



Auditors Report on The Standalone Financial Statements For The Year Ended 31st March, 2018 Including Report on The Internal Financial Controls Under Clause (I) of Sub-section 3 of Section 143 of The Companies Act, 2013 ("The Act")

Independent Auditors' Report

To
The Members of Coal India Limited

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of **Coal India Limited** (hereinafter referred to as '**the Company**'), which comprise the balance sheet as at 31st March 2018 and the statement of profit and loss including other comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and a summary of 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 financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act read with relevant rules issued thereunder. 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 standalone 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. 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.

We conducted our audit 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 standalone 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 we have obtained 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 including the Ind AS, of the state of affairs (financial position) of the Company as at 31st March 2018, and its profit (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Emphasis of Matters

We draw attention to the followings:-

- a) Certain balances of loans, other financial assets, trade receivables, other current & non-current assets, Trade payables, other financial liabilities and other current liabilities have not been confirmed. Consequential impact on confirmation/ reconciliation/ adjustment of such balances (which will not be material as per management), if any is not ascertainable;
- b) Note No.7 refers to an aggregate Investment of ₹ 9963.52 Crores (as at 31st March 2017: ₹ 9688.42 Crores) in its two wholly owned subsidiary companies have been shown at book value. As explained by the management, the investment in these subsidiary companies is long term and of strategic in nature and the performance of these subsidiary companies is improving. The management



is of the opinion that no provisioning is required against the erosion of ₹ 5278.75 Crores (as at 31st March 2017: ₹ 3169.84 Crores) in the value of Investment, as the same is of temporary in nature;

- c) Note No.38(4) (a) Contingent Liability of the accompanying standalone financial statements, which describes the uncertainty related to the outcome of the lawsuits filed and demands raised against the Company by various parties and Government authorities.

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

Other Matters

Our Audit Report dated 29th May, 2018 on financial statement as approved by the Board of Directors of the Company as of even date is revised to consider observation of the Comptroller and Auditor General of India and amendment is made in Para no. vii(b) in Annexure-"A" to include amount of deposits made under protest against the disputed tax amounts.

Our Audit procedure on events subsequent to the date of the original report is restricted solely to the amendment made to the Para no. vii(b) in Annexure-"A" to the Independent Auditors' Report under Companies(Auditor's Report) Order 2016.

Report on Other Legal and Regulatory Requirements

- 1) As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure-A", a statement on the matters specified in the paragraph 3 and 4 of the said order.
- 2) As required under Section 143(5) of the Companies Act, 2013, we give in the "Annexure-B", a Statement on the Directions issued by the Comptroller and Auditor General of India after complying with their suggested methodology of audit, the action taken thereon and its impact on the accounts and financial statements of the company.
- 3) 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 read with matters as reported in clause (a) of "Emphasis of Matters" paragraph above.
 - 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 balance sheet, the statement of profit and loss including other comprehensive income, the statement of cash flows and the statement of changes in equity dealt with by this Report are in agreement with the books of accounts.
 - d) in our opinion, the aforesaid standalone financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with relevant rule issued thereunder;
 - e) in pursuance to the Notification No. G.S.R 463(E) dated 05-06-2015 issued by the Ministry of Corporate Affairs, Section 164(2) of the Companies Act, 2013 pertaining to disqualification of Directors, is not applicable to the Government Company.
 - f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our report in "Annexure -C" and
 - g) with respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements— [Refer Note No.38(4)(a) to the standalone 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 the amounts, required to be transferred to the Investor Education and Protection Fund by the Company.

For CHATURVEDI & CO.

Chartered Accountants

Firm Regn. No.302137E

Sd/-

S.C.Chaturvedi

Partner

Mem.No.012705

Place: Kolkata

Date: July 6, 2018



"Annexure-A" to the Independent Auditors' Report

(Referred to in Paragraph 1 of "Report on Other Legal and Regulatory requirements" section of our Audit Report)

- (i) In respect of Fixed Assets:
- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets except for assets at Regional sales offices. Further certain details as regards to purchase orders reference, date of commissioning, location, identification and codifications etc. of some movable tangible assets needs to be updated. Location details and area of freehold and leasehold land also needs to be updated in the fixed asset register and need to be reconciled with the revenue records maintained by the local authority.
- (b) The fixed assets located at Head quarter, North Eastern Coalfields (NEC), various Regional Sales offices and other offices have been physically verified periodically as certified by the management. Pending for reconciliation and adjustment in the books of accounts, discrepancies noticed on such verification were not material as per the management. The process should be further improved by having a well defined Programme of physical verification to cover all the assets in phased manner.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, title deeds, lease deeds and/or other evidences of title of freehold land amounting ₹ 12.15 Crores and for leasehold land amounting ₹ 0.92 Crores have been verified by us and the same are held in the name of the Company. At NEC, 946.51 hectares of freehold land and 4489.82 hectares of leasehold land were acquired by the company or came in the possession of the company on Nationalization, for which 'nil' value is recorded in the books of accounts. Out of the above, title deeds and other evidences of title for freehold land are available except for 4.23 hectares and incase of leasehold land, documents for title in some cases either not available or could not be properly identified to the concerned leasehold land.
- (ii) As informed to us, physical verification of inventories at North Eastern Coalfields, the production unit of the Company has been conducted at reasonable intervals during the year by the management. The inventories of coal have been measured on the basis of volumetric system. In our opinion and according to the information and explanations given to us, discrepancies noticed on physical verification of inventories were not material and have been properly dealt with in the books of account.
- (iii) According to the information and explanation given to us, the Company had granted unsecured loan aggregating ₹ 1200 Crores (PY: ₹ 1200 Crores) to three companies covered in the register maintained under section 189 of the Companies Act, 2013 and the balance outstanding in respect of these unsecured loans is Nil as at 31st March 2018.(PY:INR 1200 Crores):-
- (a) In our opinion, the rate of interest and other terms and conditions on which the loans had been granted to companies listed in the register maintained under Section 189 of the Act, were prima facie, not prejudicial to the interest of the Company;
- (b) The loan has been repaid during the year and as informed to us, there was no specific stipulation of schedule of repayment of principal and payment of interest thereon.
- (c) As informed to us, no amount of loan is overdue as at end of the year for a period more than ninety days.
- (iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Act in respect of grant of loans, making investments and providing guarantees and securities, as applicable.
- (v) The company has not accepted any deposits, in terms of the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act and the rules framed there under.
- (vi) The maintenance of cost records has been prescribed by the Central Government under Section 148(1) of the Companies Act, 2013 in respect of Mining activities of the Company. We have broadly reviewed the records and are of the opinion that *prima facie*, the prescribed accounts and records have been made and maintained. However, we have not made any detailed examination of the records with a view to determine whether they are accurate or complete
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of books of accounts, the Company has generally been regular in depositing the undisputed statutory dues including provident fund, income tax, sales tax, wealth Tax, duty of customs, duty of excise, value added tax, goods and services tax, cess and any other statutory dues with the appropriate authorities. As informed to us, employee's state insurance is not applicable to the company.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income tax, sales tax, wealth tax, duty of customs, duty of excise, service tax, value added tax, goods and services tax, cess and other material statutory dues were in arrears as at 31st 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 and as per the records of the Company examined by us, following dues of income tax and central excise were in arrears as at 31st March 2018 :-

(₹ in crore)

Name of the Statute	Nature of Dues	Gross Amount Under dispute	Period to which the amount relates (FY)	Forum where the dispute is pending	Amount deposited under protest	Amount not deposited
Income Tax Act	Income Tax	55.20	2010-2011	ITAT	20.00	35.20
		64.90	2011-2012	ITAT	53.00	11.90
		80.00	2006-2007	ITAT	20.00	60.00
		110.15	2005-2006	ITAT	54.32	55.83
		84.78	2012-2013	CIT (Appeal)	0.00	84.78
		115.04	2013-2014	CIT (Appeal)	0.00	115.04
Total		510.07			147.32	362.75
Central Excise Act, 1944	Central Excise	2.22	2010-11 to 2014-15	CESTAT	0.17	2.05

- (viii) The Company does not have any loans or borrowings from any financial institution, banks, Government or debenture holders during the year as such paragraph 3(viii) of the Order is not applicable to the Company.
- (ix) According to the information and explanations given to us, the Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under paragraph 3 (ix) of the Order is not applicable to the Company.
- (x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company or no material fraud on the Company by its officers or employees has been noticed or reported during the year.
- (xi) As per notification no. GSR 463(E) dated 5 June 2015 issued by the Ministry of Corporate Affairs, Government of India, Section 197 is not applicable to the Government Company. Accordingly paragraph 3 (xi) of the Order is not applicable to the Company.
- (xii) According to the information and explanations given to us, the Company is not a Nidhi Company as such paragraph 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the company, transactions with the related parties are in compliance with Section 177 and Section 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under paragraph 3 (xiv) of the Order is not applicable to the Company.
- (xv) According to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its Directors or persons connected to its directors and hence provisions of Section 192 of the Companies Act, 2013 are not applicable to the Company.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For **CHATURVEDI & CO.**

Chartered Accountants

Firm Regn. No. 302137E

S.C.Chaturvedi

Partner

Mem.No.012705

Place: Kolkata

Date: July 6, 2018



COAL INDIA LIMITED

A MAHARATNA COMPANY

"Annexure-B" to the Independent Auditors' Report

[Referred to in Paragraph 2 of "Report on Other Legal and Regulatory requirements" section of our Audit Report]

Part-I

Sl. No.	Details/ Directions	Auditors' Reply	Action Taken and Impact on Accounts & Financial Statements
1.	Whether the company has clear title/lease deeds for freehold and leasehold land respectively? If not, please state the area of freehold and leasehold land for which title/lease deeds are not available?	According to the information and explanations given to us and on the basis of our examination of the records of the Company, title deeds, lease deeds and/or other evidences of title of freehold land amounting INR 12.15 Crores and for leasehold land amounting INR 0.92 Crores have been verified by us and the same are held in the name of the Company. At NEC, 946.51 hectares of freehold land and 4489.82 hectares of leasehold land were acquired by the company or came in the possession of the company on Nationalization, for which 'nil' value is recorded in the books of accounts. Out of the above, title deeds and other evidences of title for freehold land are available except for 4.23 hectares and in case of leasehold land, documents for title in some cases either not available or could not be properly identified to the concerned leasehold land	Financial impact cannot be ascertainable.
2.	Whether there are any cases of waiver/ write-off of debts/ loans/ interest etc., if yes, the reasons there for and the amount involved.	There are no cases of waiver/ write-off of debts / loans / interest etc. during the financial year 17-18.	No impact on the Financial statements.
3.	Whether proper records are maintained for inventories lying with third parties & assets received as gift/grant(s) from the Government or other authorities.	As stated by the management, no inventories are lying with third parties. Further no assets were received as gift/grant(s) from the Government or other authorities	No impact on the Financial statements.

Additional -Directions:-

Part-II

Sl. No.	Details/ Directions	Auditors' Reply	Action Taken and Impact on Accounts & Financial Statements
1.	Whether coal stock measurement was done keeping in view the contour map. Whether physical stock measurement reports are accompanied by contour map in all cases? Whether approval of the competent authority was obtained for new heap, if any, created during the year?	The stock measurement was done keeping the view the contour map and the same is available with the reports of stock measurement. The new heap has been created with approval of competent authority.	There is no impact on the financial statements.
2.	Whether the company conducted the physical verification exercise of asset and properties at the time of merger/split/restructure of an area. If so, whether the concerned subsidiary followed the requisite procedure?	As per the information and explanations given to us by the company's management, there is no such merger/split/ restructure of an area during the year.	There is no impact on the accounts and financial statements.
3.	Whether separate Escrow Accounts for each mine has been maintained in CIL and its Subsidiary companies. Also examine the utilization of the fund of the account.	Yes, separate escrow account for each mine of NEC the production unit of CIL, has been maintained. No such fund as explained by the management has been withdrawn during the year.	There is no impact on the financial statements.
4.	Whether impact of penalty for illegal mining as imposed by the Hon'ble supreme court has been duly considered and accounted for?	According to the information and explanations given to us, no penalty for illegal mining has imposed by the Hon'ble supreme court during the year on the company.	There is no impact on the Financial statements.
5.	If the audittee has computerized its operation or any part of it, you should assess and report, how much of the data in the company is in electronic format. Which of the major areas such as Financial accounting, Sales accounting, Personal information, Pay-roll Materials, Inventory Management etc. have been computerized, and its impact on your work in auditing the accounts.	Financial accounting, Sales accounting, personal information, pay-roll, materials, inventory management have been computerized and day to day transactions data are kept in electronic form, which have facilitated better audit environment. At the year-end hard copies of certain required documents are kept in physical form. However uniform and comprehensive ERP system needs to be introduced to integrate all offices and units of the company for better management & controls.	No impact on the Financial statements.

For CHATURVEDI & CO.
Chartered Accountants
Firm Regn. No.302137E
Sd/-
S.C.Chaturvedi
Partner
Mem.No.012705
Place: Kolkata
Date: July 6, 2018



“Annexure-C” to the 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 **Coal India Limited** (hereinafter referred to as ‘the Company’) as of 31st March 2018 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control 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 (‘ICAI’). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to 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 judgment, 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 authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls 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

According to the information and explanations given to us and based on our audit, in our opinion, the Company has generally maintained, in all material respects, an adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were generally operating effectively as of 31st March 2018 based on the internal control over financial reporting criteria established by the Company considering the essential components of internal controls stated in the “Guidance Note on Audit of Internal Financial Controls over Financial Reporting” issued by the Institute of Chartered Accountants of India. However certain areas need further improvement in designing the “Documentation on Internal Financial Controls” of the Company by way of identifying the significant account balances of expenses, income, assets & liabilities including the fixed assets accounting, incorporating the process flow by which the aforesaid transactions are initiated, authorized, processed, recorded, and reported at departmental level. How the system is integrated to departments to capture the transactions that relates to the financial statements and events/conditions and other transactions that are significant to the financial statements so as to fulfill objectives of control criteria established by the Company. Financial reporting process can be further improved by way of introducing integrated ERP system of accounting especially in case of compilation of information and data for financial reporting process and for better internal controls. Internal audit is concurrently done in the company. Regularity of Internal audit, its reports and follow-up action thereon should be timely ensured.

However, our opinion is not qualified in the above respect.

For **CHATURVEDI & CO.**

Chartered Accountants
Firm Regn. No.302137E

Sd/-

S.C.Chaturvedi

Partner
Mem.No.012705

Place: Kolkata

Dated: July 6, 2018