

INDEPENDENT AUDITORS' REPORT

To the Members of Meghalaya Energy Corporation Limited

Report on the Standalone IND AS Financial Statements

1. Qualified Opinion

We have audited the standalone financial statements of Meghalaya Energy Corporation Limited ("the Company"), which comprise:

- a) the Standalone Balance Sheet as at March 31, 2023;
- b) the Standalone Statement of Profit and Loss (including Statement of other Comprehensive Income) for the Financial Year ended as at 31<sup>st</sup> March 2023;
- c) the Standalone Statement of Changes in Equity for the Financial Year ended as at 31<sup>st</sup> March 2023;
- d) the Standalone Cash Flow Statement for the Financial Year ended as at 31<sup>st</sup> March 2023; and
- e) the 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 section of our report**, the aforesaid standalone 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 accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2023, and profit/loss and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

2. Basis for Qualified Opinion

*We draw attention to the matters described in "Annexure-A, C & D", the effects /possible effects of which & matters where we are unable to obtain appropriate audit evidences, individually or in aggregate, which are material to the Standalone Ind AS Financial Statements.*

3. Emphasis of Matter

*We draw attention to "Annexure-A, C & D", of our report regarding matters which requires user's attention. Our opinion is not modified in respect to these matters.*

4. Other Matter

The Internal Financial Control Over Financial Reporting needs to be strengthened including the internal financial controls with regard to the matters stated in qualified opinion para, Revenue contracts, Purchases, Trade receivables /payables, Inventory, Assets etc.



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**5. Information other than the Standalone Financial Statements and Auditors' Report**

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the standalone Ind AS financial statements and our auditor's report thereon.

Our opinion on the standalone Ind AS 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 Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the standalone Ind AS financial statements or our knowledge obtained in the 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 to those charged with governance.

The annual report is expected to be made available to us after the date of auditor's report. Hence, we have nothing to report in this regard.

**6. Management's Responsibility 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 and presentation of these financial statements that give a true and fair view of the financial position, financial performance (including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act, read with relevant rules issued there under and accounting system.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company 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 standalone Ind AS financial statements 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.



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The Board of Directors are also responsible for overseeing the company's financial reporting process.

**7. Auditor's Responsibility for the Audit of the Standalone 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 financial statements.

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

- a) Identify and assess the risks of material misstatement of the 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.
- b) Obtain an understanding of internal 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.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d) 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.
- e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements



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represent the underlying transactions and events in a manner that achieves fair presentation.

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.

### 8. Report on Other Legal and Regulatory Requirements

- i) As required by the Companies (Auditor's Report) Order, 2020 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "**Annexure-A**", a statement on the matters specified in paragraphs 3 & 4 of the Order.
- ii) As required by the Companies Act, 2013 under section 143(5), we have attached "**Annexure-B**" a statement on matters directed by C&AG.
- iii) As required by Section 143(3) of the Act, we report that:
  - a) We have sought and obtained all the information and explanations except on the matters detailed in **Annexure A and Annexure C**.
  - b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid standalone financial statements have been kept by the Company so far as it appears from our examination of those books **except for the effects of the matter described in the Basis for Qualified Opinion paragraph (Annexure-A & C)**.
  - c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the statement of changes in equity, the Cash Flow Statement dealt with by this Report are in agreement with the books of account except for matters referred to in 'Basis for Qualified Opinion'.
  - d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 except:
    - i. Fair Value Measurement (Ind AS 113).
    - ii. Valuation of Inventories (Ind AS 2) with respect to valuation of obsolete items at realizable value.
    - iii. Impairment of Assets (Ind AS 36).
    - iv. Plant, Property & Equipment (Ind AS 16)
    - v. Borrowing cost (Ind AS 23)
    - vi. Accounting Policies, Changes in Accounting Estimates and Errors (Ind AS 8)



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- e) On the basis of the Gazette Notification No 372 dated 05.06.2015 issued by the Ministry of Corporate Affairs, Government of India, the provisions of Section 164(2) of the Companies Act, 2013 regarding the “Disqualification of Directors” for appointment as Director of company shall not apply being a Government Company.
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in “**Annexure D**”. Our report expresses **Qualified Opinion** on the operating effectiveness of the Company’s Internal control with reference to Standalone Financial Statements;
- g) With respect to the other matters to be included in the Auditor’s Report in accordance with the requirements of section 197(16) of the Act, as amended: Being a Government Company, pursuant to the Notification No. GSR 463(E) dated 5th June 2015 issued by Ministry of Corporate Affairs, Government of India, provisions of Section 197 of the Act, are not applicable to the company.
- 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) The company has not disclosed the impact of pending litigation on its financial position in its standalone Ind AS financial statements
  - ii) The Company has not made provisions, as required under the applicable law or accounting standards, for material foreseeable losses, if any on long-term contracts including derivative contracts. However, as per management explanations, the Company is not engaged in dealing with derivative contracts and hence no provisions is required for material foreseeable losses on account of derivative contracts.
  - iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company;
  - iv) (a) The management has represented that, to the best of its knowledge and belief, no funds 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 entities (“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 have been received by the company from any person or entity, including foreign entities (“Funding Parties”), with the understanding, whether



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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; and

(c) Based on such audit procedures that were considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (a) and (b) contain any material misstatement; and

v) No dividend has been declared or paid during the year by the Company.

**For, PARIK & CO**  
**(Chartered Accountants)**

**FRN: 302147E**

  
**Partner**

**CA Bipin Kumar (FCA)**

**ICAI Membership No: 059805**

**UDIN:23059805BGWEDU1688**

**Place: Guwahati, Date: 30/09/2023**



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**ANNEXURE A**

**TO THE INDEPENDENT AUDIT REPORT FOR THE FINANCIAL YEAR 2022-23**

**(Referred to in paragraph 8(i) of our report of even date)**

In terms of the information and explanations sought by us and given by the company and the books of account and records examined by us in the normal course of audit and to the best of our knowledge and belief, with respect to statement on the matters specified in paragraphs 3 & 4 of the CARO 2020, we state that:

- I (a) (i) The company has not maintained Fixed Assets Register as per the requirement laid down in the Companies Act. The Fixed asset register maintained by the company does not contain specific details about the quantitative details, location and identification of such assets. Further, the Fixed Asset Register, as maintained, by the company is not in reconciliation with the books of accounts and as such, we cannot comment on the completeness and accuracy of the same.
- (ii) The Company do not have any recorded Intangible Assets, hence the relevant clause of CARO, 2020 wrt to maintenance of record of Intangible Assets do not apply on this company.
- (b) According to the information and explanations given to us and on the basis of our examination of the record, the Company do not have approved fixed asset physical verification policy. Further the company has not performed physical verification of fixed assets for the F.Y 2022-23. Having regard to the size of the organization, we are of the opinion that the physical verification process has not been conducted at reasonable intervals. In the absence of final physical verification report, we are unable to quantify the consequential impact of the outcome of such verification on the financial statements.
- (c) The title deeds of immovable properties were not produced to us for our verification; hence we are unable to comment that the company has recorded title deeds in its own name in respect of all the immovable properties in the possession of the company. The management has informed us that the company is in the process of getting its name incorporated in the various assets and liabilities transferred to its from Meghalaya State Electricity Board. As per provisions of The "Meghalaya Power Sector Reforms Transfer Scheme 2010" the respective Plant & Machinery in use of all three subsidiaries engaged in Distribution, Generation & Transmission were supposed to be transfer to the respective three subsidiaries companies but till date major part of asset transferred to its three subsidiaries company are still in the name of holding Company.
- (d) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the company has not revalued its Property, Plant and Equipment or Intangible Assets during the year ended March 31, 2023. Accordingly, the reporting requirements under Provisions of the clause 3(i)(d)





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of the order are not applicable to the Company.

- (e) According to the information and explanations given to us, no proceedings have been initiated or are pending against the Company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988 (as amended in 2016) and rules made there under.
- Ii (a) According to the information and explanations given to us the only some portion of inventory of the company has been physically verified by the management and that too only quantitative verification report of partially verified inventory has been prepared and that too without having any reconciliation report from the books of accounts. Thus, physical verification procedure of inventory is not adequate. In the absence of adequate physical verification report, we are unable to quantify the consequential impact of the outcome of such verification on the financial statements.
- (b) In our opinion and according to the information and explanations given to us, the company has not been sanctioned working capital limits in excess of Rs. Five Crores in aggregate from Banks and/or Financials Institution during any point of time of the year on the basis of security of current assets. Accordingly, the requirements to report on clause 3(ii)(b) of the Order is not applicable to the Company.
- iii. As per the information and explanations given to us, during the year, the Company has not made any further investment, granted any loan (secured or unsecured), to Companies, Firms, Limited Liability Partnership or other parties covered in the register maintained under Section 189 of the Act during the year.
- iv. Related Party Accounts with subsidiaries companies is subject to both reconciliation and confirmations due to required adjustments of carry-over of legacy balances transferred from erstwhile Meghalaya State Electricity Board. Therefore, the company could not provide us the actual balances of the related parties nor with any related party confirmations. According, we are unable to comment, whether the company has complied with the provisions of section 185 and 186 of the Act.
- v. In our opinion and according to the information and explanation given to us, the Company has not accepted any deposits during the year. However, there is equity share capital pending allotment to Govt. of Meghalaya amounting to Rs. 59110.89 lakh, which may be considered as deemed deposits within the meaning of Section 73 to 76 of the Companies (Acceptance of Deposits Rules, 2014 (as amended). The company has not made the requisite compliances under the companies Act on the plea that the said amount was originally received as grant from Govt. and not as a Share Application Money.





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- vi. As explained by the management, the Central Government has not specified the maintenance of cost records under section 148(1) of the Act for services rendered by the Company. Accordingly, clause 3(vi) of the Order is not applicable.
- vii. (a) With reference to our comments in **Annexure C** of the Audit Report, the Company could not provide us with requisite details & information with respect to transaction and payment of statutory dues and as such, we are unable to comment as to whether the Company has been regular in depositing undisputed statutory dues including Goods and Service tax, Provident Fund, Employees State Insurance, Income-Tax, Electricity Duty, Cess and any other statutory dues with the appropriate authorities. Further, in absence of information, we cannot comment if there are undisputed amounts payable in respect of statutory dues which were outstanding at the yearend for a period of more than six months from the date they became payable.
- (b) The company could not provide us with requisite details & information and as such, we are unable to comment as to whether there are any dues of income tax, sales tax, service tax, duty of customs, duty of excise, value added tax outstanding on account of any dispute.
- viii. According to the information and explanation given to us, the Company has not surrendered or disclosed any transaction, previously unrecorded in the books of account, in the tax assessments under the Income Tax Act, 1961 as income during the year. Accordingly, the requirement to report on clause 3(viii) of the Order is not applicable to the Company.
- ix. (a) Based on our audit, and as per the information and explanation given by the management, the company has not defaulted in the repayment of dues of principal or interest on loan to the financial institutions, banks and Government.
- (b) According to the information and explanations given to us and on the basis of our audit procedures, we report that the company has not been declared willful defaulter by any bank or financial institution or government or any government authority.
- (c) In our opinion and according to the information and explanations given to us, the company has utilized the money obtained, by way of term loans during the year for the purposes for which they were obtained.
- (d) Based upon the audit procedures performed and the information and explanations given by the management, the company has not raised moneys by way of short term loans. Accordingly, the provisions of clause 3 (ix) (d) of the Order are not applicable to the Company.
- (e) The Company has not taken, during the year, any funds from any entity or person on account of or to meet the obligations of its subsidiaries, associates or joint ventures.
- (f) The Company has not raised any loan, during the year, by pledging of securities held in its subsidiaries, joint venture or associate companies if any.



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- x. (a) The Company has not raised any money, during the year, by way of initial public offer / further public offer (including debt instruments) hence, the requirement to report on clause 3(x)(a) of the Order is not applicable to the Company.
- (b) The Company has converted Rs. 57547.35 Lakhs of State Govt. Grants into Share Application Money Pending Allotment (in compliance of GoM Order No. Power-101/2014/190 dated 24.03.2015) in favour of Govt. of Meghalaya and out of total accumulated Share Application Money Pending Allotment Rs. 70928.90 Lakhs, the company has allotted during the year Rs. 11818.01 Lakhs as Equity Share Capital to Govt. of Meghalaya, as preferential allotment.
- xi. (a) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud/ material fraud by the Company or no fraud / material fraud on the Company has been noticed or reported during the year.
- (b) During the year, no report under sub-section (12) of section 143 of the Companies Act, 2013 has been filed by using Form ADT – 4 as prescribed under Rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government.
- (c) As represented to us by the management, there are no whistle blower complaints received by the company during the year.
- Xii The Company is not a Nidhi Company as per the provisions of the Companies Act, 2013. Therefore, the requirement to report on clause 3(xii)(a) to 3(xii)(c) of the Order are not applicable to the Company.
- xiii. Transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable but only the partial details have been disclosed in the notes to the standalone Ind AS financial statements, as required by the applicable accounting standards, as only the net off balances as at close of the years has been disclosed only and rest others prescribed details has not been disclosed in the Financial Statement. Further, there is unexplained and unallocated balance of Rs. 6272.23 lakh in the related party disclosure.
- xiv. In our opinion and based on our examination, the company has an internal audit system, however the same is not commensurate with the size and nature of its business.
- xv. The Company has not entered into any non-cash transactions with its directors or persons connected with its directors and hence requirement to report on clause 3(xv) of the Order is not applicable to the Company.
- xvi. The provisions of section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934) are not applicable to the Company. Accordingly, the requirement to report on clause 3(xvi)(a)



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to 3(xvi)(d) of the Order are not applicable to the Company.

- xvii The Company has incurred cash losses approximately amounting to Rs. 4544.81 lakh in the current year and amounting to Rs. 6501.81 lakh in the immediately preceding financial year respectively. Cash losses has been calculated by reducing the Grant amortization and adding the depreciation to the Net Profit after taxes of the company. Further this Cash Losses is excluding the Other Comprehensive Expenses related to prior period amounting to Rs. 2215.18 Lakhs (Previous Year Nil).
- xviii There has been no resignation of the statutory auditors during the year and accordingly requirement to report on Clause 3(xviii) of the Order is not applicable to the Company.
- xix. According to the information and explanations given to us and on the basis of the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the Standalone Ind AS financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any 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. We, however, state that this is not an assurance as to the future viability of the company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the company as and when they fall due.
- xx. The provisions of Section 135 to the Companies Act, 2013 in relation to Corporate Social Responsibility is not applicable to the Company. Accordingly, the requirement to report on clause 3(xx)(a) and 3(xx)(b) of the Order are not applicable to the Company.
- xxi. The reporting under clause 3(xxi) of the Order is not applicable in respect of audit of Standalone Financial Statements. Accordingly, no comment in respect of the said clause has been included in this report.

**For, PARIK & CO**  
**(Chartered Accountants)**  
**FRN: 302147E**

  
**Partner**

**CA Bipin Kumar (FCA)**  
**ICAI Membership No: 059805**  
**UDIN:23059805BGWEDU1688**  
**Place: Guwahati, Date: 30/09/2023**



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**Annexure B to the Independent Auditor's Report  
for the Financial Year 2022-23  
(Referred to in paragraph 8 (ii) of our report of even date)**

**Compliance Certificate**

We have conducted the Audit of Accounts of **MEGHALAYA ENERGY CORPORATION LIMITED**, having its Registered office at Shillong (Meghalaya), for the Financial Year ended 31<sup>st</sup> March, 2023 in accordance with the Directions issued by the Comptroller & Auditor General of India Under Section 143 (5) of the Companies Act, 2013 and certify that we have complied with all the Directions / Sub-directions issued to us. Our comments against the specified direction are enclosed here with in separate sheet.

**For, PARIK & CO  
(Chartered Accountants)  
FRN: 302147E**



**Partner  
CA Bipin Kumar (FCA)  
ICAI Membership No: 059805  
UDIN:23059805BGWEDU1688  
Place: Guwahati, Date: 30/09/2023**



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**Annexure B to the Independent Auditor's Report for the Financial Year 2021-22**  
(Referred to in paragraph 6(ii) of our report of even date)

**DIRECTIONS UNDER SECTION 143(5) OF THE COMPANIES ACT, 2013**

| Sl. No. | Directions   | Action Taken   |
|---------|--|--|
| 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 along with the financial implications, if any, may be stated. | No the Company does not have system in place to process all accounting transactions through IT system.   |
| 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.  | Based on the details provided by the Management and our audit we observed that during the period under audit there is no restructuring of an existing loan or 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.   |
| 3.      | Whether funds received/receivable for specific schemes from central/ state agencies were properly accounted for/ utilized as per its term and conditions? List the cases of deviation.   | <p>During the year, the Company has not received / receivables any specific schemes related funds from Central Govt.</p> <p>During the year, the Company has received Financial Assistance from Govt. of Meghalaya for Specific Purpose amounting to Rs. 2547.35 Lakhs and for meeting Financial Crisis of the Company Rs 55000.00 Lakhs.</p> <p>The said receipt of Funds from Govt. of Meghalaya were properly accounted by the Company.</p> <p>The Company has allocated the specific purpose fund to its subsidiary companies for the stated purpose of utilisation.</p> <p>The Company is following a practice of</p> |



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| Sl. No. | Directions | Action Taken   |
|---------|------------|--|
|         |            | transferring of Money received from State Govt. as Financial Assistance into Equity Fund, in terms of Order No.<br>01. POWER-101/2014/190 order dated 24th March, 2015, issued by Additional Chief Secretary to the Govt. Of Meghalaya. &<br>02. Govt. of Meghalaya , Finance ( Economic Affairs ) Department order No. FEA/41/2021/369 dated 18 <sup>th</sup> March 2023 and FEA/41/2021/372 dated 20 <sup>th</sup> March 2023. |

**For, PARIK & CO**  
**(Chartered Accountants)**  
**FRN: 302147E**



**Partner**  
**CA Bipin Kumar (FCA)**  
**ICAI Membership No: 059805**  
**UDIN:23059805BGWEDU1688**  
Place: Guwahati, Date: 30/09/2023



**ANNEXURE C**  
**TO THE INDEPENDENT AUDIT REPORT FOR THE**  
**FINANCIAL YEAR 2022-23**  
**OBSERVATIONS LEADING FOR QUALIFIED OPINION**  
(Referred to in Para 8 (iii) of our report of even date)

**A. SPECIFIC OBSERVATIONS:**

**NOTE 2: PROPERTY, PLANT AND EQUIPMENT: Rs. 938.67 Llakhs**

1. The Company has not complied the true spirit of Notification No. Power-79/2009/Pt-1/422 dated 29.04.2015, i.e. the direction of re-vesting of all respective assets and liabilities by the holding company to the three subsidiaries companies, which is evident from the fact that still the Holding Company is carrying in its Financial Statements the transferred fixed assets to its three subsidiaries companies, like at Plant & Machineries (gross carrying cost without adjustment of Ind AS of Rs. 466.25 lakh), Hydraulic works (gross carrying cost without adjustment of Ind AS Rs. 1.88 lakh), Line & Cables Network (gross carrying cost without adjustment of Ind AS Rs. 19.21 lakh).
2. The company has not maintained Fixed Assets Register as per the requirement laid down in the Companies Act. The Fixed Asset Register maintained by the company do not contain specific details about the quantitative details, location and identification of such assets. Further, the Fixed Asset Register, as maintained, by the company is not in reconciliation with the books of accounts. Due to non-availability of sufficient and appropriate audit evidence with regard to the completeness and accuracy of the fixed assets, we are unable to comment on the consequential impact on the Standalone Financial Statements of the Company.
3. Most of the title deeds of all the immovable properties (other than properties where the company is lessee and the lease agreements are duly executed in favour of the lessee) disclosed in the financial statements are held either in the name of the predecessor company i.e. Meghalaya State Electricity Corporation or Meghalaya State Electricity Board. Even title deed of most of the transferred assets to three subsidiaries companies are also held in name of holding Company or its predecessor company.
4. The Company could not produce before us for verification 'an approved Physical verification policy of the company'. Further the company has not performed physical verification of fixed assets for the F.Y 2022-23 and also in the preceding years. In absence of such policy and the Physical Verification report, we are unable to comment on real existence of Stated Fixed Assets of the company.
5. The company has not applied the provisions for impairment of assets as per the requirements of Ind AS 36 "Impairment of Assets" and as such we are unable to comment on the impact of impairment, if any, on account of impairment of assets.
6. Based on our sample testing, Insurance coverage has not been done for Property, Plant and Equipment except for vehicles in use.
7. Many put into use assets are still lying under the head of CWIP and consequential depreciation has not been charged on that used assets. In absence of adequate information





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we are unable to comment on the extent of undercharging of depreciation on the used assets are still lying under the head CWIP.

**NOTE 3: CAPITAL WORK-IN-PROGRESS: Rs 537.51 lakhs**

The Company has not disclosed ageing schedule of CWIP. The company is in the process of reconciling the ageing and project wise status of CWIP as on 31<sup>st</sup> March, 2023. Complete project wise details or asset wise details of the CWIP/Capital Stock along with put to use/commissioning dates, if any, were not produced before us for verification. In absence of the complete reconciliation or audit trail, we are unable to quantify the impact of non-capitalization of Capital work in progress/Capital Stock and the depreciation and value of fixed assets.

**NOTE 6: NON-CURRENT FINANCIAL ASSETS: OTHERS: Rs 1,19,015.13 Lakhs.**

- 1) As per note 6.1 of the financial statements, it includes Receivables from State Government against Terminal Benefits of Staff to the tune of Rs. 84004.24 lakh which has been taken in accordance with Transfer Notification No. POWER-79/2009/514, dated the 23.12.2013 approved by the Government of Meghalaya. This stated amount of receivables of Rs. 84004.24 Lakhs seems to be overstated by Rs. 16894.89 lakhs, as amount recovered from State govt. and paid to MeSEB Pension Trust amounting to Rs. 16894.49 Lakhs (mentioned in Note 15) in Financial Statement has not been adjusted with this stated receivables amount of Rs. 84004.24 Lakhs. And If this receipt amount of Rs. 16894.89 lakhs is part of Equity then overall accounting of Terminal Benefit under the head OCM in combine of all four Companies ( i.e Holding and three Subsidiary) is understated by Rs. 16894.89 lakhs.
- 2) Non – Current Financial Assets includes “ Equity Instruments with Subsidiary Company ( Pending Allotments) with MePDCL Rs. 27704.56 Lakhs”. However issued Equity Capital of MePDCL plus Pending Allotment Money of MeECL totaling Rs. 1,12,726.36 Lakhs is greater than the Authorised Capital of MePDCL Rs. 1,00,000.00 Lakhs. Thus the Stated Equity Instruments with Subsidiary Company (Pending Allotments) with MePDCL Rs. 27704.56 Lakhs” is in the violation of section 2(8) of the Companies Act 2013.

**NOTE 7: CURRENT ASSETS: INVENTORIES: Rs. 1144.42 lakhs**

1. Proper inventory records could not produce before us for verification, like complete details of Inventories such as rates and value etc. Due to non-availability of sufficient and appropriate audit evidence, we are unable to comment on the completeness, valuation and accuracy of the inventories.
2. The Company has conducted only quantitative verification of inventory and that too reconciliation of that quantitative verified inventory has not been made with books of accounts. As such, we are unable to comment on its existence and its consequential impact of the outcome of such verification on the financial statements.
3. The company has not identified non-moving, slow moving, obsolete and damaged items of inventory and has neither provided any provision for the same. This is in contravention of the requirements as laid down under Ind AS 2 - Inventories.



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4. The company is behaving its subsidiaries companies like its own proprietary units wrt transfer of its inventory to subsidiaries companies, as the same has not been effected in compliance of Sale of Goods Act, 1930.

**NOTE 8: CURRENT FINANCIAL ASSETS CASH & CASH EQUIVALENT: Rs. 558.88 lakhs**

1. Cash Imprest with Staff amounting to Rs. 8.32 Lakhs is subject to reconciliation and confirmation. Out of these imprest only Rs. 1.57 Lakhs is related to current period and the rest portion details of Rs. 6.75 Lakhs remained unexplained. Thus there seems to be overstatement of Current Financial Assets Cash & Cash Equivalent amounting to Rs. 6.75 Lakhs.
2. Balance with Bank amounting to Rs.550.17 Lakhs is subject to tracing of reasons of many old reconciliations and due adjustments.

**NOTE 11: CURRENT FINANCIAL ASSETS: OTHERS: Rs. 296576.14 Lakhs**

1. This figure includes Interest Accrued amounting to Rs. 10.82 Lakhs, which is being carried over the same figure since last years. The Company has explained that this amount represents interest accrued on Fixed Deposit with Yes Bank created against Debenture Redemption Reserve Account. As per Bank Statement of Yes Bank this the interest accrued figure as at 31.03.2023 is Rs. 16.75 Lakhs. Thus there is understatement of Current Financial Statement and consequential understatement of reporting period Profitability by Rs. 5.93 Lakhs.
2. Other Receivable from Related Parties (Subsidiary Companies) Rs. 30,908.11 Lakhs (stated to be receivables against remittances of Fuel Materials , Personnel & Others) is inclusive of Opening Balance Receivables of Rs. 28181.27 Lakhs , which has been piled up from many previous years. Further considering the liquidity positions of subsidiary companies, there seems to be no possibility of realization of all these piled up dues, within a year. Therefore this amount of Rs. 30,908.11 Lakhs should had been disclosed as Non Current Financial Assets.
3. Receivables against Operation, Capital & Others from all three subsidiaries Companies Rs. 265657.21 Lakhs is explained to be receivable from three subsidiaries companies against the provisions of differential Terminal Benefits. However this amount do not match with the stated figure of Note No. 15 of Financial statements, as per under mentioned details:

| Particulars  | Total Amount | Retained in MeECL Books | Net Receivables from Subsidiaries |
|--|--------------|-------------------------|-----------------------------------|
|  | A Rs. Lakhs  | B Rs. Lakhs             | C=A-B Rs. Lakhs                   |
| Amount of Terminal Benefit Provisions accounted under Employee Benefit Expenses. | 14700.38     | 131.32                  | 14569.06                          |
| Accounted as OCI   | 244138.64    | 2115.18                 | 242043.46                         |
| Total  | 258839.02    | 2236.50                 | 261075.52                         |



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|  |  |  |                  |
|--|--|--|------------------|
| Difference with accounted figure of<br>Rs. 265657.21 Lakhs |  |  | 4581.69<br>Lakhs |
|--|--|--|------------------|

**NOTE 12: CURRENT TAX ASSETS: INCOME TAX REFUNDABLE RS. 12.32 lakhs**

1. The company could not provide us with reconciliation of the Income Tax refundable as appearing in the books of account with the respective income tax return. In absence of this reconciliation, we are unable to comment on the accuracy, completeness and existence of the balances.
2. The company is continuously wrongly filing its income tax return on the PAN of Meghalaya State Electricity Board instead of its own legally allotted PAN No. AAGCM5623C. Further to that all of the TDS receivable amount pertains to allotted PAN in the name of Meghalaya State Electricity Board. Therefore the receipt of Direct Tax Assets in the form of TDS receivable is doubtful and hence there seems to be overstatement of current tax assets amounting to Rs. 12.32 Lakh.

**NOTE 13: OTHER CURRENT ASSETS: Rs. 1574.63 Lakhs**

1. Operational & Maintenance advance of Rs. 13.13 Lakhs is subject to reconciliation, confirmation and due adjustment with concerned parties.
2. **Balance with Govt. Authorities Rs. 1509.85 lakh**
  - a) Based on our sample testing, we have observed that the balances appearing for "GST Input Tax Credit Claimable" are majorly on account of Input tax credit availed from expenses incurred by the company for implementing various Capital Projects, which are in use of the subsidiaries companies. In our opinion, the company is not entitled to avail such Input tax credit as per Rule 42 and 43 of GST Act. The total amount of such ineligible ITC Input needs to be capitalized with the Asset created out of the said expenses. As such, CWIP/Fixed Assets are understated. In absence of complete information, we are unable to quantify the consequential impact on the financial statements.
  - b) Further to that the stated balance of Rs. 1509.85 lakh is subject to reconciliation with GST portal credit and subject to grant of input credit entitlement from GST Authorities. Thus, this seems to be clear case of overstatement of other current assets by the 1509.85 lakh.
  - c) Further to that Holding Company and all three subsidiaries companies have received SCN Cum Demand Notice dated 16.08.2022 for substantial higher amount than this stated receivables. Thus there do not seem to be chances of receipt of this accounted receivables from Govt. Authorities.

**NOTE 15: OTHER EQUITY: Rs. 20237.36 Lakhs**

1. **Equity share capital pending allotment Rs. 59110.89 lakhs.**

It is observed that the company has outstanding share application money of Rs. **Rs. 59110.89** lakhs. In terms of Rule 2 (vii) (a) of the Companies Acceptance of Deposits Rule, 2014 it has been specified that if allotment of shares cannot be made within 60 days from the date of receipt of the application money and such advance



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could not be refunded within 15 days from the date of completion of sixty days such amount shall be treated as a deposit under these rules read with section 74 of the Companies, 2013. However, the company has not treated the same as Deposit, on the plea that the said amount is originally received as grant from GoM. Also, the same is to be disclosed as a separate line item in the Balance Sheet as "Share Application money pending allotment", however, the company has disclosed it under the head "Other Equity".

2. As per Note 15.2 of the financial statement it is mentioned that during the year, an internal audit was conducted in relation to the accounting treatment of the Government of Meghalaya Equity Participation 5% holding of Rs. 20.57 crores in North East Transmission Company Limited (NETC) based on which the accounting treatment of funds received by MeECL on behalf of the Government of Meghalaya as equity, capital grant, capital work in progress, etc., is not proper and may require rectification. The matter is being taken up for further examination, consultation in line with the Company Law, and place for approval before the competent authority. The necessary accounting treatment/adjustment entries will be made post-examination and approval by the Competent Authority. Thus, Equity share pending allotment of Rs. 59110.89 lakh is subject to reconciliation and verification.

**NOTE 17: NON CURRENT LIABILITIES PROVISIONS:: Rs. 322866.62 lakhs**

Based on Actuarial Valuation Report , the Company has accounted ascertained liability of 343991.88 Lakhs on account of Terminal Benefit Liability payable to MeSEB Pension Trust as of 31.03.2023 position against all four Companies (inclusive of its three subsidiaries companies). And out of this Liability of Rs. 343991.88 Lakhs have been disclosed as Non Current Liabilities Provisions of Rs. 322866.62 Lakhs only. Since the terminal liability is supposed to be discharged by MeSEB Pension Trust hence whole of the ascertained terminal benefit liability is supposed to be paid immediately to the MeSEB Pension Trust. Therefore whole of this liability should had been disclosed as Current Liabilities Provisions. Thus there is overstatement of Non Current Liability Provision and consequential understatement of Current Liabilities Provisions by Rs. 322866.62 lakhs.

**NOTE 19: CURRENT FINANCIAL LIABILITIES OTHERS: Rs. 26458.75 lakhs**

**1. Liabilities for Capital supplies: Rs. 3960.20 Lakh**

The Company could not produce before us, the break up of partywise details and period of dues. Maximum part of the balances are being carried over since last several years. Further to that the Company has not disclosed in the Financial statements the mandatory disclosure of Ageing Schedule of Creditors and the dues pertaining to MSME Creditors. Therefore, we are unable to comment on the extent of understatement/ over statement of these stated liabilities.e

**2. Staff related liability: Rs. 4284.86 Lakhs**



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The company could not produce for our verification the detail break up of this liability. Therefore, we are unable to comment on the extent of understatement/ over statement of these stated liabilities.

**3. Security deposit and retention money payable: Rs. 10444.96 Lakhs**

As per information and explanations given by the company this amount includes Rs. 10453.86 lakh on account of deposit for execution of capital works (i.e. customer contribution towards cost of capital). As per approved transfer notification this liability should had been transfer to respective subsidiaries companies engaged in Distribution/ Generation/ Transmission. But the company is wrongly carrying over this huge balance and its financial statement. Thus, there is clear overstatement of security deposit and retention money payable by Rs. 10453.86 lakh.

**4. Liabilities for expenses: Rs. 1188.38 Lakhs**

As per Note 19.3 of the financial statement Liabilities for Expenses is inclusive of a balance of Rs. 30.22 lakh which pertains to unidentified credits in the Bank Account(s) pending head-wise identification. The same has been placed under reconciliation. Since, this un identified credit of Rs. 30.22 lakh is subject to identification and reconciliation. Therefore, we are unable to quantify its impact on financial statements.

**5. Payable to Pension Trust: Rs. 56.68 Lakhs.**

Based on Actuarial Valuation Report , the Company has accounted ascertained liability of 343991.88 Lakhs on account of Terminal Benefit Liability payable to MeSEB Pension Trust as of 31.03.2023 position against all four Companies (inclusive of its three subsidiaries companies). And this Liability of Rs. 343991.88 Lakhs have been disclosed as Non Current Liabilities Provisions in Note 17 & Current Liabilities provisions in Note 20 of the Financial Statement.

**Thus the Stated amount of Rs. 56.68 Lakhs seems to be overstated liability.**

**6. Related Party Payables : Rs. 6272.03 Lakhs Plus 0.02 Lakhs.**

These balances are subject to inter unit and inter company reconciliation, confirmation and adjustment of many non-existent carried over legacy balances. Therefore, we are unable to comment on the extent of overstatement/ understatement of this related party payables in the financial statement.

**NOTE 21: STATUTORY DUES PAYABLE: Rs. 136.40 lakhs**

This includes the carryover of many legacy balances and also subject to reconciliation and consequential adjustment with various Taxation Authorities. Therefore, we are unable to comment on the extent of overstatement/ understatement of this statutory due payable in the financial statement.






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**(Standalone)**

**B. GENERAL OBSERVATION:**

1. Internal audit reports for the FY 2022-23 could not be produced before us for verification till date of signing of this report.
2. We invite attention to Note 45 Additional information: The note itself states the various issues with the financial statements and matters pending reconciliation. Therefore, we are unable to express our clear opinion on these financial statements.
3. The balances appearing under sundry advances, loans, deposits are subject to confirmation/ reconciliation and consequential adjustments. In the absence of confirmation of balances and / or reconciliation in respect of the above we are not in position to quantify the consequential impact on the financial statements.
4. Based on the information/documents provided to us for verification, TDS is generally deposited by the company based on payments made to the vendors. This is in contravention of the Income Tax Act, 1961 which states that TDS needs to be deducted on payment or credit whichever is earlier. Such practice followed by the company will attract interest and penalty.
5. Certain accounts under the liabilities head are showing debit balances whereas under assets head they are showing credit balances. As this is apparently not correct, it needs verification and correction. In absence of information the effect of reconciliation on the financial results of the company cannot be quantified.
6. The Balances appearing under some accounting head has no changes during the reporting financial year. Further their breakup and age wise analysis also not produced to us for our verification.
7. Disclosures as required under Micro, Small and Medium Enterprises Development Act, 2006 read with MCA notification GSR 719(E) dated 16/11/2007 were not provided by the Company.

**For, PARIK & CO**  
**(Chartered Accountants)**  
**FRN: 302147E**

  
**Partner**  
**CA Bipin Kumar (FCA)**  
**ICAI Membership No: 059805**  
**UDIN:23059805BGWEAO1026**  
**Place: Guwahati, Date: 28/03/2023**





**ANNEXURE D**

TO THE INDEPENDENT AUDIT REPORT FOR THE FINANCIAL YEAR 2022-23

(Referred to in Para 6(iii)(f) of our report of even date)

**Report on the Internal Financial Controls under Clause (f) 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 Energy Corporation (the Company') as of 31<sup>st</sup> March, 2023 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

The Company 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 (ICAI). The responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the 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.

**Auditors' 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 to Internal Financial Controls over Financial Reporting ('the Guidance Note') and the Standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. 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 were 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 bases on the assessed risk. The procedures selected depend on the auditors' judgment, including the assessment of the risk 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.



(Standalone)

### **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 authorization of the Management of the Company, and (3) provided 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.

### **Adverse Opinion**

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at March 31, 2023:

- a. The Company did not have appropriate internal controls for reconciliation of physical Inventory and Fixed Asset with the Inventory Records and Fixed Asset Records, which has resulted in misstatement of inventory and fixed asset values in the books of account. The management has failed to design controls to safeguard assets from loss, damage or misappropriation.
- b. The company did not have appropriate internal controls for reconciliations of significant accounts like- trade payables, security deposits, loans and advances and other accounts as mentioned in Annexure C to the Independent Auditors' report, in a timely or accurate manner.
- c. The company did not have appropriate internal controls over the period end financial reporting process, including controls over procedures used to enter transaction totals into the general ledger; initiate, authorize, record, and process journal entries into the general ledger; and record recurring and non-recurring adjustments to the financial statements as mentioned in Annexure C to the report. There are no adequate preventive or detective controls over recording of transactions so as to permit preparation of financial statements which are free from material misstatements.



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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 financial statements will not be prevented or detected on a timely basis.

In our opinion, because of the effect of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has not maintained adequate and effective internal financial controls over financial reporting as of March 31, 2023, 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 March 31, 2023 standalone financial statements of the Company, and these material weaknesses have affected our opinion on the standalone financial statements of the Company and we have issued a disclaimer of opinion on the standalone financial statements.

**For, PARIK & CO**  
**(Chartered Accountants)**  
**FRN: 302147E**



**Partner**  
**CA Bipin Kumar (FCA)**  
**ICAI Membership No: 059805**  
**UDIN:23059805BGWEDU1688**  
**Place: Guwahati, Date: 30/09/2023**

