INDEPENDENT AUDITORS’ REPORT

To
The Members of NTPC Limited

Report on the standalone financial statements
We have audited the accompanying standalone financial statements of NTPC Limited ("the Company"), which comprise the Balance Sheet as at 31st March 2015, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management’s responsibility for the standalone financial statements
The Company’s Board of Directors is responsible for the matters stated in Section 134 (5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors’ responsibility
Our responsibility is to express an opinion on these standalone financial statements based on our audit.
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 there under.
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 financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. 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. In making those risk assessments, the auditor considers internal financial control relevant to the Company’s preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. 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 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:
(a) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2015;
(b) In the case of Statement of Profit and Loss, 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.

Emphasis of Matter
We draw attention to the following matters in the Notes to the financial statements:
(a) Note no. 22 (b) in respect of accounting of sales on provisional basis;
(b) Note no. 34 in respect of a project where the matter is pending before the Hon’ble Supreme Court of India.
Our opinion is not modified in respect of these matters.

Report on Other Legal and Regulatory Requirements
1. As required by the Companies (Auditor’s Report) Order, 2015 ("the Order") issued by the 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 explanations given to us, we give in the Annexure 1 a statement on the matters specified in the paragraphs 3 and 4 of the said Order.
2. We are enclosing our report in terms of Section 143 (5) of the Act, on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, in the Annexure 2 on the directions and sub-directions issued by Comptroller and Auditor General of India.
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, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

(d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

(e) On the basis of written representations received from the directors as at 31st March 2015 and taken on record by the Board of Directors, none of the directors is disqualified from being appointed as a director in terms of Section 164(2) of the Act as on 31st March 2015.

(f) 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 financial statements. Refer Note 34, 35 & 52 to the financial statements;

ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses on long-term contracts including derivative contracts.

iii. There has been no delay in transferring the amount to Investor Education and Protection Fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and Rules made there under by the Company.

For O. P. Bagla & Co. Chartered Accountants
Firm Reg. No. 000018N
(Rakesh Kumar) Partner
M No.087537

For PSD & Associates Chartered Accountants
Firm Reg. No. 004501C
(Prakash Sharma) Partner
M No.072332

For PKF Sridhar & Santhanam LLP Chartered Accountants
Firm Reg. No. 003990S/S200018
(S. Narasimhan) Partner
M No.206047

For V. Sankar Aiyar & Co. Chartered Accountants
Firm Reg. No. 109208W
(Ajay Gupta) Partner
M No.090104

For Ramesh C. Agrawal & Co. Chartered Accountants
Firm Reg. No. 001770C
(R.C. Agrawal) Partner
M No.070229

For A.R. & Co. Chartered Accountants
Firm Reg. No. 002744C
(Pawan K Goel) Partner
M.No.072209

Place : New Delhi
Dated : 29th May 2015
ANNEXURE 1 TO THE AUDITORS’ REPORT

Annexure referred to in our report of even date to the members of NTPC LIMITED on the accounts for the year ended 31st March 2015

(i) (a) The Company has generally maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) There is a regular programme of physical verification of all fixed assets over a period of two years 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.

(ii) (a) The inventory has been physically verified by the management at reasonable intervals.

(b) The procedures of physical verification of inventory 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. No material discrepancies were noticed on physical verification

(iii) 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.

In view of the above, the clauses 3 (iii)(a) and 3 (iii)(b) of the Order 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 & fixed assets and for sale of electricity, 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) In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India, the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules framed thereunder with regard to the deposits accepted from the public except deposits obtained by the Company from the dependants of employees who die or suffer permanent total disability for which the Company has applied Ministry of Corporate Affairs, Government of India for continuation of the exemption earlier obtained in respect of applicability of Section 58 A of the Companies Act, 1956, which is still awaited (refer Note 10 d). No order has been passed with respect to Section 73 to 76, by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other tribunal.

(vi) 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 sub-section (1) of Section 148 of the Companies Act, 2013 read with Companies (Cost Records & Audit) Rules, 2014 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.

(vii) (a) Undisputed statutory dues including provident fund, income tax, sales-tax, wealth tax, service tax, custom duty, excise duty, value added tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities and there are no undisputed dues outstanding as on 31st March 2015 for a period of more than six months from the date they became payable. We have been informed that employees' state insurance is not applicable to the Company.

(b) The disputed statutory dues aggregating to ₹ 288.77 crore that have not been deposited on account of matters pending before appropriate authorities are detailed below:

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Name of Statute</th>
<th>Nature of dues</th>
<th>Forum where the dispute is pending</th>
<th>₹ crore</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Central Sales Tax and Sales Tax/VAT Acts of various states</td>
<td>Sales Tax / VAT</td>
<td>Additional Commissioner of Sales Taxes</td>
<td>6.69</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Commissioner of Sales Tax</td>
<td>14.12</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>High Court</td>
<td>231.40</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Sales/Trade Tax Tribunal</td>
<td>20.74</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Joint Commissioner (Appeal) Trade tax</td>
<td>1.16</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Appellate Tribunal</td>
<td>0.13</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>CESTAT &amp; Appellate Tribunal of CEST</td>
<td>2.49</td>
</tr>
<tr>
<td>2</td>
<td>Central Excise Act, 1944</td>
<td>Central Excise Duty/Service tax</td>
<td>CESTAT &amp; Appellate Tribunal of CEST</td>
<td>2.49</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Income Tax Officer</td>
<td>0.43</td>
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<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>288.77</td>
</tr>
</tbody>
</table>

(c) According to the information and explanations given to us, the Company has transferred the amount required to be transferred to the Investor Education and Protection Fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and Rules made there under.

(viii) The Company has no accumulated losses and has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
(ix) 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.

(x) According to the information and explanations given to us, the Company has not given any guarantees for loans taken by others
from banks or financial institutions.

(xi) According to the information and explanations given to us, the term loans have been applied for the purpose for which they were
obtained.

(xii) According to the information and explanations given to us and as represented by the Management and based on our examination
of the books and records of the Company and in accordance with generally accepted auditing practices in India, we have been
informed that no case of frauds has been committed on or by the Company during the year.
ANNEXURE 2 TO THE AUDITORS' REPORT

Annexure referred to in our report of even date to the members of NTPC LIMITED on the accounts for the year ended 31st March 2015

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Directions / Sub-Directions</th>
<th>Action Taken</th>
<th>Impact on financial statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Directions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>If the Company has been selected for disinvestment, a complete status report in terms of valuation of Assets (including intangible assets and land) and Liabilities (including Committed and General Reserves) may be examined including the mode and present stage of disinvestment process.</td>
<td>The Company has not been selected for disinvestment during the financial year 2014-15.</td>
<td>Not applicable</td>
</tr>
<tr>
<td>2</td>
<td>Please report whether there are any cases of waiver/write off of debts/loans/interest etc., if yes, the reasons therefor and the amount involved.</td>
<td>According to information and explanations given to us, there are no cases of waiver/write off of debts/loans/interest etc.</td>
<td>Nil</td>
</tr>
<tr>
<td>3</td>
<td>Whether proper records are maintained for inventories lying with third parties &amp; assets received as gift from Govt. or other authorities?</td>
<td>Proper records are maintained for inventories lying with third parties and also for assets received as gift from Government or other authorities.</td>
<td>Nil</td>
</tr>
<tr>
<td>4</td>
<td>A report on age-wise analysis of pending legal/arbitration cases including the reasons of pendency and existence/effectiveness of a monitoring mechanism for expenditure on all legal cases (foreign and local) may be given.</td>
<td>The Company has 4,126 pending legal/arbitration cases. The age-wise classification obtained from the management is as under: More than 3 years 2,803 Two to three years 561 One to two years 378 Less than one year 384 These cases are pending for hearing/disposal at the respective forums. The Company has a system for monitoring expenditure on legal cases (foreign and local) which in our view is effective</td>
<td>Nil</td>
</tr>
</tbody>
</table>

B. Sub - Directions

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Directions / Sub-Directions</th>
<th>Action Taken</th>
<th>Impact on financial statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Whether proper accounting / disclosure of the disputed amount with Coal India Limited (CIL) and its Subsidiaries related to quality of coal has been made in the books of Accounts of NTPC Limited?</td>
<td>In accordance with the principles approved by the Board of Directors of the Company, the dispute with Coal India Limited (CIL) and its Subsidiaries on account of Gross Calorific Value (GCV) has been settled as detailed in Note 32.</td>
<td>Nil</td>
</tr>
<tr>
<td>2</td>
<td>Whether NTPC has billed / recovered the amount paid to CIL and its subsidiaries on settlement of disputes relating to quality of coal from the beneficiaries and whether any beneficiary disputed such a claim?</td>
<td>The Company has billed the amount paid to CIL and its subsidiaries on settlement of disputes relating to quality of coal and the amount billed have been realized or in the process of realization. None of the beneficiaries have disputed the amount billed by the Company on this account.</td>
<td>Nil</td>
</tr>
</tbody>
</table>
**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF NTPC LIMITED FOR THE YEAR ENDED 31 MARCH 2015 AND MANAGEMENT REPLIES THEREON**

<table>
<thead>
<tr>
<th>Comment</th>
<th>Management Reply</th>
</tr>
</thead>
<tbody>
<tr>
<td>The preparation of financial statements of NTPC Limited for the year ended 31 March 2015 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 139 (5) of the Act are responsible for expressing opinion on the financial statements under Section 143 of the Act based on independent audit in accordance with the Standards of Auditing prescribed under Section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 29 May 2015.</td>
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<tr>
<td>I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 143(6)(e) of the Act of the financial statements of NTPC Limited for the year ended 31 March 2015. 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 143 (6)(b) of the Act 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:</td>
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<tr>
<td>Balance Sheet</td>
<td></td>
</tr>
<tr>
<td>Fixed Assets</td>
<td></td>
</tr>
<tr>
<td>Tangible Assets (Note No.12)</td>
<td></td>
</tr>
<tr>
<td>Capital Expenditure on assets not owned by the Company (Net Block): ₹ 54.40 crore</td>
<td></td>
</tr>
<tr>
<td>Capital work-in-progress - (Note No.13)</td>
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<tr>
<td>Capital Expenditure on assets not owned by the Company - ₹ 76.37 crore</td>
<td></td>
</tr>
<tr>
<td>As per provisions of AS-10 highlighted by the Expert Advisory Committee (EAC) of the Institute of Chartered Accountants of India (ICAI) in their opinion of May 2010 reiterated in July 2011, the expenditure incurred on enabling assets not owned by the Company should be charged off to revenue in the accounting period in which such expenditure is incurred.</td>
<td></td>
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<tr>
<td>The Company, however, capitalized the expenditure incurred on assets not owned by the Company. The Company was requested (September 2014) by ICAI, to revise its Accounting Policy in line with the opinion given by EAC of ICAI, if the decision of EAC on the review application of NTPC of October 2011 is not received till finalization of annual accounts of the Company for 2014-15. Though the decision of EAC of ICAI in the matter raised by the Company was not received till finalization of the accounts for 2014-15, the Company did not revise its Accounting Policy on enabling assets not owned by the Company in the current year.</td>
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<tr>
<td>The Company stated that based on their follow up, ICAI issued Exposure Draft of AS-10 which would replace the existing AS-10. The issue is being addressed in the revised AS-10. The reply is to be viewed against the fact that Revised AS-10 has not yet been notified and is likely to have prospective application. Therefore, booking of expenditure on enabling assets not owned by the Company under Tangible Assets and Capital work in progress up to March 2015 has resulted in understatement of “Expenses” by ₹ 130.77 crore and overstatement of “Tangible Assets” (Net block) by ₹ 54.40 crore as well as “Capital work in progress” by ₹ 76.37 crore. Consequently, profit for the year is also overstated by ₹ 130.77 crore.</td>
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</tr>
<tr>
<td>The Company is a Rate Regulated Entity. Accounting of capital expenditure on the assets not owned by the Company was being done by the Company considering the Guidance Note on ‘Treatment of Expenditure during Construction Period’ since long. With the withdrawal of the above guidance note, accounting of such expenditure is being done in line with the provisions of Para 9.1 and 10 of AS 10 on ‘Accounting for Fixed Assets’ which provides that expenditure on assets which is directly attributable to the construction of the power project should be capitalized.</td>
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</tr>
<tr>
<td>The balances appearing under the head ‘Capital expenditure on assets not owned by the company’ in Tangible Assets and Capital Work-in-Progress represents expenditure incurred on roads, construction power lines, etc.</td>
<td></td>
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<tr>
<td>Expenditure incurred on these assets is directly attributable to the construction of the power projects without which the construction of projects of the Company would not be possible. In the opinion of the Management, such expenditure is necessary for bringing the asset to the location and condition necessary for it to be capable for operating in the manner intended by the management.</td>
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</tr>
<tr>
<td>Accordingly, a reference has been made to the Expert Advisory Committee of the Institute of Chartered Accountants of India for review of its opinion which is still awaited. Pending disposal of the reference, the company has continued its existing practice of capitalization of such expenditure which has been followed consistently over the years. This has also been disclosed in Note No.12 (h) of the financial statements.</td>
<td></td>
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</tbody>
</table>

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

(Tanuja S. Mittal)
Principal Director of Commercial Audit & Ex-officio Member, Audit Board – III, New Delhi

For and on behalf of the Board of Directors

(Dr. Arup Roy Choudhury)
Chairman and Managing Director

Place : New Delhi
Dated: 27 July 2015

Place : New Delhi
Dated: 30 July, 2015

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