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Independent Auditors' Report on the Quarterly and Year to Date Consolidated Annual Financial Results of NLC India Limited pursuant to the Regulation 33 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended.

To
The Board of Directors
NLC India Limited
Chennai 600 031

Report on the audit of the Consolidated Financial results

Opinion

We have audited the accompanying Statement of Consolidated Financial Results of NLC India Limited ("the Company") and its subsidiaries (the company and its subsidiaries together referred to as "the Group"), joint venture and associate for the year ended March 31, 2021 ("the Statement"), being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended (the "Listing Regulations").

In our opinion and to the best of our information and according to the explanation given to us and on the consideration of reports of other auditors on separate audited financial statements of the subsidiaries and associates, the aforesaid consolidated financial results;

(i) includes the Annual financial results of the following entities:

- NLC Tamilnadu Power Limited (Subsidiary)
- Neyveli Uttar Pradesh Power Limited (Subsidiary)
- MNH Shakti Limited (Associate)
- Coal Lignite Urja Vikash Private Limited (Joint Venture)

(ii) are presented in accordance with the requirements of the Listing Regulations in this regard; and

(iii) give us a true and fair view in conformity with the recognition and measurement principles laid down in the applicable Indian Accounting Standards and other accounting principles generally accepted in India, of the Consolidated net profit, other comprehensive income



and other financial information of the company for the Quarter and year ended March 31, 2021.

Basis for Opinion

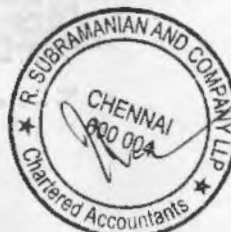
We conducted our audit in accordance with the Standards on Auditing ("SAs") specified under Section 143(10) of the Companies Act, 2013 (the "Act"). Our responsibilities under those Standards are further described in paragraph (a) of Auditor's Responsibilities section below. We are independent of the Group, its subsidiary and associates in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ("ICAI") together with the ethical requirements that are relevant to our audit of the Consolidated Financial Results for the year ended March 31, 2021 under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. 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 "Other Matters" section below, is sufficient and appropriate to provide a basis for our audit opinion on the Consolidated annual financial results.

Emphasis of Matter

We draw attention to the following matters in the notes to the Consolidated Financial results:

Without qualifying our opinion:

1. Attention is invited to Note 12 of the Financial Results in respect of the true up petition filed with CERC in the third quarter of FY 2019-2020 for the Tariff period 2014-19, any adjustment arising out of the same shall be considered in the books of accounts on receipt of order from CERC.
2. Attention is drawn to Note 14 of the Financial Results where CERC has raised substantive issues relating to the implementation of the impugned guidelines relating to existing lignite transfer pricing and consequential adjustments if any, that may arise are unascertainable at this stage.
3. Attention is drawn to Note 24 of the Financial Results relating to Vivad Se Viswas Scheme (VSVS), regarding the settlement of income tax disputes, the Group has submitted the relevant details with income tax department during January 2021 and remitted a sum of ₹840.59 Crores over the period, which are in the process of scrutiny and approval by the Income Tax department. Out of the disputed income tax paid, the Group is also eligible to prefer claim with its customers in accordance with the CERC tariff regulations. Pending requisite acceptance and approval in this regard from the income tax department and also preferring claim with the customers the amount paid as above has been carried forward.



4. Attention is drawn Note 23 of the Financial Results regarding non-recognition of income of Deferred Tax Liability materialized for the period ended March 31, 2020 and March 31, 2021 pending reconciliation and confirmation from beneficiaries and the amount is not presently quantifiable.
5. Attention is invited to Note 34 of the Financial Results wherein management has estimated and considered a sum of ₹322.76 Crores as provision towards loss allowance on outstanding trade receivables for the period ended March 31, 2021, pending completion of exercise of reconciliation of balances arising out of counter claims, appropriation of remittances, disputed dues and consequential re-assessment of overall provision required.
6. Attention is drawn to Note 28 of the Financial Results regarding material impact on the business of the Company due to the COVID-19 pandemic.
7. Attention is drawn to Note 11 of the Financial Results relating to fire accidents mentioned therein, including provisional settlements of ₹50 Crore by insurance company is reckoned as income during the period ended March 31, 2021.
8. Attention is drawn to Note No 15 of the Financial Results wherein an amount of ₹.165.78 Crores being 50% of the mine closure deposit including interest for the five-year period 2016-17 to 2020-21 has been considered on a provisional basis under regulatory income pending filing of claim with coal controller.

Our opinion on the Consolidated Financial Results is not modified in respect of the above matters.

As reported by the auditor of the Subsidiary Company, NLC TAMIL NADU POWER LIMITED in their audit report dated June 23, 2021 is reproduced below:

1. Without modifying our opinion, we draw attention to Note 30 of Consolidated Financial Results - "Regarding External confirmation of balances from parties which are subject to confirmation and reconciliation."
2. Without modifying our opinion, we draw attention to Note 29 of Consolidated Financial Results to Balance Sheet – Inventories – Regarding Coal Stock at Dharma Port, physical verification of Coal, for a limited quantity of 21,746 MT available at port, could not be carried out due to Covid-19 restrictions and further restrictions by the port authority concerned".
3. Without modifying our opinion, attention is drawn to Note 28 of Consolidated Financial Results regarding material impact of the business of the company due to the COVID-19 pandemic.

Opinion of the auditor of the subsidiary company with respect to subsidiary's Standalone financial statements is not modified in respect of the above matters.



Management's Responsibilities

This Statement, which includes the Consolidated Financial Results is the responsibility of the Parent's Board of Directors and has been approved by them for the issuance. The Consolidated Financial Results for the year ended March 31, 2021, has been compiled from the related audited consolidated financial statements. This responsibility includes the preparation and presentation of the Consolidated Financial Results for the quarter and year ended March 31, 2021 that give a true and fair view of the consolidated net profit and consolidated other comprehensive income and other financial information of the Group including its subsidiaries, joint venture and associates in accordance with the recognition and measurement principles laid down in the Indian Accounting Standards, prescribed under Section 133 of the Act, read with relevant rules issued thereunder and other accounting principles generally accepted in India and in compliance with Regulation 33 of the Listing Regulations.

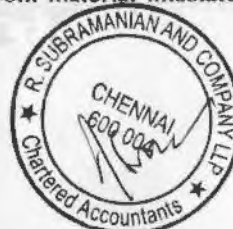
The respective Board of Directors of the companies included in the Group and of its subsidiaries, joint venture and associates are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its subsidiaries, joint venture and associates for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments 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 respective financial results that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of this Consolidated Financial Results by the Directors of the Parent, as aforesaid.

In preparing the Consolidated Financial Results, the respective Board of Directors of the companies included in the Group and of its subsidiaries, joint venture and associates are responsible for assessing the ability of the respective entities to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the respective Board of Directors either intends to liquidate their respective entities or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group and of its subsidiaries, joint venture and associates are responsible for overseeing the financial reporting process of the Group and of its subsidiaries, joint venture and associates.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the consolidated Financial Results for the year ended March 31, 2021 are free from material misstatement, whether due to



fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated Financial Results.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated Financial Results, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant in the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- Evaluate the overall presentation, structure and content of the Annual Consolidated Financial Results, including the disclosures, and whether the Annual Consolidated Financial Results represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the Annual Consolidated Financial Information of the entities within the Group and its subsidiaries, joint venture and associate to express an opinion on the Annual Consolidated Financial Results. We



are responsible for the direction, supervision and performance of the audit of financial information of entities included in the Annual Consolidated Financial Results of which we are the independent auditors. For the other entities included in the Annual Consolidated Financial Results, which have been audited by the other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

We also performed procedures in accordance with the Circular issued by the SEBI under Regulation 33(8) of the Listing Regulations, as amended, to the extent applicable.

Other Matters

a. The consolidated annual financial results include the audited Financial Statements of:

- 2 Subsidiaries whose Financial Statements reflect total assets of ₹ 20,057.32 Crores as at 31st March 2021, total revenue of ₹753.52 Crores and ₹2,958.92 Crores, total net profit after tax of ₹101.32 Crores and ₹362.03 Crores, and total comprehensive income of ₹99.71 Crores and ₹356.60 Crores, for the quarter ended 31st March 2021 and for the year ended 31st March 2021, respectively, and net cash inflow of ₹140.38 Crores for the year ended on that date, as considered in the consolidated annual financial results, which have been audited by their respective independent auditors. 1 associate, whose financial statements include Groups share of net profit after tax of ₹0.18 crores and ₹1.28 crores and Groups share of total comprehensive income of ₹0.18 crores and ₹1.28 crores, for the quarter ended and for the year ended 31st March 2021 respectively, as considered in the statement, whose financial statements, other financial information has been audited by an independent auditor. The independent auditors' reports on financial statements of these entities have been furnished to us and our opinion on the consolidated annual financial results, in so far as it relates to the amounts and disclosures included in respect of these entities, is based solely on the report of such auditors and the procedures performed by us are as stated in paragraph above.

Our opinion on the Consolidated Financial Statements, in so far as it relates to the amount and disclosures included in respect of this subsidiaries, associates & branches and our Report in terms of sub-section 10 of Section 143 of the Act, in so far as it relates to the

