

AJIT PAUL

B.Com, F.C.A

Phone: 2225630

CERTIFICATE

Certified that total Capital Cost in Fixed Assets in 3 x 42MW Myntdu Leskha Hydro Electric Project Meghalaya Power Generation Corporation Limited as on 1st April, 2013 was as follows :

Particulars	GFA as on 31.3.2013	CWIP (as on 31.03.2013)	Total Capital Cost (as on 31.3.2013)	Assets Value as on 1.04.2013
	(Rs. In Crore)	(Rs. In Crore)	(Rs. In Crore)	(Rs. In Crore)
Land	15.54	-	15.54	15.54
Buildings	91.52	52.27	143.79	143.79
Hydraulic Works	590.14	29.89	620.03	620.03
Other Civil works	114.10	0.00	114.10	114.10
Plant & Machinery	325.77	19.05	344.82	344.82
Lines & Cables	4.32	0.00	4.32	4.32
Vehicles	0.24	0.00	0.24	0.24
Furniture	0.04	0.00	0.04	0.04
Office Equipments	0.16	0.00	0.16	0.16
				-
Total	1141.83	101.21	1243.04	1243.04

(Rupees One thousand two hundred forty three crore and four lakh.)

Note : The above chart includes the amount transferred from Meghalaya Energy Corporation Limited, the holding company, vide notification number Power-79/2009/Pt-1/422 dtd. 29/04/15 issued under the Meghalaya Power Sector Reforms Transfer Scheme, 2010.

For A. Paul & Co.
Chartered Accountants



Dated Shillong,
the 14th August, 2015.

(AJIT PAUL)

Proprietor

M. No. 050527

A. Paul & Co.
Chartered Accountants

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Annexure to the Auditors' Report

(Referred to in paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of our report of even date to the members of Meghalaya Power Generation Corporation Limited, Shillong on the accounts for the year ended March 31, 2013)

- (i) a. The Company has not maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
- b. The Company has not carried out physical verification of the fixed assets and hence we are unable to comment whether any material discrepancy was noticed as such or not.
- c. Fixed Assets disposed off during the year were not substantial. We are of the opinion that the disposal of fixed assets has not affected the going concern status of the Company.
- d. The Company has not revalued its fixed assets during 2012-13.
- (ii) a. The Inventory has not been physically verified during the year by the management at reasonable intervals.
- b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were not reasonable and adequate in relation to the size of the Company and the nature of its business. Procedure for verification of stock and valuation thereof were inadequate.
- c. In our opinion and according to the information and explanations given to us, the company has not maintained adequate records of its inventories and valuation thereof. No attempt was made to reconcile the difference between physical inventory and book records.
- (iii) In our opinion and according to the information and explanations given to us, the Company has neither granted nor taken any loan, secured or unsecured to and from the parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchases of inventory, fixed assets and sale of goods. However, the internal control system needs to be strengthened with regard to book keeping procedure, reconciliation of accounts, remittances in transit, inter unit accounts, inter-company accounts, stores accounting etc.
- (v) a. In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements, if any, referred to in Section 301 of the Companies Act, 1956 have not been entered in the register required to be maintained under that Section.
- b. In absence of details, whether the transactions, if any, made in pursuance of any contracts and arrangements referred to in (a) above and exceeding the value of Rs.5 lakh with any party during the year have been made at prices which are reasonable or not having regard to the prevailing market prices at the relevant time, cannot be commented upon.
- (vi) The Company has not accepted any deposits from public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- (vii) The Company has a separate internal audit department. However, the scope and frequency of coverage needs to be enlarged.
- (viii) The Central Government of India has prescribed the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act for the Company. However, the Company has not made and maintained such accounts and records.

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- (ix) a. According to the information and explanations given to us undisputed Statutory dues are not regularly deposited with the appropriate authorities. The information as to the extent of arrears of outstanding statutory dues have not been comprehensively provided to us.
b. Disputed/undisputed amounts, if any, involved towards outstanding statutory dues viz., Sales Tax, Income-tax, Service Tax, Excise Duty, Forest Royalty, Provident Fund, ESI etc. have not been properly ascertained and provided for and therefore exact amounts cannot be quoted.
- (x) The clause is not applicable as the Company has not been registered for a period of more than five years.
- (xi) The company has defaulted in repayment of dues to a financial institution or bank. However in absence of complete details of period and amount of default, we are unable to comment on the same.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of share debentures and other securities.
- (xiii) The Company is not a chit fund / nidhi/ mutual benefit fund / society.
- (xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly paragraph 4 (xiv) of the order is not applicable.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) In our opinion and as per explanations given to us, the term loans have been applied for the purpose for which the loans were obtained.
- (xvii) On the basis of overall examination of the Balance Sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short term basis which have been used for long term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

Dated Shillong,
the 17th July, 2015.



For A. Paul & Co.
Chartered Accountants
Firm Registration Number: 312060E

(JIT PAUL)
Proprietor

Membership No.: 050527

A. Paul & Co.

Chartered Accountants

JIT PAUL
Com, F.C.A

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Rs.9.35 lacs. There should have been complete disclosure on account of all statutory and other liabilities including VAT, Forest Royalty, Service Tax, ITDS etc.

- h) Note 12 of the Notes to the financial statements regarding Company's inventories (Rs. 81749510/-). There are figures having credit balances amounting to Rs.8721750/- against certain codes of Inventory. As per the physical verification conducted, there is a difference of Rs. 1,43,82,105/- between net value of different codes of inventory as shown in the financial statement and value as actually found on physical verification. Disclosure as per the requirements of AS 2 should have been done.
- i) Note 13 of the Notes to the financial statements regarding Company's Cash and Bank Balances (Rs. 65135257/-). Fixed Deposits amounting to Rs.137.70 Crores apportioned to the Company through Transfer Scheme was credited to Meghalaya Energy Corporation Limited, the Holding Company making the balance nil.
- j) Note 14 of the Notes to the financial statements regarding Company's Short Term Loans and Advances (Rs. 25575071/-). There are figures amounting to Rs.677456/- having credit balances against certain codes of Loans and Advances to Staff. Party wise balances have not been picked up and balancing done.
- k) Note 15 of the Notes to the financial statements regarding Company's Other Current Assets Rs.2331654680/-). There exists a balance against Inter Unit Transfer (Rs.12101283/-) which ideally should have been nil.
- l) Note 18 of the Notes to the financial statements regarding Company's Employee Benefit Expenses (Rs.494802619/-). Impact of Retirement Benefits as contemplated in AS 15 has not been calculated.
- m) Note 18, 19 and 21 of the Notes to the financial statements regarding capitalisation from Company's Employee Benefit Expenses (Rs.80938645/-), from Finance Cost (Rs.379638624/-) and from Other Expenses (Rs.7334604/-). The basis and method of capitalisation from the involved heads of account is not disclosed.
- n) Note 21 of the Notes to the financial statements regarding Company's Other Expenses (Rs.106385002/-). There exists no approval of the Board of Directors for Bad Debts written off to the tune of Rs.18161365/-.
- o) Note 1.14 and 23.14 of the Notes to the financial statements regarding Deferred Tax. The impact of AS 22 should have been properly calculated and disclosed, even if not recognised.
- p) Note 23.8 of the Notes to the financial statement regarding Related Party Transactions. The disclosure in relation to Related party Transactions as required under AS 18 has not been done.



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Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required under the provisions of section 227(3) of the Act, and subject to our observations in the preceding paragraphs, we report that:
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 appears from our examination of those books;
 - c. The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of the 211 of the Companies Act, 1956;
 - e. The Company being a Government Company, Clause (g) of the sub-section (1) of the section 274 of the Companies Act, 1956 regarding disqualification of a Director is not applicable in view of notification no. G.S.R.829 (E) dated 21st October, 2003 issued by the Central Government.

Dated Shillong,
the 17th July, 2015.



For A. Paul & Co.
Chartered Accountants
Firm Registration Number: 312060E

(JIT PAUL)
Proprietor
Membership No: 050527

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Rs.9.35 lacs. There should have been complete disclosure on account of all statutory and other liabilities including VAT, Forest Royalty, Service Tax, ITDS etc.

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- m) Note 18, 19 and 21 of the Notes to the financial statements regarding capitalisation from Company's Employee Benefit Expenses (Rs.80938645/-), from Finance Cost (Rs.379638624/-) and from Other Expenses (Rs.7334604/-). The basis and method of capitalisation from the involved heads of account is not disclosed.
- n) Note 21 of the Notes to the financial statements regarding Company's Other Expenses (Rs.106385002/-). There exists no approval of the Board of Directors for Bad Debts written off to the tune of Rs.18161365/-.
- o) Note 1.14 and 23.14 of the Notes to the financial statements regarding Deferred Tax. The impact of AS 22 should have been properly calculated and disclosed, even if not recognised.
- p) Note 23.8 of the Notes to the financial statement regarding Related Party Transactions. The disclosure in relation to Related party Transactions as required under AS 18 has not been done.



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Phone: 27-56

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required under the provisions of section 227(3) of the Act, and subject to our observations in the preceding paragraphs, we report that:
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 appears from our examination of those books;
 - c. The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of the 211 of the Companies Act, 1956;
 - e. The Company being a Government Company, Clause (g) of the sub-section (1) of the section 274 of the Companies Act, 1956 regarding disqualification of a Director is not applicable in view of notification no. G.S.R.829 (E) dated 21st October, 2003 issued by the Central Government.

Dated Shillong,
the 17th July, 2015.



For A. Paul & Co.
Chartered Accountants
Firm Registration Number: 312060E

(JIT PAUL)
Proprietor
Membership No: 050527

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Chartered Accountants

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Emphasis of Matter

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Without qualifying our opinion we draw attention to:

- a) The Meghalaya Power Sector Reforms Transfer Scheme, 2010 notification no. Power-79/2009/290 dtd. 31/03/10 as amended vide notification no. Power-79/2009/PR-1/422/ dtd. 29/04/2015. The notifications have provided the opening balances of assets and liabilities of the company as on 1.04.2012 under the broad heads. The secondary details of the broad heads, wherever required are not forthcoming.
- b) The tax audit report on the accounts of the company. The audit was conducted by another auditor under the applicable section of the Income-tax Act, 1961 and his report has been based on such accounts which do not corroborate to the results shown in the actual books of account.
- c) The books of account maintained by the Company. The system of maintenance of books of account need to be improved as per accepted practice.
- d) Note No. 1.11 and 23.12 of the Notes to the financial statements regarding the revenue from Sale of Power of the Company. The revenue from Sale of Power of the Company has been determined at Rs.141.20 Crores on the basis of expenditure of the Company and the losses since no tariff for the year was determined by the regulator.
- e) Note No. 3 of the Notes to the financial statements regarding Equity Capital pending Allotment (Rs.6701705891/-). Appropriate disclosure has not been done in terms of Revised Schedule VI.
- f) Note No. 5 and 23.5 of the Notes to financial statements regarding Company's Long Term Borrowings (Secured) from Banks and Others (Rs. 2937177697/-) and Long Term Borrowings (Unsecured) from Power Bonds, Financial Institutions, OECF (Japan) and JBIC (Japan) and State Government (Rs. 6339037983/-) and Note No. 6 regarding Company's Short Term Borrowings (Unsecured) from Banks (Rs. 196723781/-) which have remained in the name of Meghalaya Energy Corporation Limited, the holding company and not been transferred to the account of the Company. The concerned Bankers and financial institutions are yet to be intimated about the change-over. Necessary Charges, wherever required, to be created with the Registrar of Companies are yet to be registered.
- g) Note No. 7 and 23.13 of the Notes to the financial statements regarding Company's Trade Payables on account of liabilities to various parties (Rs. 394419896/-). Party wise balances have not been picked up and balancing done. There is no system for the process of Confirmation of Balances in place. It is not known whether the liability of Rs.1.28 Crore to ITDC Cementation (I) Limited and Rs.2.03 Crore to Andritz Hydro has been recognised or not.
- (d) Note No. 8 of the Notes to the financial statements regarding Company's Other Current Liabilities on account of liabilities to various parties (Rs. 789518937/-). Party wise balances have not been picked up and balancing done. There is no system for the process of Confirmation of Balances in place. There remains a liability for MLHEP (Leskha Project) on account of Forest Royalty and VAT amounting to Rs.10.15 Crore and Rs.1.18 Crore respectively. Besides, an amount of Rs.5.74 Crore and Rs.1.8 Crore is also payable to Forest Department, Government of Meghalaya on account of Diversion of Forest Land and Plantation respectively. It is not known whether the aforesaid liabilities have been recognised or not. There also appears a liability on account of Service Tax of

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INDEPENDENT AUDITORS' REPORT

To the Members of Meghalaya Power Generation Corporation Limited, Shillong

Report on the Financial Statements

We have audited the accompanying financial statements of Meghalaya Power Generation Corporation Limited, Shillong ("the company"), which comprise the Balance Sheet as at March 31, 2013 and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the company in accordance with the accounting principles generally accepted in India, including the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) in the case of the Statement of Profit and Loss, of the Loss of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.