

**NEYVELI LIGNITE CORPORATION LIMITED**

**M/s.KALYANASUNDARAM & CO.,  
Chartered Accountants,  
No.18, Lake Area, 2<sup>nd</sup> Street,  
Nungambakkam, CHENNAI - 600 034.  
Tel:28172873/28175393**

**M/s BRAHMAYYA & CO.,  
Chartered Accountants,  
Andhra Insurance Buildings,  
156, Thambu Chetty Street, CHENNAI - 600 001.  
Tel:25341743/25342465**

**AUDITORS' REPORT TO THE MEMBERS OF NEYVELI LIGNITE CORPORATION LIMITED**

We have audited the attached Balance Sheet of Neyveli Lignite Corporation Limited, as at 31<sup>st</sup> March 2003, and also the Profit & Loss Account and the cash flow statement for the year ended on that date annexed thereto. Based on the provisional comments issued by the Principal Director of Commercial Audit and Ex-officio Member, Audit Board, Chennai under Section 619(4) of the Companies Act, 1956, the said accounts have been revised. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Manufacturing and Other Companies ( Auditor's Report ) Order, 1988 issued by the Company Law Board in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that :

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
2. 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.
3. The Balance Sheet and Profit & Loss Account and the cash flow statement dealt with by this report are in agreement with the books of account;
4. In our opinion, the Balance Sheet and Profit & Loss Account and the cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
5. On the basis of written representations received from the directors, as on 31st March, 2003 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.





6. *Attention is invited to the Note-19, with regard to sale of power from Thermal Stations based on lapsed Bulk Power Supply agreement , subject to determination of tariff by Central Electricity Regulatory Commission (CERC),the contingency provision of Rs.9100 lakhs made has resulted in reduction in profit to that extent. Adjustments may arise in future for tariff revision, which is not ascertainable at this stage.*
7. Subject to our remarks in para 6 above, the impact on tariff revision which is not ascertainable at this stage. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
- a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2003.
- b) in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
- c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

for **M/s. KALYANASUNDARAM & CO.,**  
**Chartered Accountants.**  
**K. RAMESH KUMAR**  
**Partner.**

for **M/s. BRAHMAYYA & CO.,**  
**Chartered Accountants.**  
**K.JITENDRA KUMAR**  
**Partner.**

Place: Chennai  
Date :13.08.2003.



**NEYVELI LIGNITE CORPORATION LIMITED****ANNEXURE TO AUDITOR'S REPORT****Re: Neyveli Lignite Corporation Limited (Year ended 31st March 2003)**

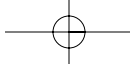
1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets with the exception of Furniture and Equipment for which full particulars are recorded from 01.04.1970. The Company has a policy of verifying all the Fixed Assets once in five years. As explained to us, physical verification has not been carried out during the year. Pending reconciliation of discrepancies observed on the physical verification done during the year 2001 a sum of Rs.18 lakhs has been retained as provision towards possible losses.
2. There has been no revaluation of Fixed Assets during the year.
3. The stock of finished goods, stores & spares and raw materials have been physically verified by the management during the year at reasonable intervals.
4. The procedure of verification of stocks followed by the management are, in our opinion, reasonable and adequate in relation to the size of the company and the nature of its business.
5. During the year reconciliation of price stores ledger and kardex cards in respect of certain major value stores and spares was undertaken and the differences found which were material in relation to the total value of items so verified, were duly adjusted in the books of accounts. The discrepancies noticed on verification done during the year between the physical stocks and the book records were not material and have been properly dealt with in the books of accounts.
6. The valuation of stocks is generally fair and proper and in accordance with normally accepted accounting principles and is on the same basis as in the preceding year. In respect of stores and spares stocks, the system for identifying and correcting wrong valuations, unpriced requisitions, missing documents and negative balances in stocks is being strengthened.
7. The Company has not taken any loan from Companies, firms or other parties listed in the register maintained Under Section 301 of the Companies Act, 1956. The provisions of Section 370 of the Companies Act, 1956 are not applicable to the Company as per Section 620 of the Companies Act, 1956 as per the notification issued in GSR No.309, dated 20.02.1978.
8. The Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. The provisions of Section 370 of the Companies Act, 1956 are not applicable to the company as per Section 620 of the Companies Act, 1956 as per the notification issued in GSR No.309, dated 20.02.1978.
9. Certain advances to staff, related interest accrued accounts and payroll related accounts have been reconciled with differences, which in the opinion of the Management is not material. Subject to this reconciliation, in respect of loans and advances in the nature of loans given to employees and others, the principal amounts and interest thereon wherever applicable have been repaid/paid as stipulated, excepting loans which are considered doubtful for which necessary provision has been made in the accounts.





10. In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the Company and nature of its business for the sale of goods and purchase of stores, raw materials, plant and machinery, equipment and other assets except that the documentation for accounting for receipts of stores and spares needs further improvement and procedure for periodic confirmation of creditors accounts should be introduced.
11. There were no transactions of purchase of goods and materials and sale of goods, materials and services in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000/- or more.
12. According to the company, there is a regular procedure for determining unserviceable and damaged finished goods and adequate provision for loss has been made in the accounts and that the raw materials are not likely to get damaged or become unserviceable. We have relied on the representation of the management in the regard.
13. The Company has not accepted deposits from the public.
14. In our opinion, the company has maintained reasonable records for the sale and disposal of realizable by products and scraps wherever significant.
15. The Company has an internal audit system, which is commensurate with the size of the company and nature of its business.
16. The Central Government has prescribed the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 in respect of Fertilizer unit and Thermal Power Station Units and we are of the opinion that prima facie, the books of accounts prescribed under the Cost Accounting Records (Fertilizers) Rules, 1993, and the Cost Accounting Records (Electricity Industry) Rules, 2001, have been maintained by the company and the Proforma specified therein are under preparation. We have however not carried out a detailed verification of such records.
17. The Company has generally been regular in depositing Provident Fund dues of its own employees. Based on information and explanations given to us the company has laid down systems and procedures regarding deposit of PF dues relating to contractors' workers. We are unable to express our opinion regarding regular deposit of PF dues relating to contractors' workers in the absence of adequate evidence in the possession of the Company. The ESI Act does not apply to the company.
18. Based on information and explanation given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax and Excise Duty were outstanding as at 31st March 2003 for a period of more than six months from the date they became payable other than a sum of Rs. 170 lakhs payable towards customs duty, pending finalisation of bond assessments.
19. According to the information and explanations given to us, no personal expenses have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practices.





## NEYVELI LIGNITE CORPORATION LIMITED

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20. The Company is not a sick industrial company within the meaning of clause (o) of Sub Section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

for **M/s.KALYANASUNDARAM & CO.,**  
**Chartered Accountants.**  
**K. RAMESH KUMAR**  
**Partner.**

for **M/s. BRAHMAYYA & CO.,**  
**Chartered Accountants.**  
**K.JITENDRA KUMAR**  
**Partner.**

Place: Chennai  
Date :13.08.2003.

