HARI SINGH & ASSOCIATES

CHARTERED ACCOUNTANTS
FRN 323509E

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TO THE MEMBERS OF
MEGHALAYA POWER GENERATION CORPORATION LIMITED

Report on the Audit of Standalone Ind AS Financial Statements

Qualified Opinion

We have audited the accompanying Standalone Ind AS financial statements of **Meghalaya Power Generation Corporation Limited** *('the Company')*, which comprise of the Standalone Balance Sheet as at **March 31, 2024**, the Statement of Profit and Loss (including Statement of Other Comprehensive Income), the Statement of Changes in Equity, Statement of Cash Flows for the year 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 matters described in Basis for Qualified Opinion paragraph below *(quantified to the extent possible)*, the aforesaid standalone Ind AS 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 (financial position) of the company as at **31st March 2024**, its **Losses**, (financial performance including other comprehensive income), changes in equity and its cash flows for the year ended on that date.

Basis for Qualified Opinion:

We draw attention to the matters described in **Annexure "A" &"C"** of the report. The effects of these matters (whether quantified or otherwise) on the Standalone Ind AS Financial Statements, individually or in aggregate, that are unidentified in some cases due to inability to obtain sufficient and appropriate audit evidence, are material.

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Standalone Ind AS 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 Act 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 we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the standalone Ind AS financial statements.

Hari Singh & Associates Shillong Chartered Accountants

Independent Auditor's Report
For the Financial Year 2023-24

Information other than the Standalone Ind AS Financial Statements and Auditors' Report thereon

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.

Management's Responsibility for the Standalone Ind AS Financial Statements:

The accompanying standalone Ind AS financial statements have been approved by the Company's Board of Directors. The Company's Board of Directors are responsible for the matters stated in Section 134(5) of the Companies Act, 2013 with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended.

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 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 standalone Ind AS 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.

Hari Singh & Associates
Shillong
Chartered Accountants

Independent Auditor's Report
For the Financial Year 2023-24

Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements:

Our objectives are to obtain reasonable assurance about whether the standalone Ind AS 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 SA's 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 Ind AS financial statements.

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

1. Identify and assess the risks of material misstatement of the standalone Ind AS 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.

2. 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 Companies Act, 2013, 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.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. 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.

5. Evaluate the overall presentation, structure and content of the standalone Ind AS financial statements, including the disclosures, and whether the standalone Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Hari Singh & Associates Shillong Chartered Accountants

Materiality is the magnitude of misstatements in the standalone Ind AS financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the standalone Ind AS 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 standalone Ind AS 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.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 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 and 4 of the Order, to the extent applicable.

2. As required by the Companies Act, 2013 under section 143(5), we have attached **Annexure "B"**, a statement on matters directed by C & AG.

3. As required by Section 143 (3) of the Act, we report that:

a) We have sought and except for the effects of the matters (whether quantified or otherwise) described in the Basis for Qualified Opinion paragraph above read together with our comments as mentioned in **Annexure "A"&"C"**, obtained all the information and explanations, which to the best of our knowledge and belief were, necessary for the purpose of our audit.

b) Except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph section of our report, 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.

Singh & Associates
Shillong
Chartered Accountants

c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

d) Except for the effects of the matters (whether quantified or otherwise) described in the Basis for Qualified Opinion paragraph above, in our opinion, the aforesaid Standalone Financial Statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2015 as amended.

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 "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 with reference to Standalone Ind AS Financial Statements of the Company and the operating effectiveness of such controls, refer our separate Report in **Annexure 'D'**. Our Report expresses **'disclaimer of opinion'** 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 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. Due to possible effects of the matters (whether quantified or otherwise) described in the Basis for Qualified Opinion paragraph above, we are unable to state whether the Company has made adequate provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts. According to the information and explanations given to us, the Company has not entered into any derivative contracts.

ii. 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;

Hari Singh & Associates Shillong Chartered Accountants

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-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material misstatement.

iii. a) The Company had not proposed any dividend in the previous financial year; hence the provisions of Sec.123 of Companies Act is not applicable.

b) The company has not declared and paid any interim dividend during the financial year.

c) The Board of Directors of the Company have not proposed any dividend for the year which is subject to the approval of the members at the ensuing Annual General Meeting.

iv. With respect to the matter to be included in the Auditor's report under section 197(16) of the Act, in our opinion and according to the information and explanation given to us, the limit prescribed by section 197 for maximum permissible managerial remuneration is not applicable in case of a government company.

v. **Based on our examination, we report that under Rule 11(g) of Companies (Audit and Auditors) Rules, 2014, the company, has not used accounting software for maintaining its books of accounts which has a feature of recording audit trail (edit log) facility. Therefore, we are of the opinion that the company has not complied with the proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014.**

For HARI SINGH & ASSOCIATES.
CHARTERED ACCOUNTANTS
FRN 323509E
UDIN: 24312438BKDGOF6378

Hari Singh & Associates * Shillong * Chartered Accountants

ROHIT SHARMA
PARTNER
ICAI MEMBERSHIP NO. 312438

PLACE: SHILLONG
DATE: 07-11-2024

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ANNEXURE "A" TO INDEPENDENT AUDITOR'S REPORT:

[Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report of even date to the members of Meghalaya Power Generation Corporation Limited on the Standalone Financial Statements for the year ended on **31st March, 2024.**]

(a)

A. The Company has **not maintained** proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment. The documents furnished to us does not contain specific details about the location and identification of such assets as per the requirement laid down in the Companies Act.

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) As per the records available, the company has conducted physical verification of its property, plant and equipment at some of its sites. When compared to the fixed asset register, these physical reports do not match. But the financial impact of this physical verification has not been accounted for nor the mismatch in physical assets have been accounted for in the fixed asset register.

(c) The company has multiple plots of land spread across the state of Meghalaya. But the title deeds of the same were not available for verification. Hence, it is not possible for us to comment whether all the title deeds of the immovable property are held in the name of the company. The details required to be reported under this clause are also not available with the company. The same has also not been reported by the company in its notes to account as mandated by Schedule iii.

(d) According to the information and explanations given to us, the Company has not revalued its property, plant and Equipment or its intangible assets or both during the year. Accordingly, the reporting requirements under paragraph 3(i)(d) of the order are not applicable to the Company.

(e) According to the information and explanations given to us, no proceeding has been initiated or pending against the Company for holding benami property under the Benami Transactions (Prohibition) Act, 1988 and rules made thereunder. Accordingly, the provisions stated in paragraph 3(i) (e) of the Order are not applicable to the Company.

ii.

(a) According to available information, the company has conducted the physical verification of the inventory lying at some of its sites during the year. But the physical verification reports were not matching with the inventory as per books of accounts. In our opinion, the coverage and procedures of such verification by the management is not appropriate. Again, discrepancies of more than 10% or more in aggregate for the various sites were noted but no action was taken against the same.

Hari Singh & Associates
Shillong
Chartered Accountants

ANNEXURE "A" TO INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31st March,2024 of
Meghalaya Power Generation Corporation Limited

(b) Based on the records checked by us, the Company has not been sanctioned working capital limits in excess of five crore rupees against any inventory or any other current assets such as debtors, in aggregate, from banks or financial institutions on the basis of security of current assets. Accordingly, the requirements under paragraph 3(ii)(b) of the Order are not applicable to the Company.

iii. According to the information explanation provided to us, the Company has not made any investments in, provided any guarantee or security or granted any loans or advances in the nature of loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or any other parties **during the year**. Hence, the requirements under paragraph 3(iii) of the Order are not applicable to the Company.

iv. In our opinion and according to the information and explanations give to us, the company had neither given any loan or guarantee nor provided any security to director or any person to whom the directors are interested. But an amount of **Rs. 26351.17 lakhs** are outstanding in the financials against its holding company under current financial assets. Further, the Company has not made any investment in fixed deposits and the total outstanding under that head at the yearend was Rs. **4523.71 lakhs**. Therefore, we are of the opinion that the company has not complied with the provisions of section 185 and 186 of the Act.

v. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits during the year and hence, the provisions of 73 to 76 of the Companies Act, 2013 is not applicable. Further, no order has been passed by the law board or NCLT or RBI or any other court or Tribunal on the company.

vi. Pursuant to the rules made by the Central Government of India, the Company is required to maintain cost records as specified under Section 148(1) of the Act in respect of its products. We have broadly reviewed the same. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

vii.

a) On the basis of information and explanation given to us," undisputed statutory dues including provident fund, employee's insurance, goods and services tax, duty of custom, duty of excise, cess have been regularly deposited by the company with appropriate authorities in all cases during the year. There are no arrears of outstanding undisputed statutory dues as on the last day of the financial year concerned for a period of more than six months from the day, they became payable which have not been deposited with the appropriate authorities except the ones given in the table below:

Statutory liability	**Amount**
Value added tax, Meghalaya	Rs. 158.77 lakhs
Labour cess	Rs. 116.31 lakhs
Service tax	Rs. 10.77 lakhs
Education cess	Rs. 73.08 lakhs
Tax deducted at source *(Interest on mobilization advance)*	Rs. 106.50 lakhs

Hari Singh & Associates Chartered Accountants Shillong

b) According to the information and explanation given to us and the records of the Company examined by us, there are no statutory dues which have not been deposited with the appropriate authorities on account of any dispute.

viii. According to the information and explanations given to us, there are no transactions which are not accounted in the books of accounts which have been surrendered or disclosed as income during the year in the tax assessment under the Income Tax Act, 1961.Hence, the provision stated in paragraph 3(viii) of the Order is not applicable to the Company.

ix.

a. As per the documents examined by us, the company has availed loan from Power Finance Corporation, Regional rural electrification and State Government of Meghalaya. As per available information, in case of loan from Power Finance Corporation and Regional rural electrification, the amount due has been deferred by the lender and hence, there has been no default in case of repayment of either interest or principal. But in the case of State Government of Meghalaya, there has been a default in repayment. Details are given in the table below:

Nature	Lender	Default	Details	Period of default	Remarks
Term loan	State Government of Meghalaya	Rs. 427.83 Lakhs	Both principal and interest	Financial year 2023-24	Details of total default as on 31st March 2024 was not available

b. The company has not been declared a willful defaulter by any bank or financial institution or any other lender.

c. As per available information, loans were applied for the purpose for which the said loans were obtained.

d. As per available information, there were no funds raised on short term basis during the year.

e. The company has not taken funds from any entity or person on account of or to meet the obligation of its subsidiaries, associates, or joint venture.

f. The company has not raised any loan during the year by pledging of securities held in its subsidiaries, joint ventures, or associate companies, if any.

x.

a. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) during the year. Accordingly, the provisions stated in paragraph 3 (x)(a) of the Order are not applicable to the Company.

b. During the year, the company has converted the loan from Government of Meghalaya in to equity share capital. The provisions of section 42 & 62 of the Companies Act 2013 is not applicable in case of conversion of loan from government to equity capital. Hence, further comment under this clause is not applicable in our opinion.

Hari Singh & Associates Shillong Chartered Accountants

xi.

(a) During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have not come across any instance of fraud by the Company.

(b) As mentioned above, we have not come across any instances of fraud and therefore, reporting under the provisions of section 143(12) of Companies Act, 2013 and filing of Form ADT-4 is not applicable.

(c) According to available information, no whistle blower activity was reported during the year.

xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, the provisions stated in paragraph 3(xii) (a) to (c) of the Order are not applicable to the Company.

xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the standalone Ind AS financial statements as required by the applicable accounting standards.

xiv. As informed by the management, the Company does not have an internal audit system. Hence, the provisions of section 138 of the Companies Act 2013 have not been complied with. Hence, in our opinion, the company does not an internal audit system which is commensurate with the size and nature of its business. As the system of internal audit is not there, comment under clause 3(xiv)(b) is not required.

xv. According to the information and explanations given to us, in our opinion during the year the Company has not entered into non-cash transactions with directors or persons connected with its directors and hence, provisions of section 192 of the Act are not applicable to company. Accordingly, the provisions stated in paragraph 3(xv) of the Order are not applicable to the Company.

xvi. In our opinion, the Company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions stated in paragraph clause 3 (xvi)(a) (b) (c) and (d)of the Order are not applicable to the Company.

xvii. Based on the overall review of standalone Ind AS financial statements, the Company has not incurred any cash losses during the current financial year or the immediately preceding financial year.

xviii. There has been no resignation of the statutory auditors during the year.

xix. According to the information and explanations given to us and based on our examination of financial ratios, ageing and expected date of realization of financial assets and payment of liabilities, other information accompanying the standalone Ind AS financial statements, our knowledge of the Board of Directors and management plans, we are of the opinion that no material uncertainty exists as on the date of audit report and the Company is capable of meeting

Shillong
Chartered Accountants

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 financial 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 the 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 are not applicable in case of the company because of inadequate profits. Hence, in our opinion, comment under this clause is not required.

xxi. 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 HARI SINGH & ASSOCIATES.
CHARTERED ACCOUNTANTS
FRN 323509E
UDIN: 24312438BKDGOF6378

Hari Singh & Associates * Shillong * Chartered Accountants

ROHIT SHARMA
PARTNER
ICAI MEMBERSHIP NO. 312438

PLACE: SHILLONG
DATE: 07/11/2024

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ANNEXURE - "B" TO INDEPENDENT AUDITOR'S REPORT

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:

Sl 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.	As per available information and the records examined by us the company does not have a system in place to process all the accounting transactions through an IT system, it has been observed that vendor wise accounts are not maintained in the IT system i.e. TALLY ERP but manually maintained in the division levels. Also, it has been observed that many accounting entries are routed through the holding company therefore the integrity of accounts cannot be relied upon, in this case the financial implications cannot be quantified due to lack of available information and the voluminous nature of transactions.
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)	The company has availed loan from Rural Electrification Corporation Limited, power finance corporation limited and state government of Meghalaya. During the year as per available information there has been no cases of waiver/write off debts/loans/interest etc. made by a lender to the company. But during the year it has been observed that there has been no repayment of interest and principal of loan due to the state government of Meghalaya.
3	Whether funds (grants/subsidy etc.) received/ receivable for specific scheme from Central/State Government or its agencies were properly accounted for/utilized as per its term and conditions? List the cases of deviation.	During the year in total 5 grants were received from central government, state government or agencies by the company but the terms and conditions for the utilization of grant were not available for verification. The details of deviation, if any observed by us is given in **ANNEXURE C** point no. **3**.

For HARI SINGH & ASSOCIATES.
CHARTERED ACCOUNTANTS
FRN 323509E
UDIN- 24312438BKDGOF6378

Hari Singh & Associates Chartered Accountants Shillong

ROHIT SHARMA
PARTNER
ICAI MEMBERSHIP NO. 312438

PLACE: SHILLONG
DATE: 07/11/2024

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ANNEXURE "C" TO INDEPENDENT AUDITOR'S REPORT:

1. **Property Plant and Equipment, Intangible Assets and Capital Work in Progress:**

a) The company holds some immovable properties whose title deeds are not in the name of the company. As mandated, disclosure regarding such assets detailing their description, gross carrying value, title deed owner name, period of holding of such property and the reason for not holding the title deed in the name of the Company must be disclosed in additional regulatory information.

b) As per para 55 of Indian Accounting Standard 16 'Property, Plant and Equipment' requires the Company to commence the depreciation of an asset when it is available for use, i.e., when the intended asset is at the location and conditions necessary for it to be capable of operating the assets.

During our audit process, we observed that in case of the assets purchased during the year, the company has been charging depreciation not from the date of put to use but on a monthly basis wherein assets purchased before the 15^{th} of a month will be charged to depreciation from 1^{st} of the month and the assets purchased after 15^{th} of the month is charged with depreciation from the next month.

c) The Company follows the policy of capitalization of assets only after acceptance of Work Completion Certificate related to schemes irrespective of the fact whether a particular asset is completed /ready for use/actually used before receipt of Work Completion Certificate; there have been instances of non-capitalization/delayed capitalization of Property, Plant, and Equipment resulting in a delay in capitalization with a corresponding impact on depreciation for the delayed period. It is observed that CWIP value over the last 3 years have been around **Rs. 7335.57 lakhs**. Due to non-booking of CWIP conversion into assets, the value of CWIP, PPE and deprecation is wrongly stated. This will in-turn affect the profitability of the unit which shall also be treated as overstated. **Based on the above observations, we are not able to quantify the effects of such understatement and the valuation of CWIP cannot be ascertained.**

d) As per paragraph 9 of the *Indian Accounting Standard* **(Ind AS) 36 – Impairment of asset**, an entity is required to assess at the end of each reporting period whether there is any indication that an asset may be impaired. But the Company has not done the required assessment. Paragraph 10 of the same standard states that irrespective of whether there is any indication of impairment, an entity shall test an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. As per available records, the Company has not done this testing as well. Paragraph 59 and 60 of the same accounting standard states that the impairment loss is to be recognized in the statement of profit and loss, but the Company has not complied with the above provisions of the accounting standard.
The impact/quantification of such deviation from the Indian Accounting Standard is not ascertainable.

Hari Singh & Associates * Shillong * Chartered Accountants

Annexure "C" TO INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31st March,2024
(Referred to in Paragraph 3 of our report of even date)

e) Attention is drawn to Note No. 2 of Financial Statement regarding Property, Plant and Equipment, includes a building amounting to **Rs.15.55 Lakhs** 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 asset was 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.

f) Attention is drawn to Note No. 2 (Para 2.5) of Financial Statement regarding property, Plant and Equipment which states 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.

2. **Inventories:**

a) The value of inventory as on 31.03.2024 was of **Rs. 804.32 lakhs** which was un-reconciled. In absence of complete reconciliation, we cannot comment on the impact of such un-reconciled balances and the overall closing stock as on 31.03.2024. Further, in absence of any such reconciliation, the Company should create a provision against the same and write off such balances.

b) Inventory balance of certain divisions was found negative as on 31.03.2024 on account of incorrect accounting at the respective divisions. Also, multiple cases of non-moving of entire inventories during the year was noticed.

c) As per paragraph 9 of the Indian Accounting Standard (Ind AS) 2 – "Inventories", inventories shall be measured at the lower of cost and net realisable value. As per the policy of the management, Company has valued the inventories at cost or NRV, whichever is lower. However, on examination it was found that the net realizable values were not assessed by the management. This is a non- compliance to Para 9 of **Ind AS – 2 "Inventories"**. We are unable to quantify the effect of such misrepresentation.

3. **Government Grants:**

a) As per the Indian Accounting Standard (Ind AS) 20 "Accounting for Government grants and disclosure of government assistance", the monetary grant for an identified assets are required to be recognised in the profit & loss account on a systematic basis over the useful life of the asset. But in case of the company, all the grants are amortised at a fixed rate of 5.28% irrespective of the life of the asset or type of the asset. This has led to understatement/overstatement of revenue grants over the years in many cases. Since, the requisite details were not furnished, we are unable to quantify the effect of the same on the Financial Statement.

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b) Government grants which accrue as income during the next financial year, is required to be presented as current financial liability. In case of the company, it has been noted that it has wrongly classified the revenue income from government grants during the financial year 2023-24 as also current liability of government grant. This has resulted in over statement of current liability by **Rs. 272.33 lakhs**.

c) As per the Indian Accounting Standard (Ind AS) 20 "Accounting for Government grants and disclosure of government assistance", a government grant may become receivable by an entity as compensation for expenses or losses incurred during the period. Such a grant is required to be recognised in profit and loss of the concerned period. Following discrepancies has been noticed during the year:

- A grant of **Rs. 64.63 lakhs** were received for State Dam Safety Organisation. As it is an ongoing initiative of the government, expenses on the said head are already being incurred. Therefore, the same should have been grouped under current financial liability and booked as income as and when expense was incurred. But the company has categorized it as long term deferred revenue. Also, the guidelines of expenditure to be incurred was not available with the company
- A grant of **Rs. 43.52 lakhs** were received for plantation under the catchment area of Myntdu Leshka HEP stage 1 which was grouped under long term deferred revenue. On scrutiny, it was found that the project was on going and the money was already transferred to the concerned department. Hence, the same should have been accounted under current financial liability
- A grant of **Rs. 46.65 lakhs** were received for preparation of detailed project report. As per available information, the same was already undertaken and part expense was incurred under the head. Hence, this grant of **Rs. 46.65 lakhs** should have been recognised in the statement of profit & loss instead of classifying it as long term deferred income.

d) As per the Indian Accounting Standard (Ind AS) 20 "Accounting for Government grants and disclosure of government assistance", the benefit of a government loan at a below-market rate of interest is treated as a government grant. This shall be recognised and measured in accordance with Ind AS 39 Financial Instruments: Recognition and Measurement. The benefit of the below-market rate of interest shall be measured as the difference between the initial carrying value of the loan determined in accordance with Ind AS 39 and the proceeds received. The benefit is accounted for in accordance with this Standard. The entity shall consider the conditions and obligations that have been, or must be, met when identifying the costs for which the benefit of the loan is intended to compensate.

e) During the year, the corporation has received 2 loans amounting to **Rs. 556.00 lakhs** from the government of Meghalaya on 28th March 2024. Both these loans were interest free and had no clause of repayment of principal. But these loans were recorded as long-term financial liability at the original carrying value of the amount received which is in contravention of the standard. Again, confirmation of account from the government of Meghalaya was not available.

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4. **Defined benefit Plan:**

As per Indian Accounting standard 19 'Employee Benefit ', an entity shall use the projected unit credit method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost.
During the year, the holding company of the auditee had employed services of a firm for actuary valuation of its gratuity, lease encashment and pension liability. On scrutiny, it was observed that the actuary valuation was done for all the employees of the 4 companies i.e. the holding co. Meghalaya Energy Corporation Limited, Meghalaya Power transmission co ltd, Meghalaya Power Distribution Co Ltd and the auditee. Thereafter, the liability was divided amongst the group companies on some basis which is not on record. The share of expense recorded in OCI and the liability booked in the financials has no bearing to the actual employee cost of the organisation. Therefore, we cannot comment on the accuracy of the expense booking of **Rs. 7512.72 lakhs** in other comprehensive income nor on the current and non-current liability under this head of **Rs. 921.41 lakhs**.

5. **Share application pending allotment:**

As per section 42(6) of the Companies Act 2013, a company making an offer or invitation shall allot its securities within sixty days from the date of receipt of the application money for such securities and 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 per cent. per annum from the expiry of the sixtieth day:
In case of the MePGCL, the total amount outstanding under this head amounted to **Rs. 13604.00 lakhs** as on 31st March 2024. The company has not followed any of the above rules as given in section 42(6).

6. **Repair and maintenance:**

As per para 7 of the Indian Accounting Standard 16 "Property, Plant & Equipment", the cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

i. it is probable that future economic benefits associated with the item will flow to the entity, and;
ii. the cost of the item can be measured reliably.

Para 13 of the same standard states that subsequent costs in the form of parts of some items of property, plant and equipment may require replacement at regular intervals. It states that an entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if the recognition criteria are met. The carrying amount of those parts that are replaced is derecognised in accordance with the derecognition provisions of this Standard.
In course of our audit, we have come across instances wherein instead of capitalising an asset, the company has recorded the same under repair and maintenance expense of plant and machinery. Details are given in the table below:

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Supplier	Description	Amount	Invoice number and date
Andritz Hydro Pvt Ltd	Refurbishment and complete repair of the damaged unit	**Rs. 382.97 lakhs**	F29123100152 dated 19-05-2023
Andritz Hydro Pvt Ltd	Refurbishment and complete repair of the damaged unit	**Rs. 366.85 lakhs**	F29123100153 dated 19-05-2023
Andritz Hydro Pvt Ltd	Refurbishment and complete repair of the damaged unit	**Rs. 62.82 lakhs**	F29123100176 dated 30-05-2023
Andritz Hydro Pvt Ltd	Refurbishment and complete repair of the damaged unit	**Rs. 206.26 lakhs**	F29123100189 dated 30-06-2023

This has resulted in overstatement of expense by **Rs. 1018.9 lakhs** and under capitalisation of PPE by the same amount. Also, the asset which has been damaged has not been derecognised as per the requirements of this Ind AS.

7. **Fixed deposit:**

a) Interest income on fixed deposit accounted for during the year was Rs. 158.84 lakhs. But as per the annual information statement, total interest earned by the company during the year was Rs. 550.43 lakhs. This led to the understatement of income by **Rs. 390.58 lakhs**. On scrutiny, it was found that the company was accounting for interest when it was credited in its bank account. As informed, the company was yet to receive the FD statements from the bank and hence, the same was not made available to us for verification.

b) In many instances it was observed that the opening balances of FDs appearing in the books were negative and the same remained unexplained by the management. The reconciliation of the fixed deposits was not available. Hence, it is not possible to comment on the accuracy of the total investments in FD as at the year end.

8. **Deposit Work:**

The company undertakes work contract from various government/non-government organisations which it then furthers sub contracts to outside vendors/contractors. On receipt of money from these organisations, MePGCL records them under the head "Deposits for execution of Jobs/Works-Generation". On scrutiny, the following was observed:

- there was an opening balance of **Rs 2922.79 lakhs** which was not reconciled by the management and the ageing of the works that are ongoing is also not available.
- No deposit register is maintained by the company.
- During the year, the company had received **Rs. 575.07 lakhs** under this head out of which only **Rs. 55.99 lakhs** were transferred to the statement of profit & loss. As per the monthly GST returns filed by the company, total supply under this head **Rs. 510.55 lakhs**. As the proper

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records of work completion and status was not maintained, it is not possible for us to ascertain whether there has been any understatement of income under this head.

- Documentary evidence in the form of work completion certificate, status of on-going work, etc. was not available. Hence, it is not possible to ascertain the exact financial impact of the same.

9. **Insurance claim:**

During the year, the company had received **Rs. 465.03 lakhs** from insurance companies as settlement against claim. But the same has been accounted under current liability instead of passing it through the profit and loss account. This has led to the understatement of income by **Rs. 465.03 lakhs**.
Also, the corresponding impact on the asset destroyed against which the insurance money was received has not been derecognised from the books of accounts. This has led to the overstatement of property, plant and equipment.
Opening balance under this ledger (46.9xx Amount received from insurance of fixed asset) was **Rs. 366.39 lakhs**. Therefore, it can be said that the same mistake was done in the previous years as well. As the claim documents and settlement details were not available for verification, the exact impact on the asset and Profit and loss could not be ascertained.

10. **Non-movement in ledgers / legacy balances:**

Many ledgers have huge opening non-reconciled balances. The same remained non-reconciled during the year as well. This resulted in overstatement of liability / assets.

11. **MSME Trade Payables:**

a) The Financial Statement with notes to accounts have wrongly declared that there is no MSME trade payables. The auditee has not made provision of Interest on such delayed payment which is a non-compliance to MSME Act.

b) As required under schedule iii, aging of trades payable is required to be done. But the auditee has not presented the trades payable in the financial statement as per the norms of Schedule iii. Ageing of trades payable has not been done.

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12. **Inter Unit Accounts and Clearing Accounts:**

a) Inter Unit Accounts contains un-reconciled balances as on 31.03.2024. In the absence of reconciliation, we cannot comment on the accuracy of the same.

b) The Clearing Accounts are facilitation accounts in ERP and should logically have no balance. At present we cannot ascertain whether the GR/IR processes, policies and procedures provide efficient and effective controls over the timely and proper resolution of outstanding items (discrepancies) owing to legacy balances in these accounts. This renders as Financials statements as wrongly stated and the effect of the same cannot be quantified.

13. **Balance confirmations/Reconciliations:**

The Company has not obtained confirmation and reconciled the balances as on 31.03.2024 from sundry creditors (Contractors/Suppliers), advances, deposits from/to suppliers/ contractors / government authorities/consumers/ employees, loans, and other receivables from various parties. Pending reconciliation of Balances between major suppliers and peers, the impact of difference in balances between parties and the Company on financials is not ascertainable.

14. **Statutory Liabilities:**

a) **Tax Deductible at source & Cash Payment:** Reconciliation of TDS Liability is not done at HQ Level. It was observed that TDS is generally deducted on basis on payment made to vendors. This is a contravention to provisions of Income Tax Act where TDS u/s 194C, 194H, 194I, 194J is to be deducted on payment or credit whichever is earlier. Further, based on the examination on sampling basis, the Company has either failed to deduct TDS on advertisement expense amounting to Rs. 9.77 lakhs under the Shillong civil division II. The non-compliance with statutory provisions will entail tax liability under the Income Tax Act. The quantification of the same is however not possible due to lack of any reconciliation maintained at the HQ level or software is not equipped to generate reports to track the anomalies in the deduction of tax at source.

b) **Provision of Income Tax / contingent liability:** The Financial statements do not have any disclosure regarding pending litigations with the revenue Tax department neither provision have been made for potential liability pertaining to pending litigations. The Company has also failed to report details of contingent liability in its financial statements and its corresponding notes to account. The quantification of the same cannot be done due to non-availability of complete information.

15. **Goods & Service Tax:**

- Exempt Turnover i.e. (Sale of Power) as per GSTR-3B is nil. But as per books of accounts, total turnover from sale of power is **Rs. 45917.77 lakhs**.

- The Total taxable turnover as per financials is **Rs. 160.14 lakhs** and the total value as per GST returns is **Rs. 510.55 Lakhs** and the total difference of **Rs. 350.41 lakhs** could not be reconciled. Hence, we are unable to quantify the effect of such a statement.

- Total GST on outward supply as per books was **Rs. 43.18 lakhs** and as per returns was **Rs. 91.90 lakhs**. Thus, there was an un-reconciled difference of **Rs.48.72 lakhs.**

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- The company has not claimed input of the outsourced deposit work. This has led to huge loss in the form of excess payment of goods and service tax. The exact amount cannot be quantified due to lack of information.

16. Presentation and Disclosures:

- The company has specified that Inventory is present at cost or NRV, whichever is lower in compliance with Ind AS – 2. However, no assessment of Inventory as per NRV is being done during the year.
- The company has not classified the Inventory between stores and spares, loose tools and any other category as required to be classified in compliance with Division II of Schedule III to the Companies Act,2013.
- In note number 49 of the financial statement, disclosure has been made regarding investment property. But no such disclosure has been made in the financial statement as per Indian Accounting Standard 40 'Investment Property'.
- In note number 50 of the financial statement, disclosure has been made regarding leases. But no such lease rental has been booked in the financial statement as per Indian Accounting Standard 116 'Leases'.
- ROC filing expenses is classified and booked under miscellaneous expenses instead it should be a legal & professional expense.
- As required under Schedule iii, the company has not made the following disclosures under additional regulatory information:

  - Title deed of immovable property not held in the name of the company;
  - Details of loans and advances to promoters, KMPs and the related parties;
  - Details of capital work in progress especially with regard to completion of ongoing projects and suspended projects;
  - Details of intangible assets under development has not been given;
  - Utilisation of borrowed funds and share premium;
  - Details regarding corporate social responsibility.

For HARI SINGH & ASSOCIATES.
CHARTERED ACCOUNTANTS
FRN 323509E
UDIN- 24312438BKDGOF6378

Hari Singh & Associates Shillong Chartered Accountants

ROHIT SHARMA
PARTNER
ICAI MEMBERSHIP NO. 312438

PLACE: SHILLONG
DATE: 07/11/2024

HARI SINGH & ASSOCIATES
CHARTERED ACCOUNTANTS
FRN 323509E

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ANNEXURE– "D" TO INDEPENDENT AUDITOR'S REPORT

KEY OBSERVATIONS ON DEFECIENCIES IN INTERNAL CONTROL OVER FINANCIAL REPORTING.

Basis of Disclaimer of Opinion Paragraph.

Material Weakness in Internal Controls:

1. **Framework for Internal Financial Control has not been documented by the entity. In the absence of any such records and documents, we cannot ascertain whether Internal Financial Control exists or is operating effectively.**

2. **Others:**

   i. The company has multiple TAN numbers. As per available records, tax is deducted at source in case of salary and minor payments at the division itself. But in case of payment to contractors for capital work or otherwise, TDS is deducted at the head office level. There is no central control over the accounting and tax deduction and payment.

   ii. In case of defined benefit plans like Gratuity, leave encashment, etc. the actuary valuation is done for the 4 companies as a whole and then the liability is divided amongst the companies in an arbitrary way. Therefore, the liability and expense booked under these heads do not represent true and fair value of liability of the company.

   iii. The company does not have a written policy of physical verification of its assets. Physical inspection of the property, plant and equipment was done by some of the divisions. But the report was not compared with the fixed asset register and the differences were not accounted for in those divisions.

   iv. The company does not have a written policy of physical verification of its inventory. Physical inspection of the inventory was done by some of the divisions. But the report was not compared with the inventory as per books and the differences were not accounted for in those divisions.

   v. Bank Reconciliation Statements ('BRS') consists of old pending balances which is yet to be adjusted by the Company and no policy is adopted by the company to curb such entries in the BRS.

   vi. There are multiple GL Heads/codes created for the similar nature of expenditure/income/assets/liability. Further, we have also observed that unnecessarily multiple heads are created under expenses which creates confusion and difficult for the management to perform an analysis on the expenditures due to booking in wrong heads.

   vii. There are non-reconciled balance of goods and service tax input and output in the books of accounts.

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viii. There is no system in place for obtaining external confirmation of accounts from the various vendors. Confirmation of accounts was not available from any outside third party except the group concerns and other related parties.

ix. Confirmation of accounts was not available for the loans availed from the state government of Meghalaya.

x. 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.

xi. 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.

For HARI SINGH & ASSOCIATES.
CHARTERED ACCOUNTANTS
FRN 323509E
UDIN: 24312438BKDGOF6378

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ROHIT SHARMA
PARTNER
ICAI MEMBERSHIP NO. 312438

PLACE: SHILLONG
DATE: 07/11/2024