

**Independent Auditors' Review Report
To The Board of Directors of
Essar Power Limited**

Introduction

1. We have reviewed the accompanying Statement of Standalone Unaudited Financial Results of Essar Power Limited ("the Company") for the six months ended September 30, 2015 ("the statement"), being submitted by the Company pursuant to Clause 29 of the Listing Agreement for debt securities with the Stock Exchange. This statement is the responsibility of the Company's Management and has been approved by the Board of Directors of the Company. Our responsibility is to issue a report on the Statement based on our review.
2. Management is responsible for the preparation and fair presentation of this statement in accordance with the Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014, and other accounting principles generally accepted in India. Our responsibility is to issue a report on this Statement based on our review.

Scope of Review

We conducted our review of the Statement in accordance with Standard on Review Engagements (SRE) 2410 – 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity', issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurances as to whether the Statement is free of material misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Conclusion

Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement of unaudited financial results prepared in accordance with recognition and measurement principles laid down in Accounting Standard 25 "Interim Financial Reporting" specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 and other recognised accounting practises and policies has not disclosed the information required to be disclosed in terms of Clause 29 of the Listing Agreement for debt securities with the Stock Exchange, including the manner in which it is to be disclosed, or that it contains any material misstatement.

Emphasis of Matter

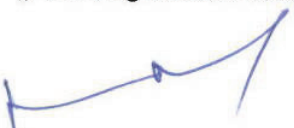
Attention is invited to following Notes to the Statement, which may have an adverse effect on the functioning of the Company:



- 1) Note 7 to the Statement regarding status of litigation with the customer (GUVNL). Trade receivables of Rs. 1,074.57 Crore (including delayed interest and overdue interest thereon aggregating to Rs. 682.25 Crore) as at September 30, 2015 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 legal opinions obtained by the Company and favourable decision of GERC which is contested by GUVNL before Appellant Tribunal for Electricity, 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 6 to the Statement which describe the key sources of estimation uncertainties with regard to assessment of recoverability of carrying values of the investments of Rs. 7,159.06 Crore, in various subsidiary/Joint Venture companies. No further provision for diminution in the carrying value of the investments in the said subsidiary/joint venture companies, except provision of Rs. 70.78 crores which is made during the previous financial year, is considered necessary by the Management, at this stage, for the reasons described in the note.
- 3) Note 9 to Statement regarding security deposit of Rs. 1800 Crore, which is placed under a novation agreement with a counter party for sharing profits/losses on account of amendment to the Power Purchase Agreement of a subsidiary. As the said agreement is terminated in view of de-allocation of Mahan Coal Block, the entire deposit has become refundable to the Company for which the Company has given notice for arbitration proceedings. For the reasons explained in the note, the management considers the said deposit recoverable.

Our Conclusion is not qualified in respect to above matters.

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


Madan Mohan Chaturvedi
Partner
Membership No.: 031118



Dated: November 5, 2015
Place: Mumbai

ESSAR POWER LIMITED
 Regd. Office: 27th Km. , SURAT-HAZIRA ROAD, HAZIRA, SURAT, GUJARAT - 394270
UNAUDITED STANDALONE FINANCIAL RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2015

Particulars	(Rs. in Crore)		
	Six months ended on 30th September		Year ended on 31st March
	2015	2014	2015
	Unaudited	Unaudited	Audited
1. (a) Net Sales/Income from Operations	3.09	93.51	258.93
(b) Revenue and Other Operating Income from Construction Contract	-	0.86	0.86
(c) Other Operating Income	3.75	4.07	4.26
Total	6.84	98.44	264.05
2. Expenditure			
(a) Purchases of traded goods	-	-	203.61
(b) Expenditure on Construction Contract	0.09	0.25	0.38
(c) Employees Cost	15.54	13.47	33.38
(d) Depreciation	8.86	9.68	18.91
(e) Repairs and Maintenance	1.49	1.15	3.34
(f) Other Expenses	6.88	10.86	18.08
Total	32.86	35.41	277.70
3. Profit from Operations before Other Income, Interest and Exceptional Items (1-2)	(26.02)	63.03	(13.65)
4. Other Income	303.57	254.33	569.98
5. Profit before Interest and Exceptional Items (3+4)	277.55	317.36	556.33
6. Interest and Other Finance Charges	293.91	268.41	558.31
7. Exceptional Items (Refer note 5(b) & (c))	-	-	70.78
8. Profit / (Loss) from Ordinary Activities before tax (5-6-7)	(16.36)	48.95	(72.76)
9. Tax Expense	(1.88)	10.82	0.07
10. Net Profit / (Loss) from Ordinary Activities after tax (8-9)	(14.48)	38.13	(72.83)
11. Extraordinary Items (net of tax expense)	-	-	-
12. Net Profit / (Loss) for the year (10-11)	(14.48)	38.13	(72.83)
13. (a) Paid-up Equity Share Capital (face value of Rs. 4 each)	460.92	336.87	460.92
(b) Paid-up 0.01% Compulsorily Convertible Cumulative Preference Share Capital (face value of Rs. 20 each)	4,752.28	4,876.32	4,752.28
14. Paid up Debt Capital (Refer note 2)	1,870.00	2,135.00	2,018.35
15. Reserves excluding Revaluation Reserves as per balance sheet of previous accounting year			2,772.11
16. Debenture Redemption Reserve	40.85	27.51	40.85
17. Earning Per Share (EPS) (Rs.) (Not annualised)*:			
- Basic	(0.82)*	(0.21)*	(1.87)
- Diluted	(0.82)*	(0.01)*	(1.87)
18. Debt Equity Ratio (Refer note 5(iii))	0.38	0.42	0.41
19. Debt Service Coverage Ratio (Refer note 5(ii))	1.05	1.50	1.05
20. Interest Service Coverage Ratio (Refer note 5(ii))	1.35	1.50	1.24

Notes:

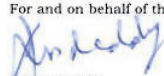
- The above results were reviewed by the Audit, Risk and Compliance Committee and approved by the Board of Directors of the Company at their meeting held on November 3, 2015 and November 5, 2015 respectively.
- Paid up debt capital represents listed Debentures.
- The company creates Debenture Redemption Reserve in accordance with the provisions of section 71(4) of the Companies Act, 2013 at the year end.
- Net sales/income from operations and tax expense is shown net of tax recoverable of Rs. Nil for six months period ended September 30, 2015 (Previous six months period ended September 30, 2014 Rs. 10.43 Crore and year ended March 31, 2015 Rs. Nil.) as per the terms of the Agreement.
- Formula used for the computation of the ratios are:
 - Debt Service Coverage Ratio (DSCR) = (Earnings before interest and other finance charges, depreciation, tax and after exceptional items *minus* tax actually paid/payable excluding disputed current tax) / (Repayment of Principal amount due and payable (excluding amount referred to in Note 8 hereafter) during the period /year on the long term debt including debentures *plus* Interest accrued/payable thereon during the period / year).
 - Interest Service Coverage Ratio (ISCR) = (Earnings before interest and other finance charges, depreciation, tax and after exceptional items *minus* tax actually paid/payable excluding disputed current tax) / (Interest accrued/payable during the period/year on the long term debt including debentures).
 - Debt Equity Ratio = Debt/Equity
 - Debt includes all the secured and unsecured long term loans including debentures, excludes working capital facility, Optionally Convertible Cumulative Redeemable Preference Shares, Inter Corporate Deposits and Cumulative Redeemable Preference Shares.
 - Equity includes equity share capital, reserve and surplus (excluding revaluation reserve) and Compulsorily Convertible Cumulative Preference Shares (including for investment in subsidiaries and joint ventures); and excludes Optionally Convertible Cumulative Redeemable Preference Shares and Cumulative Redeemable Preference Shares.

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6. The management has given due regard to the business environment affecting certain long term strategic investments in concluding that no provision for diminution in their carrying values as required by Accounting Standard 13 "Accounting for Investments", advance towards equity, Inter Corporate Deposits ("Deposits") and unsecured loans given to the said subsidiaries, is necessary for the reasons stated below or appropriate provision for diminution in value of investment is created :
- Investment of Rs. 2,608.60 Crore in equity shares of and advance towards equity/deposits/loans of Rs. 1,243.82 Crore to Essar Power Gujarat Limited ("EPGL"): EPGL has filed petition with Gujarat Electricity Regulatory Commission ("GERC") to mitigate the impact of unprecedented increase in coal price due to change in Indonesian laws and international market conditions with respect to its substantially fixed price Power Purchase Agreement with Gujarat Urja Vikas Nigam Limited. Several hearings were held for the same during the year and all the concerned parties have been heard in the matter; GERC has currently reserved its order. In view of outcome of the similar petitions filed by other industry players with identical issues and decision by Central Electricity Regulatory Commission ("CERC"), the management is hopeful of obtaining adequate compensatory tariff to make EPGL profitable. Investment of Rs. 433.81 Crore in equity/ preference shares of Essar Power Overseas Limited, Mauritius ("EPOVRL"): EPOVRL owns the companies having coal mines in Indonesia from which coal for the power plant of EPGL is expected to be sourced once the mines become operational.
 - Investment of Rs. 340.82 Crore (including premium of Rs. 219.06 Crore) in equity shares of Brahmani Thermal Power Private Limited (formerly known as Navabharat Power Private Limited) ("BTPL"): Due to ongoing investigation on erstwhile promoters with regard to Rampia Coal Blocks in respect of events prior to acquisition of BTPL by the Company commenced in financial year 2012-13, the project has not progressed further. In meanwhile allocation of Rampia Coal block to Rampia Coal Mine & Energy Private Limited (Joint venture of BTPL) has been cancelled by the Hon'ble Supreme Court in September, 2014. In view of the uncertainty over the speed of progress of the project and taking into account legal and accounting advice received by the Company in this respect, the Company created provision for diminution of investment in BTPL of Rs. 50.06 Crore in respect of premium paid at the time of acquisition of shares during financial year ended March 31, 2015. The Company also has other remedies available for recovery of investment value.
 - Investment of Rs. 1,601.09 Crore in equity shares / preference shares, 1,376,200,000 compulsorily convertible participating preference shares issued as bonus shares and advance towards equity/deposits of Rs. 652.66 Crore to Essar Power M.P. Limited ("EPMPL") which is 1,200 MW power plant in the state of Madhya Pradesh, Unit 1 of 600 MW has been capitalised during the year and has won Tokisud Coal Block in coal block auction during the year. Investment of Rs 195.75 Crore in equity shares in Mahan Coal Limited ("MCL"): Mahan coal block, allocated jointly to Hindalco Industries Limited (Hindalco) and Essar Power Limited (EPOL) for the captive consumption of EPML has been cancelled by Hon'ble Supreme Court decision in September 2014. Due to going concern challenges around continuity of operations of MCL, in F.Y. 2014-15 appropriate provision was created in the value of investment of the Company in MCL, to the extent of Rs 20.72 Crore. It is expected that MCL, will be able to realise amount deposited with various Government authorities.
 - Investment of Rs. 1,689.44 Crore in equity shares, and advance towards equity/deposits of Rs. 351.50 Crore to Essar Power (Jharkhand) Limited ("EPJL"): The Company is in the process of setting up coal fired thermal power plants at Tori, District Latehar, Jharkhand - 1200 MW in Phase-I and 600 MW in Phase-II ("the plants"). The carrying amount of fixed assets of Rs 4,051.92 Crore (including capital work in progress of Rs 3,949.75 Crore) as at September 30, 2015 significantly pertains to Phase-I. EPJL plans to participate in Coal Block auctions in near future and expects sufficient compensation from next allottee for Chakla and Ashok Karkata coal blocks, Chakhla and Ashok Karkata coal blocks allocated to EPJL has been cancelled vide Honorable Supreme Court decision in September 2014.
 - Investment of Rs. 289.55 Crore in equity shares of Essar Power Salaya Limited ("EPSL"): The management expects to receive regulatory/environmental approvals and has plans to commence construction of power plant immediately thereafter.
7. The recoverability of trade receivable of Rs. 1,074.57 Crore (along with delayed interest and overdue interest thereon aggregating to Rs. 682.25 Crore) from GUVNL as at March 31, 2015 is substantially dependent on the resolution of sub judice matters in Hon'ble Supreme Court regarding claim made by GUVNL of Rs. 527.27 Crore (including interest of Rs. 249.89 Crore) for alleged diversion of electricity and first appeal preferred in Appellate Tribunal of Electricity (APTEL) against decision of GERC for other disputed matters. On 22.10.2014 GERC gave an order in favour of Company in petition no. 1002/2010 substantially granting EPOL's claim. APTEL vide its order dated 29.01.2015 has directed GUVNL to pay Rs. 100 Crores to the Company against submission of bank guarantee of Nationalized bank as interim relief. The Company furnished bank guarantee of Rs. 100 Crores as directed by APTEL and received Rs. 100 Crores from GUVNL. Based on legal opinion obtained and the status of the matter, the management is confident of realising the said dues recorded in accordance with the Power Purchase Agreement with GUVNL, in due course and accordingly, no provision is considered necessary there against.
8. The management of the Company has given careful consideration to going concern due to ongoing challenges faced by the Company, subsidiaries and joint ventures. The Company has received notice for repayment of total outstanding (including principal amount of Rs. 1,000.00 Crore) from one of its lender which is mainly due to delay in creation of security; The Company has responded the case and is in advanced stage of creating such security and is confident that issue will be resolved amicably. Further the Company has shown willingness to support subsidiaries and joint ventures. The management has concluded that the Company is a going concern based on improving financial condition of subsidiaries, plan to liquidate of investments and also plan to repay debt during the year.
9. Company has accepted assignment of all financial obligations, duties and liabilities of Essar Power M. P. Limited, a subsidiary of the Company under the restructured the power purchase agreement ("the restructured PPA") with Essar Steel India Limited ("ESTL") during F.Y. 2013-14. Further ESTL has assigned financial obligations and rights with respect to deposit and future sharing of profit/losses by ESTL to Imperial Consultants & Securities Private Limited ("Imperial"). However Mahan Coal block based on which the aforesaid PPA was restructured has been deallocated by the Hon'ble Supreme Court and as per terms of the agreement entered with Imperial entire deposit of Rs. 1800.00 Crore is refundable to the Company. The Company has also received an undertaking from Imperial to provide security of it's equity investment which are currently pledged with lenders. The Company has issued notice of recovery to Imperial during the year and is currently in the process of initiating arbitration proceedings in the matter. Pending final outcome of the arbitration proceedings company is of the view that this deposit is recoverable in due course and Imperial has ability to repay the security deposit, particularly in view of aforesaid undertaking.
10. Previous period / year figures have been regrouped / rearranged / reworked wherever necessary.

For and on behalf of the Board


K.V.B. Reddy
Director & CEO

Place : Mumbai
Date : November 5, 2015

Reddy

