

## INDEPENDENT AUDITORS' REPORT

To the Members of  
REC Limited

### Report on the Audit of Standalone Ind AS Financial Statements

#### Opinion

We have audited the standalone Ind AS financial statements of REC Limited ("the Company") which comprise the balance sheet as at 31st March, 2021, and the statement of profit and loss (including other comprehensive income) and the statement of change in equity and the statement of cash flows for the year then ended and notes to the standalone Ind AS financial statements including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the Standalone Ind AS Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Companies Act, 2013, ("the Act") in the manner so required and give a true & fair view in conformity with the accounting principles generally accepted in India, of the state of the affairs of the Company as at 31st March 2021, and profit (including other comprehensive income) and changes in equity and its cash flow for the year ended on that date.

#### Basis for Opinion

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

#### Emphasis of matter

1. We draw attention to Note No. 47.1.3 to the standalone Ind AS Financial Statements regarding, the provision of impairment allowance in respect of its loan assets and Letters of Comfort. In this regard, we have relied upon the basis of determination of impairment allowance as mentioned above, in so far as it relates to technical aspects/parameters considered by independent agency and management judgement for ascertaining impairment allowance as management overlay.
2. We draw attention to Note No. 49 of the standalone Ind AS Financial Statements regarding the impact of COVID-19 pandemic on the Company. Management is of the view that there are no reasons to believe that the pandemic will have any significant impact on the ability of the company to continue as a going concern. Nevertheless, the impact in sight of evolvement of pandemic in future period is uncertain and could impact the impairment allowance in future years.

Our opinion is not modified in respect of these matters.

#### Key Audit Matters

Key audit matters ("KAM") are those matters that, in our professional judgment, were of most significance in our audit of the standalone Ind AS financial statements of the current period. These matters were addressed in the context of our audit of the standalone Ind AS Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the following matters described below to be the key audit matters to be communicated in our report:

S. No.	Key Audit Matter	Auditor's Response
1.	<p><b>Impairment allowance of Loan Assets –</b> (Refer Note No. 47.1.3 to the Standalone Ind AS Financial Statements read with accounting policy No. 3.10)</p> <p>The Company follows a Board approved methodology wherein assessment for allowance is carried out by an external agency for impairment based on certain criterion/framework classifying the assets into various stages depending upon credit risk and level of evidence of impairment.</p> <p>Impairment allowance is measured as product of the Probability of Default, Exposure at Default and Loss Given Default being the key parameters for assessing the impairment allowance.</p> <p>The key indicators underlying for assessment of impairment allowance are appraised on an ongoing basis by the management.</p> <p>Further the management has adopted a methodology which in addition to the model adopted as above is further analyzed on case to case basis and wherever impairment impact need to be changed the same is considered in the financial statements.</p> <p>Since the company is an non banking finance company involved in business of financing and if any of the key parameter/criteria/assumptions mentioned as above is applied improperly, it can result in impacting the carrying value of loan assets materially either individually or collectively. In view of the significance of the amount of loan assets in the standalone Ind AS Financial Statements i.e. 91.26 % of total assets, the impairment of loan assets thereon has been considered as Key Audit Matter in our audit.</p>	<p><b>We have applied following audit procedures in this regard</b></p> <p>According to the provisions of Ind AS 109 “Financial Instruments”, we have obtained the report of the third party and verified the criterion/framework with various regulatory updates alongwith Company’s internal guidelines and procedures in respect of the impairment allowance.</p> <p>Verification of loan assets with respect to monitoring thereof for recovery/performance aspects and assessment of the loan impairment.</p> <p>Recoveries are verified applying the standard audit procedures. Loan balances are confirmed and quality of the borrower is evaluated and tested with key control parameters.</p> <p>Assessment of performance of the loan assets is carried out on the basis of available documents comprising loan papers, financial data, valuation reports, progress report, periodical financial information, information on public domain, procedure applied by the management e.g. inspection of loans, physical verification, assessing borrower past records etc. Recoveries in the loan assets are verified to ascertain level of stress thereon and impact as impairment allowance on financial statement.</p> <p>We have discussed with the management wherever underlying weakness is observed and management assessment is carried out in detail in such cases.</p> <p>Components and calculations in the study for impairment allowance carried out by third party are relied upon by us and test checks are carried out for the same. Such components are credit rating of borrowers, calculation of probability of default/loan given defaults etc. Our audit procedure in the same are limited in view of not sharing certain parameters of study being considered confidential by such third party.</p> <p>Further, the Management, pursuing a board approved methodology reviews the impairment allowance in the report of the third party and modified the impairment on case to case basis. We have obtained a detailed analysis from the management for such modification. Our audit procedure in this regard is constrained by the management appraisal and we have relied upon the same.</p> <p>Verification of the amount maintained as Impairment reserve in terms of Income Recognition, Assets classification and provisioning norms (IRACP) of Reserve Bank of India in pursuance of RBI Notification No. DOR (NBFC).CC.PD. No.109/22.10.106/2019-20 dated 13th March 2020.</p>

S. No.	Key Audit Matter	Auditor's Response
2.	<p><b>Fair valuation of Derivative Financial Instruments</b></p> <p>(Refer Note No. 9 to the standalone Ind AS Financial Statements read with accounting policy No. 3.9)</p> <p>To mitigate the Company's exposure to foreign currency risk and interest rate risk, non-INR cash flows are monitored and derivative contracts are entered into in accordance with the Company's board approved risk management policies and RBI guidelines.</p> <p>The derivatives are measured at fair value as per Ind AS 109.</p> <p>The Company has applied hedge accounting requirements as per Ind AS 109 'Financial Instruments' wherein certain derivative contracts have been designated as hedging instruments in 'Cash flow hedge' relationships. These arrangements have been entered into to mitigate foreign currency exchange risk and interest rate risk arising from certain debt instruments denominated in foreign currency.</p> <p>Hedge accounting has resulted in significant impact on financial statements coupled with complexity of its accounting/assumptions and numerous parameters therein for establishing hedge relationship. Mark to market gain/loss on these derivatives are recognised in the other comprehensive income.</p> <p>In view of facts of the matter we have identified it as a key audit matter.</p>	<p><b>We have applied following audit procedure in this regard</b></p> <p>Discussing and understanding management's perception and studying policy of the company for risk management. Motive of derivative transactions are studied and observed underlying exposure is not more than the volume of derivatives.</p> <p>Verification of fair value of derivative in terms of Ind AS 109.</p> <p>Testing the accuracy and completeness of derivative transactions.</p> <p>Evaluation of management's key internal controls over classification, valuation, and valuation models of derivative instruments.</p> <p>Obtained details of various financial derivative contracts as outstanding/ pending for settlement as on 31st March 2021 from the Company.</p> <p>Verification of underlying assumptions in estimating the fair valuation arrived at for those financial derivative contracts.</p> <p>Reliance on reports evaluating the appropriateness of the valuation methodologies applied and testing the same on sample basis for the derivative instruments.</p> <p>We also obtained confirmations from the banks with whom such financial derivative contracts have been entered into and independently compared the valuation so arrived at by the contracting banks.</p> <p>Additionally, we have verified the accounting of gain/loss on mark to market basis in the other comprehensive income.</p> <p>Assessing whether the financial statement disclosures appropriately reflect the Company's exposure to derivatives valuation risks with reference to the requirements of the prevailing accounting standards and Reserve Bank of India Guidelines.</p>

S. No.	Key Audit Matter	Auditor's Response
3.	<p><b>Modified audit procedures carried out in light of COVID-19 outbreak</b></p> <p>(Refer Note No. 49 to the standalone Ind AS Financial Statements)</p> <p>The SARS-COV-2 virus responsible for Covid-19 continues to spread across the Globe including India, which has resulted in a decline in economy activity and volatility in global and Indian financial markets.</p> <p>To curb the spread of COVID-19 pandemic, nation-wide lockdown and travel restrictions were imposed by various state Governments/local authorities during the financial year and our period of audit. Since the access to audit evidence in person/ physically was disrupted due to the unprecedented situation, the audit had to be conducted with modified audit procedures.</p> <p>We have identified such modified audit procedures as a key audit matter.</p>	<p><b>We have applied following audit procedures in this regard</b></p> <p>In scenario of lockdown and severe spread of the pandemic, the company facilitated carrying out audit remotely as physical access was restricted.</p> <p>As the physical access was not possible, necessary records/ reports/ documents/ certificates were made available to us by the company through digital medium/ emails and other application softwares. To this extent, the audit process was carried out on the basis of such documents, reports and records made available to us which were relied upon by us as audit evidence for conducting the audit and reporting for the year under audit.</p> <p>We modified our audit procedures as follows :</p> <ol style="list-style-type: none"> <li>Carried out the verification of scanned copies of the documents, certificates and the related records made available to us through emails.</li> <li>Making inquiries and gathering necessary audit evidence through video conferencing, dialogues and discussions over phone calls/ conference calls, emails and other similar communication channels.</li> <li>Resolution of our audit observations telephonically/ through emails instead of a face to face interaction with the designated officials.</li> <li>The situation of lockdown due to pandemic, may have impacted working/reporting etc. of other professional e.g. third party agency submitting report of impairment allowance, independent valuers, internal auditors etc. and we have relied upon the same.</li> <li>Certain information/explanations we have relied upon during our audit were provided to us through verbal assertions by the company.</li> <li>In entire communication through various modes as mentioned hereinabove the records of the company which is confidential have been sent and, though utmost care has been taken as explained to us by encrypting such data, there are possibility of damage to such data in different ways. We have informed the company in this regard.</li> </ol>

**Information Other than the Standalone Ind AS Financial Statements and Auditor's Report thereon**

The Company's management and Board of Directors are responsible for the other information. The other information comprises the Directors' report, Corporate Governance report, Business responsibility report and Management Discussion and Analysis etc. in the Annual report but does not include the standalone Ind AS financial statements and our report thereon. Such other information is expected to be made available to us after the date of this auditor's report.

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

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

When we read such other information if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### Management's Responsibility for the Standalone Ind AS Financial Statements

The Company's management and Board of Directors are responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance (including other comprehensive income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ("Ind AS"). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

### Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit **subject to our audit procedures as referred in para 3 of key audit matters here in above.**

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone Ind AS financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### 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, and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanation given to us, we give in the Annexure-A, a statement on the matters specified in paragraph 3 and 4 of the Order, to the extent applicable.
2. On the basis of information and explanations given to us by the company we are enclosing our report in Annexure-B on the directions/sub-directions issued by Comptroller and Auditor General of India in terms of Section 143(5) of the Act,.
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.
  - 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 Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of accounts.
  - d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Ind AS specified under Section 133 of the Act read with relevant rules.
  - e) Vide Notification No. G.S.R. 463(E) dated 5 June, 2015 issued by Ministry of Corporate Affairs, Government Companies have been exempted from applicability of the provisions of Section 164(2) of the Companies Act, 2013.
  - f) With respect to the adequacy of the internal financial controls with reference to the Standalone Ind AS Financial Statements of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure-C";
  - g) Pursuant to Notification no. GSR463(E) dated 5th June 2015 issued by the Ministry of Corporate Affairs, provisions of Section 197 of the Act are not applicable to the government companies.
  - 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, 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 Ind AS financial statements - Refer Note 42.1 to the standalone Ind AS financial statements;
    - (ii) The Company does not have any long term contracts including derivative contracts for which there are 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.

**M/s S.K. Mittal & Co.**  
Chartered Accountants,  
ICAI Firm Registration: 001135N

**M/s O.P. Bagla & Co. LLP.**  
Chartered Accountants,  
ICAI Firm Registration: 000018N/N500091

**Name : S. Murthy**  
Designation : Partner  
Membership Number : 072290  
UDIN : 21072290AAAADD8391

**Name : Atul Aggarwal**  
Designation : Partner  
Membership Number : 092656  
UDIN : 21092656AAAACQ8265

**Place : New Delhi**  
**Date : 28<sup>th</sup> May 2021**

**ANNEXURE-A TO THE INDEPENDENT AUDITOR'S REPORT**

Referred to in Paragraph under 'Report on Other Legal and Regulatory Requirements' section of our report of even date on the accounts of REC Limited for the Year ended on 31st March 2021.

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Property, Plant and equipment.
- (b) According to the information and explanations given to us, the Company has the policy of verifying the Property, Plant and equipment in a phased manner. Discrepancies arising from such physical verification have been suitably accounted for in the books of accounts. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company except for the following:

(₹ in Crores)

Particulars	No. of cases	Gross Block	Net Block	Remarks
Building	1	4.59	2.07	Conveyance Deed by Standing Committee of Public Enterprises is yet to be executed.

- (ii) The Company being Non-Banking Financial Company (NBFC), does not has any inventory; as such this clause is not applicable.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to any Companies, firms or other parties covered in register maintained under section 189 of the Companies Act, 2013. Accordingly, clause 3(iii)(a), (b) and (c) of the Order are not applicable.
- (iv) In our opinion and according to information & explanations given to us with respect to the provisions of Section 185 of the Act, the Company has not granted any loan or guarantee in accordance with Section 185.  
Further, in our opinion and according to information & explanations given to us, the Company, being a Non-Banking Financial Company (NBFC), is exempt from the provisions of Section 186 of the Act and the relevant rules in respect of loans and guarantees. In respect of the investments, the Company has complied with the provisions of section 186 (1) of the Act.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits from public to which the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the Rules framed thereunder.
- (vi) We are of the knowledge and have been explained that being an NBFC company, the Central Government has not prescribed the maintenance of cost records for the services of the Company under Companies (Cost Records and Audit) Rules, 2014, prescribed by the Central Government under Section 148 of the Companies Act, 2013. Accordingly, this clause of the order is not applicable to the Company.
- (vii) (a) On the basis of our checks and audit procedures we are of the opinion that the Company is generally regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods & service tax, cess and any other statutory dues to the appropriate authorities. There were no undisputed statutory dues in arrears as at 31st March, 2021 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 certified by the management on which we have relied upon, the dues of income tax as follows aggregating to ₹ 0.06 crores have not been deposited on account of dispute/ deposited under protest and the matters are pending before appropriate authorities as detailed below:

(₹ in Crores)

Name of Statute	Nature of Dues	Amount Disputed	Amount paid / refund adjusted	Net Amount unpaid	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax and interest	0.30	0.30	-	2008-09	Delhi High Court
Income Tax Act, 1961	Income Tax and interest	3.61	3.61	-	2012-13	Commissioner of Income Tax (Appeals) Delhi
Income Tax Act, 1961	Income Tax and interest	0.23	0.23	-	2012-13	Delhi High Court
Income Tax Act, 1961	Income Tax and interest	6.44	6.44	-	2018-19	Assessing Officer, CPC
Income Tax Act, 1961	TDS	0.06	-	0.06	-	CPC, TDS
<b>Total</b>		<b>10.64</b>	<b>10.58</b>	<b>0.06</b>		

- (viii) According to the information and explanations given to us and on the basis of our examination of the records of the Company applying our audit procedures, the Company has not defaulted in repayment of loans or borrowing to a financial institution, bank, government or dues to debenture holders as at the Balance Sheet date.
- (ix) The Company did not raise any money by way of initial public offer or further public offer. Money raised by the Company by way of debt instruments and term loans during the year were applied for the purposes for which it was raised.
- (x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of any material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.
- (xi) According to the information and explanations given to us, Central Government has exempted the Government Companies from the provisions of Section 197. Accordingly, this clause 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. Accordingly, this clause of the Order is not applicable to the Company.
- (xiii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the necessary disclosures have been made in the standalone Ind AS financial statements etc., as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with them. Accordingly, this clause of the Order is not applicable.
- (xvi) We have been informed that the Company is registered as a non-banking finance company under section 45-IA of the Reserve Bank of India Act, 1934. The registration number issued to the company is 14.000011.

**M/s S.K. Mittal & Co.**  
Chartered Accountants,  
ICAI Firm Registration: 001135N

**Name : S. Murthy**  
Designation : Partner  
Membership Number : 072290  
UDIN : 21072290AAAADD8391

**Place : New Delhi**  
**Date : 28<sup>th</sup> May 2021**

**M/s O.P. Bagla & Co. LLP.**  
Chartered Accountants,  
ICAI Firm Registration: 000018N/N500091

**Name : Atul Aggarwal**  
Designation : Partner  
Membership Number : 092656  
UDIN : 21092656AAAACQ8265



**ANNEXURE-B TO THE INDEPENDENT AUDITOR'S REPORT**

Referred to in Paragraph under 'Report on Other Legal and Regulatory Requirements' Section of Our Report of Even Date on the Accounts of REC Limited for the Year ended on 31st March 2021.

Sl. No.	Directions	Action Taken	Impact on Standalone Ind As Financial Statements
<b>A.</b>	<b>Directions</b>		
1.	Whether the Company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.	The Company has ERP R12 version to process all the accounting transactions through IT system. All the accounting, including at Regional and State offices is done through the centralized ERP system.	No impact on the standalone Ind AS Financial Statements
2.	Whether there is any restructuring of an existing loan or cases of waiver/write off of debts /loans/interest etc. made by a lender to the Company due to the Company's inability to repay the loan? If yes, the financial impact may be stated. Whether such cases are properly accounted for? (In case, lender is a Government Company, then this direction is also applicable for Statutory Auditor of lender company).	There has been no such case and the company has been regularly servicing its debt and borrowings obligations. Moreover, the company has properly accounted for the cases where any loans given by the company have been restructured.	No impact on the standalone Ind AS Financial Statements
3.	Whether funds (grant/subsidy etc.) received/receivable for specific schemes from Central/State Government or its agencies were properly accounted for/ utilized as per its term and conditions? List the cases of deviation.	The Company has not received any funds for specific schemes from central/ state agencies for utilization. However, the company receives funds from government for its disbursements to various agencies as per specified schemes.	No impact on the standalone Ind AS Financial Statements

**M/s S.K. Mittal & Co.**  
Chartered Accountants,  
ICAI Firm Registration: 001135N

**Name : S. Murthy**  
Designation : Partner  
Membership Number : 072290  
UDIN : 21072290AAAADD8391

**Place : New Delhi**  
**Date : 28<sup>th</sup> May 2021**

**M/s O.P. Bagla & Co. LLP.**  
Chartered Accountants,  
ICAI Firm Registration: 000018N/N500091

**Name : Atul Aggarwal**  
Designation : Partner  
Membership Number : 092656  
UDIN : 21092656AAAACQ8265

## ANNEXURE-C TO THE INDEPENDENT AUDITOR'S 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 REC Limited the Company as of 31st March 2021 in conjunction with our audit of the standalone Ind AS 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 Act.

#### 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 Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Control 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 standalone Ind AS 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 standalone Ind AS 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 standalone Ind AS 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 standalone Ind AS 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, the Company has, in all material aspects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as of 31st March 2021, 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.

We have considered the areas of improvement identified which needs further strengthening as reported above in determining the nature, timing, and extent of audit tests applied in our audit of the 31st March 2021 standalone Ind AS financial statements of the Company. However, these areas of improvement do not affect our opinion on the standalone Ind AS financial statements of the Company.

**M/s S.K. Mittal & Co.**  
Chartered Accountants,  
ICAI Firm Registration: 001135N

**M/s O.P. Bagla & Co. LLP.**  
Chartered Accountants,  
ICAI Firm Registration: 000018N/N500091

**Name : S. Murthy**  
Designation : Partner  
Membership Number : 072290  
UDIN : 21072290AAAADD8391

**Name : Atul Aggarwal**  
Designation : Partner  
Membership Number : 092656  
UDIN : 21092656AAAACQ8265

**Place : New Delhi**  
**Date : 28<sup>th</sup> May 2021**

