

DSM & ASSOCIATES

CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To
The Members
UJVN Limited

The revised Report is issued in supersession of our earlier Audit report dated 09.08.2018, at the instance of the comptroller & Auditor General (C&AG) of India in order to make it more clarificatory. Further we confirm that there is no change in the true & fair view of the financial statements as expressed in earlier report and also none of the figures have undergone any change in the financial statements of the company as at 31st March 2018.

Report on the Financial Statements

We have audited the accompanying financial statements of **UJVN LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2018, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flow for the year then ended and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is 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 including other comprehensive income, cash flow 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 relevant rules issued thereunder.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. In conducting 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 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 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 Management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Basis of Qualified Opinion

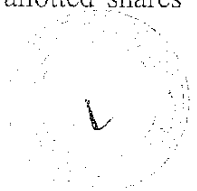
1. Opening balances of assets and liabilities acquired from UPJVNL were incorporated in the financial statements of the company on the basis of allocations in the year 2001-02. Consequently the opening balances of the specific assets & liabilities vested in the company is neither identifiable nor verifiable.

The management has stated than in absence of final transfer scheme between UPJVNL and UJVNL provisional opening balances have been incorporated in books of accounts. The accuracy of these opening balances of the specific assets & liabilities is not ascertainable in absence of any agreement between UPJVNL & UJVNL on final transfer scheme. These opening balances are unaudited and are not in agreement with the balances shown as transferred by UPJVNL in their audited accounts for the year ending 31.03.2002

These assets transferred from UPJVNL are shown at a value as determined by the management. The value of such assets is neither in agreement with the fixed assets register of UPJVNL nor it is certified by any approved valuer.

During the year the company has restated the fixed assets at Rs. 3161.70 Crores (previously by Rs. 3262.21 Crores-01.04.2016) based on UERC Valuation for tariff determination. These figures are unaudited and unverifiable.

2. The company has made certain violation of Companies (Acceptance of Deposits), Rules 2014. The company has, neither allotted shares within 60 days of the receipt of share



application money nor it has disclosed the amount not so allotted as "Deposits" as required by these rules.

Date of Receipt of Application Money	Amount of Receipt in Rs.	Due Date of Allotment	Actual Date of Allotment	Delay in Days
21.06.2016	3,33,00,000.00	21.08.2016	22.04.2017	244
02.08.2016	10,00,00,000.00	02.10.2016	22.04.2017	202
03.09.2016	3,67,00,000.00	03.11.2016	22.04.2017	170
23.12.2016	3,00,00,000.00	23.02.2017	22.04.2017	58
30.03.2017	21,00,00,000.00	30.05.2017	28.09.2017	121
30.03.2017	4,00,00,000.00	30.05.2017	28.09.2017	121
31.03.2017	2,00,00,000.00	31.05.2017	28.09.2017	120
01.11.2017	5,00,00,000.00	01.01.2018	18.01.2018	18
01.11.2017	3,50,00,000.00	01.01.2018	18.01.2018	18

Opening Balance of Rs. 37,570.00 in Share Application Money could not be identified by the company. The same is shown in the books of Accounts as Share Application money. The company has not shown the amount as "Deposits" as per Section 73 of the Companies Act, 2013.

3. As per Section 123(6) of the Companies Act 2013, "A Company which fails to comply with the provisions of Sections 73 and 74 shall not, as long as such failures continue, declare any dividend on equity shares." During the year under audit, the company has not issued shares within the prescribed time as per requirement of Companies (Acceptance of Deposits), Rules 2014. However, during the year the company has paid dividend of Rs. 27.28 Crores. This results in violation of provisions of Section 123 of the Companies Act, 2013.

As explained by the management the amount received does not fall within the ambit of the definition of deposit. However in our opinion if the company fails to issue shares in prescribed time the amount so received is to be considered as deposit.

4. No details are available in respect of Terms & Conditions, security provided, if any, the documents executed and balance confirmation towards loan from Life Insurance Corporation of India along with overdue principal, and interest payable there on amounting to Rs. 43.78 Crores plus outstanding interest of Rs. 198.68 Crores and Loans from state Government Principal amounting Rs. 175.56 Crores to verify the correctness of the liability and obligation of the company as per books of Accounts of the company as on 31.03.2018.
5. Following balances of long term borrowings are not substantiated by third party confirmation:
- a) LIC: Rs.43.78 Crores

b) Loans from State Government Rs. 270.85 Crores

6. The company has not made provisions in respect of non-payment of Royalty & Cess amounting Rs. 243.86 Crores by UPCL outstanding since 2009 which is to be paid to state government by the company. This results in overstatement of profits and overstatement of Current assets of the company by Rs. 243.86 Crores.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effect of the matter described in the basis of qualified opinion paragraph, the aforesaid 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 March 31, 2018, and its profit, total comprehensive income, the changes in equity and its cash flows for the year ended on that date.

Emphasis of matter paragraph

1. The company has not accounted for Auxiliary Consumption of Electricity as required by Electricity Act. Our report is not qualified in this respect.

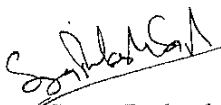
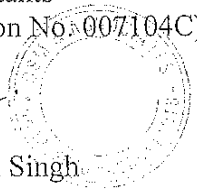
Report on Other Legal and Regulatory Requirements

- 1. As required by Section 143(3) of the Act, based on our audit we report that:
 - a) We have sought and except for the matters described in the basis for qualified opinion paragraph above, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) Except for the possible effects of the matter described in the basis for Qualified opinion paragraph above In our opinion, proper books of account has been maintained as required by law and 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, Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the books of accounts
 - d) Except for the possible effects of the matter described in the basis for Qualified opinion paragraph above, in our opinion, the aforesaid Ind AS financial Statements comply with the India Account Standards prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) rules,2015 as amended.
 - e) There have been no observations or comments on financial transactions or matters which have any adverse effect on the functioning of the company.
 - f) Being a government company pursuant to 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 Act, are not applicable to the Company.

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- g) 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 A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
 - h) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.
 - i) 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, as amended, 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 No. 28 to the financial Statements.
 - ii) As per the written representations received from the management, the company does not foresee any material losses on long term contracts and as such no provision for such losses has been made in the books of accounts.
 - iii) The entire share capital of the company is held by the Government of Uttarakhand as such there is no requirement on part of the company to transfer any amount to the Investor Education and Protection Fund by the Company.
2. 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, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.
 3. As required by Section 143(5) of the companies Act, 2013, our comment in this regard to the direction and sub-directions issued by the Comptroller and audit general of India is given in "Annexure C" of report.

For **DSM & ASSOCIATES**
 Chartered Accountants
 (Firm's Registration No. 007104C)

CA Surya Prakash Singh
 (Partner)
 M.No-407959

Date: 6th September, 2018
 Place: Delhi

DSM & ASSOCIATES
CHARTERED ACCOUNTANTS

GSTIN:- 05AAAFM5257F1ZJ

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1(g) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of UJVN Limited of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (g) 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 **UJVN LIMITED** ("the Company") as of March 31, 2018 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 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. 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, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Company 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") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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.

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

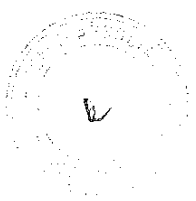
A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's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

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.

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 over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, 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.



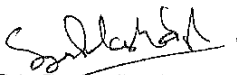
Emphasis of matter paragraph

1. Internal Financial Control over financial reporting with regards to Cash & Bank need to strengthen. Our report is not qualified in this respect.

For **DSM & ASSOCIATES**

Chartered Accountants

(Firm's Registration No: 007104C)


CA Surya Prakash Singh

(Partner)

M.No-407959

Date: 6th September, 2018

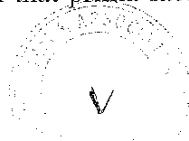
Place: Delhi

DSM & ASSOCIATES

CHARTERED ACCOUNTANTS

ANNEXURE 'B' TO THE INDEPENDENT AUDITOR'S REPORT (Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of UJVN Limited of even date)

- i. In respect of the Company's fixed assets: Fixed Assets register is maintained up to 31.03.2017. Last physical verification has done up to 31.03.2017. Fixed Assets register is incomplete for 2017-18.
As per information, explanation and relevant records provided to us by the management, the title deeds of immovable properties are not fully held in the name of company. Out of total area of land of 36826924.89 sqm. in possession of the company, area of 1752961.63 sqm. is mutated in favor of the company. The amount invested in such immovable properties (where title deeds are not in name of company) is not ascertainable due to non-maintenance of proper records.
- ii. Valuation of Stocks has been done at cost as certified by the management instead of cost or Net realizable Value whichever is lower in terms of IND AS-2 issued by MCA.
Records of inventories maintained at the units are incomplete. In absence of complete records it is not ascertainable that whether the company is maintain proper records of inventory and whether any material discrepancies have been properly dealt with in the books of account.
- iii. According to the information and explanations given to us and on the basis of our examination of books of account, the company has not granted any loans, secured or unsecured, to companies, firms or the other parties covered in the register maintained under section 189 of the companies Act, 2013.
- iv. According to the information and explanations given to us and on the basis of our examination of Books of account, the Company has not granted any loan and advances and providing of guarantees and securities to its directors and other entities in which directors are interested under Sections 185 of the Companies Act, 2013 & has not given any loan and providing of guarantees and securities to any other body corporate or person u/s 186 of the Companies Act, 2013.
- v. According to the information and explanations given to us and on the basis of our examination of Books of account, the Company has not accepted deposits during the year except para-2 of basis for qualified opinion of our Independent Audit report.
- vi. We have broadly reviewed the books of Account maintained by the company relating to power generating activities of the company, pursuant to section 148(1) of the Companies Act 2013 and we are of the opinion that prima facie the prescribed accounts and records



have been made and maintained. We have not, however made a detailed examination of records with a view to determine whether they are true or not.

vii. (a) According to the information and explanation given to us there are no undisputed amount payable including provident fund, investor education and protection fund, employees state insurance, Income Tax, Goods and Service Tax, Sales Tax, Custom duty, Excise Duty, Cess and other material statutory dues as at 31.03.2018, for a period of more than six months from the date they become payable except amount of Rs. 264.57 Crores which is payable to state government towards Royalty & Cess.

(b) According to the information and explanation given to us, the following are the particulars of disputed dues on account of Sales Tax, Income Tax and custom duty that have not been paid deposited:-

Name of the Statute	Nature of dues	Amount of Demand net of deposits	Period to which it relates	Forum where dispute is pending
Income Tax Act, 1961	Demand	Rs. 482.54 Lacs	A/y 2008-09	Assessing Officer
Income Tax Act, 1961	Demand	Rs. 593.71 Lacs	A/y 2004-05	Assessing Officer

viii. In our opinion and according to the information and explanation given to us, the company has not defaulted in repayment of dues to banks and financial institution expect repayment of loan from LIC of India for Rs. 43.78 Crores (Provisionally considered by the management as against Rs. 437.80 Crores) transferred by the UPJVNL and interest of Rs. 198.68 Crores. As explained to us loan amount is under transfer scheme the amount is not repayable and Loan from NABARD amounting Rs. 33.41 Crores.

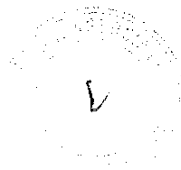
ix. As per written representation received from the management in our opinion the term loans available by the company during the year were prima facie, applied for the purposes for which they were obtained.

x. Based on the audit procedures performed and the information and explanation given to us by the management, we report that no fraud on or by the company has been noticed or reported during the year, nor have been informed of such cases by the management.

xi. According to the information explanation given to us, the company has paid remuneration to director within the limits specified under section 197 of Companies Act, 2013.

xii. Provisions relating to Nidhi, mutual benefits fund and society are not applicable to company.

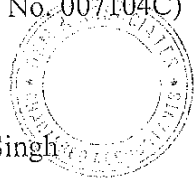
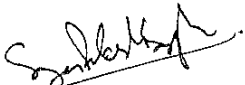
xiii. As per the written representation from the management the company has not received any declaration in form MBP-1 from any of its director under rule 9(1) of the Companies



(Meetings of Board & Power) Rule, 2014 and such there are no entries in the register maintained under section 189 of the Act.

- xiv. The company has made preferential allotment of shares during the year under review. The provision of section 42 of the Companies Act, 2013 have not been complied with as reported in our independent audit report para-2 of our basis of qualified opinion. The company has not made any preferential allotment of fully or partly convertible debentures as defined in Section 42 of the Act during the year under review.
- xv. The company has not entered into any non cash transactions with directors or connected persons during the year.
- xvi. The company is not required to be registered with Reserve Bank of India u/s 45IA of the RBI Act.

For **DSM & ASSOCIATES**
Chartered Accountants
(Firm's Registration No. 007104C)



CA Surya Prakash Singh
(Partner)
M.No-407959

Date: 6th September, 2018
Place: Delhi

DSM & ASSOCIATES

CHARTERED ACCOUNTANTS

ANNEXURE "C" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 3 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of UJVN Limited of even date)

Report on Revised and sector specific directions under section 143(5) of the Companies Act, 2013

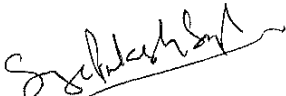
S. No.	Directions	Remarks
01	Whether the company has clear title/ lease deeds for freehold and leasehold respectively? If not please state the area of freehold and leasehold land for which title/ lease deeds are not available?	Please refer point no. i of Annexure-B of our main report.
02	Whether there are many cases of waiver/write off of debts/ loans/ interest etc. If yes, the reasons there for an amount involved.	As per information and explanation provided to us, there were no such cases of waiver/ write off of debts/ loans/ interest etc. during Financial year 2017-18. However, please refer Para 1 of Basis of qualified opinion of Independent Audit Report.
03	Whether proper records are maintained for inventories lying with third parties & assets received as gift/ grant (s) from the Government or other authorities.	Please refer point no. ii of Annexure-B of our main report. Separate records for assets acquired out of grant not maintained by the company. Further, no such case of asset received as gift/ grant from the Government or other authorities.
04	Adequacy of steps to prevent encroachment of idle land owned by Company may be examined. In case land of the Company is encroached, under litigation, not put to use or declared surplus, details may be provided.	As Statutory Auditors of the Company, this point does not fall under the purview of our education, training and expertise. However as per information and explanation provided to us, the company has adequate system to prevent encroachment of idle land owned by company.
05	Where land acquisition is involved in setting up new projects, report whether	As per information and explanation provided to us, in case of land acquisition

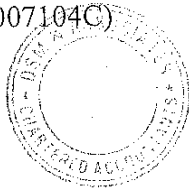
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	settlement of dues done expeditiously and in a transparent manner in all cases. The cases of deviation may please be detailed.	is involved in setting up new projects, the company settled the dues expeditiously and in a transparent manner.
06	Whether the company has an effective system for recovery of revenue as per contractual terms and the revenue is properly accounted for in the books of accounts in compliance with the applicable Accounting Standards?	As per information and explanation provided to us, the Company has an effective system for recovery of revenue as per contractual terms and the revenue is properly accounted for in the books of accounts in compliance with the applicable Indian Accounting Standards except as reported in Point no. 6 of Basis of qualified opinion of Independent Audit Report.
07	How much cost has been incurred on abandoned projects and out of this how much cost has been written off?	Please refer point no. 9 & 11 of "Note No.42 Explanatory Statement" of Financial Statements. Further, Nil cost has been written off during the year.
08	In the case of Hydroelectric Projects the water discharge is as per policy/guidelines issued by the State Government to maintain biodiversity. For not maintaining it penalty paid/ payable may be reported.	As Statutory Auditors of the company, this point does not fall under the purview of our education, training and expertise. However as per information and explanation provided to us, the company adheres to the guidelines issued from time to time by State Government regarding discharge of water and no penalty is paid or payable during financial year 2017-18 in this regard.
09	Examine the system of effective utilization of Loans/ grant-in-Aid/Subsidy. List of cases of diversion of funds.	As per information and explanation provided to us and as revealed by our test checks performed on the books of accounts, the company has adequate system of effective utilization of loans/grant-in-aid/subsidy.
10	Examine the cost benefit analysis of major capital expenditure/ expansion including IRR and payback period.	As per information and explanation provided to us and as revealed by our test checks performed on the books of accounts, the company has established mechanism to examine the cost benefit analysis of major capital expenditure/ expansion including IRR and payback period.

11	If the audited entity has computerized its operations or part of it, assess and report, how much of the data in the company is in electronic format, which of the area such as accounting, sales personnel information, pay roll, inventory etc. have been computerized and the company has evolved proper security policy for data/software/ hardware?	As per information and explanation provided to us, the company has blend of computerized and manual systems for its operations. Areas of pay roll, accounting (partly) and Inventory (partly) have been computerized. Further, the company has adequate security arrangements for its data/software/hardware.
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For **DSM & ASSOCIATES**
Chartered Accountants
(Firm's Registration No. 007104C)


CA Surya Prakash Singh
(Partner)
M.No-407959



Date: 6th September, 2018
Place: Delhi

Management replies on qualified observation of Statutory Auditors' Report for FY

2017-18.

Para. No	Qualified observation of Statutory Auditors Report	Management Replies
1.	<p>Opening balances of assets and liabilities acquired from UPJVNL were incorporated in the financial statements of the company on the basis of allocations in the year 2001-02. Consequently the opening balances of the specific assets & liabilities vested in the company is neither identifiable nor verifiable.</p> <p>The management has stated than in absence of final transfer scheme between UPJVNL and UJVNL provisional opening balances have been incorporated in books of accounts. The accuracy of these opening balances of the specific assets & liabilities is not ascertainable in absence of any agreement between UPJVNL & UJVNL on final transfer scheme. These opening balances are unaudited and are not in agreement with the balances shown as transferred by UPJVNL in their audited accounts for the year ending 31.03.2002.</p> <p>These assets transferred from UPJVNL are shown at a value as determined by the management. The value of such assets is neither in agreement with the fixed assets register of UPJVNL nor it is certified by any approved valuer.</p> <p>During the year the company has restated the fixed assets at Rs. 3161.70 Crores (previously by Rs. 3262.21 Crores-01.04.2016) based on UERC Valuation for tariff determination. These figures are unaudited and unverifiable.</p>	<p>The issue of Settlement of opening balance of Assets & Liabilities with UP Jal Vidyut Nigam Limited is under process. Nigam has derived its provisional opening balances on the basis of information available with it and as per Central Government Order No. 42/7/2000-R&R dated 5-11-01 to complete its accounts. On Finalization/ settlement of the issue, any adjustments emerging there from would be accounted for in the year of settlement. UJVNL limited Accounted for the Value of Fixed Assets as agreed by UPJVNL and in confirmatory with GFA considered by UERC and appropriate disclosure in this regards has been made in the Financial Statements of the Nigam (Note 42). Therefore value of Fixed assets is in agreement with figures provided by UPJVNL.</p> <p>Further, the discussion are being held at Chief secretary/Govt. Level of two states to finalize transfer scheme between UJVNL and UPJVNL. Finalization of the same is almost completed and is pending mainly due to the non-settlement of LIC loan.</p>
2.	<p>The company has made certain violation of Companies (Acceptance of Deposits), Rules 2014. The company has, neither allotted shares within 60 days of the receipt of share application money nor it has disclosed the amount not so allotted as "Deposits" as required by these rules.</p>	<p>The observation made by Statutory Auditors are based on a presumption that the projects specific equity that is received by the Company is treated as a deposit akin to the Share Application Money received on the issue of equity either through private placement or through public offer. These are</p>

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Management Replies

Qualified observation of Statutory Auditors Report

Para. No.

Date of Receipt of Application Money	Amount of Receipt in Rs.	Due Date of Allotment	Actual Date of Allotment	Delay in Days
21.06.2016	3,33,00,000.00	21.08.2016	22.04.2017	244
02.08.2016	10,00,00,000.00	02.10.2016	22.04.2017	202
03.09.2016	3,67,00,000.00	03.11.2016	22.04.2017	170
23.12.2016	3,00,00,000.00	23.02.2017	22.04.2017	58
30.03.2017	21,00,00,000.00	30.05.2017	28.09.2017	121
30.03.2017	4,00,00,000.00	30.05.2017	28.09.2017	121
31.03.2017	2,00,00,000.00	31.05.2017	28.09.2017	120
01.11.2017	5,00,00,000.00	01.01.2018	18.01.2018	18
01.11.2017	3,50,00,000.00	01.01.2018	18.01.2018	18

Opening Balance of Rs. 37,570.00 in Share Application Money could not be identified by the company. The same is shown in the books of Accounts as Share Application money. The company has not shown the amount as "Deposits" as per Section 73 of the Companies Act, 2013.

And

As per Section 123(6) of the Companies Act 2013, "A Company which fails to comply with the provisions of Sections 73 and 74 shall not, as long as such failures continue, declare any dividend on equity shares." During the year under audit, the company has not issued shares within the prescribed time as per requirement of Companies (Acceptance of Deposits), Rules 2014. However, during the year the company has paid dividend of Rs. 27.28 Crores. This results in violation of provisions of Section 123 of the Companies Act, 2013.

As explained by the management the amount received does not fall within the ambit of the definition of deposit. However in our opinion if the company fails to issue shares in prescribed time the amount so received is to be considered as deposit.

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This is basically a question of interpretation and the management do not agree with the premise taken by Statutory Auditors because if we go by the principle of either strict or harmonious construction of interpretation of statutes, still this entry does not fall within the ambit of deposit even by any stretch of imagination under The Companies (Acceptance of Deposits) Rules, 2014.

This issue has been legally examined as per the definition of deposit given under The Companies (Acceptance of Deposits) Rules, 2014, definition of deposit given by various legal dictionaries, definition of depositor under The Companies (Acceptance of Deposits) Rules and it was found that deposit is that amount of money which carries certain fixed rate of interest and can be taken back at any time or on the eventuality of a particular happening.

The Money received by the Company is in the form of equity contribution for specific project received from the owner i.e. Government of Uttarakhand and this money does not carry in interest obligation and is not payable to the Government of Uttarakhand in any form except through consolidated earning of the Company from various projects in the form of dividend by observing the prescribed rules and regulations. Moreover, this money has to be utilized for the project for which it is sanctioned and can not be diverted either to other project or for any revenue expenditure.

The Company's Board of Directors and members in Annual General Meeting have got all the rights to declare the dividend which has been carried out after observing due procedure as contemplated by law and the dividend so declared and paid, can not be taken back from Government of Uttarakhand and reversed in the books of account.

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Para. No	Qualified observation of Statutory Auditors Report	Management Replies
Para V of Annexure-B	According to the information and explanations given to us and on the basis of our examination of Books of account, the Company has not accepted deposits during the year except para-2 of basis for qualified opinion of our Independent Audit report.	<p>Though Nigam had not agreed to the observations of Statutory Auditor, still as a good management practice we had taken up this matter before Board of Director explaining impracticalities and obtained a delegation of powers in their 85th meeting held on 28.09.2017 and after that the shares are issued within the stipulated time as contemplated by Statutory Auditor.</p> <p>Therefore, that there is no contravention of either the provisions of Section 73, 74 or 123 (6) of The Companies Act, 2013 and the company was absolutely right in declaring and paying the dividend of Rs. 27.28 Crores during the year.</p>
4.	<p>No details are available in respect of Terms & Conditions, security provided, if any, the documents executed and balance confirmation towards loan from Life Insurance Corporation of India along with overdue principal, and interest payable there on amounting to Rs. 43.78 Crores plus outstanding interest of Rs. 198.68 Crores and Loans from state Government Principal amounting Rs. 175.56 Crores to verify the correctness of the liability and obligation of the company as per books of Accounts of the company as on 31.03.2018.</p>	<p>Govt. of India vide Notification No. SO 1228 dated 02-09-2005 had allocated part liability amounting to Rs. 352.59 crore of Loan from LIC taken by erstwhile UPSEB to the state of Uttarakhnad against Hydro Electric Projects transferred to the State. The said loan is to the state of Uttarakhnad and not to UJVN Limited. This has also been protested and communicated to Life Insurance Corporation severally that LIC loan liability not pertains to the Nigam. However, in accordance to Govt. of India's Notification dated 5-11-2001, 10% Liability of such Loan i.e. Rs.43.78 crores was provisionally considered as a matter of Prudent Accounting in the books of accounts as on 9-11-2001. Since the loan is provisionally provided and liability is disputed and hence confirmation could not be available.</p> <p>Further, State Govt. Loan availed for ADB Funded SHP projects and World Bank Funded DRIP projects are pending for terms and conditions from GOU. Appropriate disclosure in this regard has been made in Note-13.</p>
Para No. of VIII Annexure-B	<p>AND</p> <p>In our opinion and according to the information and explanation given to us, the company has not defaulted in repayment of dues to banks and financial institution expect repayment of loan from LIC of India for Rs. 43.78 Crores (Provisionally considered by the</p>	<p>This is a long outstanding issue which had been discussed in the meeting of Chief Secretaries of both the States held on 28-6-2018 wherein it was agreed that this matter will again be referred to Central Government in terms of the section 42(4) of</p>

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Management Replies	
Para. No	Qualified observation of Statutory Auditors Report
	management as against Rs. 437.80 Crores) transferred by the UPJVN and interest of Rs. 198.68 Crores. As explained to us loan amount is under transfer scheme the amount is not repayable and Loan from NABARD amounting Rs. 33.41 Crores.
5.	<p>Following balances of long term borrowings are not substantiated by third party confirmation:</p> <p>a) LIC: Rs.43.78 Crores</p> <p>b) Loans from State Government Rs. 270.85 Crores</p>
6.	The company has not made provisions in respect of non-payment of Royalty & Cess amounting Rs.243.86 Crores by UPCL outstanding since 2009 which is to be paid to state government by the company. This results in overstatement of profits and overstatement of Current assets of the company by Rs.243.86 Crores.
Para No. i of Annexure-B and	<p>In respect of the Company's fixed assets: Fixed Assets register is maintained up to 31.03.2017. Last physical verification has done up to 31.03.2017. Fixed Assets register is incomplete for 2017-18.</p> <p>As per information, explanation and relevant records provided to us by the management, the title deeds of immovable properties are not fully held in the name of company. Out of total are of land of</p>
	<p>U.P. Re-organization Act, 2000 for final adjudication and decision taken by Central Government in this regard, shall be final and binding on both the parties.</p> <p>Therefore, nigram is not defaulted in repayment of LIC Loan till final decision of Central Government.</p> <p>Please refer Para -4 above for LIC loan</p> <p>Govt. of Uttarakhhand (GOU) has not provided confirmation of State Government loan. However, Nigam regularly intimates the balance outstanding on different loan accounts to GoU and Accountant General (Account) time to time.</p> <p>UPCL (a GoU owned Company) was making payments of Royalty and Cess regularly during the year under audit. Continuous follow-ups with UPCL at different fronts are being made to recover the old balances towards Royalty & Cess. Further, UPCL has confirmed the balance of Royalty & Cess as on 31-3-2018.</p> <p>In view of above, the question of overstatement of profit and overstatement of Current assets does not arise.</p> <p>Preparation of Fixed Asset Register is in advanced stage and is likely to be completed by December, 2018.</p> <p>To get the transfer of title deeds in the name of Company is reviewed continuously by the Audit Committee and this work is put under the direct supervision and control of an officer of the</p>

Management Replies	
Para. No	Qualified observation of Statutory Auditors Report
	<p>3682624.89 sqm. in possession of the company, area of 1752961.63 sqm. is mutated in favor of the company. The amount invested in such immovable properties (where title deeds are not in name of company) is not ascertainable due to non-maintenance of proper records.</p> <p style="text-align: center;">AND</p> <p>Please refer to Point No.i of Annexure-B of our main report.</p> <p style="text-align: center;">AND</p> <p>Please refer point no. ii of Annexure-B of our main report. Separate records for assets acquired out of grant not maintained by the company.</p> <p>Further, no such case of asset received as gift/grant from the Government or other authorities.</p>
Para No.1 of Annexure-C	
Para No.3 of Annexure-C	<p>Treatment of Grant in books of Accounts has been made as per Nigam Accounting policy of the Nigam on Government Grants. The policy is in conformity with Ind-AS 20 on Accounting for Government Grants.</p>
Para No. ii of Annexure-B	<p>There were established procedures in erstwhile UPSEB/UPJVNL for maintaining stocks at sub division/division level.</p> <p>Since the inventory is historical in nature and inherited through bifurcation of the State, therefore, in order to maintain consistency, the inventory is valued at the available cost. This has been duly disclosed in Note No.3 (xiii) of Annual accounts.</p> <p>Reports of physical verification report of inventory of various divisions are available at site and are available for audit.</p>

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