

Independent Auditors' Report

To the Members of CESC Limited

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of CESC Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information in which is incorporated the financial statements of CESC Infrastructure Limited ("CIL" "Transferor Company"), merged with the Company pursuant to the scheme of arrangement with effect from October 1, 2017 being the appointed date (Refer note 52 to the standalone financial statements), derived from the audited financial statements for the year ended March 31, 2018 and 6 months period ended September 30, 2017 audited by another firm of the Chartered Accountants (refer clause 1 in other matter paragraph below).

Management's Responsibility for the Standalone Ind AS 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 Ind AS 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 accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. 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 the design, implementation and maintenance of adequate internal financial control 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone Ind AS 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 of the standalone Ind AS financial statements in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, as 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 Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone Ind AS financial statements. 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. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS 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 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 Ind AS financial statements. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditor for the Transferor Company in terms of their report referred to in clause 1 of the Other Matters Paragraph below is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, and based on the report of the other auditor on the Ind AS financial statements/ financial information for the Transferor Company referred to in clause 1 of the Other Matters Paragraph below, the standalone Ind AS 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 of the Company as at March 31, 2018, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Emphasis of Matter

We draw attention to Note 52 to the standalone Ind AS financial statements of the Company, in respect of Composite Scheme of Arrangement amongst the Company and few of its subsidiary companies, which was approved vide Order issued by National Company Law Tribunal ("NCLT") dated March 28, 2018 received by the Company on 5th October 2018 (the Scheme). The NCLT Order made the demerger of the Generation undertaking effective after approval of the Power Purchase Agreement (PPA) between the Company and Haldia Energy Limited by West Bengal Electricity Regulatory Commission (WBERC) (still pending), and rest of the scheme from the appointed date, viz., 1 October 2017. Consequently, rest of the scheme, comprising demerger of Retail undertaking 1 and the IT undertaking, and merger of three subsidiary companies, namely CESC Infrastructure Limited, Spencers Retail Limited (post demerger of Retail undertaking 2 as per the scheme) and Music World Limited, have been implemented from the appointed date as per the NCLT Order rather than from effective date for the

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demergers and first day of the previous period presented for the mergers. Our opinion is not qualified in respect of this matter.

Other Matters

- 1) We did not audit the financial statements and other financial information of transferor Company included in the accompanying standalone Ind AS financial statements of the Company whose financial statements and other financial information reflect total assets of Rs.3821.08 crore as at March 31, 2018 and total revenues of Rs. 1.52 crore for the 6 months period ended on that date. The financial statements and other financial information of the said entity have been audited by other firm of Chartered Accountants whose report have been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of the transferor Company, is based solely on the report of such auditors. Our opinion is not modified in respect of this matter.
- 2) The Ind AS financial statements of the Company for the year ended March 31, 2017, included in these standalone Ind AS financial statements, have been audited by the predecessor auditor who expressed an unmodified opinion on those statements on May 18, 2017.

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 based on the report of the other auditor for the Transferor Company referred to in clause 1 of the Other Matters Paragraph above we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.
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 purpose of our audit;
 - (b) In our opinion, proper books of accounts required by law have been kept by the Company so far as it appears from our examination of those books and report of other auditors on financial statements / financial information for the transferor Company as referred in clause 1 in other matter paragraph above;
 - (c) The Balance Sheet, Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account and the financial statements / financial information of the Transferor Company audited by the other auditor referred to in clause 1 of the Other Matters Paragraph above;

- (d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards specified under section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended;
- (e) On the basis of written representations received from the directors as on March 31, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, from being appointed as a director in terms of section 164 (2) of the Act;
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these standalone Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report dated November 14, 2018 in "Annexure 2" to this report;
- (g) In our opinion, the managerial remuneration for the year ended March 31, 2018 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;
- (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 and based on the report of the other auditor on the financial statements/ financial information for the Transferor Company referred to in clause 1 of the Other Matters Paragraph above:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements – Refer Note 31 to the standalone Ind AS 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.

For **S. R. Batliboi & CO. LLP**
Chartered Accountants

ICAI Firm Registration Number : 301003E/E300005

Per Kamal Agarwal
Partner

Kolkata
November 14, 2018

Membership No. : 058652

Annexure '1' to Independent Auditors' Report

Annexure 1 referred to in paragraph 1 of the section on "Report on other legal and regulatory requirements" of our report on even date

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets except those in transmission and distribution system for which we have been informed that physical verification is not possible, have been physically verified by the management according to phased programme designed to cover all items over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given by the management, the title deeds of immovable properties included in property, plant and equipment are held in the name of the company.
- ii. The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on such physical verification. Inventories lying with third parties have substantially been confirmed by them as at March 31, 2018 and no material discrepancies were noticed in respect of such confirmations.
- iii. According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- iv. In our opinion and according to the information and explanations given to us, the Company has not advanced loans to directors / to a company in which the Director is interested to which provisions of section 185 of the Companies Act 2013 apply and hence not commented upon. Provisions of section 186 of the Companies Act 2013 in respect of loans and advances given, investments made and, guarantees and securities given have been complied with by the company.
- v. The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- vi. 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(1) of the Companies Act, 2013, related to the generation and distribution of electricity, and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- vii. (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues of income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax and cess on account of any dispute, are as follows :
- | Name of the Statute | Nature of the Dues | Amount (Rs. in Croes) | Period to which the amount relates | Forum where the dispute is pending |
|---------------------------------|-------------------------|-----------------------|------------------------------------|---|
| West Bengal Sales Tax Act, 1962 | Sales Tax on Meter Rent | 0.30 | 1992-93 | Hon'ble High Court of Calcutta. |
| The Customs Act, 1962 | Customs Duty | 19.38 | 2011-12 and 2012-13 | Customs, Excise and Service Tax Appellate Tribunal. |
- viii. In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowing to bank. The Company did not have any outstanding loans or borrowings in respect of a financial institution or Government or dues to debenture holders during the year.
- ix. In our opinion and according to the information and explanations given by the management, the Company has utilized the monies raised by way of term loans for the purposes for which they were raised. The Company has not raised monies by way of initial public offer or further public offer or debt instruments.
- x. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the company or no material fraud on the company by the officers and employees of the Company has been noticed or reported during the year.
- xi. According to the information and explanations given by the management, the managerial remuneration has been paid /

provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.

- xii. In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
- xiii. According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- xiv. According to the information and explanations given to us and on an overall examination of the balance sheet, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under

clause 3(xiv) are not applicable to the company and, not commented upon.

- xv. According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.
- xvi. According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **S. R. Batliboi & CO. LLP**

Chartered Accountants

ICAI Firm Registration Number : 301003E/E300005

Per Kamal Agarwal

Partner

Membership No. : 058652

Kolkata

November 14, 2018

Annexure '2' to Independent Auditors' Report

Annexure 2 to the Independent Auditor's Report of even date on the standalone Ind AS financial statements of CESC Limited

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 CESC Limited ("the Company") as of March 31, 2018 which includes the internal financial controls over financial reporting of CESC Infrastructure Limited (Transferor Company) audited by another firm of Chartered Accountants (Refer Other Matters Paragraph below) 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. 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 the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these standalone Ind AS financial statements 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 as specified under section 143(10) of the Companies Act, 2013, to the extent 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 with reference to these standalone financial statements 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 over financial reporting with reference to these standalone Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these standalone Ind AS financial statements, 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 and the audit evidence obtained by the other auditor for the Transferor Company in terms of their report referred to in the Other Matter paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these standalone Ind AS financial statements.

Meaning of Internal Financial Controls Over Financial Reporting with reference to these financial statements

A company's internal financial control over financial reporting with reference to these standalone Ind AS financial statements 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 with reference to these standalone Ind AS financial statements 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 with reference to these standalone Ind AS financial statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these standalone Ind AS financial statements, 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 with reference to these standalone Ind AS financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these standalone Ind AS financial statements 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 and based on the report of the other auditor on

Annexure B to Independent Auditors' Report

adequacy and operating effectiveness over financial reporting of the transferor company, referred to in other matter paragraph above, the Company has, in all material respects, adequate internal financial controls over financial reporting with reference to these standalone Ind AS financial statements and such internal financial controls over financial reporting with reference to these standalone Ind AS financial statements 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 Matters

We did not audit the adequacy and operating effectiveness of internal financial controls over financial reporting of the Transferor Company for the period October 1, 2017 to March 31, 2018. The

adequacy and operating effectiveness of internal financial controls over financial reporting of the Transferor Company for the aforesaid period, has been audited by other auditor, whose report has been furnished to us and our opinion in so far as it relates to the adequacy and operating effectiveness of internal financial controls over financial reporting included in respect of the Transferor Company, and our report in so far as it relates to the Transferor Company is based solely on the report of the other auditor.

Our opinion is not modified in respect of this matter.

For **S. R. Batliboi & CO. LLP**

Chartered Accountants

ICAI Firm Registration Number : 301003E/E300005

Per Kamal Agarwal

Partner

Membership No. : 058652

Kolkata

November 14, 2018