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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/DGVCL/2017-18/0.00842
07/12/2018

सेवा मे,
प्रबंधक निदेशक,
Dakshin Gujarat Vij Company Limited
Nana Varachha Road,
Kapodara Char Rasta,
Surat-395006

Sub: - Comment of the Comptroller and Auditor General of India under Section 143(6)(b) of the Companies Act, 2013 on the accounts of Dakshin Gujarat Vij Company Limited for the year ended 31 March 2018

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 Dakshin Gujarat Vij Company Limited for the year ended 31 March 2018 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. Deputy 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 DAKSHIN GUJARAT VIJ COMPANY LIMITED FOR
THE YEAR ENDED 31 MARCH 2018**

The preparation of financial statements of Dakshin Gujarat Vij Company Limited for the year ended 31 March 2018 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) 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 Audit Report dated 20 September 2018.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 143(6)(a) of the Act of the financial statements of Dakshin Gujarat Vij Company Limited for the year ended 31 March 2018. 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:

COMMENTS ON FINANCIAL POSITION

Balance Sheet

Equity and Liabilities

**Deferred Government Grants, Subsidies & Contributions (Note No. 17)
₹ 1483.86 crore**

1. With effect from 01 April 2016, 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 Accounting Standard-12, Grants related to depreciable assets are treated as deferred income which is recognised in the Profit and Loss Statement on a systematic and rational basis over the useful life of the asset. Indian Accounting Standard-20 also state that, grants related to depreciable assets are usually

recognised in Profit or Loss over the periods and in the proportions in which depreciation expense on those assets is recognised.

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 recognised 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 have been worked out retrospectively and accounted for in the opening balance of Deferred Government Grants, Subsidies and Consumer contribution.

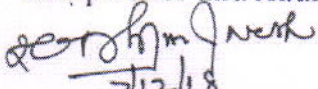
This has resulted in overstatement of retained earnings and understatement of balances of Deferred Government Grants, Subsidies and Consumer Contribution towards Capital Assets by ₹293.44 crore as at 31 March 2017

Despite being pointed out in previous year, no corrective action has been taken by the Company during 2017-18.

Other Current Financial Liabilities (Note No.-24) ₹ 526.51 crore
Staff Related Liabilities ₹ 2.53 crore

2. The above includes an amount of ₹ 1.51 crore being provided as Provision for Bonus. As per Schedule III of Companies Act, 2013, provisions for employee benefits are under current provisions (short term provisions). The same should have been included under 'Provisions for employee benefit- Short Term Provision instead of 'Other Current Financial Liabilities'. This has resulted in overstatement of 'Other Current Financial Liabilities' and understatement of 'Short Term Provision' by ₹ 1.51 crore.

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


7/12/18

(H.K. Dharmadarshi)
Principal Accountant General (E&RSA), Gujarat

Place: Ahmedabad

Date: 07/12/18