

Independent Auditor's Report

To,
The Members,
Jharkhand Bijli Vitran Nigam Limited

This Revised Independent Auditor's Report is being issued in supersession of our earlier Independent Audit Report dated 30th January 2018, at the instance of the Comptroller & Auditor General of India through the Office of the Principal Accountant General (Audit), Jharkhand. The revised report is being issued in view of Disclaimer of Opinion to be expressed for making it more transparent and in compliance of SA 705 and change in our opinion as expressed earlier, as pointed out by the Comptroller & Auditor General of India through the Office of the Principal Accountant General (Audit), Jharkhand. Further, we confirm that none of the figures have undergone any change in the financial Statements of the Company as at 31st March 2017 as known to us.

Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of JHARKHAND BIJLI VITRAN NIGAM LIMITED ("the Company") which comprise the Balance Sheet as on March 31, 2017, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the act') with respect to the preparation of these Ind As financial statements to give a true and fair view of the statement of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) under Section 133 of the Act. 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, 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 Ind AS 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 Ind AS financial statements based on our audit. We have taken into account the provisions of the Act and the rules made there under including 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 Ind AS financial statements in accordance with the standard on Auditing specified under section 143(10) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with



ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS 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 Ind AS financial statements,

that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating

Effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of Ind AS financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our Disclaimer of Opinion for the year ended 31st March, 2017 :-

Basis for Disclaimer of Opinion

1. *Approval of Audited Annual Accounts by the Annual General Meeting of the Company for the years ended 31st March,14 ; 31st March,15 and 31st March,16 as well as directors report for F.Y 2015-16 are pending . Further no management representation letter received and internal audit reports for six locations were submitted. There is no record of transaction from the date of incorporation/commissioning on 23rd October, 2013 to the date of financial operation on 6th January, 2014 as informed.*

2. *Restructuring Account in the liability side of the Balance Sheet from inception of the Company of Rs. 3,13,383.38 lacs which was created in FY 2013-2014 and carried to the year under audit from the transfer of Assets and Liabilities from Jharkhand State Electricity Board (JSEB) to the said company under Government Of Jharkhand (GOJ) notification No.18 dated 06.01.2014 and No.2917 dated 20.11.2015. The said notifications do not indicate adjustment account of such huge amount which was in excess of authorized capital of Rs. 50,000 lacs and paid up capital of Rs. 210 lacs only. There have been changes in Restructuring Account figures from inception but no board resolution shown for such changes made in restructuring account. However, the process of increasing Authorized Share Capital to the tune of Rs. 310893 lacs has been initiated.*

3. *Party wise confirmation and third party confirmations of items as trade receivables, trade payables, borrowings etc. are awaited. Current assets and Current liabilities items requiring attention are mentioned below:-*



3.1 Other Current Assets of Rs. 161537.57 lacs (last year Rs. 215594.60 lacs)

Short Term advance included in other current assets which are static compared to previous year without justification, are mentioned below:

Car/Marriage Advance	Rs. 0.15 lacs
Cycle Advance	Rs. 0.18 lacs
Advance to Home Guard	Rs. 0.25 lacs

3.2 Cash and Cash equivalents of Rs. 191593.16 lacs (last year Rs. 232297.36 lacs)

Imprest cash and Cash in transit is awaiting confirmation. The physical cash verification needs improvement.

The more importantly the following items are to be scrutinized for its correctness

a) Balance with Division	Rs. 750.18 lacs
b) Cash with Division	Rs. 4797.62 lacs
c) Cash in transit	Rs. 3739.83 lacs
d) Imprest Cash	Rs. 1038.17 lacs

Further out of the Balance with Banks of Rs. 181260.27 lacs and Cash in hand Rs. 7.10 lacs few are awaiting confirmation. The Cash and Other Balances of Rs. 10332.90 lacs indicate idling of fund causing loss to company.

3.3 Confirmations of transfer of all Bank Accounts of all locations in the name of said company from erstwhile JSEB is under review. Entries appearing in Bank Reconciliation Statement needs to be reviewed and accounted for. Cash Book to be maintained as per Statute. The PLA ; FDR balance amounting to Rs. 65.29 lacs were not reconciled (as per statement provided to us) out of total of Rs. 71635.01 lacs. Further the accrued income of interest on FDR of Rs. 102.67 lacs (as per statement provided to us) for FY 2016-17 not accounted, thereby overstating loss.

3.4 Trade Payables of Rs. 798354.12 lacs (last year Rs. 555533.23 lacs)

3.5 (a) Trade payables need regular monitoring to ensure reduction of liability which otherwise is increasing year to year. No agreements with respect to power purchase were provided for checking of terms, conditions and the rates.

3.5 (b) Items remaining static when compared to previous year, without justification few are as under:-

Liability for purchase of power – Mittal Power	Rs. 59.17 lacs
Liability for purchase of power – WBSEB	Rs. 265.13 lacs
Liability for Supply of materials -	Rs. 1037.08 lacs

3.5 Other Non Current Liabilities of Rs. 38922.35 lacs (last year Rs. 30164.92 lacs) The treatment of deposit, security deposit other than consumer's deposit, keep back money,



keep back penalty, retention money from the suppliers/consumers/others are not streamlined, nor defined in the Standard Accounting Procedure and don't justify their continued presence in the absence of confirmations of respective parties with no adjustment.

4. The reported loss of Rs. 174111.75 lacs (last year Loss of Rs. 115137.54 lacs) as per Profit and Loss Account require attention. The gross loss (Revenue from Operations less Purchase of Power and Transmission charges) for the year under audit stated at Rs. 259488.63 lacs (Last Year Rs. 241456.95 lacs) is influenced by higher purchase cost of powers of Rs. 540840.30 lacs (last year Rs. 533679.59 lacs) including Solar Power Purchase of Rs. 4671.41 lacs (as per statement provided) and reduced revenue of Rs. 453911.82 Lacs (last year Rs. 493719.57 Lacs). The adverse effect is reduced by subsidy/grant of Government reported of Rs. 120000 lacs and Rs. 2099.45 lacs (GBI claim towards solar purchase as per statement provided).

5. Tax Matters: - Other Current liabilities include various taxes like Income Tax, Service Tax, TDS, and VAT etc. for which no assessment has been done since inception. Some are static for years for e.g. :- (a) other tax payable Rs. 14.98 lacs, public work department Rs. 0.25 lacs etc. requires attention. Service tax registration of required units and application of reverse charge is pending. Income tax returns not filed and TDS as per Form 26AS of previous years to be reconciled. Tax matters needs attention especially in view of introduction of GST and abolition of many indirect taxes introduced in July' 2017. The TAN Nos. are not in the name of Company.

6. Non confirmation of inter company transactions, etc.

Inter-company transactions need approval by resolutions of respective Board of Directors .This a violation of Ind AS- 24 "Related Party Disclosures" and Section 188 of the Companies Act, 2013. The balance confirmation is pending.

7. Streamlining of accounting/treatment of personnel cost as well as retiral benefits as per Ind AS- 19 - "Employee Benefits"

Employee Benefits, other statutes and accounting policies is defined but not implemented. The accounting of Retiral Benefit Management through a "Master Trust" and investment of employees fund for benefit of employees as per Transfer Scheme and notification No. 18 dated 06-01-2014 and No. 2917 dated 15-11-2015 is reported to be in process for implementation.

8. Capital work in progress of Rs. 264121.36 lacs (last year Rs. 207775.95 lacs)

As Per Procedures all the capitalization is required to be routed through CWIP except ADP Projects as per Company policy . Further CWIP , Interest and finance charges as well as stock of material of Capital Projects of Rs. 264121.36 lacs as on 31.03.2017 (Ref Note 3A) are being examined by the company for transfer to fixed assets in respect of all projects completed. The CWIP are being bifurcated as per



scheme duly certified by technical authority. The stock of materials at construction Site Capital is Rs. 127901.71 lacs which is 48% approx of CWIP which is very high. The Ind AS-16 "Property, plant and equipment" is not complied.

9. Fund Management

Accelerated Action to be taken for independent management of fund by the company.

10. Contingent liability and Commitments -- There is no methodology in the company to identify important items e.g. liability of terminal benefits of employees; BGs, court cases, dispute cases etc. This is not in accordance with Ind AS- 37 "Provisions, Contingent Liabilities and Contingent Assets" .

The Contingent liability against desired items with estimated amount not seen e.g. Fixed Deposit created out of funds received against encashment of Bank Guarantee provided by IVRC Ltd including interest amounting to Rs. 18253.16 lacs which is sub judice (as per statement provided). Similarly, estimated amounts of contracts remaining to be executed on Capital Account and any Contingent Losses is not shown and need to be evaluated which in our opinion is not in accordance with Ind AS -37 "Provisions, Contingent Liabilities and Contingent Assets".

11. AT & C Losses: The loss on power sale on account of transmission loss and collection efficiency is stated at 31.8% approx which is high and deserves technical audit for cross check.

12. Deferred Tax Asset/ Liability – Ind AS- 12 "Income Tax" is not followed. The Deferred Tax Asset/ Liability is not appearing in the Balance Sheet in respect of depreciation charges, etc.

13. Non Current – Other Financial Assets -- Share Application money to Patratu Vidyut Utpadan Nigam Limited - Rs. 100 lacs is pending for allotment and shown under advances to Related Parties.

14. Accrual Accounting - Accrual accounting as per Ind AS-1 –'Presentation of Financial Statement' is not complied fully.

15. Disputed Matters :- Complete information in respect of disputed matters has not been received during the course of audit of the annual accounts of the said year and we cannot comment on the same.

16. Revenue Collection:- The collection efficiency needs immediate attention for improvement. The loss of railway revenue of Jamshedpur/Chaibasa is substantial. Outsourcing is opted by the Company but its activation in collection is yet to be reflected in accounts. The Increase in HT/LT consumers needs special attention to contain increasing loss of revenue. As reported in our report of F.Y 2013-14 and F.Y 2014-15 ; Medininagar unit of Daltonganj continues to show outstanding amount from BSEB which after creation of JSEB and dismantling of JSEB should be realized/adjusted. The trade receivables of Rs. 219985.23 lacs (last year Rs. 164821.49 lacs) - The sharp increase denotes weakness in active collection . The provisioning of Bad & doubtful debts to be streamlined and reflected in accounts.

17. Opening Balance - The alteration/regrouping/re-classification in opening Balances due to introduction of Ind AS and any other reason, if any should be disclosed in details.



18. Compliances to MSME Act, 2006 to the Financial Statements- This is yet to be quantified.

19. Internal Control- The Company has appointed Internal Auditors for all its locations. The report of internal Audit of Six locations were provided and examined. Internal audit need to be attended by the management. ROC Compliances to be ensured. Compliances of audits conducted for the previous years to be ensured.

20. Books of Accounts- During the Audit, it was revealed that Books of Accounts are not maintained as per Companies Act, 2013 in totality. The manual records and the volume do not assure required reflection in the accounts. Employee payroll details not provided. The computerized accounting in ERP (SAP) is in process. The accounting package Tally introduced from previous year but the computerized accounts from tally could not be checked on account of non-maintenance of data in uniform and standardized manner. Disaster management, waste management, insurance coverage and backup of data also needs attention.

The Company is in the process of hiring consultants to formulate financial accounting manual with defined policies and procedures to fix the issues of fixed asset register, inventory and accounting.

21. Inventory- Physical verification of all inventories are not carried out fully and not valued as per Ind As -2 "Inventories". It is non compliance of Ind AS- 2 "Inventories". We further cannot comment on the items which are obsolete, damaged and its proper reflection in accounts.

22. Prior Period Adjustment - Upto the year 2015-16 the prior period adjustment is in tune of Rs. 39187.63 lacs (last year Rs 32077.79 lacs). However , as per Ind AS 8 "Accounting Policies, Changes in Accounting estimates and errors " , the adjustments have been done in retained earnings .

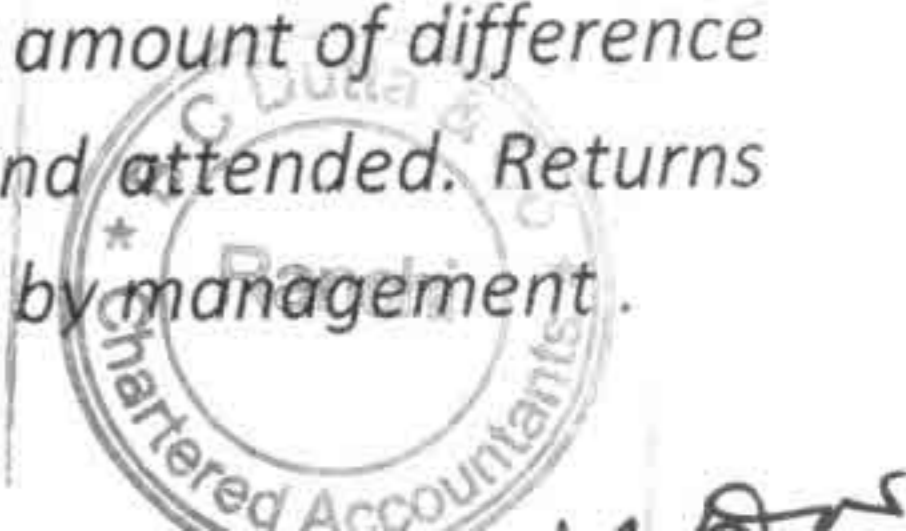
23. Preliminary Expenses – The necessary supporting documents for the expenses are awaited.

24. Fixed Assets - As per information the company owns land and other fixed assets with no identification or value for each; the total amount shown in the account of Land & Land Rights being Rs.116.18 lacs (P.Y Rs. 114.29 lacs) The title of the land, its possession, entry into books/registers of measurement are not maintained/submitted to us. Information as to leasehold land, if available not provided and amortization of the same to be done as per Ind AS- 17 "Leases".

There is no Fixed Assets Register and physical verification was not carried from inception with tagging of the same. Therefore we cannot comment on any damaged, obsolete items, scrap stock and its impact in annual account. Ind AS -36 " Impairment of Assets" to be complied. Depreciation on additions in fixed assets to be made on Pro rata basis.

It is reported that the necessary action being taken to prepare the fixed asset register.(Refer last para of point 20 as above)

25. Inter unit reconciliation, etc.- Inter unit reconciliation is in process. Large amount of difference in transfer of money, store, assets between units/HO, etc. is to be confirmed and attended. Returns from accounting units have been revised several times which need to be attended by management.



26. Miscellaneous income/ expenditure exceeding 1% of revenue from operations or Rs. 1,00,000 whichever is higher is not disclosed separately. This Audit Report to be read in conjunction of our Audit Report for FY 2013-14 to 2015-16. Few of Company's significant accounting policies on inventories, deferred tax, contingent liability etc. are not followed.

Summary

- Continuation of Restructuring Account - Rs. 3,13,383.38 lacs which was created in FY 2013-14 and carried to the year of audit without justification.
- Trade Payables remaining static when compared to previous year without justification; few mentioned as follows: Liability for purchase of power – Mittal Power Rs. 59.17 lacs; Liability for purchase of power – WBSEB Rs. 265.13 lacs; Liability for Supply of materials - Rs.1037.08 lacs.
- Streamlining of accounting/treatment of personnel cost as well as retiral benefits as per Ind AS-19 - "Employee Benefits" is pending .
- Transfer of CWIP to Fixed Assets is pending .
- Company has not maintained proper records of fixed Assets & inventories and books of accounts as per Companies Act, 2013 . Accrual accounting not complied wholly.
- Confirmation not received for Advances, Imprest Cash , Cash in Transit , Opening Balances , Borrowings , Trade Payable , Trade Receivables, Intercompany Transactions, etc.

Disclaimer Opinion:

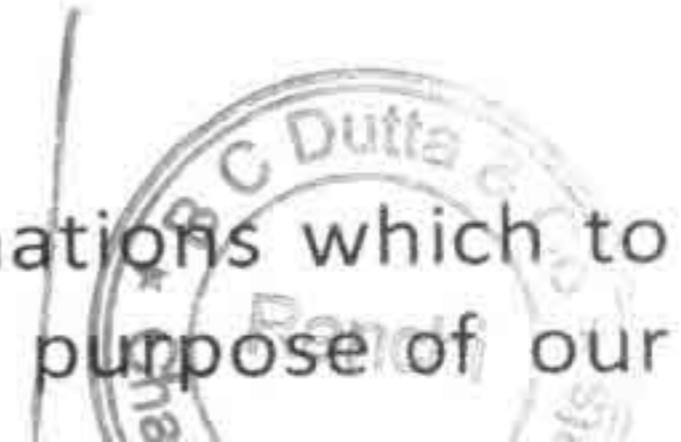
Because of the significance of the matters described in the Basis of Disclaimer of Opinion paragraphs, we do not express an opinion on the financial statements.

Other Matter

The financial information of the Company for the year ended March 31, 2016 and the transition date opening balance sheet as at April 1, 2015 included in these Ind AS Financial Statements, are based on the previously issued statutory financial statements for the years ended March 31, 2016 and March 31, 2015 prepared in accordance with Companies (Accounting Standards) Rules, 2006 (as amended) which were audited by us, on which we expressed opinion based on disclaimer dated March 6, 2017 and December 31, 2016 respectively. The adjustments to those financial statements for the differences in accounting principles adopted by the Company on transition to the Ind AS have been audited by us. We express disclaimer of opinion in respect of matters like fair valuation for all assets and liabilities as required under various Ind AS, not done.

Report on other Legal and Regulatory Requirements:

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure A" a statement on the matters Specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act we further report that *subject to Disclaimer of Opinion paragraphs* of our report:
 - a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our



- b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c) the Balance Sheet, Statement of Profit and Loss (including other comprehensive income), the Cash Flow Statement and the changes in equity dealt with by this Report are in agreement with the books of account;
- d) in our opinion, the aforesaid Ind AS financial statements comply with the applicable Indian Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules 2014;
- e) the matters described in the basis of disclaimer of opinion paragraphs, may have an adverse effect on the functioning of the company.
- f) as per information and explanation given to us, the sub-section (2) of section 164 of the Companies Act, 2013 is not applicable to this company;
- 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 B";
- h) In our opinion and to the best of our information and according to the explanations given to us, we report as under with respect to other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014:
- (i) Due to the possible effect of the matter described in the Basis for Disclaimer of Opinion paragraphs, we are unable to state whether the Company has disclosed the impact of pending litigations on its financial position in its financial statement.
- (ii) Due to the possible effect of the matter described in the Basis for Disclaimer of Opinion paragraphs, we are unable to state whether the Company has made provision, as required under the applicable law or Indian accounting standard, for material foreseeable losses, if any, on long term contracts including derivative contracts.
- (iii) There has not been an occasion in case of the Company during the year under report to transfer any sums to the Investor Education and Protection Fund.
- (iv) The company has not provided / disclosed requisite information in its Ind AS financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November 2016 to 30th December 2016.
3. As required by Section 143(5) of the Act, we give in the "Annexure C", the report on the directions of the Comptroller and Auditor General of India.

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



CA BALAI CHANDRA DUTTA
(Partner)
Membership No.007146
Place: Ranchi
Date: 16-08-2018

The Annexure referred to in paragraph under the heading of Report on other legal and Regulatory Requirements of Our Report of even date to the members of Jharkhand Bijli Vitran Nigam Limited on the accounts of the company for the year ended 31st March, 2017.

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

1. A) The Company has *not maintained* proper records showing full particulars, including quantitative details and situation of fixed assets up to 31st March 2017.
B) As informed to us, physical verification of the fixed assets *has not been carried out* during the year and *has not been reconciled* as Fixed Asset Register is not made.
C) In the *absence of fixed assets register* and physical verification report of fixed assets we are *unable to comment* on disposal of fixed assets.
2. a) As explained to us, during the year inventories of the Company *have not been physically verified* by the company. However, policy should be framed for physical verification at regular interval.
b) In our opinion the procedures of physicals verification of inventories needs to be expedited and the identification of slow moving/ non- moving and obsolete inventories is to be undertaken and any loss arising there in have to be booked.
c) Proper records of *inventory are not maintained* by the company . As explained to us, the discrepancies if noticed on verification between the physical stocks and the books records are material; the same will be properly dealt with in the books of account after verification of inventory is undertaken.
3. (a) In the absence of adequate information *we cannot* comment that the Company has granted loans (secured or unsecured) , to companies, firms or other parties listed in the register required under section 189 of the Companies Act, 2013.
(b) The liability from associates is *not confirmed; neither accounts for confirmation submitted*.
4. In absence of adequate information, *we cannot comment* that the company has given any loan, guarantees and security, made investments with regard to applicability of the provisions of clause



(iv) of paragraph 3 of the Order with regard to compliance with Section 185 and 186 of the Companies Act, 2013.

5. According to the information and explanations given to us , the Company has not accepted any deposits from the public covered under section 73 to section 76 of the Companies Act, 2013. Therefore the provisions of clause (v) of paragraph 3 of the Order are not applicable to the Company.
6. Maintenance of cost records has been prescribed by the Central Government under sub-section (1) of section 148 of the Act for this Company and is of the opinion that prima facie, the prescribed accounts and records *have not been made* and maintained. We have not however, carried out any detailed examination of such records and accounts in the absence of any system of control mechanism.
7. (a) According to the records of the company, undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Service Tax, Custom Duty, Excise Duty, Value Added Tax, Cess to the extent applicable and any other statutory dues , the timely deposit with the appropriate authorities has not been confirmed by the company . In absence of adequate information we can not comment on outstanding statutory dues as on 31st of March, 2017 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, the amounts payable in respect of income tax, sales tax, service tax, customs duty, excise duty , value added tax or cess which have not been deposited on account of any disputes *is not determinable*.
8. In absence of adequate information, we *cannot comment* that the company has defaulted in repayment of dues to financial Institution or Banks. The company has not issued debentures.
9. In our opinion, and according to the information and explanations given to us, the Company has not raised any money by way of initial public offer or further public offer including debt instruments during the year and therefore the provisions of clause 3(ix) of the Companies (Auditor's Report) Order, 2016, are not applicable to the Company.
10. Based on the audit procedures performed and the information and explanations given to us, we report that no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year, nor have we been informed of such case by the management. *But in absence of effective internal control the company is susceptible to such fraud.*



11. Section 197 of the Act is not applicable to Government Companies. Therefore the provisions of Clause 3 (xi) of the Companies (Auditor's Report) Order, 2016 are not applicable to the Company.

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

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

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

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

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

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



CA BALAI CHANDRA DUTTA
(Partner)
Membership No.007146
Place: Ranchi
Date: 16-08-2018



Annexure – B” to the Independent Auditors’ Report

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls over financial reporting of Jharkhand Bijli Vitran Nigam Limited (“the Company”) as on March 31, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Company’s management is responsible for establishing and maintaining internal financial controls based on financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (‘ICAI’). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors’ Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted the audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that



transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Basis of Disclaimer of Opinion

According to the information and explanations given to us and based on our audit, material weakness as per basis of disclaimer of opinion paragraphs mentioned in our report has been observed for the year ended March 31, 2017. Non implementation of ERP system for the nature and volume of activities of the organization exposes it to possible material weakness.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's financial statements may not be prevented or detected on a timely basis.

The system of internal financial controls over financial reporting with regard to Company has material weakness, the Company has not established adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were not operating effectively as at March 31, 2017.

Disclaimer Opinion

We have considered the disclaimer reported above in determining the nature, timing and extent of audit tests applied in our audit of the financial statements of the Company for the year ended March 31, 2017 and the said disclaimer has affected our opinion on the said financial statements of the Company and we have issued a Disclaimer of Opinion on the financials statements of the Company.

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



CA BALAI CHANDRA DUTTA
(Partner)
Membership No.007146
Place: Ranchi
Date: 16-08-2018



Annexure – C” to the Independent Auditors’ Report

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

1. **Whether the Company has the clear title / lease deeds for freehold and leasehold respectively. If not, please state the area of freehold and leasehold land for which the title / lease deeds are not available.**

Details not provided nor any documentary evidence shown to us so we are unable to comment on the same.

2. **Whether there are any cases of waiver / write off debits / loans/interest etc., if yes, the reasons there for and the amount involved.**

(i) The policy and procedure on write off of Debts/Loans/Interest required for Write off is not in place .

(ii) In the absence of information/data we cannot comment on any such cases.

3. **Whether proper records are maintained for inventories lying with third parties and assets received as gift/grant(s) from Government or other authorities.**

Inventory accounting is not yet introduced. Confirmation of materials lying with third parties and assets received from Government, etc. are not given to us and therefore we cannot comment on the subject matter.

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



CA BALAI CHANDRA DUTTA
(Partner)
Membership No.007146
Place: Ranchi
Date: 16-08-2018