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 2016, 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 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 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. 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, of the state of affairs of the Company as at 31st March, 2016 and its profits and its 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. 12 (i) & 35 (a) in respect of change in accounting of capital expenditure on assets not owned by the Company with retrospective effect taking guidance available in AS 10 notified by MCA on 30th March 2016 effective from the financial year 2016-17.

(b) Note No. 22 (a) & (b) regarding billing & recognition of sales on provisional basis and measurement of GCV of coal on ‘as received’ basis after secondary crusher pending disposal of the matter by CERC/Hon’ble Delhi High Court and related matters as mentioned in said note;

(c) Note No. 33 in respect of a Company’s ongoing project where the order of NGT has been stayed by the Hon’ble Supreme Court of India and the matter is sub-judice.

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, 2016 (“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 The 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) Being a Government Company, pursuant to the Notification No. GSR 463(E) dated 5th June 2015 issued by Ministry of Corporate Affairs, Government of India, provisions of sub-section (2) of Section 164 of the Companies Act, 2013, are not applicable to the Company.

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure 3.

(g) 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 33, 34 & 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 amounts, required to be transferred, to the Investor Education and Protection Fund by the Company in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and Rules made there under.

For T R Chadha & Co LLP Chartered Accountants
FRN- 006711N/N500028

For PSD & Associates Chartered Accountants
FRN - 004501C

For Sagar & Associates Chartered Accountants
FRN - 003510S

[CA. Neena Goel]
Partner
M. No. 057986

[CA. Thalendra Sharma]
Partner
M. No. 079236

[CA. V. Vidyasagar Babu]
Partner
M. No.027357

For Kalani & Co. Chartered Accountants
FRN - 000729C

For P. A. & Associates Chartered Accountants
FRN - 313085E

For S. K. Kapoor & Co. Chartered Accountants
FRN - 000745C

For B.M. Chatrath & Co. Chartered Accountants
FRN - 301011E

[CA. Vikas Gupta]
Partner
M. No. 077076

[CA. P. S. Panda]
Partner
M. No.051092

[CA. V. B. Singh]
Partner
M.No.073124

[CA. P. R. Paul]
Partner
M. No. 051675

Place : New Delhi
Dated : 30th May 2016
ANNEXURE 1 TO THE AUDITORS’ REPORT

Referred to in our report of even date to the members of NTPC LIMITED on the accounts for the year ended 31st March 2016

(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.

(c) The title deeds of all the immovable properties are held in the name of the Company except as follows:

(ii) The inventory has been physically verified by the management at reasonable intervals. No material discrepancies were noticed on such physical verification.

(iii) The Company has not granted any loans, secured or unsecured to any companies, firms, limited liability partnership 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), 3 (iii)(b) and 3 (iii)(c) of the Order are not applicable.

(iv) The Company has not granted any loans or given any guarantee and security covered under Section 185 and 186 of the Companies Act, 2013. In respect of investment in the Subsidiary and Joint Venture Companies, the Company has complied with the provisions of Section 185 and 186 of the Companies Act, 2013.

(v) The Company has not accepted deposits from the public. As such, 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 there under are not applicable to the Company.

(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 2016 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 ₹ 891.02 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>Amount (₹ in 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 Tax</td>
<td>9.13</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Commissioner of Sales Tax</td>
<td>41.39</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Dy. Commissioner of Sales Tax</td>
<td>0.02</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>High Court*</td>
<td>823.34</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Sales/Trade Tax Tribunal</td>
<td>3.05</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Appellate Tribunal</td>
<td>4.24</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>9.63</td>
</tr>
<tr>
<td>3</td>
<td>Income Tax Act, 1961</td>
<td>Income Tax</td>
<td>Income Tax Appellate Tribunal</td>
<td>0.04</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Asst. Commissioner of Income Tax</td>
<td>0.18</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td><strong>891.02</strong></td>
</tr>
</tbody>
</table>
* Includes ₹ 538.71 crore towards the demand for electricity duty raised by Dy. Commissioner, Commercial Tax which has been stayed by the Hon'ble High Court.

(viii) 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.

(ix) The Company has not raised any money by way of initial public offer or further public offer. According to the information and explanations given to us, the money raised by the Company by way of debt instruments and term loans have been applied for the purpose for which they were obtained.

(x) 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, no case of frauds by the Company or any fraud on the company by its officers or employees has been noticed or reported during the year.

(xi) As per notification no. GSR 463(E) dated 5th June 2015 issued by the Ministry of Corporate Affairs, Government of India, Section 197 is not applicable to the Government Companies. Accordingly, provisions of clause 3 (xi) of the Order are not applicable to the Company.

(xii) The provisions of clause 3 (xii) of the Order, for Nidhi Company, are not applicable to the Company.

(xiii) The Company has complied with the provisions of Section 177 and 188 of the Companies Act, 2013 w.r.t. transactions with the related parties, wherever applicable. Details of the transactions with the related parties have been disclosed in the financial statements as required by the applicable accounting standards.

(xiv) The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, provisions of clause 3 (xiv) of the Order are not applicable to the Company.

(xv) The Company has not entered into any non-cash transactions with the directors or persons connected with them as covered under Section 192 of the Companies Act, 2013.

(xvi) According to information and explanation given to us, the Company is not required to be registered u/s 45-IA of Reserve Bank of India Act, 1934. Accordingly, provision of clause 3(xvi) of the Order is not applicable to the Company.
### ANNEXURE 2 TO THE INDEPENDENT AUDITORS’ REPORT

Referred to in our report of even date to the members of NTPC LIMITED on the accounts for the year ended 31st March 2016

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Directions u/s 143(5) of the Companies Act, 2013</th>
<th>Auditor’s reply on action taken on the directions</th>
<th>Impact on financial statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Whether the Company has clear title/lease deeds for freehold and leasehold land respectively? If not, please state the area of the freehold and leasehold land for which title/lease deeds are not available.</td>
<td>The Company is having clear title/lease deeds for entire freehold and leasehold land except 10,735 acres of freehold land valuing <code>2,210.91 crore and 16,085 acres of leasehold land valuing </code>3,171.86 crore. According to information and explanation given to us, reasonable steps have been taken by the Company for getting the titles of these land in its favour.</td>
<td>Nil</td>
</tr>
<tr>
<td>2</td>
<td>Whether there are any cases of waiver/write off of debts/loans/interest etc., if yes, the reasons thereof 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>
</tbody>
</table>

For T R Chadha & Co LLP
Chartered Accountants
FRN- 006711N/N500028
[CA. Neena Goel] Partner
M. No. 057986

For PSD & Associates
Chartered Accountants
FRN - 004501C
[CA. Thalendra Sharma] Partner
M. No. 079236

For Sagar & Associates
Chartered Accountants
FRN - 003510S
[CA. V. Vidyasagar Babu] Partner
M. No.027357

For Kalani & Co.
Chartered Accountants
FRN - 000792C
[CA. Vikas Gupta] Partner
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For B.M. Chatrath & Co.
Chartered Accountants
FRN - 301011E
[CA. P. R. Paul] Partner
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For B.M. Chatrath & Co.
Chartered Accountants
FRN - 301011E
[CA. P. R. Paul] Partner
M. No. 051675

Place : New Delhi
Dated : 30th May 2016
ANNEXURE 3 TO THE AUDITORS’ REPORT

Referred to in our report of even date to the members of NTPC LIMITED on the accounts for the year ended 31st March 2016

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 NTPC Limited (“the Company”) as of 31st March 2016 in conjunction with our audit of the standalone 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 Companies Act, 2013.

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 Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. 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 control system over financial reporting and their operating effectiveness. Our audit of internal financial control over financial reporting included obtaining an understanding of internal financial control 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 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 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 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 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 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 controls 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 respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March 2016, based on the internal controls over financial reporting criteria established by the Company considering the components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the ICAI.

For T R Chadha & Co LLP
Chartered Accountants
FRN- 006711N/N500028
[CA. Neena Goel]
Partner
M. No. 057986

For PSD & Associates
Chartered Accountants
FRN - 004501C
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M. No.073124

For B.M. Chatrath & Co.
Chartered Accountants
FRN - 301011E
[CA. P. R. Paul]
Partner
M. No. 051675

Place : New Delhi
Dated : 30th May 2016

**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 2016 AND MANAGEMENT REPLIES THEREON**

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Comment</th>
<th>Management Reply</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The preparation of financial statements of NTPC Limited for the year ended 31 March 2016 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) 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 on auditing prescribed under Section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 30 May 2016. I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 143(6)(a) of the Act of the financial statements of NTPC Limited for the year ended 31 March 2016. 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 matters under Section 143(6)(b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report.</td>
<td></td>
</tr>
</tbody>
</table>
### Sl. No. Comment Management Reply

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Balance Sheet</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
|   |   | 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 project should be capitalized.
|   |   | Expenditure incurred on these assets is directly attributable to the construction of the power projects without which the construction of the 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.
|   |   | As per Note No.52(b) of the financial statements, Company made a disclosure that 'Disputed income tax/sales tax/excise and other tax matters pending before various appellate Authorities amount to `7,499.37 crore'. It was noticed that the Company deposited `6,545.43 crore on account of disputed demand of statutory dues with the appropriate authorities. However, this fact has not been reported by the Joint Statutory Auditors in their Independent Auditor's Report.
|   |   | As such, Independent Auditors' Report is deficient to the above extent.
|   |   |   |
| 2. Independent Auditors' Report |   | No comments.
|   |   |   |
| Annexure 1 to the Independent Auditors' Report |   |   |
|   |   | A reference is invited to item (vii) (b) of Annexure I to Independent Auditors' Report containing details of disputed statutory dues aggregating to `891.02 crore that have not been deposited on account of matters pending before appropriate authorities along with forum where the dispute is pending.
|   |   | As per para 43(g) of the Guidance Note on CARO 2016 issued by ICAI, the fact of disputed amount of statutory dues deposited under protest should be brought out by the auditor in his report.
|   |   | As per Note No.52(b) of the financial statements, Company made a disclosure that 'Disputed income tax/sales tax/excise and other tax matters pending before various appellate Authorities amount to `7,499.37 crore'. It was noticed that the Company deposited `6,545.43 crore on account of disputed demand of statutory dues with the appropriate authorities. However, this fact has not been reported by the Joint Statutory Auditors in their Independent Auditor's Report.
|   |   | As such, Independent Auditors' Report is deficient to the above extent.

For and on behalf of the Comptroller & Auditor General of India (Ritika Bhatia) Principal Director of Commercial Audit & Ex-officio Member, Audit Board – III, New Delhi Place : New Delhi Dated: 28 July 2016

For and on behalf of the Board of Directors (Gurdeep Singh) Chairman and Managing Director Place : New Delhi Dated: 29 July, 2016