

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 31 March 2018, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity 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 state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed 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 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 standalone 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 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 of the standalone financial statements 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 standalone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone 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 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 standalone 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 including the Ind AS, of the state of affairs (financial position) of the Company as at 31 March, 2018, and its profit (financial performance 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 the following matters in the notes to the standalone financial statements:

- (a) Note No. 36 a) & b) regarding billing & recognition of sales on provisional basis and measurement of GCV of coal on 'as received' basis measured on wagon top at the unloading point in respect of most of the stations pending disposal of petition by CERC and ratification by Hon'ble Delhi High Court and related matters as mentioned in the said note.
- (b) Note No. 47 in respect of a Company's 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 Central Government in terms of Section 143(11) 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 "Annexure 1" a statement on the matters specified in 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 (including Other Comprehensive Income), the Statement of Cash Flow and the Statement of Changes in Equity 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 Indian Accounting Standards prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015 as amended.
 - (e) Being a Government Company pursuant to the Notification No. GSR 463(E) dated 5 June 2015 issued by the Ministry of Corporate Affairs, Government of India, provisions of sub-section (2) of Section 164 of the Act, are not applicable to the Company.
 - (f) With respect to the adequacy of the Internal Financial Controls with reference to standalone financial statements 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 standalone financial statements. Refer Note No. 74A to the standalone financial statements;
 - ii. The Company has made provision, as required under the applicable law or Indian accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

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(P. R. Paul)
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M.No. 051675

Place: New Delhi
Date: 28 May, 2018

ANNEXURE 1 TO THE INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date to the members of NTPC LIMITED on the Standalone Financial Statements for the year ended 31 March 2018

- (i) (a) The Company has generally maintained proper records showing full particulars including quantitative details and situation of fixed assets (Property, Plant & Equipment).
- (b) The Company is having a regular programme of physical verification of all fixed assets (Property, Plant & Equipment) 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:

Description of Asset	No. of cases	Area in acres	Gross block as on 31.03.2018 (₹ Crore)	Net block as on 31.03.2018 (₹ Crore)	Remarks (If Any)
Land					The Company is taking appropriate steps for completion of legal formalities
- Freehold	948	10,126	1,900.82	1,900.79	
- Leasehold	648	10,824	1,804.49	1,625.75	
Building & Structures	2	-	4.97	3.52	

- (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 the register maintained under Section 189 of the Act.

In view of the above, clause 3 (iii)(a), 3 (iii)(b) and 3 (iii)(c) of the Order are not applicable.

- (iv) The Company has complied with the provisions of Section 185 and 186 of the Act, as applicable, in respect of loans advanced to subsidiary companies & joint venture companies and investments made in the subsidiary and joint venture companies. The Company has not given any guarantee or provided any security to any party covered under Section 185 and 186 of the Act.
- (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 Act and the rules framed there under are not applicable to the Company. The Company has obtained deposits from the dependent of employees who die or suffer permanent total disability for which the Company has applied to the Ministry of Corporate Affairs, Government of India for continuation of the exemption earlier obtained in respect of applicability of Section 58A of the Companies Act, 1956, which is still awaited (refer Note No. 30 d) of the standalone financial statements). 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 Act 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, duty of customs, duty of excise, value added tax, cess and other statutory dues (as applicable) have generally been regularly deposited with the appropriate authorities and there are no undisputed statutory dues outstanding as on 31 March 2018 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) According to information and explanations given to us, the gross disputed statutory dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax amounts to ₹10,521.96 crore in aggregate as on 31 March 2018, out of which ₹ 3,053.64 crore has been deposited under protest/adjusted by tax authorities and the

balance of ₹ 7,468.32 crore of dues have not been deposited on account of matters pending before appropriate authorities as detailed below:

Sl. No.	Name of Statute	Nature of the disputed statutory dues	Period to which the amount relates (FY)	Forum where the dispute is pending	Gross disputed amount (₹ crore)	Amount deposited under protest/ adjusted by Tax Authorities (₹ crore)	Amount not deposited (₹ crore)
1	Income Tax Act, 1961	Income Tax/ Penalty/ TDS	1978-79	Supreme Court	0.45	0.45	-
			2001-02, 2003-04 to 2011-12	Income Tax Appellate Tribunal*	8,766.95	1,661.87	7,105.08
			2009-10 to 2014-15	Commissioner of Income Tax (Appeals)	1,685.01	1,379.35	305.66
			2013-14 to 2014-15	Asst. Commissioner of Income Tax	0.32	0.12	0.20
			2006-07, 2009-10, 2017-18	ITO (TDS)/AO	0.81	0.78	0.03
2	Income Tax Ordinance of Bangladesh, 1984	Income Tax	2012-13 to 2013-14	Commissioner of Taxes (Appeal), Dhaka, Bangladesh	2.63	0.26	2.37
3	Central Sales Tax and VAT Acts of various States	Central Sales Tax/VAT	1997-98, 2000-01	High Court	2.31	-	2.31
			1985-86, 2000-01 to 2010-11, 2014-15	Appellate Tribunal/ Board of Revenue	29.11	6.77	22.34
			2005-06 to 2008-09	Commissioner of Sales Tax **	2.37	1.17	1.20
			1988-89 to 1997-98, 2000-01, 2002-03, 2004-05, 2006-07, 2011-12, 2014-15 to 2015-16	Additional Commissioner of Sales Tax ***	6.53	1.58	4.95
			2008-09	Deputy Commissioner of Sales Tax (Appeals)	0.05	-	0.05
			2001-02 to 2006-07	Deputy Commissioner of Sales Tax	11.69	0.01	11.68
			2000-01, 2005-06, 2009-10 to 2011-12, 2014-15	Joint Commissioner of Sales Tax****	2.37	0.42	1.95
			2015-16	Appeal yet to be filed (Time limit not lapsed)	0.67	-	0.67

Sl. No.	Name of Statute	Nature of the disputed statutory dues	Period to which the amount relates (FY)	Forum where the dispute is pending	Gross disputed amount (₹ crore)	Amount deposited under protest/ adjusted by Tax Authorities (₹ crore)	Amount not deposited (₹ crore)
4	Central Excise Act, 1944	Duty of Excise	2009-10	CESTAT*****	0.30	0.05	0.25
			2011-12 to 2015-16	Commissioner (Appeals)	0.74	0.04	0.70
5	Finance Act, 1994	Service Tax	2009-10 to 2012-13	High Court	0.18	-	0.18
			2009-10 to 2015-16	CESTAT	2.01	0.31	1.70
			2009-10 to 2014-15	Commissioner (Appeals)	1.59	0.44	1.15
			2012-13 to 2014-15	Assistant Commissioner of CEST	0.33	-	0.33
			2013-14 to 2015-16	Appeal yet to be filed (Time limit not lapsed)	0.75	-	0.75
6	Customs Act, 1962	Duty of Customs	1999-2000, 2010-11	CESTAT	4.50	-	4.50
			2005-06 to 2015-16	Commissioner of Customs (Appeals)	0.29	0.02	0.27
Total					10,521.96	3,053.64	7,468.32

* Includes disputed amount of ₹ 5,427.00 crore in respect of certain matters, where the first appellate authority has decided in favour of the company, although the Assessing Officer has disputed the same with appropriate Appellate Authority.

** Includes ₹ 2.08 crore and ₹ 0.29 crore towards the demand for VAT raised by Sales Tax Officer, which has been stayed by the Hon'ble High Court and Commissioner of Sales Tax respectively.

*** Includes ₹ 5.01 crore towards the demand for VAT and CST raised by Sales Tax Authority, which has been stayed by Commissioner/Additional Commissioner of Sales Tax.

**** Includes ₹ 1.02 crore towards the demand for CST raised by Sales Tax Officer, which has been stayed by the Hon'ble High Court.

***** Includes ₹ 0.30 crore towards the demand for service tax raised by Commissioner, Central Excise Customs and Service Tax which has been stayed by CESTAT.

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to financial institutions, banks or dues to debenture holders. The company has not taken any loan from the Government.

(ix) The Company has not raised any money by way of initial public offer or further public offer (including debt instruments). According to the information and explanations given to us, the money raised by the Company by way of term loans have been applied for the purposes 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 5 June 2015 issued by the Ministry of Corporate Affairs, Government of India, Section 197 of the Act 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 Act w.r.t. transactions with the related parties, wherever applicable. Details of the transactions with the related parties have been disclosed in the standalone financial statements as required by the applicable Indian 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 Act.
- (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.

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Place: New Delhi
Date: 28 May, 2018

ANNEXURE 2 TO THE INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date to the members of NTPC LIMITED on the Standalone Financial Statements for the year ended 31 March 2018

Sl. No.	Directions u/s 143(5) of the Companies Act, 2013	Auditor's reply on action taken on the directions	Impact on financial statement
1	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.	The Company is having clear title/lease deeds for entire freehold and leasehold land except 10,126 acres of freehold land valuing ₹ 1,900.82 crore and 10,824 acres of leasehold land valuing ₹ 1,804.49 crore. According to information and explanations given to us, reasonable steps are being taken by the Company for getting the titles of these land in its favour.	Nil
2	Whether there are any cases of waiver/write off of debts/loans/interest etc., if yes, the reasons thereof and the amount involved.	According to information and explanations given to us, there are no cases of waiver/write off of debts/ loans/interest etc.	Nil
3	Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. or other authorities?	Proper records are maintained for inventories lying with third parties and also for assets received as gift from Government or other authorities.	Nil

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Date: 28 May, 2018

ANNEXURE 3 TO THE INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 3 (f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date to the members of NTPC LIMITED on the Standalone Financial Statements for the year ended 31 March 2018.

Report on the Internal Financial Controls with reference to standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls with reference to standalone financial statements of NTPC Limited ("the Company") as of 31 March 2018 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 with reference to standalone financial statements based on the internal controls 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 Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to standalone 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, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by 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 with reference to 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 control system with reference to standalone financial statements and their operating effectiveness. Our audit of internal financial control with reference to standalone financial statements included obtaining an understanding of internal financial control with reference to standalone 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 standalone 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 with reference to standalone financial statements.

Meaning of Internal Financial Controls with reference to Standalone Financial Statements

A Company's internal financial control with reference to standalone financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of standalone financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control with reference to standalone 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 standalone 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 standalone financial statements.



Inherent Limitations of Internal Financial Controls with reference to Standalone Financial Statements

Because of the inherent limitations of internal financial controls with reference to standalone 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 with reference to standalone financial statements to future periods are subject to the risk that the internal financial controls with reference to standalone 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, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system with reference to standalone financial statements and such internal financial controls with respect to standalone financial statements were operating effectively as at 31 March 2018, 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.

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View of Dulanga Coal Mine