# JAMMU AND KASHMIR STATE POWER DEVELOPMENT CORPORATION LIMITED

## ANNUAL GENERAL MEETING FOR THE YEAR 2010-11

JK PDC

## NOTICE OF ANNUAL GENERAL MEETING

## JAMMU AND KASHMIR STATE POWER DEVELOPMENT CORPORATION LIMITED

Notice is hereby given that the Annual General Meeting of the members of the Corporation will be held on 29th August at 11:30 a.m. in the Meeting Hall, Civil Secretariat, Srinagar to transact the following Business:

**A. ORDINARY BUSINESS**

1. To receive, consider and adopt the Balance Sheet as on 31st March, 2011 and Profit and Loss account for the period ended on that date and the Directors and Auditors Report together with the management replies and the comments of the Comptroller and Auditor-General of India thereon.

By order of the Board

Company Secretary

Regd. Office:

Exhibition Grounds,
Srinagar, 190009.

Date: 5/8/2017

# DIRECTORS' REPORT

**The Members,**

Your Directors have pleasure in presenting the 15th annual report and the audited accounts of the Corporation for the year 2010-11. The Corporation was set up under the Companies Act, 1956 on 16.02.1995 with the main object of establishing the new Power Projects in the State and to take over all running Power Houses of the State from the Power Development Department.

## FINANCIALS:

The Corporation registered turnover of Rs. 122061.96lacs through sale of energy during this year against Rs. 118344.08lacs during the previous year.

The Corporation has earned before adjustment profit of Rs. 14997.26 lacs in FY 2010-11against Rs. 29706.11 lacs. Profit declines on account of adjustments of Advance against Depreciation allowed by the Hon'ble SERC amounting Rs. 25886.00 lacs.

## GENERATION:

During the year 2010-11, 37153.46lac units of energy was generated by different Power Houses of the Corporation against 32620.09 lac units in FY 2009-10as detailed below:

| S.No | Name of the Project | Energy generated in 2010-11 ( in lac units) |
|---|---|---|
| 1 | LJHP | 3,777.19 |
| 2 | USHP - I Sumbal | 337.98 |
| 3 | Ganderbal Power House | 117.49 |
| 4 | Chenani - I | 717.15 |
| 5 | Chennai-II | 64.02 |
| 6 | Chenani - III | 72.68 |
| 7 | USHP - II, Kangan | 2,910.29 |
| 8 | Karnah MHP | 18.98 |
| 9 | Summor | 0.66 |
| 10 | Hunder | 5.89 |
| 11 | Basgo | 2.81 |
| 12 | Iqbal MHP | 81.35 |
| 13 | IgoMercellong MHP | 105.26 |
| 14 | Sewa - III HEP | 92.88 |
| 15 | Baderwah Power House | 0.00 |
| 16 | BHEP | 28,743.46 |
| 17 | Haftal | 12.16 |

| | | |
|---|---|---|
| 18 | Pahalgam MHP | 78.78 |
| 19 | Marpachoo HEP | 9.78 |
| 20 | Stakna | 4.65 |
| | Total | **37,153.46** |

**PARTICULARS OF EMPLOYEES:**

There was no employee in the Corporation whose particulars are required to be disclosed under section 217 (2A) of the Companies Act read with the Companies (Particulars of Employees) Rule 1975.

**ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE:**

A. Conservation of Energy:
   There is nothing to be mentioned in respect of conservation of energyparticularly to Hydro Power Projects.

B. Technology Absorption:
   The new technology is used for the construction of new Projects. The old and worn out parts and machinery are being replaced by available new technology and the same cannot be quantified.

C. Foreign Exchange Earnings and out go:
   There were no foreign exchange earnings. However Rs. 9,50,74,851.00have been paid to M/s Lehmeyer and Rs. 22,23,29,449.00 has been paid to M/s Voith Siemens in case of newly taken over prestigious Baglihar Hydro Electric Project during the year 2010-11.

**DIRECTORS RESPONSIBILITY STATEMENT:-**

As required under Section 217 (2AA) of the Companies Act, 1956, the Directors hereby confirm the following:-

i)In the preparation of the annual accounts, the applicable accounting standards had been followed except Accounting Standard-15, Accounting Standard-28, and Accounting Standard-11as mentioned in the report of the statutory auditors.

Accounting Standard -15 pertains to the Retirement benefits. The observation of the auditor on AS-15 is as under:-

> *"Read with Note 6 to Notes to Accounts, the Accounting Standard -15 issued by ICAI have not been complied with towards Gratuity, Leave Encashment and other employee benefits as on the date of balance sheet has not been ascertained and provided in the books."*

Accounting standard-15 pertains to the Employee Benefits. As most of the employees of the Corporation are on deputation from the State Government, onlyadhoc provision has been made from FY 2010-11 onwards for deputation employees and actuarial valuation has been got done in FY 2011-12 for permanent employees. The Auditors has dropped their observation fully in FY 2011-12.

The observation of the auditor on AS-28(Provision for impairment loss) is as under:-

***"Provision for impairment loss if any, required by AS- 28, has not been made as the amount of the same has not been ascertained***

The Accounting standard-28 pertains to the provision for impairment loss, if any. Impairment loss is differential of carrying value and fair market value of the fixed assets and the Accounting Standard necessitates making provision for the same. The observation was noted for corrective action. Compliance has been made from the FY 2011-12and the observation stands dropped by the auditors from the FY 2011-12.

The Accounting Standards -11 pertains to the Effects of changes in foreign exchange rates. The observation of the auditor on AS-11 is as under:-

***"Amount payable to sundry Creditors in the foreign currency has not been reported on the basis of exchange rate on the date of balance sheet. Therefore AS-11 has not been fully complied with. (Note no.3 of Notes to the Accounts.***

The observation was noted for corrective action and the same has been dropped by the auditors from the FY 2011-12 since no amount was outstanding towards the foreign Suppliers.

ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of the company at the end of the financial year and of the profit of the company for that period.

iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities: and

iv) The Directors have prepared the annual accounts on a going concern basis.

## DIRECTORS:

During the period Sh. Khurshed Ganai, Sh. Basharat Ahmad Dhar, Sh. B B Vyas, Sh. Madhav Lal were appointed as Directors and Sh. B.R Sharma and Sh. B.B. Vyas ceased to be Directors. Sh. B.R. Sharma ceased to be Managing Director and Sh. Shaleen Kabra was appointed as Managing Director.

## AUDITORS:

M/s Roy Malhotra& Associates, Chartered Accountants, Jammu were appointed Statutory Auditors for the year 2010-2011 by the Comptroller and Auditor General of India.

## EXPLANATION TO QUALIFICATION IN THE AUDITOR'S REPORT:

The information and explanations to the qualifications in the Auditor's report are given in the Annexure forming part of this report.

## ACKNOWLEDGEMENT:

Your Directors wish to place on record their appreciation of the assistance and support extended by various departments of State Govt. Your Directors further express their gratitude for the valuable contribution made by the employees of the Corporation at all levels towards its growth.

For & on behalf of the Board

Place:- Jammu
Date: 26.03.2016

(UpenderJit Singh)
Director Finance

(Ajay Gupta)
Executive Director (Electric)

(Ahmed Muzaffer Lanker)
Executive Director (Civil)

(Kifayat Hussain Rizvi)
Managing Director

## Management Replies to the Auditor's Report to shareholders for the year 2010-11

| S.No | Auditor's Comments | Management replies |
|---|---|---|
| 1. | We have audited the attached Balance Sheet of Jammu & Kashmir State Power Development Corporation Limited as at 31st March, 2011 and Profit and Loss Account and Cash Flow statement for the year ended on that date, annexed thereto, those have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit. | Needs no comments |
| 2. | We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. | Needs no comments |
| 3. | As required by the Companies (Auditor's Report) Order, 2003 as amended by Companies (Auditor's Report) (Amended) Order, 2004 issued by the Central Govt. of India in terms of section 227(4A) of the Companies Act, 1956, and on the basis of such checks as we considered necessary and according to the information and explanations given to us, we enclose in the Annexure-"A" a statement on the matters specified in paragraph 4 & 5 of the said order. | Replies furnished annexure-wise separately |
| 4. | Further to our comments in the annexure-"A" referred to in the paragraph 1 above, we report that:- | |

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| a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit; | Needs no comments |
| b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books. | Needs no comments |
| c) The Balance Sheet, Profit & Loss Account and cash Flow statement dealt with by this report are in agreement with the Books of Accounts. | Needs no comments |
| d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act 1956, except where otherwise stated. | Needs no comments |
| e) Being a Government Company, pursuant to the Gazette notification no. GSR 829(E) dated 21.10.2003 issued by Government of India, provisions of clause (g) of sub-section (1) of section 274 of the Companies Act 1956, are not applicable to the company. | Needs no comments |
| f) (A) Attention is drawn to the following:- | |
| *i) Pursuant to the revaluation/restatement of all the assets & liabilities of the Company as on 01.04.2009 a revaluation reserve of Rs.429.91 crores was created. The said reserve was increased by a sum of Rs.722.52 crores during the year ending 31.3.2010 by passing adjustment entries detailed in the last year audit report. During this year the company has reduced the said reserve by* | Inventories in the form of energy will remain zero as whatever energy is generated in power houses is transferred directly to the buyer. The other inventories of the Corporation consists the stores and spares and other like materials purchased for the maintenance of plant and machineries and for other assets is carried |

*Rs17.77 crores by passing adjustment entries to give effect to certain items which remained unnoticed at the time of transformation from single entry system to double entry system of accounting. These entries have impacted the assets & liabilities of the Company as detailed below.*

| S.No. | Nature of adjustment | Amount (Rs. In crores) Increase/(Decrease) |
|---|---|---|
| 1 | EMD | (.37) |
| 2 | Inventory* | (17.37) |
| 3 | Difference in opening balance of CP & AO | (.02) |
| 4 | Other adjustment entries | (.01) |

** Reasons for writing-off the entire inventory shown in the last balance sheet by debit to revaluation reserve were not explained to our satisfaction.*

at nil as on 31.03.2011 as the inventories are purchased by debit to cost of project/scheme. However, subsidiary records like Price store ledger, M&S A/c are maintained for watching the utilization of material at Divisional level.

*ii) The balances under the head sundry creditors, deposits, and other liabilities (Schedule 14 of Annual Accounts) are subject to confirmation and reconciliation if any.*

Noted for corrective action.

*iii) Balances of Debtors, Advances and Loans, CDRS & EMDS are subject to confirmation and reconciliation, if any.*

Noted for corrective action.

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| iv) | *The Company has also not credited to its profit & loss account the surcharge on delayed settlement of bills of energy from the Power Development Deptt. The amount thereof could not be ascertained in the absence of the required information. It has resulted in the understatement of the profit of the company by that amount and understatement of debtor to that extent.* | Since the principal amount of Rs. 1131.23 crore was outstanding from JKPDD and there is significant uncertainty in the collection of surcharge on delayed settlement of bills of energy, it was not accounted for in the profit and loss account.<br><br>As per the Accounting standard 9 on the Revenue Recognition, if at the time of rendering of services or sale there is significant uncertainty in ultimate collection of revenue, then the revenue recognition is postponed and in such cases revenue recognition should be recognized only when it becomes reasonably certain that ultimate collection will be made.<br>This issue was also discussed in the 68Th Board Meeting wherein the Board authorized the Managing Director to waive off as a onetime exception, the amount accumulated on account of surcharge upto March 2013, and payable by JKPDD to JKSPDC on arrears of sale of power.<br>Moreover, the Corporation has adopted a accounting policy that if the ultimate collection thereof lacks reasonable certainty, revenue recognition is postponed to the extent of uncertainty. |
| v) | *The profit of the company has been reduced by an amount of Rs113.76 crores on account of prior period expenses {Note no. 8 of schedule 25 (ii)}.* | The prior period items consist the provisioning of Advance against depreciation as per SERC guidelines which was not |



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| | provided in the previous financial year 2009-10. Besides the above, there were an excess capitalization of depreciation and an understatement of energy sale in respect to Gas Turbine during the previous financial year 2009-10, therefore during the financial year they have been charged in the profit and loss account as Extraordinary and prior period items. This has also been elaborated in the point no. 8 of the Notes to Accounts. |
| *(B) We further report that*<br><br>*i) Read with note no.6 of notes on account, the Accounting Standard-15 issued by The Institute of Chartered Accountants of India has not been fully complied with as the liability towards gratuity, leave encashment and other employee benefits as on date of balance sheet has not been ascertained and provided in books.* | Accounting Standard 15 pertains to the Retirement Benefits. As most of employees of the Corporation are on deputation from the State Government, adhoc provision has been made on account of Retirement Benefits in the annual accounts as these employees are moving in and out of the Corporation on a regular basis. The matter regarding adoption of a policy for retirement benefits for the permanent employees of the Corporation, who are very less in number, was placed before the BODs in its 68th meeting which has been approved and provision for the same shall be made accordingly. |
| *ii) Provision for impairment loss if any, required by AS-28, has not been made as the amount of the same has not been ascertained.* | Noted for corrective action. |
| *iii) Provision against loss on account of sticky advances and other debtors aggregating to Rs.69.51 Crores has not been made. These debts & advances are being carried forward from year to year without any adjustment/ realization. In* | The amount comprises of mobilization advance made to the Civil contractors of 450 MW BHEP for the Stage -II and the Corporation is not required to make any provision for its non- |



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| *our opinion, these are doubtful of recovery and should have been classified as such and proper provision for loss should have been made. The profit of the company is over stated to the extent of bad debts and bad advances.* | recovery. The Mobilization advance to the contractors amounting Rs. 40.00 crore is under recovery and will be recovered fully before completion of the contract.<br>Other amount comprising Rs. 20.33 crore recoverable from NHPC and the Corporation is rigorously following up with the NHPC for its recovery. The amount stand reconciled in June, 2011 and the further validated by Board of Directors of both the organization.<br>Balance amount is under reconciliation and will be adjusted accordingly in the subsequent years. |
| iv) *Amount payable to sundry creditors in foreign currency has not been reported on the basis of exchange rate on the date of balance sheet. Therefore AS 11 has not been fully complied with. (Note no.3 of Notes to the Accounts).* | Noted for corrective action. |
| v) *Capital commitment on account of various contracts with suppliers and contractors has not been ascertained and shown as contingent liability in the final accounts.* | Noted for corrective action. |
| (g). Subject to above, In our opinion and to the best of our information and according to the explanation given to us, the said accounts read together with schedules and notes thereon give the information required by the Companies Act,1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:-- | Needs no comments. |

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| | i. in the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2011;<br>ii. in the case of Profit & Loss Account of the **PROFIT** of the company for the year ended on that date; and<br>iii. In the case of the cash flow statement, of the cash flows of the company for the year ended on that date. | |
| 1) | **ANNEXURE-A TO THE AUDITOR'S REPORT**<br>**(Referred to in paragraph 1 of our report of even date)**<br>The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. | Needs no Comments |
| | *We have neither been provided information for the fixed assets being physically verified by the management at reasonable intervals nor we have been informed about a regular programme of verification of such assets.* | Fixed Assets Registers are maintained at Division/unit level. These reports are available for inspection by the auditors. |
| | During this year, the company has not disposed off any part of plant & machinery. | Needs no comments |
| 2) | *The Company generates electricity and the process of its generation and transfer is simultaneous. As far as the stores and spares are concerned, no documentary evidence has been furnished for having conducted physical verification of such inventory by the management.*<br>*Since we have not been provided with the information regarding the procedures followed by the management for physical verification of inventory i.e. for stores and spare as such no comment on its reasonableness and adequacy can be made.*<br>*We have not been provided with the information regarding the maintenance of proper records of inventory for stores and* | The annual verification of stores has been made mandatory and reports generated are available. |

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| | *spares. Therefore, no comment on discrepancy if any therein can be made.* | |
| 3) | The company has not granted any loans, secured or unsecured to the companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. However the Company grants the mobilization advances with/without interest to its vendors/contractor in the ordinary course of business. Accordingly, the paragraphs (iii) (b), (c) and (d) of the CARO are not applicable. | Agreed |
| | The company has not taken any loans, secured or unsecured from the companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. However, the Company has taken various grants/loans from the Central/State Government of India. Accordingly, the paragraphs (iii) (f) and (g) of the CARO are not applicable. | Agreed |
| 4) | In our opinion and according to the information and explanation given to us, the company has adequate internal control procedure commensurate with the size of the company and the nature of its business for the purchase of stores, spares, fixed assets and for the sale of electricity. | The internal audit is being conducted by the team headed by GM (Accounts) Jammu/Srinagar for Jammu and Srinagar offices respectively and reports generated are available. As regard to annual verification of stores and inventory, it has been made mandatory. Further as a part of restructuring of the JKSPDC due emphasis is being given to address shortcomings, if any, in the internal audit wings to make them efficient and effective. |
| 5) | The company has not entered into such transactions that need to be entered into the register in pursuance of section 301 of the Act. Accordingly, the paragraph (v) (b) of CARO is not applicable. | Agreed |

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| 6) | The company has not accepted any deposits from the public. Accordingly, the provisions of section 58A, 58AA or any other relevant provisions of the Act and the rules framed there under are not applicable to the Company. | Agreed |
| 7) | According to the explanations given to us, the Company has its internal audit teams, which carry out the internal audit of various units of the company. However, in our opinion, the company's internal audit system requires further strengthening. | Explained against point no. (4) above. |
| 8) | According to the explanations given to us, the maintenance of cost records has not been prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Act. This is contrary to the fact. The Central Govt. vide Notification no. GSR no. 913(E) dated 21.12.2001 and amended by Notification no. GSR 709(E) dated 7.12.2005 and further amended has prescribed the maintenance of cost record under clause (d) of sub section (1) of section 209 of the act to every company engage in generating of electricity from thermal power, gas turbine and hydroelectric power. According to information and explanation given to us, the company has failed to maintain such prescribed record and consistently violated the provision of section of section 209 (1) (d) of the Act. | A cost accounting firm has been engaged for preparation and maintenance of cost record for the FY 2010-11, 2011-12 and 2012-13 and the assignment will be completed shortly. |
| 9) | a) According to the explanations given to us, there are no disputed amounts payable in respect of statutory dues including provident fund, investor education and protection fund, employee's state insurance, sales tax, wealth tax, service tax, custom duty, excise duty, cess and any other statutory dues with the appropriate authorities which are outstanding as at the last day of the financial year concerned for a period of more than six months from the date they became payable. | Agreed |

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| | b) & c) ***However, the Company has not provided us adequate documentary evidence in support of no disputed statutory dues.*** | All records are available in the corporate office. |
| 10) | The accumulated losses of the Company at the end of the financial year are less than fifty percent of its net worth and it has not incurred cash losses in such financial year and in the immediately preceding financial year. | Needs no comments. |
| (11) | According to the explanations given to us, the Company has not defaulted in repayment of dues to the financial institutions/banks. | |
| (12) | The Company has granted mobilization Advance to it contractors/vendors in ordinary course of business. However no advance has been made on the basis of security by way of pledge of shares, debentures and other securities. | |
| (13) | The Company is not a chit fund/nidhi/mutual benefit fund/society. Therefore, the provisions of any special statute are not applicable to this company. | |
| (14) | The Company is not dealing or trading in shares, securities, debentures and other investments. Therefore, no comment is required on the maintenance of proper records thereof. | |
| (15) | The Company has not given any guarantee for loans taken by others from banks or financial institutions. | |
| (16) | The term loans were applied for the purpose for which the loans were obtained. | |
| (17) | The funds raised on short term basis have not been used for long term investment. | |
| (18) | The Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under section 301 of the Act. | |
| (19) | The company has not issued debentures during the year. | |
| (20) | The Company has not raised any money by public issues. | |

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| (21) | During the course of our examination of the books of accounts and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanation given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of any such case by the management. | Needs no comments. |

## Management Replies to the CAG comments on the Annual Accounts of JKSPDC for the year 2010-11

| S.No | CAG Comments | Management replies |
|---|---|---|
| A. | Balance Sheet<br>A1. Current Liabilities and Provisions<br>Provisions for Taxation- Rs 10.60 crore<br>The company has neither collected nor made provision of Rs 1.95 crore being minimum one percent cess payable by the contractor on the value of work done (Rs 194.75 crore) during the year as per building and other construction workers welfare cess act, 1996.<br>This has resulted in understatement of current Liabilities & provision as well as other Receivables by Rs 1.95 crore. | The balance of current liabilities are at the end of the financial year and do not reflect the amount of statutory dues like labour-cess deducted and paid during the year. Further, the value of work done to the tune of Rs 194.75 crore also comprise of consultancy and pending capitalization expenses which don't attract labour-cess.<br>However, the corporation vide letter no. PDC/FIN/6857-69 dated 21-11-2-13 has directed all the CA&POs and P&AOs to adhere the instructions of the J&K building and other construction workers and welfare board in letter and spirit. |
| B | Profit and loss account<br>B1. Expenditure<br>Generation, administrative and other expenses ( schedule 17)- Rs 133.49 crore<br>The Company has neither paid nor made provision of Rs 27.27 crore for water usage charges as per Jammu and Kashmir water Resources ( Regulation and Maintenance ) act, 2010.<br>This has resulted in understatement of current liabilities and provision by Rs 27.27 crore and overstatement of profit to the same extent. | Profit was not overstated as water usage charges not being the expenditure of the corporation. JKSPDC approached JKSERC as part of the tariff petition 2011-12 for necessary order in respect of water usage charges. The commission refused to pass on the burden to the consumers and directed that same shall be borne by JKPDD. Accordingly the JKPDD has been approached for payment of the same. Relevant extract of the order of SERC on water usage charges is enclosed. |
| C. | General<br>The accounts for the year 2010-2011 were approved by resolution of the Board of Directors on 16 July 2013 reported upon by the statutory Auditor's on 17 August 2013. The accounts for the year 2009-2010 had not been laid for adoption before the Annual General Meeting of the Company in term of section 210 read with section 166 of the companies Act, 1956. The statutory Auditors have not mentioned about the fact in their report. | As per the Statutory auditor, they have reported on all points as specified under the provision of section 227(2), 227(3), 227(4) and 227(4a) of the companies Act 1956. However they have no objection if this fact is brought to the notice of shareholders |

**Roy Malhotra & Company**
Chartered Accountants

E- 24/AB, LAJPAT NAGAR -II
NEW DELHI – 110 024
PH. : 41720119, 45720259
FAX: 011 – 29814336

## AUDITOR'S REPORT

**To The Members**

We have audited the attached Balance Sheet of ***Jammu & Kashmir State Power Development Corporation Limited as at 31st March, 2011*** and Profit and Loss Account and Cash Flow Statement for the year ended on that date, annexed thereto, those have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the over all financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1) As required by the Companies (Auditor's Report) Order, 2003 as amended by Companies (Auditor's Report) (Amended) Order, 2004 issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956 and on the basis of such checks as we considered necessary and according to the information and explanations given to us , we enclose in the Annexure "A" a statement on the matters specified in paragraphs 4 and 5 of the said order.

2) Further to our comments in the annexure "A" referred to in the paragraph 1 above, we report that:-

   a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

   b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

H.O. : Residency Road, Srinagar. Jammu & Kashmir
E-mail: kkmehraca@yahoo.com



ROY MALHOTRA & CO. CHARTERED ACCOUNTANTS SRINAGAR NEW DELHI

c) The Balance Sheet, the Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act 1956, except where otherwise stated;

e) Being a Government Company, pursuant to the Gazette notification no. GSR 829 (E) dated 21.10.2003 issued by Government of India, provisions of clause (g) of sub -section (1) of section 274 of the Companies Act 1956, are not applicable to the company;

f) (A) Attention is drawn to the following:-

***i) Pursuant to the revaluation/restatement of all the assets & liabilities of the Company as on 01.04.2009 a revaluation reserve of Rs.429.91 crores was created. The said reserve was increased by a sum of Rs. 722.52 crores during the year ending 31.3.2010 by passing adjustment entries detailed in the last year audit report. During this year the company has reduced the said reserve by Rs.17.77 crores by passing adjustment entries to give effect to certain items which remained unnoticed at the time of transformation from single entry system to double entry system of accounting. These entries have impacted the assets & liabilities of the Company as detailed below.***

| **S.No.** | **Nature of adjustment** | **Amount (Rs. In crores) Increase/(Decrease)** |
|---|---|---|
| 1 | EMD | (.37) |
| 2 | Inventory* | (17.37) |
| 3 | Difference in opening balance of CP & AO | (.02) |
| 4 | Other adjustment entries | (.01) |

****Reasons for writing-off the entire inventory shown in the last balance sheet by debit to revaluation reserve were not explained to our satisfaction.***

***ii) The balances under the head sundry creditors, deposits, and other liabilities (Schedule 14 of Annual Accounts) are subject to confirmation and reconciliation if any.***

***iii) Balances of Debtors, Advances and Loans, CDRS & EMDS are subject to confirmation and reconciliation, if any.***



ROY MALHOTRA & CO. SRINAGAR NEW DELHI CHARTERED ACCOUNTANTS

iv) ***The Company has also not credited to its profit & loss account the surcharge on delayed settlement of bills of energy from the Power Development Deptt. The amount thereof could not be ascertained in the absence of the required information. It has resulted in the understatement of the profit of the company by that amount and understatement of debtor to that extent.***

v) ***The profit of the company has been reduced by an amount of Rs.113.76 crores on account of prior period expenses [Note no.8 of Schedule 25 (II)].***

*(B) We further report that:-*

i) ***Read with note no.6 of notes on account, the Accounting Standard-15 issued by The Institute of Chartered Accountants of India has not been fully complied with as the liability towards gratuity, leave encashment and other employee benefits as on date of balance sheet has not been ascertained and provided in books .***

ii) ***Provision for impairment loss if any, required by AS-28, has not been made as the amount of the same has not been ascertained.***

iii) ***Provision against loss on account of sticky advances and other debtors aggregating to Rs. 69.51 crores has not been made. These debts & advances are being carried forward from year to year without any adjustment/ realization.***

***In our opinion, these are doubtful of recovery and should have been classified as such and proper provision for loss should have been made. The profit of the company is over stated to the extent of bad debts and bad advances.***

iv) ***Amount payable to sundry creditors in foreign currency has not been reported on the basis of exchange rate on the date of balance sheet. Therefore AS 11 has not been fully complied with. (Note no.3 of Notes to the Accounts).***

v) ***Capital commitment on account of various contracts with suppliers and contractors has not been ascertained and shown as contingent liability in the final accounts.***

(g) Subject to above, In our opinion and to the best of our information and according to the explanation given to us, the said accounts read together with schedules and notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:--



ROY MALHOTRA & CO. SRINAGAR NEW DELHI CHARTERED ACCOUNTANTS

i. in the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2011;

ii. in the case of Profit & Loss Account of the **PROFIT** of the company for the year ended on that date; and

iii. In the case of the cash flow statement, of the cash flows of the company for the year ended on that date.

**For Roy Malhotra & Co.**
**Chartered Accountants**
**Firm Registration No. 01750N**

**CA. K.K.MEHRA**
**Partner**
**M.NO.004702**

ROY MALHOTRA & CO. SHANAGAR NEW DELHI CHARTERED ACCOUNTANTS

**Place : New Delhi**
**Date : 17th August,2013**

**Roy Malhotra & Company**
Chartered Accountants

E- 24/AB, LAJPAT NAGAR -II
NEW DELHI – 110 024
PH. : 41720119, 45720259
FAX: 011 – 29814336

**ANNEXURE -A TO THE AUDITOR'S REPORT**
**(Referred to in paragraph 1 of our report of even date)**

1). The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

***We have neither been provided information for the fixed assets being physically verified by the management at reasonable intervals nor have we been informed about a regular programme of verification of such assets.***

During this year, the company has not disposed off any part of plant & machinery.

2). The Company generates electricity and the process of its generation and transfer is simultaneous. As far as the stores and spares are concerned, no documentary evidence has been furnished for having conducted physical verification of such inventory by the management.

***Since, we have not been provided with the information regarding the procedures followed by the management for physical verification of inventory i.e. for stores and spares as such no comment on its reasonableness and adequacy can be made.***

***We have not been provided with the information regarding the maintenance of proper records of inventory for stores and spares. Therefore, no comment on discrepancy if any therein can be made.***

3). The company has not granted any loans, secured or unsecured to the companies, firms or other parties covered in the register maintained under section 301 of the Companies Act,1956. However the Company has granted the mobilization advances with/without interest to its vendors/contractors in the ordinary course of business. Accordingly, the paragraphs (iii) (b), (c) and (d) of the CARO are not applicable.

The company has not taken any loans, secured or unsecured from the companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. However, the Company has taken various grants/loans from the Central /State Government of India. Accordingly, the paragraphs (iii)(f) and (g) of the CARO are not applicable.

4) In our opinion and according to the information and explanations given to us, the company has adequate internal control procedure commensurate with the size of the company and the nature of its business for the purchase of stores, spares, fixed assets and for the sale of electricity.



ROY MALHOTRA & CO. SRINAGAR NEW DELHI CHARTERED ACCOUNTANTS