



**RP - Sanjiv Goenka
Group**
Growing Legacies



SEC: 29538

19 May, 2016

The Secretary
BSE Limited
Phiroze Jeejeebhoy Tower
Dalal Street
Mumbai - 400 001

Dear Sir,

Further to our earlier letter of even date, we enclose auditor's reports on consolidated financial statements which has been inadvertently missed out in our earlier submission.

We regret the inconvenience caused.

Yours faithfully,

General Manager (Secretarial & Estates)

Encl:

CESC Limited

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Lovelock & Lewes

Chartered Accountants

INDEPENDENT AUDITORS' REPORT

To the Members of CESC Limited

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of CESC Limited ("hereinafter referred to as the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), its jointly controlled entity (refer Note [1(b) & (c)] to the attached consolidated financial statements), comprising of the consolidated Balance Sheet as at March 31, 2016, the consolidated Statement of Profit and Loss, the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information prepared based on the relevant records (hereinafter referred to as "the Consolidated Financial Statements").

Management's Responsibility for the Consolidated Financial Statements

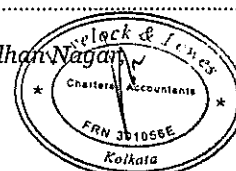
2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its jointly controlled entity in accordance with accounting principles generally accepted in India including the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014. The Holding Company's Board of Directors is also responsible for ensuring accuracy of records including financial information considered necessary for the preparation of Consolidated Financial Statements. The respective Board of Directors of the companies included in the Group and its jointly controlled entity are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its jointly controlled entity respectively and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which has been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act and the Rules made thereunder including the accounting standards and matters which are required to be included in the audit report.
4. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act 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 consolidated financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements,

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whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

6. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph 10 of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our qualified audit opinion on the consolidated financial statements.

Basis for Qualified Opinion

7. We draw your attention to the following qualification in the audit opinion of the consolidated financial statements of Spencer's Retail Limited, a subsidiary of the Holding Company issued by an independent firm of Chartered Accountants vide its Report dated May 18, 2016 reproduced by us as under:

"Attention is drawn to note no. 11 to the Consolidated Financial Statements regarding continuation of net deferred tax asset (DTA) of Rs 310.53 Crores in the accounts based on the future profitability projections made by the management. However, in the absence of virtual certainty as stated in Accounting Standard 22 on Deferred Taxes, we are unable to express any opinion on the projections and their consequent impact if any, on such Deferred Tax Asset.

Had the above asset been reversed, there would be a loss of Rs 478.70 Crores as against the reported loss of Rs. 168.16 Crores and shareholder's funds would have reduced by Rs 310.53 Crores. This had also caused us to qualify our audit opinion on the consolidated financial statements relating to the preceding year."

(Refer Note 35 of the attached Consolidated Financial Statements)

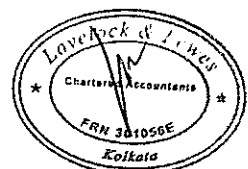
Had the deferred tax asset referred to above, been reversed in the Consolidated Financial Statements for the year, the profit for the group would have been reduced by Rs. 310.53 Crores resulting in a profit of Rs. 55.86 Crores as against the reported profit of Rs.366.39 Crores and the shareholders fund would have been reduced by Rs.310.53 Crores.

Qualified Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and except for the effects of the matter described in the Basis for Qualified Opinion paragraph above give a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of the Group and jointly controlled entity as at March 31, 2016 and their consolidated profit and their consolidated cash flows for the year ended on that date.

Emphasis of Matter

9. (a) We draw attention to Note No. 43 of the standalone financial statements of the Holding company for the year ended March 31, 2016, relating to additional levy of Rs. 998 crores paid pursuant to Coal Mine Special Provision Act, 2015 read with related Rules / Ordinance, etc. and recognised as recoverable through tariff and accounted for in the year ended 31st March, 2015 (as



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exceptional item and fuel cost) for reasons stated in the referred note with respect to the Holding Company.

(Refer Note 49 of the attached Consolidated Financial Statements)

- (b) The financial statements of Firstsource Solutions Limited as of and for the year ended March 31, 2016, a subsidiary of CESC Limited, was audited by another firm of chartered accountants, who vide their report dated May 12, 2016 have reported as follows :

“ Without qualifying our opinion, we draw attention to Note 35 to the consolidated financial statements that describes the early adoption by the Company of AS 30, Financial Instruments: Recognition and Measurement, read with AS 31, Financial Instruments – Presentation, along with prescribed limited revisions to other Accounting Standards Prescribed under the Act, as in management’s opinion, it more appropriately reflects the nature/ substance of the related transactions. The Company has accounted for assets and liabilities as per requirements of AS 30 including prescribed limited revisions to other Accounting Standards. AS 30, along with limited revisions to the other Accounting Standards, has not currently been notified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014. Consequent to the early adoption of AS 30 as stated above, the profit after taxation for the year is higher by Rs 17.84 crores and Reserves and Surplus as at the balance sheet date is higher by Rs 55.57 crores.”

(Refer Note 42 of the attached Consolidated Financial Statements)

- (c) The financial statements of Mahuagarhi Coal Company Private Limited as of and for the year ended March 31, 2016, a jointly controlled entity of CESC Limited, was audited by another firm of chartered accountants, who vide their report dated May 16, 2016 have reported as follows :

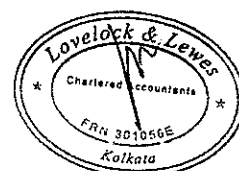
“We draw your attention to Note 2.9 of the Financial Statements relating to cancellation of the allotment of Mahuagarhi Coal Block by the Hon’ble Supreme Court of India. Consequently, total expenditure incurred by the company towards development of the Mahuagarhi coal block till 31st March, 2015 has been written off in the accounts for the year 2014-15 and share application money pending allotment as on 31-03-2015 has been shown under current liabilities – others. The company has no other line of business and its future structuring is being worked out. Our conclusion is not qualified in respect of this matter”.

(Refer Note 48 of the attached Consolidated Financial Statements. The share application money referred to above does not have any impact on the Consolidated Financial Statements)

Our opinion is not qualified in respect of these matters.

Other Matter

10. We did not audit the financial statements of 33 subsidiaries, and 1 jointly controlled entity whose financial statements reflect total assets of Rs 13606.02 crores and net assets of Rs 10563 crores as at March 31, 2016, total revenue of Rs. 5188.05 crores, net loss of Rs 380.91 crores and net cash flows



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amounting to Rs 256.76 crores for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion on the consolidated financial statements in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, jointly controlled entity and our report in terms of sub section (3) of Section 143 of the Act insofar as it relates to the aforesaid subsidiaries, jointly controlled entities and associates, is based solely on the reports of the other auditors.

Our opinion on the consolidated financial statements and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements/ financial information certified by the Management.

Report on Other Legal and Regulatory Requirements

11. As required by Section 143(3) of the Act, we report, to the extent applicable, that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

(b) In our opinion, proper books of account as required by law maintained by the Holding Company, its subsidiaries included in the Group, and jointly controlled entity incorporated in India including relevant records relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and records of the Holding Company and the reports of the other auditors.

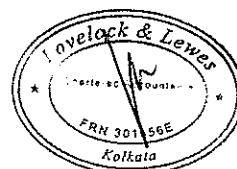
(c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained by the Holding Company, its subsidiaries included in the Group and jointly controlled entity incorporated in India including relevant records relating to the preparation of the consolidated financial statements.

(d) In our opinion, the aforesaid Consolidated Financial Statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, except as reported by another firm of chartered accountants vide their audit reports dated May 18, 2016 and May 12, 2016 in respect of Spencer's Retail Limited, a subsidiary, as referred to in paragraph 7 and Firstsource Solutions Limited as referred to in paragraph 9 (b) above.

(e) The audit report on the consolidated financial statements of Spencer's Retail Limited, a subsidiary of the Company, issued by an independent firm of Chartered Accountants vide its Report dated May 18, 2016 contains the following remark, which is reproduced by us as under:

"The matter described in the Basis for Qualified Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the Group."

(e) On the basis of the written representations received from the directors of the Holding Company as on 31st March, 2016 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies and jointly controlled company incorporated in India, none of the directors of the Group companies and jointly controlled company



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incorporated in India is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.

- (f) The audit report on the consolidated financial statements of Spencer's Retail Limited, a subsidiary of the Company issued by an independent firm of Chartered Accountants vide its Report dated May 18, 2016 contains the following remark, which is reproduced by us as under:
"The qualification relating to maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above."

(g) With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company, its subsidiary companies and jointly controlled company incorporated in India and the operating effectiveness of such controls, refer to our separate Report in Annexure A.

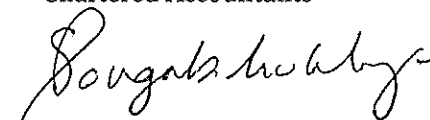
(i) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The consolidated financial statements disclose the impact, if any, of pending litigations as at March 31, 2016 on the consolidated financial position of the Group and jointly controlled entities— Refer Note 24 (a) (i), 24 (a) (ii) and 24 (c) to the consolidated financial statements.

ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts as at March 31, 2016— Refer Note 51 to the consolidated financial statements in respect of such items as it relates to the Group and jointly controlled entity.

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies and jointly controlled company incorporated in India during the year ended March 31, 2016

For Lovelock & Lewes
Firm Registration Number: 301056E
Chartered Accountants



Sougata Mukherjee

Partner

Membership Number 057084

Kolkata

May 19, 2016

Lovelock & Lewes

Chartered Accountants

Annexure A to Independent Auditors' Report

Referred to in paragraph 11 (g) of the Independent Auditors' Report of even date to the members of CESC Limited on the consolidated financial statements for the year ended March 31, 2016

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Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

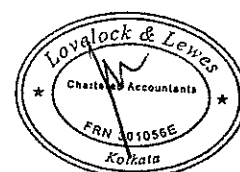
1. In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2016, we have audited the internal financial controls over financial reporting of CESC Limited (hereinafter referred to as "the Holding Company") and its subsidiary companies, and jointly controlled company, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

2. The respective Board of Directors of the Holding company, its subsidiary companies, and jointly controlled company, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on, internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (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 the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act. .

Auditor's Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI and the Standards on Auditing 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 ICAI. 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.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.



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Annexure A to Independent Auditors' Report

Referred to in paragraph 11 (g) of the Independent Auditors' Report of even date to the members of CESC Limited on the consolidated financial statements for the year ended March 31, 2016

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Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

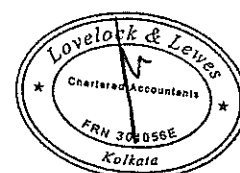
7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal 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 for Qualified Opinion

8. We draw your attention to the following qualification with respect to internal financial controls over financial reporting included in the auditor's Report on the consolidated financial statements of Spencer's Retail Limited, a subsidiary of the Company issued by an independent firm of Chartered Accountants under Section 143(3)(i) of the Act, vide its Report dated May 18, 2016 and reproduced by us as under:

"According to the information and explanations given to us and based on the report issued by other auditors on internal financial controls system over financial reporting in case of subsidiary companies, which are companies incorporated in India, in our opinion a material weakness has been identified in the operating effectiveness of the Holding Company's internal financial controls as at March 31, 2016 over recognition of deferred tax assets resulting in the company recognising such assets without establishing virtual certainty.

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 holding company's annual or interim consolidated financial statements will not be prevented or detected on a timely basis."



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Annexure A to Independent Auditors' Report

Referred to in paragraph 11 (g) of the Independent Auditors' Report of even date to the members of CESC Limited on the consolidated financial statements for the year ended March 31, 2016

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Qualified Opinion

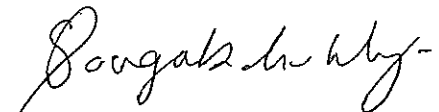
9. In our opinion, the Holding Company, its subsidiary companies and its jointly controlled entity, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and except for the effects of the material weakness described in the Basis for Qualified Opinion paragraph above on the achievement of the objectives of the control criteria, such internal financial controls over financial reporting were operating effectively as of March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI,

Other Matters

10. Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to 33 subsidiary companies and 1 jointly controlled company, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India. Our opinion is not qualified in respect of this matter.

Kolkata
May 19, 2016

For Lovelock & Lewes
Firm Registration Number: 301056E
Chartered Accountants



Sougata Mukherjee
Partner
Membership Number 057084