

SBA Associates

CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MEGHALAYA POWER GENERATION CORPORATION LIMITED

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying Ind AS financial statements of **MEGHALAYA POWER GENERATION CORPORATION LIMITED ("the Company")**, which comprise the balance sheet as at 31st March 2022, statement of Profit and Loss, and Cash Flows Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion, Basis for Disclaimer of Opinion and Emphasis of Matter section of our report, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2022, and its Loss, and its cash flows and the changes in equity for the year ended on that date.

Basis for Qualified Opinion

- i) Financials of the Company for the year under review has been drawn as per provisions of Revised Schedule III and notification dated 24th March 2021 issued by Ministry of Corporate Affairs except for the cases listed below.

SL No	Head of Accounts	Requirement of Disclosure as per revised Schedule III of Companies Act, 2013 with effect from 01-04-2021	Nature of Non-compliance to the requirement
1	Statement of Change in Equity	Format prescribed in revised Notification dated 24th March, 2021	Disclosure has not been made in the prescribed format
2	Current Assets – Financial Assets: Trade Receivables	Disclosure in format prescribed in revised Notification dated 24th March, 2021 for ageing of Trade Receivables.	Disclosure has not been made in the prescribed format as the management is in the process of reconciliation of ageing of Trade Receivables.



SL No	Head of Accounts	Requirement of Disclosure as per revised Schedule III of Companies Act, 2013 with effect from 01-04-2021	Nature of Non-compliance to the requirement
3	Current Maturities of Long-Term borrowings	Disclosure to be made under a separate heading, Current Liabilities - Borrowings instead of under Financial Liabilities - Others	Continued reporting under Financial Liabilities - Others
4	Current Liabilities – Financial Liabilities- Trade Payables	Disclosure in format prescribed in revised Notification dated 24th March, 2021 for ageing of Trade Payables.	Disclosure has not been made in the prescribed formats as the management is in the process of reconciliation of ageing of Trade Payables.
5	Information under Additional Regulatory Information		Heading used is "Other Statutory Obligation"
	(i) Details of Title deeds in prescribed formats		Disclosure has not been made in the prescribed formats as the management is in the process of reconciliation.
	(ii) Ageing schedule for CWIP		
	(iii) Ratio Analysis		Reason for variation more than 25% was not furnished as per requirement.

- ii) Attention is drawn to Note No. 2 (Para 2.5) of Financial Statement regarding property, Plant and Equipment amounting to Rs.12,65,82.96 Lakhs stating that the management is under process of identifying the title deeds of all of the immovable properties (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) disclosed in the financial statements are held other than in the name of the Company. In the absence of supportive documents and identification of asset pertaining to aforesaid land and other properties, we are unable to comment on the correctness and impact in the value of such assets and also that of depreciation charged in the financial statement.
- iii) Attention is drawn to Note No. 2 of Financial Statement regarding Property, Plant and Equipment, includes a building amounting to Rs.15.55Lakhs referred as 'Assets not in use' against which adequate provision for reduction in value of assets has not been made since the date of receipt/transfer of such assets to the Company. The given assets were transferred to the Company on 1st April, 2012 in pursuance to Government Notification No. Power-79/2009/Pt-I/422 Dated 29th April, 2015 under Meghalaya Power Sector Reforms Transfer Scheme, 2010. No information relating to condition/status of building has been made available to us.
- iv) With reference to Note No. 6 of Financial Statement, Inventories of the company are carried in the Balance Sheet at Rs.780.58 Lakhs (netted off). Management has neither provided any detailed list for all the locations holding Inventory showing item-wise value with basis of valuation thereof nor provided any document in support of physical verification of inventories carried out as on Balance Sheet date under audit. Also, the company has not provided in spite of our request for the records and other evidence towards the existence of such inventories. In view of the above we are of the opinion that necessary provision is required to be made



towards any losses or diminution in stated value on account of any shortages, obsolescence or for other reasons.

- v) With reference to Note No. 9, Current Financial Assets: Balances Other Than Cash and Cash Equivalents, the balance of Term Deposits is Rs.2,857.93 Lakhs as on 31st March, 2022 as against Rs.2,857.73 Lakhs confirmed by Bank as Balance of Term Deposit as on 31st March, 2022, resulting overstatement of Term Deposit by Rs. 0.19 Lakhs in the Financials.
- vi) With reference to Note 13, Other Current Assets: in case of calculation of Prepaid insurance expenses on account of renewal of Insurance policy, the company booked Prepaid expenses in the books amounting to Rs.465.35 Lakhs in respect of two of its policies renewed during the year instead of actual amount Rs.463.81 Lakhs. This has resulted overstatement of prepaid expense and understatement of Loss by Rs.1.54 Lakhs.
- vii) With reference to Note No. 25, Other Income: the company has booked Interest income from Bank (gross) Rs.71.91 Lakhs instead of Rs.70.79 Lakhs (gross) as derived from calculation of Interest provided to us by the management, having an impact of overstatement of Interest Income by Rs.1.10 Lakhs and Understatement of Loss by Rs.1.10 Lakhs. Breakup of the differential amount of Rs.110 Lakhs is Rs.0.91 lakhs pertaining to overbooking of TDS (u/s 194A) on Interest Income and Rs.0.19 Lakhs pertaining to overbooking of Term Deposit.
- viii) With reference to Note No. 16.7 of Financial Statement regarding Loan from State Government, vide letter number-Power.123/2020/113 dated 04/11/2020 and Power.123/2020/131 dated 14/12/2020, company booked a loan under non-current liabilities - Financial Liabilities through "Inter Unit Adjustment Account(Related Parties)" amounting to Rs.5,000 Lakhs sanctioned to MeECL with a copy to the Director (Generation), MePGCL as State Development Loan for funding of the Ganol Small HEP Stage-I(22.5MW) (SCA) during the year 2020-21.

However as per notification dated 24/03/2015 of Additional Chief Secretary to the Govt. of Meghalaya, Power Department, money released under SCA towards 'Ganol HEP' to be treated as Equity. Therefore, amount should be classified under "Other Equity as Equity Share Capital Pending Allotment" instead of classifying under "Non-Current Liabilities - Financial Liabilities". The company is in process of obtaining clarification on the same from the Finance Department of the Government of Meghalaya and the reply is awaited.
- ix) With reference to Note No. 20 of Financial Statement regarding Claim Received from Insurance of Fixed Assets, Pending Reconciliation amounting to Rs.366.39 Lakhs was received against claims made in FY 2017-18, FY 2018-19 and FY 2021-22 and accounted as liability in books since date of receipt, the asset has neither been identified nor has been written off and therefore, depreciation is being claimed even in year under audit against such asset. We were not produced claim papers even for claim received during the current year amounting to Rs.22.62 Lakhs and therefore, unable to identify assets for which claims were made. In absence of supportive documents and identification of asset pertaining to aforesaid claims, we are unable to comment on the correctness and impact in the value of the assets and also that of depreciation charged in the financial statement.



- x) With Reference to Note No 28, Finance Costs: It is observed that penal interest for delayed payment of principal to Power Finance Corporation (PFC) amounting to Rs.126.61 Lakhs was accounted for in earlier year. However, in Financial Year 2021-22, the same was waived by PFC and the company has adjusted it in present Finance cost instead of routing through Prior period adjustment. This has resulted in understatement of current Finance cost and loss for the year by Rs.126.61 Lakhs
- xi) Power Finance Corporation Ltd. (PFC) Vide their Letter No. 03/31/Meghalaya/MePGCL/Ganol/64343001/Vol.I dated 31.12.2020 sanctioned a Financial Assistance for setting up 22.5(3x7.5) MW Ganol Stage-I Small Hydraulic Project amounting to Rs.173.11 Cr. Out of the same Rs.8,000 Lakhs was received by the company from PFC on 28.04.2021, but the same was invested in Fixed Deposit by the company on 30.04.2021 and subsequently redeemed on various days without necessary approval of Board. Corresponding Interest Income amounting to Rs. 40.86 Lakhs has been shown as Other Income – Interest Income from Banks in Financials for the year ended March 2022 instead of reducing Cost of the Project by the amount of Interest earned from an amount specifically received for a particular Project in terms of Ind AS 23, Borrowing Costs. This is in contradiction of Point No. 10.1 of the Terms and Conditions attached to the above Sanction. This has resulted Overstatement of Other Income by Rs.40.86 Lakhs and understatement of Loss by the same amount.

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Basis for Disclaimer of Opinion

- It was observed that following opening balance are lying unadjusted since migration of books of accounts to Accounting Software in 2013-14:

Account Head	Amount (Rs in Lakhs)
Liabilities for Operational and Maintenance Related Supplies (Under various ledger code)	0.42
	106.26
	13.89
	73.12
	15.29
Liabilities for Capital Supplies (Under various ledger code)	394.99
	103.95
	1.06
	-0.04
	5.44
Staff Related Liabilities - Life insurance premium received	3.44



Account Head	Amount (Rs in Lakhs)
Staff Related Liabilities -Amount received from LIC under Group Insurance Claim	11.26
Security Deposits and Retention Moneys Payable - Current Financial Liabilities (Others) (Net Amount)	2,909.71
Provision for expenses (Liab)	3,251.71
Cash Imprest with Staff	110.27

In absence of proper documentation and clarifications we are unable to comment upon correctness of such items and the consequence of such impact if adjustment is made in books of accounts.

- With reference to Note No. 3, Capital Work-In-Progress (CWIP), confirmation from competent authority of the Company was not made available so as to ascertain actual position of projects which are slow/non-moving in nature. In absence of any clarification, we are not in a position to comment on the feasibility of the Project and its ongoing current status, and therefore unable to comment upon the impact of such balances in the current financial statement.

With reference to Note No. 3, Capital Work-In-Progress (CWIP), it was observed that an asset (Triaxial Testing Machine at soil concrete and steel testing laboratory) worth Rs.6,02 lakhs was purchased earlier by Design division-I (Umiam) and transferred to investigation division vide ATD No: 54 dated 31.07.2020, which as explained was not accepted and accounted by Investigation division-II (Umiam) earlier. In year under review, the same is shown in CWIP under heading Cost of Investigation, Research and Survey. We are of opinion that the particular machine is required to be capitalised as an individual asset.

- We observed that following Capital Stock items have negative carrying balances as on 31st March, 2022 as follows:

Balance Sheet Note No.	Stock Particulars	Amount	Division wise Break-up	Amount
Note No. 3 - CWIP, Addition of Capital Stock	NUHEP-Others Stock Account (Capital)1	(28.14)	New Umtru H.E Project	(28.14)
	NUHEP-Others Stock Account (Capital)2	(9.22)	New Umtru H.E Project	(9.22)
	Cables & Conductors-Materials Stock Account (Capital)	(93.27)	Generation I	(93.27)
	Electric Light Fittings-Materials at Site Accounts Capital	(27.04)	Myntdu Leksha HE Project	(27.04)
	GI Pipes-Materials at Site Accounts Capital	(5.69)	Opening Balance 2014-15	(1.78)
			Myntdu Leksha HE Project	(3.92)
	GI Sheets-Materials at Site	(3.27)	Opening Balance 2014-15	(0.23)



Balance Sheet Note No.	Stock Particulars	Amount	Division wise Break-up	Amount
			Myntdu Leksha HE Project	(3.04)
	Others-Materials at Site Accounts Capital	(91.22)	Opening Balance 2014-15	(83.50)
			Myntdu Leksha HE Project	(7.72)
	Others-Materials Stock Account (Capital)	5.30	Opening Balance 2014-15	43.92
			New Umtru H.E Project	(0.13)
			Ganol HEP	6.46
			Generation I	(55.55)
	Towers-Materials Stock Account (Capital)	(28.21)	Generation I	(28.21)
	Steel-Materials Stock Adjustment Account (Capital)	(3.31)	New Umtru H.E Project	(3.31)

Aggregate value of these negative balances Rs.345.03 lakhs has reduced value of Capital Stock shown in CWIP.

- With reference to Note No. 17, Non-Current Liabilities: Deferred Revenue, the company had received a grant of Rs.3.79 Lakhs for "Preparation of Bid Document for Expression of Interest (EOI) of Hydro Power Projects" as per Letter no.- POWER-38/2012/88 dated 10-06-2015 issued by Under Secretary to the Government of Meghalaya, Power Department and were directed to debit the Head of Account "2801-Power-80-101 Assistance to EBs- (01) Subsidy to MeSEB for Rural Electrification-33-subsidies General- Non-Plan". However, the company has treated this as a Grant and accounted for in account code 55.210. In absence of any clarification so as to ascertain whether the bid document was prepared and payment thereof was made, we are unable to comment on the proper treatment of the same.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the following matters: -

- The Holding Company receives grant from State Government and allocate the funds to MePGCL. After allocation of fund the Company records same as Investment from Holding Company and subsequently issues equity share capital. However, the company has failed to allot its securities within sixty days from the date of receipt of application money as per provisions of Section 42(6) of Companies Act, 2013. Also, in terms of the Companies Act, the company is required to pay interest at the rate of twelve percent per annum from the expiry of the sixtieth day if such application money is not refunded within fifteen days from the close of sixtieth day provisions of which it has not complied with.
- As per notification no: Fin(B)91/89/53 dated 24th April, 1989 Finance (Budget) Department of Government of Meghalaya, guarantee fee of half percent (0.5%) as Government standing guarantee for the loan obtained by Public Undertaking and Apex Co-operative Institutions shall be recovered on the amount guaranteed and outstanding on the 31st March each year for the next financial year till the guarantee is vacated or till the loan is liquidated. The Company has consistently calculated and booked such amount as Liability for Expenses each year resulting



accumulation of Rs. 3,115.76 Lakhs till year under audit. No payment against this liability has been made till date.

- With reference to Note No. 4, Non-current Financial Assets – Others: of the Financial Statement amount of Rs.1.44 Lakhs disclosed as recoverable from State Government. The balance is outstanding as unadjusted since 2013-14 (financial year from which books of accounts had been maintained in accounting software).
- With reference to Note No. 6, Inventories amounting to Rs. 780.57 Lakhs is netted off with negative balances amounting to Rs. -77.41 Lakhs details of which is given below.

Items of Inventory with Negative Balance	Amount
GI Sheets (O&M)	(0.57)
Cables & Conductors-Materials Stock Accounts (O & M)	(6.94)
Electric Light Fittings-Materials Stock Accounts (O & M)	(1.07)
Others-Materials at Site Accounts O&M	(0.41)
Others-Materials Stock Accounts (O & M)	(67.03)
Transformers-Materials Stock Accounts (O & M)	(1.39)
Total	(77.41)

It is observed that at the time of migration, Opening Balance of the Inventory amounting to Rs. 824.28 Lakhs has been transferred to the Company as a whole instead of showing Division wise opening balances. At the time of issuing the inventory from the Division, balance of the Inventory becomes negative in absence of Opening Balance. Matter should be scrutinised for transferring actual opening balances to respective divisions to avoid this irregularity.

- With reference to Note 12, current tax assets (Income Tax Refundable) amounting to Rs.56.80 Lakhs as on 31.03.2022 after reversal of Refund for the FY 2020-21 amounting Rs.2.62 Lakhs is not in agreement with the aggregate balance of Rs.62.79 Lakhs including TDS, TCS, Self-assessment tax & advance tax deposited as disclosed in Form 26AS. In absence of reconciliation, we are unable to comment upon the nature and recoverability of the amount Rs.3.36 Lakhs in excess of amount per Form 26AS.
- With reference to Note No. 16, The Company has received fund of Rs.5,000 Lakhs during the year 2021-22 as 'Additional Support for clearing the outstanding dues of Ganol Project' vide Letter Ref No. POWER-43/2012/40 dated 9th December 2021 from Government of Meghalaya, Power Department. The said Fund is qualifying as Government Grant according to Ind AS 20 - 'Accounting for Government Grants and Disclosure of Government Assistance', however, company has shown the said fund as 'Loan from State Government' under Non-Current Financial Liabilities: Borrowings. Resulting in understatement of Government grant under 'Deferred Revenue' and overstatement of Loans from State Government under Non-Current Financial Liabilities: Borrowings
- With reference to Note No. 19, Current Financial Liabilities – Trade Payables: amount payable against SLDC (State Load Dispatch Centre) Charges to Related Party (Meghalaya Power Transmission Corporation Limited- MePTCL) has been stated at Rs.591.60 Lakhs whereas as per confirmation received from MePTCL the amount is Rs.576.13 Lakhs. There is difference in balance amounting to Rs.15.46 Lakhs lying unadjusted since FY. 2017-18.



- The Company has booked stale cheque liability of Rs.41.49 Lakhs under liability for expenses and also shows Rs.176.36 Lakhs as uncashed cheques in Bank Reconciliation Statement without recording under stale cheque liability. It is observed that few cheques included above are more than 12 months old. The company has not assessed and reconciled exact liability for repayment.
- During the year, the Company has received refund from Income Tax Department amounting to Rs.2.62 Lakhs including Rs. 0.14 Lakhs being interest on Refund u/s 244A vide Intimation Order u/s 143(1) dated 29th March, 2022 for the FY 2020-21. The Company has reversed the TDS Receivable by the full amount of Refund instead of Rs.2.47 Lakhs(net of interest) resulting in understatement of Interest Income and TDS Receivable by Rs. 0.14 Lakhs. Also, Loss for the year is overstated by the said amount.
- With reference to Note 22 of the Financial Statement, the Company is generally not regular in depositing undisputed statutory dues with appropriate authorities. In the absence of the relevant payment challans and information, we are unable to comment upon the balance of actual liability. We identified following statutory dues liability outstanding as on 31st March, 2022 as identified from books of accounts:

FY-2021-22		
Ledger Code	Particulars	Amount (Rs in Lakhs)
44.401	TDS Deducted at source	6.50
44.407	Professional Tax	8.85
46.924	TDS on payment to contractors	0.46
46.924	Edu Cess Paid to Govt	73.08
46.302	Royalty	183.86
46.44	Provision for service tax	10.77
46.926	MFT	126.02
46.927	Value Added tax deducted at source	159.08
46.929	Labour cess	102.07
44.443	EPF Administration charge	0.67
46	GST TDS	1.05
44.441	EPF Employee Contribution	201.10

Since the documents related to statutory dues were not made available to us, we are unable to comment upon interest and penalty that may be levied by appropriate authorities for non-payment, short-payment or non-filing of returns, which is subject to provision of applicable laws.

- On verification of GST credit ledger of GSTIN: 17AAICM1937H1ZD closing balance of total Input Tax Credit is Rs.188.79 Lakhs (IGST: Rs.80.40 Lakhs, CGST: Rs.47.11 Lakhs & SGST: Rs.61.27 Lakhs) as on 31-03-2022. The Company is engaged in generation and sale of electricity which is not considered as supply of Goods and Services as per Schedule III of CGST Act read with 7(2)(a) of CGST Act. However, few divisions of the company are engaged in construction under works contract & laboratory testing services which are covered under the said law. Hence, the balance of Rs.188.79 Lakhs pertaining to ITC cannot be treated as claimable against GST liability.



With reference to Note No. 13, Balance with Government Authorities amounting to Rs. 2,799.28 Lakhs includes GST ITC Input Tax Credit Claimable amounting to Rs.2,799.15 Lakhs and Service Tax of Rs.0.13 Lakhs. The Company should assess and reconcile its ITC claimable in lying its books as compared to GST credit ledger and make necessary adjustments.

- On scrutiny of GST returns it was observed that bill raised to ARSS Infrastructure Project Ltd. amounting to Rs. 0.75 Lakhs and GST of Rs.0.11 Lakhs has been booked as B2C in GSTR-1 returns during the month February 2022 instead of B2B in GSTR-1. Similarly, bill raised to Aibanlang Wallang, amounting to Rs.0.07 Lakhs and GST of Rs.0.01 Lakhs has been booked under B2C instead to B2B in GSTR-1 returns in the months of November 2021 and January 2022. As a result, the company may have to refund the GST amount to the party concerned, if demanded, for mistake on their part in filing the return.
- It was observed that the company has not declared taxable value of sale of electricity (Exempt Supply) in Table 8 in the GST Monthly Return.
- We observed the following balances (Amount in Lakhs) remaining unadjusted for more than 3 years.

Liabilities for Capital Supplies (Under various ledger code)	519	Lying unadjusted for more than 3 years
Staff Related Liabilities - Emp contribution to ESIS	0.41	Lying unadjusted for more than 3 years
Staff Related Liabilities- Amount received from LIC under Group Insurance Claim	11.26	Lying unadjusted for more than 3 years
Security Deposits and Retention Moneys Payable (net)	2,884	Lying unadjusted for more than 3 years
Cash Imprest with Staff	114	Lying unadjusted for more than 3 years
Festival Advance	3	Lying unadjusted for more than 3 Years
Educational Advance	13.89	Lying unadjusted for more than 3 Years
Medical Advance	34	Lying unadjusted for more than 3 Years
Staff Related Advances	55	Lying unadjusted for more than 3 Years
Operational and Maintenance Advance	180	Lying unadjusted for more than 3Years

The reason for such balances and corresponding pending adjustments has not been made available during the audit.

- The common expenses of Holding Company (MeECL) are allocated into the books of accounts of Company (MePGCL). The basis of allocation is not ascertainable. Hence, we are unable to comment on the impact of the same in Financial Statement.
- In the course of our audit, it was observed that the debit balance and the credit balance of various ledgers under the same account codes are being adjusted to report the balances in the financial statement on net off basis. The Company should state the debit and credit balances separately as per requirement of Schedule III to Companies Act, 2013 under appropriate heading.



- With reference of financial performance of the Company, it has increased borrowings to overcome negative cash flow, the total borrowing exceeds the shareholder fund, current maturities of borrowing, i.e, repayable of borrowings is Rs.11,772.44 Lakhs (including short term loan). The aforesaid matters highlight irregularities in repayment of borrowings and interest thereon indicating extreme stressed financial position of the company.
- The Company has received two loans from State Government for 'Construction of Riango SHP (3X1000 KW)' amounting to Rs.100 Lakhs and Rs.141.75 Lakhs against which no terms of repayment or rate of interest has been specified in the sanction letter issued in FY 2019-20. Hence, liability towards accrued interest has neither been provided in accounts nor the same can be ascertained by us. The company is in process for taking the clarification on the same with the Finance Department of the Government of Meghalaya and the reply is awaited.
- The Company has premature redemption of Fixed Deposits amounting to Rs.1,993.48 Lakhs during the year which was kept in SBI and Central Bank of India. We were not produced any approval from the Board of Directors authorizing such premature redemption. Due to the said redemption, the Company has incurred Interest Loss of Rs.20.86 Lakhs which is shown as 'Interest Written off' in the Statement of Profit and Loss Account.
- Three Loans received from PFC amounting to Rs.2,238.93 Lakhs has been paid during the year under review but No Dues certificate is yet to be received from PFC. As a result, it is not possible to ascertain whether further demand can be raised by PFC.
- The 12th Annual General Meeting of the MePGCL to adopt the financials for the year ended 31st March 2021 was adjourned as the Annual Accounts were still in process of preparation. The adjourned AGM has not yet been convened for the adoption of the same.
- Cost Audit report for the year under review was not made available till date of audit.
- The company is following a practice of issuing equity against money received for any project from the Government in terms of order no. POWER-101/2014/190 dated 24th March, 2015, issued by Additional Chief Secretary to the Govt. Of Meghalaya and thereby not following Compliance of IND AS 20 on Government Grants accounting issued by ICAI.
- We have not come across corrective measures taken during the year by management towards the observation/point No. 2, 4 and 5 raised by C&AG on Financial Statements of FY 2020-21 vide their mail dated 06.09.2022. Please refer Annexure-C.

Information Other than the Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexure to Board's Report, Business Responsibility Report, Corporate Governance and shareholder's Information, but does not include the consolidated financial statements, standalone financial statements and our auditor's report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibility of Management for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, cash flows and changes in equity of the Company in accordance with the Ind AS and other accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and 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 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 statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole 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 these standalone financial statements.

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



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 standalone financial statements, 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 financial control relevant to 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 system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's 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 Company's ability 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 financial statements 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. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

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.



Report on Other Legal and Regulatory Requirements

- 1) As required by the Companies (Auditor's Report) Order, 2020 ("the order"), issued by the Central Government of India of sub-section (11) of section 143 of the Companies Act, 2013, we give in the 'Annexure-B' statement on the matters specified in paragraph 3 and 4 of the order, to the extent available.
- 2) As required by Section 143(3) of the Act, based on our audit we report 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.
 - (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 those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement and Statement of Changes in Equity dealt with this report are in agreement with the relevant books of accounts.
 - (d) In our opinion, the aforesaid financial statements comply with the Indian Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
 - (e) The provisions of section 164(2) of the Companies Act, 2013 regarding "whether any director is disqualified from being appointed as a director" is not applicable to the company as per Notification No. GSR 463 (E) dated 5th June, 2015 issued by the Ministry of Corporate Affairs.
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and operating effectiveness of such controls, refer to our separate Report in 'Annexure – A'. Our report expresses a qualified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
 - (g) The provisions of Section 197(16) of the Companies Act, 2013 regarding Directors Remuneration is not applicable to the Company as per Notification No. GSR 463(E) dated 5th June 2015 issued by the Ministry of Corporate Affairs.
 - (h) With respect to the other matters to be included in the Auditor's 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. All the cases against the company are dealt with by the Holding Company, and treatment thereafter met out on case-to-case basis in accordance with the guidelines specified by the Holding Company. Hence, details of all such cases are enumerated in the Annexure to the Separate Financial Statements of the Holding Company and the Consolidated Financial Statements of the group thereon. Till order is awarded by the Hon'ble Court and subsequent direction to holding company it is not possible to ascertain future liability at this moment.



- ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
- iii. The Company has no amount that is required to be transferred to the Investor Education and Protection Fund.
- iv. (a) The Management has represented that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person or entity, including foreign entity ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
- (b) The Management has represented, that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been received by the Company from any person or entity, including foreign entity ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
- (c) Based on the audit procedures that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-Para (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material misstatement.
- v. Since the Company has not declared or paid any dividend during the year, the question of commenting on whether dividend declared or paid is in accordance with Section 123 of the Companies Act, 2013 does not arise.

- 3) As require to report on the revision of direction under Section 143(5) of the Act(report on directions) issued by Comptroller & Auditor General of India ("CAG"), we report on the matters specified in the said directions as follows:

SI No.	Particulars	Comments
1.	Whether the company has system in place to process all the accounting transactions through IT System? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts with the financial implications, if any. may be stated.	It has been seen that in Various Departments, there is no segregation of duty and demarcation of a person company wise and a single person is handling the task of all the Four (4) Companies and this is giving serious issue



		in internal control. Since the time accounting system was started in tally in the year 2013-14, Opening balances including Various negative balances are yet to be reconciled. The accounting package tally system used by the company can only operate satisfactorily if it is maintained in a very structured manner suitable for this type of voluminous business and eliminating manual intervention in data transferring from division to Head Office. Due to lack of integrated system, correctness of data movement and real time viewing and correction if required is not possible.
2	Whether there is any restructuring of an existing loan or cases of waiver/ write off of debts/ loans/ interest etc. made by a lender to the company due to the company's inability to repay the loan') If yes, the financial impact may be stated. Whether such cases are properly accounted for? (In case, lender is a Government Company, then this direction is also applicable for statutory auditor of lender company)	There is no waive/write off of debts or loan in the year under audit.
3	Whether funds (grants/subsidy etc.) received/ receivable for specific schemes from Central/State Government or its agencies were properly accounted for/utilized as per its term and conditions? List the cases of deviation.	The company is following a practice of issuing equity against money received for any project from the Government in terms of order no. POWER-101/2014/190 dated 24th March, 2015, issued by Additional Chief Secretary to the Govt. Of Meghalaya and thereby not following Compliance of IND AS 20. on Government Grants accounting issued by ICAI. Hence, we are unable comment upon the deviation of fund.



For SBA Associates
Chartered Accountants
Firm Registration No: 308136E

Goutam Sen
Partner
Membership No: 055110
UDIN:23055110BGZRDH1121

Place: Shillong

Dated: 17/02/2023

Annexure-A to Independent Auditor's Report

(Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("The Act")

We have audited the internal financial controls over financial reporting of Meghalaya Power Generation Corporation Limited ("the Company") as of 31st March, 2022 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls 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 Institute of Chartered Accountants of India". 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 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 Companies Act, 2013.

Auditor's Responsibility

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 Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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.

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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.



Meaning of Internal Financial Controls Over Financial Reporting

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 authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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

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.

Qualified Opinion

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at 31st March, 2022:

- Insurance of the Assets have been made. However, no physical verification of the fixed assets or inventories was done during the year 2021-22. It was also noticed on site visits that the demarcation of immovable assets was not satisfactorily done. The identification and details of fixed assets location wise has not been maintained and the fixed asset register provided for audit lacked many details. Also, Title-deed in respect of land appearing in financials are not available with the management. Ownership of the land could not be ascertained in absence of such document.

Further, in absence of any detailed list from the technical department, it is not possible to ascertain actual status of CWIP shown in Balance Sheet.

- Policy on verification of stores & spares, identification and disposal of obsolete, damaged and unserviceable stores and spares was not framed to 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.

No details for inventories were maintained and no verification of the inventories was done during the year 2021-22, also negative balances in various inventory items has been reported.



- It has been seen that in Various Departments, there is no segregation of duty and demarcation of a person company wise and a single person is handling the task of all the Four (4) Companies and this is giving serious issue in internal control.
- During the year 2021-22, no assessment of risks either for the assets or operations or any amount towards receivables were carried out.
- The company has no practice of taking authorisation from Board of Directors for opening and premature redemption of Fixed Deposits.
- It is observed that, Loans are appearing in the books of account against which no repayment has been made during the year in absence of proper loan document. Management has failed to arrange these documents from the authority disbursing the loan and therefore such anomaly continues. Few loans have been classified as grant and vice versa.
- We observed that after entry of the documents in the books and payments/ receipts thereof, documents are not defaced so as to understand that the document is either booked or payment/ receipt.
- In absence of internal audit manual / guidance, internal audit was inadequate to ensure effectiveness to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles. However, the Company has an Internal Audit system, which in our opinion, does not commensurate with the size and nature of the business as all the divisions were not covered during FY 2021-22 due to shortage of staff as explained. We were not produced Internal audit report covering entire accounting period in respect of every division of the Company.
- The accounting package tally system used by the company can only operate satisfactorily if it is maintained in a very structured manner suitable for this type of voluminous business and eliminating manual intervention in data transferring from division to Head Office. Due to lack of integrated system, correctness of data movement and real time viewing and correction if required is not possible.
- Since the time accounting system was started in tally in the year 2013-14, Opening balances including various negative balances are yet to be reconciled.

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



In our opinion, except for the effects/possible effects of the material weaknesses described in the 'Qualified Opinion' Section on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of 31st March, 2022, 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 Institute of Chartered Accountants of India".

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the 31st March, 2022 Financial Statements of the Company, and these material weaknesses have affected our opinion on the Financial Statements of the Company.



For SBA Associates
Chartered Accountants
Firm Registration No.: 308136E

Goutam Sen
Partner
Membership No: 055110
UDIN :23055110BGZRDH1121

Place: Shillong

Dated:17/02/2023

Annexure-B to Independent Auditor's Report

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

MEGHALAYA POWER GENERATION CORPORATION LIMITED ("the Company")

(i) In respect of its fixed assets:

(a.) (A) The Company has not maintained proper records showing full particulars, including item wise quantitative details and situation of Property Plant and Equipment

(B) According to the information and explanations given to us and based on our examination of the records, the company is not in possession of any Intangible Asset and therefore, reporting under Para 3 (i)(a)(B) of the Order is not applicable.

(b.) The company has not carried out physical verification of Property Plant and Equipment during the year 2021-22. Hence, we are unable to comment on the material discrepancies existing as on 31.03.2022.

(c.) Title deeds of immovable property were not made available to us as the Company is in the process of identifying the same and therefore we could not report in the given format under Para 3 (i)(c).

(d.) The company has not revalued any assets during the year.

(e.) The company does not have any Benami property. Accordingly, clause 3(v)(e) of the Order is not applicable.

(ii) (a.) On the basis of our audit and according to the information and explanation given to us, the management has not conducted physical verification of inventories at reasonable intervals. So, we are unable to comment on the material discrepancies between physical inventories and those appearing in the financial statements.

(b.) According to the information and explanations given to us and based on our examination of the records, the Company has not been sanctioned Working Capital Limits during the year and therefore, reporting under Para 3 (ii) (b) is not applicable to the Company.

(iii) (a.) The Company has not provided any loans or advances in the nature of loans or stood guarantee, or provided security to any other entity during the year, and hence reporting under Para 3(iii)(a) of the Order is not applicable. As per the information provided and verification of Financial Statements, there are no such Investments made during the year under audit by the company.

(b) Since the Company has not granted any loans during the year, hence reporting under Para 3(iii)(b),(c), (d), (e) and (f) of the Order is not applicable.



- (iv) The Company has not granted any loans or provided any Loan or guarantees or security or Investment to the parties covered under section 185 and 186 of the Act.
- (v) In our opinion the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules 2014 (as amended). Accordingly, the provisions of Para 3(v) of the Order is not applicable.
- (vi) The Central Government has prescribed set of rules for maintenance of Cost Records by the company under section 148(1) of the Companies Act, 2013 and the same has been maintained.
- (vii) (a) The Company is generally not regular in depositing undisputed statutory dues with appropriate authorities. In the absence of the monthly relevant payment challans and information in respect of every division, we are unable to comment upon the balance of actual liability. We identified following statutory dues liability outstanding as on 31st March, 2022 as identified from books of accounts:

FY-2021-22		
Ledger Code	Particulars	Amount (Rs in Lakhs)
44.401	TDS Deducted at source	6.50
44.407	Professional Tax	8.85
46.924	TDS on payment to contractors	0.46
46.924	Edu Cess Paid to Govt	73.08
46.302	Royalty	183.86
46.44	Provision for service tax	10.77
46.926	MFT	126.02
46.927	Value Added tax deducted at source	159.08
46.929	Labour cess	102.07
44.443	EPF Administration charge	0.67
46	GST TDS	1.05
44.441	EPF Employee Contribution	201.10

- (b) In absence of adequate information provided by the management we are unable to furnish information required under Para 3 (vii)(b) of the Order.
- (viii) According to the information and explanations given to us, the Company does not have any transactions that were not recorded in the books of account that were surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (43) of 1961.



- (ix) (a) According to the information and explanations given to us, the Company has outstanding loan liabilities towards Power Finance Corporation Limited, Rural Electrification Corporation Limited and Loan from State Government. The details of default in repayments are:

Nature of Borrowing	Name of Lender	Amount (in Lakhs) Not paid on due date	Whether principal or Interest	No of Days delay or unpaid	Remarks if Any
(11.25% ~ 12.15%) Term Loan from PFC (MLHEP 60 Crs)	Power Finance Corporation (PFC)	402.62	Principal	87	
		367.16	Interest		
(11.75% ~ 12.00%) Term Loan from PFC (NUHEP)	Power Finance Corporation (PFC)	786.25	Principal	87	
		1,034.02	Interest		
(10.15 ~ 10.75%) Term Loan from PFC (Lakroh)	Power Finance Corporation (PFC)	9.91	Principal	87	
		14.60	Interest		
(11.75 ~ 12%) Loan from PFC	Power Finance Corporation (PFC)	407.27	Principal	87	
		371.40	Interest		
10.50% Term Loan from PFC Ltd for Ganol SHP	Power Finance Corporation (PFC)	149.42	Interest	87	
Loan from State Government	Government of Meghalaya	1,564.37	Principal	-	Not made available
		1,218.81	Interest		
Loan from MeECL	Meghalaya Energy Corporation Ltd.	128.96	Principal	88	
		5.12	Interest		
Loan from MeECL	Meghalaya Energy Corporation Ltd.	128.96	Principal	88	
		4.51	Interest		
Loan from MeECL	Meghalaya Energy Corporation Ltd.	128.96	Principal	89	
		4.99	Interest		
(8 ~ 12.6%) Loan REC (MLHEP)	REC Ltd.	632.61	Principal	89	
		308.05	Interest		
(11.25 ~ 12.15%) Loan from REC	REC Ltd.	206.90	Principal	89	
		109.60	Interest		

- (b) According to the information and explanations given to us, The Company has not been declared willful defaulter by any bank or financial institution or other lender.
- (c) According to the information and explanation given to us during course of our audit, we have not come across utilization of fund other than the purpose for which it was received.
- (d) According to information and explanations given to us company has not raised any fund on short term basis.
- (e) Reporting on Para 3(ix)(e) and (f) is not applicable to the company.



- (x) (a) The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments).
- (b) According to the information and explanations given to us and based on our examination of the records, the Company has made preferential allotment or private placement of shares amounting to Rs.11,482.01 Lakhs during the year. The Holding Company receives grant from State Government and allocate the funds to MePGCL. On receiving the fund the Company records same as "Equity pending Allotment" [ledger code: 54.500(A)] & subsequently issues equity share capital. However, in adherence to provision of section 42(6) of Companies Act, 2013 the company has failed to allot its securities within sixty days from dates of receipt of the application money for such securities and as per the provision if the company is not able to allot the securities within that period, it shall repay the application money to the subscribers within fifteen days from the date of completion of sixty days and if the company fails to repay the application money within the aforesaid period, it shall be liable to repay that money with interest at the rate of twelve percent per annum from the expiry of the sixtieth day. Thus, the policies of Company are not in conformity with the Companies Act, 2013. Also, the Company is having equity share capital outstanding for pending allotment of Rs.658.98 Lakhs as on 31st March, 2022.
- (xi) (a) According to the information and explanations given to us and based on our examination of the records, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.
- (b) Reporting on Para 3(xi) (b) is not applicable to the company
- (c) According to information given to us and during the course of our audit, we have not come across any whistle-blower complaint.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Accordingly, paragraph 3 (xii) of the Order is not applicable to the Company.
- (xiii) The Company has complied with provisions of section 177 of the Companies Act, 2013. In our opinion and according to the information and explanations given to us the Company is in compliance with Sections 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable Indian Accounting Standards.
- (xiv) (a) The Company has an Internal Audit system, which in our opinion, does not commensurate with the size and nature of the business as all divisions were not covered during FY 2021-22 due to shortage of staff as explained.
- (b) We have considered Internal Audit reports as received during course of our checking.
- (xv) According to the information and explanations given to us and based on our examination of the records, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3 (xv) of the Order is not applicable to the Company.



- (xiv) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3 (xvi) of the Order is not applicable to the Company.
- (xv) In our Opinion Company has incurred Cash Losses in the FY 2021-22 amounting to Rs.12,575.16 Lakhs and previous FY 2020-21 amounting to Rs.3,652.92 Lakhs
- (xvi) There is no resignation of the Statutory Auditors during the FY 2021-22.
- (xvii) The company has not furnished reason for variation more than 25% in Note 54. Also ageing respect of Trade receivables, Trade payables and Capital WIP has not been furnished in the Financials. In absence of these information, we could not give our opinion on material uncertainty exists as on the date of the audit report that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date.
- (xviii) In our Opinion, the Company is not required to transfer any amount to the Fund specified in as specified in Schedule VII of the Companies Act, 2013 in compliance with second proviso to sub-section (5) of Section 135 of the said Act. Accordingly, clause 3(xx) of the Order is not applicable.
- (xix) Reporting under clause 3(xxi) of the Order is not applicable as the clause is applicable only to the audit reports of Consolidated Financial Statements.



For SBA Associates
Chartered Accountants
Firm Registration No.: 308136E

Goutam Sen
Partner
Membership No: 055110
UDIN : 23055110BGZRDH1121

Place: Shillong

Dated: 17/02/2023