



AUDITORS' REPORT

To the Members of

NTPC LIMITED

1. We have audited the attached Balance Sheet of **NTPC LIMITED** as at 31st March 2009, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 issued by the Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in annexure referred to in para 3 above, we report that:
 - a) We have 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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e) Being a Government company, pursuant to the Notification no. GSR 829(E) dated 21.10.2003 issued by Government of India, provisions of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956, are not applicable to the company;
 - f) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read with the Accounting Policies and Notes thereon in Schedule 26, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. in the case of Balance Sheet, of the state of affairs of the company as at 31st March 2009,
 - b. in the case of Profit and Loss Account, of the profit for the year ended on that date, and
 - c. in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For Varma and Varma
Chartered Accountants

(Cherian K. Baby)
Partner
M No.16043

For S.K. Mittal & Co.
Chartered Accountants

(S.K. Mittal)
Partner
M No.8506

For B.C.Jain & Co.
Chartered Accountants

(Ranjeet Singh)
Partner
M No.73488

For Dass Gupta & Associates.
Chartered Accountants

(Ashok Kumar Jain)
Partner
M No.90563

For Parakh & Co.
Chartered Accountants

(Aditya Rawat)
Partner
M No.71767

For S.K. Mehta & Co.
Chartered Accountants

(Rohit Mehta)
Partner
M.No.91382

Place : New Delhi
Dated : 22nd May 2009

ANNEXURE TO THE AUDITORS' REPORT

Statement referred to in paragraph (3) of our report of even date to the members of NTPC LIMITED on the accounts for the year ended 31st March 2009

- (i) (a) The company has generally maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) Substantial part of the fixed assets has not been disposed off during the year.
- (ii) (a) The inventory has been physically verified by the management at reasonable intervals.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventories, wherever material, have been properly dealt with in the books of account.
- (iii) (a) The company has not granted any loans secured or unsecured to any company, firm or other party covered in the register maintained under section 301 of the Companies Act, 1956.
- In view of clause (iii)(a) above, the clauses (iii)(b), (iii)(c) and (iii)(d) are not applicable.
- (e) The company has not taken any loans secured or unsecured from any company, firm, or other parties covered in register maintained under section 301 of the Companies Act, 1956.
- In view of (iii) (e) above, the clauses (iii) (f) and (iii) (g) are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the company and the nature of its business for purchase of inventory and fixed assets and for sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control systems.
- (v) (a) According to the information and explanations given to us, during the year under audit there have been no contracts or arrangements which need to be entered in the register maintained under section 301 of the Companies Act, 1956.
- In view of clause (v) (a) above, the clause (v) (b) is not applicable.
- (vi) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other tribunal.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and the nature of its business.
- (viii) We have broadly reviewed the accounts and records maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made detailed examination of the records with a view to determine whether they are accurate and complete.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, income tax, sales-tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues have generally been regularly deposited with the appropriate authorities within a period of six months from the date they became payable *except for entry tax of Rs.88.95 million* which has since been deposited with the appropriate authorities.
- (b) The disputed statutory dues aggregating to **Rs.593 million** that have not been deposited on account of matters pending before appropriate authorities are detailed below:

Sl.No.	Name of Statute	Nature of dues	Forum where the dispute is pending	Rs./million
1	Central Sales Tax and Sales Tax/VAT Acts of Various States	Sales Tax/ VAT	Additional Commissioner of Sales Taxes	65
			Commissioner of Sales Tax	26
			Dy. commissioner of Sales/ Commercial Taxes	332
			High Court	19
			Sales Tax Tribunal	43
			Joint Commissioner (Appeal) Trade tax	14



Sl.No.	Name of Statute	Nature of dues	Forum where the dispute is pending	Rs./million
2	Water (Prevention & Control of Pollution) Cess Act, 1977	Water/Pollution Cess	Appellate Authority, Pollution Control Board	13
3.	Indian Stamp Act, 1899	Land Tax	Appellate Authority – Board of Revenue	14
4.	Central Excise Act, 1944	Central Excise duty	CESTAT	2
5.	Income Tax Act, 1961	Income tax	Income Tax Appellate Tribunal Allahabad High Court	5 60
Total				593

- (x) The company has no accumulated losses and has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
- (xii) According to the information and explanations given to us, company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) The company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xv) Company has not given any guarantees for loans taken by others from banks or financial institutions.
- (xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to the information and explanations given to us, the company has not made preferential allotment of shares during the year.
- (xix) According to the information and explanations given to us, the company has created security or charge in respect of the Bonds issued by the company during the year.
- (xx) According to the information and explanations given to us, the company has not raised any money by public issue during the year.
- (xxi) According to the information and explanations given to us, no fraud has been committed to or by the Company during the year. In respect of suspected frauds of earlier years, suitable action has been taken.

For Varma and Varma
Chartered Accountants

(Cherian K. Baby)
Partner
M No.16043

For S.K. Mittal & Co.
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For S.K. Mehta & Co.
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(Rohit Mehta)
Partner
M.No.91382

Place : New Delhi
Dated : 22nd May 2009

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF NTPC LIMITED, NEW DELHI, FOR THE YEAR ENDED 31 MARCH 2009 AND MANAGEMENT REPLIES THEREON

Comment	Management Reply
<p>The preparation of financial statements of NTPC Limited, New Delhi, for the year ended 31 March 2009 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619 (2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 22 May 2009.</p> <p>I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 619 (3) (b) of the Companies Act, 1956 of the financial statements of NTPC Limited, New Delhi, for the year ended 31 March 2009. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matter under section 619 (4) of the Companies Act, 1956, which has come to my attention and which in my view is necessary for enabling a better understanding of the financial statements and the related Audit Report:</p> <p>Comment on Profitability Profit & Loss Account Sales (Schedule 17): Rs.42145.40 crore</p> <p>A reference is invited to Comment 'A' of the Comptroller and Auditor General of India on the accounts of the Company for the year ended 31 March 2008 wherein income recognition to the extent of Rs.938.30 crore was commented upon. The Company in the current year has again recognised income to the extent of Rs.105.70 crore in respect of issues disputed by CERC before the Hon'ble Supreme Court of India.</p> <p>As the Company, through its counsel, had submitted before the Hon'ble Supreme Court of India that it would not press for determination of the disputed issues, the income recognition of Rs.1044.00 crore (previous year Rs.938.30 crore and current year Rs.105.70 crore) should have been postponed as required under AS-9 prescribed under Section 211(3C) of the Companies Act, 1956. As a result, Reserves and Surplus (accumulated profits) of the Company are overstated by Rs.1044 crore.</p>	<p>The Company appealed before the Appellate Tribunal for Electricity (ATE) against the tariff orders issued by the Central Electricity Regulatory Commission (CERC) for determination of tariff for its power stations. The ATE, during the previous financial year 2007-08, upheld the appeals of the Company and directed the CERC to revise the tariff for the concerned stations as provided in its order. CERC filed an appeal before the Hon'ble Supreme Court of India on some of the issues decided by the ATE, mainly on the grounds that ATE's order is contrary to the provisions of Tariff Regulations, 2004 notified by the CERC.</p> <p>Since, in the opinion of the management, duly supported by independent legal advice, the ATE's order was entirely in conformity with the Tariff Regulations, 2004 and it was reasonable to expect ultimate collection, the Company recognized sales of Rs.938.30 crore pending disposal of the appeal in the previous financial year 2007-08.</p>



Comment	Management Reply
	<p>In view of the comment 'A' of the Comptroller and Auditor General of India referred alongside, the Company reviewed the matter and sought opinion from a former Chief Justice of India who was of the view that the possibility of interference by the Hon'ble Supreme Court with the order of ATE is remote and opined that the Company is right in recognizing the revenue in its books of accounts as per the order of ATE pending disposal of appeal before the Hon'ble Supreme Court of India notwithstanding the undertaking given not to press for fresh determination of the issues under appeal for the time being.</p> <p>Such undertaking neither affects the right of the Company nor does it call for postponement of recognition of revenue which has been done as per the provisions of Accounting Standard (AS) 9.</p> <p>Thus the sales of Rs. 1,044 crore (previous year Rs. 938.30 crore) and current year Rs. 105.70 crore) have been correctly accounted for based on ATE's order, duly supported by independent legal opinions, in accordance with Accounting Standard (AS) 9 'Revenue Recognition' prescribed under Section 211 (3C) of the Companies Act, 1956 and accounting policies of the Company and thus there is no over statement of Reserves and Surplus.</p>

For and on behalf of the
Comptroller & Auditor General of India

(Ghazala Meenai)
Principal Director of Commercial Audit &
Ex-officio Member, Audit Board – III,
New Delhi

Dated: 29.06.2009
Place: New Delhi

For and on behalf of the
Board of Directors

(R.S. Sharma)
Chairman and Managing Director

Dated: 27th July, 2009
Place: New Delhi