

## AUDITORS' REPORT

### To the Members of NTPC LIMITED

1. We have audited the attached Balance Sheet of **NTPC LIMITED** as at 31<sup>st</sup> March 2011, 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) Without qualifying our report, we draw attention to Note no. 2 (a) and (b) (Schedule 26 - Notes on Accounts) in respect of accounting of sales on provisional basis pending determination of tariff by the Central Electricity Regulatory Commission;
  - g) 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 31<sup>st</sup> March 2011,
    - 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 Dass Gupta & Associates  
Chartered Accountants  
Firm Reg. No.000112N

[ Ashok Kumar Jain ]  
Partner  
M. No. 090563

For Parakh & Co.  
Chartered Accountants  
Firm Reg. No.01475C

[ V. D. Mantri ]  
Partner  
M. No. 074678

For K K Soni & Co.  
Chartered Accountants  
Firm Reg. No.000947N

[ S.S. Soni ]  
Partner  
M. No. 094227

For B.C. Jain & Co.  
Chartered Accountants  
Firm Reg. No.001099C

[ Rishabh Jain ]  
Partner  
M. No. 400912

For Varma and Varma  
Chartered Accountants  
Firm Reg. No.004532S

[ C.G. Pankajakshan ]  
Partner  
M. No. 020512

For S. K. Mehta & Co.  
Chartered Accountants  
Firm Reg. No.000478N

[ Rohit Mehta ]  
Partner  
M. No.091382

Place: New Delhi  
Date: 10<sup>th</sup> May 2011

## 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 31<sup>st</sup> March 2011

- (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 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. The discrepancies noticed on physical verification of inventory, 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 companies, firms or other parties covered in 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 companies, firms 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 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) (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 directives issued by the Reserve Bank of India, 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 its size and nature of 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 and there are no undisputed dues outstanding as on 31<sup>st</sup> March 2011 for a period of more than six months from the date they became payable.  
 (b) The disputed statutory dues aggregating to ₹ 172.86 crore 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	₹ crore
1	Central Sales Tax and Sales Tax/VAT Acts of Various States	Sales Tax/VAT	Additional Commissioner of Sales Taxes	25.27
			Commissioner of Sales Tax	6.46
			Dy. commissioner of Sales/ Commercial Taxes	15.93
			High Court	83.38
			Sales Tax Tribunal	1.07
			Joint Commissioner (Appeal) Trade tax	2.46
2	Water (Prevention & Control of Pollution) Cess Act, 1977	Water/Pollution Cess	Appellate Authority, Pollution Control Board	1.26
3	Indian Stamp Act, 1899	Land Tax	Appellate Authority – Board of Revenue	0.96
4	Central Excise Act, 1944	Central Excise Duty	CESTAT	0.30
5	Income Tax Act, 1961	Income Tax	Income Tax Appellate Tribunal/CIT	0.35
			Allahabad High Court	34.70
			Asst. Commissioner	0.72
	<b>Total</b>			<b>172.86</b>

- (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) The Company has not given any guarantees for loans taken by others from banks or financial institutions.
- (xvi) According to the information and explanations given to us, the term loans have been applied for the purpose for which they were obtained.
- (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 investments.
- (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 except in respect of certain bonds raised in March 2011 for which security creation is in process.
- (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 on or by the Company has been noticed or reported during the year.

For Dass Gupta & Associates  
Chartered Accountants  
Firm Reg. No.000112N

[ Ashok Kumar Jain ]  
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[ C.G. Pankajakshan ]  
Partner  
M. No.020512

For S. K. Mehta & Co.  
Chartered Accountants  
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[ Rohit Mehta ]  
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Place: New Delhi  
Date: 10<sup>th</sup> May 2011