

## AUDITORS' REPORT

### To the Shareholders of BSES Limited

We have audited the attached Balance Sheet of **BSES Limited** as at 31st March, 1999 and the Profit and Loss Account of the Company for the year ended on that date annexed thereto.

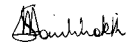
As the Company is governed by the Electricity (Supply) Act, 1948, the provisions of that Act have prevailed wherever the provisions of the Companies Act, 1956 are inconsistent with the said Electricity (Supply) Act, 1948.

We report as follows:

- I. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, on the basis of such checks of the books and records as we considered appropriate and the information and explanations given to us during the course of the audit, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- II. Further to our comments in the Annexure referred to in paragraph I above:
  - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
  - (b) In our opinion, proper books of account as required by law, have been kept by the Company, so far as it appears from our examination of these books;
  - (c) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;

- (d) Subject to Note No. 3 referred to in Notes forming part of the accounts, regarding "Treatment of Exchange Fluctuations on Foreign Currency Liabilities Relating to Fixed Assets," in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account dealt with by report are prepared in compliance of the applicable Accounting Standard referred to in Section 211(3)(c) of the Companies Act, 1956;
- (e) Subject to Note No. 9 referred to in Notes forming part of the accounts, regarding "Loans and Advances" in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view.
  - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1999 and
  - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.

For **Haribhakti & Co.**  
Chartered Accountants



**Shailesh Haribhakti**  
Partner

Mumbai, 31st May, 1999

## ANNEXURE TO THE AUDITORS' REPORT

### (Referred to in Paragraph I of our report of even date)

1. The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. We are informed that the Fixed Assets except those in "Distribution Systems" were physically verified by the Management at reasonable intervals and no material discrepancies between book records and physical inventories were noticed. We are informed by the Management that as the "Distribution Systems" consist largely of underground cables, they are not physically verifiable.
2. None of the fixed assets has been revalued during the year.
3. The stocks of stores, spares, raw materials and finished goods have been physically verified by the Management. In our opinion, the frequency of verification is reasonable.
4. The procedure and method of physical verification of stocks followed by the Management are reasonable and adequate in relation to size of the Company and nature of its business.
5. The discrepancies noticed on such verification between the physical stocks and book records, which have been properly dealt with in the books of account were not material.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of stock is fair and proper and in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. The Company has not taken any loans from or granted any loans to companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. We are informed that there are no companies under the same Management as defined under sub-section (1-B) of Section 370 of the Companies Act, 1956, except for loan granted to a subsidiary Company, the terms and conditions of which are prima facie not prejudicial to the interest of the Company.
8. In respect of loans and advances in the nature of loans, given by the Company, to its employees and other parties, repayment of principal and interest, wherever applicable, is being made as stipulated.



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## ANNEXURE TO THE AUDITORS' REPORT

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9. There are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of Raw Materials including equipments, stores, spares, plant and machinery, and Other Assets and for the sale of energy and other goods.
10. In our opinion, transactions for purchase of goods and materials made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices for such goods and materials or the prices at which transactions for similar goods have been made with other parties. In our opinion, the transactions of sale of energy to parties listed in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party have been made on the basis of Tariff rates applicable during the year under audit.
11. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, spares and raw materials. Adequate provision has been made in the accounts for loss arising therefrom.
12. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
13. Reasonable records have been maintained by the Company for the sale and disposal of realised scrap. There are no saleable by-products generated by the Company.
14. In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.
15. We are informed that the Central Government has not prescribed maintenance of cost records under Section 209 (1)(d) of the Companies Act, 1956 for the activities carried on by the Company.
16. According to the records of the Company, the Provident Fund and Employees' State Insurance dues have generally been regularly deposited with the appropriate authorities.
17. According to the information and explanations given to us, no undisputed amounts payable in respect of Income-tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty were outstanding as on 31st March, 1999 for a period of more than six months from the date they became payable.
18. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
19. The Company is not a sick industrial company within the meaning of Clause (O) of Sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
20. In our opinion, the Company has a reasonable system of recording receipts, issues and consumption of materials and stores and allocating materials consumed to the relative jobs, commensurate with its size and nature of its business.
21. In our opinion, the Company has a reasonable system of allocating man-hours utilised to the relative jobs, commensurate with its size and nature of its business.
22. In our opinion, there is a reasonable system of authorisation at proper levels and adequate system of internal control commensurate with the size of the Company and the nature of its business, on issue of stores and allocation of stores and labour to jobs.

For **Haribhakti & Co.**  
Chartered Accountants



**Shailesh Haribhakti**  
Partner

Mumbai, 31st May, 1999

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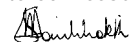
## AUDITORS' CERTIFICATE

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To  
The Board of Directors  
BSES Limited  
Nagin Mahal (6th Floor)  
82, Veer Nariman Road  
Mumbai 400 020.

We have examined the attached Cash Flow statement of **BSES Limited** for the year ended March 31, 1999. The Statement has been prepared by the Company in accordance with the requirements of the listings of the Stock Exchanges and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report of even date to the shareholders of the Company.

For **Haribhakti & Co.**  
Chartered Accountants



**Shailesh Haribhakti**  
Partner

Mumbai, 31st May, 1999

