

### AUDITOR'S REPORT TO

#### JINDAL STEEL & POWER LIMITED FOR ITS LICENSED BUSINESS OF DISTRIBUTION AND RETAIL SUPPLY OF ELECTRICITY.

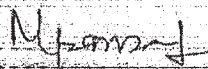
- 1) We have audited the attached Balance Sheet of licensed business of distribution and retail supply of electricity of Jindal Steel & Power Limited, as at 31st March, 2013 along with the Statement of Profit & Loss for the year ended on that date, annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We have conducted our audit in accordance with the 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) We draw attention to note no.1 being 'Overview' of Notes to the Financial Statements and note no.14 being 'Finance cost' as fully explained therein, it may be noted that
  - a. the financial statements of the licensed business of distribution and retail supply of electricity have been prepared from the transactions recorded in the separate books of accounts created for this licensed business.
  - b. Interest on apportioned long term borrowings has been charged notionally.
- 4) The observations on Companies Audit Report Order-2003 as commented upon in the annual report of Jindal Steel & Power Ltd. are also applicable to the licensed business. For observations refer to the annual report of Jindal Steel & Power Ltd.
- 5) Further, we report that
  - a) 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.
  - 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 and Statement of Profit & Loss dealt with by this report are in agreement with the books of account.
  - d) In our opinion and to the best of our information and according to the explanations given to us the said accounts read with the Accounting Policies and Notes give a true and fair view of the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to, such licensed business to which the statement relates and are in conformity with the accounting principles generally accepted in India.
  - 1) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2013;
  - 2) In the case of Statement of the Profit & Loss of the profit for the year ended on that date.

In terms of our report of even date.

For S.S.Kothari Mehta & Co.

Chartered Accountants

ERN No: 000756N



(Neeraj Bansal)

Partner

Membership No. 095960



Place: New Delhi

Date: 26-11-2014



**JINDAL STEEL & POWER LIMITED**  
LICENSED BUSINESS OF DISTRIBUTION AND RETAIL SUPPLY OF ELECTRICITY

Balance Sheet as at 31st March, 2013

Rs in Lacs

| Particulars                                           | Note No | As at 31st March, 2013 | As at 31st March, 2012 |
|-------------------------------------------------------|---------|------------------------|------------------------|
| <b>I. EQUITY AND LIABILITIES</b>                      |         |                        |                        |
| (1) Shareholders' Funds                               |         |                        |                        |
| (a) AppORTIONED Equity (including Reserves & Surplus) | 3       | 2,545.17               | 1,345.48               |
| (2) Non Current Liabilities                           |         |                        |                        |
| (a) AppORTIONED Long term borrowings                  | 4       | 369.61                 | 529.21                 |
| (b) Deferred tax Liabilities (Net)                    |         | -                      | -                      |
| (c) Other long term liabilities                       | 5       | 2,557.99               | 2,592.93               |
| (d) Long term provisions                              |         | -                      | -                      |
| (3) Current Liabilities                               |         |                        |                        |
| (a) Short term borrowings                             |         | -                      | -                      |
| (b) Trade payables                                    |         | 1,793.20               | 1.53                   |
| (c) Other current liabilities                         | 7       | 218.40                 | 415.13                 |
| (d) Short-term provisions                             |         | -                      | -                      |
| Total                                                 |         | 7,484.37               | 4,884.28               |
| <b>II. ASSETS</b>                                     |         |                        |                        |
| (1) Non-current assets                                |         |                        |                        |
| (a) Fixed assets                                      |         |                        |                        |
| (i) Tangible assets                                   | 8       | 2,229.59               | 2,389.19               |
| (ii) Intangible assets                                |         | -                      | -                      |
| (iii) Capital work in progress                        |         | -                      | -                      |
| (iv) Intangible assets under development              |         | -                      | -                      |
| (b) Non-current Investments                           |         | -                      | -                      |
| (c) Long term loans and advances                      |         | -                      | -                      |
| (c) Other non-current assets                          |         | -                      | -                      |
| (2) Current assets                                    |         |                        |                        |
| (a) Inventories                                       |         | -                      | -                      |
| (b) Trade receivables                                 |         | 2,065.91               | 2,000.46               |
| (c) Cash & bank balances                              |         | 30.99                  | -                      |
| (d) Short-term loans & advances                       | 6 & 9   | 3,157.88               | 494.63                 |
| (e) Other current assets                              |         | -                      | -                      |
| Total                                                 |         | 7,484.37               | 4,884.28               |

Overview and significant accounting policies 1 & 2

The notes referred to above form an integral part of financial statements.

In terms of our report of even date

For S.S. Kohari Mehta & Co.  
Chartered Accountants  
FRN No: 000756N  
Neeraj Bansal  
Partner  
Membership No 095960

For and on behalf of board  
Ravi Uppal  
Managing Director & CEO  
DIN:00025970

Place: New Delhi  
Date: 26-11-2014

**JINDAL STEEL & POWER LIMITED****LICENSED BUSINESS OF DISTRIBUTION AND RETAIL SUPPLY OF ELECTRICITY****Statement of profit & loss for the year ended 31st March 2013**

| Rs. in Lakhs                        |          |                            |                            |
|-------------------------------------|----------|----------------------------|----------------------------|
| Particulars                         | Note No. | Year ended 31st March 2013 | Year ended 31st March 2012 |
| <b>REVENUE</b>                      |          |                            |                            |
| Revenue from operations             |          |                            |                            |
| Sale of power                       |          | 22,879.73                  | 18,408.22                  |
| Other operating revenue             | 10       | 94.22                      | 61.70                      |
| <b>Total Revenue</b>                |          | <b>22,973.95</b>           | <b>18,469.92</b>           |
| <b>EXPENSES</b>                     |          |                            |                            |
| Purchase of power                   | 11       | 20,595.66                  | 19,487.34                  |
| Intra state transmission charges    | 12       | 177.46                     | 177.46                     |
| Repair and Maintenance expenses     | 13.1     | 77.60                      | 64.62                      |
| Employee benefit expenses           | 13.2     | 424.73                     | 425.58                     |
| Administration & general expenses   | 13.3     | 84.89                      | 72.76                      |
| Finance costs                       | 14       | 234.32                     | 481.86                     |
| Depreciation & amortisation expense | 8        | 159.60                     | 159.60                     |
| <b>Total Expenses</b>               |          | <b>21,774.26</b>           | <b>20,869.22</b>           |
| <b>Profit/(loss) before tax</b>     |          | <b>1,199.69</b>            | <b>2,399.30</b>            |
| Tax expense                         |          |                            |                            |
| <b>Profit for the year</b>          |          | <b>1,199.69</b>            | <b>2,399.30</b>            |

Overview and significant accounting policies

1 &amp; 2

The notes referred to above form an integral part of financial statements.

In terms of our report of even date

For S.S. Kothari Mehta &amp; Co.

Chartered Accountants

FRN No: 000756N

Neeraj Bansal

Partner

Membership No 095960

Place: New Delhi

Date: 26-11-2014

For and on behalf of board

Ravi Uppal

Managing Director &amp; CEO

DIN:00025970



**JINDAL STEEL & POWER LIMITED**  
 LICENSED BUSINESS OF DISTRIBUTION AND RETAIL SUPPLY OF ELECTRICITY  
 NOTE NO 8: FIXED ASSETS SCHEDULE

| Particulars            | Gross carrying value  |           |                      |                        | Depreciation          |           |                      |                        | Net carrying value     |                        |
|------------------------|-----------------------|-----------|----------------------|------------------------|-----------------------|-----------|----------------------|------------------------|------------------------|------------------------|
|                        | As at 1st April, 2012 | Additions | Disposal/ Adjustment | As at 31st March, 2013 | As at 1st April, 2012 | Additions | Disposal/ Adjustment | As at 31st March, 2013 | As at 31st March, 2013 | As at 31st March, 2012 |
| <b>Tangible Assets</b> |                       |           |                      |                        |                       |           |                      |                        |                        |                        |
| Land - Lease Hold      | 32.27                 | -         | -                    | 32.27                  | 1.50                  | 0.33      | -                    | 1.83                   | 30.44                  | 30.77                  |
| Factory Building       | 109.46                | -         | -                    | 109.46                 | 25.39                 | 3.66      | -                    | 29.05                  | 80.41                  | 84.07                  |
| Non Factory Building   | 282.54                | -         | -                    | 282.54                 | 30.25                 | 4.61      | -                    | 34.86                  | 247.68                 | 252.29                 |
| Plant & Machinery      | 2,849.60              | -         | -                    | 2,849.60               | 835.74                | 150.46    | -                    | 986.20                 | 1,863.40               | 2,013.86               |
| Air Conditioner        | 8.14                  | -         | -                    | 8.14                   | 1.96                  | 0.39      | -                    | 2.35                   | 5.79                   | 6.18                   |
| Furniture & Fixture    | 2.91                  | -         | -                    | 2.91                   | 2.30                  | 0.05      | -                    | 2.35                   | 0.56                   | 0.61                   |
| Computer               | 0.67                  | -         | -                    | 0.67                   | 0.64                  | -         | -                    | 0.64                   | 0.03                   | 0.03                   |
| Office Equipment       | 1.36                  | -         | -                    | 1.36                   | 0.30                  | 0.06      | -                    | 0.36                   | 1.00                   | 1.06                   |
| Light Vehicles         | 0.47                  | -         | -                    | 0.47                   | 0.15                  | 0.04      | -                    | 0.19                   | 0.28                   | 0.32                   |
| Current year           | 3,287.42              | -         | -                    | 3,287.42               | 898.23                | 159.60    | -                    | 1,057.83               | 2,229.59               | 2,389.19               |
| Previous year          | 3,287.42              | -         | -                    | 3,287.42               | 738.63                | 159.60    | -                    | 898.23                 | 2,389.19               | 2,548.79               |

Rs in lakhs



## **JINDAL STEEL & POWER LIMITED**

### **LICENSED BUSINESS OF DISTRIBUTION AND RETAIL SUPPLY OF ELECTRICITY**

Notes to the financial statements as at and for the year ended 31st March, 2013

#### **Note**

#### **Particulars**

#### **1 Overview**

Jindal Steel & Power Limited (hereinafter referred as "JSPL" or "the company") which commenced operations in the year 1991 is one of the India's leading steel producers with significant presence in sector like mining, power and infrastructure.

JSPL was granted a distribution license by the Chhattisgarh State Electricity Regulatory Commission (hereinafter referred as Honourable Commission) vide order No 129/CSERC/2005 dated 29.11.2005 for distribution and retail supply of electricity in the area of the Jindal Industrial Park and in the area of villages Tumidih and Punjipalra of Gharghoda tahsil of Raigarh Dist. Chhattisgarh. The licensed business of distribution and retail supply of electricity (hereinafter referred as "licensed business") is one of the several businesses of JSPL.

The Honourable Commission had directed JSPL to segregate the accounts in respect of the licensed business from the annual accounts of JSPL. In compliance to the directives given and relevant provision of the license conditions laid down by the Honourable Commission, JSPL has segregated and ring-fenced the accounting of the transactions pertaining to the licensed business activities by creating separate trial balance and books of accounts for the licensed business. The segregation of accounts for the licensed business has been carried out by the licensee after a detailed evaluation of the existing accounting systems, flow of information and documents for the various transactions, applicable regulations, internal control procedures with respect to the identification of transactions and recording thereof, billing & collection information and procedures, requirements of financial management information systems (MIS), and flexibility of ERP package.

The financial accounts of the licensed business have been prepared from the transactions recorded as mentioned above so that the revenues, costs, assets, liabilities, reserves and provisions (except tax provision) pertaining to the licensed business are separately identifiable in the company's books of accounts, from those of other businesses of JSPL.

#### **2 Significant accounting policies and assumptions**

##### **2.1 Basis of preparation of financial statements**

The financial statements are prepared under the historical cost convention, on going concern basis and in terms of the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006 in compliance with Section 211(3C) of the Companies Act, 1956. The Company follows the mercantile system of accounting and recognises income and expenditure on accrual basis to the extent measurable and where there is certainty of ultimate realisation in respect of incomes. Accounting policies not specifically referred to otherwise are consistent and in consonance with the generally accepted accounting principles in India.

##### **2.2 Fixed Assets and Depreciation**

Fixed Assets are stated at cost less accumulated depreciation and impairment losses, if any. Costs include costs of acquisitions or constructions, including incidental expenses thereto and other attributable costs of bringing the asset to its working condition for its intended use and are net of available duty/tax credits. Fixed Assets are recorded on the basis of their dedicated functional utilization in the licensed business and physical verification thereof.

Depreciation on fixed assets is provided on straight line method (SLM) at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.



**JINDAL STEEL & POWER LIMITED**  
**LICENSED BUSINESS OF DISTRIBUTION AND RETAIL SUPPLY OF ELECTRICITY**  
 Notes to the financial statements as at and for the year ended 31st March, 2013

2.3

**Revenue recognition**

Income is recognized on accrual basis on rendering of services.

3

**Appportioned Equity (including Reserves & Surplus)**

The equity and reserves & surplus has been apportioned to the licensed business in the same debt equity ratio of JSPL as a whole in the year of capitalisation of the fixed assets. The accumulated losses of the licenses businesses till FY 2011-12 have been absorbed by other businesses of JSPL as represented to the honourable commission and recorded in its order.

| Particulars         | As at 31 <sup>st</sup> march, 2013 | As at 31 <sup>st</sup> march, 2012 |
|---------------------|------------------------------------|------------------------------------|
| Appportioned equity | 1,345.48                           | 1,345.48                           |
| Reserve & surplus   | 1,199.69                           | -                                  |
|                     | 2,545.17                           | 1,345.48                           |

Rs in Lakhs

4

**Appportioned Long Term Borrowings**

The long term borrowings has been apportioned to the licensed business in the same debt equity ratio of JSPL as a whole in the year of capitalisation of the fixed assets. Further the repayments equivalent to the depreciation charged subject to the gross book value of the assets has been reduced from the long term borrowings.

5

**Other long term liabilities**

Contribution received from consumers towards installation of assets pertaining to the licensed business & security deposits is recorded under long term liabilities in the balance sheet. The details are as under:

| Particulars                         | As at 31 <sup>st</sup> march, 2013 | As at 31 <sup>st</sup> march, 2012 |
|-------------------------------------|------------------------------------|------------------------------------|
| Capital contribution from consumers | 514.50                             | 514.50                             |
| Security deposit from consumers     | 2,043.49                           | 2,078.43                           |
|                                     | 2,557.99                           | 2,592.93                           |

Rs in Lakhs

6

**Working capital**

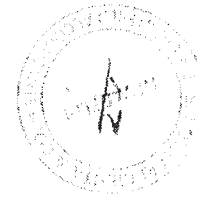
The accumulated loss and net working capital requirement has been funded through other borrowing from JSPL/advances from other businesses from JSPL. The current assets and liabilities have been recorded as per actuals.

7

**Other current liabilities**

| Particulars                          | As at 31 <sup>st</sup> march, 2013 | As at 31 <sup>st</sup> march, 2012 |
|--------------------------------------|------------------------------------|------------------------------------|
| Advance from customer and others     | -                                  | 1.42                               |
| Statutory dues                       | 18.33                              | 43.07                              |
| Interest accrued but not due         | 164.98                             | 370.64                             |
| Outstanding liabilities for expenses | 35.09                              | -                                  |
|                                      | 218.40                             | 415.13                             |

Rs in Lakhs



**JINDAL STEEL & POWER LIMITED**  
**LICENSED BUSINESS OF DISTRIBUTION AND RETAIL SUPPLY OF ELECTRICITY**  
 Notes to the financial statements as at and for the year ended 31st March 2013

**9. Short term loans & advances**

| Particulars                                | Rs in Lakhs           |                       |
|--------------------------------------------|-----------------------|-----------------------|
|                                            | As at 31st March 2013 | As at 31st March 2012 |
| Advance to contractors                     |                       | 0.75                  |
| Balance with government department & other |                       | 0.08                  |
| Advance to JSPL's other business           | 3,157.88              | 493.80                |
|                                            | <b>3,157.88</b>       | <b>494.63</b>         |

**10. Other operating revenue**

| Particulars                            | Rs in Lakhs                |                            |
|----------------------------------------|----------------------------|----------------------------|
|                                        | Year ended 31st March 2013 | Year ended 31st March 2012 |
| Meter rent and other charges recovered | 10.64                      | 10.67                      |
| Delay payment surcharge                | 83.58                      | 51.03                      |
|                                        | <b>94.22</b>               | <b>61.70</b>               |

**11. Purchase of power**

| Particulars   | Rs in Lakhs                |                            |
|---------------|----------------------------|----------------------------|
|               | Year ended 31st March 2013 | Year ended 31st March 2012 |
| Purchase cost | 20,595.66                  | 19,487.34                  |
|               | <b>20,595.66</b>           | <b>19,487.34</b>           |

**12. Intra state transmission charges**

The transmission charges have been booked in accordance with the tariff orders issued by the honourable commission for the respective years

**13. Operation and maintenance (O & M) expenses**

**13.1** Repair and Maintenance expenses (R & M) have been accounted for on actual basis for the licensed business.

| Particulars                      | Rs in Lakhs                |                            |
|----------------------------------|----------------------------|----------------------------|
|                                  | Year ended 31st March 2013 | Year ended 31st March 2012 |
| R & M expenses & Stores consumed | 77.60                      | 64.62                      |
|                                  | <b>77.60</b>               | <b>64.62</b>               |

**13.2** Due to the integrated nature of the JSPL's business and for optimum utilization of manpower resources, besides the employees totally dedicated to the licensed business, the employees deployed in non-licensed business are also looking after certain affairs of the licensed business. Hence depending on the work performed, the employee expenses have been accounted for. The Company has divided the number of employees into two parts, viz. dedicated employees (spending time more than 50%) and other employees (spending time less than 50%). Further, the Company has allocated the dedicated employees into 2 categories, namely (a) those spending 75% or more of their time and (b) those spending 50%-75% of their time on the business unit.



# JINDAL STEEL & POWER LIMITED

LICENSED BUSINESS OF DISTRIBUTION AND RETAIL SUPPLY OF ELECTRICITY  
Notes to the financial statements as at and for the year ended 31st March, 2013

| Particulars                       | Year ended 31st March, 2013 | Year ended 31st March, 2012 |
|-----------------------------------|-----------------------------|-----------------------------|
| Salary & wages                    | 373.61                      | 375.65                      |
| Bonus & variable pay              | 49.39                       | 29.24                       |
| Contribution to PF & pension fund | 20.86                       | 17.42                       |
| Staff welfare expenses            | 0.87                        | 3.27                        |
|                                   | 444.73                      | 425.58                      |

Rs in Lakhs

13.3 Administrative & General expenses (A&G) have been accounted for on actual basis for the licensed business. A nominal expenditure have been apportioned from other businesses (Rajpur corporate affairs office) of JSPL.

| Particulars                    | Year ended 31st March, 2013 | Year ended 31st March, 2012 |
|--------------------------------|-----------------------------|-----------------------------|
| Legal & Professional Charges   | 43.41                       | 24.60                       |
| Security Expenses              | 17.75                       | 21.68                       |
| Fees And Taxes                 | 11.85                       | 12.80                       |
| Hire Charges                   | 5.01                        | 6.93                        |
| Travel & conveyance expenses   | 3.55                        | 2.58                        |
| Advertisement And Publicity    | 1.89                        | 1.41                        |
| Other Admin & general expenses | 1.43                        | 2.76                        |
|                                | 84.89                       | 72.76                       |

Rs in Lakhs

## 14 Finance cost

Interest on apportioned long term borrowings has been notionally considered at the rate of 11.50% per annum on the average outstanding loan amount. Interest on security deposit paid to the consumers is being recorded on accrual basis based on the relevant regulations / guidelines of the honourable commission.

| Particulars                                  | Year ended 31st March, 2013 | Year ended 31st March, 2012 |
|----------------------------------------------|-----------------------------|-----------------------------|
| Interest on apportioned long term borrowings | 51.68                       | 70.03                       |
| Interest on security deposit                 | 182.64                      | 411.83                      |
|                                              | 234.32                      | 481.86                      |

Rs in Lakhs

In terms of our report of even date

For S.S.Kolhari Mehra & Co.  
Chartered Accountants  
FRN No: 000756N

Neeraj Bansal  
Partner  
Membership No 095960

Ravi Uppal  
Managing Director & CEO  
DIN:00025970

For and on behalf of board

Place: New Delhi  
Date: 26-11-2014

