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By Regd. Post

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/PGVCL/2018-19/03701

13.12.2019

सेवा मे,  
प्रबंधक निदेशक,  
Paschim Gujarat Vij Company Limited  
Corporate Office,  
Laxminagar Main Road,  
Rajkot

**Sub:** - Comment of the Comptroller and Auditor General of India under Section 143(6)(b) of the Companies Act, 2013 on the accounts of Paschim 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 Paschim 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 PASCHIM GUJARAT VIJ COMPANY LIMITED  
FOR THE YEAR ENDED 31 MARCH 2019**

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The preparation of financial statements of the Paschim Gujarat Vij Company Limited 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 Paschim Gujarat Vij Company Limited for the year ended 31 March 2019 under Section 143 (6) (a) of the Companies Act, 2013. 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. Balance Sheet**

**Deferred Government Grants, Subsidies & Consumer Contribution (Note-18) - ₹2400.33 crore**

With effect from 1 April 2016 the Company has changed the method of computing the grants/consumer contribution received against depreciable assets to be recognised in Statement of Profit and Loss from reducing balance method to the straight line method and consequently the rates at which grant is recognised in the Statement of Profit and Loss. The company determined that the change to recognise grants in proportion of the depreciation expenses is a change in accounting estimate and 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 asset. Indian Accounting Standard -20 also state that grants related to depreciable assets are usually recognised in profit or loss over the



period and in the proportion in which depreciation expenses on those assets is recognised.

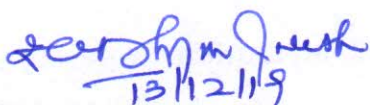
The above change in method was made by the Company as there was a mismatch of grants recognised in the statement of Profit and Loss versus the related depreciation expenses. Thus, the company has change the method of recognition of deferred income in order to align the deferred income with related depreciation expense. As the provision for treatment of deferred income to be recognised in the Statement of Profit and Loss on systematic and rational basis over the useful life of asset is 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 capitalised 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 ₹ 356.20 crore as at March 2017.

Despite being pointed in the year 2016-17 and 2017-18, no corrective action has been taken by the Company during 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