RED HERRING PROSPECTUS
Dated: March 7, 2005
Please read Section 60B of the Companies Act, 1956
100% Book Building Offer

JAIPRAKASH HYDRO-POWER LIMITED

(Incorporated on December 21, 1994 under the Companies Act, 1956 and obtained Certificate of Commencement of Business on January 9, 1995)

Registered Office: C-16, Lane 1, Sector 1, SDA Housing Colony, New Shimla - 171 009, India
Head Office: 'JA Annexe' 54, Basant Lok, Vasant Vihar, New Delhi - 110 057, India
Tel.: 91-11-2614 1540; 2614 7411 Fax: 91-11- 2614 5389; 2614 3591
E-mail: jhpl.ipo@jalindia.co.in Website: www.jhpl.com

PUBLIC OFFER OF 180,000,000 EQUITY SHARES OF RS. 10 EACH OF JAIPRAKASH HYDRO-POWER LIMITED ("JHPL") (THE "COMPANY") THROUGH OFFER FOR SALE BY JAIPRAKASH ASSOCIATES LIMITED ("JAL") (THE "SELLING SHAREHOLDER "), AT A PRICE OF RS. [•] PER EQUITY SHARE FOR CASH AGGREGATING RS. [•] MILLION (HEREINAFTER REFERRED TO AS THE "OFFER"). THE OFFER INCLUDES RESERVATION FOR EMPLOYEES AND DIRECTORS OF THE COMPANY AND JAL AND ALSO FOR THE SHAREHOLDERS OF JAL AND JAYPEE HOTELS LIMITED. THE OFFER WOULD CONSTITUTE 36.66% OF THE POST OFFER PAID-UP CAPITAL OF THE COMPANY.

PRICE BAND: RS. 27 TO RS. 32 PER EQUITY SHARE OF FACE VALUE OF RS. 10 EACH

The Offer Price is 2.7 times of the face value at the lower end of the Price Band and 3.2 times of the face value at the higher end of the Price Band.

Any revision in the Price Band will be widely disseminated by informing the stock exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi), and one regional newspaper and also indicating the change on the relevant websites and the terminals of the members of the Syndicate and the Bidding Period shall be extended for a further perid of three days, subject to the total Bidding Period not exceeding thirteen days.

This Offer is being made through the 100% Book Building Process wherein up to 50% of the Net Offer to Public shall be allocated on a discretionary basis to Qualified Institutional Buyers. Further, not less than 25% of the Net Offer to Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 25% of the Net Offer to Public shall be available on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Offer Price.

RISKS IN RELATION TO FIRST OFFER

This being the first Offer of the Equity Shares of Jaiprakash Hydro-Power Limited, there has been no formal market for the Equity Shares of the Company. The Offer Price is 2.7 times of the face value at the lower end of the Price Band and 3.2 times of the face value at the higher end of the Price Band. The Offer Price will be determined by the selling shareholder in consultation with the Book Running Lead Managers, on the basis of assessment of market demand for the Equity Shares offered by way of Book Building, and such price should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company nor regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Offer unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Offer. For taking an investment decision, investors must rely on their own examination of the Company and the Offer including the risks involved. The Equity Shares offered in the Offer have not been recommended or approved by the Securities and Exchange Board of India (SEBI), nor does SEBI guarantee the accuracy or adequacy of this Red Herring Prospectus. Specific attention of the investors is invited to the section titled "Risk Factors" beginning on page xi of this Red Herring Prospectus.

COMPANY'S AND SELLING SHAREHOLDER'S ABSOLUTE RESPONSIBILITY

The Company and the Selling Shareholder having made all reasonable inquiries, accept responsibility for and confirm that this Red Herring Prospectus contains all information with regard to Jaiprakash Hydro-Power Limited and the Offer, which is material in the context of the Offer, that the information contained in this Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING ARRANGEMENT

The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on The National Stock Exchange of India Limited (Designated Stock Exchange) and The Stock Exchange, Mumbai. We have received inprinciple approval from these Stock Exchanges for the listing of our equity shares pursuant to letters dated February 23, 2005 and February 24, 2005 respectively.

BOOK RUNNING LEAD MANAGERS ("BRLMs")		
UTI BANK Solutions for a lifetime **UTI Bank Limited** Central Office, Maker Towers 'F' 11th Floor, Cuffe Parade, Colaba, Mumbai – 400 005 Tel.: (022) 2218 9106 - 9 Fax.: (022) 2216 2467 E-mail: utibmbd@utibank.co.in	**JM Morgan Stanley Private Limited** 141, Maker Chambers III, Nariman Point, Mumbai - 400 021 Tel.: (22) 5630 3030 Fax.: (22) 5630 1694 E-mail: jhpl-ipo@jmmorganstanley.com	ICICI Securities **ICICI Securities Limited** ICICI Centre H. T. Parekh Marg, Churchgate, Mumbai- 400 020 Tel.: (22) 2288 2460 /70 Fax.: (22) 2282 6580 E-mail: jhpl_ipo@isecltd.com
LEAD MANAGER	**REGISTRAR TO THE OFFER**	**OFFER PROGRAMME**
ALLIANZ **Allianz Securities Limited** 33, Vaswani Mansion, 6th Floor, Dinsha Vachha Road, Churchgate, Mumbai-400 020 Tel. : (22) 2287 0580 Fax. : (22) 2287 0581 E-mail: jhpl.ipo@aslfinancial.com	KARVY Karvy Computershare Private Limited **Karvy Computershare Private Limited** Karvy House, 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad 500 034 Tel.: (40) 2331 2454 Fax.: (40) 2331 1968 E-mail: jphydro.ipo@karvy.com	**BID / OFFER OPENS ON March 22, 2005** **BID / OFFER CLOSES ON March 29, 2005**

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DEFINITION, TECHNICAL GLOSSARY AND ABBREVIATIONS

Definitions

Term	Description
"JHPL" or "the Company" or "Our Company" or "Jaiprakash Hydro-Power Limited"	Jaiprakash Hydro-Power Limited, a public limited company incorporated under the Companies Act, 1956
"we" or "us" and "our"	Unless the context otherwise require, refers to Jaiprakash Hydro-Power Limited

Offer Related Terms

Terms	Description
"Promoters" or "JAL" (erstwhile JIL/JCL) or JAL	Jaiprakash Associates Limited, a company which was formed as a result of the amalgamation of Jaiprakash Industries with JCL pursuant to a Scheme of amalgamation sanctioned by the Allahabad High Court vide its Order dated March 10, 2004
Allocation/Allotment / Transfer	Unless the context otherwise requires, transfer of Equity Shares from the Selling Shareholder to the successful applicants
Article(s) of Association	Articles of Association of Jaiprakash Hydro-Power Limited
Auditors	The statutory auditors of the company viz. M/s R. Nagpal Associates, Chartered Accountants
Bankers to the Offer	UTI Bank Limited, ICICI Bank Limited, Citibank N.A., IDBI Bank Limited, Standard Chartered Bank
Bid	An indication to make an offer made during the Bidding Period by a prospective investor to purchase the Equity Shares of the Company at a price within the Price Band including all revisions and modifications thereto.
Bid Amount	The highest value of the optional Bids indicated in the Bid-cum-Application Form and payable by the Bidder on submission of the Bid in the Offer.
Bid Closing Date/ Offer Closing date	The date after which the members of the Syndicate will not accept any Bids for the Offer, which shall be notified in a widely circulated English national newspaper and Hindi national newspaper and a regional newspaper.
Bid Opening Date/ Offer Opening Date	The date on which the members of the Syndicate shall start accepting Bids for the Offer, which shall be the date notified in an English national newspaper and a Hindi national newspaper and a regional newspaper.
Bid-cum-Application Form/ Bid Form	The form in terms of which the bidder shall make an offer to purchase the equity Shares of the company and which will be considered as the application for transfer of the equity shares in terms of this Red Herring Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Red Herring Prospectus
Board of Directors / Board	The Board of Directors/Committee of Directors of Jaiprakash Hydro-Power Limited
Book Building Process	Book building route as provided under Chapter XI of the SEBI Guidelines, in terms of which the Offer is made
BRLMs	Book Running Lead Managers to the Offer, in this case being UTI Bank Limited, J M Morgan Stanley Private Limited and ICICI Securities Limited
CAN/ Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated equity shares in the Book Building Process
Act/Companies Act	The Companies Act, 1956, as amended from time to time
Cut-off Price	Any price within the price band finalised by the Selling Shareholder, the Company in consultation with the BRLMs and the LM. A Bid submitted at Cut-off Price by a Retail Individual Bidders is a valid Bid at all price levels within the price band.
Depositories Act	Depositories Act, 1996, as amended from time to time
Depository	A depository registered with SEBI under the SEBI (Depositories and Participants) Regulations, 1996, as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
Designated Date	The date on which funds are transferred from the escrow account (s) to the Offer for Sale account after the Prospectus is filed with the ROC, following which the allotment will be made to successful bidders

Terms	Description
Designated Stock Exchange	The National Stock Exchange of India Limited
Director(s)	Director(s) of Jaiprakash Hydro-Power Limited unless otherwise specified
EPS	Earnings Per Share
Equity Shares	Equity Shares of the Company of Rs. 10 each being offered in the Offer for Sale unless otherwise specified in the context thereof
Escrow Account	Account opened with the Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement entered into amongst the Company, the Selling Shareholder, the Registrar, the Escrow Collection Bank(s) and the BRLMs for collection of the Bid Amounts and refunds (if any) of the amounts collected to the Bidders
Escrow Collection Bank(s)	The banks in which the Escrow Account of the Company will be opened
Face Value of Shares	Rs.10 per equity share
Head Office of the Company	JA Annexe, 54 Basant Lok, Vasant Vihar, New Delhi - 110 057, India
Lead Manager	Lead Manager being Allianz Securities Limited
Lenders	Consortium of lenders led by ICICI Bank Limited, comprising of Power Finance Corporation Ltd., Life Insurance Corporation of India, Industrial Development Bank of India Ltd., Industrial Investment Bank of India Ltd., Punjab National Bank, Bank of Baroda, Indian Overseas Bank, State Bank of Indore, State Bank of Patiala, State Bank of Travancore, State Bank of Mysore, State Bank of Hyderabad, Central Bank of India and UTI Bank Limited
Memorandum / Memorandum of Association	The Memorandum of Association of Jaiprakash Hydro-Power Limited
Net Offer to Public	The Offer less the allocation to the Permanent Employees and Directors of the Company and JAL and shareholders of JAL and Jaypee Hotels Limited
Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders
NRI/ Non-Resident Indian	Non-Resident Indian, is a person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin under FEMA (Transfer or Offer of Security by a Person Resident Outside India) Regulations, 2000
Offer /Offer for Sale	This Offer for Sale by the Selling Shareholder, JAL of 180,000,000 Equity Shares of Rs.10 each of JHPL at the Offer Price pursuant to this Red Herring Prospectus
Offer for Sale Account	The Account opened pursuant to the Escrow Agreement for transfer of monies received in the Escrow Account
Offer Management Team	The team managing this Offer as set out in the section titled “General Information” on page 11 of this Red Herring Prospectus
Offer Price	The final price at which the Equity Shares will be transferred in terms of this Red Herring Prospectus as determined by JAL in consultation with the Company and the BRLMs on the Pricing Date.
Pay-in-Date	The last date specified in the CAN sent to Bidders receiving allocation, who pay less than 100% margin money at the time of bidding.
Pay-in-Period	This term means (i) with respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the Bid Closing Date, and (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the closure of the Pay-in-Date
Permanent Employees and Directors of the Company and JAL	a) A permanent employee of the Company working in India or out of India; b) A director of the Company whether a whole time director or part time director or otherwise c) A permanent employee of the holding company, JAL working in India or out of India; d) A director of the holding company, JAL whether a whole time director or part time director or otherwise
Power Grid	Power Grid Corporation of India Limited
Power Plant / Power Project	300 MW Baspa II Hydro Electric Project Stage II
Price Band	Being the price band of a minimum price of Rs. [•] per Equity Share (Floor Price) and the

Terms	Description
	maximum price of Rs. [•] per Equity Share (Cap Price) (both inclusive), which was advertised by the Selling Shareholder/the Company, prior to the Bid Opening Date
Pricing Date	Means the date on which the Selling Shareholder, in consultation with the BRLMs and the Company, finalises the Offer Price
Prospectus	The Prospectus, filed with the RoC containing, inter-alia, the Offer Price that is determined at the end of the Book Building Process, the size of the Offer and certain other information
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds registered with SEBI, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million.
Red Herring Prospectus	Means this Red Herring Prospectus issued in accordance with section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and the size of the Offer. It carries the same obligations as are applicable in case of a prospectus and will be filed with ROC at least three days before the opening of the Offer. It will become a prospectus after filing with RoC after the pricing and allocation.
Registered Office of the Company	C-16, Lane 1, Sector 1, SDA Housing Colony, New Shimla – 171 009, India
Registrar/Registrar to the Offer	Karvy Computershare Private Limited
Reserved Categories	Means reservation for allocation to a. Permanent Employees and Directors of the Company and JAL b. Shareholders of JAL and Jaypee Hotels Limited
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have maximum Bid Amount of Rs. 50,000
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI (DIP) Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
Selling Shareholder	Jaiprakash Associates Limited
Share Subscription Agreement	The Agreement dated June 20, 2000 signed between ICICI Bank Limited and JHPL
Shareholders and Buyback Agreement	The Agreement dated July 10, 2000 between Jaiprakash Industries Limited (now JAL) and ICICI Bank Limited. The agreement, among other things, sets out the inter-se rights and obligations of the shareholders and also sets forth the understanding of all the shareholders with respect to the operation and management of the Company
State of HP	State of Himachal Pradesh
Stock Exchanges	NSE and BSE
Syndicate	BRLMs, LM and the Syndicate Members
Syndicate Agreement	Agreement between the Syndicate, the Selling Shareholder and the Company
Syndicate Members	Intermediaries registered with SEBI and eligible to act as Underwriters. Syndicate Members are appointed by the BRLMs.
Underwriters	The BRLMs, the LM and the Syndicate Members
Underwriting Agreement	The Agreement among the Syndicate, our Company and the Selling Shareholder to be entered into on or after the Pricing Date.

Technical Glossary

Terms	Description
90% Dependable Year	90% Dependable Year shall mean the year, in which the annual energy generation has the probability of being equal to or in excess of 90% of the expected period of operation of the plant
Advance against Depreciation	Means the difference between the amount equal to 1/12th of the loan component of the capital cost as per AFP and 4.3% of the capital cost as per AFP for each full tariff period of 12 months
AFP	Approved financial package, which is the cost of project and means of finance thereof as approved by HPSEB, GoHP and CEA
Capacity Charges	In terms of article 8.6 of PPA capacity charge means the sum of interest on outstanding loans, depreciation/advance depreciation and leasing charges, if any, as per approved financial package
Catchment Area	A geographic area, within which the rainfall and the snow melting discharge (area) feeds a river upto the point where the project is established.
Commissioning	Means the status of the Power Plant when all the units are capable of generating power simultaneously at full capacity subject to availability of water for commercial operation
Deemed Generation	Means the quantum of energy limited to Design Energy that could not be generated either due to lesser availability of water or due to non-evacuation of power beyond the point of inter connection or due to backing down instructions from the control centre resulting in spillage of water
Deemed saleable energy	Means the quantum of the energy which could be generated in a 90% dependable year with 95% availability of Installed Capacity reduced by energy losses and the 12% free energy to be surrendered free of cost to HPSEB. It has been determined to be 1,050 MU for the Power Plant
Design Energy	Means the quantum of the energy which could be generated in a 90% dependable year with 95% availability of Installed Capacity of the power plant (based on 10 day discharge period of the year) which has been determined to be 1,213.18 MU for the power plant
Energy loss	Means the difference of the electrical energy measured at the terminals of generator (s) and receiving end of the transmission lines
EPC	The term “EPC” means “engineering, procurement and construction”. In general, it means that an owner hires an entity to design, procure materials and equipment and to construct a facility for the owner
Evacuation of power	Means the supply of power, generated and placed in the system, to the consuming point
Geology	Means the science dealing with the study of Earth
Hydraulic Turbine	Means the prime mover that transforms the kinetic energy of the falling water into mechanical energy of rotation and whose prime function is to drive an electric generator
Hydrology	Means the science dealing with the study of water. In the context of a power plant it includes source of water in the river, river discharge, water availability based on data of several past years, design flood, water sediment, water quality etc.
Incentive for Secondary energy / Secondary Energy Incentives	Means the amount arrived at by multiplying per unit rate of secondary energy calculated by dividing 10% return on equity with normative saleable secondary energy amounting to 155 MU with the actual secondary energy delivered at Interconnection Point during a year
Infirm Energy	Means energy delivered by a unit after its synchronization to the grid prior to the commercial operation date (COD) of the unit
Installed Capacity	Means summation of the name plate megawatt capacities (100MW x 3) of the generating units of the Power Project
Interconnection Facilities	Means facilities for the evacuation of the power from the Power Plant, at Jhakri sub-station
Interconnection Point	Means the physical touch point (s) where the Power Project’s 400 kV incoming bays are connected to 400 kV busbars at Jhakri substation of SJVNL
Net Design Energy	Means Design Energy less 0.5% auxillary consumption, 0.5% transformation losses and 0.65% transmission losses as detailed in the PPA i.e. 1,193.23 MU

Technical Glossary

Terms	Description
Net Electrical Energy	Means the energy units actually delivered by the Power Plant at the Interconnection Point and measured in kwh
Net saleable Secondary Energy	Means 88% of the Secondary Energy delivered by the Power Plant at the Interconnection Point
Normative Availability Level	Means the minimum level of availability of the power plant, which the Company has to ensure. In our case in accordance with the terms of PPA the Normative Availability Level is 90%
Plant Availability	Means the availability of the project (including all the generating units) to generate power continuously subject to availability of water
Primary Energy Charges	In terms of provisions of the PPA primary energy charge means per unit rate of primary energy calculated based on the sum of operations and maintenance charges, return on equity, interest on working capital as per approved financial package
Primary Energy	In terms of provisions of the PPA primary energy means the energy to the extent of net design energy
Run of the River type of hydro power project	Run of the river type of hydro power projects typically divert water from its natural course to run through a water conduction system (barrage, desilting chambers, tunnel, surge shaft, pressure shaft) which falls on the blades of the turbine to generate power.
Saleable Design Energy	88% of the design energy available at the Interconnection Point after deducting losses on account auxiliary consumption, transformation losses and transmission line losses
Saleable energy	Means 88% of the energy delivered by the Power Plant at the Interconnection Point
Secondary Energy	Means the energy delivered at inter connection point in excess of Design Energy
Secondary Energy Charges	Means per unit rate for saleable Secondary Energy (i.e. 88% of Secondary Energy available at interconnection point at Jhakri) and shall be calculated by dividing 10% return on equity with normative saleable Secondary Energy amounting to 155 MU at Jhakri
Tariff Year	Means each successive period of 12 months starting from the end of the Initial Tariff Year
Water flow	Means the water inflow measured in cubic metres per second (cumecs) at project barrage site less water released for aquatic life as per environmental requirement
Water Spillage	Means the water spilled downstream of the Barrage (without obtaining power generation benefits) on account of dispatch instructions / grid conditions, besides the minimum release required

Abbreviations

Abbreviation	Full Form
Allianz	Allianz Securities Limited
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
Beneficiary Account	The demat account of the successful allottee to whom the shares are allocated
BOO basis	Build, Own, Operate and Maintain basis
BOT basis	Build, Operate and Transfer basis
BSE	The Stock Exchange, Mumbai
CAGR	Compounded Annual Growth Rate
CAN	Confirmation of Allocation Note
CAT Plan	Catchment Area Treatment Plan
CDSL	Central Depository Services (India) Limited
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
COD	Commissioning Date or Commercial Operation Date i.e. June 8, 2003
CPI	Consumer Price Index
cumec/metre	Cubic meters per second
CWC	Central Water Commission
ECB	External Commercial Borrowings
EGM/ EOGM	Extraordinary General Meeting
ESOP	Employes Stock Option Scheme under SEBI (ESOP and ESPS) guidelines, 1999
ESPS	Employees Stock Purchase Scheme SEBI (ESOP and ESPS) guidelines, 1999
FCNR Account	Foreign Currency Non Resident Account
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder
FII	Foreign Institutional Investors (as defined under FEMA (Transfer or Offer of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India
FIPB	Foreign Investment Promotion Board
FY / Fiscal / Financial Year	Financial year ending March 31
GDR	Global Depository Receipt
GoHP	Government of Himachal Pradesh
GOI	Government of India
HPERC/Commission	Himachal Pradesh Electricity Regulatory Commission
HPSEB	Himachal Pradesh State Electricity Board
ICICI Bank / ICICI	ICICI Bank Limited
I-Sec	ICICI Securities Limited
JAL	Jaiprakash Associates Limited; Jaiprakash Industries Limited amalgamated with JCL pursuant to a Scheme of amalgamation sanctioned by the Allahabad High Court vide its Order dated March 10, 2004 and the resulting company was renamed as Jaiprakash Associates Limited.
JCL	former Jaypee Cement Limited, a company, with which JIL amalgamated pursuant to a Scheme a amalgamation sanctioned by the Allahabad High Court vide its Order dated March 10, 2004
JEL	Jaiprakash Enterprises Limited
JGL	Jaypee Greens Limited
JHL	Jaypee Hotels Limited
JKHCL	Jaypee Karcham Hydro Corporation Limited
JIL	Jaiprakash Industries Limited (JIL) a company which amalgamated with JCL pursuant to a Scheme of amalgamation sanctioned by the Allahabad High Court vide its Order dated March 10, 2004
JIMS	Jaypee Industrial & Medical Services Limited
JMMS	JM Morgan Stanley Private Limited

Abbreviation	Full Form
JILIT	JIL Information Technology Limited
JPVL	Jaiprakash Power Ventures Limited
JVL	Jaypee Ventures Limited
KV	Kilo Volt
kwh	Kilo Watt Hour
Km	Kilometre
LC	Letter of Credit
LIC	Life Insurance Corporation of India
MBD	Machinery break down
MOEF	Ministry of Environment and Forest, GOI
MOF	Ministry of Finance, GOI
MoP	Ministry of Power, GOI
MU	Million Units
NPV	Net Present Value
NRIs	Non Resident Indians
NRO	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
O&M	Operation and Maintenance
OPM	Operating Profit Margin
p.a.	per annum
P/E Ratio	Price/Earnings Ratio
PAT	Profit after Tax
PAN	Permanent Account Number
PPA	Power Purchase Agreement dated June 4, 1997 between JHPL and HPSEB
RBI	Reserve Bank of India
ROC/RoC	Registrar of Companies, Punjab, Himachal Pradesh and Chandigarh at Jalandhar
ROE	Return on Equity
RONW	Return on Net Worth
RPM	Revolutions per minute
Rs.	Indian Rupees
SEB	State Electricity Board
SEL	Shiras Estates Limited
SJVNL / SJVN	Satluj Jal Vidut Nigam Limited
sq. km.	Square kilometre
TRA	Trust and Retention Account
TRAA	Trust and Retention Account Agreement
TRS	Transaction Registration Slip
USD / US$	United States Dollar
UTI Bank	UTI Bank Limited
WPI	Wholesale Price Index

FORWARD-LOOKING STATEMENTS

We have included statements in this Red Herring Prospectus which contain words or phrases such as “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions, that are “forward-looking statements”.

Actual results may differ materially from those suggested by the forward-looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India which have an impact on our business activities or investments, the monetary and interest policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in the industry.

For further discussion of factors that could cause our actual results to differ, please refer to the section titled “Risk Factors” beginning on page ix of this Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Company nor JAL nor the members of the Offer Management Team, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company, the Selling Shareholder and the BRLMs will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

Use Of Market Data

Market data used throughout this Red Herring Prospectus was obtained from internal Company reports and industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable, but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe market data used in this Red Herring Prospectus is reliable, it has not been independently verified. Similarly, internal company reports, while believed by us to be reliable, have not been verified by any independent source.

RISK FACTORS

An investment in equity shares involves a high degree of risk. You should carefully consider all of the information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. If any of the following risks actually occur, our business, financial condition and results of operations could suffer, the trading price of our Equity Shares could decline, and you may lose all or part of your investment.

Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implication of any of the risks mentioned herein under:

Internal Risk Factors

1. **The finalisation of tariff payable to us by HPSEB is subject to approval of the financial package by CEA and subsequent approval of tariff by the Himachal Pradesh Electricity Regulatory Commission ("Commission"). The financial package so approved and tariff so finalised may adversely affect the Company's profitability and liquidity**

   The Government of India Guidelines dated January 12, 1995 prescribe a formula for determination of the tariff of a power plant. This formula, as contained under the PPA, stipulates reimbursement of various cost components in the form of tariff to the Company based on the capital cost of the project. This capital cost has to be first approved by the State Electricity Board, then by the relevant State Government followed by the CEA. Subsequently, the tariff is determined by State Electricity Regulatory Commission.

   The cost and means of financing of Rs.16,120 million for the Power Project was appraised by the Lenders (as defined on page ii) and the financial package of Rs. 16,201.50 million was submitted by the Company to HPSEB. The HPSEB and GoHP approved the capital cost of the Power Plant at Rs.15,500 million and submitted the same to the CEA for approval. The Company is still awaiting the approval of the CEA for the financial package. On completion, the final cost of the project stands at Rs.16,247.20 million due to marginal increases in the civil cost and cost of transmission line works. This project completion cost however excludes liabilities on account of payment to SJVNL for Interconnection Facilities and implementation of CAT Plan together amounting to approximately Rs. 426.16 million.

   The PPA signed with HPSEB for the sale of power generated by the Power Plant, is valid for a period of 40 years i.e. until June, 2043, and extendable for further period of 20 years. A Supplementary Agreement dated February 28, 2003 to the PPA was signed between JHPL and HPSEB to record the accepted completion cost of the Project at Rs 15,500 million and means for financing thereof and for payment mechanism. The HPERC, of its own accord, initiated proceedings in respect of this Supplementary Agreement, and observed that the said Supplementary Agreement resulted in substantial changes in main PPA and hence cannot be entered into without the approval of the Commission. In these proceedings, the Company contended that in terms of the PPA, the tariff payable to the Company has already been settled and agreed upon. However, the Commission took a view that the cost of the project is subject to 'check of prudency' and 'due diligence' on the part of the Commission. Further, the Commission observed that the capital cost of the Power Plant was yet to be approved by CEA and referred to the Commission. Accordingly, the tariff has not yet been determined. Thus, the Commission, vide its Order dated September 6, 2003, declared the Supplementary Agreement to be void and inoperative, and directed HPSEB and the Company to explore possibility of reducing interest cost through a suitable debt restructuring package within a timeframe of 9 to 12 months. In the mean time the Commission directed the HPSEB to pay to JHPL the sales proceeds realised from BASPA II Project. Thereafter, the Company was directed to file with the Commission the financial package within 15 days of its approval by CEA for orders of the Commission. Further, the Company was also directed to file with the Commission application for determination of tariff within 15 days after the approval of financial package and the modified supplementary agreement. In the meantime, pursuant to the said Order, the Commission is reviewing and monitoring the progress being made by the Company and the status of debt restructuring efforts. HPERC in its recent orders has expressed concern over the delay in the approval of the firm financial package by CEA and has directed to make efforts to expedite the same.

   Currently, pending the determination of the tariff, HPSEB continue to pay to the Company the revenue realised from sale of energy from the Power Plant as directed by the Commission. Pending this determination, the Company has received payment from HPSEB at the effective rate of Rs. 2.09 per unit calculated based on the actual payment received, as compared to entitlement of Rs. 2.95 per unit (net of rebate) for FY2004, as calculated by the Company in accordance with the provisions of the PPA on the basis of financial package of Rs 15,500 million. Further, for the six months period ended September 30, 2004, the Company has received payment from HPSEB at the effective rate of Rs. 2.25 per unit calculated based on the actual payment received.

In view of the above, the Company's profitability and liquidity may be impacted in the following manner:

- The Company may have to service an equity and debt of Rs. 4,910 million and Rs. 11,210 million respectively with a tariff computed considering lower equity and debt of Rs. 4,650 million and Rs 10,850 million respectively as approved by HPSEB and GoHP under the financial package of Rs. 15,500 million or any other amount of equity/ debt based on the project cost finally approved by CEA and tariff finalized by the Commission;
- In view of the uncertainty on tariff determination as on date, the interest and dividend paying ability of the Company may be adversely affected;
- HPERC tariff determination will be on a retrospective basis with effect from the date of commencement of commercial operations (COD). The revenues are accrued at tariff computed by the Company under the PPA on the basis of financial package of Rs 15,500 million and in the event of approval of lower financial package and finalisation of a lower tariff, the Company would be required to write off such difference in the year the tariff is finally determined thus adversely and additionally impacting the profitability for that year.
- Under the PPA, the interest cost on the approved financial package is reimbursable by HPSEB. As directed by the Commission, the Company has undertaken the debt restructuring exercise and obtained in-principle approvals from its Lenders to re-align the interest rates to approximately 10.50% p.a. However, HPERC has directed the Company to make efforts for further reduction in interest rate to 9% or less. In the event the Company is unable to further reduce its interest rate, it may adversely impact the final tariff as determined by the Commission.

For more details, please refer to the section titled "Our Business" on page 24 of this Red Herring Prospectus.

2. The revenues from HSPEB are lower than the tariff computed by the Company as per provisions of the PPA resulting in arrears being accumulated. In the event we are unable to realise such arrears, our profitability and/ or liquidity will be adversely impacted

There are differences between HPSEB and JHPL in interpretation of the provisions of the PPA, pending finalization of the tariff by HPERC as referred to in Risk Factor I above, such as depreciation (part of capacity charges) and rate of secondary energy, etc. As on March 31, 2004, the arrear accumulation due to these reasons was Rs. 593.69 million which has increased to Rs. 932.97 million as on September 30, 2004. The Company has made representations to HPSEB in this regard and is currently in discussions with them.

Out of the arrears mentioned above, Rs. 588.84 million, as on September 30, 2004, is on account of interpretation of provision under the PPA relating to reimbursement of depreciation. The factors contributing to other arrears may cumulate on an ongoing basis. JHPL cannot assure that similar arrears will not occur in the future. The extent and timing of the recovery of these arrears may be impacted by the pending HPERC directives. This may adversely affect profitability, liquidity and cash flow of the Company.

In addition, JHPL has been receiving payments from HPSEB based on their actual realizations from sale of power, which are even lower than the billing amount accepted by HPSEB. As on March 31, 2004, the arrears on this account aggregated to Rs. 404.27 million which has subsequently decreased to Rs. 337.08 million as on September 30, 2004.

3. The PPA is for a period of 40 years, that is up to year 2043, at which time GoHP has a unilateral right to either purchase the Power Plant or extend the term of the PPA for a further period of 20 years with a first right to purchase power on the same terms and conditions

Our PPA is for a period of 40 years, that is up to year 2043, and is binding on HPSEB and JHPL. The agreement would expire at the end of 40 years, if not extended by GoHP. The extension can be done for a period of 20 years on the same terms and conditions. During this extended period, HPSEB shall have the first right to purchase power from us on the same terms and conditions as per the PPA. On expiry of 40 years of the PPA, in case GoHP exercises the option to purchase the Power Plant or at the expiry of the extended term of 20 years, on transfer of the Power Plant to GoHP, JHPL will only receive value for the Power Plant as determined by a valuation process provided for in the PPA. Such purchase price may be lower than the then prevailing economic value of the Power Plant. Further, in such events, our current business and operations relating to this Power Plant shall cease to exist.

4. The PPA can be terminated by either side upon triggering of events of defaults as defined in the PPA

In terms of the PPA the occurrence of certain events of default by either party would result in the termination of the PPA, unless these events of default are remedied within the specified cure period. For further details of events of defaults, please refer to the section titled 'Our Business'-Salient features of the Power Purchase Agreement on page 35 of this Red Herring Prospectus .

If the PPA is terminated due to HPSEB event of default, then the Company may sell the power to any third party. If the Company is unable to sell the power to any third party, then the Company may require the HPSEB to buy the

Power Plant at the buy out price **("Termination Payment")** to be determined by a valuation process provided for under the PPA. The Termination Payment, in this scenario, shall cover the entire outstanding equity and total outstanding debt as per the approved project cost, tax and transfer cost.

However, if the PPA is terminated due to JHPL event of default, then the HPSEB shall have the option to buy the Power Plant. In this scenario, the Termination Payments shall cover the entire outstanding debt as per the approved project cost and 5% of NPV of expected cash flows accruing to the company (after debt serving) for the remainder part of PPA.

In both events, this Termination Payment may not be adequate to cover the then prevailing economic value of the Power Plant.

5. The entire revenue is derived from the supply of power to a single client

We rely on a single customer for all of our income. Under the PPA, we are required to sell the entire power available for sale generated by the Power Plant to HPSEB. Power available for sale is determined after netting off from the power generated, the power to be provided free of cost to the GoHP and power that is consumed in plant operations, transmission and transformation.

HPSEB has incurred financial losses for the period 1999 to 2004 (Source: Annual Report of HPSEB) and is currently making payments to us based on their actual realizations. Any material failure or inability, financial or otherwise, on the part of HPSEB to fulfill its obligations under the PPA would have a material adverse effect on the business and operations of the Company.

6. The Operations of the Power Plant may be adversely affected by any breakdown of key equipment, civil structure and/ or transmission system

The breakdown or failure of generation equipment or other key equipment or of a civil structure can disrupt generation of electricity by the Power Plant and result in the performance being below the expected levels. Further, any breakdown or failure of transmission system can disrupt transmission of electricity by the Power Plant to the point of evacuation at Jhakri. These events may result in our inability to generate further power as well as loss of revenues and increased cost towards maintenance.

7. If power generated by us is not evacuated by HPSEB, our profitability will be adversely impacted as the Company will not be able to claim incentives under the PPA

JHPL is required to deliver power generated at the interconnection point located at Jhakri. The evacuation of power beyond Jhakri is the responsibility of HPSEB. In the event of HPSEB not being able to evacuate power beyond interconnection point or HPSEB instructs us not to generate power partially or completely, HPSEB would be required to make payments to us under Deemed Generation limited to Design Energy as per the provisions of the PPA. In such scenario, we shall not be able to claim incentives under the PPA and our profitability may be adversely impacted.

8. Decline in Plant Availability may adversely affect our revenues

The Plant Availability is capability of the Company to make available the plant at a level for generation of energy continuously provided there is availability of adequate supply of water. The average Plant Availability in FY 2004 was 96.80% and 99.54% for the six-month period ended September 30, 2004. Any failure on the part of the Company resulting in low Plant Availability may adversely affect our revenues. For details on revenue computation, please refer to the section titled "Management Discussions and Analysis of Operations and Financial Conditions" on page 42 of this Red Herring Prospectus.

9. The Promoters and the Company are running and operating our first hydro power project

The Promoters and Company and we have limited experience in operating a hydro Power Plant and accordingly any inability to effectively manage and operate the power Plant could adversely affect our results of operations and financial conditions.

10. The Company may face competition on termination of the PPA

In the recent past a number of independent power plants have been set up across the country. In the event the PPA is terminated prematurely or otherwise, and HPSEB does not or is not required to purchase the Power Plant, there can be no assurance that the Company will be able to enter into similar arrangements and the Company will be exposed to competition. Failure of the Company to compete effectively in this scenario could have a material adverse effect on our business and operations.

11. The occurrence of force majeure events not covered by the PPA and our insurance policies may lead to temporary suspension of operations of the Power Plant resulting in loss of revenue

Under the terms of the PPA, on the occurrence of certain events that may be considered as force majeure events, HPSEB has agreed to make certain payments to us notwithstanding the inability of the Company to operate the

Power Plant. For further details, please refer to the section titled "Our Business – Selling Arrangements" on page 33 of this Red Herring Prospectus. Payment as determined by a valuation process provided for under the PPA, would also be required to be made for a termination of the PPA due to the occurrence of a force majeure event.

However, events which are not covered as a force majeure event either in the PPA or as insured risks, may lead to temporary suspension of operations of the Power Plant resulting in loss of revenue to the Company. In addition we cannot assure you that the amounts received under our insurance policies would be sufficient to cover the loss or damage suffered. Further, the payment in the event of termination of PPA may not be adequate to cover the then existing economic value of the Power Plant.

12. Non renewal of Central Government approval for the Baspa Project under section 10(23G) of the Income Tax Act, 1961 beyond FY2004 may affect our cash flows

Central Board of Direct Taxes (CBDT), Department of Revenue, Ministry of Finance, GOI, has granted JHPL's Baspa project approval under section 10 (23G) of the Income Tax Act, 1961 vide Notification no. 217/2003 dated September 12, 2003. This approval is valid upto March 31, 2004 only and the Company has made an application for its renewal to CBDT. In the event the Government decides not to renew this benefit under section 10 (23 G), there may be increase in cost of debt and it may have an adverse impact on our cash flows and profitability if not reimbursed by HPSEB in terms of the PPA, in a timely manner or at all. For further details, please refer to the section titled "Tax Benefits" on page 129 of this Red Herring Prospectus.

13. Withdrawal of 10 year Tax Holiday in block of first 15 years under section 80IA of the Income tax Act, 1961 may adversely affect our liquidity

The Company is entitled to the benefit of a 10-year tax holiday period during the block of first 15 years under section 80IA of the Income Tax Act, 1961. The Company is availing of this benefit in first 10 years of operations commencing from COD for the year ending March 31, 2004. In the event this tax holiday is withdrawn the Company shall be liable to pay income tax as applicable in those years, which may adversely affect Company's liquidity until the same is reimbursed by HPSEB.

14. There are number of outstanding litigation against us, some of our Directors, Promoters and our group companies

We, along with our Directors, Promoters and group companies are defendants in legal proceedings incidental to our business and operations. Specifically, there are several cases for compensation pending against us on various accounts including damage caused to property or claims for higher rate of compensation for land acquired under the Land Acquisition Act, 1894. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Should any new developments arise, such as a change in Indian laws or rulings against us, our promoters and group companies, by appellate courts or tribunals, we may need to make provisions in our financial statements, which could increase our expenses and our current liabilities. Furthermore, if significant claims are determined against us and we are required to pay all or a portion of the disputed amounts, it could have a material adverse affect on our business and profitability.

For more information regarding litigation involving our directors or us, our Promoter, and certain other listed companies promoted by our Promoter, please refer to the section titled "Outstanding Litigation and Material Development" on page 89 of this Red Herring Prospectus. Besides this, show cause notices issued by SEBI for alleged violation of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 had been duly replied. For further details, please refer to para B.3 on page 105 of this Red Herring Prospectus.

15. Contingent Liabilities as on September 30, 2004

We face contingent liabilities, as under:

a.	Outstanding amount of bank guarantee Margin money against above	Nil Nil
b.	Outstanding amount of letter of credit Margin money against above	Rs. 1.19 million Rs. 0.13 million
c.	Estimated amount of contract remaining to be executed on capital account	Rs. 22.15 million
d.	The claims against the company not acknowledged as debts in respect of cases filed for land compensation for land acquired for the project & damages caused to private property during the installation of transmission line.	Rs. 41.36 million

If any of these contingent liabilities materializes, our profitability could be adversely affected. For more details of our contingent liabilities, please refer to the section titled "Financial Statements" -Annexure IV on page 115 of this Red Herring Prospectus.

16. The Company may face claims from GoHP for any damage or loss incurred by GoHP on account of the Power Plant

We have provided an indemnity in favour of the GoHP. Under this indemnity, the Company shall be fully responsible for any damage or loss arising out of the construction, operation or maintenance of the Power Plant to any property or person and has also undertaken to indemnify the GoHP on such account. In the event of such loss or damage, the Company may face claims for loss or damage from GoHP.

17. Lease terms of part of the land on which the Power Plant and associated facilities are located have expired and are pending renewal

The lease term in respect of the lands, descriptions of which are given below, have expired as indicated below against each land. Until the renewal applications made by the Company to GoHP is granted, the Company is continuing to occupy these lands without a valid lease agreement in force between itself and GoHP.

The details of the lands for which the lease period has expired is indicated below

Location	Area in hectares	Lease Deed, Parties and Date	Lease period validity
Up Mohal Kilba, Tehsil Sangla, District Kinnaur, Himachal Pradesh bearing Khasra No. 1343/2 Kite 1	Area 0-82-91 hectares	Entered between GoHP and JHPL dated December 20, 2000	10 years effective from January 1, 1994 i.e. upto December 31, 2003
Mohal Dharwadang, Tehsil Sangla, District Kinnaur, Himachal Pradesh bearing Khasra No. 91/60/4 Kite 1	Area 0-42-98 hectares	Entered between GoHP and JHPL dated December 20, 2000	10 years effective from January 1, 1994 i.e. upto December 31, 2003
Up Mohal Kupa, Kuppa, Tehsil Sangla, District Kinnaur, Himachal Pradesh bearing Khasra No. 441/1, Kite 1	Area of 0-11-97 hectares	Entered between GoHP and JHPL dated May 27, 1998	10 years effective from January 1, 1994 i.e. upto December 31, 2003
Up Mohal Rag Sangthang, Tehsil Sangla, District Kinnaur, Himachal Pradesh bearing Khasra No.302/1, 319/1, 299/1, 299/2, 299/3, 299/4, 299/5 Kite-7	Area 1-19-46 hectares	Entered between GoHP and JHPL dated December 20, 2000	9 years effective from January 1, 1996 i.e. upto December 31, 2004

Note: Units in hectares are denoted in the metric system

In the first three cases above, prior to the respective lease deeds expiring, the Company, vide its letter dated December 26, 2003, has applied for renewal of the lease term by a further period of ten years. In the last case, the Company, vide its letter dated January 19, 2005, has applied for renewal of the lease term by a further period of ten years.

Non-renewal of these lease agreements or the increase in the lease rentals payable by us may affect our operations adversely.

18. Approval by the Pollution Control Board

The consent, vide letter No. EPPCB/JP-Baspa-II, HEP, Kinnaur/2003-/9539-44 dated January 9, 2004 issued by HP State Environment State Pollution Control Board, Shimla under the Water (Prevention and Control of Pollution) Act, 1974 and Air (Prevention and Control of Pollution) Act, 1981 to operate the Power Plant was valid up to March 31, 2004. The Company has, vide its letter dated March 13, 2004, applied for renewal of the consent. In the event, the consent is not renewed, the Company may have to face the civil and criminal penalties provided under the said Acts and may also have to suspend operations of the Power Plant.

19. JAL, our promoter, has interests in other companies that are engaged in businesses that are similar to ours and that may compete with us in the future

Our promoter, JAL, which will hold approximately 63.34% of our equity shares after the completion of the Offer, has a 100% subsidiary Jaiprakash Power Ventures Limited, through which it is setting up the 400 MW Vishnuprayag HE project (to be operational by 2006), and a 100% subsidiary Jaypee Karcham Hydro Corporation Limited, through

which it is setting up the 1000 MW Jaypee Karcham Wangtoo HE project (to be operational by 2010). As a result, in future, there may be conflicts of interest between these ventures of JAL in addressing business opportunities and strategies.

20. The business is subject to complex government regulations and changes in these regulations or in their implementation could adversely affect our results of operations

Our business is subject to complex regulations, both local as well as central government, supervised by multiple regulatory authorities and government bodies such as the CEA, HPSEB, HPERC, etc. To conduct our business, we must obtain licenses, permits and approvals for our plant. We cannot assure that we will be able to obtain and comply with all necessary licenses, permits and approvals for our plant. If we cannot comply with all applicable regulations, our business prospects and results of operations could be adversely affected.

21. The Company is entitled to a fixed return on equity under the PPA for tariff purposes

Under the PPA, return on equity is fixed at 16% p.a. for tariff purposes, in addition to incentives for plant availability with a cap of 2% p.a. and incentives for secondary energy with a cap of 10% p.a. return on equity. Accordingly, variation in our profitability accruing through the PPA would be limited on account of the above. Also, please refer to the section titled "Risk Factors – Internal Risk Factors – I" on page ix of this Red Herring Prospectus.

22. Inflation at a rate higher than provided for in the PPA, may affect our profitability

The PPA provides for reimbursement of increase in O&M costs at the rate of 6% p.a. for first 10 years from COD and thereafter the same is linked to WPI and CPI. Any increase in our O&M cost over and above the reimbursable amount may adversely impact our profitability.

23. The shareholding of our Promoters in JHPL is pledged to our Lenders

Originally, JAL had pledged 356 million shares with the Lenders, out of which 61 million shares have been de-pledged for the purpose of offering the same in this Offer. Consequently, 295 million shares (60.08% of the paid up share capital of the Company) of the Promoters held in the Company are pledged to the Lenders of the Company as a collateral security. In the event of default of payment to the Lenders by JHPL, the pledge could be invoked by the Lenders. The PPA stipulates that a minimum of 51% of our equity is to be held by JAL. If the shareholding of JAL falls below 51%, the PPA may be terminated. In such an event, our business operations could be adversely impacted.

Further, it is a term of the above mentioned pledge that in case the market value of the pledged shares after this Offer and listing of the shares falls below Rs. 3,560 million (to be reviewed every six months), to bridge the shortfall, either the Company will create a reserve within a period of three months or the promoter will furnish a letter of credit/ bank guarantees. In case the shortfall is not bridged by our Promoter, the cash flow of the Company may be impacted.

24. Any labour unrest at our Power Plant could adversely affect our operations and profitability

Our workers are presently not organized under any trade union. In the event of any labour unrest at the Power Plant, our operations and profitability could be adversely affected.

25. Lenders' rights under the loan agreements may adversely impact our business

The Lenders have certain rights under the loan agreements signed with the Company, which, inter alia, include (i) obtaining a non-disposal undertaking from the Promoters regarding maintaining their equity shareholding in the Company to the satisfaction of the Lenders; (ii) right to appoint one or more nominee/s on the Board of Directors of the Company during the currency of the loan and (iii) Certain lenders have a right to convert their outstanding/ default amounts of loans in Equity Shares of the Company.

The Lenders also have certain powers including (i) restricting the Company from undertaking any new projects or making any investment or taking any asset on lease without obtaining prior approval of the Lenders during the currency of the loan; (ii) restricting the Company from undertaking expansion / diversification / modernisation plans without obtaining prior approval of the Lenders and without proper tie-up of funds; as well as investment in associate / allied / group concerns without prior approval of the Lenders; and (iii) restricting the Company from paying dividend without written approval of the Lenders. In the event the Lenders refuse to grant the requisite approvals, such refusal may adversely impact the business of the Company.

26. The entire cash flows of the Company are retained in a Trust and Retention Account maintained with Lenders, the disbursements / withdrawals out of which require prior consent of the ICICI Bank Limited, the lead lender.

All our cash inflows are deposited in a separate account, being a trust and retention account (TRA), maintained

with ICICI Bank, the lead Lender. Such account is required to be maintained during the entire tenure of the long term loans. The funds so available in TRA are utilized in accordance with the provisions of TRAA, which lays down priority for operation and maintenance (O&M) of the power plant, followed by 'debt service' in accordance with an 'Operations budget' submitted by the Company duly approved by Lenders Engineers and the lead Lender. Subsequent to the utilization of funds for such budgeted expenses, the TRAA envisages creation of reserves equivalent to the projected expenditure during specified period on various heads. For details, please refer to the section titled "Management Discussions and Analysis of Operations and Financial Conditions" on page 42 of this Red Herring Prospectus.

In view of the restrictions on the cash flow management, all disbursements / withdrawals from the TRAA would require prior consent of the Lenders.

27. The business of the Company is seasonal and a steady revenue through the year cannot be assured

Our Power Plant is dependent on the water flow of river Baspa. The water flow increases during the months of May to September each year due to snow melting and monsoons. As a result, approximately 70% of our generation was during this period in FY2004. This trend is likely to continue in the future. Our business being seasonal in nature, the profitability and revenues will vary quarter to quarter for each financial year.

External Risk Factors

1. The business of the Company is dependant upon the discharge of water from River Baspa

The capacity of the Power Plant has been designed based on the hydrological data (water discharge from River Baspa) for the period from 1977-78 to 1992-93. Baspa being a snow fed river, water availability depends entirely on the melting of the snow on the higher altitudes and rainfall in the catchment area. Inadequate availability of water may result in reduced generation of our Power Plant, which may affect the operations of the Power Plant.

2. Risk arising due to geological uncertainties

Extensive geological investigation had been carried out by the State Government before taking up civil works for the Project. While past studies have not indicated any adverse geological features such as major faults, thrusts or highly stressed rock mass and the project has been completed and commissioned, occurrences of such adverse geological conditions in future cannot be ruled out.

3. Natural disasters could disrupt our operations and result in loss of revenues and increased costs.

Our Power Plant requires a constant supply of water from the River Baspa to continue to operate and is vulnerable to man-made and natural disasters such as, explosions, earthquakes, storms and floods as well as to terrorist attacks or other enemy actions. The occurrence of a man-made or natural disaster, terrorist attack, enemy action or other accidents could disrupt the operations of our Power Plant and result in loss of revenues and increased costs. During the construction phase of the Project in July 2000, there was an unprecedented flash flood on the night of July 31, 2000 causing widespread damage to the approach road and bridges to the Power Project facilities thereby adversely affecting the implementation schedule of the Power Project. There can be no assurance that the insurance coverage we maintain for these risks will be adequate to compensate us for all damages and economic losses, which we may suffer as a result of any such events.

4. Changes in government regulations or directives may adversely affect the Company

There are several changes taking place in the power sector that may affect our business. The Electricity Act of 2003 provides for complete deregulation of the power sector and envisions a comprehensive change in the current regulatory structure. We cannot envisage the future industry scenario in light of these changes and it could have a material effect on our business prospects and results of operations.

Any other change or introduction of new legislation /regulation and any review of tariff and provisions of PPA, including taxation policy, relating to power generation in the country may have an impact on the operations and financial performance of the Company.

5. The price of equity shares may be highly volatile, or an active trading market for our Equity Shares may not develop.

The prices of our Equity Shares on the Indian Stock Exchanges may fluctuate after this Offer as a result of several factors including

a) Volatility in Indian and global securities market;

b) Our results of operations and performance;

c) Performance of companies in the power sector;

d) Adverse media reports on company or the Indian power sector;

e) Changes in the estimates of our performance or recommendations by financial analysts;

f) Significant development in India's economic liberalization and de-regulation policies; and

g) Significant development in India's fiscal and environmental regulations.

There has been no public market for our Equity Shares and the price of our Equity Shares may fluctuate after this Offer. There can be no assurance that an active trading market for our Equity shares will develop or be sustained after this Offer, or that the prices at which our Equity Shares are initially traded will correspond to the prices at which our Equity Shares will trade in the market subsequent to this Offer.

6. The initial public offering price of our Equity Shares may not be indicative of the market price of our Equity Shares after the Offer

- The initial public offering price of our Equity Shares will be determined by JAL, the Company in consultation with the BRLMs and the Lead Manager. This price will be based on numerous factors (discussed in the section titled "Basis for the Offer Price" on page 152of this Red Herring Prospectus) and may not be indicative of the market price for our Equity Shares after the initial public offering. The market price of our Equity Shares could be subject to significant fluctuations after the offering, and may decline below the initial public offering price. There can be no assurance that the investor will be able to resell their shares at or above the Offer Price. Among the factors that could affect our share price are:
- quarterly variations in the rate of growth of our financial indicators, such as earnings per share, net income and revenues;
- changes in revenue or earnings estimates or publication of research reports by analysts; speculation in the press or investment community;
- general market conditions; and
- domestic and international economic, legal and regulatory factors unrelated to our performance.

7. Future sale of shares by our Promoter, JAL could cause the price of our shares to decline.

If JAL sells a substantial number of our shares, the market price of our shares could fall. Sales or distributions of substantial amounts of our shares by existing holders, or the perception that such sales or distributions could occur, could adversely affect prevailing market prices for our shares.

8. Our performance is linked to the stability of policies and the political situation in India

The role of the Indian central and state governments in the Indian economy on producers, consumers and regulators has remained significant over the years. Since 1991, the Government of India has pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. The present Government of India, which was formed in May 2004, consists of a coalition of political parties. The withdrawal of one or more of these parties from a coalition government can result in political instability. Any political instability could delay the reform of the Indian economy and could have a material adverse effect on the market for our shares. There can be no assurance to the investors that these liberalization policies will continue under the newly elected government. Protests against privatisation could slowdown the pace of liberalization and deregulation. The rate of economic liberalization could change, and specific laws and policies affecting companies in the power sector, foreign investment, currency exchange rates and other matters affecting investment in our securities could change as well. A significant change in India's economic liberalization and deregulation policies could disrupt business and economic conditions in India and thereby affect our business.

9. Changes in technology may impact our business by making our Power Plant less competitive.

Changes in technology may make other generation plants more competitive or may result in us having to make additional capital expenditure. In addition, other technologies that can produce electricity, such as microturbines, fuel cells, windmills and photovoltaic (solar) cells are being developed. Although the average cost for generation of power through conventional sources is currently lower than that produced by alternative sources, it is possible that advances in technology will reduce the cost of alternate methods of electricity production to a level that is equal to or below that of most central station electricity production. If this were to happen, the value of our Power Plant may be significantly impaired.

Notes to Risk Factors

- Offer for Sale is of 180,000,000 Equity Shares of Rs.10 each at the Offer Price of Rs. [•] for cash aggregating Rs. [•] million
- Investors may note that in case of over subscription in the Issue, allocation shall be on proportionate basis to Retail Bidders and Non-Institutional Bidders. Please refer to the paragraph "Basis of Allocation" on page 154 of this Red Herring Prospectus
- Investors are advised to refer to the section titled "Basis for the Offer Price" on page 152 of this Red Herring Prospectus
- The investors may contact the BRLMs and the Lead Manager for any clarifications or information pertaining to the Offer
- The Offer is being made through a 100% Book Building Process wherein upto 50% of the Net Offer will be allocated on a discretionary basis to Qualified Institutional Buyers ("QIBs"). Further, at least 25% of the Net Offer will be made available for allocation on a proportionate basis to Non-Institutional Bidders and at least 25% of the Net Offer will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Offer Price
- The average cost of acquisition of equity shares by our Promoters JAL is Rs. 12.08 per equity share and the book value per equity share as of September 30, 2004 was Rs. 11.73 per share. The Net worth of our Company, as on September 30, 2004 was Rs. 5,759.62 million
- JAL, our promoter, has provided financial guarantees to the Lenders of JHPL. As on September 30, 2004 outstanding guarantees aggregated Rs. 9,159.41 million (Please refer to section titled 'Financial Statements' on page 115 of this Red Herring Prospectus).
- In the last one year, we have issued 26 million Equity Shares of face value of Rs. 10 each for cash at par. The above shares were allotted to our promoters, JAL on March 1, 2004 against the subscription money received in April - May 2003 to meet the part of the cost of the Project. The Company had received Rs. 260 million as last tranche of the Promoters' equity contribution raising the total contribution of Promoters' equity to Rs. 3,560 million prior to commercial operation of the project i.e. May 2003. The share of the Promoters' equity of Rs. 3,560 million was part of total cost of the project as appraised by ICICI Bank Limited and other Financial Institutions / Banks
- JAL has purchased 135 million shares of the Company from ICICI Bank Limited in two tranches pursuant to the Shareholders and Buyback Agreement between the parties. The purchase of first tranche of 25,000,000 shares of face value of Rs. 10 each was done at a price of Rs. 17.00 per share on June 30, 2004. The purchase of second tranche of 110,000,000 shares of face value of Rs. 10 each was done at a price of Rs. 17.75 per share on December 31, 2004. For more details, please refer to the section titled "Capital Structure of the Company" on page 14 of this Red Herring Prospectus
- For related party transactions, please refer to the section titled "Related Party Transactions" on page 78 of this Red Herring Prospectus

SUMMARY

You should read the following summary with the Risk Factors included from page ix to xvii and more detailed information about us and our Financial Statements included elsewhere in this Red Herring Prospectus.

We are part of the Jaypee group which is a well diversified infrastructural industrial group engaged in construction of river valley hydro power project, cement manufacturing and marketing, hydro power generation and hospitality business with a turnover of over Rs. 30,000 million. Our Promoter, JAL, is the flagship company of the Jaypee group, and has over four decades of experience in execution of river valley/hydro power projects including undertaking EPC and turnkey contracts.

We operate a private sector run-of-the-river hydro-electric Power Plant on BOO basis, with a capacity of 300 MW designed to produce electrical energy estimated at 1,213.18 MU annually. Our Power Plant is the largest hydroelectric plant commissioned in the private sector in India. We, along with the Jaypee group, have engineered and executed the Power Project from concept to commissioning, except for electro-mechanical and hydro-mechanical equipment, which were outsourced.

The Power Plant consisting of three units of 100 MW each has been set up at a cost of Rs. 16,247.20 million and commenced full commercial operation with effect from June 8, 2003. This project completion cost however excludes liabilities on account of payment to SJVNL for Interconnection Facilities and implementation of CAT Plan together amounting to Rs. 426.16 million.

With the opening up of power generation sector to private sector participation in 1991, JAL took up 'Baspa II run-of-the- river hydro-power project' (the "Power Plant") on Build, Own, Operate basis, at Kinnaur District in Himachal Pradesh ("HP"). JAL signed a Memorandum of Understanding (MoU) with GoHP for the implementation of the Power Plant in November 1991 and submitted a Detailed Project Report in May 1992. Subsequently, GoHP and JAL signed the Implementation Agreement for the Power Plant in October 1992.

Pursuant to the terms of the MOU, JAL promoted us in December 1994, for implementing the Power Plant. Our registered office is in New Shimla, in the state of Himachal Pradesh. A Tripartite Agreement was executed, between GoHP, JAL and us in October 1995. Under this agreement, all assets, liabilities, privileges, rights, benefits and obligations arising out of the MoU and the Implementation Agreement were transferred from JAL to us. The Power Purchase Agreement (PPA) was executed between HPSEB and us in June 1997. The PPA is for an initial period of 40 years from the COD.

Profile of the Power Plant

Our Power Plant is an environment friendly run-of-the-river power generation plant. The plant site is located on the river Baspa, a tributary of river Satluj in Kinnaur District, about 210 km from Shimla, the capital of Himachal Pradesh. . Our Power Plant has a barrage at an elevation of 2,520.50 metres above sea level, one of the highest altitudes for such structures in India. The diversion barrage is located on river Baspa at village Kuppa near Sangla and the power house is located at village Karcham about 800 metres upstream of the confluence of rivers Satluj and Baspa, on National Highway 22. The nearest broad gauge railway station to the project site is Kalka under Northern Railway and the nearest airport to the project site is Shimla.

The Power Plant was commissioned on June 8, 2003 and has generated an aggregate saleable energy of 990.76 MU up to March 31, 2004 with Plant Availability of 96.80% as against the Design Energy of 940.41 MU. During the six months period ended September 30, 2004 the Power Plant has generated an aggregate saleable energy of 853.79 MU with Plant Availability of 99.54% as against Design Energy of 780.73 MU.

Key Business Strengths And Achievements

PPA between HPSEB and JHPL

- Long Term Contract
  Our PPA is valid for a period of 40 years with the HPSEB retaining the right to extend the term of the PPA by a further period of 20 years on the same terms and conditions. We believe that the long-term nature of our PPA provides stability in our operations, irrespective of the changing market scenario, during the currency of the PPA.
- Assured Off-take
  The PPA further provides that HPSEB shall purchase the entire power generated by the Power Plant and available for sale. HPSEB is, therefore, required to purchase 88% of the power delivered at the Interconnection Point and the balance 12% is delivered free of cost to HPSEB. Accordingly, during the currency of the PPA, JHPL is insulated from market uncertainties and is not required to market the power generated.
- Our fixed and variable costs are reimbursable by HPSEB as part of tariff
  The PPA provides for reimbursement of our fixed costs and variable costs. Depreciation including advance against depreciation is admissible to facilitate repayment of debt installments. Interest on term loans as per AFP as well as interest on working capital loans, variable costs of Operations and Maintenance is part of tariff payment. Income tax and foreign exchange fluctuations are reimbursable. The PPA further provides for reimbursement of escalation in costs of Operations and Maintenance at 6 % for the first ten years and thereafter subject to certain limits. For more details, please refer to section titled "Management Discussions and Analysis of Operations and Financial Conditions" on page 42 of this Red Herring Prospectus.

- Depreciation admissible from HPSEB as part of tariff
  Depreciation of up to 90% of AFP is admissible from HPSEB as part of tariff upto 21 years under the PPA. After the debt is fully repaid, the depreciation amount would be available for cash flow of the Company.
- Assured Return on Equity
  Our PPA also provides for a fixed return of 16% p.a. on the equity capital as approved in the AFP. The return on equity is calculated on a proportionate basis for the actual number of days for which such return on equity is to be determined. In addition, the Company is entitled to receive incentives for higher Plant Availability and generation of Secondary Energy up to specified limits. We believe that we benefit from financial stability due to such fixed returns on equity.
- Payment Guarantee
  The PPA provides that HPSEB's realizations from sale of power in allocated circles shall be deposited in a designated escrow account. Pursuant to the PPA, we have entered into an escrow agreement with HPSEB and the escrow agent monitors this account. Further, there is an irrevocable revolving Letter of Credit ("LC") established by HPSEB in favour of JHPL. through which the payments are to be made to us. Under this arrangement, HPSEB is required to ensure that the LC is restored, after we receive payments, as per the terms of the PPA. In the event of any shortfall in payment through the LC, or in the event HPSEB fails to restore the LC, we can direct the Escrow Agent not to honour HPSEB's other withdrawals until the shortfall has been made good, or until the LC is restored, as the case may be.
- Deemed generation benefit
  The PPA provides the Company insulation from risks associated with non availability of sufficient water for the first seven years from COD, that is, up to the year 2010. In the event that water availability is lower than that envisaged under the PPA in any year, Design Energy is deemed to have been generated by the Company, and HPSEB is obligated to make payments to us on this basis. Also, in case HPSEB fails to evacuate the power from the Interconnection Point for any reason or instructs us not to generate power partially or completely, such deemed generation benefit shall be made available to us under the PPA.

For further details of PPA, please refer to the sections titled "Our Business-Sallient Feature of Power Purchase Agreement" on page 33 and "Management Discussions and Analysis of Operations and Financial Conditions" on page 42 of this Red Herring Prospectus.

No vagaries with respect to raw material costs

Since we operate a hydro-electric power plant which converts the energy of river flow into electrical energy, there are no specific raw material costs involved. Accordingly, we are insulated from changes in raw material prices.

Promoter Lineage

Our Promoter, JAL, has over four decades of experience in undertaking EPC and turnkey contracts in the field of hydropower, as a leading construction company or as leader of consortia / joint ventures, involving generation of over 8,000 MW of power across the country. It is also in the process of executing several contracts for projects involving further generation of over 8,000 MW of power in the country and abroad, including the 400 MW Vishnuprayag and the 1,000 MW Karcham Wangtoo hydroelectric projects on BOO basis through its wholly owned subsidiaries. With the commissioning of these hydro-electric projects, it is expected that by the year 2010, the Jaypee group will have a total capacity of 1,700 MW under its fold on BOO basis. JAL has also been awarded the highest grading of CR1 (pronounced as C R one) by ICRA, indicating very strong contract execution capacity. This grading indicates the relative contract execution capacity with resepect to Hydropower (EPC) contracts with average values of upto Rs. 20,000 million with permissible variation of +/- 10% in each case. For further details, please refer to section titled "Our Promoters and Group Companies" on page 64 of this Red Herring Prospectus.

Protection from Competition

As mentioned above, HPSEB is required to purchase 88% of the power delivered at the Interconnection Point from the Company under the PPA at the approved tariff. Accordingly, during the currency of the PPA, our revenues shall not be affected due to competition.

Experienced Management

We have recruited managerial and technical personnel with experience in the operation and management of hydro-electric power plants. For details of our key managerial personnel, please refer to paragraphs "Key Managerial Personnel" on page 61 of this Red Herring Prospectus.

Environment friendly plant

The Power Plant is a run-of-the-river, environment friendly project harnessing the renewable natural resources. Operations of the Power Plant do not involve release of harmful emission or pollutants.

Successfully commissioned the largest private hydro-electric power project in the country

We, along with the Jaypee group, have engineered and executed the Power Project from concept to commissioning, except for electro-mechanical and hydro-mechanical equipment, which were outsourced. The implementation of the Power Plant

used construction technology such as full periphery continuous lining of head race tunnel. Moreover, our barrage is constructed at an elevation of 2,520.50 metres and is one of the highest in the country. The 56.70 km, double circuit 400 KV transmission line laid for the project passes through an elevation ranging from 1,500 metres to 2,800 metres in difficult terrain and crosses the valley thirteen times and river Satluj twice.

Restructuring of high cost debt

Immediately after commissioning of the plant in June 2003, we initiated a debt restructuring programme in July 2003 and have received in-principle approvals from all the lenders to realign the interest rates on Rupee term loans from the prevailing weighted average rate of 16.65% p.a. in FY2004 to approximately 10.50% p.a. and have also obtained refixation of the repayment of loans in 44 installments commencing from July 15, 2005. Our lenders have already approved the restructuring package. Such reduction in interest rates shall have a positive impact on our cash flows and liquidity. For more details, please refer to section titled "Management Discussions and Analysis of Operations and Financial Conditions – Indebtedness" on page 50 of this Red Herring Prospectus. Debentures issued by the Company on private placement basis to UTI Bank Limited have been rated 'A-' by Fitch Ratings India Private Limited.

For a detailed discussion of our business strategy, please refer to the section titled "Our Business" on page 24 of this Red Herring Prospectus.

SUMMARY OF OPERATING AND FINANCIAL DATA

The following summary operating and financial data have been prepared in accordance with Indian GAAP, in conjunction with our audited financial statements (as restated) for each of financial year 2002, 2003 and 2004 and six months ended September 30, 2004 including the notes thereto and the reports thereon, which appear in section titled "Management Discussion And Analysis of Financial Conditions, our Results of Operations" on page 46 of this Red Herring Prospectus.

Our financial year ends on March 31 of each year. We commenced our commercial operations on May 24, 2003, and thus our operating and financial performance for FY 2004 pertains to the period May 24, 2003 to March 31, 2004. For the FY 2005, our operating and financial performance is for the six-month period between April 1, 2004 and September 30, 2004. We have no operating and financial figures for the financial years ended March 31, 2003 and March 31, 2002.

Statement of Profit and Loss Account - As Restated (Rs. in million)

Particulars	Six months ended September 30, 2004	For the year ended March 31, 2004	2003	2002
Design Saleable Energy (MU) as per PPA	**780.73**	**940.41**	**-**	**-**
Actual Saleable Generation of Energy (MU) delivered at ICF	**853.79**	**990.76**	-	-
Plant Availability	**99.54%**	**96.80%**	-	-
Revenue				
Sale of Energy	1,976.56	2,953.09	**-**	**-**
Other Income	6.77	13.07	-	-
Total	**1,983.33**	**2,966.16**	-	-
Expenses				
Operations	26.10	97.04	-	-
Employees Remuneration & Benefits	16.59	12.97	-	-
General, administrative & other expenses	51.64	105.74	-	-
Interest and financial Charges	712.26	1,312.39	-	-
Depreciation	420.64	712.63	-	-
Miscellaneous expenditure written off	61.44	96.46	**-**	**-**
Total	**1,288.67**	**2,337.23**	**-**	**-**
Profit Before Tax	**694.66**	**628.93**	**-**	**-**
Provision of Tax-Current Year	54.47	49.83	-	-
Profit After Tax	**640.19**	579.10	-	-
Adjustment on account of short provision for tax for earlier years	0.37	0.00	-	-
Profit after Tax after extra-ordinary items, available for appropriations	**639.82**	**579.10**	-	-
Add: Profit brought forward from Previous year	429.10	0.00	-	-
Profit available for Appropriation	**1,068.92**	**579.10**	-	-
Provision for Debenture redemption Reserve	330.00	150.00	-	-
Balance transferred to Balance Sheet	**738.92**	**429.10**	-	-

Statement of Assets & Liabilities - As Restated (Rs. in million)

As at APPLICATION OF FUNDS	September 30, 2004	March 31, 2004	March 31, 2003	March 31, 2002
Net Fixed Assets	15,365.14	15,680.99	66.89	44.96
Capital Work in Progress	0.80	0.61	10,106.00	8,932.35
Add: Expenditure during Construction Period	-	-	5,232.60	3,630.87
Total	**15,365.94**	**15,681.60**	**15,405.49**	**12,608.18**
Investments	-	-	-	**-**
Net Current Assets	**1,293.09**	**289.31**	**(323.85)**	**(214.05)**
Total	**16,659.03**	**15,970.91**	**15,081.64**	**12,394.13**
SOURCES OF FUNDS				
Secured Loans	10,899.41	10,674.72	10,771.01	9,083.50
Share Capital	4,910.00	4,910.00	4,600.00	3,575.00
Share Application Money	-	-	-	25.00
Reserves	1,218.92	579.10		
Less Misc. Expenditure	369.30	192.91	289.37	289.37
Total	**16,659.03**	**15,970.91**	**15,081.64**	**12,394.13**
Net worth	**5,759.62**	**5,296.19**	**4,310.63**	**3,310.63**

Cash Flow Statement (Rs. in million)

Particulars	Six months ended September 30, 2004	For the year ended March 31, 2004	2003	2002
Net Cash Flow from operating activities	348.31	837.35	135.95	387.87
Net Cash Flow from investing activities	4.36	(975.91)	(2,797.31)	(3,532.42)
Net Cash Flow from financing activities	(115.89)	213.71	2,687.52	3,125.02
Net Increase/(Decrease) in Cash and Cash Equivalents	**236.78**	**75.15**	**26.15**	**(19.53)**

Figures in brackets represent cash outflow

THE OFFER

Equity Shares Offered

Offer for Sale by Selling Shareholder

Jaiprakash Associates Limited	180,000,000 Equity Shares
Total	**180,000,000 Equity Shares**
of which:	
Reserved for Allocation to Permanent Employees and Directors of the Company and JAL	18,000,000 Equity Shares
Shareholders of the Group Companies*	18,000,000 Equity Shares
Therefore,	
Net Offer to Public	144,000,000 Equity Shares
of which:	
Qualified Institutional Buyers portion (allocation on discretionary basis)	upto 72,000,000 Equity Shares
Non-Institutional portion (allocation on proportionate basis)	minimum of 36,000,000 Equity Shares
Retail Individual Bidders portion (allocation on proportionate basis)	minimum of 36,000,000 Equity Shares

At the discretion of the Selling Shareholder, the Company, BRLMs and the Lead Manager :

(a) Unsubscribed portion in any reserved category may be added to any other reserved category.

(b) The unsubscribed portion, if any, after such inter se adjustments amongst the reserved categories shall be added back to the Net Offer to Public.

(c) In case of under-subscription in the Net Offer to Public portion spillover to the extent of undersubscription shall be permitted from the reserved catgegory to the Net Offer to Public.

Equity shares outstanding prior to the Offer	491,000,600 Equity Shares of Rs. 10 each
Equity shares outstanding after the Offer	491,000,600 Equity Shares of Rs. 10 each
Use of proceeds	This being an Offer for Sale, our Company will not receive any proceeds from this Offer. Please refer to the section titled "Objects of the Offer" on page 18 of this Red Herring Prospectus.

* The shareholders of JAL as on March 11, 2005 and Jaypee Hotels Limited as on March 11, 2005 have been identified by our Company as being eligible to participate in the reservation for Shareholders of Group Companies on competitive basis.

GENERAL INFORMATION

Authority for the Offer

The Selling Shareholder has decided to make the Offer to the public for sale of Equity Shares. Accordingly, this Offer is approved by JAL vide its Board Resolution dated January 22, 2005. The Company has consented to the Offer through the Board Resolution dated January 23, 2005.

Prohibition by SEBI

Our Company, our Directors, our Promoter, other companies/entities promoted by our Promoters, and companies/entities with which our Directors are associated as directors and the Selling Shareholder, have not been prohibited from accessing the capital markets under any order or direction passed by SEBI. None of our Directors or the persons in control of our Promoter companies have been prohibited from accessing the capital markets or restrained from buying/selling/dealing in securities under any order or direction passed by SEBI.

Eligibility For The Offer

The Company is exempt from the eligibility norms vide Regulation 2.4.1 (iii), 2.4.1 (iii) (a) and 2.4.1 (iii) (b) of SEBI (DIP) Guidelines, since it is an infrastructure company engaged in the generation of Hydro-electric power and its project has been appraised by a Public Financial Institution and more than 5% of the Project Cost has been financed by the financial institutions which appraised the aforesaid Project Cost.

The Company's Power Project, which was originally appraised by IFCI Limited, a public financial institution, was, thereafter, appraised by ICICI Limited (now known as ICICI Bank Limited).

The completion cost of the Power Project was Rs. 16,247.20 million (excluding liabilities on account of payment to SJVNL for Interconnection Facilities and implementation of Catchment Area Treatment Plan together amounting to Rs. 426.16 million) which, inter-alia, was financed by the consortium of Lenders led by ICICI Bank Limited, comprising of Power Finance Corporation Limited, IFCI Limited, Life Insurance Corporation of India, Industrial Development Bank of India Limited, Industrial Investment Bank of India Limited, Punjab National Bank, Bank of Baroda, Indian Overseas Bank, State Bank of Indore, State Bank of Patiala, State Bank of Travancore, State Bank of Mysore, State Bank of Hyderabad and Central Bank of India. Further, the Company has prepaid the entire loan amount advanced by IFCI Limited on August 12, 2004 out of refinance assistance of Rs. 1,740 million from UTI Bank Limited, which has now become a part of the consortium of Lenders. Details of financing is as under:-

	(Rs. in million)
Total Equity	4,910.00
Debt	
Rupee Loans	8,854.10
Foreign Currency Loan*	2,034.40
Total Debt	10,888.50
Internal Accrual	448.70
Grand Total	**16,247.20**

*Total Foreign Currency Loan (in equivalent Rupees based on a USD to Rupee conversion rate of Rs. 47.09 as on COD)

Disclaimer Clause

AS REQUIRED, A COPY OF THE RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY THE SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE OFFER IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS VIZ., UTI BANK LIMITED, JM MORGAN STANLEY PRIVATE LIMITED, AND ICICI SECURITES LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED OFFER. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS AND THE LEAD MANAGER ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS VIZ., UTI BANK LIMITED, JM MORGAN STANLEY PRIVATE LIMITED AND ICICI SECURITIES LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED FEBRUARY 7, 2005 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

"1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE RED HERRING PROSPECTUS PERTAINING TO THE SAID OFFER.

2. ON THE BASIS OF SUCH EXAMINATION AND DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE OFFER, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.

WE CONFIRM THAT:

(A) THE RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE OFFER;

(B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID OFFER AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

(C) THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED OFFER.

3 WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.

4 WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.

5. WE CERTIFY THAT WRITTEN CONSENT FROM JAL HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN PERIOD AND THE SECURITIES PROPOSED TO FORM PART OF PROMOTERS CONTRIBUTION SUBJECT TO LOCK-IN WILL NOT BE DISPOSED/SOLD/ TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE RED HERRING PROSPECTUS WITH SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE RED HERRING PROSPECTUS."

ALL LEGAL REQUIREMENTS PERTAINING TO THE OFFER HAVE BEEN COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE ROC IN TERMS OF SECTION 60B OF THE ACT. ALL LEGAL REQUIREMENTS PERTAINING TO THE OFFER WOULD BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE FINAL PROSPECTUS WITH THE ROC IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT."

THE FILING OF THE RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY AND JAL FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED OFFER. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGERS, AND LEAD MANAGER, ANY IRREGULARITIES OR LAPSES IN THE RED HERRING PROSPECTUS.

Caution

The Company and JAL accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information would be doing so at his or her own risk.

The BRLMs, and the Lead Manager accept no responsibility, save to the limited extent as provided in the Underwriting Agreement to be entered into among the Selling Shareholder, the Underwriters and the Company and the Memorandum of Understanding among the Selling Shareholder, BRLMs, Lead Manager and the Company dated February 4, 2005.

All information shall be made available by us, the BRLMs, Lead Manager and JAL to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centres, etc.

Disclaimer In Respect Of Jurisdiction

This Offer is being made to Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other Trust law and who are authorised under their constitution to hold and invest in shares and to NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI. For further details, kindly refer to the section titled "Offer Procedure-Who can bid" on page 138 of this Red Herring Prospectus.

This Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform himself or herself about and to observe any such

restrictions. Any dispute arising out of this Offer will be subject to the jurisdiction of appropriate court(s) in New Delhi only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Red Herring Prospectus has been filed with SEBI for observations and SEBI has given its observations and this Red Herring Prospectus has been filed with the RoC as per the provisions of the Companies Act. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Disclaimer Clause Of The National Stock Exchange of India Limited

As required, a copy of this Prospectus has been submitted to the National Stock Exchange of India Limited (hereinafter referred to as **NSE**). NSE has given vide its letter NSE/LIST/1087-M dated February 23, 2005 permission to the Issuer to use the Exchange's name in this Red Herring Prospectus as one of the stock exchanges on which this Issuer's securities are proposed to be listed subject to the issuer fulfilling the various criteria for listing including the one related to paid up capital and market capitalisation. The Exchange has scrutinized this Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that this Issuer's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Disclaimer Clause of The Stock Exchange, Mumbai

The Stock Exchange, Mumbai ("**BSE**") has vide its letter No. List/smg/sm/vb/2005 dated February 24, 2005, given permission to this Company to use the Exchange's name in this Offer Document as one of the stock exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinised this Offer Document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:-

i) warrant, certify or endorse the correctness or completeness of any of the contents of this Offer Document ; or
ii) warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
iii) take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this Offer Document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Filing

A copy of this Red Herring Prospectus along with the documents required to be filed under section 60 B of the Companies Act, 1956 will be delivered for registration to the ROC, Punjab, Himachal Pradesh and Chandigarh at Jalandhar. A copy of this Red Herring Prospectus required to be filed under section 60 of the Companies Act would be delivered for Registration with the ROC, having attached thereto the Material Contracts and Documents for Inspection referred in section titled " Material Contracts and Documents for Inspection" on page 180 of this Red Herring Prospectus. A copy of this Red Herring Prospectus has been filed with SEBI at Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai - 400 021.

Listing

Applications have been made to NSE and BSE for permission to deal in and for an official quotation of the Equity Shares of the Company. If the permission to deal in and for an official quotation of the Equity Shares is not granted by either of the Stock Exchanges mentioned above, the Selling Shareholder shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within eight days after the Selling Shareholder becomes liable to repay it (i.e. from the date of refusal or within 70 days from the date of Offer Closing Date, whichever is earlier), then the Selling Shareholder shall, on and from expiry of eight days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act. Provided however, that where such refusal results from the fraud or willful default or negligence of the Company, the Company and Selling Shareholder shall be liable to pay the interest on the application money as per Section 73 of the Companies Act.

The Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within seven working days of finalisation and adoption of the basis of allocation for the Offer. JAL shall ensure that all steps for transfer of shares are taken within seven working days of finalisation and adoption of the basis of allocation for the Offer.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or
(b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name".

shall be punishable with imprisonment for a term which may extend to five years."

Minimum Subscription

This being an Offer for Sale, the requirement of minimum subscription is not a pre condition for the completion of the Offer and for obtaining permissions for listing from the Stock Exchange.

Withdrawal of the Offer

The Selling Shareholder in consultation with the Company and the BRLMs, and Lead Manager reserves the right not to proceed with the Offer anytime after the Bid/ Offer Opening Date without assigning any reason thereof.

Letters of Allocation or Refund Orders

The Selling Shareholder and the Company shall give credit to the Beneficiary Account with Depository Participants within two working days from the date of finalisation of basis of allocation of the Equity Shares in this Offer. The Company and JAL shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500, by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or first bidder's sole risk.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, the Company and the Selling Shareholder further undertake that:

- Transfer of Equity Shares shall be made only in dematerialized form within 15 days from the Offer Closing Date;
- Dispatch of refund orders shall be done within 15 days from the Offer Closing Date; and
- JAL shall pay interest at 15% per annum (for any delay beyond the 15-day time period as mentioned above), if transfer is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above

JAL will provide adequate funds required for dispatch of refund orders or allocation advice to the Registrar to the Offer.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Bank(s) appointed by us / the Selling Shareholder, from the Escrow Account in terms of the Escrow Agreement and payable at par at places where bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the bidders.

Offer Programme

Bidding Period/ Offer Period

BID/ OFFER OPENS ON	**MARCH 22, 2005**
BID/ OFFER CLOSES ON	**MARCH 29, 2005**

Bids and any revision in bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid Closing Date, the Bids shall be accepted **only between 10 a.m. and 1.00 p.m.** (Indian Standard Time) and uploaded till such time as may be permitted by the BSE and the NSE on the Offer Closing Date.

Revision to the Price Band during the Bidding/ Offer Period, if any, shall be done in accordance with SEBI (DIP) Guidelines. In case of revision in the Price Band, the Offer Period will be extended for three additional days after revision of Price Band subject to a maximum of thirteen days. Any revision in the Price Band will be widely disseminated by informing the stock exchanges, and by issuing a public notice in two national newspapers (one each in English and Hindi), and one regional newspaper and also indicating the change on the relevant websites and the terminals of the members of the Syndicate.

STATEMENT OF INTER-SE ALLOCATION OF RESPONSIBILITIES AMONGST BRLMS, AND THE LEAD MANAGER TO THE OFFER

The Responsibilities and coordination for various activities in this Offer have been distributed amongst the BRLMs, and Lead Manager as under:

Activities	Responsibility	Co-ordinator
Capital structuring with the relative components and formalities such as type of instruments, etc.	JMMS, UTI Bank, I-SEC	UTI Bank
Due diligence of the Company's operations / management / business plans/ legal etc.	UTI Bank, JMMS, I-SEC	UTI Bank
Drafting & Design of Offer Document and of statutory advertisement including memorandum containing salient features of the Prospectus. The designated Lead Manager shall ensure compliance with stipulated requirements and completion of prescribed formalities with SEBI.	UTI Bank, JMMS, I-SEC	UTI Bank
The designated BRLMs and the Lead Manager shall ensure compliance with stipulated requirements and completion of prescribed formalities with Stock Exchange, Registrar of Companies.	UTI Bank, Allianz, JMMS, I-SEC	Allianz
Drafting and approval of all publicity material other than statutory advertisement as mentioned above including corporate advertisement, brochure, etc.	JMMS, UTI Bank, I-SEC	UTI Bank
Appointment of Registrar, Bankers, Printer and Ad agency	JMMS, UTI Bank, I-SEC, Allianz	I-SEC
Company Positioning and pre-marketing exercise	JMMS, UTI Bank, I-SEC	I-SEC
Marketing of the Offer (non QIB), which will cover inter-alia, • Formulating marketing strategies, preparation of publicity budget • Finalize Media & PR strategy • Finalizing centers for holding conferences for brokers, etc. • Finalize collection centers • Follow-up on distribution of publicity and Offer material including form, prospectus and deciding on the quantum of the Offer material	JMMS, UTI Bank, I-SEC, Allianz	JMMS
Marketing of the Offer (QIB): Finalizing the list of QIBs. Division of QIBs for one to one meetings, road show related activities including publicity material and order procurement	JMMS, UTI Bank, I-SEC	I-SEC
Managing the Book, Interaction/Co-ordination with Stock Exchange	JMMS, UTI Bank, I-SEC	I-SEC
Finalising of Pricing	JMMS, UTI Bank, I-SEC	JMMS
Finalising of Allocation	JMMS, UTI Bank, I-SEC	JMMS
Post bidding activities including management of Escrow Accounts, co-ordination with Registrar and Banks, Refund to Bidders, etc.	JMMS, I-SEC, UTI Bank, Allianz	Allianz
The post Offer activities of the Offer will involve essential follow up steps, which must include finalisation of listing of instruments and despatch of certificates and refunds, with the various agencies connected with the work such as Registrars to the Offer, Bankers to the Offer and the bank handling refund business. Lead Manager shall be responsible for ensuring that these agencies fulfil their functions and enable him to discharge this responsibility through suitable agreements with the issuer Company.	JMMS, UTI Bank, I-SEC, Allianz	Allianz

OFFER MANAGEMENT TEAM

BOOK RUNNING LEAD MANAGERS

UTI Bank Limited
Central Office, Maker Towers 'F' 11th Floor,
Cuffe Parade, Colaba,
Mumbai - 400 005
Tel.: (22) 2218 9106 - 9
Fax.: (22) 2216 2467
E-mail: utibmbd@utibank.co.in

JM Morgan Stanley Private Limited
141 Maker Chambers III
Nariman Point
Mumbai - 400 021
Tel.: (22) 5630 3030
Fax.: (22) 2202 8224
Email: jhpl-ipo@jmmorganstanley.com

ICICI Securities Limited
ICICI Centre
H. T. Parekh Marg
Churchgate,
Mumbai - 400 020
Tel.: (22) 2288 2460
Fax.: (22) 2282 6580
E-mail: jhpl_ipo@isecltd.com

LEAD MANAGER

Allianz Securities Limited
33, Vaswani Mansion, 6th Floor,
Dinsha Vachha Road,
Churchgate, Mumbai - 400 020
Tel.: (22) 2287 0580
Fax.: (22) 2287 0581
Email: jhpl.ipo@aslfinancial.com

SYNDICATE MEMBERS
UTI Bank Limited
Central Office, Maker Towers 'F' 11th Floor,
Cuffe Parade, Colaba,
Mumbai - 400 005
Tel.: (22) 2218 9106 - 9
Fax.: (22) 2216 2467
E-mail: utibmbd@utibank.co.in

JM Morgan Stanley Private Limited
141 Maker Chambers III
Nariman Point
Mumbai - 400 021
Tel.: (22) 5630 3030
Fax.: (22) 2202 8224
Email: jhpl-ipo@jmmorganstanley.com

ICICI Securities Limited
ICICI Centre
H. T. Parekh Marg
Churchgate,
Mumbai - 400 020
Tel.: (22) 2288 2460
Fax.: (22) 2282 6580
E-mail: jhpl_ipo@isecltd.com

Allianz Securities Limited
33, Vaswani Mansion, 6th Floor,
Dinsha Vachha Road,
Churchgate, Mumbai - 400 020
Tel.: (22) 2287 0580
Fax.: (22) 2287 0581
Email: jhpl.ipo@aslfinancial.com

ICICI Brokerage Services Limited
ICICI Centre, H.T. Parekh Marg, Churchgate,
Mumbai - 400 020
Tel.: (22) 2288 2460/70
Fax.: (22) 2282 6455

JM Morgan Stanley Retail Services Private Limited
Apeejay Business Centre,
Apeejay House, 3 Dinsha Vachha Road,
Churchgate, Mumbai - 400 020
Tel.: (22) 55040404
Fax.: (22) 56301694

Karvy Stock Broking Limited
529, Road No. 4, Banjara Hills,
Hyderabad - 500 034
Tel.: (40) 2331 2454
Fax.: (40) 2331 1968

JAIPRAKASH HYDRO-POWER LIMITED

REGISTERED OFFICE
C-16, Lane 1, Sector 1,
SDA Housing Colony,
New Shimla - 171 009, India

COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. M. M. Sibbal,
Company Secretary
Jaiprakash Hydro-Power Limited
'JA Annexe', 54, Basant Lok, Vasant Vihar,
New Delhi - 110 057
Tel.: (11) 2614 1540, 2614 7411
Fax.: (11) 2614 5389, 2614 3591
Email: jhpl.ipo@jalindia.co.in
Investors can contact the abovementioned compliance officer or the Registrar to the Offer in case of any issue related queries such as non-receipt of letters of allotment, refund orders, etc.

REGISTRAR TO THE OFFER

Karvy Computershare Private Limited
Karvy House, 46, Avenue 4, Street No.1,
Banjara Hills, Hyderabad - 500 034
Tel.: (40) 2331 2454
Fax.: (40) 2331 1968
Email: jphydro.ipo@karvy.com

LEGAL ADVISOR TO THE COMPANY AND JAL

M/s. Khaitan & Jayakar Sud Budhiraja & Vohra
Solicitors and Advocates
D-41, Defence Colony
New Delhi - 110 024
Tel.: (11) 3094 4972 /73 /74, 5155 2824 /25
Fax.: (11) 5151 0266/67

LEGAL ADVISOR TO THE BOOK RUNNING LEAD MANAGERS AND THE LEAD MANAGER

M/s. Crawford Bayley & Co
State Bank Buildings, 4th Floor
N.G.N. Vaidya Marg
Fort, Mumbai-400 023
Tel.: (22) 2266 3713
Fax.: (22) 2266 3978

AUDITORS TO THE COMPANY

M/s. R. Nagpal Associates
Chartered Accountants
B-8/14, Vasant Vihar
New Delhi - 110 057
Tel.: (11) 2614 6892
Fax.: (11) 2614 8150

BANKERS TO THE OFFER AND ESCROW COLLECTION BANKERS

UTI Bank Limited
Statesman House, Barakhamba Road
New Delhi - 110001

ICICI Bank Limited
Capital Market Division
30 Mumbai Samachar Marg
Fort, Mumbai - 400001

IDBI Bank Limited
Corporate Office
Tradeview, Oasis Complex
Kamala City, P.B.Marg
Lower Parel (W),
Mumbai - 400 013

Citibank N. A.
Fort House, 4th Floor
Unit No. 1, 224, Dr. D.N. Road
Fort, Mumbai - 400 001

Standard Chartered Bank
270 DN Road, Fort,
Mumbai - 400 001

BANKERS TO THE COMPANY

ICICI Bank Limited
9A, Connaught Place,
New Delhi - 110 001

Oriental Bank of Commerce
43, Basant Lok, Vasant Vihar,
New Delhi -110 057

State Bank of India
15th Floor, Vyapar Bhavan,
Tolstoy Marg,
New Delhi - 110 001

Bank of Baroda
11th Floor, Corporate Banking Division,
Bank of Baroda Building
Parliament Street,
New Delhi - 110 001

Central Bank of India
The Mall, Shimla - 171 001

Punjab National Bank
The Mall, Shimla - 171 001

Credit Rating

As the Offer is of Equity Shares, credit rating is not required.

Trustees

As the Offer is of Equity Shares, the appointment of Trustees is not required.

Book Building Process

Book building refers to the collection of bids from investors, on the basis of this Red Herring Prospectus including the Price Band. The Offer Price being fixed after the Bid Closing Date. The principal parties involved in the Book Building Process are:

1. The Company and the Selling Shareholder
2. The Book Running Lead Managers in this case being UTI Bank Limited, JM Morgan Stanley Private Limited and ICICI Securities Limited
3. The Lead Manager in this case being Allianz Securities Limited
4. The Syndicate Members who are intermediaries registered with SEBI and eligible to act as underwriters. The BRLMs and the Lead Manager appoint the syndicate members.
5. Escrow Collection Banks
6. Registrar to the Offer

SEBI, through its guidelines, has permitted an offer of securities to the public through 100% Book Building Process, wherein: (i) upto 50% of the net offer to the public shall be allocated on a discretionary basis to QIBs; (ii) not less than 25% of the net offer to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders; and (iii) not less than 25% of the net offer to the public shall be available for allocation on a proportionate basis to Retail Individual Bidders, i.e. Individual bidders (including HUFs and NRIs) whose maximum Bid Amount is not more than Rs. 50,000 subject to valid Bids being received at or above the Offer Price. The Offer Price will be ascertained after the Bid Closing Date.

Pursuant to amendments to the SEBI (DIP) Guidelines, QIB Bidders are not allowed to withdraw their Bid (s) after the Bid/ Offer closing date.

The Company and the Selling Shareholder shall comply with the guidelines issued by SEBI for this Offer. In this regard, the Company and the Selling Shareholder have appointed Book Running Lead Managers and the Lead Manager to procure subscription to the Offer.

The process of book building, under the SEBI guidelines, is relatively new and the investors are advised to make their own judgement about investment through this process prior to making a Bid in the Offer.

Illustration of Book Building and Price Discovery Process (Investors should note that this example is solely for illustrative purposes and is not specific to the Offer)

Bidders can bid at any price within the price band. For instance, assume a price band of Rs. 20 to Rs. 24 per share, offer size of 3,000 equity shares and receipt of five bids from bidders out which one bidder has bid for 500 shares at Rs. 24 per share while another has bid for 1,500 shares at Rs. 22 per share. A graphical representation of consolidated demand and price would be made available at the bidding centers during the bidding period. The illustrative book given below shows the demand for the shares of the Company at various prices and is collated from bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	16.67%
1,000	23	1,500	50.00%
1,500	22	3,000	100.00%
2,000	21	5,000	166.67%
2,500	20	7,500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the Selling Shareholder is able to offer the desired number of shares is the price at which the book cuts off i.e. Rs. 22 in the above example. The Selling Shareholder, in consultation with the BRLMs, will finalise the Offer price at or below such cut off price, i.e. at or below Rs. 22. All bids at or above this Offer price and cut off bids are valid bids and are considered for allocation in the respective categories.

Steps to be taken by the Bidders for bidding:

- Check whether he/ she is eligibile for bidding (please refer to the paragraph "Offer Procedure - Who can Bid" on page 138 of this Red Herring Prospectus);
- Ensure that the Bidder has a demat account; and
- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form.

Underwriting Agreement

After the determination of the Offer Price and allocation of our Equity Shares but prior to filing of the Prospectus with the RoC, the Company and the Selling Shareholder will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Offer. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs, and the Lead Manager shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

Name and Address of the Underwriters	Indicative Number of Equity shares to be Underwritten	Amount Underwritten (Rs. in million)
UTI Bank Limited Central Office, Maker Towers 'F' 11th Floor, Cuffe Parade, Colaba, Mumbai - 400 005	[•]	[•]
JM Morgan Stanley Private Limited 141 Maker Chambers III, Nariman Point, Mumbai - 400 021	[•]	[•]
ICICI Securities Limited ICICI Centre,H. T. Parekh Marg, Churchgate, Mumbai - 400 020	[•]	[•]
Allianz Securities Limited 33, Vaswani Mansion, 6th Floor, Dinsha Vachha Road, Churchgate, Mumbai - 400 020	[•]	[•]
ICICI Brokerage Services Limited ICICI Centre, H.T. Parekh Marg, Churchgate, Mumbai - 400 020	[•]	[•]
JM Morgan Stanley Retail Services Private Limited Apeejay Business Centre, Apeejay House, 3 Dinsha Vachha Road, Churchgate, Mumbai - 400 020	[•]	[•]
Karvy Stock Broking Limited 529, Road No. 4, Banjara Hills, Hyderabad - 500 034	[•]	[•]

The above-mentioned is indicative underwriting and this would be finalized after the pricing and actual allocation. The above underwriting agreement is dated [•].

In the opinion of the Selling Shareholder and our Board of Directors/Committee of Directors (based on a certificate given to them by the BRLMs, Lead Manager and the Syndicate Members), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as Brokers with the Stock Exchanges. The Board of Directors/Committee of Directors of JAL and the Company have accepted the Underwriting Agreement mentioned above at their meetings held on [•] and [•], 2005 respectively and JAL and the Company have issued letters of acceptance to the Underwriters accordingly.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLMs, the Lead Manager and the Syndicate Members shall be severally responsible for ensuring payment with respect to equity shares allocated to investors procured by them. In the event of any default, the respective underwriter, in addition to other obligations defined in the underwriting agreement, will also be required to procure/subscribe to the extent of the defaulted amount. Allocation to QIBs is discretionary as per the terms of this Red Herring Prospectus and may not be proportionate in any way and the patterns of allocation to the QIBs could be different for the various Underwriters. For further details for allocation please refer to the section titled "Statutory and Other Information - Basis of Allocation" on page 154 of this Red Herring Prospectus.

CAPITAL STRUCTURE OF THE COMPANY

As on March 7, 2005 **(Rs. in million)**

	Face Value	Aggregate Value
(A) Authorized Share Capital[a]		
500,000,000 Equity Shares of Rs.10 each	5,000.00	
(B) Issued, Subscribed and paid-up capital		
491,000,600 Equity Shares of Rs.10 each	4,910.00	
(C) Present Public Offer through Offer for Sale through this Red Herring Prospectus[b]		
180,000,000 Equity Shares of Rs.10 each	1,800.00	[·]
Out of which		
18,000,000 i) Equity Shares of Rs.10 each are reserved for Allocation to Permanent Employees and Directors of the Company and JAL on competitive basis	180.00	[·]
18,000,000 ii) Equity Shares of Rs.10 each are reserved for Allocation to shareholders of group companies[c] on competitive basis.	180.00	[·]
(D) Net Offer to Public		
144,000,000 Equity Shares of Rs.10 each	1,440.00	[·]
(E) Paid up capital after the Offer		
491,000,600 Equity shares of Rs. 10 each	4,910.00	
Share Premium before and after the Offer	Nil	

(a) The Authorised Share Capital of the Company was Rs. 3,000 million divided into 300,000,000 Equity Shares of Rs.10 each aggregating Rs. 3,000 million. In the extraordinary general meeting held on April 19, 2000, the shareholders passed a special resolution for enhancing the Authorised Share Capital to Rs. 5,000 million divided into 500,000,000 Equity Shares of Rs.10 each aggregating Rs.5,000 million.

(b) The Offer has been approved by JAL vide its Board Resolution dated January 22, 2005. The details of the Equity Shares being offered in the Offer by JAL is as under:

Name of Shareholder	No. of shares offered	Percentage of pre-Offer capital
JAL	180,000,000	36.66%

The shares being offered have been held for more than one year at the time of filing this Red Herring Prospectus with SEBI as required under the SEBI (DIP) Guidelines and are free from any encumbrances and/or pledge.

(c) The equity shareholders of JAL as on March 11, 2005 and Jaypee Hotels Limited as on March 11, 2005 would be eligible to apply in this Offer under reservation for shareholders of group companies on competitive basis.

Notes forming part of the Capital Structure:

1) Share Capital History of the Company

Date of Allotment and Date when Made fully Paid-up	No. of shares allotted	Face Value (Rs.)	Cumulative no. of shares	Offer Price (Rs.)	Nature of payment	Nature of Issue & reason for allotment
January 7, 1995	700	10	700	10	Cash	As subscribers to the memorandum
March 4, 1995	2,150,000	10	2,150,700	10	Cash	Further Issue to JAL[a]
March 10, 1995	23,000,000	10	25,150,700	10	Cash	Further Issue to JAL[a]
March 14, 1995	27,000,000	10	52,150,700	10	Cash	Further Issue to JAL[a]
March 31, 1995	122,849,900	10	175,000,600	10	Cash	Further Issue to JAL[a]
September 28, 2000	38,000,000	10	213,000,600	10	Cash	Further Issue to JAL
October 14, 2000	40,000,000	10	253,000,600	10	Cash	Issued to ICICI Bank[d]
December 26, 2000	10,000,000	10	263,000,600	10	Cash	Issued to ICICI Bank[d]
June 12, 2001	25,000,000	10	288,000,600	10	Cash	Issued to ICICI Bank[d]
August 27, 2001	47,000,000	10	335,000,600	10	Cash	Further Issue to JAL
March 28, 2002	22,500,000	10	357,500,600	10	Cash	Further Issue to JAL
June 27, 2002	2,500,000	10	360,000,600	10	Cash	Further Issue to JAL
September 21, 2002	5,000,000	10	365,000,600	10	Cash	Further Issue to JAL
September 21, 2002	14,000,000	10	379,000,600	10	Cash	Issued to ICICI Bank[d]
December 10, 2002/ July 31, 2003	46,000,000	10	425,000,600	10	Cash	Issued to ICICI Bank[b]
December 10, 2002/ March 26, 2003	40,000,000	10	465,000,600	10	Cash	Further Issue to JAL[c]
March 1, 2004	26,000,000	10	491,000,600	10	Cash	Further Issue to JAL

(a) These Equity Shares were allotted to Our Promoters, JAL (erstwhile JIL), pursuant to subscription of Rs.1,750 million by them which were raised by them by way of a rights issue in 1993.
(b) These Equity Shares allotted to ICICI Bank Limited had paid-up value of Rs.5 per share on allotment and were made fully paid up on payment of balance amount of Rs.5 per share in two calls on March 15, 2003 and July 31, 2003.
(c) These Equity Shares allotted to our promoters JAL had paid-up value of Rs.5 per share on allotment and were made fully paid up on payment of balance amount of Rs.5 per share in two calls on March 15, 2003 and March 26, 2003.
(d) Entire shareholding of 135 million shares held by ICICI Bank Limited has been acquired in two tranches by JAL on June 30, 2004 and December 31, 2004 respectively, in terms of the Shareholders' and Buy-back Agreement between JAL and ICICI Bank.

2) The Promoters' Contribution and lock-in in respect of promoters whose name appears in this Red Herring Prospectus as promoters in the section titled "Our Promoters and Group Companies" on page 64.

Our promoter JAL holds the entire paid-up share capital of 491,000,600 Equity Shares of Rs.10 each of the Company. After the Offer, this will be reduced to 311,000,600 Equity Shares constituting 63.34% of the Post Offer Capital which will be subject to lock-in requirements as given below:

Name of the Promoter	Date of Allotment and Date when Made fully Paid-up	Nature of Payment	No. of Shares	Face Value	Offer Price	% of Post-Offer Paid-up capital	Lock in period
JAL	December 10, 2002/ March 26, 2003	Cash	40,000,000	10	10	8.15	3 years
JAL	September 21 2002	Cash	5,000,000	10	10	1.02	3 years
JAL	June 27, 2002	Cash	2,500,000	10	10	0.51	3 years
JAL	March 28, 2002	Cash	22,500,000	10	10	4.58	3 years
JAL	August 27, 2001	Cash	28,200,120	10	10	5.74	3 years
TOTAL			**98,200,120**			**20.00**	

The lock-in-shall start from the date of allocation in this Offer and the last date of the lock-in-shall be reckoned as three years from the date of allocation in this Offer.

Other than the above and the Equity Shares being sold in this Offer, the entire pre-Offer share capital shall be locked in for a period of one year from the date of allocation in this Offer. The total number of equity shares which are locked-in for a period of one year is 212,800,480. The equity shares allotted to/ held by our promoters JAL are fully paid up.

Our promoter JAL holds the entire paid-up share capital of the Company prior to this Offer. Shares held by promoter(s) which are locked-in as per the relevant provisions of the SEBI (DIP) Guidelines, may be transferred to and amongst promoter/promoter group, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

3) Locked in equity shares held by a promoter can be pledged with banks or financial institutions as collateral for loans granted by such banks or financial institutions. Presently, 295 million equity shares of Rs.10 each held by our promoter, JAL are pledged with the Lenders (as defined on page ii) in terms of the provisions of the Loan Agreements. 61million shares included in the 180 million shares which are being offered in the present Offer by JAL, have been released from pledge by the lenders on the following conditions:

- The 295 million shares held by JAL will continue to be pledged in favour of the Lenders.
- In case the market value of the pledged shares after this Offer and listing of the shares falls below Rs. 3,560 million (to be reviewed every six months), the Company shall bridge the shortfall, either by creating a reserve within a period of three months or the Promoter will furnish a letter of credit/ bank guarantees. The market value of the shares would be determined every six months based on the previous six months average.
- Any default in the above would be treated as an event of default and the Company shall not be able to declare any dividend till the default is cured.
- The Trust and Retention Agreement is to be amended to incorporate the above condition.

4) The Promoters Group/Directors have not purchased and/or sold/financed any shares of the Company during the past six months except as under:

JAL has acquired 135 million shares of the Company from ICICI Bank Limited in two tranches pursuant to the Shareholders and Buyback Agreement between the parties. The acquisition of first tranche of 25 million shares of face value of Rs.10 each was done at a price of Rs. 17.00 per share on June 30, 2004. The acquisition of second tranche of 110 million shares of face value of Rs. 10 each was done at a price of Rs. 17.75 per share on December 31, 2004. These buy-back prices were calculated as per the formula provided in the said Shareholders and Buyback Agreement. These 135 million shares do not form part of this Offer for Sale.

5) Aggregate Shareholding of Promoter Group/ Directors is as under:

Name of Shareholders	No. of shares	Percentage
JAL	491,000,000	100.00
Mr. Jaiprakash Gaur & JAL*	100	Negligible
Mr. S.K. Jain & JAL*	100	Negligible
Ms. Rekha Dixit & JAL*	100	Negligible
Mr. S. P. Joshi & JAL*	100	Negligible
Mr. S. D. Nailwal & JAL*	100	Negligible
Mr. Harish K. Vaid & JAL*	100	Negligible
Total	**491,000,600**	**100.00**

*The above shares are jointly held with JAL and the beneficial interest of the same is with JAL.

6) Shareholding pattern of the Company before and after the Offer is as under:

Category	Pre-Offer		Post-Offer	
	No. of shares	Percentage	No. of shares	Percentage
Promoters				
JAL	491,000,600	100.00%	311,000,600	63.34%
Public	-	-	180,000,000	36.66%
Total	**491,000,600**	**100.00%**	**491,000,600**	**100.00%**

Note: The shareholding pattern after the Offer is on the assumption that full transfer is done of all the shares offered through this Offer. However, this may change as per the transfer and allocation under each category.

7) **Equity Shares held by the top ten shareholders**

The details of the top ten shareholders of the Company and the number of Equity Shares held by them are as under:

a) As on the date of and ten days prior to filing this Red Herring Prospectus with ROC:

Name of Shareholders	No. of shares	Percentage
JAL	491,000,000	100.00%
Mr. Jaiprakash Gaur & JAL*	100	Negligible
Mr. S.K. Jain & JAL*	100	Negligible
Ms. Rekha Dixit & JAL*	100	Negligible
Mr. S. P. Joshi & JAL*	100	Negligible
Mr. S. D. Nailwal & JAL*	100	Negligible
Mr. Harish K. Vaid & JAL*	100	Negligible

*The above shares are jointly held with JAL and the beneficial interest of the same is with JAL.

b) Two years prior to filing this Red Herring Prospectus with ROC:

Name of Shareholders	No. of shares	Percentage
JAL	330,000,000	70.97%
ICICI Bank Limited	135,000,000	29.03%
Mr. Jaiprakash Gaur & JAL*	100	Negligible
Mr. S.K. Jain & JAL*	100	Negligible
Ms. Rekha Dixit & JAL*	100	Negligible
Mr. S. P. Joshi & JAL*	100	Negligible
Mr. S. D. Nailwal & JAL*	100	Negligible
Mr. Harish K. Vaid & JAL*	100	Negligible

* The above shares are jointly held with JAL and the beneficial interest of the same is with JAL.

8) Buy-back and Standby arrangements

The Company/its Directors/ Book Running Lead Managers and Lead Manager have not entered into any buy-back/ standby arrangements for purchase of Equity Shares of the Company with any person.

9) Pursuant to the Circular bearing no. A.P. (DIR Series) Circular No. 16 dated October 4, 2004 issued by RBI, Government of India has decided to dispense with the requirement of obtaining prior approval of the FIPB, Ministry of Finance, in respect of transfer of shares, by way of sale, from residents to non-residents (including transfer of subscriber's shares) of an Indian company in sectors other than financial service sector (i.e. Banks, NBFCs and Insurance) provided that (i) the activities of the investee company are under automatic route under the FDI Policy; (ii) such transfer does not attract the

provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997; (iii) the non-resident shareholding after the transfer, complies with the sectoral limits under the FDI Policy; and (iv) the price at which the transfer takes place is in accordance with the pricing guidelines prescribed by SEBI / RBI. In the present Offer, all the above conditions are met with, and there is no requirement to obtain any prior approval of FIPB.

10) We have received a "no objection" letter from the RBI for the transfer of Equity Shares to FIIs, NRIs and other permitted persons through this Offer pursuant to its letter no. FE.CO.FID/5903/10.I.07.02.200(659)/2004-05 dated March 7, 2005. This approval is subject to compliance with certain conditions/ filing requirements. Thus, it will not be necessary for the investors to seek separate permission from the RBI for this specific purpose. However, it is to be distinctly understood that there is no reservation for NRIs and FIIs and all NRI and FII applicants will be treated on the same basis with other categories for the purpose of transfer/ allocation.

11) Permanent Employees and Directors of the Company and JAL as on the cut-off date i.e. March 11, 2005 would be eligible to apply in this Offer under reservation for Employees and Directors on competitive basis.. Permanent Employees and Directors of the Company and JAL can also apply in the 'Net Offer to Public' and such applications shall not be treated as multiple applications.

12) Equity shareholders of JAL and Jaypee Hotels Ltd. as on the cut-off date i.e. March 11, 2005, would be eligible to apply in this Offer under reservation for shareholders of group companies on competitive basis. The shareholders of JAL and Jaypee Hotels Limited have been identified by our Company to participate in the group company reservation portion. Application by shareholders of our group companies can also be made in the 'Net Offer to Public' and such applications shall not be treated as multiple applications.

13) In the Net Offer to Public, in case of oversubscription in all categories, up to 50% of the Net Offer to the public shall be allocated to QIBs on a discretionary basis. Further, at least 25% of the Net Offer shall be available for allocation to non-institutional bidders and at least 25% of the Net Offer shall be available for allocation to retail bidders, on proportionate basis and subject to valid bids being received at or above the Offer Price.

    At the discretion of the Selling Shareholder, the Company, BRLMs and the Lead Manager :

    (a) Unsubscribed portion in any reserved category may be added to any other reserved category.

    (b) The unsubscribed portion, if any, after such inter se adjustments amongst the reserved categories shall be added back to the Net Offer to Public.

    (c) In case of under-subscription in the Net Offer to Public portion spillover to the extent of undersubscription shall be permitted from the reserved catgegory to the Net Offer to Public.

14) There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Red Herring Prospectus with SEBI until the Equity Shares offered through this Red Herring Prospectus have been listed or application moneys refunded on account of non-listing or under-subscription, etc.

15) At present we do not have any intention or proposal to alter our capital structure for a period of six months from date of opening of the offer, by way of split/consolidation of the denomination of Equity Shares or to make a further issue of Equity Shares (including issue of securities convertible into Equity Shares) whether preferential or otherwise except ESOPs if any or if we enter into acquisition or joint ventures or make investments, in which case we may consider raising additional capital to fund such activity or use equity shares as a currency for acquisition or participation in such joint ventures or investments.

16) As on the date of filing this Red Herring Prospectus with SEBI, there were no outstanding financial instruments or any other right, which would entitle the Promoters or shareholders or any other person any option to receive equity shares after the Offer.

17) We have not issued any Equity Shares out of revaluation reserve or bonus Equity Shares issued out of free reserves or issue of equity shares for consideration other than cash.

18) The Company has not raised any bridge loan against the proceeds of this Offer.

19) At any given point of time there shall be only one denomination of Equity Shares of our Company and the Company shall comply with such disclosures and accounting norms specified by SEBI from time to time.

20) The Company had only seven members on the date of filing of this Red Herring Prospectus with the SEBI

21) The Promoters Contribution brought by persons defined as promoters under the SEBI (DIP) Guidelines is not less than the specified minimum lot.

OBJECTS OF THE OFFER

This being an Offer for Sale by the Selling Shareholder i.e. JAL, aggregating 180,000,000 shares, the object of the Offer is to offer the shares held by the Selling Shareholder to the general public in terms of this Red Herring Prospectus. Further, listing of the Equity Shares of the Company on the stock exchanges will enhance the visibility and also provide liquidity to existing shareholders. It will also provide a public market for the equity shares of the Company in India.

The Company will not receive any proceeds from the sale of Equity Shares by the Selling Shareholder.

INDUSTRY OVERVIEW

Pursuant to the requirements of the SEBI (DIP) Guidelines, the discussion on the business of our Company in this Red Herring Prospectus consists of disclosures pertaining to industry grouping and classification. The industry grouping and classification is based on our Company's own understanding and perception and such understanding and perception could be substantially different or at variance from the views and understanding of third parties. The industry data has been collated from various industry and/ or research publications and from information available from the World Wide Web.

Industry, Market and Competitive Environment

The Indian Power Sector Scenario

As per the Ministry of Power ("MoP"), Government of India ("GOI"), the all India installed capacity of electric power generating stations was 112,058.42 MW as on March 31, 2004. This total capacity consisted of 29,500.23 MW hydro power based capacity, 77,968.53 MW thermal power based capacity, 2,720 MW nuclear power based capacity and 1,869.66 MW wind power based capacity.

A capacity addition target of 5,202.34 MW consisting of 3,765.00 MW of hydro power and 1,437.34 MW of thermal power was envisaged for the year 2003-04. As against the aforesaid capacity addition target, a capacity addition of 3,951.62 MW consisting of 2,590.00 MW of hydro power and 1,361.62 MW of thermal power was achieved. (Source: MoP website).

The 16th Electric Power Survey ("EPS") carried out by the Central Electricity Authority has projected a peak demand of 115,705 MW and an energy requirement of 719,097 MU by the end of 10th Five Year Plan (2002-07), while the peak demand and energy requirement by the end of the 11th Five Year Plan (2007-12) has been projected at 157,107 MW and 975,222 MU respectively. The GOI has targeted capacity additions of about 41,000 MW during 10th Five Year Plan. Further, in order to provide power on demand to all consumers by 2012, the GOI plans to add around 100,000 MW of additional capacities during the 10th and 11th Five Year Plan periods. (Source: 16th EPS and Crisinfac report 'State of the Industry').

Power Infrastructure in India

• Installed Generation Capacities (FY2000 - FY2004) by Generation

As of March 31,	Thermal (% of total)	Installed Capacity (in MW)	Hydro total) (% of	Installed Capacity (in MW)	Wind (% of total)	Installed Capacity (in MW)	Nuclear (% of total)	Installed Capacity (in MW)	Total (in MW)
2000	71.8	70,493	24.3	23,857	1.2	1,154	2.7	2,680	98,184
2001	71.2	72,355	24.7	25,142	1.3	1,269	2.8	2,860	101,626
2002	71.0	74,550	25.0	26,269	1.4	1,507	2.6	2,720	105,046
2003	71.0	76,607	24.9	26,910	1.6	1,736	2.5	2,720	107,973
2004	69.6	77,968	26.3	29,500	1.7	1,870	2.4	2,720	112,058

(Source: CEA Executive Summary, March 2004)

• Installed Generation Capacities by Sector (FY2004)

(in MW, except for percentages)

Type/Sector	Central	%	State	%	Private	%	Total
Thermal	27,257	35.0	41,676	53.4	9,036	11.6	77,968
Hydro	5,374	18.2	23,250	78.8	876	3.0	29,500
Nuclear	2,720	100.0	-	-	-	-	2,720
Wind	-	-	65	3.5	1,805	96.5	1,870
Total	35,351		64,991		11,717		112,058

(Source: CEA Executive Summary, March 2004)

• Capacity Utilisation (in %)

As of March 31	Central	State	Private	Total
2000	73.8	63.7	68.9	67.3
2001	74.3	65.6	73.1	69.0
2002	74.3	67.0	74.7	69.9
2003	77.1	68.7	78.9	72.2
2004	78.7	68.4	80.4	72.7

(Source: Planning Commission Annual Report on the Workings of SEBs and EDs, 2001-02; CEA, Annual Report 2002-03; CEA, Executive Summary March 2004)

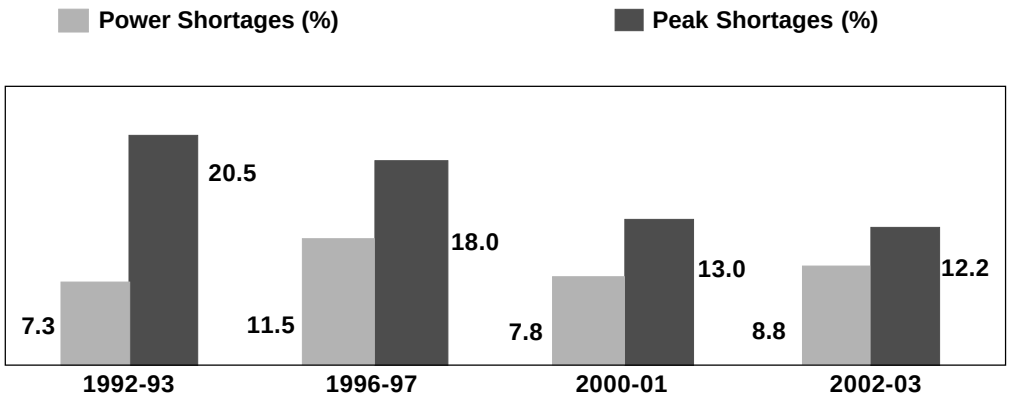
• **Capacity Addition Program (Tenth Plan)** (MW)

Type/Sector	Central	State	Private	Total
Thermal	12,790	6,676	5,951	25,417
Hydro	8,742	4,481	1,170	14,393
Nuclear	1,300	0	0	1,300
Total	22,832	11,157	7,121	41,110

(Source: Ministry of Power, 2002-2003 Annual Report)

• **Power Supply Position**

The country has in the recent past, been experiencing chronic peak shortages of power availability. While the peak shortages have come down from 20.5% in 1992-93 to 12.2% in 2002 -03, overall power shortages have firmed up to 8.8% in 2002-03 from 7.3% in 1992-93. The chart below summarises the power shortage scenario in the country.



(Source: MoP website, presentation dated. June 19, 2003)

Projected Energy Demand

The projected energy demand in the country is as tabulated below. (MU)

State / Year	2004-05	2006-07	2011-12	2016-17
Northern Region	192,847	220,820	308,528	429,480
Western Region	200,269	224,927	299,075	395,859
Southern Region	171,258	194,102	262,718	354,599
Eastern Region	62,601	69,467	90,396	117,248
North-Eastern Region	8,090	9,501	14,061	20,756
Total	**635,065**	**718,817**	**974,778**	**1,317,942**

(Source: Crisinfac report 'State of the Industry' with base source- 16th EPS)

Projected Peak Demand (MW)

State / Year	2004-05	2006-07	2011-12	2016-17
Northern Region	31,017	35,540	49,674	69,178
Western Region	31,386	35,223	46,825	61,966
Southern Region	27,337	31,017	42,061	56,883
Eastern Region	10,771	11,990	15,664	20,416
North-Eastern Region	1,601	1,875	2,789	4,134
Total	**102,161**	**115,645**	**157,013**	**212,577**

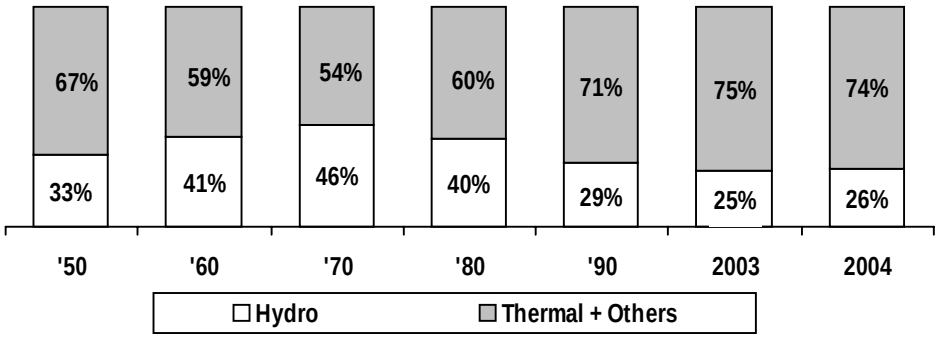
(Source: Crisinfac report 'State of the Industry' with base source- 16th EPS)

Hydropower – benefits and development

Hydropower is a renewable, economical, non-polluting and environmentally benign source of energy. Hydropower stations have the inherent ability for instantaneous starting, stopping, load variations, etc. and help in improving the reliability of power systems. There is no fuel cost during the life of the project as hydropower generation is a non-consumptive use of water. The benefits of hydropower as a clean, environment friendly and economically attractive source of energy have been sufficiently recognized. The need for its accelerated development also arises from its capacity of enhanced system reliability and economics of utilization of resources.

Despite the benefits of hydroelectric projects, the share of hydropower has steadily declined in India. At the time of independence, the share of hydropower in the total installed capacity was around 37%, which continued to rise, crossing 50% in the year 1963. The share of hydropower, however, started declining thereafter. Until the late seventies, the share of hydropower remained above 40%, considered to be the ideal hydrothermal mix for meeting the demand in an efficient manner. However, ever since the eighties, the share of hydropower has started declining sharply and at present, the share of hydropower constitutes only about 25% of the overall installed capacity of the country. The graph below shows the trend over the years.

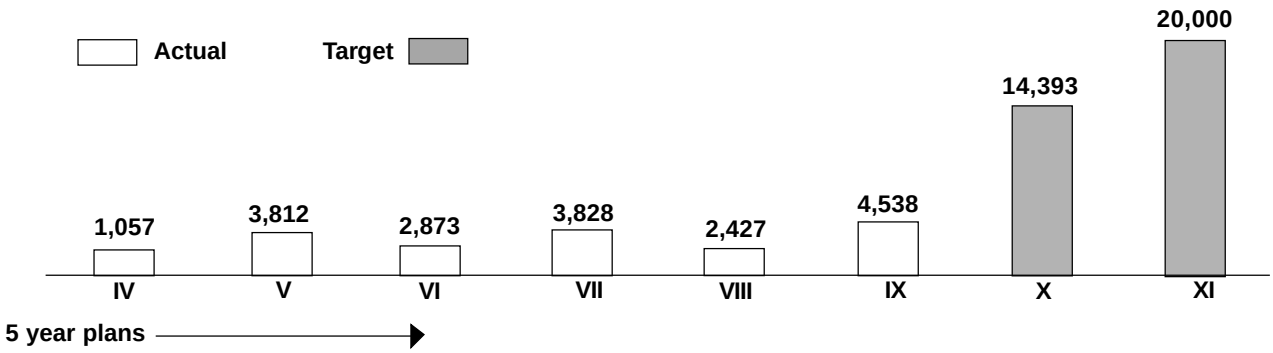
Composition of Power Generating Capacity in India



(Source: MoP website)

Faced with growing mismatch between hydropower and thermal power, the GOI is emphasizing on development of hydropower generation and has estimated the hydro power potential in the country to be 1,50,000 MW (corresponding to 84,044 MW at 60% load factor) out of which only 27,010 MW amounting to 18% of the total potential has been harnessed. Given the unharnessed potential, the GOI has set a target of 14,393 MW for the 10th Five Year Plan. The capacity addition in the hydropower sector in the 4th, 5th, 6th and 7th Five Year Plan periods and the target for the 10th and 11th Five Year Plan periods is as follows:

Capacity Addition in India: Historical and Planned



(Source: MoP website)

Power Scenario in Himachal Pradesh

The Himachal Pradesh State Electricity Board ("HPSEB") was constituted on September 1, 1971 in accordance with the Electricity (Supply) Act, 1948. The total installed capacity in the state of Himachal Pradesh (HP), as on June 30, 2003 is 964.80 MW, of which 255.00 MW is contributed by Central sector, 323.80 MW by the State sector and the balance 386.00 MW by the private sector. In addition to the above capacity, HP also purchases power from other states.

The following table depicts the energy generated, energy purchased and energy sold by HPSEB for the five year period ended 2004.

(MU)

Particulars	1999-00	2000-01	2001-02	2002-03	2003-04
Energy sold (a+b)	3,118	3,040	3,219	3,636	4,028
Within HP (a)	2,182	2,206	2,332	2,519	2,725
Outside HP (b)	936	834	887	1,117	1,303
Energy generated (c)	1,201	1,153	1,150	1,272	1,309
Energy purchased (d)	2,684	2,451	2,589	3,237	4300
Energy available for sale (c+d)	3,885	3,604	3,738	4,509	5609

(Source: HPSEB 33rd Annual Report 2003-2004 and HPERC Tariff Order 2004-05)

• Consumption Pattern

The total customer base of HPSEB as on March 31, 2002 was around 1.52 million. The per capita power consumption in HP was around 378 units and was comparable to the national average of around 355 units. The table below shows the consumption pattern in the State:

	FY2003		FY2004	
Consumer category	Sales (MU)	Share	Sales (MU)	Share
Agriculture	20	1%	22	1%
NDNCS	11	0%	13	0%
Domestic	705	28%	745	29%
Commercial	187	7%	198	7%
Government Irrigation and WSS	224	9%	245	9%
Small Industrial Power	122	5%	132	5%
Large Industrial Power	1108	44%	1,202	44%
Street Lighting	9	0%	10	0%
Bulk	132	6%	140	5%
Temporary Supply	1	0%	1	0%
Total	**2519**	**100%**	**2707**	**100%**

(Source: HPERC Tariff Order 2004-05)

• Potential for Hydro Power development in HP

Himachal Pradesh, a hilly terrain State, has significant potential for hydro power development. The state has an identified Hydel power potential of 20,376 MW as follows:

(MW)

Basin	Hydro Power Potential
Beas Basin	4,501
Ravi Basin	2,361
Satluj Basin	8,634
Yamuna Basin	1,049
Chenab Basin	3,267
Mini Micro Projects	564
Total	**20,376**

(Source: HPSEB Website)

Out of this identified potential, 3,942 MW has been harnessed up to March 31, 2002 and the balance capacity is yet to be developed.

• Demand – Supply Analysis for the Northern Region

The Energy and Resources Institute (TERI) had been commissioned to estimate the demand-supply gap in the northern region of the country. The states covered in the study were Delhi, Haryana, Punjab, Rajasthan and Uttar Pradesh. The brief scope of the study included detailed assessment of demand and supply scenario for the five year period commencing 2003-04 to 2007-08 in the selected states in the Northern region. The results of the five states taken together are summarized in the following table:

(MU)

North India	**2004-05**	**2005-06**	**2006-07**	**2007-08**
Estimated demand	158,806	166,884	174,415	183,306
Supply from existing projects	127,853	128,273	128,535	129,453
Surplus / (Deficit)	(30,952)	(38,610)	(45,879)	(53,852)
Supply from units that have commenced construction	9,966	16,640	18,610	20,032
Surplus / (Deficit)	(20,986)	(21,970)	(27,269)	(33,820)
Supply from units that have not commenced construction	737	3592	11,688	29,175
Surplus / (Deficit)	**(20,249)**	**(18,378)**	**(15,581)**	**(4,644)**

(Source: TERI)

TERI has concluded that the power deficit is likely to continue in the northern region over the next five year period and that the deficit is likely to get accentuated in the event the commissioning of the capacity under construction / under planning gets delayed.

OUR BUSINESS

Overview

We operate a private sector run-of-the-river hydro-electric Power Plant on BOO basis, with capacity of 300 MW designed to produce electrical energy estimated at 1,213.18 MU annually. Our Power Plant is the largest hydroelectric plant commissioned in the private sector in India. Our Power Plant has a barrage at an elevation of 2,520.50 metres above sea level, one of the highest altitudes for such structures in India. We, along with the Jaypee group, have engineered and executed the Power Project from concept to commissioning, except for electro-mechanical and hydro-mechanical equipment, which were outsourced.

The Power Plant consisting of three units of 100 MW each has been set up at a cost of Rs. 16,247.20 million and commenced commercial operation with effect from June 8, 2003. This project completion cost however excludes liabilities on account of payment to SJVNL for Interconnection Facilities and implementation of CAT Plan together amounting to Rs. 426.16 million.

The GOI has taken a new initiative, 'Power for all by 2012'. As a part of this initiative, the GOI has formulated a ten year plan to add 50,000 MW of hydropower generation capacity in the country. According to the Ministry of Power, the present mix of power generation facilities is skewed towards thermal power. Faced with the mismatch between hydropower and thermal power, the GOI is emphasizing the development of hydropower generation. We believe that although generally, hydropower plants involve a relatively high capital cost per MW, they are more economical due to lower operating cost as compared to thermal power projects. Hydropower is clean energy and its generation is not linked to issues concerning fuel supply, especially due to price fluctuations in the import price of such fuels. Hydropower is ideal for meeting peak demand requirements.

With the opening up of power generation sector to private sector participation in 1990, and in line with the policy guidelines of GOI, private sector participation was invited by the GoHP for the 'Baspa II run-of-the- river hydro-power project' (the "Power Plant") on Build Own and Operate basis, at Kinnaur District in Himachal Pradesh ("HP"). Our Promoter, JAL, is the flagship company of the Jaypee group, and has over four decades of experience in executing river valley/hydro power projects and undertaking EPC and turnkey contracts in the field of hydropower. JAL signed a Memorandum of Understanding (MoU) with GoHP for the implementation of the Power Plant in November 1991 and submitted a Detailed Project Report in May, 1992. Subsequently, GoHP and JAL signed the Implementation Agreement for the Power Plant in October 1992. Pursuant to the terms of the MOU, JAL promoted us in December 1994, for implementing the Power Plant. Our registered office is in Shimla, in the state of Himachal Pradesh.

A Tripartite Agreement was executed, between GoHP, JAL and us in October, 1995. Under this agreement, all assets, liabilities, privileges, rights, benefits and obligations arising out of the MoU and the Implementation Agreement were transferred from JAL to us. The Power Purchase Agreement (PPA) was executed between HPSEB and us in June 1997. The PPA is for an initial period of 40 years from the COD.

Key Business Strengths And Achievements

PPA between HPSEB and JHPL

- **Long Term Contract**
  Our PPA is valid for a period of 40 years with the HPSEB extendable for a further period of 20 years on the same terms and conditions. We believe that the long-term nature of our PPA provides us with stability in our operations, irrespective of the changing market scenario, during the currency of the PPA.

- **Assured Off-take**
  The PPA provides that HPSEB shall purchase the entire power generated by the Power Plant and available for sale. HPSEB is therefore required to purchase 88% of the power delivered at the Interconnection Point and the balance 12% is delivered free of cost to HPSEB. Accordingly, during the currency of the PPA, JHPL is insulated from market uncertainties and is not required to market the power generated.

- **Our fixed and variable costs are reimbursable by HPSEB as part of tariff**
  The PPA provides for reimbursement of our fixed costs such as depreciation (including advance against depreciation to facilitate repayment of debt) and interest as well as variable costs of Operations and Maintenance, interest on working capital, income tax and foreign exchange fluctuations. The PPA further provides for reimbursement of escalation in costs of Operations and Maintenance subject to certain limits. For more details, please refer to section titled "Management Discussion and Analysis of Operations and Financial Conditions" on page 42 of this Red Herring Prospectus.

- **Depreciation admissible from HPSEB as part of tariff**
  We are entitled to reimbursement of depreciation of up to 90% of AFP from HPSEB under the PPA. Subsequent to repayment of the debt, balance reimbursement of depreciation would accrue to us and our equity shareholders.

- **Assured Return on Equity**
  Our PPA also provides for a fixed return of 16% p.a. on the equity capital as approved in the AFP. In addition, the Company is entitled to receive incentives for higher Plant Availability and generation of Secondary Energy up to specified limits. We believe that we benefit from financial stability due to such fixed returns on equity.

- **Payment Guarantee**
  The PPA provides that HPSEB's realizations from sale of power in allocated circles shall be deposited in a designated escrow account. Pursuant to the PPA, we have entered into an escrow agreement with HPSEB and the escrow agent to monitor this account. Further, there is a irrevocable revolving Letter of Credit ("LC") established by HPSEB in favour of JHPL through which the payments are to be made to us. Under this arrangement, HPSEB is required to ensure that the LC is restored, after we receive payments, as per the terms of the PPA. In the event of any shortfall in payment through the LC, or in the event HPSEB fails to restore the LC, we can direct the Escrow Agent not to honour HPSEB's other withdrawals until the shortfall has been made good, or until the LC is restored, as the case may be.

- **Deemed generation**
  The PPA insulates the Company from risks associated with non availability of sufficient water for the first seven years from COD, that is, up to the year 2010. In the event that water availability is lower than that envisaged under the PPA in any year, Design Energy is deemed to have been generated by the Company, and HPSEB is obligated to make payments to us on this basis. Also, in case HPSEB fails to evacuate the power from the Interconnection Point for any reason or instructs us not to generate power partially or completely, and this results in spillage of water, such deemed generation benefit shall be made available to us under the PPA. For further details of PPA, please refer to the section titled "Management Discussion and Analysis of Operations and Financial Conditions" on page 42 of this Red Herring Prospectus.

No vagaries with respect to raw material costs

Since we operate a hydro-electric power plant which converts the energy of river flow into electrical energy, there are no specific raw material costs involved. Accordingly, we are insulated from changes in raw material prices.

Protection against Competition

As mentioned above, HPSEB is required to purchase 88% of the power delivered at the Interconnection Point from the Company under the PPA at the approved tariff. Accordingly, during the currency of the PPA, our revenues shall not be affected due to competition.

Promoter Lineage

Our Promoter, JAL, has over four decades of experience in execution of river valley/hydro power projects and undertaking EPC and turnkey contracts in the field of hydropower, as a leading construction company or as leader of consortia / joint ventures, involving generation of over 8,000 MW of power across the country. It is also in the process of executing several contracts for projects involving further generation of over 8,000 MW of power in the country and abroad, including the 400 MW Vishnuprayag and the 1,000 MW Karcham Wangtoo hydroelectric projects on BOO basis through its wholly owned subsidiaries. With the commissioning of these hydro-electric projects, it is expected that by the year 2010, the Jaypee group will have a total capacity of 1,700 MW generating around eight billion units of clean and green energy under its fold on BOO basis at a total investment of over Rs. 90,000 million. JAL has also been awarded the highest grading of CR1 (pronounced as C R one) by ICRA, indicating very strong contract execution capacity. This grading indicates the relative contract execution capacity with resepect to Hydropwer (EPC) contracts with average values of upto Rs. 20,000 million with permissible variation of +/- 10% in each case. We have drawn upon the experience of our promoters during the construction of the Power Plant. For further details, please refer to the section titled "Our Promoters and Group Companies" on page 64 of this Red Herring Prospectus.

Experienced Management

We have recruited experienced managerial and technical personnel in the operation and management of hydro-electric power plants. For details of our key managerial personnel, please refer to the section titled "Our Management - Key Managerial Personnel" on page 61 of this Red Herring Prospectus.

Environment friendly plant

The Power Plant is a run-of-the-river, environment friendly project harnessing the renewable natural resources. Operations of the Power Plant do not involve release of harmful emission or pollutants.

Successfully commissioned the largest private hydro-electric power project in the country

We, along with the Jaypee group, have engineered and executed the Power Project from concept to commissioning, except for electro-mechanical and hydro-mechanical equipment, which were outsourced. The implementation of the Power Plant used construction technology such as full periphery continuous lining of head race tunnel. Moreover, our barrage is constructed at an elevation of 2,520.50 metres and is one of the highest in the country. The 56.70 km, double circuit 400 KV transmission line laid for the project passes through an elevation ranging from 1,500 metres to 2,800 metres in a difficult terrain and crosses the valley 13 times and river Satluj twice.

Restructuring of our debt

Immediately after commissioning of the plant in June 2003, we initiated a debt restructuring programme in July 2003, and received in-principle approvals from the lenders to realign the interest rates from the prevailing weighted average of 16.65% p.a. in FY2004 to 10.50% p.a. and to refix the repayment of loans in 44 installments commencing from July 15, 2005 payable in July, August, September and October each year from July, 2005. Our lenders have already approved the restructuring package. Such reduction in interest rates shall have a positive impact on our cash flows and liquidity. For further details, please refer to the section titled "Management Discussion and Analysis of Operations and Financial Conditions – Indebtedness" on page 50 of this Red Herring Prospectus.

Future Outlook And Strategy

Definitive PPA for 40 years, extendable for a period of 20 years by GOHP.
Under the provisions of the PPA, we have guaranteed off take of power, which would result in assured revenues to the Company. The provisions of the PPA provide us operational stability during the currency of the PPA. For further details, please refer to section titled "Management Discussions and Analysis Operations and Financial Conditions" on page 42 of this Red Herring Prospectus..

Actively pursuing with CEA for it's approval of the financial package.

We are conscious that the finalisation of tariff is a priority for our business and operations for which approval of financial package by CEA is necessary. All necessary steps for the same are being taken up.

The management shall continue to endeavour to claim incentives available under the PPA.

Under the PPA, we are entitled to receive incentives for higher Plant Availability and generation of Secondary Energy up to specified limits. The incentives for Plant Availability are available in case the Plant Availability is more than 90%. Incentives on generation of Secondary Energy are available to the extent of saleable generation of 155 MU of power. In FY 2004, such incentives aggregated to Rs. 228.88 million. We shall continue to endeavour to claim incentives available under the PPA.

Restructuring of outstanding debts and reduction of other expenses

Our efforts shall continue on an ongoing basis, to restructure our outstanding debt and to reduce and contain our other costs and expenses. Such efforts are expected to improve profitability, cash flows and liquidity of the Company.

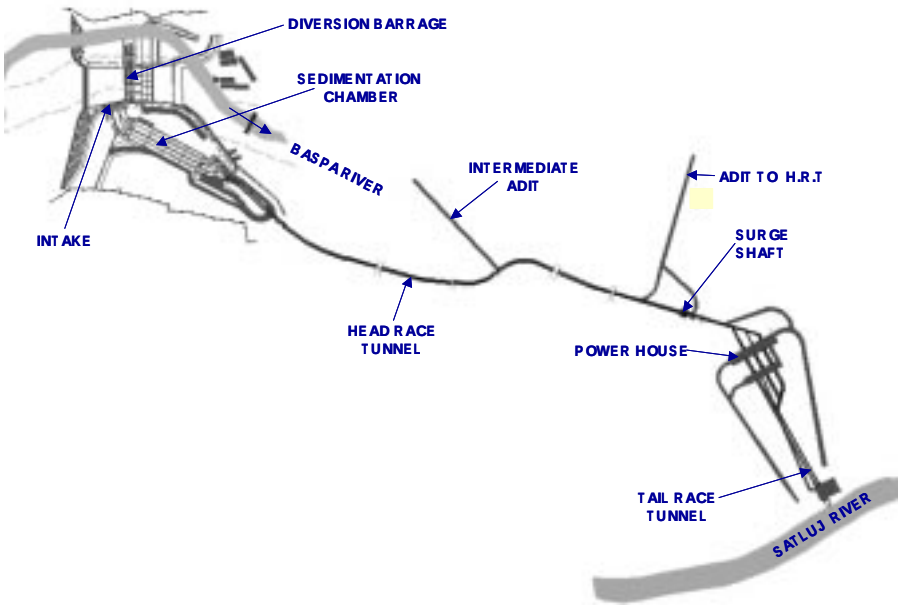
Upgradation of technology for repair and maintenance

We will continue to keep ourselves abreast of and to apply advanced technology for necessary repairs and maintenance of the Power Plant, whenever required.

Potential business opportunities

We see opportunities for growth in the power sector as the Electricity Act, 2003 ushers in comprehensive reforms in all segments of power sector – generation, transmission and distribution. The renewed thrust on private sector participation in the power sector by the GOI opens up new avenues for growth for our business. Himachal Pradesh is endowed with huge hydro power potential, and with JHPL being a pioneer in Himachal Pradesh in private hydro power generation is expected to leverage its own and the groups capabilities for enlarging its footprints in all related fields of generation, transmission and distribution.

Power Plant: Location, Engineering And Design And Equipment



The details of the project are as under:

Location and Catchment Area

Our Power Plant is an environment friendly run-of-the-river hydro power generation plant. The plant site is located on the river Baspa, a tributary of river Satluj in Kinnaur District, about 210 km from Shimla, the capital of Himachal Pradesh. The diversion barrage is located on river Baspa at village Kuppa near Sangla and the power house is located at village Karcham about 800 metres upstream of the confluence of rivers Satluj and Baspa, on National Highway 22. The nearest broad gauge railway station to the project site is Kalka under Northern Railway and the nearest airport to the project site is Shimla.

The Power Plant was commissioned on June 8, 2003 and has generated an aggregate saleable energy of 990.76 MU up to March 31, 2004 with Plant Availability of 96.80% as against the Design Energy of 940.41 MU. During the six months period ended September 30, 2004, the Power Plant has generated an aggregate of 853.79 MU with Plant Availability of approximately 99.54% as against Design Energy of 780.73 MU.

For more details of the major events in our company's history, please refer to the section titled "Our History and Certain Corporate Matters" on page 38 of this Red Herring Prospectus.

River Baspa originates from the glaciers of the Himalayan range at an elevation of 5,800 metres. The catchment area of the river at the barrage site is approximately 967.72 sq. km. including, approximately, 514 sq. km. of snow catchment area. The major part of the run-off in the river basin is derived from snow during the winter period from December to March. The river basin receives scanty rainfall during the monsoon months. The river is perennial with lean flows in winters.

Water availability at Sangla, the site of the diversion barrage, has been computed using 10 days flows for the period 1977-78 to 1992-93 and the same has been considered for the estimation of 90% dependable year for water availability. Based on the above data, the 90% dependable year has been identified as the year 1981-82 and the Design Energy for the plant based on the water flow in that year has been estimated at about 1,214 MU of electricity. The secondary energy generation potential of the plant based on average discharge for the period 1977-78 to 1992-93 is about 179 MU.

Project Components

The Power Plant is housed on a total area of 43.58 hectares out of which 29.67 hectares is government land and the balance 13.91 hectares was acquired under the Himachal Pradesh Land Acquisition Act by the GoHP. The following facilities are located on this land:

- Diversion barrage,
- Intake
- Sedimentation and Desilting chamber,
- Head Race Tunnel (HRT),
- Surge Shaft
- Pressure Shaft
- Power House
- Tail Race Tunnel

We have also constructed other facilities like stores, office, residential colony and workshop in addition to the above facilities on the above land.

The energy generation for the 90% dependable year and with 95% availability of Installed Capacity with a design head of 685 metres has been worked out as 1,219.08 MU. The Design Energy, after considering release of water for aquatic life, has been calculated as 1,213.18 MU. The Saleable Design Energy after deduction of auxiliary losses and losses on account of transformation up to the Interconnection Point and delivery of 12% free power to the HPSEB works out to 1,050.60 MU.

Diversion Barrage

The diversion barrage for the Power Plant, is 61 metres long, and is located 500 metres upstream of the suspension bridge. We have partially diverted the river at this site, so that the river flows in a straight and defined reach into the diversion barrage. The general riverbed level at the barrage axis is at an elevation of 2,519.0 metres and the riverbed has a slope of the order of 1:80.

The diversion barrage comprises of four spillway bays of 13 metres each separated by three metre thick piers for passing the design discharge of 1,150 cubic metres per second at a high flood level of elevation of 2,525 metres, the discharge intensity being 17.7 cumec.

Intake

Baspa river carries a large amount of sediments. The crest of the intake has therefore been kept at elevation of 2,525 metres, i.e. 4.50 metres above the barrage crest level. The Intake has four bays, each of which is four metres wide. This height has been considered adequate for restricting the entry of coarse sediment into the intake. It will also provide adequate space for trapping of sediment in the reservoir pond from where it can be flushed periodically by lifting the gates of the barrage.

Sedimentation Chambers

The hydraulic design of sedimentation chamber, including the number and sizes of openings as well as the flushing duct have been finalized on the basis of a mathematical model. For setting the particles coarser than 0.20 mm, the maximum flow velocity works out to 0.197 metres per second. However, based on hydraulic model studies, a flow velocity of 0.3 metres per second has been permitted.

Two sedimentation chambers each of 138.50 metres length x 17.00 metres width x 11.00 metres height have been provided to accommodate the flow during maximum pond level which is four metres above the minimum pond level.

Each chamber has been provided with one row of hoppers (with a total 32 hoppers in each sedimentation chamber) for the purpose of hydraulic flushing of the sediment.

Head Race Tunnel

The head race tunnel is required to pass a design discharge of 52 cubic metres per second. A 4.00 metre finished diameter, modified horseshoe concrete lined tunnel 7.95 km. long has been constructed. The centre line of the inlet end of the cut and cover portion of the head race tunnel at sedimentation chamber end has been kept at an elevation of 2,520.50 metres.

Surge Shaft

A restricted orifice type surge shaft with a height of 121 metres has been provided at the end of head race tunnel. The finished diameter of surge shaft up to an elevation of 2,485 metres is six metres and above this elevation, eight metres. The top of surge shaft is at elevation of 2,582 metres. These levels have been fixed in such a way that the maximum upsurge and down-surge determined as per standard criteria remain contained within the surge shaft.

The surge shaft has been lined with reinforced concrete lining. The lining will prevent leakage of water through cracks and weak shear zones of the surrounding rocks. It will also protect turbines by preventing loose rock particles falling in water and will also withstand the high velocities of water.

Pressure Shaft

The pressure shaft is required to negotiate a net head of 636.50 metres between center line of head race tunnel at the junction with surge shaft elevation of 2,452.00 metres and centre line of distributors elevation of 1,815.5 metres. The pressure shaft is steel lined, with 3.10 metre diameter, and is 885 metres long along with two “Y” pieces (3.10 metres x 2.50 metres and 1.80 metres) branching into three 1.80 metres diameter unit penstocks.

Power House

The approach to the main power house cavity and the transformer hall has been provided through a 298 metre long and seven metre D-shaped adit to erection bay. A six metre D-shaped branch tunnel of length of about 156.0 metres takes off from this tunnel and extends upto the “Y-piece” bifurcations of the pressure shaft. This approach tunnel has been used for excavation of bottom portion as also the inclined portion of the pressure shaft by using a raise climber. The erection of penstock liners in the bottom portion, and Y-pieces was also carried out through this tunnel. Another five metre D-shaped tunnel of 314 metres length has also been constructed to provide access to the top floor of the control block /GIS Hall at an elevation of 1,840.75 metres, which is being used as ventilation gallery as well as emergency exit. The 3.5 metres x 4.0 metres D-shaped Gas Insulated Busduct (GIB) tunnel originates from the GIS hall at an elevation of 1,834 metres. The other end of the GIB tunnel is at an elevation of 1,813 metres. The total length of the GIB tunnel is 217 metres.

The underground power house is located about 800 metres upstream of the confluence of rivers Satluj and Baspa and on the right bank of river Baspa and left bank of river Satluj. The power house is located within a good quality gneisses band. The minimum vertical and lateral rock covers at the power house complex are about 250 metres each.

The size of the main cavity of the machine hall, which houses three Pelton turbines and generating units of 100 MW capacity each with service bay (about 20 metres long) at one end and control block (about 17.60 metres long) at the other end, has been kept as 92.00 metres long x 18.00 metres wide x 39.75 metres high.

Independent tail race tunnels of 3.60 metres x 4.25 metres size have been provided below the runner of each turbine which joins a single 5.60 metre D-shaped concrete lined tail race tunnel. The tail race tunnel is 250 metres long and will discharge water into river Satluj. At the outlet end of the tail race tunnel, a skj-jump structure has been provided to discharge the water into river Satluj. Gates have been provided just before the skj-jump structure.

The power house also includes a 400 kV switchyard which comprises of generator transformers and gas insulated switchgears installed in a separate underground cavern.

Plant & Machinery

The generating equipment was supplied by Siemens AG consortium (Siemens and VA Tech Hydro Vevey), which included turbines, generators, valves, static excitation equipment, transformers, unit controls, microprocessor controls etc. The scope of services of Siemens AG consortium included design, engineering, manufacturing and supervision of erection and commissioning of equipment.

The Gas insulated switchgear and 400 kV high GIB were supplied by Alstom T&D, France. The scope of services of Alstom T&D, France included design, engineering, manufacturing and supervision of erection and commissioning of equipment. Generator transformers and other auxiliary and ancillary equipment are procured indigenously.

Hydraulic Turbine

The hydraulic turbine is vertical shaft, single runner, four Jet Pelton type turbine, directly coupled to a vertical shaft generator with a nominal rating of 111,000 kVA, 0.90 power factor, 375 Rpm. The turbine is capable of delivering 103,000 kW at shaft coupling without exceeding normal stresses.

Hydro Generators

The generators conform to IEC 34 standards.

Generator Transformers

The generator transformers are provided to step up the generating voltage of 13.80 kV to 400.00 kV for evacuating power from the Power Plant. Ten 41 MVA, ODWF cooled, single phase 13.8/400/3 kV, oil immersed, 50 Hz, indoor type generator transformers are provided along with fittings and accessories. We have one standby transformer for emergency use purposes.

Fire Protection System

The fire protection system supplied by Technico (India) Private Limited consists of:

- High Velocity Water (HVW) Spray System for generator-transformers;
- Hydrant system for power house complex;
- Addressable fire detection and alarm system (FDAS);
- Portable fire protection system; and
- Generator fire protection system (dealt with generators)

The design, manufacture, testing and performance of fire protection system comply with latest applicable Indian Standards.

Computerised Control System

The configuration of the control system is structured keeping in mind parameters such as high availability, safe operations and high performance. The control system comprises of local control Boards (PLC system) that acquire the state of indication and alarm points from the process, as well as analog measurements and digital metering, perform command actions, and execute automatic control and interlocking sequences.

Evacuation of Power

A 400 kV double circuit transmission system from the Power Plant to the Interconnection Point has been provided for evacuation of power from the Power Plant. The approximately 55 km. long transmission line, taking off from outdoor potheadyard of the Power Plant house and going up to the 400 kV Jhakri potheadyard, comprises of 121 tower locations and negotiates 13 valley crossings. Steel latticed towers have been provided at the valley crossing between Kafnu and Nichar region, which is the longest span of this transmission system at 1,234 metres, This transmission line was tested and commissioned in the month of May 2003.

From the Interconnection Point, the following 400 kV D.C. transmission lines are utilized to evacuate the power generated by the Power Plant:

- Jhakri to Nalagarh
- Jhakri to Abdullapur

From Nalagarh and Abdullapur, the power flows into the neighbouring states, utilizing existing intra and inter state links at a voltage of 220 kV and above.

Environmental Aspects

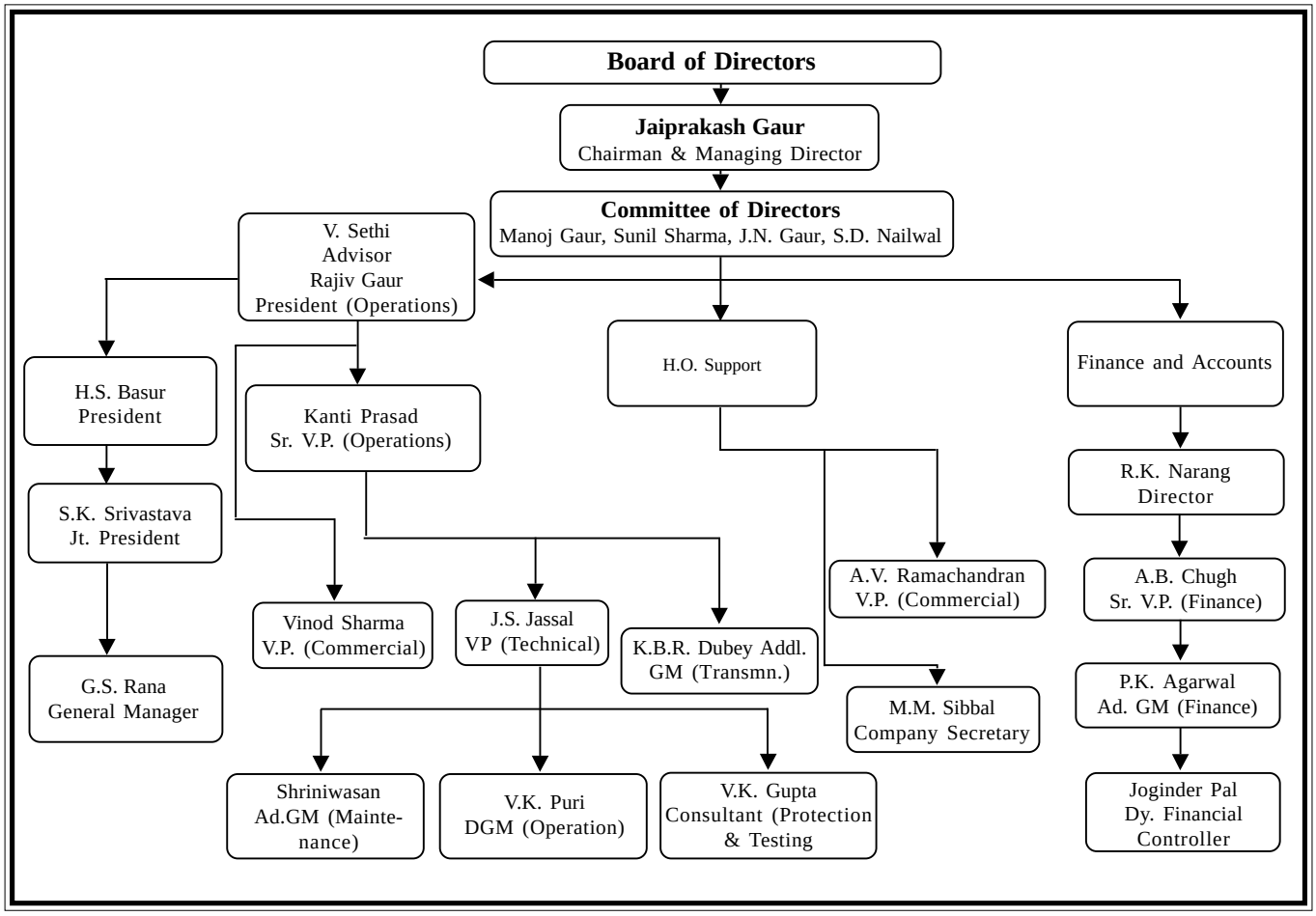
A key aspect of the construction phase of the Power Plant has been that the execution of the Power Plant has not resulted in the relocation of any person in the area. No families in the area have had to be rehabilitated, since the area submerged by the barrage is contained within the riverbanks and the Power Plant has not involved inundation of surrounding land. However, the Power Plant has resulted in forest-land measuring 23 hectares being diverted for the construction of the Power Plant.

We have already obtained the environment and forest clearance from Ministry of Environment & Forests (MoEF) vide their letter no. J-12011/1/87-IA-1 dated May 24 , 2000 on the condition that we will adopt certain precautionary measures for preventing environmental degradation. The MoEF had raised certain concerns on the treatment of the catchment area and our environment management plan. We have submitted our environment management plan to the MOEF and they have accepted the same. We are presently executing the environment management plan through the Forest Department of the GoHP.

We have made a provision of Rs. 181.00 million in the accounts for FY2004 for implementing the environment management plan and the catchment area treatment plan as well as for payments to the forest department of Himachal Pradesh for this

purpose. Out of this provision, we have already paid out Rs. 39 million to the Forest Department. We estimate that the yearly expenses related to the environment management plan would not exceed Rs. 25.00 million per year for a further period of around six years.

Organisation Structure



Employees

Our employee strength stood at 194 as on December 31, 2004. The function-wise distribution of these employees is as given below

Department	No. of employees
Engineering	52
Workshop	95
Finance, Stores & purchase	16
Personnel & Administration	30
Secretarial & legal	1
Total	194

The employee strength of 194 includes 29 engineers, 24 diploma holders, four chartered accountants / cost accountants, one company secretary, four post-graduates, 11 graduates, 16 Industrial Training Institute (ITI) certificate holders and 105 under graduates.

Training and Development

The necessary training for the operations and maintenance was initially imparted by the main equipment suppliers namely, Siemens, VA-Tech Hydro-Vevey, Alstom, BHEL, etc. Training is a continuous process and for this purpose the training needs at various level is identified and necessary training programme is organised. Training programmes are conducted in-house and

personnel are also deputed for training programmes conducted by reputed institutes like National Thermal Power Corporation Limited ("NTPC") - Power Management Institute, Noida; National Hydroelectric Power Corporation Limited ("NHPC"); Bharat Heavy Electricals Limited ("BHEL"); National Institute of Construction Management and Research ("NICMAR"), Council of Power Utilities, Indian Institute of Technology, Roorkee, National Safety Council, National Power Training Institute, Faridabad, etc. for training in specialised fields.

Insurance Arrangement

We have obtained an Industrial All Risk Insurance and Business Interruption policy from ICICI Lombard General Insurance Company Limited (60%), Oriental Insurance Company Limited (35%) and Bajaj Allianz General Insurance Company Limited (5%) for a period of one year, effective June 1, 2004. We have paid the required premium for this policy from the Trust & Retention Account.

The main features of this insurance policy are:

- Settlement on reinstatement value basis for total loss including claims on account of machinery break down.
- Under-insurance up to 15% is ignored
- Theft / Burglary is covered
- Multiple locations are covered under a single policy
- Transit risk inside the compound covered
- Terrorism risk cover

Details of various categories of risks covered and the sum insured under this insurance policy are as given below:

Perils covered	Inclusions	Sum Insured	Sum Insured includes
Fire and Allied Risk	Fire, Flood, Earthquake, Riot, Landslide, Rockslide, etc.	Rs. 8,884.60 million	Value of entire civil works, Equipments, Plant & Machinery without allocation of expenses
Terrorism	Riot, Strike, Malicious damage	Rs. 11,795.40 million	Value of entire civil works, Equipments, Plant & Machinery without allocation of expenses; and loss of profit
Machinery Breakdown (MBD)	-	Rs. 4,421.34 million	Value of, Equipments, Plant & Machinery without allocation of expenses
Loss of Profit	Loss of Profit due to Fire and allied perils	Rs. 2,910.80 million	Average of total revenue for FY2004 and FY2005
Removal of Debris	-	Rs. 50.00 million	-

The compulsory exclusions to the insurance policy include:

- Material damage claims: 5% of the claim to minimum of Rs. 500,000 and maximum of Rs. 5.00 million
- Business interruption claims: three days gross profit subject to minimum of Rs. 500,000 and maximum of Rs. 5.00 million

Financial & Commercial Aspects

The initial envisaged capital cost of the Power Plant as per PPA signed with HPSEB was Rs 7,027.70 million, excluding escalation and interest, during construction. The Techno Economic Clearance accorded to the project by the CEA was at Rs. 9,492.30 million at the December 1993 price level including interest during construction but excluding escalation. The project cost has since undergone changes from time to time due to various reasons including deviations in quantities of civil work, extra items, restoration of damages due to unprecedented flash flood in July 2000, besides price escalation, exchange rate variations and interest during construction. We submitted a revised project cost of Rs.16,201.50 million along with revised commissioning schedule in May 2001. The lead lender (ICICI Bank Limited) had appraised the project completion cost at Rs. 16,120 million. The final completion cost accepted by the term lenders was Rs. 16,247.20 million. This project completion cost however excludes liabilities on account of payment to SJVNL for the Interconnection Facilities and implementation of CAT Plan together amounting to Rs. 426.16 million. HPSEB and GoHP, however, have approved the project completion cost at Rs. 15,500 million for the purposes of computation of tariff. The tariff to be paid to us will be approved by HPERC based on the project completion cost approved by HPSEB and GoHP after receipt of approval from the CEA. Pending receipt of AFP from CEA and determination of tariff by HPERC, HPSEB is making payment of the energy bills as per the directions of HPERC i.e. payment realised from sale of Baspa II power.

Sources of Financing

The Power Project has been financed by equity capital and loans both in Rupees and foreign currency. The details of financing of the completion cost of the Project is as under:

(Rs. in million, except where indicated otherwise)

S. No.	Particulars	Completion Cost		
		As intimated to HPSEB	As approved by HPSEB/GOHP	As accepted by Lenders
	Equity			
1	JAL	3,510.00	4,650.00	3,560.00
2	ICICI Bank	1,350.00		1,350.00
	Total Equity	**4,860.00**	**4,650.00**	**4,910.00**
	Debt			
1	Rupee Loans	9,041.70	8,667.50	8,854.10
2	Foreign Currency Loan Hypoverein Bank, Germany and VA Tech Finance (Ireland) Limited	US$ 25.72 million	US$ 24.47 million	US$ 22.69 million
	Credit Lyonnais, France	US$ 18.98 million	US$ 17.91 million	US$ 17.94 million
	IDBI, India	US$ 4.76 million	US$ 2.62 million	US$ 2.62 million
	Total Foreign Currency Loan	US$ 49.96 million	US$ 45.00 million	US$ 43.25 million
	Total Foreign Currency Loan (in equivalent Rupees)	2,299.80@	2,182.50#	2,034.40*
	Internal Accruals	-	-	448.70
	Total Debt	**11,341.50**	**10,850.00**	**11,337.20**
	Grand Total	**16,201.50**	**15,500.00**	**16,247.20**

@ based on a USD to Rupee conversion rate of Rs. 46.03
***** based on a USD to Rupee conversion rate of Rs. 47.09
# based on a USD to Rupee conversion rate of Rs. 46.50

The final completion cost of the Power Project as appearing in our accounts for FY2004 is Rs. 16,673.16 million which included an amount of Rs. 874.70 million as balance project liabilities. The final completion cost of the Project as appearing in our accounts for the six months ended September 30, 2004 is same as above. The aforesaid balance project liabilities as on September 30, 2004 stand reduces to Rs. 311.20 million after payment of Rs. 563.50 million during the period from commissioning of the Project to September 30, 2004. The details of these liabilities are as as under:

- **Interest during construction, retention money and financial charges – Rs. 242.60 million**
  The liabilities are on account of interest payable to banks and financial institution for the last interest period before commissiong, payment due to foreign suppliers and retention money. Out of total amount of Rs. 242.60 million, an amount of Rs. 77.40 million has already been paid as on September 30, 2004.

- **Payment to SJVNL – Rs. 451.10 million**
  As part of Power Evacuation System, JHPL has signed a separate agreement with SJVNL on May 8, 2003 for Interconnection Facilities. As per the agreed arrangement, JHPL is using two 400 KV incoming bays of SJVNL potheadyard at the Interconnection Facilities for evacuation of the entire power from the Power Plant. The modality of interconnection facilities and sharing of cost has been decided by the CEA. As per the decision communicated by the CEA vide its letter No: 201/14/2003-HPA -III/518 dated June 17, 2003, Rs. 628.68 million was payable to SJVNL. As on June 8, 2003, an amount of Rs. 177.60 million was paid and the balance Rs. 451.10 million was the outstanding liability. This amount has been paid in full as on September 30, 2004.

- **Payment to Forest Department, GoHP – Rs.181.00 million**
  The environment management plan and the CAT plan of the Power Project is being implemented by the Forest Department, GoHP on our behalf. The work is being executed on a “Deposit Work” basis. Rs.181.00 million was payable on account of afforestation work and other related activities as per the environment management plan and the CAT plan. Out of this amount, we have already paid an amount of Rs. 35.00 million as on September 30, 2004.

Commercial Aspects

After successful commissioning of each of the three units of the Power Plant with effect from May 24, 2003, May 29, 2003 and June 8, 2003 respectively, the Power Plant has come under commercial operation and power generated from the Power Plant is being fed to the northern region power grid. The tariff calculation has been done at a Primary Energy level of 1,213.18 MU, out of which 1,050 MU is the saleable energy. Incentives at an average annual rate of 10 % ROE on account of 155 MU of secondary energy, incentives at the rate of 2% ROE on account of machine availability and income tax holiday for the first ten years of commercial production have also been considered. The tariff has been worked out as Rs. 2.95 per unit (net of rebate) for the first year of commissioning (i.e. FY 2004).

Selling Arrangements

Power Purchase Agreement (PPA) was entered into between Jaiprakash Hydro-Power Limited (the Company) and HPSEB on June 4, 1997. Jaiprakash Industries Limited (JIL), in pursuance of a Memorandum of Understanding (MoU), entered into an Agreement dated October 1, 1992 (hereinafter referred to as "Baspa-II Agreement") with the GoHP. In pursuance of the provisions of the MoU, a wholly owned subsidiary, namely, Jaiprakash Hydro-Power Limited was incorporated to Build, Own, Operate and maintain the Baspa-II Hydro-electric Power Project ("Power Plant") and to undertake the obligations of JAL as envisaged in Baspa-II Agreement.

Salient features of the Power Purchase Agreement (PPA)

The salient features of the Power Purchase Agreement including it's amendments dated July 1, 1998 are as under:

- The Agreement shall be effective upon execution and delivery by the Parties hereto and unless earlier terminated pursuant to provisions of this Agreement, shall have a term from the date hereof until forty (40) years after the COD of the project extendable for a further period of twenty years.

  In case GoHP agrees to grant to the company further extension by 20 years in terms of Baspa-II Agreement, the HPSEB shall have the first right to continue purchasing power from this Project during this extended period(s) on the same terms and conditions.
- From and after the date of synchronization of the first unit of the project with the grid, the Company shall sell and the HPSEB shall purchase at the interconnection point at Jhakri, for the consideration as set forth in the agreement, 88% of the electrical energy delivered by the project. The balance 12% of the electrical energy shall be delivered by the Company to the HPSEB at the Interconnection Point, free of cost.
- The capital cost of the project shall include the following components:
  - Basic cost of the project including civil works, electrical works, transmission and inventory and spares (Rs.7,027.70 million)
  - Escalation on the unspent amount of the basic cost @ 6% p.a. if in any year the Weighted Price Index (WPI) exceeds 8% p.a., additional escalation for that year shall be allowed at a rate by which the escalation for that year exceeds 8% p.a.
  - Interest during construction and financial charges.
  - Any change in cost on account of any law, extension of scheduled commercial operation date due to force majeure events.
  - The margin money for working capital is not included in the capital expenditure. Foreign Exchange Component shall not exceed 33% of the project cost. If the foreign component is more than 33%, HPSEB's liability to bear the foreign exchange fluctuation shall be limited to 33% of the total capital cost.
  - Capital cost in respect of each unit shall be equal to one-third of the capital cost of the project, as worked out up to the scheduled COD of the project on the basis of the Approved Financial Package.
- If the Power Plant has achieved the normative availability level in a tariff year /period, but the actual energy generation falls short of the Design Energy for reasons solely attributable to hydrology, the energy charges for generating up to design energy shall be payable for that period during the first seven years of operation. In case the reduced generation during a tariff year /period is due to other reasons beyond our control and result in water spillage, the energy loss on account of such spillage shall be considered as deemed generation. The payments on account of deemed generation shall not exceed the design energy payments.
- The Design Energy for the Power Plant will be equal to the quantum of energy which would be generated in a 90% dependable year (1981-82) with 95% availability of Installed Capacity of the Power Plant which has been estimated at 1,213.18 MU.
- The Tariff for 88% of the energy generated by the Power Plant and delivered to the HPSEB will comprise of four parts namely
  - Capacity Charges
  - Primary Energy Charges
  - Incentive for Secondary Energy
  - Incentive in case the Plant availability level as determined, is greater than 90%.

  The capacity charges shall consist of interest on outstanding loans, depreciation / advance against depreciation and leasing charges in case the company has taken assets on lease. Full capacity charges shall be recoverable if the plant

availability level equals or exceeds the normative availability level of 90%. In case the Plant Availability is less than 90% the capacity charges shall be reduced on pro-rata basis. The payment on account of depreciation and advance against depreciation during the period when the debt is outstanding as per the Approved Financial Package, will be equal to the amount of principal required to be paid in the relevant tariff period / tariff year subject to maximum of 1/12 of the loan components of the capital cost as per the Approved Financial Package. Out of the amount so paid, amount worked out @ 4.3% of the capital cost for each full period of 12 months shall be treated as the payment on account of depreciation and the balance as advance against depreciation. After the debt redemption period, the advance against depreciation shall be adjusted against depreciation payable by the HPSEB for the future period at a rate per annum of 4.3% of the capital cost. No further payment on account of depreciation shall be made until the entire amount of advance against depreciation is fully adjusted.

The projections for the annual capacity charges are required to be submitted to HPSEB by us before the beginning of a tariff period / year. The annual capacity charges divided by 12 shall determine monthly capacity charges payable irrespective of generation. However, on a Plant Availability of less than 90% pro-rata deduction is envisaged.

The Primary energy charge shall consist of:

- Operation and maintenance charge at the rate of 1.25% p.a. of the capital cost as per AFP escalated at the rate of 6% (compounded annually) subsequent to the initial tariff year for first ten tariff years and thereafter escalated based on weighted average index of wholesale prices and consumer prices.
- Return on equity at the rate of 16% p.a. of the equity component of the capital cost as per Approved Financial Package
- Interest on working capital at the State Bank of India lending rate as applicable from time to time for the secured loans on the amount of working capital computed in terms of the provisions.

The Primary Energy charges estimated for the tariff period are to be divided by the Design Energy for the period to arrive at a unit rate of energy charges, which will be multiplied by energy generated during a month to ascertain monthly payments.

The charges for the saleable secondary energy for any tariff year shall not exceed 10% return on equity. The per unit rate for saleable Secondary Energy shall be calculated by dividing 10% return on equity with normative saleable secondary energy amounting to 155 MU at the Interconnection Point.

The saleable energy delivered at the Interconnection Point (after excluding Infirm Energy) to the extent net saleable energy shall be treated as saleable energy. Any energy in excess of the same shall be treated as net saleable Secondary Energy during the tariff year / tariff period.

In case the plant availability level in a tariff year, as determined in accordance with the terms of the PPA, exceeds the normative level of 90%, the company shall be entitled to an incentive at the rate of 0.35% of equity component of the capital cost as per the approved financial package for each percent increase in plant availability above 90% normative level during the year when plant availability is more than 90%. The amount of this incentive payable for any tariff year shall not exceed 2% return on equity.

The tax on income will be payable as an expense to the company on submission of a tax bill to the HPSEB at least 40 days prior to the required date of payment of such tax / advance tax. The tax liability payable by the HPSEB shall in no circumstances be more than the income tax actually payable by the company.

The extra rupee liability on account of foreign exchange variation towards interest payment and loan repayment incurred in the relevant year, shall be payable subject to the specified limits as per the firm financial package.

- The Company and HPSEB are required to install one set of meters each named as main meters and check meters respectively at the Interconnection Facilities. On the first day of every month, in the presence of representatives of both, the Company and HPSEB, readings for the supplies at interconnection point shall be taken, which will be jointly signed by both the parties. Based on these readings, we shall raise bills on HPSEB.
- The Company shall prepare a monthly bill in the first week of the month for the previous month and submit to HPSEB with meter reading jointly signed by us and HPSEB. The monthly bill shall include 'Fixed monthly capacity charges, primary energy charges and secondary energy charges'. The Company is required to submit supplementary bills for reimbursement of income tax along with the monthly bill for the tax paid during previous month. The PPA further prescribes that the company shall submit supplementary bill, indicating the difference of foreign exchange variation on interest on foreign debt and foreign loan repayment on actual basis.
- A jointly reconciled statement is also required to be submitted by us for annual payment / adjustment for capacity charges, energy charges and incentives, on annual basis.
- For payment of the monthly bills for each billing month within seven (7) days from the presentation of the monthly bill, the HPSEB shall be given rebate at the rate of two point five percent (2.5%) of the amount billed and paid.
- To the extent the HPSEB makes payment after 7 days but within thirty (30) days from the presentation of the bill the HPSEB shall be entitled to a discount of one percent (1%) of the amount so billed by us.
- In case of supplementary bills also, we shall allow rebate at the above rates for payments within 7 days and within thirty five (35) days from the presentation of the supplementary bill to the HPSEB.
- The payment of monthly bills shall be made by HPSEB through a confirmed, irrevocable, without recourse to the drawer, revolving LC. The amount of LC shall be for 1.5 times of one month's billing in respect of (a) capacity charges for one month billing, (b) energy charges for saleable design energy for the month of September at applicable tariff for the year, or for the peak monthly bill on half yearly basis. The LC can be assigned to the Financial Institutions/ Lenders for the purpose of getting financial assistance.

- The payments by HPSEB to us shall be effected through an escrow mechanism for which HPSEB shall open an escrow account with a scheduled bank, to be maintained by the bank as an agent for us, which shall be pledged as security to us and our lenders.
- The payment obligations of HPSEB are further guaranteed by the GoHP, which can be invoked in case HPSEB does not make payment of a undisputed bill within two months after giving a notice of at least 15 days.
- Notwithstanding any dispute as to all or any portion of monthly bill/supplementary bill submitted by us to the HPSEB, the HPSEB shall pay the undisputed amount of the bill by the due date, provided that the amount of the bills is based on joint meter reading and applicable tariff.
- In case of dispute on any of the bills, the HPSEB shall notify us of any disputed amount within 15 days of receipt of bill, and we shall rectify the error /shortcoming or otherwise notify its rejection of the disputes amount, with reasons, within 5 days of the reference by the HPSEB. In case of persistence of a dispute the provisions of the PPA for resolution of disputes shall be applicable. If the resolution of any dispute requires us or the HPSEB to reimburse to HPSEB or the Company, the amount to be reimbursed shall bear interest, for the number of days from the date of payment, by the HPSEB or by us upto the date of reimbursement, at a rate equal to the rate being charged from time to time by State Bank of India for 90 days unsecured loans from the commercial borrowers plus three (3) percent plus interest tax per annum.
- The HPSEB shall have the option exercisable at any time within the period beginning 540 days before and ending 180 days before the expiry date of the Agreement (or before the expiry of extension if any) to purchase the Power Plant on the expiry date of the agreement (or of extension period if any) in accordance with terms of the Agreement, where upon, subject to buy out price provisions, neither party shall have any liability to other party in relation to the project.
- We shall effect and maintain during the construction period as well as during the operation period the insurances as envisaged in the PPA.
- The events of default, which may result in termination of the PPA, are divided into those attributed to the company and those attributed to HPSEB. The Company's events of default include (i) abandoning of the Power Plant or major works on the Power Plant; (ii) the Company wilfully or recklessly fails to operate and maintain the Power Plant in accordance with the product utility practices or as per the PPA; (iii) the insolvency and/or dissolution of the Company pursuant to law, except for the purpose of a merger, consolidation or reorganisation, provided the resulting entity expressly assumes all the obligations under the PPA; (iv) the Company commits material breach of the PPA; and (v) the shareholding of JAL in the Company reduces below 51% and/or the Company undertakes any other project without the prior approval of HPSEB.

  HPSEB's events of default include (i) dissolution, pursuant to law, of HPSEB for purpose of a merger, consolidation, privatisation or reorganisation that does not affect ability of the resulting party to perform all the obligations under the PPA; (ii) GoHP materially breaches its obligation under the Government Guarantee or the Government Guarantee ceases to be a legal or binding obligation of GoHP for reason attributable to HPSEB; (iii) HPSEB fails third time in a Tariff Year to make payment for undisputed monthly bill exceeding maximum amount of monthly bill in a Tariff Year; and (iv) HPSEB commits material breach of the PPA.
- On the occurrence of an event of default a notice has to be given by the non defaulting party asking the defaulting party to remedy the default within a cure period. At the expiry of the cure period and unless the parties shall have otherwise agreed or in the event of default giving rise to the notice of default shall have been remedied, the party having given notice of default may give a termination notice to the other party stating that the Agreement shall stand terminated on the expiry of the notice period if the default is not remedied within that period. The notice period in case of defaults shall be 120 days. The notice period(s) can however be extended with mutual Agreement.
- If at any time after we are entitled to deliver a Company termination notice but have not done so, we shall be entitled to deliver to the HPSEB a notice (a "Company Termination Notice") informing the HPSEB that an HPSEB event of default has occurred. Our right to deliver to the HPSEB a Company Termination Notice shall not be prejudiced by the delivery of any prior Company Termination Notice or the subsequent sale of Net Electrical Energy.
- If at any time after the HPSEB is entitled to deliver a HPSEB termination notice but has not done so, the HPSEB shall be entitled to deliver to us a notice (a "HPSEB Termination Notice") informing us that a Company event of default" has occurred. The HPSEB's right to deliver to us a HPSEB Termination Notice shall not be prejudiced by the delivery of any prior HPSEB Termination Notice or the subsequent purchase of Net Electrical Energy.
- Following the delivery of a Company Termination Notice in respect of the HPSEB Default, we shall have the right to enter into agreements, with the approval of the HPSEB (which permission will not be unreasonably withheld), to sell any portion of the Net Saleable Electrical Energy of the Power Plant (ensuring 12% free power to GoHP /HPSEB) to any third party for as long as the HPSEB default continues. We shall make arrangements with the Power Grid /HPSEB or other utilities to wheel the power to third parties at mutually agreed wheeling charges. In case we do not enforce our right under this clause, provisions for continuing power generation and purchase shall apply.
- Force Majeure shall mean any event or circumstances or combination of events as enlisted below, that wholly or partly prevents or unavoidably delays any party in the performance of its obligations under this agreement. The following are the events to be considered as events of force majeure:
  - Non-Political Force Majeure: natural disasters, sabotage activities, epidemics, air crash, shipwrecks, train wrecks or delays in transportation that are not reasonably foreseeable; delay by any concerned party viz. contractors, power grid for interconnection etc. resulting from a non-political force majeure event.

- Political Force Majeure: Acts of war, invasion, blockade, embargo, riot etc; strikes, go-slows etc. that are part of a nationwide or regional strike, the change in any laws in Indian affecting the performance of the parties, etc.
- Direct Indian Political Force Majeure Events: With reference to us only, the expropriation, requisition, nationalization or compulsory acquisition by any Government authority resulting in ownership /control of JHPL any other act or default materially and adversely affecting us in implementation of the project.

- Neither party shall be responsible for any delays resulting from any Force Majeure event. During any non-political force-majeure, if we cannot operate the station at declared capacity, HPSEB shall pay to us Capacity Charges at 90% plant availability. If we are not able to operate the station as per the declared capacity during a political force majeure event, HPSEB shall pay to us capacity charges and deemed energy generation charges at 90% plant availability.
- For the purpose of financing the project, we may assign or create security over our rights and interests under or pursuant to the PPA or any other agreement related to the project, our site, our movable property and intellectual property, our revenues or any of our rights or our assets
- Consequent upon termination of the PPA, the HPSEB has a right to purchase the project and /or the Company may require that HPSEB purchase the project, at a price determined in accordance with the buy out provisions.

Supplementary Agreement to PPA and HPERC Order

A Supplementary Agreement dated February 28, 2003 to the PPA was executed between HPSEB and us to record the approval of financial package at Rs 15,500 million and for payment arrangements. The Himachal Pradesh Electricity Regulatory Commission ("HPERC"), of its own accord, initiated proceedings in respect of this Supplementary Agreement, and observed that the said Supplementary Agreement resulted in substantial changes in main PPA and hence cannot be entered into without the approval of the Commission. In these proceedings, we contended that in terms of the PPA, the tariff payable to us has already been settled and agreed upon. However, the Commission took a view that the cost of the Power Plant is subject to 'check of prudency' and 'due diligence' on the part of the Commission. Further, the Commission observed that the capital cost of the Power Plant was yet to be approved by CEA and referred to the Commission. Accordingly, the tariff has not yet been determined. Thus, the Commission, vide its Order dated September 6, 2003, declared the Supplementary Agreement to be void and inoperative, and directed the HPSEB and us to explore possibilities of reducing the interest cost through a suitable debt restructuring package within 9 to 12 month's time period. Thereafter, we were directed to file with the Commission the financial package within 15 days of its approval by CEA for orders of the Commission. Further, we were also directed to file with the Commission an application for determination of tariff within 15 days after the approval of the firm financial package and modified supplementary agreement by the Commission, whichever is later.

In the meantime, pursuant to the said Order, the Commission is reviewing and monitoring the progress being made by us and the status of our debt restructuring efforts. HPERC in its recent orders has expressed concern over the delay of the approval of the firm financial package by CEA and has directed the Company to make efforts to expedite the same.

Currently, pending the determination of the tariff, the Commission has directed HPSEB to continue to pay to us, the revenue realised from sale of energy from the Power Plant.

Agreement entered into by the Company for Interconnection Facilities

With a view to record the terms and conditions on which JHPL would feed the saleable energy and free energy to be generated from the Power Plant through the transmission lines at the Interconnection Facilities, an Agreement for Interconnection Facilities was entered into on May 8, 2003 ("**Interconnection Agreement**"). The salient features of the Interconnection Agreement are as follows:

- SJVNL has agreed to establish the requisite Interconnection Facilities comprising of two incoming bays feeders.
- The cost of the Interconnection Facilities was to be borne by us. As on September 30, 2004, the entire cost of Rs.628.68 million has been paid by the Company to SJVNL in accordance with the decisions of CEA. The bank guarantee for an amount of Rs. 350 million issued by JAL's bankers i.e., the Oriental Bank of Commerce, received by SJVNL on May 7, 2003 to back the afore said payment now stands reduced to Rs.70 million.
- In order to measure the energy received from the Power Plant, SJVNL agreed to make suitable provision for installation of meters and transformers of requisite accuracy class. All meters are agreed to be calibrated, inspected and sealed jointly on behalf of the parties, and the same shall not be interfered with, except in the presence of other parties for joint testing and calibration and / or replacement and / or any other purposes, for which notice of 7 days will be given by SJVNL so that this is done in the presence of authorised representatives of SJVNL, HPSEB and us. The receipt of the energy from the Power Plant as worked out on the basis of a joint meter reading shall also represent the energy delivered by us to HPSEB at the Jhakri Switchyard.
- Subject to the provisions of the Interconnection Agreement, SJVNL shall operate and maintain the Interconnection Facilities, and if required, effect improvement thereto in accordance with (i) prudent utility practice; (ii) applicable laws and statutory directives; (iii) manuals, instructions and manufacturer's guidelines supplied by the construction contractors, manufacture of equipment/ suppliers, etc.; and (iv) instructions issued by HPSEB for control and monitoring of despatch of energy from the Power Plant in accordance with the operating procedures developed by SJVNL, HPSEB, Powergrid Corporation of India Limited and us.
- We shall pay annual operation and maintenance charges equivalent to 1.5% of the cost of the works, both for exclusive and common facilities, calculated as per the Interconnection Agreement for the period of the first year. An annual escalation factor

of 6% per annum shall be used to revise the operation and maintenance expenses for the subsequent financial years commencing from April each year. The formula of calculation of the escalation is prescribed in the Interconnection Agreement.

- The Interconnection Agreement shall remain operative for a period of 25 years from the date of signing thereof, with an option to mutually extend, renew or replace the term for another 25 years by another agreement on such terms and conditions as the parties may mutually agree to at the relevant time, by giving one year advance intimation by either party to the other party.

Agreement entered into by the Company for the Escrow Account

Pursuant to the Amendment No. 1 dated June 4, 1998 to the PPA, it was agreed that additional security would be provided to us for HPSEB's obligations by opening an Escrow Account with a bank. The opening of such account and the terms and conditions of its operation have been set out in the Escrow Agreement dated February 24, 2004 ("Escrow Agreement") entered into by and between HPSEB, Punjab National Bank ("PNB") and us. The Escrow Agreement shall be subject to review, after finalisation of the proposed Supplemental Agreement by Himachal Pradesh Electricity Regulatory Commission ("HPERC"). The salient features of the Escrow Agreement are as follows:

- HPSEB and us have appointed PNB as the Escrow Agent in respect of the amounts deposited in the escrow account ("Escrow Account") to be opened with the Escrow Agent.
- HPSEB granted its consent to us to pledge /hypothecate the Escrow Account as security in favour of us and our lenders for payment of all sums due to the us by HPSEB.
- HPSEB undertook that all the payments due to the Board from its customers specified in the Escrow Agreement shall be deposited in the Escrow Account. The amount to be so deposited shall aggregate to an amount equal to 125% of the revenue realised by HPSEB corresponding to the sale of 88% of the energy delivered by us to HPSEB at the Interconnection Point.
- HPSEB shall not act in any manner as may adversely affect the inflow of the revenues into the Escrow Account and shall take such steps as necessary to ensure the flow of the specified level of revenues in such account during the validity of the Escrow Agreement.
- HPSEB shall be entitled to withdraw funds from the Escrow Account, provided HPSEB is in compliance with respect to payment of all sums when due to us through the LC or otherwise. In the event of failure by HPSEB to pay us all the amounts due through LC or otherwise or non-renewal of the LC, we, by written notice to the bank holding the Escrow Account, may require such bank not to honour any of the cheques, hundies and requisitions presented to it by HPSEB or any other drawals on the account until after the claim of the Company is first discharged out of the revenues accumulated in the Escrow Account.
- The Escrow Agreement shall remain valid till, the repayment of the debt for the Power Plant or the termination of the PPA whichever is earlier. The Escrow Agreement may also be terminated with mutual consent of the parties.

Agreement entered into by the Company for the Trust And Retention Account

The Trust and Retention Account Agreement (TRA Agreement) was executed on May 18, 2001 among the Company, Lenders and ICICI Bank Limited as Account Bank (Trust and Retention Account Agent). The salient features of the TRA Agreement are as follows:

- The Company shall establish a Trust and Retention Account ("TRA") with the designated bank, which will have 19 sub accounts as laid down in the TRA Agreement for conducting transactions of various nature.
- During the construction period entire inflows of the Company shall be deposited in the 'Construction Account' and withdrawn from there in accordance with the approved ' construction budget'.
- On and from the COD all the project proceeds shall be deposited in the 'Revenue Account' and withdrawn from there in order of priority laid down in the Agreement. The first priority being the Operation and maintenance followed by insurance expenses, debt payments, debt service reserves, Operation and maintenance reserve, insurance reserve, Tax reserve, Major maintenance reserve, dispute reserve, and distribution holding account.
- After meeting the expenses for the current period, the Company is obligated to maintain reserves as mentioned above equal to the levels prescribed in the Agreement.
- The Account Bank has the obligation to ensure that the transaction in the account is being done in accordance with the provisions of the Agreement.
- The Agreement shall remain valid till the amounts borrowed by the Company remain outstanding.

OUR HISTORY AND CERTAIN CORPORATE MATTERS

Incorporation

Our promoters (erstwhile JIL, now JAL) and GoHP executed a Memorandum of Understanding dated November 23, 1991, recording GoHP's acceptance of our promoters proposal to implement the Power Plant and detailing the terms and conditions of its implementation. Subsequently, the Agreement for Implementation dated October 1, 1992 was executed between our promoters and GoHP, whereby our promoters agreed to establish, operate and maintain the Power Plant for an initial period of 40 years from the date of commissioning, extendable for a further period of 20 years.

The Company was incorporated on December 21, 1994 with the object, inter alia, to set up hydro-electric or Thermal power projects and for the supply of general electric power. The Certificate of Commencement of Business was granted on January 9, 1995. Our registered office is at C-16, Lane 1, Sector 1, SDA Housing Colony, New Shimla 171 009. Our Head Office is at 'JA Annexe' 54, Basant Lok, Vasant Vihar, New Delhi - 110 057.

Pursuant to the Tripartite Agreement dated October 17, 1995 between the GoHP, our promoters and us, all the assets, liabilities, obligations, privileges and benefits relating to the Baspa II project were transferred and assigned from JAL to the Company on the terms and conditions contained therein. JHPL paid a consideration of Rs.608.30 million to JAL for the transfer of assets of the Power Plant. This was funded through equity participation by JAL in the Company.

History and Key Events

Year / Date	Key Events
1991	GOI announcement of the policy for opening up of the power sector for private sector participation
November 3, 1991	Execution of MOU between JAL and GoHP, wherein GoHP accepted the proposal of JAL for setting up the Baspa Stage II 300 MW hydropower project and accorded in-principle approval to JAL for implementing the project
May 1992	Detailed project report submitted by JAL to GoHP for the project after carrying out a detailed techno-economic feasibility study
October 1, 1992	Implementation Agreement executed between GoHP and JAL wherein GoHP granted the right to establish, own, operate and maintain the project and permission to generate and sell power from the project for an initial period of 40 years from the date of commissioning, extendable by another 20 years.
December 17, 1993	Approval by Ministry of Environment and Forest, GOI for the Project
April 24, 1994	Techno-economic clearance granted by CEA for the Project
December 21, 1994	Incorporation of JHPL by JAL under the terms of MOU with GoHP to implement the Project
March 1995	Approval of the Project by Financial Institutions at an estimated project cost of Rs.11,020 million and inter-alia signing of PPA as one of the pre-disbursement conditions
October 17, 1995	Execution of a tripartite agreement between JHPL, JAL and GoHP consenting the transfer of all assets, liabilities, obligations, privileges and benefits arising out of MOU from JAL to JHPL
June 4, 1997	Signing of PPA with HPSEB pursuant to Implementation Agreement with GoHP
June , 1997	Reappraisal of the project by the Financial Institutions with a revised cost of Rs.12,630 million.
January 7, 1998	Amendment made in the PPA to include provisions for escrow mechanism and letter of credit for realization of payment from HPSEB
July 2,1998	Promulgation of The Electricity Regulatory Commissions Act
January 21, 1999	Submission of financial package of Rs.13,650 million by JHPL to HPSEB and CEA pursuant to the terms of techno economic clearance
January 25, 1999	Execution of agreement with Siemens AG Consortium, Germany and Alstom T & D, France for import of electromechanical equipment and GIS/ GIB respectively
February 2000	Reappraisal of project cost by FIs at Rs.13,450 million.
July 31, 2000	Occurrence of flash floods in river Sutlej disrupting communication and transportation links to the project site, resulting into delay in the implementation of the project by more than a year
March 22, 2002	Reappraisal of the Project consequent to the flash floods at a cost of Rs. 16,120 million
May 14, 2001	Submission of revised financial package of Rs. 16,201.50 million by JHPL to HPSEB and CEA consequent to increase in the cost on account of the flash floods
December 4, 2002	GoHP/HPSEB in-principle approval for project cost at Rs.15,500 million or actual whichever is less
February 28, 2003	Execution of Supplementary Agreement to PPA between JHPL and HPSEB in regard to payment of dues (as per entitlement under the PPA) based on actual realization for the sale of power to HPSEB
June 8, 2003	Commencement of commercial production of the Power Plant (as notified by HPSEB)
September 6, 2003	Order issued by HPERC declaring the Supplementary Agreement to PPA void ab initio, non est or inoperative: (a) directing HPSEB and JHPL to restructure the debts to reduce the interest costs and to file the financial package after the approval of CEA (b) directing HPSEB to continue to pay to JHPL the revenue realised from sale of energy pending determination of tariff
December 11, 2003	Meeting of lenders agreeing in-principle for restructuring the debt with re-aligning the interest rate at 10.50 % p.a. and re-fixation of repayment schedule

Our Main Objects

The main objects of our Company, as stated in the Memorandum of Association include the following:

1. To set up power projects – hydro-electric or Thermal, and to carry on the business of general electric power supply in any or all of its branches and to construct, lay down, establish, fix and carry out all necessary power stations, cables and wires, lines, accumulators, lamps and works and to generate, accumulate, distribute and supply electricity and to light cities, towns, villages, streets, docks, markets, theatres, buildings, industry or industries and any other places, both public and private.
2. To acquire the right to use or manufacture dynamos, accumulators and all apparatus not known, or that might be developed or invented in future in connection with the generation, transformation, transmission, propagation, radiation, distribution, supply, accumulation and employment or application of electricity or other sources of power/energy and to construct, maintain, carry out, work, buy, sell, let on hire and deal in works, plants, machinery, conveniences and things of all kinds capable of being used in connection with such purposes including cables, wires, lines, stations, exchanges, accumulators, dynamos, motor batteries, switching, regulating, controlling, signaling and medical apparatus, lamps, meters and engines.
3. To carry on the business of electricians and electrical, mechanical engineers, suppliers of electricity or other power /energy for the purpose of light, heat, motive power or otherwise, and manufacturers and dealers of apparatus and things required for or capable of being used in connection with the generation, distribution, supply, accumulation and employment of electricity, galvanism, magnetism or non-conventional, renewable or new energy/power.

Our activities have been carried out in the past, and are being currently carried on, in accordance with the objects of Memorandum of Association.

Changes in Memorandum of Association

Since our incorporation, the following changes have been made to our Memorandum of Association:

Date of Amendment	Amendment in the Share Capital Clause
April 19, 2000 Special resolution passed in the EGM	The following clause was added: "The Authorised Share Capital of the Company is Rupees 5,000,000,000 (Rupees five billion only) divided into 500,000,000 (Five hundred million) equity shares of Rs.10 each."

Subsidiaries and Joint ventures

We have no subsidiaries / joint ventures.

Agreements with our erstwhile shareholder, ICICI Bank Limited

I. Share Subscription Agreement dated June 20, 2000 between JHPL and ICICI Bank Limited (ICICI Bank)

The Company had entered into the Share Subscription Agreement dated June 20, 2000 ("Share Subscription Agreement") with ICICI Bank. Under the terms of this agreement, ICICI Bank had agreed to subscribe to 135 million shares of the Company at par of Rs.10 each of the aggregate value of Rs.1,350 million for cash.

II. Shareholders' and Buy-Back Agreement dated July 10, 2000 was entered into between ICICI Bank and JAL

Pursuant to the Shareholders and Buy-Back Agreement dated July 10, 2000 ("Shareholders and Buy-Back Agreement") entered into between ICICI Bank and Jaiprakash Associates Limited, ICICI Bank had subscribed to 135 million shares of the Company.

JAL has since purchased the said 135 million shares of the Company from ICICI Bank Limited in two tranches pursuant to the abovementioned Shareholders and Buyback Agreement between ICICI Bank and JAL. The purchase of first tranche of 25,000,000 shares of face value of Rs.10 each was done at a price of Rs.17.00 per share on June 30, 2004. The purchase of second tranche of 110,000,000 shares of face value of Rs.10 each was done at a price of Rs.17.75 per share on December 31, 2004. These buy-back prices were calculated as per the formula provided in the said Shareholders and Buyback Agreement. Thus, the provisions of Shareholders and Buy Back Agreement no longer remain in force & effect between the ICICI Bank and JAL since ICICI Bank ceases to own any shares in the Company.

SELECTED FINANCIAL DATA

The following financial data have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines and restated as described in the report of our statutory auditor M/s. R. Nagpal Associates dated January 23, 2005 in the section titled "Financial Statements" on page 110 of this Red Herring Prospectus. This financial data should be read in conjunction with our financial statements (as restated) for each of financial year 2002, 2003 and 2004 and six months ended September 30, 2004 including the notes thereto and the reports thereon, which appear on page 115 of this Red Herring Prospectus, and section titled "Management Discussion And Analysis of Operations and Financial Conditions ". For the purpose of this section, any reference to "we", "us" or "our" refers to Jaiprakash Hydro-Power Limited.

Our financial year ends on March 31 of each year. We commenced our commercial operation on May 24, 2003. Thus, our financial performance for year 2004 pertains to the period May 24, 2003 to March 31, 2004. For the year 2005, our financial performance is for the six-month period between April 1, 2004 and September 30, 2004. There are no operating figures for the year ended March 31, 2003 and March 31, 2002.

Statement of Profit & Loss Account-As Restated

(Rs. in million)

Particulars	For the six month period April 1, 2004 to September 30, 2004	For the year ended March 31,		
		2004	2003	2002
Revenue				
Sale of Energy	1976.56	2953.09	-	-
Other Income	6.77	13.07	-	-
Total	**1983.33**	**2966.16**	-	-
Expenses				
Operations	26.10	97.04	-	-
Employees Remuneration & Benefits	16.59	12.97	-	-
General, administrative & other expenses	51.64	105.74	-	-
Interest and financial Charges	712.26	1312.39	-	-
Depreciation	420.64	712.63	-	-
Misc. Expenditure written off	61.44	96.46	-	-
Total	**1288.67**	**2337.23**	-	-
Profit Before Tax	**694.66**	**628.93**	-	-
Provision of Tax-Current Year	54.47	49.83	-	-
Profit After Tax	**640.19**	**579.10**	-	-
Adjustment on account of short provision for tax for earlier years	0.37	0.00	-	-
Profit after Tax after extra-ordinary items available for appropriations	**639.82**	**579.10**	-	-
Add: Profit brought forward from Previous year	429.10	0.00	-	-
Profit available for Appropriation	**1068.92**	**579.10**	-	-
Provision for Debenture redemption Reserve	330.00	150.00	-	-
Balance transferred to Balance Sheet	**738.92**	**429.10**	-	-

Statement of Assets & Liabilities - As Restated

(Rs. in million)

As at	September 30, 2004	March 31, 2004	March 31, 2003	March 31, 2002
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	16,505.64	16,401.09	74.34	49.36
Less : Depreciation	1,140.50	720.10	7.45	4.40
Net Block	15,365.14	15,680.99	66.89	44.96
Capital Work in Progress	0.80	0.61	10,106.00	8,932.35
Add: Expenditure during Construction Period	-	-	5,232.60	3,630.87
Total	**15,365.94**	**15,681.60**	**15,405.49**	**12,608.18**
Investments	-	-	-	-

(Rs. in million)

As at	September 30, 2004	March 31, 2004	March 31, 2003	March 31, 2002
Current Assets, Loans & Advances				
Inventories	11.24	2.15	-	-
Sundry Debtors	1,270.04	997.97	-	-
Cash and Bank Balances	404.26	167.48	92.33	66.17
Loans and Advances	148.58	78.39	36.46	242.51
Total (A)	**1,834.12**	**1245.99**	**128.79**	**308.68**
Current Liabilities and Provisions				
Current Liabilities	430.87	899.11	446.74	517.34
Provisions	110.16	57.57	5.90	5.39
Total (B)	**541.03**	**956.68**	**452.64**	**522.73**
Net Current Assets (A-B)	**1,293.09**	**289.31**	**(323.85)**	**(214.05)**
TOTAL	**16,659.03**	**15,970.91**	**15,081.64**	**12,394.13**
SOURCES OF FUNDS				
Loan Funds				
Secured Loans	10,899.41	10,674.72	10,771.01	9,083.50
Unsecured Loans	-	-	-	-
Total	**10,899.41**	**10,674.72**	**10,771.01**	**9,083.50**
Share Capital and Reserves				
Share Capital	4,910.00	4,910.00	4,600.00	3,575.00
Share Application Money	-	-	-	25.00
Reserves	1,218.92	579.10		
Less Misc. Expenditure	369.30	192.91	289.37	289.37
Total	**5,759.62**	**5,296.19**	**4,310.63**	**3,310.63**
TOTAL	**16,659.03**	**15,970.91**	**15,081.64**	**12,394.13**
Net worth	**5,759.62**	**5,296.19**	**4,310.63**	**3,310.63**

Cash Flow Statement

(Rs. in million)

Particulars	**For the six month period April 1, 2004 to September 30, 2004**	**For the year ended March 31,**		
		2004	**2003**	**2002**
Net Cash Flow from operating activities	348.31	837.35	135.95	387.87
Net Cash Flow from investing activities	4.36	(975.91)	(2,797.31)	(3,532.42)
Net Cash Flow from financing activities	(115.89)	213.71	2,687.52	3,125.02
Net Increase/(Decrease) in Cash and Cash Equivalents	**236.78**	**75.15**	**26.15**	**(19.53)**

Figures in brackets represent cash outflow

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATIONS AND FINANCIAL CONDITIONS

The financial statements have been prepared in accordance with the Indian GAAP, the Companies Act, and the SEBI Guidelines and restated as described in the report of our statutory auditor M/s. R. Nagpal Associates dated January 23, 2005 in the section titled "Financial Statements" on page 110 of this Red Herring Prospectus. Indian GAAP differs in certain significant respects from US GAAP. For more information on differences between Indian GAAP and US GAAP, please refer to the section titled "Summary of Significant differences between Indian GAAP and US GAAP" on page 125 of this]Red Herring Prospectus.

Our financial year ends on March 31 of each year. We commenced our commercial operation on May 24, 2003. Thus, our financial performance for year 2004 pertains to the period May 24, 2003 to March 31, 2004. For the year 2005, our financial performance is for the six month period between April 1, 2004 and September 30, 2004. There are no operating figures for the year ending March 31, 2003 and March 31, 2002. Our historical financial performance may not be considered as indicative of future financial performance.

Business Overview

Our main business objective is to set up power projects. We have set up run-of-the river hydro electric Power Plant with a capacity of 300 MW designed to produce electrical energy of 1,213.18 MU annually based on 90% Dependable Year. Our Power Plant is located on river Baspa, a tributary of river Satluj in District Kinnaur, Himachal Pradesh. A PPA has been executed (valid for 40 years extendable by further 20 years) wherein the entire power produced shall be sold to HPSEB on a tariff formula as stipulated in the PPA. Our Power Project has been implemented on a BOO basis at a cost of Rs 16,247.20 million excluding liabilities on account of payment to SJVNL for Interconnection Facilities and implementation of CAT Plan together amounting to Rs. 426.16 million. The Lenders had appraised the project cost at Rs. 16,120 million. However, HPSEB and GoHP have approved the completion cost at Rs. 15,500 million for the purposes of computation of tariff. The first unit of our Power Plant was commissioned on May 24, 2003, second unit on May 29, 2003 and the third unit on June 8, 2003. The Plant Availability during FY2004 was 96.80% whereas for the period ended September 30, 2004 it was 99.54%.

In addition to the Design Primary Energy, generation of upto 155 MU on an average annual basis has been envisaged in the PPA as Secondary Energy. During the period May 24, 2003 to March 31, 2004 approximately 50 MU of Secondary Energy had been generated. During the six-month period ended September 30, 2004 the Secondary Energy was approximately 73 MU. As compared to the Design Energy, the actual generation was higher in the months from May 2003 to September 2003 and lower in the months from October 2003 to March 2004 on account of water availability in the river Baspa. For the six-month period ended September 30, 2004 the aggregate actual generation has exceeded the Design Energy.

Factors Affecting Our Operations

Our future operations could potentially be affected by the following factors:

• Water availability

The generation of our Power Plant is primarily dependent upon the availability of water in river Baspa which is essentially a snow fed river. The Power Plant has been designed based on the data of water availability study for the period from 1977-78 to 1992-93. The Design Energy of the Power Plant, under the PPA, has been calculated based on 90% Dependable Year and 95% availability of Installed Capacity. However, inadequate precipitation in the catchment area due to climatic conditions may reduce the water availability in the river Baspa, which may affect the power generation. The PPA stipulates that, for the first seven years from COD, in a situation where the Power Plant was available but generation could not take place due to non-availability of water, payment on account of Deemed Generation (up to Design Energy) shall be made by HPSEB to us.

The normative availability of the Power Plant has been envisaged to be 90% in the PPA. Full Capacity Charges (fixed charges) are payable to us by HPSEB only in case the Plant Availability is minimum 90%. Pro-rata deduction shall be made from our claim in case Plant Availability is less than 90%. We shall be entitled for additional incentives at the rate of 0.35% of the equity component of the approved project cost for each percent of Plant Availability beyond 90% up to maximum of 2%. In addition, we are entitled to receive incentives for Secondary Energy with a cap of 10% p.a. return on equity base. In case the availability of Installed Capacity is less than 95%, the generation may fall below the Design Energy, and adversely impact our revenue

• Fixation of tariff by HPERC and payment mechanism

The PPA was executed between HPSEB and us in June 1997 keeping in view the applicable GOI guidelines for determination of tariff, under the concept of two part tariff linked to the capital cost of the Power Project. In accordance with the PPA, we shall be paid Capacity Charges (interest on loans, depreciation and leasing charges) on monthly basis, to be arrived at by dividing total annual Capacity Charges by 12. The Primary Energy Charges are determined on monthly basis at per unit rate arrived at by dividing total annual Primary Energy Charges by the annual Design Energy, for the actual units generated. Besides, the incentives for Secondary Energy, Plant Availability, the tax on income and the foreign exchange fluctuation is payable to us by HPSEB.

Currently, HPSEB is making payments to us based on actual realizations from sale of power. However, the proceeds are not adequate to pay us our full entitlement as per provisions of the PPA. The differential amount is payable by HPSEB to us along with interest of 3% p.a. over the SBI short term lending rate, in terms of the PPA. In FY 2004, such differential amount was Rs

997.96 million and as on September 30, 2004 this amounted to Rs. 1270.04 millions. It is pertinent to note that such differential amounts may vary consequent to tariff determination by HPERC.

In accordance with the terms of PPA the payment shall be made by HPSEB through the letter of credit, which has been established by HPSEB on February 27, 2004. Further, HPSEB has executed the Escrow Account Agreement pursuant to which the revenues from select revenue circles are being deposited by HPSEB in the escrow account. The payment of HPSEB to us is further guaranteed by GoHP

• Evacuation of power

We are required to deliver power generated at the Interconnection Point. The evacuation of power beyond Interconnection Point is the responsibility of HPSEB. In the event of HPSEB not being able to evacuate power beyond the Interconnection Point or HPSEB giving backing down instructions resulting in spillage of water, HPSEB would be required to make payments to us under Deemed Generation limited to Design Energy as per the provisions of the PPA

• Regulatory and Significant Economic changes

Generation of power in the private sector was provided impetus with the policy announcement by Govt. of India in early 90s followed by tariff determination guidelines issued in 1995, which were revised in 1998, assuring a fixed return on equity to the independent power producers. The Electricity Act, 2003 opens new vistas for the companies in trade allowing open access in power transmission and distribution areas. The promulgation of Energy Conservation Act, 2001 was done to ensure efficient use of energy by minimising losses through transmission and distribution, which may result into better realization to the generators.

GOI initiatives for facilitating private investment in power sector like no ceiling on foreign equity participation, promotion of direct foreign investment in transmission through joint venture and independent power transmission company are likely to create a favourable climate.

Significant Accounting Policies

Our financial statements are prepared under the historical cost conventions in accordance with generally accepted accounting principals in India, and the relevant provisions of the Companies Act, 1956. The preparation of financial statements in accordance with Indian GAAP and the provisions of the Companies Act require our management to make judgment, estimates and assumptions regarding uncertainties that affect the reported amounts of our assets and liabilities, disclosure of contingent liabilities and the reported amounts of revenues and expenses. The Power Plant set up by the Company started commercial production in May 2003. The statements presenting the financial position and results of the operations are available only for the period May 24, 2003 to March 31, 2004. Since no comparative statements for the earlier years are available, we believe that all aspects of our financial statements should be studied and understood in assessing our current and expected financial condition and results of operation for which the following significant accounting policies warrant particular attention:

Revenue Recognition

Revenue from sale of energy and other claims are accounted for on the basis of billing to Himachal Pradesh State Electricity Board (HPSEB) in accordance with the provisions of the PPA.

HPERC, vide its Order dated September 6, 2003, declared the Supplementary Agreement to be void and inoperative. The payment of electrical energy is presently being made by HPSEB as per the directions of HPERC against the energy bills prepared on the basis of provisional tariff in accordance with the provision of the PPA based on the completion cost of Rs 15,500 million approved by the HPSEB and GoHP. Payments received by the Company from HPSEB based on their actual realizations from sale of power, are lower than the energy bills prepared on the basis of provisional tariff. This would result in arrears accumulation. The receivables from HPSEB on account of this are subject to necessary adjustments after the final tariff is determined by the HPERC.

Fixed Assets

The building and plant & machinery acquired/constructed are stated at cost of acquisition/construction including incidental expenditure during the construction period up to the date of commercial operation of the relevant assets and freight, duties & taxes etc. Fixed assets are stated at cost of acquisition inclusive of freight, duties, taxes and incidental expenses.

Depreciation

Premium on leasehold land is amortized over the period of lease. Fixed assets are depreciated as per straight-line method at the rates specified in Schedule XIV of the Companies Act, 1956.

Foreign Currency Transactions

Transactions in foreign currency are recorded in the books of account at the rate of exchange prevailing on the date of transactions. All loans and deferred credits repayable in Foreign Currency and outstanding at the close of the year are expressed in Indian Currency at the rate of exchange prevailing on the date of the Balance Sheet.

Borrowing cost

Borrowing cost attributable to the acquisition / construction of fixed assets is capitalized as part of the cost of the respective assets up to the date of commissioning. Other borrowings cost are expenses during the year in which they arise.

Taxes on Income

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961. Deferred tax liability is provided pursuant to Accounting Standard AS-22. Deferred tax assets and Deferred tax liability will be calculated by applying rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date.

Amortization of Miscellaneous expenditure

Miscellaneous Expenditure is amortized over a period of three years from COD.

The Cost of Our Power Project And Its Impact On The Tariff Fixation

The project cost of Rs. 16,673.36 million including the liabilities on account of payment to SJVNL for Interconnection Facilities and implementation of CAT Plan together amounting to Rs. 426.16 million, has been met out of equity capital of Rs. 4,910.00 million, rupee debt of Rs. 8,854.10 million, foreign currency debt of US$ 43.25 million consisting of buyers credit of USD 40.63 million and foreign currency loan from IDBI of US$ 2.62 million. As against the aforesaid project cost of Rs. 16,673.36 million, HPSEB and GoHP have approved a capital cost of Rs. 15,500 million for the purposes of computing the tariff to be paid by HPSEB to the Company. The capital cost of Rs. 15,500 million (subject to the approval of CEA) has been envisaged to be met out of equity capital of Rs. 4650 million, rupee debts of Rs. 8,815.50 million, foreign currency debt of US$ 43.25 million consisting of buyers credit of USD 40.63 million and foreign currency loan from Indian financial institution of US$ 2.62 million.

Under the PPA, for tariff purposes, return on equity is fixed at 16% p.a. in addition to incentives for Plant Availability with a cap of 2% p.a. and incentives for saleable Secondary Energy of upto 155 MU, with a cap of 10% p.a. return on equity.

The project cost of Rs. 15,500 million has been approved by HPSEB and GoHP, as against the actual project cost of Rs. 16,673.36 million, after disallowing part expenses on account of interest during construction, restoration work related to the damages caused by the flash floods and other items of expenditure. The disallowance so made has resulted into a situation where some part of the equity and debt actually availed of by the Company has not been considered by HPSEB for approval of tariff. This will impact the return on equity of the Company as a part of it will be utilized for servicing the equity and debt not considered by HPSEB for tariff purposes. The revenues of the Company were thus adversely affected by approximately Rs. 150.00 million (subject to finalisation of tariff by HPERC) for the period under commercial operation in FY2004. Such an impact is expected to taper down in subsequent years with the repayment of debt.

The average cost of the rupee debt during FY 2004 was approximately 16.00% p.a. Presently, the payments being received by the Company are less than its entitlement based upon the project cost approved by HPSEB and GoHP, as HPSEB is making payments to the Company linked to the actual realization of HPSEB from its customers. This is being done in accordance with the directions of HPERC. On determination of tariff by HPERC, the arrears, if any, are to be paid by HPSEB to the Company, with interest in accordance with the provisions of the PPA. In order to reduce the gap between the actual payments being made by HPSEB and Company's entitlement based on the approved project cost and provisions of the PPA, the Lenders of the Company had, on Company's request, agreed 'in principle' to restructure the rupee debt by realigning the interest rates to approximately 10.5% p.a. and by refixing the repayment schedule. Formal sanctions from all the Lenders are in place. The present revenue receipts of the Company are adequate to operate the Power Plant and also to service the debt.

For further details, please refer to the sections titled 'Risk Factors' and 'Our Business' on page ix and 24 of this Red Herring Prospectus respectively.

Tariff Fixation

Based on the financial package approved by HPSEB and GoHP, subject to the approval of CEA and application of 'check of prudence' and due diligence by HPERC, the tariff payable by HPSEB to JHPL, shall be worked out in accordance with the terms of PPA, which are as under:

The tariff for 88% of the energy (12% being supplied free to GoHP) generated by the Power Plant and delivered to the HPSEB at Jhakri will comprise following parts:

- Capacity Charges
- Primary Energy Charges
- Incentive for Secondary Energy
- Incentive in case the Plant Availability level is greater than 90%

The Capacity Charges shall consist of interest on outstanding loans, depreciation / advance against depreciation and leasing charges in case the Company has taken assets on lease. Full Capacity Charges shall be recoverable if the Plant Availability level equals or exceeds the normative availability level of 90%. In case the Plant Availability is less than 90% the Capacity Charges shall be reduced on pro-rata basis. The payment on account of depreciation and advance against depreciation during the period when the debt is outstanding as per AFP, will be equal to the amount of principal required to be paid in the relevant

tariff period / tariff year subject to maximum of 1/12 of the loan components of the capital cost as per the approved financial package. Out of the amount so paid amount worked out at the rate of 4.3% of the capital cost for each full period of 12 months shall be treated as the payment on account of depreciation and the balance as advance against depreciation. After the debt redemption period the advance against depreciation shall be adjusted against depreciation payable by the HPSEB for the future period at a per annum rate of 4.3% of the capital cost. No further payment on account of depreciation shall be made until the entire amount of advance against depreciation is fully adjusted.

The projections for the annual Capacity Charges are required to be submitted to HPSEB by Company before the beginning of a tariff period / year. The annual Capacity Charges divided by 12 shall determine monthly Capacity Charges payable irrespective of generation. However, on an annual Plant Availability of less than 90% pro-rata deduction is envisaged.

The Primary Energy charge consists of:

- Operation and maintenance charge at the rate of 1.25% p.a. of the capital cost as per AFP escalated at the rate of 6% (compounded annually) subsequent to the initial tariff year for first ten tariff years and thereafter escalated based on weighted average index of wholesale prices and consumer prices
- Return on equity at the rate of 16% p.a. of the equity component of the capital cost as per AFP
- Interest on working capital at the SBI lending rate as applicable for the secured loans on the amount of working capital computed in terms of the provisions of the PPA

The Primary Energy Charges estimated for the tariff period are to be divided by the Design Energy for the period to arrive at a unit rate of Energy Charges, which will be multiplied by energy generated during a month to ascertain monthly payments.
With regard to incentives for Secondary Energy, the charges for the saleable Secondary Energy for any tariff year shall not exceed 10% return on equity. The per unit rate for saleable Secondary Energy shall be calculated by dividing 10% return on equity with normative saleable Secondary Energy amounting to 155 MU at Jhakri.

In case the Plant Availability level in a tariff year, as determined in accordance with terms of PPA exceeds the normative level of 90%, the Company shall be entitled to an incentive at the rate of 0.35% of equity component of the capital cost as per the AFP for each percent increase in Plant Availability above 90% normative level during the year when Plant Availability is more than 90%. The amount of this incentive payable for any tariff year shall not exceed 2% return on equity.

The tax on income will be payable as an expense to the Company on submission of a tax bill to the HPSEB at least 40 days prior to the required date of payment of such tax / advance tax. The tax liability payable by the HPSEB shall in no circumstances be more than the income tax actually payable by the Company.

The extra rupee liability on account of foreign exchange variation towards interest payment and loan repayment incurred in the relevant year, shall be payable subject to the specified limits as per AFP.

Payment Mechanism

The payment is made to the Company on submission of a monthly bill, by JHPL, in the first week of the month for the previous month to HPSEB with jointly signed meter reading. The monthly bill shall include Fixed monthly Capacity Charges, Primary Energy Charges and Secondary Energy Charges. The Company is required to submit supplementary bills for reimbursement of income tax along with the monthly bill for the tax actually paid during previous month. The Company shall submit supplementary bill indicating the difference of foreign exchange variation on interest on foreign debt and foreign loan repayment on actual basis.

A jointly reconciled statement is also required to be submitted by the Company for annual payment / adjustment for Capacity Charges, Energy Charges and incentives, on annual basis. For payment of the monthly bills for each billing month within 7 days from the presentation of the monthly bill, the HPSEB shall be given rebate at the rate of 2.5% of the amount billed and paid. To the extent the HPSEB makes payment after 7 days but within 30 days from the presentation of the bill the HPSEB shall be entitled to a discount of 1% of the amount so billed by the Company. In case of supplementary bills also, the Company shall allow rebate at the above rates for payments within 7 days and within 35 days from the presentation of the supplementary bill to the HPSEB.

The payment of monthly bills shall be made by HPSEB through a confirmed, irrevocable, without recourse to the drawer, revolving Letter of Credit (LC). The amount of LC shall be for 1.5 times of one month's billing in respect of (a) Capacity Charges for one month billing, (b) Energy Charges for saleable Design Energy for the month of September at applicable tariff for the year, or for the peak monthly bill on half yearly basis. The LC can be assigned to the Financial Institutions/ Lenders for the purpose of getting financial assistance.

The payments by HPSEB to JHPL is backed by Escrow mechanism for which HPSEB has opened an Escrow Account with Punjab National Bank, Shimla who maintains it as agent for JHPL. The Escrow Account is available as security to the Lenders. In accordance with the terms of Escrow Agreement executed on February 25, 2004, the revenue from 31 electrical sub-stations under HPSEB shall be deposited in the Escrow Account.

The payment obligations of HPSEB are further guaranteed by the Government of Himachal Pradesh, which can be invoked in case HPSEB does not make payment of a undisputed bill within 2 months after giving a notice of at least 15 days.

Presently the payment, for the power purchased by HPSEB is being made to JHPL, based on the realization of revenues by HPSEB from sale of Baspa power to its clients during the period from April 15 to October 15. This is the period of peak generation during the year, because of higher water availability. During the rest of the period in a year the power purchased by HPSEB from JHPL is consumed within the state of HP. Pending fixation of tariff by HPERC, during the period from October 2003 to March 2004, the payment was made to the Company by HPSEB at a tariff of Rs. 2.25 per unit (net of rebate), in accordance with the directives of HPERC.

For payment of the monthly bills for each billing month within 7 days from the presentation of the monthly bill, the rebate at the rate of 2.50% of the amount billed and paid has been availed by HPSEB each month in FY2004 and also for the six month period ended September 2004.

During FY 2004 we were entitled to a tariff of Rs. 2.95 per unit (net of rebate) under the provisions of the PPA and the bills were raised accordingly. However, we have received payments from HPSEB, which translate into an average tariff of Rs. 2.09 per unit (net of rebate). The balance amount is receivable from HPSEB subject to necessary adjustments on approval of tariff by HPERC.

For FY 2005, we have submitted our estimate of tariff computation to HPSEB, which translates into an average tariff of Rs. 2.95 per unit and are raising the bills accordingly. Arrears, on account of the above, as determined consequent to tariff finalisation by HPERC, will be paid by HPSEB along with the interest thereon to the Company in terms of the PPA.

Utilization of Revenues

All our cash inflows are deposited in a trust and retention account (TRA), maintained with ICICI Bank, pursuant to the stipulations in the Trust and Retention Account Agreement (TRAA) executed between the Company and the Lenders on May 18, 2001. The TRA is required to be maintained till the Company meets all the debt obligations. The funds so available in TRA are utilized in accordance with the provisions of TRAA, which lays down priority for making payments on account of operation and maintenance (O & M) of the Power Plant, followed by 'debt service' in accordance with an 'Operations budget' submitted by the Company duly approved by Lenders' engineers and the lead lender. Subsequent to the utilization of funds for such budgeted expenses, the TRAA envisages creation of reserves equivalent to the projected expenditure during specified period on various heads, like 1 month of O & M expenses, 6 months of debt service reserve, major maintenance reserve, insurance reserve, tax reserve and distribution holdings account etc.

Our Results of Operations

HPSEB has notified the commissioning of the first unit on May 24, 2003, second unit on May 29, 2003 and third unit on June 8, 2003. The actual generation of electrical energy, net of 12% free power to GoHP and the status of Plant Availability during FY 2004 and for the period ended September 30, 2004 is as under:

FY 2004: Comparison of Design Energy as per the PPA and Actual Generation (net of 12% free power)

(MU)

Month	Design Energy as per PPA (A)	Actual Generation of Energy (B)	(B) as % of (A)	Plant Availability
May & June 03	174.48	177.31	101.62%	99%
July 03	183.53	205.51	111.98%	97%
August 03	183.53	209.53	114.17 %	99%
September 03	129.54	178.07	137.46%	98%
October 03	69.53	68.44	98.43%	100%
November 03	50.29	41.52	82.56%	100%
December 03	40.98	33.49	81.72%	100%
January 04	37.95	21.89	57.68%	77%
February 04	32.71	24.75	75.66%	97%
March 04	37.87	30.25	79.88%	100%
Total	**940.41**	**990.76**	**105.35%**	**96.80%**

For six months period ended September 30, 2004: Comparison of Design Energy as per the PPA and Actual Generation (net of 12% free power) is as under:

(MU)

Month	Design Energy as per PPA (A)	Actual Generation of Energy (B)	(B) as % of (A)	Plant Availability
April 04	41.91	44.86	107.04%	100.00%
May 04	72.60	108.25	149.10%	100.00%
June04	169.62	164.74	97.12%	99.97%
July 04	183.53	207.36	112.98%	97.56%
August 04	183.53	193.36	105.36%	99.71%
September 04	129.54	135.22	104.38%	100.00%
Total	**780.73**	**853.79**	**109.36%**	**99.54%**

The generation of energy by the Power Plant is dependent on water availability in river Baspa. The generation has been planned on the basis of the past hydrological data from 1977-78 to 1992-93. The generation in terms of primary and Secondary Energy may vary from year to year. However, the PPA provides that if the Power Plant has achieved the normative availability

level in a tariff year/period, but the actual energy generation falls short of the Design Energy for reasons solely attributable to hydrology, the Energy Charges for generating up to Design Energy shall be payable for that period during the first 7 years of operation. In case generation during a tariff year /period is less due to other reasons beyond the control of JHPL and it results in water spillage, the energy loss on account of such spillage shall also be considered as Deemed Generation. The payments on account of Deemed Generation shall not exceed the payment as per Design Energy.

The water availability in river Baspa, being essentially a snow fed river varies from month to month. Considering the water availability study of the river Baspa for the period from 1977-1978 to 1992-1993 and based on the concept of 90% Dependable Year, water availability during every 10 days in a year has been stipulated in the PPA which varies from 9.26 m^3 per second in first and second 10 days of February to 140.30 m^3 per second in third 10 days of July. Depending on the water availability, the Net Design Energy envisaged in PPA varies from 37.17 MU in February to 208.56 MU in July and August and the net saleable Design Energy envisaged in PPA varies from 32.71 MU in February to 183.53 MU in July and August. Approximately 70% of our generation is during the months of May to September every year.

In the first year of operations during the period from May 2003 to March 2004, about 77% of the total energy was generated in the months of June, July, August and September 2003. The revenue during the said period was about 58.86% of the total revenue for the period (excluding annual adjustments). The generation in the month of September 2003 was about 137% of the Design Energy for the month. During the months from October 2003 to March 2004 the generation was below the Design Energy for each month due to lower availability of water. The Plant Availability during the period was over 97% and for the six month period ended September 30, 2004 was 99.54%. In all the months the Plant Availability was over the normative availability of 90% except in the month of January 2004, when it was about 77% due to shut down on account of routine maintenance of the Power Plant.

Financials

The following table gives the details of our operations for FY 2004 (May 24, 2003 to March 31, 2004) and for the six month period ended September 30, 2004

(Rs. in million)

Particulars	**Six month period ended September 30, 2004**	**Ratio to total income**	**FY 2004**	**Ratio to total income**
Income from Operations (Revenues)	1976.56		2953.09	
Other income	6.77		13.07	
Total Income	**1983.33**		**2966.16**	
Expenses				
Operation expenses	26.10	1.32%	97.04	3.27%
Employees remuneration & benefits	16.59	0.84%	12.97	0.44%
General, Administrative and other Expenses	51.64	2.60%	105.74	3.56%
Interest and Financial Charges	712.26	35.91%	1,312.39	44.25%
Depreciation	420.64	21.20%	712.63	24.03%
Misc. Expenditure Written off	61.44	3.10%	96.46	3.25%
Total Expenses	1,288.67	64.97%	2,337.23	78.80%
Profit before tax	694.66	35.02%	628.93	21.20%
Tax (including adjustment relating to previous year)	54.84	2.77%	49.83	1.68%
Profit after tax	639.82	32.26%	579.10	19.52%

Revenues

Six month period ended September 30, 2004

Our revenues are recorded in accordance with the provisions of the PPA. For the six month period ended September 30, 2004 the revenue billed by JHPL amounted to Rs. 1,976.56 million (net of rebate) including Capacity charges of Rs. 980.35 million representing the fixed charges (consisting of interest on loans, and repayment of buyers credit), Primary Energy Charges of Rs. 760.33 million representing the variable charges (consisting of O&M expenses, return on equity, interest on working capital), Secondary Energy charges of Rs.233.84 million (representing incentive for generation of about 73 MU) and reimbursement of Income Tax of Rs. 37.44 million. The incentive on account of Plant Availability is claimable at the end of the tariff year. A rebate of Rs. 35.40 million was claimed by HPSEB for timely payment in accordance with the provisions of the PPA. The Company has received a sum of Rs. 1,967.07 million from HPSEB.

Financial Year 2004

In FY 2004 the revenue billed by JHPL amounted to Rs. 2,953.09 million (net of rebate) including Capacity charge of Rs. 1,811.51 million (representing the fixed charges consisting of interest on loans, and repayment of buyers credit), Primary Energy Charges of Rs. 911.35 million representing the variable charges (consisting of O&M expenses, return on equity, interest

on working capital), Secondary Energy charges of Rs. 151.04 million representing incentive for generation of about 50 MU, incentive for Plant Availability of Rs. 77.84 million representing higher availability of Power Plant beyond minimum level of Plant Availability, reimbursement of tax on income of Rs. 48.47 million, representing the minimum alternate tax on income for the period of operation during the FY 2004. A rebate of Rs. 47.11 million was claimed by HPSEB for timely payment in accordance with the provisions of PPA. The Company has received a sum of Rs. 2,070.39 million from HPSEB.

The Company signed the PPA with HPSEB on June 4, 1997 based on the policy guidelines of the GOI notified in 1992 and 1995. Subsequent to the signing of the said PPA, GOI had modified certain guidelines and also established regulatory commissions both at central and state level in 1998. On account of the subsequent guidelines, provisions relating to rate of Secondary Energy and depreciation are under negotiations with HPSEB. The management believes that the provisions of the PPA signed in June 1997 will subsist.

The Company has made representations to HPSEB in this regard and is currently in discussions with them. Further, the final determination of tariff is to be made by HPERC. The management believes that the aforesaid issues shall stand settled upon final determination of tariff by HPERC.

Expenditure

Operating Expenditure

Six month period ended September 30, 2004

During the six month period ended September 30, 2004 the operating expenditure aggregated to Rs. 94.33 million, consisting of O&M expenses of Rs. 26.10 million which amounted to 1.32% of the total income. Employee costs incurred were Rs. 16.59 million accounting for 0.84% of the total income. Administrative and other expenses of Rs. 51.64 million, accounting for 2.60% of total income, include insurance expenses of Rs. 15.89 million.

Financial Year 2004

During FY 2004 the operating expenditure aggregated to Rs. 215.75 million, consisting of O&M expenses of Rs. 97.04 million which amounted to 3.27% of the total income. Employees costs incurred were Rs. 12.97 million accounting for 0.44% of the total income. Administrative and other expenses of Rs. 105.74 million comprising 3.56% of the total income, include insurance expenses of Rs. 23.72 million and consultancy expenses of Rs. 45.03 million.

Interest and financial charges

Six month period ended September 30, 2004

During the six month period ended September 30, 2004 interest & financial charges amounted to Rs. 712.26 million, comprising 35.91% of the total income. In view of certain lenders giving effect to the realignment of interest rate at 10.50% with effect from January 1, 2004 the average interest cost during this period was 15.00 % p.a..

Financial Year 2004

During FY 2004 interest & financial charges amounted to Rs. 1,312.39 million, comprising 44.25 % of the total income. The average interest cost on rupee debt during the year was approximately 15.95 % p.a.

Depreciation

During the six month period ended September 30, 2004 depreciation charged was Rs. 420.64 million representing 21.20% of the total income.

During FY2004, depreciation charged was Rs. 712.63 million, representing 24.03% of the total income.

Profit before tax

During the six month period ended September 30, 2004, the profit before tax amounted to Rs. 694.66 million , representing 35.02% of the total income.

During FY2004, the profit before tax amounted to Rs. 628.93 million representing 21.20% of the total income.

Tax

JHPL enjoys the benefits of tax holiday for the first 10 years in the block of first 15 years under section 80 IA of Income Tax Act, 1961. However it is liable to pay Minimum Alternate Tax (MAT) on its book profit.

Accordingly, for the six month period ended September 30, 2004 Rs. 54.84 million (including adjustment for previous year amounting to Rs. 0.37 million) has been provided as Minimum Alternate Tax (MAT).

During FY 2004, Rs. 49.83 million has been provided as Minimum Alternate Tax (MAT).

Profit after Tax

During the six month period ended September 30, 2004, the profit after tax was Rs. 639.82 million being 32.26% of the total income.

During Financial Year 2004, the profit after tax was Rs. 579.10 million being 19.52 % of the total income.

Liquidity and Capital Resources

• Working Capital Facilites

At present, JHPL has been sanctioned fund based cash credit working capital facility of Rs.335.00 million and non fund based LC and bank guarantee limit of Rs. 100 million by Punjab National Bank and Bank of Baroda. During the year 2003-04, JHPL availed the facility to the extent of about Rs.220 million. The facility is to be secured by the pari-passu charge with the term Lenders on the movable and immovable assets of JHPL and pledge of promoters shares held by JAL in JHPL.

• Dividends

For the six month period ended September 30, 2004, we have registered a profit after tax of Rs. 639.82 million, out of which Rs. 330.00 million has been transferred to debenture redemption reserve and the net profit of Rs. 309.82 million is added to shareholders funds. During FY 2004, we have registered a profit after tax of Rs. 579.10 million, out of which Rs. 150.00 million had been transferred to debenture redemption reserve and the net profit of Rs. 429.10 million is added to shareholders funds. No dividend has been paid for FY 2004 on account of transfer of funds to the reserves as per TRAA and outstanding receivables amounting to Rs. 997.97 million from HPSEB. The Trust and Retention Account Agreement requires JHPL to route all cash flows through the TRA maintained with ICICI Bank and create a reserve for O&M expenses, debt servicing, etc. Declaration of dividend would require prior approval of the Lenders during currency of the debt.

The dividend policy of the Company is outlined in the section titled "Dividend Policy" on page 109 of this Red Herring Prospeectus.

Cash Flows

The table below summarizes our cash flows for the six months period ended September 30, 2004 and FY2004.

(Rs. in million)

	Six months period ended September 30, 2004	**FY2004**
Net cash flow from operating activities	348.31	837.35
Net cash flow from investing activities	4.36	(975.91)
Net cash flow from financing activities	(115.89)	213.71
Net increase/(decrease) in cash or cash equivalent	236.78	75.15

(figures in bracket represent cash outflow)

Net cash flow from operating activities

Six month period ended September 30, 2004

During the six month period ended September 30, 2004, the net cash inflow of the Company from operating activities was Rs. 348.31 million. The cash flows from operating activities (before working capital changes) were Rs. 1,882.42 million. Reduced by the working capital changes of Rs. 760.57 million (including increase in debtors by Rs. 272.08 million, increase in loans and advances given by JHPL of Rs. 11.15 million and decrease in trade payables of Rs. 468.25 million) and interest and financial charges and tax of Rs. 773.54 million, the net cash inflow works out to Rs. 348.31 million.

Financial Year 2004

During FY2004 the net cash inflow of the Company from operating activities was Rs. 837.35 million. The cash flows from operating activities before working capital changes were Rs. 2,737.52 million. Reduced by the working capital changes of Rs. 563.25 million (including increase in debtors by Rs. 997.97 million and increase in loans and advances given by JHPL by Rs.17.34 million and increase in current liabilities of Rs. 452.37 million) and interest and financial charges and tax of Rs. 1,336.98 million, the net cash inflow works out to Rs. 837.35 million.

Net cash flow from investing activities

Six month period ended September 30, 2004

During the six month period ended September 30, 2004 the net cash inflow of the Company from investing activities was Rs. 4.36 million. This included miscellaneous income of Rs. 6.78 million which when reduced by investment of Rs. 2.46 million in fixed assets (capital expenditure) results into a net cash inflow of Rs. 4.36 million.

Financial Year 2004

During FY2004 the net cash outflow of the Company from investing activities was Rs. 975.91 million. This included miscellaneous income of Rs. 13.16 million which when reduced by investment of Rs. 989.06 million in fixed assets (capital expenditure) results into a net cash outflow of Rs 975.91 million.

Net cash flow from financing activities

Six month period ended September 30, 2004

During the six month period ended September 30, 2004 the net cash outflow of the Company from financing activities was Rs. 115.89 million which is on account of prepayment premium of Rs. 237.83 million reduced by net increase in borrowings by Rs. 121.94 million.

Financial Year 2004

During FY2004 the net cash inflow of the Company from financing activities was Rs. 213.71 million which is on account of decrease in borrowing by Rs. 96.29 million and increase in share capital by Rs. 310.00 million.

Net increase/ (decrease) in cash and cash equivalents

Six month period ended September 30, 2004

During the six month period ended September 30, 2004 the net increase in cash and cash equivalents was Rs. 236.78 million.

Financial Year 2004

During FY2004 the net increase in cash and cash equivalents was Rs.75.15 million.

Financial Year 2002 and Financial Year 2003

Our cash flows during FY2002 and FY2003 primarily related to investment activities related to construction of the Power Plant. Please refer to the section titled "Management Discussion and Analysis of Operations and Financial Conditions" on page 42 on this Red Herring Prospectus, for further details on lower realizations by the Company from HPSEB.

Indebtedness

The Power Plant was under construction up to May 2003 when the first unit of 100 MW was commissioned. For the purposes of setting up the Power Plant, JHPL has availed rupee and foreign currency financial assistance from Indian Financial institution and Banks and buyers credit from foreign banks. As on September 30, 2004 we had an aggregated principal loan amount of Rs. 10,899.41 million comprising of rupee loan of Rs. 9,094.10 million rupee loan (including Rs. 3,240 million of NCD), foreign currency loan equivalent to Rs. 118.24 million from Indian financial institutions and buyers credit equivalent to Rs. 1,687.07 million from foreign banks. As on date, no sum of money is due to Indian banks on account of availment of working capital facilities.

Indian Rupee loans

The Indian rupee loan outstanding as on September 30, 2004 aggregating to Rs. 9,094.10 million consisted of Rs. 3,240 million of NCDs and Rs. 5,854.10 million of term loans. At present (before completion of debt restructuring) the rupee loans carried a weighted average interest rate of 15.95% p.a. in FY2004 and 15% p.a. for the six months ended September 30, 2004.

The NCDs had been subscribed by ICICI Bank and IFCI. NCDs of Rs. 1,500 million held by IFCI have been redeemed out of the NCDs aggregating Rs. 1,740.00 million subscribed by UTI Bank.

JHPL requested its Lenders to realign the interest rates at 10.50%. The rupee loans (including NCDs) were repayable in 40 quarterly instalments commencing from second quarter of FY 2004. As part of the restructuring of debt, these rupee loans (including NCDs) are now repayable in 44 equal instalments payable in consecutive months of July, August, September and October each year commencing from July 2005. The sanctions in respect of the on going restructuring of debt from all of the Lenders have been received. The loans are secured by pari-passu charge on immovable and movable assets of the Company, pledge of promoters shares and corporate guarantee of the Promoters.

Foreign currency loans

The foreign currency loan (FCL) outstanding as on September 30, 2004 amounted to Rs. 118.24 million from IDBI for imports of plant and machinery for the Power Plant. The FCL carries an interest rate of 3 months LIBOR + 4.5% spread. It is repayable in 40 quarterly instalments commencing from September 2004. The FCL has been utilised to establish a letter of credit of USD 2.62 million for part payment to the Foreign suppliers of equipments for the Power Plant as per the conditions of the supply contract. The loan is secured by pari-passu charge on movable and immovable assets of the Company, pledge of promoters shares and corporate guarantee of the Promoters.

Buyers credit

The buyers credit outstanding as on September 30, 2004 aggregating to Rs. 1,687.07 million consisted of ECA backed buyers credit availed from Hypovereisbank, Germany, VA Tech Finance, Ireland and Calyon (erstwhile Credit Lyonnais), France for imports of plant and machinery for the Power Plant. The buyers credit of USD 20.09 million carries an interest rate of 6 months LIBOR + 0.5% spread and the buyers credit of USD 16.36 million carries a fixed interest rate of 5.66% p.a. It is repayable in 24 half yearly instalments commencing from July 2003. The buyers credit is backed by the payment guarantee furnished by Power Finance Corporation Limited (PFC). The guarantee issued by PFC is secured by pari-passu charge on movable and immovable assets of the Company, pledge of promoters shares and corporate guarantee of the Promoters. The guarantee carries a commission of 1.60% p.a.

Historical and Planned Capital expenditure

Since its incorporation the yearly capital expenditure incurred by JHPL towards implementation of the Power Plant is as under:

(Rs. in million)

	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04
Capital expenditure	2,045.65	173.06	324.15	1,451.18	1,972.62	3,398.47	3,532.42	2,797.31	978.50

The total capital expenditure of Rs. 16,673.36 million incurred on the Power Plant has been capitalized as Land of Rs. 18.05 million; Building, roads and bridges of Rs. 755.07 million; Hydraulic works of Rs. 4,857.97 million; Transmission lines of Rs. 2,362.56 million; Plant and machinery of Rs. 8,525.14 million; Furniture and fixtures of Rs. 6.24 million; Office equipments of Rs. 2.57 million, Vehicles of Rs. 15.88 million and preliminary expenses of Rs. 129.90 Million

As of September 30, 2004 , Rs. 311.20 million was pending payment as balance project liabilities.

The Company is of the view that no significant capital expenditure would be required in next few years. Accordingly, no capital expenditure has been planned as of now.

Market and other risks

Operating risk

The generation of energy by the Power Plant is primarily dependent on water availability in river Baspa. The generation has been planned on the basis of the hydrological data for a long period extending from 1977-78 to 1992-93. The generation in terms of Primary and Secondary Energy will vary from year to year. However, as regards reduction in generation due to water availability, the PPA provides that if our Power Plant has achieved the normative availability level in a tariff year/period, but the actual energy generation falls short of the Design Energy for reasons solely attributable to hydrology, the Energy Charges for generating up to Design Energy shall be payable for that period during the first 7 years of operation. In case reduced generation during a tariff year /period is due to other reasons beyond the control of JHPL and it results in water spillage, the energy loss on account of such spillage shall be considered as Deemed Generation. The payments on account of Deemed Generation shall not exceed the Design Energy payments.

The normative availability of the Power Plant has been envisaged to be 90% in the PPA. In case the availability of Installed Capacity is less than 95%, the generation may fall below the Design Energy, and adversely impact the revenue. Full Capacity Charges (fixed charges) are payable to JHPL by HPSEB only in case the Plant Availability is minimum 90%. Pro-rata deduction shall be made from JHPL's claim in case Plant Availability is less than 90%.

Exchange rate risk

The foreign exchange fluctuation, both on interest and repayments, in relation to the foreign currency loans raised by JHPL, is to be reimbursed by HPSEB to JHPL based on the actual payments made by JHPL. Base rate of conversion shall be as prevalent on the date of capitalization/ COD of Power Project. As per the PPA, foreign exchange component should not exceed 33% of the project cost. In the event the foreign component is more than 33%, HPSEB's liability to bear the foreign exchange fluctuation shall be limited to 33% of the total capital cost. Our foreign currency borrowing is currently within the said specified limit of 33%.

Interest rate risk

Out of the aggregate rupee loans of Rs. 9,094.10 million as on September 30, 2004, Rs. 4,424.10 million of the rupee debts are contracted at fixed rates of interest and Rs. 4,670.00 million at floating rates of interest. Further, the FCL of USD 2.55million as on September 30, 2004 carries a variable interest rate of 4.50% over 3 months LIBOR and the buyers credit of USD 20.09 million carries an interest rate of 0.5% over 6 months LIBOR. The buyers credit of USD 16.36 million carries a fixed interest rate of 5.66% p.a.

The amount of interest paid by JHPL on the amount of loans approved as per AFP is part of computation of tariff under the provisions of the PPA. The financial package approved by HPSEB and GoHP comprises Rs. 8,815.52 million of rupee debt, Rs 123.24 million of foreign currency loan and Rs. 1,911.24 million of Buyers Credit.

For details on our indebtedness, please refer to the section titled "Management Discussion and Analysis of Operations and Financial Conditions – Indebtedness" on page 50 of this Red Herring Prospectus.

Effect of Inflation

The inflationary effects on the cost of operation and maintenance of Power Plant are protected to the extent of 6% p.a for the first 10 years and thereafter based on weighted average index of wholesale prices and consumer prices. Further, the return on equity is at the rate of 16% p.a. uniform on Rs. 4,650 million.

Marketing Risk

For a period of 40 years (extendable by 20 years) during which PPA shall be in force, entire power generated by JHPL is to be purchased and evacuated by HPSEB at the Jhakri interconnection point. In the event of HPSEB not being able to evacuate

power beyond interconnection point or HPSEB giving backing down instructions, HPSEB would be required to make payments as Deemed Generation limited to Design Energy as per the provisions of the PPA.

Related Party Transactions

The contract for running & operation of the Power Plant was given to Jaypee Industrial & Medical Services Limited (JIMS) for a period of 10 months at a total contract price of Rs. 100 million. A rebate of Rs 5.00 million was allowed by JIMS on advance payment. This expenditure was incurred during the first 10 months period commencing from June 1, 2003 to March 31, 2004. The contract included ensuring Plant Availability, training to personnel, quality control safety requirement, performance testing and associates responsibilities. This arrangement has been discontinued from April 1, 2004.

An amount of Rs. 81.41 million was paid as contract expenditure to JAL during the year ended March 31, 2004. Further, for the six months period ended September 30, 2004 Rs. 165.27 million is payable to JAL as refund of retention money.

For details, please refer to the section titled "Related Party Transactions" on page 78 of this Red Herring Prospectus.

- **Unusual or infrequent events**

  There has been no event to the best of our knowledge which may be called 'Unusual' or 'Infrequent', other than as described in this Red Herring Prospectus.

- **Seasonal nature of our business**

  Approximately 70% of our generation is during the months of May to September every year. Accordingly, our business is seasonal and our profitability will vary during the year.

- **Known Trends or Uncertainties**

  Except as stated below, to the best of our knowledge, there are no other known trends or uncertainties that have or had or are expected to have a material adverse impact on revenue or income of the Company from continuing operations.

  HPERC tariff determination will be on retrospective basis with effect from the COD. The revenues are accrued at tariff computed under the PPA. The revision in tariff, if any, may impact the profitability. Further, in respect of the provisions of rate of Secondary Energy and depreciation which are under negotiations with HPSEB, may also impact the profitability. For further details, please refer to the section titled "Risk Factors" on page ix of this Red Herring Prospectus.

As mentioned earlier, under the provisions of the PPA, the Company is entitled to claim advance against depreciation of future years subject to maximum of 1/12 of the loan components of the capital cost as per the approved financial package. After the debt redemption period, the advance against depreciation shall be adjusted against depreciation payable by the HPSEB for the future period at a per annum rate of 4.3% of the capital cost. No further payment on account of depreciation shall be made until the entire amount of advance against depreciation is fully adjusted. Our cashflows shall accordingly be impacted.

With the completion of debt restructuring process, the interest applicable is reduced to 10.50% p.a. The monthly Capacity Charges for FY2005 and subsequent years, on this account, are expected to be less than those in FY2004.

Moreover, with the refixation of repayment scheduled to commence from July 2005, there will be an increase in Capacity Charges for FY2006 on account of repayment of instalments of principal in that year. Such Capacity Charges will decline in the consequent years on account of lower incidence of interest because of reduction in the outstanding loan amounts. The revenues will decline after the full repayment of principal and the tariff coming down by the incidence of capacity charge.

- **Competitive Conditions**

  In view of the above mentioned long term selling arrangement with HPSEB, the Company does not foresee any competition in its business during the currency of the PPA.

- **Significant dependence on a single customer**

  The entire power generated by the Power Plant is supplied to HPSEB under the PPA.

- **Material Developments after September 30, 2004**

  To the best of our knowledge, no circumstances have arisen since the date of the last financial statements as disclosed in this Red Herring Prospectus which materially and adversely affect or are likely to affect the profitability of the Company or the value of its assets or its ability to pay its liabilities within the next twelve months save and except the generation of power depending on the water available in river Baspa.

REGULATIONS AND POLICIES

Regulatory Environment pre – June 2003

Under the Constitution of India, electricity is subject to the concurrent jurisdiction of the Centre and the State. Until June 2003, the electricity generation, supply and distribution Industry was governed by three enactments namely, the Indian Electricity Act, 1910, the Electricity (Supply) Act, 1948 and the Electricity Regulatory Commissions Act, 1998. Indian Electricity Act, 1910 created the basic framework for laying down of wire and other works relating to supply of electricity industry in India, while Electricity (Supply) Act, 1948 mandated creation of State Electricity Boards with responsibility of arranging supply of electricity in the State. However, over a period of time, the performance of State Electricity Boards had deteriorated substantially on account of various factors.

Regulator

The Ministry of Power ("MOP") is primarily responsible for development of electrical energy in the country. The MOP's responsibilities include planning and policy formulation, monitoring the implementation of power projects and enactment of legislation in regard to thermal and hydro power generation, transmission and distribution.

With the policy of encouraging private sector participation in generation, transmission and distribution of electricity/power and the objective of distancing the regulatory responsibilities from the Government to the Regulatory Commissions, the need for harmonising and rationalising the provisions of the three above mentioned enactments was felt. Thus, the Electricity Bill, 2001 was drafted, and the same was passed as the Electricity Act, 2003, after extensive discussions and consultation with the States and all other stake holders and experts. Under this Act, the obligation of regulating the tariff was cast upon the Central Electricity Regulatory Commission and State Electricity Regulatory Commission, both of which are constituted under Electricity Regulatory Commission Act, 1948.

Regulatory Environment post – June 2003 - Electricity Act, 2003

The Electricity Act, 2003 ("Electricity Act") was enacted with effect from June 10, 2003, repealing and replacing the Indian Electricity Act, 1910, the Electricity (Supply) Act, 1948 and the Electricity Regulatory Commissions Act, 1998. The Electricity Act seeks to provide for demarcation of the roles of generation, transmission and distribution to provide for individual accountability of each. The main features of the Electricity Act include the following:

- de-licensing generation, making captive-generation freely permissible, but hydro projects require approval of the State Government and clearance of the CEA for the projects with capital expenditure exceeding limits proposed by the Central Government, which would go into the issues of dam safety and optimal utilisation of water resources;
- establishment of Transmission Utility at the Central as well as State level, which would be a Government company and would have responsibility of ensuring that the transmission network is being developed in a planned and coordinated manner to meet the requirements of the sector;
- providing open access for transmission, distribution and trading;
- specifying technical standards, grid standards and safety requirements;
- introducing power trading as a distinct activity from power generation, transmission and distribution;
- prescribing the functions and duties of CEA, which was constituted under the Electricity (Supply) Act, 1948 and continuing under the Electricity Act;
- prescribing the respective functions of the Central and State Regulatory Commissions, which were constituted under the Electricity Regulatory Commission Act, 1998 and continuing under the Electricity Act;
- formulating of National Electricity Policy;
- formulating of National Tariff Policy;
- provides for restructuring of the State Electricity Boards; and
- conferring power of determination of the tariff with the Central and State Regulatory Commissions.

Hydro Projects

The Electricity Act makes specific provision for hydro projects inasmuch as the generating company intending to set up a hydro project, must submit to the CEA, a scheme estimated to involve a capital expenditure exceeding such sum as may be fixed by the Central Government. The CEA, before concurring to the scheme, will have to consider various factors including irrigation, navigation, flood-control, whether the proposed river-works will prejudice the prospects for the best ultimate development of the river or its tributaries for power generation, or other public purposes. The CEA will also take into consideration whether the proposed scheme meets the norms regarding dams and safety.

Central Electricity Authority (CEA)

The Electricity Act provides the CEA established under the Electric (Supply) Act, 1948, shall be the CEA for the purposes of the Electricity Act as well. The functions of the CEA includes advising the Central Government on matters relating to national electricity policy, formulate short-term and perspective development plans for development of electricity system; specify the technical standards for construction of electrical plants, electric lines and connectivity to the grid and maintenance of electrical plants and electric lines; and specify the Grid Standards for operation and maintenance of transmission lines.

Himachal Pradesh Electricity Regulatory Commission

The Himachal Pradesh Electricity Regulatory Commission (HPERC) was constituted under the Electricity Regulatory Commission Act, 1988 and continues to exist under the Electricity Act in the State of Himachal Pradesh. This Commission, inter alia, determines the tariff for generation, supply, transmission and wheeling of electricity within the State of Himachal Pradesh; regulates electricity purchase and procurement; and facilitates intra-State transmission and wheeling of electricity.

State Electricity Board

The Electricity Act, inter alia, contemplates re-structuring of the State Electricity Boards by a transfer scheme pursuant to which all the property, interest, rights and liabilities belonging to the State Electricity Boards would vest with the State Governments. Such property, interest, rights and liabilities would then be re-vested by the State Government in a Government Company or other companies as envisaged in the transfer scheme. However, in Himachal Pradesh the transfer scheme has not yet been published, and hence the State Electricity Board is still functioning.

Environment Regulation

Three major statutes, which seek to regulate and protect the environment against pollution related activities in India, are the Water (Prevention and Control of Pollution) Act, 1974 ("Water Pollution Act"), the Air (Prevention and Control of Pollution) Act, 1981 ("Air Pollution Act") and the Environment Protection Act, 1986 ("Environment Act"). These Acts apply to hydro projects.

The Water Pollution Act was enacted with an aim to prevent and control water pollution and to maintain or restore wholesomeness of water. This Act constitutes a Central Pollution Control Board and State Pollution Control Board. One of the main functions of the Central Board is to promote the cleanliness of streams and wells in different areas of the States. This Act debars any person, from establishing any industry, operation or process or any treatment and disposal system, which is likely to discharge sewage or trade effluent into a stream or well or sewer without taking prior consent of the State Pollution Control Board.

The Air Pollution Act was enacted to prevent, control and abate air pollution. The Central and State Boards constituted under the Water Pollution Act has been assigned to perform the functions under the Air Pollution Act as well. This Act, inter alia, stipulates that no person shall, without the prior consent of the State Board, establish or operate any industrial plant in an air pollution control area.

The Environment Act has been enacted to protect and improve the environment. This Act empowers the Central Government to make rules for various purposes including prescribing the standards of quality of air, water or soil for various areas and purposes and prescribing the maximum allowable limits of concentration of various environmental pollutants for different areas.

The Forest (Conservation) Act, 1980 has been enacted for the conservation of forests, and inter alia, stipulates that no State Government shall make, except with the approval of the Central Government, any order directing that any forest land may be assigned by way of lease or otherwise to any private person or corporation not owned or controlled by the Government.

In India the issue of management, storage and disposal of hazardous waste is regulated by the Hazardous Waste Management Rules, 1989 made under the Environment Protection Act. Under these rules, the Prevention and Control of Pollution Boards are empowered to grant authorization for collection, treatment, storage and disposal of hazardous waste, either to the occupier or the operator of the facility.

The Ministry of Environment and Forests conducts Environment Impact Assessment (EIA). The Ministry receives proposals for expansion, modernization and setting up of projects and the impact which such projects would have on the environment is assessed by the Ministry before granting clearances for the proposed projects.

Fiscal Legislation

Section 80-IA of the Income Tax Act, 1961 inter alia provides that while computing the total income of an undertaking set up for generation of power, 100% deduction of the profit and gains is allowed. This deduction is allowed during any 10 consecutive years in a block of first 15 years.

Section 10 (23G) of Income Tax Act, 1961, inter alia, provides that while computing the total income of the previous year, any income by way of dividend (other than dividends referred to in section 115-O of the Income Tax Act, 1961), interest and long-term capital gains of an undertaking wholly engaged in the business referred to in section 80-IA (4) of the Income Tax Act, 1961, shall not be included. In order to avail of this benefit, an application must be made to the Central Government in accordance with the rules made in this behalf and upon satisfying the prescribed conditions.

Foreign Direct Investment

There is no ceiling on foreign equity participation in the power generation sector.

OUR MANAGEMENT

Board of Directors

The Company is managed by the Board of Directors, comprising of 16 Directors. Mr. Jaiprakash Gaur is the Chairman and Managing Director of the Company and Mr. Sarat Kumar Jain is the Vice Chairman of the Company.

Article 79 (a) of the Articles of Association, inter alia, provides that the Board shall consist of not less than 3 directors and not more than 20 directors. This Article further provides that any increase in the number of directors exceeding the number prescribed in section 259 of the Companies Act shall not have effect unless approved by the Central Government and shall become void if and so far as it is disapproved by the Government. Accordingly, on the application of the Company, the Department of Company Affairs, Government of India, vide its letter dated March 16, 1999, granted its approval to the Company for increasing the strength of its Board of Directors from 12 to 15 and further granted approval for increase in strength from 15 to 20 vide letter dated September 21, 2004 issued by Ministry of Company Affairs, Government of India. Two-third of the total number of directors of the Company shall be persons who shall be liable to retire by rotation. The remaining directors shall be appointed by JAL so long as JAL holds 51% or more of the paid up equity share capital of the Company.

Subject to the provisions of Section 255 of the Companies Act the Managing Director(s)/Whole- time Director(s) appointed by the Board of Directors shall not be liable to retire by rotation.

The remuneration of a Managing Director/Whole-time Director shall be such as may from time to time be fixed by the Board subject to the provisions of Sections 269 and 309 of the Companies Act.

The present Board of Directors comprises of the following members:

Name, Father's Name, Residential Address, Occupation and Term	Designation	Date of Birth	Other Directorships
Mr. Jaiprakash Gaur S/o Late Mr. Baljeet Singh Sharma A-9/27, Vasant Vihar, New Delhi - 110 057 Industrialist	Chairman	January 1, 1931	Jaiprakash Associates Limited (Chairman) Jaiprakash Power Ventures Limited (Chairman) Jaypee Greens Limited (Chairman) Jaiprakash Enterprises Limited (Chairman) Jaypee Hotels Limited (Chairman) Jaypee Karcham Hydro Corporation Limited (Chairman) Jaypee Cement Limited Manumanik Estates Private Limited Sunvin Estates Private Limited Samsun Estates Private Limited Ceekay Estates Private Limited
Mr. Sarat Kumar Jain S/o Mr. Sumat Prasad Jain B-1/12, Vasant Vihar New Delhi - 110 057 Industrialist	Vice Chairman	May 19, 1938	Jaiprakash Associates Limited (Vice Chairman) Essjay Enterprises Private Limited Jaypee Cement Limited
Mr. Manoj Gaur S/o Mr. Jaiprakash Gaur A-9/27, Vasant Vihar New Delhi - 110 057 Business	Director	June 16, 1964	Jaiprakash Associates Limited (Managing Director) Jaypee Ventures Limited (Chairman and Managing Director) JIL Information Technology Limited (Chairman) Gaur & Nagi Limited (Chairman) Jaypee Hotels Limited Jaypee Cement Limited Jaiprakash Power Ventures Limited Jaiprakash Enterprises Limited Jaypee Greens Limited Jaypee Karcham Hydro Corporation Limited Manumanik Estates Private Limited Mum Engineers Private Limited Indesign Enterprises Private Limited

Name, Father's Name, Residential Address, Occupation and Term	Designation	Date of Birth	Other Directorships
Mr. Sunil Kumar Sharma S/o Mr. N. C. Sharma E-9/14, Vasant Vihar New Delhi - 110 057 Business	Director	July 1,1959	Jaiprakash Associates Limited (Managing Director) Jaypee Hotels Limited Jaypee Ventures Limited Jaypee Greens Limited Jaypee Karcham Hydro Corporation Limited Jaypee Cement Limited Suneha Estates Private Limited Indesign Enterprises Private Limited Jaiprakash Power Ventures Limited
Mr. Gopi K Arora S/o Late Mr. Y. N. Arora 181, Sector-15A Noida - 201 301 (UP) Retired Civil Servant	Director	January 24, 1934	Bengal Ambuja Housing Development Limited Jaiprakash Associates Limited Alps Industries Limited HGS India Limited Sunil Synchem Limited Roto Pumps Limited SARA Fund Trustee Company Limited Television Eighteen India Limited NOIDA Toll Bridge Company Limited DND Flyway Limited ACAM Trust Company Private Limited Consolidated Toll Network India Limited Infrastructure Leasing & Financial Services Limited
Dr. Ramesh C. Vaish S/o Late Mr. S. Vaish 169, Golf Links New Delhi – 110 003 Chartered Accountant	Director	June 19, 1941	Ansal Properties & Infrastructure Limited Daurala Organics Limited Express News Papers Limited Goetze (India) Limited OCL (India) Limited Omax Auto Limited Bharat Consultants Private Limited Saraswati Consultants Private Limited
Mr. Balkrishan Batra S/o Mr. R. L. Batra A-62, Twin Towers, Prabhadevi, Mumbai - 400 025 Service	Director (IDBI Nominee)	July 14,1956	Binani Industries Limited (IDBI Nominee)
Mr. Bal Krishna Gupta S/o Mr. Harish Chandra Gupta Flat No.2, LIC Building 16/98, M. G. Marg Kanpur – 208 001 Service	Director (LIC Nominee)	March 1,1945	Nil
Mr. Dattaram Gopal Kadkade S/o Mr. Gopal Damodar Kadkade B-3/23, Vasant Vihar New Delhi – 110 057 Engineer	Director	February 20, 1931	Jaypee Technical Consultants Private Limited Rishab Farms & Industries Limited
Mr. Jagdishwar Nath Gaur S/o Late Mr. C. L. Gaur 394, Sector - 29 Noida - 201 301 (UP) Service	Whole-time Director	January 2, 1933	Nil
Mr. Narendra Singh S/o Late Mr. C. L. Verma H-3/6, Ground Floor DLF City, Phase-I Gurgaon - 210 002 Consultant	Director	Janaury 24, 1934	Nil

Name, Father's Name, Residential Address, Occupation and Term	Designation	Date of Birth	Other Directorships
Mr. Bal Krishna Taparia S/o Late Mr. Keshrimal Taparia 75, Nagina Bagh, Ajmer – 305 001 Retired Executive	Director	November 27, 1939	Jaiprakash Power Ventures Limited
Mr. Dharmendar Nath Davar S/o Late Mr. D. L. Davar B-5/82, Safdarjung Enclave New Delhi – 110 029 Retired Banker	Director	August 8, 1934	Sandhar Infosystem Limited Sandhar Locking Devices Limited Sandhar Components Limited SLD Auto Limited Maral Overseas Limited Jaiprakash Power Ventures Limited Jaiprakash Associates Limited OCL India Limited HEG Limited Indo-Continental Hotels & Resorts Limited Ansal Properties & Infrastructure Limited Hero Honda Finlease Limited Adayar Gate Hotel Limited Rajasthan Spinning & Weaving Mills Limited
Mr. Rangi Lal Gupta S/o Mr. R. S. Gupta 2058, D-2, Vasant Kunj Delhi - 110 070 Service	Director	November 15, 1941	Jaiprakash Power Ventures Limited Jaypee Ventures Limited
Mr. Shyam Datt Nailwal S/o Mr. R. D. Nailwal 75, Shreshta Vihar Delhi - 110 092 Service	Director	August 03, 1947	Jaiprakash Associates Limited Jaypee Cement Limited
Mr. Raj Kumar Narang S/o Late Mr. B. D. Narang Flat No. G-2 Vivek Apartments, Shreshta Vihar, Delhi - 110 092 Service	Whole-time Director	August 26, 1948	Nil

Note: For tenure of appointment of each director please refer to section titled "Statutory and Other Information on page 154 of this Red Herring Prospectus.

The overall operations of JHPL are managed by a committee comprising of Mr. Manoj Gaur, Mr. Sunil Kumar Sharma, Mr. J. N. Gaur and Mr. S.D. Nailwal under the Chairmanship of Mr. Manoj Gaur. The site operations are managed by a co-ordination committee comprising of Mr. V. Sethi (Advisor), Mr. Rajiv Gaur (President), Mr. Kanti Prasad (Senior Vice President) and Mr. Vinod Sharma (Vice President) under the overall guidance of Mr. Manoj Gaur. Necessary assistance in financial and legal matters is provided by a team of senior professionals from the Head Office at New Delhi.

Details of Directors

Mr. Jaiprakash Gaur was appointed as the director of the Company with effect from December 21, 1994 and as the Chairman and Managing Director of the Company with effect from January 7, 1995. He was re-appointed as the Chairman and Managing Director of the Company on January 7, 2000 for a period of five years and further reappointed as Chairman and Managing Director of the Company for five years with effect from January 7, 2005. Mr. Jaiprakash Gaur holds a Diploma in Civil Engineering from University of Roorkee (now Indian Institute of Technology, Roorkee). He has been associated with the construction industry for over 51 years. He is responsible for the growth of the Jaypee group of Companies, which had an aggregate turnover of over Rs. 30,000 million in FY 2004.

Mr. Jaiprakash Gaur is the main promoter and Chairman of Jaiprakash Associates Limited, the promoter company of JHPL.

Mr. Sarat Kumar Jain was appointed as a director of the Company with effect from December 21, 1994 and as the Vice Chairman of the Company with effect from September 5, 1997. Mr. Jain is a graduate in Science. He is also the Vice Chairman of JAL and is responsible for the successful execution of various projects over the last 44 years. Mr. Jain oversees the construction activities and the hydro-power wing of the Jaypee group.

Mr. Manoj Gaur was appointed as a director of the Company on December 10, 2002. He holds a degree in Civil Engineering from Birla Institute of Technology and Science, Pilani. Mr. Manoj Gaur joined JAL in 1986 and has overall experience of over 18 years. He has been associated with implementation and operation of Cement Plants at Rewa and Bela in Madhya Pradesh and has set up the marketing network.

Mr. Manoj Gaur is a Managing Director of JAL and has been associated with various activities of the Jaypee group, be it in the engineering construction, hydro power, cement, Information Technology, Hospitality or education initiatives.

Mr. Sunil Kumar Sharma was appointed as a director of the Company on December 27, 1997. He is a graduate in Science and possesses 24 years of experience in planning, procurement, execution and management. He has been responsible for completion of several engineering construction projects including Hotel Siddharth, Hotel Vasant Continental, one million tonnes per annum cement plant at Rewa and raising the Lakhya Dam in the state of Karnataka. He was the Director-in-Charge for the underground power house work at Jhakri, Rockfill Dam and Chute & Shaft Spillway works of Tehri Hydel Project besides works at the Chamera -II Hydel Project.

Mr. Sunil Kumar Sharma is Managing Director of JAL.

Mr. Gopi K Arora was appointed as a director of the Company on January 7, 1995. He is a post graduate from Allahabad University, and holds a Masters' Diploma in Public Administration from Harvard University, Boston, USA. Mr. Gopi K. Arora is a retired civil servant and has held prestigious positions in Government of India.

Mr. Arora was the Economic Minister with the Embassy of India, Moscow, Russia (1975-78), Joint Secretary, (1983), Additional Secretary (1984-1987) and Special Secretary (1987) in the Office of the Prime Minister, Government of India, Secretary in the Ministry of Information and Broadcasting, Government of India (1988), Finance Secretary with Ministry of Finance, Government of India (1989-1990) and Executive Director representing India/Bangladesh/Bhutan and Sri Lanka at International Monetary Fund, Washington (1990-1993).

Dr. Ramesh C Vaish was appointed as a director of the Company on September 21, 2002. Dr. Vaish holds degree in M.A., M. Com., LLB, Ph.D, FCA. He has over 40 years' experience as a Chartered Accountant. Dr. Vaish is an eminent Tax Consultant and specializes in the areas of Corporate Planning, International Taxation and Finance, and Off-Shore Investments.

Mr. B. K. Batra was appointed as a nominee director of IDBI with effect from February 11, 2004. He holds a B.Com. (Hons) degree from Shri Ram College of Commerce, Delhi and a Masters Degree in Business Administration from Faculty of Management Studies, Delhi. Mr. Batra is also a Certified Financial Analyst from Institute of Chartered Financial Analyst, Hyderabad and a Certified Associate Member from Indian Institute of Bankers, Mumbai. After a stint at DCM Limited (9 months) and Usha International Limited (6 months), Mr. Batra worked with the State Bank of India for over 5 years. He has been working with IDBI for over 21 years' now and is presently posted in its Corporate Finance Department as General Manager.

Mr. B. K. Gupta was appointed as a nominee director of LIC with effect from December 30, 2003. He is a Chartered Accountant and has experience of 38 years.

Mr. Gupta joined LIC in 1967. He has worked in various departments of LIC including Investment Department at Central Office, Mumbai. He has been associated with the financing of various Industrial Projects in the Public/ Private Sector. He has also worked as General Manager of LIC Housing Finance Company Limited. He is presently posted as Regional Manager in the cadre of Zonal Manager in the Northern Central Zone of LIC – with its headquarter at Kanpur.

Mr. D. G. Kadkade was appointed as a director of the Company on February 4, 2000. He holds a degree in civil engineering from University of Pune and is also a Fellow of Institution of Engineers. Mr. Kadkade has over 50 years' experience in various fields of Engineering Construction including River Valley Projects. He joined Jaypee group in 1976 and has been associated with the planning and execution of various Hydro-projects of the Group.

Mr. Jagdishwar Nath Gaur was appointed as a director of the Company with effect from March 10, 1995 and as a whole time director on October 1, 1995. He was further re-appointed with effect from October 1, 2000 for a period of 5 years. He holds a of B.E. (Electrical) degree from University of Roorkee (now Indian Institute of Technology, Roorkee). He has over 40 years experience in design, coordination, implementation and operation and maintenance of Hydro-Electric Projects. He has also held various positions including that of Chief Engineer and Board level director.

Mr. J.N. Gaur is director-in-charge of Jaiprakash Hydro-Power Limited (since 1995) and is responsible for the implementation and overall coordination and subsequently the operation & maintenance of the Project.

Mr. Narendra Singh was appointed director of the Company with effect from June 12, 1995. He holds a degree in civil engineering from University of Roorkee (now Indian Institute of Technology, Roorkee). He was also a whole-time Director of the Company during October 1, 1995 - August 15, 1999.

Mr. Singh has over 40 years experience in surveys, investigations, planning, detailed designs and construction of hydroelectric and multi-purpose river valley projects. He specialises in design and construction of underground works, powerhouses and hydraulic equipment. He was with the Irrigation Department, Uttar Pradesh from January 1956 and retired from there as Chief Engineer (Level 1).

Mr. Bal Krishna Taparia was appointed as a director of the Company with effect from June 28, 2004. He holds a Masters Degree in Commerce and is a certified associate of Indian Institute of Bankers.

Mr. Taparia is a banker by profession and has held the post of Executive Director in IDBI. Mr. Taparia has held the position of Chairman in Industrial Investment Bank of India. He has vast experience in areas involving banking, corporate, finance and administration.

Mr. Dharmendar Nath Davar was appointed as an additional Director of the Company with effect from September 25, 2004. He possesses degree in B.Com (Hons), MA (Economics), Certified Associate of the Indian Institute of Bankers (CAIIB), Fellow of Economic Development Institute of the World Bank, Permanent Honorary Faculty of the Management Development Institute (MDI) India.

Mr. Davar has been a Banker and Ex-Chairman of IFCI Limited. He has rich experience in the fields of Banking, Finance, Corporate Planning and Administration.

Mr. Rangi Lal Gupta was appointed as an additional director of the Company with effect from September 25, 2004. He holds a degree in civil engineering and possesses around 42 years of experience in the fields of designing, planning and construction of large hydraulic structures like Dams, Barrages, Intake works, Canals, Head regulators, Head Race Tunnels and Under Ground Power Houses.

Mr. Shyam Datt Nailwal was appointed as an additional director of the Company with effect from September 25, 2004. He is Fellow Member of the Institute of Company Secretaries of India with around 36 years of experience in the fields of project financing, corporate planning and secretarial to his credit.

Mr. Nailwal has vast experience in the area of Public Issues, Rights Issues, Amalgamation of Public Limited Companies, Institutional appraisal and financing, land acquisitions, Industrial licences, Government clearances, pollution control consents for cement plants, etc.

Mr. Raj Kumar Narang was appointed as a director with effect from June 28, 2004. He was appointed as a whole time director for five years with effect from June 28, 2004.He holds a degree in mechanical engineering from Jiwaji University, Gwalior and holds diploma in management from YMCA, New Delhi.

Mr. Narang has over 32 years of experience in finance including project financing at senior management levels and 10 years in the manufacturing sector.

Compensation of the Directors

For details of the compensation of the whole time directors, please refer to the section titled "Statutory and Other Information" on page 154 of this Red Herring Prospectus. Our Non Executive Directors are paid a sitting fee of Rs. 5,000 after December 29, 2004 for attending each meeting of the Board and Committee.

Shareholding of the Directors of the Company

Our Articles do not require the directors to hold any Equity Shares in the Company as qualification shares. The following table provides the details of the shareholding of the directors of JHPL and their relatives as on December 31, 2004:

Sr. No.	Name of Shareholder	Number of shares
1.	Mr. Jaiprakash Gaur alongwith JAL	100
2.	Mr. S. K. Jain alongwith JAL	100
3.	Mr. S. D. Nailwal alongwith JAL	100
4.	Mrs. Rekha Dixit alongwith JAL	100

Note**:** The above shares are jointly held with JAL and the beneficial interest of the same is with JAL.

Term of Office

(a) Article 79 (a) of the Articles of Association of the Company, inter alia provides that, two-thirds (any fraction to be rounded off to the next number) of the total number of directors of the Company shall be persons whose period of office shall be liable to determination by retirement by rotation and save as otherwise expressly provided in the Companies Act to be appointed by the Company in general meeting. The remaining directors shall not be liable to retire by rotation and shall, subject to the provisions of the Articles, be appointed by JAL so long as it holds 51% or more of the paid up equity share capital of the Company. However, the nominees of JAL shall not be liable to retire by rotation, and shall be liable for removal at the discretion of JAL. For term of office for the above directors, please refer to the section titled "Statutory and Other Information" on page 154 of this Red Herring Prospectus.

(b) The Managing Director/ Whole-time Directors have been appointed for a period of five years in accordance with the provisions of the Companies Act, 1956.

Changes in the Directors in the last 3 years

The changes in the Board of Directors during the last three years are as below:

Name of Director	Date of Appointment/ Re-appointment	Cessation	Reason
Mr. R. S. Rathore	-	August 9, 2001	Withdrawal of nomination by IDBI with effect from August 09, 2001
Mr. Anil Shridhar Supanekar	-	March 28, 2002	Withdrawal of Nomination by IFCI with effect from effect from March 28, 2002
Mr. R. S. Sandhu	March 28, 2002	-	Appointment as Nominee Director by IFCI, with effect from March 28, 2002
Mr. Rajinder Singh	-	June 27, 2002	Cessation of Office under Section 283(1)(g) of the Companies Act, 1956.
Dr. Ramesh C. Vaish	September 21, 2002	-	Appointment as Director
Mr. Manoj Gaur	December 10, 2002	-	Appointment as Director
Mr. Suren Jain	December 10, 2002	-	Appointment as Director
Mr. R. C. Dhall	October 3, 2001	March 25, 2003	Appointment as Nominee Director by IDBI with effect from October 3, 2001/ Ceased to be Director on account of his death on March 25, 2003
Mr. F. B.Virani	April 21, 2003	November 12, 2003	Appointment as Nominee Director by IDBI/ Withdrawal of Nomination with effect from November 12, 2003
Mr. B. K. Gupta	December 30, 2003	-	Appointment a Nominee Director by LIC
Mr. B. K. Batra	February 11, 2004	-	Appointment as Nominee Director by IDBI
Mr. Suren Jain	-	June 18, 2004	Resignation
Mr. R. S. Sandhu	-	June 28, 2004	Withdrawal of nomination from the Directorship by IFCI Limited with effect from June 28, 2004.
Mr.. R. L. Saha	June 28, 2004	-	Co-opted as director as nominee of IFCI Limited
Mr.. B. K. Taparia	June 28, 2004	-	Co-opted as an additional director.
Mr.. S. D. Nailwal	-	June 28 2004	Resignation
Mr.. R. K. Narang	June 28, 2004	-	Co-opted as an additional director and appointed as whole-time director with effect from June 28, 2004.
Mr. R. L. Saha	-	September 24, 2004	Withdrawal of nomination by IFCI Limited with effect from September 24, 2004
Mr. D. N. Davar	September 25, 2004	-	Co-opted as an additional Director with effect from September 25, 2004
Mr. R. L. Gupta	September 25, 2004	-	Co-opted as an additional Director with effect from September 25, 2004
Mr. S. D. Nailwal	September 25, 2004	-	Co-opted as an additional Director with effect from September 25, 2004
Mr. Shailendra Swarup	-	January 17, 2005	Resignation

Corporate Governance

The guidelines in respect of corporate governance will be applicable prior to obtaining in-principle listing approval from the Stock Exchange(s) for listing of the Equity Shares on the Stock Exchange(s).

The Company has complied with all requirements under the Corporate Governance Code as per clause 49 of the Listing Agreement of the Stock Exchange(s)

In this regard, it may be mentioned that the following directors namely, Mr. Gopi K. Arora, Dr. Ramesh C. Vaish, Mr. B. K. Taparia, Mr. D. N. Davar, Mr. R. L. Gupta, Mr. S. D. Nailwal and Mr. Narendra Singh are Independent Directors and Mr. B. K. Batra and Mr. B. K. Gupta are the Institutional Nominees on the Board. Further, the Company has already constituted an Audit Committee, Remuneration Committee and Shareholders/Investors Grievance Committee which shall meet the requirements of the Corporate Governance in terms of contained in clause 49 of the listing agreement of the Stock Exchanges.

The present constitution of the Committees is as under:

Audit Committee

1. Mr. Gopi K Arora, Chairman (non-executive independent director)
2. Mr. B.K. Gupta, (independent director)
3. Mr. B.K. Batra (independent director)
4. Mr. S.D. Nailwal (non-executive independent director)

The Audit Committee reviews the report of Concurrent Auditors and Statutory Auditors along with the comments and action taken by the management and other functions in accordance with the provisions as contained in Section 292A of the Companies Act, 1956.

Remuneration Committee
1. Mr. Gopi K Arora, Chairman (non-executive independent director)
2. Mr. B.K. Batra (independent director)
3. Mr. B.K. Taparia (independent director)

Shareholders/Investors' Grievance Committee
1. Mr. S. K. Jain, (Chairman - non executive director)
2. Mr. Manoj Gaur
3. Mr. Sunil Kumar Sharma
4. Mr. S.D. Nailwal

Upon listing of the Company's shares the scope, functions, powers and duties of the Audit Committee, Remuneration Committee and Shareholders/Investors' Grievance Committee would comply with the provisions as contained in Clause 49 of the Listing agreement which the Company shall enter into with the Stock Exchanges.

Key Managerial Personnel
The key managerial personnel of the Company are as follows:

Name	Age (Years)	Designation	Qualifications	Total expérience (Years)	Date of joining / Appointment	Previous employment
Mr. Jagdishwar Nath Gaur	71	Whole-time director	B.E. Electrical	40	March 10, 1995	Executive Engineer with UP State Electricity Board (1964-76), Chief Engineer, Chukha Hydro-Project, Bhutan (1979-87), Director (Technical) Tehri Hydro Development Corporation
Mr. Raj Kumar Narang	56	Whole-time director	B.E. (Mechanical) MBA	32	May 15, 2000	Worked with Bharat Electronics Limited for 10 years. Worked as general manager with IFCI before joining Jaypee group.
Mr. Virendra Sethi	65	Advisor	B.E. (Civil)	39	August 24, 2003	Assistant. Engineer & then Executive Engineer in Public Works Department of J&K Government for more than 11 years S.E. - Power in Govt. of India for 3 years Senior Manager in NHPC Worked in different capacities in JIL from 1981 to 2003
Mr. Rajiv Gaur	39	President (Operations)	B.E. (Civil)	18	February 1, 2003	Last position held as Resident Manager in JIL for 8 years. Various other positions held within JIL include Vice President in Jaypee Rewa Cement for three Years and Senior Vice President in JIL for three years
Mr. H. P. Singh Basur	57	President	B.E.(M), MBA	34	January 2, 2002	Dy. Shop Incharge with Indian Sugar and General Engineering Corporation Yamuna Nagar, Supervising Engineer with Engineers India Limited (12 years) with Cimmco Birla for 12 years in different capacities, 3 years as Vice President (Project & Engineering) with Kinetic Tech. India Limited, Executive Director & Chief Operating officer. GEA Energy Systems India Limited as Director and CEO.
Mr. S. K. Shrivastava	56	Jt. President	B.E. (Hons.) Mech.	35	February 1, 1995	Junior Engineer, Madhya Pradesh State Government for 4 years. Assistant Service Engineer in Bharat Earth Movers Limited, Bangalore for 3 years. Deputy Chief Engineer (Maintenance) in J.K. Cement Works for 7 years. Sr. Manager works in Satna Cement Works for 4 years General Manager Project in JIL for 10 years.
Mr. Kanti Prasad	63	Senior Vice President	B.Sc. Engg. (Mech.)	41	September 22, 1999	Sub Divisional Officer, UP Irrigation Department for 10 years. Project Manager T&L for 4 years. Additional General Manager in BHEL for 23 years.

Name	Age (Years)	Designation	Qualifications	Total expérience (Years)	Date of joining / Appointment	Previous employment
Mr. A. B. Chugh	49	Senior Vice President (Finance)	CA, CS, AICWA	24	May 1, 2001	Worked with Saraswati Industrial Syndicate for 2 years, Mehta Group for 5 years, Indana Group as Vice President (Finance) for 8 years and with Monnet Group as Senior Vice President and Company Secretary.
Mr. Vinod Sharma	47	Vice President	LLB.	24	April 1, 2002	Joint Director in Uttara Rasayan Udyog Limited for 5 years. Assistant General Manager in JIL for 2 years and General Manager in Jaypee Rewa Cement for 16 years
Mr. J. S. Jassal	53	Vice President (Technical)	B.E. (Electrical)	30	April 1, 2002	Section In-charge –Steel Authority of India Limited Senior Engineer in Manikgarh Group for 3 years Vice President (Technical) in Jaypee Rewa Cement, Rewa for 16 years.
Mr. A. V. Ramachandran	63	Vice President (Commercial)	MBA, B.Sc.(Engg.)	42	July 7, 2000	Worked as Lecturer -Electrical Engineer for 35 years in different capacities with Transformers & Electricals Kerala Limited. The last post held was in Traco Cable Co. Limited as the Managing Director.
Mr. Govind Singh Rana	54	General Manager (Civil)	B.Sc. Engg. (Civil)	32	April 1, 1998	Superintendent, Director General Border Roads Organisation for 3 years. Asst Engineer in UP Irrigation for 25 years
Mr. Kulbhushan Rai Dubey	60	Additional General Manager (Civil)	B.E. Engineering (Civil) F.I.E. (India)	36	April 1, 2004	Worked with Hindustan Steel Works Construction Limited for over 30 years and the last position held by him in Hindustan Steel Works Construction Limited was that of a Chief Engineer. Worked with JIL as Addl. General Manager (Civil) for 4 years. Worked with JIMS as Addl. General Manager (Civil) for one year.
Mr. K. Shriniwasan	61	Additional General Manager	L.M.E.	42	April 1, 2004	Worked for 38 years in Bharat Heavy Electricals Limited and the last position held by him in BHEL was that of General Manager. Worked with JIMS as Dy. General Manager for one year.
Mr. Rajinder Newton	57	Deputy General Manager (Electrical	Diploma in Electrical Engineering, M.I.E. (UK)	33	April 1, 2004	Worked as Supervisor in CEA for 7 years. Worked as engineer in charge for 8 years in ZESCO Limited in Zambia. Worked as Planning manager for 9 years in Zicom Limited. Worked as Planning Engineer in the Czech Embassy for a period of 3 years. Worked as Project Engineer for 2 years in Al Kulab Kuwait. Worked as Project Manager (Electrical) for four years in the Company and also worked with JIMS as project Manager (Electrical) for one year.
Mr. M. M. Sibbal	46	Company Secretary	M.Com, CAIIB PGDPM, FCS ACIS(London)	24	May 1, 1996	Worked in different departments / branches of Punjab National Bank. Last post held as Manager – Industrial Relations.
Mr. V. K. Puri	56	Deputy General Manager	B.E.(Elect)	31	July 23, 2003	Asst Engineer in Khodri Hydro Power Executive. Engineer in Chukha Power Project, Bhutan. Executive Engineer, Tehri Project. Executive Engineer in Tehri Hydro Development Corporation.
Mr. P. K. Agarwal	49	Additional General Manager (Finance)	AICWA, M.A., B.Sc.	24	June 22, 1998	Worked with Uptron Digital, U.P. Drugs & Pharma Co. Limited for 11 years, Tehri Hydro Development Corporation Limited for 3 years, Hindustan Organic Chemicals Limited for 3 years, last assignment with Pioneer Aircon as General Manager

None of the key managerial personnel are relatives of each other. As on December 31, 2004 all the employees named above were on the roll of the Company as permanent employees except Mr. V. Sethi who is an Advisor to the Company on a three year contract with effect from August 24, 2003.

Shareholding of Key Managerial Personnel:

None of the Key Managerial Personnel hold any shares in the Company.

Changes In Key Managerial Personnel In The Last One Year (Other Than Superannuation)

Name	Designation	Date of Joining	Date of Leaving
Mr. K. B. R. Dubey	Additional General Manager (Civil)	April 1, 2004	-
Mr. K. Shrinivasan	Additional General Manager	April 1, 2004	-
Mr. Rajinder Newton	Deputy General Manager (Electrical)	April 1, 2004	-

Compensation of Key Managerial Personnel

Currently, the company does not have a performance linked bonus or a profit sharing scheme for the employees. The key managerial personnel of the Company do not have any interest in the company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business.

OUR PROMOTERS AND GROUP COMPANIES

JAL and GoHP executed a Memorandum of Understanding dated November 23, 1991, recording GoHP's acceptance of JAL's proposal to implement the Power Plant and detailing the terms and conditions of its implementation. Subsequently, the Agreement for Implementation dated October 1, 1992 was executed between JAL and GoHP, whereby JAL agreed to establish, operate and maintain the Power Plant for an initial period of 40 years from the date of commissioning, extendable for a further period of 20 years. For this purpose, the Company was promoted by JAL.

Jaiprakash Associates Limited (JAL)

JAL is the entity formed as a result of the amalgamation of Jaiprakash Industries Limited, a listed entity, with JCL, an unlisted company.

JCL was incorporated on November 15, 1995 as Bela Cement Limited, and the Certificate of Commencement of Business was granted on January 29, 1996. Subsequently, the company was renamed as "Jaypee Rewa Cement Limited" and a fresh certificate of incorporation was granted by the RoC, Kanpur on August 30, 2000. Subsequently, its name was changed to JCL on January 3, 2002.

Jaiprakash Industries Limited (JIL) amalgamated with JCL pursuant to a Scheme of Amalgamation sanctioned by the Allahabad High Court vide it's Order dated March 10, 2004. As per the said Scheme of Amalgamation, the amalgamated entity was renamed as Jaiprakash Associates Limited.

JIL was promoted by Mr. Jaiprakash Gaur, being the main promoter, and his associates. Since JIL has now been amalgamated, its promoters are promoters of JAL. Thus, the promoters of JAL are Mr. Jaiprakash Gaur, Mr. Manoj Gaur and their families, Mr. Nanak Chand Sharma, Mr. Sunil Kumar Sharma and their families, Mr. S. K. Jain and family, Mr. Raj Kumar Singh and his family, Mrs. Kumud Jain and her family Mr. S. P. Joshi and his family, Mr. G. P. Gaur and his family, Jaypee Ventures Limited and Jaiprakash Enterprises Limited. Other details of Mr. Jaiprakash Gaur, the main promoter of the promoting Company are given below:

Mr. Jaiprakash Gaur

Passport No. A7038702
Driving License No. Does not hold a Driving License

The Permanent Account No. (PAN No.), Bank Account No. and Passport No. of Mr. Jaiprakash Gaur will be submitted to NSE and BSE at the time of filing of this Red Herring Prospectus.

The main activities of JAL include Civil Engineering Construction including complex hydro power/ river valley projects, manufacturing and marketing of cement.

Promoters Background

JAL has executed, as a leader of consortia / joint ventures, several hydropower contracts for various projects involving generation of over 8,000 MW of power spread across the country. It is also currently executing several contracts for projects involving further generation of over 9,000 MW of power in the country and abroad. ICRA Limited has assigned the highest contractor grading of CR1 to JAL, indicating the relative contract execution capacity with respect to hydropower (engineering, procurement & construction) contracts with average single contract value of upto Rs. 20,000 million each. The turnover of JAL for FY2004 was Rs. 25,590.90 million. JAL owns construction plants, machinery and equipment worth over Rs. 8,000 million and has a work force (including contract labour) of over 30,000, comprising engineers, managers, administrators, foremen, supervisors, operators, technicians, skilled and unskilled workers. JAL is also implementing the 400 MW Vishnuprayag and the 1,000 MW Karcham Wangtoo hydropower projects through its wholly owned subsidiaries. JAL's specialization and core focus on construction of hydropower projects has made it one of the dominant players amongst the private sector with significant market share.

Some of the contracts successfully completed by JAL in the hydropower sector include in the following projects:

1) Ukai Dam Project (left main canal and cross drainage works, tail race channel and allied works), Gujarat, completed in 1974
2) Salal Hydro-Electric Project (Excavation of Power House, Cut-off wall, Concrete protection wall) in Jammu and Kashmir completed in 1977
3) Gharwal-Rishikesh-Chilla Hydroelectric Project (Channel works and Barrage works) in Uttar Pradesh completed in 1979
4) Sardar Sarovar (Narmada) Project (Excavation of Dam Foundation, Excavation and concreting in Fault zone, Four Rockfill Dams and Block 1 to 20 of the Main Dam) in Gujarat completed in 1986
5) Tehri Hydro-Electric Project (two diversion tunnels, river bed excavation and upstream coffer dam excavation and fill placement, excavation of chute spillway) in Uttaranchal completed in 1986
6) Karjan Reservoir Project (100m high Karjan concrete gravity Dam) in Gujarat completed in 1987
7) Indira Sagar (Bodhghat) Hydro-Electric Project (two Adit Tunnels and Power House pit) in Madhya Pradesh completed in 1987
8) 140 m high Chamera - I concrete gravity dam in Himachal Pradesh completed in 1993
9) Vadagam Saddle Dam and 250 MW capacity Canal Head Power House in Gujarat completed in 1998
10) Nathpa Jhakri Hydro-Electric Project (1,500 MW) (Construction of Powerhouse) at River Satluj, at Jhakri, Himachal Pradesh completed in 2002
11) Baspa (Stage-II) Hydro-electric Project (300 MW) at river Baspa (tributary of river Satluj) District Kinnaur, Himachal Pradesh completed in 2003

JAL has established, in collaboration with Harza Engineering Company International, USA, a Heavy Engineering Workshop for precision fabrication and machining for manufacture of hydro mechanical equipment like gates, hoists and cranes for dams and barrages with an installed capacity of 3,000 tonnes per annum of fabricated and machined hydro mechanical equipments.

Some of the contracts being implemend/executed by JAL are:

1. Sardar Sarovar Project in Gujarat (1200 MW)
   a) Construction of Concrete Dam
   b) Construction of Underground River Bed Power House and appurtenant works
2. Indira Sagar (Narmada) Project in Madhya Pradesh (1000 MW)
   a) Construction of Concrete Gravity Dam
   b) Construction of Power House
3. Tehri Hydroelectric Project in Himachal Pradesh (1000 MW)
   a) Rock Fill Dam and Associated Works
   b) Construction of Chute and Shaft Spillway Structures
4. Dul Hasti Hydroelectric Project in Jammu & Kashmir (390 MW)
   a) Civil works of Upstream area work(Package I)
   b) Civil works of Downstream area work (package-II)
5. Vishnuprayag Hydroelectric Project in Uttaranchal (400 MW)
6. Tala Hydroelectric Project in Bhutan (1020 MW)
   - Construction of Head Race Tunnel(RD 6,000m to RD 11,130m)
7. Padechu Adit (Package-C2)
   a) Construction of Power House and Tail Race works (contract Package No.C5) Baglihar HE Project in J&K
   b) Civil and Hydromechanical work of Baglihar Stage I HE Project (450MW)
   c) Civil and Hydromechanical work of Baglihar Stage II H.E project (450 MW)
8. Teesta Hydroelectric project in Sikkim (510 MW)
   a) Civil work for Coffer Dam, Concrete Dam, Desilting Chambers, Intake Structures etc. (LOT TT-2)
   b) Civil work for Underground Power House, Surge Shaft, Pressure Shafts, Switchyard, Part HRT & TRT's etc.(LOT TT-4)
9. Omkareshwar HE Project in Madhya Pradesh (520MW)
10. Karcham Wangtoo HE Project in Himachal Pradesh (1000MW)
11. Udhampur-Srinagar-Baramula New BG Railway line in J&K

Shareholding Pattern of JAL as on December 31, 2004

Category	No. of Shares	Percentage of Total Capital
Promoters	80,239,103	45.53
Foreign Financial Institutions	30,355,878	17.23
NRIs/OCBs	3,894,615	2.21
Financial Institutions, Mutual Funds, Banks	17,092,803	9.70
Indian Corporate Bodies	14,683,565	8.33
Resident Public	29,951,017	17.00
Total	**176,216,981**	**100.00**

Board of Directors of JAL as on December 31, 2004

Name of Directors	Designation
Mr. Jaiprakash Gaur	Chairman
Mr. S. K. Jain	Vice Chairman
Mr. Manoj Gaur	Managing Director
Mr. Sunil Kumar Sharma	Managing Director
Mr. P. V. Vora	Director
Mr. M. J. Subbaiah	Director (Nominee – ICICI)
Mr. Suresh Kumar	Director
Mr. Gopi K. Arora	Director
Mr. D. N. Davar	Director
Mr. Sunny Gaur	Whole-time Director
Mr. Ranvijay Singh	Director
Mr. Rahul Kumar	Whole-time Director
Mr. Sameer Gaur	Whole-time Director
Mr. Pankaj Gaur	Whole-time Director
Mr. Suren Jain	Director
Mr. Rakesh Sharma	Director
Mr. S. D. Nailwal	Whole-time Director
Mr. M. S. Shrivastava	Director

Financial Performance

The audited financial performance of JAL for FY2003, FY2004 and for the half year ended September 30, 2004 is as given below:

(Rs. in million, except per share data)

For the period ended,	September 30, 2004	March 31, 2004	March 31, 2003
	(Unaudited)	(Audited)	(Audited)
Total Revenue (Excluding changes in stock)	14,485.60	25,590.90	26,026.40
Profit/ (Loss) after tax	945.50	1,697.40	1,121.70
Share Capital	1,762.20	1,762.20	1,762.20
Reserves and Surplus (exluding revaluation reserves)	9,937.40	8,992.00	7,603.00
Dividend (%)	—	15	15
Earning Per Share (Rs.)	10.73 (Annualised)	9.63	6.45
Book Value per share (Rs.)	66.19	60.76	52.73

The audited financial performance of JCL (prior to amalgamation of Jaiprakash Industries Limited with Jaypee Cement Limited) for the last two years is as given below:

(Rs. in million, except per share data)

For the period ended	March 31, 2002 18 months	September 30, 2000 18 months
Total Revenue (Excluding changes in stock)	10,015.80	4,012.10
Profit/ (Loss)	43.10	(219.70)
Share Capital	4,180.00	4,000.00
Reserves and Surplus (excluding revaluation reserves)	-	-
Dividend (%)	-	-
Earning Per Share (Rs.)	0.10	—
Book Value per share (Rs.)	5.74	6.24

The audited financial performance for Jaiprakash Industries Limited for the last two years (prior to its amalgamation with JCL) is as stated below:

(Rs. in million except per share data)

For the year ended March 31,	2002	2001
Total Revenue (Excluding changes in stock)	15,997.20	16,512.70
Profit/ (Loss) after tax	1,279.80	987.50
Share Capital	17,217.00	1,582.40
Reserves and Surplus	8,428.20	8,720.50
Dividend (%)	12%	Nil
Earning Per Share (Rs.)	7.43	6.24
Book Value per share (Rs.)	58.95	65.11

Share Quotation:
i. Highest and Lowest price of JAL on the NSE in the last six months:

Month	High (Rs.)	Low (Rs.)
September 2004	154.00	133.35
October 2004	161.70	138.75
November 2004	162.00	149.00
December 2004	195.50	148.50
January 2005	193.00	171.25
February 2005	215.00	175.30

Closing share price on NSE as on March 3, 2005 was Rs. 222.40
Market Capitalization on the NSE as on March 3, 2005 was Rs. 39,191 million.

ii. Highest and Lowest price of JAL on the BSE in the last six months:

Month	High (Rs.)	Low (Rs.)
September 2004	154.15	133.65
October 2004	161.50	138.70
November 2004	164.00	149.15
December 2004	195.10	148.50
January 2005	194.90	171.00
February 2005	214.90	175.30

Closing share price on BSE as on March 3, 2005 was Rs. 221.80
Market Capitalization on the BSE as on March 3, 2005 was Rs. 39,085 million.

Promise v Performance

Details of the last issue made by JAL:

Issue details	Issue size (Rs. Millions)	Timing of Issue
Issue of 41,565,180 Equity shares of Rs.10 each at a premium of Rs.50 per share to the Shareholders, employees of the Company and Associate Companies	2,493.90	Issue opened on: April 12, 1993 Issue closed on: May 25, 1993

The company's last issue was made in April/May, 1993 with an object to part finance the requirements of funds for setting up Cement Plant III at Rewa (M.P.) with an installed capacity of 1.5 million tons per annum at an estimated cost of Rs. 3,500 million and for setting up the 300 MW Baspa Stage-II Hydro Electric Project at Himachal Pradesh at an estimated cost of Rs. 8,500 million. The said objects were achieved.

Cement Plant-III

	Projections	Actuals	Remarks
Capacity	1.5 MTPA	1.5 MTPA	Delay in commencement of commercial production was due to change in configuration of the project resulting into delay in finalisation/ordering of latest machinery and technology. This resulted in time and cost overrun.
Commencement of Commercial Production	October, 1995	October 21, 1996	
Cost of the Project	Rs.3,500 million	Rs. 4,750 million	

Baspa-II Hydro Electric project

	Projections	Actuals	Remarks
Capacity	300 MW	300 MW	Please refer to the section titled "Management Discussion and Analysis" on page 42 of this Red Herring Prospectus.
Commencement of Commercial Production	June, 1997	June, 2003	
Cost of the Project	Rs. 8,500 million	Rs. 16,247.20 million	

The projections regarding sales and profitability of the company were made as follows:

(Rs. in million)

Year ending	Projected Sales	Actual Sales	Variance	Projected Net Profit	Actual Net Profit	Variance
1993	6,250.00	6,324.40	1.19%	800.00	927.70	15.96%
1994	7,550.00	6,920.00	-8.34%	1,150.00	937.10	-18.51%
1995	8,750.00	7,647.40	-12.60%	1,370.00	955.30	-30.27%
1996	10,100.00	9,963.10 (15 months)	*	1,590.00	914.00	*
1997	12,250.00	7,680.70	*	1,700.00	248.70	*
1998	14,300.00	6,451.30 (9 months)	*	2,110.00	164.10	*

* The projections for the years 1996, 1997 and 1998 given above are not comparable with the aforesaid actual results inter-alia for the following reasons:

(i) The financial year 1995-1996 was changed to comprise of 15 months ended June 30, 1996
(ii) The financial year 1997-1998 was changed to comprise of 9 months ended March 31, 1998
(iii) Cement plant III (one of the object for which issue was made) was hived off to a new wholly owned subsidiary of JIL during the year 1996-97. The results for the said plant were, therefore, not included in the results of JIL (now JAL) for the year 1996-97 and 1997-98, as projected in the offer document.

Subsidiaries of JAL

(A) Jaiprakash Power Ventures Limited (JPVL)

JPVL was incorporated on May 18, 1995 and the certificate of commencement of business dated June 12, 1995 was issued by the RoC, Kanpur.

JPVL was promoted by JIL (now JAL) for the implementation of 400MW Vishnuprayag hydro electric project, in Uttaranchal on build own operate basis. The project cost estimated at Rs. 19,011.20 million is being financed by way of equity of Rs. 5,703.40 million and debt of Rs. 13,307.80 million, which has already been tied up. The civil work is in progress, with expenditure of Rs. 10,104 million having been incurred on the project till December 31, 2004. The project is scheduled to be commissioned by December 2006 and would generate a design energy of 2,060.50 MU. 88% of the power to be generated by the project shall be sold to Uttar Pradesh Power Corporation Limited (UPPCL) under a power purchase agreement already executed and balance 12% power shall also be delivered by the company to UPPCL for supply to Government of Uttaranchal free of cost.

Shareholding Pattern of JPVL as on December 31, 2004

Name of Shareholders	Number of Shares	Percentage of Total Capital
JAL#	356,999,400	100.00
Mr. Jaiprakash Gaur & JAL*	100	0.00
Mr. Sarat Kumar Jain & JAL*	100	0.00
Mr. Satyendra Prakash Joshi & JAL*	100	0.00
Mr. Nanak Chand Sharma & JAL*	100	0.00
Mr. Shyam Datt Nailwal & JAL*	100	0.00
Mr. Harish K. Vaid & JAL*	100	0.00
Total	**357,000,000**	**100.00**

* The above shares are jointly held with JAL and the beneficial interest of the same is with JAL

JAL has brought in an additional Rs. 250 million towards share application money.

Board of Directors of JPVL as on December 31, 2004

Name of Directors	Designation
Mr. Jaiprakash Gaur	Chairman
Mr. N.C. Sharma	Vice-Chairman
Mr. G.P. Singh	Vice-Chairman
Mr. Suresh Kumar	Managing Director
Mr. Harish Chandra Jain	Director (Nominee – LIC)
Mr. L. P. Aggarwal	Director (Nominee – IDBI)
Mr. D.N. Davar	Director
Mr. B.K. Taparia	Director
Mr. B.K. Goswami	Director
Mr. Manoj Gaur	Director
Mr. Sunil Kumar Sharma	Director
Mr. R.L. Gupta	Director
Mr. M.A. Siddiqi	Director
Mr. R.K. Jain	Director
Mr. C.K. Agarwal	Director
Mr. Suresh Chandra	Director
Mr. Viren Jain	Whole-time Director
Mr. Harish K Vaid	Director
Mr. Shailendra Gupta	Director
Mr. M.C.Maheshwari	Director (Finance)

Financial Performance

The audited financial performance of JPVL for the last three financial years is given as below:

(Rs. in Million, except per share data)

For the period ended	March 31, 2004	March 31, 2003	March 31, 2002
Total Revenue	Nil	Nil	Nil
Profit/ (Loss) after tax	Nil	Nil	Nil
Share Capital	3,290	2,550	2,550
Reserves and Surplus (excluding revaluation reserves)	Nil	Nil	Nil
Dividend (%)	Nil	Nil	Nil
Earning Per Share (Rs.)	—	—	—
Book Value per share (Rs.)	9.97	9.97	9.97

The details of appraised costs vis-à-vis actuals are given as under:

(Rs. in million)

	Appraised	Actual upto December 31, 2004
Equity	5,703.40	3,570
Share Application Money		250
	5,703.40	3,820
Debt		
Rupee	11,815	5,869.80
Foreign Currency	1,492.80	453.90
	13,307.80	6,323.70
TOTAL	**19,011.20**	**10,143.70**

(B) Jaypee Hotels Limited (JHL)

JHL was incorporated as "Siddharth Inter-Continental Hotels (India) Limited" on December 29, 1980 as a public limited company under the Companies Act and received Certificate of Commencement of Business on February 23, 1981 from the RoC, Delhi, Haryana.

Jaiprakash Enterprises Limited amalgamated with Siddharth Inter-Continental Hotels (India) Limited pursuant to the Scheme of Amalgamation sanctioned by the Delhi High Court vide its Order dated April 5, 1984.

Subsequently, on June 26, 1987, Siddharth Inter-Continental Hotels (India) Limited was renamed as Jaypee Hotels Limited.

JHL carries on the business of hotels, restaurants, wine, beer and spirit merchants and to acquire by purchase or lease land, buildings and hereditaments. Further, to carry on the business of builders, civil, mechanical and electrical contractors. JHL presently operates four 5 - Star deluxe hotels in North India including Hotel Jaypee Siddharth in Delhi and Jaypee Palace Hotel and a Convention Centre at Agra.

Shareholding Pattern of JHL as on December 31, 2004

Category	No. of Shares	Percentage of Total Capital
Promoters Holding		
JAL	4,00,49,943	72.18
Others	1,546,114	2.79
Sub-Total	**41,596,057**	**74.96**
Non-Promoter Holding		
Institutional Investors		
Mutual Funds and Unit Trust Of India	4,300	0.01
Banks, Financial Institutions, Insurance Companies	1,178,595	2.12
FII		
Sub – Total	**1,182,895**	**2.13**
Others		
Private Corporate Bodies	3,592,823	6.47
Indian Public	8,921,780	16.08
NRIs /OCBs	195,945	0.35
Any Other	500	0.00
Sub – Total	**12,711,048**	**22.91**
Grand Total	**55,490,000**	**100.00**

Board of Directors of JHL as on December 31, 2004

Name of Directors	Designation
Mr. Jaiprakash Gaur	Chairman
Mr. S.G. Awasthi	Vice-Chairman cum Managing Director
Lt. Gen. (Retd.) S.N. Endley	Whole-time Director
Mrs. Manju Sharma	Whole-time Director
Mr. K. Subramanian	Director
Mr. Ram Kumar Anand	Director
Mr. Pawan Kumar Jain	Director
Mr. S.K. Chakraborti	Director
Mr. Suresh Kumar	Director
Mr. Manoj Gaur	Director
Mr. Sunil Kumar Sharma	Director
Mr. Santosh Kumar Bansal	Director
Mr. Shree Prakash	Director
Mrs. Rita Dixit	Director
Mr. S.C.K. Patne	Director

Share Quotation:

i. Highest and Lowest price on the NSE in the last six months:

Month	High (Rs.)	Low (Rs.)
September 2004	25.20	18.60
October 2004	24.45	21.00
November 2004	33.00	22.30
December 2004	54.25	26.80
January 2005	47.40	36.20
February 2005	45.85	40.05

(Source: NSE website)
Closing share price on NSE as on March 3, 2005, was Rs. 47.55
Market Capitalization on the NSE as on March 3, 2005 was Rs. 2,639 million.

ii. Highest and Lowest price on the BSE in the last six months:

Month	High (Rs.)	Low (Rs.)
September 2004	25.50	19.00
October 2004	24.90	21.00
November 2004	29.70	21.60
December 2004	54.15	26.80
January 2005	49.00	34.75
February 2005	46.50	38.00

(Source: BSE website)
Closing share price on BSE as on March 3, 2005, was Rs 47.60
Market Capitalization on the BSE as on March 3, 2005 was Rs. 2,641million.

Financial Performance

The audited financial performance of JHL for the last three financial years is as given below:

(Rs. in million, except per share data)

For the year ended March 31,	2004	2003	2002
Total Revenue	1326.13	1017.83	1161.65
Profit/ (Loss) after tax	52.74	20.38	10.50
Share Capital	554.90	554.90	554.90
Reserves and Surplus (excluding revaluation reserves)	564.23	511.88	513.15
Earning Per Share (Rs.)	0.95	0.37	0.19
Book Value per share (Rs.)	15.70	14.65	14.17

Promise vis-à-vis performance

The following are the details of the last issue made by JHL.

Issue details	Issue size (Rs. in million)	Time of Issue
Issue of 27,000,000 Equity shares of Rs.10 each at a premium of Rs.15 per share to the existing Shareholders of the company (both Equity and Preference), and employees of the company and associate companies and also to the shareholders of Jaiprakash Industries Limited and Jaiprakash Enterprises Limited and associate companies	675.00	April, 1993 Issue Open Date: March 29, 1993 Issue Close Date: April 28, 1993

JHL made the issue with the object to finance the cost of constructing, equipping and furnishing of 5-Star deluxe hotel cum Convention Centre at Agra and for capital expenditure and long term working capital requirements (The said objects were achieved). The projections of sales and profitability were made as follows:

Year	Projected Sales	Actual Sales	Variance %	Projected Net profit	Actual Net profit	Variance %	Remarks
1993	250.00	266.80	6.72	47.50	49.30	3.79	
1994	380.00	338.80	(10.84)	145.00	87.70	(39.51)	**
1995	430.00	337.50	(21.51)	160.00	46.90	(70.68)	**

**

a. Construction division of the company showed a decline in turnover as the construction industry related to river valley projects passed through an unfavourable phase primarily because of government financial constraints. Therefore, as the continuation of construction work was proving uneconomical, the board of directors decided to close down the construction work which resulted in reduction of construction turnover and its profit.

b. Major renovation work was undertaken in both the hotels which resulted in reduced operating profit.

c. Higher incidence of income tax also reduced net profit after tax.

(C) Jaypee Karcham Hydro Corporation Limited (JKHCL)

JKHCL was incorporated on April 29, 2002 as a public limited company under the Companies Act and received Certificate of Commencement of Business on July 4, 2002 from the RoC, Jalandar.

JKHCL is promoted by JAL to develop and operate its 1,000 MW Karcham Wangtoo Hydro Electric Project in Himachal Pradesh under an implementation Agreement executed between the GoHP and JAL. The Techno–Economic clearance has been accorded by CEA at an estimated cost of Rs. 59,100 million. Various statutory and other approvals have been obtained except the environmental clearance. Steps to tie up finances have been taken up. Infrastructure works for implementation of the project are proposed to be undertaken in FY2005. The Project is expected to be commissioned in the year 2010.

Shareholding Pattern of JKHCL as on December 31, 2004

Name of Shareholders	Number of shares	Percentage of Total Capital
JAL	49,400	100.00
Mr. Jaiprakash Gaur & JAL*	100	0.00
Mr. Sarat Kumar Jain & JAL*	100	0.00
Mr. Manoj Gaur & JAL*	100	0.00
Mr. Sunil Kumar Sharma & JAL*	100	0.00
Mr. Shyam Datt Nailwal & JAL*	100	0.00
Mr. Harish K. Vaid & JAL*	100	0.00
Total	**50,000**	**100.00**

*The above shares are jointly held with JAL and the beneficial interest of the same is with JAL

Board of Directors of JKHCL as on December 31, 2004

Name of Directors	Designation
Mr. Jaiprakash Gaur	Chairman
Mr. Manoj Gaur	Director
Mr. S.K. Sharma	Director
Mr. Suresh Kumar	Director
Mr. G.P. Singh	Director
Mr. Arun Gupta	Director
Mr. B.M. Agarwal	Director

Financial Performance

The audited financial performance of JKHCL since inception is as given below:

(Rs. in million)

Year Ended	March 31, 2004	June 30, 2003
Total Revenue	Nil	Nil
Profit after tax	Nil	Nil
Share Capital	0.50	0.50
Reserves and Surplus (excluding revaluation reserves)	Nil	Nil
Dividend (%)	Nil	Nil
Earning Per Share (Rs.)	Nil	Nil
Book Value per share (Rs.)	10.00	10.00

(D) Jaiprakash Hydro-Power Limited (JHPL)

JHPL is a 100% subsidiary of JAL and its 180 million equity shares are offered for sale by this Red Herring Prospectus.

Group Companies

The companies which can be classified as Promoter Group Companies are Jaiprakash Associates Limited, Jaypee Hotels Limited, Jaiprakash Power Ventures Limited, Jaypee Ventures Limited, Jaypee Karcham Hydro Corporation Limited, Jaiprakash Enterprises Limited, JIL Information Technology Limited, Jaypee Industrial & Medical Services Private Limited, Shiras Estates Limited and Gaur & Nagi Limited

(A) Jaypee Ventures Limited (JVL)

JVL was incorporated as "International Design Engineering Associates Limited" on May 12, 1992, as a public limited company under the Companies Act, 1956 and received a Certificate of Commencement of Business dated June 11, 1992 from the RoC, Delhi and Haryana. On an application made by the International Design Engineering Associates Limited, it was converted into a private limited company on April 22, 1998 under Section 31(1) of the Companies Act and thus, the name was changed to "International Design Engineering Associates Private Limited". Subsequently, on February 9, 2000, it became a public limited company. Furthermore, on January 1, 2001, the name of the company was changed to Jaypee Ventures Limited.

JVL has been set up to carry on the business of providing consultancy services including identification of projects, basic and detailed engineering for various projects and industries related to generation of power, to provide technical services in the construction and operation of industrial plants and providing services as in the area of project assignment.

JVL has been assigned "CT 1" grade by ICRA Limited indicating Very Strong Project Engineering Capacity with highest prospects of good technical design services.

Shareholding Pattern of JVL as on December 31, 2004

Category	No. of shares	Percentage of Total Capital
Directors & their Relatives	2,001,450	61.00
Individuals	1,300,860	39.00
Total	3,302,310	100.00

Board of Directors as on December 31, 2004

Name of Directors	Designation
Mr. Manoj Gaur	Chairman & Managing Director
Mr. R.L. Gupta	Whole-time Director
Mr. Sunil Kumar Sharma	Director
Mr. Sameer Gaur	Director
Mr. S K Bansal	Director
Mr. Rahul Kumar	Director
Mr. Amit Sharma	Director
Mr. Sunil Joshi	Director
Mr. Viren Jain	Director
Mr. Pankaj Gaur	Director
Mr. K. P. Sharma	Director

Financial Performance

The audited financial performance of JVL for the last three financial years is as given below:

(Rs. in million, except per share data)

For the year ended March 31,	2004	2003	2002
Total Income	492.64	295.33	560.96
Profit/ (Loss) after tax	156.58	11.20	290.23
Share Capital	737.02	737.02	737.02
Reserves and Surplus (excluding revaluation reserves)	543.84	388.69	411.57
Dividend (%)	0	0	0
Earning Per Share (Rs.)	47.41	3.39	53.53
Book Value per share (Rs.)	174.64	129.60	134.63

(B) Jaypee Industrial & Medical Services Limited (JIMS)

JIMS was incorporated on August 14, 1986 as a private limited company in accordance with the provisions of the Companies Act, 1956. Subsequently, it was converted into a public limited company on January 5, 2005.

JIMS is a subsidiary of JVL.

JIMS is engaged in the business of providing services of medical and security personnel to other companies. It also has an experience in running and operating a Hydro-Power Plant.

Shareholding Pattern of JIMS as on December 31, 2004

Name of Shareholders	Number of Shares	Percentage of Total Capital
JVL	49,994	100.00
Mr. Sunil Joshi & JVL*	1	0.00
Mr. Raj Kumar Singh & JVL*	1	0.00
Ms. Sunita Joshi & JVL*	1	0.00
Mr. Inder Narain Dube & JVL*	1	0.00
Mr. Harish K Vaid & JVL*	1	0.00
Mr. Shailendra Gupta & JVL*	1	0.00
Total	**50,000**	**100.00**

*The above shares are jointly held with JVL and the beneficial interest of the same is with JVL

Board of Directors of JIMS as on December 31, 2004

Name of Directors	Designation
Mr. T.R. Kakkar	Whole-time Director
Mr. G.D. Bansal	Director
Mr. Ram Adhar Singh	Director

Financial Performance:

The audited financial results of JIMS for the last three financial years is as given below:

(Rs. in million, except per share data)

For the year ended March 31,	2004	2003	2002
Total revenue	240.00	112.90	106.30
Profit after tax	29.10	5.40	5.10
Share Capital	0.10	0.10	0.09
Reserved surplus	45.20	16.10	10.80
Earning per Share	2,916.03	535.73	575.80
Book Value per Share	4,537.28	1,621.25	1,231.90

(C) JIL Information Technology Limited (JILIT)

JILIT was incorporated as "JIL Information Technology Private Limited" on May 9, 2000. Thereafter, this company became a deemed public company pursuant to section 43A (1) of the Companies Act, with effect from July 31 2000. Upon the Companies (Amendment) Act, 2000 coming into force on December 13, 2000, and in pursuance of section 43A(2A), the company became a private limited company by passing a special resolution on December 26, 2000. Accordingly the RoC Kanpur was informed

and a fresh certificate of incorporation was issued by the RoC, Kanpur on February 9, 2001.Thereafter, consequent to the provisions of section 4(1)(b)(ii) read with 3(1)(iv)(c) read with Sections 31 and 44 of the Companies Act, 1956, JILIT vide its special resolution dated February 21, 2002 became a public company and was renamed as "JIL Information Technology Limited". The RoC, Kanpur once again issued a fresh certificate of Incorporation on March 20, 2002. Subsequently, JILIT changed its registered office from the State of Uttar Pradesh to the State of NCT of Delhi under Section 18(3) of the Companies Act w.e.f. May 20, 2003 which was registered by ROC Delhi on May 29, 2003.

JILIT has been set up for the business of software development services, computer consultancy services, Information Technology services, satellite based telecom services, dealing in educational programs and imparting training in computer related programs.

Shareholding Pattern of JILIT as on December 31, 2004

Category	No. of Shares	Percentage of Total Capital
Promoters		
Jaypee Ventures Limited	7,390,000	89.14%
Individuals	300	—
Others		
Individuals	899,925	10.86%
Total	**8,290,225**	**100.00%**

Board of Directors of JILIT as on December 31, 2004

Name of Directors	Designation
Mr. Manoj Gaur	Chairman
Mr. Alok Gaur	Whole-time Director
Mr. Amit Sharma	Whole-time Director
Mr. Sunil Joshi	Director
Mr. P.N. Kumar	Director
Ms. Sunita Joshi	Director

Financial Performance

The audited financial performance of JILIT for the last three financial years is as given below:

(Rs. in million, except per share data)

For the year ended March 31st	2004	2003	2002
Total Revenue	67.21	62.91	22.91
Profit/ (Loss) after tax	0.34	6.45	(15.18)
Share Capital	82.90	82.90	82.90
Reserves and Surplus (excluding dividend)	Nil	Nil	Nil
Earning Per Share (Rs.) (Face Value of share = Rs. 10)	0.04	0.78	Nil
Book Value per share (Rs.) (Face Value of share = Rs. 10)	7.94	7.90	6.98

(D) Jaiprakash Enterprises Limited (JEL)

JEL was incorporated as "Uttra Rasayan Udyog Limited" on April 15, 1978, as a public limited company under the Companies Act, 1956 and was granted a Certificate of Commencement of Business on June 1, 1978. Subsequently the company was renamed as "Jaypee Chemicals Limited" and certificate for change of name was received from the RoC on the February 14, 1985. Thereafter, the name of the company was changed to Jaiprakash Enterprises Limited on May 13, 1988.

JEL is engaged in the business of construction, deployment of personnel, manufacturing/marketing of paints and transportation business.

Shareholding Pattern of JEL as on December 31, 2004

Name of Shareholders	No. of shares	Percentage of Total Capital
Promoters Holding		
Jaiprakash Associates Limited	467,970	17.53
Ironwill Holdings Private Limited	849,060	31.80
Directors, Relatives and Friends	929,940	38.31
Promoters holding (a)	2,246,970	87.64
Private Corporate Bodies (b)	250	0.01
Indian Public (c)	329,850	12.35
Total (a+b+c)	**2,670,000**	**100.00**

Board of Directors of JEL as on December 31, 2004

Name of Directors	Designation
Mr. Jaiprakash Gaur	Chairman
Mr. N. C. Sharma	Vice Chairman
Mr. Manoj Gaur	Director
Mr. P.K. Jain	Whole-time Director
Mr. B. K. Jain	Director
Mr. Sachin Gaur	Director
Mr. Rajiv Gaur	Director
Mr. I. N. Dube	Director
Mr. V.K. Jain	Director

Financial Performance

The audited financial performance of JEL for the last three financial years is as given below:

(Rs. in million, except per share data)

For the year ended March 31,	2004	2003	2002
Total Revenue	1086.36	576.14	349.98
Profit/ (Loss) after tax	62.32	39.96	34.28
Share Capital	26.70	26.70	26.70
Reserves and Surplus	158.80	92.03	52.41
Dividend (%)	Nil	Nil	Nil
Earning Per Share (Rs.)	23.34	14.97	12.84
Book Value per share (Rs.)	69.47	44.46	29.63

Promise vis-à-vis performance

The following are the details of the last issue made by JEL:

Issue details	Issue size (Rs. in million)	Time of Issue
Public Issue of 306,000 Equity shares of Rs.10 each for cash at par	3.06	Date of Prospectus- October 29, 1979 Issue opened on December 3, 1980 Issue Closed on: Earliest closing December 5, 1980 Latest closing December 15, 1980 * As per prospectus

The company made the issue to set up the project for manufacture of Malathion Technical at Sikanderabad Industrial Area, District Bulandshahr (U.P.). The object was achieved. The Prospectus issued in the year 1979 did not contain any information on projections regarding sales or the profitability as per guidelines prevalent at that time.

The company's shares are listed on the Delhi Stock Exchange, New Delhi and the U.P. Stock Exchange, Kanpur. There has been no trading of shares of the company and as such no data is available for the past six months.

(E) Gaur & Nagi Limited (GN)

GN was incorporated as "Gaur & Nagi Private Limited" on December 31, 1992. Thereafter, GN became a deemed public company pursuant to section 43A (1) of the Companies Act, with effect from July 31, 2000. Upon the Companies (Amendment) Act, 2000 coming into force on December 13, 2000, and in pursuance of Section 43A(2A) of the Companies Act, 1956, GN became a private limited company and the ROC Delhi & Haryana made endorsement on Certificate of Incorporation on February 19, 2001. Thereafter, consequent to the provisions of section 4(1)(b)(ii) and 3(1)(iv)(c) read with Sections 31, 21 and 44 of the Companies Act, 1956, GN vide its special resolution dated March 18, 2002 again became a public company and was renamed as "Gaur & Nagi Limited" vide a fresh Certificate of Incorporation dated May 16, 2002.

GN has been set up for the business of Marketing & Management Consultancy, training of Manpower, Consultancy for Projects, Project monitoring, etc.

Shareholding Pattern of GN as on December 31, 2004

Shareholder	No. of Shares	Percentage of Total Capital
JILIT	10,050	94.37%
Mr. Manoj Gaur & JILIT*	100	0.94%
Mr. Amit Sharma & JILIT*	100	0.94%
Mr. V.S. Bajaj & JILIT*	100	0.94%
Mr. Alok Gaur & JILIT*	100	0.94%
Mr. Sunil Joshi & JILIT*	100	0.94%
Mr. Harish K. Vaid & JILIT*	100	0.94%
Total	**10,650**	**100.00%**

*The above shares are jointly held with JILIT and the beneficial interest of the same is with JILIT

Board of Directors of GN as on December 31, 2004

Names of Directors	Designation
Mr. Manoj Gaur	Chairman
Mr. Amit Sharma	Director
Mr. V.S. Bajaj	Director
Mr. Alok Gaur	Director
Mr. Sunil Joshi	Director

Financial Performance

The audited financial performance of GN for the last three years is as stated below:

(Rs. in million, except per share data)

For the year ended 31st March	2004	2003	2002
Total Revenue	10.23	10.21	10.06
Profit/ (Loss) after tax	0.06	0.04	0.03
Share Capital	1.07	1.07	1.07
Reserves and Surplus (excluding dividend)	0.83	0.83	0.73
Earning per share (Rs.) (Face value of share = Rs. 100)	5.25	3.42	3.04
Book Value per share (Rs.) (Face value of share = Rs. 100)	177.70	177.49	168.10

(F) Shiras Estates Limited (SEL)

Shiras Estates Limited was incorporated on June 16, 1997 as a Private Limited company in accordance with the provisions of the Companies Act, 1956. Subsequently, it was converted into a public limited company on January 13, 2005.

SEL is a subsidiary of Jaypee Industrial & Medical Services Limited.

SEL owns farm land and is engaged in agricultural activities.

Shareholding pattern of SEL as on December 31, 2004

Shareholder	No. of Shares	Percentage of Total Capital
JIMS	49,994	99.99
Mr. S.P. Joshi & JIMS*	1	0.002
Mr. Raj Kumar Singh & JIMS*	1	0.002
Ms. Sunita Joshi & JIMS*	1	0.002
Mr. Inder Narain Dube & JIMS*	1	0.002
Mr. Harish Vaid & JIMS*	1	0.002
Mr. Shailendra Gupta & JIMS*	1	0.002
Total	50,000	100.00

*The above shares are jointly held with JIMS and the beneficial interest of the same is with JIMS

Board of Directors as on December 31, 2004

Names of Directors	Designation
Mr. S. P. Joshi	Director
Mr. Raj Kumar Singh	Director
Mr. Ram Adhar Singh	Director

Financial Performance

The audited financial performance of SEL for the last three years is stated as below:

(Rs. in million, except per share data)

For the year ended 31st March	2004	2003	2002
Total Revenue	0.03	0.05	0.07
Profit/ (Loss) after tax	(0.03)	(0.02)	0.008
Share Capital	0.01	0.01	0.00002
Reserves and Surplus (excluding dividend)	(0.03)	(0.004)	0.012
Earning per share (Rs.) (Face value of share = Rs. 10)	Nil	Nil	4104
Book Value per share (Rs.) (Face value of share = Rs. 10)	Nil	Nil	5985

Companies with which the Promoter has disassociated itself in the last three years:

The erstwhile JIL had entered into an agreement with DS Construction Limited and a new company with the name of Jaypee DSC Ventures Ltd. (JDVL) was incorporated to undertake the work of conversion of Delhi-Gurgaon Section NH-8 from Km.14.3 to Km.42 into an Access Controlled 8/6 Lane Highway on BOT basis. As per the terms of the said agreement, each of the parties was entitled to have 50% equity of JDVL. However, in January 2004, in the light of the priorities of its involvement and investments in various ongoing and contemplated projects, JIL decided not to increase the level of its investment in JDVL and in terms of the shareholders agreement, the investment level of JIL having subsequently fallen below 15%, the said agreement stood terminated with effect from February 3, 2004.

There are no companies that are promoted by JAL, which have become sick companies within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985. Additionally, there are no companies that are promoted by JAL, which have become BIFR companies or which are under the process of winding up or have a negative networth.

RELATED PARTY TRANSACTIONS

The Company has entered into the following related party transactions. Such parties and transactions have been identified as per Accounting Standard 18 "Related party Disclosures" issued by the Institute of Chartered Accountants of India.

(Rs. in million)

Name of Related Party	Nature of Transactions	For the Six months period April 1, 2004 to September 30, 2004	For the year ended March 31, 2004	For the year ended March 31, 2003	For the year ended March 31, 2002	For the year ended March 31, 2001	For the year ended March 31, 2000
Expenses							
Jaiprakash Associates Limited	Contract Exp. Rent	Nil 5.35	81.41 10.46	957.83 8.06	1,240.17 6.72	825.24 6.72	948.12 6.77
Jaypee Hotels Limited	Stay Bills, Lunch Expense	0.20	0.15	0.12	Nil	Nil	Nil
Jaypee Industrial & Medical Services Limited	Security & Medical	4.02	Nil	Nil	Nil	Nil	Nil
	Operation and Maintenance	Nil	2.75	Nil	Nil	Nil	Nil
Key Management Personnel							
Mr. J. N. Gaur	Remuneration	0.74	1.44	1.33	1.21	1.08	0.50
Mr. Narendra Singh	Remuneration	Nil	Nil	Nil	Nil	Nil	0.05
Mr. R.K. Narang	Remuneration	0.28	Nil	Nil	Nil	Nil	Nil
Others	Directors Meeting Fee	0.00	0.00	0.00	0.00	0.00	0.00
Payables							
Jaiprakash Associates Limited	Amount Payable	159.83	161.64	74.01	(44.68)	77.99	63.07
Jaypee Hotels Limited	Balance Payable	0.09	0.14	Nil	Nil	0.01	Nil
Jaypee Industrial & Medical Services Private Limited*	Balance Payable	6.86	Nil	Nil	Nil	Nil	Nil
Key Management Personnel							
Mr. J. N. Gaur		0.07	0.04	0.05	0.07	0.03	0.02
Mr. R.K. Narang		0.08	Nil	Nil	Nil	Nil	Nil

* Jaypee Industrial and Medical Services Private Limited was converted in to public limited company on January 5, 2005.

Guarantees given by JAL on behalf of the company have been mentioned in the section titled "Financial Statements - Notes forming part of accounts" on page 115 of this Red Herring Prospectus.

Other subsidiaries of JAL namely Jaiprakash Power Ventures Limited and Jaypee Karcham Hydro Corporation Limited have similar object, i.e., generation of electricity. Jaiprakash Power Ventures Limited has signed a Power Purchase Agreement with Uttar Pradesh Power Corporation Limited. Implementation of the project started in the year 2001 and commercial operations are expected to commence in the year 2006. Jaypee Karcham Hydro Corporation Limited has signed an MOU on June 18, 2004 with Power Trading Corporation for sale of power and implementation is expected to commence in the year 2006.

GOVERNMENT APPROVALS

In view of the approvals listed below, we can undertake this Offer as well as our current business activities and no further major approvals are required from any Government authority for us to continue our activities

Approvals for the Offer

a) Pursuant to the Circular bearing no. A.P. (DIR Series) Circular No. 16 dated October 4, 2004 issued by RBI, Government of India has decided to dispense with the requirement of obtaining prior approval of the Government (FIPB) in respect of transfer of shares, by way of sale, from residents to non-residents (including transfer of subscriber's shares) of an Indian company in sectors other than financial service sector (i.e. Banks, NBFCs and Insurance) provided that (i) the activities of the invested company are under automatic route under the FDI Policy; (ii) such transfer does not attract the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997; (iii) the non-resident shareholding after the transfer, complies with the sectoral limits under the FDI Policy; and (iv) the price at which the transfer takes place is in accordance with the pricing guidelines prescribed by SEBI / RBI. In the present Offer, all the above conditions are met with, and there is no requirement to obtain any prior approval of FIPB.

b) We have received a "no objection" letter from the RBI for the transfer of Equity Shares to FIIs, NRIs and other permitted persons through this Offer pursuant to its letter no. FE.CO.FID/5903/10.I.07.02.200(659)/2004-05 dated March 7, 2005. This approval is subject to compliance with certain conditions/ filing requirements. Thus, it will not be necessary for the investors to seek separate permission from the RBI for this specific purpose. However, it is to be distinctly understood that there is no reservation for NRIs and FIIs and all NRI and FII applicants will be treated on the same basis with other categories for the purpose of transfer/ allocation.

Approvals for our Business

We have received the following major Government approvals pertaining to our business:

Land related approvals

1. A lease deed dated December 20, 2000 was entered between GoHP and JHPL in respect of a plot of land situated at Up Mohal Sangla, Tehsil Sangla, District Kinnaur, Himachal Pradesh bearing Khasra No. 1846/1, 1848/1, 1849/1, 1862/1, Kite 4 and admeasuring 4-58-61 hectares. This lease deed is for a term of 50 years effective from January 1, 1994 up to December 31, 2043. In respect of this land, the following Notifications have been issued:
   (i) Vide Notification no. BA (9)-1/2000 dated December 11, 2000, GoHP has exempted this land from the applicability of the provisions of Himachal Pradesh Ceiling on Land Holding Act, 1972; and
   (ii) Vide Notification no. D (G)6-83/96-III dated December 30, 2000, while amending Himachal Pradesh Lease Rules, 1993, GoHP has permitted mortgage of this land by JHPL in favour of the Lenders for raising finances in respect of the Power Plant.
2. A lease deed dated December 20, 2000 was entered between GoHP and JHPL in respect of a plot of land situated at Mohal DPF 166 Wadhang, Tehsil Sangla, District Kinnaur, Himachal Pradesh bearing Khasra No. 1/3 Kite 1 and admeasuring 0-06-72 hectares. This lease deed is for a term of 50 years effective from January 1, 1994 up to December 31, 2043. In respect of this land, the following Notifications have been issued:
   (i) Vide Notification no. BA (9)-1/2000 dated December 11, 2000, GoHP has exempted this land from the applicability of the provisions of Himachal Pradesh Ceiling on Land Holding Act, 1972; and
   (ii) Vide Notification no. D(G)6-83/96-III dated December 30, 2000, while amending Himachal Pradesh Lease Rules, 1993, GoHP has permitted mortgage of this land by JHPL in favour of the Lenders for raising finances in respect of the Power Plant.
3. A lease deed dated December 20, 2000 was entered between GoHP and JHPL in respect of a plot of land situated at Mohal DPF 166 Wadhang, Tehsil Sangla, District Kinnaur, Himachal Pradesh bearing Khasra No. 1/4 Kite 1 and admeasuring 0-76-52 hectares. This lease deed is for a term of 50 years effective from January 1, 1994 up to December 31, 2043. In respect of this land, the following Notifications have been issued:
   (i) Vide Notification no. BA (9)-1/2000 dated December 11, 2000, GoHP has exempted this land from the applicability of the provisions of Himachal Pradesh Ceiling on Land Holding Act, 1972; and
   (ii) Vide Notification no. D(G)6-83/96-III dated December 30, 2000, while amending Himachal Pradesh Lease Rules, 1993, GoHP has permitted mortgage of this land by JHPL in favour of the Lenders for raising finances in respect of the Power Plant.
4. A lease deed dated 20th December 2000 was entered between GoHP and JHPL in respect of a plot of land situated at Mohal DPF 166 Wadhang, Tehsil Sangla, District Kinnaur, Himachal Pradesh bearing Khasra No. 1/5 Kite 1 and admeasuring 0-01-50 hectares. This lease deed is for a term of 50 years effective from 1st January 1994 up to 31st December 2043. In respect of this land, the following Notifications have been issued:
   (i) Vide Notification no. BA (9)-1/2000 dated December 11, 2000, GoHP has exempted this land from the applicability of the provisions of Himachal Pradesh Ceiling on Land Holding Act, 1972; and

(ii) Vide Notification no. D(G)6-83/96-III dated December 30, 2000, while amending Himachal Pradesh Lease Rules, 1993, GoHP has permitted mortgage of this land by JHPL in favour of the Lenders for raising finances in respect of the Power Plant.

5. A lease deed dated December 20, 2000 was entered between GoHP and JHPL in respect of a plot of land situated at Up Mohal Kuppa, Tehsil Sangla, District Kinnaur, Himachal Pradesh bearing Khasra No.422/1, 595/1, 595/2, 1137,1143/1, 1198/1,127 and 128/1 Kite 8 and admeasuring 3-95-91 hectares. This lease deed is for a term of 50 years effective from January 1, 1994 up to December 31, 2043. In respect of this land, the following Notifications have been issued:
   (i) Vide Notification no. BA (9)-1/2000 dated December 11, 2000, GoHP has exempted this land from the applicability of the provisions of Himachal Pradesh Ceiling on Land Holding Act, 1972; and
   (ii) Vide Notification no. D(G)6-83/96-III dated December 30, 2000, while amending Himachal Pradesh Lease Rules, 1993, GoHP has permitted mortgage of this land by JHPL in favour of the Lenders for raising finances in respect of the Power Plant.
6. A lease deed dated December 20, 2000 was entered between GoHP and JHPL in respect of a plot of land situated at Up Mohal Rag Sangthang, Tehsil Sangla, District Kinnaur, Himachal Pradesh bearing Khasra No.302/1, 319/1, 299/1, 299/2, 299/3, 299/4, 299/5 Kite 7 and admeasuring 1-19-46 hectares. This lease deed is for a term of 9 years effective from January 1, 1996 up to December 31, 2004. Subsequent to this lease deed expiring, the Company, vide its letter dated January 19, 2005, has applied for renewal of the lease term by a further period of ten years. In respect of this land, the following Notifications have been issued:
   (i) Vide Notification no. BA (9)-1/2000 dated December 11, 2000, GoHP has exempted this land from the applicability of the provisions of Himachal Pradesh Ceiling on Land Holding Act, 1972; and
   (ii) Vide Notification no. D(G)6-83/96-III dated December 30, 2000, while amending Himachal Pradesh Lease Rules, 1993, GoHP has permitted mortgage of this land by JHPL in favour of the Lenders for raising finances in respect of the Power Plant.
7. A lease deed dated December 20, 2000 was entered between GoHP and JHPL in respect of a plot of land situated at Up Mohal Kilba, Tehsil Sangla, District Kinnaur, Himachal Pradesh bearing Khasra No. 1343/2 Kite 1 and admeasuring 0-82-91 hectares. This lease deed was for a term of 10 years effective from January 1, 1994 up to December 31, 2003. Prior to this lease deed expiring, the Company, vide its letter dated December 26, 2003, has applied for renewal of the lease term by a further period of ten years. In respect of this land, the following Notifications have been issued:
   (ii) Vide Notification no. BA (9)-1/2000 dated December 11, 2000, GoHP has exempted this land from the applicability of the provisions of Himachal Pradesh Ceiling on Land Holding Act, 1972; and
   (iii) Vide Notification no. D(G)6-83/96-III dated December 30, 2000, while amending Himachal Pradesh Lease Rules, 1993, GoHP has permitted mortgage of this land by JHPL in favour of the Lenders for raising finances in respect of the Power Plant.
8. A lease deed dated December 20, 2000 was entered between GoHP and JHPL in respect of a plot of land situated at Mohal Dharwadang, Tehsil Sangla, District Kinnaur, Himachal Pradesh bearing Khasra No. 91/60/4 Kite 1 and admeasuring 0-42-98 hectares. This lease deed was for a term of 10 years effective from January 1, 1994 up to December 31, 2003. Prior to this lease deed expiring, the Company, vide its letter dated December 26, 2003, has applied for renewal of the lease term by a further period of ten years. In respect of this land, the following Notifications have been issued:
   (ii) Vide Notification no. BA (9)-1/2000 dated December 11, 2000, GoHP has exempted this land from the applicability of the provisions of Himachal Pradesh Ceiling on Land Holding Act, 1972; and
   (iii) Vide Notification no. D(G)6-83/96-III dated December 30, 2000, while amending Himachal Pradesh Lease Rules, 1993, GoHP has permitted mortgage of this land by JHPL in favour of the Lenders for raising finances in respect of the Power Plant.
9. A lease deed dated December 20, 2000 was entered between GoHP and JHPL in respect of a plot of land situated at Mohal DPF 166 Wadhang, Tehsil Sangla, District Kinnaur, Himachal Pradesh bearing Khasra No. 1/1 Kite 1 and admeasuring 0-54-06 hectares. This lease deed is for a term of 50 years effective from January 1, 1994 up to December 31, 2043. In respect of this land, the following Notifications have been issued:
   (i) Vide Notification no. BA (9)-1/2000 dated December 11, 2000, GoHP has exempted this land from the applicability of the provisions of Himachal Pradesh Ceiling on Land Holding Act, 1972; and
   (ii) Vide Notification no. D(G)6-83/96-III dated December 30, 2000, while amending Himachal Pradesh Lease Rules, 1993, GoHP has permitted mortgage of this land by JHPL in favour of the Lenders for raising finances in respect of the Power Plant.
10. A lease deed dated December 30, 2000 was entered between HPSEB and JHPL in respect of a plot of land situated at Up Mohal Kuppa, Tehsil Sangla, District Kinnaur, Himachal Pradesh and Khasra No. 425, 426, 427, 428, 429, 430, 431, 432, 434, 435, 436 and 437 Kite 12 and admeasuring 0-69-75 hectares. This lease deed is for a term of 50 years effective from February 16, 1993 up to February 15, 2043. In respect of this land, the following Notifications have been issued:
    (i) Vide Notification no. BA (9)-1/2000 dated December 11, 2000, GoHP has exempted this land from the applicability of the provisions of Himachal Pradesh Ceiling on Land Holding Act, 1972; and

(ii) Vide Notification no. D(G)6-83/96-III dated December 30, 2000, while amending Himachal Pradesh Lease Rules, 1993, GoHP has permitted mortgage of this land by JHPL in favour of the Lenders for raising finances in respect of the Power Plant.

11. A lease deed dated December 30, 2000 was entered between HPSEB and JHPL in respect of a plot of land situated at Up Mohal Punang, Tehsil Nichar, District Kinnaur, Himachal Pradesh bearing Khasra No.99, 100, 194, 190, 187, 188, 189, 189/1, 229, 230, 231, 232, 233, 236, 183, 185, 109, 110, 112, 141, 89, 70, 76, 78, 84, 85, 220, 225, 248, 244, 240, 239, 237, 184, 243, 241, 238, 247, 83 and 250 Kite 40 and admeasuring 2-04-20 hectares. This lease deed is for a term of 45 years effective from September 21, 1998 up to September 20, 2043. In respect of this land, the following Notifications have been issued:
    (i) Vide Notification no. BA (9)-1/2000 dated December 11, 2000, GoHP has exempted this land from applicability of the provisions of Himachal Pradesh Ceiling on Land Holding Act, 1972; and
    (ii) Vide Notification no. D(G)6-83/96-III dated December 30, 2000, while amending Himachal Pradesh Lease Rules, 1993, GoHP has permitted mortgage of this land by JHPL in favour of the Lenders for raising finances in respect of the Power Plant.
12. A lease deed dated December 30, 2000 was entered between HPSEB and JHPL in respect of a plot of land situated at Up Mohal Punang, Tehsil Nichar, District Kinnaur, Himachal Pradesh, Khasra No.87, 88, 94, 97, 107, 121/1, 195, 197, 199, 200, 201, 202, 203, 204, 205, 209, 210, 211, 211/1, 228, 235, 242 & 257 Kite 23 and admeasuring 3-24-28 hectares. This lease deed is for a term of 50 years effective from January 16, 1993 up to January 15, 2043. In respect of this land, the following Notifications have been issued:
    (i) Vide Notification no. BA (9)-1/2000 dated December 11, 2000, GoHP has exempted this land from the applicability of the provisions of Himachal Pradesh Ceiling on Land Holding Act, 1972; and
    (ii) Vide Notification no. D(G)6-83/96-III dated December 30, 2000, while amending Himachal Pradesh Lease Rules, 1993, GoHP has permitted mortgage of this land by JHPL in favour of the Lenders for raising finances in respect of the Power Plant.
13. A lease deed dated May 27, 1998 was entered between GoHP and JHPL in respect of a plot of land situated at Up Mohal Kupa, Kuppa, Tehsil Sangla, District Kinnaur, Himachal Pradesh bearing Khasra No. 441/1, Kite 1 and admeasuring 0-11-97 hectares. This lease deed was for 10 years effective from January 1, 1994 up to December 31, 2003. Prior to this lease deed expiring, the Company, vide its letter dated December 26, 2003, has applied for renewal of the lease term by a further period of ten years. In respect of this land, the following Notification has been issued:
    (i) Vide Notification no. Rev. D(G) 6-83/96-II dated January 27, 2000, while amending Himachal Pradesh Lease Rules, 1993, GoHP has permitted mortgage of this land by JHPL in favour of the Lenders for raising finances in respect of the Power Plant.
14. A lease deed dated May 27, 1998 was entered between GoHP and JHPL in respect of a plot of land situated at Up Mohal Jaryo, Tehsil Sangla, District Kinnaur, Himachal Pradesh bearing Khasra No. 443/127/1 and 129/1 and admeasuring 1-17-90 hectares. This lease deed for 50 years effective from January 1, 1994 up to December 31, 2043. In respect of this land, the following Notification has been issued:
    (i) Vide Notification no. Rev.D(G) 6-83/96-II dated January 27, 2000, while amending Himachal Pradesh Lease Rules, 1993, GoHP has permitted mortgage of this land by JHPL in favour of the Lenders for raising finances in respect of the Power Plant.
15. A lease deed dated May 27, 1998 was entered between GoHP and JHPL in respect of a plot of land situated at Mohal Dharwadang, Tehsil Sangla, District Kinnaur, Himachal Pradesh bearing Khasra No. 18/1,55/1,55/2,55/3,59/1,60/1,60/2,60/3,60/5 Kite 9 and admeasuring 9-62-86 hectares. This lease deed is for a term of 50 years effective from April 1, 1994 up to March 31, 2043. In respect of this land, the following Notifications have been issued:
    (i) Vide Notification no. Rev.D(G) 6-83/96-II dated January 27, 2000, while amending Himachal Pradesh Lease Rules, 1993, GoHP has permitted mortgage of this land by JHPL in favour of the Lenders for raising finances in respect of the Power Plant.

Lands acquired under the Land Acquisition Act, 1894

In addition to the above lands taken on lease by JHPL, GoHP acquired under the Land Acquisition Act, 1894 ("**Land Acquisition Act**"), several other lands aggregating to 13.91 hectares of land situated at Tehsil Sangla, District Kinnaur, for the implementation of the Power Plant. All these lands were handed over by GoHP, after complying with all the requirements of the Land Acquisition Act, vide its Land Handing Over Orders dated August 12, 1996 and October 31, 1996. A certificate dated June 22, 1998 has been issued by the Deputy Commissioner, District Kinnaur, certifying that the above mentioned acquired land is in possession of JHPL and the same is duly entered in the Revenue Records. Relevant mutation entries in the land records at District Kinnaur, Himachal Pradesh has been made.

GoHP vide its letter no Rev-D (G) 6-6/97 dated September 14, 1998, has conveyed its approval under Section 44 A of the Land Acquisition Act, for mortgaging the land admeasuring 13.91.16 hectares acquired as aforesaid for JHPL for raising funds for completion of the Power Plant.

All the leased lands and acquired lands referred to above have been mortgaged to the Lenders as security with pari passu charge, for the financial assistance extended by them to the Company for implementation of the Power Plant.

Clearances, Approvals and No Objection

Sr. No.	Approval / License No. & Date	Parties / Authority	Purpose	Validity	Remarks
1.	Memorandum of Understanding dated November 23, 1991 ("MOU")	Between GoHP and JIL (now JAL)	For implementation of Power Plant	12 months from November, 23, 1991 i.e. November 22, 1992	Though this MOU has expired, the same has been disclosed to clarify that the first stage of setting up of Power Plant was this MOU.
2.	Agreement dated October 1, 1992	Between GoHP and JIL (now JAL)	For implementation of 300 MW Baspa Hydro Electric Project Stage II in Kinnaur District of Himachal Pradesh. Pursuant to this Agreement, State of HP granted the right to JIL (now JAL) to establish, own, operate and maintain the Power Plant and permission to generate and sell power	The right granted under this Agreement is for an initial period of 40 years, extendable by further period of 20 years	Pursuant to this Agreement, the Power Plant has been set up and generation has commenced from June 8, 2003 as certified by the Independent Engineers vide their certificate referred to at item no. 32 herein
3.	Letter No. Hc. 8-224/ 89-FC dated November 8/10, 1993	Issued by Ministry of Environment & Forest, GOI	Granting permission to diversion of 44.1795 ha. Forest land for the Power Plant in accordance with section 9 of the Forest (Conservation) Act, 1988, subject to conditions as set out therein		This approval is addressed to The Secretary Forests, GoHP, Shimla
4.	Office Memorandum No. J-12011/1/87-IA-I dated December 17, 1993	Issued by Ministry of Environment & Forest, GOI	Granting approval to the Power Plant, subject to the implementation of the safeguard measures set out in the Office Memorandum		The Ministry reserves the right to add additional safeguard measures subsequently, if found necessary. The Ministry also reserves the right to take action including revoking the clearance under the provision of the Environment (Protection) Act, 1986 to ensure effective implementation of the safeguard measures
5.	Letter No. 2/HP/1/87-PAC dated April 24, 1994	Issued by CEA	Granting techno-economic clearance, at an estimated cost of Rs. 9492.3 millions		This clearance was subject to 3 conditions being (i) furnishing of final financial package within 6 months from the date of the letter; (ii) signing of the PPA with GoHP / HPSEB; (iii) entering into agreement with Nathpa Jhakhri Power Corporation (now called SJVN) for terminating 400 KV transmission lines in Jhakri Switchyard The time for submitting the financial package was extended from time to time, the last extension was

Sr. No.	Approval / License No. & Date	Parties / Authority	Purpose	Validity	Remarks
					January 21, 1999. The Company submitted the financial package on January 21, 1999 to HPSEB as well as to CEA. Approval on this financial package is awaited.
6.	Letter No. MPP-F(2)/ 93-II dated August 23, 1994	Issued by Department of MPP & Power, GoHP	Granting no objection to JIL (now JAL) to set up a subsidiary for the object of implementation and operation of the Power Plant, subject to certain conditions		
7.	Letter No. MPP-F(2)-8/93-II dated March 10, 1995	Issued by Department of MPP & Power, GoHP	Certifying that JHPL was a "Generation Company" as contemplated under section 4 – A of the Indian Electricity (Supply) Act, 1948, with effect from January 9, 1995, and permitting taking up generation, operation and maintenance of power projects in the State of HP		By an Agreement dated October 17, 1995 (referred to below), all the assets, liabilities, privileges, rights, obligations and benefits by JIL (now JAL) to JHPL arising out of the MOU and Agreement dated October 1, 1992 were transferred and assigned in favour of JHPL
8.	Letter No. 4/3/CLVII/ 95 dated March 16, 1995	Granted by DCA, Ministry of Law, Justice and Company Affairs, GOI to JHPL	Approval under section 259 of the Companies Act, granted for increase of the Board of Directors from 12 to 15 as per Article 79 (a) of the Articles of Association		
9.	Certificate of Registration No. KIN-III -252, District Kinnaur, dated April 28, 1995.	Issued by HP State Sales Tax Department	Registering JHPL under HP General Sales Tax Act, 1968	Valid from April 28, 1995 until cancelled	
10.	Certificate of Registration No. KIN- 209 dated April 28, 1995	Issued by Central Sales Tax Department	Registering JHPL under Central Sales Tax Act, 1956.	Valid from April 28, 1995 until cancelled	
11.	Agreement dated October17, 1995	Between GoHP, JIL (now JAL) and JHPL	For transfer / assign of the assets, liabilities, privileges, rights, obligations and benefits by JIL (now JAL) to JHPL arising out of the MOU and Agreement dated October 1, 1992		
12.	Certificate of Registration No L.O (Projects) RMP/ CLA/PE/95-12 dated November 15, 1995	Issued by HP Government Labour Department	Registering JHPL under Labour Department under sub- section (2) of section 7 of the Contract Labour (Regulation and Abolition) Act, 1970		

Sr. No.	Approval / License No. & Date	Parties / Authority	Purpose	Validity	Remarks
13.	Letter No. 2/HP/1/96-PAC/5232-48 dated June 4, 1996	Issued by CEA	The application for extension of time for submitting final financial package was rejected and thus, techno – economic clearance was not valid beyond April 29, 1994		By this letter, the CEA invalidated the techno-economic clearance granted by it vide its letter No. 2/HP/1/87-PAC dated April 29, 1994 Subsequently, CEA had re-validated the techno-clearance, as referred to in item 16 herein
14.	Letter No. J-13211/ 1/97-IA.1 dated October 16, 1996	Issued by Ministry of Environment & Forests, GOI	Agreed for transfer of environmental clearance granted in respect of the Power Plant, in favour of JHPL, subject to conditions given in O.M. No. J – 12011/1/87 – IA, 1 dated December 17, 1993		
15.	Letter No. MPP-P(2)-8/93 dated August 7, 1997	Issued by Department of MPP & Power, GoHP to JHPL	Certified implementation of Power Plant under section 18-A of the Electricity (Supply) Act, 1948		
16.	Letter no. 2/HP/1/98-PAC/836-57 dated January22, 1998	Issued by CEA	For re-validating techno-economic clearance for, and for transferring the same to JHPL, subject to certain conditions		
17.	Guarantee dated April 21, 1998	Given by State of HP	Unconditional, irrevocable and continuing guarantee, guaranteeing payment of any sum of money which HPSEB is liable to pay to JHPL in accordance with PPA for sales of capacity and net electricity output to HPSEB		This guarantee is valid and subsisting as on date, and the same has not been invoked till date
18.	Letter No. 2/HP/1/ 97-PAC/7016 dated July 14, 1998	Issued by CEA	Granting extension of time up to January 21, 1999 for submitting financial package, on the same terms and conditions as in letter No. 836-57 dated January 22, 1998		
19.	Letter No. 6 (1) / 99-ECB dated April 7, 1999	Issued by Ministry of Finance, GOI	Granting approval for obtaining buyers' credit from Bayerische Hypo-Und Vereinsbank, Germany		This letter clarified that RBI would permit drawals after the loan agreement was executed with the lender is taken on record by the MOF. Thus, JHPL was directed to furnish a copy of the Loan agreement
20.	Letter No. 6 (1) / 99-ECB dated April 7, 1999	Issued by Ministry of Finance, GOI	Granting approval for obtaining buyers' credit from M/s. Credit Lyonnais, France		This letter clarified that RBI would permit drawals after the loan agreement was

Sr. No.	Approval / License No. & Date	Parties / Authority	Purpose	Validity	Remarks
					executed with the lender is taken on record by the MOF. Thus, JHPL was directed to furnish a copy of the Loan agreement
21.	Letter No. 463/230/99 dated May 21, 1999	Issued by Central Board of Direct Taxes, Department of Revenue, Ministry of Finance, GOI	Approval granted under section 10(15) (iv) (c) of the Income Tax Act, 1961 in respect of the buyer's credit raised from Credit Lyonnais, France		
22.	Letter No. 463/26/99 dated May 21, 1999	Issued by Central Board of Direct Taxes, Department of Revenue, Ministry of Finance, GOI	Approval granted under section 10(15) (iv) (c) of the Income Tax Act, 1961 in respect of the buyer's credit raised from Bayerische Hypo-Und Vereinsbank, Germany		
23.	Letter No. F.No. 6(1)/99-ECB dated June 28, 1999 Letter No. F.No. 6(01)/99-ECB dated March 27, 2000	Issued by Ministry of Finance, GOI Issued by Ministry of Finance, GOI	Recording the furnishing of the loan Agreement executed with Bayerische Hypo-Und Vereinsbank, Germany, the foreign lender, and taking the same on record Subsequently, the Swiss portion Buyer's Credit of USD 12,498,386.50 was assigned by Bayerische Hypo-Und Vereinsbank, Germany, to V A Tech Finance (Ireland) Limited Approval was granted to the assignment of the Swiss portion Buyer's Credit mentioned above		
24.	Letter No. F.No. 6(1)/99-ECB dated June 28, 1999	Issued by Ministry of Finance, GOI	Recording the furnishing of the loan Agreement executed with Credit Lyonnais France, the foreign lender, and taking the same on record		
25.	Letter No. EC.DEL.IMD/14.03.379/41178/98-99 dated July 13, 1999	Issued by RBI	Granting final approval for foreign currency loan of USD 244,76084.00 from Bayerische Hypo-Und Vereinsbank, subject to certain conditions		
26.	Letter No. EC.DEL.IMD/14.03.379/41177/98-99 dated July 13, 1999	Issued by RBI	Granting final approval for foreign currency loan of USD 17,906,006 from Credit Lyonnais subject to certain conditions		

Sr. No.	Approval / License No. & Date	Parties / Authority	Purpose	Validity	Remarks
27.	Letter No. HPEI/ baspa hydro electric project/karcham/ 02-14160-63 dated November 21, 2002	Issued by Chief Electrical Inspector, HP, Shimla	Certifying that that the Electrical Installations at the site of the Power Plant was examined and the same was found to be in accordance with the Indian Electricity Rules, 1956 and Indian Standard Bureau Guidelines		
28.	Letter No. MPP-F(2)-4/99-III dated December 4, 2002	Issued by Ministry of MPP & Power, GoHP	Granting in-principle for completion cost of the Power Plant to be frozen at Rs. 15,500 millions or actual, whichever is lesser		
29.	Interconnection Facility Agreement dated May 8 , 2003	Between JHPL and SJVN	SJVN has agreed for evacuation of the entire electric energy to be generated at the Power Plant at SJVN's Jhakri Switchyard		
30.	Certificate of Readiness of Unit No. 1 dated May 28, 2003	Issued by Independent Engineer	For certifying that Unit No. 1 is ready of commercial production as per Article 6.4 and 6.6 of the PPA with effect from May 24, 2003		
31.	Certificate of Readiness of Unit No. 2 dated June 4, 2003	Issued by Independent Engineer	For certifying that Unit No. 2 is ready of commercial production as per Article 6.4 and 6.6 of the PPA with effect from May 29, 2003		
32.	Certificate of Readiness of Unit No. 3 dated June 9, 2003	Issued by Independent Engineer	For certifying that Unit No. 3 is ready of commercial production as per Article 6.4 and 6.6 of the PPA with effect from June 8, 2003		
33.	Certificate of Commissioning of Unit No. 1 dated August 6, 2003	Signed by Consortium Siemens / Hydro Vevey and JHPL	For certifying that Unit No. 1 is ready for commissioning		
34.	Certificate of Commissioning of Unit No. 2 dated August 6, 2003	Signed by Consortium Siemens / Hydro Vevey and JHPL	For certifying that Unit No. 2 is ready for commissioning		
35.	Certificate of Commissioning of Unit No. 3 dated August 6, 2003	Signed by Consortium Siemens / Hydro Vevey and JHPL	For certifying that Unit No. 3 is ready for commissioning		
36.	Certificate No. NH/ CON/115/705 dated May 29, 2003	Issued by National Hydroelectric Power Corporation Limited, Lenders' Engineer	Lenders' Engineers' certificate forwarding the Independent Engineer's Certificate in respect of Unit Nos. 1, 2 and 3		
37.	Letter No. 201/14/ 2003-HPA-II/518 dated June 17, 2003	Issued by CEA	Pursuant to the request of JHPL and SJVN, CEA assessed the cost of		This letter is addressed to JIL (now JAL), although the letter records that the

Sr. No.	Approval / License No. & Date	Parties / Authority	Purpose	Validity	Remarks
	Letter No. 201/14/ 2003-HPA-II/593 dated July 18, 2003		Interconnection facility at 400 KV potheadyard at Jhakri to be paid by JHPL to SJVN for evacuation of power from the Power Plant, at Rs. 62,86,78,388 By this subsequent letter, at the request of JHPL, CEA decided that JHPL may be the said amount of Rs. 449.08 million in 6 quarterly instalments.		cost is to be paid by JHPL to SJVN. However, all subsequent correspondence is addressed to JHPL
38.	Certificate of Registration and Licence to work a factory No. 9-11/03 (FAC)LAB dated ___ August 2003	Issued by HP Labour Department	Granting license to JHPL under the Factories Act, 1948	Valid till December 31, 2003	
39.	Notification No. 217/ 2003 dated September 12, 2003	Issued by Central Board of Direct Taxes, Department of Revenue, Ministry of Finance, GOI	Approving JHPL for the purpose of section 10(23G) of the Income Tax Act, 1961 read with Rule 2E of the Income Tax Rules, 1962 for the Assessment Years 2002-2003, 2003-2004 and 2004-2005		
40.	Letter No. EPPCB/ JP-Baspa-II, HEP, Kinnaur/2003-/ 9539-44 dated January 9, 2004 Letter No. JHPL/ BASPA/CONSENT/ 04/2677 dated March 13, 2003	Issued by HP State Environment State Pollution Control Board, Shimla Issued by JHPL to HP State Environment State Pollution Control Board, Shimla	Consent to operate the Power Plant under the Water (Prevention and Control of Pollution) Act, 1974 and Air (Prevention and Control of Pollution) Act, 1981 on the conditions mentioned therein valid up to March 31, 2004. By this letter, JHPL was directed to apply for renewal of the consent for the year 2004-2005 By this subsequent letter, JHPL has applied for renewal to the HP State Environment State Pollution Control Board, Shimla		This consent was subject to ratification of the State Board, which is a formality to be complied with
41.	Letter No. 4/9/2004/-CL.VII dated September 21, 2004	Issued by Ministry of Company Affairs, Government of India	By this letter, the Government of India has approved the increase of strength of the board of Directors of the Company from 15 to 20.		
42.	Notification No. HPSEB/CE(PSP)/ Baspa – II 2004 – 1330 – 91 dated October 23, 2004	Issued by Chief Engineer (PSP), HPSEB, Shimla	By this notification, HPSEB approved the COD for Unit Nos. 1, 2 and 3 being May 24, 2003, May 29, 2003 and June 8, 2003 respectively.		

Approvals applied for but not yet received

1. Subsequent to the approval for firm financial package by HPSEB/GoHP for Rs. 15,500 million, the same has been forwarded by GoHP to CEA for its approval. The same is awaited.
2. Consent to operate the Power Plant under the Water (Prevention and Control of Pollution) Act, 1974 and Air (Prevention and Control of Pollution) Act, 1981 on the conditions mentioned therein was valid upto March 31, 2004. JHPL has applied for renewal to the HP State Environment State Pollution Control Board, Shimla, and the same is awaited.
3. Central Board of Direct Taxes (CBDT), Department of Revenue, Ministry of Finance, GOI, has granted JHPL's Baspa project approval under section 10 (23G) of the Income Tax Act, 1961 vide Notification no. 217/2003 dated September 12, 2003. This approval is valid upto March 31, 2004 only and the Company has made an application for its renewal to CBDT on August 3, 2004.
4. JHPL, vide its letter dated December 26, 2003, has applied for renewal of the lease term by a further period of ten years in respect of the Lease Deed dated December 20, 2000 pertaining to the plot of land situated at Up Mohal Kilba, Tehsil Sangla, District Kinnaur, Himachal Pradesh bearing Khasra No. 1343/2 Kite 1 and admeasuring 0-82-91 hectares.
5. JHPL, vide its letter dated December 26, 2003, has applied for renewal of the lease term by a further period of ten years in respect of the Lease Deed dated December 20, 2000 pertaining to the plot of land situated at Mohal Dharwadang, Tehsil Sangla, District Kinnaur, Himachal Pradesh bearing Khasra No. 91/60/4 Kite 1 and admeasuring 0-42-98 hectares.
6. JHPL, vide its letter dated December 26, 2003, has applied for renewal of the lease term by a further period of ten years in respect of the Lease Deed dated 20th December 2000 pertaining to the plot of land situated at Up Mohal Kupa, Kuppa, Tehsil Sangla, District Kinnaur, Himachal Pradesh bearing Khasra No. 441/1, Kite 1 and admeasuring 0-11-97 hectares.
7. JHPL, vide its letter dated January 19, 2005, has applied for renewal of the lease term for a further period of ten years in respect of the Lease Deed dated December 20, 2000 pertaining to the plot of land situated at Up Mohal Rag Sangthang, Tehsil Sangla, District Kinnaur, Himachal Pradesh bearing Khasra No.302/1, 319/1, 299/1, 299/2, 299/3, 299/4, 299/5 Kite 7 and admeasuring 1-19-46 hectares.

Approvals Not Applied For:

Not applicable.

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENT

Except as described below, there are no outstanding litigation, suits or criminal prosecutions or civil, proceedings or tax liabilities or proceedings initiated for economic offences against our Company, directors, subsidiaries or companies promoted by us that would have a material adverse effect on our business and there are no defaults dues, non-payment or overdues of statutory dues, institutional/ bank dues and dues payable to holders of any debentures, bonds and fixed deposits that would have a material adverse effect on our business other than unclaimed liabilities by our Company, directors, subsidiaries or companies promoted by us. Further, our Company, directors, subsidiaries or companies promoted by us, have not been declared as willful defaulters by the Reserve Bank of India, have not been debarred from dealing in securities and/or accessing capital markets by SEBI and no disciplinary action has been taken against them by SEBI or any stock exchanges.

Outstanding litigation of our Company

Outstanding litigation as on December 31, 2004

Cases filed by the Company

Compensation Cases

1. 3 Appeals, being C.M.P.M.O. Nos. 170 to 172 of 2003, have been filed by JHPL challenging the order passed by the Civil Judge (Junior Division), Rampur Bushar, Himachal Pradesh, upholding its jurisdiction to try three suits filed for compensation in the aggregate sum of Rs. 0.39 million. The said three suits, being Civil Suit Nos. 32-1 of 2003, 48-1 of 2003 and 49-1 of 2003, have been filed for recovery of compensation for the damage caused to apple trees and other plants and crops, during the work of erection of towers for laying High Tension Lines for transmission of electricity from Karcham to Jhakri. Three stay applications have also been filed in the respective three appeals praying for stay of the proceedings before the Civil Judge. The Shimla High Court, by its order dated June 21, 2004, has stayed further proceedings before the Civil Judge, pending the hearing of the opponents to the stay applications. The appeals are pending before the Shimla High Court.
2. 5 Appeals are filed in the Shimla High Court by JHPL challenging the order passed by the District Judge, Kinnaur Civil Division at Rampur Bushar, Himachal Pradesh, allowing the claim of various landowners for additional compensation for the damage caused to apple trees and other plants and crops, during the work of erection of towers for laying High Tension Lines for transmission of electricity from Karcham to Jhakri. The aggregate amount claimed in these cases is approximately Rs. 1.66 million, of which a total of Rs. 1.58 million has been deposited in the Shimla High Court.

Land Disputes

3. 10 separate Appeals under section 54 of the Land Acquisition Act, 1894, have been filed by JHPL in the Shimla High Court, challenging the Award passed by the District Judge, Kinnaur, Civil Division, at Rampur Bushahr, Himachal Pradesh, enhancing the amount of compensation fixed by the Land Acquisition Collector, Kinnaur. The amount originally awarded by the District Judge, Shimla in the original cases was an aggregate of Rs. 3.10 million as per the calculation certified by the Land Acquisition Collector, Kinnaur. The aggregate enhanced amount of compensation awarded in all the 10 Land References by Land Acquisition Collector, Kinnaur amounts to Rs. 3.91 million as per the calculation certified by the Land Acquisition Collector, Kinnaur. The Shimla High Court has stayed the operation of the impugned Award, subject to the Company depositing in Court the entire amount of compensation. The Company has deposited the entire amount and thus, the stay has become operational.

Cases filed against the Company

Compensation Cases

4. There is 1 case pending before the District and Sessions Judge Kinnaur at Rampur for additional compensation for the land acquired for the construction of Tower No. 112. The amount claimed is approximately Rs. 0.20 million per Bigah for 0-02-42 hectares.
5. There are 4 cases pending in the Court of District Judge, Kinnaur Division, at Rampur Bushahr, District Shimla, Himachal Pradesh, for additional compensation for the damage caused to the apple trees during the work of erection of towers for laying High Tension Lines for transmission of electricity from Karcham to Jhakri. The aggregate amount claimed is approximately Rs. 1.54 million, out of which Rs. 0.15 million has already been paid by the Company to the claimants as compensation.
6. There are 28 cases pending with the District and Sessions Judge Kinnaur at Rampur for compensation on account of fixation of higher rates for the lands acquired. The aggregate amount claimed is approximately Rs. 28.15 million, of which Rs. 0.75 million has already been paid as compensation.
7. There are 2 cases pending before the Civil Judge (Junior Division), Rampur Bushar, Himachal Pradesh for recovery of compensation for the damage caused to apple trees and other plants and crops, during the work of erection of towers for laying High Tension Lines for transmission of electricity from Karcham to Jhakri. The aggregate amount claimed is Rs. 0.19 million, of which Rs.0.05 million has already been paid by the Company to the claimants as compensation. Both these suits have been stayed by the Shimla High Court, the details of which are disclosed in Serial No. 1 above.
8. There is 1 case pending before the Sub-Judge First Class, Rampur, Bushahr, for recovery of compensation for the damage caused to apple trees and other plants and crops, during the work of erection of towers for laying High Tension Lines for transmission of electricity from Karcham to Jhakri. The amount claimed is Rs. 0.20 million has already been paid by the Company to the claimants as compensation. This suit has been stayed by the Shimla High Court, the details of which are disclosed in Serial No. 1 above.
9. There is 1 case pending before Sub-Divisional Magistrate, Nichar at Bhaba Nagar for compensation for shifting of cowshed situated below the transmission line, which experienced alleged electrical induction.

Motor Accident Claims

10. There is 1 case filed in the Motor Accident Claim Tribunal, Panchkula for negligent driving.

Miscellaneous Claims

In relation to Cow Shed - Installation of additional tower

11. There is 1 case pending before the Court of Civil Judge (Senior Division) Kinnaur at Rampur seeking a direction from the court for installation of additional tower between location 108 and 109 on account of the induction experienced in the cowshed situated below the transmission line.

A. Jaiprakash Associates Limited (JAL)

Contingent Liabilities not provided for as on 31st March, 2004

Sl. No.	Particulars	Amount (Rs. in million)
(a)	I Outstanding balance of Bank Guarantees (Previous year Rs. 5734.24 milion) Margin Money Paid against the above (Previous year Rs. 278.09 million) II Corporate Guarantees: (i) For Term Loans, NCDs and Deferred Payment Guarantees from Financial Institutions / Banks to Jaiprakash Hydro-Power Limited (subsidiary company) (Previous Year Rs.10771.01 million) (ii) For Term Loans from Indian Overseas Bank to Jaypee Hotels Limited (subsidiairy company) (Previous Year Rs.426.25 million) (iii) For Term Loans from ICICI Bank to Jaypee Hotels Limited (subsidiary company) (Previous Year Rs. 63.00 million) (iv) For Term Loan from Punjab National Bank to Jaiprakash Power Ventures Limited (subsidiary Company) (Previous Year Rs.208.26 million) (v) For Rupee Term Loans and Foreign Currency Loans from Power Finance Corporation Limited to Jaiprakash Power Ventures Limited (JPVL) (subsidiary company) (Previous Year Rs.1005.47 million)	9019.52 488.05 10,574.70 455.00 160.00 200.15 1,666.98
(b)	Claims against the Company not acknowledged as debts (Previous Year Rs. 80.28 million)	3,047.10*
(c)	Outstanding Letters of Credit (Previous Year Rs. 312.55 million) Margin Money against the above (Previous Year Rs. 45.00 million)	508.23 46.82
(d)	The Company has imported Capital Goods under Export Promotion Capital Goods Scheme (EPCG) where-under the Company is required to fulfill export obligation/deemed exports to the extent of 3.6 times the CIF Value of imports upto 2010-2011. The liability aggregating to Rs.348.00 million (Previous Year Rs.361.00 million) may arise alongwith interest in the event of non-fulfillment of export obligation.	348.00
(e)	The Madhya Pradesh Government through the Collector, Rewa issued a notice raising a demand on account of change in the conversion factor for calculation of Royalty on Limestone raised upto July, 1996 in respect of Jaypee Rewa Plant. The Company has contested the demand and the Hon'ble Madhya Pradesh High Court has stayed the demand (Previous Year Rs. 58.36 million). Amount deposited under protest Rs. 23.35 million (Previous Year Rs. 23.35 million).	58.36
(f)	Trade Tax rebate of 25% on sale of Cement manufactured with fly ash purchased from U.P. has been disputed by the U.P. Trade Tax Department (Previous Year Rs. 350.47 million). The Hon'ble High Court at Allahabad disposed the Writ Petition on 29.01.2004 in favour of the Company. The Department has thereafter filed SLP in the Hon'ble Supreme Court of India, which has been admitted and an interim order has been passed that pending disposal of the SLP (i) the Department shall not take any step to encash the Bank Guarantees amounting to Rs.166.94 million (Previous Year Rs. 258.63 million) and (ii) granted interim stay for refund of amount deposited under protest Rs. 167.33 million (Previous Year Rs. 91.83 million) with the Department.	454.94
(g)	The Government of U.P. has imposed Entry Tax on Cement @ 2% on value of the goods w.e.f. May 16, 2003. This was challenged by the Company in the Hon'ble High Court at Allahabad and was decided in favour of the Company. However, the Order of the Hon'ble High Court has been challenged by the Department in the Hon'ble Supreme Court of India, the decision of which is awaited. The Company has deposited Rs. 34.95 million under Protest.	67.95
(h)	Bihar Sales Tax under appeal (Previous Year Rs. 20.74 million)	17.12
(i)	Excise matters under appeal (Previous Year Rs. 9.52 million)	4.48
(j)	Uttar Pradesh Trade Tax under appeal (Previous Year Rs. 2.31 million)	3.27
(k)	Entry Tax under appeal (Previous Year Rs. 1.99 million)	3.50
(l)	Income Tax matters under appeal in respect of Assessment Year 2001-02.	198.17

*This includes a claim of Rs. 563.20 million and Rs. 2400 million in respect of the Jhakri Unit as per details given under paragraph A15.1 at page 103 and paragraph A15.14 at page 104 of this Red Herring Prospectus respectively, not acknowledged as debts.

Outstanding Litigation of JAL as on December 31, 2004:

A1. Head Office

Cases filed by JAL

Land Dispute Claims

A1.0 There is 1 Writ Petition filed in the Delhi High Court against the Delhi Development Authority (**DDA**) challenging its notice of intention of demand of Rs. 21.36 million towards 50% of unearned increase in value of land in respect of JA House as on the date of amalgamation of erstwhile Jaiprakash Associates Private Limited with erstwhile Jaypee Rewa Cements Limited. JAL has filed its response stating that the amalgamation of companies under section 391/394 of the Companies Act, 1956 is a case of succession and not a case of transfer/sale/mortgage, and therefore there is no question of payment of unearned increase to DDA. The case is pending.

Tax Cases

A1.1 There are 3 Income Tax Appeals in respect of Assessment Years 1997-1998, 1998-1999, and 2000-2001, pending before the Commissioner of Income Tax (Appeals) – III, Lucknow, in relation to disallowance made in assessment under section 143(3) of the Income Tax Act, 1961 by Assistant Commissioner of Income Tax, Range I, Lucknow. Since the assessed income of JAL for the relevant assessment years is loss, there will be no recovery of dues towards tax.

A1.2 There is 1 appeal pending before the Income Tax Appellate Tribunal, Lucknow Bench, Lucknow, challenging the order of the Commissioner of Income Tax (Appeals) confirming the additions / dis-allowances made by Assessing Officer during the Assessment Year 1997-1998. Since the assessed income of JAL for the said assessment year is loss, there will be no recovery of dues towards tax.

A1.3 There is 1 appeal filed before the Commissioner of Income Tax (Appeals) – I, Kanpur, for the Assessment Year 2001-2002 challenging the disallowance made in assessment under section 143(3) of the Income Tax Act, 1961 by Assistant Commissioner of Income Tax, Central Circle-III, Lucknow. The amount involved in the case is approximately Rs. 198.17 million.

A1.4 There is 1 appeal filed before the Income Tax Appellate Tribunal, Lucknow Bench, Lucknow for the Assessment Year 1992-1993 challenging the disallowance of the claim of depreciation on Iraq assets being furniture, fixtures and motor vehicles which had not been included under the head of fixed assets and hence depreciation disallowed. The amount involved in the case is Rs. 52.26 million. The appeal is pending.

A1.5 A sales tax appeal was filed in the High Court of Karnataka, Bangalore challenging the levy of taxes on certain expenses like consumables, business promotions, royalty and insurance on vehicles. The total amount involved is approximately Rs. 1.85 million. This appeal was disposed of by the Karnataka High Court directing JAL to deposit Rs. 0.90 million and thereafter appear before the Additional Commissioner, Commercial Taxes, Zone – I, Bangalore on February 15, 2005 for a fresh hearing.

A1.6 An appeal has been filed by JAL before Joint Commissioner (Appeals) – III Trade Tax, Noida against the order passed by Deputy Commissioner, Trade Tax –IV, Noida levying trade tax on food supplied to its own employees in the sum of Rs.0.05 million. The appeal is pending.

A1.7 2 appeals are filed by JAL before Joint Commissioner (Appeals) – III Trade Tax, Noida against the order passed by Deputy Commissioner, Trade Tax –IV, Noida levying trade tax on food supplied to its own employees and levying tax on goods purchased/ transferred from outside Uttar Pradesh, under the Central Sales Tax Act. The aggregate amount involved is Rs. 9.77 million. Both the cases are pending.

Cases under Companies Act, 1956 / SEBI Act

A1.7A A case by erstwhile JIL against Twenty First Century Securities Limited and others, relating to fake shares of erstwhile JIL pledged with Twenty First Century Securities Limited, was originally filed in the Delhi High Court, and the Delhi High Court had granted interim injunction sought for by erstwhile JIL for restraining Twenty First Century Securities Limited from further dealing with the said fake shares. Subsequently, this case was transferred to the Tis Hazari Court. Thereafter, another case connected with the fake shares of erstwhile JIL has been filed in the Court of Chief Metropolitan Magistrate at Kolkata by Twenty First Century Securities Limited, making, inter alia, Mr. Jaiprakash Gaur, Chairman, as a party. In an appeal filed by Mr. Jaiprakash Gaur in the Kolkata High Court, the proceedings against Mr. Jaiprakash Gaur were stayed. The said cases are pending.

Cases filed against erstwhile JIL / JAL

Cases concerning Shares of erstwhile JIL / JAL:

A1.8 There are in all 172 cases filed, inter alia, for reliefs of injunction restraining transfer of lost / stolen / misplaced shares and for issuance of duplicate shares. These cases are pending in various courts and forums including the City Civil Courts of Mumbai, Calcutta, Rajkot, Kanpur, Madras, Delhi, Bangalore, Patiala, Nagpur, Baroda and Visakhaptanam.

Consumer dispute cases

A1.9 There are in all 51 cases filed in relation to disputes arising out of lost and misplaced shares, non-receipt of dividend and non-receipt of bonus shares. These cases are pending in various consumer courts including the District Consumer Disputes Redressal Forum at Nellore, the District Consumer Protection Forum at Lucknow, Kanpur and Allahabad, the District Consumer Disputes Redressal Forum at Calcutta, Jaipur, Rajasthan, Rewa and Indore.

Income Tax Cases

A1.10 The Assessing Officeer, Lucknow has fled 9 appeals against JAL in the Income Tax Appellate Tribunal, Lucknow Bench, Lucknow challenging the reliefs granted in favour of JAL by the Commissioner of Income Tax (Appeals), Lucknow/ Kanpur in relation to allowing of deduction of Foreign Currency Translation Difference, disallowance of depreciation by restricting 100% depreciation to 5% depreciation on Purely Temporary Erections on Work Sites and certain other items. These 9 appeals pertain to diiferent Assessment Years between 1993-1994 and 2000-2001. 2 appeals out of 9 appeals involve an aggregate amount of approximately Rs. 311.63 million. For the balance appeals, since the assessed income of JAL for the relevant assessment years is loss, and thus, there will be no recovery of dues towards tax.

A1.11 There is 1 Income Tax Reference Application filed by the Income Tax Department before the Allahabad High Court challenging the order of the Income Tax Appellate Tribunal, Allahabad Bench, upholding the disallowance of Rs. 8.15 million under section 40 (a) (iii) of the Income Tax Act, 1961. This reference pertains to the Assessment Year 1987-1988, and the total amount involved is approximately Rs. 5.00 million. If the Income Tax Department succeeds in this Application, then there will be a tax demand of Rs. 5.00 million approximately payable by JAL.

MRTP Cases

A1.12 There are 2 cases filed in the MRTP Commission, New Delhi against Cement Manufacturers Association and others, where JAL is one of the respondents. The allegation in these cases is that cement companies have unreasonably increased the prices of cement through cartelisation between the period February, 1990 to August, 1990 (in the first case) and between the period July, 2000 to December, 2000 (in the second case). Both the cases are pending.

Cases under Companies Act, 1956 / SEBI Act

A1.13 An appeal has been filed by one of the shareholders before the Division Bench of Allahabad High Court seeking stay of the order dated February 27, 2001, by which the said order Allahabad High Court sanctioned the Scheme of Arrangement for hiving off the Cement Division of erstwhile JIL to its wholly owned subsidiary. No stay order has been granted by the Allahabad High Court till date. The appeal is pending final disposal. In the meantime, the Scheme of Arrangement has been fully implemented and the erstwhile JIL has already been amalgamated with JAL.

A1.14 An appeal has been filed by one of the shareholders before the Allahabad High Court against order of Company Law Board rejecting the prayer seeking supply of a copy of Register of Members (comprising of Members holding shares both in physical and demat segment in print as well as in the magnetic media) from erstwhile JIL. The said appeal is pending.

A1.15 A suit was filed by one of the shareholders in the Delhi High Court for restraining erstwhile JIL from holding its 18th Annual General Meeting. An ex-parte injunction, which was earlier granted by the Court, restraining erstwhile JIL from implementing certain resolutions, was subsequently vacated, and erstwhile JIL was allowed to continue with its day to day business. There have been various interim applications and interim orders passed in the said suit. This suit was subsequently transferred to Tis Hazari Court, and the same is pending.

A1.16 A suit was filed by one of the shareholders in the Delhi High Court restraining erstwhile JIL from holding its 19th Annual General Meeting, but no orders of stay was granted. This suit has also been transferred to the Tis Hazari Court and the same is pending.

A1.17 A civil suit was filed before Civil Judge (Senior Division), Lucknow, by a shareholder challenging the holding of, and decisions taken in, the Extra Ordinary General Meeting of the shareholders of JIL held on March 21, 2002. No interim relief was granted. The meeting had been duly convened and decisions implemented. The matter is pending.

A1.18 SEBI had raised certain objections to the scheme of amalgamation between erstwhile JIL and JCL, to which objections the Allahabad High Court had made adverse observations, while sanctioning the said scheme. SEBI has filed an appeal before the Division Bench of Allahabad High Court praying to expunge certain portions of the judgment dated March 10, 2004 containing the said observations. This appeal is pending.

A1.19 Twenty First Century Securities Limited had filed an application for recall of the order dated March 10, 2004, sanctioning the Scheme of Amalgamation of erstwhile JIL with JCL (now JAL) primarily on the ground that they were not served the notice of amalgamation. Since the name of the said company did not appear in the Register of Members of JIL, there was no question of serving the notice of amalgamation on the said company. The matter is pending before the Allahabad High Court.

A1.20 A writ petition was filed in the Lucknow Bench of the Allahabad High Court by JAL against the State of Uttar Pradesh, challenging the issue of Notification dated June 22, 2004 regarding the appointment of a Commission of Enquiry to ascertain the facts of construction of Taj Expressway and to examine the adequacy of action taken in this project. A stay was granted by the Court against the implementation of the aforesaid Notification. The petition is pending. Similarly, there are certain public interest

litigations pending in the Allahabad High Court, inter alia, seeking enquiry in respect of the said project. JAL has not so far received any communication from the Government of Uttar Pradesh for suspension or stoppage of work on the said project.

A2. Cement Division - Rewa Plant

Cases filed by JAL

Sales Tax

A2.1 A writ petition has been filed by JAL before the Jabalpur High Court challenging the levy of charge under the Nikay Kar Act, which Act was in force for the period May 1, 1997 to May 20, 1997. The said petition is pending. If JAL fails in the said petition, it will have to pay an amount of Rs. 0.59 million.

A2.2 2 Reference Applications have been filed by JAL in the Madhya Pradesh Commercial Taxes Tribunal, Bhopal for referring to the Jabalpur High Court two different cases against the two independent orders. One application pertains to rejection of the refund application for Entry Tax, and the second appeal pertains to rejection of tax exemption on excess production of cement. If JAL fails in these Applications, it will have to pay an aggregate amount of Rs. 0.68 million approximately. However, in the second case, JAL has already paid Rs. 0.189 million at the time of filing the appeal before the Tribunal.

A2.3 A total of three appeals have been filed by JAL before the Deputy Commissioner, Appeals, Satna, out of which one challenges the Entry Tax Assessment Order for the year 2000-01 and two relates to submission of Concessional Declaration Forms for the period 1998-1999 and 1999-2000 under the Central Sales Tax Act. The aggregate amount involved in these 3 appeals is Rs. 2.73 million.

Excise Duty and Service Tax

A2.4 There are 3 appeals pending before the Commissioner (Appeal) Central Excise, Bhopal against the orders of the Adjudicating Authority (i) one challenging the denial of MODVAT credit availed by JAL on short receipt of furnace oil and light diesel oil; (ii) the second challenging the demand of excise duty on fabrication of capital goods; and (iii) the third challenging the demand of excise duty on sale of mixed / sludge oil. The aggregate amount involved in these cases Rs. 1.39 million, out of which an amount of Rs. 0.04 million has been deposited through CENVAT Account.

A2.5 A writ petition being WP Civil No. 551 of 2000 has been filed in the Supreme Court by Jaypee Rewa Cement Limited against, inter alia, Union of India (through the Secretary, Ministry of Finance), Central Board of Excise and Customs, and others challenging the legality and constitutional validity of section 116 and 117 of Finance Act, 2000 and Section 158 of the Finance Act, 2003, whereby the Central Government has sought to revalidate the service tax on transport services and Clearing and Forwarding services with retrospective effect, and thus, attempting to nullify the effect of direction issued by Supreme Court for refund of tax within a period of 12 weeks after quashing the provision relating to imposition of service tax on transport services in a separate bunch of writ petitions vide the Supreme Court's judgement dated July 27, 1999. A stay application has been filed praying for the stay of operation of impugned provisions contained in section 116 and 117 of the Finance Act, 2000 and Section 158 of the Finance Act, 2003, and restrain the Respondents from enforcing any recovery under these provisions. The said writ petition and the stay application are pending.

Cases concerning payment of Electricity Duty

A2.6 There is 1 petition pending in the Jabalpur High Court filed by JAL against the order of Chief Electrical Inspector, Bhopal allowing only part exemption as against the full period of 5 years and thereby fixing a liability of Rs. 184.40 million whereby the amount of electricity duty due has been assessed to be Rs. 110.6 million; with further interest at the rate of 24% per annum upto August 30, 2004 at Rs. 73.80 million. The amount of Rs. 6.10 million has been paid towards this liability with the remaining balance affixed at Rs. 178.30 million. The case is pending.

Recovery of Money Claims

A2.7 There are 11 civil cases filed by JAL in several courts against its various debtors for recovery of money in the aggregate sum of Rs. 12.03 million. All these cases are pending.

Criminal Cases

A2.8 There are 9 criminal complaints under Section 138 of the Negotiable Instruments Act, 1881 in respect of dishonoured cheques in the aggregate sum of Rs. 11.68 million. All these cases are pending.

Land Dispute Claims

A2.9 These is 1 appeal filed by JAL pending before the Jabalpur High Court challenging the order passed against it in a contempt case for disobeying the temporary injunction granted against JAL. The dispute involved is in respect of land admeasuring 8.25 acres situated at Atrauli Village. The amount involved is Rs. 1.24 million, together with further interest. The appeal is pending.

A2.10 There are 3 appeals filed by JAL before the IInd Additional District Judge at Rewa challenging the judgement passed in 3 separate suits declaring sale deeds in respect of certain lands as null and void. The aggregate amount involved in these appeals is Rs. 0.57 million, together with further interest. The Court has stayed the operation of the impugned orders in all three appeals.

A2.11 There is 1 appeal filed by JAL in the Jabalpur High Court challenging the judgement declaring four separate sale deeds as being null and void. The total liability involved in the case is Rs. 3.13 million. The Court has stayed the operation of the impugned order.

Royalty Claims

A2.12 3 writ petitions have been filed by JAL against the State of Madhya Pradesh and the Collector, Rewa in the Jabalpur High Court challenging the computation of royalty done by the State Government on the basis of 1.60 tonnes Limestone per ton of cement. The amount involved is Rs. 58.36 million, together with further interest. The Court has stayed the operation of the impugned order.

A2.13 6 writ petitions have been filed by JAL against the State of Madhya Pradesh, the Board of Revenue, Collector of Stamps cum Registrar and the Sub Registrar respectively in the Jabalpur High Court challenging the levy of stamp duty on transfer of mining lease from JAL to Jaypee Rewa Cement Limited and also for a change in name from Bela Cement Limited to Jaypee Rewa Cement Limited in the mining leases. The amount involved is Rs. 48.00 million together with further interest.

Cases filed against JAL

Land Dispute Claims

A2.14 A suit has been filed against JAL in the III Civil Judge II, Rewa claiming title and possession over disputed government land bearing Khasra No. 117, 120, 121 of Village Sonara, and praying for a temporary and permanent injunction restraining JAL from using the said land. JAL has obtained temporary injunction, and the suit is pending at the stage of recording of evidence.

A2.15 A suit has been filed against JAL in the I Civil Judge I, Rewa for a mandatory injunction restraining JAL from laying 132KVA HT line through the land bearing Khasra No. 466 of Kachoor Village. This suit is pending for arguments.

A2.16 There are 18 cases filed in various lower Courts at Rewa against JAL in respect of disputes regarding title and possession of land, praying for a declaration that the mutation orders as null and void, and seeking injunction restraining JAL from undertaking any construction activity on the land. The aggregate amount involved in these cases is Rs. 10.85 million together with further interest.

A2.17 There are 2 appeals pending before the Jabalpur High Court. The first challenges the Award passed by the Land Acquisition Officer and upheld by IIIrd Additional District Judge, Rewa and the other relating to cancellation of the sale deed and for order of mutation of Khasra no. 607-610 totally admeasuring 5.61 acres. The aggregate amount involved in the appeals is Rs. 1.05 million, together with further interest.

A2.18 A case is filed before the Sub-Registrar, Jabalpur for directing JAL to vacate the concerned guest house, as the same is located in a residential colony, and hence not meant for commercial use. The case is pending.

Miscellaneous Claim

A2.19 There are 5 cases, out of which 4 are for recovery of money, and one is a public interest litigation, filed in various courts. The aggregate amount involved is approximately Rs. 9.64 million.

A2.20 There is 1 case pending before the Ist Additional District Judge at Satna wherein the claimant met with an accident as a result of a collision with a loader belonging to JAL. The amount involved is Rs. 0.17 million together with interest.

Labour Cases

A2.21 There are 31 cases pending before the Labour Court, Rewa, involving disputes such as illegal termination, compensation for permanent partial disablement, death while on duty, occupational disease, and accident of employee while on site. These cases are pending at different stages.

A2.22 There are 3 cases pending before the Industrial Court Bench at Rewa, all of which are filed by contract labour challenging the alleged illegal termination of service by JAL and seek reinstatement with back wages.

A2.23 There are 2 cases pending before the Jabalpur High Court, one relating to alleged illegal termination of service, and the second relating to recovery of compensation of Rs. 0.19 million for fatal accident on site.

A2.24 There is 1 case pending before the Allahabad Labour Court filed by contract labour challenging the alleged illegal termination by JAL and seeking reinstatement with back wages.

A2.25 There are 2 cases pending before the Labour Court, Satna involving disputes under the Workmen Compensation Act aggregating to an amount of Rs. 0.68 million.

Criminal Cases

A2.26 There are 2 cases pending before the Additional Chief Judicial Magistrate at Rewa relating to the death of an employee while on duty, and quarrel over digging of limestone of the complainant's land respectively.

A2.27 There is 1 case pending before the Chief Judicial Magistrate at Satna, Madhya Pradesh in respect of an accident involving a JAL vehicle, which resulted in the death of an individual.

A2.28 There is 1 case pending before Chief Judicial Magistrate, Rewa Court, relating to a quarrel in the village of Khamariya between a JAL employee and a resident of the village.

A2.29 There are 2 cases pending against JAL filed by the State of Madhya Pradesh before the Second Civil Judge at Tyonthar in respect of the dispute where the vehicles of JAL were allegedly found to be carrying goods/material, which were more than the permissible limit.

Consumer Cases

A2.30 An appeal has been filed against JAL, in the State Commission, Lucknow, challenging the order passed by the District Consumer Forum, Sultanpur rejecting the claim of damages for Rs. 0.02 million The ground on which the damages was claimed was that the roof of the claimant's house collapsed after 18 days of construction allegedly due to inferior quality of cement manufactured by JAL. The appeal is pending.

A2.31 There are 3 cases pending before various District Consumer Forums relating to the supply of alleged inferior quality cement and aggregating to an amount of Rs. 0.52 million.

Recovery of money claims

A2.32 There are 7 civil cases filed against JAL in several courts for recovery of money in the aggregate sum of Rs. 3.85 million.

Writ Petitions

A2.33 A criminal revision petition was filed by the petitioner in the High Court, Allahabad against the order passed by the Additional Chief Judicial Magistrate, Aligarh in a criminal complaint filed by JAL under Section 138 of the Negotiable Instruments Act in respect of dishonour of cheque in the sum of Rs. 0.40 million drawn in favour of JAL. The lower court issued summons against the petitioner, and hence the revision petition is filed. The matter has been stayed by the Allahabad High Court, and JAL has filed its objections. The case is pending.

Tax Cases

Excise duty and service tax

A2.34 There are 22 show cause notices pending before the Assistant Commissioner, Central Excise, Satna, inter alia, involving disputes such as (i) short payments in excise duty; (ii) service tax due to failure to abide by Central Excise Rules and CENVAT Credit Rules; (iii) disputed claims as to duty on sale of waste and scrap; and (iv) disputed claims on modified value added tax on capital goods and on inputs. The total claim pending against JAL to Rs. 12.30 million together with further interest claimed against JAL.

A2.35 A Show Cause Notice dated December 12, 2002 has been issued by the Excise Department for non-payment of service tax of Rs. 6.54 million on transport charges paid by JAL at various regional Marketing Offices (RMOs) at Rewa. An additional demand of Rs. 5.61 million has also been issued by the Additional Commissioner, Bhopal in respect of RMO, Rewa.

A2.36 There are 3 appeals filed by the Excise Department before the CEGAT, inter alia, challenging the order of the Commissioner of Central Excise (Appeals) (i) in the first, allowing eligibility of capital goods for MODVAT credit in favour of JAL; (ii) the second, allowing eligibility of castables for MODVAT in favour off JAL; and (iii) the third, denying JAL MODVAT credit on HDPE bags. The aggregate amount involved is Rs. 5.74 million, together with further interest.

A2.37 There are 2 show cause notices issued by Excise Department alleging that JAL has not reimbursed CENVAT credit on (i) the closing stock of light diesel oil; and (ii) welding electrodes, clean Flo, Gas and Steel, respectively. The aggregate amount involves Rs. 12.77 million These show cause notices are pending.

A2.38 There are 4 cases filed by the Excise Department against JAL in the Madhya Pradesh High Court challenging the allowance of MODVAT on explosives and furnace oil by the Appellate Tribunal. The aggregate amount involved is Rs. 3.18 million, together with further interest.

A2.39 There are 3 special leave petitions filed by the Excise Department against JAL in the Supreme Court challenging the allowance of MODVAT on explosives and furnace oil by the Appellate Tribunal. The aggregate amount involved is Rs. 4.92 million

A2.40 There is 1 Show Cause Notice dated January 14, 2004 pending before the Commissioner, Customs and Central Excise alleging that JAL has wrongly taken CENVAT Credit of Rs. 11.61 million during the period January 2003 to August 2003 on electrodes, DA Gases, Clean Flow and Iron and Steel products. The Show Cause notice has been replied to by JAL but the date of personal hearing is yet to be fixed.

A3. Cement Division – Bela Plant

Cases filed by JAL

Tax Cases

A3.1 Two appeals have been filed before the Customs Excise Service Tax Appellate Tribunal, New Delhi, against the order of the Commissioner (Appeals), one against rejection of JAL's Refund Application for CENVAT Credit reversed by it on the

pipeline used for bringing water to its factory from the reservoir situated outside the factory; and second with regard to the dispute involving availment of MODVAT on a photocopy of the bill of entry. The total amount involved is Rs. 0.52 million.

A3.2 An Appeal is pending before the Commissioner (Appeal), Central Excise, Bhopal challenging the order passed by the Adjudicating Authority confirming the interest on CENVAT reversals made by JAL during the year 2004 for the period commencing from the CENVAT availment to the date of reversal. The amount involved in this case is Rs. 0.27 million.

A3.3 There is 1 case pending before the Jabalpur High Court challenging the order of the Appellate Tribunal rejecting JAL's appeal for grant of MODVAT on Dumpers, Excavators on the ground that these goods are not capital goods. The amount involved in this case is Rs. 4.43 million, which has been deposited by JAL through the CENVAT account.

Sales Tax

A3.4 A writ petition has been filed by JAL before the Chattisgarh High Court claiming exemption of Central Sales Tax payable on coal purchases since earlier Chattisgarh was a part of undivided Madhya Pradesh i.e. at the time of the grant to JAL of the Exemption Certificate from payment of Purchase Tax by the Government of Madhya Pradesh. The amount involved is Rs. 15.47 million. Chattisgarh High Court has granted a conditional stay on payment of sales tax on coal, subject to furnishing of bank guarantees equivalent to the central sales tax payable.

A3.5 There is 1 writ petition filed by JAL before the Jabalpur High Court challenging the levy of charge of Rs. 0.09 million under the Nikay Kar Act. This petition is pending.

A3.6 An appeal has been filed before the Deputy Commissioner (Appeals), Satna against the entry tax assessment order for the year 2000-2001 on the ground that the levy of entry tax under the Entry Tax Act is unconstitutional. The aggregate amount involved in the case is Rs. 0.09 million.

Cases filed against JAL

Tax Cases

Service Tax and Excise Duty

A3.7 There are 14 cases pending before the Assistant Commissioner, Central Excise, Satna, inter alia, involving disputes such as short payments in excise duty and service tax due to failure to abide by Central Excise Rules and CENVAT Credit Rules, disputed claims as to duty on sale of waste and scrap, and disputed claims on modified value added tax on capital goods and on inputs. The total claim pending against JAL to Rs. 6.03 million, together with further interest claimed against JAL.

A3.8 A Show Cause Notice dated December 12, 2002 has been issued by the Excise Department for non-payment of service tax of Rs. 4.74 million on transport charges paid by JAL at various regional Marketing Offices (RMOs) at Rewa. An additional demand of Rs. 2.50 million has also been issued by the Additional Commissioner, Bhopal in respect of RMO, Rewa.

A3.9 There are 4 show cause notices issued by the Commissioner, Central Excise, Bhopal, (i) in one, alleging that the various items like grinding media, castings, DG parts, etc. are not capital goods as per the definition under the relevant Central Excise Rules, 1944; and (ii) in three others, alleging that the CENVAT was wrongly availed by JAL. The aggregate amount involved is Rs. 4.46 million, together with further interest.

A3.10 5 show cause notices have been issued by Additional Commissioner, Central Excise, Bhopal in respect of CENVAT claimed on Inputs and Capital Goods. The aggregate amount involved is Rs. 8.78 million.

A4. JCL Grinding Unit

A4.1 The Excise Department has served a Show Cause Notice dated January 12, 2004 alleging failure to reimburse CENVAT credit on the closing stock of Light Diesel Oil on its removal from the head of Input as on February 28, 2003 under CENVAT Credit Rules, 2002. The aggregate amount involved is Rs. 0.02 million.

A5. Vishnu Prayag Hydro Electric Project

Cases filed by JAL

Money Recovery Claims

A5.1 There are 2 suits pending in the Court of Civil Judge (Senior Division) Gopeshwar, District Chamoli in which JAL has prayed for mandatory injunction restraining recovery of electricity charges pursuant to electricity bills issued by the Department of Electricity aggregating to Rs. 83.45 million. JAL has obtained interim stay in both suits, subject to the furnishing of Bank Guarantees of such demanded amounts, which Bank Guarantees were furnished. The Uttaranchal Power Corporation Limited has filed appeals in the Uttaranchal High Court to vacate the aforesaid stay. These appeals have been decided against JAL by an order of the High Court directing JAL to deposit 50% of the disputed amount within 30 days in default of which the entire amount is recoverable and the stay order vacated. Appeals have been filed in the Supreme Court challenging both the aforesaid orders of the High Court vacating stay. These appeals before the Supreme Court have been dismissed by the Supreme Court on November 5, 2004 and the suits are currently pending before the Court of Civil Judge, Senior Division, Gopeshwar and the next date of hearing is fixed on February 1, 2005 for the recording of evidence and amendments.

A5.2 There is 1 suit pending in the Court of Civil Judge (Senior Division) Gopeshwar, District Chamoli praying for, inter alia, a declaration that JAL is liable to pay electricity supply bills as per Rate Schedule LMV-4 only, and not liable to pay 25% over and above the Rate Schedule. A mandatory injunction is also prayed for against recovery of an amount of Rs. 42.51 million as charged by the Uttaranchal Power Corporation Limited. The Civil Judge (Senior Division) has passed an order of stay against the disconnection of electrical supply to JAL, against which Uttaranchal Power Corporation Limited filed an appeal in the Uttaranchal High Court. On July 23, 2004, the Uttaranchal High Court passed an order, inter alia, modifying the order of the lower court, and directing that further recovery proceedings initiated against JAL shall remain stayed, but only on deposit of 50% of the amount allegedly due within a period of one month from the date of the order. A Special Leave Petition was subsequently filed by JAL against Uttaranchal Power Corporation Limited, which was admitted by the Supreme Court on August 20, 2004, and directed status quo to be maintained until further orders. The suit and the Special Leave Petition are pending.

A5.3 There is 1 case pending in the Court of Civil Judge (Senior Division) Gopeshwar, District Chamoli challenging recovery of the amount under several electricity bills received in March 2003. These bills were raised by Uttaranchal Power Corporation, Dehradun on the ground that the rate schedule was to be calculated as per LMV 2, instead of LMV 4. Subsequently, a notice was issued by the Uttaranchal Power Corporation, Dehradun threatening disconnection of the electrical supply of JAL. The Civil Judge (Senior Division) has passed an order of stay on disconnection of electrical supply of JAL, against which Uttaranchal Power Corporation Limited filed an appeal in the Uttaranchal High Court. On July 23, 2004, the Uttaranchal High Court passed an order modifying the order of the lower court directing that further recovery proceedings initiated against JAL shall remain stayed on deposit of 50% of the amount allegedly due within a period of one month from the date of the order. A Special Leave Petition was subsequently filed by JAL against the Uttaranchal Power Corporation Limited, and on August 20, 2004, the Supreme Court admitted the Special Leave Petition and directed status quo to be maintained until further orders.

Miscellaneous Cases

A5.4 There is 1 case pending in the Court of Civil Judge (Senior Division), Gopeshwar, District Chamoli restraining villagers of Chain, Lambagarh and Ravigram from disrupting the transportation of project vehicles of JAL and allegedly causing damage to the equipment and vehicles of JAL. An interim stay has been granted in favour of JAL.

Contempt of Court Case:

A5.5 There is a contempt petition pending before the Court of Civil Judge (Senior Division) Gopeshwar, District Chamoli, in relation to non compliance of the order of the said Court dated April 22, 2002 restraining one Mr. Bhopal Singh and others from obstructing the construction work of project during the period between September and October 2002. The order restraining the villagers from disrupting the transportation of project vehicles of JAL was passed by the Court of Civil Judge, (Senior Division) Gopeshwar, Chamoli, which is the same court that has passed the order of contempt.

A5.6 There is 1 appeal filed in the Uttaranchal High Court by JAL against the order passed by Workmen Compensation Commissioner, Chamoli on June 9, 2004 in respect of the amount of compensation granted awarded of Rs. 0.22 million, with further interest. The Uttaranchal Court has admitted the appeal, and the same is pending.

Cases filed against JAL

Compensation Cases

A5.7 There are 3 cases pending before the District Magistrate Workmen Compensation Commissioner for compensation claimed against JAL for the death of three workmen. The aggregate amount involved is Rs. 1.47 million.

Land Dispute Claims

A5.8 There is 1 case pending before Civil Judge, Senior Division, Gopeshwar, District Chamoli challenging the purchase of Plot No-797 and 798 by JAL. The amount involved is Rs. 0.094 million.

A5.9 There is 1 case pending before Deputy Revenue Commissioner, Pauri restraining JAL from allegedly encroaching the land belonging to complainant.

Public Interest Litigation

A5.10 There is 1 public interest litigation case pending before Nainital High Court against JAL seeking stoppage of construction work and blasting, on grounds that such construction work is harmful to the environment and that JAL had commenced such activity without adequate permissions.

Motor Accident Claims:

A5.11 There is 1 case pending before Civil Judge (Senior Division) Gopeshwar District Chamoli relating to the death of a child due to a collision with a vehicle of JAL. This case is filed by the father of the deceased child.

A5.12 There is 1 case pending before the Chief Judicial Magistrate, Gopeshwar relating to the death of a child due to a collision with a vehicle of JAL filed by the State of Uttaranchal.

Miscellaneous claims

A5.13 There is 1 case pending before Civil Judge (Senior Division) Gopeshwar, District-Chamoli for compensation in the sum of Rs. 0.03 million for the loss suffered on account of the death of the complainant's buffalo and cow.

A6. Kevadia

Cases filed by JAL

Consumer Cases

A6.1 There is 1 case pending before the Consumer Protection Forum of Bharuch Gujarat, wherein pursuant to an agreement, JAL was to purchase certain quantity of bar steel to be supplied by Shah Alloys Limited (SAL) by a particular date. However, SAL failed to supply all the contract quantity by this date and therefore a case was filed by JAL for the refund of money of the balance quantity not supplied by due date. The aggregate amount involved is approximately Rs. 0.12 million

Miscellaneous Claims

A6.2 A suit is filed in the Court of Civil Judge (Senior Division Bharuch) by JAL against Government of Gujarat and others, inter alia, for recovery of an aggregate amount of Rs. 14.16 million towards (i) claim of extra items of pre-cooling of concrete in the sum of Rs. 8.56 million together with interest thereon at the rate of 20% being Rs. 2.00 million; and (ii) interest thereon at the rate of 20% on certain delayed payments being Rs. 3.60 million. The claim for interest on delayed payments have arisen out of Agreement No. ICB-11 of 1982-83 dated February 18, 1983 entered into between JAL and Government of Gujarat for constructing masonry / concrete dam and spillway of Karjan reservoir project. The claim for extra items have arisen out of Supplementary Agreement LCB-2 of 1987-88 dated June 8, 1987 for additional works with regard to the same Karjan reservoir project. The Government of Gujarat has filed an application for transferring this suit to the Arbitration Tribunal. This application as well as the said suit are pending.

Cases filed against JAL

Labour Cases

A6.3 There are 2 cases filed for compensation on account of death and 9 cases for compensation on account of injury caused to labourers of JAL all pending before the Labour Court, Bharuch, Gujarat wherein the aggregate amount involved is Rs.0.68 million

Motor Accident Claims

A6.4 There are 22 cases pending before the MACT Camp Court, Rajpipla District, Narmada Gujarat for compensation claimed for death/injury resulting from accidents caused due to collisions with vehicles belonging to JAL. The aggregate amount involved in these cases is approximately Rs. 1.60 million.

A6.5 There are 39 cases pending before MACT District Court, Bharuch, Gujarat for compensation claimed for death/injury resulting from accidents caused due to collisions with vehicles belonging to JAL. The aggregate amount involved in these claims is calculated to be approximately Rs.11.51 million.

A6.6 There is 1 case pending before the Indore High Court, Madhya Pradesh for compensation on account of death of an individual due to collision with a vehicle owned by JAL. The amount in claim is Rs. 0.60 million.

Miscellaneous

A6.7 A suit is filed in the City Civil Court, Ahmedabad, Gujarat by Shah Alloys Limited seeking direction against JAL to lift the balance quantity of 15.08 MT of CTD bar steel beyond the agreed due date and for payment of its value of Rs. 0.29 million by JAL to Shah Alloys Limited. This suit is pending.

A7. Kolkata Office

Cases filed by JAL

A7.1 There is 1 case pending before the Court of 5th Metropolitan Magistrate, Kolkata in relation to the alleged misappropriation of accounts. The aggregate amount involved in the case is approximately Rs. 0.53 million.

A8. Tehri Unit

Cases filed by JAL

Civil Cases

A8.1 JAL has filed a suit in the Nainital High Court challenging the levy of the transit fee on transit of rip-rap material obtained for the dam from Asena Quarry. The ground of challenge is that Asena Quarry land is recorded as Banjar land in the records of the Revenue department and the produce is not a forest produce. JAL has contended that the transit fee may be levied only if Asena Quarry land is recorded as forest land under any notification issued under the Forest Act, and not otherwise. Pursuant to

the order of the High Court, JAL has deposited Rs. 27.50 million towards transit fee, which fee is directed by the High Court to be kept in a separate account by the District Forest Officer. The suit is pending.

JAL has filed a writ petition seeking to quash the order of the District Officer directing JAL to pay the transit fee, together with arrears, failing which all JAL vehicles transporting forest produce from Asena Quarry to dam site will be confiscated. In this writ petition, pursuant to the directions of the High Court to the Conservator of the Forest Department, District Tehri to decide the dispute on hand within a stipulated time, the said Conservator has submitted his report to the High Court. Consequently, JAL has filed an amendment application challenging the Conservator's report. The said writ petition is pending.

A8.2 A petition under section 9 of the Arbitration and Conciliation Act, 1996 is pending before the Court of District Judge, Tehri Garhwal, for refund of an amount of Rs. 55.85 million illegally and unlawfully recovered by Tehri Hydro Development Corporation Limited in December 2003 on the basis of arbitrary and unilateral alteration by Tehri Hydro Development Corporation Limited of the computation formula. JAL had already released monies towards the escalation amount for the period January 2002 to September 2003, and Tehri Hydro Development Corporation Limited unilaterally changed the linking factor and recovered the said amount of Rs. 55.85 million.

Cases filed against JAL

Labour Matters

A8.3 A workman of JAL has filed a case before Commissioner appointed under the Workmen Compensation Act, Patna cum the Deputy Labour Commissioner, Patna for compensation on account of injury sustained in his left eye while serving JAL. The amount of compensation claimed is Rs. 0.47 million.

A8.4 There is 1 case pending before the Consumer Protection Cell, Tehri Garhwal, in relation to the non-receipt of claim amount on account of the death of a service employee of JAL in a fatal accident caused by a vehicle of JAL. The total amount involved is Rs. 0.50 million.

Insurance Matters

A8.5 There are 4 cases filed before Nyayadharsh, Muzzafer Nagar, for insurance claims in relation to accident involving a vehicle of JAL, in which two people were killed and two were severely injured. The total amount involved is approximately Rs. 1.75 million, together with further interest.

Criminal Matters

A8.6 There is 1 case pending before the Court of Mukhya Nyayik Magistrate, Tehri for recovery of the cost of a horse on account of its death due to an accident at the Asena Quarry site. The amount claimed is approximately Rs. 0.06 million.

Arbitration Cases

A8.7 There are 7 different arbitration matters pending before the Arbitral Board, the disputes and the claim involved is which are (i) reduction/non-payment of various items of works involved in open excavation and slope stabilization for an amount of Rs. 53.30 million; (ii) provision for indirect/hidden cost of labour in the analysis of rates for extra items of work for an amount of Rs. 2.90 million; (iii) claim for compensation on account of extra transport of clay core material from Koli borrow area to clay stockpile area for an amount of Rs. 6.10 million; (iv) excess recovery of mobilization advance and advance against plant and equipment for an amount of Rs. 109.10 million; (v) early and excessive recovery of rental charges for equipment supplied by THDC Limited for an amount of Rs.44.30 million; (vi) reimbursement of extra cost due to increased liability of trade tax for an amount of Rs. 7.90 million; and (vii) claim for refund of royalty deducted from work bills for filter material for an amount of Rs. 12.70 million. The aggregate amount involved in all the aforementioned arbitration matters is approximately Rs. 236.30 million.

A9. Lakhwar Unit, Dehradun Office

Cases filed by JAL

Arbitration Cases

Lakhwar Dam Works Contract

A9.1 There is 1 arbitration matter pending before the Sole Arbitrator Mr. Justice (Retd.) L.P. Nigam with regard to stoppage of work under an Agreement executed on July 15, 1987 for the construction of Lakhwar Dam Underground Powerhouse and Appurtenant Works. This construction was prematurely stopped in July, 1992 due to acute paucity of funds and non-finalisation design, type and exact location of the dam. The amount involved in this arbitration is approximately Rs. 573.10 million as on June 1994.

A9.2 There is 1 arbitration matter pending before the Sole Arbitrator Mr. Justice (Retd.) J.M. Srivastava with regard to reimbursement on account of (i) rent of land, (ii) delay in making payments and (iii) increase in rates of minimum wages. The amount involved in this arbitration is approximately Rs. 5.3 million as up to December 1994.

Vyasi Dam Works Contract

A9.3 There is 1 arbitration matter pending before Mr. S.N.H Zaidi, Sole Arbitrator, for the recovery of payment made for the first installment of the lump-sum payment of interest for the item of Care & Diversion of River during construction. The amount involved in this arbitration is approximately Rs. 4.7 million.

Civil Cases

Lakhwar Dam Works Contract

A9.4 A suit is filed before the Civil Judge (Senior Division), Dehradun for restraining encashment of a bank guarantee furnished for the release of hypothecated equipment. The amount of bank guarantee is approximately Rs. 3.3 million. The Court has granted interim stay, the suit is pending.

Tehri Project Works Contract

A9.5 A suit for making an award the rule of court is filed by JAL before the District Judge, Tehri for reimbursement on account of increase in rates of minimum wages. On January 27, 2003, the arbitrator passed an award and the said suit is pending before the District Judge, Tehri. The amount involved is approximately Rs. 19.30 million.

Mussoorie Hotel

A9.6 There is 1 writ petition pending before the Uttaranchal High Court challenging the demand raised by the Government of Uttaranchal for payment of royalty on Lime Stone obtained from excavation done for the foundation of a building. The demand raised by the Government of Uttaranchal towards royalty is Rs. 0.7 million.

Electricity Cases

A9.7 There are four writ petitions pending before the Uttaranchal High Court challenging the demand notices raised by Uttaranchal Jal Vidyut Nigam Limited on the basis of raids conducted of four different connections at the Lakhwar sites in or about April-May 1991. The total amount involved in these petitions is approximately Rs. 18.66 million. JAL has furnished to the Uttaranchal High Court four bank guarantees for half the amount of the demand raised in the said demand notices, pursuant to the order of the Court.

A9.8 There are 2 suits pending before the Additional District Judge (Fast Track Court – 7), Dehradun, challenging 2 demands for Rs. 1.58 million each raised by the Executive Engineer, Power Construction Division towards recovery of dues under the Government Electrical Undertaking (Dues Recovery) Act, 1958. These demands were raised after the checking carried by U.P. Electricity Board of two connections, one at Lakhwar and the other at Vyasi. A temporary injunction from recovering the demanded amount was granted by the Additional District Judge. During the pendency of the said suits, the demanded amount was reduced to Rs. 0.93 million and Rs. 0.95 million respectively. The aggregate amount now involved is approximately Rs. 1.89 million.

A9.9 A miscellaneous suit under the Contempt of Courts Act was filed before the Chief Judicial Magistrate, Fast track Court-2, Dehradun against a fresh demand raised by the UP State Electricity Board for a sum of Rs. 0.93 million, despite a temporary injunction granted by the Additional District Judge referred to in A9.8 above. The case is pending.

A9.10 There is 1 suit pending before the Civil Judge Senior Division (Fast Track Court – 1) Dehradun challenging the disconnection of electricity supply by the Uttar Pradesh State Electricity Board at Ambari Camp, Dakhpathar. This disconnection was made on account of the alleged non-payment of the service line charges amounting to Rs. 0.22 million.

A9.11 There is a suit pending before the Additional Civil Judge, Dehradun challenging the demand of Rs. 0.76 million raised by Uttar Pradesh State Electricity Board with regard to 2 connections at Lakhwar site. A temporary injunction has been granted by the Additional Civil Judge from recovering the demanded amount.

A9.12 The Electricity Department has filed 2 appeals before the Secretary, Energy, Government of Uttar Pradesh challenging two different decisions of Director, Electrical Safety on the accuracy of the electricity meter and the bills raised pursuant to the said decisions. These appeals are pending before the Civil Judge (Senior Division) Dehradun and Additional District Judge II, Dehradun. Parallely, JAL has filed 2 suits before the Civil Judge (Senior Division) Dehradun challenging the disconnection of electricity due to non-payment of electricity consumption bill. All these matters are pending. There are 7 further independent proceedings filed, some by JAL and some against JAL, in connection with the dispute involved in the aforesaid cases, which are also pending.

Trade Tax Cases

A9.13 There are 9 cases pending before the Trade Tax Tribunal, Vasant Vihar, Dehradun for the period 1990-91 to 1998-99 in respect of various disputes relating to liability of JAL towards trade tax on sale of items such as Rock Bolts, Chain Link Fabric, etc. The aggregate amount involved in all these cases is approximately Rs. 3.00 million

Cases filed against JAL

Civil Cases

Vyasi Dam Works Contract

A9.14 There are 3 appeals filed by the State of Uttaranchal against JAL pending before the Uttaranchal High Court, (i) the first involving reimbursement on account of refund of excess interest recovered on advance payments; delay in making payments of intermediate bills and increase in minimum wages; (ii) the second pertaining to refund of sales tax recovered from the bills; and (iii) the third pertaining to appointment of arbitrator to arbitrate on the dispute regarding encashment of a Bank Guarantee for the release of hypothecated equipment. The aggregate amount involved in all these appeals is approximately Rs. 103.00 million.

Tehri Project Works Contract

A9.15 Two awards were passed by the arbitrator in two different arbitrations wherein the dispute involved (i) refund of deposit amount and payment of final bill; and (ii) payment for extra lead in disposal of excavated material respectively. These awards were made the rule of the court, which was challenged by Tehri Hydro Development Corporation Limited in the Uttaranchal High Court. The aggregate amount involved in both these appeals is approximately Rs. 9.40 million approximately.

A9.16 A civil revision petition is filed by Tehri Hydro Development Corporation Limited ("THDC") in the Uttaranchal High Court challenging an order of the Court of District Judge, Tehri restraining THDC from recovery of trade tax from the bills of JAL on the machinery taken by THDC on a rental basis. The aggregate amount involved in this case is Rs. 0.80 million.

A9.17 An appeal is filed by the State of Uttaranchal in the Uttaranchal High Court challenging the arbitration award amounting to Rs. 0.70 million, which was published and made a rule of the court. This appeal is pending.

Electricity Cases

A9.18 An appeal is filed by the Uttar Pradesh Electricity Board in the Uttaranchal High Court challenging the order of the lower court, passed in a suit filed by JAL, allowing reimbursement of all amounts paid by JAL towards the demand of Cash Security, Late Payment Surcharge on Cash Security and Interest on Cash Security. These reimbursements were allowed by the lower court on the ground that the payments were made for the period subsequent to the disconnection of the concerned three connections. This appeal is pending.

A9.19 There are 2 appeals filed by the Uttar Pradesh State Electricity Board before the Secretary, Energy, Government of Uttar Pradesh, against the decision of the Director, Electrical Safety on the accuracy of the Check meter. Both these appeals are pending.

A10. Chamera – II Project

Cases filed by JAL

Compensation case

A10.1 An appeal filed by the Company before Session Judge, Chamba against the order passed by the Chief Judicial Magistrate, Chamba in relation to compensation for alleged damage caused to the house of the claimant due to underground and tunneling work undertaken at Chamera – II site. The said case is pending.

Cases filed against JAL

Compensation Cases

A10.2 There is 1 case pending before the Court of Workmen's Compensation Commissioner, Chamba for compensation on account of injury suffered while on duty at Chamera II. The amount claimed is Rs. 0.30 million together with interest.

Taxation cases

A10.3 A case has been filed before Assistant Commissioner Trade Tax, Bagpat District, Meerut, Uttar Pradesh challenging the proposed levy of penalty of 40% of the value of the goods, which the Trade Tax Department, Uttar Pradesh alleges was done within the Uttar Pradesh State. The value of the goods is Rs. 0.14 million. The case is pending.

A11. Indira Sagar Project

Cases filed by JAL

Arbitration Cases

A11.1 A petition being Petition No. 13 / 97 has been filed before the M.P. Arbitration Tribunal, Bhopal under section 7 of the M.P. Arbitration Act by Jaiprakash Associates (a division of JIL, as it then was) against State of Madhya Pradesh, the Chief Engineer, Indira Sagar Project, Narmada Valley Development Authority, and another for recovery of a total claim of Rs. 19.90 million being an aggregate of various claims arising out of a Contract Agreement dated November 22, 1992. This Agreement was entered into between Jaiprakash Associates and the State of Madhya Pradesh for the balance work for construction of

Diversion Tunnel on the left flank of River Narmada for Indira Sagar Project. The claims made by Jaiprakash Associates includes claim for (i) extra items, (ii) refund of excess electric power charges; (iii) cost of cement procured; and (iv) reimbursement of sales tax.

State of Madhya Pradesh has filed a counter claim for an amount of Rs. 33.26 million being the aggregate of Rs. 21.40 million towards debitable agency cost, liquidated damages, recovery of material not returned and recovery of electricity charges (after adjusting the amounts payable to Jaiprakash Associates) and Rs. 11.85 million towards interest at the rate of 12% per annum. The said Petition and counter claim are pending.

A11.2 A petition being Petition No. 41 / 99 has been filed before the M.P. Arbitration Tribunal, Bhopal under section 7 of the M.P. Madhyastham Adhikaran Adhiniyam, 1983 by Jaiprakash Associates (a division of JIL, as it then was) against State of Madhya Pradesh, through the Secretary, Narmada Valley Development Department, and others for recovery of a total claim of Rs. 336.88 million being an aggregate of various claims arising out of a Contract Agreement dated May 5, 1992. This Agreement was entered into between Jaiprakash Associates and the State of Madhya Pradesh for construction of a solid gravity concrete dam 653 meters long and 92 meters high, with gross storage capacity of 1.222 Mham. The claims made by Jaiprakash Associates includes claim for (i) providing 450 mm dia M.S. pipes, (ii) reimbursement of payment made and recovered for providing steel supports for reinforcement; (iii) reimbursement of royalty charges paid; and (iv) wrong and excess recovery of interest on Advances. The State of Madhya Pradesh has filed its written statement and Jaiprakash Associates has filed its rejoinder to the said written statement. The matter is pending.

A11.3 A petition being Petition No. 42 / 99 has been filed before the M.P. Arbitration Tribunal, Bhopal under section 7 of the M.P. Madhyastham Adhikaran Adhiniyam, 1983 by Jaiprakash Associates (a division of JIL, as it then was) against State of Madhya Pradesh, through the Secretary, Narmada Valley Development Department, and others for recovery of a total claim of Rs. 334.58 million being an aggregate of various claims arising out of a Contract Agreement dated May 5, 1992. This Agreement was entered into between Jaiprakash Associates and the State of Madhya Pradesh for construction and completion of Intake Structure, Pressure Shafts and Power House Pit. The claims made by Jaiprakash Associates includes claim for (i) drilling 115/ 125 mm dia holes, (ii) deviated tender item for providing permanent steel supports; (iii) reimbursement of royalty charges paid; and (iv) non-availability of High Level Bridge. The State of Madhya Pradesh has filed its written statement and Jaiprakash Associates has filed its rejoinder to the said written statement. The matter is pending.

Tax Cases

A11.4 Government of Madhya Pradesh introduced a levy of commercial tax with effect from April 1, 1995. Accordingly, Narmada Valley Department Authority (NVDA) commenced deduction of the said tax at 2% of the work bills on completed items of work of JAL. Since the liability of payment of this tax was that of NVDA, such tax was reimbursed to JAL. However, this reimbursement was discontinued by NVDA from 1996 onwards. Pursuant to a petition, the High Court ordered that JAL approach the Deputy Commercial Tax, Khandva for decision on this issue. The Deputy Commissioner, Khandva, upheld the levy of commercial tax, and further directed the said tax be reimbursed to JAL, as was done in 1995 by NVDA. However, subsequently the Deputy Commissioner amended his order by a corrigendum that the reimbursement be discontinued. This corrigendum was quashed by the High Court in a proceeding filed by JAL resulting in NVDA having to re-commence reimbursement of the commercial tax to JAL. NVDA failed to reimburse the said tax to JAL, and therefore, JAL filed 2 contempt petitions before the Madhya Pradesh High Court (Indore Bench) against NVDA for non-compliance of the orders of the High Court. Both these petitions are pending. The amount involved is approximately Rs. 11.40 million.

A11.5 There is 1 appeal pending before the Commercial (Sales) Tax Tribunal challenging the levy / deduction of tax on imported steel plates. JAL contended that the said steel plates were to be incorporated in Hydro-Electric Power House, hence sales tax was not to be levied, being tax exempt. The amount involved is approximately Rs. 5.60 million. This appeal is pending.

A11.6 There are 7 writ petitions filed in the Jabalpur High Court challenging the levy of entry tax imposed by the Asst. Commissioner Commercial Tax Division – II, Bhopal. The total amount involved is approximately Rs. 12.19 million.

Cases filed against JAL

Criminal Cases

A11.7 There is 1 case pending before the Madhya Pradesh High Court (Indore Bench) challenging the compensation award given by the Court of Kannaud District. Dewas in relation to the death of a villager caused by a driver of a JAL vehicle. The wife of the deceased has appealed to the High Court and the amount claimed is approximately Rs. 0.60 million.

A12. Baghlihar Hydro-Electric Project

Cases filed against JAL

Labour Cases

A12.1 There are in all 23 labour cases involving an aggregate amount of Rs. 4.98 million approximately. The dispute in these cases includes claims under Payment of Wages Act, Workmen Compensation Act, compensation cases for permanent or temporary disability or death.

A13. Ware House - Siliguri

Nil

A14. Waknaghat (Solan) H.P.

Cases filed by JAL

Taxation Cases

A14.1 There is an appeal pending before the Additional Excise and Taxation Commissioner, [Appeals] Shimla concerning the applicability of tax on goods purchased and transferred from outside the State of Himachal Pradesh in pursuance of contracts under the Himachal Pradesh General Sales Tax Act and the Central Sales Act. The amount involved is Rs. 6.56 million.

Cases filed against JAL

Motor Accident Cases

A14.2 There are 2 cases pending before the Judicial Magistrate, Kandaghat (Himachal Pradesh) under section 279, 337, 304A of the Indian Penal Code, 1860 relating to negligence caused by the drivers of JAL.

A15. Jhakri Unit

Cases filed by JAL

Civil Cases

A15.1 There are certain claims arising out of a dispute between Sutlej Jal Vidyut Nigam Limited (SJVNL), Shimla and Jaiprakash Hyundai Consortium (Consortium) (of which JAL is a member), pending before the Dispute Review Board (DRB) of the value of more than Rs. 5400.00 million under a contract between SJVNL and Consortium for civil works of Nathpa Jhakri Hydro Electric Project. Pending settlement by the DRB of this dispute, SVJNL paid an adhoc amount of Rs. 563.20 million to the Consortium towards the said disputed claim of Rs. 5400.00 million. During the pendency of settlement of this dispute, SJVNL is seeking to recover the said adhoc payment of Rs. 563.20 million by encashment of the bank guarantees given by the Consortium as performance security. An Original Miscellaneous Petition is, thus, filed in the Delhi High Court by the Consortium seeking interim measures under section 9 of the Arbitration and Conciliation Act, 1996, for restraining SJVNL, Shimla from (i) recovering the adhoc payments of Rs. 563.20 million released by SJVNL to the Consortium; and (ii) for restraining invocation of the bank guarantees (of the value of Rs. 468.93 million, USD 3.70 million, Euro 3.52 million) given by the Consortium as performance security. The Consortium has contended that the bank guarantees cannot be invoked by SJVNL for recovering the adhoc payments as these bank guarantees were given as performance security, which performance has been completed to the satisfaction of SJVNL. The Delhi High Court has granted an interim stay from invocation of the bank guarantees and recovery of the said adhoc amount.

Tax Matters

A15.2 There are 3 writ petitions pending before the Shimla High Court challenging the levy of passenger tax on buses carrying the staff to and from the place of residence and the work sites.

A15.3 There is 1 appeal pending before the Additional Excise and Taxation Commissioner, Appeals, Shimla challenging the order passed by the Assessing Authority imposing liability on JAL on the ground that foreign exchange fluctuations should be taken into consideration while determining the taxable turnover. The amount involved is Rs. 0.15 million.

Cases filed against JAL

Accident Claims Cases

A15.4 There are 2 cases pending before the Shimla High Court for compensation on account of an accident by a truck owned by JAL resulting in injury to the applicants. The amount of enhancement in compensation claimed in one of the two cases is Rs. 2.00 million

Compensation Matters

A15.5 There is 1 writ petition pending before the Shimla High Court for compensation on account of the death of a workman of JAL. The amount claimed is approximately Rs. 1.16 million together with further interest, of which JAL has already paid a sum of Rs. 0.15 million.

A15.6 There is 1 case pending before the Shimla High Court, for compensation on account of the damage caused to the applicant's motor vehicle due to an accident involving JAL's truck. The aggregate amount claimed is approximately Rs. 6.56 million.

A15.7 There is 1 case pending before the Sub-Divisional Judicial Magistrate, Rampur Bushahr, Shimla for compensation on account of injury caused to a worker. The amount claimed is approximately Rs. 0.10 million.

A15.8 There are 2 cases pending before the Workmen's Compensation Commissioner, Jhakri, for compensation on account

of death of one worker and injury caused to another worker. The amount involved in one of the cases is approximately Rs. 0.18 million.

Miscellaneous Matters

A15.9 There is 1 suit pending before the Shimla High Court for compensation on account of damage caused to the properties of HPSEB due to the collapsing of a wall of a Store of JAL. The amount claimed is approximately Rs. 1.88 million together with further interest.

A15.10 There are 2 complaints pending before the Sub-Divisional Judicial Magistrate, Rampur Bushahr, Shimla under section 24 of Contract Labour (Regulation and Abolition) Act, 1970. The aggregate amount involved is Rs. 0.004 million.

Criminal Matters

A15.11 There is 1 criminal appeal filed under section 378 of the Criminal Procedure Code, 1973 in the Shimla High Court by the State of Himachal Pradesh challenging the acquittal of nine accused persons, including the Managing Director and other directors of JAL.

A15.12 There is 1 case filed before the Chief Judicial Magistrate, Dehradun, by the State of Uttaranchal in relation to an accident of a JAL vehicle under Section 279 and 337 of Indian Penal Code.

Labour Matters

A15.13 There is 1 case pending before the Shimla Labour Court cum Industrial Tribunal, Shimla, for recovery of sum of Rs. 0.33 million, together with interest, claimed towards machinery deviation amount, labour charges for stacking and curing of RCC blocks and securities loss and idle labour payments.

Cases filed against JAL

Civil Cases

A15.14 A suit has been filed in the Bombay High Court for alleged non-fulfilment of obligations under a contract executed between Sutlej Jal Vidyut Nigam Limited (SJVNL), Shimla on the one hand and JAL and Hyundai Engineering and Construction Company Limited (JHC) on the other hand for implementing certain works at the Nathpa Jhakri Hydro Electric Project, which resulted in damage to the equipment of one Alstom Power Generation AG and others (Eucona Bhel Consortium). Eucona Bhel Consortium was also implementing certain works at the Nathpa Jhakri Hydro Electric Project under another contract with SJVNL, around the same time as JHC. The claim against JHC in this suit is that JHC, while executing the civil works under its contract with SJVNL, failed to fulfil its contractual obligations, which resulted in flooding of the power house complex, where Eucona Bhel Consortium were executing their work causing damage to their equipment. The said suit is, thus, filed for recovery of the loss suffered by Alstom. The suit is pending.

Compensation Cases

A16. Baspa Unit

A16.1 There is 1 case pending in the Court of Civil Judge (Junior Division), Rampur, for additional compensation claimed for the damage caused to the Apple, Poplar, Chulli, Shagul trees and peas, wheat crop during stringing works of the transmission lines. The amount claimed is approximately Rs. 0.20 million.

A16.2 There are 2 cases pending before the Sub-Divisional Magistrate, Rampur Bushahr for compensation, and for labour payment, respectively. The aggregate amount claimed is approximately Rs. 0.15 million.

A16.3 A suit is filed against JAL before the Civil Judge (Senior Division), Kinnaur at Reckongpeo for restraining JAL from erecting the extra high voltage electric transmission line over the suit property.

Claim for Freight

A16.4 There is 1 case pending with Civil Judge (Senior Division), Kinnaur at Reckongpeo in relation to claim for freight. The amount claimed is approximately Rs. 0.01 million.

Motor Accident Claims

A16.5 There are 2 cases pending with Civil Judge (Senior Division), Kinnaur at Reckongpeo under sections 279,304, 336, 337 and 338 of the Indian Penal Code on account of negligent and rash driving by drivers of JAL vehicles.

A17. Omkareshwar H.E. Project

Cases filed by the JAL

A17.1 There is a writ petition pending before the High Court of Jabalpur against the State of Madhya Pradesh challenging the constitutional validity of section 35 of the Madhya Pradesh Commercial Tax Act, providing for deduction of tax on the entire payment of bills. JAL has contended that the deduction of tax ought to be on the taxable value of the goods involved / transferred

during the execution of the works contract, and not on the entire bills.

A17.2 A suit has been filed before the Chief Judicial Magistrate, Khandwa, relating to disruption of work indulged in by the villagers of Panthia, by manhandling the employees of JAL and puncturing of tyres of vehicles, during the period September 14 to 17, 2004. A cross suit has been filed by the said villagers. Both the suits are pending.

Cases filed against JAL

A17.3 There is 1 case pending before MACT, Barwah, Khargone in respect of a road accident involving an amount of Rs. 1.50 million.

A17.4 There is 1 case filed by the District Mining Officer, Khandwa in Sub-Divisional Magistrate Court, Khandwa alleging illegal mining undertaken by JAL. The amount involved in this case is Rs.0.59 million. This case is pending.

B. Cases against Directors

B.1 There is 1 criminal appeal filed under section 378 of the Criminal Procedure Code, 1973 in the Shimla High Court by the State of Himachal Pradesh challenging the acquittal of nine accused persons including Mr. Sunil Kumar Sharma, the Managing Director and Mr. M.S. Srivastava, Director of erstwhile JIL (now JAL). The said appeal is pending.

B.2 The above mentioned criminal appeal filed under section 378 of the Criminal Procedure Code, 1973 in the Shimla High Court by the State of Himachal Pradesh challenging the acquittal of nine accused persons is also filed against Mr. Viren Jain, director of JPVL and JVL. The said appeal is pending.

B.3 A small shareholder had alleged that one of the corporate shareholder of the erstwhile JIL, acting in concert with Mr. Jaiprakash Gaur, Chairman, JAL, JEL, JHL, and JKHCL, and Chairman and Managing Director of JHPL, had, between the period August, 1999 and September, 1999, purchased shares of erstwhile JIL without complying with the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. On the basis of the said allegation, SEBI sought information from Mr. Jaiprakash Gaur and erstwhile JIL, which was furnished to SEBI. The show cause notices bearing no. TO/AS/12763/02 dated July 11, 2002 and TO/AS/12481/03 dated June 27, 2003, addressed by SEBI to Mr. Jaiprakash Gaur were duly replied to by him. A personal hearing was also held by SEBI in February, 2004, where Mr. Jaiprakash Gaur submitted that he had not acted in concert with any corporate shareholder of the erstwhile JIL, as alleged. Since the said hearing, neither Mr. Jaiprakash Gaur nor erstwhile JIL have heard anything from SEBI. In the meantime, erstwhile JIL has merged with JAL.

B.4 A case by erstwhile JIL against Twenty First Century Securities Limited and others, relating to fake shares of erstwhile JIL pledged with Twenty First Century Securities Limited, was originally filed in the Delhi High Court, and the Delhi High Court had granted interim injunction sought for by erstwhile JIL for restraining Twenty First Century Securities Limited from further dealing with the said fake shares. Subsequently, this case was transferred to the Tis Hazari Court. Thereafter, another case connected with the fake shares of erstwhile JIL has been filed in the Court of Chief Metropolitan Magistrate at Kolkata by Twenty First Century Securities Limited, making, inter alia, Mr. Jaiprakash Gaur, Chairman, JAL, JEL, JHL, and JKHCL, and Chairman and Mnagaing Director of JHPL, as a party. In an appeal filed by Mr. Jaiprakash Gaur in the Kolkata High Court, the proceedings against Mr. Jaiprakash Gaur were stayed. The said cases are pending.

B.5 A complaint was filed against H.B.Holdings Limited and its directors, New Delhi by the Registrar of Companies, New Delhi in respect of certain disclosure made in a prospectus relating to a public issue of H.B. Holdings Limited, in which Mr. Gopi K. Arora, director of JAL and JHPL, was also a director. This complaint has been subsequently stayed by the Delhi High Court. The complaint and the High Court proceedings are pending. Mr.Gopi K. Arora was a director in H.B.Holdings Limited for a few months during the period 1994-95.

B.6 There are two pending cases under section 138 of Negotiable Instruments Act, 1881 against Mr. R.K. Narang, director of JHPL, which were filed against him during the course of his previous employment with IFCI Limited and his nomination as director on the Board of Punjab Wireless Systems Limited. The cases were filed by National SC & ST Financial Development Corporation Limited, and are still pending.

Contingent liability and outstanding litigation involving our group companies

C. Jaypee Hotels Limited (JHL)

Contingent Liabilities not provided for as on March 31, 2004

Outstanding Bank Guarantees of Rs. 9.57 million (Previous Year Rs. 21.26 million)

Letters of Credit of Rs. 6.62 million (Previous Year Rs. Nil) furnished by the bankers on behalf of the company are secured by margin money of Rs. 1.93 million (Previous Year Rs. 0.06 million) and FDRs with banks of Rs.1.74 million (Previous Year Rs.2.29 million).

Outstanding Litigation of JHL as on December 31, 2004

The information of outstanding litigation is being divided between the hotels owned by JHL and disclosed accordingly.

C1. Hotel Vasant Continental, New Delhi (HVC)

Cases filed by JHL (HVC)

Civil Suits

C1.1 There are 5 civil suits filed by JHL in respect of services provided by HVC. The aggregate amount involved in all these suits is Rs. 2.64 million.

Electricity related Cases

C1.2 There is 1 case pending before the Tis Hazari Court filed against Delhi Vidyut Board for refund of fixed charges paid to them in 1987. The amount claimed is Rs. 0.93 million, together with interest at the rate of 12% per annum from the date of deposit.

Tax related Cases

C1.3 There are 2 writ petitions filed in Delhi High Court challenging the rateable value and rate of tax imposed by the Municipal Corporation of Delhi. These writ petitions are pending.

Miscellaneous Cases

C1.4 There is 1 case pending before the Additional District Judge, Tiz Hazari Court, New Delhi praying for a permanent injunction to restrain workers from indulging in unlawful activities. The injunction order is effective till date.

Cases filed against JHL (HVC)

Labour Cases

C1.5 There are 3 cases filed against JHL pending before Labour Court with regard to dispute pertaining to termination of services, resignation and non-payment of minimum wages by the contractor to its employees. All these cases are pending.

C1.6 There are 2 cases pending against JHL before the Delhi High Court, one challenging the striking off the employees' names from the muster rolls,-and the second challenging the termination of the services of a worker for misbehavior with senior officers.

Compensation Cases

C1.7 There is 1 case filed against the JHL before the District Court, MACT, Delhi for third party claim liability in relation to a road accident involving a vehicle of JHL. The insurance company has also been impleaded as a party since JHL had taken a policy of insurance in respect of the said vehicle.

Miscellaneous Cases

C1.8 There are 2 cases filed by Virendra Yadav c/o Gift Centre and Khyber Art Emporium respectively, against JHL before the Delhi High Court praying for injunction to maintain their status within HVC. These cases are pending for arguments.

C1.9 There is 1 case filed by the State Police against JHL and two of its employees in the District Court, New Delhi, alleging negligence in handling the situation of fire in 1986. This case is pending for arguments.

C1.10 There is 1 case pending by Indian Performing Right Society Limited before Delhi High Court restraining the hotels of the JHL from playing music in public without obtaining license.

C2. Hotel Jaypee Siddharth, New Delhi (HJS)

Cases filed against JHL (HJS)

Labour Cases

C2.11 There are 2 cases pending before Labour Court, New Delhi filed against JHL (HJS) by two employees, one challenging termination due to absenteeism, and another for dismissal from service.

Compensation Case

C2.12 There is 1 case filed by an employee of JHL (HJS) and pending before District Court, Delhi for damage arising out of cutting a finger while at work.

Motor Accident Claim

C2.13 There is 1 case pending before the District Court and Motor Accident Claims Tribunal, New Delhi, claiming compensation for rash and negligent driving. This case is pending for evidence.

C3. Hotel Jaypee Residency Manor, Mussoorie (HJRM)

Cases filed by JHL (HJRM)

C3.1 There is 1 case before the District Court at Dehradun praying for a permanent injunction for restraining workers from indulging in unlawful activities.

Cases filed against JHL (HJRM)

Taxation case

C3.2 There is 1 case pending before Civil Court at Dehradun pertaining to conservancy tax imposed by Nagar Palika Parishad on JHL due to wrong disposal of waste from the hotel. Pursuant to the Civil Court's Order, JHL has furnished a bank guarantee of Rs. 0.55 million pending decision of the Court.

C3.3 There is 1 case pending before Civil Court, Dehradun for cancellation of sewerage tax imposed by Garhwal Jal Sansthan Mussoorie, involving Rs. 1.50 million.

C3.4 There are a case filed by JHL (HJRM) before Chief Judicial Magistrate at Dehradun for quashing of the orders of Nagar Palika Parishad, Mussoorie revising the property tax from Rs. 0.02 million to Rs. 0.36 million per annum.

C4. Jaypee Hotels Limited, Agra

Cases filed against JHL (Agra)

C4.1 There is 1 case pending before Presiding Officer, Labour Court, Agra challenging the termination of services of an employee on the ground of his abstaining from his duties after completion of the project period. The terminated employee has claimed re-instatement with back wages.

D. Jaypee Ventures Limited (JVL)

Contingent Liability not provided for as on March 31, 2004

Contingent Liability not provided for in respect of Outstanding Bank Guarantee as on 31.03.2004: Rs. 0.02 million

Outstanding Litigation of JVL as on December 31, 2004

Case filed by JVL

D.1 International Design Engineering Associates Private Limited (now JVL) had invoked the arbitration clause for recovery of consideration money for consultancy services provided to one Sharat Industries Limited (formerly known as Sharat Sea Foods Limited) for the design of pond for cultivation of sea foods pursuant to an agreement entered into between JVL and Sharat S Industries Limited. The Arbitrators gave an Award in favour of JVL directing Sharat Industries Limited to pay to JVL an amount of Rs. 0.99 million together with liquidated damages calculated as per the formula prescribed in the Award. An Execution Petition being No. 147/99 is filed in Delhi High Court by JVL to enforce the said Award against Sharat Industries Limited. Parallely, an Original Miscellaneous Petition 80/99 is filed by Sharat Industries Limited challenging the same Award, execution of which has been applied for by JVL vide its Execution Petition No. 147/99. The execution application as well as the Miscellaneous Petition are pending.

E. JIL Information Technology Limited (JILIT)

Contingent Liability not provided for as on March 31, 2004

1. Bank Guarantee has been given in favour of Governor of Uttar Pradesh through Trade Tax Officer, NOIDA for an amount not exceeding Rs. 0.05 million against security for Sales Tax Registration. The Margin Money paid against the same is Rs. 0.05 million by way of Fixed Deposit, excluding interest thereon.

2. Bank Guarantee has also been given in favour of Rashtriya Indian Military College, Dehradun (Uttaranchal) for an amount not exceeding Rs. 0.02 million being performance guarantee related to supply of computer software on right to use basis. The Margin Money paid against the same is Rs. 0.02 million by way of Fixed Deposit, excluding interest thereon. The said Bank Guarantee shall be valid only upto March 31, 2005.

Outstanding Litigation of JILIT as on December 31, 2004

Cases filed by JILIT

Tax Cases

E.1 An appeal has been filed by JILIT before the Commissioner of Income Tax (Appeals) I, Lucknow against the Income Tax Assessment Order issued under section 143(3) of the Income Tax Act, 1961 for the Assessment Year 2001-2002, which wrongly disallowed the PF contribution amounting to Rs. 0.12 million and depreciation being of amount Rs. 0.18 million by the Deputy Commissioner of Income Tax. The appeal is pending.

F. Jaypee Karcham Hydro Corporation Limited (JKHCL)

Contingent Liability not provided for as on March 31, 2004

Contingent liabilities for Bank Guarantee provided by the holding company (Previous Year Rs. 20.00 million).	Rs. 20.00 million

Outstanding Litigation of JKHCL as on December 31, 2004

Nil

G. Jaiprakash Power Ventures Limited (JPVL)

Contingent Liability not provided for as on March 31, 2004

Nil

Outstanding Litigation of JPVL as on December 31, 2004

Nil

H. Jaiprakash Enterprises Limited (JEL)

Contingent Liability not provided for as on March 31, 2004

1. Contingent liability not provided for in respect of :	As on March 31, 2004 (Rs. in million)
a) Corporate Guarantee(s) against Mobilisation Advance	32.80
b) Counter Guarantee(s) given to Banks & others in respect of Guarantee(s) furnished by Banks (FDR held for Rs. 0.02 million) (Previous year Rs. 0.34 million)	0.02
c) Corporate Guarantee(s) against performance of contract	4.10
d) Corporate security against the loan taken by JAL from IFCI & IDBI (pledging 14,46,500 equity shares of Rs.10 each of JAL from the pool of the investment of JEL. (Market rate as on 31st March, 2004 Rs.115.55 per share)	167.14

2. Estimated amount of contract to be executed on capital accounts and not provided for Rs. 62.17 million (previous year Nil)

Outstanding Litigation of JEL as on December 31, 2004

Cases filed by JEL

Taxation Cases

H1.1 There are 2 appeals pending before the Income Tax Appellate Tribunal, Lucknow Bench, Lucknow, challenging the order of the Commissioner of Income Tax (Appeals) confirming the additions / dis-allowances made by Assessing Officer during the Assessment Years 1989-1990 and 1998-1999. In respect of Assessment Year 1989-1990, an amount of Rs. 1.30 million will be recovered as dues towards tax; while in respect of Assessment Year 1998-1999, since the assessed income is loss, there will be no recovery of dues towards tax.

Cases filed against JEL

Taxation cases

H1.2 There is 1 appeal filed by Income Tax Department, pending before Income Tax Appellate Tribunal, Lucknow Bench, Lucknow, challenging the order of the Commissioner of Income Tax (Appeals) pertaining to wrong addition of Rs. 0.46 million made by the Assessing Officer on account of under stated hire charges income from machinery for the Assessment Year 1991-1992.

H1.3 There is 1 appeal filed by Income Tax Department against the order passed by the Income tax Appellate Tribunal, Lucknow Bench, Lucknow relating to relief granted to JEL on the entire expenditure on machinery repairs amounting to Rs. 1.96 million pertaining to Assessment Year 1991-1992. The financial implication of JEL in this case is Rs. 1.00 million.

H1.4 There is 1 case pending assessment proceeding before Assistant Commissioner of Income Tax, Range – I, Lucknow for the Assessment Year 1989-1990 relating to disallowances of (i) earlier expenses amounting to Rs. 0.02 million, (ii) unabsorbed investment allowance amounting to Rs. 2.80 million, (iii) depreciation in cement division amounting to Rs. 3.60 million and (iv) disallowance under section 80J amounting to Rs. 1.50 million.

I. Jaypee Industrial And Medical Services Limited (JIMS)

Contingent Liability not provided for as on March 31, 2004

Nil

Outstanding Litigation of JIMS as on December 31, 2004

Cases filed against JIMS

Labour Cases

I.1 2 cases have been filed by employees of JIMS pending before the Labour Court, Rewa alleging illegal termination. The cases are pending

J. Shiras Estate Limited (SEL)

Contingent Liability not provided for as on March 31, 2004

Nil

Outstanding Litigation of SEL as on December 31, 2004

Nil

K. Gaur & Nagi Limited (GNL)

Contingent Liability not provided for as on March 31, 2004

Nil

Outstanding Litigation of GNL as on December 31, 2004

Nil

DIVIDEND POLICY

Dividends, other than interim dividends, will be declared at the annual general meeting of the shareholders based on the recommendation of the Board of Directors. The Board may, at its discretion, recommend dividend to be paid to the members of the Company. The factors that may be considered by the Board before making any recommendations for the dividend, include but not limited to profits earned during the financial year, liquidity of the Company, obligations towards repayment of debt including maintaining debt service reserves, future expansion plans and capital requirements, applicable taxes including tax on dividend, as well as exemptions under tax laws available to various categories of investors from time to time. The Board may also, from time to time, pay to the members interim dividend, as appears to the Board to be justified by the profits of the Company. Declaration of dividend would require prior approval of the Lenders during the currency of the debt.

FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2004 & FIVE YEARS ENDED MARCH 31, 2004

AUDITORS' REPORT

The Board of Directors
Jaiprakash Hydro-Power Limited
C-16, Lane – 1, Sector 1
SDA Housing Colony
New Shimla – 171 009

Re: Offer for Sale of shares of Jaiprakash Hydro-Power Limited

Dear Sirs,

We have examined the financial information contained in the statements annexed to this report which is proposed to be included in the offer document being issued by Jaiprakash Hydro-Power Limited ("Company") in connection with the Offer for Sale of certain equity shares in the Company.

In accordance with the requirements of:

a) Paragraph B(1) of Part II of Schedule II of the Companies Act, 1956,

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ('Guidelines') issued by the SEBI in pursuance of Section 11 of the SEBI Act, 1992,

c) Instructions dated December 03, 2004, received from the Company, requesting us to carry out work relating to the offer document being issued by the Company in connection with the Offer for Sale by the Jaiprakash Associates Limited of certain equity shares in the Company,

We report that:

1. We have examined the attached restated Balance Sheets of the company as at September 30, 2004, March 31, 2004,2003,2002,2001 and 2000 (Annexure-II) and the attached restated statement of Profit and Loss Account for the Six months ending on September 30, 2004 and year ended March 31, 2004 (Annexure-I), together referred to as 'summary statements'. We have also examined and found correct the accounts of the company for the period April 1, 2004 to September 30, 2004 prepared and approved by The Board of Directors of the Company. Based on the our examination of these summary statements, we confirm that:

   i. These statements reflect the profits and losses and assets and liabilities for each of the relevant periods as extracted from the Profit and Loss Account for the accounting years ended March 31, 2004 and Six months ended on September 30, 2004 and the Balance Sheets as at March 31, 2000, 2001, 2002, 2003 and 2004 and September 30, 2004, after making therein the disclosures and adjustments required to be made in accordance with the provisions of paragraph 6.18.7 of the Securities and Exchange Board of India (Disclosures and Investor Protection) Guidelines, 2000. We have audited the Profit & Loss Account for the year ended March 31, 2004 and Balance Sheet as at March 31, 2000 ,2001, 2002, 2003 & 2004. We have also audited the Profit & Loss Account for Six months ended September 30, 2004 and Balance Sheet as at September 30, 2004. Adjustments may be necessary to make the accounts for the period April 1, 2004 to September 30, 2004, to comply with the requirements of the law relating to accounts to be laid before the Company in the general meeting, but at the date of signing of this report, we are not aware of any material adjustments which would affect the results of the accounts.

   ii. The Significant Accounting Policies adopted by the company are enclosed as Annexure-III to this report.

   iii. The Notes to the 'Statement of adjusted Profit & Losses, As Restated ' and 'Statement of adjusted Assets and Liabilities-As Restated' are enclosed as Annexure-IV to this report.

2. We have examined the 'Statement of Accounting Ratios' of the Company for each of the financial years ended March 31, 2000, 2001, 2002 2003, 2004 and Six months ended September 30, 2004, enclosed as Annexure-'V' to this report and confirm that they have been correctly computed from the figures as stated in the 'Statements of adjusted Profit and Losses, As Restated' and 'Statement of adjusted Assets and Liabilities, As Restated' of the Company referred to in paragraph 1 above and read with the notes appended in Annexure-'IV'.

3. The Company has not paid any dividend in any of the years.

4. We have examined the 'Statement of Tax Shelter' for the years ended March 31, 2004 and Six months ended September 30, 2004 enclosed as Annexure-'V' to this report and report that, in our opinion it correctly reflects the 'Tax Shelter' for each of those years.

5. We have examined the 'Capitalisation Statement' enclosed as Annexure-'VI' to this report and report that it correctly records the matters stated therein.

6. We have examined the 'Cash-Flow Statement' in respect of each of the years ended March 31, 2000, 2001, 2002, 2003 and 2004 and Six months ended September 30, 2004 enclosed as Annexure-'VII' to this report and confirm that, in our opinion, these statements have been prepared by the Company in accordance with the requirement of Accounting Standard 3 (Cash Flow Statements) issued by the Institute of Chartered Accountants of India.
7. We certify that there were no unsecured loans taken by the company as on September 30, 2004.
8. We certify that there are No Quoted / Un-quoted investments made by the company as on September 30, 2004.
9. We have also examined the following statements and the same have been found correct:

1.	Statement of Accounting Ratios	-	Annexure-VIII
2.	Secured Loan	-	Annexure-IX
3.	Sundry Debtors	-	Annexure-X
4.	Loans and Advances	-	Annexure-XI
5.	Other Income	-	Annexure-XII

We further report that the information mentioned in the items 2-7 above has been correctly computed from the figures as stated in the statements of adjusted Profit and Losses, as restated and adjusted Assets and Liabilities, as restated referred to in paragraph 1 above.

This report is intended solely for use for your information and for inclusion in the offer Document in connection with the issue of the Company and is not to be used, referred to or distributed for any purpose without our prior written consent.

For **R. Nagpal Associates**
Chartered Accountants

R. Nagpal
Partner
Membership No. 81594
Date: January 23, 2005
Place: New Delhi

ANNEXURE I - STATEMENT OF PROFIT & LOSS ACCOUNT-AS RESTATED

(Rs. in million)

Particulars	For the Six months period April 1, 2004 to September 30, 2004	For the year ended March 31,				
		2004*	2003*	2002*	2001*	2000*
Revenue						
Sale of Energy	1976.56	2953.09	-	-	-	-
Other Income	6.77	13.07	-	-	-	-
Total	**1983.33**	**2966.16**	-	-	-	-
Expenses						
Operations	26.10	97.04	-	-	-	-
Employees Remuneration & Benefits	16.59	12.97	-	-	-	-
General, administrative & other expenses	51.64	105.74	-	-	-	-
Interest and financial Charges	712.26	1312.39	-	-	-	-
Depreciation	420.64	712.63	-	-	-	-
Misc. Expenditure written off	61.44	96.46	-	-	-	-
Total	**1288.67**	**2337.23**	-	-	-	-
Pofit Before Tax	**694.66**	**628.93**	-	-	-	-
Provision of Tax-Current Year	54.47	49.83	-	-	-	-
Profit After Tax	**640.19**	**579.10**	-	-	-	-
Adjustment on account of short						
provision for tax for earlier years	0.37	0.00	-	-	-	-
Profit after Tax after extra-ordinary items available for appropriations	**639.82**	**579.10**	-	-	-	-
Add: Profit brought forward from Previous year	429.10	0.00	-	-	-	-
Profit available for Appropriation	**1068.92**	**579.10**	-	-	-	-
Provision for Debenture redemption Reserve	330.00	150.00	-	-	-	-
Balance transferred to Balance Sheet	**738.92**	**429.10**	-	-	-	-

* Note:- There are no operating figures for the year ended March 31, 2003, March 31, 2002, March 31, 2001 and March 31, 2000 as the commercial operation commenced on May 24, 2003. Accordingly, operating results for the financial year 2004 is for the period between May 24, 2003 and March 31, 2004.

ANNEXURE II - STATEMENT OF ASSETS & LIABILITIES-AS RESTATED

(Rs. in million)

As at	September 30, 2004	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001	March 31, 2000
APPLICATION OF FUNDS						
Fixed Assets						
Gross Block	16,505.64	16,401.09	74.34	49.36	45.26	36.79
Less : Depreciation	1,140.50	720.10	7.45	4.40	2.24	0.55
Net Block	15,365.14	15,680.99	66.89	44.96	43.02	36.24
Capital Work in Progress	0.80	0.61	10,106.00	8,932.35	6,648.10	4,264.86
Add: Expenditure during Construction Period	0	0	5,232.60	3,630.87	2,384.64	1,376.19
Total	**15,365.94**	**15,681.60**	**15,405.49**	**12,608.18**	**9,075.76**	**5,677.29**
Investments	-	-	-	-	-	-
Current Assets, Loans & Advances						
Inventories	11.24	2.15	-	-	-	0.02
Sundry Debtors	1,270.04	997.97				
Cash and Bank Balances	404.26	167.48	92.33	66.17	85.71	121.01
Loans and Advances	148.58	78.39	36.46	242.51	629.37	809.06
Total (A)	**1,834.12**	**1,245.99**	**128.79**	**308.68**	**715.08**	**930.09**
Current Liabilities and Provisions						
Current Liabilities	430.87	899.11	446.74	517.34	518.39	194.73
Provisions	110.16	57.57	5.90	5.39	3.34	2.30
Total (B)	**541.03**	**956.68**	**452.64**	**522.73**	**521.73**	**197.03**
Net Current Assets (A-B)	**1,293.09**	**289.31**	**(323.85)**	**(214.05)**	**193.35**	**733.06**
TOTAL	**16,659.03**	**15,970.91**	**15,081.64**	**12,394.13**	**9,269.11**	**6,410.35**
SOURCES OF FUNDS						
Loan Funds						
Secured Loans	10,899.41	10,674.72	10,771.01	9,083.50	6,858.48	4,569.72
Unsecured Loans	-	-	-	-	-	-
Total	**10,899.41**	**10,674.72**	**10,771.01**	**9,083.50**	**6,858.48**	**4,569.72**
Share Capital and Reserves						
Share Capital	4,910.00	4,910.00	4,600.00	3,575.00	2,630.00	1,750.00
Share Application Money	-	-	-	25.00	70.00	380.00
Reserves	1,218.92	579.10				
Less Misc Expenditure	369.30	192.91	289.37	289.37	289.37	289.37
Total	**5,759.62**	**5,296.19**	**4,310.63**	**3,310.63**	**2,410.63**	**1,840.63**
TOTAL	**16,659.03**	**15,970.91**	**15,081.64**	**12,394.13**	**9,269.11**	**6,410.35**
Net worth	**5,759.62**	**5,296.19**	**4,310.63**	**3,310.63**	**2,410.63**	**1,840.63**

ANNEXURE III – SIGNIFICANT ACCOUNTING POLICIES

1. Significant Accounting Policies:

a) Basis of Preparation of Financial Statement
   (i) The accounts are prepared on the historical cost basis and on the principles of a going concern.
   (ii) Accounting policies not specifically referred to otherwise are being consistently followed and are in accordance with generally accepted accounting principles.

b) Revenue Recognition:
   (i) Revenue from sale of Electrical energy is accounted for on the basis of billing to Himachal Pradesh State Electricity Board (HPSEB) in accordance with the provisions of Power Purchase Agreement dated June 4, 1997 and Amendment No.1 dated 7.1.1998 executed between the company and HPSEB.
   (ii) Insurance claims are accounted for on receipt basis or as acknowledged by the Insurance Company.
   (iii) Other Income and cost/expenditure are accounted for on accrual basis as they are earned or incurred.

c) Fixed Assets
   (i) The Building and Plant & machinery acquired/constructed are stated at cost of acquisition/construction including Incidental Expenditure during Construction Period upto the date of commercial operation of the relevant assets and freight, duties & taxes etc.
   (ii) Fixed Assets are stated at Cost of acquisition inclusive of freight, duties, taxes and incidental expenses.

d) Depreciation
   (i) Premium on Leasehold Land is amortised over the period of lease.
   (ii) Fixed Assets are depreciated as per straight line method at the rates specified in Schedule XIV of the Companies Act, 1956.

e) Expenditure During Construction Period:
   Expenditure incurred on the project during implementation are capitalized and apportioned to various assets on commissioning of the Project.

f) Foreign Currency Transaction:
   (i) Transactions in Foreign Currency are recorded in the Books of Account at the rate of exchange prevailing on the date of transactions.
   (ii) All loans and deferred credits repayable in Foreign Currency and outstanding at the close of the period are expressed in Indian Currency at the rate of exchange prevailing on the date of the Balance Sheet.
   (iii) Foreign Exchange gain/loss is being adjusted against the cost of assets as per the requirement of schedule VI to the Companies Act, 1956.

g) Inventories
   Inventories of Stores & Spares are valued at weighted average cost.

h) Retirement Benefits
   Retirement Benefits are provided for in the books in the following manner:-

Gratuity and Leave Encashment on Retirement	- as per actuarial Valuation
Provident Fund and Family Pension	- on accrual basis'

i) Borrowing Costs
   Borrowing costs attributable to the acquisition / construction of fixed assets are capitalised as part of the cost of the respective assets upto the date of commissioning. Other borrowing costs are recognized as expense during the year in which they arise.

j) Taxes on Income
   Provision for current tax is being made by the company after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961.
   Deferred tax liability is provided pursuant to Accounting Standard AS-22. Deferred tax asset and Deferred tax liability is calculated by applying rates and tax laws that have been enacted or substantively enacted upto the Balance Sheet date.

k) Amortisation of Miscellaneous expenditure
   Miscellaneous Expenditure/ prepayment premium is amortised over a period of 3 years from the date of Commercial Operation / date of transaction.

ANNEXURE IV - NOTES FORMING PART OF ACCOUNTS

1. Contingent Liabilities: (Rs. in million)

As at	September 30, 2004	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001	March 31, 2000
(i) Outstanding amount of Bank Guarantee	Nil	34.2	34.14	34.14	Nil	Nil
Margin Money against above	Nil	34.2	34.14	34.14	Nil	Nil
(ii) Outstanding amount of Letter of Credit	1.19	Nil	Nil	Nil	Nil	Nil
Margin Money against above	0.13	Nil	Nil	Nil	Nil	Nil
(iii) Estimated amount of contract remaining to be executed on Capital Account	22.15	Nil	Nil	2,009.24	3,367.80	4,342.11
(iv) The claims against the company not acknowledged as debts in respect of cases filed for land compensation for land acquired for the Project & damages caused to private property during the installation of Transmission Line.	41.36	3.18	Nil	Nil	Nil	Nil

2. (a) Rupee Term Loans, Foreign Currency Loans and Deferred Payment Guarantee(s) from Financial Institutions and Banks, together with all interest, Guarantee Commission, liquidated damages, premia on prepayment or on redemption, cost, expenses and other monies stipulated in the Loan Agreements/Deferred Payment Guarantee Agreement are secured by hypothecation of Company's movable assets (present and future), equitable mortgage on the immovable assets of the Company and pledge of 355,999,900 equity shares held by Jaiprakash Associates Limited in the company, ranking pari-passu among all the participating Institutions and Banks viz. IDBI, PFC, IIBI, LIC, Bank of Baroda, Punjab National Bank, Indian Overseas Bank, Central Bank of India, State Bank of Travancore, State Bank of Mysore, State Bank of Indore, State Bank of Patiala and State Bank of Hyderabad.

   The Lenders have agreed to depledge 61 million equity shares held by Jaiprakash Associates Ltd.

   (b) The Foreign Currency Loans under Buyers' Credit are guaranteed by Deferred Payment Guarantee issued by Power Finance Corporation Limited.

   (c) The Non Convertible Debentures, (NCDs) mentioned here-under, together with all interest, liquidated damages, remuneration payable to Trustees, premia on prepayment or on redemption, cost, expenses and other monies stipulated in the Subscription Agreements/Trustee Agreement are secured by a legal mortgage in English form by way of first mortgage and charge on Company's properties at Mouje Dhanot, Taluka Kalol, District Mehsana in the state of Gujarat in favour of IDBI Trusteeship Services Limited (Trustees) for NCDs of Rs.1500 million subscribed by ICICI Bank Limited and hypothecation of the Company's movable assets (present and future), equitable mortgage on the immovable assets of the Company and pledge of shares as stated in 2(a) above held by Jaiprakash Associates Limited in the Company, ranking pari-passu among all the participating Institutions and Banks.

   In addition to the above NCDs to the extent of Rs.1740.00 million have been allotted in favour of UTI Bank Limited at a coupon rate of 10% p.a. on September 25, 2004. The debenture certificates shall be issued upon creation of security, which is in process.

   The participating Financial Institutions/ Banks have 'in principle' agreed to realign the rate of interest on Debentures and Term Loans to 10.50% p.a. and refixation of repayment schedule to commence from July 2005 in 44 equal instalments payable in July, August, September and October each year.

   (d) The working capital loan sanctioned by Punjab National Bank- Shimla against the security of pari-passu first charge on all stock of stores and spares and book debts and personal Guarantees of Directors, Mr. Jaiprakash Gaur, Mr. S. K. Jain, Mr. Manoj Gaur and Mr. S. K. Sharma, is being modified to rank pari-passu with the charges created in favour of term Lenders.

(Rs. in million)

	September 30, 2004	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001	March 31, 2000
3 (a) Jaiprakash Associates Limited, the holding Company, have furnished Corporate Guarantees aggregating to Rs. 915,94,14,146 (Previous Year Rs.1057,46,98,954) to the Financial Institutions and Banks and have also pledged 355,999,900* Equity Shares of Rs.10 each of the Company held by it with IFCI Limited to collaterally secure the financial assistance granted to the Company by the Financial Institutions and Banks, namely ICICI Bank Limited, IDBI, IFCI, PFC, LIC, IIBI, Bank of Baroda, Punjab National Bank, Indian Overseas Bank, Central Bank of India, State Bank of Travancore, State Bank of Mysore, State Bank of Indore, State Bank of Patiala and State Bank of Hyderabad	9159.41	10,574.69	10,771.01	9,083.49	6,858.47	4,569.72

*The Lenders have agreed to depledge 61 million equity shares held by Jaiprakash Associates Ltd.

(b) Plant & Machinery include a sum of Rs 628.68 million being the cost of Inter Connection Facility (ICF) established by Satluj Jal Vidut Nigam Limited at their Switch yard at Jhakri for evacuation of Power generated by Baspa II Hydro-Electric Project. The maintenance cost of ICF is borne by the Company.

4. In the opinion of the Board of Directors, the "Current Assets, Loans and Advances" read with note no. 10, have a value on realisation, in the ordinary course of business, at least equal to the amount at which they are stated in the Balance Sheet.

5. The Trust and Retention Account (refer Schedule 'E') is maintained pursuant to the stipulations of the 'Financing Agreements' executed with the Lenders.

6. The Rupee value of Foreign Currency loans has been considered as at September 30, 2004 i.e. Bank TT selling rate of one US Dollar = Rs.46.29. The net increases on account of Foreign Exchange Fluctuation as on September 30, 2004 amounting to Rs 102.75 million has been added to the cost of Plant & Machinery as per Schedule VI to the Companies Act, 1956. (Reduction in previous year Rs. 142.40 million)

7. Additional Information pursuant to the provisions of Paragraph 3 and 4 of Part-II of Schedule VI to the Companies Act, 1956:

(a) Capacity and Production (As certified by the Management)
Installed annual Capacity 300 MW - 1213.18 MU in a 90% Dependable Year at Power House

Production details & parameters

Particulars – being 88% saleable part of total generation	**Six months ended September 30, 2004**	**For the year ended March 31,**				
		2004	**2003**	**2002**	**2001**	**2000**
Design Saleable Energy (MU) as per PPA	**780.73**	**940.41**			**-**	**-**
Actual Saleable Generation of Energy (MU) delivered at ICF*	**853.79**	**990.76**			-	-
Plant Availability	**99.54%**	**96.80%**			-	-

*Actual Production (88% saleable energy + 12% free energy) - 970.21 MU during April 1, 2004 to September 30, 2004(Previous Period 1125.86 MU - May 24, 2003 to March 31, 2004) delivered at Jhakri Grid (ICF)

(Rs. in million)

As at	September 30, 2004	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001	March 31, 2000
(b) Value of imports on C.I.F. basis Payment to Suppliers against deliveries of Capital Equipment	64.43 5% retention money to suppliers	60.97	150.29	404.59	642.40	Nil
(c) Expenditure in Foreign Exchange Travelling (Directors)	Nil	0.09	Nil	0.11	0.27	0.16
Travelling (others)	Nil	.10	Nil	Nil	Nil	Nil
Interest to Banks	28.86	58.59	65.83	70.10	38.65	1.60
Commitment fee, Management fee,	0.03	1.11	9.58	5.66	50.51	89.90
Supervision-Erection & Commissioning and Others	Nil	11.62	Nil	Nil	Nil	4.34
Advances to Suppliers	Nil	Nil	Nil	Nil	7.74	666.84
(d) Details of Stores and Spares Consumed:						
(i) Indigenous	12.55	0.71	Nil	Nil	Nil	Nil
(ii) Imported	0.92	1.29	Nil	Nil	Nil	Nil
(e) Earnings in Foreign Exchange	Nil	Nil	Nil	Nil	Nil	Nil
8 Managerial remuneration paid/payable to Whole Time Directors						
Salary	0.57	0.78	0.72	0.66	0.60	0.30
Provident Fund	0.07	0.09	0.08	0.07	0.07	0.04
Perquisites	0.38	0.57	0.53	0.48	0.41	0.19

9. There are no Small Scale Industrial Undertakings to whom the Company owes more than Rs. 0.1 million which are outstanding for more than 30 days as at September 30, 2004, March 31, 2004, March 31, 2003, March 31,2002 ,March 31, 2001 & March 31, 2000.

10. (a) The tariff for the power supplied by Baspa II HEP is to be determined by H.P. Electricity Regulatory Commission (HPERC) after receipt of approval of 'Firm Financial Package' from Central Electricity Authority (CEA), in accordance with the provisions of the Power Purchase Agreement executed between the Company & HPSEB on June 4, 1997 and Amendment No. 1 dated January 7, 1998. The payment of Electrical Energy is presently being made by HPSEB on the basis of revenue realised from sale of Baspa II HEP power as per the directions of HPERC. The Energy bills are prepared in accordance with the provisions of the PPA based on the completion cost of Rs 15,500 million approved by the HPSEB and the Govt. of Himachal Pradesh.

    Sundry debtors of Rs. 1,270.04 million include receivables arising out of the invoice amount and the payments made by HPSEB aggregating to Rs. 932.97 million which are subject to necessary adjustments after the tariff is determined by the HPERC.

11. The Company has become wholly owned subsidiary of Jaiprakash Associates Limited with effect from December 31, 2004, consequent upon the buyback of 110 million shares by Jaiprakash Associates Limited from ICICI Bank Limited.

12. Related Party disclosures, as required in terms of "Accounting Standard [AS] 18" are given below:

    (1) Relationships (Related party relationships are as identified by the Company and relied upon by the Auditors)
    - (a) Holding Company: Jaiprakash Associates Limited
    - (b) Fellow subsidiaries:
      - (i) Jaypee Hotels Limited
      - (ii) Jaiprakash Power Ventures Limited
      - (iii) Jaypee Karcham Hydro Corporation Limited
    - (c) Associates:
      - (i) Jaypee Ventures Limited
      - (ii) Jaypee Greens Limited
      - (iii) Indesign Enterprises Private Limited
      - (iv) Jaypee Industrial & Medical Services Limited.
      - (v) JIL Information Technology Limited
      - (vi) Gaur & Nagi Limited
      - (vii) Shiras Estates Limited
    - (d) Key Management Personnel:
      - (i) Mr. Jaiprakash Gaur (Chairman)
      - (ii) Mr. J. N. Gaur (Whole time director)
      - (iii) Mr. R. K. Narang (Whole time director with effect from June 28, 2004)

(2) Transactions carried out with related parties referred to above: (Rs. in million)

Name of Related Party	Nature of Transactions	For the Six months period April 1, 2004 to September 30, 2004	For the year ended March 31, 2004	For the year ended March 31, 2003	For the year ended March 31, 2002	For the year ended March 31, 2001	For the year ended March 31, 2000
Expenses							
Jaiprakash Associates Limited	Contract Expense	Nil	81.41	957.83	1240.17	825.24	948.12
	Rent	5.35	10.46	8.06	6.72	6.72	6.77
Jaypee Hotels Limited	Stay Bills, Lunch Exp.	0.20	0.15	0.12	Nil	Nil	Nil
Jaypee Industrial & Medical Services Private Limited	Security & Medical	4.02	Nil	Nil	Nil	Nil	Nil
	Operation and Maintenance	Nil	2.75	Nil	Nil	Nil	Nil
Key Management Personnel							
Mr. J. N. Gaur	Remuneration	0.74	1.44	1.33	1.21	1.08	0.50
Mr. Narendra Singh	Remuneration	Nil	Nil	Nil	Nil	Nil	0.05
Mr. R.K. Narang	Remuneration	0.28	Nil	Nil	Nil	Nil	Nil
Others	Directors						
	Meeting Fee	0.00	0.00	0.00	0.00	0.00	0.00
Payables							
Jaiprakash Associates Limited	Amount Payable	159.83	161.64	74.01	(44.68)	77.99	63.07
Jaypee Hotels Limited	Balance Payable	0.09	0.14	Nil	Nil	0.01	Nil
Jaypee Industrial & Medical Services Private Limited	Balance Payable	6.86	Nil	Nil	Nil	Nil	Nil
Key Management Personnel							
Mr. J N Gaur		0.07	0.04	0.05	0.07	0.03	0.02
Mr. R.K. Narang		0.08	Nil	Nil	Nil	Nil	Nil

* Jaypee Industrial and Medical Services Private Limited was converted in to public limited company on January 5, 2005.

Guarantees given by the holding company on behalf of the company have been mentioned on page 90 of this Red Herring Prospectus.

13. **Earnings Per Share**

Calculation of weighted average number of equity shares of Rs. 10 each (Rs. in million)

	September 30, 2004	March 31, 2004
No. of equity shares at the beginning of the year	491.00	465.00
Shares allotted during the period	Nil	26.00
Weighted average number of equity shares outstanding during the year - Previous yr - Annualised - For the Period	491.00	467.20
Net Profit after Tax available for equity shareholders (Rs. in millions)	639.82	579.09
Basic and Diluted Earnings Per Share of Rs. 10 each (Rs.)	1.30	1.24 (Annualised)

14. (a) Provision of Rs. 54.47 million towards Minimum Alternate Tax (MAT) as Tax payable U/S 115 JB of Income Tax Act, 1961 has been made for the period from April 1, 2004 to September 30, 2004.

(b) The Company has adjusted Income Tax for the earlier years from Profit & Loss account as given below

(Rs. in millions)

Particulars	For the Six months period April 1, 2004 to September 30, 2004	For the year ended March 31, 2004	For the year ended March 31, 2003	For the year ended March 31, 2002	For the year ended March 31, 2001	For the year ended March 31, 2000
Adjustment on account of short provision for tax for earlier years	0.37	-	-	-	-	-

(c) Deferred tax provision is not required to be made, in view of the entitlement of tax exemption available to the Company for first 10 years in terms of Section 80 IA of The Income Tax Act, 1961.

15 Provision of Gratuity has been made on an estimated basis.

16. a) The Operation & Maintenance and other expenses during the period are not comparable with those of the previous year, since the operation of the Power Plant during the period under report is being carried out by Company itself.

b) The figures for the current period ended September 30, 2004 are not comparable with that of previous period as the period under report is from April 1, 2004 to September 30, 2004 as that of the previous period from May 24, 2003 to March 31, 2004.

17. (a) All the figures have been rounded off to the nearest million rupees.

(b) Previous Year's figures have been regrouped/ re-arranged wherever considered necessary to make them conform to the figures for the period April 1, 2004 to September 30, 2004.

ANNEXURE V - STATEMENT OF TAX SHELTER (Rs. in million)

Particulars	**For the six months period April 1, 2004 to September 30, 2004**	**For the year ended March 31, 2004**
Income Tax Rate	36.59%	35.88%
MAT Rate	7.84%	7.69%
Profit Before Tax But Before		
Extraordinary Items(A)	694.66	628.93
Permanent Differences		
Deductions U/S 80 IA	694.66	628.93
Total Permanent Differences (B)	694.66	628.93
Timing Diff		
Difference Between Tax Dep And Book Dep. – As unabsorbed depreciation loss is not being carried forward.	0	0.00
Gratuity Unpaid During The Year- Business loss is not being carried forward	0	0.00
Leave Encashment Unpaid- Business loss is not being carried forward	0	0.00
Total Timing Differences (C)	0	0
Net Adjustment (B+C)	694.66	628.93
Tax Saving Thereon	254.17	225.66
Profit As Per Itax Return (D)=(A-B+C)	0	0
Brought Forward Losses (E)	0	0
Taxable Income (D+E)	0	0
Loss Carried Forward	0	0
Taxable Income As Per Mat	694.66	628.93
Tax As Per Income Tax Returned - MAT	54.47	48.35
Total Tax As Per Return	54.47	48.35

Note: The provision for Income Tax has been Calculated Based on Income Earned during Six Months Period ended September 30, 2004. However, Tax Year end of the Company being March 31, 2005. The Final liability for the assessment year 2005-2006 will be determined on the Total Income of the Company for the Year ended March 31, 2005.

ANNEXURE VI - CAPITALISATION STATEMENT (Rs. in million)

	Pre-issue as at September 30, 2004	**As Adjusted for the issue**
Short Term Working Capital Debt[1]	Nil	Nil
Long Term Debt	10899.41	10899.41
Shareholders Fund		
Share Capital	4,910.00	4,910.00
Reserve & Surplus	1,218.92	1,219.05[1]
Total Shareholders Fund	6,128.92	6,129.05
Long Term Debt/ Equity	2.22	2.22

[1] These figure do not Incorporate changes due to normal operations of the company from September 30, 2004.

Jaiprakash Associates Limited is selling its stake in the Company and accordingly no money will be received by the Company from this offer. Therefore, there is no change in Capitalisation Statement, pre and post issue except that the changes occurred due to normal operations of the company.

ANNEXURE VII - CASH FLOW STATEMENT (Rs. in million)

		For the period April 1, 2004 to September 30, 2004	For the year ended March 31,				
			2004	2003	2002	2001	2000
A.	**Cash flow from operating activities**						
	Profit before taxation	694.66	628.93	-	-	-	-
	Add Back						
	Depreciation	420.64	712.63	-	-	-	-
	Amount written off-Miscellaneous Expenditure	61.44	96.46	-	-	-	-
	Loss on sale of Assets	.19	0.23	-	-	-	-
	Interest & financial charges	712.27	1,312.39				
		1,194.54	2,750.64	-	-		
	Deduct:						
	Interest Income	(2.61)	(9.96)		-	-	-
	Other Income	(4.17)	(3.11)				
	Operating profit before working capital changes	1,882.42	2,737.57	-	-	-	-
	Add:						
	(Increase)/Decrease in Trade Debtor	(272.08)	(997.97)	-	-	-	-
	(Increase)/Decrease in Inventories	(9.09)	(2.15)	-		0.02	0.11
	(Increase)/Decrease in Loans and Advances and others	(11.15)	(17.34)	206.05	386.86	179.68	(748.56)
		(292.32)	(1017.46)	206.05	386.86	179.70	(748.45)
	Deduct:						
	(Increase)\Decrease in Trade Payables	(468.25)	452.37	(70.61)	(1.05)	(323.66)	(49.91)
	(Increase) Decrease in Provisions	-	1.84	0.51	2.05	(1.04)	3.33
	Cash generated from Operations	1,121.84	2,174.32	135.95	387.87	504.40	
	Adjustments for :						
	Interest & financial charges paid	(712.27)	(1,312.39)	-			
	Income tax paid net of refund	(61.27)	(24.59)	-	-	-	-
	Net cash inflow from operating activities-'A'	**348.31**	**837.35**	**135.95**	**387.87**	**504.40**	**(701.87)**
B.	**Cash flow from Investing activities**						
	Outflow						
	Investment in Fixed Assets	(2.46)	(989.06)	(2,800.08)	(3,538.69)	(3,398.46)	(1,772.62)
	Inflow						
	Sale of Assets	0.04	0.09	-	-	-	-
	Interest Income	2.61	9.96	2.55	6.27	-	-
	Other Income	4.17	3.11	0.22	-	-	-
	Net cash from investing activities-'B'	**4.36**	**(975.91)**	**(2,797.31)**	**(3,532.42)**	**(3,398.46)**	**(1,772.62)**
C.	**Cash flow from Financing activities**						
	Inflow						
	Increase in Share Capital		310.00	1,000.00	900.00	570.00	380.00
	Increase in Borrowings-Net	1804.43	-	1,687.52	2,225.02	2,288.76	1,916.78
	Outflow						
	Decrease in Borrowings	1682.49	(96.29)	-	-	-	-
	Payment of Pre-Payment Charges	(237.83)	-	-	-	-	-
	Misc Expenses	-	-	-	-	-	(200.00)
	Net cash in financing activities-'C'	**(115.89)**	**213.71**	**2,687.52**	**3,125.02**	**2,858.76**	**2,096.78**
	Net increase/(Decrease) in cash or cash equivalent (A+B+C)	**236.78**	**75.15**	**26.15**	**(19.53)**	**35.30**	**(377.71)**
Cash & cash equivalent at the commencement of the year (Opening balance)		167.48	92.33	66.18	85.71	121.01	498.72
Cash & cash equivalent at the end of the year (closing balance)		404.26	167.48	92.33	66.18	85.71	121.01

ANNEXURE VIII - STATEMENT OF ACCOUNTING RATIOS

Particulars	For the six month period April 1, 2004 to September 30, 2004	For the year ended March 31, 2004	For the year ended March 31, 2003	For the year ended March 31, 2002	For the year ended March 31, 2001	For the year ended March 31, 2000
Weighted Average No. of Equity Shares outstanding During the year	491,000,600	491,000,600	460,000,600	357,500,600	263,000,600	175,000,600
Net worth-in millions	**5,759.62**	**5,296.19**	**4,310.63**	**3,310.63**	**2,410.63**	**1,840.63**
EPS (Rs.)	1.30	1.24 (Annualised)	-	-	-	-
Return on Net Worth (%)	11.11%	12.75% (Annualised)	-	-	-	-
Net Asset Value Per Share(Rs.)	11.73	10.79	-	-	-	-

Note :- There are no figures in respect for EPS, Net Worth and Net Asset Value for the year ended March 31, 2003, March 31, 2002, March 31, 2001 and March 31, 2000 as the commercial operation commenced on May 24, 2003.

Formula:

1. Earning Per Share (Rs.) = $\frac{\text{Net Profit After Tax and Before Extraordinary Items}}{\text{Weighted Average No. of Equity Shares outstanding During The Year}}$

2. Net Asset Value Per Share (Rs.) = $\frac{\text{Net Worth as at the year end}}{\text{Weighted Average No. of Equity Shares outstanding During The Year}}$

3. Return on Net Worth (%) = $\frac{\text{Net Profit Before Extraordinary Items but after adjusted Tax}}{\text{Net Worth as at the year end}}$

ANNEXURE IX - SECURED LOANS

Details of Secured Borrowings: Our secured borrowings as on September 30, 2004 are as follows:

Rupee Term Loans/ Non-Convertible Debentures

Sr. No.	Nature of Borrowings / Debt	Sanctioned Amount (Rs. million)	Amount outstanding (Rs. million)	Date of financing agreement	Date of Maturity	Interest Rate[1] p.a. as applicable on September 30, 2004	Security[2]
A.	**Rupee Term Loans from FIs**						The loans are secured by hypothecation of Company's movable assets (present and future) and equitable mortgage on immovable assets of the Company, ranking pari-passu among all the lenders.
	IDBI	740.00	740.00	March 19, 1998	October 15, 2015	10.50%	
	LIC	150.00	150.00	April 24, 1998	October 15, 2015	10.50%	
	IIBI	150.00	136.60	December 22, 1998	October 1, 2016	18.50%	
	Power Finance Corporation Limited	1,700.00	1,657.50	December 21, 1998	September 15, 2014	10.50%	
		Sub-total – A	**2684.10**				
B.	**Rupee Term Loans from Banks**						The loans are secured by hypothecation of Company's movable assets (present and future) and equitable mortgage on immovable assets of the Company, ranking pari-passu among all the lenders.
	Bank of Baroda	500.00	500.00	September 24, 1999	October 15, 2015	BPLR minimum of 10.50%	
	Punjab National Bank	520.00	520.00	January 28, 2000	- do -	BPLR plus 0.50% (term premia) minus 0.75% - 10.50%	
	Indian Overseas Bank	500.00	500.00	September 28, 2000	- do -	BPLR plus 0.75% (term premia) minus 1.25% - 10.50%	
	Central Bank of India	500.00	500.00	December 01, 2001	- do -	10.50%	
	State Bank of Patiala	250.00	250.00	February 19, 2002	- do -	BPLR – 10.50%	
	State Bank of Indore	250.00	250.00	March 18, 2002	- do -	BPLR plus 0.50% (term premia) minus 0.75% - 10.50%	
	State Bank of Mysore	150.00	150.00	December 26, 2002	- do -	SBMPLR minus 0.50%	
	State Bank of Travancore	250.00	250.00	January 11, 2003	- do -	SBTPLR minus 0.50%	
	State Bank of Hyderabad	250.00	250.00	March 20, 2003	- do -	SBHPLR minus 0.50%	
	Sub-total – B		**3,170.00**				
C.	**Non Convertible Debentures**						
	IFCI[3]	1,500.00	0	February 19, 2000	October 15, 2015- Since Redeemed	Since redeemed	The Debentures are secured by hypothecation of Company's movable assets (present and future) and equitable mortgage on immovable assets of the Company pari-passu among all the lenders.
	ICICI Bank Limited	1,500.00	1,500.00	May 19, 1998 & October 6, 2000	October 15, 2015	Sum of ICICI bench mark advance rate plus term premium minus 0.10% - minimum 10.50%	
	UTI Bank Limited	2,000.00	1,740.00	August 7, 2004	October 15, 2015	10.00%	The Debentures are proposed to be secured by hypothecation of Company's movable assets (present and future) and equitable mortgage on immovable assets of the Company pari-passu among all the lenders.
	Sub-total – C		**3,240.00**				
D.	Working Capital (from PNB, Shimla branch and Bank Of Baroda)	335.00	—	March 18, 2004		13.75%	The facility is secured by hypothecation of Company's movable assets (present and future) and equitable mortgage on immovable assets of the Company pari-passu among all the lenders and personal guarantee of Mr. Jaiprakash Gaur, Mr. S.K. Jain, Mr. Manoj Gaur and Mr. Sunil Sharma
	TOTAL (A + B + C + D)		**9,094.10**				

[1] In their meeting dated September 23, 2003, Lenders agreed "in-principle" to restructure debt of the company which has resulted into reduction of interest rate from 16.65%p.a. to the current levels. Subsequently, company has received letters from each lender conveying the same except IIBI..

[2] In addition of the security indicated above, our promoter JAL has furnished collateral security in the form of corporate guarantee and pledge of 294,999,900 shares of the Company held by them in favour of all the lenders

[3] In August 2004, the Non-convertible Debentures held by IFCI were redeemed by way of NCD's of Rs. 1,740 million from UTI Bank Limited @ 10.00% p.a..

Foreign Currency Loans/ Buyers Credit

Sr. No.	Nature of Borrowings	Sanctioned Amount (US Dollars million)	Amount outstanding (US Dollars million)	Date of issue	Date of Maturity	Interest Rate	Security[1]
A.	Foreign Currency Loan from IDBI	2.62	2.55	January 19, 2000	July, 2014	3 months LIBOR plus 4.50% margin	The loan is secured by hypothecation of Company's movable assets (present and future) and equitable mortgage on immovable assets of the Company pari-passu among all the lenders.
B.	Buyers Credit from Bayeriechhy-povereins bank, Germany	11.98	9.99	May 28, 1999	January, 2015	6 months LIBOR plus 0.50% margin	The loan is guaranteed by Power Finance Corporation Limited. The guarantee is secured by hypothecation of Company's movable assets (present and future) and equitable mortgage on immovable assets of the Company pari-passu among all the lenders.
C.	Buyers Credit from VA Tech Finance (Ireland) Limited, Ireland	12.49	10.09	May 28, 1999 & July 12, 2000	January, 2015	6 months LIBOR plus 0.50% margin	The loan is guaranteed by Power Finance Corporation Limited. The guarantee is secured by hypothecation of Company's movable assets (present and future) and equitable mortgage on immovable assets of the Company pari-passu among all the lenders.
D.	Buyers Credit from Credit Lyonnais, France	17.91	16.36	June 08, 1999	April, 2015	5.66%	The loan is guaranteed by Power Finance Corporation Limited. The guarantee is secured by hypothecation of Company's movable assets (present and future) and equitable mortgage on immovable assets of the Company pari-passu among all the lenders.
TOTAL (A + B + C + D)			**38.99**				

[1] In addition to the security indicated above, our promoters JAL have furnished collateral security in the form of corporate guarantee and pledge of 294,999,900 shares of the Company held by them in favour of all the lenders.

ANNEXURE X - SUNDRY DEBTORS

DEBTORS AGE-WISE ANALYSIS (Rs. in million)

Particulars	As on September 30, 2004	As at March 31, 2004
More than 6 months	732.58	371.28
Less than 6 months	537.46	626.69

All the Debts are due from Himachal Pradesh State Electricity Board. Please also refer to Note No. 11 to the Notes forming part of Accounts.

ANNEXURE XI - LOANS AND ADVANCES

(Rs. in million)

Particulars	As at September 30, 2004	As at March 31, 2004	As at March 31, 2003	As at March 31, 2002	As at March 31, 2001	As at March 31, 2000
To Promoters & Group Companies						
Rent Security Deposit	10.00	10.00	10.00	10.00	10.00	10.00
To Others						
Advance to Suppliers, contractors & others	9.26	30.03	8.67	213.82	608.74	792.18
Staff Imprest & advances	2.04	1.22	0.11	0.30	0.05	0.37
Pre-Paid Expenses	25.96	3.48	3.92	6.47	3.05	0.14
Security Deposit	11.70	3.02	7.57	6.46	5.10	5.02
Advance Tax & TDS	89.23	30.20	5.61	4.80	1.78	1.34
Sub Total	138.19	67.95	25.88	231.85	618.72	799.05
TOTAL	**148.19**	**77.95**	**35.88**	**241.84**	**628.72**	**809.05**

ANNEXURE XII - OTHER INCOME

(Rs. in million)

Particulars	For the six months period from April 1, 2004 to September 30, 2004	For the year ended March 31, 2004
Interest on deposit with Bank	2.61	9.96
Claim of Trees (Deforestation)	3.98	3.00
Insurance Claim	0	0.01
Other Income	0.18	0.10
TOTAL	**6.77**	**13.07**

The Figures for the previous year ended March 31, 2003, March 31, 2002 & March 31, 2001 have not been given as the Interest Earned/ Other Income was credited to Incidental Expenditure During Construction.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND US GAAP

The following is a general summary of certain significant differences between Indian GAAP and U.S. GAAP so far as they are relevant to the financial statements of the Issuer.

The differences identified below are limited to those significant differences that are appropriate to the Issuer's financial statements. However, they should not be construed as exhaustive, and no attempt has been made to identify possible future differences between Indian GAAP and US GAAP as a result of prescribed changes in accounting standards nor to identify future differences that may affect the Issuer's financial statements as a result of transactions or events that may occur in the future.

The Company has not prepared financial statements in accordance with U.S. GAAP. Accordingly, there can be no assurance that the table below is complete or that the differences described would give rise to the most material differences between Indian and U.S. GAAP. In addition, the Company cannot presently estimate the net effect of applying U.S. GAAP on its results of operations or financial position.

The effect of such differences may be material for the net results and shareholder's equity prepared on the basis of U.S. GAAP compared to Indian GAAP.

Particulars	Indian GAAP	U.S. GAAP
1. Content and Form of Financial Statements	Companies are required to present balance sheets, profit and loss accounts and, if listed, proposing listing or having turnover grater than Rs.500 million, cash flows, for two years together with accounting policies, schedules and notes. The format of the financial statements generally follows the requirements of the Companies Act, 1956.	All companies are required to present balance sheets, income statements, statements of shareholder's equity, comprehensive income and cash flows, together with accounting policies and notes to the financial statements. Disclosures in the notes to financial statements generally are far more extensive than under Indian Accounting Standards.
		No specific format is mandated; generally items are presented on the face of the balance sheet in decreasing order of liquidity. Income statement items may be presented using a single-step or a multiple-step format.
		Securities Exchange Commission ("SEC") registrants are generally required to present two years of balance sheets and three years for all other statements.
2. Fixed Assets	Capital expenditure incurred on assets not owned is capitalized and depreciated over useful life of the assets.	Capital expenditure incurred on fixed assets not owned is capitalized and depreciated its estimated useful life.
	Abandoned fixed assets are generally written off when abandoned.	Abandoned assets would be treated as impaired (see below).
3. Investments in Securities	Investments are classified as long-term or current. Current investments are readily realisable, not intended to be held for more than one year from the date of purchase and are carried at the lower of cost or fair market value. Unrealized losses are charged to the income statement; unrealized gains are not recorded except to restore previously recorded unrealized gains that may have reversed.	Investments in marketable equity securities and all debt securities are classified according to management's holding intent, into one of the following categories: trading, available for sale, or held to maturity. Trading securities are marked to fair value, with the resulting unrealized gain or loss recognised currently in the income statement.
	A long-term investment is an investment other than a current investment and is valued at cost, subject to a write-down for impairment on permanent diminution in value. Long term investments are classified as trade and other.	Available-for-sale securities are marked to fair value, with the resulting unrealized gain or loss recorded directly in a separate component of equity until realized, at which time the gain or loss is reported in income. Held on maturity debt securities are carried at amortised cost. Other than temporary impairments in the value of HTM and AFS investments are accounted for as realised losses.

Particulars	Indian GAAP	U.S. GAAP
4. Investment in Subsidiaries	Consolidation of financial statements is not mandatory. In accordance with Section 212 of Companies Act, 1956, Subsidiary company's accounts are attached to annual reports of holding company. However company shall be required to publish consolidated financial statements on listing of its share in terms of clause 32 of the listing agreement.	Consolidated Financial Statements are required to be presented.
	In separate financial statements of holding company, equity shares of subsidiary companies are accounted as investments.	
5. Investments in associates or affiliates	If companies are required to prepare consolidated financial statements, the equity method of accounting for investments in associates is required. The definition of associates and equity accounting are similar to U.S. GAAP.	Investments over which the investor can exert significant influence, generally presumed when the investor owns between 20% and 50% of the voting stock, are required to be accounted for using the equity method.
	There is no requirement to apply the equity method of accounting in the standalone financial statements of the parent and associates are accounted for in the same manner as other investments in the standalone financial statements of a parent.	The equity method requires investors to record their investment in the associate as a one-line asset and reflect their share of the investee's net income / loss in their earnings. Dividends received reduce the investment account.
6. Interest in Joint Ventures or jointly Controlled assets	AS 27, Financial reporting of interests in Joint ventures, applies to the company and requires interests in jointly controlled operations of a venturer to be recognized in its separate and consolidated financial statements on a proportionate consolidation basis.	A joint venture is treated as either a subsidiary or affiliate, depending on the level of control of the Joint venturer, and consolidated or accounted for using the equity method, respectively. The SEC, as an accommodation, permits foreign companies that use proportional consolidation under home country GAAP for joint ventures that would be equity accounted (but not those that are consolidated) under US GAAP to continue this basis of accounting, provided summarized footnote disclosure of the amounts proportionately consolidated are disclosed.
7. Intangible Assets	AS-26 on Intangible Assets became effective in respect of expenditure incurred on intangible items during accounting periods commencing on or after April I, 2003, in respect of listed public companies. The standard differentiates between intangible items and intangible assets, whereby intangible items are expensed and intangible assets should be recognized if, and only if (a) it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise, and (b) the cost of the asset can be measured reliably.	Purchased intangibles are capitalized at their fair value. Costs relating to internally developed intangible assets are expensed when incurred. Intangible assets with definite lives are amortized over the expected period of benefit. Intangible assets with indefinite lives are not amortized but are subject to an annual impairment test, or more frequently in the event of a triggering event.
8. Borrowing costs and interest capitalized	Borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset are capitalised as a cost of that asset. Other borrowings cost are recognised as an expense in the period in which they are incurred.	Interest cost is capitalized as part of the cost of an asset that is constructed or produced for an enterprise's own use. The capitalization period begins when activities commence to make ready of the assets, and ends when the asset is ready for use. The capitalized interest is expensed over the estimated useful life of

Particulars	Indian GAAP	U.S. GAAP
	Foreign exchange gains or losses relating to borrowings incurred to construct fixed assets are treated as a part of borrowing costs during the construction period.	the asset as part of the depreciation charge. All foreign exchange gains and losses are included in net income. Origination or commitment fees incurred to obtain a borrowing are treated as a deferred charge and amortised using the effective interest method over the life of the debt.
9. Asset impairment	Applicable for accounting periods beginning from April 1, 2004 onwards. Companies must assess whether there is any indication that an asset (cash generating unit) is impaired at each balance sheet date. If such an indication exists, the company is required to estimate the recoverable amount of the asset. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset should be reduced to its recoverable amount and reported as an impairment loss	SFAS No. 144 develops one accounting model for long- lived asset other than goodwill that are to be disposed of by the sale, as well as addresses the principal implementation issues. SFAS No. 144 requires that long-lived assets that are to be disposed of by sale be measured at the lower of book value or fair value less cost to sell. The impairment Review is based on undiscounted cash flows at the lowest level of independent cash flows. If the undiscounted cash flows less than the carrying amount, the impairment loss must be measured using discounted cash flows.
10. Depreciation	Depreciation is generally charged at rates prescribed by the Companies Act, 1956.	Depreciation is provided in a systematic and rational manner over the useful economic life of the assets.
11. Retirement Benefits	The liability for defined benefit plans like gratuity and pension is determined as per actuarial valuation. The actuarial gains or shortfall are recognized immediately in the Profit & Loss account. Liabilities for leave encashment to employees are accounted for on accrual basis based on actuarial valuation at the year end.	The liability of defined benefit scheme is determined using the projected unit actuarial method. The discount rate for obligations is based on market yields of high quality corporate bonds. The plan assets are measured using fair value or using discounted cash flows if market prices are unavailable. The actuarial gains or losses are not recognised immediately in the statement of income. As a minimum, amortisation of an unrecognized net gain or loss is included as a component of net pension cost for a year if, as of the beginning of the year, that unrecognized net gain or loss exceeds 10% of the greater of the projected benefit obligation or the market -related value of plan assets. The balance, if any, is amortized over the average remaining service period of active employees expected to receive benefits under the plan. Leave salary benefit is provided on actual basis.
12. Prior period items and changes in accounting policies	Impact of change in accounting policies and prior period items are reported on a prospective basis beginning with year of change.	Prior period items are accounted by adjusting to prior years and retained profits.
13. Proposed dividend	Proposed dividends are reflected in the financial statements of the year to which they relate even though proposed or declared after the year end.	Dividends are charged to retained earnings at the point of time that they are formally declared by the Board of Directors.

Particulars	Indian GAAP	U.S. GAAP
14. Deferred taxes	Deferred tax liability or asset is recognized for all the timing differences, subject to the consideration of prudence in respect of deferred tax assets. Deferred tax assets are recognised and carried forward to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.	A deferred tax liability or asset is recognised for the estimated future tax effects attributable to temporary differences and carry forwards. A valuation allowance is raised against a deferred asset where it is more likely than not that some portion of deferred tax assets will not be realised.
15. Foreign exchange	Transactions in foreign currency are recorded at the exchange rate prevailing on the date of 'the transaction. Monetary items are restated at year-end exchange rates. Exchange differences arising on transactions of monetary items are recognised as income or expense in the year in which they arise, except in respect of liabilities for the acquisition of fixed assets, where such exchange difference is adjusted in the carrying cost of the fixed assets.	All gains and losses arising from foreign currency transaction are included in determining net income.
16. Off-balance sheet items	An enterprise should disclose for each class of contingent liability at balance sheet date, a brief description of the nature of the contingent liability in terms of accounting standard 29. Amount of capital commitment is also to be disclosed.	SEC registrants are required to provide extensive disclosures of material off-balance sheet items, contingent liabilities and financial guarantees. Commitments and contingencies are required to be disclosed.
		FASB interpretation No. 45 (or FIN 45), guarantor's accounting and disclosure requirements for guarantees, including indirect guarantees of indebtness of others, requires that at the time a company issues a guarantee, the company must recognise an initial liability for the fair value, market value of the obligations it assumes under that guarantee. FIN 45 applicable on a prospective basis to guarantees issued or modified after December 31, 2002.
17. Related party disclosures	Disclosures by public sector companies of related party transactions with other public sector companies do not need to be provided.	Related parties would include all entities under common control (including government departments). and there is no specific exemption for public sector or government owned entities.
18. Segments	Specified segment disclosures are provided which could either be business segments or geographical segments.	Segments information is provided for reportable segments based on the segments for which the chief operating decision maker allocates resources and measures performance. The amount to be disclosed correspond to the measures of performance used by the chief operating decision maker.

TAX BENEFITS

Auditors' Certificate

We hereby certify that the enclosed annexure states the tax benefits available to the shareholders of Jaiprakash Hydro-Power Limited (the 'Company') under the provisions of the Income Tax Act, 1961 and other direct tax laws are presently in force.

The contents of this annexure is based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

The shareholder is advised to consider in his/her/its own case the tax implications of an investment in the equity shares particularly in view of the fact that certain recently enacted legislations may not have a direct legal precedent or may have a different interpretation on the benefits which an investor can avail.

R. Nagpal
Partner
For and on behalf of
R. Nagpal Associates
Chartered Accountants

Place: New Delhi
Date: January 23, 2005

A. To the Members of the Company – Under the Income Tax Act, 1961

A.1 Resident Members

- By virtue of section 10(23G) of Income Tax Act, 1961, exemption from Income Tax is available in respect of any income by way of dividends (other than dividends referred to section 115-O) or long term capital gains of an infrastructure capital fund or an infrastructure capital company or a co-operative bank from investment by way of shares in any enterprises or undertaking wholly engaged in the business referred to in sub- section (4) of section 80-IA and which has been approved by the Central Government. However, the income, by way of dividends, other than dividends referred to in section 115-O, interest or long-term capital gains of an infrastructure capital company, shall be taken into account in computing the book profit and income-tax payable under section 115JB.

  In our opinion the equity shares under this offer constitute eligible shares and the benefits as stated above would be available as the Company is wholly engaged in the business referred to in sub-section (4) of section 80-IA and which has been approved by the Central Government.

- By virtue of section 10(23D) of the Income Tax Act, 1961 all Mutual Funds set up by Public Sector Banks or Public Financial Institution or Mutual funds registered under the Securities and Exchange Board of India or authorized by the Reserve Bank of India, subject to the conditions specified therein are eligible for exemption from income tax on all their income, including income form investment in the shares of the company.
- By virtue of Section 10(34) any income by way of dividends referred to in section 115-O is exempt from tax in the hands of the shareholders.
- By virtue of Section 10(38) any income arising from the transfer of a long-term capital asset, being an equity share in a company where,

  (a) the transaction of sale of such equity share is entered into on or after the date on which Chapter VII of the Finance (No.2) Act, 2004 comes into force; and

  (b) such transaction is chargeable to securities transaction tax under that Chapter, is exempt from tax.

- Under section 48 of the Income Tax Act, 1961 if the company's shares are sold after being held for not less than twelve months, [in cases not covered under section 10(38) of the Act] if any will be treated as long term capital gains and the gains shall be calculated by deducting from the sale consideration, the indexed cost of acquisition. No deduction shall be allowed in computing the income chargeable under the head "Capital gains" in respect of any sum paid on account of securities transaction tax under Chapter VII of the Finance (No. 2) Act, 2004.
- Under section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains [in cases not covered under section 10(38) of the Act] arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gains are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in bonds issued by
  - National Bank for Agriculture and Rural Development established under section 3 of the National Bank for Agriculture and Rural Development Act,1981
  - National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act,1988;
  - Rural Electrification Corporation Limited, the company formed and registered under the Companies Act 1956.

- National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987 and
- Small Industries Development Bank of India established under section 3(1) of the Small Industries Development Bank of India Act,1989.

- By virtue of 54ED of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains [in cases not covered under section 10(23G), 10(23D), 10(36) and 10(38) of the Act] on the transfer of shares of the Company, as and when it is listed, will be exempt from capital gains tax if the capital gains are invested in shares of an Indian company forming part of an eligible public issue, with in a period of 6 months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely-

  (a) The issue is made by a public company formed and registered in India;
  (b) The shares forming part of the issue are offered for subscription to the public;

- Under section 54F of the Income Tax Act, 1961 long term capital gains [in cases not covered under section 10(38) of the Act] arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the company will be exempt from capital gain tax subject to other conditions, if the net consideration from such shares are used for purchase of residential house property with in a period of one year before and two years after the date on which the transfer took place or for construction of residential house property with in a period of three years after the date of transfer.
- Under section 112 of the Income Tax Act, 1961 and other relevant provisions of the Act, long term capital gains, i.e., if shares are held for a period exceeding 12 months, [in cases not covered under section and 10(38) of the Act], arising on transfer of shares of the company, shall be taxed at a rate of 20% (plus applicable surcharge & education cess) after indexation as provided in the second proviso to section 48. The amount of such tax could however, be limited to 10% (plus applicable surcharge & education cess) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.
- By virtue of section 111A of the Income Tax Act, 1961 if the Company's equity shares are sold within twelve months from date of acquisition, and,

  (a) the transaction of sale of such equity share is entered into on or after date n which Chapter VII of the Finance (No.2) Act, 2004 comes into force; and

  (b) such transaction is chargeable to securities transaction tax under that Chapter,

  the short term capital gains arising therefrom shall be taxed at a rate of 10% (plus applicable surcharge & education cess).

A.2 Non-Resident Indians/ Non –Residents Members [Other than FIIs and Foreign Venture Capital Investors]

- By virtue of section 10(23G) of Income Tax Act, 1961, exemption from Income Tax is available in respect of any income by way of dividends (other than dividends referred to section 115-O) or long term capital gains of an infrastructure capital fund or an infrastructure capital company or a co-operative bank from investment by way of shares in any enterprises or undertaking wholly engaged in the business referred to in sub- section (4) of section 80-IA and which has been approved by the Central Government. However, the income, by way of dividends, other than dividends referred to in section 115-O, interest or long-term capital gains of an infrastructure capital company, shall be taken into account in computing the book profit and income-tax payable under section 115JB.

  In our opinion the equity shares under this offer constitute eligible shares and the benefits as stated above would be available as the Company is wholly engaged in the business referred to in sub-section (4) of section 80-IA and which has been approved by the Central Government.

- By virtue of Section 10(34) any income by way of dividends referred to in section 115-O is exempt from tax in the hands of the shareholders.
- By virtue of Section 10(38) any income arising from the transfer of a long-term capital asset, being an equity share in a company where,

  (a) the transaction of sale of such equity share is entered into on or after the date on which Chapter VII of the Finance (No.2) Act, 2004 comes into force; and

  (b) such transaction is chargeable to securities transaction tax under that Chapter,

  is exempt from tax.

- Under the first proviso to section 48 of the Income Tax Act, 1961, in case of a non-resident, in computing the capital gains [in cases not covered under section 10(38) of the Act] arising from transfer of shares of the Company acquired in convertible foreign exchange (as per Exchange Control regulations), protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case. The capital gains/loss in such a case is computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer into the same foreign currency which was utilised in the purchase of the shares. No deduction shall be allowed in computing the income chargeable under the head "Capital gains" in respect of any sum paid on account of securities transaction tax under Chapter VII of the Finance (No. 2) Act, 2004.

- Under section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains [in cases not covered under section 10(38) of the Act] arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gains are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in bonds issued by
  - National Bank for Agriculture and Rural Development established under section 3 of the National Bank for Agriculture and Rural Development Act,1981
  - National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act,1988;
  - Rural Electrification Corporation Limited, the company formed and registered under the Companies Act 1956.
  - National Housing Bank established under section 3(1) of the National Housing Bank Act,1987 and
  - Small Industries Development Bank of India established under section 3(1) of the Small Industries Development Bank of India Act,1989.
- By virtue of 54ED of the Income Tax Act, 1961 and subject to the conditions and to the extent specified there in, long term capital gains [in cases not covered under section 10(23G), 10(23D), 10(36) and 10(38) of the Act] on the transfer of shares of the Company, as and when it is listed, will be exempt from capital gains tax if the capital gains are invested in shares of an Indian company forming part of an eligible public issue, with in a period of 6 months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely-

  (a) The issue is made by a public company formed and registered in India;

  (b) The shares forming part of the issue are offered for subscription to the public;
- Under section 54F of the Income Tax Act,1961 long term capital gains [in cases not covered under section 10(38) of the Act] arising to an individual or Hindu Undivided Family(HUF) on transfer of shares of the company will be exempt from capital gain tax subject to other conditions, if the net consideration from such shares are used for purchase of residential house property with in a period of one year before and two years after the date on which the transfer took place or for construction of residential house property with in a period of three years after the date of transfer.
- Under section 112 of the Income Tax Act, 1961 and other relevant provisions of the Act, long term capital gains, i.e., if shares are held for a period exceeding 12 months, [in cases not covered under section and 10(38) of the Act], arising on transfer of shares of the company, shall be taxed at a rate of 20% (plus applicable surcharge & education cess) after indexation as provided in the second proviso to section 48. The amount of such tax could however, be limited to 10% (plus applicable surcharge & education cess) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.
- By virtue of section 111A of the Income Tax Act, 1961 if the Company's equity shares are sold within twelve months from date of acquisition, and,

  (a) the transaction of sale of such equity share is entered into on or after the date on which Chapter VII of the Finance (No.2) Act, 2004 comes into force; and

  (b) such transaction is chargeable to securities transaction tax under that Chapter,

  the short term capital gains arising therefrom shall be taxed at a rate of 10% (plus applicable surcharge & education cess).
- By virtue of section 115-I of the Income Tax Act, 1961, a non–resident Indian (i.e. an individual being a citizen of India or person of Indian origin, who is not a resident) has an option to be governed by the provisions of Chapter XII–A of the Income Tax Act, 1961 viz. "Special Provisions Relating to Certain Incomes of Non-Residents", which are as follows:-
  - Under provisions of section 115E of the Income Tax Act, 1961, where shares in the Company are acquired or subscribed for in convertible foreign exchange by a non-resident Indian, capital gains arising to the non–resident Indian on transfer of shares held for a period exceeding twelve months [in cases not covered under section 10(23G) and 10(38) of the Act] shall be concessionally taxed at the flat rate of 10% (plus applicable surcharge & education cess).
  - Under provisions of section 115F of the Income Tax Act, 1961 long term capital gains [in cases not covered under section 10(23G) and 10(38) of the Act] arising to a non–resident Indian from the transfer of shares of the Company subscribed to in convertible foreign Exchange shall be exempt from income tax, if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted into money with in three years from the date of their acquisition.
  - Under provisions of section 115G of the Income Tax Act, 1961 it shall not be necessary for a non-resident Indian to furnish a return of income if his income chargeable under the Act, consists of only investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange, and tax deductible at source has been deducted from such income.

A.3 Foreign Institutional Investors (FIIs)

- By virtue of section 10(23G) of Income Tax Act, 1961, exemption from Income Tax is available in respect of any income by way of dividends (other than dividends referred to section 115-O) or long term capital gains of an infrastructure capital fund or an infrastructure capital company or a co-operative bank from investment by way of shares in any enterprises or undertaking wholly engaged in the business referred to in sub- section (4) of section 80-IA and which has been approved by the Central Government. However, the income, by way of dividends, other than dividends referred to in section 115-O, interest or long-term capital gains of an infrastructure capital company, shall be taken into account in computing the book profit and income-tax payable under section 115JB.

  In our opinion the equity shares under this offer constitute eligible shares and the benefits as stated above would be available as the Company is wholly engaged in the business referred to in sub-section (4) of section 80-IA and which has been approved by the Central Government.

- By virtue of Section 10(34) any income by way of dividends referred to in section 115-O is exempt from tax in the hands of the foreign institutional investors.
- By virtue of Section 10(38) any income arising from the transfer of a long-term capital asset, being an equity share in a company where,

  (a) the transaction of sale of such equity share is entered into on or after the date on which Chapter VII of the Finance (No.2) Act, 2004 comes into force; and

  (b) such transaction is chargeable to securities transaction tax under that Chapter,

  is exempt from tax.

- The income by way of short term capital gains or long term capital gains [in cases not covered under section 10(38) of the Act] realized by FIIs on sale of shares of the company would be taxed at the following rates as per section 115 AD of the Income Tax Act, 1961
  - Short term capital gains, other than those referred to under section 111A of the Income Tax Act, 1961 shall be taxed at a rate of 30% (plus applicable surcharge & education cess).
  - Short term capital gains, referred to under section 111A of the Income Tax Act, 1961 shall be taxed at a rate of 10% (plus applicable surcharge & education cess).
  - Long term capital gains- 10% (plus applicable surcharge & education cess) (without cost indexation)
- Under section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains [in cases not covered under section 10(38) of the Act] arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gains are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in bonds issued by
  - National Bank for Agriculture and Rural Development established under section 3 of the National Bank for Agriculture and Rural Development Act,1981
  - National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act,1988;
  - Rural Electrification Corporation Limited, the company formed and registered under the Companies Act 1956.
  - National Housing Bank established under section 3(1) of the National Housing Bank Act,1987 and
  - Small Industries Development Bank of India established under section 3(1) of the Small Industries Development Bank of India Act, 1989.
- By virtue of 54ED of the Income Tax Act, 1961 and subject to the conditions and to the extent specified there in, long term capital gains [in cases not covered under section 10(23G), 10(23D), 10(36) and 10(38) of the Act] on the transfer of shares of the Company, as and when it is listed, will be exempt from capital gains tax if the capital gains are invested in shares of an Indian company forming part of an eligible public issue, with in a period of 6 months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely-

  (a) The issue is made by a public company formed and registered in India;
  (b) The shares forming part of the issue are offered for subscription to the public;

A.4 Venture Capital Companies/ Funds

- By virtue of section 10(23FB) of the Income Tax Act, 1961 a venture capital company or venture capital fund, as defined in the said section, is eligible for exemption from income tax on all its income, including dividend income and capital gains from sale of shares of the Company.

Benefits to Members of the Company under the Wealth Tax Act, 1957

Shares of the company held by the shareholder will not be treated as an asset with in the meaning of section 2(ea) of Wealth Tax Act, 1957, hence Wealth Tax will not be applicable

Benefits to Members of the Company under the Gift tax Act, 1958

Gift of shares of the company made on or after October 1, 1998 would not be liable to Gift tax under the erstwhile Gift Tax Act. However, under section 56(2)(v) of the Income Tax Act, 1961, where any sum of money (which could include gift of shares also) exceeding twenty-five thousand rupees is received without consideration by an individual or a Hindu undivided family from any person on or after the 1st day of September, 2004, the whole of such sum, would be taxed as income in the hand of the recipient,

Provided that this clause shall not apply to any sum of money received—

(a) from any relative; or

(b) on the occasion of the marriage of the individual; or

(c) under a will or by way of inheritance; or

(d) in contemplation of death of the payer.

For the purposes of this clause, "relative" means—

(i) spouse of the individual;

(ii) brother or sister of the individual;

(iii) brother or sister of the spouse of the individual;

(iv) brother or sister of either of the parents of the individual;

(v) any lineal ascendant or descendant of the individual;

(vi) any lineal ascendant or descendant of the spouse of the individual;

(vii) spouse of the persons referred to in clauses (ii) to (vi).

Notes:

1. All the above benefits are as per the current tax laws as amended by the Finance (No. 2) Act, 2004, subject to the provisions in the forthcoming Finance Bill 2005.
2. The stated benefits will be available only to the sole/first named holder in case the shares are held by joint holders.
3. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non- resident has fiscal domicile.
4. In view of the individual nature of tax consequences, each investor is advised to consult his/ her own tax advisor with respect to specific tax consequences of his/ her participation in the issue.

OTHER REGULATORY DISCLOSURES

Stock Market Data for our Equity Shares

This being an initial public offer, Equity Shares of the Company are not listed on any stock exchange.

Particulars Regarding Previous Public Issues during the last five years

The Selling Shareholders and we have not made any public issue during the last five years.

Particulars Regarding Previous Public Issues made by Companies under the same management during the last three years

None of the listed companies under the same management within meaning of the Section 370(1B) of the Act have made any capital issues during last three years.

Mechanism for Redressal of Investor Grievances of JAL

JAL, has a separate shares department headed by the President (Corporate) & Company Secretary, interalia, to deal with investor complaints. Further, the Board of Directors of JAL has constituted a Share Transfer/Investors Grievance Committee comprising Mr. S.K. Jain, Chairman, Mr. Sameer Gaur, Mr. Sunil Kumar Sharma and Mr. S.D. Nailwal, directors of JAL. This Committee reviews redressal of complaints including complaints in respect of transfer of shares, loss of shares and dividend warrants not received, and submits its Review Report to the Board of Directors for their perusal. The investor complaints are redressed as expeditiously as possible, generally in about two weeks but not later than four weeks.

Mechanism for Redressal of Investor Grievances of JHL

JHL has a separate Shares Department headed by the Senior Vice President (Commercial) & Company Secretary interalia to deal with investor complaints. Further, the Board of Directors of JHL has constituted a Share Transfer/Investors Grievance Committee comprising of Mr. S.K. Bansal, Chairman, Smt. Manju Sharma and Lieutenant General (Retired) S.N. Endley, directors of JHL. This Committee reviews redressal of complaints including complaints in respect of transfer of shares, loss of shares and dividend warrants not received, and submits its Review Report to the Board of Directors for their perusal. Investor complaints are redressed as expeditiously as possible, generally in about two weeks but not later than four weeks.

Mechanism for Redressal of Investor Grievances of JEL

JEL has a Secretarial and Shares Department headed by the Additional General Manager (Finance & Accounts) & Company Secretary. The shares of JEL are listed on the Delhi and Kanpur Stock Exchanges and the company has about 1,135 shareholders as on date. Even though the shares are listed on these Stock Exchanges, there has been virtually no trading of these shares for the past several years. Further the company has rarely received any complaint from its investors. The requests for transfer, transmission and issue of duplicate shares are effected in about two weeks' time.

Mechanism for Redressal of Investor Grievances of the Company

The agreement executed between the Registrar to the Offer, Karvy Computershare Private Limited and us, provide for retention of records with the Registrar to the Offer for a period of at least three years from the last date of dispatch of letters of intimation to successful applicants, demat credit, refund orders to enable the investors to approach the Registrar to the Offer for redressal of their grievances.

All grievances relating to the Offer may be addressed to the Registrar to the Offer, giving full details such as name, address of the applicant, number of shares applied for, amount paid on application and the collection center where the application was submitted.

Disposal of Investor Grievances

We estimate that the average time required by us or the Registrar to the Offer for the redressal of routine investor grievances shall be seven working days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we or Registrar will seek to redress these complaints as expeditiously as possible.

We have appointed Mr. M. M. Sibbal, Company Secretary, as the Compliance Officer and he may be contacted in case of any pre-Offer or post Offer related query. He can be contacted at: Jaiprakash Hydro-Power Limited, Head office JA Annexe, 54 Basant Lok, Vasant Vihar, New Delhi 110 057, India, Tel: (11) 2614 1540, 2614 7411, Fax: (11) 2614 3591, 2614 5389, E-mail: jhpl.ipo@jalindia.co.in

Details of our borrowings

For details of our borrowings, please refer to the section titled "Financial Statements – Annexure IX – Secured Loans" on page 122 of this Red Herring Prospectus.

TERMS OF THE OFFER

The Equity Shares being offered by the Selling Shareholder are subject to the provisions of the Companies Act, 1956 Securities Contracts (Regulation) Act, 1956, Securities Contracts (Regulation) Rules, 1957, the Memorandum and Articles of the Company the terms of this Red Herring Prospectus, Bid-cum-Application Form, the Revision Form, the Confirmation of Allocation Note ("CAN") and other terms and conditions as may be incorporated in the allocation advices, and other documents/certificates that may be executed in respect of the Offer. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Stock Exchanges, RBI, RoC and/or other authorities, as in force on the date of the Offer and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being offered are subject to the provisions of the Memorandum and Articles of Association of the Company and rank pari passu in all respects, including right to receive dividend and other corporate benefits, if any, with the other existing Equity Shares of the Company.

Face Value and Offer Price

The Equity Shares with a face value of Rs. 10 each are being offered in terms of this Red Herring Prospectus at an Offer price of Rs. [·] per share. The Company undertakes that at any given point of time there shall be only one denomination of the Equity Shares of the Company.

Compliance with SEBI Guidelines

The Company shall comply with all disclosures and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholders

Subject to applicable laws, the equity shareholders have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a public limited company under the Companies Act and Memorandum and Articles of Association of the Company.

For a detailed description of the main provisions of the Company's Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, refer to the section titled "Main Provisions of Articles of Association of the Company" on page 161 of this Red Herring Prospectus.

Market Lot

As trading of the Equity Shares is compulsorily in dematerialised mode, the tradable lot is one equity share. Allocation of Equity Shares through this Offer will be done only in electronic form to the successful bidders, subject to a minimum of 200 Equity Shares.

Jurisdiction

Exclusive jurisdiction for the purpose of this Offer is with competent courts/authorities in New Delhi, India.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first bidder, along with other joint bidders, may nominate any one person in whom, in the event of the death of sole bidder or in case of joint bidders, death of all the bidders, as the case may be, the Equity Shares transferred, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the equity share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Shares in the event of his/her death during the minority. A nomination shall stand rescinded upon a sale / transfer / alienation of Equity Shares by the person nominating.

In accordance with section 109B of the Companies Act, any person, who becomes a nominee by the virtue of the provisions of section 109A of the Companies Act, shall upon production of such evidence as may be required by Board, elect either:

a) to register himself / herself as the holder of the Equity Shares; or
b) to make such transfer of the Equity shares as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to

transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the transfer of Equity Shares in the Offer will be made only in dematerialised mode, there is no need to make a separate nomination with the Company. Nominations registered with respective depository participant of the applicant would prevail. If the investors require to change the nomination, they are requested to inform their respective depository participant.

Application by Eligible NRIs and FIIs

Pursuant to the Circular bearing no. A.P. (DIR Series) Circular No. 16 dated October 4, 2004 issued by RBI, Government of India has decided to dispense with the requirement of obtaining prior approval of the Foreign Investment Promotion Board, Ministry of Finance in respect of transfer of shares, by way of sale, from residents to non-residents (including transfer of subscriber's shares) of an Indian company in sectors other than financial service sector (i.e. Banks, NBFCs and Insurance) provided that (i) the activities of the investee company are under automatic route under the FDI Policy; (ii) such transfer does not attract the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997; (iii) the non-resident shareholding after the transfer, complies with the sectoral limits under the FDI Policy; and (iv) the price at which the transfer takes place is in accordance with the pricing guidelines prescribed by SEBI / RBI. In the present Offer, all the above conditions are met with, and there is no requirement to obtain any prior approval of FIPB.

We have received a "no objection" letter from the RBI for the transfer of Equity Shares to FIIs, NRIs and other permitted persons through this Offer pursuant to its letter no. FE.CO.FID/5903/10.I.07.02.200(659)/2004-05 dated March 7, 2005. This approval is subject to compliance with certain conditions/ filing requirements. Thus, it will not be necessary for the investors to seek separate permission from the RBI for this specific purpose. However, it is to be distinctly understood that there is no reservation for NRIs, FIIs and Venture Capital funds and all NRI, FII and Venture Capital funds applicants will be treated on the same basis with other categories for the purpose of transfer/ allocation. As per the RBI regulations, OCBs cannot participate in the Issue.

The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended or any state securities laws in the United States and will not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons "(as defined in Regulations of the US Securities Act).

Application by Mutual Funds

As per the current regulations the following restrictions are applicable for investments by mutual fund:

No mutual fund scheme shall invest more than 10% of its net asset value in the equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No Mutual Fund under its scheme should own more than 10% of any company's paid up capital carrying voting rights.

Further, bidders may bid as per the limits prescribed above.

The above information is given for the benefit of the bidders. Our Company, JAL, the BRLMs and the Lead Manager are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Prospectus. Bidders are advised to make their independent investigations and ensure that the number of equity shares bid for do not exceed the applicable limits under laws or regulations.

OFFER STRUCTURE

The present Offer is an offer for sale of 180,000,000 Equity Shares, of Rs. 10 each, for cash at a price of Rs. [·] per Equity Share aggregating Rs. [·] million. Out of this, 18,000,000 Equity Shares are reserved for allocation to employees and directors of the Company and JAL, and 18,000,000 Equity Shares are reserved for allocation to the shareholders of JAL and Jaypee Hotels Limited. The Net Offer to public is 144,000,000 Equity Shares. This Offer is being made through a 100% Book Building Process.

	Reserved Portion for Employees and Directors of the Company and JAL	**Reserved portion for shareholders of JAL and Jaypee Hotels Limited**	**QIBs**	**Non-Institutional Bidders**	**Retail Individual Bidders**
Number of Equity Shares	Up to 18,000,000 Equity Shares	Up to 18,000,000 Equity Shares	Up to 72,000,000 Equity Shares or Net Offer to Public less allocation to Non-Institutional Bidders and Retail Individual Bidders	Minimum of 36,000,000 Equity Shares or Net Offer to Public less allocation to QIBs and Retail Individual Bidders	Minimum of 36,000,000 Equity Shares or Net Offer to Public less allocation to QIBs and Non-Institutional Bidders
Percentage of Offer Size available for allocation	Up to 10% of Offer size	Up to 10% of Offer size	*#Up to 50% or Net Offer to Public less allocation to Non-Institutional Bidders and Retail Individual Bidders	*#Minimum 25% or Net Offer to Public less allocation to QIBs and Retail Individual Bidders	*#Minimum 25% or Net Offer to Public less allocation to QIBs and Non-Institutional Bidders
Basis of Allocation if respective category is oversubscribed	Proportionate	Proportionate	Discretionary	Proportionate	Proportionate
Minimum Bid	200 Equity Shares and thereafter in multiples of 100 Equity Shares	200 Equity Shares and thereafter in multiples of 100 Equity Shares	Such number of Equity Shares that the Bid Amount exceeds Rs. 50,000 and in multiples of 100 Equity Shares.	Such number of Equity Shares that the Bid Amount exceeds Rs. 50,000 and in multiples of 100 Equity Shares.	200 Equity Shares and thereafter in multiples of 100 Equity Shares
Maximum Bid	Such number of Equity Shares that the number of Equity Shares Bid for should not exceed 18,000,000 Equity Shares	Such number of Equity Shares that the number of Equity Shares Bid for should not exceed 5,00,000 Equity Shares	Such number of Equity Shares that the Bid Amount exceeds Rs. 50,000 and in multiples of 100 Equity Shares, not exceeding the Offer Size subject to applicable regulations	Such number of Equity Shares that the Bid Amount exceeds Rs. 50,000 and in multiples of 100 Equity Shares, not exceeding the Offer Size	Such number of Equity Shares so as to ensure that the Bid Amount does not exceed Rs. 50,000 and in multiples of 100 Equity Shares
Mode of Allotment	Compulsorily in Dematerialised form	Compulsorily in Dematerialised form	Compulsorily in Dematerialised form	Compulsorily in Dematerialised form	Compulsorily in Dematerialised form
Trading Lot	One	One	One	One	One
Size of allocation	Minimum of 200 Equity Shares and in multiples of 100 Equity Shares thereafter	Minimum of 200 Equity Shares and in multiples of 100 Equity Shares thereafter	Minimum of 200 Equity Shares and in multiples of 100 Equity Shares thereafter	Minimum of 200 Equity Shares and in multiples of 100 Equity Shares thereafter	Minimum of 200 Equity Shares and in multiples of 100 Equity Shares thereafter
Who can Apply	Permanent Employees and Directors of JAL and the Company as on cut-off date i.e. March 11, 2005	Equity shareholders of JAL and Jaypee Hotels Limited as on cut-off date i.e. March 11, 2005	Public financial institutions, as specified in section 4A of the Companies Act, scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, multilateral and bi-lateral development financial institutions, venture capital funds, Foreign Venture Capital Investors registered with SEBI and State Industrial Development Corporations, Insurance companies registered with Insurance Regulatory and Development Authority Provident Funds with minimum corpus of Rs. 250 million and Pension Funds with minimum corpus of Rs. 250 million who are authorised under their constitution to hold and invest in Equity Shares	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, scientific, institutions, societies and trusts	Individuals (including NRIs and HUFs) applying for up to Rs. 50,000
Terms of Payment	Margin Amount applicable to reserved portion for Permanent Employees and Directors of the Company and JAL at the time of submission of Bid-cum-Application Form to the members of the Syndicate	Margin Amount applicable to reserved portion for equity shareholders of JAL and Jaypee Hotels at the time of submission of Bid cum Application Form to the members of the Syndicate	Margin Amount applicable to QIB Bidders at the time of submission of Bid-cum-Application Form to the members of the Syndicate	Margin Amount applicable to Non-Institutional Bidders at the time of submission of Bid-cum-application Form to the members of the Syndicate	Margin Amount applicable to Retail Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate
Margin Amount	Full Bid Amount on Bidding	Full Bid Amount on Bidding	NIL	Full Bid Amount on Bidding	Full Bid Amount on Bidding

Note:
* The percentages referred are with reference to the Net Offer to Public in case of QIBs, Non Institutional Bidders and Retail Individual Bidders.
# Any under subscription in Equity Shares reserved for allocation to Permanent Employees and Directors of the Company and JAL as well as the equity shareholders of JAL and Jaypee Hotels Limited shall be added to these categories.

At the discretion of the Selling Shareholder, the Company, BRLMs and the Lead Manager :
(a) Unsubscribed portion in any reserved category may be added to any other reserved category.
(b) The unsubscribed portion, if any, after such inter se adjustments amongst the reserved categories shall be added back to the Net Offer to Public.
(c) In case of under-subscription in the Net Offer to Public portion spillover to the extent of undersubscription shall be permitted from the reserved catgegory to the Net Offer to Public.

OFFER PROCEDURE

Book Building Procedure

The Offer is being made through the 100% Book Building Process wherein up to 50% of the Net Offer to Public shall be available for allocation on a discretionary basis to QIBs. Further at least 25% of the Net Offer to Public shall be available for allocation on a proportionate basis to the Retail Individual Bidders and at least 25% of the Net Offer to Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received on or above the Offer Price within the Price Band.

Bidders are required to submit their Bids through the Syndicate Members. The Selling Shareholder and the Company in consultation with the BRLMs, reserve the right to reject any Bid from QIBs procured by any or all members of the Syndicate without assigning any reason thereof. In case of Non-Institutional Bidders and Retail Individual Bidders, the Company and the Selling Shareholder shall have a right to reject the Bids only on technical grounds.

Investors should note that Equity Shares would be transferred to all successful allottees only in the dematerialised form.

Bidders will not have the option to getting allotment in physical form. The Equity Shares, on allocation, shall be traded only in the dematerialised segment of the Stock Exchanges.

Bid-Cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple bids. Upon the allocation of Equity Shares, dispatch of the Confirmation of Allocation Note, ("CAN"), and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorised the Company to make the necessary changes in this Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing this Red Herring Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories, is as follows:

Category	Colour of Bid-cum-Application Form
Indian public, NRIs applying on a non-repatriation basis	White
NRIs or FIIs or FVCIs applying on a repatriation basis	Blue
Employees and Directors of the Company and JAL	Pink (marked "Employees")
Equity Shareholders of JAL and Jaypee Hotels Limited	Green (marked "Shareholders")

Who can Bid

1. Indian nationals resident in India who are majors, in single or joint names (not more than three);
2. Hindu Undivided Families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
3. Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the Equity Shares;
4. Indian Mutual Funds registered with SEBI;
5. Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations, as applicable);
6. Venture Capital Funds registered with SEBI;
7. Foreign Venture Capital Investors (FVCIs) registered with SEBI;
8. State Industrial Development Corporations;
9. Trust/ society registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/ society and who are authorised under their constitution to hold and invest in Equity Shares;
10. NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable laws;
11. Scientific and/ or Industrial Research Organisations authorised to invest in Equity Shares;
12. Insurance companies registered with Insurance Regulatory and Development Authority;
13. Provident Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in Equity Shares;
14. Pension Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in Equity Shares;
15. Multilateral and bilateral development financial institutions.

Note: The BRLMs, Syndicate Members and any associate of the BRLMs and Syndicate Members (except asset management companies on behalf of mutual funds, Indian financial institutions and public sector banks) cannot participate in that portion of the Offer where allocation is discretionary. Further, the BRLMs and Syndicate Members shall not be entitled to subscribe to this Offer in any manner except towards fulfilling their underwriting obligation.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under the relevant regulations or statutory guidelines.

The offer of Equity Shares to a single FII should not exceed 10% of the post-offer paid-up capital of the Company (i.e. 10% of 491,000,600 Equity Shares of Rs. 10 each). In respect of an FII investing in the Equity Shares of the Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the post-offer paid-up capital. As of now, the aggregate FII holding in the Company cannot exceed 24% of the total issued capital of the Company.

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions or Venture Capital Funds and Foreign Venture Capital invester registered with SEBI. Accordingly, the holding by any Venture Capital Fund or foreign Venture Capital investor should not exceed 25% of the corpus of the Venture Capital Funds and Foreign Venture Capital investors. Equity Shares allotted to Venture Capital funds and foreign Venture Capital investors through this offer shall be locked in for a period of one year.

The above information is given for the benefit of the Bidders. Our Company, the Selling Shareholder, the BRLMs, and the Lead Manager are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended or any state securities laws in the United States and will not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons "(as defined in Regulations of the Securities Act).

Maximum and Minimum Bid Size

(a) For Retail Individual Bidders: The Bid must be for a minimum of 200 Equity Shares and in multiples of 100 Equity Shares thereafter up to a maximum of Rs. 50,000. In case the Bid is for more than Rs. 50,000, the same would be considered for allocation under the Non-Institutional Bidders category.

(b) For Other (Non-Institutional Bidders and QIBs) Bidders: The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 50,000 and in multiples of 100 Equity Shares thereafter. All Individual Bidders whose maximum Bid Amount exceeds Rs. 50,000 would be considered under this category. A Bid cannot be submitted for more than the size of the Offer. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them.

(c) For Permanent Employees and Directors of the Company and JAL: The Bids must be for a minimum of 200 Equity Shares and in multiples of 100 Equity Shares thereafter, with the maximum number of Equity Shares Bid for not exceeding 18,000,000 Equity Shares.

(d) For equity shareholders of group companies JAL and Jaypee Hotels Limited: The Bids must be for a minimum of 200 Equity Shares and in multiples of 100 Equity Shares thereafter, with the maximum number of Equity Shares Bid for not exceeding 5,00,000 Equity Shares.

In case of revision in Bids, the Non-Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 50,000 for being considered for allocation in the Non-Institutional Category. In case the Bid Amount reduces to Rs. 50,000 or less due to a revision in Bids, Bids by Non -Institutional Bidders who are eligible for allocation in the Retail Individual Bidder category would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIB Bidders are not allowed to bid at "Cut off" Price.

Bidding Process

(a) The Company will file the Red Herring Prospectus with the RoC at least three days before the Bid/ Offer Opening Date.

(b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to prospective investors.

(c) Any investor (who is eligible to invest in the Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid-cum-Application Form can obtain the same from the Head Office or from any of the BRLMs or Syndicate Members.

(d) The Selling Shareholder, the Company, the BRLMs, and the Lead Manager shall declare the Bid/Offer Opening Date, Bid/ Offer Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in an English national Daily with wide circulation, one Hindi National newspaper and a regional language newspaper with wide circulation at the place where the registered office of the issuer is situated, which shall be in the format and contain the minimum disclosures as given in Part A of Schedule XX-A of SEBI (DIP) Guidelines .

(e) Investors who are interested in subscribing for the Company's Equity Shares should approach any of the BRLMs or Syndicate Members or their authorised agent(s) to register their Bid.

(f) The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of the members of the Syndicate. Bid-cum-Application Forms which do not bear the stamp of the members of the Syndicate, will be rejected.

Bidding

(a) Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled "Bids at Different Price Levels" given below in this page) and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Offer Price, the maximum number of Equity Shares bid for by a Bidder at or above the Offer Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.

(b) The Bidder cannot bid on another Bid-cum-Application Form after his or her Bids on one Bid-cum-Application Form have been submitted to any member of the Syndicate. Submission of a second Bid-cum-Application Form to either the same or to another member of the Syndicate will be treated as multiple bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Offer. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph "Build up of the Book and Revision of Bids" on page 142 of this Red Herring Prospectus.

(c) The BRLMs and Syndicate Members will enter each bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form. It will be the responsibility of the Bidder to collect the TRSs from the Syndicate Members.

(d) Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph titled "Terms of Payment" on page 141 of this Red Herring Prospectus.

Bids at Different Price Levels

(a) The Price Band has been fixed at Rs. 27 to Rs. 32 per Equity Share of Rs. 10 each, Rs. 27 being the Floor Price and Rs. 32 being the Cap Price. The Bidders can bid at any price with in the Price Band, in multiples of Re 1.

(b) The Selling Shareholder and the Company in consultation with the BRLMs, can finalise the Offer Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.

(c) The Selling Shareholder and the Company in consultation with the BRLMs, can revise the Price Band during the Bidding Period, in which case the Bidding Period shall be extended for a further period of three days, subject to the total Bidding Period not exceeding thirteen days. The Cap Price shall not exceed the Floor Price by more than 20% of the Floor Price. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the Floor Price disclosed in the Red Herring Prospectus.

(d) Any revision in the Price Band will be widely disseminated by informing the stock exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi), and one regional newspaper and also indicating the change on the relevant websites and the terminals of the members of the Syndicate and the Bidding Period shall be extended for a further period of three days, subject to the total Bidding Period not exceeding thirteen days.

(e) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders and Bidders in the Reserved Categories applying for a maximum bid in any of the Bidding Options not exceeding Rs 50,000 may bid at "Cut-off" price. However, bidding at "Cut-off price" is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non Institutional Bidders shall be rejected.

(f) Retail Individual Bidders who bid at the Cut-off price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-off price shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders (i.e. the total number of Equity Shares allocated in the Offer multiplied by the Offer Price), Retail Individual Bidders shall receive the refund of the excess amounts from the Escrow Account.

(g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had bid at Cut-off could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band, with the member of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs.50,000, the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Offer Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downward for the purpose of allocation, such that no additional payment would be required from the Bidder.

(h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded.

(i) In the event of any revision in the Price Band, whether upwards or downwards, the Minimum Application Size shall remain 200 Equity Shares irrespective of whether the Bid Amount payable on such Minimum Application is in the range of Rs. 5,000 to Rs. 7,000 or not.

Escrow Mechanism

The Selling Shareholder, the Company and the members of the Syndicate shall jointly open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/ or revision of the bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the Escrow Accounts. The Escrow Collection Banks will act in terms of this Red Herring Prospectus and an Escrow Agreement. The monies in the Escrow Account shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Offer for Sale Account with the Bankers to the Offer as per the terms of the Escrow Agreement .

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Escrow Collection Bank(s), the Selling Shareholder, the Company, the Registrar to the Offer and BRLMs, Lead Manager and Syndicate Members to facilitate collections from the Bidders.

Payment of refund, if any, to the Bidders shall also be made from the respective Escrow Account by the Escrow Collection Banks, as per the terms of the Escrow Agreement and this Red Herring Prospectus.

Terms of Payment

Each Bidder shall, with the submission of the Bid-cum-Application Form draw a cheque, demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details refer to the paragraph "Payment Instructions" on page 147 of this Red Herring Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid-cum-Application Forms accompanied by cash shall not be accepted. The maximum bid price has to be paid at the time of submission of the Bid-cum-Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft received from the Bidders with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till such time as the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account, as per the terms of the Escrow Agreement, into the Offer for Sale Account with the Banker(s) to the Offer. The balance amount after transfer to the Offer for Sale Account shall be held for the benefit of the Bidders who are entitled to refunds. On the Designated Date, and not later than 15 days from the Bid / Offer Closing Date, the Escrow Collection Bank(s) shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allocation to the Bidders.

Each category of Bidders i.e. QIBs, Non Institutional Bidders and Retail Individual Bidders would be required to pay their applicable Margin Amount at the time of the submission of the Bid-cum-Application Form. The details of the Margin Amount payable will be available with the members of the Syndicate is mentioned in the section titled "Offer Structure" on page 137 of this Red Herring Prospectus, and will be as per the Syndicate Agreement. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Offer Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder not later than the Pay-in-Date, which shall be a minimum period of 2 days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/Offer Closing Date.

Electronic Registration Of Bids

(a) The members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity to each city where the Bids are accepted.

(b) NSE and BSE will offer a screen-based facility for registering Bids for the Offer. This facility will be available on the terminals of the members of the Syndicate and their authorised agents during the Bidding Period. Members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis as per market practice. On the Bid Closing Date, the Company shall upload the Bids till such time as may be permitted by the Stock Exchanges.

(c) The aggregate demand and price for bids registered on the electronic facilities of NSE and BSE will be downloaded on a half hourly basis, consolidated and displayed on-line at all bidding centers. A graphical representation of consolidated demand and price would be made available at the bidding centers during the bidding period.

(d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the investor
- Investor Category – Individual, Corporate, NRI, FII, or Mutual Fund, etc.
- Numbers of Equity Shares bid for
- Bid price
- Bid-cum-Application Form number

- Whether payment is made upon submission of Bid-cum-Application Form
- Depository Participant Identification No. and Client Identification No. of the Demat Account of the Bidder

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or the Selling Shareholder.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) The members of the Syndicate have the right to review the Bid. Consequently, the member of the Syndicate also has the right to accept the Bid or reject it without assigning any reason, in case of QIBs. In case of Non-Institutional Bidders, Retail Individual Bidders and Reserved Categories, Bids shall not be rejected except on technical grounds listed on page 149 of this Red Herring Prospectus.

(h) It is to be distinctly understood that the permission given by NSE and BSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company, the Selling Shareholder, BRLMs are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our promoters, our management or any scheme or project of our Company.

(i) It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the NSE and BSE.

Build up of the Book and Revision of Bids

(a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on an on-line basis. Data would be uploaded on a regular basis.

(b) The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis.

(c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum-Application Form.

(d) Revisions can be made in both the desired numbers of Equity Shares and the bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid-cum-Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

(e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. **Bidders are advised to retain copies of the blank Revision Forms.**

(f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIBs, the members of the Syndicate may at their sole discretion waive the payment requirement at the time of one or more revisions by the QIB Bidders.

(g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

(h) In case of discrepancy of data between NSE or BSE and the members of the Syndicate, the decision of the BRLMs based on the records of NSE or BSE shall be final and binding to all concerned.

Price Discovery and Allocation

(a) After the Bid/Offer Closing Date, the BRLMs will analyse the demand generated at various price levels and discuss pricing strategy with the Selling Shareholder and us.

(b) The Selling Shareholder in consultation with us and the BRLMs (refer SEBI guideline 11.3.1 (xiv)) shall finalise the "Offer Price", the number of Equity Shares to be allocated and the allocation to successful QIB Bidders. The allocation will be decided based on the quality of the Bidder determined broadly by the size, price and time of the Bid.

(c) The allocation for QIBs of up to 50% of the Net Offer to Public shall be discretionary. The allocation to Non-Institutional Bidders and Retail Individual Bidders of not less than 25% and not less than 25% of the Net Offer to Public, respectively,

and to the Permanent Employees and Directors of the Company and JAL of not more than 10% of Offer Size and to the equity shareholders of JAL and Jaypee Hotels Limited of not more than 10% of Offer Size, shall be on proportionate basis, in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Offer Price.

(d) At the discretion of the Selling Shareholder, the Company, BRLMs and the Lead Manager :

(i) Unsubscribed portion in any reserved category may be added to any other reserved category.

(ii) The unsubscribed portion, if any, after such inter se adjustments amongst the reserved categories shall be added back to the Net Offer to Public.

(iii) In case of under-subscription in the Net Offer to Public portion spillover to the extent of undersubscription shall be permitted from the reserved catgegory to the Net Offer to Public.

(e) Allocation to Eligible NRIs or FIIs applying on repatriation basis will be subject to FEMA regulations.

(g) The BRLMs in consultation with the Selling Shareholder and us, shall notify the Syndicate Members of the Offer Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

(h) The Selling Shareholder, the Company in consultation with the BRLMs and the Lead Manager reserve the right to cancel the Offer any time after the Bid/Offer Opening Date but before allocation.

(i) In terms of SEBI Guidelines, QIBs Bidders shall not be allowed to withdraw their bid after the Bid / Offer Closing Date.

Signing Of Underwriting Agreement And RoC Filing

(a) The Company, the Selling Shareholder, the BRLMs, and Lead Manager and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Offer Price and allocation(s) to the Bidders.

(b) After signing the Underwriting Agreement, we would update and file the updated Red Herring Prospectus with RoC, which then would be termed as 'Prospectus'. The Prospectus would have details of the Offer Price, Offer Size, underwriting arrangements and would be complete in all material respects.

Advertisement Regarding Offer Price And Prospectus

A statutory advertisement will be issued by the Company after the filing of the Prospectus with the RoC. This advertisement in addition to the information that has to be set out in the statutory advertisement shall indicate the Offer Price along with a table showing the number of Equity Shares and the amount payable by an investor. Any material updates between the date of this Red Herring Prospectus and the date of the Prospectus will be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note

(a) The BRLMs/Lead Manager/Registrar to the Offer shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Offer.

(b) The members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Offer. The despatch of a CAN shall be deemed to be a valid, binding and irrevocable contract for the Bidder to pay the entire Offer Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.

(c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Offer subject, however, to realisation of their cheque or demand draft paid into the Escrow Account. The despatch of a CAN shall be to be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Offer Price for all the Equity Shares to be transferred to such Bidder.

Designated Date and Transfer of Equity Shares

(a) After the funds are transferred from the Escrow Account to the Offer for Sale Account on the Designated Date, the Selling Shareholder and the Company would ensure transfer of the Equity Shares to the allottees within 2 days of the finalisation of the basis of allocation.

(b) All allottees will receive credit for the Equity Shares directly in their depository account. **Equity Shares will be offered only in the dematerialised form to the allottees**. Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Offer.

General Instructions

Do's:

a) Check if you are eligible to apply;

b) Read all the instructions carefully and complete the Bid-cum-Application Form , as applicable;

c) Ensure that you Bid only in the Price Band and in multiple of rupee one only.

d) Ensure that the details about Depository Participant and Beneficiary Account are correct as Equity Shares will be transferred in the dematerialized form only;

e) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;

f) Ensure that you have been given a TRS for all your Bid options; and

g) Submit Revised Bids to the same member of the Syndicate with whom the Original Bid was placed and obtain a revised TRS.

Don'ts:

(a) Do not Bid for lower than the minimum Bid size;

(b) Do not Bid/ revise Bid price to less than the lower end of the price band or higher than the higher end of the price band;

(c) Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate;

(d) Do not pay the Bid Amount in cash;

(e) Do not send Bid-cum-Application Forms by post; instead submit the same to a member of the Syndicate only;

(f) Do not Bid at Cut-off price (for QIBs and non-institutional bidders);

(g) Do not fill up the Bid-cum-Application Form such that the Equity Shares bid for exceeds the Offer size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations.

Instructions for completing the Bid-Cum-Application Form

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the BRLMs or Syndicate Members.

Bids and Revisions of Bids

(a) Bids and revisions of Bids must be made only in the prescribed Bid-cum-Application Form or Revision Form, as applicable (white colour for Resident Indians and NRIs on Non Repatriation Basis, blue colour for Eligible non residents, NRI or FII applying on repatriation basis and pink colour marked "Employees" for Permanent Employees and Directors of the Company and JAL and green colour marked "Shareholders" for equity shareholders of JAL and Jaypee Hotels Limited.

(b) Bids and revisions of Bids must be completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected.

(c) The Bids from the Retail Individual Bidders must be for a minimum of 200 Equity Shares and in multiples of 100 thereafter subject to a maximum Bid Amount of Rs. 50,000.

d) For Non-Institutional and QIB Bidders, Bids must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 50,000 and in multiples of 100 Equity Shares thereafter. Bids cannot be made for more than the Offer Size. Bidders are advised to ensure that no Bid from them exceeds the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.

e) Bids and revisions of Bids must be in single name or in joint names (not more than three).

f) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bids by Employees and Directors of Company and JAL

1. Bids by Permanent Employees and Directors of the Company and JAL shall be made only in the prescribed Bid-cum-Application Form or Revision Form, (i.e. pink colour form marked "Employees").
2. The sole/first bidder should be a Permanent Employee/ Director of JAL/ the Company.
3. Only Permanent Employees and Directors of the Company and JAL as on the cut-off date i.e. March 11, 2005 would be eligible to apply in this Offer under reservation for Permanent Employees and Directors of the Company and JAL on competitive basis.
4. Permanent Employees and Directors of the Company and JAL will have to Bid like any other Bidder. Only those Bids, which are received at or above the Offer Price, would be considered for allocation under this category.
5. The Bid must be for minimum of 200 Equity Shares and shall be in multiples of 100 Equity Shares.
6. The maximum bid in this category can be 18,000,000 shares.
7. If the aggregate demand in this category is less than or equal to 18,000,000 Equity Shares at or above the Offer Price, full allocation shall be made to the Permanent Employees and Directors of the Company and JAL to the extent of their demand. For further details in case of undersubscription in this category kindly refer to section titled "The Offer" on page 5 of this Red Herring Prospectus.
8. If the aggregate demand in this category is greater than 18,000,000 Equity Shares at or above the Offer Price, the allocation shall be made on a proportionate basis subject to a minimum of 200 Equity Shares. For the method of proportionate basis of allotment, please refer paragraph "Basis of Allocation" on page 154 of this Red Herring Prospectus.

Bids by Equity Shareholders of JAL and Jaypee Hotels Limited

1. Bids by equity shareholders of JAL and Jaypee Hotels Limited shall be made only in the prescribed Bid-cum-Application Form or Revision Form, (i.e. green colour form marked "Shareholders").
2. The sole/first bidder should be an equity shareholder of JAL and Jaypee Hotels Limited
3. Only equity shareholders of JAL and Jaypee Hotels Limited as on the cut-off date i.e. March 11, 2005 would be eligible to

apply in this Offer under reservation for equity shareholders of JAL and Jaypee Hotels Limited on competitive basis.

4. Equity shareholders of JAL and Jaypee Hotels Limited will have to Bid like any other Bidder. Only those Bids, which are received at or above the Offer Price, would be considered for allocation under this category.
5. The Bid must be for minimum of 200 Equity Shares and shall be in multiples of 100 Equity Shares thereafter.
6. The maximum bid in this category can be 500,000 shares.
7. If the aggregate demand in this category is less than or equal to 18,000,000 Equity Shares at or above the Offer Price, full allocation shall be made to the equity shareholders of JAL and Jaypee Hotels Limited to the extent of their demand. For further details in case of undersubscription in this category kindly refer to section titled "The Offer" on page 5 of this Red Herring Prospectus.
8. If the aggregate demand in this category is greater than 18,000,000 Equity Shares at or above the Offer Price, the allocation shall be made on a proportionate basis subject to a minimum of 200 Equity Shares. For the method of proportionate basis of allotment, refer to paragraph "Basis of Allocation" on page 154 of this Red Herring Prospectus.

Bidder's Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid-cum-Application Form, the Registrar to the Offer will obtain from the Depository the Bidders bank account details. **These Bank Account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk.**

Unique Identification Number - MAPIN

In terms of SEBI (Central Database of Market Participants) Regulations, 2003 as amended from time to time and SEBI Notification dated November 25, 2003 and July 30, 2004, circular dated August 16, 2004 and press release dated December 31, 2004, no specified investor being a body corporate shall subscribe to securities which are proposed to be listed in any recognized stock exchange unless such specified investor, its Promoters and directors have been allotted unique identification numbers (UIN) save and except: (i) those Promoters or directors who are persons resident outside India, who are required to obtain UIN before December 31, 2005; and (ii) where such specified investor being a body corporate has applied for allotment of a UIN before December 31, 2004 and has not yet been allotted the UIN until the disposal of his application or, where he has filed an appeal, till the disposal of the appeal, as the case may be.

In terms of the above it shall be compulsory for specified investor being a body corporate making application in this Issue to give their UIN. In case where a body corporate has made an application for such number before December 31, 2004 but the same has not been allotted, or where an appeal has been filed, but not disposed off, the investor shall indicate the same in the space provided in the Application Form.

Application forms from specified investors being body corporate not providing their UIN or UIN application status, in cases where they have applied for such UIN before December 1, 2004, shall be liable to be rejected.

Bidders Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant- Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Offer will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation (hereinafter referred to as Demographic Details). Hence, Bidders should carefully fill in their Depository Account details in the Bid-cum-Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/Allocation Advice and printing of Bank particulars on the refund order and the Demographic Details given by Bidders in the Bid-cum-application Form would not be used for these purposes by the Registrar.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the Bid-cum-Application Form, Bidder would have deemed to authorise the depositories to provide, upon request, to the Registrar to the Offer, the required Demographic Details as available on its records.

Refund Orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once

sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid -cum- Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidder's sole risk.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's client identification number, then such Bids are liable to be rejected.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, the Company and the Selling Shareholder reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid-cum-Application Form. Failing this, our Company and the Selling Shareholder reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company and the Selling Shareholder reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company and the Selling Shareholder reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

We and the Selling Shareholder, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid-cum-Application Form, subject to such terms and conditions that we, the Selling Shareholder and the BRLMs may deem fit.

Bids by NRIs and FIIs on a Repatriation Basis

1. Eligible NRIs / FIIs Bidders can obtain the Bid-cum-Application Forms from the BRLMs or the members of the Syndicate.
2. NRI / FII Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange through approved banking channels shall be considered for allocation under the NRI category.
3. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid-cum-Application form meant for Resident Indians (white in colour) and shall not use the forms meant for reserved categories, and transfer, if any, would be on non-repatriation basis.

Bids and Revision to Bids must be made

a. On the Bid-cum-Application Form or the Revision Form as applicable, and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
b. In a single name or joint names (not more than three).
c. By NRIs - For a minimum of 200 Equity Shares and in multiples of 100 thereafter subject to a maximum of Rs. 50,000 for the Bid to be considered as part of the Retail Portion. Bids for Rs. 50,001or more would be considered under Non Institutional Category for the purposes of allocation; FIIs – for a minimum of 200 Equity Shares and in multiples of 100 thereafter subject to a maximum of 10% of equity share Capital of our Company; for further details please refer to the section titled "Offer Procedure - Maximum and Minimum Bid Size" on page 139 of this Red Herring Prospectus.
d. In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals or their nominees.
e. Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted byd the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Pursuant to the Circular bearing no. A.P. (DIR Series) Circular No. 16 dated October 4, 2004 issued by RBI, Government of India has decided to dispense with the requirement of obtaining prior approval of the Government (FIPB) in respect of transfer of shares, by way of sale, from residents to non-residents (including transfer of subscriber's shares) of an Indian company in sectors other than financial service sector (i.e. Banks, NBFCs and Insurance) provided that (i) the activities of the investee

company are under automatic route under the FDI Policy; (ii) such transfer does not attract the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997; (iii) the non-resident shareholding after the transfer, complies with the sectoral limits under the FDI Policy; and (iv) the price at which the transfer takes place is in accordance with the pricing guidelines prescribed by SEBI / RBI. In the present Offer, all the above conditions are met with, and there is no requirement to obtain any prior approval of FIPB.

We have received a "no objection" letter from the RBI for the transfer of Equity Shares to FIIs, NRIs and other permitted persons through this Offer pursuant to its letter no. FE.CO.FID/5903/10.I.07.02.200(659)/2004-05 dated March 7, 2005. This approval is subject to compliance with certain conditions/ filing requirements. Thus, it will not be necessary for the investors to seek separate permission from the RBI for this specific purpose. However, it is to be distinctly understood that there is no reservation for NRIs and FIIs and all NRI and FII applicants will be treated on the same basis with other categories for the purpose of transfer/ allocation.

Sale proceeds of such investment in Equity Shares will be allowed to be repatriated along with the income thereon subject to the permission of the RBI and subject to Indian Tax Laws and regulations and any other applicable laws provided the investments are made by inward remittances from outside India through approved banking channels or out of funds held in NRE (Non-Resident External) or FCNR (Foreign Currency Non-Resident) Accounts.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money payable upon submission of the Bid-cum-Application Form or Revision Form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Payment Instructions

We, the Selling Shareholder, the BRLMs and the Syndicate Members shall open an Escrow Account(s) with the Escrow Collection Bank(s) for the collection of the Bid Amount payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation in the Offer. Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payments into escrow account for the Offer

- The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid cum Application Form draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.
- In case no Margin Amount has been paid by the Bidders during the Bidding Period, on receipt of the CAN, an amount equal to Offer Price multiplied by the Equity Shares allocated to the Bidder, shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the Syndicate Member(s) by the BRLMs.
- The payment instruments for payment into the Escrow Account of the Company should be drawn in favour of:
  - In case of Resident Bidders: "**Escrow Account - JHPL Offer For Sale**"
  - In case of Non Resident Bidders: "**Escrow Account - JHPL Offer For Sale - NR**."
  - In case of Permanent Employees and Directors of the Company and JAL: **"Escrow Account - JHPL Offer For Sale - Employees"**
  - In case of shareholders of JAL and Jaypee Hotels Limited: "**Escrow Account - JHPL Offer For Sale - Shareholders**"
- In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of a Non-Resident Ordinary (NRO) Account of a Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account.
- In case of Bids by NRIs applying on non-repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance or out of a Non-Resident Ordinary (NRO) Account of a Non-Resident Bidder bidding on a non-repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR or NRO Account.
- In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the

draft has been issued by debiting the Special Rupee Account.

- Where a Bidder has been allocated lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Account.
- The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.
- On or after the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreements into the Offer for Sale Account with the Bankers to the Offer.
- No later than 15 days from the Bid/ Offer Closing Date, the Escrow Banker shall refund all amounts payable to unsuccessful Bidder and also the excess amount paid by Bidding, if any, after adjusting for allocation to Bidders

Payments should be made by cheque, or demand draft drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/Money orders/ Postal orders will not be accepted

Payment by Stockinvest

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003 the option to use the stock invest instruments in lieu of cheques or bank demand drafts for payment of bid money has been withdrawn. Hence payment through Stock Invest will not be accepted in this Offer.

Submission of Bid-Cum-Application Form

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid. Member of the Syndicate may at its sole discretion waive the requirement of payment at the time of submission of the Bid-cum-Application Form and Revision Form.

Separate receipts shall not be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

Other Instructions

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("First Bidder "). All communications will be addressed to the First Bidder and will be despatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Bids made by Employees both under Employee Reservation Portion as well as in the Net Offer to Public shall not be treated as multiple Bids. Bids made by Shareholder both under Shareholder Reservation Portion as well as in the Net Offer to Public shall not be treated as multiple Bids.

The Selling Shareholder and we reserve the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

PAN or GIR Number

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of an Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the application form. Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the Sole/First Bidder and Joint Bidder(s) is/are not required toobtain PAN, each of the Bidder(s) shall mention "Not Applicable' and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or Form 61 (form of declaration

to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the addres: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61 as the case may be.**

Our Right to Reject Bids

The Company, the Selling Shareholder and the members of the Syndicate reserve the right to reject any Bid without assigning any reason thereof in case of QIBs. In case of Non-Institutional Bidders, Retail Individual Bidders and the Employees/Shareholders under the reservation category. the Selling Shareholder, the Company, the BRLMs and Lead Manager have a right to reject bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the bidder's address at the Bidder's risk.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected on, among others, the following technical grounds:

1. Amount paid doesn't tally with the highest number of Equity Shares bid for;
2. Bank account details (for refund) are not given;
3. Age of First Bidder not given;
4. Bid by minor;
5. PAN or GIR Number not given if Bid is for Rs. 50,000 or more;
6. Bids for lower number of Equity Shares than specified for that category of investors;
7. Bids at a price less than lower end of the Price Band;
8. Bids at a price more than the higher end of the Price Band;
9. Bids at cut-off price by Non-Institutional and QIB Bidders;
10. Bids for number of Equity Shares, which are not in multiples of 100;
11. Category not ticked;
12. Multiple bids as defined on page 148 of this Red Herring Prospectus;
13. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
14. Signature of sole and / or joint bidders missing;
15. Bid-cum-Application Form does not have the stamp of the BRLMs, and Lead Manager or Syndicate Members;
16. Bid-cum-Application Form does not have Bidder's depository account details;
17. Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bid-cum-Application Form, Bid/Offer Opening Date advertisement and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid-cum-Application Form; or
18. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. For further details please refer to the section titled "Terms of the Offer" on page 135 of this Red Herring Prospectus.
19. Bids accompanied with Stockinvests;
20. Bids by OCBs; or
21. Bids by U.S. residents or U.S. persons.
22. Any other reason which the BRLMs, Lead Manager or the Selling Shareholder deem necessary.

Equity Shares in Dematerialised Form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Offer shall be transferred only in a de-materialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two tripartite agreements have been signed between our Company and the Depositories:

- an agreement dated March 4, 2005 amongst NSDL, Karvy Computershare Pvt. Ltd. and the Company.
- an agreement dated March 3, 2005 amongst CDSL, Karvy Computershare Pvt. Ltd. and the Company.

All bidders can seek allocation only in dematerialised mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected.

a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.

b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's Identification number) appearing in the Bid-cum-Application Form or Revision Form.

c) Equity shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder

d) Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

e) Non-transferable allocation advice or refund orders will be directly sent to the Bidder by the Registrar to this Offer.

f) If incomplete or incorrect details are given under the heading 'Request for Equity Shares in electronic form' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.

g) The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.

h) It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. Both the Stock Exchanges (NSE and BSE) where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

i) The trading of the Equity Shares of the Company would be in dematerialised form only for all investors.

j) As this Offer comprises of Offer for Sale by the existing shareholders of JHPL, investors are advised to instruct their Depository Participants to accept the Equity Shares that may be allocated to them pursuant to this Offer.

Communications

All future communications in connection with Bids made in this Offer should be addressed to the Registrar to the Offer quoting the full name of the sole or First Bidder, Bid-cum-Application Form number, number of Equity Shares applied for, date of bid, the name and address of the syndicate member where the Bid was submitted and cheque, draft number and issuing bank thereof.

Despatch of Refund Orders

The Company shall ensure despatch of refund orders of value over Rs. 1,500 by registered post or speed post only and refund orders of value upto Rs. 1,500 by UPC and adequate funds for the purpose shall be made available to the Registrar to the Offer by the Selling Shareholder.

Undertaking by the Selling Shareholder and the Company

The Selling Shareholder and the Company undertake as follows:

- that the complaints received in respect of this Offer shall be attended to by the Company and the Selling Shareholder expeditiously and satisfactorily;
- that we shall take all steps to ensure that the dispatch of refund orders and demat credit is completed and the allotment and listing documents submitted to stock exchanges within 2 working days of finalization of basis of allotment.
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at both the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- that the funds required for despatch of refund orders or allocation advice by registered post or speed post shall be made available to the Registrar to the Offer,
- that the refund orders or allocation advice to the NRIs or FIIs shall be dispatched within specified time; and
- that no further issue of Equity Shares shall be made till the Equity Shares Offered through this Red Herring Prospectus are listed or until the bid monies are refunded on account of non-listing, under-subscription etc.

Utilisation of Offer Proceeds

The Selling Shareholder certifies that all monies received out of the Offer shall be transferred to a separate Bank Account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act.
The Selling Shareholder shall not have recourse to the Offer Proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

Time Schedule for Refunds and Transfer of Equity Shares

The Selling Shareholder, the Company and the members of the Syndicate reserve the right to reject any Bid without assigning any reason thereof in case of QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, the Selling Shareholder and we have a right to reject bids based on technical grounds. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 days of the Bid/Offer Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within 15 days of the Bid/Offer Closing Date. The Selling Shareholder and our Company will ensure allocation of the Equity Shares within 15 days from the Bid/Offer Closing Date, and the Selling Shareholder shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if transfer is not effected, refund orders are not dispatched and/ or demat credits are not made to investors within two working days from the date of allotment.

Disposal of Applications and Applications Money

The Selling Shareholder and the Company shall ensure despatch of allocation advice, transfer advice or refund orders and give benefit to the Beneficiary Account with Depository Participants and submit the documents pertaining to the allocation to the Stock Exchanges within two working days of date of finalisation of allocation of Equity Shares. The Selling Shareholder and we shall dispatch refund orders, if any, of value up to Rs. 1,500, "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by Registered Post or Speed Post at the sole or First Bidder's sole risk.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for allocation and trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of finalisation of the basis of allotment.

In accordance with the Companies Act, the requirements of the stock exchanges and SEBI Guidelines, JAL and the Company further undertake that:

- Despatch refund orders within 15 days of the Bid/Offer Closing Date would be ensured; and
- The Selling Shareholder shall pay interest at 15% per annum (for any delay beyond the 15-day time period as mentioned above), if transfer is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15-day time prescribed above.
- Transfer of Equity Shares shall be made only in dematerialised form within 15 days of the Bid/Offer Closing Date.

The Selling Shareholder will provide adequate funds required for dispatch of refund orders or allocation advice to the Registrar to the Offer. Refunds will be made by cheques, pay orders or demand drafts drawn on a bank appointed by the Selling Shareholder or our Company as a refund banker and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

Interest on Refund of Excess Bid Amount

The Selling Shareholder shall pay interest at the rate of 15% per annum on the excess Bid Amount received by the Selling Shareholder if refund orders are not dispatched within 15 days from the Bid/Offer Closing Date as per the Guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the industrial policy of the Government of India, or the Industrial Policy and FEMA. While the industrial policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy. FEMA regulates the precise manner in which such investment may be made. As per current foreign investment policies, foreign direct investment up to 100% is allowed in companies in the infrastructure and power generation sector. When required, the government body responsible for granting foreign investment approvals is RBI through its authorised dealers. As per the present regulations, under the portfolio investment scheme the maximum permissible FII investment in our Company can be up to 24% of the equity capital. This can be raised to 100% by the adoption of a special resolution of our shareholders; however, as of the date hereof, no such resolution has been recommended to our shareholders for adoption.

BASIS FOR THE OFFER PRICE

The Offer Price will be determined by the Selling Shareholder in consultation with the Company, the BRLMs and the Lead Manager on the basis of assessment of market demand for the offered Equity Shares by way of Book Building.

You should read the following summary with the section titled "Risk Factors" on page ix of this Red Herring Prospectus and the more detailed information about us and our financial statements included in this Red Herring Prospectus. The trading price of our equity shares could decline due to these risks and you may lose all or part of your investment.

QUALITATIVE FACTORS

We have a long term PPA with HPSEB

Our long term PPA with HPSEB would provide stability to our operations irrespective of competition and the changing market scenario, during the currency of the PPA. It provides for (a) guaranteed off-take of power generated by us and (b) reimbursement of fixed and variable costs of the Power Plant by HPSEB.

Our PPA provides for assured Return on Equity in the form of Tariff

Our PPA also provides for assured return of 16% p.a. on the equity capital as approved in the AFP and incentives for higher Plant Availability and generation of Secondary Energy up to specified limits.

We draw strength from our promoter lineage

We have drawn upon experience of our promoters during the construction of the Power Plant. Our promoter, JAL, has over four decades of experience in undertaking EPC and turnkey contracts in the field of hydropower, as a leading construction company or as leader of consortia / joint ventures, involving generation of over 8,000 MW of power across the country.

Our Power Plant is successfully commissioned

Our power plant is the largest private hydro-electric power plant in the country. We, along with the Jaypee group, have engineered and executed the Power Project from concept to commissioning.

There are no vagaries with respect to raw material costs

There are no specific raw material costs involved in the operation of hydro-electric power plant. Thus we are not exposed to vagaries with respect to raw material costs and changes in raw material prices.

Experienced Management Team

We have a strong management team. We have also recruited managerial and technical personnel with experience in the operation and management of hydro-electric power plants.

Hydropower is a clean, environment friendly and economically attractive source of energy

Hydropower is a renewable, economic, non-polluting and environmentally benign source of energy. There is no fuel cost during the life of the power plant as hydropower generation is a non consumptive use of water except to the extent of the free power being provided to HPSEB. The benefits of hydropower as a clean, environment friendly and economically attractive source of energy have been sufficiently recognized. Hydropower stations have the inherent ability for instantaneous starting, stopping, load variations etc. and also have capacity of enhanced system reliability and economics of utilization of resources.

We operate our power plant in power deficit northern region of India

The Energy and Resources Institute (TERI) has concluded that the power deficit is likely to continue in the northern region of India over the five year period during 2003-04 to 2007-08 and that the deficit is likely to get accentuated in the event the commissioning of the capacity under construction / under planning gets delayed.

QUANTITATIVE FACTORS

1. Earning per equity share (EPS) of face value of Rs.10

Year	EPS (Rs.)	Weight
For the year ended March 31, 2004 (annualized)	1.24	1
Six months ended September 30, 2004	1.30	2
Weighted Average	1.28	

Weighted average EPS for Equity Share with face value of Rs.10 is Rs.1.28.

2. Price/Earning Ratio (P/E)* in relation to Offer Price of Rs.[·]
   a. Based on FY 2004 EPS of Rs.1.24 - [·] x
   b. Based on weighted average EPS of Rs.1.28 - [·] x

* would be calculated after discovery of the Offer Price through Book-building

3. Return on Net Worth (RONW)

	RONW (%)	Weight
Year ended March 31, 2004	12.75%	1
Six months ended September 30, 2004	11.11%	2
Weighted Average	11.66%	

4. Minimum Return on Total Net Worth after Offer needed to maintain pre-Offer EPS
There is no change in Networth post-offer as this is offloading of the stake by our Promoter, JAL

5. Net Asset Value (NAV) per share post-offer and comparison with the Offer Price
There is no change in Networth post-offer as this is offloading of the stake by our Promoter, JAL

As at March 31, 2004 : Rs.10.79
Offer Price* : Rs.[·]
* would be compared after discovery of the Offer Price through Book Building

The Offer Price of Rs.[·] has been determined on the basis of the demand from investors through the Book Building process and is justified based on the above accounting ratios.

6. Comparison with Industry Peers*

Parameters	JHPL	Reliance Energy Limited	Tata Power Limited	Gujarat Industries Power Co. Limited
Face Value	10.00	10.0	10.0	10.0
EPS (annualized) (Rs.)	1.24	18.7	24.5	5.4
Book Value (Rs.)	10.79	266.5	255.0	42.9
RONW (%)	12.75%	10.6%	10.8%	13.7%
P/E Multiple	[·]	23.4	15.8	6.4

* Our EPS, Book Value & RONW have been taken from our restated audited financials for the year ended March 31, 2004. Information for other companies has been taken from Capital Market, Volume XIX/23 for the period January 17 - 30, 2005 for the category Power Generation and Supply.

STATUTORY AND OTHER INFORMATION

Consents

Consents in writing of: (a) the Directors, the Company Secretary, the Auditors, Legal Advisors, Bankers to the Company and Bankers to the Offer; and (b) The Book Running Lead Managers, Syndicate Members to the Offer, Lead Manager to the Offer, Escrow Collection Bankers, Registrar to the Offer, Legal Advisors to the Company, JAL (JAL being the Selling Shareholder) and the BRLMs, and Lead Manager, to act in their respective capacities, have been obtained and filed along with a copy of this Red Herring Prospectus with the Registrar of Companies, Punjab, Himachal Pradesh and Chandigarh as required under Section 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration.

M/s. R Nagpal Associates, Chartered Accountants and our statutory auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with ROC.

M/s. R Nagpal Associates, Chartered Accountants, have given their written consent to the tax benefits accruing to the Company and its members in the form and context in which it appears in this Red Herring Prospectus and has not withdrawn the same up to the time of delivery of this Red Herring Prospectus for registration with ROC.

Minimum Subscription

This being an Offer for Sale of Equity Shares, the requirement of minimum subscription is not a pre-condition for completion of the Offer and obtaining listing permissions.

Expert Opinion

We have not obtained any expert opinion, except the Auditor's Report dated January 23, 2005 from M/s. R Nagpal Associates as disclosed from page 110 to 124 and Tax Benefits certificate dated January 23, 2005 from M/s. R Nagpal Associates as disclosed from page 129 to 133.

Changes in Auditors during the last three years and reasons thereof

There has been no change in the auditors of the Company in the last three years.

Basis of Allocation

(A) For Permanent Employees and Directors of the Company and JAL (the "Employees" for purposes of this paragraph)

- Bids received from the Employees at or above the Offer Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Employees will be made at the Offer Price.
- If the aggregate demand in this reserved category is less than or equal to 18,000,000 Equity Shares at or above the Offer Price, full allocation shall be made to the Employees to the extent of their demand.
- If the aggregate demand in this reserved category is greater than 18,000,000 Equity Shares at or above the Offer Price, the allocation shall be made on a proportionate basis subject to a minimum of 200 Equity Shares. For the method of proportionate basis of allotment, refer below.

(B) For Equity Shareholders of JAL and Jaypee Hotels Limited

- Bids received from equity shareholders of JAL and JHL at or above the Offer Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Shareholders of Group Companies will be made at the Offer Price.
- If the aggregate demand in this reserved category is less than or equal to 18,000,000 Equity Shares at or above the Offer Price, full allocation shall be made to the Shareholders of Group Companies to the extent of their demand.
- If the aggregate demand in this reserved category is greater than 18,000,000 Equity Shares at or above the Offer Price, the allocation shall be made on a proportionate basis subject to a minimum of 200 Equity Shares. For the method of proportionate basis of allotment, refer below.

(C) For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Offer Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Retail Individual Bidders will be made at the Offer Price.
- The Offer size less allocation to Non – Institutional Bidders and QIBs and reserved categories shall be available for allocation to Retail Individual Bidders who have bid in the Offer at a price, which is equal to or greater than the Offer Price.
- If the aggregate demand in this category is less than or equal to 36,000,000 Equity Shares at or above the Offer Price, full allocation shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 36,000,000 Equity Shares at or above the Offer Price, the

allocation shall be made on a proportionate basis subject to a minimum of 200 Equity Shares. For the method of proportionate basis of allotment, refer below.

- Any under subscription in the reserved categories for employees and directors of the Company and JAL and equity shareholders of JAL and Jaypee Hotels Limited would be added to this category.

(D) For Non - Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Offer Price shall be grouped together to determine the total demand under this category. The allocation to all successful Non-Institutional Bidders will be made at the Offer Price.
- The Offer size less allocation to Retail Individual Bidders and QIBs shall and reserved categories be available for allocation to Non- Institutional Bidders who have bid in the Offer at a price, which is equal to or greater than the Offer Price.
- If the aggregate demand in this category is less than or equal to 36,000,000 Equity Shares at or above Offer Price, full allocation shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 36,000,000 Equity Shares at or above the Offer Price, allocation shall be made on a proportionate basis subject to a minimum of 200 Equity Shares. For the method of proportionate basis of allotment, refer below.

(E) For QIBs

- Bids received from the QIBs at or above the Offer Price shall be grouped together to determine the total demand under this category. The allocation to all the successful QIBs will be made at the Offer Price.
- The Offer size less allocation to Retail Individual Bidders and Non – Institutional Bidders shall and reserved categories shall be available for allocation to QIBs who have bid in the Offer at a price, which is equal to or greater than the Offer Price.
- The allocation would be broadly decided based on the quality of the Bidder determined by the size, price and date of the Bid.
- The aggregate allocation to QIB Bidders shall be upto 72,000,000 Equity Shares.

JAL and the Company, in consultation with the BRLMs would have the discretion for any allocation to QIBs.

At the discretion of the Selling Shareholder, the Company, BRLMs and the Lead Manager :

(a) Unsubscribed portion in any reserved category may be added to any other reserved category.

(b) The unsubcribed portion, if any, after such inter se adjustments amongst the reserved categories shall be added back to the Net Offer to Public.

(c) In case of under-subscription in the Net Offer to Public portion spillover to the extent of undersubscription shall be permitted from the reserved catgegory to the Net Offer to Public.

Method of Proportionate Basis of Allocation

In the event the Offer is over-subscribed, the basis of allotment to Retail Individual Bidders and Non-Institutional Bidders shall be finalised by JAL, the Company, the BRLMs/Lead Managers and the Registrar in consultation with The National Stock Exchange of India Limited (“NSE”), which is the Designated Stock Exchange for this purpose. The Executive Directors or Managing Directors of the BSE/NSE along with the BRLMs/Lead Manager and the Registrar to the Offer shall be responsible for ensuring that the basis of allotment is finalised in a fair and proper manner.

The transfer shall be made in marketable lot, on a proportionate basis as explained below:

a. Bidders will be categorised according to the number of Equity Shares applied for.

b. The total number of Equity Shares to be allocated/ transferred to each category as a whole shall be arrived at on a proportionate basis which is the total number of Equity Shares, applied for in that category (number of bidders in the category multiplied by the number of shares applied for) multiplied by the inverse of the over-subscription ratio.

c. Number of Equity Shares to be allocated/ transferred to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares, applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

d. In all Bids where the proportionate allotment is less than 200 Equity Shares per Bidder, the transfer shall be made as follows:
   - Each successful Bidder shall be allocated/ transferred a minimum of 200 Equity Shares; and
   - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares transferred/allocated in that category is equal to the number of Equity Shares calculated in accordance with (b) above.

e. If the proportionate allotment/allocated to a Bidder works out to a number that is more than 200 but is not a multiple of 100 (which is the lot size for allocation), the number in excess of the multiple of 100 would be rounded off to the higher multiple of 100 if that number is 150 or higher. If that number is lower than 150, it would be rounded off to the lower multiple of 100. All Bidders in such categories would be allocated/ transferred Equity Shares arrived at after such rounding off.

f. If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allocated/

transferred to the Bidders in that category, the remaining Equity Shares available for transfer shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Expenses of the Offer

The expenses of the Offer inclusive of brokerage, fees payable to the BRLMs, Lead Manager, Syndicate Members, other advisors to the Offer, fees of Legal Advisors, stamp duty, printing, publication, advertising and distribution expenses, bank charges, fees payable to the Registrars to the Offer, and other miscellaneous expenses is estimated to be approximately 4.50% to 5.00% of the Offer Size. In addition, the Selling shareholder, at its discretion may pay an incentive of 0.5% of the Offer Size to the BRLMs.

All cost and expenses relating to the Offer including costs relating to road shows, hotel and travel expenses of JHPL personnel etc. shall be borne by the Selling Shareholder, save and except to the extent JHPL is required to bear certain expenses, under law, e.g. listing fees.

Fees Payable to Book Running Lead Managers

The total fees payable to the Book Running Lead Managers will be as per the Letter of Engagement dated January 23, 2005, a copy of which is available for inspection at the Head Office of the Company.

Fees Payable to Lead Manager

The total fees payable to the Lead Manager will be as per the Letter of Engagement dated January 23, 2005, a copy of which is available for inspection at the Head Office of the Company.

Fees Payable to the Registrar to the Offer

The fees payable to the Registrar to the Offer will be as per the Agreement dated February 4, 2005 between the Company, and the Registrar a copy of which is available for inspection at the Head Office of the Company.

The Registrar will be reimbursed for all relevant out-of-pocket expenses including cost of stationery, postage, stamp duty, communication expenses. Adequate funds will be provided by JAL to the Registrar to the Offer to enable them to send refund orders or allocation advice by registered post/ speed post. Refund orders up to Rs.1,500 would be sent under certificate of posting.

Underwriting Commission, Brokerage and Selling Commission

The underwriting commission, and selling commission for the Offer is as set out in the Syndicate Agreement amongst us, JAL, the BRLMs, Lead Manager and the Syndicate Members.

The Underwriting Commission shall be paid as set out in the Syndicate Agreement based on the Offer Price and the amount underwritten as stated in paragraph “Underwriting Agreement” on page 13 of this Red Herring Prospectus.

Commission and Brokerage on Previous Issues

No sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares of the Company except for an amount of Rs. 81.3 million towards issue expenses (including commission and brokerage) transferred/allocated by JAL in the year 1995 in respect of promoters equity of Rs. 1,750 million raised by JAL in the Rights Issue in 1993 and transferred to the Company.

Previous Rights and Public Issues

The Company has not made any rights or public issue since its inception.

Outstanding Debenture or Bond Issues

The Company had privately placed Non-convertible Debentures of Rs. 3,000 million with ICICI Bank and IFCI Limited out of which Non-convertible Debentures of Rs.1,500 million subscribed by IFCI Limited have been prepaid with prepayment charges of Rs. 237.8 million. The Company had privately placed Non-convertible Debentures aggregating Rs. 1,740 million with UTI Bank Limited out of a sanctioned amount of Rs. 2,000 million

Outstanding Preference Shares

As of date, the Company did not have any outstanding preference shares.

Capitalisation of Reserves or Profits

The Company has not capitalised its reserves or profits at any time since its inception.

Issues otherwise than for Cash

The Company has not issued any Equity shares for consideration other than for cash.

Option to Subscribe

The Company has not given any options for any Equity Shares of the Company. Equity shares being offered through this Red Herring Prospectus can be applied for in the dematerialised form only.

Purchase of Property

There is no property which we have purchased or acquired or propose to purchase or acquire, which is to be paid for wholly or partly out of the proceeds of the present Offer or the purchase or acquisition of which has not been completed on the date of this Red Herring Prospectus, other than property in respect of which:

- the contracts for the purchase or acquisition were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of the Offer nor is the Offer contemplated in consequence of the contracts; or
- the amount of the purchase money is not material or
- the relevant disclosures in this Red Herring Prospectus have been made

Except as elsewhere stated in this Red Herring Prospectus, we have not purchased any property in which any of our promoters and/or Directors, have any direct/indirect interest or in any payment made thereof.

Remuneration of Managing Director/ Whole-Time Directors

Mr. Jaiprakash Gaur, Chairman

Mr. Jaiprakash Gaur was re-appointed as Chairman of the Company for a period of five years with effect from January 7, 2005 with substantial powers of Management, by the Board at their meeting held on December 29, 2004 and his appointment was confirmed by the members at their meeting held on January 12, 2005.

Mr. Jaiprakash Gaur has not drawn any remuneration from the Company right from his initial appointment with effect from January 7, 1995 till date.

Mr. J.N. Gaur, Whole-time Director

Mr. J.N. Gaur was re-appointed as whole-time director of the Company for a period of five years with effect from October 1, 2000 at a meeting of the Board held on September 28, 2000 the appointment of Mr. J.N. Gaur was confirmed at a meeting of the members of the Company at their meeting held on August 6, 2001 on the following remuneration terms and the conditions.

• Salary

Rs. 50,000 per month in the pay scale of Rs. 50,000 - Rs. 5,000 - Rs. 75,000 with an annual increment of Rs. 5,000. (The present basic salary of Mr. J.N. Gaur is Rs. 70,000)

• Perquisites

Perquisites including accommodation/ HRA, reimbursement of expenses for gas, electricity, water and furnishing, medical reimbursement, LTC, personal accident insurance, use of car and telephone, contribution to Provident Fund, gratuity, superannuation fund or annuity fund and leave encashment, etc, shall be allowed in addition to salary. Perquisites shall be restricted to an amount equal to the annual salary or the amount of entitlement in accordance with Schedule XIII of the Companies Act, 1956 as amended from time to time, whichever is less.

Mr. R. K. Narang, Whole-time Director

Mr. R.K. Narang was appointed as an additional director with effect from June 28, 2004. He was appointed as a whole-time director for a period of five years, with effect from June 28, 2004 at a meeting of the Board held on June 28, 2004. His appointment shall be confirmed at the next meeting of the members of the Company. Further the terms and conditions of his remuneration shall be confirmed at the next annual general meeting of the Company.

•Salary

Rs. 50,000 per month in the pay scale of Rs. 50,000 - Rs. 5,000 - Rs. 75,000 with an annual increment of Rs. 5,000

• Perquisites

Perquisites including accommodation/ HRA, reimbursement of expenses for gas, electricity, water and furnishing, medical reimbursement, LTC, personal accident insurance, use of car and telephone, contribution to Provident Fund, gratuity, superannuation fund or annuity fund and leave encashment, etc, shall be allowed in addition to salary. Perquisites shall be restricted to an amount equal to the annual salary or the amount of entitlement in accordance with Schedule XIII of the Companies Act, 1956 as amended from time to time, whichever is less.

Remuneration of the other Part-time/Non-Executive Directors

Mr. Sarat Kumar Jain

Mr. Sarat Kumar Jain was appointed as a part-time director with effect from December 21, 1994 at the first board meeting of the Company held on January 7, 1995 and his appointment was confirmed by a resolution passed at an Extra-Ordinary General Meeting of the Company held on July 5, 1995 and is liable to retire by rotation.

Mr. Sarat Kumar Jain received Rs.17,500 during the Financial Year ended March 31, 2004 and Rs. 5,000 during current financial year for nine months period ended December 31, 2004, towards sitting fees at the rate of Rs. 2,500 (increased to Rs. 5,000 with effect from December 29, 2004) per Board /Committee meetings.

Mr. Manoj Gaur

Mr. Manoj Gaur was appointed as a part - time director with effect from December 10, 2002 and his appointment was confirmed by a resolution passed at an annual general meeting of the Company held on September 30, 2003 and is liable to retire by rotation.

Mr. Manoj Gaur received Rs. 5,000 during the Financial Year ended March 31, 2004 and Rs. 5,000 during current financial year for nine months period ended December 31, 2004, towards sitting fees at the rate of Rs. 2,500 (increased to Rs. 5,000 with effect from December 29, 2004) per Board /Committee meetings.

Mr. Sunil Kumar Sharma

Mr. Sunil Kumar Sharma was appointed as a part - time director with effect from December 27, 1997 and is liable to retire by rotation.

Mr. Sunil Kumar Sharma received Rs. 10,000 during the Financial Year ended March 31, 2004 and Rs. 7,500 during current financial year for nine months period ended December 31, 2004, towards sitting fees at the rate of Rs. 2,500 (increased to Rs. 5,000 with effect from December 29, 2004) per Board/Committee meetings.

Mr. Gopi K Arora

Mr. Gopi K Arora was appointed as a part - time director with effect from January 7, 1995 by a resolution passed at a Board meeting held on January 7, 1995 and his appointment was confirmed by a resolution passed at the Annual General Meeting of the Company held on June 18, 1996 and is liable to retire by rotation.

Mr. Gopi K Arora received Rs. 17,500 during the Financial Year ended March 31, 2004 and Rs. 12,500 during current financial year for nine months period ended December 31, 2004, towards sitting fees at the rate of Rs. 2,500 (increased to Rs. 5,000 with effect from December 29, 2004) per Board /Committee meetings.

Dr. Ramesh C Vaish

Mr. Ramesh C Vaish was appointed as a part - time director with effect from September 21, 2002 and his appointment was confirmed by a resolution passed at an annual general meeting of the Company held on September 30, 2003 and is liable to retire by rotation.

Mr. Ramesh C Vaish has received Rs.10,000 during the Financial Year ended March 31, 2004 and Rs.7,500 during current financial year for nine months period ended December 31, 2004, towards sitting fees at the rate of Rs. 2,500 (increased to Rs. 5,000 with effect from December 29, 2004) per Board /Committee meetings.

Mr. Balkrishan Batra

Mr. Balkrishan Batra was appointed as a nominee director of IDBI with effect from February 11, 1994 and his appointment was noted by the Board of Directors by a resolution passed at a meeting held on March 31, 2004 and is not liable to retire by rotation. An amount of Rs. 2,500 (increased to Rs. 5,000 with effect from December 29, 2004) per meeting is paid to IDBI as sitting fees towards attendance of the Board/Committee meeting by Mr. Batra. Accordingly an amount of Rs. 2,500 was paid to IDBI during the financial year ended March 31, 2004 and Rs. 5,000 during the current financial year for nine months period ended December 31, 2004.

Mr. Bal Krishna Gupta

Mr. Bal Krishna Gupta was appointed as a nominee director of LIC with effect from December 30, 1993 and his appointment was noted by the Board of Directors by a resolution passed at a meeting held on December 30, 1993 and is not liable to retire by rotation.

An amount of Rs. 2,500 (increased to Rs. 5,000 with effect from December 29, 2004) per meeting is paid to LIC as sitting fees towards attendance of the Board/Committee meeting by Mr. Gupta. Accordingly, an amount of Rs. 2,500 was paid to LIC during the financial year ended March 31, 2004 and Rs. 2,500 during the current financial year for nine months period ended December 31, 2004.

Mr. Dattaram Gopal Kadkade

Mr. Dattaram Gopal Kadkade was appointed as a part - time director with effect from February 4, 2000 by a resolution passed at

a meeting held on November 1, 1999 of the Company and his appointment was confirmed by a resolution passed at an annual general meeting of the Company held on September 23, 2000 and is not liable to retire by rotation.

Mr. Dattaram Gopal Kadkade is entitled to sitting fees of an amount of Rs. 2,500 (increased to Rs. 5,000 with effect from December 29, 2004) per Board/Committee meetings by Mr. Kadkade. Mr. Kadkade has received an amount of Rs. 7,500 during the financial year ended March 31, 2004 and Rs.7,500 during current financial year for nine months period ended December 31, 2004, towards sitting fees.

Mr. Bal Krishna Taparia

Mr. Bal Krishna Taparia was appointed as a part - time director with effect from June 28, 2004 by a resolution passed at a board meeting held on June 28, 2004 and is liable to retire by rotation and his appointment is subject to re-appointment in the ensuing General Meeting of the Company.

Mr. Bal Krishna Taparia is entitled to sitting fees at the rate of Rs.2500 (increased to Rs. 5,000 with effect from December 29, 2004) per Board/Committee meeting. Mr. Taparia has received an amount of Rs.7,500 during the current financial year for nine months period ended December 31, 2004, towards sitting fees.

Mr. Narendra Singh

Mr. Narendra Singh was appointed as a part - time Director with effect from June 12, 1995 by a resolution passed at a Board meeting held on June 12, 1995 and his appointment was confirmed by a resolution passed at the Annual General Meeting of the Company held on June 18, 1996 and Mr. Narendra Singh was a whole-time Director from October 1, 1995 to August 15, 1999. At present he is a part-time director and is liable to retire by rotation.

Mr. Narendra Singh received Rs. 10,000 during the Financial Year ended March 31, 2004 and Rs.5,000 during current financial year for nine months period ended December 31, 2004, towards sitting fees at the rate of Rs.2,500 (increased to Rs. 5,000 with effect from December 29, 2004) per Board /Committee meetings.

Mr. Dharmendar Nath Davar

Mr. Dharmendar Nath Davar was appointed as a additional director with effect from September 25, 2004 by a resolution passed at a Board meeting held on September 25, 2004. His appointment is subject to re-appointment in the ensuing Annual General Meeting of the Company.

Mr. Dharmendar Davar received Rs. 2500 during the during current financial year for nine months period ended December 31, 2004, towards sitting fees at the rate of Rs.2,500 (increased to Rs. 5,000 with effect from December 29, 2004) per Board meeting.

Mr. Rangilal Gupta

Mr. Rangilal Gupta was appointed as an additional director with effect from September 25, 2004 by a resolution passed at a Board meeting held on September 25, 2004. His appointment is subject to re-appointment in the ensuing Annual General Meeting of the Company.

Mr. Rangilal Gupta received Rs. 5,000 during the during current financial year for nine months period ended December 31, 2004, towards sitting fees at the rate of Rs. 2,500 (increased to Rs. 5,000 with effect from December 29, 2004) per Board/ Committee meeting

Mr. S.D. Nailwal

Mr. S.D. Nailwal was appointed as a additional director with effect from September 25, 2004 by a resolution passed at a Board meeting held on September 25, 2004. His appointment is subject to re-appointment in the ensuing Annual General Meeting of the Company..

Mr. S.D. Nailwal received Rs. 2,500 during the during current financial year for nine months period ended December 31, 2004, towards sitting fees at the rate of Rs. 2,500 (increased to Rs. 5,000 with effect from December 29, 2004) per Board/Committee meeting.

Nature and Interest of Promoters/Directors

Except as stated in the section titled "Related Party Transactions" on page 78 of this Red Herring Prospectus, the Promoters, JAL, do not have any interest in our business except to the extent of investments made by them in us and earning returns thereon.

We do not pay any remuneration to our part-time Directors but we pay sitting fees of Rs. 2,500 (increased to Rs. 5,000 with effect from December 29, 2004) per Board/Committee meeting for attending each meeting of the Board/ Committee except to Mr. J. N. Gaur and Mr. R. K. Narang, Wholetime Directors. The Whole time Directors are interested to the extent of remuneration paid to them for services rendered as our officer or employee.

All our Directors may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board

or committees thereof as well as to the extent of other remuneration and/or reimbursement of expenses payable to them under the Articles. All the Directors may also be deemed to be interested to the extent of Equity Shares, if any, already held by them or their friends and relatives in the Company, or that may be purchased for and allotted to them out of the present Offer in terms of this Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

The Directors may also be regarded as interested in the Equity Shares, if any, held by or that may be subscribed by and allotted to the companies, firms and trust, in which they are interested as Directors, Members, partners and/or trustees.

All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by us with any company in which they hold Directorships or any partnership firm in which they are partners. No Director of our Company is interested in the appointment of the BRLMs, Lead Manager and Registrar. No Director of the Company is interested in any property acquired by the Company within two years of the date of this Red Herring Prospectus.

Except as stated otherwise in this Red Herring Prospectus, the Company has not entered into any contract, agreements or arrangement during the preceding two years from the date of this Red Herring Prospectus in which the directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements are proposed to be made to them.

Borrowing Powers of Directors

Article 59 of the Articles of Association, inter alia, provides that the Board may, from time to time at its discretion, subject to the provisions of Sections 58A, 292 and 293 of the Act and of these Articles, accept, deposits from Members either in advance of calls or otherwise and generally raise or borrow moneys, either from the Directors, their friends and relatives or from others for the purposes of the Company and/or secure the payment of any such sum or sums of money, provided however, where the moneys to be borrowed together with the moneys already borrowed (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) and then remaining outstanding and undischarged at that time exceed the aggregate, for the time being, of the paid up capital of the Company and its free reserves, that is to say, reserves, not set apart for any specific purposes, the Board shall not borrow such money without the consent of the Company in General Meeting by an ordinary resolution. The Board may raise and secure the payment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit, and in particular by receiving deposits, issue of bonds, debentures, perpetual, redeemable, debenture stock, or any security of the Company or by mortgage or charge or other security upon all or any part of the property or undertaking of the Company (both present and future), including its uncalled capital for the time being; provided that the Board shall not give any option or right to any person for making calls on the shareholders of the Company in respect of the amount unpaid for the time being on the shares held by them, without the previous sanction of the Company in General Meeting.

Article 60, inter alia, provides that subject to the provisions of the Act, and these Articles, the debentures, debenture stock, bond or other securities may be issued at a discount, premium or otherwise and with any special privileges and conditions as to redemption, surrender, drawings, attendance at General Meeting of the Company, allotment of share, appointment of Directors and otherwise, Debentures, debenture stock bond, and other securities may be made assignable, free from any equities between the Company and the person to whom the same may be issued. Provided that debenture/debenture stock, loan/loan stock with the right of conversion into equity shares, shall not be issued except with the sanction of the Company in General Meeting.

Article 61, inter alia, provides that subject to the provisions of the Act, if the Directors or any of them or any other person shall incur or be about to incur any liability or become personally liable, whether as principal or as surety, for the payment of any sum primarily due from the Company, the Board may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way, of indemnity to secure the Directors or persons so becoming liable as aforesaid from any loss in respect of such liability.

Revaluation of Assets

We have not revalued any of our assets since its inception.

Classes of Shares

Our Authorised Capital is Rs. 5000 million, which is divided into 500 million Equity Shares of Rs.10 each.

Payment or Benefit to Promoters or Officers of the Company

Except as stated otherwise in this Red Herring Prospectus, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our promoters or employees except the normal remuneration for services rendered as employees and equity shares of Jaiprakash Industries Limited (now JAL) at a price of Rs. 18 per share under the Employee Share Purchase Scheme in 2002 framed under the SEBI Guidelines.

MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY

The main provisions of the Articles of Association of the Company (hereinafter referred to the "**Articles**") post listing of our equity shares, inter alia, are as under:

Capital And Increase/Reduction Of Capital

Share Capital and Power to issue Preference Shares

Article 3 provides that the authorised share capital of the Company shall be such amount and be divided into such shares as may from time to time be provided in clause V of the Memorandum of Association, with power to increase or reduce the capital and divide the shares in the capital of the Company for the time being into equity share capital and preference share capital and to attach thereto respectively any preferential, qualified or special rights, privileges or conditions as may be determined in accordance with these presents and to modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be permitted by the said Act.

Further Issue of Shares

Article 3A(1), inter alia, provides that, where at the time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares, either out of the unissued capital or out of the increased share capital then:

(a) such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company, in proportion, as near as circumstances admit, to the capital paid up on those shares at that date;

(b) such offer shall be made by a notice specifying the number of shares offered, limiting the time to not less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined;

(c) the offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right. Provided that the Directors may decline, without assigning any reason to allot any shares to any person in whose favour any member may renounce the shares offered to him.

(d) after expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose off them in such manner and to such person (s) as they may think, in their sole discretion, fit.

Article 3A(2), inter alia, provides that notwithstanding anything contained in Article 3A (1) above, the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of Article 3A (1) hereof) in any manner whatsoever,

(a) if a special resolution to that effect is passed by the Company in General Meeting or

(b) where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the Chairman) by the members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the company.

Article 3A (3) inter alia provides that nothing in Article 3A (1) (c) above hereof shall be deemed:

(a) to extend the time within which the offer should be accepted ; or

(b) to authorise any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

Article 3A (4) inter alia provides nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debenture issued or loans raised by the company;

(i) to convert such debentures or loans into shares in the company; or

(ii) to subscribe for shares in the company (whether such option is conferred in these Articles or otherwise).

Provided that the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

(a) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf; and

(b) In the case of debentures or loans or other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the Company in General Meeting before the issue of the debentures or raising of the loans.

Dematerialisation of Securities

Article 3B, inter alia, provides that the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to the Depositories Act, 1996.

Option for Investors

Further, every person subscribing to securities offered by the Company shall have the option to receive security certificate or to hold the securities with a depository. Such person who is of the securities can at any time opt out of a depository, if permitted by the law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required Certificate of Securities.

If a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security.

Similar other provisions regarding holding of securities in fungible form, rights of the Depositories and beneficial owners, etc. are contained in this Article 3B.

Redemption of Preference Shares, if any

Article 4 provides that unless the Company in General Meeting otherwise determine or the terms of issue of Redeemable Preference shares otherwise provide, the redemption of Redeemable Preference shares shall be effected in the manner set out below:

(a) The redemption shall be made by repayment of capital paid up on such shares, together with premium, if any, agreed to be paid on redemption at any time or times after such date or dates as the Directors may determine.

(b) Such shares may be redeemed in entirety or in parts. In the latter case, the Directors may decide the number of shares and the individual shares to be redeemed on each occasion in such manner as they may deem fit.

(c) The registered holders of the shares to be redeemed shall be given one month's notice of the intention of the Directors to redeem the same as aforesaid at their registered address and also by public notice in at least two newspapers, of which one should be in the regional language and other in English, circulating in and around the place where the Registered Office of the Company is situated. The notice for redemption to the registered shareholders shall specify the particulars of the shares to be redeemed, the date fixed for redemption and the place at which the certificates for such shares are to be presented for redemption. On or before the date fixed for redemption, the holder of such shares shall be bound to deliver to the Company at the specified place the related share certificate/s for cancellation. If any certificate so delivered to the Company includes shares not redeemable on that date, a fresh certificate for unredeemed shares shall be issued to the registered holder of the shares.

(d) Upon surrender of the shares as aforesaid and after the expiry of the date fixed for redemption, the Company shall pay to such holder the amount paid up thereon together with premium, if any, agreed to be paid on redemption and accumulated dividend, subject to deduction of income-tax at the prescribed rates, whether declared or not on the capital paid up upto the date of redemption, whereafter dividend shall cease to accrue on the shares so redeemed.

Article 4 (ii) provides that in the event of winding up, the holders of preference shares of the Company will be entitled to receive all arrears of dividend accrued upto the commencement of the winding up, whether such dividends have been earned or declared or not.

Shares at the disposal of the Directors

Article 5, inter alia, provides that the shares in the capital of the company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the company on payment in full or part of any property sold and transferred or for any services rendered to the company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the company in the General Meeting.

Commission for placing shares, debentures, etc.

Article 6, inter alia, provides that the Company may, subject to and in accordance with the provisions of Section 76 and other applicable provisions (if any) of the Act, at any time, pay a commission to any person in consideration of his subscribing or agreeing to subscribe, whether absolutely or conditionally, for any shares in or debentures of the company or his procuring or agreeing to procure subscription, whether absolute or conditional for any share in, or debentures of the Company. The commission may be satisfied by the payment of the cash or the allotment of fully or partly paid shares or debentures or partly in one way and partly in the other subject to applicable provisions, if any, of the Act. The Company may also on any issue of shares or debentures, pay such shares or debentures, pay such brokerage as may be lawful, and usual or reasonable

Deposits and calls etc. to be a debt payable immediately

Article 8 provides that the money (if any) which the Board shall, on the allotment of any shares being made by them, require or direct to be paid by way of deposit, call, or otherwise, in respect thereof, shall immediately on the insertion of the name of the

allottee in the Register of Members as the name of the holder of such shares, become a debt due to and recoverable by the Company from the allottee thereof and shall be paid by him accordingly.

Increase in share capital

Article 11(a), inter alia, provides that the Company, may from time to time, by special resolution increase the authorised Share Capital by such sum to be divided into Shares of such amount as may be specified in the resolution.

New capital same as existing capital

Article 11 (b), inter alia, provides that except so far as otherwise provided by the conditions of issue or by these presents, any capital raised by the creation of issue of new shares shall be considered to be part of the then existing capital, and shall be subject to the provisions herein contained.

Reduction of capital

Article 13, inter alia, provides that the Company may, subject to the provisions of Sections 100 to 105 (both inclusive) and other applicable provisions, if any, of the Act, from time to time by special resolution, reduce its capital and any capital redemption reserve account or premium account in any manner for the time being authorised by law and in particular capital may be paid off on the footing that it may be called up again or otherwise, and the Company may, if and as far as is necessary, alter its Memorandum and Articles of Association by reducing the amount of its Share Capital and of its shares accordingly. Provided that such special resolution shall not be necessary in case of application of share premium account in the manner authorised by Section 78 of the Act.

Buy-Back of Shares

Article 13A, inter alia provides that, Notwithstanding anything contained in these Articles and in pursuance of Section 77A, 77AA and 77B of the Act, the Board of Directors may, when and if thought fit, buy -back such of the Company's own shares or securities as it may consider appropriate subject to such limits, restrictions, terms and conditions, approvals as may be required under the provisions of Companies Act including the amendment(s) thereof.

Sub-division, consolidation and cancellation of shares

Article 14, inter alia, subject to and in accordance with provisions of Section 94 and 95 of the Act, the Company in General Meeting may, by ordinary resolution from time to time, sub-divide or consolidate or cancel any of its shares, in such manner as it may think fit. The Company in General Meeting may also subject to the provisions of the Act, determine by ordinary resolution that as between the holders of the shares resulting from each sub-division, one or more of such shares shall have some preferential or special rights as regards dividends, payment of capital or otherwise.

Surrender of shares

Article 15 provides that Subject to the provisions of Sections 100 to 104 (both inclusive) of the Act, the Board may accept from any Member the surrender, on such terms and conditions as shall be agreed, of all or any of his shares.

Variation Of Shareholders' Rights

Power to vary rights

Article 16 (a), inter alia, provides that if at any time the share capital is divided into different classes of shares, rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of Sections 106 and 107 of the Companies Act and whether or not the Company is being wound up, be varied with the consent in writing of the holders of three-fourth of the issued shares of that class, or with the sanction of a special resolution passed at a separate General meeting of the holders of the shares of that class, or with the sanction of a special resolution passed at a separate General Meeting of the holders of the shares of that class. To every such separate General Meeting, the provisions of these Articles relating to General Meeting shall, to the extent consistent, apply.

Article 16 (b) provides that the rights conferred upon the holders of the shares of any class with preferred or other rights shall not, unless otherwise expressly provided by terms of the issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari-passu therewith.

Limitation of time for issue of Certificates

Article 17 provides that every member shall be entitled, without payment, to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the Directors so approve (upon paying such fee as the Directors may from time to time determine) to several certificates, each for one or more of such shares and the company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be. Every certificate of shares shall be under the seal of the company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid-

up thereon and shall be in such form as the directors may prescribe or approve, provided that in respect of a share or shares held jointly by several persons, the company shall not be borne to issue more than one certificate and delivery of a certificate of shares to one of several joint holders shall be sufficient delivery to all such holder.

Issue of new certificate in place of one defaced, lost or destroyed

Article 18, inter alia provides that if any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the company, a new certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the company and on execution of such indemnity as the company deem adequate, being given, an a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Every Certificates under the Article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs.2 for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.

Provided that notwithstanding what is stated above the Directors shall comply with such Rules or Regulation or requirements of any Stock Exchange or the Rules made under the Act or the rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable in this behalf.

The provisions of this Article shall mutatis mutandis apply to debentures of the Company.

Calls on shares

Article 19 provides that the Board may, from time to time, subject to the terms on which any shares may have been issued, and subject to the provisions of Section 91 of the Act, make such calls as the Board thinks fit upon the Members in respect of all moneys unpaid on the shares held by them respectively and not by the conditions of allotment thereof made payable at fixed times, and such Member shall subject to his having been given at least thirty days notice specifying the time or times and place of payment, pay the amount of every call so made on him to the persons and at the times and places so appointed by the Board. A call may be made payable by instalments and shall be deemed to have been made at the time when the resolution of the Board authorising such call was passed at a meeting of the Board.

When amount payable

Article 20 provides that if by the terms of issue of any share or otherwise any amount is made payable at any fixed time or by instalments at fixed times whether on account of the nominal amount of the share or by way of premium, every such amount or instalment shall be payable as if it were a call duly made by the Board and of which due notice has been given, and all the provisions herein contained in respect of calls, forfeiture or otherwise shall relate to such amount or instalment accordingly.

Payment of interest calls or instalment

Article 21 provides that if the sum payable in respect of any call or instalment be not paid on or before the day appointed for payment thereof, the holder for the time being of the shares in respect of which the call shall have been made, or the instalments shall be due, shall pay interest for the same at the rate of fifteen per cent per annum or such lower rate of interest as the Board may determine from time to time from the day appointed for the payment thereof till the time of actual payment. The Board shall be at liberty to waive payment of any such interest either wholly or in part.

Evidence in action by company against shareholder

Article 22 provides that on the trial or hearing of any action or suit brought by the Company against any shareholder or his legal representatives to recover any debt or money claimed to be due to the Company in respect of his shares, it shall be sufficient to prove that the name of defendant is, or was, when the claim arose, on the Register of Members of the Company as a holder, or one of the holders of the number of shares in respect of which such claim is made, that the resolution making the call is duly recorded in the Minutes Book and that the amount claimed is not entered as paid in the books of the Company, and it shall not be necessary to prove the appointment of the Board who made any call, or that a quorum was present at the Board meeting at which any call was made nor that such meeting was duly convened or constituted, nor any other matter whatsoever but the proof of the matters aforesaid shall be conclusive evidence of the debt.

Initial payment not to preclude forfeiture

Article 23 provides that neither a judgment in favour of the Company for calls or other moneys due in respect of any shares nor any part payment or satisfaction thereunder nor the receipt by the Company of a portion of any money which shall from time to time be due from any Member to the Company in respect of his shares, either by way of principal or interest, nor any indulgence granted by the Company in respect of the payment of any such money, shall preclude the Company from proceeding to enforce forfeiture of such shares as hereinafter provided.

Voting right when calls are in arrears

Article 24 provides that no member shall be entitled to exercise any voting rights either personally or by proxy at any meeting of

the Company in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company, has and has exercised, any right of lien.

Payment in anticipation of call may carry interest

Article 25, inter alia provides that the Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for and upon the amount so paid or satisfied in advance or so much thereof as from time to time exceeds the amount of the calls, then made upon the shares in respect of which such advance has been made, the company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced. The members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.
The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the Company.

Forfeiture And Lien

If call or installment not paid, notice may be given

Article 26, inter alia, provides that if any member fails to pay any call or installment of a call on or before the day appointed for the payment of the same, the Board may, at any time, thereafter during such time as the call or installment remains unpaid, serve notice on such member requiring him to pay the same, together with interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.

Form of notice

Article 27 provides that the notice shall name a day (not being less than thirty days from the date of the notice) and a place or places on and at which such call or instalment and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is payable will be liable to be forfeited.

If notice is not complied with share may be forfeited

Article 28, inter alia, provides that if the requirements of any such notice as aforesaid be not complied with, any share in respect of which such notice has been given may, at any time thereafter before payment of all calls or installments, interests and expenses due in respect thereof, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.

Notice after Forfeiture

Article 29 provides That when any share shall have been so forfeited, notice of the resolution shall be given to the Member in whose name it stood immediately prior to the forfeiture and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make such entry as aforesaid.

Forfeited share to become property of the company

Article 30 provides that any share so forfeited shall be deemed to be the property of the Company, and the Board may sell, re-allot or otherwise dispose of the same in such manner, as it thinks fit.

Power to annual forfeiture

Article 31, inter alia, provides that the Board may, at any time before any share so forfeited shall have been re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions, as it thinks fit.

Liability on forfeiture

Article 32, inter alia, provides that any person whose share has been forfeited shall cease to be a member in respect of the share, but shall notwithstanding such forfeiture, remain liable to pay, and shall forthwith pay to the company, all calls, or installments, interests and expenses, owing upon or in respect of such share, at the time of the forfeiture together with interest thereon, from the time of the forfeiture, until payment at fifteen per cent per annum or at such lower rate as the Board may from time to time determine and the Board may enforce the payment thereof, or any part thereof, without any deduction or allowance for the value of the shares at the time of forfeiture, but shall not be under any obligation to do so.

Evidence of forfeiture

Article 33, inter alia, provides that any duly verified declaration in writing that the declarant is a Director, Manager or Secretary of the Company and authorised by a Board resolution that certain shares in the Company have been duly forfeited on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to

the shares and such declaration and the receipt of the Company, for the consideration, if any, given for the shares on the sale or disposition thereof shall constitute a good title to such shares and the person to whom any such share is sold shall be registered as the holder of such share and shall not be bound to see the application of purchase money, nor shall his title to such share be affected by any irregularity or invalidity in the proceedings in reference to such forfeiture, sale or disposition.

Forfeiture provisions to apply to non-payment in terms of issue

Article 34, inter alia, provides the forfeiture provisions of these articles shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

Company's lien on Shares/Debentures

Article 35, inter alia provides that the Company shall have a first and paramount lien upon all the shares / debentures (other than fully paid-up shares / debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares / debentures and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full effect. And such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares / debentures. . Unless otherwise agreed the registration of a transfer of shares / debentures shall operate as a waiver of the Company's lien if any, on such shares / debentures. The Directors may at any time declare any shares / debentures wholly or in part to be exempt from the provisions of this clause.

As to enforcing lien by sale

Article 36, inter alia, provides for the purpose of enforcing such lien, the Board may sell the shares, but no sale shall be made until the sum in respect of which such lien exists is presently payable and until a notice in writing of the intention to sell has been served on such, member, the executor or administrator or other legal representative as the case may be and default has been made by him or them in the payment of the money called or payable at a fixed time in respect of such share for thirty days after the date of such notice.

Application of proceeds of sales

Article 37 provides that the net proceeds of the sale shall be received by the Company and after payment of the costs of such sale, applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable, and the residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the share before the sale) be paid to the persons entitled to the share at the date of the sale.

Validity of sales in exercise of lien and after forfeiture

Article 38 provides that upon any sale after forfeiture or for enforcing lien in the purported exercise of the powers hereinbefore given, the Board may appoint some person to execute an instrument of transfer of the share sold and cause the purchasers' name to be entered in the Register in respect of the share sold, and the purchaser shall not be bound to see to the regularity of the proceedings or to the application of the purchase money and after his name has been entered in Register in respect of such shares, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only.

Board may issue new certificate

Article 39, inter alia, provides that where any share under the powers in that behalf herein contained is sold by the Board and the certificate in respect thereof has not been delivered to the Company by the former holder of such share, the Board may issue a new certificate for such share distinguishing it in such manner as it may think fit from the certificate not so delivered up. On the issue of such certificate the original certificate in respect of such share shall stand automatically cancelled and be void.

Transfer And Transmission Of Shares

Execution of transfers

Article 40, provides ,inter alia, that transfer of a share shall not be registered unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee has been delivered to the Company together with the certificate, or, if no such certificate is in existence, with the Letter of Allotment of the share and such other evidence as the Board may require to prove the title of transferor and transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the Register in respect thereof. Each signature to such transfer deed shall be duly attested by the signature of one credible witness who shall add his name and address.

Company not to register transfer of less than such number of shares as may be fixed

Article 41, inter alia, provides that the Company shall not accept application for transfer of less than such number of shares as may, in consultation with the Stock Exchange/s on which the shares of the Company are listed, be fixed, provided however the said prohibition shall not apply to:

a) The transfer of equity shares made in pursuance of a statutory provision or an order of a court of law;

b) The transfer of the entire equity shares by the existing equity shareholder of the Company by a single transfer to single or joint names;

c) The transfer of more shares than the minimum prescribed in the aggregate in favour of same transferee under two or more transfer deeds, out of which one or more relates to the transfer of less than the minimum prescribed.

Instrument of Transfer

Article 42 provides that the instrument of transfer shall be in writing and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer or shares and registration thereof.

Directors may refuse to register transfer

Article 43 provides that subject to the provisions of Section 111 of the Act and Section 22A of the Securities Contracts (Regulation) Act, 1956, the Directors may, at their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the Company but in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except when the company has a lien on the shares. Transfer of shares / debentures in whatever lot shall not be refused.

No transfer to minor etc.

Article 44, provides that no transfer shall be registered in favour of a person of unsound mind and no transfer of partly paid shares shall be registered in favour of a minor.

Instrument of transfer to be deposited at office

Article 45, provides that every instrument of transfer shall be deposited at the Office of the Company or at such other place in the same city, town or village in which the Registered Office of the Company is situated, as the Board may from time to time determine for registration, accompanied by the documents and evidence as required under these Articles. The instrument of transfer shall after registration be retained by the Company and shall remain in its custody. All instruments of transfer which the Directors may decline to register may or may cause to be destroyed all transfer deeds lying with the Company for a period of three years or more.

No fee on transfer or transmission

Article 45A, provides that no fee shall be charged for registration of transfer, transmission, Probate, Succession Certificate and Letters of Administration, Certificate of Death or Marriage, Power of Attorney or similar other document

Power to close register of members

Article 46, inter alia, provides that on giving not less than seven days' previous notice by advertisement in some newspaper circulating in the district in which the Registered Office of the Company is situated, and subject to the provisions of Section 154 of the Companies Act, registration of transfer may be closed or suspended during such time and for such periods not exceeding in the aggregate forty five days in each year, but not exceeding thirty days at any one time as the Board may from time to time determine.

Persons entitled to shares by transmission

Article 47, inter alia, provides that in case of the death of a member, the survivor, where the deceased was a joint holder, and his legal representative, executor or administrator where he was a sole holder, shall be the only persons recognised by the Company as having any title to his interest in the shares; but nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by him with other persons. The Board may require any persons becoming entitled to shares in consequence of the death of any Member to obtain a Grant of Probate or Letter of Administration or other legal representation, as the case may be, from a Competent Court. Provided it shall be lawful for the Board in its absolute discretion to dispense with the production of Probate or Letter of Administration or such other legal representation upon such terms as to indemnity or otherwise as the Board may think fit, without in any case being bound to do so. The powers and discretions of the Board under this Article may be delegated and exercised by a Committee of Directors or an officer of the Company duly authorised in this regard.

Transfer of shares of insane, infant, deceased or bankrupt Members

Article 48 provides, inter alia, any committee or guardian of a person of unsound mind or minor or any person becoming entitled to the transfer of a share in consequence of the death or bankruptcy or insolvency of any Member or by any other lawful means, upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of his title as the Board thinks sufficient, may subject to the right of the Board to decline registration under Article 43 of these Articles, elect, either:

(i) To be registered himself as a holder of the shares, or
(ii) To make such transfer of the shares as the deceased or the insolvent Member could have made.

Nomination

Article 48A, inter alia provides that notwithstanding anything contained in the Articles of Association or in any other law for the time being in force, where a nomination has been made in the manner prescribed in Section 109A of the Act, purporting to confer on any person the right to vest the shares in, or debentures of the Company, the nominee shall, on the death of the shareholder or holder of debentures of the Company or, as the case may be, on the death of the joint holders, become entitled to all the rights in the shares or debentures of the company or, as the case may be, all the joint holders, in relation to such shares in or debentures of the Company to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner and the provisions contained in Sections 109A and 109B of the Act, shall be applicable to such cases.

Election under the transmission Article

Article 50 inter alia provides that:

(1) If any person so becoming entitled under the Transmission Article shall elect to be registered as holder of the share himself, shall deliver or send to the Company a notice in writing signed by him stating that he so elects.
(2) If the person aforesaid shall elect to transfer the share, he shall testify his election by executing an instrument of transfer of the share.
(3) All the limitations, restrictions and provisions of these Articles relating to the right of transfer and the registration of instruments of transfer of shares shall be applicable to any such notice or transfer as aforesaid as if the death, lunacy, bankruptcy or insolvency of the Member or transmission or devolution of his share by any other lawful means had not occurred and the notice of transfer was a transfer signed by that Member.

Right of person entitled to shares under the Transmission Article

Article 52, inter alia, provides that any person so becoming entitled under the Transmission Article to a share by reason of the death, lunacy, bankruptcy or insolvency of the holder thereof or by any other lawful means shall, subject to the provisions of these Articles be entitled to the same dividends and other advantages to which he would be entitled as if any were the registered holder of the share except that no such person shall, before being registered as a Member in respect of the share, being entitled to exercise in respect thereof any right conferred by membership in relation to meetings of the Company. Provided that the Board may at any time give notice requiring any such person to elect either to be registered himself as a Member in respect of such share or elect to have some person nominated by him registered as a Member in respect of such share subject to the right of the Board to decline registration under Article 43 of these Articles and, if such notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the share, until the requirements of the notice have been complied with.

The Company not liable for disregarding of a notice prohibiting registration of transfer

Article 53, inter alia, provides that neither the Company nor any of its Directors or other Officers shall incur any liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of a share made or purporting to be made by any apparent or legal owner thereof as shown or appearing in the register of members to the prejudice of persons having or claiming any equitable right, title or interest to or in such share, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer and may have entered any such notice or referred thereto in any book or record of the Company, and the Company shall not be bound or required to regard to attend or give effect to any such notice nor be under any liability whatsoever for refusing or neglecting so to do though it may have been entered or referred to in some book or record of the Company, but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto, if the Board shall so think fit.

Transfer of Debentures

Article 54 provides that the provisions of these Articles shall mutatis mutandis apply to the debentures or other securities issued by the company.

Term of Issue of Debentures

Article 54A, inter alia provides that any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any

privileges and conditions as to redemption, surrender, drawing, allotment of shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the company in the General Meeting by a Special Resolution.

Joint holders

Article 55, inter alia provides that where two or more persons are registered as the holder of any share, they shall be deemed (so far as the Company is concerned) to hold the same as joint tenants with benefits of survivorship but so that:

(a) The Company shall be entitled to decline to register more than three persons as joint- holders of any share, and

(b) The joint-holders of any share shall be liable severally as well as jointly for and in respect of all calls or installments and other payments which ought to be made in respect of such share.

Receipts of one sufficient

Article 56 states that any one of the joint-holders of a share may give effectual receipts for any dividends or other moneys payable in respect of such share or bonus share.

Delivery of certificate and giving notices to first named holders

Article 57, inter alia, states that only the person whose name stands first in the Register of Members as one of the joint-holders of any shares shall unless otherwise directed in writing by all joint holders and confirmed in writing by the Company be entitled to delivery of the certificate relating to such share or to receive notices (which expression shall be deemed to include all documents) from the Company and any notice given to or served on such persons shall be deemed as a notice of service to all the joint holders.

Subject to the provisions of these Articles, the person first named in the Register, as one of the joint-holders shall be deemed as a sole holder thereof for all the matters connected with the Company.

Voting right to first name holders

Article 58, inter alia, provides that anyone of the joint-holders of a share may vote at any meeting personally or by proxy as if he were a sole holder thereof provided that if more than one joint holder of the share is present personally or by proxy then such of them whose name stands higher in the Register in respect of such share shall alone be entitled to vote in respect thereof.

Borrowing Powers

Power to borrow

Article 59 inter alia provides that, the Board may, from time to time at its discretion, subject to the provisions of Sections 58A, 292 and 293 of the Act and of these Articles, accept, deposits from Members either in advance of calls or otherwise and generally raise or borrow moneys, either from the Directors, their friends and relatives or from others for the purposes of the Company and/ or secure the payment of any such sum or sums of money, provided however, where the moneys to be borrowed together with the moneys already borrowed (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) and then remaining outstanding and undischarged at that time exceed the aggregate, for the time being, of the paid up capital of the Company and its free reserves, that is to say, reserves, not set apart for any specific purposes, the Board shall not borrow such money without the consent of the Company in General Meeting by an ordinary resolution. The Board may raise and secure the payment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit, and in particular by receiving deposits, issue of bonds, debentures, perpetual, redeemable, debenture stock, or any security of the Company or by mortgage or charge or other security upon all or any part of the property or undertaking of the Company (both present and future), including its uncalled capital for the time being; provided that the Board shall not give any option or right to any person for making calls on the shareholders of the Company in respect of the amount unpaid for the time being on the shares held by them, without the previous sanction of the Company in General Meeting.

Indemnity may be given

Article 61, inter alia, states that subject to the provisions of the Companies Act, if the directors or any of them or any other person shall incur or be about to incur liability or become personally liable, whether as principal or as surety, for the payment of any sum primarily due from the Company, the Board may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the directors or persons so becoming liable as aforesaid from any loss in respect of such liability.

General Meeting

Annual General Meeting

Article 62, inter alia, provides that the Company shall in addition to any other meetings, each year hold a general meeting as its Annual General Meeting in accordance with the provisions of Section 166 of the Companies Act, at such time and place as may be determined by the Board and shall specify the meeting as such in the notices calling it. All general meetings other than

Annual General Meetings shall be called Extra-Ordinary General Meetings. If for any reason beyond the control of the Board, the general meeting (including an Annual General Meeting) can not be held on the appointed day, the Board shall have the power to postpone the general meeting of which a notice should be given to the members through advertisement in at least two newspapers, of which one should be in the language of the region in which the office of the Company is situated.

Extra-Ordinary General Meeting

Article 63, inter alia, provides that the Board may whenever it thinks fit, and shall on the requisition of the members in accordance with the provisions of Section 169 of the Companies Act, proceed to call an Extra-Ordinary General Meeting of the Company. The requisitionists may, in default of the Board convening the same, convene the Extra-Ordinary General Meeting as provided by section 169 of the Companies Act. Provided that unless the Board shall refuse in writing to permit the requisitionists to hold the said meeting at the office, it shall be held at the office.

Proceedings Of General Meeting

Notice of business to be given

Article 64, inter alia, the ordinary business of an Annual General Meeting shall be to receive and consider the Profit and Loss Account, the Balance Sheet and the reports of the Directors and of the Auditors, to elect Directors in place of those retiring by rotation, to appoint Auditors and to fix their remuneration and to declare dividends. All other business transacted at an Annual General Meeting and all business transacted at an Extra-Ordinary General Meeting shall be deemed as Special Business.

Quorum to be present when business commenced

Article 65, inter alia provides that no business shall be transacted at General Meeting unless quorum is present at the time of the commencement of the business. Save as herein otherwise provided, at least five members present in person shall constitute a quorum. If within half an hour from the time appointed for holding the meeting a quorum shall not be present, the meeting, if convened by or upon the requisition of Members shall stand dissolved, but in any other case, the meeting shall stand adjourned, in accordance with the provisions of sub-sections (3), (4) and (5) of Section 174 of the Act.

Business at adjourned meeting

Article 66 inter alia provides that no business shall be transacted at any adjourned meeting other than the business, which might have been transacted at the meeting from which the adjournment took place.

Chairman of the General Meeting

Article 68(1), inter alia, provides that the Chairman of the Board shall preside as Chairman at every General meeting of the Company. In the absence of the Chairman of the Board, the Vice-Chairman of the Board shall so preside. If there be no Chairman/Vice-Chairman of the Board or if at a meeting, the Chairman/ Vice-Chairman of the Board is not present within fifteen minutes after the time appointed for holding such meeting or is unwilling to act as Chairman of the meeting, the Directors present shall elect one of their members to be the Chairman of the meeting and if no Director be present, or if all the Directors present decline to take the chair, then the Members present shall elect one of their Members, being a Member entitled to vote, to be the Chairman of such meeting.

Article 68 (2) provides that No business shall be discussed at any General Meeting except the election of the Chairman, whilst the Chair is vacant.

Article 68 (3) provides that if a poll is demanded on the election of the Chairman it shall be taken forthwith in accordance with the provisions of the Act and these Articles and the Chairman so elected on the show of hands will exercise the power of the Chairman under the Act and these Articles.

Article 68 (4) provides that if some other person is elected Chairman as a result of the poll, he shall be Chairman for the rest of meeting.

Chairman with consent may adjourn meeting

Article 69(1) inter alia provides that the Chairman may, with the consent of the meeting and shall, if so directed by the meeting, adjourn the same from time to time, and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

Notwithstanding the provisions of this clause, the Chairman of a validly convened general meeting may adjourn the meeting in the event of disorder provided that such an adjournment shall not be for a period longer than the Chairman considers necessary to bring order at the meeting and the Chairman communicates his decision to those present in so far as it is possible.

Article 69 (2) When meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting and save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

Votes by show of hands

Article 70 inter alia provides for the voting by show of hands:

(1) Every question submitted to a meeting shall be decided, in the first instance unless a poll is demanded, in accordance with Section 179 of the Companies Act, by a show of hands and in the case of an equality of votes, either on a show of hands or on a poll, the Chairman of the meeting shall be entitled to a second or casting vote in addition to the vote to which he may be entitled as a Member.

(2) A declaration by the Chairman that a resolution has, on a show of hands, been carried or carried unanimously or by a particular majority or lost and an entry to that effect in the minutes shall be conclusive evidence of the fact without further proof.

(3) Any business other than that upon which a poll has been demanded may be proceeded with pending the taking of a poll.

Votes of Members

Article 71 inter alia provides that:

(1) On a show of hands, every Member present in person and being a holder of equity shares shall have one vote and every person present as a duly authorised representative of a body corporate being a holder of an equity share shall, if he is not entitled to vote in his own right, have one vote.

(2) On a poll, the voting rights of a holder of an equity share shall be as provided in Section 87 of the Companies Act.

Representation of corporation

Article 72, inter alia, provides that any company or a body corporate which is a member of the Company (hereinafter called "Member Company") may vote by proxy or by representative duly appointed in accordance with Section 187 of the Companies Act. A person duly appointed to represent the Member Company at any meeting of the Company or at any meeting of any Class of Members of the Company, shall be entitled to exercise the same rights and powers (including the right to vote by proxy) on behalf of the Member Company which he represents as that Member Company could exercise if it were an individual Member.

Vote in respect of deceased and insolvent Members

Article 73, inter alia, provides that any person entitled under Article 48 of the Articles to transfer any shares may vote at any General meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that forty eight hours at least before the time of holding the meeting or the adjourned meeting, as the case may be, at which he proposes to vote, he shall satisfy the Board of the right to transfer such shares, or the Board shall have previously admitted his right to vote at such meeting in respect thereof. If any member be a lunatic, idiot or non-composmentis, he may vote whether on a show of hands or at Poll by his committee curator bonis or other legal curator and such last mentioned persons may give their votes in person or by proxy on a poll.

Votes by joint executors etc.

Article 74, inter alia, provides that where there are several executors or administrators of a deceased member in whose sole name any share is registered, any one of such executors or administrators may vote in respect of such share unless any other of such executors or administrators is present at the meeting at which such a vote is tendered and objects to the vote. In such case, the provisions relating to votes of joint-holders contained in Article 58 of these Articles shall apply.

When vote by Proxy valid though authority revoked

Article 75, inter alia, provides that any vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the instrument, or transfer of the share in respect of which the vote is given, provided no intimation in writing shall have been received by the Company at the Office before the vote is given provided, nevertheless that the Chairman of any meeting shall be entitled to require such evidence as he may in his discretion think fit of the due execution of an instrument of proxy and that the same has not been revoked.

Forms of proxy

Article 76, inter alia, provides that every instrument of Proxy whether for a specified meeting or otherwise shall, as nearly as circumstances will admit, be in either of the forms set out in Schedule IX of the Companies Act.

Objections as to qualifications of votes

Article 78, inter alia, provides that no objection shall be raised as to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote disallowed at such meeting shall be valid for all purposes. Any such objection or objections as to the admission or rejection of a vote, either on a show of hands, or on a poll made in due time, shall be referred to the Chairman of the meeting who shall forthwith decide the same and such decision shall be final and conclusive.

Directors

Number of Directors

Article 79(a) provides that the Board of Directors shall consist of not less than three Directors and not more than twenty Directors. Provided that the Company may from time to time increase or reduce within the maximum limit permissible the number of Directors. Provided further that any increase in the number of Directors exceeding the number prescribed under Section 259 of the Act shall not have any effect unless approved by the Central Government and shall become void if and so far it is disapproved by the Government.

Article 79 (b) provides that The First Directors of the Company shall be Mr. Jaiprakash Gaur, Mr. S.K. Jain, Mr. S.K. Dixit, Mr. Rajender Singh, Mr. D.N. Davar, Mr. G.N. Tandon and Mr. O.P. Gupta. Further Article 79 (b) provides that two thirds (any fraction to be rounded off to the next number) of the total number of directors of the Company shall be persons whose period of office shall be liable to determination by retirement by rotation and save as otherwise expressly provided in the Act be appointed by the Company in general meeting. The remaining directors shall not be liable to retire by rotation and shall subject to the provisions of these Articles be appointed by Jaiprakash Associates Limited so long as it holds 51% or more of the paid up equity share capital of the Company.

Appointment of Nominee Director/s

Article 80, inter alia provides that notwithstanding anything to the contrary contained in the articles, so long as any money remain owing by the Company to The Industrial Finance Corporation of India Limited (IFCI), the Industrial Development Bank of India (IDBI) and The Industrial Credit & Investment Corporation of India (ICICI) or to any other Financial Institution (hereinafter in these Articles referred to as "The Corporation") out of any loans, debenture assistance granted by the Corporation to the Company or so long as the Corporation holds or continues to hold debenture/shares in the Company as a result of underwriting or by direct subscription or subscription by private placement or so long as any liability of the Company arising out of any guarantee furnished by the Corporation on behalf of this Company remains outstanding, the corporation shall have a right to appoint, from time to time, any person or persons as a Director or Directors, non-whole-time, or whole- time in the event of default, as specified in any agreements/contracts/ deeds/ documents entered into between the Corporation and the Company or executed by the Company in favour of the Corporation (which director or directors is/are hereinafter referred to as "Nominee Director/s") on the Board of the Company and to remove from such office any person or persons, so appointed, and to appoint any person or persons in his or their place/s.

The Board of Directors of the Company shall have no power to remove from office the Nominee Director/s. At the option of the Corporation, such Nominee Director/s shall not be required to hold any share qualification in the Company. Also at the option of the Corporation, such Nominee Director/s shall not be liable to retirement by rotation of Directors. Subject as aforesaid, the Nominee Director/s shall be entitled to the same rights and privileges and be subject to the same obligations as any other Directors of the Company.

The Nominee Director/s so appointed shall hold the said office only so long as any moneys remain owing by the Company to the Corporation or the Corporation holds or continues to hold debenture/share in the Company, as a result of under-writing or direct subscription or subscription by private placement or the liability of the Company arising out of any guarantee is outstanding and the Nominee Director/s, so appointed in exercise of the said power, shall ipso facto vacate such office immediately, the moneys owing by the Company to the Corporation are paid off or on the Corporation ceasing to hold debentures/shares in the Company or on satisfaction of the liability of the Company, arising out of any guarantee furnished by the Corporation.

The Nominee Director/s appointed under this Article shall be entitled to receive all notices of and attend all General Meetings, Board Meetings and the Meetings of the Committee, of which the Nominee Director/s is/are Members, as also the minutes of such meetings. The Corporation shall also be entitled to receive all such notices and minutes.

The Company shall pay to the Nominee Director/s sitting fees and expenses to which the other Directors of the Company are entitled but if any other fees, commission, moneys or remuneration in any form is payable to the Directors of the Company, the fees, commissions, moneys and the remuneration in relation to such Nominee Director/s shall accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation. Any expenses that may be incurred by the Corporation or such Nominee Director/s in connection with their appointment or directorship shall also be paid or reimbursed by the Company to the Corporation, or to such Nominee Director/s, as the case may be.

Provided that if any such Nominee Director/s is an officer of the Corporation, the sitting fees, in relation to such Nominee Director/s shall also accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation.

Provided further that if such Nominee Director/s is an/are officer/s of the Reserve Bank of India, the sitting fees in relation to such Nominee Director(s) shall also accrue to IDBI and the same shall accordingly be paid by the Company directly to IDBI.

In case the Nominee Director, appointed by the Corporation is a whole-time Director, such Nominee Director shall exercise such power and duties, as may be approved by the Corporation and have such rights, as are usually exercised or available to a Whole-time Director in the management of the affairs of the Company. Such Nominee Director shall be entitled to receive such remuneration, fees commission and moneys, as may be approved by the Corporation and the Central Government.

Appointment of Alternate Director

Article 81, inter alia provides that, subject to the provisions of Section 313 of the Companies Act, 1956, the Board of the Company may appoint an Alternate Director to act for one or more Directors (hereinafter called the "Original Director/s during his/their absence for a period of not less than three months from the Union Territory of Delhi and such appointment shall have effect and such appointee, whilst he holds office as an Alternate Director, shall be entitled to notice of meetings of the Board and attend and vote thereat accordingly. An Alternate Director/s appointed under this Article shall vacate office if and when the Original Director/s return/s to the Union Territory of Delhi. If the term of the office of the Original Director/s is determined before he/they so return/s to the Union Territory of Delhi, any provision in the Act, or in these Articles for the automatic re-appointment of Retiring Directors in default of another appointment shall apply to the Original Director/s and not to the Alternate Director. Provided always that no person shall be appointed by the Board as an Alternate Director who shall not have been previously approved in writing by the original Director/s.

Appointment of Additional Director

Article 82, inter alia, provides that, subject to the provisions of Section 260 of the Companies Act,1956 the Board shall have power at any time and from time to time, to appoint a person as an Additional Director but so that the total number of Directors shall not at any time exceed the maximum number fixed by these Articles. The Additional Director so appointed shall retire from Office at the next following Annual General Meeting but shall be eligible for election by the Company at that meeting as a Director.

Casual Vacancy

Article 83 provides that, subject to the provisions of Sections 262(2) and 284(6) and other applicable provisions, if any, of the Act, any casual vacancy occurring in the office of a Director whose period of office is liable to determination by retirement by rotation may be filled up by the Directors at a meeting of the Board. Any person so appointed shall hold office only upto the date upto which the Directors in whose place he is appointed would have held office, if the vacancy had not occurred.

Qualification of Directors

Article 84 inter alia provides that a Director shall not be required to hold any qualification share.

Remuneration of Directors

Article 85 inter alia provides that:

(1) Subject to the provisions of the Section 198, 309, 310 and 311 of the Act, The remuneration of the Directors of the Company shall be as determined by the Company in general meeting from time to time.

(2) The remuneration of a director for attending the meeting of the Board or a Committee thereof shall be such sum as may be determined by the Board, keeping in view the provision of the Act and the rules made thereunder from time to time.

(3) The Directors shall also be entitled to payment of actual expenditure for traveling, boarding, lodging and other expenses incurred for attending the meetings of the Board or any Committee thereof or General meetings of the Company or for any journeys performed in connection with the business of the Company.

Special Remuneration of Directors performing extra service

Article 86, inter alia, provides that if any Director, being willing, shall be called upto to perform extra services or entrusted with any extra work or to make any special exertions for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a Committee of directors or otherwise, such Director may be remunerated in such manner as may be determined, subject to the provisions of the Section 309 and 314 of the Act.

(2) If any Director be called upon or is required to go or reside out of his usual place of residence for Company's business, he shall be entitled to be paid travelling and/or other expenses incurred in connection with the business of the Company.

When office of Director to become vacant

Article 88 provides that:

(1) Subject to the provisions of Section 283(2) of the Act, the office of a Director shall become vacant, if :-

(a) he is found to be of unsound mind by a Court of competent jurisdiction; or

(b) he applies to be adjudicated an insolvent; or

(c) he is adjudicated an insolvent; or

(d) he fails to pay any call made on him in respect of shares of the Company held by him, whether alone or jointly with others within six months from the last date fixed for the payment of the call unless the Central Government has by notification in the Office Gazette, removed the disqualification incurred by such failure; or

(e) any office or place of profit under the Company or any subsidiary thereof is held by him in contravention of Section 314 of the Act; or

(f) he absents himself from three consecutive meetings of the Board of Directors or from all meetings of the Board of Directors for a continuous period of three months, whichever is longer without obtaining leave of absence from the Board of Directors; or

(g) he becomes disqualified by an order of the Court under Section 203 of the Act; or
(h) he is removed in pursuance of Section 284 of the Act; or
(i) he (whether by himself or by any person for his benefit or on his account) or any firm in which he is a partner or any private company of which he is a Director, accepts a loan or any guarantee or security for a loan from the Company in contravention of Section 295 of the Act; or
(j) he acts in contravention of Section 299 of the Act and by virtue of such contravention shall have been deemed to have vacated office; or
(k) he is convicted by a Court of any offence involving moral turpitude and sentenced in respect thereof to imprisonment for not less than six months; or
(l) he having been appointed a Director by virtue of his holding any office or other employment in the company ceases to hold such office or other employment in the Company; or
(2) Subject to the provisions of the Act, a Director may resign his office at any time by giving notice in writing addressed to the company or to Board of Directors.

Appointment of Chairman

Article 89 provides that so long as Jaiprakash Associates Limited holds 51% or more of the paid up equity share capital of the company the Chairman of the Company shall be appointed by it with power to remove and appoint another in his place, from time to time. Such appointment and removal shall be effected by a letter in writing by a duly authorised person of Jaiprakash Associates Limited and shall take effect forthwith upon being received by the Company at its office.

Managing director(s)/ Whole-time Directors

Article 90 inter alia the Board may, from time to time, appoint one or more of their body to be Managing Director(s) or whole-time Director(s) of the Company, and may, from time to time, remove or dismiss him from office, and appoint another in his place but his appointment shall be subject to determination ipso facto if he ceases for any cause to be a Director of the Company provided however that the appointee shall, so long as Jaiprakash Associates Limited holds 51% or more of the paid up equity capital of the company, always be the nominee of the said Jaiprakash Associates Limited.

The Board may, from time to time, entrust to and confer upon a managing director or a whole-time Director for the time being, such of the powers exercisable under these presents by the Directors as it may think fit, and may confer such powers for such time, and to be exercised for such objects and purposes, and upon such terms and conditions, and with such restrictions as it thinks expedient, and may from time to time revoke, withdraw, alter or vary all or any of such powers.

Subject to the provisions of Section 255 of the Companies Act, 1956 the Managing Director(s)/Whole- time Director(s) appointed by the Board of Directors shall not be liable to retire by rotation.

The remuneration of a managing director/Whole-time Director shall be such as may from time to time be fixed by the Board subject to the provisions of Sections 269 and 309 of the Act.

Proceedings Of The Board Of Directors

Meetings of Directors

Article 91, inter alia, provides that the Directors may meet together as a Board for the despatch of business from time to time and shall so meet at least once in every three calendar months, and the Board may adjourn and otherwise regulate its meetings and proceedings as it may think fit.

Quorum

Article 92, inter alia provides that subject to Section 287 of the act, the quorum for a meeting of the Board shall be one-third of its total strength (excluding Directors if any, whose places may be vacant at the time and any fraction contained in the one-third being rounded off as one), or two Directors, whichever is higher, provided that where at any time the number of interested Directors exceeds or is equal to two-third of the total strength, the number of Directors who are not interested, and are present at the meeting, being not less than two, shall be the quorum for such time.

Adjournment of Meeting for want of Quorum

Article 93 inter alia provides that if at a meeting of the Board, a quorum shall not be present then the meeting shall stand adjourned to such day, time and place as the Chairman and in his absence, the vice-Chairman and failing both of them, the Director or Directors present at the meeting may fix.

When meeting to be convened

Article 94 inter alia provides that a Director may, and the Manager or Secretary on the requisition of a Director shall, at any time, summon a meeting of the Board.

Question at Board Meeting how decided

Article 95, inter alia, provides that the questions arising at any meeting of the Board shall be decided by a majority of votes, and in case of an equality of votes, the Chairman of the meeting shall have a second or casting vote.

Board may appoint Committee

Article 96, inter alia, provides that, subject to the provisions of the Act and the restrictions contained in Section 292 of the Act and these Articles, the Board may from time to time and at any time, delegate any of its powers to a Committee(s) consisting of such Director or Directors as it think fit, and it may from time to time revoke and discharge any such Committee of the Board either wholly or in part, and either as to persons or purposes, but every Committee of the Board so formed shall in the exercise of the power so delegated conform to any regulations that may from time to time be imposed on it by the Board. All the matters at any meeting of a Committee(s) shall be decided by a majority of votes. All acts done by any such Committee of the Board in conformity with such regulations and in fulfillment of the purposes of their appointment but not otherwise shall have the like force and effect as if done by the Board.

Meeting of the Committee, how to be governed

Article 97 inter alia provides that the meetings and proceedings of any such Committee of the Board shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Board so far as the same are applicable thereto and are not superseded by any regulations made by the Board under these Articles.

Resolution by circulation

Article 98 inter alia provides that:

(1) A resolution passed by circulation, without a meeting of the Board or a Committee of the Board shall be as valid and effectual as a resolution duly passed at a meeting of the Board or a Committee thereof duly called and held.

(2) A resolution shall be deemed to have been duly passed by the Board or by a Committee thereof by circulation, if the resolution has been circulated in draft together with the necessary papers, if any, to all the Directors or to all the members of the Committee at their respective addresses registered with the Company and has been approved by a majority of Directors or members of the Committee as are entitled to vote on the resolution.

Powers Of Directors

Powers of Directors

Article 99, inter alia, provides that subject to the provisions of the Act, the Board shall be entitled to exercise all such powers of the Company and to do all such acts and things as the Company is authorised to exercise or do and as are not, by the Act, or any other statute or by the Memorandum or Articles of Association of the Company required or directed to be exercised or done by the Company in General Meeting, subject nevertheless to these Articles, the Act or any other statute and to such regulations, not inconsistent therewith including regulations made by the Company in General Meeting, but no regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.

Certain powers of the Board

Article 100, inter alia, provides that without prejudice to the general powers conferred by the foregoing Articles and so as not in any way to limit or restrict those powers, and without prejudice to the other powers conferred by these Articles, but subject to the restrictions and provisions contained in the Articles and the Companies Act, it is hereby declared that the Board shall have the following powers, that is to say, power:

Article 100(a), inter alia, provides to pay donations to any individuals or institutions or contribute to any charitable, religious, benevolent, national, political, public or general and other funds not directly related to the business of the Company or the welfare of its employees, any sums the aggregate of which will, in any financial year, not exceed fifty thousand rupees or five per cent of the average net profits of the Company during the three financial years immediately preceding, whichever is greater, and may with the consent of the Company in General Meeting, contribute any sums in excess of such limits.

Article 100(b), inter alia, provides to authorise or empower any Director or Managing Director or Secretary or any other officer of the Company either by name, in virtue of office or otherwise or any other person or persons, either singly or jointly to exercise or perform all or any of the powers, including the power to sub-delegate authorities and duties conferred or imposed on the Board by way of these Articles subject to such restrictions and conditions, if any, and either generally or in specific cases as the Board may think proper.

Appointment of officers etc.

Article 100(c), inter alia, provides to appoint and at their discretion, remove or suspend such officers, by whatever designation called managers, engineers, experts, legal advisors, solicitors, clerks, agents, salesmen, workmen and other servants or professionals, for permanent, temporary or special services as the Board may from time to time think fit and determine their duties, fix their salaries, emoluments and delegate to or confer upon them such powers, including the power to sub-delegate authorities and discretions as the Board may think fit.

Article 100(d), inter alia, provides for the welfare of employees or ex-employees or Directors or ex-Directors of the Company and the wives, widows and families of the dependant or connections of such persons, by building or contributing to the building of houses, dwelling or by grants of moneys, pensions, gratuities, allowances, bonuses or other payments; or by creating and from time to time subscribing or contributing to provident fund and other funds, associations, institutions or trust and by providing or subscribing or contributing towards places of instruction and recreation, hospitals and dispensaries, medical and other attendance and other assistance, as the Board shall think fit.

Secretary

Board may appoint Secretary

Article 101 provides that the Board may from time to time appoint, and at its discretion subject to applicable provisions of the Act, if any, remove any person as the Secretary of the Company (hereinafter called "The Secretary") to perform such duties and functions, which by the Act or otherwise are to be performed by the Secretary of the Company, and to execute any other duties and functions, which may from time to time be assigned to the Secretary by the Board. A Director may be appointed as Secretary provided that any provision of the Act or these presents requiring or authorising a thing to be done by or to a Director and the Secretary shall not be satisfied by its being done or to the same person acting both as Director and as, or in place of the Secretary.

The Seal

The Seal in custody and use

102. The Board shall provide for a Common Seal for the purposes of the Company, and shall have power from time to time to destroy the same and substitute a new seal in lieu thereof, and the Board shall provide for the safe custody of the seal for the time being, and the seal shall never be used except by the authority of the Board or a Committee of the Board previously given.

Deeds how executed

103. Subject to the provisions of the Act and these Articles every deed or other instrument, to which the seal of the Company is required to be affixed, by the authority of the resolution of the Board shall, unless the same is executed by a duly constituted attorney of the Company, be signed by at least one Director or the Secretary or some other person appointed by the Board for the purpose, on every such deed or instrument.

Dividends And Reserves

Division of profits

Article 104, inter alia provides that the profits of the Company, subject to any special rights relating thereto, shall be divisible among the members in proportion to the amount of capital paid up on the share held by them respectively. Provided always that subject as aforesaid any capital paid up on a share during the period in respect of which a dividend is declared shall unless the Board otherwise determine, only entitle the holder of such share to a proportionate amount of such dividend as from the date of payment.

Dividend to registered share-holders only

Article 105, inter alia, provides that no dividend shall be paid by the Company in respect of any share except to the registered holder of such share or to his order or to his banker.

Reserves

Article 106, inter alia, provides that:

(1) The Board may, before recommending any dividend, set aside out of the profits of the Company such sums as it thinks proper as a reserve or reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied, including provision for meeting contingencies or for equalising dividends, and pending such application, may at the like discretion, either be employed in the business of the Company or be invested in such investments as the Board may, from time to time think fit.

(2) The Board may also carry forward any profits, which it may think prudent not to divide, without setting them aside as a reserve.

Notice of dividend

Article 107, inter alia, provides for notice of any dividend that may have been declared shall be given to the persons entitled to share therein in the manner mentioned in the Companies Act and these Articles.

Dividend not to bear interest

Article 108, inter alia, provides that no dividend shall bear interest against the Company.

Unclaimed dividend

Article 109, provides that no unclaimed dividend shall be forfeited by the Board and the Company shall comply with all he provisions of Section 205-A of the Act in respect of unclaimed or unpaid dividend.

Unpaid or Unclaimed Dividends

Article 109A, provides that where the Company has declared a dividend but which has not been paid or claimed or the dividend warrant in respect thereof has not been posted within 30 days from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period of 30 days, open a special account in that behalf in any scheduled bank called "Unpaid Dividend of Jaiprakash Hydro-Power Limited" and transfer to the said account, the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted.
Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to the Investor Education and Protection Fund. No claim shall lie against the Fund or the Company in respect of unpaid / unclaimed dividend, which has been transferred to the Fund.

Loss of dividend warrants etc.

Article 110, inter alia, provides that the Company may issue a duplicate cheque or dividend warrant or interest warrant on shareholder or holder of debenture furnishing such indemnity or otherwise as the Board may think proper.

Declaration of dividend

Article 111, inter alia, provides that the Company in General meeting may declare a dividend to be paid to the Members according to their respective rights and interests in the profits and may, subject to the provisions of Section 207 of the Companies Act, fix the time for payment.

Restrictions on amount of dividend

Article 112, inter alia, provides that no larger dividend shall be declared than is recommended by the Board, but the Company in General meeting may declare a smaller dividend.

Declarations of interim dividends

Article 113, inter alia, provides that the Board may from time to time pay to the members such interim dividends as appear to the Board to be justified by the financial position of the Company.

Dividend to be paid in cash only

Article 114, inter alia, states that, no dividend shall be payable except in cash. Provided that nothing in this Article shall be deemed to prohibit the capitalization of profits or reserves including share premium, if any, of the Company for the purposes of issuing fully paid up Bonus Shares or paying up any amount for the time being unpaid on any shares or increasing the par value of any shares held by the Members of the Company.

Dividend how remitted

Article 115, inter alia, provides that dividend may be paid by cheques or warrant or by a pay slip or receipt having the force of a cheque or warrant sent through the post to the registered address of the member or person entitled or in case of joint holders to that one of them first named in the register in respect of the joint holding or in case of registered shareholder having registered address outside India by telegraphic transfer to such bank as may be designated from time to time by such Members. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. The Company shall not be liable or responsible for any cheque or warrant or pay slip or receipt lost in transmission, or for any dividend lost to the Member or person entitled thereto by the forged endorsement of any cheque or warrant or the forged signature on any pay slip or receipt or the fraudulent recovery of the dividend by any other person by any means whatsoever.

Adjustment of dividend due

Article 116, inter alia, provides that any dividend due from the Company to a Member, may without the consent of such Member, be applied by the Company in or towards payment of any money due from time to time to the Company for calls.

Capitalisation

Article 117(1) inter alia provides that any General meeting may, upon the recommendation of the Board, resolve any moneys standing to the credit of the Share Premium Account or Capital Redemption Reserve Account or any moneys, investments or other assets forming part of the undivided profits of the Company (including profits or surplus moneys realised on sale of capital assets of the Company) standing to the credit fund or reserve of the Company or in the hands of the Company and available for dividend, to be capitalised and distributed:-

a) By the issue and distribution, among the holders of the shares of the Company or any of them on the footing that they become entitled thereto as capital in accordance with their respective rights and interests and in proportion to the amount paid or credited as paid thereon of paid up shares, bonds or other obligations of the Company; or

b) By crediting shares of the Company which may have been issued and are not fully paid up, in proportion to the amounts paid or credited as paid thereon respectively , with the whole or any part of the same remaining unpaid thereon.

c) By increasing the par value of the shares which have been issued by the Company.

(2) The Board shall give effect to such resolution and apply such portion of the profits or Reserve Fund or any other fund as may be required for the purposes of making payments in full or in part for the shares, of the Company so distributed or (as the case may be) for purpose of paying in whole or in part, the amount remaining unpaid on the shares which may have been issued and are not fully paid up provided that no such distribution or payment shall be made unless recommended by the Board and if so recommended, such distribution and payment shall be accepted by such shareholders in full satisfaction of their interest in the paid capitalised sum.

(3) For the purpose of giving effect to any such resolution, the Board may settle any difficulty which may arise in regard to the distribution or payment as aforesaid as they think expedient and in particular they may issue fractional certificates and generally may make such arrangements for the acceptance, allotment and sale of such shares, bonds or otherwise as they may think fit, and may make cash payment to any holders of shares, on the footing of the value so fixed in order to adjust rights and may vest any shares, bonds or other obligations in trustees upon such trust for adjusting such rights as may seem expedient to the Board.

(4) In cases where some of the shares of the Company are fully paid and others are partly paid, only such capitalisation may be effected by the distribution of further shares in respect of the fully paid shares and by crediting the partly paid shares with the whole or part of the unpaid liability thereon, but so that as between the holders of the fully paid shares and the partly paid shares, the sums so applied in the payment of such further shares and in the extinguishment or diminution of the liability on the partly paid shares is in direct proportion to the amounts then already paid or credited as paid on the existing fully paid and partly paid shares respectively.

(5) Where deemed requisite, a proper contract shall be filed in accordance with Section 75 of the Act, and the Board may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalised fund, such appointment shall be effective.

Distribution of the realisation of capital assets etc.

Article 118, inter alia, provides that a General meeting may resolve that any surplus money arising from the realisation of any capital assets of the Company or any investments representing the same or any other undistributed profits of the Company be distributed amongst the members on the footing that they receive the same as capital.

Inspection of Registers

Inspection by Members

Article 119 provides that:

(1) The Board shall from time to time, determine whether and to what extent and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of Members not being Directors.

(2) No Member, not being a Director, shall have any right of inspecting any accounts or books or documents of the Company except as conferred by law or authorised by the Board or by the Company in General Meeting.

Services of notices on Company

Article 121 provides that a notice may be served on the Company or an officer thereof by delivering it at its Registered Office or by sending it to the Company or officer at the Registered Office of the Company by registered post or cable confirmed by registered post. The term notice in these Articles shall include summons, notice, requisition, order or legal process and any document in relation to or in the winding up of the Company.

Service of notice on Members by Company

Article 122 provides that a notice may be served by the Company on any Member either personally or by sending it by post to him to his registered address, or if he has no registered address in India to the address, if any, within India supplied by him to the Company for giving of notice to him.

Persons entitled to notice of General Meeting

Article 123 provides that notice of every General Meeting shall in addition to the Members and Auditors of the Company in accordance with the provisions of the Act, be given to Directors of the Company.

Omission of notice not to invalidate proceedings

Article 124 provides that any accidental omission to give notice to, or the non-receipt of notice by any Member or other person to whom it should be given shall not invalidate the proceedings at the meeting.

Service of documents by advertisement

Article 125 provides that a document advertised in a newspaper circulating in the neighbourhood of the Registered Office of the Company shall be deemed to be fully served on the day on which the advertisement appears, on every Member of the Company who has no registered address in India and has not supplied to the Company an address within India for giving of notice to him.

Where a document is sent by post, service thereof shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the document and to have been effected in the case of a notice of meeting at the expiration of 48 hours after the letter containing the same is posted and in any other case, the time at which the letter would be delivered in the ordinary course of post.

Service of documents on legal representatives

Article 126 provides that a document may be served by the Company to the persons entitled to a share in consequence of the death or insolvency of a Member by sending it through the post in a prepaid letter addressed to them by name, or by the title of representatives of the deceased, or assignees of the insolvent or by any like description, at the address, if any in India supplied for the purpose by the persons claiming to be so entitled, or until such an address has been so supplied, by serving the document in any manner in which the same might have been served if the death or insolvency had not occurred.

Document or notice by Company and signature thereto

Article 127 provides that any document or notice to be served or given by the Company may be signed by a Director or secretary or some person duly authorised by the Board of Directors for such purposes and the signature thereto may be written, printed or lithographed or stamped.

Authentication of documents and proceedings

Article 128 provides that save as otherwise expressly provided in the Act, or these Articles a document or proceeding requiring authentication by the Company may be signed by a director, Chief Executive, the Manager, the Secretary or a duly Authorised Officer of the Company and need not be under its Common Seal.

Transferee etc. bound by prior notices

Article 129 provides that every person who by operation of law, transfer or other means whatsoever shall become entitled to any share shall be bound by every notice in respect of such share which previously to his name and address being entered on the Register has been duly given to the person from whom he derived his title to such share.

Notice valid though Members deceased

Article 130 provides that subject to the provisions of Articles herein mentioned, any notice or document delivered or sent by post to or left at the registered address of any Member in pursuance of these Articles shall, notwithstanding such Member be then deceased and whether or not Company has notice of his demise, be deemed to have been duly served, in respect of any registered share, whether held solely or jointly with other persons by such Member, until some other person be registered in his stead as the holder or joint-holder thereof, and such service shall for all purposes of these presents be deemed a sufficient service of such notice or document on his or her heirs, executors or administrators and all persons, if any, jointly interested with him or her in any share.

Secrecy Clause

No shareholder to enter the premises of the Company without permission

Article 134, inter alia, provides that subject to Article 119, no member or other person (other than a Director) shall be entitled, to enter the property of the Company or to inspect or examine the Company's premises or properties or the books of accounts of the Company without the permission of the Board of Directors of the Company for the time being or to require discovery of or any information respecting any detail of the Company's trading or any matter which is or may be in the nature of a trade secret, mystery of trade or secret process or of any matter whatsoever which may relate to the conduct of the business of the Company and which in the opinion of the Board it will be inexpedient in the interest of the Company to disclose or communicate.

Indemnity

Article 135, inter alia, provides that every officer or agent for the time being of the Company shall be indemnified out of the assets of the Company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or in connection with any application under Section 633 of the Companies Act, in which relief is granted to him by the court.

Subject to the Section 201 of the Act, no Director or other officer of the Company shall be liable for the acts, receipts, neglects or defaults of any other Directors or officer or for joining in any receipt or other act for conformity or for any loss or expenses happening to the Company through the insufficiency of title to any property acquired by order of the Directors for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency, or tortious act of any person with whom any moneys, securities or effects shall be deposited or for any loss occasioned by any error or judgement or oversight on his part, or for any other loss, damage or misfortune whatever, which shall happen in the execution of the duties of his office or in relation thereto.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company or contracts entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by the Company. These contracts, copies of which have been attached to the copy of this Red Herring Prospectus have been delivered to the Registrar of Companies, Punjab, Himachal Pradesh and Chandigarh at Jalandhar, for registration and also the documents for inspection referred to hereunder, may be inspected at the Head Office of the Company located at JA Annexe, 54, Basant Lok, Vasant Vihar, New Delhi - 110 057, from 10.00 a.m. to 4.00 p.m. on working days from the date of this Red Herring Prospectus until the date of closure of the Offer.

A. Material Contracts

1. Letter of Engagement dated January 23, 2005 from the Company and the Selling Shareholder appointing UTI Bank Limited, JM Morgan Stanley Private Limited and ICICI Securities Limited as BRLMs, and Allianz Securities Limited as Lead Manager and their acceptance thereto.
2. Memorandum of Understanding dated February 4, 2005 between the Company, the Selling Shareholder, the BRLMs, and the Lead Manager to the Offer.
3. Letter dated February 1, 2005 appointing Karvy Computershare Private Limited to act as Registrar to the Offer.
4. Agreement dated February 4, 2005 between the Company, the Selling Shareholder and Karvy Computershare Private Limited, as Registrars to the Offer.
5. Escrow Agreement dated [·] between the Company, the Selling Shareholder, BRLMs, Lead Manager, Escrow Collection Bank and the Registrar to the Issue.
6. Underwriting Agreement dated [·] between the Company, the Selling Shareholder, BRLMs, Lead Manager and the Members of the Syndicate.
7. Syndicate Agreement dated [·] between the Company, the Selling Shareholder, BRLMs, Lead Manager and the Members of the Syndicate.
8. Tripartite Agreement dated March 4, 2005 amongst NSDL, Karvy Computershare Pvt. Ltd. and the Company.
9. Tripartite Agreement dated March 3, 2005 amongst CDSL, Karvy Computershare Pvt. Ltd. and the Company.
10. Memorandum of Understanding Amendment Agreement dated March 6, 2005 between the Company, the Selling Shareholder, the BRLMs, and the Lead Manager to the Offer.

B. Documents for Inspection

1. The Memorandum and Articles of Association of the Company, as amended from time to time.
2. Certificate of Incorporation of the Company dated December 21, 1994.
3. Certificate of Commencement of Business dated January 9, 1995.
4. Power Purchase Agreement dated June 4, 1997 between Jaiprakash Hydro-Power Limited and Himachal Pradesh State Electricity Board, along with the amendment thereto.
5. Resolution of the Board of Directors of the Company, passed at its Meeting held on January 23, 2005 authorizing the Offer for Sale by the Selling Shareholder.
6. Certified true copy of the Board of Directors resolution of JAL passed on January 22, 2005 authorising the Offer for Sale of shares held by it in the Company.
7. The report of R. Nagpal Associates, the statutory auditors, dated January 23, 2005 prepared as per Indian GAAP and mentioned in this Red Herring Prospectus together with copies of Annnual Reports of the Company referred to therein.
8. Consent dated January 23, 2005 from R. Nagpal Associates for inclusion of their names as the statutory auditors and of their reports on accounts in the form and context in which they appear in this Red Herring Prospectus.
9. The Tax Benefit Report dated January 23, 2005 from the Company's statutory auditors.
10. Consent of Directors, Legal Advisors of the Company/JAL, Legal Advisors for BRLMs/Lead Manager, the Syndicate Members/Underwriters, Registrars to the Offer, Escrow Collection Bankers, Bankers to the Offer, Bankers to the Company, Company Secretary and Compliance Officer as referred to in their specific capacities.
11. General Power of Attorney executed by Directors of the Company in favour of person(s) for signing and making necessary changes to this Red Herring Prospectus.
12. Resolution of the Members of JHPL passed at the Annual General Meeting held on September 18, 2004 appointing M/s R. Nagpal Associates as statutory auditors for the year 2004-05.
13. Resolution of the meeting of the Board of Directors of the Company held on January 23, 2005 for the reconstitution of Audit Committee and formation of Shareholders'/ Investor Grievance Committee
14. Resolution of the meeting of the Board of Directors of the Company held on September 25, 2004 for the reconstitution of Remuneration Committee.

15. Resolution of the meeting of the members of the Company passed at their Extra-ordinary General Meeting held on January 12, 2005 appointing Mr. Jaiprakash Gaur as Chairman and Managing Director of the Company and approving his remuneration.
16. Resolution of the meeting of the Board of Directors of the Company, passed at its meeting held on September 28, 2000 approving the appointment and remuneration payable to Mr. J. N. Gaur, whole-time Director.
17. Resolution of the meeting of the Board of Directors of the Company, passed at its meeting held on June 28, 2004 approving the appointment and remuneration payable to Mr.R.K. Narang, whole-time Director.
18. Due Diligence Certificate dated February 7, 2005 addressed to SEBI from UTI Bank Limited, ICICI Securities Limited and JM Morgan Stanley Private Limited, SEBI observation Letter No. CFD/DIL/SC/ISSUES/34858/2005 dated February 28, 2005, in-seriatim reply dated March 7, 2005 and fresh Due Diligence Certificate dated March [•], 2005.
19. In-principle listing approval dated February 23, 2005 and February 24, 2005 issued by NSE and BSE respectively.
20. Initial listing application dated February 7, 2005 and February 7, 2005, for listing the Equity Shares at NSE and BSE respectively.
21. Letter dated December 4, 2002 issued by GoHP to the Company, inter alia, granting in-principle approval for completion cost to be frozen at Rs. 15,500 million, and rejecting the request of the Company from being let of from the Power Purchase Agreement.
22. Minutes of the meeting of the Lenders of the Company held on April 21, 2004 regarding re-alignment of interest and repayment schedule.
23. No Objection letter from the RBI for the transfer of Equity Shares to FIIs, NRIs and other permitted persons through this Offer pursuant to its letter no. FE.CO.FID/5903/10.I.07.02.200(659)/2004-05 dated March 7, 2005.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION BY THE COMPANY AND JAIPRAKASH ASSOCIATES LIMITED

All the relevant provisions of the Companies Act, 1956 as amended, and the guidelines issued by the Government of India or the guidelines issued by Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules and regulations made thereunder or guidelines issued thereunder, as the case may be. We further certify that all the disclosures made in this Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF THE COMPANY

Mr. Jaiprakash Gaur

Mr. Sarat Kumar Jain*

Mr. Manoj Gaur

Mr. Sunil Kumar Sharma*

Mr. Jagdishwar Nath Gaur*

Mr. Gopi K Arora*

Dr. Ramesh C. Vaish*

Mr. Balkrishan Batra*

Mr. Bal Krishna Gupta*

Mr. Dattaram Gopal Kadkade*

Mr. Narendra Singh*

Mr. Bal Krishna Taparia*

Mr. Dharmender Nath Davar*

Mr. Rangi Lal Gupta*

Mr. Shyam Datt Nailwal

Mr. Raj Kumar Narang

*through their constituted attorney Mr. Shyam Datt Nailwal

SIGNED ON BEHALF OF THE SELLING SHAREHOLDER

Mr. Manoj Gaur

Mr. Suren Jain

SIGNED BY THE CHAIRMAN OF THE COMPANY

Mr. Jaiprakash Gaur

SIGNED BY THE CHIEF FINANCIAL OFFICER OF THE COMPANY

Mr. Raj Kumar Narang

Date : March 7, 2005
Place : New Delhi