

To
Lodha & Co.,
Chartered Accountants
New Delhi.

Sub: Management Representation Letter w.r.t. Special Purpose Financial Statements ('financial statements') of the 'Licensed Business of Distribution and Retail Supply of Electricity', separate division ('the division') of Jindal Steel and Power Limited ("the Company or JSPL") for the year ended 31st March 2018.

This representation letter is provided in connection with your review of the financial statements of the division of the company for the year ended 31st March, 2018. We acknowledge our responsibility for preparation of the said financial statements in accordance with the accounting principles generally accepted in India, including Indian Accounting Standards i.e Ind AS as prescribed under Section 133 of the Companies Act, ("the Act") read with relevant rules issued there under and other recognized accounting practices and policies. The said financial statements have been duly approved by the Board of Directors of the Company .

We confirm/certify, to the best of our knowledge and belief, the following representations:

1. These financial statements have been compiled and extracted from the books of account and records maintained and audited financial statements of the Company for the year ended 31st March 2018.
2. These financial statements of the division have been prepared for onward submission with Chhattisgarh State Electricity Regulatory Commission ("CSERC or Commission"). Therefore, the compliance required under Ind AS 7, 19 & 24 and certain disclosure required under Schedule III including under Part II of schedule III of Companies Act, 2013 in respect of disclosure of contingent liabilities, capital commitments, EPS and MSME etc. have not been made in these financial statements; the disclosure of the same have been made in the financial statements prepared for the Company as whole at the end of the financial year i.e. 31st March 2018.
3. The company was granted a distribution license by CSERC vide order No 1295/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 Punjipathra of Gharghoda tahsil of Raigarh Dist, Chhattisgarh.

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4. CSERC had directed the company to segregate the accounts in respect of the licensed business from the accounts of the company. In compliance to the directives given and relevant provision of the license conditions laid down by CSERC, the company has segregated 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 the company.
5. The financial statements will be used for filing the necessary application under Section 64 of the Electricity Act, 2003 and clause 10 of the CSERC (Details to be furnished by licensee or generating company for determination of tariff and manner of making application) Regulations 2004 before CSERC.
6. The management of the company has made some estimates as stated in Note 2(i) forming part of the financial statements, extracts of which are presented below:
 - The equity has been apportioned to the licensed business in the same debt equity ratio of JSPL as a whole in the year of capitalization of the fixed assets.
 - Other Current Liabilities and Provisions are as estimated by the management.
 - Short term borrowing/ advance from/to JSPL's other business represent difference between equity and net assets. The company has charged interest @ 11% on such Inter Unit balances.
 - The transmission charges have been booked in accordance with the tariff orders issued by the CSERC at the rate of Rs 0.03/KwH, which has been derived by the management, based on latest tariff assessment order.
 - Repair and Maintenance expenses (R&M) have been accounted for on actual basis for the licensed business, to the extent it can be identified and allocated on reasonable basis as estimated by the management.

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- 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 benefits expenses have been allocated on reasonable basis as estimated by the management.
 - Administrative & General expenses have been accounted for on actual basis for the licensed business, to the extent it can be identified and rest has been allocated on reasonable basis as estimated by the management.
 - Interest on apportioned long term borrowings has been considered at the rate of 11.00% per annum on the average of long term borrowing outstanding as at the beginning and end of the year. Interest expense on short term borrowing is calculated at the rate of 11.00% per annum applied on average of short term borrowing outstanding as at the beginning and end of the year. Interest expense on security deposit is being booked on accrual/actual computation basis.
 - Income tax/deferred tax computation is calculated for whole business of the company and is not allocated to power distribution business.
 - Assets (other than fixed assets) and liabilities of distribution business (including under current and non-current) has been allocated on reasonable basis as estimated by the management.
7. The company has incurred Rs 1,301.70 Lakhs (previous year Rs 986.82 Lakhs) on account of Renewable power obligation expenses, while the outstanding liability for RPO expenses amounts to Rs 2,865.30 Lakhs (previous year Rs 2,963.30 Lakhs).
8. The company has incurred Rs 355.39 Lakhs (previous year Rs 280.24 Lakhs) on account of Interest expenses on security deposits received from OPJIP customers, while the liability for such security deposits amounts to Rs 5,456.01 Lakhs (previous year Rs 4,523.85 Lakhs).
9. The company has booked revenue from sale to OPJIP customers @ Rs 4/KWH amounting Rs 28,950.62 Lakhs i.e 7,237.65 Lakhs units, while sale to Other businesses of JSPL amounts Rs 388.42 Lakhs i.e 97.09 Lakhs units.
10. The accounting policies, which are material or critical in determining the results of operations for the year and financial positions, are set out in the financial statements and are consistent with those adopted in the financial statements for the previous year. The financial statements are prepared on accrual basis except as stated otherwise.

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Jindal Steel & Power Limited

Corporate Identification No. L27105HR1979PLC009913

TIN-22484901419

Post Box No.16, Kharsia Road, Raigarh – 496 001 (C.G.)

T (07762) 227001- 227005 (5 lines) F 07762 – 227021, 227022 E kamalagrawal@jspl.com

Registered Office O.P.Jindal Marg, Hisar – 125 005 (Haryana)

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11. All the assets have been capitalized on the date of ready to use and accordingly depreciation have been provided for.
12. The company has accounted for all the income/ expenses based upon the accrual concept of accounting, complying with all the Cut off procedures adopted by the Company to ensure the completeness and accuracy of accrual.
13. No personal expenses of employees and Directors other than those payable under contractual obligations or in accordance with the prevailing business practices had been charged to revenue. All legal expenses charged to the Statement of Profit & Loss are incurred for the purpose of the Company's business/activities. No legal expenses of personal nature are charged to the Statement of Profit & Loss.
14. The above results have been prepared in compliance with all Ind AS applicable to the company.
15. There is no change in the accounting policies as compared to the year ended 31st March 2017.
16. The allocation between capital and revenue has been correctly made and no expenditure of capital nature has been charged to revenue.
17. All loans and banks are reconciled & confirmed and no material entries are pending for incorporating in the books of accounts.
18. Current Assets and Loans & advances have a value on its realization in the ordinary course of the company's business, which is at least equal to the amount at which they are stated in the balance sheet.
19. Balance of trade receivables, Loans & Advances, creditors and other liability are in the process of confirmation/reconciliation. There will not be any material impact on completion of such confirmation and/or reconciliation.
20. All vouchers accounted for in books of accounts have been properly authorized by the designated authority and there is no violation of group policy in this regard.
21. Necessary provision has been made in the accounts for all known claims and losses of material amounts.

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22. All the expenses/income incurred/earned during the period have been fully accounted for in the books of accounts & the company does not expect any material additional liability related to period under review.
23. There is no significant change in distribution business as compared to previous year ended 31st March 2017.
24. We have recorded all known liabilities and exposures in the Financial Statements.
25. We further confirm that Company has complied with all the laws & regulations applicable to its reporting & operating environment and there are no known violations or possible violations of laws or regulation the effect of which should be considered for disclosure in the Financial Statements or as a basis for recording a loss contingency. There have been no communications from regulatory agencies concerning non-compliance with or deficiencies in financial reporting practices that could have a material effect on the financial statements in the event of non-compliances. Further all necessary records/books/statements required to be maintained as per the provisions of the Companies Act & other applicable Laws/Regulations have been made and maintained and are in the possession of the company.
26. We confirm that enclosed financial statements for the year ended 31st March' 2018 are true & correct and are mapped with the trial balances as per books.
27. No fraud against the company has been committed & no fraud has been committed by the company and any of its officers / employees against the

Company.
For Jindal Steel and Power Limited

Authorized Signatory

Place: Raigarh
Date:

Dist. 17-18

To the Board of Directors
Jindal Steel and Power Limited

We have reviewed the accompanying special purpose financial statements of the 'Licensed Business of Distribution and Retail Supply of Electricity (Jindal Industrial Park)', separate division ('the division') of **JINDAL STEEL & POWER LIMITED** ('the Company') comprising Balance Sheet as at 31st March 2018, Statement of Profit and Loss for the year then ended and a summary of the significant accounting policies and other explanatory information ("the financial statements") of the Division. These financial statements have been compiled and extracted by the Company's management from the books of account and records maintained by the Company and audited financial statements of the Company for the year ended 31st March 2018.

Based on our review conducted as above, read with Note No. 1, 2(i) & 14, nothing has come to our attention that causes us to believe that the accompanying financial statements of the division, as compiled and extracted by the management from books of accounts and records maintained by the Company, contains any material misstatement.

These financial statements of the division have been prepared for onward submission with Chhattisgarh State Electricity Regulatory Commission.

For LODHA & CO.

Chartered Accountants

Firm Registration No.: 301051E

(N. K. LODHA)

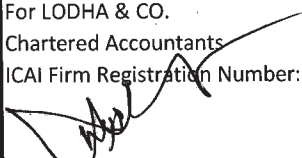
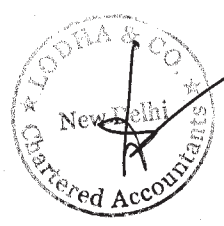
Partner

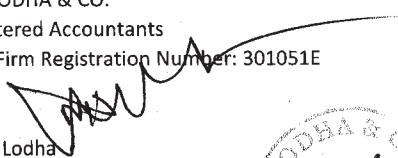
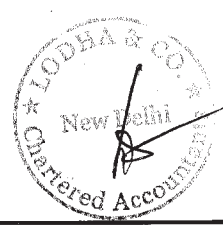
Membership No.: 085155



Place: New Delhi

Date: 28/2/2019

JINDAL STEEL & POWER LIMITED LICENSED BUSINESS OF DISTRIBUTION AND RETAIL SUPPLY OF ELECTRICITY (JINDAL INDUSTRIAL PARK) Balance Sheet as at 31st March 2018			
			Rs. In lakhs
Particulars	Note No	As at 31st March 2018	As at 31st March 2017
ASSETS			
(1) Non-current assets			
Property, plant and equipment	3	2,292.09	2,495.81
(2) Current assets			
Financial assets			
(a) Trade receivables	4.1	4,396.16	4,508.19
(b) Bank balance in current account		9.05	97.99
(c) Other financial assets	4.2	8,653.17	8,653.17
Current tax assets	5.1	0.01	2.23
Other current assets	5.2	2,010.27	2,009.80
Total Assets		17,360.74	17,767.19
EQUITY AND LIABILITIES			
EQUITY			
Apportioned Equity (including other equity)	6	539.67	1,894.59
LIABILITIES			
(1) Non Current Liabilities			
(a) Financial liabilities			
Other financial liabilities	7.1	5,456.01	4,523.85
(b) Provisions	7.2	47.85	61.19
(2) Current Liabilities			
(a) Financial liabilities			
Short term borrowings (balancing figure)	8	7,846.87	7,790.56
Other financial liabilities	9.1	3,437.85	3,455.63
(b) Provisions	9.2	32.48	41.37
Total Equity and Liabilities		17,360.74	17,767.19
Overview and significant accounting policies 1 & 2 Data & information are compiled by the management. Above data has been extracted from books of accounts and records maintained by Jindal Steel & Power Limited and these financial statements are to be read with Note 1, 2(i) & 14. The notes referred to above form an integral part of financial statements. As per our report of even date For LODHA & CO. Chartered Accountants ICAI Firm Registration Number: 301051E  N. K. Lodha Partner Membership No 085155  Place: New Delhi Date: 28/2/2019			
For Jindal Steel & Power Ltd  Dinesh Kumar Sarangi Director DIN- 06426609 Place: Raigarh Date: 28/2/2019			

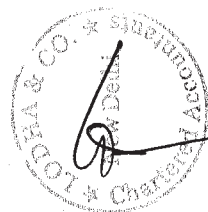
JINDAL STEEL & POWER LIMITED LICENSED BUSINESS OF DISTRIBUTION AND RETAIL SUPPLY OF ELECTRICITY (JINDAL INDUSTRIAL PARK) Statement of profit & loss for the year ended 31st March,2018			
		Rs. In lakhs	
Particulars	Note No	For the year ended 31st March 2018	For the year ended 31st March 2017
REVENUE			
Revenue from operations	10(a)	29,339.04	25,572.53
Other operating revenue	10(b)	12.06	11.33
Total Revenue		29,351.10	25,583.85
EXPENSES			
Purchase of power	11	27,822.27	24,754.65
Intra state transmission charges	2(i)(e)	220.38	199.15
Operation and maintenance expenses	12.1	176.84	198.42
Employee benefits expenses	12.2	882.54	736.64
Administrative and General Expenses	12.3	252.28	240.33
Finance costs	13	1,148.06	1,007.21
Depreciation expense	3	203.64	309.35
Total Expenses		30,706.01	27,445.75
Profit/(loss) before tax		-1,354.91	-1,861.89
Tax expense	2(i)(i)	-	-
Loss for the year		-1,354.91	-1,861.89
Overview and significant accounting policies 1 & 2			
Data & information are compiled by the management. Above data has been extracted from books of accounts and records maintained by Jindal Steel & Power Limited and these financial statements are to be read with Note 1, 2(i) & 14.			
The notes referred to above form an integral part of financial statements.			
As per our report of even date			
For LODHA & CO. Chartered Accountants ICAI Firm Registration Number: 301051E		For Jindal Steel & Power Ltd	
 N. K. Lodha Partner Membership No 085155		 Dinesh Kumar Saraogi Director DIN-05426600	
 Place: New Delhi Date: 28/2/2019		Place: Raigarh Date: 28/2/2019	

3: Property, Plant & Equipment

JINDAL STEEL & POWER LIMITED
LICENSED BUSINESS OF DISTRIBUTION AND RETAIL SUPPLY OF ELECTRICITY (JINDAL INDUSTRIAL PARK)
 Notes to the financial statements as at and for the year ended 31st March, 2018

Rs in lakhs

Particulars	Leasehold land	Buildings	Plant and Equipment	Computers	Air Conditioner	Furniture and Fixtures	Office Equipment	Vehicles	Total
Gross carrying value									
As at 01st April, 2016	32.27	788.51	2,579.63	0.67	8.14	2.91	1.36	0.47	3,413.96
Additions	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	0.23	0.20	-	0.43
As at 31st March, 2017	32.27	788.51	2,579.63	0.67	8.14	2.68	1.16	0.47	3,413.53
Additions	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	1.48	0.42	-	1.90
As at 31st March, 2018	32.27	788.51	2,579.63	0.67	8.14	1.20	0.74	0.47	3,411.63
Accumulated Depreciation									
As at 01st April, 2016	2.83	36.89	556.32	0.64	7.73	2.71	1.35	0.32	608.79
Charge for the year 2016-17	0.36	36.89	271.99	-	-	0.07	-	0.04	309.35
Disposals	-	-	-	-	-	0.22	0.20	-	0.42
As at 31st March, 2017	3.19	73.78	828.31	0.64	7.73	2.56	1.15	0.36	917.72
Charge for the year	0.32	36.89	166.38	-	-	-	-	0.04	203.64
Disposals	-	-	-	-	-	1.41	0.41	-	1.82
As at 31st March, 2018	3.52	110.67	994.68	0.64	7.73	1.15	0.75	0.41	1,119.54
Net Carrying Value									
As at 01st April, 2016	29.45	751.62	2,023.31	0.03	0.41	0.20	0.01	0.15	2,805.17
As at 31st March 2017	29.08	714.73	1,751.32	0.03	0.41	0.12	0.01	0.11	2,495.81
As at 31st March 2018	28.75	677.84	1,584.95	0.03	0.41	0.05	0.00	0.06	2,292.09



JINDAL STEEL & POWER LIMITED

LICENSED BUSINESS OF DISTRIBUTION AND RETAIL SUPPLY OF ELECTRICITY (JINDAL INDUSTRIAL PARK)

Notes to the financial statements as at and for the year ended 31st March, 2018

4.1 Trade receivable

Rs. In lakhs

Particulars	As at 31st March 2018	As at 31st March 2017
Others		
Considered good	4,396.16	4,508.19
Total	4,396.16	4,508.19

4.2 Other current financial assets

Rs. In lakhs

Particulars	As at 31st March 2018	As at 31st March 2017
Unbilled Revenue*	8,653.17	8,653.17
Total	8,653.17	8,653.17

* represents 0.93 paise per unit differential not billed due to order of CSERC, but accounted on accrual basis.

5.1 Current tax assets

Rs. In lakhs

Particulars	As at 31st March 2018	As at 31st March 2017
Tax deducted at source	0.01	2.23
Total	0.01	2.23

5.2 Other current assets

Rs. In lakhs

Particulars	As at 31st March 2018	As at 31st March 2017
Prepaid Expenses	10.27	9.61
Balance with Government Authorities	2,000.00	2,000.19
Total	2,010.27	2,009.80

6 Apportioned Equity (including other equity) [Refer note 2(i)(a)]

Rs. In lakhs

Particulars	As at 31st March 2018	As at 31st March 2017
Apportioned equity (A)	1,345.48	1,345.48
<u>Other Equity: Retained Earnings</u>		
Opening Balance	549.11	2,411.00
Add : Profit and (Loss) for the year	-1,354.91	-1,861.89
Closing Balance (B)	-805.81	549.11
A + B	539.67	1,894.59

7.1 Other financial liabilities: Non current

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

Rs. In lakhs

Particulars	As at 31st March 2018	As at 31st March 2017
Security deposit from consumers	5,456.01	4,523.85
Total	5,456.01	4,523.85

7.2 Provisions: Non-current

Rs. In lakhs

Particulars	As at 31st March 2018	As at 31st March 2017
Provision for Employee benefits		
Gratuity	14.40	14.78
Other defined benefit plans	33.45	46.41
Total	47.85	61.19



JINDAL STEEL & POWER LIMITED

LICENSED BUSINESS OF DISTRIBUTION AND RETAIL SUPPLY OF ELECTRICITY (JINDAL INDUSTRIAL PARK)

Notes to the financial statements as at and for the year ended 31st March, 2018

8 Short term borrowings

Rs. In lakhs

Particulars	As at 31st March 2018	As at 31st March 2017
Advance from JSPL's other business [Refer note 2(i)(c)]	7,846.87	7,790.56
Total	7,846.87	7,790.56

9.1 Other current financial liabilities

Rs. In lakhs

Particulars	As at 31st March 2018	As at 31st March 2017
Statutory dues	227.81	138.89
Interest accrued but not due	309.68	280.15
Outstanding liabilities for expenses	2,865.30	2,963.30
Others	35.06	73.29
Total	3,437.85	3,455.63

9.2 Provisions: Current

Rs. In lakhs

Particulars	As at 31st March 2018	As at 31st March 2017
Provision for Employee benefits		
Leave Encashment	32.48	41.37
Total	32.48	41.37

10(a) Revenue from Operations

Rs. In lakhs

Particulars	For the year ended 31st March 2018	For the year ended 31st March 2017
Sales to O.P Jindal Industrial Park Consumers (Current year 7237.65 lakhs units (Previous Year 7533.58 lakhs units))	28,950.62	25,291.55
Sales to Other business of JSPL (Current year 97.09 lakhs units (Previous Year 98.69 lakhs units))	388.42	280.98
Total	29,339.04	25,572.53

10(b) Other operating revenue includes :

Rs. In lakhs

Particulars	For the year ended 31st March 2018	For the year ended 31st March 2017
Meter rent and other charges recovered	12.06	11.33
Total	12.06	11.33

11 Purchase of power includes :

Rs. In lakhs

Particulars	For the year ended 31st March 2018	For the year ended 31st March 2017
Purchase cost		
Current year: 7335.05 lakhs units (Previous Year 7533.58 lakhs Units)	26,520.57	23,767.83
Renewable power obligation expenses	1,301.70	986.82
Total	27,822.27	24,754.65

12.1 Operation and maintenance expenses includes : [Refer note 2(i)(e)]

Rs. In lakhs

Particulars	For the year ended 31st March 2018	For the year ended 31st March 2017
Stores and Spares Consumed	75.54	92.07
Repairs and Maintenance-Building	2.31	6.05
Repairs and Maintenance-Plant and Machinery	29.13	31.92
General Repairs and Maintenance	69.86	68.38
Total	176.84	198.42



JINDAL STEEL & POWER LIMITED

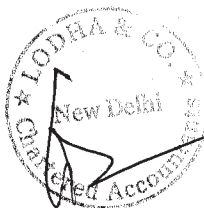
LICENSED BUSINESS OF DISTRIBUTION AND RETAIL SUPPLY OF ELECTRICITY (JINDAL INDUSTRIAL PARK)

Notes to the financial statements as at and for the year ended 31st March, 2018

12.2 Employee benefits expenses includes :[Refer Note 2(i)(f)]

Rs. In lakhs

Particulars	For the year ended 31st March 2018	For the year ended 31st March 2017
Salaries and wages	730.63	619.45
Contribution to Provident and other funds	74.26	59.54
Staff welfare expenses	77.65	57.65
Total	882.54	736.64



JINDAL STEEL & POWER LIMITED
 LICENSED BUSINESS OF DISTRIBUTION AND RETAIL SUPPLY OF ELECTRICITY (JINDAL INDUSTRIAL PARK)
 Notes to the financial statements as at and for the year ended 31st March, 2018

12.3 Administration and general expenses [Refer Note 2(i)(g)]

Particulars	Rs. In lakhs	
	For the year ended 31st March 2018	For the year ended 31st March 2017
Advertisement And Publicity	15.07	-
Legal and professional charges	85.38	141.93
Security expenses	18.88	16.76
Fees and taxes	15.71	12.82
Hire charges	6.45	5.82
Travel and conveyance expenses	6.17	11.47
Corporate office expenses	73.80	26.86
Social Welfare	4.97	6.10
Insurance Premium	0.73	0.69
Others	25.12	17.88
Total	252.28	240.33

13 Finance costs [Refer Note 2(i)(h)]

Particulars	Rs. In lakhs	
	For the year ended 31st March 2018	For the year ended 31st March 2017
Interest on apportioned long term borrowings	-	3.68
Interest on short term borrowings	815.22	754.38
Interest on security deposits	355.39	280.24
Less : Delay payment surcharge/ Interest received from Customers	-22.55	-31.09
Total	1,148.06	1,007.21

- 14** (a) These Financial Statements for the year ended 31st March 2018 of licensed business of distribution and retail supply of electricity businesses (Jindal Industrial Park), as identified and compiled by the management have been prepared for onward submission with Chhattisgarh State Electricity Regulatory Commission. Therefore the compliance required under Ind AS 7, 19 & 24 and certain disclosure required under Schedule III including under Part II of schedule III of Companies Act, 2013 in respect of disclosure of contingent liabilities, capital commitments, EPS and MSME etc. have not been made in these financial statements; the disclosure of the same have been made in the financial statements prepared for the Company as whole at the end of the financial year i.e. 31st March 2018.
- (b) These financial statements / financial information have been extracted and compiled by the management based on audited financial statements of the Company (Jindal Steel & Power Limited) for the financial year ended 31st March 2018.
- (c) Certain balances of borrowings, other liabilities (including provisions), trade receivables, loan & advances and other assets are subject to confirmation and/or reconciliation.

- 15** Previous year figures have been regrouped whenever necessary to confirm with current year classification

As per our report of even date

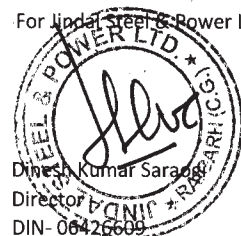
For LODHA & CO.
Chartered Accountants
ICAI Firm Registration Number: 301051E

N. K. Lodha
Partner
Membership No 085155

Place: New Delhi
Date: 28/2/2019



For Jindal Steel & Power Ltd



Dinesh Kumar Sarangi
Director
DIN- 06426609

Place: Raigarh
Date: 28/2/2019

JINDAL STEEL & POWER LIMITED

LICENSED BUSINESS OF DISTRIBUTION AND RETAIL SUPPLY OF ELECTRICITY

(JINDAL INDUSTRIAL PARK)

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH 2018

1.1 OVERVIEW

Jindal Steel & Power Limited (JSPL) is one of the India's leading steel producers with significant presence in sector like mining and power generation. JSPL was granted a distribution license by the Chhattisgarh State Electricity Regulatory Commission vide order No 1295/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 Punjipathra of Gharghoda tahsil of Raigarh Dist, Chhattisgarh. The licensed business of distribution and retail supply of electricity (Jindal Industrial Park) 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 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.

1.2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with accounting standards as prescribed under Section 133 of the Companies Act, 2013 (the 'Act') read with Companies (Accounts) Rules, 2015 (Indian Accounting Standards (IND AS)). The Company has consistently applied the accounting policies used in the preparation of its financial statements.

The financial statements provide comparative information in respect of previous year.

The significant accounting policies used in preparing the financial statements are set out in Note No. 3 of the Notes to the Standalone Financial Statements of the Company for the Financial Year 2017-18.

The preparation of the financial statements in conformity with Indian Accounting Standards (Ind AS) requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures at the date of the financial statements. The judgments, estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision effects only that period or in the period of the revision and future periods if the revision affects both current and future years and, if material, their effects are disclosed in the notes to the financial statements. Actual results could vary from these estimates.



JINDAL STEEL & POWER LIMITED

LICENSED BUSINESS OF DISTRIBUTION AND RETAIL SUPPLY OF ELECTRICITY

(JINDAL INDUSTRIAL PARK)

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH 2018

2. SIGNIFICANT ACCOUNTING POLICIES

i) Management Estimates

- a. Apportioned Equity: The equity 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.
- b. Other Current Liabilities and Provisions are as estimated by the management.
- c. Short term borrowing/ advance from/to JSPL's other business represent difference between equity and net assets. The company has charged interest @ 11% on such Inter Unit balances. {Refer Note 2(i)(h)}
- d. Inter State Transmission Charges: The transmission charges have been booked in accordance with the tariff orders issued by the Chhattisgarh State Electricity Regulatory Commission at the rate of Rs 0.03/KwH, which has been derived by the management, based on latest tariff assessment order.
- e. Operation and maintenance expenses: Repair and Maintenance expenses (R&M) have been accounted for on actual basis for the licensed business, to the extent it can be identified and allocated on reasonable basis as estimated by the management.
- f. Employee benefits expenses: 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 benefits expenses have been allocated on reasonable basis as estimated by the management.
- g. Administrative & General expenses have been accounted for on actual basis for the licensed business, to the extent it can be identified and rest has been allocated on reasonable basis as estimated by the management.
- h. Finance Cost: Interest on apportioned long term borrowings has been considered at the rate of 11.00% per annum on the average of long term borrowing outstanding as at the beginning and end of the year. Interest expense on short term borrowing is calculated at the rate of 11.00% per annum applied on average of short term borrowing outstanding as at the beginning and end of the year. Interest expense on security deposit is being booked on accrual/actual computation basis.
- i. Income tax/deferred tax computation is calculated for whole business of the company and is not allocated to power distribution business.
- j. Assets (other than fixed assets) and liabilities of distribution business (including under current and non-current) has been allocated on reasonable basis as estimated by the management.

ii) BASIS OF MEASUREMENT



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These financial statements have been prepared under the historical cost convention on the accrual basis, except for the following assets and liabilities which have been measured fair value:

- Property, Plant & Equipment (at fair value as deemed cost as at 1st April 2015),
- Defined benefit plans- plan assets measured at fair value,

The financial statements are presented in Indian Rupees (Rs.) which is the Company's functional and presentation currency and all amounts are rounded to the nearest Lakh ('00,000) and two decimals thereof, except as otherwise stated.

iii) FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non- financial asset takes in to account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy in which they fall.

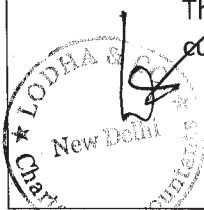
iv) PROPERTY, PLANT AND EQUIPMENT

On transition to IND AS, the Company has adopted optional exception under IND AS 101 to measure Property, Plant and Equipment at fair value. Consequently the fair value has been assumed to be deemed cost of Property, Plant and Equipment on the date of transition. Subsequently Property, Plant and Equipment are stated at cost less accumulated depreciation and impairment losses, if any. Costs include costs of acquisitions or constructions including incidental expenses thereto, borrowing costs, and other attributable costs of bringing the asset to its working condition for its intended use and are net of available duty/tax credits.

Subsequent expenditure relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are recognised in Statement of Profit & Loss as incurred.

Gains or losses arising from discard/sale of Property, Plant and Equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is discarded / sold.

The Company adjusts exchange differences arising on translation/settlement of long-term foreign currency monetary items as referred in Policy for Foreign exchange transactions.



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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH 2018

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively.

v) DEPRECIATION

Depreciation on property, plant and equipment is provided on straight-line method (SLM) as per the useful life of assets, as estimated by the management / independent professional, which is generally in line with Schedule II to the Companies Act, 2013 except for certain assets specified below:

Plant & Machinery- Up to 40 years

Subsequent to fair value as deemed cost of property, plant and equipment, depreciation is charged on fair valued amount less estimated salvage value.

Based on management evaluation, depreciation rates currently used fairly reflect its estimate of the useful lives and residual values of property, plant and equipment.

Certain plant and machinery have been considered as continuous process plant on the basis of technical assessment and depreciation on the same is provided for accordingly.

Leasehold land is amortised over the period of lease.

vi) IMPAIRMENT OF ASSETS

The carrying amount of Property, plant and equipment, Intangible assets are reviewed at each Balance Sheet date to assess impairment, if any based on internal / external factors. An asset is treated as impaired when the carrying cost of asset or exceeds its recoverable value being higher of value in use and net selling price. An impairment loss is recognized as an expense in the Statement of Profit & Loss in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed, if there has been an improvement in recoverable amount.

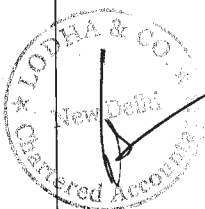
vii) BORROWING COST

Borrowing costs include interest and other costs that the Company incurs in connection with the borrowing of funds.

Borrowing costs related to a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use is worked out on the basis of actual utilization of funds out of project specific loans and/or other borrowings to the extent identifiable with the qualifying asset and is capitalized with the cost of qualifying asset, using the effective interest method. All other borrowing costs are charged to statement of profit and loss.

In case of significant long term loans, other costs incurred in connection with the borrowing of funds are amortized over the period of respective Loan.

viii) PROVISIONS, CONTINGENT LIABILITIES, COMMITMENTS AND CONTINGENT ASSETS



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Provisions are recognized for present obligations of uncertain timing or amount arising as a result of a past event where a reliable estimate can be made and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where it is not probable that an outflow of resources embodying economic benefits will be required or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability and commitments, unless the probability of outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized but disclosed in the financial statements when an inflow of economic benefits is probable.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

ix) REVENUE RECOGNITION

- a) Revenue from sale of power is recognised on transfer of significant risks and rewards of ownership to the buyer i.e. transmission of power.
- b) Meter rent income is recognised on monthly basis based on contractual rates.
- c) Income is recognized on a time proportion basis taking into account the amount outstanding, the applicable interest rate and when there is certainty in regard to collection thereof. Interest has been levied in the monthly electricity bill when the customer fails to pay the outstanding amount on or before the due date.

x) CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

a. Standards issued but not effective

On March 28, 2018 the Ministry of Corporate Affairs (MCA) has notified Ind AS 115 – Revenue from Contract and Customers and certain amendment to existing Ind AS. These amendments shall be applicable to the company from April 01, 2018.

- **Issue of Ind AS 115 – Revenue from Customers and Contracts**

Ind AS 115 will supersede the current revenue recognition guidance including Ind AS 18 Revenue, Ind AS 11 Construction Contracts, and the related interpretations. Ind AS 115 provides a single model of accounting for revenue arising from contracts with customers based on the identification and satisfaction of performance obligations.

- **Amendment to existing issued Ind AS**

The MCA has also carried out amendments of the following accounting standards:

- i) Ind AS 21 – The effect of changes in Foreign Exchange Rates
- ii) Ind AS 40 – Investment Property
- iii) Ind AS 12 – Income Taxes
- iv) Ind AS 28 – Investment in Associates and Joint Ventures, and
- v) Ind AS 112 – Disclosure of Interest in other entities.



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Application of above standards is not expected to have any significant impact on the Company's Financial Statements.

- xi)** Other accounting policies are same as stated in Note No. 3 Significant Accounting Policies of Company as a whole financial statement for the year ended 31st March 2018.

