

ESSAR POWER LIMITED

29th ANNUAL REPORT

2019-20

ESSAR POWER LIMITED

| BOARD OF DIRECTORS | COMMITTEES | |
|--|---|-----------------|
| Mr. Nitin Patil | Audit Risk and Compliance Committee | |
| Director | Mr. Nitin Patil | |
| Mr. Rajmohan Thirunavukarasu | Mr. Angira Prasad Dubey | |
| Director | Mr. Birendra Kumar Mohapatra | |
| Mr. Angira Prasad Dubey | | |
| Independent Director | Nomination and Remuneration Committee | |
| Mr. Birendra Kumar Mohapatra | Mr. Nitin Patil | |
| Independent Director | Mr. Rajmohan Thirunavukarasu | |
| | Mr. Angira Prasad Dubey | |
| KEY MANAGERIAL PERSONNEL | Mr. Birendra Kumar Mohapatra | |
| Mr. Kush | | |
| Chief Executive Officer | CSR, Sustainability and Safety Committee | |
| Mr. Vinod Jain | Mr. Nitin Patil | |
| Chief Financial Officer | Mr. Rajmohan Thirunavukarasu | |
| Mr. Kapil Singla | Mr. Angira Prasad Dubey | |
| Chief Financial Officer | Mr. Birendra Kumar Mohapatra | |
| Mr. Prakash Khedekar | | |
| Company Secretary | | |
| | | |
| REGISTERED OFFICE | REGISTRAR AND TRANSFER AGENTS | |
| 27 KM, Surat Hazira Road, Hazira, Surat, Gujarat 394270 | M/s Data Software Research Company Pvt. Ltd | |
| Tel: +91 261 668 2055/2400 | Unit: Essar Power Limited | |
| Fax: +91 261 668 2747 | 619 Pycrofts Garden Road, Off Haddows Road, Nungambakkam, Chennai – 600006 | |
| | Tel: + 91 44 2821 3738, 2821 4487 | |
| CORPORATE OFFICE | Fax: +91 44 2821 4636 | |
| Essar House, 11, K. K. Marg Mahalaxmi, Mumbai 400 034, Maharashtra, India. | Email: essar.power@dsrc-cid.in | |
| Tel: +91 22 6660 1100 / 4001 1100 | CONTENTS | PAGE NO. |
| Email: powersec@essarpower.co.in | Notice | 3 |
| | Directors' Report | 12 |
| | Standalone Auditors' Report | 43 |
| STATUTORY AUDITORS | Standalone Financials | 53 |
| M. M. Chaturvedi & Co., Chartered Accountants | Consolidated Auditors' Report | 103 |
| | Consolidated Financials | 113 |
| | | |
| | | |

ESSAR POWER LIMITED

Regd Office: 27th Km, Surat Hazira Road, Dist Surat, Gujarat 394270

CIN: U40100GJ1991PLC064824

Tel: 91 22 6733 5700| Fax: 91 22 67335300| E-mail: powersec@essarpower.co.in Website: www.essar.com

Notice is hereby given that the 29th Annual General Meeting of the Members of **ESSAR POWER LIMITED** ('EPOL' or the 'Company') will be held on Tuesday, December 29, 2020 at 11:00 a.m. through Video Conferencing ('VC')/Other Audio Visual Means ('OAVM') facility in accordance with the applicable provisions of the Companies Act, 2013 read with MCA General Circular No. 20/2020, 17/2020 and 14/2020 dated 5th May, 2020, 13th April, 2020 and 8th April, 2020 respectively, to transact the following businesses:-

ORDINARY BUSINESS:

1. **To receive, consider and adopt the Standalone and Consolidated Audited Financial Statements of the Company for the financial year ended March 31, 2020 together with the Reports of the Board and the Auditors thereon;**

To consider and adopt (a) the Audited Standalone Financial Statements of the Company for the financial year ended March 31, 2020 and the Reports of the Board of Directors and Auditors thereon; and (b) the Audited Consolidated Financial Statements of the Company for the financial year ended March 31, 2020 and the Reports of Auditors thereon and in this regard, to consider and if thought fit, to pass, with or without modification(s), the following resolutions as Ordinary Resolutions:

a) "RESOLVED THAT the Audited Financial Statements of the Company for the financial year ended March 31, 2020 prepared on standalone basis and the Reports of the Board of Directors and Auditors thereon laid before this meeting, be and are hereby considered and adopted."

b) "RESOLVED THAT the Audited Financial Statements of the Company for the financial year ended March 31, 2020 prepared on consolidated basis and the Report of Auditors thereon laid before this meeting, be and are hereby considered and adopted."

SPECIAL BUSINESS:

2. **Appointment of Mr. Nitin Patil as Director**

To consider and, if thought fit, to pass with or without modification, the following resolution as an **Ordinary Resolution:**

RESOLVED THAT pursuant to the provisions of Sections 149, 152 and other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 and the applicable provisions (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), Mr. Nitin Patil (DIN: 07602888), who was appointed as an Additional Director pursuant to the provisions of Section 161(1) of the Act and the Articles of Association of the Company and in respect of whom the Company has received a notice in writing under Section 160 of the Act from a member proposing his candidature for the office of Director, be and is hereby appointed as Director, who shall be liable to retire by rotation;

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

3. Appointment of Mr. Rajmohan Thirunavukarasu as Director

To consider and, if thought fit, to pass with or without modification, the following resolution as an **Ordinary Resolution**:

RESOLVED THAT pursuant to the provisions of Sections 149, 152 and other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 and the applicable provisions (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), Mr. Rajmohan Thirunavukarasu (DIN:07949704), who was appointed as an Additional Director pursuant to the provisions of Section 161(1) of the Act and the Articles of Association of the Company and in respect of whom the Company has received a notice in writing under Section 160 of the Act from a member proposing his candidature for the office of Director, be and is hereby appointed as Director, who shall be liable to retire by rotation;

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

4. Conversion of Loan into Equity Shares in case of default in repayment of Loan

To consider and, if thought fit, to pass with or without modification, the following resolution as a **Special Resolution**:

“RESOLVED THAT pursuant to Section 62(3) and other applicable provisions of the Companies Act, 2013 and the rules made there under (as amended, varied and supplemented from time to time), consent of the Company be and is hereby accorded to the terms and conditions contained in the Comprehensive Settlement Agreement executed on September 29, 2020 as amended from time to time, and the terms and conditions contained in the Novation cum Transfer Agreement to be entered into by the Company, such terms and conditions to provide, inter alia, a right to Yes Bank Limited to convert the whole or part of their respective outstanding loan amounts along with any interest overdue (“Outstanding Dues”) (whether then due and/or payable or not) into fully paid up Equity Shares of the Company at a conversion price determined subject to Applicable Laws and in accordance with the applicable RBI guidelines, on the occurrence of an Event of Default.

RESOLVED FURTHER THAT the conversion price will be determined in accordance with the provisions of the Companies Act, 2013 and the Rules applicable thereto as may be amended from time to time, in the manner specified in a notice in writing to be given by Yes Bank Limited to the Company (“Notice of Conversion”) prior to the date on which the conversion is to take effect in terms of the Loan Agreements.

RESOLVED FURTHER THAT on receipt of the Notice of Conversion, the Company shall allot and issue the requisite number of fully paid-up equity shares to Yes Bank Limited.

RESOLVED FURTHER THAT the fully paid up equity shares so allotted and issued to Yes Bank Limited pursuant to their exercising the right of conversion shall carry the right to receive proportionate dividends and other distributions declared or to be declared for the period commencing from the date of conversion till the end of relevant financial year and shall rank pari passu in all respects with other equity shares of the Company. Provided further that, the Company shall increase, if required, the authorized capital of the Company to effect the conversion right available to Yes Bank Limited.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors be and are hereby authorized to accept such modifications and such terms and conditions as may be imposed or required by Yes Bank Limited arising from or incidental to the aforesaid term providing for such right of conversion and to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable as may be required to create, offer, issue and allot the aforesaid Shares to dematerialize the shares of the Company and to resolve and settle any question, difficulty or doubt that may arise in this regard and to do

all such other acts, deeds, matters and things in connection or incidental thereto as the Board in its absolute discretion may deem fit, without being required to seek any further consent or approval of the members or otherwise to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT subject to applicable laws, the Board be and is hereby authorized to delegate all or any of the powers herein conferred, to any one or more Directors or the Company Secretary of the Company, with power to delegate to any executive of the Company, to give effect to this resolution.”

Registered Office

27th km, Surat Hazira Road
Dist Surat
Gujarat, 394 270
CIN: U40100GJ1991PLC064824
Tel: 91 22 6733 5700 Fax: 91 22 67335300
E-mail: powersec@essarpower.co.in
Website: www.essar.com

By Order of the Board

Sd/-
Prakash Khedekar
Company Secretary

Place: Mumbai

Date: November 6, 2020

NOTES:

1. In view of the COVID 19 pandemic, the Ministry of Corporate Affairs vide its Circular dated 5th May, 2020 read with Circulars dated 8th April, 2020 and 13th April, 2020 (collectively referred to as 'Circulars'), has introduced certain measures enabling companies to convene their Annual General Meetings (AGM/ Meeting) through Video Conferencing (VC) or Other Audio Visual Means (OAVM) and also send notice of the Meeting and other correspondences related thereto, through electronic mode. In compliance with the said requirements of the MCA Circulars, electronic copy of the Notice along with the Annual Report for the financial year ended 31st March, 2020 consisting of financial statements including Board's Report, Auditors' Report and other documents required to be attached therewith (Collectively referred to as Notice) have been sent only to those members whose e- mail ids are registered with the Company or the Registrar and Share Transfer Agent or the Depository Participants(s) through electronic means and no physical copy of the Notice has been sent by the Company to any member. The Notice has also been hosted on the website of the Company at www.essar.com.
2. The Board of Directors of the Company has decided to adopt the above guidelines issued by Ministry of Corporate Affairs in conducting Annual General Meeting of the Company. Hence, Members can attend and participate in the ensuing Annual General Meeting through VC/ OAVM, which may not require physical presence of members at a common venue. The deemed venue for the meeting shall be the registered office of the Company.
3. Pursuant to the provisions of the Act, a member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a member of the Company. Since this AGM is being held pursuant to the MCA Circulars through VC/OAVM facility, physical attendance of members has been dispensed with. Accordingly, the facility for appointment of proxies by the members will not be available for the AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.
4. Members attending the AGM through VC shall be counted for the purpose of reckoning the quorum under Section 103 of the Companies Act, 2013.
5. Corporate shareholders are required to send a scanned copy (pdf/jpg format) of its board or governing body's resolution/authorisation, etc., authorising their representative to attend and vote at the AGM on its behalf. The said resolution/authorisation shall be sent to the Company by email through its registered email address to powersec@essarpower.com.
6. Statement pursuant to Section 102 of the Act forms a part of this Notice. The Board of Directors, at their meeting held on November 6, 2020 has decided that the special business set out under item nos. 2 to 4, being considered unavoidable, be transacted at the AGM of the Company. Notice and the Explanatory Statement shall be available for inspection electronically. Members seeking to inspect such documents can send an email to powersec@essarpower.com.
7. The Register of Directors and Key Managerial Personnel and their shareholding maintained under Section 170 of the Companies Act, 2013 and the Register of Contracts and Arrangements in which Directors are interested maintained under Section 189 of the Companies Act, 2013 shall be made available in electronic form for inspection during the Meeting through VC.

8. The Company has fixed Friday, November 27, 2020 as the Record Date for the purpose of identifying the eligible members of the Company for the purpose of AGM.
9. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
10. If there is any change in the e-mail ID already registered with the Company, members are requested to immediately notify such change to the Company or its RTA in respect of shares held in physical form and to DPs in respect of shares held in electronic form.
11. Since the meeting will be conducted through VC/OAVM facility, the route map is not annexed to this Notice.

Instructions for attending/voting at the AGM

1. The members can join/participate the meeting either through IPAD, VC facility or Laptop/Web cam enabled Desktop or mobile instrument. The process of participating/joining the meeting is as under.

| | |
|--|--|
| Joining through IPAD | Install Blue Jeans App from Apple Store Go to Safari & Launch below mentioned URL: https://bluejeans.com/345345545/4534 |
| Joining through VC Room- Essar Locations | Dial 199.48.152.152 Login ID: 345345545 , Password: 4534 |
| Joining Through Laptop/Web cam enabled Desktop | Go to Web browser & Launch below mentioned URL: https://bluejeans.com/345345545/4534 Select – Download App & Install it Launch Application & Fill your name In case ID & Password is asked then provide it as: Meeting ID: 345345545 Password: 4534 Select Computer Audio Select Join Meeting |

2. The VC facility allows two way teleconferencing or webex for the ease of participation of the members and the participants are allowed to pose questions concurrently or given time to submit questions in advance on the e-mail address of the company.
3. The facility for joining the meeting shall remain open at least 15 minutes before the time scheduled to start the meeting and shall be closed after the expiry of 15 minutes after such scheduled time.
4. Members are advised to use stable Wi-Fi or LAN connection to participate at the AGM through VC in a smooth manner. Participants may experience audio/video loss due to fluctuation in their respective networks.
5. The Chairman for the meeting shall be appointed in accordance with Section 104.
6. The members of the Company are requested to use powersec@essarpower.co.in as a designated email address for the purpose of conveying their vote, when a poll is required to be

taken during the meeting on any resolution. Where a poll on any item is required, the members shall cast their vote on the resolutions only by sending emails through their email addresses which are registered with the company. The said emails shall only be sent to the designated email address i.e. powersec@essarpower.co.in.

7. Members who may want to express their views or ask questions at the AGM are requested to post their queries at powersec@essarpower.co.in by mentioning their name, demat account number/folio number, email ID and mobile number at least seven days in advance of the meeting so that the answers may be made readily available at the meeting.
8. Members are requested to e-mail at powersec@essarpower.co.in or call at 9930134875 in case of any technical assistance required at the time of log in/ assessing/ voting at the Meeting through VC.

EXPLANATORY STATEMENT

As required by Section 102 of the Companies Act, 2013 ('the Act'), the following Explanatory Statement sets out all material facts relating to businesses mentioned under Item Nos. 2 to 4 of the accompanying Notice:

Item No 2

Based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors of the Company appointed, pursuant to the provisions of Section 161(1) of the Companies Act, 2013 ("the Act"), and the Articles of Association of the Company, Mr. Nitin Patil (DIN: 08147088) as an Additional Director with effect from October 1, 2020.

Mr. Nitin Patil is not disqualified from being appointed as a Director in terms of Section 164 of the Companies Act and has given his consent to act as a director.

The brief profile of Mr. Nitin Patil is as below:

Mr. Nitin Patil is a Civil Engineer having more than 20 years of experience in the field of development and construction of various infrastructure projects. He has a wide experience across the industry like energy, roads, bridges, tunnels, railway projects, hydro etc. He joined Essar in 2006 in Projects Business Group and involved in business development activities right from the project conceptualisation stage up to the completion of projects.

Later he joined Essar Power business in 2009 and continues to hold the same portfolio in the development of various coal based power projects of more than 4000 MW capacity ranging from 30 MW to 660 MW unit capacity. He was also involved in development of wind power projects. He has been instrumental in finalisation of EPC contracts and further monitoring up to the contract closure. In addition, as a part of Planning and Strategy group, he is responsible for cost control, budget and schedule variance monitoring, coordination with Lender's Engineers for various requirements of lenders for financing / refinancing proposals, advising projects on any infrastructure works requirements etc.

Prior to joining Essar, he was associated with Skanska Cementation India Ltd (Formerly Trafalgar House) and had a long association with them of 11 years. There, as a part of business development activities, he was instrumental in securing number of major infrastructure projects like National Highways, hydro power projects, railway projects etc. which resulted in the immense growth of the company.

Mr. Nitin Patil is interested in the resolution set out at Item No. 2 of the Notice with regard to his appointment.

Save and except the above, none of the other Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution.

The Board commends the Ordinary Resolution set out at Item No. 2 of the Notice for approval by the members.

Item No 3

Based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors of the Company appointed, pursuant to the provisions of Section 161(1) of the Companies Act, 2013 ("the Act"), and the Articles of Association of the Company, Mr. Rajmohan Thirunavukarasu (DIN: 07949704) as an Additional Director with effect from October 1, 2020.

Mr. Rajmohan Thirunavukarasu is not disqualified from being appointed as a Director in terms of Section 164 of the Companies Act and has given his consent to act as a director.

The brief profile of Mr. Rajmohan Thirunavukarasu is as below:

Mr. Rajmohan Thirunavukarasu holds a Bachelor's degree in Mechanical Engineering and PG Diploma in Thermal Power Plant engineering. He has over 17 years of experience in Power sector and has been associated with the Essar Group since 2004. He has extensive experience across Business development, Project development and Project Management of Thermal Power projects ranging from 30 MW to 660 MW capacity.

He was actively involved in the implementation of various Power projects of Essar Power in Vadinar (1010 MW Cogeneration Power project), Hazira (2X135 MW multi fuel fired Power project) and Paradeep (4x30 MW coal based Power project) right from the conceptualization up to commissioning and COD. He was also involved in finalizing the basic design configurations, major equipment finalisation and commercial & Contract Management of Mahan & Salaya Power projects (2x600 MW Power project), 19 MW Waste heat recovery Power plant in Hazira and 9.2 MW HFO based Power project in Kenya.

Earlier, he has also worked with the commercial team handling the International competitive bidding of Power projects, Competitive Case I and Case II bidding for power procurement in India, Finalisation of EPC contracts & Power Purchase Agreements, Registration of Bhandar power project as a CDM project and Merger and acquisition activities.

Prior to joining Essar, he was working in Tata Power Company Limited for the period of 4 years in Operation and Maintenance department of Trombay Thermal Power generating station.

Mr. Rajmohan Thirunavukarasu is interested in the resolution set out at Item No. 3 of the Notice with regard to his appointment.

Save and except the above, none of the other Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution.

The Board commends the Ordinary Resolution set out at Item No. 3 of the Notice for approval by the members.

Item No 4

Essar Power Gujarat Limited (EPGL), one of the subsidiaries of the Company, is under discussion with its senior lenders for restructuring of its project loans. One of the conditions of restructuring is settlement of junior lenders of EPGL. EPGL has approached the Company to provide financial assistance to pay off its junior lenders to comply with the conditions stipulated under the proposed resolution plan of restructuring. One of the lenders is Yes Bank Limited has sanctioned the OTS proposal of EPGL under Comprehensive Settlement Agreement on following key terms:-

- Upfront Payment of Rs.189.51 Crores which has already been made by the Company and Novation of balance principal amount of Rs.279.85 Crores and outstanding interest of ~Rs.163 Crores to Essar Power Limited (EPOL).
- The above Novated loan shall be payable by EPOL along with interest thereon at applicable rate of interest only in the event of failure of the Comprehensive Settlement Agreement (CSA) signed with Yes Bank. Payments of other facilities under CSA shall be due and payable on or before 20th March 2021

The Company shall be creating securities stipulated in the CSA for the Novated Facility and these securities shall be effective only in the event of failure of CSA. EPOL shall be executing Novation cum

Transfer Agreement with Yes Bank for the above. Yes Bank reserves the right to convert the outstanding loan into share capital of EPOL.

Section 62(3) of the Companies Act, 2013 requires that the terms of issue of loans containing an option to convert such loan into shares have to be approved before issue of such loans by a special resolution passed at the Company in general meeting. It is proposed to obtain approval of the Members of the Company in terms of Section 62(3) of the Companies Act, 2013 for conversion of debt into equity in case of an Event of Default in repayment of loan by the Company.

The Board recommends the resolution at Item No. 4 of the notice to the shareholders for their approval as Special Resolution.

None of the Directors of the Company or Key Managerial Personnel or their relatives are, in any way, concerned or interested in the resolutions except to the extent of their shareholding in the Company, if any.

Registered Office

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Website: www.essar.com

By Order of the Board

Sd/-
Prakash Khedekar
Company Secretary

Place: Mumbai

Date: November 6, 2020

ESSAR POWER LIMITED

BOARD REPORT

**To
The Members of
Essar Power Limited**

Your Company's Directors have pleasure in presenting the Board's Report along with the Audited Financial Statements for the Financial Year ended March 31, 2020.

1. FINANCIAL RESULTS

(Amount in Crore)

| Particulars | Standalone | | Consolidated | |
|---|------------|------------|--------------|------------|
| | FY 2019-20 | FY 2018-19 | FY 2019-20 | FY 2018-19 |
| Net sales / Income from operations | 44.29 | 19.22 | 3,233.27 | 1,645.94 |
| Operating Expenditure | 33.57 | 47.84 | 2,126.63 | 1,042.07 |
| Operating profit/ (loss) | 10.72 | (28.62) | 1,106.64 | 603.87 |
| Add: Other income | 21.47 | 12.06 | 76.88 | 69.66 |
| Profit/ (Loss) Before finance costs, depreciation, amortisation, exceptional item and tax | 32.19 | (16.56) | 1,183.52 | 673.53 |
| Less: Finance cost & lease charges | 630.19 | 569.49 | 3,413.18 | 3,028.25 |
| Profit/ (Loss) Before depreciation, amortisation, exceptional item and tax | (598.00) | (586.05) | (2,229.66) | (2,354.72) |
| Less: Depreciation and amortization | 0.05 | 0.02 | 551 | 504.83 |
| Profit/ (Loss) Before exceptional items and tax | (598.06) | (586.07) | (2,780.66) | (2,859.55) |
| Exceptional items | (1613.19) | - | 4,444.59 | (1,652.98) |
| Profit (Loss) Before tax | (2211.24) | (586.07) | (7,225.25) | (1,206.57) |
| Less: Current tax | 0.08 | 0.55 | 0.18 | 0.57 |
| Less: Deferred tax | - | - | (40.07) | (353.16) |
| Net Profit/ (Loss) After Tax | (2211.32) | (586.62) | (7,185.36) | (853.99) |

1.1 Standalone results

The Company's power plant was closed down due to unfavourable market condition. However, the plant availability was 100%.

The operating revenue during financial year 2019-20 was increased to Rs. 44.29 Crore as against Rs. 19.22 Crore during the previous financial year. Operating revenue was increased due to increase in revenue on account of support services provided to Essar Power Hazira Limited and operation and management services provided to Bhandar Power Limited.

During the year, the Company reported a Loss after tax of Rs. 2,211.32 Crore (Rs. 586.62 Crore).

1.2 Share capital

During the year under review, there has been no change in the paid up share capital of the Company.

1.3 Consolidated Results

The Audited Consolidated Financial Statements of the Company as required under Section 129 of the Companies Act, 2013 (Act) form part of this Annual Report.

The Consolidated operating revenue was higher at Rs. 3,233.27 crore (Previous year Rs. 1,645.94 crore).

Other income increased to Rs. 76.88 crore (Previous year Rs. 69.66 crore) during the current financial year.

The interest and finance charges were Rs. 3,413.18 crore as against Rs 3,028.25 crore during the previous year. The increase was primarily on account of the interest charged on the outstanding principal/accrued interest

The depreciation charge increased to Rs. 551 crore (Previous year Rs. 504.83 crore) during the current year.

The Exceptional items were Rs. 4,444.59 (Previous year Negative-Rs 1,652.98 crore) during the current year.

Loss for the year was Rs. 7,185.36 crore as against a loss of Rs. 853.99 crore during the previous year.

2. CHANGE IN THE NATURE OF BUSINESS, IF ANY

There was no changes in the business of the Company.

3. DIVIDEND

In view of the losses, your Directors do not recommend any dividend for the year.

4. EXEMPTION FROM NBFC CLASSIFICATION

The Company was unable to carry its main business activity of power generation due to higher gas prices rendering the operations unviable and the plant being un-operational throughout the year, it resulted in the interest income on amounts extended to its SPVs involved in power generation business becoming along with the gain generated from the sale of its investments, higher than the operational income, triggering the requirement for registration as Non-Banking Financial Company (NBFC). Since the company does not intend to carry on the business of NBFC, it applied for and is awaiting the Reserve Bank of India (RBI) exemption from registration as a NBFC for FY 2017-18 and 2018-19. The company has made an application to RBI for FY 2019-20, for exempting it from the NBFC requirements for the year FY 2019-20.

Further, the response against the application is still awaited from RBI.

5. SIGNIFICANT & MATERIAL ORDERS PASSED BY THE REGULATORS

During the year, no significant or material orders were passed by the Regulators or Courts or Tribunals or NCLT which impact the going concern status and Company's operations in the near future.

6. HOLDING, SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Company is a subsidiary of Essar Power Holdings Limited, Mauritius, which as on March 31, 2020 along with its 100% subsidiary, Essar Power Hazira Holdings Limited, Mauritius holds 81% of the total equity share capital. Essar Power Holdings Limited in turn is a wholly owned subsidiary of Essar Energy Limited.

7. PERFORMANCE HIGHLIGHTS OF KEY SUBSIDIARIES

i. Essar Power Hazira Limited (EPHL)

Essar Power Hazira Limited (EPHL) owns and is in the operation of corex gas, corex fines and imported coal based power plant of 270 MW plus 30 MW debottlenecked, located at Hazira, Surat, Gujarat within the steel complex operated by ArcelorMittal Nippon Steel India Limited (erstwhile Essar Steel India Limited) (AMNSI) at Hazira, Surat, Gujarat. In FY 19-20, EPHL has achieved 90% plant availability and 90% plant load factor.

The Plant has shown robust performance in FY 2019-20 as summarized below:-

- Power Generation of 2133 Mn Units and supplied 1942 Mn Units of power to AMNSI
- Average Station Availability of 90.16%.
- Auxiliary Consumption of 8.99%
- Specific oil consumption of the plant for the year ending March, 2020 was 0.067 ml/KWh (far better than the CERC norms of 0.5 ml/KWh).
- STG 2 major inspection completed in October 2019 which resulted in heat rate improvement of 40-50 kcal/kWh.
- Overdue to the lenders have been paid and loan accounts have been made standard.
- The total income of the Company in the financial year 2019-20 was Rs. 419.52 crore as against Rs. 431.47 crore in the previous year.
- The profit before tax for the financial year 2019-20 was Rs. 82.92 crore as against Rs.39.11crore in the previous year thereby registering a growth of 112.06%.
- The profit after tax for the financial year 2019-20 was Rs. 60.41 crore as against Rs.26.24 crore in the previous year thereby registering a growth of 130.29%.

ii. Essar Power Gujarat Limited (EPGL)

Essar Power Gujarat Limited (EPGL) restarted its operations on 21.04.2019 and currently both the units are under operation as per the Gujarat Urja Vikas Nigam Limited (“GUVNL”) demand. The Company has achieved availability of ~62% and plant load factor (“PLF”) of ~44% for FY 2019-20.

The total income of EPGL for the FY 2019-20 was Rs. 1,407.04 crore as against Rs. 32.01 crore in the previous year. The loss before exceptional items and tax for FY 2019-20 was Rs. 863.74 crore as against Rs. 1,004.27 crore in the previous year. Net Loss after Tax for the year after providing for exceptional items was Rs. 1,724.38 crore as against Rs. 839.39 crore in the previous year.

iii. Essar Power (Orissa) Limited (EPORL)

Phase-I of 2 x 30 MW of EPORL is fully operational and providing reliable power requirement of AMNSI. During the financial year, EPORL has generated 425.29 MU of power and supplied 377.12 MU of power to AMNSI (erstwhile ESIL). Dry Ice cleaning inside Boiler - 1 and 2 led to an improvement of heat rate from 3500 Kcal to 3433 Kcal in base load and also with few modification of drives, about 0.2% of aux power has been reduced.

The gross revenue of EPORL for the FY 2019-20 was Rs. 112.74 crore as against Rs. 110.85 crore in the previous year. The loss before exceptional items and tax for FY 2019-20 was Rs. 22.23 crore as against Rs. 2.58 crore in the previous year. Net Loss after Tax for the year after providing for exceptional items was Rs. 95.83 crore as against Rs 10.08 crore in the previous year.

iv. Essar Power Transmission Company Limited (EPTCL)

During the year under review, average availability of Stage I elements was 98.91% as against a CERC norm of 98%. There was an availability of 99.07% during the year. In months where availability of system was higher than CERC norms of 98%, cumulative incentive was Rs. 85 Lakhs. Stage-II of the project is operational since September 22, 2018. CERC vide tariff order dated March 14, 2019 has approved provisional tariff of Rs.333.05 crore for 2018-19. During the year under review, average availability of Stage II elements was 98.54% as against a CERC norm of 98%.

The gross revenue of EPTCL for the FY 2019-20 was Rs. 435.82 crore as against Rs. 242.38 crore in the previous year. The profit before tax for FY 2019-20 was Rs. 55.36 crore as against loss of Rs. 6.32 crore in the previous year. Net Profit after Tax for the year was Rs. 16.31 crore as against Rs 64.39 crore in the previous year.

EPTCL and the Lenders have restructured the Outstanding Facility and have accordingly, formulated the resolution plan in compliance with Reserve Bank of India's Prudential Framework for Resolution of Stressed Assets dated June 07, 2019. The existing outstanding debt of Rs.1854.82 crore was restructured into optionally convertible debentures (OCDs) of Rs. 518.81 crores and a term loan of Rs. 1336 crore.

v. Essar Power MP Limited (EPMPL)

The Company has set up a 1,200 MW (2 X 600 MW) coal-fired power plant at Bandhoura village in Singrauli District, Madhya Pradesh.

During the financial year 2019-20, the Company achieved highest power generation of 3281 Million Units. The Company has achieved an overall Plant Load Factor of 31.13% in FY 2019-20.

The gross revenue of EPMPL for the FY 2019-20 was Rs. 861.82 crore as against Rs. 820.68 crore in the previous year. The loss before exceptional items and tax for FY 2019-20 was Rs. 1343.89 crore as against Rs. 1343.89 crore in the previous year. Net Loss after Tax for the year was Rs. 5037.54 crore as against Rs 11265.72 crore in the previous year.

EPMPL has been referred to National Company Law Tribunal under IBC by its lenders and NCLT has passed order commencing CRP against the Company on September 28, 2020.

vi. Bhandar Power Limited (BPOL)

During the FY 2019-20, BPOL plant operated for 307 days (till 6th Feb 2020) and generated 1735 MU (average operating load – 235 MW) and supplied 1696 MU to AMNSI. Bhandar Power had crossed annual generation target for FY 2019-20 in December 2019.

The gross revenue of BPOL for the FY 2019-20 was Rs. 124.98 crore as against Rs. 54.57 crore in the previous year. The profit before exceptional items and tax for FY 2019-20 was Rs. 3.17 crore as against net loss of Rs. 49.52 crore in the previous year. Net profit after Tax for the year was Rs. 147.95 crore as against net loss Rs 286.24 crore in the previous year.

On 6th February 2020, assets secured to the lenders of the Company including 500 MW gas based power plant were sold to Arcelor Mittal Nippon Steel India Limited by Edelweiss Asset Reconstruction Company Limited pursuant to the provisions of the SARFAESI Act.

vii. Essar Electric Power Development Corporation Ltd (EEDCL)

Essar Electric Power Development Corporation Ltd holds Category II licence from the Central Electricity Regulatory Commission (CERC) for interstate trading in electricity in the whole of India (except the State of Jammu & Kashmir) for trading up to 1500 million units per annum or upto maximum 120% of the volume of trade authorised under the licence as per the Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of trading licence and other related matters) Regulations. Your company is a Trading cum clearing member of Indian Energy Exchange Limited (IEX) & Power Exchange India Limited (PXIL) for purchase and sale of electricity.

A report on the performance and financial position of all subsidiaries, joint ventures and associates is provided at **ANNEXURE I**.

8. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

The Company is a power generating company. Power generation is an “infrastructure activity” as defined under Schedule VI of the Companies Act 2013 and therefore, the provisions of Section 186 are not applicable for any loan made, guarantee given or security provided by the Company in terms of exemption provided u/s 186(11) (a).

9. AUDITORS & AUDITOR’S REPORT

M/s. M M Chaturvedi & Co, Chartered Accountants were appointed as Statutory Auditors of the Company for a second term of five consecutive years at the Annual General Meeting held on November 30, 2018.

The Comments of the Statutory Auditors in their report and the notes forming part of the Accounts are self-explanatory. Statutory Auditor’s report has following qualifications:

- a. As explained in Note 28(f) read with Note 2.1(ii)(d) to the standalone financial statements, the Company has received a recall notice from one of the lenders for repayment of total outstanding and the lender has initiated legal proceedings in DRT-1, Mumbai for recovering the same. The Company’s current liabilities exceeds its current assets by Rs. 2,792.96 crore for FY 2019-20 and the Company has a negative equity of Rs. 2,612.23 Crore. Further, as mentioned in our qualification No. 2 below, corporate guarantees amounting to Rs. 18,325.36 given by the Company to lenders of its subsidiaries have been invoked. The plant is in a state of shutdown and as mentioned in Note 3 read with Note 2.1(ii)(a), the Company has substantially impaired its plant based on change in outlook and prevailing conditions which the Company believes are unlikely to change in coming years. As mentioned in Note 48, one of the lenders of a subsidiary has taken the Company to NCLT under Insolvency and Bankruptcy Code, 2016, as the Company was a corporate guarantor for loans taken by the subsidiary. Further, as mentioned in Footnote (b),(c) to Note 6, the Company’s two major subsidiaries are in process of insolvency and liquidation respectively, and the subsidiary mentioned in Footnote (d) to Note 6 has lost control of majority of its assets in terms of settlement of its outstanding dues to its lenders. These situations indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern and the financial statements do not disclose this fact. The impact of the same on the standalone financial statements of the Company is unascertainable
- b. As explained in Note 39(i)(e), the Company had given corporate guarantee to the lenders of its subsidiaries for loans availed by those subsidiaries. On account of defaults in repayments of its loan obligations by the subsidiaries, the lenders of those subsidiaries invoked the corporate guarantees issued by the Company. The amount of invoked corporate guarantee outstanding as on 31st March, 2020, stands at Rs. 18,325.36 Crore which the Company has continued to show as contingent liability under Note 39(i)(e) for reasons mentioned therein, instead of making provisions for the same. Had the Company made the provision for invoked corporate guarantees, its loss for the year would have been higher by Rs. 18,325.36 crore and shareholder’s fund would have been lower by that amount.

Management’s view on the qualified opinion is as below:

The Company is amongst the major companies in the Indian Power Sector and owns four plants with capacity of 2045 MW & operates three plants with aggregate capacity of 1530 MW through various special purpose vehicles (SPVs). The Company has also commissioned 464 Km long Inter State Transmission System through one of its subsidiaries. The Company has been supporting its subsidiaries through various stages of construction, stabilization and operation of their assets. The subsidiaries have completed the projects and are operating the plants at

optimum levels. The subsidiaries like Essar Power Hazira Limited and Essar Power Transmission Company Limited are making decent profits.

Management has given careful consideration to going concern due to ongoing challenges faced by the Company and subsidiaries and has taken /is taking following steps:-

- a. Preservation of Equipments - The Company is maintaining the plant under preservation and all the key equipments are well preserved. The Company has also refurbished its plant and all equipments are in good condition. The Company expects the plant to start in a single command and achieve base load within few hours of operations. Natural gas prices are showing declining trend and in case of new gas recoveries at economical prices, the Company is hopeful of getting new long term PPA. The company is also contemplating the sale of its investments in order to meet its debt and other obligations
- b. Arbitration under PPA dated 29th June 1996: ESIL claimed frustration of the PPA stating the non-availability of natural gas at economical prices. However, they have ignored the fact that non-availability of Fuel caused by any event of Force Majeure (i.e. whether natural or non-natural Force Majeure event) shall not constitute Force Majeure events under the Agreement (as amended). The Company has initiated arbitration process as per terms of PPA dated 29th June 1996 and served an arbitration notice to AMNS (erstwhile ESIL) on 17th December 2019 requesting AMNS to nominate an Arbitrator within 30 days to initiate proceedings as prescribed in PPA. The Company has nominated Hon'ble Justice Arvind Sawant (Former Chief Justice of Kerala High Court) as our Sole Arbitrator. The Company has not received any response from AMNS. An appeal is being filed at High Court for appointment of Arbitrator to initiate Arbitration under PPA. In view of COVID-19 situation, High Court is accepting filing of urgent cases only.
- c. OTS with Lenders -

The Company does not have any operations for last few years due to absence of PPA and non-availability of fuel at economical prices.

Accordingly, the Company has offered One Time Settlement (OTS) to all the lenders to resolve the NPA issues. Most of the lenders and debentureholders, namely AXIS Bank, YES Bank, LIC Pension Fund, etc., have approved the OTS proposals and part / full payments have been made. A major debentureholder, LIC has already given in-principle approval for the OTS proposal and the Company is hopeful of getting final approval soon. The Company is engaged with other small lenders for settlement of their dues through OTS and is hopeful of settling them in current financial year.

The company has received notice for repayment of total outstanding (Refer Note 28 (f)) from one of its lender's which is mainly due to delay in creation of security. Legal proceedings have been initiated in the DRT-I, Mumbai in respect of the claim. The Company is hopeful of withdrawal of suit as the Company expects to get final OTS approval from the lender, LIC shortly and make up-front payment to them as per the OTS.

The Company has made comprehensive plans to address the long term as well as short term issues faced by the subsidiaries including debt restructuring, debt refinancing, interest rate rationalization, buying raw-material in e-auction or through traders, participation in short term / long term tender for power purchase agreements, etc. This steps will bring the debt to a sustainable level. Essar Power Gujarat Limited, a subsidiary of the Company, is in advanced stage of implementation of resolution plan with its lenders thereby bringing down the debt to a sustainable level and make the operations fully viable.

The above steps will ensure continuous operations and the Company will be able to meet all its operational liabilities.

In view of above, the management has concluded to prepare financials on a going concern basis.

Corporate guarantee resolution:

The Company has issued corporate guarantee to the lenders of its subsidiaries for the borrowings taken for setting up of the power plants.

During the last few years, Essar Power Limited faced challenges such as de-allocation of coal blocks, changes in bidding norms for long term PPA post completion of mine bidding process under the auction route and change in law in fuel exporting countries which led to idle capacities and consequent inability to service the borrowing facilities in plants set up in Mahan, Salaya and Jharkhand. The lenders have recalled their loans and invoked parent corporate guarantees.

The Company has been in constant discussions with its lenders for restructuring the debt in its group at a sustainable level. Based on the available information and the government policy announcements, the following is considered by the company for assessment of provision for guarantees issued to lenders of subsidiary companies.

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Emphasis of Matters:

Auditors have given following observations under emphasis of matters.

- a. As mentioned in footnotes to Note 6, the Company has impaired its investments in subsidiaries in preceding years and current year, except investment of Rs. 545.74 crore in Compulsory Convertible Non-Cumulative Non-Participating Preference Shares (CCNCNPPS) in a subsidiary mentioned in Footnote (a) of Note 6 for reasons mentioned therein. One of the investments mentioned in Footnote (c) to Note 6 has been admitted for liquidation under Corporate Insolvency Resolution Process, and has accordingly been reclassified from subsidiary to other investment due to loss of control. Another material subsidiary has been admitted to insolvency proceedings as mentioned in Footnote (b) to Note 6. Further, as mentioned in Footnote (d) to Note 6, one of the subsidiary has transferred majority of its assets, including the power plant, to its lender in terms of settlement of its borrowing.
- b. As mentioned in Note 11, the Company has continued to show 100% investment in one of its subsidiary even though 51% of the shares of those subsidiary were invoked by the lenders of the subsidiary.
- c. Note 39(ii) to the standalone financial statements regarding status of litigation with the customer (GUVNL). Trade receivables of Rs. 1,066.86 Crore (including delayed interest and overdue interest thereon aggregating to Rs. 582.25 Crore) as at 31st March, 2020 from the said customer are unconfirmed and represent amounts withheld by GUVNL substantially on account of the disputed matters described in the note. Based on earlier favourable decision of GERC which is contested by GUVNL, no provision is considered necessary against the claim or towards the disputed receivables recorded in the books of account in accordance with the Power Purchase Agreement with GUVNL.
- d. Note 47 to the standalone financial statements regarding the Company's Non-Banking Finance Company ("NBFC") status. The Company has applied to the Reserve Bank of India seeking waiver from registration as NBFC for FY 2019-20 on 2nd March, 2020, and is awaiting reply on the same. The Company had filed a similar application during FY 2018-19, 2017-18 and FY 2016-17 as well, for which it is yet to receive any response.
- e. Note 27 regarding trade payables of Rs. 7.10 Crore that are capex creditors of a subsidiary of the Company. These creditors have been assigned by the subsidiary to the Company by mutual consent between the Company and the subsidiary.

There are no other qualifications, reservations, disclaimers or adverse remarks by the Statutory Auditor.

10. SECRETARIAL AUDITOR

Secretarial audit report as provided by M/s Kaushal Dalal Associates, Practising Company Secretary is annexed to this Report as **ANNEXURE VI**. The Secretarial Audit Report confirms that the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines etc., subject to the certain observations relating to non-compliance of certain Regulation of the SEBI Listing Regulations (“LODR”), 2015 entered by the Company with the BSE Limited (“Exchange”). Your Company is in process of regularizing the same.

11. EXTRACT OF ANNUAL RETURN

As required pursuant to the provisions of section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of annual return in **MGT 9** is set out in **ANNEXURE II**.

12. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO

The 515 MW power plant was non-operational during the financial year. The following initiatives were taken for conservation of energy and technology absorption:

1. Dehumidifiers are installed in all 3 Gas turbine generators and steam turbine generator
2. All 3 HRSGs are dry preserved and nitrogen capped.
3. All HT drives shafts are manually rotated every month.
4. Transformer Oil Inspection and testing are carried out as per schedule.
5. Regular checks are being carried out for all other electrical systems as per schedule.

Foreign exchange earnings and Outgo

The details of foreign exchange earnings and outgo as required under Section 134 and Rule 8(3) of Companies (Accounts) Rules, 2014 are mentioned below

(Amount in Crore)

| Particulars | For the year ended March 31, 2020 | For the year ended March 31, 2019 |
|---------------------------|--------------------------------------|--------------------------------------|
| Foreign exchange earnings | 0.00 | 0.00 |
| Foreign exchange outgo | 0.00 | 0.05 |

13. CORPORATE SOCIAL RESPONSIBILITY POLICY

Your Company has constituted a CSR, Sustainability and Safety Committee in accordance with the requirements of Section 135 of Companies Act, 2013. CSR activities are carried out through Essar Foundation, a registered trust established under the Indian Trusts Act, 1888. The Annual Report on CSR for FY 2019-20 is set out in **ANNEXURE III**. The Company earned no cash profits during the year and hence, there is no spend required on CSR activities as per Section 135.

14. DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 134 (3) (c) and (5) of the Companies Act, 2013, the Directors of your Company, based on the representation received from the Operating Management hereby confirm that:

- a. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

- b. the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the loss of the company for that period;
- c. the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d. the directors have prepared the annual accounts on a going concern basis;
- e. the directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and except for certain minor matters are operating effectively.

15. DIRECTORS AND KEY MANAGERIAL PERSONNEL

a) Appointment of Directors

During the year under review, Mr Kush, Mr Vinod Jain and Ms Ruvalma Shet have resigned as Directors of the Company on May 10, 2019.

Subsequently, Mr Nishith Dayal, Mr Kapil Singla and Ms Sangeeta Singh were appointed as an Additional Directors on May 10, 2019 and have resigned on October 24, 2019.

Mr Devdas Shetty has resigned as director on September 26, 2019.

Mr Sandip Sinha was appointed as an Additional Director on October 15, 2020 and Mr S B Malagi and Ms Poonam Sanghavi were appointed as an Additional Directors on October 23, 2019 and have resigned on April 8, 2020.

Mr C S Krishnakumar, Mr Tushar Savaliya and Ms Purna Singh were appointed as an Additional Directors on April 7, 2020 and have resigned on October 2, 2020.

Mr Nitin Patil and Mr. T Rajmohan were appointed as an Additional Directors on October 1, 2020.

Mr V S Verma was appointed as an additional (Independent) Director on May 18, 2019 in place of Mr Devinder Singh who has resigned on May 17, 2019. Mr V S Verma has been regularised at the Annual General Meeting held on September 30, 2019. Subsequently, Mr R C Mohanty has been appointed as an additional (Independent) Director on October 23, 2019 in place of Mr V S Verma who has resigned on October 24, 2019.

Mr A P Dubey has been appointed as an additional (Independent) director on April 22, 2020 in place of Mr R C Mohanty who has resigned on April 21, 2020.

b) Key Managerial Personnel:

Mr. Pradeep Mittal, CEO of the Company superannuated on September 30, 2020. Mr. Kush was appointed as CEO of the Company w.e.f. October 1, 2020.

Mr. Vinod Jain and Mr. Kapil Singla continue to be CFO of the Company and Mr. Prakash Khedekar continues to be Company Secretary of the Company.

d) Declaration from Independent Directors

The Company has received necessary declaration from Independent Director of the Company under Section 149(7) of the Companies Act, 2013 that the Independent Director of the Company meet with the criteria of their Independence laid down in Section 149(6).

e) Formal Annual Evaluation

The Nomination & Remuneration Committee of the Company has approved Evaluation Policy, which was adopted by the Board of Directors. The policy provides for evaluation of the Board, the Committees of the Board and individual Directors, including the Chairman of the Board. The Policy provides that evaluation of the performance of the Board as a whole, Board Committees and Directors shall be carried out on an annual basis.

The Board carried out a formal evaluation of the performance of the Board, its Committees and Individual Directors for the financial year 2019-20. In addition to this, Independent Directors have also evaluated performance of the Chairman, non-independent Directors and the Board as a whole. The feedback from the individual Directors was sought on the basis of a structured questionnaire covering among others Board and Committee composition, skills of Directors, quality and content of agenda, performance of Directors at the meetings, etc.

16. BOARD MEETINGS

The Board of Directors met four (4) times during this financial year on July 23, 2019, September 07, 2019, October 23, 2019 and February 18, 2020. The intervening gap between two consecutive meetings was within the period specified under the Companies Act, 2013.

17. AUDIT, RISK & COMPLIANCE COMMITTEE

As on date of this report the Audit, Risk & Compliance Committee comprises of 3 members, Mr A P Dubey, Independent Director, Mr Birendra Mohapatra, Independent Director and Mr Nitin Patil, Non Independent Director of the Company. All members of the Committee have relevant experience in financial matters. The CEO and CFO are permanent invitees to this Committee. The Company Secretary acts as Secretary to the Committee. The constitution & terms of reference of the Committee is as per Section 177 of the Companies Act, 2013. All recommendations made by the Audit Committee were accepted by the Board. The Audit, Risk and Compliance Committee met 4 times during the year on July 23, 2019, September 7, 2019, October 23, 2019 and February 18, 2020.

18. REMUNERATION & NOMINATION COMMITTEE

As on date of this report the Remuneration & Nomination Committee presently comprises 4 members, Mr A P Dubey, Independent Director, Mr Birendra Mohapatra, Independent Director, Mr Nitin Patil and Mr. T Rajmohan Non Independent Directors of the Company The Company Secretary acts as Secretary to the Committee. The terms of reference of the Committee is as per Section 178 of the Companies Act, 2013.

The policy of the Company on directors appointment and remuneration including criteria for determining qualifications, positive attributes, independence and other matters provided under subsection (3) of section 178 adopted by the Board is set out in **ANNEXURE IV** to the Board's Report.

The Remuneration & Nomination Committee met three times i.e. on July 23, 2019, September 7, 2019 and October 23, 2019.

19. RELATED PARTY TRANSACTIONS

In line with the requirements of the Companies Act, 2013, your Company has formulated a Policy on Related Party Transactions. The Policy intends to ensure that proper reporting, approval and disclosure

processes are in place for all transactions between the Company and Related Parties. All Related Party Transactions are placed before the Audit Committee for review and approval/ratification.

During the year under review, the Company has entered into related party transaction referred under the provisions of Section 188(1) of the Companies Act, 2013, which were in the ordinary course of business and on arm's length basis. Details of material contracts or arrangements or transactions required to be reported in Form AOC-2 in terms of Section 134 of the Act read with Rule 8 of the Companies (Accounts) Rules, 2014 is annexed to the Report as **ANNEXURE V**. However, the details of the transactions with Related Party in accordance with the Accounting Standards are provided in the Company's Financial Statements under Note No. 51 of the Audited Financial Statement for the Financial Year 2019-20.

20. PARTICULARS MANAGERIAL REMUNERATION, EMPLOYEES AND RELATED DISCLOSURES

The information required pursuant to Section 197 of the Act read with Rule 5(2) & (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of your Company is available for inspection by the members at registered office of the Company during business hours on working days up to the date of the ensuing Annual General Meeting. If any member is interested in obtaining a copy thereof, such member may write to the Company Secretary, whereupon a copy would be sent.

21. RISK MANAGEMENT AND INTERNAL FINANCIAL CONTROLS

Risk Management

Your Company has adopted a Risk Management policy which is based on three pillars: Business Risk Assessment, Operational Controls Assessment and Policy Compliance processes. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis. The key risks and mitigating actions are also placed before the Audit, Risk & Compliance Committee of the Company.

Internal Financial Controls and their adequacy

The Company's internal control systems and internal financial control systems are commensurate with the nature of its business and the size and complexity of operations. These systems are routinely tested and certified by Statutory as well as Internal Auditor and cover all offices, factories and key business areas. Significant audit observations and follow up actions thereon are reported to the Audit Committee. The Audit Committee reviews adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations, including those relating to strengthening of the Company's risk management policies and systems. These systems provide a reasonable assurance in respect of financial and operational information, complying with applicable statutes, safeguarding of assets of the Company, prevention & detection of frauds, accuracy & completeness of accounting records and ensuring compliance with corporate policies.

Vigil Mechanism

The Company has established a Vigil Mechanism process by adopting a Whistle blower Policy for directors and employees. This policy outlines the procedures for reporting, handling, investigating and deciding on the course of action to be taken in case inappropriate conduct / behaviour is/are noticed, reported or suspected. The Policy provides for adequate safeguards against victimization of persons who use the mechanism and has a process for providing direct access to the Chairman of the Audit & Risk Management Committee in appropriate or exceptional cases.

22. COMPLIANCE WITH THE PROVISIONS OF SEXUAL HARASSMENT OF WOMEN ATWORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Company is committed to upholding and maintaining the dignity of women employees and it has in place a policy which provides for protection against sexual harassment of women at work place and for prevention and redressal of such complaints. During the year, no such complaints were received. The Company has also constituted an Internal Compliance Committee under the sexual harassment of Women at workplace (Prevention, Prohibition and Redressal) Act, 2013.

23. GENERAL DISCLOSURES

Your Directors state that for the financial year ended March 31, 2020 no disclosure is required in respect of the following items and accordingly confirm as under:

- The Company has neither revised the financial statements nor the report of Board of Directors.
- The Company has not issued equity shares with differential rights as to dividend, voting or otherwise or sweat equity shares.
- The Company has not bought back any shares during the year.
- The Company has not accepted any deposits during the year.
- The Company is not required to maintain cost records as specified under Section 148(1) of the Companies Act, 2013.
- No instance of fraud has been reported by the Auditors or any other person to either Audit & Risk Management Committee or the Board of Directors of the Company.
- There are no material changes or commitments affecting the financial position of the Company between March 31, 2020 and the date of this report.

24. ACKNOWLEDGEMENTS

Your Directors place on record their sincere appreciation for the assistance and co-operation received from the Ministry of Power, Ministry of Coal, Central Electricity Authority, Gujarat Urja Vikas Nigam Ltd, the Government of Gujarat and its various departments. Your Directors thank the financial institutions and banks associated with your Company and other stakeholders for their continued support

For Essar Power Limited

Sd/-
Nitin Patil
Director
DIN: 07602888

Sd/-
Rajmohan Thirunavukarasu
Director
DIN: 07949704

Date: 06-11-2020

Place: Mumbai

Annexure I
ESSAR POWER LIMITED

STATEMENT CONTAINING SALIENT FEATURES OF THE FINANCIAL STATEMENT OF SUBSIDIARIES/ASSOCIATE COMPANIES/JOINT VENTURES

(Pursuant to section 129 (3) of the Companies Act, 2013, read with rule 5 of Companies (Accounts) Rules, 2014)

PART A: SUBSIDIARIES

(Rs. in Crore)

| Sr. no. | Name of the Company | Reporting currency | Equity Share Capital | Other Equity (1) | Reserves and Surplus | Total assets | Total liabilities | Invest-ments | Turnover | Profit/(Loss) before taxation | Provision for taxation | Profit after taxation | Total Comprehensive Income (net of tax) | Proposed dividend | % of Shareholding (2) | % of Shareholding (3) |
|---------|--|--------------------|----------------------|------------------|----------------------|--------------|-------------------|--------------|----------|-------------------------------|------------------------|-----------------------|---|-------------------|-----------------------|-----------------------|
| 1 | Bhander Power Limited | INR | 372.70 | - | (493.78) | 15.40 | 136.48 | 0.00 | 53.30 | 147.95 | - | 147.95 | 147.95 | - | 73.69 | 73.69 |
| 2 | Essar Power Gujarat Limited | INR | 2,608.56 | 545.74 | (7,954.61) | 2,863.99 | 7,664.30 | - | 24.55 | (1,724.37) | - | (1,724.37) | (1,725.13) | - | 49.00 | 57.82@ |
| 3 | Essar Power M. P. Limited | INR | 265.00 | 2,804.26 | (11,927.53) | 2,911.47 | 11,769.74 | - | 788.11 | (5,037.54) | - | (5,037.54) | (5,037.87) | - | 74.00 | 99.60@ |
| 4 | Essar Power Transmission Company Limited | INR | 597.04 | - | 35.10 | 2,420.84 | 1,788.71 | - | 241.57 | 50.65 | 34.36 | 16.29 | 16.27 | - | 100.00 | 100.00 |
| 5 | Essar Power Hazira Limited | INR | 10.00 | 639.59 | 18.35 | 1,694.15 | 1,026.21 | - | 427.30 | 82.94 | 22.51 | 60.42 | 60.44 | - | 74.00 | 99.60@ |
| 6 | Essar Power (Orissa) Limited | INR | 10.00 | 633.75 | (361.95) | 927.34 | 645.54 | - | 108.20 | (95.82) | (96.94) | 1.12 | 1.25 | - | 74.00 | 99.60@ |
| 7 | Ultra LNG Urja Limited | INR | 0.06 | - | (0.07) | 0.01 | 0.02 | - | - | (0.07) | - | (0.07) | (0.07) | - | 100.00 | 100.00 |
| 8 | Essar Electric Power Development Corporation Limited | INR | 38.89 | - | (18.74) | 66.59 | 46.44 | - | 1.09 | (0.63) | 0.10 | (0.73) | (0.73) | - | 100.00 | 100.00 |
| 9 | Essar Power Tamilnadu Limited*** | INR | 2.29 | - | 3.39 | 5.67 | - | - | - | - | - | - | - | - | 100.00 | 100.00 |
| 10 | Essar Power Overseas Limited@@ | US\$ MN | 14.30 | 93.03 | (194.67) | 1.90 | 89.24 | 0.00 | - | (1.14) | - | (1.14) | (17.14) | - | 100.00 | 100.00 |

(1) Includes Equity component of compound financial instruments and Share application money pending allotment

(2) Based on voting right held by the Group

(3) Based on effective shareholding of Equity and Cumulative Convertible Participating Preference Shares by the Group

Exchange rates - Closing as on March 31, 2020: 1 US\$ = Rs. 75.39, Average exchange rate for FY 2018-19: 1 US\$ = Rs. 72.28

*** Financial information is based on unaudited results.

@@ Company having March 31st as a reporting date.

For Essar Power Limited

Sd/- Sd/-

Nitin Patil Rajmohan Thirunavukarasu

Director Director

DIN:07602888 DIN: 07949704

Date: 06-11-2020

Place: Mumbai

Annexure II

**Form No. MGT-9
EXTRACT OF ANNUAL RETURN
For the financial year ended on 31-03-2020**

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. Registration and other details:

| | | | |
|-------|---|---|---|
| i. | CIN | : | U40100GJ1991PLC064824 |
| ii. | Registration Date | : | October 30, 1991 |
| iii. | Name of the Company | : | Essar Power Ltd |
| iv. | Category / Sub-Category of the Company | : | Public Limited Company |
| v. | Address of the Registered office and contact details | : | 27 th Km, Surat Hazira Road, Dist Surat Gujarat, 394 270 |
| vi. | Whether listed company Yes / No | : | Equity shares are not listed. Debentures are listed |
| vii. | Name, Address and Contact details of Registrar and Transfer Agent, if any | : | For electronic connectivity: DSRC - Data Software Research Company Pvt.Ltd. 19 Pycrofts Garden Road, Off Haddows Road Nungambakkam, Chennai 600006, India Office: +91 44 2821 3738, 2821 4487, 4510 5110 Mobile No.9840090858, Fax: +91 44 2821 4636 For physical certificates: The Company is the R & T agent for physical certificates |
| viii. | | | |

II. Principal business activities of the company

All the Business activities contributing 10 % or more of the total turnover of the company are:-

| Sl.No | Name and Description of main products / services | NIC Code of the Product/ service | % to total turnover of the company |
|-------|--|----------------------------------|------------------------------------|
| 1. | Sale of power | 35103 | 100 |

III. Particulars of holding, subsidiary and associate companies

| Sl. No | Name and Address of The Company | CIN/GLN | % of equity shares held | Applicable Section |
|--------|--|-----------------------|-------------------------|--------------------|
| | HOLDING COMPANY | | | |
| | Essar Power Holdings Limited (alongwith its 100% subsidiary Essar Power Hazira Holdings Limited) Add: 10, Frere Felix de Valois Street, Port Louis, Mauritius | N.A. | 81% | 2(46) |
| | SUBSIDIARIES | | | |
| 1. | Bhander Power Limited Add: 27th Km, Surat Hazira Road, Dist Surat Gujarat, 394 270 | U31101GJ1995PLC065146 | 73.69% | 2(87) |

| | | | | |
|----|---|-----------------------|------|-------|
| 2. | Essar Power M. P. Limited Add: Lower Ground Floor, Hotel Conclave Boutique, A-20, Kailash Colony, New Delhi New Delhi 110048, Delhi | U40100DL2005PLC201961 | 74% | 2(87) |
| 3. | Essar Power Gujarat Limited Add: Salaya Administrative Building, 44 K.m., Jamnagar – Okha Highway, Post Box No. 7, at Post-Khambhaliya, Dist. Dev Bhumi Dwarka – 361305, Gujarat | U74900GJ2007PLC066273 | 49% | 2(87) |
| 4. | Essar Power Transmission Company Limited Add: Essar Power M P Limited, Power Plant, Village Bandhaura, Post Karsualal Singrauli Singrauli 486886, Madhya Pradesh | U99999DL2005PLC208864 | 100% | 2(87) |
| 5. | Essar Power (Orissa) Limited Add: 27th Km, Surat Hazira Road, Dist Surat Gujarat, 394 270 | U31101GJ2005PLC081701 | 74% | 2(87) |
| 6. | Essar Power Hazira Limited Add:27th Km, Surat Hazira Road, Dist Surat Gujarat, 394 270 | U40300GJ2006PLC063146 | 74% | 2(87) |
| 7. | Essar Electric Power Development Corporation Limited Add: Essar House, 11 K K Marg, Mahalaxmi, Mumbai 400 034 | U40100MH1997PLC110104 | 100% | 2(87) |
| 8. | Ultra LNG Urja Limited Add: Survey No.210, Salaya Administrative Building, 44 P.B No 7, Jamnagar-Okha Highway, Post Khambhaliya, Khambhaliya Jamnagar 361305, Gujarat | U10200GJ2014PLC081467 | 100% | 2(87) |
| 9. | Essar Power Overseas Ltd, BVI Trust Net Chambers, P.O Box 3444, Road Town, Tortola, British Virgin Islands | Not Applicable | 100% | 2(87) |

| | | | | | | | | | |
|---|----------------------|----------|----------------------|-------------|----------------------|----------|----------------------|-------------|----------|
| ii) Individual shareholders holding nominal share capital in excess of Rs 1lakh | - | - | - | - | - | - | - | - | - |
| c) Others(specify) | - | - | - | - | - | - | - | - | - |
| Sub-total (B)(2):- | 219,000,000 | 7 | 219,000,007 | 19.01% | 219,000,007 | 7 | 219,000,007 | 19.01% | - |
| Total Public Shareholding (B)=(B)(1)+(B)(2) | 219,000,000 | 7 | 219,000,007 | 19.01% | 219,000,007 | 7 | 219,000,007 | 19.01% | - |
| C. Shares held by Custodian for GDRs & ADRs | - | - | - | - | - | - | - | - | - |
| Grand Total (A+B+C) | 1,152,298,185 | 7 | 1,152,298,192 | 100% | 1,152,298,185 | 7 | 1,152,298,192 | 100% | - |

ii) Shareholding of Promoters

| SI No | Shareholder's Name | Shareholding at the beginning of the year | | | Shareholding at the end of the year | | | % change in share holding during the year |
|-------|--|---|----------------------------------|--|-------------------------------------|----------------------------------|--|---|
| | | No. of Shares | % of total Shares of the company | % of Shares Pledged / encumbered to total shares | No. of Shares | % of total Shares of the company | % of Shares Pledged / encumbered to total shares | |
| 1. | Essar Power Holdings Limited, Mauritius | 466,649,092 | 40.50% | 21.85% | 466,649,092 | 40.5% | 21.85% | - |
| 2. | Essar Power Hazira Holdings Limited, Mauritius | 466,649,093 | 40.50% | 27.04% | 466,649,093 | 40.5% | 27.04% | - |
| | Total | 933,298,185 | 80.99% | 48.89% | 933,298,185 | 80.99% | 48.89% | - |

iii) Change in Promoters' Shareholding (please specify, if there is no change):NIL

| SI. No. | | Shareholding at the beginning of the year | | | Cumulative Shareholding during the year | |
|---------|---|---|----------------------------------|--|---|----------------------------------|
| | | No. of shares | % of total shares of the company | % of Shares Pledged / encumbered to total shares | No. of shares | % of total shares of the company |
| 1. | At the beginning of the year | - | - | - | - | - |
| 2. | Date wise Increase / Decrease in Promoters Shareholding during the year specifying The reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc): | - | - | - | - | - |
| 3. | At the end of the year | - | - | - | - | - |

iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

| Sl. No. | For Each of the Top 10 Shareholders | Shareholding at the beginning of the year | | | Cumulative Shareholding during the year | | |
|---------|--|---|----------------------------------|--------|---|----------------------------------|------------|
| | | No. of Shares | % of total shares of the company | | No. of shares | % of total shares of the company | |
| 1) | SREI Infrastructure Finance Limited (acquired shares pursuant to shares invocations) | | | | | | |
| 1 | At the beginning of the year | 219,000,000 | | | 19% | NIL | NIL |
| 2 | Date wise Increase / decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc): | Date of allotment | No of shares allotted | Nature | | | |
| | | - | - | - | - | - | - |
| 3 | At the End of the year (or On the date of separation, if separated during the year) | 219,000,000 | | | 19% | 219,000,000 | 19% |

v) Shareholding of Directors and Key Managerial Personnel: NIL

| Sl. No. | For Each of the Directors and KMP | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---------|---|---|----------------------------------|---|----------------------------------|
| | | No. of shares | % of total shares of the company | No. of Shares | % of total shares of the company |
| 1. | At the beginning of the year | - | - | - | - |
| | Date wise Increase / Decrease in Shareholding during the Year specifying The reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc): | - | - | - | - |
| | At the End of the year | - | - | - | - |

V. Indebtedness

Indebtedness of the Company including interest outstanding/accrued but not due for payments

Rs in crore

| Particulars | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|---|----------------------------------|-----------------|----------|--------------------|
| Indebtedness at the beginning of the financial year | | | | |
| i) Principal Amount | 1,844.07 | 2,532.84 | - | 4,376.91 |
| ii) Interest due but not paid | 1,134.90 | - | - | 1,134.90 |
| iii) Interest accrued but not due | 37.77 | 4.01 | - | 41.78 |
| Total (i+ii+iii) | 3,016.74 | 2,536.85 | - | 5,553.59 |
| Change in Indebtedness during the financial year | | | | |
| o Addition | 428.30 | 106.55 | - | 534.85 |
| o Reduction | 24.88 | 2.82 | - | 27.70 |
| Net Change | 403.42 | 103.73 | | 507.15 |
| Indebtedness at the end of the financial year | | | | |
| i) Principal Amount | 1,819.19 | 2,639.39 | - | 4,458.58 |
| ii) Interest due but not paid | 1,559.18 | - | - | 1,559.18 |
| iii) Interest accrued but not due | 41.79 | 1.19 | - | 42.98 |
| Total (i+ii+iii) | 3,420.16 | 2,640.58 | - | 6,060.74 |

VI. Remuneration of directors and Key Managerial Personnel

A. Remuneration to Managing Director, Whole-time Directors and/or Manager: Nil

| Sl. no. | Particulars of Remuneration | Name of MD/WTD/ Manager | Total Amount |
|---------|---|-------------------------|--------------|
| 1. | Gross salary | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income tax Act, 1961 | | |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | | |
| | (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961 | | |
| 2. | Stock Option | | |
| 3. | Sweat Equity | | |
| 4. | Commission - as % of profit -others, specify | | |
| 5. | Others, please Specify | | |
| | Total (A) | | |
| | Ceiling as per the Act | | |

B. Remuneration to other directors:

| Sl. no. | Particulars of Remuneration | Name of Directors | | | | Total |
|---------|--|--|---|----------------------------------|------------------------------------|-----------|
| | | Devdas L Shetty (Non-Executive Director) | Birendra Mohapatra (Independent Director) | V S Verma (Independent Director) | R C Mohanty (independent Director) | |
| | | | | | | Rs |
| 1. | Independent Directors Fee for attending board / committee meetings Commission Others, please specify | 2,20,000 | 4,70,000 | 3,30,000 | 1,10,000 | 11,30,000 |
| 2. | Total(1) | | | | | |
| 3. | Other Non-Executive Directors Fee for attending board / committee meetings Commission Others, please specify | | | | | |
| 4. | Total(2) | | | | | |
| 5. | Total(B)=(1+2) | | | | | |
| 6. | Total Managerial Remuneration | | | | | |
| 7. | Overall Ceiling as per the Act | 2,20,000 | 4,70,000 | 3,30,000 | 1,10,000 | 11,30,000 |

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD:

Rs. in crore

| | Particulars of Remuneration | Pradeep Mittal CEO | Mr. Jain CFO | Vinod | Mr. Kapil Singla CFO | Mr Prakash Khedekar Company Secretary | Total |
|----|---|--------------------|--------------|-------|----------------------|---------------------------------------|-------|
| 1. | Gross salary | - | - | - | - | - | - |
| | (a) Salary as per provisions contained in section 17(1) of the Income tax Act, 1961 | - | - | - | - | 42,97,808 | - |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | - | - | - | - | - | - |
| | (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961 | - | - | - | - | - | - |
| 2. | Commission - as % of profit -others, specify | - | - | - | - | - | - |
| 3. | Others, please Specify | - | - | - | - | - | - |
| | Total | - | - | - | - | 42,97,808 | - |

VII. Penalties / Punishment/ Compounding of offences –NIL

| Type | Section of the companies Act | Brief description | Details of Penalty/ Punishment/ Compounding fees imposed | Authority[RD /NCLT/Court] | Appeal made. If any(give details) |
|-------------------------------------|------------------------------|-------------------|--|---------------------------|-----------------------------------|
| A. Company | | | | | |
| Penalty | - | - | - | - | - |
| Punishment | - | - | - | - | - |
| Compounding | - | - | - | - | - |
| B. Directors | | | | | |
| Penalty | - | - | - | - | - |
| Punishment | - | - | - | - | - |
| Compounding | - | - | - | - | - |
| C. Other Officers In Default | | | | | |
| Penalty | - | - | - | - | - |
| Punishment | - | - | - | - | - |
| Compounding | - | - | - | - | - |

For Essar Power Limited

Sd/-
Nitin Patil
Director
DIN: 07602888

Sd/-
Rajmohan Thirunavukarasu
Director
DIN: 07949704

Date: 06-11-2020

Place: Mumbai

Annexure III

Report on CSR activities FY 2019-20

[Pursuant to clause (o) of sub-section (3) of section 134 of the Act and Rule 9 of the Companies (Corporate Social Responsibility) Rules, 2014]

| | | |
|----|---|--|
| 1. | A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link | The Policy focuses on education, environment, health and women empowerment. The Policy aims at ensuring programs which deliver long term impact and change to the community. The Company's CSR policy, including overview of projects or programs proposed to be undertaken, are provided on the Company website. |
| 2. | The composition of the CSR committee | 1. Mr C S Krishnakumar 2. Mr Birendra Mohapatra 3. Mr Tushar Savaliya 4. Mr A P Dubey |
| 3. | Average net profit/Loss of the company for last three financial years. | (Rs in Crores) |
| | | 2018-19 -544.66 |
| | | 2017-18 -1055.59 |
| | | 2016-17 -713.76 |
| | | 2% of Average Net Profit Preceding 3 Year -15.43 |
| 4. | Prescribed CSR Expenditure (two percent of the amount as in item 3 above) | Not applicable as the Company has average Loss for 3 preceding year financial year |
| 5. | Details of CSR spent during the financial year. | Not applicable as per the Companies Act 2013 |
| 6. | Total amount spent for the financial year | Not applicable |
| 7. | Amount unspent, if any | Not applicable |
| 8. | Manner in which the amount spent during the financial year | Not applicable |

For Essar Power Limited

Sd/-
Nitin Patil
Director
DIN: 07602888

Sd/-
Rajmohan Thirunavukarasu
Director
DIN: 07949704

Date: 06-11-2020

Place: Mumbai

Annexure IV

Policy for appointment, remuneration and evaluation of directors and employees

(Pursuant to Section 178(4) and Section 134)

1. Introduction

- 1.1. The Companies Act, 2013 requires the Company to formulate criteria for determining qualifications, positive attributes and independence of directors. The Company is also required to adopt a policy, relating to the remuneration for the directors, key managerial personnel and other employees.
- 1.2. The Company believes that an enlightened Board consciously creates a culture of leadership to provide a long-term vision and policy approach to improve the quality of governance. Towards this, the Company ensures constitution of a Board of Directors with an appropriate composition, size, diversified expertise and experience and commitment to discharge its responsibilities and duties effectively.
- 1.3. The Company recognizes the importance of Independent Directors in achieving the effectiveness of the Board and aims to have an optimum combination of Executive, Non-Executive and Independent Directors.
- 1.4. To meet these objectives, the Policy for Appointment, Remuneration & Evaluation of Directors & employees (“the Policy”) has been adopted by the Board of Directors.

2. Scope and Exclusion

This Policy sets out the guiding principles for the Remuneration & Nomination Committee for identifying persons who are qualified to become Directors, Key Managerial Personnel and Senior Management executives and to determine the independence of Directors, in case of their appointment as independent directors of the Company.

3. Policy

The objective of the Policy is to have a Board with diverse background and experience that is relevant for the Company's operations. It sets out criteria for appointment of directors and remuneration to directors, key managerial personnel and senior management executives. It also provides for a mechanism for evaluation of all directors.

In evaluating the suitability of individual Board members, the Remuneration & Nomination Committee (“the Committee”) may take into account factors, such as:

- General understanding of the Company's business dynamics, global business and social perspective;
- Educational and professional background
- Standing in the profession;
- Personal and professional ethics, integrity and values;
- Willingness to devote sufficient time and energy in carrying out their duties and responsibilities effectively.

The Committee shall evaluate each director candidate with the objective of ensuring that there is appropriate balance of skills, experience and knowledge so as to enable the Board to discharge its functions and duties effectively.

4. Criteria of Independence

The Committee shall assess the independence of Directors at the time of appointment / re-appointment and the Board shall assess the same annually. Prospective candidates for appointment as Independent Directors shall have to meet the criteria of independence laid down in sub-section (6) of section 149 of the Act. The Board shall re-assess determinations of independence when any new interests or relationships are disclosed by a Director.

5. Remuneration to directors, KMPs and Senior Management

The Company has formulated the remuneration policy for its directors, key managerial personnel and other employees keeping in view the following objectives:

- Ensuring that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate, to run the company successfully.
- Ensuring that relationship of remuneration to performance is clear and meets the performance benchmarks.
- Ensuring that remuneration involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the company and its goals.

5.1 The Board, on the recommendation of the Committee, shall review and approve the remuneration payable to the Executive Directors of the Company within the overall limits approved by the shareholders.

5.2 The Annual Plan and objectives for Senior Management executives shall be reviewed by the Committee and Annual Performance Bonus will be approved by the Committee based on the achievements against the Annual Plan and objectives. The Committee shall review and recommend the remuneration payable to the Key Managerial Personnel and Senior Management executives of the Company.

5.3 Remuneration to Non-Executive Directors including independent directors

- The remuneration payable to Non-Executive Directors shall not exceed 1% of the net profits of the Company.
- Non-Executive Directors may be entitled to sitting fees for attending the meetings of the Board and the Committees thereof. The Non- Executive Directors shall also be entitled to profit related commission in addition to the sitting fees.
- An independent director shall not be entitled to any stock option

6. Evaluation of the Board

6.1 The Policy sets out criteria and procedure for evaluation of the Board as a whole, Board committees, Chairman and also each category of directors.

6.2 The Board will annually evaluate its performance through a self-evaluation process. The evaluation identifies enhancements to director skill sets and ensures that board members are performing to expectations.

6.3 The performance evaluation shall be undertaken based on the feedback provided by Board members as per set questionnaires.

7. Reappointment

In determining whether the directors' should be re-appointed, the Committee shall take into account the results of the performance evaluation, needs of the Company's business currently and going forward.

For Essar Power Limited

Sd/-
Nitin Patil
Director
DIN: 07602888

Sd/-
Rajmohan Thirunavukarasu
Director
DIN: 07949704

Date: 06-11-2020

Place: Mumbai

Annexure V

Form No. AOC-2

Particulars of contracts / arrangements made with related parties

(Pursuant to clause (h) of subsection (3) of section 134 of the Companies Act 2013 read with Rule 8 (2) of the Companies (Accounts) Rules 2014-AOC 1

This form pertains to the disclosure of particulars of contracts / arrangements entered into by the Company with related parties referred to in subsection 1 of section 188 of the Companies Act 2013 including certain arms' length transactions under 3rd proviso thereto.

Details of contracts or arrangements or transactions not at arms' length basis

All contracts or arrangements entered into during the year ended March 31, 2020 were at arms' length basis.

Details of material contracts or arrangements or transactions at arms' length basis

Details of material contracts or arrangements or transactions entered at arms' length basis during the year ended March 31, 2020 are as follows:

| Name of related party | Nature of relationship | Nature of contract/ arrangement /transactions | Duration of contract | Salient terms | Amount in Crores | | |
|----------------------------|------------------------|---|----------------------|--|------------------|-------------------------------|---|
| | | | | | Amount Rs. Crore | Date of approval by the Board | Amount paid as advances if any Rs crore |
| Essar Power Hazira Limited | Subsidiary | Support Services | 2 years | Availing of Services from EPOL resources i.e. Finance, Insurance, Legal, Corporate Communication, Taxation, Accounting, Treasury etc | 240,000,000 | 14/01/2019 | - |
| Essar Power Hazira Limited | Subsidiary | Store Rent | 1 year | Agreement for material handling and storage (including insurance of material). | 4,200,000 | 23/07/2019 | - |
| Bhander Power Limited | Subsidiary | Operation and Management Services | 1 year | Arranging personnel with technical expertise for supervision of operations of the plant, on as and when required basis. | 156,141,127 | 23/07/2019 | - |

For Essar Power Limited

Sd/-
Nitin Patil
Director (DIN: 07602888)

Sd/-
Rajmohan Thirunavukarasu
Director (DIN: 0794970)

Date: 06-11-2020

Place: Mumbai

Phone : 2648 7278
2649 0862
2649 4807

KAUSHAL DALAL & ASSOCIATES
COMPANY SECRETARIES

308, Balaji Darshan, Tilak Road, Santacruz (W), Mumbai - 400 054. * Email : kaushaldalalcs@gmail.com

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 2019-2020

*[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]*

To,
The Members,
ESSAR POWER LIMITED

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **M/s ESSAR POWER LIMITED** (hereinafter called "the Company"), incorporated on **30th October, 1991** having CIN: **U40100GJ1991PLC064824** and Registered office at **27th KM, Surat Hazira Road, Hazira, Surat, Gujarat-394270**. Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I, hereby report that in my opinion, the company has, during the audit period covering the financial year ended on **31st March, 2020** complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on **31st March, 2020** according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;

- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and the Bye-Laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

- (i) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011-**NOT APPLICABLE**
- (ii) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015- **NOT APPLICABLE**
- (iii) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 - **NOT APPLICABLE**
- (iv) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 - **NOT APPLICABLE**
- (v) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998-**NOT APPLICABLE**
- (vi) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- (vii) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- (viii) The Securities And Exchange Board of India (Debenture Trustees) Regulations, 1993

I have relied on the representation made by the Company and its officers for the systems and the mechanism formed by the Company for the Compliances under the applicable Acts and the regulations to the Company. The List of major head/groups of Acts/laws and regulations applicable to the Company are:

- (i) The Electricity Act, 2003

- (ii) Explosives Act, 1884
- (iii) Essential Commodities Act, 1955
- (iv) Indian Boilers Act, 1923

I have also examined compliance with the applicable clauses of the following:

- i. Secretarial Standards issued by The Institute of Company Secretaries of India;
- ii. SEBI Listing Regulations (LODR), 2015 entered by the Company with the BSE Limited;

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above except for the followings:

I. COMPANIES ACT AND THE RULES MADE THEREUNDER

1. *The Company has not complied with the following clauses of the SEBI Listing Regulations ("LODR"), 2015 entered by the Company with the BSE Limited ("Exchange"):*
 - a) *As per the requirement of Clause 7 (3) of LODR, 2015 Company has not submitted a Compliance Certificate to Exchange stating that Compliance of Clause 7 (2) has been made;*
 - b) *The Company has not filed with exchange statement of investor complains at the end of June, September and March quarter as per the requirement of clause 13 (3) of LODR, 2015;*
 - c) *As per the requirement of Clause 52 of the LODR, 2015 Company was required to submit unaudited or audited financial results on a half yearly basis within forty five days from the end of half year to the exchange and same has not been complied;*
 - d) *As per the requirement of Clause 53 of the SEBI (LODR), 2015, the Company has not the disclosed contact details of Debentures Trustee in the Annual Report ;*
 - e) *As per Clause 54 of the SEBI (LODR), 2015, the issuer agrees that it shall maintain the 100% asset coverage so as to discharge the principal amount at all the times for the debt securities and shall disclose to the exchange on the quarterly, half yearly basis and in their annual financial statements, as applicable, however, the Company has not maintained the required asset coverage ratio, not disclosed the same to the BSE Limited nor disclosed the same in the Annual Financial Statements;*

- f) As per Clause 56(d) of SEBI (LODR), 2015 a half yearly certificate regarding the maintenance of the 100% asset cover in the respect of listed debt securities, by either a practicing company secretary or a practicing chartered accountant, along with the half yearly financial results however the company has not maintained the asset cover nor obtained necessary certificate for the same;*
- g) As per Clause 60 of SEBI (LODR), 2015 the Issuer agrees to close transfers or fix a record date for purposes of payment of interest and payment of redemption or repayment amount or for such other purposes as the Exchange may agree to or require and to give to the Exchange the notice in advance of at least seven clear working days, or of as many days as the Exchange may from time to time reasonably prescribe, stating the dates of closure of transfers, however, the Company has in few cases intimated the record date for redemption of debentures or payment of interest on debentures, as the case may be, at short notice and have redeemed part of the debentures after due date alongwith interest payable thereon;*
- h) As per Clause 62 of the SEBI (LODR), 2015, the company maintains a functional website but does not contain all the required details as specified therein.*

I further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors and Key Managerial Personnel that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent as per the provisions of the Companies Act, 2013 and the rules made thereunder, however in some cases the Board meetings were held at shorter notices with their consent ,and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting including meeting through the video conference.

Majority decision is carried through the unanimous consent of all the Board of Directors and recorded as part of the minutes.

KAUSHAL DALAL & ASSOCIATES
COMPANY SECRETARIES

I further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

For Kaushal Dalal & Associates
Company Secretaries

Date: 06th November, 2020
Place: Mumbai

Kaushal Dalal
Proprietor
M. No: 7141 CoP No: 7512
UDIN:- F007141B001177112

Note: This report is to be read with my letter of even date which is annexed as Annexure A and forms an integral part of this report.

ANNEXURE A TO THE SECRETARIAL AUDIT REPORT

To,
The Members,
ESSAR POWER LIMITED

Secretarial Audit Report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis (by verifying records made available to me) to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, I followed, provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Wherever required, I have obtained Management representation about the compliance of laws, rules and regulations and occurrence of events.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is responsibility of management.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

For Kaushal Dalal & Associates
Company Secretaries

Date: 06th November, 2020
Place: Mumbai

Kaushal Dalal
Proprietor
M. No: 7141 CoP No: 7512
UDIN:- F007141B001177112

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ESSAR POWER LIMITED

Report on the Audit of Standalone Financial Statements

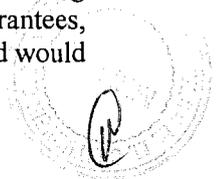
Qualified Opinion

We have audited the accompanying standalone Indian Accounting Standards ("Ind AS") financial statements of **ESSAR POWER LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2020, the Statement of Profit and Loss (including the Statement of Other Comprehensive Income), the Statement of Cash Flow and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2020, its loss including Other Comprehensive Income, its Cash Flows and the Statement of Changes in Equity for the year ended on that date.

Basis for Qualified Opinion

1. As explained in Note 28(f) read with Note 2.1(ii)(d) to the standalone financial statements, the Company has received a recall notice from one of the lenders for repayment of total outstanding and the lender has initiated legal proceedings in DRT-1, Mumbai for recovering the same. The Company's current liabilities exceeds its current assets by Rs. 2,792.96 crore for FY 2019-20 and the Company has a negative equity of Rs. 2,612.23 Crore. Further, as mentioned in our qualification No. 2 below, corporate guarantees amounting to Rs. 18,325.36 given by the Company to lenders of its subsidiaries have been invoked. The plant is in a state of shutdown and as mentioned in Note 3 read with Note 2.1(ii)(a), the Company has substantially impaired its plant based on change in outlook and prevailing conditions which the Company believes are unlikely to change in coming years. As mentioned in Note 48, one of the lenders of a subsidiary has taken the Company to NCLT under Insolvency and Bankruptcy Code, 2016, as the Company was a corporate guarantor for loans taken by the subsidiary. Further, as mentioned in Footnote (b),(c) to Note 6, the Company's two major subsidiaries are in process of insolvency and liquidation respectively, and the subsidiary mentioned in Footnote (d) to Note 6 has lost control of majority of its assets in terms of settlement of its outstanding dues to its lenders. These situations indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and the financial statements do not disclose this fact. The impact of the same on the standalone financial statements of the Company is unascertainable.
2. As explained in Note 39(i)(e), the Company had given corporate guarantee to the lenders of its subsidiaries for loans availed by those subsidiaries. On account of defaults in repayments of its loan obligations by the subsidiaries, the lenders of those subsidiaries invoked the corporate guarantees issued by the Company. The amount of invoked corporate guarantee outstanding as on 31st March, 2020, stands at Rs. 18,325.36 Crore which the Company has continued to show as contingent liability under Note 39(i)(e) for reasons mentioned therein, instead of making provisions for the same. Had the Company made the provision for invoked corporate guarantees, its loss for the year would have been higher by Rs. 18,325.36 crore and shareholder's fund would have been lower by that amount.



We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the "Auditor's Responsibilities for the Audit of the Standalone Financial Statements" section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our *qualified opinion*.

Emphasis of Matters

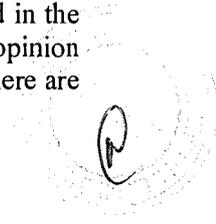
We draw attention to the following matters in the Notes to the standalone financial statements:

- 1) As mentioned in footnotes to Note 6, the Company has impaired its investments in subsidiaries in preceding years and current year, except investment of Rs. 545.74 crore in Compulsory Convertible Non Cumulative Non Participating Preference Shares (CCNCNPPS) in a subsidiary mentioned in Footnote (a) of Note 6 for reasons mentioned therein. One of the investments mentioned in Footnote (c) to Note 6 has been admitted for liquidation under Corporate Insolvency Resolution Process, and has accordingly been reclassified from subsidiary to other investment due to loss of control. Another material subsidiary has been admitted to insolvency proceedings as mentioned in Footnote (b) to Note 6. Further, as mentioned in Footnote (d) to Note 6, one of the subsidiary has transferred majority of its assets, including the power plant, to its lender in terms of settlement of its borrowing.
- 2) As mentioned in Note 11, the Company has continued to show 100% investment in one of its subsidiary even though 51% of the shares of those subsidiary were invoked by the lenders of the subsidiary.
- 3) Note 39(ii) to the standalone financial statements regarding status of litigation with the customer (GUVNL). Trade receivables of Rs. 1,066.86 Crore (including delayed interest and overdue interest thereon aggregating to Rs. 582.25 Crore) as at 31st March, 2020 from the said customer are unconfirmed and represent amounts withheld by GUVNL substantially on account of the disputed matters described in the note. Based on earlier favourable decision of GERC which is contested by GUVNL, no provision is considered necessary against the claim or towards the disputed receivables recorded in the books of account in accordance with the Power Purchase Agreement with GUVNL.
- 4) Note 47 to the standalone financial statements regarding the Company's Non-Banking Finance Company ("NBFC") status. The Company has applied to the Reserve Bank of India seeking waiver from registration as NBFC for FY 2019-20 on 2nd March, 2020, and is awaiting reply on the same. The Company had filed a similar application during FY 2018-19, 2017-18 and FY 2016-17 as well, for which it is yet to receive any response.
- 5) Note 27 regarding trade payables of Rs. 7.10 Crore that are capex creditors of a subsidiary of the Company. These creditors have been assigned by the subsidiary to the Company by mutual consent between the Company and the subsidiary.

Our opinion is not modified in respect of the above matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.



Other Information

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditor's report thereon. The Company's annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement of this other information, we are required to report that fact. We will report such facts, if any, once the annual report is made available to us.

Management's Responsibilities for the Standalone Financial Statements

The accompanying standalone financial statements have been approved by the Company's Board of Directors. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and the statement of changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

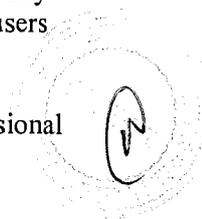
In preparing the standalone financial statements, Board of Directors and management are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:



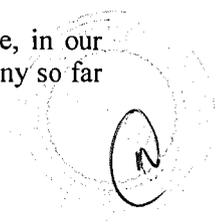
- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to standalone financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions given in Point 1 under the Basis for Qualified Opinion section are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

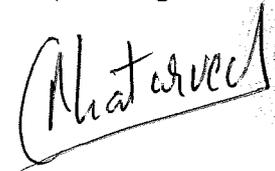
Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the "**Annexure A**", a statement on the matters specified in the paragraph 3 and 4 of the Order, to the extent applicable.
2. As required by section 143(3) of the Act, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the accompanying standalone financial statements.
 - b) Except for the matter described in the Basis for Qualified Opinion section above, in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.



- c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Statement of Cash Flow and the Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account.
- d) Except for the matter described in the Basis for Qualified Opinion paragraph above, in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act read with Companies (Indian Accounting Standards) Rules, 2015, as amended.
- e) In our opinion, the matter described under the Basis for Qualified Opinion paragraph and Emphasis of Matters paragraph may have an adverse effect on the functioning of the Company.
- f) On the basis of the written representations received from the directors as on 31st March, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2020 from being appointed as a director in terms of Section 164(2) of the Act.
- g) The qualifications relating to Going Concern assumption and Corporate Guarantee Invocation are as stated in the Basis of Qualified Opinion section above.
- h) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate report in “**Annexure B**”.
- i) In our opinion and according to the information and explanations given to us, the Company has not paid any managerial remuneration during the year. Hence compliance requirement under the provisions of section 197 of the Act is not applicable.
- j) With respect to the other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements vide Note 39.
 - ii. The Company did not have any long term contracts, including derivative contracts, for which there were any material foreseeable losses as at 31st March, 2020.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended 31st March 2020.

For M.M.Chaturvedi & Co.,
Chartered Accountants
(Firm Reg. No. 112941W)



Rishabh Chaturvedi
Partner

Membership No. 124465

UDIN: 2012 4465AAAAAE6142

Mumbai
21st October, 2020

ANNEXURE-A to the Independent Auditor's Report on the Standalone Financial Statements of Essar Power Limited – 31st March, 2020

Based on the audit procedures performed for the purpose of reporting a true and fair view on the standalone financial statements of the Company and taking into consideration the information and explanation given to us and the books of accounts and other records examined by us in the normal course of audit, and to the best of our knowledges and belief, we report that:

- (i) In respect of its Property, Plant and Equipment:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) The fixed assets were physically verified during the year by the Management in a phased manner which, in our opinion, is reasonable having regard to the nature of its assets. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
 - (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.
- (ii) In respect of its inventories:
 - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
 - (b) In our opinion and according to the information and explanations given to us, no material discrepancies were noticed on physical verification.
- (iii) The Company has granted unsecured loans of Rs. 69.83 crore to its subsidiaries, out of which Rs. 54.57 crore were repaid within the year. The loans given are repayable on demand and are current in nature. The Company has waived interest on these loans given.
- (iv) In our opinion and according to the information and explanations given to us, provisions of Section 185 of the Act are not applicable to the Company due to absence of transactions of the nature covered under the said section. Being a Company incorporated with the object of providing infrastructure facilities, provisions of Section 186 are not applicable.
- (v) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposit from the public during the year in terms of the provisions of Section 73 to 76 or any other relevant provisions of the Act and the rules framed there under. Accordingly, paragraph 3(v) of the Order is not applicable to the Company.
- (vi) According to the information and explanation provided to us, the Company is not required to maintain cost records as it does not meet the turnover criteria of Rs. thirty five crore from power generation as provided in Rule 3 of Companies (Cost Records and Audit) Rules, 2014. The Company has not maintained cost accounts and records for provision of services.
- (vii) According to the information and explanations given to us, in respect of statutory dues:
 - (a) The Company has been generally regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-Tax, Sales Tax, Services Tax, Duty of Customs, Duty of Excise, Value Added Tax and other material statutory dues applicable to it with the appropriate authorities. There were no undisputed amounts payable in respect of aforesaid statutory dues in arrears as at 31st March, 2020 for a period of more than six months from the date they became payable.

- (b) Details of dues of Income-tax, Sales Tax, Services Tax, Duty of Customs, Duty of Excise or Value Added Tax which have not been deposited as on 31st March, 2020 on account of disputes are given below:

| Name of Statute | Nature of Dues | Forum where dispute pending | Period for which amount relates | Amount disputed (in Rs. Crores) |
|-------------------------------|--|--------------------------------------|---------------------------------|---------------------------------|
| Gujarat Sales Tax Act, 1969 | Sales Tax and Interest and Penalty thereon | Commissioner (Appeals) | F.Y. 2004-05 | 0.73 |
| Gujarat Electricity Sales Tax | Tax on Sale of Electricity | Appeal to be filed by Company | 2002 | 45.91 |
| Central Excise Act, 1944 | Service Tax | Appellate Tribunal, Bangalore | F.Y. 2007-08 | 0.20 |
| Central Excise Act, 1944 | Service Tax | Appellate Tribunal, Ahmedabad | F.Y. 2007-08 to 2012-13 | 1.95 |
| Income tax Act, 1961 | Income Tax | Commissioner of Income Tax (Appeals) | A.Y. 2017-18 | 5.93 |
| | | | A.Y. 2015-16 | 62.57 |
| | | Income Tax Appellate Tribunal | A.Y. 2014-15 | 66.96 |

- (viii) According to the information and explanations given to us, the Company has not taken any loans from Government. The Company has defaulted in repayment of loans or borrowings to financial institutions and banks and dues to debenture holders during the year. Details of the dues to bank and financial institutions and debenture holders which have not been paid on due dates and which are outstanding as on 31st March, 2020 are given below:

| Sr. No | Name of the Lender | Principal amount in default (in Rs. crores) | Interest amount in default (in Rs. crores) | Total (in Rs. crores) | Period of default |
|--------------------------|-------------------------------|---|--|-----------------------|-------------------|
| Debenture holders | | | | | |
| 1 | LIC | 245.00 | 263.77 | 508.77 | 1-1949 days |
| 2 | Axis Bank & Other NCD Holders | 137.36 | 70.17 | 207.53 | 1-1156 days |
| 3 | LIC | 1,000.00 | 1,208.77 | 2,208.77 | 392-2075 days |
| Banks | | | | | |
| 1 | Bank of India | 59.87 | 39.75 | 99.62 | 115-1825 days |
| 2 | Axis Bank | 124.27 | 64.85 | 189.12 | 129-1156 days |
| 3 | Yes Bank | 436.83 | 29.09 | 465.92 | 1-184 days |
| TOTAL | | 2,003.33 | 1,676.40 | 3,679.73 | |

- (ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) during the year. To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Company were, prima facie, applied by the company during the year for the purposes for which loans were obtained.
- (x) To the best of our knowledge and according to the information and explanation given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given to us and based on our examination of the records of the Company, the company has not paid any managerial remuneration during the year. Accordingly, paragraph 3(xi) of the Order is not applicable.
- (xii) According to the information and explanations given to us, the Company is not a Nidhi Company as prescribed under section 406 of the Act. Accordingly, paragraph 3(xiii) of the Order is not applicable to the Company.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the standalone financial statements as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable to the Company.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him.
- (xvi) The Company has applied for exemption from registration as an NBFC under section 45-IA of the Reserve Bank of India Act, 1934, for FY 2019-20 and, as explained to us, is awaiting reply on the same. The Company had filed a similar application seeking exemption from registration as NBFC for FY 2016-17, 2017-18, and 2018-19, and, as explained to us, has not received any replies on the same as well.

For M.M.Chaturvedi & Co.,
Chartered Accountants
(Firm Reg. No. 112941W)



Rishabh Chaturvedi
Partner

Membership No. 124465

Mumbai
21st October, 2020

UDIN: 2012 4465 AAAAE6142

Annexure - B to the Independent Auditor's Report on the Standalone Financial Statements of Essar Power Limited – 31st March, 2020

(Referred to in our report of even date)

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

We have audited the internal financial controls with reference to standalone financial statements of Essar Power Limited ("the Company") as of 31st March 2020 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

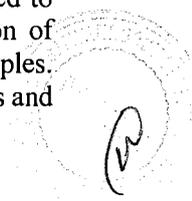
Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system with reference to financial statements.

Meaning of Internal Financial Controls with reference to financial statements.

A company's internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to financial statements includes those policies and procedures that:



- 1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- 2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- 3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with reference to financial statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system with reference to standalone financial statements and such internal financial controls with reference to financial statements were operating effectively as at 31st March, 2020, based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

For M.M.Chaturvedi & Co.,
Chartered Accountants
(Firm Reg. No. 112941W)



Rishabh Chaturvedi

Partner

Membership No. 124465

Mumbai
21st October, 2020

UDIN: 20124465AAAAAE6142

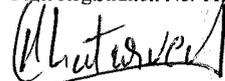
ESSAR POWER LIMITED
BALANCE SHEET AS AT MARCH 31, 2020

Rs. in Crore

| | Note no. | As at March 31, 2020 | As at March 31, 2019 |
|--|----------|-------------------------|-------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 3 | 52.96 | 52.35 |
| Intangible assets | 3.1 | 0.04 | 0.04 |
| Capital work in progress | 4 | - | 7.68 |
| Right of use asset | 5 | 1.21 | - |
| Financial assets: | | | |
| Investments | 6 | 2,145.72 | 3,762.90 |
| Loans | 7 | 9.66 | 8.75 |
| Other financial assets | 8 | 1.00 | 0.27 |
| Other non-current assets | 9 | 0.50 | 1.57 |
| | | 2,211.09 | 3,833.56 |
| Current assets | | | |
| Inventories | 10 | 9.13 | 13.82 |
| Financial assets: | | | |
| Investments | 11 | - | - |
| Trade receivables | 12 | 1,067.17 | 1,138.63 |
| Cash and cash equivalents | 13 | 0.58 | 0.72 |
| Bank balances other than cash and cash equivalents | 14 | 9.16 | 8.42 |
| Loans | 15 | 178.16 | 220.24 |
| Other financial assets | 16 | 0.56 | 1.73 |
| Current tax assets (net) | 17 | 23.74 | 19.27 |
| Other current assets | 18 | 34.61 | 34.53 |
| | | 1,323.11 | 1,437.36 |
| | | 3,534.20 | 5,270.92 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Equity share capital | 19 | 460.92 | 460.92 |
| Other equity | | | |
| Equity component of convertible preference shares | 19 | 5,440.20 | 5,440.20 |
| Reserve and surplus | 20 | (8,513.35) | (6,302.02) |
| Other reserves | 21 | @1 | @1 |
| | | (2,612.23) | (400.90) |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Financial liabilities: | | | |
| Lease Liabilities | 22 | - | - |
| Borrowings | 23 | 2,030.36 | 2,394.59 |
| Deferred tax liabilities (net) | 24 | - | - |
| | | 2,030.36 | 2,394.59 |
| Current Liabilities | | | |
| Financial Liabilities: | | | |
| Lease Liabilities | 25 | 0.83 | - |
| Borrowings | 26 | 1,010.25 | 633.41 |
| Trade payables | | | |
| Total outstanding of micro and small enterprises | 27 | 0.06 | - |
| Others | 27 | 10.59 | 12.60 |
| Other financial liabilities | 28 | 2,983.48 | 2,520.01 |
| Current tax liabilities (net) | 29 | 108.53 | 108.53 |
| Other current liabilities | 30 | 2.33 | 2.68 |
| | | 4,116.07 | 3,277.23 |
| | | 3,534.20 | 5,270.92 |

The accompanying notes are an integral part of these financial statements

In terms of our report attached
For M. M. Chaturvedi & Co.
Chartered Accountants
Firm Registration No. 112941W



Rishabh Chaturvedi
Partner
Membership No. 124465
Mumbai
Dated: 21 October 2020



Prakash Khedekar
Company Secretary
PAN:ALIPK1718L
Mumbai
Dated: 21 October 2020

For and on behalf of the Board of Directors



T Rajmohan
Director
DIN:07949704



Nitin Patil
Director
DIN:07602888



Kush
Chief Executive Officer
PAN:AIFPK4987M
Mumbai
Dated: 21 October 2020



Vinod Jain
Chief Financial Officer
PAN:AAMPJ7907K



ESSAR POWER LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2020

Rs. in Crore

| | Note no. | For the year ended March 31, 2020 | For the year ended March 31, 2019 |
|--|----------|--------------------------------------|--------------------------------------|
| INCOME | | | |
| Revenue from operations | 31 | 44.29 | 19.22 |
| Other income | 32 | 21.47 | 12.06 |
| | | 65.76 | 31.28 |
| EXPENSES | | | |
| Expenditure for construction contract | | - | - |
| Employee benefit expenses | 33 | 1.14 | 0.17 |
| Other expenses | 34 | 32.43 | 47.67 |
| | | 33.57 | 47.84 |
| Profit before finance and lease charges, depreciation, amortisation, exceptional item and tax | | 32.19 | (16.56) |
| Finance costs and lease charges | 35 | 630.19 | 569.49 |
| Profit before depreciation, amortisation, exceptional item and tax | | (598.00) | (586.05) |
| Depreciation and amortisation | | 0.05 | 0.02 |
| Profit / (Loss) before exceptional item and tax | | (598.06) | (586.07) |
| Exceptional items | 36 | 1,613.19 | - |
| Loss before tax | | (2,211.24) | (586.07) |
| Tax expense | | | |
| Current tax | 37 | 0.08 | 0.55 |
| Deferred tax charge / (credit) | | - | - |
| | | 0.08 | 0.55 |
| Loss for the year | | (2,211.32) | (586.62) |
| OTHER COMPREHENSIVE INCOME | | | |
| Items that will not be reclassified to profit or loss | | | |
| Remeasurement of the defined benefit plans | | - | - |
| Income tax effect | | - | - |
| Other comprehensive income for the year, net of tax | | - | - |
| Total comprehensive income for the year, net of tax | | (2,211.32) | (586.62) |

Basic earnings per share of Rs. 4 each (In Rs.)
Diluted earnings per share of Rs. 4 each (In Rs.)
(Refer Note 38)

(19.20) (5.10)
(19.20) (5.10)

The accompanying notes are an integral part of these financial statements

In terms of our report attached

For M. M. Chaturvedi & Co.
Chartered Accountants
Firm Registration No. 112941W

For and on behalf of the Board of Directors



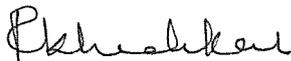
Rishabh Chaturvedi
Partner
Membership No. 124465
Mumbai
Dated: 21 October 2020



T Rajmohan
Director
DIN:07949704



Nitin Patil
Director
DIN:07602888



Prakash Khedekar
Company Secretary
PAN:ALIPK1718L
Mumbai
Dated: 21 October 2020



Kush
Chief Executive Officer
PAN:AIFPK4987M
Mumbai
Dated: 21 October 2020



Vinod Jain
Chief Financial Officer
PAN:AAMPJ7907K



ESSAR POWER LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2020

A. Equity share capital

| | Rs. in Crore |
|---------------------------------|--------------|
| As at April 1, 2018 | 460.92 |
| Changes in equity share capital | - |
| As at March 31, 2019 | 460.92 |
| Changes in equity share capital | - |
| As at March 31, 2020 | 460.92 |

B. Equity component of convertible preference shares

| | Rs. in Crore |
|---------------------------------|--------------|
| As at April 1, 2018 | 4,754.08 |
| Changes in equity share capital | 686.12 |
| As at March 31, 2019 | 5,440.20 |
| Changes in equity share capital | - |
| As at March 31, 2020 | 5,440.20 |

C. Other equity

| | Reserve and surplus | | | | | Total |
|---|-------------------------------|----------------------------|------------------------------|---|-------------------|------------|
| | Preference Redemption Reserve | Securities premium Reserve | Debenture redemption reserve | Securities premium Reserve for premium payable on redemption of preference shares | Retained Earnings | |
| Balance as at April 1, 2018 | 267.98 | 1,689.45 | 49.65 | 810.83 | (8,533.31) | (5,715.40) |
| Profit / (Loss) for the year | - | - | - | - | (586.62) | (586.62) |
| Total comprehensive income for the year | - | - | - | - | (586.62) | (586.62) |
| Transfer to Securities Premium - for premium payable on redemption of preference shares | - | (28.70) | - | 28.70 | - | - |
| Balance as at March 31, 2019 | 267.98 | 1,660.75 | 49.65 | 839.53 | (9,119.93) | (6,302.02) |
| Profit / (Loss) for the year | - | - | - | - | (2,211.32) | (2,211.32) |
| Total comprehensive income for the year | - | - | - | - | (2,211.32) | (2,211.32) |
| Transfer to Securities Premium - for premium payable on redemption of preference shares | - | (28.70) | - | 28.70 | - | - |
| Balance as at March 31, 2020 | 267.98 | 1,632.05 | 49.65 | 868.23 | (11,331.26) | (8,513.35) |

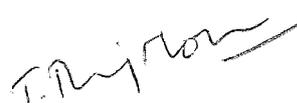
In terms of our report attached

For M. M. Chaturvedi & Co.
Chartered Accountants
Firm Registration No. 112941W


Rishabh Chaturvedi
Partner
Membership No. 124465
Mumbai
Dated: 21 October 2020

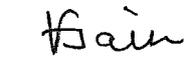

Prakash Khedekar
Company Secretary
PAN:ALIPK1718L
Mumbai
Dated: 21 October 2020

For and on behalf of the Board of Directors


T. Rajmohan
Director
DIN:07949704


Nitin Patil
Director
DIN:07602888


Kush
Chief Executive Officer
PAN:AIFPK4987M
Mumbai
Dated: 21 October 2020


Vinod Jain
Chief Financial Officer
PAN:AAMPJ7907K



ESSAR POWER LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2020

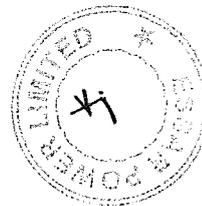
Rs. in Crore

| | | For the year ended March 31, 2020 | | For the year ended March 31, 2019 | |
|--|---|--------------------------------------|-----------------|--------------------------------------|---------------|
| A. | CASH FLOW FROM OPERATING ACTIVITIES: | | | | |
| | Loss before tax for the year | | (2,211.24) | | (586.07) |
| | Adjustment for: | | | | |
| | Depreciation/amortisation | 0.05 | | 0.02 | |
| | (Profit)/loss on sale of fixed assets | 6.20 | | - | |
| | Finance cost and lease charges | 630.19 | | 569.49 | |
| | Interest income on bank deposit and others | (0.62) | | (0.59) | |
| | Interest income on financial assets at amortised costs | (0.88) | | (0.95) | |
| | Bad debts / Sundry Balances written off | 2.98 | | 15.02 | |
| | Exceptional item | 1,613.19 | | 18.48 | |
| | | | 2,251.11 | | 601.47 |
| | Operating loss before working capital changes | | 39.87 | | 15.40 |
| | Movement in working capital: | | | | |
| | (Increase)/ Decrease in trade receivables | 35.67 | | (15.84) | |
| | (Increase)/ Decrease in inventories | 4.69 | | 3.38 | |
| Decrease in loans, advances and deposits | (0.08) | | 16.79 | | |
| Increase / (Decrease) in trade payable, other liabilities and provisions | (2.02) | | (42.36) | | |
| | | 38.26 | | (38.02) | |
| Cash generated from / (used in) operations | | 78.13 | | (22.63) | |
| Direct taxes paid | | (4.55) | | (2.47) | |
| Net cash from / (used in) operating activities | | 73.58 | | (25.10) | |
| B. | CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| | Purchase of fixed assets, (increase) / decrease in capital work in progress | (0.61) | | 0.01 | |
| | Sale of fixed assets, (increase) / decrease in capital work in progress | 0.90 | | - | |
| | Investment in subsidiaries | - | | (13.04) | |
| | Fixed / margin deposits placed with banks | (1.47) | | (0.61) | |
| | Inter corporate deposit placed | (90.32) | | (17.90) | |
| | Refund of inter corporate deposit placed | 128.98 | | 2.60 | |
| | Interest received | 0.54 | | 0.77 | |
| Net cash from investing activities | | 38.02 | | (28.17) | |
| C. | CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| | Proceeds from issue of share capital (including | - | | 52.07 | |
| | Repayment of borrowings | (24.74) | | (156.19) | |
| | Changes in short term borrowings (net) | (26.00) | | 8.39 | |
| | Inter corporate deposits taken | 93.40 | | 232.39 | |
| | Inter corporate deposits repaid | (117.55) | | (6.08) | |
| | Finance and lease charges paid | (36.85) | | (79.74) | |
| | Net cash used in financing activities | | (111.74) | | 50.84 |
| | Net increase in cash and cash equivalents (A+B+C) | | (0.14) | | (2.43) |
| | Cash and cash equivalents at the beginning of the year | 0.72 | | 3.15 | |
| Cash and cash equivalents at the end of the year | 0.58 | | 0.72 | | |
| | | (0.14) | | (2.43) | |

Notes:

- Investments in fixed deposits having maturity of more than three months and margin deposits have been shown under the cash flow from investing activities. Cash and cash equivalents included in the cash flow statement comprise of the following balance sheet amounts:

| | Rs. in Crore | |
|---|-------------------------|-------------------------|
| | As at March 31, 2020 | As at March 31, 2019 |
| Cash on hand (@ 1 = Rs. 12,750 and @ 2 = Rs. 11,381) | @ 1 | @ 2 |
| Cheques on hand | - | - |
| Balances with banks in | | |
| Current accounts | 0.58 | 0.72 |
| Deposits accounts | 9.16 | 8.42 |
| | 9.74 | 9.14 |
| Less: Fixed/margin deposits excluded from cash and cash equivalents | (9.16) | (8.42) |
| Cash and cash equivalents as restated | 0.58 | 0.72 |



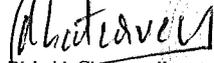
Amendment to Ind AS 7

The amendment to Ind AS 7 Cash flow statements requires the entities to provide disclosures that enable users of Financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the Balance Sheet for liabilities arising from financial activities, to meet the disclosure requirement. This amendment has become effective from 1st April, 2017 and the required disclosure is made below. There is no other impact on the financial statements due to this amendment.

| | Inter Corporate Deposits | Preference shares | Other Long term borrowings | Other short term borrowings | Finance and lease charges | Total |
|--|--------------------------|-------------------|----------------------------|-----------------------------|---------------------------|-----------------|
| Balance as at March 31, 2019 | 385.03 | 1,899.43 | 1,798.03 | 187.67 | 1,237.39 | 5,507.55 |
| Cash flow: | | | | | | |
| Inflow | 93.40 | | - | - | | 93.40 |
| (Outflow) | (117.55) | | (24.74) | (26.00) | | (168.29) |
| Other changes | | | | | | |
| Fair valuation impact | - | 119.58 | | | (119.58) | - |
| Amortisation of upfront fee | - | | 7.27 | | (7.27) | - |
| Finance and lease charges | | | | | 630.19 | 630.19 |
| Finance and lease charges paid | | | | | (36.85) | (36.85) |
| Other non cash changes | - | | (0.14) | (1.28) | (0.49) | (1.91) |
| Closing balances as at March 31, 2020 | 360.88 | 2,019.01 | 1,780.42 | 160.39 | 1,703.39 | 6,024.09 |

In terms of our report attached

For M. M. Chaturvedi & Co.
Chartered Accountants
Firm Registration No. 112941W



Rishabh Chaturvedi
Partner
Membership No. 124465
Mumbai
Dated: 21 October 2020



Prakash Khedekar
Company Secretary
PAN:ALIPK1718L
Mumbai
Dated: 21 October 2020

For and on behalf of the Board of Directors



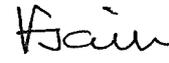
T Raimohan
Director
DIN:07949704



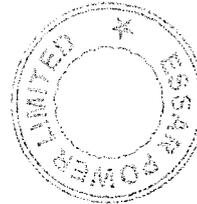
Nitin Patil
Director
DIN:07602888



Kush
Chief Executive Officer
PAN:AIFPK4987M
Mumbai
Dated: 21 October 2020



Vinod Jain
Chief Financial Officer
PAN:AAMPJ7907K



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

NOTE: 1

CORPORATE INFORMATION

Essar Power Limited (the "Company" / "EPOL") is a public company incorporated in the year 1991 and domiciled in India. The registered office and principal place of business of the Company is located at 27th Km, Surat Hazira Road, Hazira, Surat, Gujarat - 394270. The Company has set up and operates a 515 MW dual fuel fired combined cycle power plant at Hazira, Surat (Gujarat).

NOTE: 2

SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

(i) Compliance with Ind AS

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under section 133 of Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] as amended from time to time and other relevant provision of the Act.

These financial statements were authorised for issue in accordance with resolution of the Board of Directors in its meeting held on 21 October 2020.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except certain financial instruments which has been measured at fair value.

The Company is amongst the major companies in the Indian Power Sector and owns four plants with capacity of 2045 MW & operates three plants with aggregate capacity of 1530 MW through various special purpose vehicles (SPVs). The Company has also commissioned 464 Km long Inter State Transmission System through one of its subsidiaries. The Company has been supporting its subsidiaries through various stages of construction, stabilization and operation of their assets. The subsidiaries have completed the projects and are operating the plants at optimum levels. The subsidiaries like Essar Power Hazira Limited and Essar Power Transmission Company Limited are making decent profits. Management has given careful consideration to going concern due to ongoing challenges faced by the Company and subsidiaries and has taken / is taking following steps:-

a. Preservation of Equipments - The Company is maintaining the plant under preservation and all the key equipments are well preserved. The Company has also refurbished its plant and all equipments are in good condition. The Company expects the plant to start in a single command and achieve base load within few hours of operations. Natural gas prices are showing declining trend and in case of new gas recoveries at economical prices, the Company is hopeful of getting new long term PPA. The company is also contemplating the sale of its investments in order to meet its debt and other obligations

b. Arbitration under PPA dated 29th June 1996

ESIL claimed frustration of the PPA stating the non-availability of natural gas at economical prices. However, they have ignored the fact that non-availability of Fuel caused by any event of Force Majeure (i.e. whether natural or non-natural Force Majeure event) shall not constitute Force Majeure events under the Agreement (as amended). The Company has initiated arbitration process as per terms of PPA dated 29th June 1996 and served an arbitration notice to AMNS (erstwhile ESIL) on 17th December 2019 requesting AMNS to nominate an Arbitrator within 30 days to initiate proceedings as prescribed in PPA. The Company has nominated Hon'ble Justice Arvind Sawant (Former Chief Justice of Kerala High Court) as our Sole Arbitrator. The Company has not received any response from AMNS. An appeal is being filed at High Court for appointment of Arbitrator to initiate Arbitration under PPA. In view of COVID-19 situation, High Court is accepting filing of urgent cases only. We shall be filing application once situation improves.

This being the case, we are confident of favourable decision under Arbitration Process.

c. OTS with Lenders -

The Company does not have any operations for last few years due to absence of PPA and non-availability of fuel at economical prices. Accordingly, the Company has offered One Time Settlement (OTS) to all the lenders to resolve the NPA issues. Most of the lenders and debentureholders, namely AXIS Bank, YES Bank, LIC Pension Fund, etc., have approved the OTS proposals and part / full payments have been made. A major debentureholder, LIC has already given in-principle approval for the OTS proposal and the Company is hopeful of getting final approval soon. The Company is engaged with other small lenders for settlement of their dues through OTS and is hopeful of settling them in current financial year.

d. The company has received notice for repayment of total outstanding (Refer Note 28 (f)) from one of its lender's which is mainly due to delay in creation of security. Legal proceedings have been initiated in the DRT-I, Mumbai in respect of the claim. The Company is hopeful of withdrawal of suit as the Company expects to get final OTS approval from the lender, LIC shortly and make up-front payment to them as per the OTS.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

e. The Company has made comprehensive plans to address the long term as well as short term issues faced by the subsidiaries including debt restructuring, debt refinancing, interest rate rationalization, buying raw-material in e-auction or through traders, participation in short term / long term tender for power purchase agreements, etc. This steps will bring the debt to a sustainable level. Essar Power Gujarat Limited, a subsidiary of the Company, is in advanced stage of implementation of resolution plan (with its lenders thereby bringing down the debt to a sustainable level and make the operations fully viable.

The above steps will ensure continuous operations and the Company will be able to meet all its operational liabilities. In view of above, the management has concluded to prepare financials on a going concern basis."

2.2 Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues and expenses during the period and assets, liabilities and the disclosure of contingent liabilities at the date of financial statements. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The Company prepared its financial statements based on assumptions and estimates on parameters available at that time. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Corporate guarantee resolution

The Company has issued corporate guarantee to the lenders of its subsidiaries for the borrowings taken for setting up of the power plants. During the last few years, Essar Power Limited faced challenges such as deallocation of coal blocks, changes in bidding norms for long term PPA post completion of mine bidding process under the auction route and change in law in fuel exporting countries which led to idle capacities and consequent inability to service the borrowing facilities in plants set up in Mahan, Salaya and Jharkhand. The lenders have recalled their loans and invoked parent corporate guarantees.

The Company has been in constant discussions with its lenders for restructuring the debt in its group at a sustainable level. Based on the available information and the government policy announcements, the following is considered by the company for assessment of provision for guarantees issued to lenders of subsidiary companies. (Refer Note No. 39)

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

2.3 Foreign currencies

(i) Functional and presentation currency

The financial statements are presented in "Indian Rupees" (INR), which is also the Company's functional currency. All values are rounded to the nearest crore (INR 0,000,000), except when otherwise indicated.

(ii) Transaction and balances

Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

2.4 Revenue recognition

The Company recognises revenue when the company satisfies a performance obligation by transferring a promised good or service (ie an asset) to a customer. An asset is transferred when the customer obtains control of that asset and it is probable that the company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Revenue is measured at the transaction price. The transaction price is the amount of consideration, taking into account contractually defined terms of payment and its customary business practice, to which Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties i.e excluding taxes or duties collected on behalf of the government.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

(i) Income from operations

Revenue is recognised on an accrual basis in accordance with the terms of respective power purchase agreements and Intra-State Availability Based Tariff order including delayed payment charges as per power purchase agreements to the extent they are not under dispute.

(ii) Income from services

Revenue from maintenance contracts are recognised pro-rata over the period of the contract as and when services are rendered.

(iii) Interest and dividend income

Interest income is recorded using the effective interest rate (EIR) for all debt instruments measured either at amortised cost or at fair value through other comprehensive income. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability.

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

2.5 Construction contracts as part of revenue recognition

Contract revenue and contract costs associated with the construction of projects are recognised as revenue and expenses respectively in the statement of profit and loss by reference to the stage of completion of the project at the balance sheet date. The stage of completion of project is determined by the proportion that contract cost incurred for the work performed up to the balance sheet date bear to the estimated total contract costs. If total cost is estimated to exceed total contract revenue, foreseeable loss is provided for.

2.6 Borrowing costs

Borrowing costs attributable to the acquisition and construction of the qualifying assets are capitalised as part of the cost of such assets up to the date when such asset is ready for its intended use. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.7 Employee benefits

(i) Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid within twelve months in exchange for the services rendered by employees is recognised during the period when the employee renders the services. These benefits includes salaries, allowances and bonuses etc., compensated absences such as paid annual leave and performance incentives.

(ii) Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation determined actuarially by using Projected Unit Credit Method at the balance sheet date.

(iii) Post-employment benefit plans

Contribution to defined contribution plans such as provident fund, are recognised as expense in the statement of profit and loss or expenditure during construction period, as applicable, when employees have rendered services entitling them to contributions.

The Group operates a defined benefit gratuity plan in India. For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date.

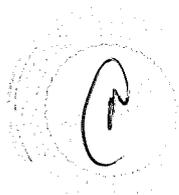
Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Group recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss or expenditure during construction period, as applicable,

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

Net interest expenses or income is calculated by applying the discount rate to the net balance of defined benefit obligation and the fair value of plan assets.

The employee benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of the related plan assets. Any asset resulting from this calculation is limited to the reductions in future contributions to the plan.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

2.8 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charges is calculated on the basis of the tax laws enacted at the end of the reporting period in India. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Current and deferred tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.9 Property, plant and equipment (PPE)

Freehold land is carried at historical cost and other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes purchase price, borrowing costs and all other applicable expenses incurred to bring the assets to its present location and condition. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss or expenditure during construction period, as applicable.

All the expenditure during construction period (net of income) attributable to construction/acquisition of fixed assets are shown as capital work in progress until the relevant assets are ready for its intended use. When a major inspection or major maintenance is undertaken, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognised in the profit or loss during the reporting period in which they are incurred.

Depreciation on plant & machinery and buildings is provided on the basis of useful life assessed by an independent engineer and on other assets at the rates and in the manner permitted / specified in Schedule II to the Companies Act, 2013. Depreciation on additions/deductions to property, plant and equipment made during the year is provided on a pro-rata basis from/up to the date of such additions/deductions, as the case may be. Following is the comparison of useful life as certified by independent engineer and useful life prescribed in Schedule II to the Companies Act, 2013.

| Description of Asset | Useful life as per technical assessment | Useful life as per Companies Act, 2013 |
|----------------------|---|--|
| Plant & Machinery | 25-30 years | 40 years |
| Buildings | 40 years | 30 years |

The asset's residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted if appropriate.

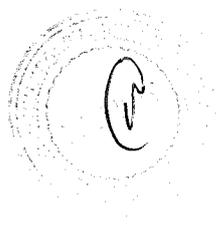
On transition to Ind AS, the Company has elected to fair value of selected items of its property, plant and equipment recognised as at April 1, 2015 and other items are measured as per Ind AS 16. The Company has elected not to revalue these assets subsequently.

2.10 Intangible assets

Intangible assets are recognised only when it is probable that the future economic benefits that are attributable to the assets will flow to the Group and the cost of the assets can be measured reliably. Intangible assets are stated at cost less accumulated amortisation and impairment loss, if any. Intangible assets are amortised over the best estimate of their useful lives. Capitalised software cost is equally amortised over a period of five years.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its intangible assets recognised as at April 1, 2015 measured as per the previous GAAP i.e. Indian GAAP and use that carrying value as the deemed cost of the intangible assets.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

2.11 Impairment of non-financial assets

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised in the statement of profit and loss when the carrying amount of an asset exceeds its estimated recoverable amount. If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount but limited to the carrying amount that would have been determined (net of depreciation / amortisation) had no impairment loss been recognised in prior accounting periods.

2.12 Inventories

Inventories are valued at lower of cost and net realisable value. The cost of inventory is determined using the weighted average cost formula.

2.13 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Company has a present legal or constructive obligation, as a result of past events, and it is probable that an outflow of resources, that can reliably be estimated, will be required to settle such an obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows to net present value using an appropriate pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Unwinding of the discount is recognised in the statement of profit and loss as a finance cost. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

Contingent liabilities are not recognised but disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured reliably. Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

2.14 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit and loss.

Subsequent measurement of debt instruments depends on the Company's business model for managing the assets and the cash flow characteristics of the assets. There are three measurement categories into which the Company classifies its debt instruments;

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest (SPPI) are measured at amortised cost. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in other income in the profit or loss. The losses arising from impairment are recognised in the statement of profit and loss.

Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payment of principal and interest (SPPI), are measured at fair value through other comprehensive income. Fair value movements are recognised in the other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gain and losses which are recognised in profit and loss. When the financial assets is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in other income using the effective interest rate method.

Fair value through profit and loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. Debt instruments included within the FVPL category are measured at fair value with all changes recognized in the statement in profit and loss. Interest income from these financial assets is included in other income using the effective interest rate method.

All equity investments in scope of Ind-AS 109 are measured at fair value. Equity instruments which are held for trading are classified as at FVPL. For all other equity instruments, the Company may classify the same either as at FVOCI or FVPL. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

Equity instruments which are classified as FVOCI, all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to profit and loss, even on sale of investment. However, the company may transfer the cumulative gain or loss within equity. Equity instruments included within the FVPL category are measured at fair value with all changes recognised in the profit or loss.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company applies the 'simplified approach' for recognition of impairment loss allowance on trade receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognise impairment loss allowance based on lifetime Expected Credit Losses" (ECL) at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events on a financial instrument that are possible within 12 months after the reporting date. ECL is the difference between all contractual cash flows that are due to the company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit or loss. This amount is reflected in a separate line in the profit or loss as an impairment gain or loss.

(ii) Financial liabilities

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss:

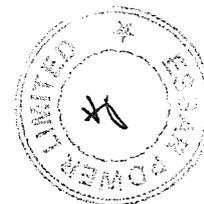
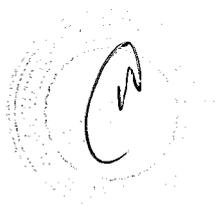
Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss. For liabilities designated as FVPL, fair value gains / losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to profit or loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss.

Financial liabilities at amortized cost

Financial liabilities classified and measured at amortised such as loans and borrowings, trade and other payable are initially recognized at fair value, net of transaction cost incurred. After initial recognition, financial liabilities are subsequently measured at amortised cost using the Effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

Financial guarantee contracts

The Company provides certain guarantees in respect of the indebtedness of group company undertakings, claims under contract and other arrangements in the ordinary course of business. The Company evaluates each arrangement to determine whether it is an insurance or a financial guarantee contract. Once the arrangements are designated as insurance contracts, these are disclosed as contingent liabilities unless the obligations under guarantee become probable. Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of the amount of the obligation under the contract and the amount initially recognised less cumulative amortisation over period of guarantee is provided.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, short-term deposits with banks with original maturity of less than three months and short-term highly liquid investments, that are readily convertible into cash and which are subject to an insignificant risk of changes in the principal amount. Bank overdrafts, which are repayable on demand and form an integral part of the operations are included in cash and cash equivalents.

2.16 Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116. Identification of a lease requires significant judgment. The Company uses significant judgement in assessing the lease term (including anticipated renewals) and the applicable discount rate.

The Company determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. In assessing whether the Company is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, it considers all relevant facts and circumstances that create an economic incentive for the Company to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Company revises the lease term if there is a change in the non-cancellable period of a lease.

The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated or for a portfolio of leases with similar characteristics.

(i) Company as a lessee

The Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract and allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The Company recognises right-of-use asset representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the statement of profit and loss.

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses incremental borrowing rate. For leases with reasonably similar characteristics, the Company, on a lease by lease basis, may adopt either the incremental borrowing rate specific to the lease or the incremental borrowing rate for the portfolio as a whole. The lease payments shall include fixed payments, variable lease payments, residual value guarantees, exercise price of a purchase option where the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. The company recognises the amount of the re-measurement of lease liability due to modification as an adjustment to the right-of-use asset and statement of profit and loss depending upon the nature of modification. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognises any remaining amount of the re-measurement in statement of profit and loss.

The Company has elected not to apply the requirements of Ind AS 116 to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

(ii) Company as a lessor

At the inception of the lease the Company classifies each of its leases as either an operating lease or a finance lease. The Company recognises lease payments received under operating leases as income on a straight- line basis over the lease term. In case of a finance lease, finance income is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. When the Company is an intermediate lessor it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies Ind AS 115 Revenue to allocate the consideration in the contract.

(iii) Transition to Ind AS 116

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified Ind AS 116 Leases which replaces the existing lease standard, Ind AS 17 leases, and other interpretations. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It introduces a single, on-balance sheet lease accounting model for lessees.

The Company has adopted Ind AS 116, effective annual reporting period beginning April 1, 2019 and applied the standard to its leases, from the date of initial application (April 1, 2019). This lease was previously classified as finance lease applying Ind AS 17 and thereby the carrying amount of the right-of-use asset and lease liability at the date of initial application has been equal to the carrying amount of the lease asset and lease liability immediately before that date measured applying Ind AS 17. Accordingly, the Company has not restated comparative information as on April 1, 2019.

(a) Company as a lessee

Operating leases

For transition, the Company has elected not to apply the requirements of Ind AS 116 to leases which are expiring within 12 months from the date of transition by class of asset and leases for which the underlying asset is of low value on a lease-by-lease basis. The Company has also used the practical expedient provided by the standard when applying Ind AS 116 to leases previously classified as operating leases under Ind AS 17 and therefore, has not reassessed whether a contract, is or contains a lease, at the date of initial application, relied on its assessment of whether leases are onerous, applying Ind AS 37 immediately before the date of initial application as an alternative to performing an impairment review, excluded initial direct costs from measuring the right of use asset at the date of initial application and used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Ind AS 116 supersedes Ind AS 17, Leases. The principle of Ind AS 116 is that it requires lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows.

Based on the preliminary assessment performed by the Company, the impact of application of the Standard is not expected to be material. On adoption of Ind AS 116 "Leases" with effect from April 1, 2019, the Company elected to apply the modified retrospective transition method. Accordingly, on transition, right-of-use assets of ₹ 0.75 Crore were measured at an amount equal to lease liabilities. In addition, prepaid lease rental amounting to ₹ 0.51 Crore (net of accrued payments) was reclassified from other assets to right-of-use assets. This lease was previously classified as an operating lease applying Ind AS 17 and thereby the carrying amount of the right-of-use asset is adjusted with prepaid rental.

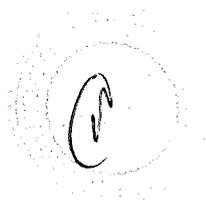
The weighted average incremental borrowing rate applied to lease liabilities recognised on transition to Ind AS 116 "Leases" was 10.00%

2.17 Convertible preference shares

Convertible preference shares are separated into liability and equity components based on the terms of the contract. On issuance of the convertible preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity since conversion option meets Ind AS 32 criteria for fixed to fixed classification. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible preference shares based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

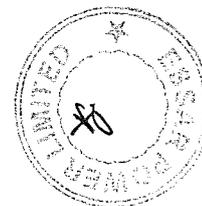
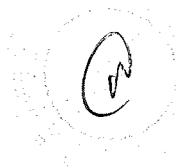
2.18 Earnings per share

Basic earnings per share are computed by dividing the profit / (loss) attributable to equity share holders by the weighted average number of equity shares outstanding during the year. Earnings considered in ascertaining the Company's earnings per share are the profit / (loss) for the year after deducting preference dividends and attributable taxes attributable to equity shareholders. The weighted average number of equity shares outstanding during the year and for all years presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the profit / (loss) for the year are adjusted for the effects of changes in income, expenses, tax and dividends that would have occurred had the dilutive potential equity shares been converted into equity shares. Such adjustments after taking account of tax include preference dividends or other items related to convertible preference shares, interest on convertible debt and any other changes in income or expense that would result from the conversion of dilutive potential ordinary shares. The weighted average number of shares outstanding during the year is adjusted for the effects of all dilutive potential equity shares.

2.19 Investment in joint ventures

Investment in joint ventures are recognised at cost as per para 10(a) of Ind As 27. Except where investments accounted for at cost shall be accounted for in accordance with the IND AS 105, Non-Current Assets Held for Sale and Discontinued Operations, when they are classified as held for sale.



ESSAR POWER LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

NOTE: 3
PROPERTY, PLANT AND EQUIPMENT

| Description of the assets | Gross block | | | | Depreciation and amortisation | | | | Net block | | Rs. in Crore |
|---------------------------|-----------------|-----------------|-------------|-----------------|-------------------------------|-------------|------------|-----------------|----------------|----------------|--------------|
| | Balance as at | Additions | Deletions / | Balance as at | Balance as at | Deletions / | Impairment | Balance as at | Balance as at | Balance as at | |
| | March 31, 2019 | during the year | Adjustments | March 31, 2020 | March 31, 2019 | Adjustments | During the | March 31, 2020 | March 31, 2020 | March 31, 2019 | |
| Freehold land | 155.11 | - | 0.62 | 155.73 | 131.83 | - | - | 131.83 | 23.90 | 23.28 | |
| Buildings | 32.96 | - | - | 32.96 | 27.79 | - | - | 27.79 | 5.17 | 5.17 | |
| Plant and machinery | 1,880.54 | - | - | 1,880.54 | 1,856.94 | - | - | 1,856.94 | 23.60 | 23.60 | |
| Furniture and fixtures | 0.57 | - | - | 0.57 | 0.45 | - | - | 0.45 | 0.12 | 0.12 | |
| Office equipments | 0.33 | - | (0.01) | 0.32 | 0.17 | - | - | 0.17 | 0.14 | 0.15 | |
| Computers | - | - | - | - | - | - | - | - | - | - | |
| Vehicles | 0.06 | - | - | 0.06 | 0.03 | - | - | 0.03 | 0.03 | 0.03 | |
| Total | 2,069.57 | - | 0.63 | 2,070.18 | 2,017.21 | - | - | 2,017.21 | 52.96 | 52.35 | |
| Previous year | 2,069.57 | - | 0.01 | 2,069.56 | 2,017.19 | 0.02 | - | 2,017.21 | 52.35 | - | |

NOTE: 3.1
INTANGIBLE ASSETS

| Description of the assets | Gross block | | | | Amortisation | | | | Net block | | Rs. in Crore |
|---------------------------|----------------|-----------------|-------------|----------------|----------------|-------------|------------|----------------|----------------|----------------|--------------|
| | Balance as at | Additions | Deletions / | Balance as at | Balance as at | Deletions / | Impairment | Balance as at | Balance as at | Balance as at | |
| | March 31, 2019 | during the year | Adjustments | March 31, 2020 | March 31, 2019 | Adjustments | During the | March 31, 2020 | March 31, 2020 | March 31, 2019 | |
| Computer software | 0.04 | - | - | 0.04 | - | - | - | - | 0.04 | 0.04 | |
| Total | 0.04 | - | - | 0.04 | - | - | - | - | 0.04 | 0.04 | |
| Previous year | 0.04 | - | - | 0.04 | - | - | - | - | 0.04 | 0.04 | |

*Historically, India has relied on coal for electricity power generation, liquid fuels as feed stock and oil for its transport sector. But for environmental reasons, it is required to focus on cleaner fuels and natural gas is a cleaner fuel. The development of natural gas industry in the country started in 1960s with discovery of gas fields in Gujarat and Assam. After discovery of South Basin fields by ONGC in 1970s, natural gas assumed importance in the generation of power.

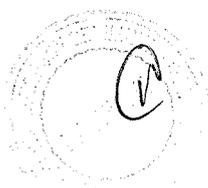
Change in outlook

In 2017-18, most of the power projects in India were affected due to various reasons like domestic coal and gas shortage, non-availability of transmission facilities and higher interest burden. The power companies are stranded and lenders have considered various options including insolvency proceedings.

Due to various reasons attributing to low or nil generation, presently, such power plant could not fetch Rs. 1-2 Crore / MW. Lenders to these plants have also invited expression of interest / competitive bids for such stranded plants and had received such valuations.

Further, lenders are also actions to realise the money lent for these power projects.

Taking view of current overall natural gas supply situation, which is not likely to change substantially in coming years, it is apparent that the gas power plants may have to be shut down or run at lower rates. For this reason, this Essar Power Plant cannot be run to its designed capacity. This under-utilization has a bearing on its fair market value for the plant and machinery installed in the Essar Power Plant as well as other assets like land, building, etc. Accordingly, the Company has considered de-valuation of its Property, Plant and Equipment at Rs. 1,615.05 Crores



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

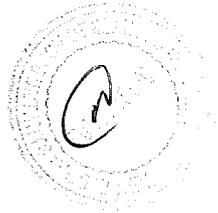
NOTE: 4

CAPITAL WORK IN PROGRESS

Rs. in Crore

| | As at March 31, 2020 | As at March 31, 2019 |
|--|-------------------------|-------------------------|
| Balance at the beginning of the year | 11.95 | 11.95 |
| Less: Capitalised sold & Written off during the year | (7.68) | - |
| Less: Written off of Impairment of repowering facility * | (4.27) | - |
| Less: Impairment of repowering facility * | - | (4.27) |
| Balance at the end of the year | - | 7.68 |

* Impairment of Capital Work in Progress: The company had paid an amount of Rs 4.27 Crore towards technical advisory fees for assessing the feasibility of conversion of gas based power plant into coal based power plant. The price of coal had increased substantially rendering the project commercially unviable. The company is currently going through a financial distress and the lenders also are not very much willing to lend funds to the power companies thereby making it difficult to arrange funds for the project. In view of the above, it might not be possible for the company to continue with the project and thus in the previous year the management considered it prudent to make a impairment of the amount of Rs 4.27 Crore. During the Year, the company has sold Capital work in Progress of Rs. 7.10 Crore, Written off Rs. 4.27 Crore which had been earlier impaired and Written off the other Balance amount of Rs. 0.58 Crore.



ESSAR POWER LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

NOTE: 5
RIGHT-OF USE ASSETS

| Description of the assets | Gross block | | | | Depreciation and amortisation | | | Net block | |
|---------------------------|-----------------------------|---------------------------|---------------------------------------|---|-------------------------------|------------------------------------|---|------------------------------|------------------------------|
| | Balance as at April 1, 2019 | Additions during the year | Reclassified on Adoption of IndAS 116 | Deletions / Adjustments during the year | Balance as at March 31, 2020 | For the year ending March 31, 2020 | Reclassified on Adoption of IndAS 116 during the year | Balance as at March 31, 2020 | Balance as at March 31, 2019 |
| Leasehold land * | - | 1.26 | - | - | 1.26 | 0.05 | - | 1.21 | - |
| Total | - | 1.26 | - | - | 1.26 | 0.05 | - | 1.21 | - |

* Right to use is created on long term operating Lease on first time adoption of INDAS 116. Company has taken Land in Bhuj (related to Solar plant) premises on lease. The lease period for land is 30 years (From March 2012 to March 2042).

| Movement of Lease Liabilities | |
|---|-------------|
| Particulars | Amounts |
| Balance as at 1 April, 2019 | - |
| Addition | 0.75 |
| Add: Interest | 0.07 |
| Paid during the year | - |
| Balance as at 31 March, 2020 | 0.83 |
| Classification of Lease Liabilities into : | |
| Current | 0.83 |
| Non Current | - |



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

**NOTE: 6
INVESTMENTS**

Rs. in Crore

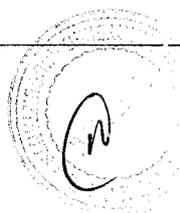
| | Current Year | As at March 31, 2020 | Previous Year | As At March 31, 2019 |
|---|---------------------|---------------------------------|----------------------|---------------------------------|
| Unquoted - at cost | | | | |
| Investment in subsidiaries | | | | |
| Equity shares | | | | |
| 1,278,192,589 (Previous year 1,278,192,589) Fully paid up equity shares of Rs. 10 each of Essar Power Gujarat Ltd. | 1,278.24 | | 1,278.24 | |
| Less :- Provision for diminution in value of long term investments in equity | (1,278.24) | - | (1,278.24) | - |
| 196,100,000 (Previous year 196,100,000) Fully paid up equity shares of Rs. 10 each of Essar Power M. P. Ltd.#a | 1,572.30 | | 1,572.30 | |
| Less :- Provision for diminution in value of long term investments in equity | (1,572.30) | - | (1,572.30) | - |
| 597,036,000 (Previous year 597,036,000) Fully paid up equity shares of Rs. 10 each of Essar Power Transmission Company Ltd. #c | | 597.04 | | 597.04 |
| 274,639,500 (Previous year 274,639,500) Fully paid up equity shares of Rs. 10 each of Bhandar Power Ltd. #d | 282.79 | | 282.79 | |
| Less :- Provision for diminution in value of long term investments in equity | (282.79) | - | (282.79) | - |
| 13,120,000 (Previous year 13,120,000) Fully paid up equity shares of USD 1 each of Essar Power Overseas Ltd. | 59.75 | - | | 59.75 |
| Less :- Provision for diminution in value of long term investments in equity | (59.75) | - | | - |
| 38,888,875 (Previous year 38,888,875) Fully paid up equity shares of Rs. 10 each of Essar Electric Power Development Corporation Ltd. | | 38.89 | | 38.89 |
| 7,400,000 (Previous year 7,400,000) Fully paid up equity shares of Rs. 10 each of Essar Power Hazira Ltd. #e | | 7.40 | | 7.40 |
| 7,400,000 (Previous year 7,400,000) Fully paid up equity shares of Rs. 10 each of Essar Power (Orissa) Ltd. #f | 7.40 | | | 7.40 |
| Less :- Provision for diminution in value of long term investments in equity | (7.40) | - | | - |
| 60,000 (Previous year Nil) Fully paid up equity shares of Rs. 10 each of Ultra Lng Urja Limited. | | - | | - |
| Aggregate book value - Equity | 3,843.80 | | 3,843.80 | |
| Aggregate amount of impairment | (3,200.47) | 643.32 | (3,133.32) | 710.48 |



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

| | | | | |
|--|------------|----------|------------|----------|
| Preference shares | | | | |
| 641,173,900 (Previous year 641,173,900) * Cumulative participating preference shares of Rs. 10 each of Essar Power Hazira Ltd. #g | | 641.17 | | 641.17 |
| 59,200,000 (Previous year 59,200,000) Optionally convertible cumulative redeemable preference shares of USD 1 each of Essar Power Overseas Ltd. | 369.72 | - | | 369.72 |
| Less :- Provision for diminution in value of long term investments in Preference | (369.72) | - | | - |
| 1,388,000 (Previous year 1,388,000) Cumulative redeemable preference shares of USD 1 each of Essar Power Overseas Ltd. | 1.26 | - | | 1.26 |
| Less :- Provision for diminution in value of long term investments in Preference | (1.26) | - | | - |
| 363,650,000 (Previous year 363,650,000) * Cumulative participating preference shares of Rs. 10 each of Essar Power (Orissa) Ltd. #h | 363.65 | | | 363.65 |
| Less :- Provision for diminution in value of long term investments in Preference | (83.65) | 280.00 | | - |
| 27,17,00,000 (Previous year 27,17,00,000) * 0.1% Compulsorily Convertible participating preference shares of Rs. 10 each of Essar Power (Orissa) Ltd | 271.70 | | | 271.70 |
| Less :- Provision for diminution in value of long term investments in Preference | (271.70) | - | | - |
| 5,750,000 (Previous year 5,750,000) 0.01% Cumulative redeemable preference shares of Rs. 10 each of Bhandel Power Ltd. | 5.75 | | 5.75 | |
| Less :- Provision for diminution in value of long term investments in Preference | (5.75) | - | (5.75) | - |
| 545,744,400 (Previous year 545,744,400) 0.1% Compulsorily Convertible Non-Cumulative non-participating preference shares of Rs. 10 each of Essar Power Gujarat Limited | | 545.74 | | 545.74 |
| i,904,159,978 (Previous year 1,904,159,978) 0.01% Compulsory redeemable preference shares of Rs. 10 each of Essar Power M.P. Ltd. #i | 527.96 | | 527.96 | |
| Less :- Provision for diminution in value of long term investments in Preference | (527.96) | - | (527.96) | - |
| 82,37,04,100 (Previous year 82,37,04,100)* 0.1% Compulsorily Convertible participating preference shares of Rs. 10 each of Essar Power M.P. Ltd. | 823.70 | | | 823.70 |
| Less :- Provision for diminution in value of long term investments in Preference | (823.70) | - | | - |
| Aggregate book value - Preference | 3,550.66 | | 3,550.66 | |
| Aggregate amount of impairment | (2,083.74) | 1,466.92 | (533.71) | 3,016.95 |
| Other Investments | | | | |
| Investment in Essar Power Gujarat Limited | | 35.48 | | 35.48 |
| 1,725,744,417 (Previous year 1,725,744,417) Fully paid up equity shares of Rs. 10 each of Essar Power (Jharkhand) Ltd. | 1,725.74 | | 1,725.74 | |
| Less :- Provision for diminution in value of long term investments in other | (1,725.74) | - | (1,725.74) | - |
| Aggregate book value - Other | 1,761.22 | | 1,761.22 | |
| Aggregate amount of impairment | (1,725.74) | 35.48 | (1,725.74) | 35.48 |
| Net Investment | | 2,145.72 | | 3,762.90 |
| Aggregate book value - Unquoted | 9,155.68 | | 9,155.69 | |
| Aggregate amount of impairment | (7,009.96) | 2,145.72 | (5,392.79) | 3,762.90 |



ESSAR POWER LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

* Carries a coupon rate of 0% per annum from date of allotment till March 31, 2020 and 0.1% per annum thereafter (cumulative)

#a 196,099,850 (Previous year 196,099,850) equity shares are pledged for facilities availed by subsidiary company Essar Power M.P. Limited

#b 517,723,325 (Previous year 517,723,325) equity shares are pledged for loan taken by subsidiary company Essar Power (Jharkhand) Limited

#c 597,035,940 (Previous year 541,535,940) equity shares are pledged for loan taken by subsidiary company Essar Power Transmission Company Limited & additional security to lenders of The company by way of second charge over surplus cash flow available from sale of equity share capital and after payment of Debt of lenders of EPTCL.

#d 190,078,275 (Previous year 190,078,275) equity shares are pledged for loan taken by subsidiary company Bhandar Power Limited.

#e 7,399,940 (Previous year 7,399,940) equity shares are pledged for loan taken by subsidiary company Essar Power Hazira Limited & additional security to lenders of the company by way of second charge over surplus cash flow available from sale of 74 % of equity share capital and after payment of Debt of lenders of EPHL.

#f 7,399,940 (Previous year 7,399,940) equity shares are pledged for loan taken by subsidiary company Essar Power (Orissa) Limited.

#g 570,000,000 (Previous year 570,000,000) participating preference shares are pledged for loan taken by subsidiary company Essar Power Hazira Ltd.

#h 363,650,000 (Previous year 363,650,000) participating preference shares are pledged for loan taken by subsidiary company Essar Power (Orissa) Limited & additional security to lenders by way of second charge over surplus cash flow available to company from sale of 74 % of preference share capital and after payment of Debt of lenders of EPORSL.

#i 1,447,161,584 (Previous year 1,447,161,584) preference shares are pledged for loan taken by subsidiary company Essar Power M.P. Limited

Footnote:

(a) Investment of Rs.1,278.24 Crore in equity shares of and other investments of Rs.35.48 Crore in Essar Power Gujarat Limited ("EPGL"):

(i) During the previous years, imported coal prices continued to increase and reached a level wherein the Company was not able to recover the coal cost under the Gujarat Urja Vikas Nigam Limited (GUVNL, Off-taker) Power Purchase Agreement (PPA). The operations had become unviable and the Company had to shut down the Plant. Hence, the Company had written letters to GUVNL / Government of Gujarat (GoG) requesting for revision in PPA tariff to reflect increase in coal cost. In view of the above, the Company had created provision for diminution of investment in EPGL of Rs.1,278.24 Crore in earlier years.

However, there have been some positive developments as mentioned in sub point (ii) below. Pending successful completion of these matters, the Company has decided not to reverse the impairment of investment done in earlier years

(ii) The Compulsory convertible non-cumulative non-participating preference shares (CCNCNPPS) were allotted by EPGL on March 1, 2019 (against Inter corporate deposits and interest on inter corporate deposits thereon as on March 31, 2018 of Rs. 545.74 Cr) as approved by the Board of directors of the Company. The CCNCNPPS shall rank pari-passu with the existing equity shares and carry preferential right with respect to payment of dividend and repayment of capital over equity shareholder at the time of winding up. The CCNCNPPS shall carry a dividend of 0.1% per annum non-cumulative in preference to any other class of shares of the Company. The CCNCNPPS holder shall have an option to convert each CCNCNPPS into 1 equity share of Rs.10 each of the Company any time after six months from the date of allotment upto maximum period of 20 years i.e. February 29, 2039

Based on recommendations of High Power Committee (HPC), EPGL signed a new PPA with GUVNL in March 2019 for making coal cost pass through. EPGL restarted its operations in April 2019 after a shutdown of ~ 18 months and has ramped up the operations in a phased manner. With support of all stakeholders, the Plant has been in continuous operation since restart in April 2019 and is running at full capacity for last one year and generating EBITDA.

EPGL received the order from GERC on April 27, 2020 with certain amendments and the same was challenged in APTEL. However, based on discussions with GUVNL, GOG and Lenders, EPGL is in advanced stage of entering into a New SPPA with GUVNL which shall provide for coal cost pass through and apply prospectively.

EPGL is working with its lenders to restructure the debt at a sustainable level in line with the New SPPA allowing coal cost pass through. Major contours of Resolution Plan have been finalized with Consortium Lenders. EPGL has complied with major CPs to implementation of restructuring. Resolution Plan with lenders of EPOL is being finalized with Lenders of EPGL and we expect to get approval shortly after approval of the New SPPA which is being entered into with GUVNL.

Considering that implementation of Resolution Plan is imminent and the fact that EPGL has been receiving support from the lenders, GUVNL and the trade creditors, the management of EPGL expects to meet its obligations arising in the foreseeable future and firmly believes that the plant operations shall become viable. Considering the above and the fact and in accordance with these positive developments, the Company has not impaired the investment in CCPS.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

(b) Investment of Rs 1572.30 crore in equity shares, Rs.527.96 crore in compulsory redeemable preference shares and Rs. 823.70 crore in compulsory convertible preference shares of Essar Power M.P. Ltd ("EPMPL"): EPMPL has set up 1200 MW (2 X 600MW) Power Plant in Singrauli District of Madhya Pradesh. Due to reasons like cancellation of coal mine, delay in regulatory approvals and delayed disbursements, the costs to completion of project has increased significantly and also negatively affected the cash flows of the company to a great extent. Further, the debts given by the lenders of the company has been declared to be a non performing asset.

The Company and EPMPL management has been in constant discussions with lenders for restructuring /One-Time Settlement of the debt. EPMPL had submitted a Binding One Time Settlement (OTS) proposal to its lenders to settle its entire obligation on 12th December 2019. Lenders had granted in principle approval to the OTS proposal and agreed to evaluate the appropriateness of the proposal through a Swiss Challenge Process by inviting Bids for price discovery. Under this process, EPMPL OTS offer was to be made as base offer with the EPMPL having Right of First Refusal (ROFR) for which an upfront deposit of Rs 35 crores along with Undertaking was given to the lenders as per their requirement. The OTS proposal of the Company envisaged settlement of entire debt along with release of all guarantees extended by the Company, parent / holding entities in full and final settlement. The Swiss Challenge Process concluded on 31st March 2020 with no valid bid being received by the lenders. The same was communicated by the lenders to EPMPL on 8th April 2020 wherein 15 days' time was given to consummate the transaction. Although COVID19 pandemic was on peak during April 2020, EPMPL stood by its offer to conclude the settlement within a reasonable period.

However, based on the depressed market scenario and failure under Swiss Challenge process, the lenders decided to file a petition under IBC at NCLT Delhi on 27th April 2020. EPMPL has been admitted under the IBC on 29th Sept 2020 and IRP (Interim resolution professional) has been appointed.

In view of the above, during the current year the company has created 100 percent provision for diminution of investment in CCPS in EPMPL of Rs. 823.70 crores. The Company had already created provision for diminution of investment in EPMPL of Rs. 2100.26 crores as on March 31, 2018.

(c) Investment of Rs. 1,725.74 crore in equity shares of, inter corporate deposits of Rs. 356.31 crore and interest on ICD of Rs. 153.50 crore to Essar Power (Jharkhand) Limited ("EPJHL"): EPJHL has been admitted to the National Company Law Tribunal (NCLT) pursuant to the provisions of the Insolvency and Bankruptcy Code 2016 (IBC) and is undergoing Corporate Insolvency Resolution Process (CIRP) with effect from 5 April, 2018. Essar Power Limited ("EPOL") has a 100% investment in the equity shares of EPJHL, which is unsecured in nature and is at the bottom of the priority in the order of payments after the secured and other creditors. Considering the above facts the Company has made a 100% provision in the value of its investments, ICD and interest on ICD in FY 2017-18. During the Year, NCLT, New Delhi has ordered the commencement of liquidation of EPJHL vide order dated January 03,2020, uploaded on January 06,2020.

(d) Investment of Rs 282.79 Crore in equity share and Rs. 5.75 Crore in preference share in Bhandar Power Limited: Bhandar Power Limited ("BPOL") was a 500 MW partly dual fired combined cycle power plant. During the year, a settlement was reached with the sole lender by the company and BPOL wherein entire dues under the loan got settled on transfer of certain assets, including Land, Property, Plant and Equipment and Inventory of Stores and Spares

Thus keeping in view the above conditions of BPOL, the Company has made a 100% provision of its investments.

(e) Investments of Rs.0.06 Crore in equity share in Ultra Lng Urja Limited : During the year The company has taken 100 percent equity shares of 0.06 Crore (60000 Shares @ 10 Rs.) in Ultra Lng Urja Limited at Nil consideration.

(f) Investments of Rs.59.75 Crore in equity share and Rs. 370.97 Crore in preference share in Essar Power Overseas Ltd: Essar Power Overseas Ltd ("EPOVSL") is incorporated with Register of corporate affairs of British Virgin Island primarily to engage in investment activities. Currently EPOVSL has negative net worth due to accumulated losses .Majority of receivables of EPOVSL have been impaired hence there is no major interest income foreseeable from its assets. Thus keeping in view the above conditions of EPOVSL, during the year the Company has made a 100% provision of its investments.

(g) Investments of Rs.7.40 Crore in equity share and Rs. 635.35 Crore in preference share in Essar Power (Orissa) Ltd. (EPORL) : During the year, EPORL had received OTS approvals from Lenders and made certain payments. However, OTS could not be completed as the OTS approvals lapsed. The payments made to Lenders have been appropriated as per the terms of the Loan Agreements. One of the Lenders, namely SBI has informed that they have filed suit in Debt Recovery Tribunal (DRT) against EPORL for recovery of the debt. EPORL has again initiated discussions with the Lenders for OTS / Restructuring. In view the above, during the year the Company has made provision for diminution of investment for Rs.362.75 Crore i.e. equity of Rs. 7.40 Crore and preference share of Rs.355.35 Crore in EPORL.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

NOTE: 7

LOANS

(Unsecured considered good, unless otherwise stated)

Rs. in Crore

| | As at March 31 2020 | As at March 31 2019 |
|--------------------------------------|------------------------|------------------------|
| Security deposits | 2.01 | 2.00 |
| Less: Provision for doubtful deposit | - | (0.02) |
| | 2.01 | 1.98 |
| Loans to related parties | | |
| Inter corporate deposits | 7.65 | - |
| Others | - | 6.77 |
| | 9.66 | 8.75 |

NOTE: 8

OTHER FINANCIAL ASSETS

Rs. in Crore

| | As at March 31 2020 | As at March 31 2019 |
|-------------------------------|------------------------|------------------------|
| Fixed / margin bank deposits* | 1.00 | 0.27 |
| | 1.00 | 0.27 |

* Fixed/margin deposits having original maturity of more than 12 months of Rs. 1.00 Crore (Previous year Rs.0.27 Crore)

NOTE: 9

OTHER NON-CURRENT ASSETS

Rs. in Crore

| | As at March 31 2020 | As at March 31 2019 |
|------------------------|------------------------|------------------------|
| Security deposits | 0.50 | 0.50 |
| Prepaid lease expenses | - | 1.07 |
| | 0.50 | 1.57 |

NOTE: 10

INVENTORIES

(At lower of cost and net realisable value)

Rs. in Crore

| | As at March 31 2020 | As at March 31 2019 |
|---------------------------------|------------------------|------------------------|
| Fuel | 0.06 | 0.06 |
| Stores and spares* | 9.07 | 13.76 |
| Contract work in progress | - | 16.92 |
| Less : Provision for Impairment | - | (16.92) |
| | 9.13 | 13.82 |

*Inventories have been valued at the Balance Sheet date and the items wherein the Net Realisable Value ("NRV") has been found to be lower than the cost, the same has been brought down to the NRV. During the year, the company has written off Inventory of Rs. 16.92 Crore.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

NOTE: 11

INVESTMENTS

| | Rs. in Crore | |
|--|------------------------|------------------------|
| | As at March 31 2020 | As at March 31 2019 |
| Unquoted | | |
| Investment in subsidiaries | | |
| Equity shares | | |
| 1,330,363,716 (Previous year 1,330,363,716) Fully paid up equity shares of Rs. 10 each of | 1,330.36 | 1,330.36 |
| Essar Power Gujarat Ltd.#d | | |
| Provision for diminution in value of current investments in equity/ preference shares of subsidiaries | (1,330.36) | (1,330.36) |
| | - | - |
| Aggregate book value - Unquoted | - | - |

#a 1,330,363,716 (Previous year 1,330,363,716) equity shares are pledged for loan taken by subsidiary company Essar Power Gujarat Limited. "As on 16th October 2017, Essar Power Gujarat Limited (EPGL) Lenders have invoked the pledge of 51% of shares of EPGL shares and have got the same transferred same in demat mode in the name of IDBI Trusteeship Services Limited (ITSL) on behalf of the Lenders. However, in the Company books EPGL holding is shown as 100% due to the following reasons:

Essar Power Limited (EPOL), the promoter Company of EPGL, which originally held these shares, via various letters have requested ITSL / Lenders of EPGL to give effect to the above sale of shares and accordingly reduce the debt payable by EPGL to the Lenders (to the extent of book value of those shares as on 31st March 2017) as this amount is now payable to EPOL by EPGL. However, ITSL in its response to the Company has stated that these shares are only held as collateral and there has been no acquisition of these shares by them or EPGL Lenders. Hence, the matter of sale of these shares and consideration with reference to the same is disputed and not yet closed. Hence, once an agreement is reached between EPOL and ITSL/Lenders of EPGL on this matter, required adjustment as per the terms of settlement between EPOL and ITSL/Lenders of EPGL will be given in the books of the Company. Therefore, pending resolution of the matter between the Company and ITSL / lenders of EPGL as to sale of shares and suitable consideration for the same receivable by the Company, necessary adjustments have not been done in the investments held by the Company and gain or loss on the same."

In view of the above, the Company had created provision for diminution of investment in EPGL of Rs. 1330.36 Crore.

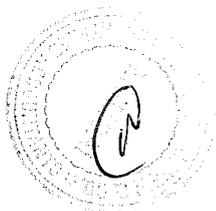
Further to the explanation given above, currently the company continues to control and exercise power over EPGL by virtue of its ability to direct the relevant and important activities of EPGL. The company has control over EPGL by way of constitution of its board of directors and participate in direction of its decisions. The board continues to be same as appointed by the company and KMP's of the company are involved in decision making process of EPGL and the company is exposed to the variable returns from its investment in the EPGL. Further, ITSL has communicated that they continue to hold these shares just as collateral and therefore ITSL holds only protective rights and does not have power over EPGL. Hence in the current financials EPGL continues to show company as its holding company." By virtue of the above the company continues to control and exercise power over EPGL in spite of not having majority voting rights in the EPGL.

NOTE: 12

TRADE RECEIVABLES

(Unsecured considered good, unless otherwise stated)

| | Rs. in Crore | |
|---|--------------------------------|--------------------------------|
| | As at March 31 2020 | As at March 31 2019 |
| Trade receivable from | | |
| Others | 1,067.17 | 1,150.23 |
| Related parties | - | 25.25 |
| Less: Allowance for bad and doubtful debts | - | (36.85) |
| | 1,067.17 | 1,138.63 |
| | - | - |
| Break-up of security details | As at March 31 2020 | As at March 31 2019 |
| Secured, considered good | - | - |
| Unsecured, considered good | 1,067.17 | 1,150.24 |
| Doubtful | - | 36.85 |
| Less: Allowance for bad and doubtful debts* | - | (36.85) |
| | 1,067.17 | 1,150.24 |
| | - | - |



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

(i) Arcelormittal Nippon Steel India Limited (AMNS) (Formerly known as Essar Steel India Limited) had executed a Power Purchase Agreement (PPA) dated 29th June 1996 (as amended) with the Company. As per terms of the PPA, AMNS is required to supply fuel to the Company for power generation. AMNS vide its letter dated 11th November 2014 has terminated the above PPA for the purported ground of frustration thereof due to the fuel becoming costlier. The Company vide its letter dated 13th January 2015 has not accepted the frustration and has requested AMNS to withdraw its above notice. The Company had initiated dispute resolution process in terms of PPA. In view of same and in line with the IND AS 109 regarding impairment, the Company has stopped accruing revenue as per PPA in the financial statement while retaining its right to charge from customers at future date.

AMNS had been admitted to the National Company Law Tribunal (NCLT) pursuant to the provisions of the Insolvency and Bankruptcy Code 2016 (IBC) and undergoing Corporate Insolvency Resolution Process (CIRP) pursuant to the provisions of the IBC with effect from 2nd August, 2017. Considering doubtful recovery, the company had made a 100% provision against the admitted claims of Rs. 19.48 crores.

Hon'ble Supreme Court delivered final judgment in December 2019 on the resolution of AMNS whereby it concluded the basis on which the secured and unsecured creditors were to be paid out of the resolution plan approved by Committee of Creditors. Accordingly, the Resolution Professional released Rs. 3.99 Crore dues to the claimant lender against the claim of Rs. 19.48 crores and the company has written off of Rs 15.49 Crores during the year.

(ii) The Kerala State Electricity Board ("KSEB") and the Consortium led by EPOL with Dongfang Electric Corporation, Coastal Projects Pvt. Ltd. and Essar Constructions Ltd. entered into the Agreement dated 31st January 2007 for the execution of the Pallivasal Extension Scheme – 60 MW (2x30) in the State of Kerala.

Due to various delays caused by the KSEB, like delay in handing over of land for the commencement of work and multiple delays in finalizing designs and taking techno-commercial decisions among various other delays, project could not be completed on time. Government of Kerala vide Order dated 04.03.2016 directed the KSEB to foreclose the Agreement without any risk and cost to the Consortium. KSEB and EPOL mutually agreed in 2016 for the foreclosure of the Agreement wef 9th Sept 2015. EPOL had already completed 76.67% of the Project by such date and thus submitted its claim of Rs. On the request of KSEB to Power Department seeking reversal of foreclosure, the State Government issued Order dated 16.01.2017 withdrawing sanction granted to the KSEB to foreclose Agreement. The aforesaid Order was issued unilaterally without giving any notice or opportunity of hearing to EPOL.

KSEB vide its letter dated 30.03.2017 requested upon EPOL for carrying out the balance work. EPOL in good faith recommenced the work on 10.04.2017 and submitted its fresh proposal dated 05.05.2017 to KSEB with price escalation of Rs. 78 Crore. However, the Government of Kerala capped the same to a mere Rs. 47 Crore.

On 13.09.2018 KSEB issued a termination letter to EPOL and further threatened to encash the Bank Guarantee ("BG") and the retention money. EPOL Approached the Hon'ble High Court of Kerala, to challenge the termination of the Agreement and the Government Order dated 16.01.2017 withdrawing sanction granted to the KSEB to foreclose the Agreement.

The Hon'ble High Court on 27.09.2018 stayed the termination letter, the encashment of BG and retention money. On 06.12.2018, the Court held that the sanction to withdraw foreclosure of the Agreement by the Government of Kerala is bad in law and hence gave 2 months' time to the Government to decide on the fresh representation to be made by EPOL on the issue of the foreclosure. Since the BG furnished by EPOL was expiring on 31.12.2018, the Court directed KSEB to invoke the BG and deposit the same in a fixed deposit in a Nationalized Bank until the matter is decided. This Order of the High Court was challenged by KSEB, the same was dismissed in favour of EPOL.

The Power Department of the Government of Kerala passed an Order dated 31.05.2019, whereby it wrongly examined the issue pertaining to foreclosure. EPOL moved an application before the High Court to make amendments to its Writ Petition in light of the said Order dated 31.05.2019. The Application was accepted by the Kerala High Court and the Amended Writ Petition was filed on 02.08.2019. KSEB has filed its Counter Affidavit to EPOL's Amended Writ Petition on 03.12.2019. EPOL is yet to file its reply to the Counter Affidavit filed by KSEB. Since the court is not functioning due to covid pandemic and as such filings would happen after the same resumes at normal pace.

During the FY 18-19, the Company had made provision for doubtful debtors of Kerala State Electricity Board (KSEB) for Rs. 17.37 crores. During the current year the company has written off Rs.17.37 Crore.

**NOTE: 13
CASH AND CASH EQUIVALENTS**

| | Rs. in Crore | |
|---|--------------------------------|--------------------------------|
| | As at March 31 2020 | As at March 31 2019 |
| Balances with banks in Current accounts | 0.58 | 0.72 |
| Cash on hand (@ 1 = Rs. 6,649 and @ 2 = Rs. 15,672) | @ 1 | @ 2 |
| Cheques on hand | - | - |
| | 0.58 | 0.72 |

**NOTE: 14
BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS**

| | Rs. in Crore | |
|---|--------------------------------|--------------------------------|
| | As at March 31 2020 | As at March 31 2019 |
| Balances with banks in Margin deposits | 9.16 | 8.42 |
| | 9.16 | 8.42 |



ESSAR POWER LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

NOTE: 15
LOANS

| | Rs. in Crore | |
|---|------------------------|------------------------|
| | As at March 31 2020 | As at March 31 2019 |
| Secured, considered good | | |
| Inter corporate deposits | - | 202.00 |
| Unsecured, considered good | | |
| Loans to related parties | | |
| Inter corporate deposits | 177.99 | 15.30 |
| Other loans | 0.15 | 0.15 |
| Others | 0.02 | 2.79 |
| Unsecured, considered doubtful | | |
| Inter corporate deposits | 356.31 | 356.31 |
| Less: Allowance for bad and doubtful debts (Refer Footnote (c) of note 6) | (356.31) | (356.31) |
| Others | - | 24.84 |
| Less: Allowance for bad and doubtful debts* | - | (24.84) |
| | 178.16 | 220.24 |

*Company has awarded Engineering, Procurement and Construction contract (EPC) to EPC Construction India Limited (EPIL), erstwhile known as Essar Project India Limited for the construction of its Thermal Power Plant. Subsequently EPIL had been admitted for Insolvency Proceeding under Insolvency and Bankruptcy Code, 2016 (IBC). During the Year the company has written off Rs. 24.84 Crore against advance given to EPIL which was provided in previous years as in view of management the chances of recovery is very remote.

During the Year secured Loan of Rs. 129.51 Crore Receivable from Bhandar Power Limited has been assigned to Essar power (Orissa) Limited..

NOTE: 16
OTHER FINANCIAL ASSETS

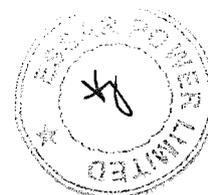
| | Rs. in Crore | |
|---|------------------------|------------------------|
| | As at March 31 2020 | As at March 31 2019 |
| Unsecured, considered good | | |
| Interest receivable on fixed/margin deposits | 0.24 | 0.19 |
| Interest receivable on inter corporate deposits placed with related party | - | 0.26 |
| Claim receivables | - | 0.84 |
| Others | 0.32 | 0.44 |
| Unsecured, considered doubtful | | |
| Claim receivables | - | 202.00 |
| Less: Allowance for bad and doubtful debts | - | (202.00) |
| Interest receivable on inter corporate deposits placed with related party | 153.50 | 153.50 |
| Less: Allowance for bad and doubtful debts (Refer Footnote (c) of note 6) | (153.50) | (153.50) |
| | 0.56 | 1.73 |

NOTE: 17
CURRENT TAX ASSETS (NET)

| | Rs. in Crore | |
|---|------------------------|------------------------|
| | As at March 31 2020 | As at March 31 2019 |
| Advance tax and tax deducted at source | 69.47 | 65.00 |
| Less: Set-off of current tax liabilities pursuant to set-off provisions | 45.73 | 45.73 |
| | 23.74 | 19.27 |

NOTE: 18
OTHER CURRENT ASSETS

| | Rs. in Crore | |
|------------------------|------------------------|------------------------|
| | As at March 31 2020 | As at March 31 2019 |
| Prepaid expenses | 1.58 | 0.20 |
| Prepaid lease expenses | - | 0.20 |
| Others | 33.03 | 34.13 |
| | 34.61 | 34.53 |



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

NOTE: 19

EQUITY SHARE CAPITAL

Rs. in Crore

| | As at March 31 2020 | As at March 31 2019 |
|---|---------------------------------|---------------------------------|
| Authorised 25,000,000,000 (Previous year 25,000,000,000) equity shares of Rs.4 each 4,750,000,000 (Previous year 4,750,000,000) preference shares of Rs. 20 each 500,000,000 (Previous year 500,000,000) preference shares of Rs. 10 each | 10,000.00 9,500.00 500.00 | 10,000.00 9,500.00 500.00 |
| | 20,000.00 | 20,000.00 |
| Issued, subscribed and fully paid up Equity share capital 1,152,298,192 (Previous year 1,152,298,192) equity shares of Rs. 4 each | 460.92 | 460.92 |
| | 460.92 | 460.92 |
| Equity components of convertible preference shares 2,721,134,715 (Previous year 2,721,134,715) 0.01% compulsorily convertible cumulative preference shares of Rs. 20 each | 5,440.20 | 5,440.20 |
| | 5,440.20 | 5,440.20 |
| | 5,901.12 | 5,901.12 |

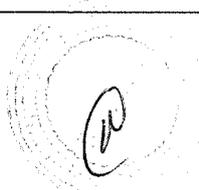
(a) Reconciliation of number of shares

| | As at March 31, 2020 | | As at March 31, 2019 | |
|---|-------------------------|---------------|-------------------------|---------------|
| | Number of | Rs. in Crore | Number of | Rs. in Crore |
| Equity shares Shares outstanding at the beginning of the year Shares issued during the year Bonus shares issued during the year Conversion of preference shares into equity shares | 1,152,298,192 | 460.92 | 1,152,298,192 | 460.92 |
| Shares bought back during the year Shares outstanding at the end of the year | - | - | - | - |
| | 1,152,298,192 | 460.92 | 1,152,298,192 | 460.92 |

| | As at March 31, 2020 | | As at March 31, 2019 | |
|---|-------------------------|-----------------|-------------------------|-----------------|
| | Number of | Rs. in Crore | Number of | Rs. in Crore |
| 0.01% Compulsorily convertible cumulative preference shares Shares outstanding at the beginning of the year Shares issued during the year Bonus shares issued during the year Conversion of preference shares into equity shares | 2,721,134,715 | 5,440.20 | 2,377,954,715 | 4,754.08 |
| Shares bought back during the year Shares outstanding at the end of the year | - | - | 34,31,80,000 | 686.12 |
| | 2,721,134,715 | 5,440.20 | 2,721,134,715 | 5,440.20 |

(b) Details of shareholders holding more than 5% in the Company and details of share held by holding/ultimate holding company and /or their subsidiaries/associates

| | As at March 31 2020 | As at March 31 2019 | As at March 31 2020 | As at March 31 2019 |
|--|----------------------------|----------------------------|---|---|
| | % of Shareholding | | | |
| Equity shares Essar Power Holdings Limited, a holding company Essar Power Hazira Holdings Limited, a subsidiary of holding company SREI Infrastructure Finance Limited | 40.50% 40.50% 19.00% | 40.50% 40.50% 19.00% | 466,649,092 466,649,093 219,000,000 | 466,649,092 466,649,093 219,000,000 |
| 0.01% Compulsorily convertible cumulative preference shares - Non Participating Essar Power Holdings Limited, a holding company. Essar Power Hazira Holdings Limited, a subsidiary of holding company Aegis Tech Limited | 51.63% 48.37% 0.00% | 41.56% 49.53% 8.91% | 1,245,666,208 1,166,725,330 - | 988,239,419 1,177,725,330 211,989,962 |
| 0.01% Compulsorily Convertible Cumulative Preference Shares - Participating Essar Steel Metal Trading Ltd. Edwell Infrastructure Hazira Limited | 100.00% 0.00% | 78.38% 21.62% | 308,743,177 - | 268,975,000 74,205,000 |



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

Equity shares:

The Company has only one class of equity shares having a par value of Rs. 4 each. Each holder of equity share is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

0.01% Compulsorily convertible cumulative preference shares:

2,159,109,407 0.01% compulsorily convertible cumulative preference shares (CCPS) issued by the Company shall have a coupon rate of 0.01 % per annum. The CCPS issued by the Company shall be convertible into Equity Shares anytime after a period of 6 (six) months and up to a period of 10 (ten) years from the date of allotment of the CCPS. Each CCPS will be convertible into 5 (five) Equity Shares in the Company of face value of INR 4 (Indian Rupees Four) each. The CCPS shall be compulsorily converted at the end of 10 (ten) years from the date of allotment in the ratio of 5 (five) Equity Shares with face value of INR 4 (Indian Rupees Four) per Equity Share to 1 (one) CCPS. The scheduled date for compulsory conversion from the date of issue of such preference shares is as below:

| Number of CCPS held as on the balance sheet date | Date of issue | Scheduled date of compulsory conversion |
|--|--------------------|---|
| 11,722,996 | September 26, 2011 | September 26, 2021 |
| 540,138,478 | March 31, 2011 | March 31, 2021 |
| 213,143,032 | September 27, 2010 | September 27, 2020 |
| 308,805,000 | May 26, 2010 | September 30, 2020 |
| 332,007,914 | April 26, 2010 | September 30, 2020 |
| 24,502,766 | March 31, 2010 | September 30, 2020 |
| 166,830,845 | March 19, 2010 | September 30, 2020 |
| 140,137,232 | April 20, 2009 | April 18, 2024 |
| 28,450,094 | March 18, 2009 | April 18, 2024 |
| 393,371,050 | August 1, 2008 | July 30, 2023 |

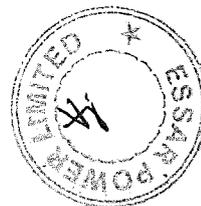
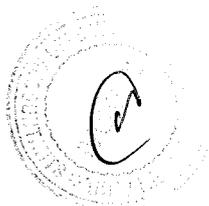
21,88,45,308 0.01% compulsorily convertible cumulative preference shares (CCPS) issued by the Company shall have a coupon rate of 0.01 % per annum. The CCPS issued by the Company shall be convertible into Equity Shares anytime after a period of 6 (six) months and up to a period of 10 (ten) years from the date of allotment of the CCPS. Each CCPS will be convertible into 5 (five) Equity Shares in the Company of face value of INR 4 (Indian Rupees Four) each. The CCPS shall be compulsorily converted at the end of 10 (ten) years from the date of allotment in the ratio of 5 (five) Equity Shares with face value of INR 4 (Indian Rupees Four) per Equity Share to 1 (one) CCPS. The scheduled date for compulsory conversion from the date of issue of such preference shares is as below.

| Number of CCPS held at the balance sheet date | Date of issue | Scheduled date of compulsory conversion |
|---|--------------------|---|
| 1,663,723 | March 27, 2017 | March 26, 2027 |
| 153,225 | December 30, 2015 | December 30, 2025 |
| 2,879,760 | September 1, 2014 | September 1, 2024 |
| 27,359,570 | March 17, 2014 | March 17, 2024 |
| 51,814,064 | September 16, 2013 | September 16, 2023 |
| 9,165,472 | March 22, 2013 | March 22, 2023 |
| 42,573,144 | October 8, 2012 | October 8, 2022 |
| 83,236,350 | March 30, 2012 | March 30, 2022 |

0.01% Compulsorily Convertible Cumulative Preference Shares of Face Value of Rs 20 each-Participating.

0.01% Compulsorily Convertible Cumulative Participating Preference Shares ("CCCPPS") of Rs. 20 each, The CCCPPS shall be convertible into Equity Shares any time after allotment upto a period 10 years from the date of allotment. (the Conversion Option).The CCCPPS holder shall have option to convert each CCCPPS into 5 equity share of Rs. 4 each in the Capital of the Company any time after allotment upto a period 10 years from the date of allotment of CCCPPS. If the holder of a CCCPPS fails to exercise the Conversion Option, then such CCCPPS share shall stand compulsorily converted into 5 equity share of Rs 4 each at the end of 10 years from the date of allotment;

| Number of CCPS held at the balance sheet date | Date of issue | Scheduled date of compulsory conversion |
|---|-------------------|---|
| 343,180,000 | February 22, 2019 | February 21, 2029 |



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

NOTE: 20

RESERVE AND SURPLUS

| | Rs. in Crore | |
|---|------------------------|------------------------|
| | As at March 31 2020 | As at March 31 2019 |
| Debtore redemption reserve | 49.65 | 49.65 |
| Preference Redemption Reserve | 267.98 | 267.98 |
| Securities Premium Account | 1,632.05 | 1,660.75 |
| Securities Premium - reserve for premium payable on redemption of preference shares | 868.23 | 839.53 |
| Retained earnings | (11,331.26) | (9,119.93) |
| | (8,513.35) | (6,302.02) |

Debtore Redemption Reserve

The company is required to create a debtore redemption reserve out of the profits which is available for payment of dividend for the purpose of redemption of debentures.

Preference Redemption Reserve

The company is required to create a preference redemption reserve out of the profits which is available for payment of dividend for the purpose of redemption of optionally convertible preference shares.

Securities Premium account

Securities premium account represents the premium received on issue of shares over and above the face value of equity shares. The reserve is available for utilisation in accordance with the provisions of the Companies Act, 2013.

Securities Premium - reserve for premium payable on redemption of preference shares

The Company is required to create a reserve for the premium on preference shares redemption out of the profits which is available for payment of dividend for the purpose of redemption of optionally convertible preference shares.

NOTE: 21

OTHER RESERVES

| | Rs. in Crore | |
|--|------------------------|------------------------|
| | As at March 31 2020 | As at March 31 2019 |
| Money received against share warrants (@1 = Rs. 100) | @1 | @1 |
| | @1 | @1 |

NOTE: 22

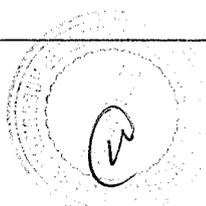
Lease Liability

| | As at March 31, 2020 | As at March 31, 2019 |
|--------------------------------|-------------------------|-------------------------|
| Lease Liability | - | - |
| Balance at the end of the year | - | - |

NOTE: 23

BORROWINGS

| | Rs. in Crore | |
|---|------------------------|------------------------|
| | As at March 31 2020 | As at March 31 2019 |
| Secured | | |
| Debentures | | |
| 12.50% Non convertible debentures | - | 95.00 |
| Roove term loans | | |
| From banks | - | 436.83 |
| | - | 531.83 |
| Unsecured | | |
| Inter corporate deposits | | |
| From related parties | - | - |
| From others | 11.37 | - |
| Long term maturities of finance lease obligations | | |
| 0.01% optionally convertible cumulative redeemable preference shares of Rs. 10 each | 623.74 | 566.90 |
| 8.00% optionally convertible cumulative redeemable preference shares of Rs. 10 each | 365.36 | 303.06 |
| 10.25% cumulative redeemable preference shares of Rs. 20 each | 1,025.00 | 1,025.00 |
| Liability component of Compound financial instruments | 4.89 | 4.47 |
| | 2,030.36 | 1,899.43 |
| | 2,030.36 | 2,431.26 |
| Less: Unamortised upfront fee | - | 36.67 |
| | 2,030.36 | 2,394.59 |



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

(a) Rights, preferences and restrictions attached to preference shares

1. Cumulative Redeemable Preference Shares of Face Value of Rs. 20 each (51,25,00,000)

Each CRPS shall have a face value of Rs.20. The CRPS shall carry a dividend of 10.25% per annum from the date of allotment. The dividend payable shall be cumulated and compounded annually till availability of dividendable profits in the Company. Unpaid dividends, if any, shall be paid by the Company along with the last redemption instalment.

Cumulative redeemable preference shares (CRPS) issued on September 20, 2014 shall carry dividend of 10.25% per annum from the date of allotment. The CRPS shall be for a period of 20 years and shall be redeemed by the Company as follows:

| Redemption Date * | Redemption |
|-------------------|------------|
| March 31, 2034 | 30% |
| March 31, 2033 | 25% |
| March 31, 2032 | 20% |
| March 31, 2031 | 15% |
| March 31, 2030 | 10% |

* The Company shall have the option to redeem the CRPS at face value at any time immediately after completion of 10 years from the date of issue subject to fulfilment of specified conditions.

2. Optionally convertible cumulative redeemable preference shares (OCRPS) issued on March 18, 2009 shall bear a coupon rate of 0.1% per annum for first two years from the date of allotment and coupon rate of 8% per annum for subsequent date of redemption. These were redeemable in a single instalment at the end of seven years from the date of allotment with redemption premium. Investors had exercised its right for early redemption of OCRPS during financial year 2014-15. The Company has entered into a settlement agreement for transfer of OCRPS by the investors to new investors on the date of execution of Settlement Deed. Settlement Deed executed on February 16, 2017. Upon such transfer taking place, OCRPS has been reclassified as Series A OCRPS and Series B OCRPS and the terms of such reclassified Series A OCRPS and Series B OCRPS shall be modified as below.

Series A OCRPS -Each OCRPS shall have a face value of Rs.10 each . The OCRPS shall carry a dividend of 0.01% per annum. OCRPS shall due for redemption in 18 March 2025 and are Convertible at any time prior to March 31, 2021 into 2.99% equity stake in the Company on a fully diluted basis based on the equity share capital and outstanding convertible instruments as on Completion date and shall carry customary Information Rights.

Series B OCRPS - Each OCRPS shall have a face value of Rs.10 each . The OCRPS shall carry a dividend of 8% per annum. OCRPS shall due for redemption in 18th March, 2022 and an amount resulting in an IRR of 20.5% p.a payable on redemption. Convertible at any time prior to 31st March 2021 into 6.17% equity stake on a fully diluted basis in the Company based on the equity share capital and convertible instruments outstanding as on September 19, 2018. Shares shall carry customary information rights

| | As at | As at | As at | As at |
|---|-------------------|----------------|------------------|----------------|
| | March 31, 2020 | March 31, 2019 | March 31, 2020 | March 31, 2019 |
| | % of Shareholding | | Number of shares | |
| 0.01% Optionally convertible cumulative redeemable preference shares | | | | |
| Essar Steel Metal Trading Limited | 32.69% | 32.69% | 85,000,000 | 85,000,000 |
| M. B. Finmart Private Limited | 22.44% | 22.44% | 58,333,333 | 58,333,333 |
| Puran Associates Private Limited | 22.43% | 22.43% | 58,333,333 | 58,333,333 |
| V I C Enterprises Private Limited | 22.44% | 22.44% | 58,333,334 | 58,333,334 |
| 8.00% Optionally convertible cumulative redeemable preference shares | | | | |
| M. B. Finmart Private Limited | 33.33% | 33.33% | 30,000,000 | 30,000,000 |
| Puran Associates Private Limited | 33.34% | 33.34% | 30,000,000 | 30,000,000 |
| V I C Enterprises Private Limited | 33.33% | 33.33% | 30,000,000 | 30,000,000 |
| 10.25% Cumulative redeemable preference shares | | | | |
| Essar Steel Metal Trading Limited(Formerly Known as Edwell Metal & Trading Limited) | 100.00% | 100.00% | 512,500,000 | 512,500,000 |

3. Share warrant

Share warrant has been issued to investor of optionally convertible cumulative redeemable preference shares (OCPRS) by the company for a consideration of Rs. 100/- entitling the investor to subscribe to the equity shares of the Company anytime before the IPO for an amount equivalent to 20% of OCPRS (Rs. 70 Crore) at an exercise price linked to a predetermined valuation of the Company.

4. Shares allotted as fully paid up by way of bonus shares/shares issued for consideration other than cash

512,500,000 (Previous year 512,500,000) cumulative redeemable preference shares were allotted for consideration other than cash in the last five years. There are no bonus shares issued and no shares bought back during the period of five years immediately preceding reporting period.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

NOTE: 24

DEFERRED TAX LIABILITIES (NET)

| | Rs. in Crore | |
|---|------------------------|------------------------|
| | As at March 31 2020 | As at March 31 2019 |
| Deferred tax liabilities | | |
| Property, plant and equipment | 14.29 | 6.72 |
| Gross deferred tax liability | 14.29 | 6.72 |
| Deferred tax asset | | |
| Unabsorbed depreciation | 8.14 | - |
| Provision for Doubtful Debts / ICD | 103.76 | 6.72 |
| Unabsorbed bussiness losses | 66.97 | - |
| Provision for doubtful Interest on ICD | 44.70 | - |
| MAT Credit Entitlement | 58.27 | - |
| Interest Accrued but not due | 25.90 | - |
| Fair valuation of asset / liabilities | 277.83 | - |
| Gross deferred tax assets | 585.57 | 6.72 |
| Net deferred tax liability | (571.28) | - |
| Net deferred tax Asset/liabilities recognised in Balance sheet | - | - |

Management has decided not to create any deferred tax assets during the year because of continuous loss in earlier years as well as in current year.

NOTE: 25

Lease Liability

| | As at March 31, 2020 | As at March 31, 2019 |
|---|-------------------------|-------------------------|
| Lease Liability | 0.75 | - |
| Add: Interest Expense for the year | 0.07 | - |
| Less:- Lease liability paid during the year | - | - |
| Balance at the end of the year | 0.83 | - |

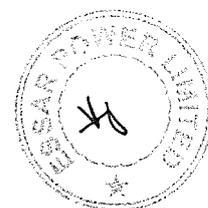
NOTE: 26

BORROWINGS

| | As at March 31, 2020 | As at March 31 2019 |
|---------------------------------|-------------------------|------------------------|
| Secured | 436.83 | - |
| Working capital facility | | |
| From banks | | |
| Cash credit facilities | 70.40 | 63.73 |
| | 507.23 | 63.73 |
| Unsecured | | |
| From banks | 189.12 | 184.65 |
| Inter corporate deposits | | |
| From related parties | 349.51 | 383.38 |
| From others | - | 1.65 |
| | 538.63 | 569.68 |
| | 1,045.86 | 633.41 |
| Less: Unamortised upfront fee | 35.61 | - |
| | 1,010.25 | 633.41 |

Securities provided to lenders

(a) Term loan facility of Rs. 49.99 Crore (Previous year Rs. 49.99 Crore) from Yes Bank Limited is secured/to be secured by first pari passu charge on all present and future movable and immovable fixed assets and current assets of the Company and its subsidiaries Essar Power Gujarat Limited and Essar Power (Orissa) Limited, pledge of certain shares of the Company held by Essar Power Hazira Holdings Limited, Pledge to be created on certain shares of Essar Power (Orissa) Limited and Essar Power Gujarat Limited held by the Company (to be created) and personal guarantee of Shri Prashant Ruia. The facility is additionally to be secured by Debt Service Reserve Account (to be created in the form of Fixed Deposit). The facility is additionally secured by second charge on surplus cash flows on sale of investments in Essar Power Hazira Limited and Essar Power (Orissa) Limited.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

(b) Term loan facility of Rs. 386.84 Crore (Previous year Rs. 386.84 Crore) from Yes Bank Limited is secured/to be secured by first pari passu charge on present and future movable and immovable fixed assets of the Company and its subsidiary namely Essar Power Hazira Limited, escrow and exclusive charge on all cash flows arising from ICDs or sub-debt given by the Company to Essar Power Hazira Limited, first pari passu charge on all current assets of the Company except cash flows arising from ICDs or sub-debt given by the Company to Essar Power Hazira Limited on which Yes Bank Limited would have exclusive charge, pledge of certain shares of the Company held by Essar Power Hazira Holdings Limited, and personal guarantee of Shri Prashant Ruita. The facility is additionally to be secured by Debt Service Reserve Account (to be created in the form of Fixed Deposit). The facility is additionally secured by second charge on surplus cash flows on sale of investments in Essar Power Hazira Limited and Essar

(i) The term loan facility of Rs. 49.99 Crore from Yes Bank Limited is repayable in six annual instalments as mentioned below:

35% on May 23, 2024 (Partly paid)

21% on May 23, 2023 (Prepaid)

14% on May 23, 2022 (Prepaid)

15% on May 23, 2019 (Prepaid)

9% on May 23, 2018 (Prepaid)

6% on May 23, 2017 (Prepaid)

(ii) The term loan facility of Rs. 386.84 Crore from Yes Bank Limited is repayable in six annual instalments as mentioned below:

35% on September 30, 2024

21% on September 30, 2023

14% on September 30, 2022

15% on September 30, 2019 (Partly paid)

9% on September 30, 2018 (Prepaid)

6% on September 30, 2017 (Prepaid)

(c) With respect to rupee term loans from banks and financial institutions, principal instalment due is outstanding for 182 days (Previous year Nil days) and interest accrued and due on borrowings outstanding for 182 days (Previous year 1 day to 90 days) as at March 31, 2020.

Securities provided to lenders

d) Working capital facility of Rs. 26.96 Crore (previous year Rs. 26.96 Crore) from banks is secured by a first pari passu charge by hypothecation of inventories and receivables and a second pari passu charge on fixed assets of the Company and also guaranteed by Essar Investments Ltd. Working Capital Facility of Rs. 37.02 Crore (previous year Rs. 37.02 Crore) for Pallivasal Project is guaranteed by EPC Constructions India Limited.

e) With respect to working capital facility from banks is overdrawn for 1824 days (previous year 1459 days) as on March 31, 2020.

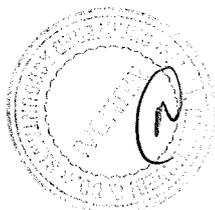
**NOTE: 27
OTHERS**

| | Rs. in Crore | |
|--|-------------------------|------------------------|
| | As at March 31, 2020 | As at March 31 2019 |
| Trade payables | | |
| Total outstanding of micro and small enterprises | 0.06 | - |
| Others | 10.59 | 12.60 |
| | <u>10.65</u> | <u>12.60</u> |

Trade payable includes an amount of Rs. 7.10 Crore assigned from one of the subsidiary payable by them towards their capex.

**NOTE: 28
OTHER FINANCIAL LIABILITIES**

| | Rs. in Crore | |
|--|-------------------------|------------------------|
| | As at March 31, 2020 | As at March 31 2019 |
| Current maturities of long term borrowings (Refer note 28 (d)) | 700.00 | 850.00 |
| Less: Unamortised upfront fee on long term borrowings | (1.04) | (9.37) |
| | <u>698.96</u> | <u>840.63</u> |
| Interest on Borrowings from: | | |
| - Bank & Financial Institution | 855.14 | 804.33 |
| - Related Parties | 1.19 | 4.01 |
| Unpaid matured debentures and interest accrued thereon (Refer note 26 (i) & note 28 (d)) | 1,428.19 | 830.58 |
| Capital creditors | - | 0.75 |
| Other payables | - | 39.71 |
| | <u>2,983.48</u> | <u>2,520.01</u> |



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

(a) Security provided to lenders

10.25% and 12.00% Non convertible debentures of Rs. 458.36 Crore (Previous year Rs. 462.24 Crore) are secured by a first ranking charge in favour of Axis Trustee Securities Limited on all present and future fixed assets (including movable and immovable) of the Company.

(b) Terms of redemption of non convertible debentures and terms of repayment of rupee loan facility

(i) Redemption of 10.25% and 12.00% non convertible debentures is in eight annual instalments as mentioned below:

20% each on March 31, 2018 and March 31, 2017 (Partly Paid)

15% each on March 31, 2016 and March 31, 2015 (Paid)

10% each on March 31, 2014 and March 31, 2013 (Paid)

5% each on March 31, 2012 and March 31, 2011 (Paid)

(c) Security provided to lenders

12.50% Non convertible debentures of Rs. 74.00 Crore (Previous year Rs. 95.00 Crore) is secured/to be secured by first pari passu charge on all present and future fixed assets (including movable and immovable) of the Company and its subsidiaries Essar Power Gujarat Limited, Essar Power M. P. Limited and Essar Power (Orissa) Limited, pledge of certain shares held by Essar Power Holdings Limited, escrow and pari-passu charge over the entire cash flows of the Company including cash flows arising out of the loans given to its subsidiaries by the Company and cash flows arising out of debentures issued by the Company and subscribed by various debenture holders, irrevocable and unconditional corporate guarantee of Essar Energy Limited (formerly known as Essar Energy Plc) and personal guarantee of Shri Prashant Ruia. The facility is additionally secured / to be secured by Debt Service Reserve Account (to be created in the form of Fixed Deposit). The facility is additionally secured by second charge on surplus cash flows on sale of investments in Essar Power Transmission Company Limited.

(d) Terms of redemption of non convertible debentures and terms of repayment of rupee loan facility & Intercompany deposit

(i) Redemption of 12.50% non convertible debentures is in six annual instalments as mentioned below:

35% on September 11, 2024

21% on September 11, 2023

14% on September 11, 2022

15% on September 11, 2019

9% on September 11, 2018

6% on September 11, 2017

(ii) Redemption of 12.50% non convertible debentures is in three annual instalments as mentioned below:

Rs. 250.00 Crore on July 5, 2024 (Partly prepaid)

Rs. 250.00 Crore on July 5, 2023 (Prepaid)

Rs. 135.00 Crore on July 5, 2022 (Prepaid)

(e) With respect to non convertible debenture principal overdue for 1 day to 2075 days (Previous year 1 day to 1709 days) and interest accrued and due thereon for 1 day to 1649 days (Previous year 1 day to 1583 days) as at March 31, 2020.

(f) 12.50% Non convertible debentures of Rs. 1,000.00 Crore (Previous year Rs. 1,000.00 Crore) is secured/to be secured by way of first pari passu charge on the fixed assets (freehold land, buildings and plant and machinery) of the Company and its subsidiaries. These debentures have been recalled by the holders thereof and legal proceedings have been initiated in the DRT-I, Mumbai during May 2017 in respect of the claim. The Company is contesting the claim and is taking appropriate steps to defend the proceedings before the DRT -I, Mumbai. The matter is being heard by DRT from time to time. In FY 2017-18 the debenture holder had filed two interim applications preventing the company from disposing off its certain assets. The DRT had passed an interim relief order directing the company not to dispose off its certain assets. The Company has submitted to the tribunal that it will comply with the interim relief order except for the assets that have been disposed prior to the date of the order. The matter is presently sub-judice.

NOTE: 29

CURRENT TAX LIABILITIES (NET)

Rs. in Crore

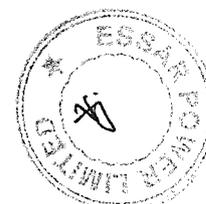
| | As at March 31, 2020 | As at March 31 2019 |
|--|---------------------------------|--------------------------------|
| Provision for taxation | 148.83 | 148.83 |
| Less: Set-off of current tax assets pursuant to set-off provisions | 40.30 | 40.30 |
| | 108.53 | 108.53 |

NOTE: 30

OTHER CURRENT LIABILITIES

Rs. in Crore

| | As at March 31, 2020 | As at March 31 2019 |
|------------------------|---------------------------------|--------------------------------|
| Advance from customers | 1.00 | 0.16 |
| Statutory dues | 1.33 | 2.52 |
| | 2.33 | 2.68 |



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

NOTE: 31

REVENUE FROM OPERATIONS

| | Rs. in Crore | |
|---------------------------|----------------------------------|----------------------------------|
| | For the year ended March 31,2020 | For the year ended March 31,2019 |
| Sale of power and charges | 1.98 | 1.95 |
| Sale of services | 42.31 | 17.27 |
| | 44.29 | 19.22 |

NOTE: 32

OTHER INCOME

| | Rs. in Crore | |
|---|----------------------------------|----------------------------------|
| | For the year ended March 31,2020 | For the year ended March 31,2019 |
| Interest income on deposits with banks and others | 0.62 | 0.59 |
| Interest income on financials asset at amortised cost | 0.88 | 0.95 |
| Miscellaneous income | 19.97 | 10.52 |
| | 21.47 | 12.06 |

NOTE: 33

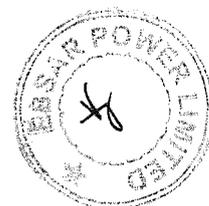
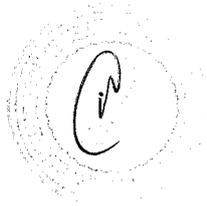
EMPLOYEE BENEFIT EXPENSES

| | Rs. in Crore | |
|--|----------------------------------|----------------------------------|
| | For the year ended March 31,2020 | For the year ended March 31,2019 |
| Salaries and wages | 0.96 | 0.17 |
| Contribution to provident and other fund | 0.03 | - |
| Staff welfare expenses | 0.01 | - |
| | 1.14 | 0.17 |

NOTE: 34

OTHER EXPENSES

| | Rs. in Crore | |
|--|----------------------------------|----------------------------------|
| | For the year ended March 31,2020 | For the year ended March 31,2019 |
| Production consumables | 0.10 | 0.03 |
| Consumption of water and water treatment | 0.01 | 0.04 |
| Repairs and maintenance | | |
| Buildings | 0.11 | 0.02 |
| Plant and machinery | 1.42 | 1.06 |
| Others | 0.29 | - |
| Rent | - | 0.20 |
| Rates and taxes | 0.25 | 1.86 |
| Directors' fees | 0.13 | 0.18 |
| Insurance | - | 0.39 |
| Loss on disposal of property, plant and equipment | 6.20 | 0.01 |
| Travelling and conveyance | 0.09 | 0.08 |
| Legal and professional fees | 1.36 | 1.70 |
| Administration charges | 0.01 | 0.01 |
| Business promotion | 0.05 | - |
| Payments to Auditors | | |
| As auditor | 0.42 | 0.43 |
| Sundry balance written off (net) (Refer Note No.50) | 21.50 | - |
| Bad debts | - | 0.01 |
| Provision for doubtful debts and advances | - | 41.41 |
| Miscellaneous expenses | 0.49 | 0.24 |
| | 32.43 | 47.67 |



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

NOTE: 35

FINANCE COSTS AND LEASE CHARGES

| | Rs. in Crore | |
|---|---|---|
| | For the year ended March 31,2020 | For the year ended March 31,2019 |
| Interest | 500.40 | 442.09 |
| Interest on compound financial instruments | 0.42 | 0.35 |
| Interest on optionally convertible redeemable preference shares | 119.16 | 103.09 |
| Other borrowing costs | 10.14 | 23.96 |
| Interest on lease liability | 0.07 | - |
| | 630.19 | 569.49 |

NOTE: 36

EXCEPTIONAL ITEMS

| | Rs. in Crore | |
|--|---|---|
| | For the year ended March 31,2020 | For the year ended March 31,2019 |
| Provision for diminution in value of investments | 1,617.18 | - |
| Bad Debts Written Off | 263.96 | - |
| Reversal of Provision | (267.95) | - |
| | 1,613.19 | - |

NOTE: 37

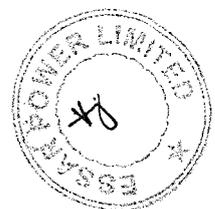
TAX EXPENSE

(a) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate

| | Rs. in Crore | |
|--|---|---|
| | For the year ended March 31,2020 | For the year ended March 31,2019 |
| Accounting profit / (loss) before tax | (2,211.24) | (586.07) |
| Tax at the Indian statutory tax rate of 29.120% (Previous year 34.608%) | (643.91) | (202.83) |
| Non-deductible expenses for tax purpose: | | |
| Exceptional Item | 469.76 | - |
| Current Tax of Joint Operations | 0.08 | 0.55 |
| Interest on Loans | 138.15 | 153.00 |
| IND AS Adjustments | - | 0.05 |
| Tax holidays/non-taxable income | 0.26 | 0.33 |
| Items deducted in tax computation, but not affecting Accounting Profit/Loss: | | |
| Major Overhauling Expenses | (0.02) | (0.02) |
| Deferred tax not recognised | 35.77 | 49.47 |
| Tax expenses recognised in the statement of profit and loss | 0.08 | 0.55 |

(b) Deferred tax recognised in statement of profit and loss

| | Rs. in Crore | |
|--|---|---|
| | For the year ended March 31,2020 | For the year ended March 31,2019 |
| Property, plant and equipment | 7.57 | 2.05 |
| Fair valuation of financial assets / liabilities | 89.47 | - |
| Employee benefit expenses | - | 0.00 |
| Provision for Doubtful Debts /ICD | (97.04) | (2.05) |
| | - | 0.00 |



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

**NOTE: 38
EARNINGS PER SHARE (EPS)**

| | For the year ended March 31,2020 | For the year ended March 31,2019 |
|---|--|--|
| Loss as disclosed in statement of profit and loss (Rs. in crore) | (2,211.32) | (586.62) |
| Less: Dividend on compulsorily convertible cumulative preference shares | (0.65) | (0.64) |
| Loss attributable to equity shareholders (Rs. in crore) | (2,211.97) | (587.26) |
| Weighted average number of equity shares outstanding during the year for the calculation of Basic EPS | 1,152,298,192 | 1,152,298,192 |
| Basic EPS (in Rs.) | (19.20) | (5.10) |
| Loss after tax attributable to equity shareholders (Rs. in crore) | (2,211.97) | (587.26) |
| Add: Dividend on compulsorily convertible cumulative preference shares | 0.65 | 0.64 |
| Loss after tax attributable to equity shareholders adjusted for the effect of dilution (Rs. in crore) | (2,211.32) | (586.62) |
| Weighted average number of equity shares outstanding during the year for the calculation of Basic EPS | 1,152,298,192 | 1,152,298,192 |
| Add: CCPS | 13,605,679,015 | 12,063,714,123 |
| Weighted average number of equity shares outstanding during the year for the calculation of Diluted EPS | 14,757,977,207 | 13,216,012,315 |
| Diluted EPS (in Rs.) | (19.20) | (5.10) |
| Nominal value per share (in Rs.) | 4.00 | 4.00 |

**NOTE: 39
CONTINGENT LIABILITIES, ASSETS AND COMMITMENTS**
(to the extent not provided for)

| | As at March 31, 2020 | As at March 31, 2019 |
|---|-------------------------|-------------------------|
| i. Contingent liabilities | | |
| a) Income tax/sales tax liability not charged to statement of profit and loss due to pending appeal cases # | 135.47 | 129.54 |
| b) Service tax liability not charged to statement of profit and loss due to pending appeal cases # | 2.15 | 2.15 |
| c) Disputed tax on sale of electricity (excluding interest) ** | 45.91 | 45.91 |
| d) Liability towards ship or pay charges not acknowledged by the company due to matter under litigation**# | 15.44 | 15.44 |
| e) Guarantees provided for loan facilities availed by subsidiary companies *** | 24,090.02 | 18,345.46 |
| # Future cash flows in respect of above matters are determinable only on receipt of judgement/decisions pending at various forums / authorities | | |

* The above levy including interest thereon, if adjudged as payable, would be reimbursable to the Company by Essar Steel India Limited as per the terms of power purchase agreement with them.

** The above levy, if adjudged as payable, would be reimbursable to the Company by Gujarat Urja Vikas Nigam Limited as per the terms of power purchase agreement with them.

Tax on sale of electricity aggregating to Rs. 8.65 Crore paid/adjusted against the aforesaid dues in an earlier year have been included under Short Term Loans and Advances in Note 18.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

*** Essar Power Gujarat Limited (EPGL)

The Company had given Corporate guarantees of Rs 2,666.10 crores (excluding interest) to a consortium of lenders and Rs 948.41 Crores (excluding interest) to the non-consortium lenders that had provided loans to Essar Power Gujarat Limited ("EPGL"), a subsidiary of the Company for principal amount of loan and interest thereon, outstanding as on March 31, 2020 stood at Rs 5246.11 crores. Corporate Guarantee Invoked by lenders Amount to Rs. 2727.16 Crore.

EPGL has been declaring availability close to 100% in the last 5 to 6 years of operations before the Plant operations became unviable due to steep Indonesian coal prices. A High Powered Committee (HPC) was set-up to address the issues of three imported coal based power plants with capacity of ~10GW including EPGL's plant. The HPC recommended coal cost as a pass through amongst other things to revive the huge capacity. Accordingly, EPGL had signed a Supplemental PPA (SPPA) with GUVNL based on the recommendations of the HPC and the Resolution passed by the Government of Gujarat (GR) on March 1, 2019.

EPGL restarted its operations in April 2019 after a shutdown of ~ 18 months and has ramped up the operations in a phased manner. With support of all stakeholders, the Plant has been in continuous operation since restart in April 2019 and is running at full capacity for last one year and generating EBITDA.

EPGL received the order from GERC on April 27, 2020 with certain amendments and the same was challenged in APTEL. However, based on discussions with GUVNL, GOG and Lenders, EPGL is in advanced stage of entering into a New SPPA with GUVNL which shall provide for coal cost pass through and apply prospectively

EPGL is working with its lenders to restructure the debt at a sustainable level in line with the New SPPA allowing coal cost pass through. Major contours of Resolution Plan have been finalized with Consortium Lenders. EPGL has complied with major CPs to implementation of restructuring. Resolution Plan with lenders of EPOL is being finalized with Lenders of EPGL and shall be implemented simultaneously with approval of the New SPPA being entered into with GUVNL. Considering that implementation of Resolution Plan is imminent, the management of EPGL is confident of meeting its obligations arising in the foreseeable future.

The implementation of Resolution Plan shall amend and restate all the existing documents and agreements in relation to all the facilities availed by EPGL and any corporate guarantee or security issued for such borrowing in line with the terms applicable to Sustainable Debt.

For non-consortium lenders, One-time settlement is agreed and implemented by the Promoter Company. Accordingly, non-consortium lenders are in the process of giving No Dues Certificate and shall cease to be lenders of EPGL

*** Essar Power MP Limited (EPMPL)

EPOL ("The Company") has given Corporate Guarantees of Rs 10678.12 Cr (including interest) to a consortium of lenders which provided loans to EPMPL for implementation of a coal based Thermal Power Project with an installed capacity of 1200 MW (2*600 MW) at Singrauli, Madhya Pradesh.

Deallocation of coal block, delay in regulatory approvals, non-availability of fuel linkage and long term PPA adversely affected the viability of the project, which led to default on servicing the loan facilities. Thus, the loan given by the lenders of the company were declared as non-performing assets and were subsequently recalled. The lenders of EPMPL invoked parent guarantees demanding immediate repayment of full amount

EPMPL had submitted a Binding One Time Settlement (OTS) proposal to its lenders to settle its entire obligation on 12th December 2019. Lenders had granted in principle approval to the OTS proposal and agreed to evaluate the appropriateness of the proposal through a Swiss Challenge Process by inviting Bids for price discovery. Under this process, EPMPL OTS offer was to be made as base offer with the EPMPL having Right of First Refusal (ROFR) for which an upfront deposit of Rs 35 crores along with Undertaking was given to the lenders as per their requirement. The OTS proposal of the Company envisaged settlement of entire debt along with release of all guarantees extended by the Company, parent / holding entities in full and final settlement. The Swiss Challenge Process concluded on 31st March 2020 with no valid bid being received by the lenders. The same was communicated by the lenders to EPMPL on 8th April 2020 wherein 15 days' time was given to consummate the transaction. Although COVID19 pandemic was on peak during April 2020, EPMPL stood by its offer to conclude the settlement within a reasonable period. However, based on the depressed market scenario and failure under Swiss Challenge process, the lenders decided to file a petition under IBC at NCLT Delhi on 27th April 2020.

As the hearing for the IBC application was awaited, EPMPL discussed with lenders that it has been constantly looking forward for the resolution of debt and maximize the realization to lenders. Also in line with the OTS proposal of EPMPL, the guarantees to be released upon resolution / settlement of debt obligations under NCLT as the same was agreed by them. In view of the same, EPMPL consented to the application filed by lenders in its first hearing paving the way for early resolution under the IBC on 29th Sept 2020.

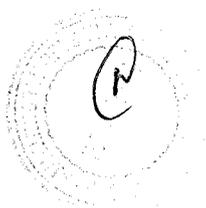
In view of the above, EPOL has not provided for an amount of Rs 10678.12 crores in its financial as possibility of an outflow of resources embodying economic benefits towards these Corporate Guarantees is remote.

*** Essar Power Transmission Company Limited (EPTCL)

The Company has given Corporate Guarantees (including interest amount) Rs 1,769.14.crores to lenders which had provided loans to Essar Power Transmission Limited ("EPTCL"), a subsidiary of the Company, for implementation of power transmission line.

During the year lenders of EPTCL have approved the restructuring plan and the same has been implemented in June 2020 Quarter.

In view of the same, the possibility of an outflow of resources embodying economic benefits is remote



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

*** Essar Power Jharkhand Limited (EPJHL)

The Company had given Corporate Guarantees (including interest amount) of Rs 4,920.08 crores to lenders which had provided loans to EPJHL a subsidiary of the Company, for implementation of a coal based Thermal Power Project with an installed capacity of 1200 MW (2*600 MW) at Tori, Jharkhand.

Due to non-disbursement of funds by lenders which is mainly due to cancellation of coal blocks (Chakla & Ashok Karkata), there was delay in completion of project and the costs to completion of project by EPJL has increased significantly and negatively affected its cash flows to a great extent.

Thus, the loan given by the lenders of the company were declared as non-performing assets and were subsequently recalled by the lenders. Parent Guarantee Invoked by lenders Amount to Rs. 4,920.08 Crore.

During the Year, NCLT New Delhi has ordered the commencement of liquidation of EPJHL vide order dated January 03, 2020, uploaded on January 06, 2020.

Further subsequent to balance sheet date, Essar Power Ltd and other sponsors / guarantors has entered into settlement and forbearance deed with the lenders for an amount of Rs 1215 crores. As per the said deed, the amount is payable in installments by any of the guarantors. In view of this, the Company has not provided for an amount of Rs 1215 crores in its financial statements as the possibility of an outflow of resources embodying economic benefits is remote.

*** Essar Power Hazira Limited (EPHL)

The Company has given corporate guarantees (including interest amount) of Rs 950.56 crores to lenders of EPHL. During the Year EPHL has paid its overdues to the lenders and account has been classified as standard.

Therefore, the possibility of an outflow of resources embodying economic benefits is extremely remote

*** Essar Power Orissa Limited (EPORL)

The Company had given Corporate guarantees (including interest amount) Rs 526.01 crores to lenders of EPORL. Keeping in view that EPORL has paid substantial amount of overdue of loan towards part payment of one time settlement and is in advanced stage of procuring final approval of OTS from its lenders, the performance & profitability of the company, the possibility of an outflow of resources embodying economic benefits is remote.

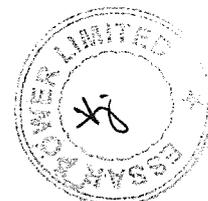
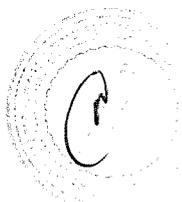
ii) Dispute with Gujarat Urja Vikas Nigam Limited ("GUVNL"), a customer of the Company

a. In the matter of GUVNL's claim for alleged diversion of electricity by the Company in earlier years, the Appellate Tribunal had ruled in favour of the Company in February, 2010. GUVNL had filed two appeals before the Hon'ble Supreme Court against the judgment of the Appellate Tribunal in April 2010. The Hon'ble Supreme Court had dismissed first appeal holding that all claims prior to September 14, 2002 are barred by limitation and upheld the order of APTEL and GERC. In second appeal, the Hon'ble Supreme Court has vide its order dated August 9, 2016 upheld the GERC order dated February 18, 2009 and set aside the APTEL order dated February 18, 2010 and directed both the parties to file their accounts in the GERC in line with the GERC order dated February 18, 2009. The Company had filed a claim of Rs. 436.78 Crores (including interest of Rs. 312.16 Crores) receivable from GUVNL. GUVNL had filed a counter claim of Rs.2276.29 Crores (including interest of Rs.2004.24 Crores). During hearing, as per GERC instructions, GUVNL had filed a revised counter claim of Rs.789.37 Crores (including interest of Rs. 517.32 Crores).The matter has been heard by the GERC and both the parties have submitted its written submission. GERC is in process of verification of the claims. The GERC has reserved the order in the matter.

b. Other matters

In January 2010, the Company filed a petition before the Gujarat Electricity Regulatory Commission (GERC) for recovery of Rs. 393.75 Crore on account of delayed payment charges (DPC), depreciation, foreign exchange variation, interest on debentures, bill discounting charges, interest on working capital, and wrongful deduction of rebate withheld by GUVNL. GERC vide its order dated October 22, 2014 read with corrigendum dated November 21, 2014 decided the matter largely in favour of the Company as per principles set out in order. GUVNL has preferred an appeal in Appellate Tribunal for Electricity (APTEL) at New Delhi and matter is listed as Appeal No. 2 of 2015. As directed by APTEL vide its order dated January 29, 2015, the GUVNL has paid Rs. 100.00 Crore to the Company secured against the bank guarantee of Rs. 100 Crore of nationalized bank as interim relief. Certain Bank Guarantees aggregating to Rs. 58 Crore could not be extended and got invoked by GUVNL in December 2017. The Company has filed an Interim Application in the APTEL for directing GUVNL to pay the above amount against submission of Bank Guarantee. The APTEL heard the matter and vide its order dated September 18, 2018 directed GUVNL to pay Rs. 58 Crore against submission of a Bank Guarantee from a Nationalised Bank.

In the meantime, the Company has also filed an application in the Honourable Supreme Court for directing APTEL to expedite hearing and conclude the matter. We are pleased to inform you that the Honourable Supreme Court has, in a hearing held on 24th August 2018, directed APTEL to hear and conclude the Interim Application for directing GUVNL to pay the invoked Bank Guarantee amount against submission of a Bank Guarantee, on 10th September 2018. The APTEL has heard the matter and vide its order dated September 18, 2018 directed GUVNL to pay Rs. 58 Crore against submission of a Bank Guarantee from a Nationalised Bank. The main matter was listed for hearing on May 13, 2019. However, the matter could not be taken up and adjourned for September 04, 2019. The Company has filed an application in APTEL for early hearing. However, the application was not allowed as the date already fixed is the earliest available date. In wrongful allocation matter, GERC has passed an order dated 27th December 2019 with a direction to EPOL to pay Rs.202 Crores to GUVNL. However, in view of apparent errors in the order, the Company has filed a review petition requesting following modifications in the order



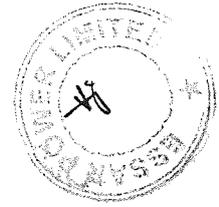
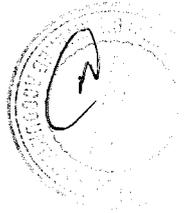
ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

a. Hourly calculation – As per Hon'ble Supreme Court order dated 9th August 2016, GERC's own order dated 18th February 2009 and terms of PPA, the excess supply of power is required to be calculated on hourly basis. In the present case, GERC was to analyse the calculations based on the accounts submitted by both the parties. However, GERC, in the order passed on 27th December 2019, has reviewed the order already passed and allowed calculations on half hourly basis.

b. Full and Final Settlement till Sep'2004 – GERC has considered Rs.64 Crores payment as full and final settlement for the excess supplies till Sep'04 in its order dated 18th Feb 2009. The fact has been ignored in the present order and GERC allowed compensation from Sep'2002.

c. Arithmetic Error – While arriving at compensation amount, GERC has deducted ~Rs.158 Crores i.e. amounts recovered from ESIL (now AMNS) instead of ~Rs.235 Crores i.e. amounts deducted from the invoices of the Company. Rectification of arithmetic itself led to recovery from GUVNL. Based on favourable decision of the Hon'ble Supreme Court in the matter of alleged diversion of electricity and favourable decision of GERC in aforesaid matters, the management believes that the claims by GUVNL would not be tenable and hence is confident of realizing the total amount of Rs 1,066.86 crores (Net of Rs. 39.71 crore for Naptha incentive payable) included in trade receivable as at March 31, 2020 [including DPC and DPC on DPC of Rs. 582.25 crores] which are substantially on account of amounts withheld by GUVNL. due to aforesaid matters.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

NOTE: 40

EMPLOYEE BENEFITS

i. Defined contribution plans

The amount of contribution to provident fund debited to statement of profit and loss is Rs. 0.01 Crore (Previous year Rs. Nil Crore).

ii. Defined benefit plans

Gratuity

The Company provide for gratuity for employees in India as per the Payment of Gratuity Act, 1972. Under the act, employees who are in continuous service for a period of five years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the last drawn basic salary per month computed proportionately for 15 days salary for each completed year of service. The plan is funded through Gratuity Scheme administrated by Life Insurance Corporation of India and SBI Life Insurance. The company does not fully fund the liability and maintains a target level of funding to be maintained over a period of time based on estimations of expected gratuity payments. The Fund Balance as on 31 March 2020 is Rs .045 Crore.

Net employee benefit (gain) / expense (recognised in employee cost)

Rs. in Crore

| | For the year ended March 31,2020 | For the year ended March 31,2019 |
|---|---|---|
| Statement of profit and loss: | | |
| Current service cost | 0.14 | - |
| Net interest expenses / (income) | (0.03) | - |
| | 0.11 | - |
| Other comprehensive income | | |
| Remeasurements | | |
| Return on plan assets {excluding amounts included in net interest expense / (income)} | (0.00) | - |
| | (0.00) | - |
| Defined Benefit Cost | 0.11 | - |

Balance sheet:

Net Assets/(Liability) recognised in the balance sheet

Rs. in Crore

| | As at March 31 2020 | As at March 31 2019 |
|--|--------------------------------|--------------------------------|
| Present value defined benefit obligation | (0.14) | - |
| Fair value of plan assets | 0.45 | - |
| Deficit | 0.31 | - |
| Less: Effect of asset ceiling | - | - |
| Net Asset / (liability) recognised in the balance | 0.31 | - |

Changes in the present value of the defined benefit obligation are as follows:

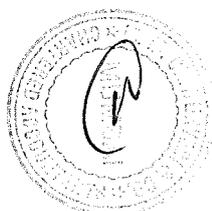
Rs. in Crore

| | As at March 31 2020 | As at March 31 2019 |
|---|--------------------------------|--------------------------------|
| Opening defined benefit obligation | 0.42 | - |
| Current service cost | (0.14) | - |
| Interest expenses | 0.03 | - |
| Amount recognised in OCI | 0.00 | - |
| Closing defined benefit obligation | 0.31 | 0.42 |

Changes in the fair value of plan assets are as follows:

Rs. in Crore

| | As at March 31 2020 | As at March 31 2019 |
|--|--------------------------------|--------------------------------|
| Opening fair value of plan assets | 0.42 | - |
| Interest income | 0.03 | - |
| Return on plan assets excess / (less) than discount rate | 0.00 | - |
| Closing fair value of plan assets | 0.45 | - |



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

The details of plan assets from the insurer are not available and hence the disclosure thereof is not made.
The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:

| | Rs. in Crore | |
|--|---|---|
| | For the year ended March 31,2020 | For the year ended March 31,2019 |
| Discount rate | 6.30% | |
| Expected rate of return on assets | 0.00% | |
| Salary escalation rate | 7.00% | |
| Employee turnover | 0.00% | |
| Mortality table (Indian Assured Lives Mortality (2006-08) Ult. Method) | | |

(i) The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

(ii) The expected rate of return on plan asset is based on market expectation for the entire life of related obligation.

(iii) The discount rate as at balance sheet is based on the prevailing market yields of government bond as at March 31, 2020 for the estimated term of the obligations.

Sensitivity analysis

| | For the year ended March 31,2020 |
|---|---|
| Defined benefit obligation on base assumption as at March 31, 2020 | 0.14 |
| Discount rate | 6.30% |
| Effect of defined benefit obligation due to 0.5% increase in discount rate | (0.00) |
| Effect of defined benefit obligation due to 0.5% decrease in discount rate | 0.00 |
| Salary escalation rate | 7.00% |
| Effect of defined benefit obligation due to 0.5% increase in salary escalation rate | 0.00 |
| Effect of defined benefit obligation due to 0.5% decrease in salary escalation rate | (0.00) |
| Withdrawal rate | 10.00% |
| Effect of defined benefit obligation due to 0.5% increase in discount rate | (0.00) |
| Effect of defined benefit obligation due to 0.5% decrease in discount rate | 0.00 |

Risk exposure

The Gratuity scheme is a final salary defined benefit plan that provides for a lump sum payment made on exit either by way of retirement, death, disability or voluntary withdrawal. The benefits are defined on the basis of final salary and the period of service and paid as lump sum at exit. The plan design means the risks commonly affecting the liabilities and the financial results are expected to be:

(a) **Interest rate risk:** The defined benefit obligation calculated uses a discount rate based on government bonds. If bonds yields fall, the defined benefit obligation will tend to increase.

(b) **Salary inflation risk:** Higher than expected increases in salary will increase the defined benefit obligation.

(c) **Demographic risk:** This is the risk of variability of results due to unsystematic nature of decrements that include mortality, withdrawal, disability and retirement. The effect of these decrements on the defined benefit obligation is not straight forward and depends upon the combination of salary increase, discounts rate and vesting criteria. It is important not to overstate withdrawals because in the financial analysis the retirement benefit of a short career employee typically costs less per year as compared to a long service employee.

Description of funding arrangement and policies

The scheme is funded by way of a separate irrevocable Trust and the Company is expected to make regular contributions to the trust. The fund is managed by insurance companies and the assets are invested in their conventional group gratuity product. The fund provides a capital guarantee of the balance accumulated and declares interest periodically that is credited to the fund account. The fund manager invests the funds as per products approved by IRDA and investment guidelines as stipulated under section 101 of IT Act, the exact asset mix is unknown and not publically available.

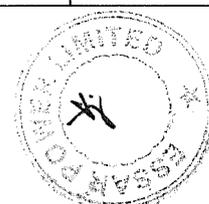
The Trust assets managed by the fund manager are highly liquid in nature and there is no significant liquidity risks.

The expected contribution to be made by the Company during the financial year 2020-21 is Rs. 0.01 Cr

The weighted average duration of the defined benefit obligation is Nil years (Previous year Nil years).

The expected maturity analysis of undiscounted gratuity benefit is as follows:

| | Rs. in Crore | |
|---------------------|---------------------------------|---------------------------------|
| | As at March 31, 2020 | As at March 31, 2019 |
| Less than a year | 0.01 | - |
| Between 1 - 2 years | 0.01 | - |
| Between 2 - 5 years | 0.16 | - |
| Over 5 years | 0.02 | - |
| | 0.21 | - |



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

NOTE: 41

FINANCIAL INSTRUMENTS

i. The classification of each category of financial instruments and their carrying amounts are as below;

Rs. in Crore

| | As at March 31, 2020 | | | As at March 31, 2019 | | |
|---------------------------------|----------------------|-------|-----------------|----------------------|-------|-----------------|
| | FVPL | FVOCI | Amortised costs | FVPL | FVOCI | Amortised costs |
| A. Financial assets | | | | | | |
| Non current | | | | | | |
| Investments | - | - | 2,145.72 | - | - | 3,762.90 |
| Loans | - | - | 9.66 | - | - | 8.75 |
| Other financial assets | - | - | 1.00 | - | - | 0.27 |
| Current | | | | | | |
| Investments | - | - | - | - | - | - |
| Trade receivables | - | - | 1,067.17 | - | - | 1,138.63 |
| Cash and cash equivalents | - | - | 0.58 | - | - | 0.72 |
| Bank balances other than above | - | - | 9.16 | - | - | 8.42 |
| Loans | - | - | 178.16 | - | - | 220.24 |
| Other financial assets | - | - | 0.56 | - | - | 1.73 |
| | - | - | 3,412.01 | - | - | 5,141.66 |
| B. Financial liabilities | | | | | | |
| Non current | | | | | | |
| Borrowings | - | - | 2,030.36 | - | - | 2,394.59 |
| Current | | | | | | |
| Borrowings | - | - | 1,045.86 | - | - | 633.41 |
| Trade payables | - | - | 10.65 | - | - | 12.60 |
| Other financial liabilities | - | - | 2,983.48 | - | - | 2,520.01 |
| | - | - | 6,070.35 | - | - | 5,560.61 |

ii. Fair value off financial assets and liabilities measured at amortised cost are as below;

Rs. in Crore

| | As at March 31, 2020 | | As at March 31, 2019 | |
|---------------------------------|----------------------|------------|----------------------|------------|
| | Carrying value | Fair value | Carrying value | Fair value |
| A. Financial assets | | | | |
| Non current | | | | |
| Investments | 2,145.72 | 2,145.72 | 3,762.90 | 3,762.90 |
| Loans | 9.66 | 9.66 | 8.75 | 8.75 |
| Other financial assets | 1.00 | 1.00 | 0.27 | 0.27 |
| Current | | | | |
| Investments | - | - | - | - |
| Trade receivables | 1,067.17 | 1,067.17 | 1,138.63 | 1,138.63 |
| Cash and cash equivalents | 0.58 | 0.58 | 0.72 | 0.72 |
| Bank balances other than above | 9.16 | 9.16 | 8.42 | 8.42 |
| Loans | 178.16 | 178.16 | 220.24 | 220.24 |
| Other financial assets | 0.56 | 0.56 | 1.73 | 1.73 |
| | 3,412.01 | 3,412.01 | 5,141.66 | 5,141.66 |
| B. Financial liabilities | | | | |
| Non current | | | | |
| Borrowings | 2,030.36 | 2,030.36 | 2,394.59 | 2,394.59 |
| Current | | | | |
| Borrowings | 1,045.86 | 1,045.86 | 633.41 | 633.41 |
| Trade payables | 10.65 | 10.65 | 12.60 | 12.60 |
| Other financial liabilities | 2,983.48 | 2,983.48 | 2,520.01 | 2,520.01 |
| | 6,070.35 | 6,070.35 | 5,560.61 | 5,560.61 |

(a) The carrying amounts of current financial assets and current financial liabilities are considered to be the same as their fair values, due to short-term nature.

(b) The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

- (c) The fair values of long term loans, security deposits and investments in preference shares were calculated based on cash flows discounted using as current lending rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counter party credit risk
- (d) The fair values of non current borrowings are based on discounted cash flows using as current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs including own credit risk

iii. Fair value hierarchy

Quantitative disclosure of fair value measurement hierarchy of financial assets and liabilities of the Company are as below;

| | As at March 31, 2020 | | | As at March 31, 2019 | | |
|---------------------------------|---|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| A. Financial assets | | | | | | |
| Non current | | | | | | |
| Investments | - | - | 2,145.72 | - | - | 3,762.90 |
| Loans | - | - | 9.66 | - | - | 8.75 |
| Other financial assets | - | - | 1.00 | - | - | 0.27 |
| Current | | | | | | |
| Investments | - | - | - | - | - | - |
| Trade receivables | - | - | 1,067.17 | - | - | 1,138.63 |
| Cash and cash equivalents | - | - | 0.58 | - | - | 0.72 |
| Bank balances other than above | - | - | 9.16 | - | - | 8.42 |
| Loans | - | - | 178.16 | - | - | 220.24 |
| Other financial assets | - | - | 0.56 | - | - | 1.73 |
| | - | - | 3,412.01 | - | - | 5,141.66 |
| B. Financial liabilities | | | | | | |
| Non current | | | | | | |
| Borrowings | - | - | 2,030.36 | - | - | 2,394.59 |
| Current | | | | | | |
| Borrowings | - | - | 1,045.86 | - | - | 633.41 |
| Trade payables | - | - | 10.65 | - | - | 12.60 |
| Other financial liabilities | - | - | 2,983.48 | - | - | 2,520.01 |
| | - | - | 6,070.35 | - | - | 5,560.61 |

NOTE: 42

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

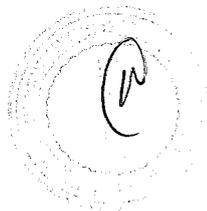
The Company's principal financial liabilities, comprise rupee term loans, debentures, inter corporate deposits and trade payables. The main purpose of these financial liabilities is to raise finance for the Company's operations, investment in subsidiaries for implementation of power projects and capital expenditures. The Group has various financial assets such as trade receivables, cash, and inter corporate deposits, which arise directly from its operations and / or from the financial liability.

The management agrees and reviews policies for managing different type of risks associates with the nature of the business and operations of the Company. Significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, in respect of each class of financial asset, financial liabilities and equity instrument are disclose in Note 2 to the financial statements.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk and credit risk which are summarised below:

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates which expose the Company to cash flow interest rate risk. The Companies' fixed rate borrowings including cumulative redeemable preference shares are carried at amortised cost. They are therefore not subject to interest rate risk, since neither the carrying amount nor the future interest cash flows will fluctuate because of a change in market interest rates. (Refer note 19)



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

The following table provides a breakdown of the Company's fixed and floating rate borrowings:

| Rs. in Crore | | |
|--------------------------|-------------------------|-------------------------|
| | As at March 31, 2020 | As at March 31, 2019 |
| Fixed rate borrowings | 3,756.79 | 3,685.03 |
| Floating rate borrowings | 665.30 | 645.84 |
| | 4,422.09 | 4,330.87 |

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, being a 0.5% increase or decrease in interest rate, with all other variables held constant, of the Company's profit before tax due to the impact on floating rate borrowings.

| Rs. in Crore | | |
|-------------------------------------|----------------|----------------|
| | March 31, 2020 | March 31, 2019 |
| Effect on profit before tax: | | |
| Base Rate*- decrease by 50 bps | 1.74 | 2.81 |
| | 1.74 | 2.81 |

* Base Rate ("BR") set by individual Indian banks in respect of their loans.

The impact of a 50 bps increase in interest rates on profit before tax will be as disclosed above with the exception that gains would be converted to losses.

Credit risk

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its contractual obligation and arises from cash and cash equivalents, bank deposits as well as credit exposures to other outstanding receivables.

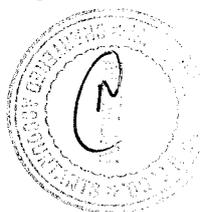
The Company is currently having transactions with recognised and creditworthy third parties and companies under the same management and hence credit risk is considered to be low. Cash and cash equivalents and bank deposits are held in banks with high credit ratings. The Company has an inter corporate deposits to Rs. 534.30 Crore out of which Provision of Rs. 356.31 Crore has been made. In addition, receivable balances are monitored on an ongoing basis.

Ageing of past due receivables is as follows:

| | As at March 31, 2020 | | | As at March 31, 2019 | | |
|-------------------|-----------------------------|-------------------------|--|--------------------------|-------------------------|---|
| | Gross Carrying Amount | Expected Credit Loss | Carrying Amount (Net of Impairment) | Gross Carrying Amount | Expected Credit Loss | Carrying Amount (Net of Impairment) |
| Not Due | 0.19 | - | 0.19 | 5.76 | - | 5.76 |
| 0-30 days | 0.02 | - | 0.02 | 0.20 | - | 0.20 |
| 31-60 days | - | - | - | - | - | - |
| 61-90 days | - | - | - | - | - | - |
| 91-120 days | - | - | - | - | - | - |
| 120-365 days | - | - | - | - | - | - |
| 1 - 5 years | 0.10 | - | 0.10 | 36.95 | (36.85) | 0.10 |
| More than 5 years | 1,066.86 | - | 1,066.86 | 1,132.57 | - | 1,132.57 |
| | 1,067.17 | - | 1,067.17 | 1,175.48 | (36.85) | 1,138.63 |

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to manage liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

| As at March 31, 2020 | Rs. in Crore | | | | |
|--|------------------|-----------|-----------|-------------------|----------|
| | Less than 1 year | 1-2 years | 2-5 years | More than 5 years | Total |
| Debentures | 1,382.36 | - | - | - | 1,382.36 |
| Rupee Term Loans | 436.83 | - | - | - | 436.83 |
| Inter Corporate Deposit | 360.88 | - | - | - | 360.88 |
| Liability Component of Compound Financial Instruments | 0.66 | 2.66 | 1.21 | 0.36 | 4.89 |
| Optionally Convertible Cumulative Redeemable Preference Shares | - | - | 365.36 | 623.74 | 989.10 |
| Cumulative Redeemable Preference Shares | - | - | - | 1,025.00 | 1,025.00 |
| Working Capital Facility | 70.40 | - | - | - | 70.40 |
| Other Short Term Borrowings | 189.12 | - | - | - | 189.12 |
| Trade payables | 10.65 | - | - | - | 10.65 |
| Other financial liabilities | 1,826.16 | - | - | - | 1,826.16 |
| | 4,277.06 | 2.66 | 366.57 | 1,649.10 | 6,295.39 |

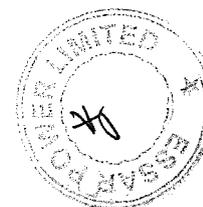
| As at March 31, 2019 | Rs. in Crore | | | | |
|--|------------------|-----------|-----------|-------------------|----------|
| | Less than 1 year | 1-2 years | 2-5 years | More than 5 years | Total |
| Debentures | 1,312.24 | - | - | 95.00 | 1,407.24 |
| Rupee Term Loans | - | - | 220.59 | 216.24 | 436.83 |
| Inter Corporate Deposit | 385.03 | - | - | - | 385.03 |
| Liability Component of Compound Financial Instruments | 0.63 | 2.42 | 1.10 | 0.32 | 4.47 |
| Optionally Convertible Cumulative Redeemable Preference Shares | - | - | 303.06 | 566.90 | 869.96 |
| Cumulative Redeemable Preference Shares | - | - | - | 1,025.00 | 1,025.00 |
| Working Capital Facility | 63.73 | - | - | - | 63.73 |
| Other Short Term Borrowings | 184.65 | - | - | - | 184.65 |
| Trade payables | 12.60 | - | - | - | 12.60 |
| Other financial liabilities | 1,217.14 | - | - | - | 1,217.14 |
| | 3,176.02 | 2.42 | 524.75 | 1,903.46 | 5,606.65 |

Capital management

The Company's objectives while managing capital are to safeguard its ability to continue as a going concern and to provide adequate returns for its shareholders and benefits for other stakeholders. The Company's policy is generally to optimise borrowings at an operating company level within an acceptable level of debt. Equity funding for existing operations or new acquisitions is raised centrally, first from excess cash and then from new borrowings while retaining on an acceptable level of debt as per the approved financing plans. The Company's policy is to borrow using a mixture of long-term and short-term debts together with cash generated to meet anticipated funding requirements.

The Company monitors capital using a gearing ratio, which is calculated as underlying net debt divided by total equity including reserves and surplus plus underlying net debt. The Company measures its underlying net debt as total debt including current maturities of long term borrowings (but excluding short term working capital facilities, inter corporate deposit taken, optionally convertible cumulative preference shares, cumulative redeemable preference shares, liability component of compound financial instrument) reduced by cash and cash equivalents and bank deposits. Total equity includes equity attributable to the equity holders of the Company.

| | Rs. in Crore | |
|---|----------------------|----------------------|
| | As at March 31, 2020 | As at March 31, 2019 |
| Interest-bearing loans and borrowings | 4,458.58 | 4,376.91 |
| Less: cash and cash equivalents | (10.74) | (9.41) |
| Less: inter corporate deposit given | (534.30) | (371.61) |
| | 3,913.54 | 3,995.89 |
| Less: | | |
| Working capital loans | (70.40) | (63.73) |
| Optionally convertible cumulative preference shares | (989.10) | (869.96) |
| Cumulative redeemable preference shares | (1,025.00) | (1,025.00) |
| Liability Component of Compound Financial Instruments | (4.89) | (4.47) |
| | (2,089.39) | (1,963.16) |
| Underlying net debt | 1,824.15 | 2,032.73 |
| Total equity | (2,612.23) | (400.90) |
| Equity and underlying net debt | (788.08) | 1,631.83 |
| Gearing ratio | -231% | 125% |



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

**NOTE: 43
SEGMENT INFORMATION**

The operations of the Company are limited to one segment, namely power generation. All the assets and revenue earned by the Company are in India. The Company has earned more than 10% of its revenues from a single customer.

**NOTE: 44
JOINT OPERATIONS**

(a) The Company was allotted a coal mine block at Mahan, District Singrauli, Madhya Pradesh jointly with Hindalco Industries Limited. The Mahan Coal Limited (MCL) was formed for mining of coal from the Mahan Coal block jointly awarded to the Company and Hindalco Industries Limited. The Company has an investment of Rs. 32.25 Crore (Previous year Rs. 41.25 Crore) as at March 31, 2020, representing 50.00% (Previous year 50.00%) shareholding in MCL. The Mahan Coal mine was cancelled vide Hon'ble Supreme Court in September, 2014. The Company has made a provision for diminution in the value of its investments in MCL amounting to Rs. 20.72 Crore.

| | Rs. in Crore | |
|--|-------------------------|-------------------------|
| | As at March 31, 2020 | As at March 31, 2019 |
| Country of incorporation | India | India |
| Percentage (%) of share in Joint Venture | 50.00% | 50.00% |
| Assets | | |
| Cash and cash equivalents | 0.00 | 0.12 |
| Bank balances other than cash and cash equivalents | - | - |
| Loans | 0.15 | 0.15 |
| Other financial assets | - | - |
| Current tax assets (net) | 0.00 | 0.07 |
| Other current assets | 11.14 | 11.23 |
| Liabilities | | |
| Trade Payables | 0.03 | 0.01 |
| Provisions | - | - |
| Other current liabilities | - | - |
| Income | 0.00 | 0.03 |
| Expenses | 0.32 | 0.79 |

(b) MCL filed application Before the National Company Law Tribunal, Western Region Bench, at Ahmadabad for subscribed, issued and paid up equity share capital of the Company be reduced from Rs. 1,905,000,000 (Rupees One Hundred Ninety Crore Fifty Lacs only) divided into 19,05,00,000 (Nineteen Crore Five Lacs) equity shares of Rs. 10/- each, fully paid up to Rs. 825,000,000 (Rupees eighty two crore fifty lakh only) divided into 82,500,000 (Eight crore twenty five lakh only) equity shares of Rs. 10/- each and the surplus amount, i.e. 108,00,00,000 (Rupees One hundred and eight crore only), being in excess of the wants of MCL be paid to the shareholders. The case is disposed by the NCLT Ahmedabad with no deviation from the scheme.

NOTE: 45

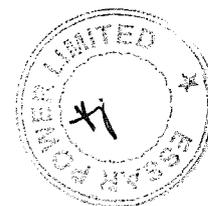
The Company is considered to be established with the object of providing infrastructure facilities (as defined in schedule VI of the Companies Act, 2013) and accordingly, Section 186 of the Companies Act, 2013 is not applicable to the Company.

NOTE: 46

The terms of section 135 of the Companies Act, 2013 and related rules pertaining to corporate social responsibilities are applicable to the company, however, on account of losses in the immediately preceding three financial years the company is not required to spend any sum on corporate social responsibility activities for the current year.

NOTE: 47

As the company was unable to carry its main business activity of power generation due to higher gas prices rendering the operations unviable and the plant being un-operational throughout the year, it resulted in the interest income (before waiver) on amounts extended to its SPVs involved in power generation business becoming along with the gain generated from the sale of its investments, higher than the operational income, triggering the requirement for registration as Non Banking Financial Company (NBFC). Since the company does not intend to carry on the business of NBFC, it applied for and is awaiting the RBI exemption from registration as a NBFC for FY 2016-17, FY 2017-18, FY 2018-19 and FY 2019-20. The company had earlier received similar exemption from RBI for the FY 2015-16.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

NOTE: 48

L&T Infrastructure Finance Co. Ltd. (L&T) has submitted an application in National Company Law Tribunal (NCLT), Ahmedabad Bench on 18 Feb 2019, for initiation of corporate insolvency resolution process against Essar Power Limited, who is the Corporate Guarantor, for its facility in EPGL. EPOL has made balance payment as per One Time Settlement (OTS) approved by L&T. Accordingly, L&T has ceased to be a lender of EPGL and is in the process of giving No Dues Certificate. L&T is also in the process of withdrawing NCLT application as their debt to EPGL is fully settled as per the OTS.

NOTE: 49

The remuneration paid to its ex-Managing Director of Rs. 4.76 crore in FY 15-16 and Rs. 4.44 crore in FY 14-15 was in excess of limits specified under section 197 of the Companies Act, 2013 read with Schedule V of the Companies Act, 2013. The Company is considering recovery of the excess remuneration. The company has made various efforts to recover Rs. 9.20 Crore. However in view of non recovery, the company has written off this amount during the year as part of Operation & maintenance Expenses.

NOTE: 50

Previous years figures have been regrouped / rearranged whenever necessary to conform to the current year's presentations.

NOTE: 51

RELATED PARTY DISCLOSURE

Disclosure of related party transactions and balances as required by Indian Accounting Standard - 24 (Ind AS 24) "Related party disclosures" are as follows

(A) Holding Companies

1. Ultimate Holding Company - Essar Global Fund Limited, Cayman Islands (EGFL)
2. Intermediate Holding Company - Essar Energy Limited (EEL) { formerly known as Essar Energy PLC (till July 21, 2014)}
3. Holding Company - Essar Power Holdings Limited (EPOHL)

(B) Parties with whom transactions have been entered into during the year in the ordinary course of business are:

(a) Subsidiaries

- 1) Bhandar Power Limited (BPOL)
- 2) Essar Electric Power Development Corporation Limited (EEPDC)
- 3) Essar Power Transmission Company Limited (EPTCL)
- 4) Essar Power M.P. Limited (EPMPL)
- 5) Essar Power Overseas Limited (EPOVSL)
- 6) Essar Power Hazira Limited (EPHL)
- 7) Essar Power (Jharkhand) Limited (EPJL)
- 8) Essar Power Gujarat Limited (EPGL)
- 9) Essar Power (Orissa) Limited (EPORL)
- 10) Essar Power Resources Limited (EPRL) (formerly known as Essar Power Distribution Company Limited)
- 11) Essar Power and Minerals Limited (EPAML)
- 12) Ultra Lng Urja Limited (ULUL)

(b) Fellow Subsidiaries

- 1) Essar Wind Power Private Limited (EWPPPL)
- 2) Essar Power Hazira Holdings Limited (EPHHL)

(c) Enterprises commonly controlled or influenced by major shareholders / directors of the Company:

- 1) EPC Constructions India Limited (formerly known as Essar Projects (India))
- 2) Aegis Limited (Aegis)
- 3) Essar Ports Limited (formerly known as Essar Africa Holdings Limited)
- 4) Essar Minerals Resources Limited (EMRL)
- 5) Essar Steel India Limited (ESTL Up to 15 Dec 2019) Currently Known as Arcelormittal Nippon Steel India Limited (AMNS)
- 6) Tirunelveli Wind Farms Limited (TWFL)
- 7) Essar Oil Limited (EOL) (Ceased to wef 18.08.2017)
- 7) Essar Energy Services Mauritius Limited (EESML)
- 8) Essar Power Canada Limited (EPCL)
- 9) Ambeshwar Engineering Hydro Project Limited (AEHP)
- 10) Essar Steel Metal Trading Limited (ESMTL)



ESSAR POWER LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

(d) Key Management Personnel

- 1) Shri Pradeep Mittal , Executive Vice Chairman & CEO (upto 30th September, 2020)
- 2) Shri Kapil Singla , Director (upto 24th October, 2019)
- 3) Shri Kush CEO (w.e.f. 1st October, 2020)
- 4) Shri Vinod Jain , CFO (w.e.f. Nov 28, 2018)
- 5) Shri T Rajmohan , Director (w.e.f. October 1, 2020)
- 6) Shri Nitin Patil , Director (w.e.f. October 1, 2020)
- 7) Shri Prakash Khedekar, Company Secretary (w.e.f. Sept 20 2018)

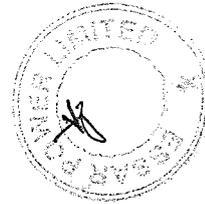
Refer Annexure A for details of transactions and outstanding balances as at Balance Sheet date with related parties.

NOTE: 52

Covid-19 effect

Since December, 2019 COVID-19, a new strain of coronavirus has spread globally including India. This event significantly affects economic activity worldwide and, as a result, could affect the operations and results of the Company. The Company has considered the possible effects that may result from the pandemic relating to COVID-19 on the carrying amounts of receivables and other assets. The Company expects to fully recover the carrying amount of these assets. The impact of the coronavirus on our business will depend on future developments that cannot be reliably predicted, including actions to contain or treat the disease.

The impact of global health pandemic might be different from that estimated as at the date of approval of these financial results and the company will closely monitor any material changes to future economic conditions



Annexure A: Details of transactions and outstanding balances with related parties

| | March 31, 2020 | | | | | | | March 31, 2019 | | | | | | |
|--|---------------------|-----------------|------------|-------------------|---------------|--|--------------------------|-----------------|------------|-------------------|---------------|--|--------------------------|--|
| | Name of the Company | Holding Company | Subsidiary | Fellow Subsidiary | Joint Venture | Enterprises commonly controlled or influenced by major Shareholders / Directors of the company | Key Management Personnel | Holding Company | Subsidiary | Fellow Subsidiary | Joint Venture | Enterprises commonly controlled or influenced by major Shareholders / Directors of the company | Key Management Personnel | |
| Details of transactions during the year ended | | | | | | | | | | | | | | |
| Issue of Shares | ESMTL | | | | | | | | | | | | | |
| Advance towards equity/preference shares/allotment | EPCL | | | | | | | | | | | | 537.95 | |
| | EPGL | | | | | | | | 13.00 | | | | | |
| | EPMPL | | | | | | | | 545.74 | | | | | |
| | EPHL | | | | | | | | 823.70 | | | | | |
| | EPJL | | | | | | | | 71.17 | | | | | |
| Conversion of inter corporate deposit given into preference shares | EPJL | | | | | | | | 271.70 | | | | | |
| | EPGL | | 35.68 | | | | | | 10.30 | | | | | |
| | EPMPL | | 2.40 | | | | | | 5.00 | | | | | |
| | EPOL | | 1.92 | | | | | | | | | | | |
| | EPDCL | | 20.53 | | | | | | | | | | | |
| Inter corporate deposits given / Assigned | EPHL | | 16.94 | | | | | | | | | | | |
| | EPCL | | 16.94 | | | | | | | | | | | |
| | EPJL | | 136.61 | | | | | | | | | | | |
| | EPOL | | | | | | | | 0.53 | | | | | |
| Interest income on inter corporate deposits given | EPOL | | 35.63 | | | | | | | | | | | |
| | EPOL | | 203.92 | | | | | | | | | | | |
| | EPHL | | 16.94 | | | | | | | | | | | |
| | EPDCL | | 2.00 | | | | | | | | | | | |
| | EPHL | | | 11.37 | | | | | | | | | | |
| | EPHL | | | 6.50 | | | | | | | | | | |
| Inter corporate deposits obtained / Assigned | EPDCL | | 3.18 | | | | | | | | | | | |
| | ESMTL | | | | | 118.49 | | | | | | | 219.42 | |
| Interest expenses on inter corporate deposits obtained | MCL | | | | 0.10 | | | | | | | | | |
| | EWPPPL | | | 44.84 | | | | | | | | | | |
| | VPCJ | | | | | | | | | | | | | |
| | BTPL | | | | | | | | | | | | | |
| | EPHL | | | 6.50 | | | | | | | | | | |
| | EPDCL | | 9.48 | | | | | | | | | | | |
| | MCL | | | | 5.30 | | | | | | | | | |
| | ESMTL | | | | | 101.22 | | | | | | | | |
| Details of transactions during the year ended | | | | | | | | | | | | | | |
| Income from operations and other income | EPORL | | 2.70 | | | | | | | | | | | |
| | EPHL | | 24.42 | | | | | | | | | | | |
| | EPOL | | 16.60 | | | | | | | | | | | |
| Water from government reservoir expenses shared | ESTL | | | | | 0.05 | | | | | | | | |
| Sale of stores, spares, misc. consumables, equipments | EPOL | | 2.25 | | | | | | | | | | | |
| Provision for Doubtful Debts | EPJL | | | | | | | | | | | | | |
| | EPIL | | | | | | | | | | | | 5.13 | |
| Provision for Impairment of Investment | EPVRSJL | | 430.72 | | | | | | | | | | | |
| | EPMPL | | 823.70 | | | | | | | | | | | |
| | EPVRSJL | | 362.75 | | | | | | | | | | | |
| | EPGL | | 0.80 | | | | | | | | | | | |
| | EPORL | | 0.00 | | | | | | | | | | | |
| | AEHPP | | | | | 0.01 | | | | | | | | |
| | EPIL | | | | | 24.84 | | | | | | | | |
| | EPJL | | | | | 1.17 | | | | | | | | |
| | EPJL | | | | | 0.05 | | | | | | | | |
| | EPJL | | | | | 0.02 | | | | | | | | |
| | EWPPPL | | | | | 0.03 | | | | | | | | |
| | ESTL | | | | | 15.55 | | | | | | | | |
| | EPMPL | | 0.38 | | | | | | | | | | | |
| Written off of Receivable | EPIL | | | | | 0.23 | | | | | | | | |
| | EPCL | | | | | 5.31 | | | | | | | | |
| | BTPL | | | | | 0.21 | | | | | | | | |
| | ESTL | | | | | 0.05 | | | | | | | | |
| | EPHL | | | | | 0.01 | | | | | | | | |
| Reimbursement of Exp | EPHL | | 0.40 | | | | | | | | | | 0.20 | |
| | EPORL | | | | | | | | | | | | 0.20 | |



INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ESSAR POWER LIMITED

Report on the Consolidated Financial Statements

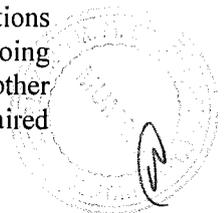
Qualified Opinion

We have audited the accompanying consolidated Indian Accounting Standards ("Ind AS") financial statements of ESSAR POWER LIMITED (hereinafter referred to as the "Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as the "Group"), which comprise the Consolidated Balance Sheet as at 31st March, 2020, the Consolidated Statement of Profit and Loss (including the Statement of Other Comprehensive Income), the Consolidated Statement of Cash Flow and the Consolidated Statement of Changes in Equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "Consolidated Financial Statements") which includes joint operations of the group on a proportionate basis.

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of the reports of other auditors on the financial statements of the subsidiaries referred to below in sub-paragraph (a) of the Other Matters paragraph, except for the effects (to the extent ascertained) of the matter described in the Basis for Qualified Opinion paragraph below, the consolidated financial statements give the information required by the Companies Act, 2013, ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31st March, 2020, its consolidated loss including Other Comprehensive Income, its consolidated Cash Flows and the Statement of Changes in Equity for the year ended on that date.

Basis for Qualified Opinion

1. As mentioned in Note 19, the Group has accumulated losses of Rs. 20,672.76 crore which has resulted in complete equity erosion of the Group. The Group's current liabilities exceed its current assets by Rs. 21,866.89 crore. As explained in Note 3 read with Note 54, the Group has substantially impaired its Property, Plant & Equipment considering the overall situation regarding availability of natural gas which is unlikely to change in coming years, unviability at contracted tariffs and lower recoverable amount of PPE compared to carrying amount. As explained in Note 27(A)(f), the Company has received a recall notice from one of the lenders for repayment of total outstanding and the lender has initiated legal proceedings in DRT-1, Mumbai for recovering the same. Further, as explained in Note 53(d), one of the lenders of a subsidiary has taken the Company to NCLT under Insolvency and Bankruptcy Code, 2016, as the Company was a corporate guarantor for loans taken by the subsidiary. As mentioned in Note 58(D) BPOL, a subsidiary of the Company, was unable to repay its outstanding dues to Edelweiss Asset Reconstruction Company as a result of which EARC invoked the security under SARFAESI and took over the land, Property, Plant & Equipment, spare inventory and project documents like clearances and approvals, Power Purchase Agreement, Facility Usage Agreement, of BPOL. Further, as mentioned in Note 58(B), EPML, a material subsidiary of the Company, was admitted for insolvency proceedings under Insolvency & Bankruptcy Code. Recall notices have been served on EPML by all its lenders as mentioned in Note 27(E). We further draw attention to Note 51 relating to the Hon'ble NGT order for supply of coal which may impact the operations of EPML. In case of EPGL, a subsidiary of the Company, the ability to continue as going concern depends on EPGL's ability to enter into a one-time settlement with its lenders and other reasons as explained in Note 58(C). As mentioned in Note 5, the Group has completely impaired



its investments considering non-recoverability in the current scenario. These situations indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and the Group has prepared its Consolidated financial statements as a going concern for reasons mentioned in Note 58. The impact of the same on the Consolidated Financial Statements of the Group is unascertainable.

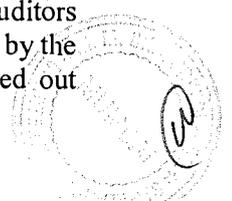
2. We draw your attention to Footnote (1) of Annexure 'A' of Note 43 of the CFS regarding amount of Rs. 7.70 crore paid as managerial remuneration to two managerial personnel in earlier years, which were subject to approval of shareholders and lenders and is presently pending recovery.
3. As mentioned in Note 27(F)(e), Essar Power Orissa Limited, a subsidiary of the Company, has defaulted in repayment of its outstanding dues to its lenders. In response the lenders have recalled their facilities and one of the lenders has referred the matter to Debt Recovery Tribunal for further actions.
4. An inter-corporate deposit of Rs. 129.51 crore which was payable by BPOL to the Company has been assigned to EPORL during the year. The assignment was without the approval of lenders of EPORL. The ICD balance has been eliminated as intercompany elimination in consolidation process.

We conducted our audit of the Consolidated Financial Statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the "Code of Ethics" issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the Consolidated Financial Statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the Consolidated Financial Statements.

Emphasis of Matters

We draw attention to the following matters in the Notes to the consolidated financial statements:

1. Note 40(ii) regarding status of litigation with the customer (GUVNL). Trade receivables of Rs. 1,066.86 Crore (including delayed interest and overdue interest thereon aggregating to Rs. 582.25 Crore) as at 31st March, 2020 from the said customer are unconfirmed and represent amounts withheld by GUVNL substantially on account of the disputed matters described in the note. Based on earlier favourable decision of GERC which is contested by GUVNL, no provision is considered necessary against the claim or towards the disputed receivables recorded in the books of account in accordance with the Power Purchase Agreement with GUVNL.
2. Note 53(b) regarding the Company's Non-Banking Finance Company ("NBFC") status. The Company has applied to the Reserve Bank of India seeking waiver from registration as NBFC for FY 2019-20 on 2nd March, 2020, and is awaiting reply on the same. The Company had filed a similar application during FY 2018-19, 2017-18 and FY 2016-17 as well, for which it is yet to receive any response.
3. The management of EPGL were unable to carry out the physical verification of the inventory in the month of March 2020 due to shutdown of its plant following the nationwide lockdown imposed by the Government of India in view of the COVID 19 pandemic and the same was conducted by the management of EPGL in the month of June 2020. The attendance of auditors of the Company and EPORSL was impracticable under the lockdown restriction imposed by the Government of India. The auditors of the Company, EPGL and EPORSL have carried out



alternative procedures to assess the accuracy of inventories as reported in their respective standalone financial statements.

4. Attention is drawn to Note 49 which describes the uncertainties and the impact of COVID 19 pandemic on operations of the Group, recoverability of assets and results as assessed by the managements of respective subsidiaries. Further attention is drawn to Note 4 regarding further provision Rs. 86.92 by EPORSL towards impairment of its CWIP.
5. As explained in Note 11(d), the Group has written off trade receivables from Essar Steel India Limited pursuant to completion of IBC proceedings. The Group had made 100% provisions against the receivables in previous years. During the year, the Group has received Rs. 67.38 Crore and the balance Rs. 231.18 Crore have been written off.
6. Note 50(iii) regarding pending receipt of necessary regulatory approvals for payment made in earlier years of Rs. 23.31 crores (USD 3.5 Million) (ECB liability including interest of Rs. 22.62 crores) to ICICI Bank, Bahrain branch directly by EPHL (a group company) on behalf of EPMPPL and write back of the said amount in income, during previous year, as stated in the said note.
7. As stated in Note 50(i) regarding balances of secured and certain unsecured loans and short term borrowings, certain advances/receivables (including capital advances), creditors/payables (including of micro, small & medium enterprises), certain group companies, certain bank accounts, fixed deposits, capital contracts (remaining to be executed) and balance written back of capital supplier are subject to confirmation and / or reconciliation as stated in the said note. Note 9(iii) regarding non provision against certain overdue capital advances and other advances which have been considered good and fully recoverable by the management of EPMPPL as explained in the said note.
8. Note 37 regarding provision made and charged by EPMPPL to its statement of profit and loss under Exceptional Items during the year on account of (i) impairment of property, plant and equipment of Rs. 2,811 crores, as stated in Note 37(a)(i) which is based on EPMPPL's management's assessment and as assessed by an independent expert; (ii) against amount recoverable from Nominated authority of Rs. 491.64 crore as stated in Note 37(b) relating to amount incurred for Tokisud coal block and (iii) against disputed water charges of amounting to Rs. 391.01 crores (including interest of Rs. 199 crores) as stated in Note 37(c). Further, as explained in Note 37(a)(ii), a provision of 860.64 crore is made by EPGL towards impairment of property, plant and equipment.

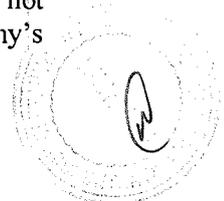
Our opinion is not modified in respect of the above matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements for the financial year ended 31st March, 2020. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our report on the stand alone financials of the Company and the audit reports received from the auditors of the subsidiaries, we have determined that there are no key audit matters to communicate in the audit report of the consolidated financial statements of the group.

Other Information

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the Consolidated Financial Statements and our auditor's report thereon. The Company's annual report is expected to be made available to us after the date of auditor's report.



Our opinion on the Consolidated Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. When we read the annual report, if we conclude that there is a material misstatement of this other information, we are required to report that fact. We will report such facts, if any, once the annual report is made available to us.

Management's Responsibilities for the Consolidated Financial Statements

The Company's Board of Directors is responsible for preparation and presentation of these Consolidated Financial Statements in terms of the requirement of the Act, that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and the consolidated statement of changes in equity of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended.

The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Consolidated Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error which have been used for the purpose of preparation of Consolidated Financial Statements by the Directors of the Company as aforesaid.

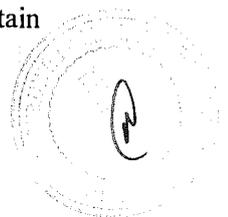
In preparing the Consolidated Financial Statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors of the companies included in the Group are also responsible for overseeing the financial reporting process the Group.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

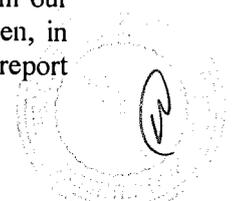


- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to Consolidated Financial Statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group of which we are the independent auditors and whose financial information we have audited, to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the Consolidated Financial Statements of which we are the independent auditors. For the other entities included in the Consolidated Financial Statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Company and such other entities included in the Consolidated Financial Statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements for the financial year ended 31st March, 2020, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report



because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

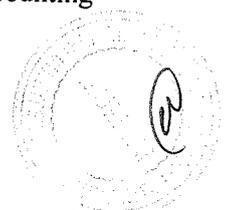
1. We did not audit the financial statements of eight subsidiaries, whose financial statements reflect total assets of Rs. 10,707.29 Crore as at 31st March, 2020, total revenues of Rs. 3,294.31 Crore and net cash outflows amounting to Rs. 113.85 Crore for the year ended on that date, as considered in the Consolidated Financial Statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the Consolidated Financial Statements, in so far as it relates to amounts and disclosures included in respect of these subsidiaries and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries and associate is based solely on the reports of the other auditors.
2. The Consolidated Financial Statements include the unaudited financial statements/ financial information of one subsidiary, whose financial statements/financial information reflect total assets of Rs. 13.11 crore as at March 31, 2020, total revenues of Rs. 0.38 lakhs and Nil cash flows for the year ended on that date, as considered in the Consolidated Financial Statements. These financial statements are unaudited and pending approval of the management of the subsidiary and our opinion on the Consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on such unaudited financial statements.

Our opinion on the Consolidated Financial Statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of above matters with respect to our reliance on the work done and report of the other auditors and financial statements certified by the Management.

Report on Other Legal and Regulatory Requirements

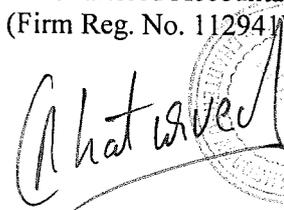
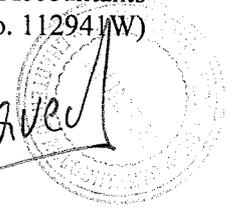
As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and other financial information of subsidiaries as referred to in Other Matters paragraph above, we report, to the extent applicable, that:

1. Except for the matters described in the Basis of Qualification paragraph above, we and the other auditors whose reports we have relied upon, have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid Consolidated Financial Statements.
2. Except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, in our opinion and in the opinion of the other auditors whose reports we have relied upon, proper books of account as required by law relating to preparation of the aforesaid Consolidated Financial Statements have been kept so far as it appears from our examination of those books.
3. The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the Consolidated Financial Statements.
4. Except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, in our opinion, the aforesaid Consolidated Financial Statements comply with the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standard) Rules, 2015, as amended.



5. In our opinion, the matters described in the Basis of Qualified Opinion paragraph above and under the Emphasis of Matters paragraph above may have an adverse effect on the functioning of the Group.
6. On the basis of the written representations received from the directors of the Company as on 31st March, 2020, taken on record by the Board of Directors of the Company and the reports of the other statutory auditors of its subsidiaries incorporated in India, none of the directors of the Company, subsidiaries incorporated in India and whose audited accounts are available, are disqualified as on 31st March, 2020, from being appointed as a director in terms of Section 164 (2) of the Act.
7. The qualification relating to going concern assumption for preparation of Consolidated Ind AS Financial Statements is as stated in the Basis for Qualified Opinion paragraph above.
8. With respect to the adequacy of the internal financial controls with reference to financial statements of the Company, its subsidiaries and the operating effectiveness of such controls, refer to our separate Report in Annexure to this report.
9. In our opinion and based on the information and explanation provided to us, and in the opinion of the statutory auditors of the subsidiaries incorporated in India and on whose reports we have relied, the managerial remuneration for the year ended 31st March, 2020, has been paid/provided by the Group in accordance with the provisions of section 197 read with Schedule V to the Act.
10. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on separate financial statements of the subsidiaries as noted in the Other Matter paragraph:
 - (i) The Group has disclosed the impact of pending litigations on its financial position in the Consolidated Financial Statements vide Note 40.
 - (ii) The Group has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts. This is to be read with Note 40(iii)(a), 41, 37(b) and 40(iv)(d).
 - (iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund, wherever applicable, by the Company, its subsidiaries incorporated in India.

For M.M.Chaturvedi & Co.,
Chartered Accountants
(Firm Reg. No. 112941W)

Rishabh Chaturvedi
Partner

Membership No. 124465

UDIN: 20124465AAAAAF4178

Mumbai
6th November, 2020

Annexure to the Independent Auditor's Report on the Consolidated Financial Statements of Essar Power Limited – 31st March, 2020 referred to in our report of even date**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act**

In conjunction with our audit of the Consolidated Financial Statements of Essar Power Limited as of and for the year ended 31st March, 2020, we have audited the internal financial controls with reference to Consolidated Financial Statements of Essar Power Limited ("the Company") and its subsidiaries which are companies incorporated in India, as on that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Company and its subsidiaries which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

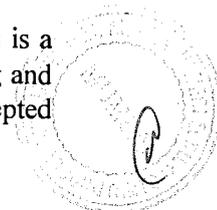
Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to Consolidated Financial Statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to Consolidated Financial Statements and their operating effectiveness. Our audit of internal financial controls with reference to Consolidated Financial Statements included obtaining an understanding of internal financial controls with reference to Consolidated Financial Statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their report referred to in Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system with reference to Consolidated Financial Statements.

Meaning of Internal Financial Controls with reference to Consolidated Financial Statements

A company's internal financial control with reference to Consolidated Financial Statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted



accounting principles. A company's internal financial control with reference to Consolidated Financial Statements includes those policies and procedures that:

- 1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- 2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- 3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with reference to financial statements

Because of the inherent limitations of internal financial controls with reference to Consolidated Financial Statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to Consolidated Financial Statements to future periods are subject to the risk that the internal financial control with reference to Consolidated Financial Statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Qualified Opinion

Based on the statutory audit report receive from one of the subsidiary and relied upon by us, the following material weakness have been identified as at March 31, 2020:

1. Non recovery of managerial remuneration paid to two managing directors aggregating to Rs. 7.70 crores in the earlier years which could result in non-compliance of provisions of Section 197 of the Companies Act, 2013 [refer footnote 1 of Annexure A of Note 43].

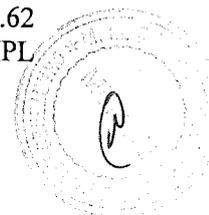
A 'Material weakness' is a deficiency, or a combination of deficiencies in internal financial controls over financial, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, except for the effects/possible effects of the material weakness described above on the achievement of the objective of the control criteria, the Company, its subsidiaries which are companies incorporated in India have maintained, in all material respects, an adequate internal financial controls system with reference to Consolidated Financial Statements and such internal financial controls with reference to Consolidated Financial Statements were operating effectively as at 31st March, 2020, based on the internal control with reference to Consolidated Financial Statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

Emphasis of Matter

Attention is drawn to:

1. Note 50(iii) regarding pending receipt of necessary regulatory approvals for payment made in earlier years of Rs. 23.31 crores (USD 3.5 Million) (ECB liability including interest of Rs. 22.62 crores) to ICICI Bank, Bahrain branch directly by EPHL (a group company) on behalf of EPMPPL and write back of the said amount in income, during previous year, as stated in the said note.



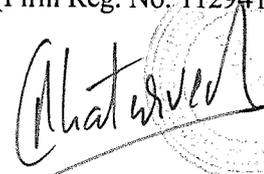
2. As stated in Note 50(i) regarding balances of secured and certain unsecured loans and short term borrowings, certain advances/receivables (including capital advances), creditors/payables (including of micro, small & medium enterprises), certain group companies, certain bank accounts, fixed deposits, capital contracts (remaining to be executed) and balance written back of capital supplier are subject to confirmation and / or reconciliation as stated in the said note. Note 9(iii) regarding non provision against certain overdue capital advances and other advances which have been considered good and fully recoverable by the management of EPMPPL as explained in the said note.
3. Note 50(iv) regarding further strengthening internal control over handling / transportation, receipt, consumption, reconciliation, etc., of coal through process automation.

Our opinion is not modified in respect of above stated matters.

Other Matter

Our report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to these Consolidated Financial Statements in so far as it relates to eight subsidiary companies, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India.

For M.M.Chaturvedi & Co.,
Chartered Accountants
(Firm Reg. No. 112941W)



Rishabh Chaturvedi

Partner

Membership No. 124465

UOIN: 20124465AAAAAF4178

Mumbai
6th November, 2020

ESSAR POWER LIMITED
CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2020

Rs. in Crore

| | Note no | As at March 31, 2020 | As at March 31, 2019 |
|---|---------|-------------------------|-------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 3 | 9,173.37 | 13,661.57 |
| Other Intangible assets | 3.1 | 67.57 | 74.31 |
| Capital work in progress | 4 | 30.68 | 134.18 |
| Right-of-use asset | 4.1 | 100.32 | - |
| Financial assets: | | | |
| Investments | 5 | 0.00 | 0.01 |
| Loans | 6 | 63.03 | 41.75 |
| Other financial assets | 7 | 1.04 | 0.66 |
| Deferred tax assets (net) | 8 | 146.43 | 103.98 |
| Other non-current assets | 9 | 38.36 | 271.99 |
| | | 9,620.80 | 14,288.45 |
| Current assets | | | |
| Inventories | 10 | 470.87 | 268.44 |
| Financial assets: | | | |
| Trade receivables | 11 | 1,299.05 | 1,419.54 |
| Cash and cash equivalents | 12 | 178.51 | 54.81 |
| Bank balances other than cash and cash equivalents | 13 | 57.64 | 26.09 |
| Loans | 14 | 135.34 | 8.07 |
| Other financial assets | 15 | 6.04 | 19.88 |
| Current tax assets (net) | 16 | 80.12 | 69.94 |
| Other current assets | 17 | 87.63 | 145.82 |
| | | 2,315.20 | 2,012.59 |
| | | 11,936.00 | 16,301.04 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Equity share capital | 18 | 460.92 | 460.92 |
| Other equity | | | |
| Equity component of compulsorily convertible cumulative preference shares | 18 | 5,440.20 | 5,440.20 |
| Reserves and surplus | 19 | (17,747.24) | (12,673.56) |
| Other reserves | 20 | (64.34) | 41.92 |
| Equity attributable to owners | | (11,910.46) | (6,730.52) |
| Non-controlling interest | | (5,117.32) | (3,060.66) |
| | | (17,027.78) | (9,791.18) |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Financial liabilities: | | | |
| Borrowings | 21 | 4,489.29 | 5,127.34 |
| Other financial liabilities | 22 | 116.31 | - |
| Lease Liability | 4.1 | 104.98 | - |
| Provisions | 23 | 68.83 | 69.26 |
| Deferred tax liabilities (net) | 24 | 2.28 | - |
| | | 4,781.69 | 5,196.60 |
| Current Liabilities | | | |
| Financial Liabilities: | | | |
| Borrowings | 25 | 6,392.61 | 5,872.34 |
| Lease Liability | 4.1 | 18.22 | - |
| Trade payables | 26 | - | - |
| Total outstanding of micro and small enterprises | | 18.86 | 10.27 |
| Others | | 873.95 | 236.08 |
| Other financial liabilities | 27 | 16,639.83 | 14,494.13 |
| Provisions | 28 | 7.33 | 7.51 |
| Current tax liabilities (net) | 29 | 108.53 | 108.53 |
| Other current liabilities | 30 | 122.76 | 166.76 |
| | | 24,182.09 | 20,895.62 |
| | | 11,936.00 | 16,301.04 |

The accompanying notes are an integral part of these financial statements
In terms of our report attached

For M. M. Chaturvedi & Co.
Chartered Accountants
Firm Registration No. 112941W

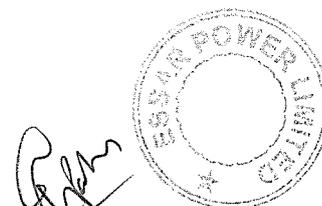
Chaturvedi

Rishabh Chaturvedi
Partner
Membership No. 124465

For and on behalf of the Board of Directors

T. Rajmohan

T Rajmohan
Director
DIN:07949704



Nitin Patil
Nitin Patil
Director
DIN:07602888

Prakash Khedekar

Prakash Khedekar
Company Secretary
PAN: A1PK1718L
Mumbai
Dated: 06 November 2020

Kish

Kish
Chief Executive Officer
PAN: A1FPK4987M
Mumbai
Dated: 06 November 2020

Vinod Jain

Vinod Jain
Chief Financial Officer
PAN: AAMPJ7907K
Mumbai
Dated: 06 November 2020

ESSAR POWER LIMITED
CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR YEAR ENDED MARCH 31, 2020

Rs. in Crore

| | Note no. | For the year ended March 31, 2020 | For the year ended March 31, 2019 |
|--|----------|--------------------------------------|--------------------------------------|
| INCOME | | | |
| Revenue from operations | 31 | 3,233.27 | 1,645.94 |
| Other income | 32 | 76.88 | 69.66 |
| | | 3,310.15 | 1,715.60 |
| EXPENSES | | | |
| Cost of fuel | 33 | 1,497.35 | 348.50 |
| Cost of traded good sold | | 3.23 | 65.68 |
| Employee benefit expenses | 34 | 136.96 | 110.82 |
| Other expenses | 35 | 489.09 | 517.07 |
| | | 2,126.63 | 1,042.07 |
| Profit before finance costs, depreciation, amortisation, exceptional item and tax | | 1,183.52 | 673.53 |
| Finance costs | 36 | 3,413.18 | 3,028.26 |
| Loss before depreciation, amortisation, exceptional item and tax | | (2,229.66) | (2,354.73) |
| Depreciation and amortisation | | 551.00 | 504.83 |
| Loss before exceptional item and tax | | (2,780.66) | (2,859.56) |
| Exceptional items | 37 | 4,444.59 | (1,652.98) |
| Loss before tax | | (7,225.25) | (1,206.59) |
| Tax expense | 38 | | |
| Current tax | | 0.08 | 0.57 |
| Adjustment of tax relating to earlier periods | | 0.10 | - |
| Deferred tax | | (40.07) | (353.16) |
| Net tax expense/(benefit) | | (39.89) | (352.59) |
| Loss after tax for the year before share in profit/(loss) of jointly controlled entities and associates | | (7,185.36) | (854.00) |
| Add: Share in (loss) /profit of jointly controlled entities and associates, (net of tax) | | - | - |
| Loss for the year | | (7,185.36) | (853.99) |
| OTHER COMPREHENSIVE INCOME | | | |
| Items that will not be reclassified to profit or loss | | | |
| Remeasurement of the defined benefit plans | | (0.90) | (1.65) |
| Income tax effect | | (0.06) | 0.34 |
| | | (0.96) | (1.31) |
| Items that will be reclassified to profit or loss | | | |
| Exchange difference in translating the financial statements of foreign operations | | (16.43) | 29.45 |
| | | (16.43) | 29.45 |
| Other comprehensive income for the year, net of tax | | (17.39) | 28.14 |
| Total comprehensive income for the year, net of tax | | (7,202.75) | (825.85) |

| | | | |
|--|--|-------------------|-----------------|
| Profit / (Loss) attributable to: | | | |
| Owners of Essar Power Limited | | (5,038.88) | (54.71) |
| Non-controlling interests | | (2,146.48) | (799.27) |
| | | (7,185.36) | (853.98) |
| Other comprehensive income attributable to: | | | |
| Owners of Essar Power Limited | | (107.22) | 28.36 |
| Non-controlling interests | | 89.83 | (0.22) |
| | | (17.39) | 28.14 |
| Total comprehensive income attributable to: | | | |
| Owners of Essar Power Limited | | (5,146.10) | (26.36) |
| Non-controlling interests | | (2,056.65) | (799.48) |
| | | (7,202.75) | (825.84) |

Earnings / (loss) per equity share (in Rs.)

| | | |
|---------|---------|--------|
| Basic | (62.34) | (7.41) |
| Diluted | (62.34) | (7.41) |

(Refer Note 47)

The accompanying notes are an integral part of these financial statements

In terms of our report attached

For M. M. Chaturvedi & Co.

Chartered Accountants

Firm Registration no. 11294 W

(Signature)

Rishabh Chaturvedi

Partner

Membership No. 124465

(Signature)

Prakash Khedekar

Company Secretary

PAN:ALIPK1718L

Mumbai

Dated: 06 November 2020

For and on behalf of the Board of Directors

(Signature)

T Rajmohan

Director

DIN:07949704

(Signature)

Kush

Chief Executive Officer

PAN:AIFPK4987M

Mumbai

Dated: 06 November 2020

(Signature)

Nitin Patil

Director

DIN:07602888

(Signature)

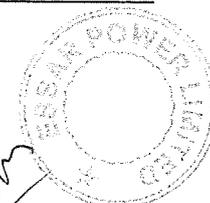
Vinod Jain

Chief Financial Officer

PAN:AAMPJ7907K

Mumbai

Dated: 06 November 2020



ESSAR POWER LIMITED
STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED MARCH 31, 2020

| | Rs. in Crore | | Rs. in Crore | | | | | | | | | | | |
|--|-------------------------|----------------------|---|----------------------------|-------------------------|-------------------------------|--|----------------------------------|-------------------|--------------------------------------|---------------------------------------|-------------------------------|------------|-------------|
| | A. Equity share capital | | Reserve and surplus | | | | | | Other reserves | | | Non-controlling interest | Total | |
| | As at March 31, 2018 | As at March 31, 2019 | Equity component of compulsorily convertible cumulative preference shares | Securities premium account | Debt redemption reserve | Preference Redemption Reserve | Securities premium Reserve - for premium payable on redemption of preference | Capital reserve on Consolidation | Retained Earnings | Foreign currency translation reserve | Money received against share warrants | Equity Attributable to owners | | |
| Changes in equity share capital | 460.92 | - | 4,754.08 | 1,689.45 | 49.64 | 267.98 | 810.83 | 107.62 | (15,531.77) | 12.46 | - | (7,839.70) | (2,261.17) | (10,100.87) |
| As at March 31, 2018 | 460.92 | - | - | - | - | - | - | - | (11.50) | - | - | (11.50) | - | (11.50) |
| Changes in equity share capital | 460.92 | - | - | - | - | - | - | - | (54.71) | - | - | (54.71) | (799.27) | (853.98) |
| As at March 31, 2019 | 460.92 | - | - | - | - | - | - | - | (1.10) | 29.45 | - | 28.35 | (0.22) | 28.13 |
| Changes in equity share capital | 460.92 | - | - | (28.70) | - | - | 28.70 | - | (55.81) | 29.45 | - | (26.36) | (799.49) | (825.85) |
| As at March 31, 2020 | 460.92 | - | 686.12 | - | - | - | - | - | - | - | - | - | - | - |
| B. Other equity | | | 5,440.20 | 1,660.75 | 49.64 | 267.98 | 839.53 | 107.62 | (15,599.08) | 41.91 | - | (7,191.44) | (3,060.66) | (10,252.10) |
| Balance as at March 31, 2018 | - | - | 5,440.20 | 1,660.75 | 49.64 | 267.98 | 839.53 | 107.62 | (33.86) | - | - | (33.86) | - | (33.86) |
| Adjustment to Opening Retained Earnings due to subsidiaries reinstatement Profit / (Loss) for the year | - | - | - | - | - | - | - | - | (5,038.88) | - | - | (5,038.88) | (2,146.48) | (7,185.36) |
| Other comprehensive income for the year | - | - | - | - | - | - | - | - | (0.96) | (106.25) | - | (107.22) | 89.83 | (17.39) |
| Total comprehensive income for the year | - | - | - | - | - | - | - | - | (5,039.84) | (106.25) | - | (5,146.10) | (2,056.65) | (7,202.75) |
| Transfer to Securities Premium - for premium payable on redemption of preference shares | - | - | - | (28.70) | - | - | 28.70 | - | - | - | - | - | - | - |
| Adjustment to Retained earnings | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Issue of Cumulative Convertible Preference Shares | - | - | 686.12 | - | - | - | - | - | - | - | - | 686.12 | - | 686.12 |
| Balance as at March 31, 2019 | - | - | 5,440.20 | 1,660.75 | 49.64 | 267.98 | 839.53 | 107.62 | (15,599.08) | 41.91 | - | (7,191.44) | (3,060.66) | (10,252.10) |
| Adjustment to Opening Retained Earnings | - | - | - | - | - | - | - | - | (33.86) | - | - | (33.86) | - | (33.86) |
| Profit / (Loss) for the year | - | - | - | - | - | - | - | - | (5,038.88) | - | - | (5,038.88) | (2,146.48) | (7,185.36) |
| Other comprehensive income for the year | - | - | - | - | - | - | - | - | (0.96) | (106.25) | - | (107.22) | 89.83 | (17.39) |
| Total comprehensive income for the year | - | - | - | - | - | - | - | - | (5,039.84) | (106.25) | - | (5,146.10) | (2,056.65) | (7,202.75) |
| Transfer to Securities Premium - for premium payable on redemption of preference shares | - | - | - | (28.70) | - | - | 28.70 | - | - | - | - | - | - | - |
| Balance as at March 31, 2020 | - | - | 5,440.20 | 1,632.05 | 49.64 | 267.98 | 868.23 | 107.62 | (20,672.76) | (64.34) | - | (12,371.40) | (5,117.31) | (17,488.71) |

@ = Rs. 100

For M. M. Chaturvedi & Co.



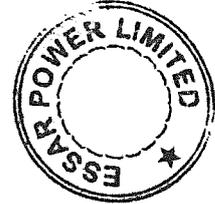
(Signature)
Rishabh Chaturvedi
Partner

Membership No. 124465
Mumbai
Dated: 06 November 2020

For and on behalf of the Board of Directors

(Signature)
T. Rajmohan
Director
DIN: 07949704

(Signature)
Kush
Chief Executive Officer
PAN: AIFPK4987M
Mumbai
Dated: 06 November 2020



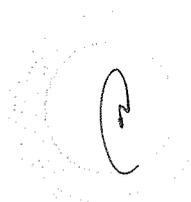
(Signature)
Prakash Khedekar
Company Secretary
PAN: ALIPK1718L
Mumbai
Dated: 06 November 2020

(Signature)
Vinod Jain
Chief Financial Officer
PAN: AAMPJ7907K
Mumbai
Dated: 06 November 2020

ESSAR POWER LIMITED
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2020

Rs. in Crore

| | For the year ended March 31, 2020 | | For the year ended March 31, 2019 | |
|--|--------------------------------------|-----------------|--------------------------------------|-----------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES: | | | | |
| Loss before tax | | (7,225.25) | | (1,206.57) |
| Adjustment for : | | | | |
| Depreciation and amortisation | 551.00 | | 504.83 | |
| Impairment / Loss / (Profit) on sale of fixed assets/CWIP | 6.21 | | - | |
| Profit from sale of investment/ Loss of control in subsidiary | - | | (2,499.18) | |
| Provision of doubtful Inter corporate deposits | - | | 356.31 | |
| Finance costs | 3,413.21 | | 3,028.55 | |
| Provision for Bad Debts | - | | 20.19 | |
| Sundry balance written off / (written back) (net) | (26.76) | | (38.24) | |
| Profit on sale of mutual fund units | (0.41) | | (2.53) | |
| Interest income on financial assets at amortised cost | (5.27) | | (3.94) | |
| Amortisation of overhauling expenses | 2.73 | | 3.82 | |
| Provision for doubtful interest/ claim receivables | 882.06 | | 170.80 | |
| Capital work in progress provision/ written off | 86.93 | | - | |
| Provision for impairment of property, plant and equipment | 3,558.72 | | - | |
| Reversal of provision for doubtful debts | (657.57) | | 255.88 | |
| Bad Debts | 574.44 | | 102.00 | |
| Provision for doubtful security deposits | - | | 2.65 | |
| Unwinding of Interest expense of financial liability - IND-AS | (0.55) | | | |
| Interest income | (4.34) | | (16.81) | |
| Miscellaneous Income | (1.26) | | | |
| Adjustment in Opening retained earnings | - | | (11.50) | |
| Unrealised forex (gain)/loss | 19.43 | | - | |
| | | 8,398.57 | | 1,872.83 |
| Operating profit before working capital changes | | 1,173.32 | | 666.26 |
| Movement in working capital: | | | | |
| Decrease in trade receivables | 243.92 | | (204.70) | |
| Increase in inventories | (194.29) | | (76.23) | |
| Decrease in Deferred Tax | (0.17) | | - | |
| Increase / (Decrease) in loans, financial assets and other assets | (280.09) | | (28.75) | |
| Increase / (Decrease) in trade payable, financial liabilities, provisions and other liabilities | 203.61 | | 287.32 | |
| | | (27.02) | | (22.36) |
| Cash generated from / (used in) operations | | 1,146.30 | | 643.90 |
| Direct taxes paid (including interest on short fall of advance tax), net of refund | | (10.37) | | (24.24) |
| Net cash from / (used in) operating activities | | 1,135.93 | | 619.66 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Purchase of property plant and equipment, (increase) / decrease in capital work in progress, expenditure during construction period including capital advances and creditors | (22.13) | | (152.71) | |
| Proceeds from sale of property plant and equipment | 463.89 | | - | |
| Purchase of units of mutual fund | (35.00) | | (309.09) | |
| Proceeds from sale of units of mutual fund | 35.41 | | 323.63 | |
| Fixed / margin deposits placed with banks | 44.07 | | (53.94) | |
| Fixed / margin deposits matured / withdrawn | (76.31) | | 84.60 | |
| Inter corporate deposit placed | (93.61) | | - | |
| Refund of inter corporate deposit placed | 22.45 | | - | |
| Interest received | 4.07 | | 1.76 | |
| | | 342.84 | | (105.75) |
| Direct taxes paid | | - | | - |
| Net cash from investing activities | | 342.84 | | (105.75) |



ESSAR POWER LIMITED
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2020

Rs. in Crore

| | For the year ended March 31, 2020 | | For the year ended March 31, 2019 | |
|--|--------------------------------------|------------|--------------------------------------|----------|
| C. CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Proceeds from borrowings | 261.76 | | - | |
| Repayment of borrowings | (815.48) | | (466.70) | |
| Changes in short term borrowings (net) | (62.42) | | 235.50 | |
| Inter Corporate Deposits taken Net | 49.86 | | - | |
| Interest and finance charges paid | (769.81) | | (351.77) | |
| Proceeds from issue of share capital (including premium) and share application money | - | | 52.06 | |
| Interest, lease and Finance charges | (18.96) | | | |
| Net cash used in financing activities | | (1,355.05) | | (530.91) |
| Net increase in cash and cash equivalents (A+B+C) | | 123.72 | | (17.00) |
| Cash and cash equivalents at the beginning of the year | 54.79 | | 71.79 | |
| Cash and cash equivalents at the end of the year ¹ | 178.51 | | 54.79 | |
| | | 123.72 | | (17.00) |

Notes:

- The above cash flow statement has been prepared under the indirect method as set out in the Ind AS 7 'Statement of Cash Flows'.
- Investments in fixed deposits having maturity of more than three months and margin deposits have been shown under the cash flow from investing activities. Cash and cash equivalents included in the cash flow statement comprise of the following balance sheet amounts:

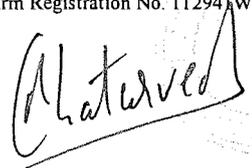
| | Rs. in Crore | |
|---|-------------------------|-------------------------|
| | As at March 31, 2020 | As at March 31, 2019 |
| Balances with banks in | | |
| Current accounts | 162.62 | 30.99 |
| Fixed deposits | 15.90 | 23.82 |
| | 178.51 | 54.81 |
| Exchange fluctuation on cash and bank balance of foreign subsidiary | - | (0.02) |
| Cash and cash equivalents as restated | 178.51 | 54.79 |

In terms of our report attached

For Essar Power Limited

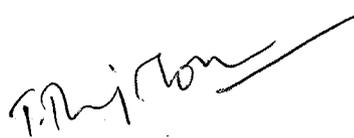
In terms of our report attached

For M. M. Chaturvedi & Co.
Chartered Accountants
Firm Registration No. 11294/W



Rishabh Chaturvedi
Partner
Membership No. 124465

For and on behalf of the Board of Directors



T. Rajmohan
Director
DIN:07949704



Nithi Patil
Director
DIN:07602888



Prakash Khedekar
Company Secretary
PAN:ALIPK1718L
Mumbai
Dated: 06 November 2020



Kush
Chief Executive Officer
PAN:AIFPK4987M
Mumbai
Dated: 06 November 2020




Vinod Jain
Chief Financial Officer
PAN:AAMPJ7907K
Mumbai
Dated: 06 November 2020

ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

NOTE: 1

CORPORATE INFORMATION

Essar Power Limited (the "Company" / "EPOL") is a public company incorporated in the year 1991 and domiciled in India. The registered office and principal place of business of the Company is located at 27km, Surat Hazira Road, Hazira, Surat 394270, Gujarat. Debentures issued by the Company are listed on recognised stock exchange in India.

The Company, its subsidiaries, associates and joint ventures (collectively, the Group) currently has power projects, transmission lines. The Group primarily engaged to sell the power generated from these projects under a combination of long term Power Purchase Agreements and on merchant basis. The Group is also engaged in the business of transmission and trading of power / electricity. Information of the subsidiaries, joint ventures and associates are provided in Note 41.

NOTE: 2

SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

(i) Compliance with Ind AS

The consolidated financial statements of the Group have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under section 133 of Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provision of the Act.

The consolidated financial statements up to year ended March 31, 2020 were prepared in accordance with accounting standards as notified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and other relevant provisions of the Act.

These consolidated financial statements for the year ended March 31, 2017 are the first financial statements of the Group under Ind AS. Refer Note 74 for an explanation of how the transition from previous GAAP (Indian GAAP) to Ind AS has affected the Group's balance sheet, financial performance and cash flows.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except certain financial assets and liabilities (including derivative instruments) which have been measured at fair value.

2.2 Basis of consolidation

The consolidated financial statements have been prepared by following consolidation procedures as laid down in Ind AS 110 "Consolidated Financials Statements".

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group, they are deconsolidated from the date that control ceases.

Consolidation procedure

- (a) Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries.
- (b) Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. Business combinations policy explains how to account for any related goodwill or capital reserve.
- (c) Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (unrealised profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Ind AS 12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the consolidated statement of profit and loss, consolidated statement of changes in equity and consolidated balance sheet respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee. This is generally the case where the Group holds 20% or more of the voting power of the investee. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost in accordance with Ind AS 28 "Investments in Associates and Joint Ventures".

(iii) Joint arrangements

Incase of Joint operations, the Group recognises its direct rights to the assets, liabilities, revenue and expenses of joint operations and its share of jointly held or incurred assets, liabilities, revenue and expenses.

Incase of joint venture, the Group recognises its interest using the equity method, after initially being recognised at cost in the consolidated balance sheet.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other event in similar circumstances. If a member of the group uses accounting policies other than those adopted in the consolidated financial statements, appropriate adjustments are made to the group member's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.



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ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

The results and financial position of foreign operations/ subsidiaries that have a functional currency different from the presentation currency of the group are translated into the presentation currency as follows;

- assets and liabilities are translated at the closing rate at the date of that balance sheet
- income and expenses are translated at average exchange rates
- All resulting translation exchange differences are recognised in Foreign Currency Translation Reserve (FCTR) through other comprehensive income (OCI).

When a foreign operation is sold, the associated exchange differences are reclassified to profit and loss, as part of gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing exchange rate.

2.3 Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues and expenses during the period and assets, liabilities and the disclosure of contingent liabilities at the date of financial statements. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The Company prepared its financial statements based on assumptions and estimates on parameters available at that time. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility risk. Changes in assumptions about these factors could affect the reported fair value of financial instruments

2.4 Foreign currencies

(i) Functional and presentation currency

The consolidated financial statements are presented in "Indian Rupees" (INR), which is also the Company's functional currency. All values are rounded to the nearest Crore (INR 0,000,000), except when otherwise indicated

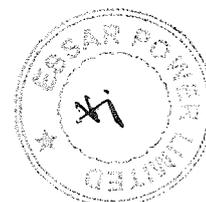
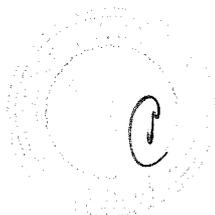
(ii) Transaction and balances

Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

2.5 Revenue recognition

The Group recognises revenue when it satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when the customer obtains control of that asset and it is probable that the group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. Revenue is measured at the transaction price. The transaction price is the amount of consideration, taking into account contractually defined terms of payment and its customary business practice, to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties i.e. excluding taxes or duties collected on behalf of the government.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

(i) Income from operations

- Revenue from power supply is recognised on an accrual basis in accordance with the terms of respective Power Purchase Agreements (PPA) and Intra-State Availability Based Tariff order including Delayed Payment Charges as per PPA.
- Trading of electricity- Value of units sold comprises value of electricity sold and recovery of transmission and other charges as per the agreed terms with the customers. Value of units purchased comprises cost of electricity purchased is netted off with recovery of transmission and other charges paid as per the agreed terms with the power producers.
- Revenue from transmission lines has been computed as per the provisional tariff order notified by Central Electricity Regulatory Commission (CERC) under CERC (Terms & Conditions of tariff) Regulations and based on 'Certificate of Availability' given by the respective regional load dispatch center. Difference between the final tariff and provisional tariff, if any, will be adjusted based on issuance of final notification of tariff orders by CERC.

(ii) Income from services

Revenues from maintenance contracts are recognised pro-rata over the period of the contract as and when services are rendered.

(iii) Interest and dividend income

Interest income is recorded using the effective interest rate (EIR) for all debt instruments measured either at amortised cost or at fair value through other comprehensive income. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability.

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

2.6 Borrowing costs

Borrowing costs attributable to the acquisition and construction of the qualifying assets are capitalised as part of the cost of such assets up to the date when such asset is ready for its intended use. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.7 Employee benefits

(i) Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid within twelve months, in exchange for the services rendered by employees is recognised during the period when the employee renders the services. These benefits includes salaries, allowances and bonuses etc., compensated absences such as paid annual leave and performance incentives.

(ii) Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation determined actuarially by using Projected Unit Credit Method at the balance sheet date.

(iii) Post-employment benefit plans

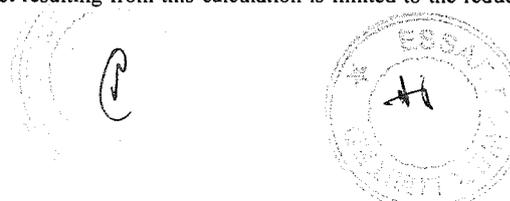
Contribution to defined contribution plans such as provident fund, are recognised as expense in the statement of profit and loss or expenditure during construction period, as applicable, when employees have rendered services entitling them to contributions. The Group operates a defined benefit gratuity plan in India. For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Group recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss or expenditure during construction period, as applicable,

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements;
- Net interest expense or income

Net interest expenses or income is calculated by applying the discount rate to the net balance of defined benefit obligation and the fair value of plan assets.

The employee benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of the related plan assets. Any asset resulting from this calculation is limited to the reductions in future contributions to the plan.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

2.8 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charges is calculated on the basis of the tax laws enacted at the end of the reporting period in India. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Current and deferred tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.9 Business combinations

Ind AS 103 Business Combinations is applied on business combinations' recognition and measurement. The acquisition of subsidiaries and businesses from third parties are accounted for using the acquisition method. The cost of acquisition is measured at the aggregate value of the identifiable assets, liabilities incurred or assumed and equity instruments issued by the Group on the basis of fair value at the date of acquisition in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under Ind AS 103 "Business Combinations" are recognised at their fair value at the date of acquisition as per the provisions provided under Ind AS 103. Acquisition-related costs are expensed as incurred.

Business combinations involving entities or business under common control shall be accounted for using the pooling of interest method as per the para 8 to 12 of Appendix C to the Ind AS 103.

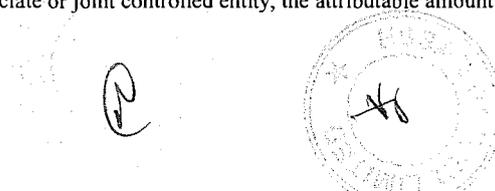
Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognises the gain directly in equity as capital reserve, without routing the same through OCI.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or OCI, as appropriate.

For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

Where it is not possible to complete the determination of fair values by the date on which the first post-acquisition financial statements are approved, a provisional assessment of fair values is made and any adjustments required to those provisional fair values, and the corresponding adjustments to purchased goodwill, are finalised within twelve months of the acquisition date.

Goodwill arising on consolidation is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. For the purpose of impairment testing goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. On disposal of a subsidiary, associate or joint controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

2.10 Property, plant and equipment (PPE)

Freehold land is carried at historical cost. All other item of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes purchase price, borrowing costs and all other applicable expenses incurred to bring the assets to its present location and condition. Cost also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Payments / provision towards compensation, rehabilitation and resettlement (R & R) activities and other expenses relatable to land in possession are treated as cost of land. Provision for R&R costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the land. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the R&R liability. The unwinding of the discount is expensed as incurred and recognised in the statement of profit and loss or expenditure during construction period, as applicable. The estimated future costs of R&R are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss or expenditure during construction period, as applicable.

All the expenditure during construction period (net of income) attributable to construction/acquisition of fixed assets are shown as capital work in progress until the relevant assets are ready for its intended use. When a major inspection or major maintenance is undertaken, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognised in the profit or loss as incurred.

Leasehold land is amortised on a straight line basis over the period of lease. Depreciation on other item of property, plant and equipment is provided as per straight line method (SLM) based on useful life specified in Schedule II to the Companies Act, 2013, except as noted herein after.

The useful life of plant & machinery and buildings has been taken as assessed by respective companies and certified by the independent engineers pursuant to the Schedule II to the Companies Act, 2013 by the Company and its subsidiaries Essar Power (Orissa) Limited, Bhandar Power Limited. In case of Essar Power Transmission Company Limited, depreciation is provided on Straight Line Method (SLM) considering the rates as provided in Appendix III of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations or based on the estimated useful lives of the assets, whichever is higher.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

2.11 Capital work in progress and intangible assets under development

All the expenditure during construction period (net of income) attributable to construction / acquisition of fixed assets are shown as capital work in progress until the relevant assets are ready for its intended use.

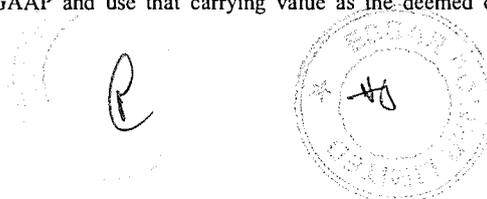
Expenditure incurred in respect of coal mine are shown under 'Intangible assets under development' until the coal mine is ready for its intended use. The same is / will be allocated to appropriate head under intangible assets on said mine becoming ready for its intended use.

2.12 Intangible assets

Intangible assets are recognised only when it is probable that the future economic benefits that are attributable to the assets will flow to the Group and the cost of the assets can be measured reliably. Intangible assets are stated at cost less accumulated amortisation and impairment loss, if any. Intangible assets are amortised over the best estimate of their useful lives. Capitalised software cost is equally amortised over a period of five years.

Coal mine intangible assets are / will be amortised over a period of twenty five years starting from the date of said mine becoming ready for its intended use or the future expected extraction period of the reserves based on actual extraction till date, whichever is shorter.

Right of Way (ROW) are amortised at the rates provided in Appendix III of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations. The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end. On transition to Ind AS, the Group has elected to continue with the carrying value of all of its intangible assets recognised as at April 1, 2015 measured as per the previous GAAP i.e. Indian GAAP and use that carrying value as the deemed cost of the intangible assets.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

2.13 Impairment of non-financial assets

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised in the statement of profit and loss when the carrying amount of an asset exceeds its estimated recoverable amount. If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount but limited to the carrying amount that would have been determined (net of depreciation / amortisation) had no impairment loss been recognised in prior accounting periods.

2.14 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, and it is probable that an outflow of resources, that can reliably be estimated, will be required to settle such an obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows to net present value using an appropriate pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Unwinding of the discount is recognised in the statement of profit and loss as a finance cost. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

Contingent liabilities are not recognised but disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured reliably. Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

2.15 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit and loss.

Subsequent measurement of debt instruments depends on the Company's business model for managing the assets and the cash flow characteristics of the assets. There are three measurement categories into which the Company classifies its debt instruments;

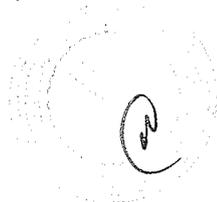
Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest (SPPI) are measured at amortised cost. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in other income in the profit or loss. The losses arising from impairment are recognised in the profit or loss.

Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent Solely Payment of Principal and Interest (SPPI), are measured at fair value through other comprehensive income. Fair value movements are recognised in the other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gain and losses which are recognised in profit and loss. When the financial assets is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in other income using the effective interest rate method.

Fair value through profit and loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. Debt instruments included within the FVPL category are measured at fair value with all changes recognized in the statement in profit and loss. Interest income from these financial assets is included in other income using the effective interest rate method.

All equity investments in scope of Ind-AS 109 are measured at fair value. Equity instruments which are held for trading are classified as at FVPL. For all other equity instruments, the Company may classify the same either as at FVOCI or FVPL. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

Equity instruments which are classified as FVOCI, all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to profit and loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity. Equity instruments included within the FVPL category are measured at fair value with all changes recognised in the profit or loss.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company applies the 'simplified approach' for recognition of impairment loss allowance on trade receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime "Expected Credit Losses" (ECL) at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events on a financial instrument that are possible within 12 months after the reporting date. ECL is the difference between all contractual cash flows that are due to the company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit or loss. This amount is reflected in a separate line in the profit or loss as an impairment gain or loss.

(ii) Financial liabilities

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and trade and payables, net of directly attributable transaction costs. The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss:

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss. For liabilities designated as FVPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to profit or loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss.

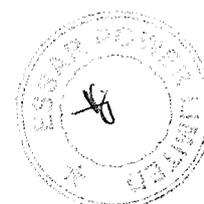
Financial liabilities at amortized cost

Financial liabilities classified and measured at amortised cost such as loans and borrowings, trade and other payable are initially recognized at fair value, net of transaction cost incurred. After initial recognition, financial liabilities are subsequently measured at amortised cost using the Effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

Financial guarantee contracts

The Group provides certain guarantees in respect of the indebtedness of subsidiary undertakings, claims under contract and other arrangements in the ordinary course of business. The Group evaluates each arrangement to determine whether it is an insurance or a financial guarantee contract. Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVPL, are subsequently measured at the higher of the amount of the obligation under the contract and the amount initially recognised less cumulative amortisation over period of guarantee is provided.

Once the arrangements are designated as insurance contracts, these are disclosed as contingent liabilities unless the obligations under guarantee become probable.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, short-term deposits with banks with original maturity of less than three months and short-term highly liquid investments, that are readily convertible into cash and which are subject to insignificant risk of changes in the principal amount. Bank overdrafts, which are repayable on demand and form an integral part of the operations are included in cash and cash equivalents.

2.17 Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116. Identification of a lease requires significant judgment. The Group uses significant judgement in assessing the lease term (including anticipated renewals) and the applicable discount rate.

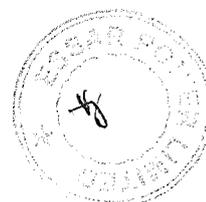
The Group determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. In assessing whether the Group is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, it considers all relevant facts and circumstances that create an economic incentive for the Group to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated or for a portfolio of leases with similar characteristics.

(i) Group as a lessee

The Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract and allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The Group recognises right-of-use asset representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the statement of profit and loss.

The Group measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses incremental borrowing rate. For leases with reasonably similar characteristics, the Group, on a lease by lease basis, may adopt either the incremental borrowing rate specific to the lease or the incremental borrowing rate for the portfolio as a whole. The lease payments shall include fixed payments, variable lease payments, residual value guarantees, exercise price of a purchase option where the Group is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. The Group recognises the amount of the re-measurement of lease liability due to modification as an adjustment to the right-of-use asset and statement of profit and loss depending upon the nature of modification. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the re-measurement in statement of profit and loss.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

For transition, the Group has elected not to apply the requirements of Ind AS 116 to leases which are expiring within 12 months from the date of transition by class of asset and leases for which the underlying asset is of low value on a lease-by-lease basis. The Group has also used the practical expedient provided by the standard when applying Ind AS 116 to leases previously classified as operating leases under Ind AS 17 and therefore, has not reassessed whether a contract, is or contains a lease, at the date of initial application, relied on its assessment of whether leases are onerous, applying Ind AS 37 immediately before the date of initial application as an alternative to performing an impairment review, excluded initial direct costs from measuring the right of use asset at the date of initial application and used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(ii) Group as a lessor

At the inception of the lease the Group classifies each of its leases as either an operating lease or a finance lease. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term. In case of a finance lease, finance income is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. When the Group is an intermediate lessor it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies Ind AS 115 Revenue to allocate the consideration in the contract.

(iii) Transition to Ind AS 116

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified Ind AS 116 Leases which replaces the existing lease standard, Ind AS 17 leases, and other interpretations. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It introduces a single, on-balance sheet lease accounting model for lessees.

The Group has adopted Ind AS 116, effective annual reporting period beginning April 1, 2019 and applied the standard to its leases, from the date of initial application (April 1, 2019). This lease was previously classified as finance lease applying Ind AS 17 and thereby the carrying amount of the right-of-use asset and lease liability at the date of initial application has been equal to the carrying amount of the lease asset and lease liability immediately before that date measured applying Ind AS 17. Accordingly, the Group has not restated comparative information as on April 1, 2019.

On transition, the Group recognised a lease liability measured at the present value of the remaining lease payments. The right-of-use asset is recognised at its carrying amount as if the standard had been applied since the commencement of the lease, but discounted using the lessee's incremental borrowing rate as at April 1, 2019. Accordingly, a right-of-use asset of Rs 100.32 crore and a corresponding lease liability of Rs 123.20 crore has been recognized. The principle portion of the lease payments have been disclosed under cash flow from financing activities. The lease payments for operating leases as per Ind AS 17 - Leases, were earlier reported under cash flow from operating activities.

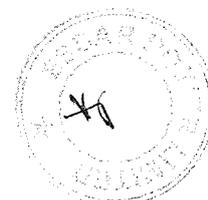
2.18 Inventories

Inventories are valued at lower of cost and net realisable value. The cost of inventory is determined using the weighted average cost formulae.

2.19 Derivative financial instruments

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and currency swap contracts, to hedge its foreign currency risks, interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss or treated as basis adjustment if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

2.20 Convertible preference shares

Convertible preference shares are separated into liability and equity components based on the terms of the contract. On issuance of the convertible preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity since conversion option meets Ind AS 32 criteria for fixed to fixed classification. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible preference shares based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

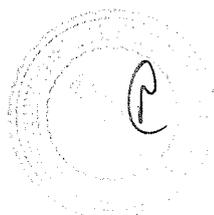
2.21 Earnings per share

Basic earnings per share are computed by dividing the profit / (loss) attributable to equity share holders by the weighted average number of equity shares outstanding during the year. Earnings considered in ascertaining the Company's earnings per share are the profit / (loss) for the year after deducting preference dividends and attributable taxes attributable to equity shareholders. The weighted average number of equity shares outstanding during the year and for all years presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the profit / (loss) for the year are adjusted for the effects of changes in income, expenses, tax and dividends that would have occurred had the dilutive potential equity shares been converted into equity shares. Such adjustments after taking account of tax include preference dividends or other items related to convertible preference shares, interest on convertible debt and any other changes in income or expense that would result from the conversion of dilutive potential ordinary shares. The weighted average number of shares outstanding during the year is adjusted for the effects of all dilutive potential equity shares.

2.22 Government Grant

Grants and subsidies from the government are recognised when there is reasonable assurance that (i) the Group will comply with the conditions attached to them, and (ii) the grant/subsidy will be received. When the grant or subsidy relates to revenue, it is recognised as income on a systematic basis in statement of profit or loss over the periods necessary to match them with the related costs, which they are intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset and presented within other income. When the Group receives grants of non-monetary assets, the asset and the grant are recorded at fair value amounts and released to statement of profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset.



ESSAR POWER LIMITED
NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR YEAR ENDED MARCH 31, 2020

NOTE: 3

PROPERTY, PLANT AND EQUIPMENT

| Description of the assets | Gross block | | | | Depreciation and amortisation | | | | Net block | |
|---------------------------|-----------------------------|---------------------------|---|------------------------------|-------------------------------|---------------|---|----------------------------|------------------------------|------------------------------|
| | Balance as at April 1, 2019 | Additions during the year | Deletions / Adjustments during the year | Balance as at March 31, 2020 | Balance as at April 1, 2019 | For the year | Deletions / Adjustments during the year | Impairment During the year | Balance as at March 31, 2020 | Balance as at March 31, 2019 |
| Freehold land | 1,011.69 | 3.94 | 111.20 | 904.43 | 591.45 | - | 65.31 | 27.81 | 553.95 | 420.24 |
| Leasehold land | 60.35 | - | 27.05 | 33.30 | 2.57 | 0.39 | 5.96 | 0.25 | (2.75) | 57.78 |
| Buildings | 913.59 | 14.48 | 60.45 | 867.62 | 396.61 | 28.06 | 60.18 | 163.31 | 537.80 | 516.98 |
| Plant and machinery | 26,253.82 | 73.97 | 1,880.72 | 24,447.07 | 13,608.32 | 504.44 | 1,686.79 | 3,585.23 | 16,011.20 | 12,645.50 |
| Furniture and fixtures | 7.52 | 0.07 | 0.60 | 6.99 | 4.73 | 0.82 | 0.54 | 0.03 | 5.04 | 2.79 |
| Office equipments | 4.11 | 0.09 | 0.07 | 4.13 | 3.22 | 0.09 | 0.05 | - | 3.26 | 0.87 |
| Computers | 4.28 | 0.71 | 0.10 | 4.89 | 2.25 | 0.83 | 0.09 | - | 2.99 | 2.03 |
| Vehicles | 2.66 | - | - | 2.66 | 2.08 | 0.05 | - | - | 2.13 | 0.53 |
| Railway Siding | 15.10 | - | - | 15.10 | 0.32 | 0.96 | - | 7.92 | 9.20 | 14.78 |
| Total | 28,273.12 | 93.26 | 2,080.19 | 26,286.19 | 14,611.55 | 535.64 | 1,818.92 | 3,784.55 | 17,112.82 | 13,661.57 |

Refer Note 54 for detailed explanation on impairment of Property Plant and Equipment.

| Description of the assets | Gross block | | | | Depreciation and amortisation | | | | Net block | |
|---------------------------|-----------------------------|---------------------------|---|------------------------------|-------------------------------|---------------|---|----------------------------|------------------------------|------------------------------|
| | Balance as at April 1, 2018 | Additions during the year | Deletions / Adjustments during the year | Balance as at March 31, 2019 | Balance as at April 1, 2018 | For the year | Deletions / Adjustments during the year | Impairment During the year | Balance as at March 31, 2019 | Balance as at March 31, 2018 |
| Freehold land | 1,086.33 | - | 74.64 | 1,011.69 | 591.45 | - | - | - | 591.45 | 494.88 |
| Leasehold land | 60.35 | - | - | 60.35 | 1.87 | 0.70 | - | - | 2.57 | 58.48 |
| Buildings | 912.87 | 0.72 | - | 913.59 | 368.58 | 28.03 | - | - | 396.61 | 544.29 |
| Plant and machinery | 24,238.93 | 2,018.75 | 3.86 | 26,253.82 | 13,141.93 | 466.40 | 0.01 | - | 13,608.32 | 11,097.00 |
| Furniture and fixtures | 7.74 | 0.16 | 0.38 | 7.52 | 3.85 | 1.06 | 0.18 | - | 4.73 | 3.89 |
| Office equipments | 4.27 | 0.16 | 0.32 | 4.11 | 3.29 | 0.23 | 0.30 | - | 3.22 | 0.98 |
| Computers | 3.74 | 0.78 | 0.24 | 4.28 | 1.54 | 0.75 | 0.04 | - | 2.25 | 2.20 |
| Vehicles | 2.44 | 0.24 | 0.02 | 2.66 | 1.67 | 0.42 | 0.01 | - | 2.08 | 0.77 |
| Aircraft | 11.74 | - | 11.74 | - | 2.22 | - | 2.22 | - | (0.00) | 9.52 |
| Railway Siding | - | 15.10 | - | 15.10 | - | 0.32 | - | - | 0.32 | 14.78 |
| Total | 26,328.41 | 2,035.91 | 91.20 | 28,273.12 | 14,116.40 | 497.91 | 2.76 | - | 14,611.55 | 12,212.01 |

Note 3.1

Other Intangible assets

| Description of the assets | Gross block | | | | Amortisation | | | | Net block | |
|---------------------------|-----------------------------|---------------------------|---|------------------------------|-----------------------------|--------------|---|----------------------------|------------------------------|------------------------------|
| | Balance as at April 1, 2019 | Additions during the year | Deletions / Adjustments during the year | Balance as at March 31, 2020 | Balance as at April 1, 2019 | For the year | Deletions / Adjustments during the year | Impairment During the year | Balance as at March 31, 2020 | Balance as at March 31, 2019 |
| Computer software | 1.10 | - | - | 1.10 | 1.01 | - | - | - | 1.01 | 0.09 |
| Right of way | 101.12 | - | - | 101.12 | 26.90 | 6.74 | - | - | 33.64 | 74.22 |
| Total | 102.22 | - | - | 102.22 | 27.91 | 6.74 | - | - | 34.65 | 74.31 |

| Description of the assets | Gross block | | | | Amortisation | | | | Net block | |
|---------------------------|-----------------------------|---------------------------|---|------------------------------|-----------------------------|--------------|---|----------------------------|------------------------------|------------------------------|
| | Balance as at April 1, 2018 | Additions during the year | Deletions / Adjustments during the year | Balance as at March 31, 2019 | Balance as at April 1, 2018 | For the year | Deletions / Adjustments during the year | Impairment During the year | Balance as at March 31, 2019 | Balance as at March 31, 2018 |
| Computer software | 1.44 | - | 0.34 | 1.10 | 1.08 | 0.18 | 0.25 | - | 1.01 | 0.36 |
| Right of way | 101.12 | - | - | 101.12 | 20.16 | 6.74 | - | - | 26.90 | 80.96 |
| Total | 102.56 | - | 0.34 | 102.22 | 21.24 | 6.92 | 0.25 | - | 27.91 | 81.32 |

ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR YEAR ENDED MARCH 31, 2020

NOTE: 4

CAPITAL WORK IN PROGRESS

| | Rs. in Crore | |
|---|---------------------------------|---------------------------------|
| | As at March 31, 2020 | As at March 31, 2019 |
| Capital work in progress | 592.29 | 1,699.00 |
| Expenditure during construction period | 227.52 | 1,100.86 |
| Less: Capitalised during the year ## | (11.48) | (1,984.02) |
| Less: Sold & written off during the year@ | (9.12) | - |
| Less: written off during the year | (4.27) | - |
| Less: Provision for impairment # | (764.26) | (681.66) |
| | 30.68 | 134.18 |

'Provision for Impairment/Write off of Capital Work in Progress of Subsidiaries:

Capitalised during the year: In EPHL, Building & others of Rs 11.48 Crores has been capitalised during the current year.

Previous year: EPTCL Phase II (MS Line) was commissioned, and has been put to use i.e. from 22nd Sep 2018 after fulfilling all the requirement under Regulation 6.3.(A) 5 of Central Electricity Regulatory Commission – India Electricity Grid Code, which has been certified vide certificate number WRLDC/EPTCL/01/1050 dated 03.10.2018 issued by Power System Operation Corporation Limited. Accordingly Phase II (MS Line) has been capitalized on 22nd Sep 2018 in the financials statement of EPTCL, at a total capital cost amounting to Rs 1,981.31 Crore, including Rs 13 Crore for Right of Way capitalised earlier. In EPMP, the railway siding pertaining to Gajra Behra of Rs 15.10 Crores has been capitalised during the year. In EPHL, Building of Rs 0.61 Crores has been capitalised during the previous year.

@ (i) The Company had Capital work in process of Rs.11.95 Crore (Previous year Rs.11.95 Cr). Out of Rs.11.95 Crore, Rs 4.27 Crore paid towards technical advisory fees for assessing the feasibility of conversion of gas based power plant into coal based power plant was impaired in the books during the previous years. During current year, The Company has written off the impairment of Rs. 4.27 Crore. Further, the Company has sold Capital work in Progress of Rs. 7.10 Crore and written off the Balance amount of Rs. 0.59 Crore during the year.

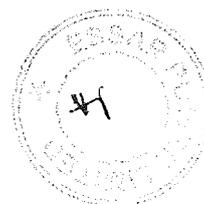
(ii) In EPMP Sale of CWIP of Rs. 1.44 crore during the year is subject to lenders approval.

Overall the recoverable amount of the Capital Work in Progress of Essar Power Gujarat Ltd & Essar Power Orissa Ltd has been estimated to be lower than its corresponding carrying values as on the reporting date and thereby an amount of Rs 764.26 Crores (EPGL Rs 378.52 Crs; EPORSL Rs 385.74 Crs), Previous Year: Rs 681.66 Crores (EPOL Rs 4.26 Crs; EPGL Rs 378.58 Crs; EPORSL Rs 298.82 Crs) has been provided towards impairment/ written off during the year. During the year, the Group had carried out impairment testing for Property Plant and equipment.

EPGL power plant has been designed to use sea water and it has been proposed that the plant will meet its water requirement from Arabian Sea. Sea water is proposed to be pumped from the sea water intake pump house to the cooling tower forebay for makeup of closed loop circulation system. Fresh water required for other services viz. DM plant, fire protection system, cooling water make up for air-conditioning and ventilation system and plant potable water system, service water, auxiliary cooling (bearing cooling) etc. would be supplied from Desalination plant.

The construction work of the sea water intake system (SWIS) was held up due to non-receipt of forest clearance and acquisition of the required land. But now EPGL is in the process of completing the water intake system. EPGL has concluded consent with the land owners proposed to be acquired in accordance with the provisions of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013. The land acquisition for the land required for construction of Sea Water Intake System land is completed, however acquisition of some additional land is in progress.

EPGL simultaneously commenced construction of sea water intake system pipeline, but the construction of the same is not yet completed because of non-disbursement of funds from the lenders for completion of the facility. The completion of this project will favorably impact the profitability of EPGL. Total capital expenditure to be incurred is approximately Rs. 150.00 crore. The funding requirement for the sea water intake system will be tied up shortly as all approvals for the same are in place. The management expects water intake system to be operational within 9 months from the date of availability of funds.



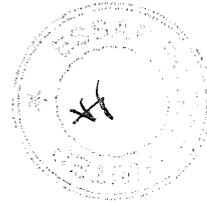
ESSAR POWER LIMITED
NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR YEAR ENDED MARCH 31, 2020

NOTE: 4.1
RIGHT-OF USE ASSETS

| Description of the assets | Gross block | | | | | | Depreciation and amortisation | | | Net block | |
|---------------------------|---------------|-----------------|--------------------------|-------------------------|----------------|---------------|-------------------------------|-------------------------|----------------|----------------|----------------|
| | Balance as at | Additions | Reclassified on Adoption | Deletions / Adjustments | Balance as at | For the year | Reclassified on Adoption | Deletions / Adjustments | Balance as at | Balance as at | Balance as at |
| | April 1, 2019 | during the year | of IndAS 116 | during the year | March 31, 2020 | April 1, 2019 | of IndAS 116 | during the year | March 31, 2020 | March 31, 2020 | March 31, 2019 |
| Leasehold land * | - | 87.60 | 22.46 | - | 110.06 | - | 1.13 | - | 9.75 | 100.32 | - |
| Total | - | 87.60 | 22.46 | - | 110.06 | - | 1.13 | - | 9.75 | 100.32 | - |

*In the Company - Right to use is created on long term operating Lease on first time adoption of INDAS 116 . The Group has taken Rs. 100.32 Crore as Right to use assets as on 31.03.2020.(for lease hold land in EPOL - Rs.1.21 Crore and EPHL - Rs. 16.71 Crore and EPORL Rs. 22.28 Crore and for township in EPMPL - Rs.60.12 Crore.)

| Movement of Lease Liabilities | |
|--|---------------|
| Particulars | Amounts |
| Balance as at 1 April, 2019 | 125.31 |
| Addition | 0.75 |
| Add: Interest | 16.13 |
| Paid during the year | 18.99 |
| Balance as at 31 March, 2020 | 123.20 |
| Classification of Lease Liabilities | |
| into : | |
| Current | 18.22 |
| Non Current | 104.98 |



(Signature)

ESSAR POWER LIMITED
NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR YEAR ENDED MARCH 31, 2020

NOTE: 5
INVESTMENTS

| | As at March 31, 2020 | As at March 31, 2019 |
|--|-------------------------|-------------------------|
| 14,500,000 (Previous year 14,500,000) 5% Optionally Convertible Redeemable Preference shares of Rs. 10 each of Essar Power (Jharkhand) Limited | 14.50 | 14.50 |
| Other Investments (at cost) | | |
| 1,055,775 (Previous year 1,055,775) fully paid up equity shares of Rs. 10 each of Essar Bulk Terminal Salaya Limited | 1.06 | 1.06 |
| Add / (Less): Accumulated share of profit / (loss) | - | - |
| Less: Provision for diminution in value of investments # | (15.56) | (15.56) |
| | - | - |
| Other investments | | |
| 60 (Previous year 60) fully paid up equity shares of Kenyan Shilling 100 each of Essar Power (East Africa) Limited (@1 = Rs. 87, @2 = Rs. 87) | @1 | @1 |
| 39,000,000 fully paid up 11% cumulative redeemable preference shares of Rs. 100 each of Brahmani Thermal Power Private Limited ### | 390.00 | 390.00 |
| Less: Provision for diminution in value of investment | (390.00) | (390.00) |
| 1,725,744,417 Fully paid up equity shares of Rs. 10 each of Essar Power (Jharkhand) Ltd. ## | 1,725.74 | 1,725.74 |
| Less: Change in fair value of investment in equity shares | (1,725.74) | (1,725.74) |
| | 0.00 | 0.01 |

Investment in preference shares (fully paid-up)-14,500,000 (Previous year 14,500,000) 5% Optionally Convertible Redeemable Preference shares of Rs.10 each of Essar Power (Jharkhand) Limited- EPJHL was admitted under NCLT in the previous year and EPJHL has been under liquidation. Keeping in view the above, there is almost no probability of the realization of the investment of Rs 14.50 Crores in 5% Optionally Convertible Redeemable Preference shares of Rs.10 each of Essar Power (Jharkhand) Limited.

As per EPGL's estimates, the fair value of its investments in EBTSL is estimated as NIL, as EBTSL is having losses during the previous years. EPGL is holder of 26% equity share of the of EBTSL.

Investment of Rs. 1,725.74 crore in equity shares of Essar Power (Jharkhand) Limited ("EPJHL"): EPJHL has been admitted to the National Company Law Tribunal (NCLT) pursuant to the provisions of the Insolvency and Bankruptcy Code 2016 (IBC) and is undergoing Corporate Insolvency Resolution Process (CIRP) with effect from 5 April, 2018. During the Year NCLT, New Delhi has ordered the commencement of liquidation of EPJHL vide order dated January 03, 2020, uploaded on January 06, 2020. Essar Power Limited ("EPOL") has a 100% investment in the equity shares of EPJHL, which is unsecured in nature and is at the bottom of the priority in the order of payments after the secured and other creditors. Considering the above facts EPOL has made a 100% provision in the value of its investment in earlier yr. EPJHL is no longer subsidiary due to loss of control on account of bankruptcy proceeding. 517,723,325 equity shares are pledged for loan taken by Essar Power (Jharkhand) Limited.

Investment of Rs. 390 Crores in Cumulative Redeemable Preference shares of Brahmani Thermal Power Private Limited (formerly known as Navabharat Power Private Limited) ("BTPPL"): Allocation of Rampia Coal block to Rampia Coal Mine & Energy Private Limited (Joint venture of BTPPL) has been cancelled by the Hon'ble Supreme Court in September, 2014. The project has not progressed further, in view of the uncertainty over the speed of progress of the project, BPOL has created provision for diminution of investment in BTPPL of Rs. 390 Crores considering net assets of BTPPL (Previous Year Rs 390 Crores).



ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR YEAR ENDED MARCH 31, 2020

EPGL Consortium Lenders (led by State Bank of India) had decided to implement Change of Ownership outside SDR with reference date as July 27, 2017, as was allowed under the RBI guidelines. Consequently, the Lenders have also invoked pledge of 51% shares of EPGL and transferred the same in demat mode in the name of IDBI Trusteeship Services Limited (ITSL) on behalf of the Lenders. Hence, as on date ITSL is appearing as shareholder as per EPGL's Register of Members, therefore in the shareholding pattern ITSL is shown as holding 51% of Companies equity share and Essar Power Limited (EPOL) is shown as holding 49% of equity shares.

EPOL, the promoter of EPGL, which originally held 100% of Essar Power Gujarat Limited (EPGL, EPGL), via various letters have requested ITSL / Lenders to give effect to the above sale of shares and accordingly reduce the debt payable by EPGL to the Lenders (to the extent of book value of those shares as on March 31, 2017) equivalent to the value of the shares transferred in the name of ITSL, as this amount is now payable to EPOL by EPGL. Once an agreement is reached between EPOL and ITSL/Lenders, required adjustment as per the terms of settlement between EPOL and ITSL/Lenders of EPGL will be given in the books of EPGL.

Further to the explanation given above, currently EPOL continues to control and exercise power over EPGL by virtue of its ability to direct the relevant and important activities of EPGL. EPOL has control over EPGL by way of constitution of its board of directors and participate in direction of its decisions. The board continues to be same as appointed by EPOL and many of the KMP's of the parent company are involved in decision making process of EPGL and EPOL is exposed to the variable returns from its investment in EPGL, therefore EPOL continues to enjoy control over EPGL. Further, ITSL has communicated that they continue to hold these shares just as collateral and therefore ITSL holds only protective rights and does not have power over EPGL. Hence in the current financials Company continues to show EPOL as its holding company. By virtue of the above EPOL continues to control and exercise power over EPGL in spite of not having majority voting rights in EPGL.

NOTE: 6

LOANS

(Unsecured considered good, unless otherwise stated)

| | As at March 31, 2020 | As at March 31, 2019 |
|--|---------------------------------|---------------------------------|
| Security deposits- Lease Property | - | 41.77 |
| Security deposits- Others | 63.03 | - |
| Less : Provision for doubtful deposits | - | (0.02) |
| | 63.03 | 41.75 |
| Less : Provision for doubtful advance towards investment (@ = Rs. 1,775) | @ | - |
| | 63.03 | 41.75 |

NOTE: 7

OTHER FINANCIAL ASSETS

| | As at March 31, 2020 | As at March 31, 2019 |
|-------------------------------|---------------------------------|---------------------------------|
| Fixed / margin bank deposits* | 1.04 | 0.66 |
| | 1.04 | 0.66 |

* Fixed/margin deposits having original maturity of more than 12 months of Rs.1.04 Crore (Previous year Rs.0.66 Crore)

NOTE: 8

DEFERRED TAX ASSETS (NET)

| | As at March 31, 2020 | As at March 31, 2019 |
|--|---------------------------------|---------------------------------|
| Deferred tax asset | | |
| Carry forward business losses | 19.04 | 2.70 |
| Unabsorbed depreciation | 130.17 | 203.06 |
| Provision for employee benefits | 0.25 | 2.16 |
| Provision for doubtful debtors | - | 62.16 |
| MAT Credit entitlement | 3.18 | 6.09 |
| Provision for Doubtful Advances | 112.33 | 1.75 |
| Fair valuation of financial assets and liabilities | 0.32 | - |
| Others | 3.91 | 53.83 |
| Gross deferred tax asset | 269.20 | 331.75 |
| Property, plant and equipment | 109.73 | 209.05 |
| Intangible assets | 11.79 | 18.72 |
| Unamortized upfront fees | 1.25 | - |
| Gross deferred tax liability | 122.77 | 227.77 |
| Net deferred tax asset | 146.43 | 103.98 |

ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR YEAR ENDED MARCH 31, 2020

In Essar Power Transmission Company Ltd (EPTCL): The Government has inserted a new section 115BAA in the Income-tax Act 1961 through Taxation Laws (Amendment) Ordinance, 2019. The insertion of new section 115BAA providing an option to reduce the basic corporate tax rate from 30% to 22% along with no MAT under section 115JB from assessment year 2020-21. To avail the benefit of section 115BAA company need to waive off MAT credit. Under section 115BAA no bar on set off of brought forward business loss other than one attributable to deduction in specified section. To avail the benefit of reduced corporate tax under new section, Essar Power Transmission Co. Ltd. has adopted section 115BAA in financial year 2019-20. In order to satisfy conditions specified in section 115BAA, company has waived MAT credit of Rs.0.77 Cr. Company has no brought forward losses which are attributable to deduction in specified section.

Movement in deferred tax assets

| | Rs. in Crore | |
|--|---------------------------------|---------------------------------|
| | As at March 31, 2020 | As at March 31, 2019 |
| Balance at the beginning of the year | 103.98 | 79.67 |
| (charged) / credited to statement of profit and loss | 42.44 | 24.52 |
| (charged) / credited to other comprehensive income | 0.01 | (0.21) |
| Balance at the end of the year | 146.43 | 103.98 |

NOTE: 9

OTHER NON-CURRENT ASSETS

| | Rs. in Crore | |
|--|---------------------------------|---------------------------------|
| | As at March 31, 2020 | As at March 31, 2019 |
| Capital advances (refer note (i) & (ii) below) | 18.35 | 176.58 |
| Less : Provision for doubtful capital advances | - | (158.20) |
| | 18.35 | 18.38 |
| Security deposits | 14.13 | 14.12 |
| Prepaid expenses | 5.88 | 9.60 |
| Other Receivable | - | 229.89 |
| | 38.36 | 271.99 |

(i) EPGL has give Engineering, Procurement and Construction ("EPC") contract to M/s EPC Constructions India Limited (ECIL) formerly known as Essar Projects (India) Limited under various contracts for implementation of Sea Water Intake System and Phase II of 1320 MW thermal coal fired power plant. As on April 20, 2018, the insolvency proceedings against ECIL has been initiated by the National Company Law Tribunal ('NCLT'). EPGL has filed a claim of Rs.156.98 Crs (Net of Payable) as an creditors with the Resolution Professional towards receivable from ECIL. Considering the unsecured nature of the advance, the management has assessed it to be doubtful and considered provision (net of payables) against the same in the previous years. Management has written off entire provision of Rs.156.98 crore during the year.

(ii) EPORSL had executed a Power Purchase Agreement (PPA) with Arcelormittal Nippon Steel India Limited (AMNS) (Formerly known as Essar Steel India Limited). AMNS had been admitted to the National Company Law Tribunal (NCLT) pursuant to the provisions of the Insolvency and Bankruptcy Code 2016 (IBC) and undergoing Corporate Insolvency Resolution Process (CIRP) pursuant to the provisions of the IBC with effect from 2nd August, 2017 EPORSL has filed a claim of Rs. 1.21 Crs with the Resolution Professional towards receivables from ESIL as on 2nd August 2017. Hon'ble Supreme Court delivered final judgment in December 2019 on the resolution of AMNS whereby it concluded the basis on which the secured and unsecured creditors were to be paid out of the resolution plan approved by Committee of Creditors. During the year EPORSL has written off Rs. 1.21 Crore in the books of accounts.

(iii) In EPMPPL -There are certain overdue capital advances of amounting to Rs 3.10 crores and other advances of Rs.0.97 crores (including claim receivables of Rs. 0.22 crores); where management is confident about recoverability/ realisability of the same. In view of necessary action has been initiated, stated amount is considered good and fully recoverable and not been provided for.

NOTE: 10

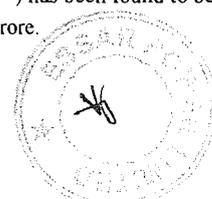
INVENTORIES

(At lower of cost and net realisable value)

| | Rs. in Crore | |
|---------------------|---------------------------------|---------------------------------|
| | As at March 31, 2020 | As at March 31, 2019 |
| Fuel | 344.26 | 101.67 |
| Stores and spares * | 126.61 | 166.77 |
| | 470.87 | 268.44 |

* (i) In the Company Inventories have been valued at the Balance Sheet date and the items wherein the Net Realisable Value ("NRV") has been found to be lower than the cost, the same has been brought down to the NRV. During the year, the company has written off Inventory of Rs. 16.92 Crore.

(ii) In Bhandar Power Ltd (BPOL) The inventory has been taken over and sold by EARC are part of debt settlement agreement.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR YEAR ENDED MARCH 31, 2020

NOTE: 11

TRADE RECEIVABLES

(Unsecured considered good, unless otherwise stated)

Rs. in Crore

| | As at March 31, 2020 | As at March 31, 2019 |
|--|-------------------------|-------------------------|
| Trade receivable from | | |
| Related parties | 131.42 | 557.50 |
| Others | 1,263.06 | 1,454.20 |
| Less : Provision for doubtful trade receivables (e) | (95.43) | (539.22) |
| Less: Written off | - | (52.94) |
| | 1,299.05 | 1,419.54 |

(a) For Phase I of the project, CERC had approved a provisional annual tariff of Rs. 89.50 Crore, which EPTCL had been earning since April 2013. CERC vide its order dated 15.06.2016 granted the final annual transmission tariff to Rs 64.84 Crore, approving a capital cost of Rs. 292.00 Crore, (against Rs.503.00 Crore requested by the EPTCL). EPTCL filed a review petition with CERC requesting review of the aforementioned final tariff order on account of errors of law and errors of facts in the order. In an interim order dated 28.02.2018, CERC has allowed additional capital cost of Rs.63 crores. In pursuance to the aforementioned order dated 28.02.2018, CERC vide its order dated 19.12.2018 has determined a revised final tariff of Rs.79.92 crore and the differential amount of Rs. of Rs 8.97 Crore excess recognised on provisional rate basis had been adjusted in previous financial year. Furthermore, EPTCL has filed an appeal with Appellate Tribunal for Electricity (APTEL), against the interim order dated 28.02.2018

Post achievement of COD for Phase II of the project, EPTCL filed tariff petition for Stage II before CERC in October 2018. The completed project cost claimed was Rs.1981 crore and tariff sought was Rs.416 crore. CERC vide its order dated 14.03.2019 has determined a provisional tariff of Rs.333.05 crore. Final tariff for Stage II is still under determination with CERC

(b) The management of EPGL has filed a tariff revision petition with Gujarat Electricity Regulatory Commission (GERC) in February 2014. The hearing has been completed and the order was reserved for issue by GERC. Post which GERC bench was changed and matter is to be heard again. In a similar matter of Coastal Gujarat Power Ltd. (Tata Power) and Adani Power Ltd. (Adani Power), the Supreme Court of India, on April 11, 2017 has given an order that change in Indonesian Regulation with respect to coal price cannot be considered as Change in law or Force Majeure in the PPA with State Electricity Boards (SEB's). As explained above, Hon'ble Supreme Court has pronounced orders on April 11, 2017 setting aside the order of APTEL and CERC in case of Tata Power and Adani Power. By virtue of this order EPGL plea for tariff revision arising out of force majeure condition (change in Indonesian Law) does not survive. However, our petition before GERC for Tariff revision has other components like increased water charges and coal transportation charges due to certain change in law events, these components for tariff revision are being pursued before GERC. Consequent upon the relief granted, vide Resolution passed by the Government of Gujarat (GR) order dated December 1, 2018 towards pass through of actual fuel cost with effect from October 15, 2018, among other things, and further as per the provision contained in the Supplemental PPA dated March 01, 2019, The EPGL being liable to forego all its losses prior to January 15, 2018, it has withdrawn its petition that was pending before the GERC on August 19, 2019. Thereafter, the GERC, vide its Order dated April 27, 2020 has approved the Supplemental PPA with GUVNL with certain amendments.

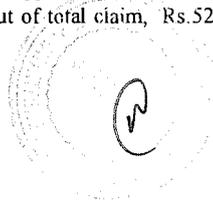
The Government resolution dated June 12,2020 revoked the earlier government resolution dated December 1, 2018. GR has further written letter dated June 12, 2020 to GUVNL accepting all the conditions of GERC order dated April 27, 2020 for EPGL and asked GUVNL to implement the same for other generators.

(c) ArcelorMittal Nippon Steel India Limited (AMNS) (Formerly known as Essar Steel India Limited) had executed a Power Purchase Agreement (PPA) with the Company. As per terms of the PPA, AMNS is required to supply fuel to the Company for power generation. AMNS terminated the above PPA for the purported ground of frustration thereof due to the fuel becoming costlier. The Essar group have not accepted the frustration and has requested AMNS to withdraw its above notice. The group had initiated dispute resolution process in terms of PPA. In view of same and in line with the IND AS 109 regarding impairment, the Company has stopped accruing revenue as per PPA in the financial statement while retaining its right to charge from customers at future date.

'AMNS claimed frustration of the PPA with EPOL stating the non-availability of natural gas at economical prices. However, non-availability of Fuel caused by any event of Force Majeure (i.e. whether natural or non-natural Force Majeure event) shall not constitute Force Majeure events under the Agreement (as amended). The Company has initiated arbitration process as per terms of PPA in year 1996 and served an arbitration notice to AMNS (erstwhile ESIL) in December 2019 requesting AMNS to nominate an Arbitrator within 30 days to initiate proceedings as prescribed in PPA. The Company has nominated Hon'ble Justice Arvind Sawant (Former Chief Justice of Kerala High Court) as our Sole Arbitrator. The Company has not received any response from AMNS. An appeal is being filed at High Court for appointment of Arbitrator to initiate Arbitration under PPA. In view of COVID-19 situation, High Court is accepting filing of urgent cases only.

(d) AMNS had been admitted to the National Company Law Tribunal (NCLT) pursuant to the provisions of the Insolvency and Bankruptcy Code 2016 (IBC) and undergoing Corporate Insolvency Resolution Process (CIRP) pursuant to the provisions of the IBC with effect from 2nd August, 2017. Considering doubtful recovery, the company had made a 100% provision against the claims of Rs. 351.49 crores.

Hon'ble Supreme Court delivered final judgment in December 2019 on the resolution of AMNS whereby it concluded the basis on which the secured and unsecured creditors were to be paid out of the resolution plan approved by Committee of Creditors. Accordingly, the Resolution Professional released Rs. 67.38 Crore dues to the claimant lender against the claim. Out of total claim, Rs.52.94 Crore was written off in earlier years as doubtful recoverable and balance Rs 231.18 Crores written off during the year.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR YEAR ENDED MARCH 31, 2020

- (e) BPOL had supplied Power to Gujarat Urja Vikas Nigam Limited (GUVNL) on short term basis using common power evacuation facility with Essar Power Limited (EPOL). Due to dispute between EPOL and GUVNL, payment to BPOL have been withheld by GUVNL and the matter has been represented to Gujarat Electricity Regulatory Commission (GERC) by EPOL. The Hon'ble Supreme Court has upheld the GERC decision which was in favour of EPOL. As per directions of the Hon'ble Supreme Court, GUVNL and EPOL has filed its calculations with GERC for its review. In financial year 2019-20 we have created provision for Rs.1.99 Crore.
- (f) The Kerala State Electricity Board ("KSEB") and the Consortium led by EPOL with Dongfang Electric Corporation, Coastal Projects Pvt. Ltd. and Essar Constructions Ltd. entered into the Agreement dated 31st January 2007 for the execution of the Pallivasal Extension Scheme – 60 MW (2x30) in the State of Kerala.
- Due to various delays caused by the KSEB, like delay in handing over of land for the commencement of work and multiple delays in finalizing designs and taking techno-commercial decisions among various other delays, project could not be completed on time. Government of Kerala vide Order dated 04.03.2016 directed the KSEB to foreclose the Agreement without any risk and cost to the Consortium. KSEB and EPOL mutually agreed in 2016 for the foreclosure of the Agreement wef 9th Sept 2015. EPOL had already completed 76.67% of the Project by such date and thus submitted its claim of Rs. 208.10 Crore. On the request of KSEB to Power Department seeking reversal of foreclosure, the State Government issued Order dated 16.01.2017 withdrawing sanction granted to the KSEB to foreclose Agreement. The aforesaid Order was issued unilaterally without giving any notice or opportunity of hearing to EPOL. KSEB vide its letter dated 30.03.2017 requested upon EPOL for carrying out the balance work. EPOL in good faith recommenced the work on 10.04.2017 and submitted its fresh proposal dated 05.05.2017 to KSEB with price escalation of Rs. 78 Crore. However, the Government of Kerala capped the same to a mere Rs. 47 Crore.
- On 13.09.2018 KSEB issued a termination letter to EPOL and further threatened to encash the Bank Guarantee ("BG") and the retention money. EPOL Approached the Hon'ble High Court of Kerala, to challenge the termination of the Agreement and the Government Order dated 16.01.2017 withdrawing sanction granted to the KSEB to foreclose the Agreement.
- The Hon'ble High Court on 27.09.2018 stayed the termination letter, the encashment of BG and retention money. On 06.12.2018, the Court held that the sanction to withdraw foreclosure of the Agreement by the Government of Kerala is bad in law and hence gave 2 months' time to the Government to decide on the fresh representation to be made by EPOL on the issue of the foreclosure. Since the BG furnished by EPOL was expiring on 31.12.2018, the Court directed KSEB to invoke the BG and deposit the same in a fixed deposit in a Nationalized Bank until the matter is decided. This Order of the High Court was challenged by KSEB, the same was dismissed in favour of EPOL.
- The Power Department of the Government of Kerala passed an Order dated 31.05.2019, whereby it wrongly examined the issue pertaining to foreclosure. EPOL moved an application before the High Court to make amendments to its Writ Petition in light of the said Order dated 31.05.2019. The Application was accepted by the Kerala High Court and the Amended Writ Petition was filed on 02.08.2019. KSEB has filed its Counter Affidavit to EPOL's Amended Writ Petition on 03.12.2019. EPOL is yet to file its reply to the Counter Affidavit filed by KSEB. Since the court is not functioning due to covid pandemic and as such filings would happen after the same resumes at normal pace
- The Company has written off provision made for doubtful debtors of Kerala State Electricity Board (KSEB) for Rs. 17.37 Crores.

NOTE: 12

CASH AND CASH EQUIVALENTS

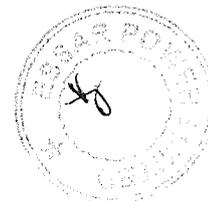
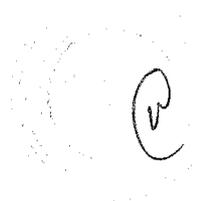
| | Rs. in Crore | |
|--------------------------------|---------------------------------|---------------------------------|
| | As at March 31, 2020 | As at March 31, 2019 |
| Balances with banks in: | | |
| Current accounts | 162.62 | 30.99 |
| Fixed deposits | 15.90 | 23.82 |
| | 178.51 | 54.81 |

NOTE: 13

BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS

| | Rs. in Crore | |
|----------------------------|---------------------------------|---------------------------------|
| | As at March 31, 2020 | As at March 31, 2019 |
| Other bank balances | | |
| Balances with banks in: | | |
| Fixed deposits | - | 0.19 |
| Deposit in Escrow A/c* | 35.00 | - |
| Margin deposits | 22.64 | 25.90 |
| | 57.64 | 26.09 |

*EPMPL had submitted OTS proposal with the lenders for which company has deposited Rs. 35 Crores in Escrow account. The company admitted under NCLT this deposit is refundable upon completion of NCLT process.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR YEAR ENDED MARCH 31, 2020

NOTE: 14

LOANS

(Unsecured considered good, unless otherwise stated)

| | As at March 31, 2020 | As at March 31, 2019 |
|---|-------------------------|-------------------------|
| Security deposits | 1.08 | 0.91 |
| Loans and advances to related parties | 484.27 | 585.70 |
| Less: Provision for doubtful Advances # | (370.54) | (253.10) |
| Others | 0.15 | - |
| Inter corporate deposits (ICD) | 356.31 | - |
| Less: Provision for doubtful ICD ## | (336.31) | (356.31) |
| Other advances | 0.39 | 30.87 |
| | 135.34 | 8.07 |

'Company has awarded Engineering, Procurement and Construction contract (EPC) to EPC Construction India Limited (ECIL), erstwhile known as Essar Project India Limited for the construction of its Thermal Power Plant. Subsequently ECIL had been admitted for Insolvency Proceeding under Insolvency and Bankruptcy Code, 2016 (IBC). Thereby, the possibility of recovery of the claim of Rs. 24.84 Crs in ECIL Resolution is very minimal, hence the Company had provided in its books against above amount in the previous years. During current year the company has written off Rs. 24.84 Crore against advance given to ECIL as in view of management the chances of recovery is very remote.

'In the Company : Inter corporate deposits of Rs. 356.31 crore and interest on ICD of Rs. 153.50 crore to Essar Power (Jharkhand) Limited ("EPJHL"): EPJHL has been admitted to the National Company Law Tribunal (NCLT) pursuant to the provisions of the Insolvency and Bankruptcy Code 2016 (IBC) and is undergoing Corporate Insolvency Resolution Process (CIRP) with effect from 5 April, 2018. During the Year NCLT, New Delhi has ordered the commencement of liquidation of EPJHL vide order dated January 03, 2020, uploaded on January 06, 2020. Essar Power Limited ("EPOL") has a 100% investment in the equity shares of EPJHL, which is unsecured in nature and is at the bottom of the priority in the order of payments after the secured and other creditors. Considering the above facts EPOL has made a 100% provision in the value of its investment, ICD & Interest on ICD in earlier yr. EPJHL is no longer subsidiary due to loss of control on account of bankruptcy proceeding.

NOTE: 15

OTHER FINANCIAL ASSETS

| | As at March 31, 2020 | As at March 31, 2019 |
|--|-------------------------|-------------------------|
| Interest receivable | 154.66 | 183.15 |
| Less: Provision for doubtful interest receivable | (153.26) | (153.50) |
| Receivables from related parties | 1.40 | 29.65 |
| Claim receivables | 2.04 | - |
| Security deposits | 3.20 | 214.14 |
| Other receivables | 1.90 | 1.90 |
| Less: Provision for doubtful receivables | 17.40 | 13.78 |
| | (19.90) | (239.59) |
| | 6.04 | 19.88 |

(a) In BPOL, Government of Gujarat (GoG) has promulgated Gujarat Green Cess Act, 2011 which inter alia levies cess on power generated in the state. BPOL has preferred writ petition being petition in High Court of Gujarat. Gujarat High Court decided matter in favour of BPOL in January, 2013. GoG has preferred an appeal in the Supreme Court of India and Supreme Court of India vide its interim order dated July 2013 has directed GoG not to enforce demand against BPOL. BPOL believes that appeal filed in the Supreme Court is likely to be dismissed. In the unlikely event of appeal being allowed by Supreme Court of India, total liability of Rs. 6.98 Crore arises which the BPOL is entitled to recover such charges from its customer/s. In financial year 2019-20 we have created provision for Rs.3.21 Crore.

(b) During the year the Company has written off claim receivable of Rs. 202 Crore pertaining to the Bank guarantee encashment for which provisions were created in previous years.

NOTE: 16

CURRENT TAX ASSETS (NET)

| | As at March 31, 2020 | As at March 31, 2019 |
|---|-------------------------|-------------------------|
| Advance tax and tax deducted at source | 288.48 | 278.51 |
| Less: Set-off of current tax liabilities pursuant to set-off provisions | (208.36) | (208.57) |
| | 80.12 | 69.94 |

ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR YEAR ENDED MARCH 31, 2020

NOTE: 17

OTHER CURRENT ASSETS

Rs. in Crore

| | As at March 31, 2020 | As at March 31, 2019 |
|---|-------------------------|-------------------------|
| Security deposits | 4.50 | 5.57 |
| Others | 0.60 | 0.62 |
| Advances to suppliers | | |
| Related parties | (68.74) | 0.31 |
| Others | 37.29 | 60.26 |
| Prepaid expenses | 19.07 | 36.68 |
| Advance interest paid | 48.30 | - |
| Recoverable amount related to de-allocated coal block | 11.23 | 11.23 |
| Other receivables | 35.47 | 31.22 |
| Less: Provision for doubtful receivable | (0.07) | (0.07) |
| | 87.63 | 145.82 |

NOTE: 18

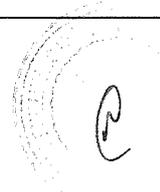
SHARE CAPITAL

Rs. in Crore

| | As at March 31, 2020 | As at March 31, 2019 |
|---|-------------------------|-------------------------|
| Authorised | | |
| 25,000,000,000 (Previous year 25,000,000,000) equity shares of Rs. 4 each | 10,000.00 | 10,000.00 |
| 4,750,000,000 (Previous year 4,750,000,000) preference shares of Rs. 20 each | 9,500.00 | 9,500.00 |
| 500,000,000 (Previous year 500,000,000) preference shares of Rs. 10 each | 500.00 | 500.00 |
| | 20,000.00 | 20,000.00 |
| Issued, subscribed and fully paid up | | |
| Equity share capital | | |
| 1,152,298,192 (Previous year 1,152,298,192) equity shares of Rs. 4 each | 460.92 | 460.92 |
| | 460.92 | 460.92 |
| Equity components of convertible preference shares | | |
| 2,721,134,715 (Previous year 2,377,954,715) 0.01% compulsorily convertible cumulative preference shares of Rs. 20 each | 5,440.20 | 5,440.20 |
| | 5,440.20 | 5,440.20 |
| | 5,901.12 | 5,901.12 |

(a) Reconciliation of number of shares

| | As at March 31, 2020 | | As at March 31, 2019 | |
|--|-------------------------|-----------------|-------------------------|-----------------|
| | No of Shares | Rs. in Crore | No of Shares | Rs. in Crore |
| Equity shares | | | | |
| Shares outstanding at the beginning of the year | 1,152,298,192 | 460.92 | 1,152,298,192 | 460.92 |
| Shares issued during the year | - | - | - | - |
| Shares outstanding at the end of the year | 1,152,298,192 | 460.92 | 1,152,298,192 | 460.92 |
| | | | | |
| | | | | |
| | As at March 31, 2020 | | As at March 31, 2019 | |
| | No of Shares | Rs. in Crore | No of Shares | Rs. in Crore |
| 0.01% Compulsorily convertible cumulative preference shares | | | | |
| Shares outstanding at the beginning of the year | 2,721,134,715 | 5,440.20 | 2,721,134,715 | 5,440.20 |
| Shares issued during the year | - | - | - | - |
| Shares outstanding at the end of the year | 2,721,134,715 | 5,440.20 | 2,721,134,715 | 5,440.20 |



ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR YEAR ENDED MARCH 31, 2020

(b) Details of shareholders holding more than 5% in the Company and details of share held by holding/ultimate holding company and /or their subsidiaries/associates

| | As at March 31, 2020 | As at March 31, 2019 | As at March 31, 2020 | As at March 31, 2019 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| | % of Shareholding | | No of Shares | |
| Equity shares | | | | |
| Essar Power Holdings Limited, a holding company | 40.50% | 40.50% | 466,649,092 | 466,649,092 |
| Essar Power Hazira Holdings Limited, a subsidiary of holding company | 40.50% | 40.50% | 466,649,093 | 466,649,093 |
| SREI Infrastructure Finance Limited | 19.00% | 19.00% | 219,000,000 | 219,000,000 |
| 0.01% Compulsorily convertible cumulative preference shares - Non Participating | | | | |
| Essar Power Holdings Limited, a holding company | 51.64% | 36.32% | 1,245,666,208 | 988,239,419 |
| Essar Power Hazira Holdings Limited, a subsidiary of holding company | 48.36% | 43.28% | 1,166,725,330 | 1,177,725,330 |
| Aegist Tech Limited | 0.00% | 7.79% | - | 211,989,962 |
| 0.01% Compulsorily Convertible Cumulative Preference Shares Participating | | | | |
| Essar Steel Metal Trading Ltd. | 100.00% | 78.38% | 308,743,177 | 268,975,000 |
| Edwell Infrastructure Hazira Limited | 0.00% | 21.62% | - | 74,205,000 |
| | | | 3,873,432,900 | 3,873,432,896 |

(c) Right, preferences and restrictions attached to shares

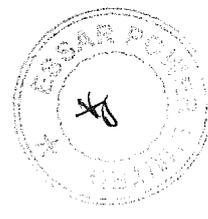
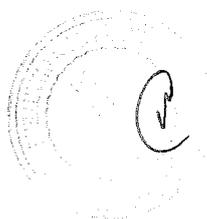
Equity shares:

The Company has only one class of equity shares having a par value of Rs. 4 each. Each holder of equity share is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

0.01% Compulsorily convertible cumulative preference shares: Non Participating:

- (i) 2,159,109,407 0.01% compulsorily convertible cumulative preference shares (CCPS) issued by the Company shall have a coupon rate of 0.01 % per annum. The CCPS issued by the Company shall be convertible into Equity Shares anytime after a period of 6 (six) months and up to a period of 10 (ten) years from the date of allotment of the CCPS. Each CCPS will be convertible into 5 (five) Equity Shares in the Company of face value of INR 4 (Indian Rupees Four) each. The CCPS shall be compulsorily converted at the end of 10 (ten) years from the date of allotment in the ratio of 5 (five) Equity Shares with face value of INR 4 (Indian Rupees Four) per Equity Share to 1 (one) CCPS. The scheduled date for compulsory conversion from the date of issue of such preference shares is as below:

| Number of CCPS held as on the balance sheet date | Date of issue | Scheduled date of compulsory |
|--|--------------------|------------------------------|
| 11,722,996 | September 26, 2011 | September 26, 2021 |
| 540,138,478 | March 31, 2011 | March 31, 2021 |
| 213,143,032 | September 27, 2010 | September 27, 2020 |
| 308,805,000 | May 26, 2010 | September 30, 2020 |
| 332,007,914 | April 26, 2010 | September 30, 2020 |
| 24,502,766 | March 31, 2010 | September 30, 2020 |
| 166,830,845 | March 19, 2010 | September 30, 2020 |
| 140,137,232 | April 20, 2009 | April 18, 2024 |
| 28,450,094 | March 18, 2009 | April 18, 2024 |
| 393,371,050 | August 1, 2008 | July 30, 2023 |



ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR YEAR ENDED MARCH 31, 2020

- (ii) 21,88,45,308 0.01% compulsorily convertible cumulative preference shares (CCPS) issued by the Company shall have a coupon rate of 0.01 % per annum. The CCPS issued by the Company shall be convertible into Equity Shares anytime after a period of 6 (six) months and up to a period of 10 (ten) years from the date of allotment of the CCPS. Each CCPS will be convertible into 5 (five) Equity Shares in the Company of face value of INR 4 (Indian Rupees Four) each. The CCPS shall be compulsorily converted at the end of 10 (ten) years from the date of allotment in the ratio of 5 (five) Equity Shares with face value of INR 4 (Indian Rupees Four) per Equity Share to 1 (one) CCPS. The scheduled date for compulsory conversion from the date of issue of such preference shares is as below:

| Number of CCPS held as on the balance sheet date | Date of issue | Scheduled date of compulsory conversion |
|--|--------------------|---|
| 1,663,723 | March 27, 2017 | March 26, 2027 |
| 153,225 | December 30, 2015 | December 30, 2025 |
| 2,879,760 | September 1, 2014 | September 1, 2024 |
| 27,359,570 | March 17, 2014 | March 17, 2024 |
| 51,814,064 | September 16, 2013 | September 16, 2023 |
| 9,165,472 | March 22, 2013 | March 22, 2023 |
| 42,573,144 | October 8, 2012 | October 8, 2022 |
| 83,236,350 | March 30, 2012 | March 30, 2022 |

0.01% Compulsorily Convertible Cumulative Preference Shares of Face Value of Rs 20 each-Participating.

0.01% Compulsorily Convertible Cumulative Participating Preference Shares ("CCCPPS") of Rs. 20 each; The CCCPPS shall be convertible into Equity Shares any time after allotment upto a period 10 years from the date of allotment. (the Conversion Option).The CCCPPS holder shall have option to convert each CCCPPS into 5 equity share of Rs. 4 each in the Capital of the Company any time after allotment upto a period 10 years from the date of allotment of CCCPPS. If the holder of a CCCPPS fails to exercise the Conversion Option, then such CCCPPS share shall stand compulsorily converted into 5 equity share of Rs 4 each at the end of 10 years from the date of allotment

| Number of CCPS held at the balance sheet date | Date of issue | Scheduled date of compulsory conversion |
|---|-------------------|---|
| 343,180,000 | February 22, 2019 | February 21, 2029 |

NOTE: 19

RESERVES AND SURPLUS

| | As at March 31, 2020 | As at March 31, 2019 |
|---|-------------------------|-------------------------|
| Securities premium account | 1,632.05 | 1,660.75 |
| Debenture redemption reserve | 49.64 | 49.64 |
| Preference redemption reserve | 267.98 | 267.98 |
| Securities premium - reserve for premium payable on redemption of preference shares | 868.23 | 839.53 |
| Capital reserve on consolidation | 107.62 | 107.62 |
| Retained earnings | (20,672.76) | (15,599.08) |
| | (17,747.24) | (12,673.56) |

Securities premium account

Securities premium account represents the premium received on issue of shares over and above the face value of equity shares. The reserve is available for utilisation in accordance with the provisions of the Companies Act, 2013.

Debenture redemption reserve

The company is required to create a debenture redemption reserve out of the profits which is available for payment of dividend for the purpose of redemption of debentures.

Preference redemption reserve

The company is required to create a preference redemption reserve out of the profits which is available for payment of dividend for the purpose of redemption of optionally convertible preference shares.

Securities premium - reserve for premium payable on redemption of preference shares

The Company is required to create a reserve for the premium on preference shares redemption out of the profits which is available for payment of dividend for the purpose of redemption of optionally convertible preference shares.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR YEAR ENDED MARCH 31, 2020

NOTE: 20

OTHER RESERVES

Rs. in Crore

| | As at March 31, 2020 | As at March 31, 2019 |
|---|-------------------------|-------------------------|
| Foreign currency translation reserve | (64.34) | 41.92 |
| Money received against share warrants (@ = Rs. 100) | @ | @ |
| | (64.34) | 41.92 |

Foreign currency translation reserve

Exchange difference arising on translation of the foreign operations are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit and loss when net investment is disposed off.

NOTE: 21

BORROWINGS

Rs. in Crore

| | As at March 31, 2020 | As at March 31, 2019 |
|--|-------------------------|-------------------------|
| Secured | | |
| Debentures | | |
| 12.50% Non convertible debentures | - | 95.00 |
| Rupee term loans | | |
| From banks | 396.23 | 967.06 |
| From others | 2,068.14 | 2,210.45 |
| | 2,464.37 | 3,272.51 |
| Loan from related party | 11.37 | - |
| Liability component of compulsorily convertible cumulative preference shares (Refer Note 18) | 4.89 | 4.47 |
| 0.01% optionally convertible cumulative redeemable preference shares | 623.75 | 566.91 |
| 8.00% optionally convertible cumulative redeemable preference shares | 365.35 | 303.06 |
| 10.25% cumulative redeemable preference shares | 1,025.00 | 1,025.00 |
| | 2,030.36 | 1,899.44 |
| | 4,494.73 | 5,171.95 |
| Less: Unamortised upfront fee | 5.44 | 44.61 |
| | 4,489.29 | 5,127.34 |

Securities provided to lenders and terms of repayment

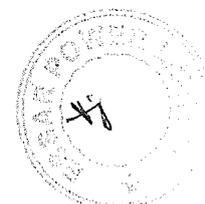
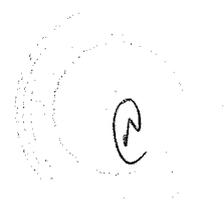
A. Essar Power Limited (The Company / EPOL)

(i) 1. Cumulative Redeemable Preference Shares of Face Value of Rs. 20 each (51,25,00,000)

Each CRPS shall have a face value of Rs.20. The CRPS shall carry a dividend of 10.25% per annum from the date of allotment. The dividend payable shall be cumulated and compounded annually till availability of dividend able profits in the Company. Unpaid dividends, if any, shall be paid by the Company along with the last redemption instalment. Cumulative redeemable preference shares (CRPS) issued on September 20, 2014 shall carry dividend of 10.25% per annum from the date of allotment. The CRPS shall be for a period of 20 years and shall be redeemed by the Company as follows:

| Redemption Date * | Redemption |
|-------------------|------------|
| March 31, 2034 | 30% |
| March 31, 2033 | 25% |
| March 31, 2032 | 20% |
| March 31, 2031 | 15% |
| March 31, 2030 | 10% |

* The Company shall have the option to redeem the CRPS at face value at any time immediately after completion of 10 years from the date of issue subject to fulfilment of specified conditions.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR YEAR ENDED MARCH 31, 2020

2. Optionally convertible cumulative redeemable preference shares (OCRPS) issued on March 18, 2009 shall bear a coupon rate of 0.1% per annum for first two years from the date of allotment and coupon rate of 8% per annum for subsequent date of redemption. These were redeemable in a single instalment at the end of seven years from the date of allotment with redemption premium. Investors had exercised its right for early redemption of OCRPS during financial year 2014-15. The Company has entered into a settlement agreement for transfer of OCRPS by the investors to new investors on the date of execution of Settlement Deed. Settlement Deed executed on February 16, 2017. Upon such transfer taking place, OCRPS has been reclassified as Series A OCRPS and Series B OCRPS and the terms of such reclassified Series A OCRPS and Series B OCRPS shall be modified as below.

Series A OCRPS -Each OCRPS shall have a face value of Rs.10 each . The OCRPS shall carry a dividend of 0.01% per annum. OCRPS shall due for redemption in 18 March 2025 and are Convertible at any time prior to March 31, 2021 into 2.99% equity stake in the Company on a fully diluted basis based on the equity share capital and outstanding convertible instruments as on Completion date and shall carry customary Information Rights.

Series B OCRPS - Each OCRPS shall have a face value of Rs.10 each . The OCRPS shall carry a dividend of 8% per annum. OCRPS shall due for redemption in 18th March, 2022 and an amount resulting in an IRR of 20.5% p.a payable on redemption. Convertible at any time prior to 31st March 2021 into 6.17% equity stake on a fully diluted basis in the Company based on the equity share capital and convertible instruments outstanding as on September 19, 2018. Shares shall carry customary information rights

| | As at March 31, 2020 | As at March 31, 2019 | As at March 31, 2020 | As at March 31, 2019 |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | % of Shareholding | | Number of shares | |
| 0.01% Optionally convertible cumulative redeemable preference shares | | | | |
| Essar Steel Metal Trading Limited | 32.69% | 32.69% | 85000000 | 85000000 |
| M. B. Finmart Private Limited | 22.44% | 22.44% | 58333333 | 58333333 |
| Puran Associates Private Limited | 22.43% | 22.43% | 58333333 | 58333333 |
| V I C Enterprises Private Limited | 22.44% | 22.44% | 58333334 | 58333334 |
| 8.00% Optionally convertible cumulative redeemable preference | | | | |
| M. B. Finmart Private Limited | 33.33% | 33.33% | 30000000 | 30000000 |
| Puran Associates Private Limited | 33.34% | 33.34% | 30000000 | 30000000 |
| V I C Enterprises Private Limited | 33.33% | 33.33% | 30000000 | 30000000 |
| 10.25% Cumulative redeemable preference shares | 100% | 100% | 512500000 | 512500000 |
| Essar Steel Metal Trading Limited(Formerly Known as Edwell Metal & Trading Limited) | | | | |

3. Share warrant

Share warrant has been issued to investor of optionally convertible cumulative redeemable preference shares (OCPRS) by the company for a consideration of Rs. 100/- entitling the investor to subscribe to the equity shares of the Company anytime before the IPO for an amount equivalent to 20% of OCPRS (Rs. 70 Crore) at an exercise price linked to a predetermined valuation of the Company.

4. Shares allotted as fully paid up by way of bonus shares/shares issued for consideration other than cash

512,500,000 (Previous year 512,500,000) cumulative redeemable preference shares were allotted for consideration other than cash in the last five years. There are no bonus shares issued and no shares bought back during the period of five years immediately preceding reporting period.

B. Bhandar Power Limited (BPOL)

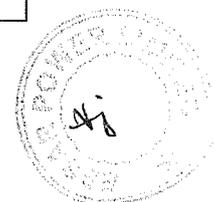
The rupee term loans of Nil (Previous year Rs. 343.86 Crore).

C. Essar Power Transmission Company Limited (EPTCL)

(a) Securities provided to lenders

Subsequent to receiving Stage II provisional tariff order on 14.03.2019 from the Central Electricity Regulatory Commission, EPTCL had submitted a debt restructuring proposal to its lenders on 28.03.2019. Lenders to the EPTCL approved the restructuring proposal vide their respective sanction letters in the month of March 2020. The debt restructuring has been implemented under RBI guidelines dated 07.06.2019. Restructuring is effective with a cut-off date of 15.04.2019. EPTCL has executed the Master Debt Restructuring Agreement with its lenders on 04.06.2020 and has issued Optionally Convertible Debentures (OCD) across all the three series on 18.06.2020. Restructured amount comprises of principal outstanding of Rs. 1682 crore and interest dues of Rs.322 crore as on cut off date, totalling to Rs 2004 Crore. During the year EPTCL has made payment of Rs 149.97 Crores towards overdue interest and Rs 101.20 Crores towards principal outstanding. As on 31st March 2020 the outstanding debt with revised restructured components are as follows:-

| Restructured Debt | Original Dues | Rs. Crore | Coupon |
|-------------------|------------------|----------------|--------|
| Term Loan | Principal O/S | 1262.14 | 14.50% |
| OCD Series 1 | | 326.66 | 3% |
| OCD Series 2 | Overdue Interest | 138.53 | 3% |
| OCD Series 3 | | 26.30 | 0% |
| Total | | 1753.63 | |



ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR YEAR ENDED MARCH 31, 2020

(b) Terms of repayment for loans/borrowings

Rupee Term Loan

The restructured debt including OCD Series 1 and OCD Series 2, together with interest are secured by a first ranking charge on EPTCL's immovable and movable properties, both present and future, and other movable assets, tangible and intangible assets, book debts, receivables, current assets, bank accounts, assignment of project documents, insurance policies and security interest in favour of security trustee. The facilities are additionally secured by corporate guarantees issued, by pledge of 50 crore Compulsory Convertible Preference Shares (CCPS) of Rs.20 each, held by Essar Power Holding Limited in Essar Power Limited and by pledge of 100% equity shares of EPTCL held by the holding company. OCD series 3 are secured only in case the final tariff order is received for Stage II is more than Rs 333 Crores.

Term of repayment for loans/ borrowings

- (i) The rupee term loan facility repayable in 94 structured quarterly instalments beginning from December 31, 2019.
 - (ii) The OCD Series 1 and OCD Series 2 debentures are repayable in 92 structured quarterly instalments beginning from June 30, 2020
 - (iii) The OCD Series 3 debentures are repayable only in the eventuality of stage 2 final tariff being higher than Rs 333 Crores. In such a case, OCD series 3 shall be repaid from the surplus cash (Cash available after meeting all operating expenses, capex requirement and debt service obligations) after the end of the year proportionately along with Term loan, OCD Series 1 and OCD Series 2.
- (c) Since the restructuring has been completed subsequent to balance sheet date, EPTCL has not accounted in financial year 2019-20 for gain on modification in terms of debts.
- (d) Rs 15.54 Crores was offered as interest payment to Axis bank but it has not adjusted against the interest payable but instead, bank marked it as 'under lien' and the amount is included in bank current account balances. Further, EPTCL has paid advance interest of Rs. 33.24 Crores to REC and Rs. 12.19 Crores to PFC.

D. Essar Power Hazira Limited (EPHL)

(a) Securities provided to lenders

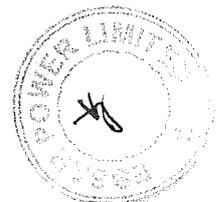
The rupee term loans taken by the EPHL, together with interest are secured / to be secured by a first ranking pari-passu charge on the whole of EPHL's movable and immovable properties, both freehold and leasehold, Leasehold right, present and future, and other movable assets, tangible and intangible assets, book debts, receivables, current assets, bank accounts, assignment of project documents and insurance policies. The facilities are additionally secured by corporate guarantee and pledge of certain equity shares and cumulative convertible participating preference shares of the EPHL held by holding company.

(b) Terms of repayment

The rupee term loan facility is repayable in 40 structured quarterly instalments beginning from October 23, 2016

Inter corporate deposits (ICDs) from related party are for a period of 11 years and repayable in yearly instalment beginning from 2017-18 to 2019-20 and from 2022-23 to 2024-25. Inter corporate deposits (ICDs) are converted into compulsorily convertible cumulative participative preference shares (CCCPS) on March 13, 2019.

- (c) The classification of loans between current liabilities and non-current liabilities continues based on repayment schedule under respective agreements. Loans had been recalled due to non-compliance of conditions under any of the loan agreements in the previous year. Lenders of the EPHL had classified the EPHL's account as sub standard. During current year all the EPHL has paid all its overdues and all the loan accounts have been classified as standard by lenders.
- (d) With respect to rupee term loan from bank and others, principal installment overdue for 92 days (Previous year 343 days) and interest accrued and due is outstanding for 1 day to 30 days (Previous year 1 day to 30 days) as at March 31, 2020.
- (e) With respect to inter corporate deposits from related party, interest accrued and due is outstanding for Nil days (Previous Nil days) as at March 31, 2020.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR YEAR ENDED MARCH 31, 2020

NOTE: 22

OTHER FINANCIAL LIABILITIES

| | Rs. in Crore | |
|-------------------------|-------------------------|-------------------------|
| | As at March 31, 2020 | As at March 31, 2019 |
| Others (specify nature) | 116.31 | - |
| | 116.31 | - |

NOTE: 23

PROVISIONS

| | Rs. in Crore | |
|---|-------------------------|-------------------------|
| | As at March 31, 2020 | As at March 31, 2019 |
| Provision for employee benefits | | |
| Gratuity (Refer Note 45) | 10.49 | 11.54 |
| Compensated absences | 1.20 | 1.58 |
| Other provisions | | |
| Provision for obligation incidental to land acquisition (Refer Note 41) | 57.14 | 56.14 |
| | 68.83 | 69.26 |

NOTE: 24

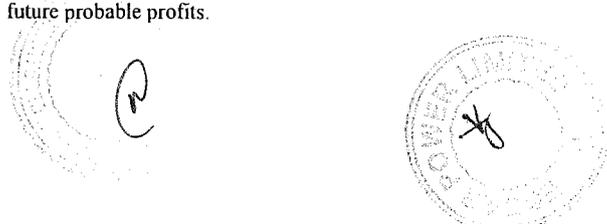
DEFERRED TAX LIABILITIES (NET)

| | Rs. in Crore | |
|--|-------------------------|-------------------------|
| | As at March 31, 2020 | As at March 31, 2019 |
| Deferred tax liabilities | | |
| Property, plant and equipment | 1,346.60 | 1,267.61 |
| Intangible assets | 5.84 | |
| Fair valuation of financial assets and liabilities | 26.64 | 27.57 |
| Gross deferred tax liability | 1,379.08 | 1,295.18 |
| Deferred tax asset | | |
| Carry forward business losses | 16.61 | 16.62 |
| Unabsorbed depreciation | 1,326.14 | 1,180.92 |
| Provision for employee benefits | 2.31 | 1.24 |
| Fair valuation of financial assets and liabilities | (6.04) | 68.65 |
| Provision for doubtful debts | 0.57 | - |
| MAT Credit entitlement | 9.46 | |
| Others | 27.75 | 27.75 |
| Gross deferred tax assets | 1,376.80 | 1,295.18 |
| Net deferred tax liability | 2.28 | - |

Movement in deferred tax liabilities

| | Rs. in Crore | |
|--|-------------------------|-------------------------|
| | As at March 31, 2020 | As at March 31, 2019 |
| Balance at the beginning of the year | 80.61 | 339.20 |
| charged / (credited) to statement of profit and loss | 2.37 | (328.64) |
| charged / (credited) to other comprehensive income | 0.07 | (0.55) |
| Transfer to Retained Earnings | (80.78) | (10.01) |
| Balance at the end of the year | 2.28 | - |

Essar Power Limited, Bhandar Power Limited, Essar Power M.P. Ltd, Essar Power Gujarat Ltd have recognised deferred tax assets to the extent of the corresponding deferred tax liability due to the uncertainty over the realisation of the future probable profits.



ESSAR POWER LIMITED
NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR YEAR ENDED MARCH 31, 2020

NOTE: 25
BORROWINGS

| | As at March 31, 2020 | As at March 31, 2019 |
|--------------------------------------|-------------------------|-------------------------|
| Rs. in Crore | | |
| Secured | | |
| Loan repayable on demand | | |
| From banks | 4,161.71 | 3,724.88 |
| From others | 441.95 | 441.95 |
| Working capital facility | | |
| From banks | | |
| Cash credit facilities | 980.74 | 928.26 |
| Loan from related parties | 139.14 | 101.76 |
| | 5,723.54 | 5,196.85 |
| Unsecured | | |
| Inter corporate deposits | | |
| From related parties | 480.37 | 464.43 |
| From others | 42.63 | 35.38 |
| Bank guarantee devolvement from bank | 189.12 | 184.65 |
| | 712.12 | 684.46 |
| | 6,435.66 | 5,881.31 |
| Less: Unamortised upfront fee | 43.05 | 8.97 |
| | 6,392.61 | 5,872.34 |

Securities provided to lenders and terms of repayment

A. Essar Power Limited (EPOL)

(a) Term loan facility of Rs. 49.99 Crore (Previous year Rs. 49.99 Crore) from Yes Bank Limited is secured/to be secured by first pari passu charge on all present and future movable and immovable fixed assets and current assets of the Company and its subsidiaries Essar Power Gujarat Limited and Essar Power (Orissa) Limited, pledge of certain shares of the Company held by Essar Power Hazira Holdings Limited, Pledge to be created on certain shares of Essar Power (Orissa) Limited and Essar Power Gujarat Limited held by the Company (to be created) and personal guarantee of Shri Prashant Ruia. The facility is additionally to be secured by Debt Service Reserve Account (to be created in the form of Fixed Deposit). The facility is additionally secured by second charge on surplus cash flows on sale of investments in Essar Power Hazira Limited and Essar Power (Orissa) Limited.

(b) Term loan facility of Rs. 386.84 Crore (Previous year Rs. 386.84 Crore) from Yes Bank Limited is secured/to be secured by first pari passu charge on present and future movable and immovable fixed assets of the Company and its subsidiary namely Essar Power Hazira Limited, escrow and exclusive charge on all cash flows arising from ICDs or sub-debt given by the Company to Essar Power Hazira Limited, first pari passu charge on all current assets of the Company except cash flows arising from ICDs or sub-debt given by the Company to Essar Power Hazira Limited on which Yes Bank Limited would have exclusive charge, pledge of certain shares of the Company held by Essar Power Hazira Holdings Limited, and personal guarantee of Shri Prashant Ruia. The facility is additionally to be secured by Debt Service Reserve Account (to be created in the form of Fixed Deposit). The facility is additionally secured by second charge on surplus cash flows on sale of investments in Essar Power Hazira Limited and Essar Power (Orissa) Limited.

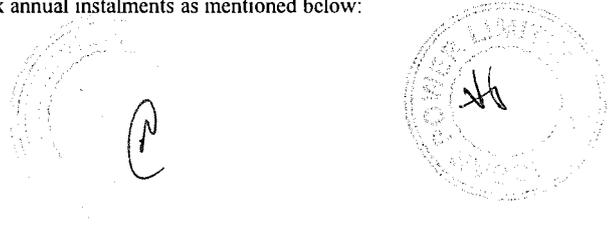
(i) The term loan facility of Rs. 49.99 Crore from Yes Bank Limited is repayable in six annual instalments as mentioned below:

- 35% on May 23, 2024 (Partly paid)
- 21% on May 23, 2023 (Prepaid)
- 14% on May 23, 2022 (Prepaid)
- 15% on May 23, 2019 (Prepaid)
- 9% on May 23, 2018 (Prepaid)
- 6% on May 23, 2017 (Prepaid)

(ii) The term loan facility of Rs. 386.84 Crore from Yes Bank Limited is repayable in six annual instalments as mentioned below:

- 35% on September 30, 2024
- 21% on September 30, 2023
- 14% on September 30, 2022
- 15% on September 30, 2019 (Partly paid)
- 9% on September 30, 2018 (Prepaid)
- 6% on September 30, 2017 (Prepaid)

(c) With respect to rupee term loans from banks and financial institutions, principal instalment due is outstanding for 182 days (Previous year Nil days) and interest accrued and due on borrowings outstanding for 182 days (Previous year 1 day to 90 days) as at March 31, 2020.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR YEAR ENDED MARCH 31, 2020

Securities provided to lenders

d) Working capital facility of Rs. 26.96 Crore (previous year Rs. 26.96 Crore) from banks is secured by a first pari passu charge by hypothecation of inventories and receivables and a second pari passu charge on fixed assets of the Company and also guaranteed by Essar Investments Ltd. Working Capital Facility of Rs. 37.02 Crore (previous year Rs. 37.02 Crore) for Pallivasal Project is guaranteed by EPC Constructions India Limited.

e) With respect to working capital facility from banks is overdrawn for 1824 days (previous year 1459 days) as on March 31, 2020.

B. Essar Power Gujarat Limited (EPGL)

(a) Securities provided for Rupee Term Loan

The Rupee term loan together with interest are secured / to be secured by a first ranking charge on the whole of EPGL's immovable and movable properties and other movable assets, tangible and intangible assets, book debts, receivables, current assets, bank accounts, assignment of project documents and insurance policies. The facilities are additionally secured by pledge of certain equity shares of EPGL held by the holding company. Part of rupee term loan facility are also secured by corporate guarantees of the holding companies and personal guarantee of Shri Prashant Ruia.

EPGL's Consortium Lenders (led by State Bank of India) had decided to implement Change of Ownership outside SDR with reference date as 27 July, 2017, as was allowed under the RBI guidelines. Consequently, the Lenders have also invoked pledge of 51% shares of the Company and got the same transferred in demat mode in the name of IDBI Trusteeship Services Limited (ITSL) on behalf of the Lenders. Hence, as on date, ITSL is appearing as shareholder as per the EPGL's Register of Members.

Essar Power Limited (EPOL), the promoter of EPGL ("the Company"), which originally held these shares, via various letters have requested ITSL / Lenders to give effect to the above sale of shares and accordingly reduce the debt payable by the Company to the Lenders (to the extent of book value of those shares as on 31 March, 2017) as this amount is now payable to EPOL by the Company. However, the matter is not yet closed and once an agreement is reached between EPOL and ITSL/Lenders of the EPGL, required adjustment as per the terms of settlement between EPOL and ITSL/Lenders of the EPGL will be given in the books of the EPGL.

Securities provided for working capital facility

Working Capital facilities from Banks is secured by a first ranking pari pasu charge with long term lenders on the whole of EPGL's immovable and movable properties and other movable assets, tangible and intangible assets, book debts, receivables, current assets, bank accounts, assignment of project documents account and insurance policies. The facilities are additionally secured by pledge of certain equity shares of the EPGL held by holding company, which was subsequently invoked by lenders in October 2017.

| (b) Terms of repayment | March 31, 2020 | March 31, 2019 |
|---|-----------------------|-----------------------|
| (i) The Rupee term loan facilities from various banks is repayable in quarterly instalments till March 31, 2033. | 2,809.23 | 2,809.23 |
| (ii) The Rupee term loan facilities from financial institution is repayable in quarterly instalments till March 31, 2033. | 390.52 | 390.52 |
| (iii) The Additional Loan facility from bank is repayable in quarterly instalments till March 31, 2026. | 270.00 | 270.00 |
| (iv) The Additional Loan facility from various banks is repayable quarterly instalments till June 30, 2025. | 53.45 | 53.45 |
| (v) The Additional Loan facility from financial institution is repayable in quarterly instalments till June 30, 2025. | 9.97 | 9.97 |
| (vi) The Term loan facility from the bank is repayable in quarterly instalments till March 31, 2022. | 122.85 | 122.85 |
| (vii) The Term loan facility from the bank is repayable in yearly instalments till March 31, 2023. | 469.36 | 469.36 |
| (viii) The Term loan facility from financial institution is repayable in quarterly instalment till March 31, 2033. | 41.45 | 41.45 |

(e) Interest on Inter corporate deposits for the year ended on 31 March, 2020 has been unconditionally waived off by all the parties.

(d) Interest rate of most of the lenders is linked to SBI Base rate + Spread, in other cases it is linked to that bank's base rate + spread.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR YEAR ENDED MARCH 31, 2020

(e) A High Power Committee (HPC) was formed by Government of Gujarat in July 2018 to evaluate and finalise a viable solution for three imported coal based power plants (including the EPGL). The HPC consists of three members, namely (i) Justice R.K. Agarwal (former judge of Supreme Court), (ii) Mr. S.S. Mundra (former RBI Deputy Governor) and (iii) Mr. Pramod Deo (former Chairman of the Central Electricity Regulatory Commission, New Delhi). The HPC held several meetings with all the stakeholders (including Lenders) and submitted its report.

EPGL had signed a Supplemental PPA (SPPA) with GUVNL based on the recommendations of the High Powered Committee (HPC) and the Resolution passed by the Government of Gujarat (GR) on March 1, 2019. EPGL received the order from GERC on April 27, 2020, approving SPPA with certain amendments. The Government resolution dated June 12, 2020 revoked the earlier government resolution dated December 1, 2018. GR has further written letter dated June 12, 2020 to GUVNL accepting all the conditions of GERC order dated April 27, 2020 for EPGL and asked GUVNL to implement the same for other generators.

Therefore, it is clear that a joint effort is being made by the Government, the Lenders, the Off-takers and EPGL to find a long term solution for the EPGL. Hence, the solution which is being suggested by HPC has concurrence from all the stakeholders of EPGL and once the same is implemented the operations of the plant should become viable.

There are defaults as on the year end and the same has continue till the date of the signing of the financial statements. Hence, the EPGL has classified all the loan as current.

(f) With respect to the rupee term loans from banks and financial institution, principal instalments in default and overdue are for 1005 day (Previous year for 639 day) and interest accrued and in default and over due are for 1065 days (Previous year for 699 day) as at March 31, 2020.

(g) EPGL is working with its lenders to restructure the debt at a sustainable level in line with the New SPPA allowing coal cost pass through. Major contours of Resolution Plan have been finalized with Consortium Lenders. EPGL has complied with major CPs to implementation of restructuring. Resolution Plan with lenders of EPOL is being finalized with Lenders of EPGL and we expect to get approval shortly after approval of the New SPPA which is being entered into with GUVNL. Considering that implementation of Resolution Plan is imminent and the fact that EPGL has been receiving support from the lenders, GUVNL and the trade creditors, the management of EPGL expects to meet its obligations arising in the foreseeable future.

C. Essar Power M.P. Limited (EPMPL)

Overdue cash credit facility/working capital from bank is amounting to Rs.266.68 crores with maximum overdue period of 962 days as on 31.03.2020.(Considering recalled letter).

D. Essar Power Hazira Limited (EPHL)

Terms of repayment: The short term unsecured loan availed from Essar Steel Metal Trading Limited (ESTML). Loan repayable on Monthly instalments of Rs.6 Crore from August 2019.

NOTE: 26

TRADE PAYABLES

Rs. in Crore

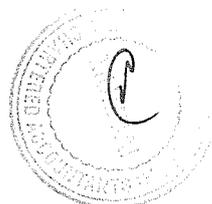
| | As at March 31, 2020 | As at March 31, 2019 |
|--|---------------------------------|---------------------------------|
| Trade payables | | |
| Total outstanding of micro and small enterprises | 18.86 | 10.27 |
| Others* | 873.95 | 236.08 |
| | 892.81 | 246.35 |

*Trade payable includes an amount of Rs. 7.10 Crore assigned from one of the subsidiary payable by them towards their capex.

Details of dues to micro and small enterprises:

Micro and small enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 have been determined based on the information available with the Company and the required disclosures are given below:

| | As at 31 March 2020 | As at 31 March 2019 |
|--|--------------------------------|--------------------------------|
| Principal amount due and remaining unpaid | 18.86 | 10.73 |
| Interest due and unpaid on the above amount | - | 0.06 |
| Amount of further interest remaining due and payable | - | - |



ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR YEAR ENDED MARCH 31, 2020

(e) With respect to non convertible debenture principal overdue for 1 day to 2075 days (Previous year 1 day to 1709 days) and interest accrued and due thereon for 1 day to 1649 days (Previous year 1 day to 1583 days) as at March 31, 2020.

(f) 12.50% Non convertible debentures of Rs. 1,000.00 Crore (Previous year Rs. 1,000.00 Crore) is secured/to be secured by way of first pari passu charge on the fixed assets (freehold land, buildings and plant and machinery) of the Company and its subsidiaries. These debentures have been recalled by the holders thereof and legal proceedings have been initiated in the DRT-I, Mumbai during May 2017 in respect of the claim. The Company is contesting the claim and is taking appropriate steps to defend the proceedings before the DRT –I, Mumbai. The matter is being heard by DRT from time to time. In FY 2017-18 the debenture holder had filed two interim applications preventing the company from disposing off its certain assets. The DRT had passed an interim relief order directing the company not to dispose off its certain assets. The Company has submitted to the tribunal that it will comply with the interim relief order except for the assets that have been disposed prior to the date of the order. The matter is presently sub-judice.

(B) Essar Power Hazira Limited-Securities provided to lenders

Including instalments due on term loan Nil (Previous year Rs.82.46 crore) and inter corporate deposits as at March 31, 2019 Nil (Previous year Nil) (Also refer note no. 21 (d))

(C) Essar Power Gujarat Limited

EPGL is liable to declare minimum availability of 75% during the year as per one of the clause of GUVNL PPA for the power supply and lower than 75% will attract penalty .Subsequently EPGL has entered in to Supplemental Power Purchase Agreement (SPPA) dated March 1, 2019 for amendment to the existing PPA. An additional clause of penalty has been inserted in SPPA, where in , if the availability declared to GUVNL for the contract year is less than 90% , a penalty of 10% of the capacity charge (applicable for that year) shall be applicable for the number of units declared less. This is in addition to the already existing provision of penalty for declaration of availability less than 75% in the contract year to GUVNL.

Due to certain conditions of the Power Purchase Agreement with the GUVNL , EPGL has to pay certain charges for declaration of lower availability of the Plant. Details of the same are as under:

| | Amt in Cr | |
|------------|----------------|----------------|
| | As at | As at |
| | March 31, 2020 | March 31, 2019 |
| FY 2017-18 | 18.08 | 55.57 |
| FY 2018-19 | 151.85 | 134.17 |
| FY 2019-20 | 41.22 | - |
| | 211.15 | 189.74 |

(D) Bhandar Power Limited

(a) BPOL, Including instalments due as at March 31, 2019 Rs. NIL (Previous year Rs. 330.86 Cr).

In satisfaction of the process under the provisions of the SARFAESI Act 2002 and Rules thereunder, EARC issued a notice of sale in terms of the SARFESI Act 2002 and Rule 8(6) of the Rules on December 20, 2019 intimating the Borrower of the intention of the Lender to cause a sale of the Secured Assets to ArcelorMittal India Private Limited (“AMIPL”) or AMIPL’s nominees under private treaty on failure by the Borrower to repay the Outstanding Debt by January 24, 2020 (“SARFAESI Sale Date”)

BPOL and its holding company, Essar Power Limited, had filed petitions in the Debt Recovery Tribunal (DRT), Ahmedabad to challenge the enforcement of charge and subsequent sale of the Secured Assets by EARC under the provisions of the SARFAESI Act 2002 and Rules thereunder. Essar Power Limited, being a financial creditor, had also filed a petition in the National Company Law Tribunal, Ahmedabad to commence insolvency proceedings against BPOL. Subsequently, a settlement was reached with EARC by BPOL and its holding company wherein entire dues under the loan got settled on transfer of following assets:

- a. Value of Property, Plant and Equipment Rs.462.98 crore
- b. Value of Spares Inventory Rs.36.46 crore
- c. Project Documents like clearances & approvals, Power Purchase Agreement (PPA), Facility Usage Agreement (FUA) etc.

Further, EARC also allowed BPOL to make certain payments from its bank account to its holding company towards their dues and also exclude investments, receivables, bank accounts and certain other assets out of the sale. The settlement was also subject to the condition that no claim must be made by EARC or BPOL or EPOL whether present, past or future in respect of the sale of the plant. On completion of sale transaction, EARC has issued a no due certificate after the completion of sale and all charges have been vacated including pledge of shares of BPOL held by Essar Power Limited. Therefore, as all the assets are taken over by EARC for one time settlement for its term loan, BPOL has discontinued its 500MW power plant operations from 6 February ,2020. Currently BPOL is evaluating the various new business opportunities with the support of holding companies and receivables. BPOL is also exploring possibilities of selling its investments.

(b) With respect to rupee term loan from bank and other institutions, principal instalments overdue Nil (Previous year 45 days to 960 days) and interest accrued and due is outstanding is Nil (Previous year 17 days to 990 days) as at March 31, 2019.



ESSAR POWER LIMITED**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR YEAR ENDED MARCH 31, 2020****E. Essar Power M.P. Limited (EPMPL)****(a) Securities provided to lenders**

The Rupee term loan facilities and foreign currency loan together with interest are secured/to be secured by a first ranking pari passu charge on the whole of the EPMPL's immovable and movable properties and other movable assets (both present and future) including all the immovable and movable properties in relation to the coal mines (both present and future), all tangible and intangible assets, book debts, receivables, current assets, bank accounts, assignment/rights of project/mining documents(including mining lease) and insurance policies etc.(both present and future).The facilities are additionally secured by pledge of 74% equity shares and 76% CCPPS & CRPS (subsequently CRPS modified into NCRPS) of the EPMPL held by the shareholders and the corporate guarantee of the holding Company & Essar Energy Limited (intermediate holding company) (provided/to be provided) and ECB is further secured by corporate guarantee of Essar Global Fund Limited (Ultimate holding company). During the year, the Bank Guarantee of Rs.261.76 Crores which had provided to Ministry of Coal in terms of allotment of Tokisud coal mine has been encashed and converted into rupee term loan by ICICI bank; the same is additionally secured by the personal guarantee of Sh. Prashant Ruia.

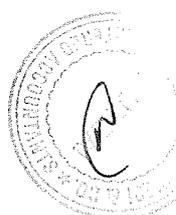
(i) Terms of repayment of borrowings:

Rupee term facilities outstanding of Rs 4,684.47 Crores (Previous year Rs. 4,694.62 Crores) from Banks, financial institutions and other has been recalled during the earlier years. The said accounts were classified as NPA during earlier years.(ii) During the year, Ministry of Coal has been encashed the bank guarantee amounting to Rs. 261.76 Crores as per terms of allotment of Tokisud coal mine to the company which was issued by the ICICI Bank and converted into rupee term facilities of Rs 261.76 Crores by the bank (Previous year Nil) which has been recalled by the bank and has been classified NPA.(iii) Balance amount Rs. 398.04 Crores (US\$ 52.80 million) of the external commercial borrowing (ECB I) from ICICI bank has been recalled. The said account was classified as NPA during the earlier years.(iv) External commercial borrowing (ECB II) of Rs 493.17 Crores (US\$ 65.42 million) from ICICI bank has been recalled. The said account was classified as NPA during the earlier years. (v) (a) Inter corporate deposit (ICD) amounting to Rs. 68.64 Crores taken from related parties are repayable in 2020-21 as per the amended terms. (b) Inter Corporate deposit (ICD) amounting to Rs. 5.20 crore taken from other is repayable in year 2020-21. (vi) In earlier year, IDFC bank Limited had assigned its outstanding loan to Edelweiss Asset Reconstruction Company Limited (EARC). (vii) In view of the fact that all loans have been recalled by the lenders, the outstanding long term loans have been classified as current in financial statements; accordingly, included under 'Current maturities of secured long term borrowings' under the head 'Current Financial Liabilities-Others'.

(ii) Overdue instalments and interest to Banks, Financial Institutions and other:

(b) With respect to borrowings from banks, financial institutions and other, interest amount outstanding for maximum period of 1673 days, 1736 days and 1721 days for banks, financial institutions and other respectively and principal outstanding for maximum period of 1005 days, 1112 days for banks, financial institutions and other respectively.

| Name of the lender | Principal | Interest |
|--|------------------|-----------------|
| ICICI Bank-Rupee term loan | 1,109.28 | 550.57 |
| ICICI Bank-ECB | 891.21 | 308.47 |
| Punjab National Bank | 816.03 | 892.16 |
| Edelweiss Asset Reconstruction Company Limited | 331.37 | 332.94 |
| Power Finance Corporation Limited | 1,344.55 | 1,366.83 |
| Rural Electrification Corporation Limited | 1,345.00 | 1,389.70 |



ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR YEAR ENDED MARCH 31, 2020

Note: The above is after considering recalled letters from lenders and including the bank guarantee amounting to Rs. 261.76 Crores which has been encashed by Ministry of Coal on 06.05.2019 .

- (c) During the earlier year, all the lenders have recalled loans advanced by them to Company accordingly all the loans have been classified as current liabilities.
- (d) ICICI Bank, PNB, PFC and RECL has referred the recovery proceedings in Debts Recovery Tribunal - 1, Delhi. EPMPPL has contested the same and proceedings are still going on.
- (i) Rate of Interest
- (ii) The interest rate for the above Rupee term loans from banks and financial institutions (excluding penal interest) varies from 12.35% p.a. to 15.25% p.a.
- (iii) The interest rate for the above External commercial borrowings is IBAR minus 4.20% for ECB I & IBAR minus 4.00% for ECB II (presently effective rate 5.55 % p.a. for ECB I & 6.50 % p.a. for ECB II).
- (iv) The interest rate for the ICD from others :12.25% p.a.
- (v) The interest rate for the ICD from related party varies from 13.50 % p.a. to 13.70% p.a. {Read with note no. 25})
- (vi) The interest rate for the ICD from related party varies from 13.50 % p.a. to 13.70% p.a. {Read with note no. 25})
- (vii) EPMPPL admitted under NCLT on 29 Sept 2020.

F. Essar Power (Orissa) Limited (EPORSL)

In view of demerger scheme of IDFC Limited, during the previous year, rupee term loan from IDFC Limited has been transferred to IDFC Bank Limited. IDFC Bank Limited has assigned its rupee term loan along with outstanding interest to Edelweiss Asset Reconstruction Company (EARC) w.e.f. March 22, 2017 on same terms and conditions.

(a) Securities provided to lenders

The rupee term loans taken by the EPORSL, together with interest are secured / to be secured by a first ranking pari-passu charge on the whole of EPORSL's immovable and movable properties, both present and future, and other movable assets, tangible and intangible assets, book debts, receivables, current assets, bank accounts, assignment of project documents and insurance policies. The facilities are additionally secured by corporate guarantee and pledge of certain equity shares and cumulative convertible participating preference shares of the EPORSL held by holding company.

(b) Terms of repayment

The rupee term loan facility is repayable in 46 and 41 quarterly instalments beginning from January 15, 2017 to EARC and a bank respectively .

- (c) Lenders of the EPORSL have classified the EPORSL's account as Non Performing Assets. Loans have been classified as current liabilities based on recall notice of Lenders. EPORSL is in discussion with Lenders for one time settlement (OTS).
- (d) With respect to rupee term loan, principal instalment overdue for 901 days (Previous year 535 days) and interest accrued and due for 1 day to 138 days (Previous year 1 day to 609 days) as at March 31, 2020.
- (e) EPORSL is in touch with Lenders for OTS / Restructuring. EPORSL had received OTS approvals from Lenders in FY 2019-20 and made certain payments. However, OTS could not be completed as the OTS approvals lapsed. The payments made to Lenders have been appropriated as per the terms of the Loan Agreements. One of the Lenders have informed that they have filed suit in Debt Recovery Tribunal (DRT) against the EPORSL for recovery of the debt.

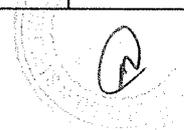
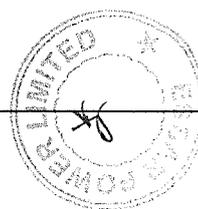
The EPORSL has again initiated discussions with the Lenders for OTS / Restructuring and accordingly, no penal interest has been booked.

**NOTE: 28
PROVISIONS**

| | As at March 31, 2020 | As at March 31, 2019 |
|---|-------------------------|-------------------------|
| Provision for employee benefits | | |
| Gratuity (Refer Note 45) | - | 0.51 |
| Compensated absences | 1.31 | 1.33 |
| Other provisions | | |
| Provision for obligation incidental to land acquisition (Refer Note 41) | 6.02 | 5.67 |
| | 7.33 | 7.51 |

**NOTE: 29
CURRENT TAX LIABILITIES (NET)**

| | As at March 31, 2020 | As at March 31, 2019 |
|--|-------------------------|-------------------------|
| Provision for taxation | 157.89 | 157.07 |
| Less: Set-off of current tax assets pursuant to set-off provisions | (49.36) | (48.54) |
| | 108.53 | 108.53 |



ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR YEAR ENDED MARCH 31, 2020

NOTE: 30

OTHER CURRENT LIABILITIES

Rs. in Crore

| | As at March 31, 2020 | As at March 31, 2019 |
|------------------------|-------------------------|-------------------------|
| Advance from customers | 2.46 | 36.45 |
| Statutory dues # | 79.45 | 83.51 |
| Other payables | 0.32 | 5.01 |
| Deferred Liability## | 40.53 | 41.79 |
| | 122.76 | 166.76 |

In EPORSL, In Odisha state, an energy generator is liable to pay electricity duty in respect of energy supplied by it only on receipt of the same from the customers. Therefore, EPORSL is recognising electricity duty liability only when the same is received from its customers.

In EPGL -Represents government assistance in the form of the duty benefit availed under Export Promotion Capital Goods (EPCG) Scheme on purchase of property, plant and equipments accounted for as government grant being amortised over useful life of underlying capital good.

NOTE: 31

REVENUE FROM OPERATIONS

Rs. in Crore

| | For the year ended March 31, 2020 | For the year ended March 31, 2019 |
|--|--------------------------------------|--------------------------------------|
| Sale of power and charges* | 2,886.07 | 1,328.90 |
| Rebate | (39.95) | - |
| Operation and maintenance charges (net of service tax) | (59.01) | - |
| Revenue from transmission charges | 434.03 | 241.45 |
| Sale of services | 6.07 | 6.58 |
| Trading in electricity | | |
| Value of units sold | 6.20 | 7.47 |
| Less: Value of units purchased | (4.00) | (6.38) |
| | 2.20 | 1.09 |
| Sale of traded goods | - | 63.02 |
| Other operating revenues | 3.86 | 4.90 |
| | 3,233.27 | 1,645.94 |

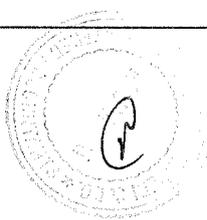
*Includes delayed payment charges of Rs. 2.2 Cr (Previous year Rs. 16.38 Crore) on overdue recoverable from customers as per the terms of Power Purchase Agreement.

NOTE: 32

OTHER INCOME

Rs. in Crore

| | For the year ended March 31, 2020 | For the year ended March 31, 2019 |
|---|--------------------------------------|--------------------------------------|
| Sale of coal | 3.25 | - |
| Interest income on deposits with banks and others | 4.34 | 16.81 |
| Deferred government grant | 1.26 | - |
| Profit on sale of mutual fund units | 0.42 | 2.53 |
| Gain on modification in terms of optionally convertible preference shares | 0.55 | - |
| Lease income | 0.02 | 0.02 |
| Profit on disposal of property, plant and equipment | - | 0.48 |
| Net gain on account of foreign currency transaction and translation | - | 0.01 |
| Interest income on financial assets at amortised cost | 5.27 | 3.94 |
| Miscellaneous income | 12.57 | 7.20 |
| Sundry balances written back | 48.83 | 31.26 |
| Scrap sales | 0.37 | 7.41 |
| | 76.88 | 69.66 |



ESSAR POWER LIMITED
NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR YEAR ENDED MARCH 31, 2020

NOTE: 33

COST OF FUEL

Rs. in Crore

| | For the year ended March 31, 2020 | For the year ended March 31, 2019 |
|--|--------------------------------------|--------------------------------------|
| Balance of fuel at the beginning of the year | 101.61 | 35.43 |
| Add: Purchases | 1,509.78 | 414.68 |
| Less: Balance of fuel at the end of the year | (114.04) | (101.61) |
| Cost of fuel consumed | 1,497.35 | 348.50 |

NOTE: 34

EMPLOYEE BENEFIT EXPENSES

Rs. in Crore

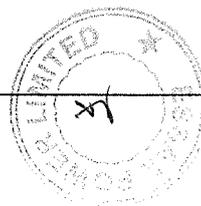
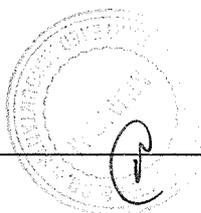
| | For the year ended March 31, 2020 | For the year ended March 31, 2019 |
|--|--------------------------------------|--------------------------------------|
| Salaries and wages | 123.41 | 100.83 |
| Contribution to provident and other fund | 6.29 | 5.07 |
| Gratuity (Refer Note 45) | 2.20 | 1.55 |
| Staff welfare expenses | 5.06 | 3.37 |
| | 136.96 | 110.82 |

NOTE: 35

OTHER EXPENSES

Rs. in Crore

| | For the year ended March 31, 2020 | For the year ended March 31, 2019 |
|---|--------------------------------------|--------------------------------------|
| Production consumables | 59.39 | 50.73 |
| Consumption of water and water treatment | 66.59 | 20.13 |
| Coal handling expenses | - | 0.71 |
| Warehouse charges | 0.64 | 0.69 |
| Transmission and scheduling charges | 59.81 | 5.33 |
| Repairs and maintenance | | |
| Buildings | 6.85 | 8.34 |
| Plant and machinery | 83.93 | 61.00 |
| Others | 25.86 | 23.74 |
| Net loss on account of foreign currency transaction and translation | 19.43 | 6.03 |
| Rent | 6.70 | 26.83 |
| Rates and taxes | 14.55 | 14.29 |
| Directors' fees | 0.32 | 0.34 |
| Insurance | 19.89 | 10.05 |
| Communication expenses | 0.55 | 0.62 |
| Travelling and conveyance | 15.80 | 13.30 |
| Impairment / loss on disposal of property, plant and equipment | 6.21 | 0.01 |
| Legal and professional fees | 28.64 | 19.62 |
| Administration charges | 0.01 | 0.01 |
| Corporate social responsibility expenses | 2.87 | 2.49 |
| Securities and contract charges | 6.97 | 1.63 |
| Business promotion | 0.27 | 0.30 |
| Charges for lower availability | 26.77 | 134.17 |
| Payments to Auditors (including tax) | | |
| As auditor | 1.12 | 1.09 |
| For taxation matters | 0.06 | 0.06 |
| For other services | - | 0.03 |
| For reimbursement of expenses | - | 0.03 |
| Sundry balance written off (net) | 0.61 | 10.40 |
| Bad debts | 21.49 | 0.01 |
| Provision for doubtful debts | - | 61.63 |
| Manpower supply charges | 2.00 | 2.50 |
| Miscellaneous expenses | 11.76 | 40.96 |
| | 489.09 | 517.07 |



ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR YEAR ENDED MARCH 31, 2020

NOTE: 36

FINANCE COSTS

| | Rs. in Crore | |
|--|--|--|
| | For the year ended March 31, 2020 | For the year ended March 31, 2019 |
| Interest | 3,250.95 | 2,882.54 |
| Interest on shortfall in payment of advance tax | 0.01 | - |
| Interest on preference shares | 119.62 | 103.16 |
| Interest on lease liability | 16.14 | - |
| Other borrowing costs | 26.46 | 42.26 |
| Amortization of fair valuation loss/(gain) on financial assets or liabilities, net | - | 0.29 |
| | 3,413.18 | 3,028.25 |

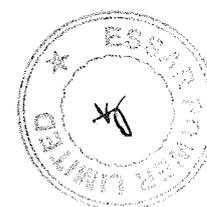
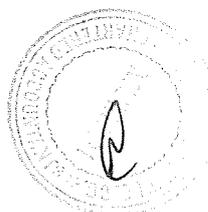
NOTE: 37

EXCEPTIONAL ITEMS

| | Rs. in Crore | |
|--|--|--|
| | For the year ended March 31, 2020 | For the year ended March 31, 2019 |
| Provision for doubtful debtors | - | 20.19 |
| Provision for impairment of property, plant and equipment (refer note (a) below) | 3,671.65 | - |
| Provision for impairment of CWIP (refer note (a) below) | 86.93 | - |
| Provision for doubtful claim receivable | (0.59) | - |
| Provision against amount recoverable from Nominated Authority (refer note (b) below) | 491.64 | - |
| Water charges (refer note (c) below) | 391.01 | - |
| Provision for Diminution of value of Investment | - | 102.00 |
| Provision of doubtful Inter corporate deposits | - | 356.31 |
| Provision for doubtful advances | - | 230.93 |
| Provision for doubtful interest receivables | - | 170.80 |
| Gain on loss of control on subsidiaries | - | (4,224.92) |
| Fair value of Investment | - | 1,725.74 |
| Bad Debts written off (refer note 54) | 574.44 | 52.94 |
| Reversal of Provision for doubtful debtors (refer note 54) | (661.04) | (52.94) |
| Reversal of impairments of Assets (refer note 54) | (112.92) | - |
| Provision for doubtful security deposits | - | 2.65 |
| Reversal of provision for doubtful capital advances | 3.47 | (36.68) |
| | 4,444.59 | (1,652.98) |

(a) As per requirement of Ind AS, at the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there are any indications that the plant and machinery have suffered an impairment loss. If any such indication exists, the recoverable amount of asset is estimated in order to determine the extent of the impairment loss (if any). The Group thereby has assessed the recoverable amounts and also obtained the assessment by independent technical experts. The assessment by technical expert is based on replacement value and present market scenario. The group companies have estimated the recoverable amount of Property, Plant and Equipment (PPE) and Capital Work in Progress (CWIP) to be lower than its corresponding carrying values and accordingly the Group has made a provision of Rs. 3758.58.45 Cr (Previous Year: Rs. NIL Crores) on account of impairment of PPE and CWIP as on 31st March 2020.

(i) As per requirement of Ind AS, EPMPPL reviewed the carrying amounts of its tangible and intangible assets to determine whether there are any indications that the plant and machinery have suffered an impairment loss. If any such indication exists, the recoverable amount of asset is estimated in order to determine the extent of the impairment loss (if any). EPMPPL thereby has assessed the recoverable amounts and also obtained the assessment by independent technical expert. The assessment of recoverable amount/value in use by technical expert is based on Discounted Cash Flow method. EPMPPL has estimated the recoverable amount of Property, Plant and Equipment (PPE) which is lower than carrying value of PPE, accordingly EPMPPL has made further provision of Rs.2811 Crores on account of impairment of PPE as on 31st March 2020 in addition to the provision for impairment of Rs.4,578.01 Crores during FY 2017-18.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR YEAR ENDED MARCH 31, 2020

(ii) During the financial year 2017-18, imported coal prices increased and had negatively impacted the cash-flows and operations of the EPGL. Hence the EPGL had done the Impairment testing and book the impairment loss of Rs. 4,559.70 Crore. EPGL also tested the Capital work in progress for impairment. As there was no material progress in the project and due to the current status of the project, EPGL has decided to impair the same of Rs. 378.56 Crore as the carrying amount exceeded the recoverable amount, as not much further work had happened under these contracts.

As on March 31, 2020 EPGL has carried out an assessment of Impairment as per Ind AS 36 - Impairment of Assets of its plant. The fair value of EPGL has been assessed based on Sales comparison valuation technique for land. The assumption used for the valuation of land is prevailing market rate for private and government land. In case of land due weightage is given to the factor like right to sell/ transfer / lease and demand for such prospective land etc. The fair value measurement of the land is categorised at Level 2.

In case of buildings and plant and machineries depreciated replacement cost (DRC) method has been used. The factors which have been looked at are Utility & Design of building, actual physical condition, remaining useful life etc. Assumption is the cost expected to replace existing asset with similar or equivalent new asset as on date of valuation is considered for the valuation. The cost of disposal is assumed @ 2% of the fair value of the assets to arrive at fair value less cost of disposal. Income Approach was not applicable in case of EPGL as because of uncertainty in imported coal prices and high debt level the carrying value of EPGL is very less. The fair value measurement of the Building and Plant and machineries is categorised at Level 3.

The report assesses the fair value of the plant as Rs. 2,384.24 Crore (fair value less cost of disposal being Rs. 2,336.62 Crore) which is lower than the book value of the plant of Rs. 3,197.26 Crore. Hence, EPGL has considered an Impairment loss of Rs. 860.64 Crore. The EPGL following cost model for accounting of the Property, plant & equipments. During the transition of account to Ind AS from IGAAP, EPGL has increased its carrying value through retained earnings as was allowed under Ind AS. As EPGL has adopted the cost model for the accounting of the Property, plant and equipments, the impairment loss will be debited to the Statement of Profit and Loss. For financial year 2019-20, based on the valuation report of Kakode Associates Consulting Private Limited , a government approved valuer, EPGL has booked the Impairment loss as exceptional items. Kakode Associated Consulting Private Limited is a professionally managed Consultancy organization, engaged in Engineering Consultancy, Project Consultancy, Project Evaluation, Stock Audit, Stock Inspection, Valuation of Immovable and Movable Assets, etc.,

The fair value can be changed consequent to future conditions. There could be adverse or favourable effect on the assets. The underlying assumptions will continue to be monitored periodically by the management.

- (b) The carrying amount of fixed assets include Rs. 2566.81 Crore (including capital work in progress of Rs. NIL) (Previous Year, Rs. 5,395.79 Crore (including capital work in progress of Rs. 1.44 Crore), subject to consolidation adjustments, pertaining to Essar Power M.P. Limited (EPMPL), a subsidiary of the Company. The Government of India had allocated Mahan Coal Block, jointly allocated to Hindalco Industries Limited ("Hindalco") and Essar Power Limited ("EPOL") for the captive consumption of coal; accordingly, EPOL and Hindalco had set up Mahan Coal Limited, a joint venture company, to implement the coal mining project. The coal to be supplied from Mahan coal block would have sufficed, as the primary source of coal, to meet the requirement of 1200 MW captive coal-fired pit-head power generating plant in Singrauli district of Madhya Pradesh (Mahan Project) being set up by the company. However, vide order dated 24 September, 2014, the Hon'ble Supreme Court had cancelled allotment of various coal blocks including of the Company (Mahan coal block jointly allocated with Hindalco).

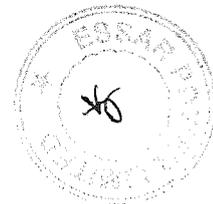
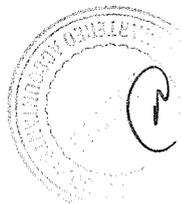
Subsequently, the Government conducted fresh bidding for re-allocation of coal blocks and under the coal block auction process, EPMPL acquired the rights of Tokisud Coal Block (in the state of Jharkhand) on 18th March 2015.

Post allotment/acquiring of Rights of Tokisud coal block by the EPMPL, in the month of April'2015 Ministry of Power put cap on the fixed/capacity charges. Post that some of the successful acquirer/allottees have offered for surrender of the coal blocks. In financial year 2016-17, EPMPL has filed a Writ Petition in the High Court of Delhi (the Court) for impugning the notification issued on 16th April 2015 by Ministry of Power, Government of India putting a cap on the fixed/capacity charges and also offered to return the said coal block to the Government of India against return of the performance security in the form of Bank Guarantee of Rs. 261.76 crore provided by the EPMPL and moneys paid without any penalty.

Meanwhile during the earlier year i.e. on 20.10.2017, Nominated Authority of Ministry of Coal (Nominated Authority) issued Show Cause Notice to the EPMPL for delay in operationalization as well as non-compliance with the Efficiency Parameter of Coal mine development and production agreement (CMDPA) in respect of Tokisud Coal Mine. Subsequently EPMPL had filed an Interim Application before Hon'ble Delhi High Court on 30.10.2017, against which court granted Stay against any coercive action by the Nominated Authority against EPMPL till next hearing.

EPMPL in its subsequent hearing before Hon'ble Delhi High Court represented that it is pressing only for alternative prayer i.e. seeking return of the coal mine, refund of performance security and upfront amount, fixed amount and other incidental expenses towards mining lease and other coal block developmental activities which were paid by EPMPL. However, During the year, Hon'ble High Court by the judgement dated 15.04.2019 dismissed the petition of EPMPL on the ground that petition of EPMPL suffers from delays, laches and acquiescence.

EPMPL has filed Special Leave Petition (SLP) before the Hon'ble Supreme Court against the order of the Hon'ble High Court and Hon'ble Supreme Court has issued notice to respondents. Meanwhile, the bank guarantee of Rs. 261.75 Crores has been invoked by Nominated Authority on 06.05.2019 and has been shown as recoverable under "other non - current assets". In addition to that company has incurred Rs.229.88 Crores on the above mentioned coal block which has been shown under "other non - current assets". Pending SLP filed in the Hon'ble Supreme Court, no provision at this stage has been made in these financial statements by the management.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR YEAR ENDED MARCH 31, 2020

Meanwhile The Union Ministry of Coal has re-allocated Tokisud North Coal Block to iron ore mining company National Mineral Development Corporation (NMDC) for commercial mining. Subsequent to the balance sheet date, the Nominated Authority has asked EPMPL to submit details of total expenditure incurred on the development of Tokisud Mine to carry out the computation of compensation payable to EPMPL, towards which EPMPL has filed claim of total amount of Rs. 520.53 Crores as cost incurred by EPMPL and the same is under process

Pending Decision of the Hon'ble Supreme Court on the SLP filed and finalization of the claim filed with Nominated Authority, EPMPL has made the provision of Rs. 491.64 crore against the amount shown as recoverable (as stated above) on prudence basis and shown under exceptional item.

- (c) EPMPL has been sourcing water for plant operation under Water Supply Agreement entered into with Water Resources Division (WRD) Singrauli, Govt. of Madhya Pradesh. WRD has been raising invoices for water charges based on take or pay basis which has been disputed by the Company. Further, the Company had took up the issue pertaining to the levy of water charges inter-alia on actual usage/consumption basis and several other grounds with WRD and requested to charge based on quantity of water actually consumed at the Plant. The aforesaid dispute/ difference in relation to water charges is pending for its final resolution. However, during the year, EPMPL has made the provision for differential water charges of Rs. 391.01 Crores (including interest of Rs. 199) (calculated based on take or pay basis) considering prudence and shown under exceptional item.

NOTE: 38

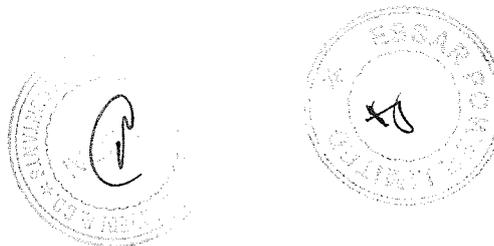
TAX EXPENSE

(a) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate

| | Rs. in Crore | |
|--|--|--|
| | For the year ended March 31, 2020 | For the year ended March 31, 2019 |
| Accounting profit / (loss) before tax | (7,225.25) | (1,206.59) |
| Tax at the Indian statutory tax rate of 34.944% (Previous year 34.944%) | (2,678.81) | (421.64) |
| Interest on shortfall in payment of advance tax | 0.01 | |
| Other non-deductible expenses | 347.31 | (439.80) |
| Tax holidays/non-taxable income | 0.26 | |
| Minimum alternate tax (MAT), net of entitlement | 16.85 | (3.22) |
| Difference in tax rates | (6.85) | |
| Impact of change in tax rates | (4.86) | (0.28) |
| Deferred tax assets not recognised | 2,058.47 | 810.09 |
| Deferred Tax on Business Loss | 263.10 | (0.25) |
| Recognition of previously unrecognised deferred tax on unabsorbed depreciation | 81.17 | (212.48) |
| Deferred Tax on Provision for Doubtful Debtors and Capital Advances | 32.93 | 2.91 |
| Accelerated depreciation for tax purpose | 13.94 | 4.93 |
| Deferred Tax Reversals | - | (35.90) |
| Others | (163.43) | (56.96) |
| Tax expenses recognised in the statement of profit and loss | (39.91) | (352.60) |

(b) Deferred tax recognised in statement of profit and loss

| | Rs. in Crore | |
|--|--|--|
| | For the year ended March 31, 2020 | For the year ended March 31, 2019 |
| Property, plant and equipment | (305.73) | 615.76 |
| Intangible assets | (1.09) | 0.23 |
| Depreciation and amortisation | 287.29 | (855.87) |
| Employee benefit expenses | 0.76 | (0.60) |
| Carry forward business losses | (16.33) | (19.16) |
| Fair valuation of financial assets and liabilities | 103.14 | (69.35) |
| Provision for doubtful debts | (35.03) | 17.70 |
| Others | (73.08) | (51.88) |
| Adjusted in Retained Earnings | - | 10.01 |
| | (40.07) | (353.16) |



ESSAR POWER LIMITED
NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

NOTE: 39

Following subsidiary companies and joint ventures have been considered in the preparation of consolidated financial statements:

| Sr. no. | Name of the company | Country of incorporation | % voting right held by the Group | | % Effective ownership by the Group | |
|---------|--|------------------------------|----------------------------------|----------------|------------------------------------|----------------|
| | | | March 31, 2020 | March 31, 2019 | March 31, 2020 | March 31, 2019 |
| | Subsidiaries: | | | | | |
| 1 | Essar Power Transmission Company Limited | India | 100.00 | 100.00 | 100.00 | 100.00 |
| 2 | Essar Power Overseas Limited | British Virgin Islands (BVI) | 100.00 | 100.00 | 100.00 | 100.00 |
| 3 | Essar Electric Power Development Corporation Limited | India | 100.00 | 100.00 | 100.00 | 100.00 |
| 4 | Essar Power Hazira Limited | India | 74.00 | 74.00 | 99.60@ | 99.60@ |
| 5 | Essar Power M. P. Limited(1) | India | 74.00 | 74.00 | 95.27@ | 95.27@ |
| 6 | Ultra LNG Urja Limited (4) | India | 100.00 | - | 100.00 | - |
| 7 | Essar Power (Jharkhand) Limited (2) | India | 100.00 | 100.00 | 100.00 | 100.00 |
| 8 | Essar Power Tamilnadu Limited (2) | India | 100.00 | 100.00 | 100.00 | 100.00 |
| 9 | Essar Power Gujarat Limited (3) | India | 49.00 | 49.00 | 57.82@ | 57.82@ |
| 10 | Essar Power (Orissa) Limited | India | 74.00 | 74.00 | 99.60@ | 99.60@ |
| 11 | Bhander Power Limited | India | 73.69 | 73.69 | 73.69 | 73.69 |
| | Joint controlled entities: | | | | | |
| 1 | Mahan Coal Limited (Joint Operation) | India | 50.00 | 50.00 | 50.00 | 50.00 |

1 Essar Power Ltd -loss of Control over Essar power Mp Ltd w.e.f. 29th September 2020

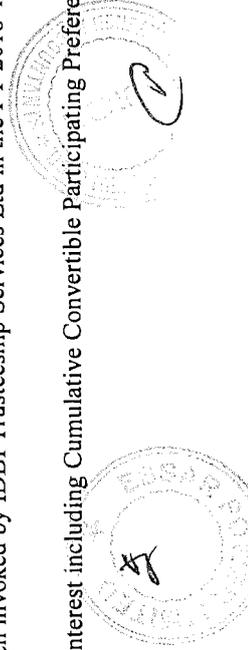
2 Under liquidation.

ICICI Bank Limited who is the sole lender of Essar Power (Jharkhand) Limited (EPJHL), has referred it for Insolvency Proceedings under Insolvency and Bankruptcy Code, 2016 (IBC). Hon'ble National Company Law Tribunal, New Delhi Principal Bench via its order dated 5th April 2018 allowed initiation of Corporate Insolvency Resolution Process of EPJHL under IBC. Mr. Huzefa Fakhri Sitabkhan was appointed as the Interim Resolution Professional ("IRP") of EPJHL. Subsequently, he has been confirmed as the Resolution Professional ("RP") in the first Committee Creditors meeting held on May 11, 2018. Thus, In previous year, post the Balance Sheet date (31 March 2018), the Company has lost control over EPJHL. NCLT – New Delhi had issued liquidation order of EPJL on 03.01.2020.

3 51% of the shares have been invoked by IDBI Trusteeship Services Ltd in the FY 2018-19.

4 Acquired during the year

@ Holding reflects effective interest including Cumulative Convertible Participating Preference Shares issued by the entity to the Company.



NOTE: 40

CONTINGENT LIABILITIES AND COMMITMENTS

| | Rs. in Crore | |
|--|-------------------------|-------------------------|
| | As at March 31, 2020 | As at March 31, 2019 |
| i. Contingent liabilities | | |
| (a) Claims against the Group not acknowledged as debts: | | |
| (i) Liquidated damage # | 265.49 | 179.75 |
| (ii) Penalty for Phase II Power Purchase agreement performance (Refer Note ##) | 80.00 | 80.00 |
| (iii) Liability towards ship or pay charges not provided due to matter under litigation #a | 15.44 | 15.44 |
| (iv) Construction cess under "Building and Other Construction Workers Welfare Cess Act, 1998"(B | 7.69 | - |
| (v) Entry tax including assessment tax on stores and spares and raw material as per "Madhya | | |
| Pradesh Entry Tax Act, 1976" (Refer Note '**') | 89.03 | 52.85 |
| (b) Disputed tax of electricity duty (excluding interest)** | 45.91 | 45.91 |
| (c) Income tax/sales tax liability not charged to statement of profit and loss due to pending appeal cases | 269.49 | 263.56 |
| (d) Custom duty not provided due to pending appeal cases #c | 605.66 | 605.66 |
| (e) Water charges liability / interest on water charges outstanding not | | |
| provided due to dispute/ pending appeal cases #d | 8.41 | 175.21 |
| (f) Relinquishment charges levied by PGCIL (#e) | 3,187.42 | 3,260.72 |
| (h) Others (#f) | 4.62 | 4.62 |
| | 4,579.16 | 4,683.71 |

i. Contingent liabilities

(i) In Essar Power Gujarat Ltd (EPGL), there was a delay of 210 and 270 days by EPGL in achieving the Scheduled Commercial Operation Date (SCOD) of Unit I and Unit II respectively. The said delay, as per the case of EPGL, was due to the occurrence of the Force Majeure events. However, GUVNL had deducted an aggregate sum of Rs. 221.25 crore towards Liquidated Damages from the invoiced amounts of tariff payable by it to EPGL under the PPA. Aggrieved by the said action of GUVNL, EPGL had petitioned the GERC. After hearing the parties, the GERC passed an Order on 08.08.2013 holding that EPGL is liable to pay only a sum of Rs. 49.50 crore towards liquidated damages to GUVNL for not achieving SCOD of its Unit I and Unit II and further directed GUVNL to refund the balance amount of Rs. 199.12 crore to EPGL, which was duly complied with by GUVNL.

Both EPGL and GUVNL had filed separate appeals against the aforesaid Order of the GERC dated 08.08.2013, before the Appellate Tribunal for Electricity (APTEL), which were heard and disposed of by the APTEL by passing a common Order dated 08.07.2016, in which, APTEL has held that EPGL is liable to pay to GUVNL liquidated damages of Rs. 78.75 crore (increased from Rs. 49.50 crore as held by GERC).

Both EPGL and GUVNL have filed separate second appeals in the Hon'ble Supreme Court against the aforesaid common Order of APTEL dated 08.07.2016, which are admitted by the Hon'ble Supreme Court. The main question involved in the said appeals before the Hon'ble Supreme Court is whether the aforesaid delay in achieving SCOD by EPGL was also due to the non-availability of usable transmission system for evacuation of power by it. This question, being a pure question of fact, it is unlikely that the Hon'ble Supreme Court would interfere with the impugned Order of the APTEL.

In view of the relief granted, vide Government of Gujarat GR dated 01.12.2018 towards pass through of actual fuel cost with effect from 15.10.2018 and further as per the provision of the Supplemental PPA dated 01.03.2019, EPGL is liable to forego all its losses prior to 15.10.2018, it has applied to the Hon'ble Supreme Court to pass an order permitting it to withdraw its said appeal, which would be passed in due course. As regards the pending appeal filed by GUVNL before the Hon'ble Supreme Court, the same would be decided by that Court in due course. However, as aforesaid, in the opinion of EPGL, the said appeal of GUVNL is unlikely to succeed since it does not involve any substantial question of law. EPGL has created provision for Rs. 41.50 Crore following the expected credit loss model and hence the contingent liability has been shown net off the provision created.

(ii) During the period, Essar Power MP Ltd (EPMPL) has received notice dated 13.08.2019 from MP Power Management Company Limited (MPPMCL) for liquidated damages (LD) for the reason of delay caused in achieving the COD of Unit -II (COD Delay by 1803 days) and raised the demand as liquidated damages of Rs. 80.235 Crores (along with interest 1.25% per month as per PPA) upto 07.02.2018 (Rs. 75.735 crore after adjusting bank guarantee invoked).

Further, MP Power Management Company Limited has encashed the Bank guarantee of Rs. 4.50 Cr against above demand and also ICICI bank has confirmed that they are in receipt of an invocation claim from the beneficiary requesting EPMPL to make the payment of Rs. 4.50 Crore on 06 June, 2019. ICICI has adjusted the said amount with pledged FDR. EPMPL has responded to MPPMCL's demand Notice vide its letter dated 03.09.2019 expressing the LD claim as misconceived and untenable in law, as the COD of Unit-2 was delayed due to Force Majeure reasons and power supply has been offered from Unit-1 on behalf of Unit-2. EPMPL conveyed its readiness for meeting with MPPMCL for amicable settlement of dispute. Accordingly, no provision has been considered necessary by the management at this stage.



ESSAR POWER LIMITED

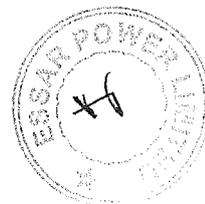
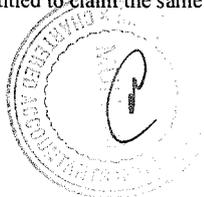
NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

EPGL had planned the implementation of Phase II of the project which is 1320 MW, thermal coal fired power plant adjacent to the operational 1200 MW Phase I of the project at Salaya, Gujarat. Significant portion (800 MW) of the Phase II capacity was tied up under a fixed price long term Power Purchase Agreement (PPA) with Gujarat Urja Vikas Nigam Limited (GUVNL). However, the Phase II suffered significant delay due to lack of regulatory approvals. The Company had furnished a bank guarantee of Rs 240.00 Crore towards the contract performance obligations in terms of the PPA dated May 15, 2010. EPGL had filed a Petition before GERC praying inter alia for revision of tariff, extension of dates for compliance of the Conditions Subsequent and meeting the Scheduled Commercial Operation Date. But GUVNL wide its notice dated 8 February, 2017 terminated the said PPA and invoked and encashed the said bank guarantee on May 30, 2017. GUVNL also filed a petition seeking directions for enhancement of the Bank Guarantee amount by Rs. 80 Crore which is being contested by EPGL. The challenge to the said termination notice as well as the adjudication of the main petition seeking various reliefs filed before GERC on account of Force majeure conditions is pending. GUVNL has invoked the Bank Guarantee and the interim application filed before GERC to direct GUVNL not to encash the Bank Guarantee was dismissed by GERC. Thereafter an appeal challenging the same before the APTEL was also dismissed wide order dated May 29, 2017 on the basis that the Bank Guarantee is an independent contract and is unconditional. Both GERC and APTEL had not opined on the main matter filed before the GERC.

EPGL has also filed an appeal before the Hon'ble Supreme Court which has been pleased to issue notice in the matter to GERC to expedite the hearing of the main petition filed before GERC, while declining the prayer of grant of stay against the encashment of Bank Guarantee.

The management is of the considered opinion that the petition of the EPGL is sustainable and there can be no liability on account of liquidated damages in terms of the said PPA and therefore no provision is considered in the books of accounts.

- #a GUVNL had levied a penalty of Rs. 47.51 Crore in terms of the PPA dated February 26, 2007, for the short fall to maintain the requisite minimum Plant Availability and recovered the same from the bills raised on GUVNL by the Company. GUVNL has recovered this amount from the next month billing and held this. The action of the recovery for shortfall to maintain the minimum Plant Availability GUVNL has been disputed by EPGL before GERC inter alia contending that the reason for such shortfall was solely on account of Force Majeure conditions which are covered under the PPA. The hearing in the said matter was completed and was reserved for orders by GERC. However, the orders could not be pronounced before the term of the bench ended and therefore needs to be heard afresh by the new Bench of GERC, which is yet to commence. EPGL has created provision for Rs. 47.51 Crore following the expected credit loss model and hence the contingent liability has been shown net off the provision created. The above levy, if adjudged as payable, would be reimbursable to EPGL by Gujarat Urja Vikas Nigam Limited as per the terms of power purchase agreement with them.
- ##a EPMPPL has paid BOCW dues of Rs. 7.69 Crores as per directions of Hon'ble High Court. Thereafter EPMPPL filed petition before Upper Labour Commissioner to dispose off the interest and penalty of Rs. 7.69 Crs. However, the same was dismissed with the reason that 25% of disputed amount is not deposited. EPMPPL is in the process to file the appeal in Hon'ble High Court against the order of Labour Commissioner.
- * Entry tax demand including on stores and spares and raw material as per "Madhya Pradesh Entry Tax Act, 1976" disputed by the EPMPPL: During the year, EPMPPL has received demand of Rs. 36.18 crore of Entry tax (including interest) for FY 2016-17 vide assessment Order dated 28-01-2020 from Commercial Tax Department. EPMPPL has filed its reply vide its letter dated 17-03-2020 with Deputy Commissioner of Commercial tax stating that it had filed petition before the Hon'ble High Court of Jabalpur against the same matter for entry tax levied on coal purchased and the Hon'ble High Court has granted stay on demand. Since the tax is proposed to be levied on the coal purchases for the year FY 2016-17 and the matter sub-judice, it has been requested by EPMPPL to keep the issue in abeyance till the outcome of the judgment of Hon'ble High Court of Jabalpur and not to pursue demand.
- ** The claim / levy including interest thereon, if adjudged as payable, would be reimbursable by Essar Steel India Limited as per the terms of power purchase agreements.
- #b (i) The income tax liability includes penalty of Rs 97.64 Cr for computation of Arm's length price in relation to international transactions on account of over valuation of goods imported by EPMPPL & EPGL in earlier years. In both the Companies, Show cause notice issued by DRI for import of material which is contested/disputed by the companies, which is pending for final disposal. Based on the records and assessment done by the management, the Companies do not expect any material liability on this account.
- #c (i) EPGL has imported capital goods for the Project at nil rate of duty pending issue of Project Registration Certificate in pursuance of Mega status Policy. The goods so imported were warehoused in a Custom bonded warehouse and were cleared after receipt of the Project Registration Certificate and is accordingly not liable to pay merit rate of duty. The Commissioner of Customs & Excise has disallowed such clearances and levied Rs. 555.29 Crore for merit rate of duty and fine thereon apart from interest vide order dated April 29, 2015. EPGL has filed an appeal before Custom Excise & Service Tax Appellate Tribunal (CESTAT) challenging the said order and the same is pending for hearing.
- (ii) EPGL has imported coal during the financial year 2012-13 and cleared consignments as Steam Coal. Customs Department has classified these consignments as bituminous coal and has assessed basic custom duty at higher rate as compared to rate declared by EPGL and raised demand of Rs. 22.76 Crore and imposed fine and penalty of Rs.2.25 crore. EPGL is of the view that it is not required to pay any portion of this demand and penalty and has filed appeal before the appropriate forum and is confident that matter will be resolved in EPGL's favor. The matter is pending to be heard by a larger bench of CESTAT where along with other various consumers who have suffered because of this classification issue. In case, the matter is decided against EPGL, EPGL is entitled to claim the same from GUVNL.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

(iii) EPGL imports coal at bedi port as a fuel used for power generation. When coal is imported in gearless vessels it needs to be discharged at anchorage and floating cranes are used for discharging the coal to barges. EPGL pays floating crane charges to stevedores for the same. As per customs authority these charges need to be added in the assessable value for computation of customs duty. As per EPGL these charges are part of unloading charges and need not be added as freight charges in assessable value. Total duty and penalty levied by the department is Rs. 0.94 Crore. An appeal was filed with Commissioner appeals, Ahmedabad which was subsequently rejected by commissioner appeals. Matter is currently lying with commissioner of customs and CESTAT.

(iv) EPGL has ordered capital goods for 1200 MW power plant at Salaya. Goods were kept in customs bonded warehouse before clearing for intended use. As per section 61(2) interest is payable on the amount of duty payable at the time clearance of goods from warehouse if the period of storage exceed 90 days from the date of warehousing the goods. CBEC has empowered Chief commissioner to waive of the interest on the case to case basis. EPGL has applied for waiver of interest. The matter is lying with Additional Commissioner of Customs, Gujarat Zone as per approval note received on May 25, 2014 from chief commissioner of central excise, Ahmedabad. Matter is pending for the the order.

#d In EPGL during June 2009, EPGL has made application for requirement of 80 MLD Narmada Water for its Power plant to the Gujarat Water Infrastructure Limited (GWIL), but erroneously mentioned in the water schedule as starting from Feb 2010 instead of Feb 2011. As per their rules, GWIL has started the billing from July 2010. EPGL has not accepted the billing from July 2010 to March 2011 and contested for the same. The matter has been lying with the trial court. The court has directed GWIL and EPGL to appoint an arbitrator for the resolution of this case. GWIL aid to appoint a mutually suitable arbitrator to resolve this case / matter , which is till pending. We have reminded them a number of time to appoint an arbitrator, so that, a closure is arrived at on this case. During December 2016, GWIL has recovered Rs 8.41 Crore (Invoice value Rs 4.04 Crore & interest Rs 4.37 Crore) from the deposit amount with them, however EPGL is not accepting this and contesting its claim.

(ii) In previous year : EPMPPL has been sourcing water for plant operation under Water Supply Agreement entered into with Water Resources Division (WRD) Singrauli, Govt. of Madhya Pradesh. WRD has been raising invoices for water charges based on take or pay basis which has been disputed by EPMPPL. Further, EPMPPL had took up the issue pertaining to the levy of water charges inter-alia on actual usage/consumption basis and several other grounds with WRD and requested to charge based on quantity of water actually consumed at the Plant. The aforesaid dispute/ difference in relation to water charges is pending for its final resolution. However,during the year, EPMPPL has made the provision for differential water charges of Rs. 391.01 crores (including interest of Rs. 199) (calculated based on take or pay basis) considering prudence and shown under exceptional item.

#e (i) In EPMPPL, Power Grid Corporation of India Limited (PGCIL) has filed a petition in Central Electricity Regulatory Commission (CERC) for directing Independent Power Producers (IPP) of transmission system for opening of Letter of Credit as per CERC (Sharing of Inter-state transmission charges & Losses Regulations 2010) & LTA (Long Term Access) granted to them. EPMPPL is one of the Respondents to the case and has taken up the Force Majeure issue. Hearings completed and Order is reserved by CERC. Based on the Expert Legal Opinion, the management is confident that the outcome is likely to be favourable to the EPMPPL.

(ii) EPGL had decided to construct, operate and maintain an imported coal based Thermal Power Plant of 3840 MW in two phases at Salaya in the State of Gujarat (the 'Project'). Under Phase-I of the Project, EPGL has setup 1200 MW (2x 600MW) power plant, which has been commissioned. For the proposed power plant of 2640 MW under Phase-II of the Project, PGCIL had granted the Connectivity for 2240 MW to its Grid at Bharuch and a Long Term Open Access (LTOA) of 250 MW from Bharuch to Southern Region of India on the terms and conditions contained in the separate Agreements dated 03.01.2011 and 05.08.2011 respectively, made between the parties.

Due to the occurrence of causes or events of Force Majeure affecting the availability of sea water and imported coal from Indonesia for the Project, EPGL was forced to abandon further implementation of the Phase –II of the Project. Consequently, it relinquished both the Connectivity and LTOA to PGCIL, which has given rise to a dispute between the parties on the question whether the Company is liable to pay any relinquishment charges to PGCIL for the said relinquishments made. By an Order dated 08.03.2019, the CERC has laid down principles/guidelines in the matter of determination of 'stranded capacity' by PGCIL, which may arise due to relinquishment of LTOA rights by its long term customers for the purpose of levy and recovery of relinquishment charges.

The Association of Power Producers and others, which include the EPGL, have filed an appeal before the Appellate Tribunal for Electricity, New Delhi (APTEL) challenging the said order of the CERC laying down the said principles/guidelines in the matter of determination of stranded capacity for recovery of relinquishment charges by PGCIL on various grounds, which include that in doing so, the CERC has actually legislated in the guise of adjudicating the disputes, for which it lacks inherent power and jurisdiction in law. Pursuant to the said impugned Order, PGCIL has uploaded a Circular on 20.05.2019 showing, inter alia, therein that Rs. 554.88 crore is due from EPGL to PGCIL towards relinquishment charges. PGCIL has not so far raised an invoice on EPGL for payment of the said amount of relinquishment charges as provided in the impugned Order of the CERC. However, by way of abundant precaution, the Appellants have made an application to APTEL for stay of the impugned Order, which is pending for hearing and disposal. After the filing of the aforesaid appeal before APTEL, CERC has passed an another order dated 30.08.2019 dismissing the separate petition filed by the EPGL claiming relief against making payment of relinquishment charges to PGCIL due to the Force Majeure. The main ground on which the said petition was dismissed by the CERC is that EPGL had alternative means of securing water and coal for its Phase-II of the Project and, therefore, non-availability of water and coal for the Project is not a frustrating event constituting Force Majeure discharging EPGL from its obligations. In holding so, the CERC has overlooked the commercial purpose of the contract, as well as, failed to ensure fair result on the facts. This appeal by EPGL also involves not only a substantial question of law, but also, mixed questions of law and facts. In view of the above, the amount, if any, payable by EPGL to PGCIL towards relinquishment charges is not finally decided and, therefore, the same is not ascertainable at present.

In EPMPPL, there are certain R&R related claims, which are disputed by EPMPPL. Management does not expect any material liability on this account as they feel that the claims raised on EPMPPL are not tenable in law (presently not ascertainable).

In EPMPPL, Show cause notice issued by DRI for import of material which is contested/disputed by EPMPPL, pending for final disposal.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

#f (ii) M.P Pollution Control Board (MPPCB) has levied penalty of Rs. 10 Crs for the environmental damage due to ash pond breach. After which EPMPL submitted a Bank Guarantee of Rs.1 Crs. to MPPCB in lieu of the penalty amount. This BG was invoked by MPPCB in March 20 without any valid reason known to the EPMPL. Since, this BG should've been invoked had EPMPL failed to do restoration work to the satisfaction of MPPCB based on NEERI's report. That was to be assessed by NEERI which is an environmental agency appointed by EPMPL on directions of MPPCB. As of today their report is awaited. Accordingly, no provision has been considered necessary by the management at this stage.

ii **Dispute with Gujarat Urja Vikas Nigam Limited ("GUVNL"), a customer of the Company**

A.. In the matter of GUVNL's claim for alleged diversion of electricity by the Company in earlier years, the Appellate Tribunal had ruled in favour of the Company in February, 2010. GUVNL had filed two appeals before the Hon'ble Supreme Court against the judgment of the Appellate Tribunal in April 2010. The Hon'ble Supreme Court had dismissed first appeal holding that all claims prior to September 14, 2002 are barred by limitation and upheld the order of APTEL and GERC. In second appeal, the Hon'ble Supreme Court has vide its order dated August 9, 2016 upheld the GERC order dated February 18, 2009 and set aside the APTEL order dated February 18, 2010 and directed both the parties to file their accounts in the GERC in line with the GERC order dated February 18, 2009. The Company had filed a claim of Rs. 436.78 Crores (including interest of Rs. 312.16 Crores) receivable from GUVNL. GUVNL had filed a counter claim of Rs.2276.29 Crores (including interest of Rs.2004.24 Crores). During hearing, as per GERC instructions, GUVNL had filed a revised counter claim of Rs.789.37 Crores (including interest of Rs. 517.32 Crores).The matter has been heard by the GERC and both the parties have submitted its written submission. GERC is in process of verification of the claims. The GERC has reserved the order in the matter.

B. Other matters

In January 2010, the Company filed a petition before the Gujarat Electricity Regulatory Commission (GERC) for recovery of Rs. 393.75 Crore on account of delayed payment charges (DPC), depreciation, foreign exchange variation, interest on debentures, bill discounting charges, interest on working capital, and wrongful deduction of rebate withheld by GUVNL. GERC vide its order dated October 22, 2014 read with corrigendum dated November 21, 2014 decided the matter largely in favour of the Company as per principles set out in order. GUVNL has preferred an appeal in Appellate Tribunal for Electricity (APTEL) at New Delhi and matter is listed as Appeal No. 2 of 2015. As directed by APTEL vide its order dated January 29, 2015, the GUVNL has paid Rs. 100.00 Crore to the Company secured against the bank guarantee of Rs. 100 Crore of nationalized bank as interim relief. Certain Bank Guarantees aggregating to Rs. 58 Crore could not be extended and got invoked by GUVNL in December 2017. The Company has filed an Interim Application in the APTEL for directing GUVNL to pay the above amount against submission of Bank Guarantee.The APTEL heard the matter and vide its order dated September 18, 2018 directed GUVNL to pay Rs. 58 Crore against submission of a Bank Guarantee from a Nationalised Bank.

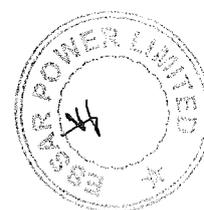
In the meantime, the Company has also filed an application in the Honourable Supreme Court for directing APTEL to expedite hearing and conclude the matter. We are pleased to inform you that the Honourable Supreme Court has, in a hearing held on 24th August 2018, directed APTEL to hear and conclude the Interim Application for directing GUVNL to pay the invoked Bank Guarantee amount against submission of a Bank Guarantee, on 10th September 2018. The APTEL has heard the matter and vide its order dated September 18, 2018 directed GUVNL to pay Rs. 58 Crore against submission of a Bank Guarantee from a Nationalised Bank. The main matter was listed for hearing on May 13, 2019. However, the matter could not be taken up and adjourned for September 04, 2019. The Company has filed an application in APTEL for early hearing. However, the application was not allowed as the date already fixed is the earliest available date. In wrongful allocation matter, GERC has passed an order dated 27th December 2019 with a direction to EPOL to pay Rs.202 Crores to GUVNL. However, in view of apparent errors in the order, the Company has filed a review petition requesting following modifications in the order

a. Hourly calculation – As per Hon'ble Supreme Court order dated 9th August 2016, GERC's own order dated 18th February 2009 and terms of PPA, the excess supply of power is required to be calculated on hourly basis. In the present case, GERC was to analyse the calculations based on the accounts submitted by both the parties. However, GERC, in the order passed on 27th December 2019, has reviewed the order already passed and allowed calculations on half hourly basis.

b. Full and Final Settlement till Sep'2004 – GERC has considered Rs.64 Crores payment as full and final settlement for the excess supplies till Sep'04 in its order dated 18th Feb 2009. The fact has been ignored in the present order and GERC allowed compensation from Sep'2002.

c. Arithmetic Error – While arriving at compensation amount, GERC has deducted ~Rs.158 Crores i.e. amounts recovered from ESIL (now AMNS) instead of ~Rs.235 Crores i.e. amounts deducted from the invoices of the Company. Rectification of arithmetic itself led to recovery from GUVNL instead of payment.

Based on favourable decision of the Hon'ble Supreme Court in the matter of alleged diversion of electricity and favourable decision of GERC in aforesaid matters, the management believes that the claims by GUVNL would not be tenable and hence is confident of realizing the total amount of Rs 1,066.86 crores (Net of Rs. 39.71 crore for Naptha incentive payable) included in trade receivable as at March 31, 2020 [including DPC and DPC on DPC of Rs. 582.25 crores] which are substantially on account of amounts withheld by GUVNL due to aforesaid matters.



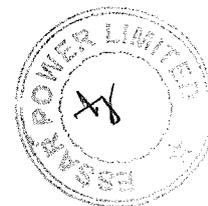
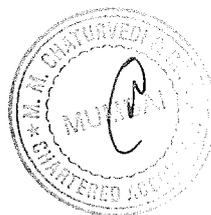
iii. Capital commitments

- (a) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) as at balance sheet date are of Rs. 6,930.69 Crore (Previous year Rs. 6630.91 Crore).
- (i) EPMPPL had entered in past contract for Unit-3 of 600 MW aggregating to Rs. 2,387.05 Crores (net of advances Rs. 3 Crores). In view of Unit-3 (Phase 2 Project) is not under plan in the near future, EPMPPL is in process to terminate those contracts and management does not expect any liability in this regard.
- (ii) EPGL had planned the implementation of Phase II of the project which is 1320 MW, thermal coal fired power plant adjacent to the operational 1200 MW Phase I of the project at Salaya, Gujarat. Significant portion (800 MW) of the Phase II capacity was tied up under a fixed price long term Power Purchase Agreement (PPA) with Gujarat Urja Vikas Nigam Limited (GUVNL). However, the Phase II suffered significant delay due to lack of regulatory approvals and consequent lack of financial tie up. The active development of the project is on hold as the Company is pursuing environmental, other regulatory clearances and financial tie up for the project. EPGL terminated some of the contracts during the year. EPGL is further in process of terminating remaining contracts.

The Power Plant was envisaged to be using Sea Water for cooling purposes. However, the Sea Water Intake System could not be implemented at the time of commercial operations due to lack of Regulatory approvals and allotment of land/ROU. EPGL has concluded consent with the land owners proposed to be acquired in accordance with the provisions of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013. The land acquisition for the land required for construction of Sea Water Intake System land is completed, however acquisition of some additional land is in progress. EPGL simultaneously commenced construction of sea water intake system pipeline, but the construction of the same is not yet completed because of non-disbursement of funds from the lenders for completion of the facility. The completion of this project will also favorably impact the profitability of EPGL. All other regulatory approvals for the project are in place.

iv. Other commitments

- (a) The Group has export obligations under Exports Promotion Capital Goods Scheme (EPCG) as at balance sheet date of Rs.NIL (Previous year Rs. 7152.75 Crore), which was to be fulfilled by supplying power under the deemed export category or to SEZ as per the provisions of foreign trade policy.
- (b) Essar Power Gujarat Limited (“Company”) has entered into Power Purchase Agreement (PPA) with Gujarat Urja Vikas Nigam Limited (GUVNL) on February 26, 2007 for the period of 25 years to supply power of 1000 MW from the date of start of operations . As per penalty clause in the PPA , if EPGL declares availability to GUVNL less than 75% in a contract year, the Company has to pay 20% of the capacity charge (applicable for that year) on the number of units declared less. Subsequently EPGL has entered in to Supplemental Power Purchase Agreement (SPPA) dated March 1, 2019 for amendment to the existing PPA. An additional clause of penalty has been inserted in SPPA, where in , if the availability declared to GUVNL for the contract year is less than 90% , a penalty of 10% of the capacity charge (applicable for that year) shall be applicable for the number of units declared less. This is in addition to the already existing provision of penalty for declaration of availability less than 75% in the contract year to GUVNL.
- (c) **Right of Way (ROW) legal cases in Essar Power Transmission Ltd**
 'In Essar Power Transmission Ltd is having Right of Way (ROW) legal cases for additional compensation demanded by farmers pending in Civil Court for Gandhar-Hazira and Mahan site. The amount of final liability, if any, will be ascertained at the time of resolution of matters pending in various district courts.
- (d) EPMPPL had entered into Long Term PPA (25 years) with MP Power Management Company Limited (MPPMCL) dated 29th October 2010 for supply of 150 MW power. However, consequent to the de-allocation of Mahan Coal Block, EPMPPL had shown its inability to supply power to MPPMCL. Accordingly, EPMPPL had filed an Appeal before the Appellate Tribunal for Electricity (MPERC) to declare the PPA null and void which has been disposed off by the MPERC with direction to both the parties to resolve dispute by arbitration. In earlier years, MPPMCL has conveyed to EPMPPL to either adhere to the PPA or it will encash the BG of amounting to Rs. 11.25 crores and also will initiate action to recover liquidated damages as per the signed PPA. Subsequently during the previous year MPPMCL has asked EPMPPL either to start supply of contracted power or to pay Rs. 233.68 crore against LD for delay in supply & loss due to non-supply of power. Accordingly, as per terms of PPA with no option left, the management had filed arbitration process at Indian Council of Arbitration, New Delhi (ICA) during previous year. MPPMCL has not deposited requisite fees to ICA and EPMPPL has filed petition Hon'ble High Court, Jabalpur for appointment of Arbitrators under section 11(6) of Arbitration and Reconciliation Act, 1996 . MPPMCL has filed petition before Madhya Pradesh Arbitration Tribunal for deciding the matter of differences arising between MPPMCL and EPMPPL, treating PPA as Work Contract. EPMPPL petition before High Court of MP at Jabalpur has been dismissed ex-party by the court on 21.08.2019, Review Petition has been filed for reinstatement of EPMPPL Petition for appointment of Arbitrators. High Court has reinstated the EPMPPL's petition. Further, during the year, EPMPPL has received letter from MPPMCL asking EPMPPL either to start supply of contracted power or to pay Rs. 322.26 crore (Previous Year Rs. 255.54 Crores) alongwith interest @ 18% p.a. against LD for delay in supply & loss due to non-supply of power. Pending final resolution, no provision in this regard has been considered necessary by the management at this stage.



NOTE: 41

PROVISION FOR OBLIGATION INCIDENTAL TO LAND ACQUISITION

In respect of land in possession/acquired by EPMP, a provision has been made towards rehabilitation and resettlement (R&R) expenditure incidental to land acquisition comprising of land-for-land option, annuity, old age pension, resettlement and other grants and provision of infrastructure facilities as per the agreement with Government of Madhya Pradesh. This provision is expected to be utilised over the period of 34 years. Disclosure as required by Indian Accounting Standard (Ind AS) 37 -Provisions, Contingent Liabilities and Contingent Assets are given below.

Movement in provision during the financial year is as below;

| | Rs. in Crore | |
|--|---------------------------------|---------------------------------|
| | As at March 31, 2020 | As at March 31, 2019 |
| Balance as per last balance sheet | 61.75 | 98.56 |
| Amount utilised during the year | (5.93) | (7.24) |
| Unwinding of discount / adjustment (including loss of control) | 7.34 | (29.57) |
| Closing provision | 63.16 | 61.75 |
| Current portion | 6.02 | 5.67 |
| Non-Current portion | 57.14 | 56.08 |

EPMP has capitalised R&R paid/ provided till March 31 2013 to land owners with cost of land, as assessed and estimated by the management of EPMP. As per Ind AS 16 post acquisition (i.e.,w.e.f. April 1, 2013, as assessed by EPMP's management) of land, all R&R expenses is charged to EPMP's statement of profit and loss.

NOTE: 42

JOINTLY CONTROLLED ENTITIES

The company was allotted a coal mine block at Mahan, District Singrauli, Madhya Pradesh jointly with Hindalco Industries Limited. The Mahan Coal Limited (MCL) was formed for mining of coal from the Mahan Coal block jointly awarded to company and Hindalco Industries Limited. Copmany has an investment of Rs. 32.25 Crore (Previous year Rs. 41.25 Crore) as at March 31, 2020, representing 50.00% (Previous year 50.00%) shareholding in MCL. The Mahan Coal mine was cancelled vide Hon'ble Supreme Court in September, 2014. The Company has made a provision for diminution in the value of its investments in MCL during the previous year amounting to Rs. 20.72 Crore.

Disclosure in respect of above joint control entity "Mahan Coal Limited" i.e a joint operations is as under:

| | Rs. in Crore | |
|---|---------------------------------|---------------------------------|
| | As at March 31, 2020 | As at March 31, 2019 |
| Country of incorporation | India | India |
| Percentage (%) of share in joint venture | 50% | 50% |
| a) Assets | | |
| Cash and cash equivalents | 0.00 | 0.12 |
| Bank balances other than cash and cash equivalents | - | - |
| Loans | 0.15 | 0.15 |
| Current tax assets (net) | 0.00 | 0.07 |
| Other current assets | 11.14 | 11.23 |
| b) Liabilities | | |
| Trade Payables | 0.03 | 0.01 |
| Other current liabilities (@1 = Rs. 7,500, @2 = Rs. 58,800) | @2 | @1 |
| c) Income (@3- Rs. 33,432) | @3 | 0.03 |
| d) Expenses | 0.32 | 0.79 |

MCL filed application Before the National Company Law Tribunal, Western Region Bench, at Ahmadabad for subscribed, issued and paid up equity share capital of MCL be reduced from Rs. 1,905,000,000 (Rupees One Hundred Ninety Crore Fifty Lacs only) divided into 19,05,00,000 (Nineteen Crore Five Lacs) equity shares of Rs. 10/- each, fully paid up to Rs. 825,000,000 (Rupees eighty two crorefifty lakh only) divided into 82,500,000 (Eight crore twenty five lakh only) equity shares of Rs. 10/- each and the surplus amount, i.e. 108,00,00,000 (Rupees One hundred and eight crore only) , being in excess of the wants of MCL be paid to the shareholders. The case is disposed by the NCLT Ahmedabad with no deviation from the scheme.



**NOTE: 43
RELATED PARTY DISCLOSURE**

A. Holding Companies

- 1 Ultimate Holding Company: Essar Global Fund Limited, Cayman Islands (EGFL)
- 2 Holding Company: Essar Power Holdings Limited (EPOHL)
- 3 Intermediate Holding Company: Essar Energy Limited (EEL) {formerly known as Essar Energy PLC (till July 21, 2014)}

B. Intermediate Holding Company

- 1 Essar Energy Limited (EEL), w.e.f. July 22, 2014 {formally known as Essar Energy PLC (EEPLC)}
- 2 Essar Power Holdings Limited, Mauritius (EPHOL)

C. Fellow Subsidiaries

- 1 Essar Wind Power Private Limited (EWPPL)
- 2 Essar Power Hazira Holdings Limited (EPHHL)

D. Enterprises commonly controlled or influenced by major shareholders / directors of the Company:

- 1 Aegis Limited (Aegis)
- 2 Ambeshwar Engineering Hydro Project Limited (AEHP)
- 3 Essar Steel Metal Trading Limited (ESMTL)
- 4 Essar Bulk Terminal Limited (EBTL)
- 5 Essar Energy Services Mauritius Limited (EESML)
- 6 Arkay Logistics Limited (ALL) {formerly known as Essar Logistics Limited (ELL)}
- 7 Essar Mineral Resources Limited (EMRL)
- 8 EPC Constructions India Limited (ECIL) (formerly known as Essar Projects (India) Limited)
- 9 Essar Steel India Limited (ESTL Up to 15 Dec 2019) Currently Known as Arcelormittal Nippon Steel India Limited (AMNS)
- 10 Essar Bulk Terminal Salaya Limited (EBTSL)
- 11 Essar Power Jharkhand Ltd (EPJHL)
- 12 Tirunelveli Wind Farms Limited (TWFL)
- 13 Essar Vizag Terminals Limited (EVTL)
- 14 Essar Bulk Terminal Paradip Limited (EBTPL)

E. Key Management Personnel

- 1) Shri Pradeep Mittal , Executive Vice Chairman & CEO (upto 30th September, 2020)
- 2) Shri Kapil Singla , Director (upto 24th October, 2019)
- 3) Shri Kush CEO (w.e.f. 1st October, 2020)
- 4) Shri Vinod Jain , CFO (w.e.f. Nov 28, 2018)
- 5) Shri T Rajmohan , Director (w.e.f. October 1, 2020)
- 6) Shri Nitin Patil , Director (w.e.f. October 1, 2020)
- 7) Shri Prakash Khedekar, Company Secretary (w.e.f. Sept 20 2018)

Refer **Annexure A** for details of transactions and outstanding balances with related parties.

**NOTE: 44
LEASE DISCLOSURE**

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified Ind AS 116 Leases which replaces the existing lease standard, Ind AS 17 Leases, and other interpretations. The Company has adopted Ind AS 116, effective annual reporting period beginning April 1, 2019 and applied the standard to its leases, retrospectively, with the cumulative effect of initially applying the standard, recognised on the date of initial application (April 1, 2019). Accordingly, the Company has not restated comparative information, instead, the cumulative effect of initially applying this standard has been recognised as an adjustment to the opening balance of retained earnings as on April 1, 2019.

On transition, the Company recognised a lease liability measured at the present value of the remaining lease payments. The right-of-use asset is recognised at its carrying amount as if the standard had been applied since the commencement of the lease, but discounted using the lessee's incremental borrowing rate as at April 1, 2019. Accordingly, a right-of-use asset of Rs.100.32 crore and a corresponding lease liability of Rs. 123.20 crore has been recognized. The cumulative effect on transition in retained earnings net off taxes is Rs. 39.93 crore (including a deferred tax assets of Nil due to Considering prudence and future taxable profit/operations of the company). The weighted average incremental borrowing rate of 13.50% has been applied to lease liabilities recognised in the balance sheet at the date of initial application.

| | Rs. in Crore | |
|---|-------------------------|-------------------------|
| | As at March 31, 2020 | As at March 31, 2019 |
| Future minimum lease payments payable | | |
| not later than one year | 17.90 | 19.97 |
| later than one year and not later than five years | 74.25 | 41.45 |
| later than five years | 98.55 | 26.78 |



NOTE: 45

EMPLOYEE BENEFITS

i. Defined contribution plans

The amount of contribution to provident fund debited to statement of profit and loss is Rs. 6.02 Crore (Previous year Rs. 4.37 Crore) and to expenditure during construction period is Rs. 0 Crore (Previous year Rs. 0.06 Crore).

ii. Defined benefit plans

Gratuity

The Group provide for gratuity for employees in India as per the Payment of Gratuity Act, 1972. Under the act, employees who are in continuous service for a period of five years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the last drawn basic salary per month computed proportionately for 15 days salary for each completed year of service. The plan is funded through Gratuity Scheme administrated by Life Insurance Corporation of India and SBI Life Insurance. The Group does not fully fund the liability and maintains a target level of funding to be maintained over a period of time based on estimations of expected gratuity payments.

The following tables summaries the components of net benefit expense recognised in statement of profit and loss, other comprehensive income or expenditure during construction period and the unfunded status and amounts recognised in the balance sheet for the respective plans.

Statement of profit and loss / expenditure during construction period:

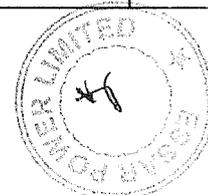
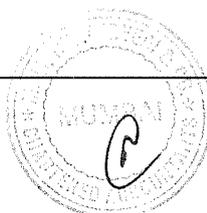
| | Rs. in Crore | |
|---|--------------------------------|--------------------------------------|
| | For the year March 31, 2020 | For the year ended March 31, 2019 |
| Net benefit expense / (gain) recognised in statement of profit and loss / expenditure during | | |
| Current service cost | 1.54 | 1.27 |
| Past service cost - plan amendments | - | - |
| Net interest expenses / (income) | 0.68 | 0.72 |
| | 2.22 | 1.99 |
| Debited / (Credited) to statement of profit and loss | 2.24 | 1.99 |
| Debited / (Credited) to expenditure during construction period | - | - |
| Other comprehensive income | | |
| Remeasurement | | |
| Return on plan assets {excluding amounts included in net interest expense / (income)} | 0.66 | 0.10 |
| (Gain) / loss in changes in financial assumptions | 0.05 | 0.26 |
| Experience (gains) / losses | 0.20 | 1.32 |
| | 0.91 | 1.68 |
| Debited / (Credited) to other comprehensive income | 0.90 | 1.65 |
| Debited / (Credited) to expenditure during construction period | - | 0.03 |
| Total defined benefit costs | 3.13 | 3.67 |

Net Assets / (Liability) recognised in the balance sheet

| | Rs. in Crore | |
|--|-------------------------|-------------------------|
| | As at March 31, 2020 | As at March 31, 2019 |
| Present value defined benefit obligation | (16.04) | (15.17) |
| Fair value of plan assets | 5.01 | 3.12 |
| Surplus / (Deficit) | (11.03) | (12.05) |
| Less: Effect of asset ceiling | - | - |
| Net Assets / (liability) recognised in the balance sheet | (11.03) | (12.05) |

Changes in the present value of the defined benefit obligation are as follows:

| | Rs. in Crore | |
|---|--------------------------------|--------------------------------------|
| | For the year March 31, 2020 | For the year ended March 31, 2019 |
| Opening defined benefit obligation | 15.17 | 13.11 |
| Current service cost | 1.54 | 1.27 |
| Interest expenses | 1.04 | 0.91 |
| (Gain) / loss in changes in financial assumptions | 0.05 | 0.20 |
| Experience (gains) / losses | 0.20 | 1.39 |
| Benefits paid | (1.74) | (1.49) |
| Sale of Subsidiaries | (0.22) | (0.22) |
| Closing balance of unfunded obligation | 16.04 | 15.17 |



Changes in the fair value of plan assets are as follows:

| | Rs. in Crore | |
|---------------------------------------|--------------------------------|--------------------------------------|
| | For the year March 31, 2020 | For the year ended March 31, 2019 |
| Opening fair value of plan assets | 3.12 | 2.42 |
| Interest income on plan assets | 0.34 | 0.20 |
| Acquisition adjustment | - | 0.47 |
| Return on plan assets excess / (less) | (0.66) | (0.10) |
| Benefits paid | (1.74) | (1.49) |
| Employer contributions | 4.41 | 2.08 |
| Sale of Subsidiaries | (0.46) | (0.46) |
| Closing fair value of plan assets | 5.01 | 3.12 |

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

| | As at March 31, 2020 | As at March 31, 2019 |
|---------------------|-------------------------|-------------------------|
| Funded with insurer | 100% | 100% |

The details of plan assets from the insurer are not available and hence the disclosure thereof is not made.

The principal assumptions used in determining gratuity obligations for the Group's plans are shown below:

| | For the year March 31, 2020 | For the year ended March 31, 2019 |
|--|--------------------------------|--------------------------------------|
| Discount rate | 7.20% | 7.20% |
| Expected rate of return on assets | 8.50% | 8.50% |
| Increase in compensation cost | 8.00% | 8.00% |
| Employee turnover | 10.00% | 10.00% |
| Mortality table - Indian Assured Lives Mortality (2006-08) Ult. Modified | | |

(i) The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

(ii) The expected rate of return on plan asset is based on market expectation for the entire life of related obligation.

(iii) The discount rate is based on the prevailing market yields of government of India securities as at the balance sheet date for the estimated term of the obligations.

Risk exposure

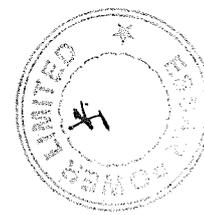
The Gratuity scheme is a final salary defined benefit plan that provides for a lump sum payment made on exit either by way of retirement, death, disability or voluntary withdrawal. The benefits are defined on the basis of final salary and the period of service and paid as lump sum at exit. The plan design means the risks commonly affecting the liabilities and the financial results are expected to be:

Interest rate risk: The defined benefit obligation calculated uses a discount rate based on government bonds. If bonds yields fall, the defined benefit obligation will tend to increase

Salary inflation risk: Higher than expected increases in salary will increase the defined benefit obligation.

Demographic risk: This is the risk of variability of results due to unsystematic nature of decrements that include mortality, withdrawal, disability and retirement. The effect of these decrements on the defined benefit obligation is not straight forward and depends upon the combination of salary increase, discounts rate and vesting criteria. It is important not to overstate withdrawals because in the financial analysis the retirement benefit of a short career employee typically costs less per year as compared to a long service employee.

The scheme is funded by way of a separate irrevocable Trust and the Company is expected to make contributions to the trust. The fund is managed by insurance companies and the assets are invested in their conventional group gratuity product. The fund provides a capital guarantee of the balance accumulated and declares interest periodically that is credited to the fund account. The fund manager invests the funds as per products approved by IRDA and investment guidelines as stipulated under section 101 of IT Act, the exact asset mix is unknown and not publically available. The Trust assets managed by the fund manager are highly liquid in nature and there is no significant liquidity risks.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

The expected contribution to be made by the Group during the financial year 2019-20 is Rs. 2.77 Crore.

The weighted average duration of the defined benefit obligation is 7 years (Previous year 7 years).

The expected maturity analysis of undiscounted gratuity benefit is as follows:

| | Rs. in Crore | |
|---------------------|---------------------------------|---------------------------------|
| | As at March 31, 2020 | As at March 31, 2019 |
| Less than a year | 2.77 | 2.44 |
| Between 1 - 2 years | 2.72 | 2.14 |
| Between 2 - 5 years | 5.73 | 6.25 |
| Over 5 years | 11.11 | 10.65 |
| | 22.33 | 21.48 |

Effect of defined benefit obligation due to change in discount rates and salary escalation rate is not material for the Group, hence sensitivity

iii. Compensated absences

The amount (credited) / debited to statement of profit and loss on account of compensated absences is Rs. 0.18 Crore (Previous year Rs. 0.12 Crore).

NOTE: 46

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise loans, buyer's credit and overdrafts, debentures, capital creditors and trade payables. The main purpose of these financial liabilities is to raise finance for the Group's operations and capital expenditures. The Group has various financial assets such as trade receivables, cash, other receivables and short-term deposits, which arise directly from its operations. In order to minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contract, foreign currency options contracts are entered to hedge certain foreign currency exposures and interest rate swaps to hedge variable interest rate exposures. derivatives are used exclusively for hedging purpose and not as trading or speculative instruments.

The management of the Group agrees and reviews policies for managing different type of risks associates with the nature of the business and operations of the Group. Significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the consolidated financial statements.

Interest rate risk

The Group's main interest rate risk arises from long term borrowings with variable rates, which exposes the Group to cash flow interest rate risk. The Group has maintained external commercial borrowings at fixed rate using interest rate swaps to achieve this. The Group's fixed rate borrowings are carried at amortised cost. They are therefore not subject to interest rate risk, since neither the carrying amount nor the future interest cash flows will fluctuate because of a change in market interest rates. The Group's policy is to manage its interest cost using a mix of fixed, floating rate debts and interest rate derivatives.

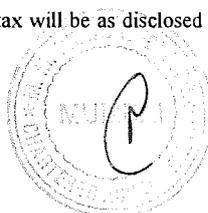
The following table provides a breakdown of the Group's fixed and floating rate borrowings:

| | Rs. in Crore | |
|--------------------------|---------------------------------|---------------------------------|
| | As at March 31, 2020 | As at March 31, 2019 |
| Fixed rate borrowings | 3,782.15 | 2,583.90 |
| Floating rate borrowings | 14,966.01 | 16,465.10 |
| | 18,748.16 | 19,049.00 |

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, being a 0.5% increase or decrease in interest rate, with all other variables held constant, of the Group's profit before tax due to the impact on floating rate borrowings.

| | Rs. in Crore | |
|--|--|--|
| | For the year ended March 31, 2020 | For the year ended March 31, 2019 |
| Effect of 0.5% increase in interest rate on profit before tax: | (74.83) | (82.33) |

The impact of a 50 bps increase in interest rates on profit before tax will be as disclosed above with the exception that gains would be converted to losses.



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ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's foreign currency borrowings and foreign capital creditors. The Group entered into foreign exchange forward contract or foreign currency options contracts to hedge certain foreign currency exposures.

(a) The Group's exposure to unhedged foreign currency risk at the end of the reporting date are as follows:

| | As at March 31, 2020 | | As at March 31, 2019 | |
|--|----------------------|------------------------------|----------------------|------------------------------|
| | Rs. in Crore | Foreign currency in millions | Rs. in Crore | Foreign currency in millions |
| Import creditors | 155.68 | US\$ 19.29 | 55.36 | US\$ 8 |
| | 0.07 | EURO 0.01 | 0.07 | EURO 0.01 |
| | 0.06 | SGD 0.01 | - | - |
| External Commercial Borrowings (ECB) | 891.21 | US\$ 11.82 | 817.75 | US\$ 118.22 |
| Interest accrued on ECB and buyer's credit | 308.47 | US\$ 4.09 | 106.52 | US\$ 15.4 |

The Group's exposure to foreign currency arises in part where it holds financial assets and liabilities denominated in a currency different from its functional currency. US dollar being the major non-functional currency of the Group, below is the impact of a 5% movement in the US dollar on profit before tax arising as a result of the revaluation of the Group's foreign currency financial assets and liabilities:

| | Rs. in Crore | |
|--|-----------------------------------|-----------------------------------|
| | For the year ended March 31, 2020 | For the year ended March 31, 2019 |
| Effect of 5% strengthening of US Dollars against INR on profit before tax: | (13.27) | (48.98) |

The impact of a 5% weakening of the US Dollar on profit before tax will be the same as disclosed above except that losses would be con

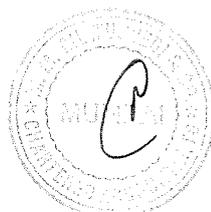
Credit risk

Credit risk is the risk of financials loss to the Group, if a counterparty to a financial instrument fails to meet its contractual obligations, and arises from trade receivables, cash and cash equivalents, bank deposits as well as credit exposures to other outstanding receivables.

The Group conducts a majority of its trade with recognised and creditworthy third parties. Cash, liquid investments and term deposits are held and derivatives are dealt with in banks either international or domestic with high credit ratings reflecting the needs of the Group to operate in territories where international credit ratings are limited by the credit rating of the relevant territory. In addition, receivable balances are monitored on an on-going basis.

Ageing of past due but not impaired trade receivables is as follows:

| | Rs. in Crore | |
|----------------------------|---------------------|---------------------|
| | As at March 31 2020 | As at March 31 2019 |
| Not due | 36.29 | 39.12 |
| with in 1 year | 191.70 | 250.42 |
| 1 - 5 years | 4.19 | 300.12 |
| More than 5 years | 1,155.94 | 1,223.63 |
| Less: Expected Credit Loss | (89.08) | (393.75) |
| | 1,299.04 | 1,419.54 |



ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Management monitors rolling forecasts of the Group's liquidity position and cash and cash equivalents on the basis of expected cash flows.

The table below analyze the Company financial liabilities into relevant maturity grouping based on their contractual maturities;

| As at March 31, 2020 | Rs. in Crore | | |
|-----------------------------|------------------|------------------|------------------|
| | Less than 1 year | More than 1 year | Total |
| Borrowings | 13,949.10 | 4,507.34 | 18,456.44 |
| Trade payables | 892.81 | - | 892.81 |
| Other financial liabilities | 9,089.06 | - | 9,089.06 |
| | 23,930.97 | 4,507.34 | 28,438.31 |

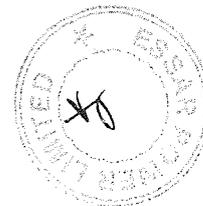
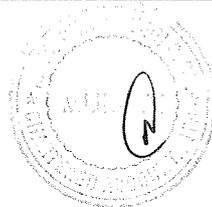
| As at March 31, 2019 | Rs. in Crore | | |
|-----------------------------|------------------|------------------|------------------|
| | Less than 1 year | More than 1 year | Total |
| Borrowings | 13,110.71 | 5,171.95 | 18,282.66 |
| Trade payables | 246.35 | - | 246.35 |
| Other financial liabilities | 7,275.39 | - | 7,275.39 |
| | 20,632.45 | 5,171.95 | 25,804.40 |

Capital management

The Group's objectives while managing capital are to safeguard its ability to continue as a going concern and to provide adequate returns for its shareholders and benefits for other stakeholders. The Group's policy is generally to optimise borrowings at an operating company level within an acceptable level of debt. Equity funding for existing operations / capex or new acquisitions is raised centrally, first from excess cash and then from new borrowings while retaining on an acceptable level of debt as per approved financing plans. The Group's policy is to borrow using a mixture of long-term and short-term debts from both local and international financial markets

The Group monitors capital using a gearing ratio, which is calculated as underlying net debt divided by total equity including other equity plus underlying net debt. The Company measures its underlying net debt as total debt including current maturities of long term borrowings but excluding short term working capital facilities, inter corporate deposits and preference shares reduced by cash and cash equivalents and bank deposits. Total equity includes equity attributable to the equity holders of the Company.

| | Rs. in Crore | |
|--|----------------------|----------------------|
| | As at March 31, 2020 | As at March 31, 2019 |
| Interest-bearing loans and borrowings | 18,456.44 | 18,229.08 |
| Less: cash and cash equivalents | (168.51) | (54.81) |
| | 18,287.93 | 18,174.27 |
| Less: | | |
| Short term inter corporate deposits | 523.00 | 499.81 |
| Liability component of preference shares | 4.89 | 4.47 |
| Short term working capital loan | 980.74 | 928.26 |
| Underlying net debt | 16,779.30 | 16,741.73 |
| Total equity | (17,027.78) | (9,791.18) |
| Equity and underlying net debt | (248.49) | 6,950.55 |
| | -6753% | 241% |



NOTE: 47

EARNINGS PER SHARE (EPS)

| | For the year ended March 31, 2020 | For the year ended March 31, 2019 |
|--|--------------------------------------|--------------------------------------|
| Profit / (Loss) as disclosed in statement of profit and loss (Rs. in Crore) | (7,184.64) | (853.98) |
| Less: Preference share dividend on compulsory convertible cumulative preference shares | (0.65) | (0.64) |
| Loss for calculation of Basic EPS (Rs. in Crore) | (7,183.99) | (853.34) |
| Weighted average number of equity shares outstanding during the year for the calculation of Basic EPS (in Rs.) | 1,152,298,192 (62.34) | 1,152,298,192 (7.41) |
| Loss for calculation of Basic EPS (Rs. in Crore) | (7,183.99) | (853.34) |
| Add: Preference share dividend on CCCPS (Rs. in Crore) | 0.65 | 0.64 |
| Loss for calculation of Diluted EPS (Rs. in Crore) | (7,183.34) | (852.70) |
| Weighted average number of equity shares outstanding | 1,152,298,192 | 1,152,298,192 |
| Add: CCCPS | 13,605,673,575 | 12,063,714,123 |
| Weighted average number of equity shares outstanding during the year for the calculation of Diluted EPS | 14,757,971,767 | 13,216,012,315 |
| Diluted EPS (in Rs.) | (62.34) | (7.41) |
| Nominal value per share (in Rs.) | 4.00 | 4.00 |

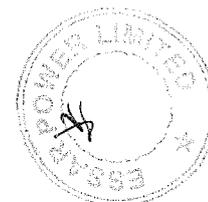
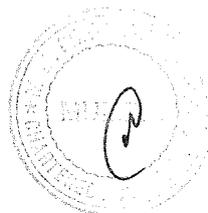
NOTE: 48

SEGMENT INFORMATION

The operations of the Group are limited to one business segment namely, Sale of Electrical Energy and other related activities. The Group operates in two geographical segments namely "Within India" and "Outside India". Information in respect of its geographical

Rs. in Crore

| | March 31, 2020 | | March 31, 2019 | |
|---|----------------|---------------|----------------|---------------|
| | Within India | Outside India | Within India | Outside India |
| Segment revenue | 3,233.27 | - | 1,645.95 | |
| Carrying amount of segment assets | 11,923.02 | 13.11 | 16,285.90 | 15.14 |
| Additions to tangible and intangible fixed assets | 93.26 | - | 2,035.91 | - |



NOTE: 49

Since December, 2019 COVID-19, a new strain of coronavirus has spread globally including India. This along with subsequent lockdowns announced by Government authorities significantly affects economic activity and could affect the operations and results of the Group. The Group has been monitoring the situation closely and has taken proactive measures to comply with various directions / regulations / guidelines issued by Government and local bodies to ensure safety of workforce across all its plants and offices. The Group has made initial assessment of the likely adverse impact on economic environment in general and operational and financial risks on account of COVID-19. Vide notification dated March 24, 2020 issued by Ministry of Home Affairs, a nation-wide lockdown was announced to contain COVID-19 outbreak and same has been extended later. However, Power generation, transmission & distribution units, being essential services, are allowed to continue operation during the period of lockdown. The Group has made every possible effort to sustain its power plant operations and honour commitments under the various Power Purchase Agreements, despite facing all odds in sustaining the power plant operations. The Power Ministry has also clarified on April 6, 2020 that Discoms will have to comply with the obligation to pay fixed capacity charges as per PPA. Further, the Reserve Bank of India has granted relief to borrowers by way of moratorium of interest and principal instalments falling due to Indian banks and financial institutions till Aug 31, 2020.

The extent to which the COVID-19 pandemic will impact the Group's results will depend on future developments, which are highly uncertain, including, among Other things, any new information concerning the severity of the COVID-19 pandemic; any action to contain its spread or mitigate impact whether government-mandated or elected by the Group and further evolving impact on distribution utilities in terms of demand for electricity; consumption mix; resultant average tariff realization; bill collections from consumers; and support from respective State Governments and banks & financial institutions, including those focused on power sector financing. The Group has considered the possible effects that may result from the pandemic relating to COVID-19 on the carrying amounts of receivables and other assets. The Group expects to fully recover the carrying amount of these assets. The impact of the coronavirus on our business will depend on future developments that cannot be reliably predicted, including actions to contain or treat the disease.

Further the Lockdown has been relaxed partially from 3rd June 2020 and Demand for Power is likely to increase gradually. Therefore, the Group does not expect any material impact on its operations and results. The impact of global health pandemic might be different from that estimated as at the date of approval of these financial results and the Group will closely monitor any material changes to future economic conditions.

NOTE: 50

(i) In EPMPPL, The balances of secured and certain unsecured loans and short term borrowings (including inter corporate deposit), certain advances/receivables (including capital advances), creditors/payables [including of micro, small and medium enterprises], certain group companies, certain bank accounts, fixed deposits and capital contracts (remaining to be executed) are subject to confirmation and / or reconciliation. Further, during the year Company has written back credit balance of Rs. 38.94 crore of Gopal Supplies (UAE) FZE (GS) (a foreign capital vendor) payable against capital supplies for which final payment certificate and balance confirmation is yet to be received from GS. In the opinion of the management there would be no material impact on the state of affairs on final reconciliation and/or confirmation; (ii) certain secretarial records are in process of updation and could not be made available to the auditor for their verification. impact on the state of affairs on final reconciliation and/or confirmation; (ii) certain secretarial records are in process of updation.

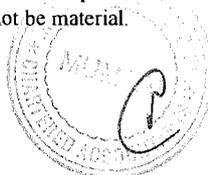
(ii) In Essar Power Transmission Company Ltd (EPTCL): Reconciliation and balance confirmation from some of the contractors are under process, actual payable/ receivable, if any, will be recognised in the year of finality.

(iii) During the financial year 2016-17, Essar Power Holdings Limited, Mauritius (EPHOL) [a group company] directly paid USD 3.5 Million (Rs. 23.31 crores including interest Rs. 22.62 crores) to ICICI Bank, Bahrain branch on behalf of EPMPPL to pay off its due instalments of ECB availed by the company; for which EPMPPL had filed an application with Reserve Bank Of India (RBI) through AD Bank for regularisation of repayment of ECB installment with an undertaking that EPMPPL would not be repaying back this advance to EPHOL and also no interest shall be paid by EPMPPL on the stated advance. During the previous year EPMPPL had written back this liability and had intimated the AD Bank, and the same is pending for approval.

(iv) EPMPPL management is in process to further strengthen its internal control over handling/transportation, receipt, consumption etc. of coal through process automation.

(v) In EPMPPL during the year, interest on the Inter Corporate Deposit (ICD) have been not been provided of amounting to Rs. 0.54 crores, since as per the balance confirmation received no interest has been charged by the lender. EPMPPL is in process of obtaining the interest waiver letter from the said lender.

(vi) In EPMPPL, The Audited GST return for the year ended 31st March, 2019 is pending for the filing as competent authority has extended the date of filing till 30th September, 2020. EPMPPL is in process of reconciling the data of GSTR 2A with GSTR 3B. In view of the management, on final reconciliation the impact will not be material.



46

NOTE: 51

Hon'ble NGT vide order dt 28.8.2018 has prohibited Northern Coalfields Ltd. (NCL) to transport coal by road, who is the major supplier of coal to EPMPL. The customers of NCL (alongwith EPMPL) had requested for some time to allow them to make alternative arrangement to transport the coal. The Oversight Committee of NGT (Committee) as an interim measure allowed to transport coal by road for two months period.

In the meantime, NCL moved application before Hon'ble NGT to review their order. However their application was rejected. Thereafter NCL moved to Hon'ble Supreme Court who stated that 'status quo as of today shall be maintained in the meantime'.

However the Committee is of the view that Status quo order was passed when NGT order on coal transportation was in operation which has prohibited NCL to transport coal by road. Consequently, EPMPL received a General Notice from NCL on 22nd June 2019 confirming the above position to stop sale of coal by road to its customers in Singrauli M.P, Sonabhadra U.P.

Subsequently, NCL decided to keep the sale of coal in abeyance for the time being and to approach Hon'ble Supreme Court for further resolution of issue. EPMPL has also approached Hon'ble Supreme Court to obtain necessary directions which would ensure continuous operations of EPMPL, since its operations came to halt fully (for 7 days) after supply of coal being stopped by NCL.

Hon'ble Supreme Court vide its order dated 1st July 2019 has ordered to maintain status quo i.e. permitting the transportation of coal by road from NCL till the further order. EPMPL is now getting the supply of coal through road for its operations of generation of electricity.

NOTE: 52

RECOVERABLE EXPENSES RELATED TO DE-ALLOCATED COAL BLOCK & OTHERS

Mahan coal block, allocated jointly to EPOL and Hindalco Industries Limited (Hindalco) for the captive consumption of EPMPL has been cancelled by Hon'ble Supreme Court decision in September 2014. In view of the same, going concern concept followed by Mahan Coal Limited (MCL), has been vitiated and accordingly, necessary provisions have been made in the financial statements of MCL to bring down the assets and liabilities to their realisable value. In FY 2015-16, MCL has received an adhoc amount of Rs. 200.45 Crore from CAMPA (Compensatory Afforestation Fund Management And Planning Authority) Account maintained by Ministry of Environment And Forests, Govt. of India. The Board of Directors of MCL at their meeting dated March 18, 2016 decided to distribute the amount of Rs. 200.45 Crore by a capital reduction scheme pursuant to sections 100-104 of the Companies Act, 1956. Subsequently MCL has filed a petition for reduction of capital by Rs. 201 Crore before the Hon'ble High Court of Madhya Pradesh which has since been confirmed by the High Court on July 18, 2016.

It is expected that MCL will be able to realise balance amount deposited with various Government authorities and investment in other tangible assets as per details given below;

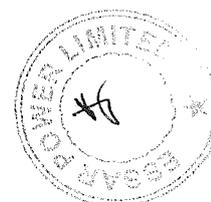
| | Rs. in Crore | |
|---|-------------------------|-------------------------|
| | As at March 31, 2020 | As at March 31, 2019 |
| Opening recoverable expenses related to de-allocated Mahan coal block | 11.23 | 11.23 |
| | 11.23 | 11.23 |

NOTE:53

- (a) **Corporate Social Responsibility-** Section 135 of the Companies Act, 2013, related to Corporate Social Responsibility is applicable to the Company; however in view of the losses in the immediately preceding three financial years, the Company is not required to spend any sum on Corporate Social Responsibility activities for the current year.

During the year FY 2019-20 EPHL & BPOL were required to incurred expenditure on specified Corporate Social Responsibility (CSR) activities as per the terms of section 135 of the Companies Act 2013 and related rules. Though EPHL & BPOL were not able to allocate any amount for CSR activities during FY 2019-20 due to ongoing sectoral business challenges, it is proposed to complete the spend during the next financial year.

- (b) Company was unable to carry its main business activity of power generation due to higher gas prices rendering the operations unviable and the plant being un-operational throughout the year, it resulted in the interest income (before waiver) on amounts extended to its SPVs involved in power generation business becoming along with the gain generated from the sale of its investments, higher than the operational income, triggering the requirement for registration as Non Banking Financial Company (NBFC). Since the company does not intend to carry on the business of NBFC, it applied for and is awaiting the RBI exemption from registration as a NBFC for FY 2016-17, FY 2017-18 , FY 2018-19 and FY 2019-20 .The company had earlier received similiar exemption from RBI for the FY 2015-16.
- (c) The remuneration paid by Company to its ex-Managing Director of Rs. 4.76 crore in FY 15-16 and Rs. 4.44 crore in FY 14-15 was in excess of limits specified under section 197 of the Companies Act, 2013 read with Schedule V of the Companies Act, 2013. The Company is considering recovery of the excess remuneration. The company has made various efforts to recover Rs. 9.20 Crore However in view of non recovery, the company has written off this amount during the year as part of Operation & maintenace Expenses.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

- (d) L&T Infrastructure Finance Co. Ltd. (L&T) has submitted an application in National Company Law Tribunal (NCLT), Ahmedabad Bench on 18 Feb 2019, for initiation of corporate insolvency resolution process against Essar Power Limited, who is the Corporate Guarantor, for its facility in EPGL. EPOL has made balance payment as per One Time Settlement (OTS) approved by L&T. Accordingly, L&T has ceased to be a lender of EPGL and is in the process of giving No Dues Certificate. L&T is also in the process of withdrawing NCLT application as their debt to EPGL is fully settled as per the OTS.

NOTE:54

Impairment of Plant & Machinery & other assets

(i) In EPMPPL- As per requirement of Ind AS, at the end of each reporting period, EPMPPL reviews the carrying amounts of its tangible and intangible assets to determine whether there are any indications that the plant and machinery have suffered an impairment loss. If any such indication exists, the recoverable amount of asset is estimated in order to determine the extent of the impairment loss (if any). EPMPPL thereby has assessed the recoverable amounts and also obtained the assessment by independent technical expert. The assessment of recoverable amount/value in use by technical expert is based on Discounted Cash Flow method. EPMPPL has estimated the recoverable amount of Property, Plant and Equipment (PPE) which is lower than carrying value of PPE, accordingly EPMPPL has made further provision of Rs.2811 crores on account of impairment of PPE as on 31st March 2020 and shown under exceptional item (note no.33A) in addition to the provision for impairment of Rs.4,578.01 crores during FY 2017-18 .

(ii) In Essar Power Gujarat Ltd (EPGL) during the financial year 2017-18, imported coal prices increased and had negatively impacted the cash-flows and operations of EPGL. EPGL was incurring cash losses. Hence EPGL had done the Impairment testing and book the impairment loss of Rs. 4,559.70 Crore. EPGL also tested the Capital work in progress for impairment. As there was no material progress in the project and due to the current status of the project, EPGL has decided to impair the same of Rs. 378.56 Crore as the carrying amount exceeded the recoverable amount, as not much work had happened under these contracts. During the year, EPGL has further carried out impairment testing for Property Plant and equipment. As per the valuation report as on March 31, 2020 the recoverable amount is lower than the book value by Rs. 860.64 Crore. Hence EPGL has charged off the same to Statement of Profit and Loss during the year.

(iii) In Essar Power Orissa Ltd (EPORL) provision for impairment of Capital Work in Progress: As per the requirements of Ind AS, at the end of each reporting period, EPORL reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that the plant assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). EPORL, thereby has assessed the recoverable amount (Higher of Fair value less costs to sell and Value in Use) of Capital Work in Progress at Rs 30.36 crores against its carrying amount of Rs 416.11 crores. (Hence total provision for impairment of CWIP as on 31.03.2020 is Rs. 385.74 Crore (Previous year Rs.298.82 Crore)

(iv) In BPOL -The property, plant and equipment has been taken over and sold by EARC are part of debt settlement agreement. Hence provision for impairment of Assets of Rs.112.92 Crore been reversed in the books.

(v) In EPOL - Historically, India has relied on coal for electricity power generation, liquid fuels as feed stock and oil for its transport sector. But for environmental reasons, it is required to focus on cleaner fuels and natural gas is a cleaner fuel. The development of natural gas industry in the country started in 1960s with discovery of gas fields in Gujarat and Assam. After discovery of South Basin fields by ONGC in 1970s, natural gas assumed importance in the generation of power.

Change in outlook

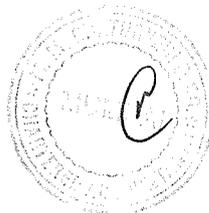
In 2017-18, most of the power projects in India were affected due to various reasons like domestic coal and gas shortage, non-availability of transmission facilities and higher interest burden. The power companies are stranded and lenders have considered various options including insolvency proceedings.

Due to various reasons attributing to low or nil generation, presently, such power plant could not fetch Rs. 1-2 Crore / MW. Lenders to these plants have also invited expression of interest / competitive bids for such stranded plants and had received such valuations. Further, lenders are also actions to realise the money lent for these power projects.

Taking view of current overall natural gas supply situation, which is not likely to change substantially in coming years, it is apparent that the gas power plants may have to be shut down or run at lower rates. For this reason, this Essar Power Plant cannot be run to its designed capacity. This under-utilization has a bearing on its fair market value for the plant and machinery installed in the Essar Power Plant as well as other assets like land, building, etc. Accordingly, the Company has considered de-valuation of its Property, Plant and Equipment at Rs. 1,615.05 Crores

NOTE:55

In the Group - Right to use is created on long term operating Lease on first time adoption of INDAS 116 . The Group has taken Rs. 100.32 Crore as Right to use assets as on 31.03.2020.(for lease hold land in EPOL - Rs.1.21 Crore and EPHL - Rs. 16.71 Crore and EPORL Rs. 22.28 Crore) and for township in EPMPPL - Rs.60.12 Crore.



ESSAR POWER LIMITED
NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

ii. Fair value of financial assets and liabilities measured at amortised cost are as below:

| | Rs. in Crore | | | |
|--|----------------------|------------|----------------------|------------|
| | As at March 31, 2020 | | As at March 31, 2019 | |
| | Carrying value | Fair value | Carrying value | Fair value |
| A. Financial assets | | | | |
| Non current | | | | |
| Investments | - | - | 0.01 | 0.01 |
| Loans | 63.03 | 63.03 | 41.75 | 41.75 |
| Other financial assets | 1.04 | 1.04 | 0.66 | 0.66 |
| Current | | | | |
| Trade receivables | 1,299.05 | 1,299.05 | 1,419.54 | 1,419.54 |
| Cash and cash equivalents | 178.51 | 178.51 | 54.81 | 54.81 |
| Bank balances other than cash and cash equivalents | 57.64 | 57.64 | 26.09 | 26.09 |
| Loans | 135.34 | 135.34 | 8.07 | 8.07 |
| Other financial assets | 6.04 | 6.04 | 19.88 | 19.88 |
| | 1,740.65 | 1,740.65 | 1,570.81 | 1,570.81 |
| B. Financial liabilities | | | | |
| Non current | | | | |
| Borrowings | 4,489.29 | 4,489.29 | 5,127.34 | 5,127.34 |
| Other financial liabilities | 116.31 | 116.31 | - | - |
| Lease Liability | 104.98 | - | - | - |
| Current | | | | |
| Borrowings | 6,392.61 | 6,392.61 | 5,872.34 | 5,872.34 |
| Trade payables | 892.81 | 892.81 | - | - |
| Lease Liability | 18.22 | - | - | - |
| Other financial liabilities | | | | |
| Current maturities of long term borrowings | 7,053.50 | 7,053.50 | 7,218.74 | 7,218.74 |
| Others | 9,586.33 | 9,586.33 | 7,275.39 | 7,275.39 |
| | 28,654.05 | 28,530.85 | 25,493.81 | 25,493.81 |

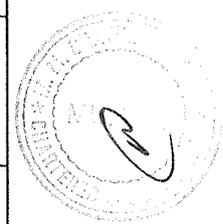
- (a) The carrying amounts of current financial assets and current financial liabilities are considered to be the same as their fair values, due to short-term nature.
- (b) The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.
- (c) The fair values of long term loans, security deposits and investments in preference shares were calculated based on cash flows discounted using as current lending rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counter party credit risk
- (d) The fair values of non current borrowings are based on discounted cash flows using as current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs including own credit risk



ESSAR POWER LIMITED
NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

iii. Fair value hierarchy
 Quantitative disclosure of fair value measurement hierarchy of financial assets and liabilities of the Company are as below;

| | As at March 31, 2020 | | | As at March 31, 2019 | | |
|--|---|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| A. Financial assets | | | | | | |
| Non current | | | | | | |
| Investments | - | - | - | - | - | 0.01 |
| Loans | - | - | 63.03 | - | - | 41.75 |
| Other financial assets | - | - | 1.04 | - | - | 0.66 |
| Others | - | - | - | - | - | - |
| Current | | | | | | |
| Trade receivables | - | - | 1,299.05 | - | - | 1,419.54 |
| Cash and cash equivalents | - | - | 178.51 | - | - | 54.81 |
| Bank balances other than cash and cash equivalents | - | - | 57.64 | - | - | 26.09 |
| Loans | - | - | 135.34 | - | - | 8.07 |
| Other financial assets | - | - | - | - | - | - |
| Others | - | - | 6.04 | - | - | 19.88 |
| | - | - | 1,740.65 | - | - | 1,570.81 |
| B. Financial liabilities | | | | | | |
| Non current | | | | | | |
| Borrowings | - | - | 4,489.29 | - | - | 5,127.34 |
| Other financial liabilities | - | - | 116.31 | - | - | - |
| Current | | | | | | |
| Borrowings | - | - | 6,392.61 | - | - | 5,872.34 |
| Trade payables | - | - | 892.81 | - | - | - |
| Lease Liability | - | - | 18.22 | - | - | - |
| Current maturities of long term borrowings | - | - | 7,053.50 | - | - | 7,218.74 |
| Others | - | - | 9,586.33 | - | - | 7,275.39 |
| | - | - | 28,549.07 | - | - | 25,493.81 |



ESSAR POWER LIMITED
NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

NOTE: 57

Additional Information, as required under Schedule III to the Companies Act, 2013, of entities consolidated as Subsidiary / Joint Ventures.

| Sr. No | Name of the Company | Net Assets i.e. total assets minus total liabilities March 31, 2020 | | Share in profit or loss March 31, 2020 | | Share in other comprehensive income March 31, 2020 | | Share in Total other comprehensive income March 31, 2020 | |
|--------|---|---|-----------------------|--|-----------------------|--|-----------------------|--|-----------------------|
| | | As % of consolidated net assets | Amount (Rs. in Crore) | As % of consolidated Profit / (Loss) | Amount (Rs. in Crore) | As % of consolidated other comprehensive income | Amount (Rs. in Crore) | As % of total comprehensive income | Amount (Rs. in Crore) |
| 1 | Parent Essar Power Limited | 15.34 | (2,612.21) | (30.78) | (2,211.31) | - | - | (30.70) | (2,211.31) |
| 1 | Indian Subsidiaries Bhandar Power Limited | 0.71 | (121.08) | 2.06 | 147.95 | - | - | 2.05 | 147.95 |
| 2 | Brahmani Thermal Power Private Limited | - | - | - | - | - | - | - | - |
| 3 | Essar Electric Power Development Corporation Limited | (0.12) | 20.15 | (0.01) | (0.73) | - | - | (0.01) | (0.73) |
| 4 | Ultra LNG Urja Limited | 0.00 | (0.01) | (0.00) | (0.07) | - | - | (0.00) | (0.07) |
| 5 | Essar Power (Jharkhand) Limited | - | - | - | - | - | - | - | - |
| 6 | Essar Power (Orissa) Limited | (1.65) | 281.80 | 0.02 | 1.12 | 0.75 | 0.13 | 0.02 | 1.25 |
| 7 | Essar Power and Minerals Limited | - | - | - | - | - | - | - | - |
| 8 | Essar Power Gujarat Limited | 28.19 | (4,800.31) | (24.00) | (1,724.37) | (4.43) | (0.77) | (23.95) | (1,725.14) |
| 9 | Essar Power Hazira Limited | (3.92) | 667.94 | 0.84 | 60.42 | 0.17 | 0.03 | 0.84 | 60.45 |
| 10 | Essar Power M. P. Limited | 52.02 | (8,858.27) | (70.11) | (5,037.54) | (1.90) | (0.33) | (69.94) | (5,037.87) |
| 11 | Essar Power Salaya Limited | - | - | - | - | - | - | - | - |
| 12 | Essar Power Tamilnadu Limited | (0.03) | 5.67 | - | - | - | - | - | - |
| 13 | Essar Power Transmission Company Limited | (3.71) | 632.13 | 0.23 | 16.29 | (0.12) | (0.02) | 0.23 | 16.27 |
| 14 | Vadinar Power Company Limited | - | - | - | - | - | - | - | - |
| 1 | Foreign Subsidiaries Essar Power Overseas Limited | 3.55 | (604.19) | (0.11) | (7.90) | (636.57) | (110.67) | (1.65) | (118.57) |
| 2 | Essar Power & Minerals S.A. Limited | - | - | - | - | - | - | - | - |
| 3 | Essar Minerals FZE UAE | - | - | - | - | - | - | - | - |
| 4 | PT Bara Pratama Indonesia | - | - | - | - | - | - | - | - |
| 5 | PT Manoor Bulatn Lestari Indonesia | - | - | - | - | - | - | - | - |
| 6 | PT Essar Minerals Indonesia | - | - | - | - | - | - | - | - |
| | Consolidation adjustments / eliminations | 9.63 | (1,639.38) | 21.86 | 1,570.79 | 542.07 | 94.24 | 23.12 | 1,665.03 |
| | Total | 100.00 | (17,027.76) | (100.00) | (7,185.35) | (100.00) | (17.39) | (100.00) | (7,202.75) |
| | Minority interest in all subsidiaries | 30.05 | (5,117.32) | (29.87) | (2,146.48) | 516.67 | 89.83 | (28.55) | (2,056.65) |
| | Equity attributable to owners | 69.95 | (11,910.44) | (70.13) | (5,038.87) | (616.69) | (107.22) | (71.45) | (5,146.10) |

ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

NOTE:58

GOING CONCERN

(A) EPOL- The Company is amongst the major companies in the Indian Power Sector and owns four plants with capacity of 2045 MW & operates three plants with aggregate capacity of 1530 MW through various special purpose vehicles (SPVs). The Company has also commissioned 464 Km long Inter State Transmission System through one of its subsidiaries. The Company has been supporting its subsidiaries through various stages of construction, stabilization and operation of their assets. The subsidiaries have completed the projects and are operating the plants at optimum levels. The subsidiaries like Essar Power Hazira Limited and Essar Power Transmission Company Limited are making decent profits. Management has given careful consideration to going concern due to ongoing challenges faced by the Company and subsidiaries and has taken / is taking following steps:-

a. Preservation of Equipments - The Company is maintaining the plant under preservation and all the key equipments are well preserved. The Company has also refurbished its plant and all equipments are in good condition. The Company expects the plant to start in a single command and achieve base load within few hours of operations. Natural gas prices are showing declining trend and in case of new gas recoveries at economical prices, the Company is hopeful of getting new long term PPA. The company is also contemplating the sale of its investments in order to meet its debt and other obligations.

b. Arbitration under PPA dated 29th June 1996

ESIL claimed frustration of the PPA stating the non-availability of natural gas at economical prices. However, they have ignored the fact that non-availability of Fuel caused by any event of Force Majeure (i.e. whether natural or non-natural Force Majeure event) shall not constitute Force Majeure events under the Agreement (as amended). The Company has initiated arbitration process as per terms of PPA dated 29th June 1996 and served an arbitration notice to AMNS (erstwhile ESIL) on 17th December 2019 requesting AMNS to nominate an Arbitrator within 30 days to initiate proceedings as prescribed in PPA. The Company has nominated Hon'ble Justice Arvind Sawant (Former Chief Justice of Kerala High Court) as our Sole Arbitrator. The Company has not received any response from AMNS. An appeal is being filed at High Court for appointment of Arbitrator to initiate Arbitration under PPA. In view of COVID-19 situation, High Court is accepting filing of urgent cases only. We shall be filing application once situation improves.

This being the case, we are confident of favourable decision under Arbitration Process.

c. OTS with Lenders -

The Company does not have any operations for last few years due to absence of PPA and non-availability of fuel at economical prices. Accordingly, the Company has offered One Time Settlement (OTS) to all the lenders to resolve the NPA issues. Most of the lenders and debentureholders, namely AXIS Bank, YES Bank, LIC Pension Fund, etc., have approved the OTS proposals and part / full payments have been made. A major debentureholder, LIC has already given in-principle approval for the OTS proposal and the Company is hopeful of getting final approval soon. The Company is engaged with other small lenders for settlement of their dues through OTS and is hopeful of settling them in current financial year.

d. The company has received notice for repayment of total outstanding (Refer Note 29 (ii)) from one of its lender's which is mainly due to delay in creation of security. Legal proceedings have been initiated in the DRT-I, Mumbai in respect of the claim. The Company is hopeful of withdrawal of suit as the Company expects to get final OTS approval from the lender, LIC shortly and make up-front payment to them as per the OTS.

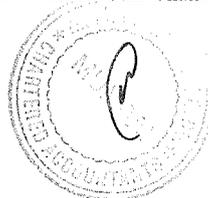
e. The Company has made comprehensive plans to address the long term as well as short term issues faced by the subsidiaries including debt restructuring, debt refinancing, interest rate rationalization, buying raw-material in e-auction or through traders, participation in short term / long term tender for power purchase agreements, etc. These steps will bring the debt to a sustainable level. Essar Power Gujarat Limited, a subsidiary of the Company, is in advanced stage of implementation of resolution plan with its lenders thereby bringing down the debt to a sustainable level and make the operations fully viable.

The above steps will ensure continuous operations and the Company will be able to meet all its operational liabilities.

In view of above, the management has concluded to prepare financials on a going concern basis.

(B) ' EPMPPL- EPMPPL has continuous losses as on 31st March 2020 which has resulted in erosion of its entire net worth. Also, EPMPPL's current liabilities exceeded its total assets as at 31st March 2020 mainly due to long term loans being classified as current liabilities in financial statements

"Further, EPMPPL had submitted a Binding One Time Settlement (OTS) proposal to its lenders to settle its entire obligation on 12th December 2019. Lenders had granted in principle approval to the OTS proposal and agreed to evaluate the appropriateness of the proposal through a Swiss Challenge Process by inviting Bids for price discovery. Under this process, EPMPPL OTS offer was to be made as base offer with the EPMPPL having Right of First Refusal (ROFR) for which an upfront deposit of Rs 35 crores along with Undertaking was given to the lenders as per their requirement. The OTS proposal of EPMPPL envisaged settlement of entire debt along with release of all guarantees extended by EPMPPL, parent / holding entities in full and final settlement. The Swiss Challenge Process concluded on 31st March 2020 with no valid bid being received by the lenders. The same was communicated by the lenders to EPMPPL on 8th April 2020 wherein 15 days' time was given to consummate the transaction. Although COVID19 pandemic was on peak during April 2020, EPMPPL stood by its offer to conclude the settlement within a reasonable period. However, based on the depressed market scenario and failure under Swiss Challenge process, the lenders decided to file a petition under IBC at NCLT Delhi on 27th April 2020.



ESSAR POWER LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

As the hearing for the IBC application was awaited, EPMPPL discussed with lenders that it has been constantly looking forward for the resolution of debt and maximize the realization to lenders. Also in line with the OTS proposal of EPMPPL, the guarantees to be released upon resolution / settlement of debt obligations under NCLT as the same was agreed by them. In view of the same, EPMPPL consented to the application filed by lenders in its first hearing paving the way for early resolution under the IBC on 29th Sept 2020.

(C) EPGL - EPGL has been declaring availability close to 100% in the last 5 to 6 months of operations before the Plant operations became unviable due to steep Indonesian coal prices. A High Powered Committee (HPC) was set-up to address the issues of three imported coal based power plants with capacity of ~10GW including EPGL's plant. The HPC recommended coal cost as a pass through amongst other things to revive the huge capacity. Accordingly, EPGL had signed a Supplemental PPA (SPPA) with GUVNL based on the recommendations of the HPC and the Resolution passed by the Government of Gujarat (GR) on March 1, 2019.

EPGL restarted its operations in April 2019 after a shutdown of ~ 18 months and has ramped up the operations in a phased manner. With support of all stakeholders, the Plant has been in continuous operation since restart in April 2019 and is running at full capacity for last one year and generating EBITDA.

EPGL received the order from GERC on April 27, 2020 with certain amendments and the same was challenged in APTEL. However, based on discussions with GUVNL, GOG and Lenders, EPGL is in advanced stage of entering into a New SPPA with GUVNL which shall provide for coal cost pass through and apply prospectively.

EPGL is working with its lenders to restructure the debt at a sustainable level in line with the New SPPA allowing coal cost pass through. Major contours of Resolution Plan have been finalized with Consortium Lenders. EPGL has complied with major CPs to implementation of restructuring. Resolution Plan with lenders of EPOL is being finalized with Lenders of EPGL and we expect to get approval shortly after approval of the New SPPA which is being entered into with GUVNL. Considering that implementation of Resolution Plan is imminent and the fact that EPGL has been receiving support from the lenders, GUVNL and the trade creditors, the management of EPGL expects to meet its obligations arising in the foreseeable future.

Accordingly, the management has prepared the accounts on a Going concern basis as it expects to meet its obligations arising in the foreseeable future.

(D) BPOL- The Company owned a 500 MW gas based power plant at Hazira, Surat. In FY 2019-20, the plant has operated the plant @ 46% plant load factor and has paid part of the dues to its lender, group companies and vendors. In February 2020, the power plant and other certain assets was taken over by the sole lender against which entire term loan taken from EARC and part of the unsecured loan taken from Essar Power Limited have been paid. BPOL is having minimal outside vendor liabilities of Rs.1.22 crore only (since paid) excluding the ICD payable of Rs.129.51 Crore and the BPOL is confident of meeting these liabilities with the support of its holding company.

(E) EPORL- During the year, EPORL had received OTS approvals from Lenders and made certain payments. However, OTS could not be completed as the OTS approvals lapsed. The payments made to Lenders have been appropriated as per the terms of the Loan Agreements. One of the Lenders, namely SBI has filed suit in Debt Recovery Tribunal (DRT) against EPORL for recovery of the debt. EPORL has again initiated discussions with the Lenders for OTS / Restructuring. Considering the OTD discussions, the Company expects to meet its obligations arising in the foreseeable future.

(F) There is a material uncertainty related to events and conditions that may cast significant doubt on the Group's ability to continue as a going concern. However, Group is confident of meeting its obligations arising in foreseeable future

NOTE:59

DISPOSAL OF SUBSIDIARIES/LOSS OF CONTROL

(i) Disposal and loss of control of Indian Subsidiaries

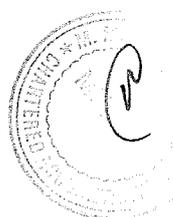
Current Year (2019-20)

NIL

Previous Year (2018-19)

Essar Power Jharkhand Ltd was referred to NCLT on 5 April 2018 resulting in loss of control to the parent company. The loss of control in this subsidiary resulted in gain on sale of subsidiary of Rs 2,499.18 Crore (Net) due to negative networth of the subsidiary.

The net gain on disposal of aforementioned Indian subsidiary is Rs. 2,499.18 Crore which is shown as 'Gain on loss of control on Subsidiaries' (net of Fair value of investment) under Note 39 (Exceptional items).



ESSAR POWER LIMITED
NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

Details of net assets disposed off and profit/(loss) on disposal/loss of control is as below

| (Rs. in crore) | | |
|--------------------------------|------------------------|------------------------|
| | As at 31 March 2020 | As at 31 March 2019 |
| | - | EPJHL |
| Non-current assets | | |
| Property, Plant and Equipment | - | 74.99 |
| Capital Work in Progress | - | 1,784.94 |
| Other Intangible assets | - | 0.09 |
| Financial Assets | - | - |
| Other non-current assets | - | 17.91 |
| Total(A) | - | 1,877.93 |
| Current assets | | |
| Inventories | - | - |
| Financial Assets | | |
| Investment | | |
| Cash and cash equivalents | - | 0.32 |
| Other Financial Assets | - | 0.25 |
| Loans | - | - |
| Others | - | - |
| Current Tax Assets | - | 1.31 |
| Other current assets | - | 0.46 |
| Total(B) | - | 2.34 |
| Total Asset (A+B) | - | 1,880.27 |
| Non-current liabilities | | |
| Provisions | - | 14.10 |
| Deferred tax liabilities (Net) | - | 10.02 |
| Total(C) | - | 24.12 |
| Current liabilities | | |
| Financial Liabilities | | |
| Borrowings | - | 1,134.41 |
| Trade payables | - | - |
| Other financial liabilities | - | 3,201.76 |
| Other current liabilities | - | 0.21 |
| Provisions | - | 18.96 |
| Current Tax Liabilities | - | - |
| Total(D) | - | 4,355.34 |
| Total liabilities (C+D) | - | 4,379.46 |
| Net Asset Disposed off | - | (2,499.19) |

| (Rs. in crore) | | |
|------------------------------------|------------------------|------------------------|
| | As at 31 March 2020 | As at 31 March 2019 |
| | | EPJHL |
| Consideration | - | - |
| Net Assets disposed off | - | (2,499.19) |
| | - | 2,499.19 |
| Adjustments in respect of: | | |
| Investment by EPOL in EPJHL | - | 1,725.74 |
| Change in fair value of investment | - | (1,725.74) |
| Profit/ (Loss) on disposal | - | (2,499.19) |

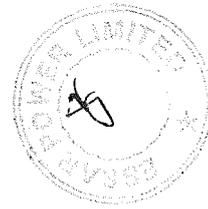
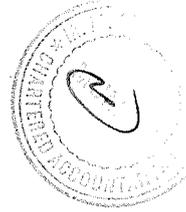


ESSAR POWER LIMITED

Annexure A

Details of transactions and outstanding balances with related parties:

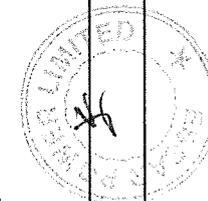
| | Name of the Company | Holding Company | Fellow Subsidiary | Enterprises Commonly Controlled or Influenced by Major Shareholders / Directors of the Company | Joint Venture | Key Management Personnel | Total | Holding Company | Fellow Subsidiary | Associate | Enterprises Commonly Controlled or Influenced by Major Shareholders / Directors of the Company | Key Management Personnel | Total |
|--|---------------------|-----------------|-------------------|--|---------------|--------------------------|--------|-----------------|-------------------|-----------|--|--------------------------|-------|
| Bad Debts | ESTL | - | - | 104.45 | - | - | 104.45 | - | - | - | - | - | - |
| Income from operations | EVTL | - | - | - | - | - | - | - | - | - | - | - | - |
| Water from government reservoir expenses shared | AMNS | - | - | 4.46 | - | - | 4.46 | - | - | - | 2.83 | - | 2.83 |
| Purchase of Stores | AMNS | - | - | 5.21 | - | - | 5.21 | - | - | - | - | - | - |
| Operation & maintenance income | EBTSL | - | - | 2.38 | - | - | 2.38 | - | - | - | - | - | - |
| | AMNS | - | - | - | - | - | - | - | - | - | 0.40 | - | 0.40 |
| Professional / other services / rent / travelling and other expenses | EBTSL | - | - | 94.91 | - | - | 94.91 | - | - | - | 0.10 | - | 0.10 |
| | AMNS | - | - | 0.52 | - | - | 0.52 | - | - | - | - | - | - |
| | Arday Holding | - | - | 0.02 | - | - | 0.02 | - | - | - | 0.02 | - | 0.02 |
| Interest Income | ECHL | - | - | - | - | - | - | - | - | - | 11.55 | - | 11.55 |
| Lease rent expenses | AMNS | - | - | 1.41 | - | - | 1.41 | - | - | - | 2.00 | - | 2.00 |
| Directors Sitting Fees | | - | - | - | - | 0.07 | 0.07 | - | - | - | - | 0.04 | 0.04 |
| Provision for Doubtful Debts | EPIL | - | - | - | - | - | - | - | - | - | 0.07 | - | 0.07 |
| Remuneration* | | - | - | - | - | 3.48 | 3.48 | - | - | - | - | 2.62 | 2.62 |



ESSAR POWER LIMITED

Annexure A
Details of transactions and outstanding balances with related parties:

| | Name of the Company | Holding Company | Fellow Subsidiary | March 31, 2020 | | | | March 31, 2019 | | | | | | | |
|--|---------------------|-----------------|-------------------|--|---------------|--------------------------|--------|-----------------|-------------------|-----------|--|--------------------------|-------|--|--------|
| | | | | Enterprises Commonly Controlled or Influenced by Major Shareholders / Directors of the Company | Joint Venture | Key Management Personnel | Total | Holding Company | Fellow Subsidiary | Associate | Enterprises Commonly Controlled or Influenced by Major Shareholders / Directors of the Company | Key Management Personnel | Total | | |
| Balances as at end of the year | | | | 5.20 | | | 5.20 | | | | 5.20 | | | | 5.20 |
| Inter corporate deposit received | EVTL | - | - | 11.37 | | | 11.37 | | | | | | | | 92.90 |
| | Arkay Logistics | - | - | 409.69 | | | 409.69 | | | | | | | | 0.10 |
| | ESMTL | - | - | 0.10 | | | 0.10 | | | | | | | | 0.06 |
| Trade receivables | EPIL | - | - | 0.11 | | | 0.11 | | | | | | | | 0.08 |
| | EHES | - | - | 0.13 | | | 0.13 | | | | | | | | 552.80 |
| | EBTL | - | - | 14.81 | | | 14.81 | | | | | | | | 95.38 |
| Provision for Doubtful Debts | AMNS | - | - | - | | | - | | | | | | | | 0.25 |
| | AMNS | - | - | - | | | - | | | | | | | | 228.27 |
| Loans and advances | ESMTL | - | - | - | | | - | | | | | | | | 35.98 |
| | ECHL | - | - | - | | | - | | | | | | | | 0.08 |
| Advance received from customers | ESTL | - | - | 0.01 | | | 0.01 | | | | | | | | 0.23 |
| | EVTL | - | - | - | | | - | | | | | | | | 0.09 |
| | EPIL | - | - | - | | | - | | | | | | | | 13.63 |
| Trade Payables | Aegis | - | - | 35.80 | | | 35.80 | | | | | | | | 0.00 |
| | EBTSL | - | - | - | | | - | | | | | | | | 0.64 |
| | AHL | - | - | 0.26 | | | 0.26 | | | | | | | | 0.25 |
| | AMNS | - | - | - | | | - | | | | | | | | 2.29 |
| Capital creditors | EPIL | - | - | - | | | - | | | | | | | | 0.21 |
| | EPIL-EESD | - | - | - | | | - | | | | | | | | 1.94 |
| | EPHOL | - | - | - | | | - | | | | | | | | 356.31 |
| Other payable | ESMTL | - | - | 1.94 | | | 1.94 | | | | | | | | 153.97 |
| Inter corporate deposit given | EPJHL | - | - | 356.31 | | | 356.31 | | | | | | | | 44.84 |
| Interest receivable on inter corporate deposit given | EPJHL | - | - | 153.97 | | | 153.97 | | | | | | | | 0.00 |
| Inter corporate deposits obtained | EWPPPL | - | - | - | | | - | | | | | | | | - |
| | EWPPPL | - | - | - | | | - | | | | | | | | - |
| Interest accrued on inter corporate deposit obtained | ESMTL | - | - | 1.03 | | | 1.03 | | | | | | | | 0.01 |
| | AEHPP | - | - | - | | | - | | | | | | | | 24.84 |
| | EPIL | - | - | - | | | - | | | | | | | | 1.17 |
| Other loans and advances | EESML | - | - | - | | | - | | | | | | | | 0.05 |
| | EMRL | - | - | - | | | - | | | | | | | | 0.17 |
| | TWFL | - | - | - | | | - | | | | | | | | 0.02 |
| | EWPPPL | - | - | - | | | - | | | | | | | | 0.07 |
| Short term loans and advances | EPIL | - | - | - | | | - | | | | | | | | 1.21 |
| | AMNS | - | - | - | | | - | | | | | | | | 5.65 |
| Capital advances | EPIL-EESD | - | - | - | | | - | | | | | | | | 153.62 |
| | EPIL | - | - | - | | | - | | | | | | | | 17.10 |
| | ECHL | - | - | - | | | - | | | | | | | | 49.51 |
| Accrued interest | EPOHL | - | - | - | | | - | | | | | | | | 0.14 |
| | ESLL | - | - | - | | | - | | | | | | | | 0.14 |



ESSAR POWER LIMITED

Annexure A

Details of transactions and outstanding balances with related parties:

| | Name of the Company | Holding Company | Fellow Subsidiary | Enterprises Commonly Controlled or Influenced by Major Shareholders / Directors of the Company | Joint Venture | Key Management Personnel | Total | Holding Company | Fellow Subsidiary | Associate | Enterprises Commonly Controlled or Influenced by Major Shareholders / Directors of the Company | Key Management Personnel | Total |
|-----------------------|---------------------|-----------------|-------------------|--|---------------|--------------------------|----------|-----------------|-------------------|-----------|--|--------------------------|-----------|
| Other receivable | AMNS | - | - | - | - | - | - | - | - | - | 31.17 | - | 31.17 |
| | AHL | - | - | - | - | - | - | - | 0.11 | - | - | - | 0.11 |
| Guarantees Given | EPJHL | - | 4,920.08 | - | - | - | 4,920.08 | - | 2,815.98 | - | - | - | 2,815.98 |
| Guarantees received** | EEL, EGFL | 9,851.88 | - | - | - | - | 9,851.88 | 10,351.98 | - | - | - | - | 10,351.98 |
| | EPIL | - | - | - | - | - | 57.02 | - | - | - | - | - | 57.02 |
| | | | | | | | | | | | | | |

1. Remuneration paid to Mr. Pramod Suri (PS) of Rs. 3.40 crores during the financial year 2015-16 and Mr. Vinay Mittal (VM) of Rs. 4.30 crores during the financial years 2013-14, 2014-15 & 2015-16 were subject to the approval of the shareholders and lenders and since the same is now time barred, the amount paid of Rs. 7.70 crores is pending for recovery in terms of the provisions of the Companies Act, 2013 (as amended).

2. Figures of remuneration disclosed are as certified by the management. As the future liability for gratuity and leave encashment is provided on actuarial basis for the company as whole, the amount to key managerial personnel is not ascertainable and therefore not included and disclosed as and when paid retirement or exit from the company

3. Compensation to Key Management Personnel for each of the following categories

| Particulars | Year ended 31 | |
|----------------------------|---------------|-------------|
| | March 2020 | March 2019 |
| Short term benefits | 0.99 | 2.31 |
| Post employment benefits | - | - |
| -Defined contribution plan | - | - |
| -Defined benefit plan** | - | - |
| Other long term benefits** | - | - |
| Total | 0.99 | 2.31 |

* refer footnote 2 above

* Corporate Guarantee has been given by EPOL & EEL to the secured lenders of EPMPL against borrowing facilities (Term Loans (including ECB) & working capital facilities (including non-fund facilities)) availed by EPMPL and by EGFL to the secured lenders against ECB availed by EPMPL (guarantee documents executed for ECB I only). Further, no guarantee has been given by any other related party.

The above is to be read with note no 52
 ** Guarantees received from EEL & EGFL Rs. 9,851.88 Crore (Previous year Rs. 10,351.98 Crore), and EPIL Rs 57.02 Cr (Previous year Rs 57.02 cr) have been disclosed to the extent of facilities outstanding

