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कार्यालय
प्रधान महालेखाकार (आ.एवं रा.क्षे.ले.प.), गुजरात
Office of the
Principal Accountant General (E&RSA), Gujarat

No. ES-I/HQ II/A/cs/MGVCL/2018-19/02706
13.12.2019

सेवा मे,
प्रबंधक निदेशक,
Madhya Gujarat Vij Company Limited,
Sardar Patel Vidyut Bhavan,
Race Course,
Vadodara-390007

Sub: - Comment of the Comptroller and Auditor General of India under Section 143(6)(b) of the Companies Act, 2013 on the accounts of Madhya Gujarat Vij Company Limited for the year ended 31 March 2019

Sir,

Please find enclosed 'Comment Certificate' of the Comptroller and Auditor General of India under Section 143(6)(b) of the Companies Act, 2013 on the accounts of Madhya Gujarat Vij Company Limited for the year ended 31 March 2019 for being placed before the Annual General Meeting of the Company.

Under Section 143(6)(b) of the Companies Act, 2013, the comments of the Comptroller and Auditor General of India are required to be placed before the Annual General Meeting in the same manner and at the same time as the Auditor's Report of the Company. The date of placing the comments of the Comptroller and Auditor General of India before the Annual General Meeting may please be intimated to this office.

Six copies of the printed accounts may please be sent to this office for our use and record.

Receipt of this letter with its enclosures may please be acknowledged.

Yours faithfully,

Sr. Dy. Accountant General (ES-I)

Encl: As above

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
UNDER SECTION 143 (6) (b) OF THE COMPANIES ACT, 2013 ON THE
FINANCIAL STATEMENTS OF MADHYA GUJARAT VIJ COMPANY LIMITED
FOR THE YEAR ENDED 31 MARCH 2019**

The preparation of financial statements of the Madhya Gujarat Vij Company Limited, Vadodara for the year ended 31 March 2019 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the Management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 139 (5) of the Act are responsible for expressing opinion on the financial statements under Section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under Section 143 (10) of the Act. This is stated to have been done by them vide their Audit Report dated 20 September 2019.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of Madhya Gujarat Vij Company Limited, Vadodara for the year ended 31 March 2019 under Section 143 (6) (a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditors and Company personnel and a selective examination of some of the accounting records.

Based on my supplementary audit, I would like to highlight the following significant matters under Section 143 (6) (b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report:

A. Comments on Financial Position:

1. Equity and Liabilities

**Deferred Government Grants, Subsidies and Contribution (Note No.17)
₹ 1321.71 crore**

A reference is invited to the Comments of the Comptroller and Auditor General (C&AG) of India under Section 143(6) of the Companies Act, 2013 on the financial statements of the Company for the year ended 31 March 2017 and 31 March 2018. The Company has changed the method of computing the grants/consumer contribution received against depreciable assets to be recognized in Statement of Profit and Loss from reducing balance method to the straight line method and consequently the rates at which grant is recognized in the Statement of Profit and Loss. The Company has determined

that the change to recognize grants in proportion of the depreciation expenses is a change in accounting estimates and is to be applied prospectively.”

As per paragraph No. 8.4 of AS-12, Grants related to depreciable assets are treated as deferred income which is recognized in the Profit and Loss Statement on a systematic and rational basis over the useful life of the asset. As per paragraph 17 of Ind AS 20, grants related to depreciable assets are usually recognized in Profit or Loss over the periods and in the proportions in which depreciation expense on those assets is recognized.

The above change in method was made by the Company as there was a mismatch of the grants recognized in the Statement of Profit and Loss versus the related depreciation expense. Thus, the Company has changed the method of recognition of deferred income in order to align the recognition of deferred income with the related depreciation expense. As the provision for treatment of deferred income to be recognized in the Profit and Loss Statement on a systematic and rational basis over the useful life of the asset are same in AS-12 and Ind AS 20, the change was not mandated by Ind AS 20. **Hence, the Company changed the method in order to correct an error.**

Since the depreciable assets related to which grants/ consumer contribution received have been capitalized in the books of accounts, the effect of such change should be worked out retrospectively and accounted for in the opening balance of Deferred Government Grants, Subsidies and Consumer contribution.

This has resulted in overstatement of retained earnings and understatement of balances of Deferred Government Grants, Subsidies and Consumer Contribution towards Capital Assets by ₹ 207.59 crore as at 31 March 2017.

Despite being pointed out in the years 2016-17 and 2017-18, no corrective action has been taken by the Company during the FY 2018 -19.

For and on behalf of the
Comptroller and Auditor General of India


13/12/19

(H.K. Dharmadarshi)
Principal Accountant General (E & R S A), Gujarat

Place: Ahmedabad

Date: 13 DEC 2019