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Independent Auditor's Report

To,
The Members,
Jharkhand Bijli Vitran Nigam Limited

Report on the Financial Statements

We have audited the accompanying financial statements of JHARKHAND BIJLI VITRAN NIGAM LIMITED ("the Company") which comprise the Balance Sheet as on March 31, 2016, the Statement of Profit and Loss and the cash flow statement for the year ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The management and Board of Directors of the Company are responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the act') with respect to the preparation of these 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 Companies (Accounts) Rules, 2014. This responsibility 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, design, implementation and maintenance of adequate internal financial controls, that are 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 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 accounting policies used and the reasonableness of the accounting estimates made by the Company's management and Board of 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 except for the matters referred to in the Basis for Disclaimer of opinion.

Basis for Disclaimer of Opinion

1. *This audit report for F.Y. 2015-16 is submitted subject to approval and adoption of annual accounts of the year ended 31st March, 2014 & 31st March, 2015 and its report by the Annual General Meeting of the Company for the year ended 31st March 2014 & 31st March 2015 and submission of reports of Board of Directors for the year ended 31st March, 2014, 31st March 2015 and 31st March, 2016. Further the management representation and parties' confirmation of loans & advances, trade receivables/ payables, liabilities, investments etc. are not submitted. Therefore our report is subject to any impact of the same on the referred annual accounts particularly in respect of Fixed Deposits, its interest thereon reported to be handled by the Holding Company JUVNL(Jharkhand Urja Vikas Nigam Limited) and we have not been submitted any evidential proof for correctness of the figures of the respective items, particularly the fixed deposits receipts which are also not confirmed by the Banks.*

It is further reported that few of the FDRs of the company are lien to the Banks for raising Letter of Credit & Overdraft for payment of liabilities without receipt of any confirmation of the same by resolutions of Board of the Directors of the respective companies as prescribed u/s 188, etc. of the Companies Act,2013. The reported interest on O/D is Rs 4534.28 lacs. The total of overdraft from Banks is also not reflected in accounts. This is a gross violation of GAAP and not showing true position of financial statements.

2. *Compliance of our Independent Auditor's Report for the year ended 31st March, 2014 & 31st March, 2015 are not received.*

2.1 *There is no record of transaction from the date of incorporation/commissioning on 23rd October, 2013 to the date of financial operation on 6th January 2014 as informed. Therefore* *we can't comment on the impact on annual accounts of transaction, if any carried by the holding company on behalf of the said company.*

2.2 *Accounting package Tally introduced in F.Y. 2015-16 but computerized accounts from tally are not submitted to us to allow review and comments.*

2.3 *Transmission charges levied by JUVNL on behalf of JUSNL (Jharkhand Urja Sancharan Nigam Limited) for F.Y. 2015-16 is Rs. 15536.93 lacs as per statement. As details have not been furnished as it is transacted through the holding company the element of service charges & its accounting by the holding company & gross amount to be reflected in the books of JBVNL & JUSNL could not be established. Confirmation and reconciliation not provided to us.*

2.4 *The following items continued to appear in the annual accounts of JBVNL (Jharkhand Bijli Vitran Nigam Limited) with no explanation given for its static character. Particularly Cash in Transit of Rs 10284.35 lacs & other items as under which needs review to establish the true position.*

a) Assets taken over from pending Valuation-earlier from 2012-13 of JSEB		*Rupees in lacs* *208.38*
b) Item 103 of Trial Balance of JBVNL Cash found in excess for verification		*0.04*
c) Cash in Transit		*10284.35*
(last year Rs 10253.77 lacs increasing trend)		
d) Loans and Advances to Staff (From JSEB period)		*361.34*
e) Claims Receivable from GOJ (Aged and no adjustment in Accounts)	*Debit*	*568502.40*
f) Advance against energy consumed By State Government	*Credit*	*833.03*

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3. *The accounting of Retiral Benefit Management through a "Master Trust" and investment of employees fund for benefit of employees as per Transfer Scheme and notification No. 18 dated 06-01-2014 & No. 2917 dated 15-11-2015 through*

Master Trust under Holding Company is still awaited. As a result; the position of retiral benefits to JBVNL are not established & the employees are losing benefit of income through investment of fund.

4. *As per information the company owns leasehold and freehold lands & other fixed assets with no identification or value for each; the total amount shown in the account for leasehold and freehold land being Rs.114.29 lacs. There is no amortization of Leasehold land, if any; and the title of the lands, its possession, and entry into books/registers of measurement are not maintained. This is a violation of Accounting Standard 19 "Leases".*

5. *The substantial part of the transaction of the company are by JUVNL & Journal vouchers are given by JUVNL for incorporation*

   The important aspect of the said system is given below which has direct impact on the financial statements.

   5.1 *The absence of evidential proof of transactions in support of the said journal vouchers are not submitted for verification to us.*

   5.2 *The propriety of such transactions cannot be established by us & its impact in annual accounts is indeterminate.*

   5.3 *There is no confirmation that all transaction between company & JUVNL are submitted for incorporation in annual accounts with approval of resolutions of respective Board of Directors.*

   Such transaction need to be vetted by resolution of the respective Board of Directors as per Section 188, etc of the companies Act 2013 and AS-18 ' Related Party Disclosures'.

   5.4 *The related party disclosure in Note 31, Para 8 of annual accounts the disclosure do not match with annual accounts , e.g. the full payment of Rs 30676.90 lacs of 31.3.2015 to JUUNL in 2015-16 is not fully documented and confirmed by JUVNL.*

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6. **<u>Reserve and Surplus (Authorised Capital of Rs 500 Crores)</u>**

The Reserve and Surplus shown at Rs. 472354.10 Lacs (Note 4) including Restructuring Account of Rs. 325073.80 lacs (last year Rs. 325149.25 Lac) and out *of which Rs. 313383.38 lacs, as reported in the Balance Sheet of each company related to dismantling of JSEB (Jharkhand State Electricity Board) and that the GOJ (Government of Jharkhand) will issue shares for the said amount quoting notification No. 18 dated 06-01-2014. The authorized capital of JBVNL is Rs.500 Crores. The restructuring amount of Rs. 3251 Crores as against an authorized capital Rs. 500 crores is proposed as equity shares to be issued to GOJ as per notification dated 6-1-2014. The paid up equity share capital being Rs. 210 lacs. The above is not in consonance with GAAP and schedule III of Companies Act, 2013.*

7. *In respect of Terminal benefits to employees, gratuity, Pension and Leave Encashment are not accounted for on accrual basis although Actuarial valuation reports are lying with Master Trust under holding company. Secondly; the functioning of Master Trust for Terminal benefit is yet to be reflected in the books with Provisions on Terminal Benefit. Reported employee related amount in the annual accounts are as under:-* *(Rupee in Lacs)*

1. Contribution to CPF	*7.74*
2. EPF Employer	*285.24*
3. EPF Employee	*59.69*
4. ESI Employer	*75.57*
5. ESI Employee	*36.96*
6. GPF (Trustee)	--
7. CPF (Trustee)	*4.18*
8. GPF (HQ)	*230.16*
9. CPF	*36.20*
10. CPF Boards Contribution	*14.74*
11. Leave Encashment	*93.15*
12. Gratuity Reserve (new)	*418.07*
13. Pension Reserve (new)	*309.26*
Total	*1570.96*

The payment/adjustment of GPF (trustee) of Rs 20.72 lacs in 2015-16 is not evidenced for non submission of details. The actuarial valuations as informed is done by the holding company but the same are not reflected in the accounts of the company.

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Significant accounting principle of the company; point 14.4, on actuarial valuation of gratuity, pension and leave encashment and non compliance to AS-15-"Employee Benefits" are to be noted.

8. ***Cash and Cash equivalents***

Confirmation or certificate from management for cash and bank balances (including cash in transit and imprest cash) have not been submitted. The physical verification of cash, cash in transit, with circles etc. have not been submitted for all units. Bank Reconciliation Statements of a number of areas/circles/divisions are not incorporated in accounts with corrections, bank charges to be charged off, accounting of stale cheques, cheques deposited but not credited etc. and its impact on the annual accounts are pending for years. Therefore we can not comment on the correctness of Cash & Bank balance appearing in the Balance Sheet. Investment in Fixed deposits of Bank not confirmed, nor certificate submitted to us. AS 13 "Accounting for investments" is not complied.

Further it is noticed from the Balance Sheet that investments of Rs 3998.36 lacs have been made with no confirmation of Bank's certificates and resolution of Board of Directors, etc. The amount of FDR lien to Bank for raising overdraft & justification of apportionment of Bank interest on overdraft to the company for fund utilization not submitted; as reported in Para 1, the total of overdraft for the company is not reflected in accounts.

The financial aspect of the whole area of FDR, overdraft, interest etc. are not in compliance of desired accounting & financial management principle and in view of the above we cannot comment on the existence of all FDR as shown in the Balance Sheet.

9. *Significant Accounting Policies are in place of the company as detailed in the Final Accounts. However following are the deviation witnessed: - few e.g. (1) Ineffective use of estimates – as seen in Internal Audit Reports. (2) Fixed Assets- Transfer directly to Fixed Assets without routing through CWIP. (3) Computer Software not reflected as intangible assets as per AS 26 "Intangible Assets"*

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10. Capital Work in Progress (CWIP)

The position of CWIP as on 31-03-2016 is stated at Rs. 207935.95 lacs (last year 118574.60 lacs), including Finance cost of Rs 22928.90 lacs.
As informed the Stock of Material at construction site (Capital) of Rs 112744.76 lacs (last year Rs 53792.72 lacs) has been included in CWIP & is about 54% of CWIP with no separate disclosure for the same.
The AS 6 "Depreciation Accounting" & AS 10 "Accounting for Fixed Assets" is not complied.

Projects commissioned in Dec 2007 to Feb 2014 are not transferred to Fixed Assets of Rs.418.32 lacs approx at Girdih ESC (as per Internal Audit) and are reportedly lying in CWIP.

The bifurcation of CWIP between RE, ADP, APDRP, RAPDRP etc. as per accounting policy is not done.

***11. Fixed Assets**: There is no Fixed Assets Register and physical verification was not carried from inception with tagging of the same. Therefore we cannot comment on any damaged, obsolete items, scrap stock and its impact in annual account, Reference is invited to substantive value of damaged/ obsolete items referred in Internal Audit Reports of areas/ circles and also referred in our letter on Internal Audit of FY 2014-15 dated 29.11.2016. There is violation of AS-6 "Depreciation Accounting", AS-10 "Accounting for Fixed Assets" and AS-28 "Impairment of Assets".*

12. Opening Balance:

The individual opening Balance of each area with audited closing balance of 31st March 2015 are not confirmed for correct consolidation at Head Quarter. Confirmation of the same is not provided by the Company so we can not comment on its impact on annual accounts.

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***13.** Details and justification of prior period, adjustment of extra ordinary items of Rs 39187.63 Lacs (last year Rs. 32077.79 Lacs) debited in Profit and Loss Account is not submitted and is not in compliance with AS-5 "Prior Period Items".*

14. *Tax matters:*

The assessment of the tax matters is in poor shape and liability of tax etc. for each area/circle are indeterminable as per Internal Audit Reports.

The TAN, TIN No. etc. are in the name of JSEB, a defunct body and not in the name of the company. Assessment of income tax, TDS, Sales tax, Service Tax etc. are not complete including prior years of JSEB and compliances under various statutes not shown to us. Service Tax registration of required units not seen and the application of reverse charge is pending. AS 22 "Accounting for Taxes on Income" not complied. Form 26AS not submitted to us.

Few of the few long outstanding related items are given below:

Sl. No.	Items	Rupees in Lacs 2015-16	2014-15
1	Other tax payable (static)Note 10	14.98	14.98
2	Income tax deduction at sources and not paid Note10	110.43	16.43
3	Sale Tax/Profession Tax/ Labour Cess	1512.33	618.29
4	Recoveries Electricity duty	1335.50	545.71
5	Royalty Payable (it is a revenue items	7.20	5.54
		2980.44	1200.95

6 TDS & advances to Tax Authorities of Rs 14.51 Crores deposited to income tax department and Rs 4.96 Crores was deposited to commercial taxes in the financial year 2010-11 which was calculated on the value of work done by the various contractors under RE plan and same was transferred from JSEB to JBVNL as opening balance. Since tax was deposited to income tax/sales tax department in the year 2010-11 and nothing was collected from contractors till date. The matter needs review.

15. *Other liabilities Note 10 include Rs 1221.43 lacs (last year 2335.44 lacs) related to REC (Rural Electrification Corporation Limited) . It is in respect of interest to be paid to REC on FDR created out of fund of REC as per REC letter dated 07-04-2015* *which mention the loan is to the GOJ and not JBVNL. Therefore the presentation needs review for due of interest to REC.*

16. *The details regarding trade receivable & revenue as per Revenue accounts maintained by revenue section on the basis of consumer ledger are not provided, nor any reconciliation submitted therefore we are unable to comment on any variance between the above.*

17. *Transmission Loss:*

The loss on power sale is stated at 26.82% (last year 34.35%) do not reflect the total transmission loss. Authenticity of power purchase, sale of energy including others (sale- swapping etc.) need to be established between statements of revenue and annual accounts to arrive at transmission loss. The gap between power purchase, sales per unit is yet to be furnished to assess above loss. The costing of each unit of purchase & sale of power should be established for transmission loss including other operational losses.

18. ***Contingent Liability and Commitments***

Provisions for contingent liability etc as per Company's Accounting policy No.15 and AS 29 "Provisions, Contingent Liabilities and Contingent Assets" are not complied. The provisions on desired items with estimated amount not seen e.g. Audit Fees provisions of Rs. 84.42 lacs for FY 2015-16 is incorrect. There is no methodology in the company to identify this important area e.g. terminal benefits of employees; court cases, dispute cases, letter of credits, all bank guarantees executed, encashed & invoked etc. are not evaluated nor reported, estimated amounts of contracts remaining to be executed on Capital Account and any Contingent Losses is shown as nil without being evaluated which in our opinion is not in accordance with Accounting Standard – 29 "Provisions, Contingent Liabilities and Contingent Assets."

19. ***Compliances to MSME Act, 2006 to the Financial Statements***

The compliance is pending. This needs management attention

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20. *Revenue recognition as per Accounting Principle '12' and AS '9'*

The guidelines of Revenue recognition as per Accounting Principle no. '12' and AS '9' "Revenue Recognition" differs in respect of revenue revised on assumption basis where certainty of collection is not established. The matter need review to be compliant with AS '9' Revenue Recognistion. Benefit offered by JSERC for tariff and other losses requires aggressive attention to maximize the tariff subsidy by monitoring cell.

21. *Inventory*

Compliance of AS '2' on valuation of Inventory is not followed. Physical verification of all inventories is not fully carried out as per Internal Audit reports, substantial damaged inventory as well as damaged fixed assets is yet to be accounted for.

22. *Consumer Contribution and Government grant:*

Assets acquired out of consumer contribution are not identified and amortization as per AS '12' "Accounting for Government Grants" is not done as per Company's significant Accounting Policy No.2.3. However Capital grant from Government is transferred to Reserve & Surplus. Restructuring Accounts of Rs. 325073.80 lacs (Last Year Rs 325149.25 lacs) also shown under reserves and surplus without explanation and against GAAP. Refer Para 5 also.

23. *Borrowing Cost:*

No detail of apportionment of borrowing cost is submitted. AS-16 "Borrowing Costs" not complied.

24. *Inter unit reconciliation*

Inter unit reconciliation is not done. Large amount of difference exist in transfer of money, store, assets between arrears/HO etc. These are not reconciled and attended. Returns from Branches of data have been revised several times and therefore correctness of consolidation in HO Accounts is not established.

The Inter unit transaction reflected in Note 10 of current liabilities with debit of Rs 613399.79 lacs & credit of Rs 583771.37 lacs ; the net being debit balance of Rs 29628.42 lacs clubbed in total current liability to show current liability at Rs. 47209.98 lacs as per Note 10 needs review for showing debit balance in liability side.

Ranchi

25. ***Internal Audit, Cost Audit & Secretarial Audit***

Internal Audit was carried for the FY 2015-16 in all areas/ circle which was introduced from the financial year 2014-15.

The summary of major points in internal audit report for FY 2014-15 have been submitted to the management vide our letter no 29.11.2016 , however it is found that observations submitted by around 27 internal audit reports but compliance awaited .

The highlights of the Internal Audit of 2014-15 & 2015-16, are given below affecting presentation of true & fair value of assets & liabilities & stated loss of the Company.

25.1 Completion Report of the Projects not furnished to calculate depreciation from the date of commissioning .

25.2 Damaged /obsolete items as reported by Internal Audit Report of 2014-15 & 2015-16 are as under:

25.2.1. Automobile	*15 nos*
25.2.2 Poles	*5570 nos*
25.2.3 Aluminum wire	*222 tons*
25.2.4. Conductors (Giridih only)	*43089 nos*
25.2.5. Transformer	*799 nos*
25.2.6. Empty drum	*2936 nos*
25.2.7. Stale cheques	*Rs. 79.92 lacs*

Substantive volume of stale cheques, bank charges from inception, correction of wrong debit & credit in Bank causing financial loss are yet to be streamlined by booking the above & allow transparency in Cash & Bank positions. This should be reviewed with intercompany transactions which are awaited confirmation by respective companies; specially the high cash in transit of Rs 10284.35 lacs , Cash/Balance with division (not identified) Rs 4798.63 lacs & imprest cash Rs 919.83 and Rs. 875.48 lacs totaling Rs 16878.28 lacs.

25.2.8. Wrong billing (Ranchi)	*3402.11 MU(Million Unit)*

25.2.9. Supply increased but billing reduced in 2014-15,in Area Nirsa

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25.2.10. Franchise holding back collections is unauthorized

25.2.11. Inadequate monitoring of disputed cases as well as cases to be filed for discontinued connections.

25.2.12. Defective procurement for price in most areas e.g. Ranchi ESA, Dumka (annexure 2), Giridih (annexure 2), etc.

25.2.13. Promotion to retired employees Ranchi

25.2.14. No control on adjustment of advances to employees

25.2.15. Decade old disputes with Railways covering load factors etc. affecting dues with Railway of Rs 25576.27 lacs (Daltonganj) and due of Rs 16652.46 lacs held up for years at Ramgarh, no effective action to resolve.

25.2.16. Revenue loss from HT & LSIT consumers, its billing, realization of dues is erratic. High percentage of discontinued consumers at Gumla, Chas ECS, Giridih, Deoghar, Garwah etc. needs urgent action.

25.2.17. Economical review of all TRW at all places to reduce repair cost is not carried defeating the purpose of operation of TRW which are incurring losses

25.2.18. Poor financial management resulting in high cash balances maintained at areas as per Internal Audit Report referred above of Rs. 613 lacs.

25.2.19 No control on Cash collection held back by franchisees.

25.2.20. Others a) Gratuity calculations not as per statute (Ranchi) b) Tendering not per guideline (Ranchi) c) Control on vehicle expenses not present.

26. Accrual Accounting

Accrual accounting as per Accounting Standard -1 –'Disclosure of Accounting Policy' is not complied in totality.

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27. Internal Control

There is no effective control in any areas of operation. Internal Audit is not conducted concurrently and is much delayed. Internal Audit Reports are not attended by the *management to resolve grey area existed for years. Secretarial audit, cost audit are awaited for compliance.. ROC compliance including charge creation to be insured. Compliances of audits conducted for the year ended 31st March, 2015 to be insured*

28. Books of Accounts

During the Audit, it was revealed that Books of Accounts are maintained as per JSEB and not as per Companies Act, 2013. The computerized account is in process. Employee payroll details are not provided. The manual records and its volume do not assure required reflection in accounts.

Disclaimer Opinion:

In our opinion and to the best of our information and explanation given to us *except for the effects of the matter described in basis of disclaimer opinion section* , the Financial Statements give the information required by the Act in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India:

a) In the case of the Balance Sheet of the state of affairs of the Company as at March 31,2016

b) In the case of Statement of Profit and Loss of the loss for the period ended on that date; and

c) In the case of the cash flow statement of the cash flows for the year ended on that date.

Other Matters:

1. Following Disclosure are to be made:-

   a) Advances /due of directors or remuneration of directors or any other amount receivable or payable to directors as per application of Companies Act, 2013 are not furnished.

   b) Related Party Disclosures as per AS-18 not provided.

   c) Applicability of AS – 22 'Accounting of Taxes' for deferred Tax Asset/Liability.

   d) The Equity Share Capital particulars mentioned in Note 3 should be read as Shares outstanding at the beginning of the year as at 31st March 2015 and not as shares issued during the year.

2. Record Updation

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As JSEB is dismantled, all documents in the name of JSEB should be updated in the name of the companies.

3. Disaster/ Waste Management/Cost Improvement

3.1 Disaster Management for any eventuality as practiced in all corporate bodies in India and the World also need attention. Proper backup system of Data and cyber safety also required in the computerization exercise.

3.2 Introduction of Waste Management needs importance as area occupied for waste cost high rent as well as disposal can fetch sizable revenue.

4. Computerization: Computerization with Tally initiated but data not provided to us till date of audit. There is no ERP in place.

5. Technical audit of operations is desirable.

6. Insurance - Insurance coverage for assets of the company; adequate exposure to cash/cash in transit, accidental prone risk of technical personnel in the field of highly hazardous electricity distribution; The same need attention for review.

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 of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure A" a statement on the matters Specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act we further report that *subject to Disclaimer of Opinion section* of our report:

a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c) the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;

B. C. Dutta & Co. Ranchi Chartered Accountants

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

e) as per information and explanation given to us, the sub-section (2) of section 164 of the Companies Act, 2013 is not applicable to this 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 B";

g) In our opinion and to the best of our information and according to the explanations given to us, we report as under with respect to other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014:

(i) Due to the possible effect of the matter described in the Basis for Disclaimer of Opinion section, we are unable to state whether the Company has disclosed the impact of pending litigations on its financial position in its financial statement.

(ii) Due to the possible effect of the matter described in the Basis for Disclaimer of Opinion section, we are unable to state whether the Company has made provision, as required under the applicable law or accounting standard, for material foreseeable losses, if any, on long term contacts including derivative contracts.

(iii) There has not been an occasion in case of the Company during the year under report to transfer any sums to the Investor Education and Protection Fund.

3. As required by Section 143(5) of the Act, we give in the "Annexure C", the report on the directions of the Comptroller and Auditor General of India.

For M/s B C Dutta & Co
Chartered Accountants
FRN No: 004589C

B C Dutta & Co Ranchi Chartered Accountants

CA BALAI CHANDRA DUTTA
(Partner)
Membership No.007146
Place: Ranchi
Date: 06-03-2017

"Annexure A" to the Independent Auditor's Report

The Annexure referred to in paragraph under the heading of Report on other legal and Regulatory Requirements of Our Report of even date to the members of Jharkhand Bijli Vitran Nigam Limited on the accounts of the company for the year ended 31st March, 2016.

On the basis of such checks as we considered appropriate and according to the information and explanation given to us during the course of our audit, we report that:-

1. A) The Company has *not maintained* proper records showing full particulars, including quantitative details and situation of fixed assets up to 31st March 2016.

   B) As informed to us, physical verification of the fixed assets *has not been carried* out during the year and *has not been reconciled* as Fixed Asset Register is not made.

   C) In the *absence of fixed assets register* and physical verification report of fixed assets we are *unable to comment* on disposal of fixed assets.

2. a) As explained to us, during the year inventories of the Company *have not been physically verified* by the company. However, policy should be framed for physical verification at regular interval.

   b) In our opinion the procedures of physicals verification of inventories needs to be expedited and the identification of slow moving/ non- moving and obsolete inventories is to be undertaken and any loss arising there in have to be booked.

   c) Proper records of *inventory are not maintained* at any of the units of the company visited by Internal Auditors or at HO. As explained to us, the discrepancies if noticed on verification between the physical stocks and the books records are material; the same will be properly dealt with in the books of account after verification of inventory is undertaken.

B C Dutta & Co. Chartered Accountants Ranchi

3. (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has granted loans (secured or unsecured) (closing balance 31.03.2016, Rs. 203246.7 lacs), to companies, firms or

other parties listed in the register required under section 189 of the Companies Act, 2013. W*e can not comment further in absence of details.*

(b) The liability for power etc from associate JUSNL Rs.33523.79 lacs (last year Rs 16170.89 lacs) *are not confirmed, the approval/confirmation by Board resolution by respective companies are awaited from Holding Company.*

4. In absence of information, *we cannot comment* that the company has given any loan, guarantees and security, made investments with regard to applicability of the provisions of clause (iv) of paragraph 3 of the Order with regard to compliance with Section 185 and 186 of the Companies Act, 2013.

5. The Company has not accepted any deposits from the public covered under section 73 to section 76 of the Companies Act, 2013. Therefore the provisions of clause (v) of paragraph 3 of the Order are not applicable to the Company.

6. Maintenance of cost records has been prescribed by the Central Government under sub-section (1) of section 148 of the Act for this Company and is of the opinion that prima facie, the prescribed accounts and records *have not been made* and maintained. We have not however, carried out any detailed examination of such records and accounts in the absence of any system of control mechanism.

7. (a) According to the records of the company, undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Service Tax, Custom Duty, Excise Duty, Value Added Tax, Cess to the extent applicable and any other statutory dues have generally *not been regularly* deposited with the appropriate authorities. According to the information and explanations given to us, there were outstanding statutory dues as on 31st of March, 2016 for a period of more than six months from the date they became payable but the amount *cannot be determined.*

(b) According to the information and explanations given to us, the amounts payable in respect of income tax, sales tax, service tax, customs duty, excise duty , value added tax or cess which have not been deposited on account of any disputes *is not determinable.*

B C Dutta & Co. Ranchi Chartered Accountants

8. Based on our audit procedures and on the information given by the management, we report that the *company* has availed term loans from financial Institution or Banks & has not issued debentures. *We can not comment further in absence of details.*

9. In our opinion, and according to the information and explanations given to us, the Company has not raised any money by way of initial public offer or further public offer including debt instruments during the year and therefore the provisions of clause 3(ix) of the Companies (Auditor's Report) Order, 2016, are not applicable to the Company.

10. Based on the audit procedures performed and the information and explanations given to us, we report that no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year, nor have we been informed of such case by the management. *But in absence of effective internal control the company is suspectible to such fraud.*

11. In our opinion and according to the information and explanation given to us, no managerial remuneration has been paid or provided during the period. Therefore the provisions of clause (xi) of paragraph 3 of the Order are not applicable to the Company with regard to compliance with Section 197 read with Schedule V of the Companies Act, 2013.

12. In our opinion, the Company is not a Nidhi Company. Therefore the provisions of Clause 3 (xii) of the Companies (Auditor's Report) Order, 2016 are not applicable to the Company

13. According to the information and explanation given to us and based on our examination of the records of the Company, compliance requirement under Section 177 of the Companies Act, 2013 are not applicable to the company and compliance requirement under Section 188 of the Companies Act, 2013 are applicable to the company and disclosure requirement in the financial statements as required by applicable accounting standards are not complied .

14. According to the information and explanation given to us, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and therefore the provisions of clause 3(xiv) of the Companies (Auditor's Report) Order, 2016, are not applicable to the Company.

15.In absence of information we can not comment on non-cash transactions with directors or persons connected with the Directors as per the provisions of clause 3(xv) of the Companies (Auditor's Report) Order, 2016 .

16. In our opinion and according to the information and explanations given to us, the company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and therefore the provisions of clause 3(xvi) of the Companies (Auditor's Report) Order, 2016, are not applicable to the Company.

For M/s B C Dutta & Co
Chartered Accountants
FRN No: 004589C

B C Dutta & Co
Ranchi
Chartered Accountants

CA BALAI CHANDRA DUTTA
(Partner)
Membership No.007146
Place: Ranchi
Date: 06-03-2017

Annexure – B" to the Independent Auditors' Report

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 Jharkhand Bijli Vitran Nigam Limited ("the Company") as on March 31, 2016 in conjunction with our audit of the 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 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 the 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 Institute of Chartered Accountants of India. 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 controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

Because of the matter described in Disclaimer of Opinion paragraph below we were not able to obtain sufficient and appropriate audit evidence to provide a basis for an 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 control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Disclaimer of Opinion

The system of internal financial controls over financial reporting with regard to Company were not made available to us to enable us to determine if the Company has established adequate internal financial controls system over financial reporting and whether such internal financial controls over financial reporting were operating effectively as at March 31, 2016

We have considered the disclaimer report above in determining the nature, timing and extent of audit tests applied in our audit of financial statement of the Company and the disclaimer has affected our opinion of the financial statements of the Company and We have issued a disclaimer of opinion on the financial statements.

For M/s B C Dutta & Co
Chartered Accountants
FRN No: 004589C

B C Dutta & Co
Ranchi
Chartered Accountants

CA BALAI CHANDRA DUTTA
(Partner)
Membership No.007146
Place: Ranchi
Date: 06-03-2017

Annexure – C" to the Independent Auditors' Report

Report on the Directions of the Comptroller and Auditor general of India required under sub section 5 of Section 143 of the Companies Act, 2013 ("the Act")

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1. **Whether the Company has the clear title / lease deeds for freehold and leasehold respectively. If not, please state the area of freehold and leasehold land for which the title / lease deeds are not available.**
   Details not provided nor any documentary evidence shown to us so we are unable to comment on the same.

2. **Whether there are any cases of waiver / write off debits / loans/interest etc., if yes, the reasons there for and the amount involved.**
   (i) The policy and procedure on write off of Debts/Loans/Interest required for Write off or provisioning is not in place .
   (ii) In the absence of information/data we cannot comment on any such cases.

3. **Whether proper records are maintained for inventories lying with third parties & assets received as gift/grant(s) from Government or other authorities.**
   Inventories accounting is not yet introduced. Confirmation of materials lying with third parties and assets received from Government, etc. are not given to us and therefore we cannot comment on the subject matter.

For M/s B C Dutta & Co
Chartered Accountants
FRN No: 004589C

B C Dutta & Co Ranchi Chartered Accountants

CA BALAI CHANDRA DUTTA
(Partner)
Membership No.007146
Place: Ranchi
Date: 06-03-2017