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**M/s. P K K G BALASUBRAMANIAM & ASSOCIATES,**  
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## **INDEPENDENT AUDITORS' REPORT**

To

**The Members of NLC INDIA LIMITED**  
(Formerly Neyveli Lignite Corporation Limited)

### **Report on the Standalone Financial Statements**

We have audited the accompanying standalone financial statements of **NLC INDIA LIMITED** (Formerly Neyveli Lignite Corporation Limited) ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March, 2018, the Statement of Profit and Loss (including other Comprehensive income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended and a summary of the significant accounting policies and other explanatory information.

### **Management's Responsibility for the Standalone Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the Indian accounting standards (Ind AS) specified under section 133 of the Act read with companies (Indian Accounting standards) Rules 2015, as amended, and other accounting principles generally accepted in India.

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these standalone financial statements based on our audit. In conducting our audit we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder and the Order issued under section 143(11) of the Act.

We conducted our audit of the Standalone financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone financial statements. The procedures selected depend on the auditor's judgment, including the



assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs (financial position) of the Company as at 31<sup>st</sup> March, 2018, and its profit, total comprehensive income, changes in equity and its Statement of cashflows for the year ended on that date.

### **Emphasis of Matter**

We draw attention to the Note No-31 -Net Movement in regulatory deferral account balances Income/expenses -to the Standalone financial statements:

- a) The incremental Cost of ₹542.07 crore attributable to enhancement of the Gratuity ceiling limit from ₹10 lakh to ₹ 20 lakh and also the additional liability of ₹156.73 crore on account pay revision respectively as explained in the said note have been reckoned as regulatory deferral asset in accordance with the expert legal opinion pending the filing of petition with CERC for the consequent tariff revision.

Our opinion is not modified in respect of the said matter.

### **Other Matter**

We did not audit the financial statements of One (1) Branch included in the Standalone financial statements of the Company whose financial statement reflects a total asset of ₹2117.90 crore as at March 31, 2018 and total revenue of ₹ 540.64 crore for the year ended on that date, as considered in the standalone financial statements. The financial statements of this Branch has been audited by the Branch auditor whose report has been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of this Branch, is based solely on the report of such Branch Auditor. Our opinion is not modified in respect of this matter.

### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditors' Report) Order, 2016 (the Order) issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure-I a statement on the matters specified in paragraphs 3 and 4 of the said Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.



- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- (c) The reports on accounts of the Branch Office of the Company audited under Sec 143(8) of the Act by the Branch Auditor has been sent to us and has been properly dealt with by us in preparing this report.
- (d) The Balance Sheet, the Statement of Profit and Loss, Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of accounts.
- (e) In our opinion, the aforesaid standalone financial statements comply with the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015 as amended.
- (f) As per Notification No: G.S.R 463(E) dated 05.06.2015, subsection (2) of Sec 164 of the Companies Act, 2013 is not applicable to Government Companies.
- (g) With respect to adequacy of the internal financial control over financial reporting of the company and the operating effectiveness of such controls, we give our report in Annexure II. Our report expresses a unmodified opinion on the operating effectiveness of the Company's internal financial controls over financial reporting.
- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements Refer to Note 51 to financial statements.
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
3. As required by Sec 143(5) of the Companies Act, 2013, our comments in regard to the directions and sub-directions issued by the Comptroller and Auditor General of India is given in Annexure-III.

**FOR CHANDRAN & RAMAN**

Chartered Accountants  
Firm Regn No. : 000571S

**S. PATTABIRAMAN**

Partner  
M No. 014309

**FOR PPKG BALASUBRAMANIAM & ASSOCIATES**

Chartered Accountants  
Firm Regn No.: 001547S

**C SURESH**

Partner  
M No. 204602

Place : Chennai

Date : 28<sup>th</sup> May 2018



## Annexure-I to Independent Auditors' Report

### Statement of matters specified in Para 3 & 4 of the order referred to in sub-section (11) of section 143

The Annexure referred to in our report to the members of **NLC INDIA LTD**, (the Company) for the year ended on 31.03.2018, we report that:

#### 1. Fixed Assets

- The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- The Company had a policy of verifying all the fixed assets once in five years up to the FY 2016-17. Accordingly, the Company completed the physical verification of all fixed assets for the cycle 2011-12 to 2015-16 during FY 2016-17. The process of reconciliation of discrepancies observed on the physical verification with the book balance was completed during the FY 2017-18 and a sum of ₹ 9.37 crore consisting of difference arrived at on completion of reconciliation has been provided for in the FY 2017-18.

As informed to us the Company has revised the policy for physical verification of fixed assets once in two years with effect from 01.04.2017 which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. The Company is yet to complete the verification of all its assets as per the revised policy of verification of assets and we are being informed that the Company will be undertaking the physical verification of all the assets before completion of the cycle ending on 31.03.2019.

- According to the information and explanations given to us, the Company is in possession of title deeds/assignment deeds/GOs in respect of immovable properties, except as detailed below. However, due to the enormous volume of the documents held by the company for acquisition of land, all the title deeds could not be fully verified.

(₹ in crore)

Nature of Immoveable Property	Total No of cases	Gross Block as on 31.03.2018	Net Block as on 31.03.2018	Remarks, if any
Building - Leasehold	1	2.10	1.26	Registration of Lease Deed pending

#### 2. Inventory

The inventory has been physically verified during the year by the management. No material discrepancies were noticed.

#### 3. Transactions of loans with parties covered by register referred to in section 189

The Company has granted unsecured loan to a subsidiary Company and to a director of the Company covered by the register maintained under section 189 of the Companies Act, 2013:

- In our opinion, the terms and conditions of grant of the loans are not prejudicial to the interest of the Company.
- According to the information and explanations given to us, the schedule of repayment of principal and payment of interest has been stipulated while granting such loans and the repayment/receipts are regular.
- No amounts are overdue for more than 90 days.

#### 4. Compliance with section 185 & 186 in respect of Loans and Investments

The Company has not advanced loans, given guarantees or security or made any investment in contravention of section 185 and/or section 186 of the Companies Act, 2013.

#### 5. Public Deposits

In our opinion and according to the information and explanations given to us, the Company has not accepted deposits from public and hence the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act and the rules made there under are not applicable to the Company.



## 6. Maintenance of Cost Records

The Central Government has prescribed the maintenance of cost records U/s. 148(1) of the Companies Act, 2013 in respect of Electricity Industry and Lignite. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 148 of the Act, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.

## 7. Statutory dues

- a. The Company has generally been regular in depositing Provident Fund dues of its own employees. Based on the information and explanations given to us the Company has laid down system and procedures regarding deposit of PF and ESI dues relating to contractors' workers. The Company has generally been regular in depositing Income-tax, Sales Tax, Service Tax, duty of customs, duty of excise, value added tax, cess, GST and any other statutory dues to the appropriate authorities.

Based on information and explanation given to us, no undisputed amounts payable in respect of Income Tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, Cess, GST and any other statutory dues were outstanding as at 31<sup>st</sup> March 2018 for a period of more than six months from the date they became payable.

- b. According to the information and explanations given to us, there are no dues of Income Tax, Sales Tax, Customs duty, Wealth Tax, Excise Duty, Value Added Tax, Cess and GST which have not been deposited on account of any dispute except as reported below:

Name of the Statute	Nature of Dues	Demand Amount (₹ In lakh)	Amount Deposited under Protest (₹ In lakh)	Period to which the amount relates	Forum where dispute is pending
Rajasthan Finance Act, 2006	Land Tax	57.53	28.76	2008-09	Tax Board, Ajmer
		173.73	63.28	2009-10	
		173.73	86.86	2010-11	
		199.92	99.96	2011-12	
		199.92	99.96	2012-13	
Customs Act, 1969	Customs Duty	2685.00	983.00	-	CESTAT
Income Tax Act	Income Tax	7481.82	-	AY 2013-14	ITAT
		6814.83	-	AY 2014-15	ITAT
		3089.11	617.82	AY 2011-12	CIT(A)
		12936.47	2587.29	AY 2015-16	CIT(A)
Finance Act, 1994	Service Tax	89.56	6.72	Apr 2009 to Jun 2012	CESTAT
		10.18	-	Apr 2009 to Jun 2012	CEC(A)
		51.34	3.85	Jul 2012 to Mar 2014	CEC(A)
		1.11	0.08	Apr 2012 to Jun 2012	CEC(A)
		852.59	63.94	Jul 2012 to Mar 2015	CESTAT
		366.59	27.94	Jul 2012 to Mar 2014	CESTAT
		205.62	-	Jun 2008 to Mar 2012	CESTAT
		35.70	2.68	Apr 2014 to Mar 2015	CEC(A)
		9.24	0.69	Apr 2014 to Mar 2015	CEC(A)
121.37	9.10	Apr 2014 to Mar 2015	CEC(A)		
Central Excise Act, 1944	Excise Duty	29.03	2.18	Nov 2011 to Sep 2012	CEC(A)

**8. Repayment of Loans**

The Company has not defaulted in repayment of loans or borrowing to a financial institution, bank, government or dues to debenture holders during the relevant financial year.

**9. Raising of monies through Public Offer and/or Term Loans**

According to the information and explanations given to us, the monies raised by way of issue of debt instruments and term loans were applied for the purposes for which those were raised.

**10. Frauds**

According to the information and explanations given to us, no fraud by the Company or any fraud on the Company by its officers or employees has been noticed or reported during the year.

**11. Managerial Remuneration**

According to the information and explanations provided to us, the total Managerial remuneration paid/provided by the Company is within the overall maximum limit as specified in section 197 read with Schedule-V to the Companies Act, 2013 and accordingly requirements as to obtaining requisite approval under this section does not arise.

**12. Compliance with Net Owned Funds Ratio & unencumbered term deposits**

The Company is not a Nidhi Company and hence the provisions para 3(xii) of the order referred to in Companies (Auditor's Report) Order, 2016 issued by the Central Government of India in terms of subsection (11) of Section 143 of the Act does not apply to the Company.

**13. Transaction with Related Parties**

In our opinion all transactions with the related parties are in compliance with the provision of section 177 and 188 of Companies Act, 2013 wherever applicable and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards.

**14. Preferential Allotment or Private Placement**

The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review.

**15. Non-cash transactions**

The Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of the Companies Act, 2013.

**16. Registration with Reserve Bank of India**

The Company is not carrying any activities which require registration under section 45-IA of the Reserve Bank of India Act, 1934.

**FOR CHANDRAN & RAMAN**

Chartered Accountants  
Firm Regn No. : 000571S

**S. PATTABIRAMAN**

Partner  
M No. 014309

**FOR PPKG BALASUBRAMANIAM & ASSOCIATES**

Chartered Accountants  
Firm Regn No.: 001547S

**C SURESH**

Partner  
M No. 204602

Place : Chennai

Date : 28<sup>th</sup> May 2018





## **Annexure-II to Independent Auditors' Report**

### **Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of M/s. NLC INDIA LIMITED (formerly Neyveli Lignite Corporation Limited) ("the Company") as of March 31, 2018 in connection with our audit of the standalone financial statements of the Company for the year ended on that date.

#### **Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness.

Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the Auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

#### **Meaning of Internal Financial Controls over Financial Reporting**

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls over Financial Reporting**

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

**Opinion**

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**Other Matter**

We did not audit the Internal Financial Control over Financial Reporting of ONE (1) branch included in the standalone financial statements of the Company. The adequacy of internal financial controls system over financial reporting and the operating effectiveness of such internal financial controls over financial reporting conducted by the branch auditor whose report has been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of this branch, is based solely on the report of such branch auditor. Our opinion is not modified in respect of this matter.

**FOR CHANDRAN & RAMAN**

Chartered Accountants  
Firm Regn No. : 000571S

**S. PATTABIRAMAN**

Partner  
M No. 014309

**FOR PPKG BALASUBRAMANIAM & ASSOCIATES**

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**C SURESH**

Partner  
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Place : Chennai

Date : 28<sup>th</sup> May 2018