

INDEPENDENT AUDITOR'S REPORT

To
The Members of
UJVN Limited
Dehradun, Uttarakhand

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of UJVN Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2019, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year ended on that date, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the financial statements").

In our opinion and to the best of our information and according to the explanations given to us, "Except for the Matters described in the Basis of Opinion Para" the aforesaid Financial Statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("IndAS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, the profit and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

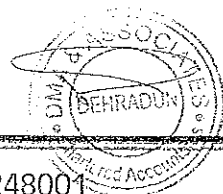
Basis for Qualified Opinion

1. Opening balances of assets and liabilities 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 not identifiable or verifiable.*

The management has stated that 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 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 is the value taken certified by any approved valuer.*

2. *Following balances of Loans & borrowings are not substantiated by third party confirmation:*
 - i. Long term loans from State Government Rs. 319.64 Crores
 - ii. Short term loans from UPJVNL of Rs. 5.05 Crores



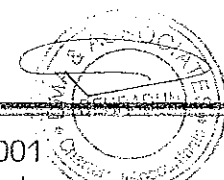


3. The Company is in the business of generating power supply and *valuation of Inventories has been done on cost basis as certified by management instead of Cost or NRV whichever is lower* as per requirement of Ind AS 2 issued by MCA.
4. No details are available in respect of terms & conditions, securities 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, to verify the correctness of the liability and obligation of the company. As per information given to us the total amount of loan raised by UPJVNL from Life Insurance Corporation of India was Rs. 437.80 Crores out of which the company had provisionally acknowledged an amount of Rs. 43.78 Crores as its liability till the financial year 2017-18. The management has decided to de-recognise the liability along with interest accrued thereon during the period under audit and consequently no liability is shown in these financial statements. *Since no documents are available from the lender to verify this liability or waiver thereof, we are unable to comment on the decision taken by the management to de-recognise the liability and the possible understatement of liability as on balance sheet date.*
5. One of the major debtors of the Company, i.e. UPCL, is not making payment in respect of Cess and Royalty which is payable to state government. The total outstanding in the name of UPCL as on 31st March, 2019 is Rs.547.59 Crores out of which an amount of Rs.347.75 Crores is in respect of Cess & Royalty, *no provision towards the same has been made in the books of accounts.*
6. 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. *The company has defaulted in timely allotment of equity shares to the Honorable Governor of State as per table below:-*

Date of Receipt of Application Money	Amount of Receipt	Due Date for Allotment	Actual Date of Allotment	Period of Delay
19-11-2018	10,00,00,000	19-1-2019	24-6-2019	156 Days
08-03-2019	77,00,000	8-5-2019	25-6-2019	48 Days
15-03-2019	1,35,15,000	15-5-2019	27-6-2019	43 Days

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.

7. The company has shifted its accounts to new ERP based software in the middle of the financial year therefore the accounts of the company for the financial year are partly manual and partly electronic. We observed that the new ERP software creates liabilities for the works done by contractors at the time measurement is completed by the concerned division. However, deduction of income tax at source is made only at the time of making payment of these liabilities. *This practice is in contravention of Sections of 194C & 194J of the Income Tax Act which requires that the deduction is to be made at the time of creation of liability if that precedes the actual payment. The company is unable to provide details of these provisions made on which TDS was not deducted / late deducted therefore the defaults committed by company can't be quantified.*





8. *The company has declared and paid final dividend of Rs. 22.53/- Crores for the FY 2017-18 in contravention of Section 123(6) of Companies Act, 2013.* 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. 22.53 Crores. This results in violation of provisions of Section 123 of the Companies Act, 2013.

Key audit matters

Reporting of key audit matters as per SA 701, Key Audit Matters are not applicable to the Company as it is an unlisted company.

Information Other than the Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

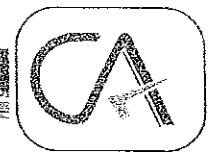
If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. 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.

In preparing the Financial Statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.





The Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

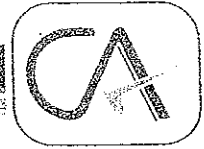
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the Financial Statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

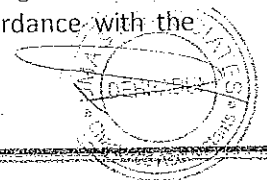
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

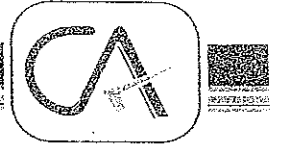
Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit we report that:

- a) We have sought and 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, Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the relevant books of account.
- d) In our opinion, the aforesaid financial statements comply with the IndAS specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.
- 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 A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
- g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.





- h) 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.
 - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
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 Comptroller and audit general of India is given in "Annexure C" of the report.

For DMA & Associates
Chartered Accountants
FRN: 010129C


CA. Deepak Kumar Ghanshani
Partner & ASSOCIATE
M No. 078742
UDIN: 19078742AAAAAT9308


Place: Dehradun
Date: 26th August, 2019



ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1(f) 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 (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 **UJVN LIMITED** ("the Company") as of March 31, 2019 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

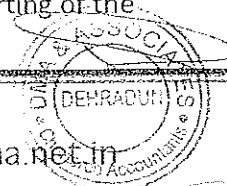
The Board of Directors of the Company is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of 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, including adherence to respective 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.

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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Company.





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 authorisation of management and directors of the company and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

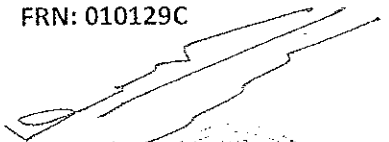
Limitations of Internal Financial Controls Over Financial Reporting

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, 2019, 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.

For DMA & Associates
Chartered Accountants
FRN: 010129C


CA. Deepak Kumar Ghanshani
Partner
M No.: 078742
UDIN: 19078742AAAAAT9308

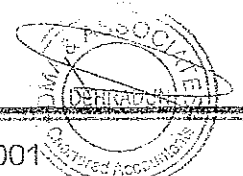
Place: Dehradun
Date: 26th August, 2019



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:
- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets purchased after its incorporation except for the assets transferred to it from UPJVNL.
- (b) 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 is the value taken certified by any approved valuer.*
- (c) *As per the 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 favour of the company. The amount invested in such immovable properties (where title deeds are not in the name of the company) is not ascertainable due to non-maintenance of proper records.*
- ii. The Company is in the business of generating power supply and *valuation of Inventories has been done on cost basis as certified by management instead of Cost or NRV whichever is lower* as required by Ind As 2 issued by MCA.
- iii. According the information and explanations given to us, the Company has not granted any loans secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.
- iv. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Act in respect of grant of loans, making investments and providing guarantees and securities, as applicable.
- v. The Company has not accepted deposits during the year and does not have any unclaimed deposits as at March 31, 2019 and therefore, the provisions of the clause 3 (v) of the Order are not applicable to the Company.
- vi. The maintenance of cost records has not been specified by the Central Government under section 148(1) of the Companies Act, 2013 for the business activities carried out by the Company. Thus reporting under clause 3(vi) of the order is not applicable to the Company.
- vii. According to the information and explanations given to us, in respect of statutory dues:
- (a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income Tax, Goods and Service Tax, Customs Duty, Cess and other material statutory dues applicable to it with the appropriate authorities *except amount of Rs. 348.55 Crores which is payable to State Government towards Royalty and Cess.*

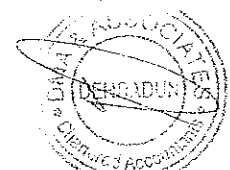




- (b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Goods and Service Tax, Customs Duty, Cess and other material statutory dues in arrears as at March 31, 2019 for a period of more than six months from the date they became payable *except amount of Rs. 348.55 Crores which is payable to State Government towards Royalty and Cess.*
- (c) *Details of dues of Income Tax, GST Tax, Excise Duty and Cess etc which have not been deposited as at March 31, 2019 on account of dispute are given below:*

Nature of Dispute	Nature of Demand	Forum under where dispute is pending	Period to which it relates	Amount of Demand
The Income Tax Act, 1961	Income Tax Demand	Commissioner of Income Tax	A.Y. 2011-12	Rs. 474.86 Lacs
	Income Tax Demand	ITAT	A.Y. 2004-05	Rs. 593.71 Lacs

- viii. The Company has taken loans or borrowings from financial institutions, banks and government. Company has no default in repayment of loan *except on repayment of loan from NABARD of Rs. 36.37 Crore for a period of 84 months.*
- ix. The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause 3 (ix) of the Order is not applicable to the Company.
- x. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company or no material fraud on the Company by its officers or employees has been noticed or reported during the year.
- xi. In our opinion and according to the information and explanations given to us, the Company has paid/provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- xii. The Company is not a Nidhi Company and hence reporting under clause 3 (xii) of the Order is not applicable to the Company.
- xiii. In our opinion and according to the information and explanations given to us, the Company is in compliance with Section 177 and 188 of the Companies Act, 2013 where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- xiv. During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly paid convertible debentures and hence reporting under clause 3 (xiv) of the Order is not applicable to the Company.
- xv. In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its Directors or persons connected to its directors and hence provisions of section 192 of the Companies Act, 2013 are not applicable to the Company.



DMA & ASSOCIATES

Chartered Accountants

Dehradun - New Delhi - Kanpur



xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For DMA & Associates
Chartered Accountants
FRN: 010129C


CA. Deepak Kumar Ghanshani
Partner
M No.: 078742
UDIN: 19078742AAAAAT9308

Place: Dehradun
Date: 26th August, 2019



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


Sr. 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?	<i>Please refer point no. i of Annexure-B of our main report.</i>
02	Whether there are any 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 case of waiver/write off of debts/ loans/ interest etc. during FY 2018-19
03	Whether proper records are maintained for inventories lying with third parties & assets received as gift/ grant(s) from the Government or other authorities.	<i>Please refer point no. ii of Annexure-B of our main report.</i> 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 settlement of dues done expeditiously and in a transparent manner in all cases. The cases of deviation may please be detailed.	As per information and explanation provided to us, in case of land acquisition 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 <i>except as reported in Point no. 5 of "Basis of Opinion" paragraph of our main report.</i>
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. 07 & 09 of "Note No.43: Explanatory Statement" of Financial Statements. Further, an amount of Rs. 87.41 Crores has been written off during the year.

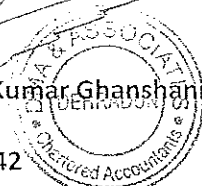




08	In the case of Hydroelectric Projects the water discharge is as per policy/ guidelines issued by the State Government to maintain biodiversity. For not maintaining it penalty paid/ payable may be reported.	As Statutory Auditors of the company, this point does not fall under the purview of our education, 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 FY 2018-19 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?	The company has shifted its accounts to ERP based software during the period under audit. The accounts of the company for the year under audit have been maintained partly in manual system and partly in computerized system. Areas of pay roll, accounting and inventory have been computerized with effect from 01/10/2018. Further, the company has adequate security arrangements for its data / software / hardware.

For DMA & Associates
Chartered Accountants
FRN: 010129C


CA. Deepak Kumar Ghanshani
Partner
M No.: 078742
UDIN: 19078742AAAAAT9308



Place: Dehradun
Date: 26th August, 2019

Statutory Auditors' Report for FY 2018-19 and Management replies thereon.

Sr. No	Statutory Auditors Observations	Management Replies
Para No. 1 of Main Report	<p>Opening balances of assets and liabilities 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 not identifiable or verifiable.</p> <p>The management has stated that 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 Assets & Liabilities is not ascertainable in absence of any agreement between UPJVNL & UJVNL on Final Transfer scheme.</p> <p>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 is the value taken certified by any approved valuer.</p> <p align="center">AND</p> <p>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 is the value taken certified by any approved valuer.</p>	<p>The issue of Settlement of opening balance of Assets & Liabilities with UP Jal Vidyut Nigam Limited is under process. Nigam had derived the figures of opening balances as confirmed with the books of accounts of the various divisions and informed & confirmed by UPJVNL. On Finalization/ settlement of the issue, any adjustments emerging there from would be accounted for in the year of settlement. The appropriate disclosure in this regards has been made in the Financial Statements of the Nigam (Note 43). Further, value of Fixed Assets of UJVN Limited are in agreement with UPJVNL and in confirmatory with GFA considered by UERC and. Therefore value of Fixed Assets is in the agreement with figures provided by UPJVNL.</p>
Para No. i (b) of Annexure B	<p>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 is the value taken certified by any approved valuer.</p>	

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Management Replies	
Sr. No	Statutory Auditors Observations
Para No. 2 of Main Report	<p>Following balances of Loans & borrowings are not substantiated by third party confirmation:</p> <p><i>i. Long term loans from State Government Rs. 319.64 Crores</i></p> <p><i>ii. Short term loans from UPJVNL of Rs. 5.05 Crores</i></p> <p style="text-align: center;">AND</p> <p>The Company has taken loans or borrowings from financial institutions, banks and government. Company has no default in repayment of loan except on repayment of loan from GoU - NABARD of Rs. 36.37 Crore for a period of 84 months.</p>
Para No. viii of Annexure B	<p>Short term loan from UPJVNL is part of Transfer Scheme</p> <p>The GoU-NABARD loan pertains to 3 SHPs namely; Asiganga - I, Asiganga -II and Sobla -I abandoned due to falling under Eco-sensitive zone. GoU has been requested to grant waiver of repayment till the revival of projects.</p>
Para No. 3 of Main report and Para No. ii of Annexure B	<p>The Company is in the business of generating power supply and valuation of Inventories has been done on cost basis as certified by management instead of Cost or NRV whichever is lower as per requirement of Ind AS 2 issued by MCA.</p>
Para No. 4 of Main report	<p>No details are available in respect of terms & conditions, securities 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, to verify the correctness of the liability and obligation of the company. As per information given to us the total amount of loan raised by UPJVNL from Life Insurance Corporation of India was Rs. 437.80 Crores out of which the company had provisionally acknowledged an amount of Rs. 43.78 Crores as its liability till the financial year 2017-18. The management has decided to de-recognise the liability along with interest accrued thereon during the period under audit and consequently no liability is shown in these financial statements. Since no documents are available from the lender to verify this liability or waiver</p>
	<p>Nigam regularly intimates the balance outstanding on different loan accounts to GoU and Accountant General (Account) time to time.</p> <p>Since the inventory is historical in nature and inherited through bifurcation of State, therefore, in order to maintained consistency, the inventory is valued at available cost. This has been disclosed in Note No.3 (xiii) of Annual accounts.</p> <p>LIC loan of Rs. 437.80 crores was taken by erstwhile UPSEB and transferred to Uttar Pradesh Jal Vidyut Nigam Ltd. (UPJVNL) vide the Govt. of Uttar Pradesh notification dated 25/1/2001. UJVNL in accordance to GOI 5-11-2001, has considered provisionally 10 % of LIC loan of Rs. 437.80 crores i.e. Rs. 43.78 crores in its books of accounts up to the previous year 2017-18.</p> <p>Central Government vide its order No.SO 1228 dated 2.09.2005 has allocated the part liability of Rs.352.59 Crores of LIC Loan taken for MB-II HEP by the erstwhile UPSEB to Govt. of Uttarakhand (GOU). Since such allocation of the above referred LIC loan is allocated to State of Uttarkhand and not to UJVNL, the amount of loan has not been accounted for in the books of</p>

Sr. No	Statutory Auditors Observations	Management Replies
	<p><i>thereof, we are unable to comment on the decision taken by the management to de-recognise the liability and the possible understatement of liability as on balance sheet date.</i></p>	<p>accounts. This has also been communicated to Life Insurance Corporation and to Govt. of Uttarakhand that LIC loan liability not pertain to the Nigam.</p> <p>Further GoU in its various review meeting with GoUP has communicated that allocation of LIC loan liability to GoU by GoI is not in accordance with the provisions of UP Reorganization Act and Central Govt. order dated 5-11-2001.</p> <p>Hon'ble Chief Minister of Uttarakhand also wrote to Ministry of Energy of Govt. of India vide letter No.437/I/2019-04 (03)/20/2003 dated 1-4-2019 to reconsider the allocation of LIC loan liability to the State of Uttarakhand in light of Section 42(4) of UP Reorganization Act.</p> <p>In the latest review meeting held on 17-08-2019 at Dehradun, between Chief Secretaries of both States, it was agreed that this matter would be referred to Central Government.</p> <p>In view of the above, Nigam has decided to derecognize the provisional LIC loan liability of Rs. 43.78 crores along with interest thereon. Since, LIC loan liability does not pertain to Nigam so there is no understatement of liability as on balance sheet date.</p>
<p>Para No. 5 of Main report</p>	<p>One of the major debtors of the Company, i.e. UPCL, is not making payment in respect of Cess and Royalty which is payable to state government. The total outstanding in the name of UPCL as on 31st March, 2019 is Rs.547.59 Crores out of which an amount of Rs. 347.75 Crores is in respect of Cess & Royalty, no provision towards the same has been made in the books of accounts</p>	<p>UPCL (a GoU owned Company) was making part payments of Royalty and Cess 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 31-3-2019.</p> <p>In view of above, no provision is required towards Cess and Royalty.</p>

Management Replies

Statutory Auditors Observations

Rule 2(c) (vii) of the Companies (Acceptance of Deposits) Rules, 2014 together with Rule 2 and Section 2 (31) of the Act specifically excluded share application money from ambit of the term deposit provided shares are allotted within sixty days from the date of receipt of the share application money.

Section 42 of the Act stipulates that shares shall be allotted within 60 days of receipt of share application money.

However, allotment of shares to the Government of Uttarakhand, being existing shareholders, holding 99.99% of shares of UJVN Limited, is out of purview of section 42 of the Act. This allotment will be covered within the provisions of section 62 (1) of the Act for which there is no such stipulation of allotment of shares within 60 days of receipt of share application money.

The application money amount received on acceptance of the offers of allotment made on right issues held in the account of UJVN Limited for more than 60 days cannot be termed as deposits. Hence, UJVN Limited has not violated the provisions of sections 73 and 74 of the Companies Act, 2013 read with Companies (Acceptance of Deposits) Rules, 2014.

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. **The company has defaulted in timely allotment of equity shares to the Honorable Governor of State as per table below:-**

Date of Receipt of Application Money	Amount of Receipt	Due Date for Allotment	Actual Date of Allotment	Period of Delay
19-11-2018	10,00,00,000	19-1-2019	24-6-2019	156 Days
08-03-2019	77,00,000	8-5-2019	25-6-2019	48 Days
15-03-2019	1,35,15,000	15-5-2019	27-6-2019	43 Days

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.

AND

The company has declared and paid final dividend of Rs. 22.53/- Crores for the FY 2017-18 in contravention of Section 123(6) of Companies Act, 2013. 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. 22.53

Management Replies

Sr. No	Statutory Auditors Observations	Management Replies
Para No. 7 of Main report	<p>Crores. This results in violation of provisions of Section 123 of the Companies Act, 2013.</p> <p>The company has shifted its accounts to new ERP based software in the middle of the financial year therefore the accounts of the company for the financial year are partly manual and partly electronic. We observed that the new ERP software creates liabilities for the works done by contractors at the time measurement is completed by the concerned division. However, deduction of income tax at source is made only at the time of making payment of these liabilities. <i>This practice is in contravention of Sections of 194C & 194J of the Income Tax Act which requires that the deduction is to be made at the time of creation of liability if that precedes the actual payment. The company is unable to provide details of these provisions made on which TDS was not deducted / late deducted therefore the defaults committed by company can't be quantified.</i></p>	<p>TDS liability is booked in the ERP system at the time of posting of vendor invoice i.e. when the invoice/ liability of the vendor is booked in the accounts and the same is to be deposited on due date i.e. 7th day of succeeding month in line with the provisions of Income Tax Act.</p> <p>Further, with a view to ensure TDS compliance at unit level, enhancement in the ERP system have been done, to view TDS liability of various units, through a dashboard centrally at HO level and so as to ensure timely deposit of the same on monthly basis to the credit of Central Govt. in line with the provision of Income Tax Act 1961.</p>
Para No.i (c) of Annexure B	<p>In respect of Company's fixed assets</p> <p><i>As per the 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 favour of the company. The amount invested in such immovable properties (where title deeds are not in the name of the company) is not ascertainable due to non-maintenance of proper records.</i></p>	<p>100% mutation has been made in favour of UJVN Limited for Khatima, Mohamadpur, Vyasi, Lakhwar, Kaliganga-I, Kaliganga - II, Madhyamaheshwar, Kulagad and at Kanchauti projects and 50 % mutation has been made for Pathri, Suringad, Sobla and Swarigad projects. Efforts are being made to get all titles transferred in the name of Nigam.</p>