Rahul C. Shah
Company Secretary

TORRENT POWER LIMITED

CIN : L31200GJ2004PLC044068

- Synergies of business of the entities involved in the Scheme
- Impact of the Scheme on the shareholders
- Cost benefit analysis of the Scheme

1.3 The following documents / information were placed before the Audit Committee:

- (a) Draft Scheme duly initialled by the Company Secretary for the purpose of identification;
- (b) Valuation Report dated 9th August 2023 issued by Sujal A. Shah, Partner of M/s. SSPA & Co, Chartered Accountants along with computation of Fair Share Exchange Ratio
- (c) Fairness opinion dated 9th August 2023 issued by M/s. Vivro Financial Services Private Limited, SEBI Registered Merchant Banker providing the Fairness opinion on the valuation report issued by Sujal A. Shah, Partner of M/s. SSPA & Co;
- (d) Draft certificate issued by M/s. Price Waterhouse Chartered Accountants, LLP, Statutory Auditor stating to the effect that the accounting treatment contained in the Scheme is in compliance with all the Accounting Standards specified by the Central Government under Section 133 of the Companies Act, 2013 read with the rules framed thereunder or the Accounting Standards issued by ICAI, as applicable, and other generally accepted accounting principles.

2. Proposed Scheme of Arrangement:

The Committee noted the salient features of the Scheme as under:

2.1 The Scheme provides for transfer and vesting of Renewable Power Undertakings as a going concern, on Slump Sale basis and for which lump sum consideration shall be paid by the Transferee Company to the Transferor Company in the manner set out in the Scheme;

2.2 Appointed date of the Scheme is 01st April, 2024;

2.3 Clause 7 of the Scheme provides that upon the Scheme becoming effective and upon transfer and vesting of the Renewable Power Undertakings of Transferor Company in Transferee Company, the Transferee Company shall discharge the lump sum consideration payable by it to Transferor Company by way of cash consideration subject to adjustment provided in the Scheme and as per the other terms and conditions mentioned in the Scheme.



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The aforesaid amount payable by way of cash consideration shall be subject to Book Value Adjustments. For the purpose of this clause, "Book Value Adjustments" shall be computed as under:

- a. If the Book Value as on Appointed Date is more than the Book Value as on Cut-off Date, then the difference shall be added to the amount of cash consideration,
- b. If the Book Value as on Appointed Date is less than the Book Value as on Cut-off Date, then the difference shall be reduced from the amount of cash consideration

"Book Value as on Cut-off Date" means Rs. 1056.97 crores as on 30th June, 2023.

3. Need for the Slump Sale & Rationale of the Scheme:

3.1 The Transferor Company and the Transferee Company are part of the same group ('Torrent Group') and are owned, controlled and managed by the management of the Torrent Group.

3.2 To streamline the current business structure, management of the said companies are desirous of entering into Scheme of arrangement between the Transferor Company and the Transferee Company.

3.3 The Transferor Company is inter-alia engaged in business of generation of power through renewable and non-renewable sources, transmission and distribution of electricity.

3.4 The proposed arrangement will enable the Transferor Company to provide greater business attention and focus on the business of generation through convention sources, transmission and distribution of electricity. In addition, the Renewable Power Undertakings will be transferred into the Transferee Company to enable unlocking of value of the Renewable and Green Power business in future.

3.5 The Renewable Power Undertakings comprises of 316.60 MW of solar and wind power, consisting of Charanka Solar Power Undertaking, Lalpur Wind Power Undertaking, Mahidad Wind Power Undertaking and Nakhatrana, Jamanwada, Nakhatrana Extension Wind Power Undertaking, all situated in the state of Gujarat.



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3.6 India is a high growth market and is expected to continue to see a deficit of renewable energy in the foreseeable future. Further, as the green economy expands, the Transferee Company will be well positioned to support the expanding demand.

3.7 The distinct business profile provides the opportunity to potentially attract a different pool of investors and strategic partners for the Renewable and Green Power business.

3.8 Accordingly, this Scheme is being proposed for transfer of the Renewable Power Undertakings to Transferee Company as a going concern on Slump Sale basis.

3.9 The transfer of the Renewable Power Undertakings from the Transferor Company to the Transferee Company would inter-alia achieve the following benefits:

a. Value creation for shareholders:

- (i) The proposed transfer of the renewable energy business of the Transferor Company to the Transferee Company will improve visibility of the renewable portfolio by positioning Transferee Company as renewable energy vehicle;
- (ii) The proposed transfer of the renewable energy business of the Transferor Company to the Transferee Company will position the Transferee Company as renewable energy vehicle;
- (iii) The renewable portfolio is expected to command growth premium since the Transferee Company will have distinguished growth trajectory; and
- (iv) Help in unlocking value of green and renewable business;

b. Facilitate renewable energy-based power business to be effectively integrated which is expected to enhance management focus and operational flexibility resulting in synergies in business development, operations and maintenance of clean and renewable energy assets;

4. Synergies of business of the entities involved in the Scheme:

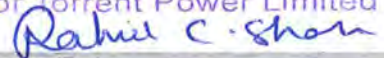
The transfer of the Renewable Power Undertakings from the Transferor Company to the Transferee Company would facilitate renewable energy-based power business to be effectively integrated which is expected to enhance management focus and operational flexibility resulting in synergies in business development, operations and maintenance of clean and renewable energy assets;



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Company Secretary

5. Impact of the Scheme on the shareholders:

No negative impact on the shareholders is envisaged due to proposed Scheme of Arrangement as it is being transferred to wholly owned subsidiary of the Transferor Company where economic interest of shareholders of Transferor Company does not change.

However, the transfer of the Renewable Power Undertakings from the Transferor Company to the Transferee Company would inter-alia help achieve synergies and value creation as detailed in paragraphs 3 and 4 above.

6. Cost benefit analysis of the Scheme:

Although the Scheme involves certain costs such as transaction cost, implementation cost, regulatory fees, stamp duties, etc., Scheme would entail the benefits specified in para 3 and 4 above.

7. Recommendation of the Audit Committee:

Taking into consideration the draft Scheme and its rationale, cost benefit analysis and impact on shareholders along with need for Slump Sale, synergies of the business involved and Valuation Report, Fairness opinion and Auditor's Certificate as placed, the Committee recommends the draft Scheme to the Board of Directors of the Company for its favourable consideration and approval.

By Order of the Audit Committee

For and on behalf of
TORRENT POWER LIMITED



Ketan Dalal
Chairperson
(DIN: 00003236)



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For Torrent Power Limited
Rahul C. Shan
Company Secretary

Date: August 10, 2023

Place: Ahmedabad