



नॉर्थ ईस्टर्न इलेक्ट्रिक पावर कॉर्पोरेशन लि.
(भारत सरकार का उधम)



NORTH EASTERN ELECTRIC POWER CORPORATION LTD.
(A Government of India Enterprise)

पंजीकृत कार्यालय: ब्रुकलैंड कम्पाउंड, लोअर न्यू कॉलोनी, शिलांग-793003
Registered Office: Brookland Compound, Lower New Colony, Shillong - 793 003

NEEPCO/FIN/FUND/25/ 99

Date: 1st July; 2019

To:

The Bombay Stock Exchange
Corporate Compliance & Listing Centre,
P.J. Tower, Dalal Street,
Mumbai - 400001

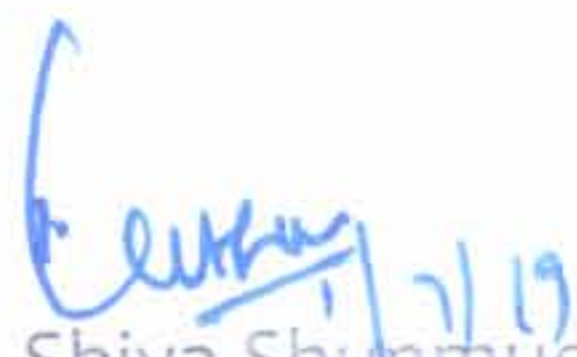
Sub: Declaration in respect of Unmodified Opinion on Audited Financial Statement for
the Financial Year ended 31st March, 2019

Sir,

In terms of Regulation 52 (3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, it is declared that the Report of the Auditors do not have any modified opinion on the Annual Standalone and Consolidated Audited Financial Statements for the financial year ended 31st March, 2019 of North Eastern Electrical Power Corporation Limited.

Thanking you,

Yours faithfully,


(M. Shiva Shunmuganathan)
Director (Finance)



Independent Auditors' Report

To the Members of North Eastern Electric Power Corporation Limited

Opinion

We have audited the accompanying standalone Ind AS financial statements of North Eastern Electric Power Corporation Limited ('the Company'), which comprise the Balance Sheet as at 31st March 2019, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flow and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as 'standalone Ind AS financial statements').

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Companies Act 2013 ('the Act'), the Electricity Act 2003, and CERC Regulations in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the financial position of the Company as at 31st March 2019, its financial performance including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We have conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the 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 Companies Act, 2013 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 opinion.

S P A N & ASSOCIATES
Chartered Accountant

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Emphasis of Matters

We draw attention to the following matters in the Notes to the Ind AS financial statements:

1. Note No. 18.3(c) in respect of restatement of the Financial Statement of earlier years in compliance of Ind AS 8 "Accounting Policies, Changes in Accounting Estimates & Errors".
2. Note No. 18.3(b) in respect of Bond redemption reserve; Company appropriates out of the profit "Bond Redemption Reserve" to the extent of 25% of the value of bonds prior to the year of redemption of bonds. At present, Company has around 12% of the value of Outstanding Bonds in its Bond Redemption Reserve.
3. Note No. 40 in respect of the uncertainty related to the outcome of the claims/arbitration proceedings and lawsuit filed by the/against the company on/by contractors and/or others. In some cases, the arbitration award has been decided against the company/lost in lower courts and the company is pursuing the matter in higher courts.
The management doesn't foresee any possible outflows in respect of decision against the company other than those already provided in the books of account.
4. Note No. 49 in respect of balance confirmation, reconciliation and consequential adjustment from the different parties.

Our report is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below as the key audit matters to be communicated in our report.

| Sl. No. | Key Audit Matter | Auditor's Response |
|---------|--|--|
| 1 | <p><i>Evaluation of Uncertain Arbitration Cases, Court Cases and Litigations</i></p> <p>The Company has material uncertain claims of Rs. 2443.53 crores containing matters under litigations, Court Cases and Arbitration Cases, which involves significant judgment to determine the possible outcome of these cases.</p> <p>Refer Notes 40 to the Standalone Financial Statements</p> | <p><i>Principal Audit Procedures</i></p> <p>We have obtained details of Arbitration cases, Court Cases and Pending litigations for the year ended March 31, 2019 from management. We involved our team members to challenge the management's underlying assumptions in estimating the litigation cases and the possible outcome of the disputes. Our team also considered legal precedence and other rulings in</p> |



| | | |
|---|---|---|
| | | evaluating management's position on these pending litigations and Arbitration cases. Additionally, we considered the effect of new information in respect of these cases to evaluate whether any change was required to management's position on these uncertainties. |
| 2 | <p>Recoverability of Direct Tax Receivables</p> <p>As at March 31, 2019, Current assets in respect of Other Financial Assets include Advance Tax Refundable amounting to ₹ 3543.06 lakhs pertaining to Previous Assessment Years, which are pending adjudication.</p> <p>Refer Note 13 to the Standalone Financial Statements.</p> | <p>Principal Audit Procedures</p> <p>We have involved our team to review the nature of the amounts recoverable, the sustainability and the likelihood of recoverability upon final assessment. We have verified the Assessment status for the years whose amount are yet to be recovered and are under Assessment under appropriate authority.</p> |
| 3 | <p>Recognition of Regulatory Deferral Account Balances in accordance with IND AS 114 and CERC Regulations 2014-19</p> <p>For the FY 2018-19, Income of Rs 162.38 crores in respect of Regulatory Deferral Account has been recognised as per the provisions of IND AS 114 and CERC Regulations, in respect of the following –</p> <ol style="list-style-type: none"> Difference in Rate of Depreciation as per CERC Regulations charged to P&L and Depreciation allowed to be recovered through tariff, for Turial Hydro Electric Project (TrHEP). Deferred tax adjustment against deferred tax liability for O&M Plants on account of Deferred tax accrued during the year capable of adjustment/reversal in future periods. Modification of Annual Fixed Costs on account of variation of Additional Capital Expenditure as allowed by CERC Regulations for O&M Projects and as actually billed. <p>Refer Note 16 and Note 41 of Financial Statements</p> | <p>Principal Audit Procedures</p> <p>Accounting Policy for recognition of Regulatory Deferral Account balances in accordance with IND AS 114 was examined. We have reviewed the nature of regulatory activities, its recognition and subsequent measurement. Also, we have involved our team to analyse the risks and uncertainties associated with future recovery of the same and the time frame within which it is expected to be recovered.</p> <p>We have reviewed the sample list of documents / calculations for recognising rate regulated activities as Regulatory Deferral Income. Our team has performed analytical procedures and carried out test of details for reasonableness of Regulatory Income / Expenses booked.</p> <p>Further, we reviewed the CERC Regulations and logic behind recognising of Regulatory Income / Expense.</p> |



| | | |
|----------|--|---|
| <p>4</p> | <p><i>Recoverability of Capital Expenditure through tariff, on start of Commercial Operations of Kameng Project</i></p> <p>As on 31st March 2019, total balance of Capital Work-In-Progress for Kameng Project lying in the books of NEEPCO amounts to Rs.6438.24 crores. The aforesaid amount includes significant expenditures in the form of Incidental Expenditure during Construction (IEDC) charged under the head Capital Work in Progress.</p> <p>Analysis will be carried out by CERC to determine, whether price and cost overrun will be included, for determination of Tariff by CERC, once Kameng project is capitalised., As the Actual Capital Cost of the project has exceeded Indexed Projected Cost, it may result in probable Impairment.</p> | <p><i>Principal Audit Procedures</i></p> <p>We have analysed the process of allocation of expenses for construction projects, to Incidental Expenditure during Construction. Further, detailed checking was carried out to verify the correctness of allocation of Outlays for Capital Work in Progress. Also, design of Internal Controls relating to expenses to be charged off to IEDC / CWIP was evaluated.</p> <p>The Assessment of indicators of Impairments could be carried out post capitalization of the project and its successful COD.</p> |
|----------|--|---|

Our report is not modified in respect of these matters.

Other Information

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis Report, Director's Report including Director's Responsibility Report and Corporate Governance, but does not include the standalone financial statements and our auditor's report thereon.

Our opinion on the standalone 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 financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained during audit or otherwise appears to be materially misstated.

Based on the above, we would communicate the matter to those charged with governance, in case we conclude a material misstatement in Other Information, post availability of Other Information.



Management's Responsibility for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity 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 relevant rules issued thereunder and as per the Electricity Act, 2003 and relevant Central Electricity Regulatory Commission (CERC) regulation in respect of Depreciation and other recognized accounting practices and policies.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the Electricity Act 2003, CERC Regulations and the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also



includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the management of the company, as well as evaluating the overall presentation of the standalone Ind AS financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of Section 143 (11) of the Act, we have given in the Annexure A, a statement on the matters specified in the paragraph 3 and 4 of the order.
2. We are enclosing our report in terms of Section 143 (5) of the Act, on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, in the Annexure B on the directions and sub-directions issued by the Comptroller and Auditor General of India.
3. As required by Section 143 (3) of the Act, we report that:
 - a. we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion 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;
 - c. the Balance Sheet, the Statement of Profit and Loss including the other comprehensive income, the statement of Cash Flow and the Statement in changes in equity dealt with by this Report are in agreement with the books of account;
 - d. In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
 - e. Being a Government Company, pursuant to the Notification No. GSR 463(E) dated 5th June 2015 issued by Ministry of Corporate Affairs, Government of India, provisions of sub-section (2) of Section 164 of the Companies Act, 2013, are not applicable to the Company.
 - f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure C;



- g. With respect to compliance of Section 135 under Companies Act 2013, the Company has spent less than two percent of the average net profits of the Company during three preceding financial years, towards CSR in the current FY 2018-19 and
- h. With respect to the other matters to be included in the Auditors' 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. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements - *Refer to Note 40 to the standalone Ind AS financial statements;*
- ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts; and
- iii. The Company has no case of transferring any amount to the Investor Education and Protection Fund as per the provisions of the Act.

Place: New Delhi
Date: 20th June 2019

For SPAN & ASSOCIATES
Chartered Accountants
F.R.N.: 302192E



T. K. DAS
Partner

Membership No. 053080



Annexure A to the Independent Auditors' Report

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of independent audit report on the standalone financial statements of even date)

We report that:

- (i)(a) The Company has generally maintained records showing full particulars including quantitative details and situation of fixed assets.
- (b) There is a regular programme of physical verification of all fixed assets on an annual basis, by the Management. No material discrepancies were noticed on such verification. In our opinion, programme of physical verification as informed is reasonable having regard to the size of the Company and the nature of its assets.
- (c) The title deeds of all the immovable properties are held in the name of the Company except in case of one of the project (KHEP) title deed of freehold land measuring 183.19 hectares, valued at Rs. 4.52 crores is pending and as informed to us, the company is taking appropriate steps for completion of legal formalities.
- (ii) The inventory has been physically verified by the management at reasonable intervals. No material discrepancies were noticed on such physical verification.
- (iii) The Company has not granted any loans, secured or unsecured to any companies, firms, limited liability partnership or other parties covered in register maintained under Section 189 of the Companies Act, 2013.
- In view of the above, the clauses 3 (iii) (a), 3 (iii) (b) and 3 (iii) (c) of the Order are not applicable.
- (iv) The Company has not granted any loans or given any guarantee and security covered under Section 185 and 186 of the Companies Act, 2013. In respect of investment in the Joint Venture Companies, the Company has complied with the provisions of Section 185 and 186 of the Companies Act, 2013.
- (v) The Company has not accepted deposits from the public covered by section 73 to 76 of the Companies Act 2013. Therefore clause (v) of the order is not applicable.
- (vi) We have broadly reviewed the accounts and records maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under sub-section (I) of Section 148 of the Companies Act, 2013 read with Companies (Cost Records & Audit) Rules, 2014 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made detailed examination of the records with a view to determine whether they are accurate and complete.
- (vii) (a) Undisputed statutory dues including provident fund, income tax, Goods and Service Tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities and there are no undisputed dues outstanding as on 31st March 2019 for a period of more than six months from the date they became payable. We have been informed that employees' state insurance is not applicable to the Company.



(b) The disputed statutory dues aggregating to Rs. 17,220.78 lakhs that have not been deposited on account of matters pending before appropriate authorities are detailed below:

| Name of the statute | Nature of Dues | Amount (Rs. In Lakh) | Period to which the amount relates | Forum where dispute is pending |
|----------------------|----------------|----------------------|------------------------------------|-----------------------------------|
| Income Tax Act, 1961 | Income Tax | 63.34 | 2013-14 | ITAT, Guwahati |
| Income Tax Act, 1961 | Income Tax | 44.23 | 2011-12 | ITAT, Guwahati |
| Income Tax Act, 1961 | Income Tax | 149.89 | 2013-14 | ITAT, Guwahati |
| Income Tax Act, 1961 | Income Tax | 49.49 | 2011-12 | ITAT, Guwahati |
| Income Tax Act, 1961 | Income Tax | 121.46 | 2012-13 | ITAT, Guwahati |
| Income Tax Act, 1961 | Income Tax | 10,872.61 | 2014-15 | Appeals to Commissioner (Appeals) |
| Income Tax Act, 1961 | Income Tax | 5,912.10 | 2012-13 to 2017-18 | CIT (Appeals) |
| Total | | 17,213.12 | | |

The Company also has a disputed Statutory Dues under Service Tax for Rs. 7.66 lakhs at CESTAT, Kolkata.

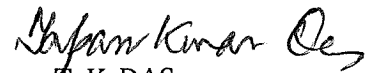
- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
- (ix) The Company has not raised any money by way of initial public offer or further public offer. According to the information and explanations given to us, the money raised by the Company by way of Bonds, Grants and Other loans have been applied for the purpose for which they were obtained.
- (x) According to the information and explanations given to us and as represented by the Management and based on our examination of the books and records of the Company and in accordance with generally accepted auditing practices in India, no case of frauds by the Company or any fraud on the company by its officers or employees has been noticed or reported during the year.
- (xi) As per notification no. GSR 463(E) dated 5th June 2015 issued by the Ministry of Corporate Affairs, Government of India, Section 197 is not applicable to the Government Companies. Accordingly, provisions of clause 3 (xi) of the Order are not applicable to the Company.



- (xii) The provisions of clause 3 (xii) of the Order, for Nidhi Company, are not applicable to the Company.
- (xiii) The Company has complied with the provisions of Section 177 and 188 of the Companies Act, 2013 w.r.t. transactions with the related parties, wherever applicable. Details of the transactions with the related parties have been disclosed in Note no. 45 of the financial statements as required by the applicable Indian Accounting standards.
- (xiv) The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, provisions of clause 3 of the Order are not applicable to the Company.
- (xv) The Company has not entered into any non-cash transactions with the directors or persons connected with them as covered under Section 192 of the Companies Act, 2013.
- (xvi) According to information and explanation given to us, the Company is not required to be registered u/s 45-IA of Reserve Bank of India Act, 1934. Accordingly, provision of clause 3(xvi) of the Order is not applicable to the Company.

Place: New Delhi
Date: 20th June 2019

For SPAN & ASSOCIATES
Chartered Accountants
F.R.N.: 302192E



T. K. DAS
Partner

Membership No.:053080



Annexure B to the Independent Auditors' Report

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of independent audit report on the standalone financial statements of even date)

| Sl. No. | Directions u/s 143(5) of the Companies Act, 2013 | Auditor's reply on action taken on the directions | Impact on financial statement |
|---------|--|--|-------------------------------|
| 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 along with the financial implications, if any, may be stated. | The company has old information technology (IT) application system which is unable to cater the emerging needs, process all accounting transactions and complete information consistent with financial reporting objectives. | Not Ascertainable |
| 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. | No such restructuring of existing loan or waiver / write off of debts / loans / interest etc. were made by lender to the Company. | Nil |
| 3. | Whether funds received / receivable for specific schemes from Central / State agencies were properly accounted for / utilized as per its terms and conditions? List the case of deviations. | The funds received for Deen Dayal Upadhyaya Gram Jyoti Yogana & Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGYA) Schemes have been accounted and utilized as per the terms of the related schemes. | Nil |

For SPAN & ASSOCIATES
Chartered Accountants
F.R.N.: 302192E

T. K. DAS

T. K. DAS
Partner

Membership No.:053080

Place: New Delhi

Date: 20th June 2019

SPAN & ASSOCIATES
Chartered Accountant

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Annexure C to the Independent Auditors' Report

(Referred to in paragraph 3(f) under 'Report on Other Legal and Regulatory Requirements' section of independent audit report on the standalone financial statements of even date)

Report on the Internal Financial Controls under of Section 143 (3)(i) of the Companies Act, 2013 ('the Act')

We have audited the internal financial controls over financial reporting of North Eastern Electric Power Corporation Limited ('the Company') as of 31stMarch 2019 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Qualified Opinion

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at 31st March 2019:

the company has old information technology (IT) application system which is unable to cater the emerging needs and complete information consistent with financial reporting objectives.

This could potentially result into weakness in the internal financial controls over financial reporting of the company.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, the company has, in all material respects, maintained adequate internal financial controls over financial reporting as of 31stMarch 2019, based on the internal control over financial reporting criteria established by the company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India and except for the possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company's internal financial controls over financial reporting were operating effectively as of 31stMarch 2019.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the 31st March 2019 standalone Ind AS financial statements of the Company, and these material weaknesses do not affect our opinion on the standalone financial statements of the Company.



Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness.

Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained are sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.



A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For SPAN & ASSOCIATES

Chartered Accountants

F.R.N.: 302192E

Place: New Delhi

Date: 20th June 2019


T.K. DAS

Partner

Membership No.:053080





ISO 9001:2008 & OHSAS 18001

NORTH EASTERN ELECTRIC POWER CORPORATION LTD

"Brookland Compound", Lower New Colony

Shillong 793 003, Meghalaya

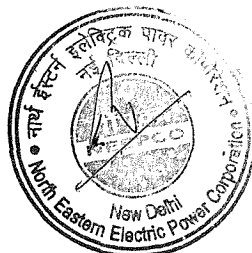
Stand-alone Financial Statements for the year ended 31.03.2019

NORTH EASTERN ELECTRIC POWER CORPORATION

Balance Sheet as at 31.03.2019

(₹ in lakhs)

| Sl No. | Particulars | Note No. | As at 31 st March 2019 | As at 31 st March 2018 (Restated) | As at 1 st April 2017 (Restated) |
|--------|---|----------|-----------------------------------|--|---|
| | <u>ASSETS</u> | | | | |
| 1 | <u>Non-Current assets</u> | | | | |
| | (a) Property, Plant and Equipment | 2 | 616630.06 | 341039.75 | 348907.21 |
| | (b) Capital work -in- Progress | 3 | 711874.08 | 938672.98 | 799325.64 |
| | (c) Intangible assets under Development | 4 | 10082.50 | 10082.50 | 10082.50 |
| | (d) Intangible assets | 4A | 9776.48 | 6473.99 | 4681.85 |
| | (e) Financial Assets | | | | |
| | (i) Investment | 5 | 2793.00 | 2793.00 | 10993.00 |
| | (ii) Loans | 6 | 95.93 | 107.20 | 113.96 |
| | (f) Deferred Tax Asset (Net) | 7 | | | |
| | (g) Other Non-current Assets | 8 | 21586.28 | 21236.45 | 28261.53 |
| | 1. Total Non-Current Assets | | 1372838.33 | 1320405.87 | 1202365.69 |
| 2 | <u>Current assets</u> | | | | |
| | a) Inventories | 9 | 11083.93 | 9104.38 | 13436.19 |
| | b) Financial Assets | | | | |
| | (i) Trade receivables | 10 | 63453.60 | 45836.76 | 44108.15 |
| | (ii) Cash and Cash equivalents | 11 | 6900.43 | 33049.07 | 24769.25 |
| | (iii) Bank balances other than (ii) above | 12 | 2957.44 | 558.85 | 2158.76 |
| | (iv) Others | 13 | 14404.33 | 7209.36 | 6028.43 |
| | c) Current Tax Assets | 14 | 7921.45 | 9297.15 | 11824.22 |
| | d) Other Current assets | 15 | 2657.18 | 1943.02 | 2039.31 |
| | e) Assets Held For Sale | 15A | 76.86 | 131.84 | 67.69 |
| | 2. Total Current Assets | | 109455.22 | 107130.43 | 104432.00 |
| 3 | 3. Regulatory deferral accounts debit balances | 16 | 25034.48 | 8795.89 | 5242.28 |
| | Total Assets (1 + 2 + 3) | | 1507328.03 | 1436332.19 | 1312039.97 |

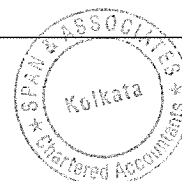
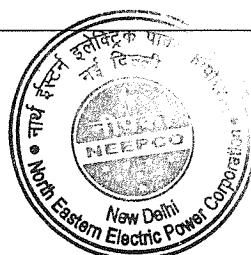


| SI No. | Particulars | Note No. | As at 31 st March 2019 | As at 31 st March 2018 (Restated) | As at 1 st April 2017 (Restated) |
|--------|--|----------|-----------------------------------|--|---|
| | <u>EQUITY AND LIABILITIES</u> | | | | |
| 4 | <u>Equity</u> | | | | |
| | (a) Equity Share Capital | 17 | 360981.04 | 345281.04 | 345281.04 |
| | (b) Other Equity | 18 | 269147.76 | 260617.44 | 243999.31 |
| | (c) Share Application money pending Allotment | 18.4 | 0.00 | 9600.00 | 0.00 |
| | 4. Total Equity | | 630128.80 | 615498.48 | 589280.35 |
| | <u>Liabilities</u> | | | | |
| 5 | Non-Current Liabilities | | | | |
| | a) Financial Liabilities | | | | |
| | (i) Borrowings | 19 | 661882.06 | 630906.68 | 559292.78 |
| | (ii) Trade payables | | | | |
| | (a) Total outstanding dues of micro enterprises and small enterprises | | | - | - |
| | (b) Total outstanding dues of creditors other than micro enterprises and small enterprises | | | - | - |
| | (iii) Other financial liabilities | | | - | - |
| | b) Provisions | 20 | 15780.51 | 20226.57 | 12423.54 |
| | c) Deferred tax liabilities (Net) | 7 | 17655.15 | 3499.06 | 3526.12 |
| | d) Other non-current liabilities | 21 | 29332.11 | 31204.15 | 31311.40 |
| | 5. Total Non-Current Liabilities | | 724649.83 | 685836.46 | 606553.84 |
| 6 | Current liabilities | | | | |
| | a) Financial liabilities | | | | |
| | (i) Borrowings | 22 | 28236.63 | 20000.00 | 33275.00 |
| | (ii) Trade Payables | 23 | | | |
| | (a) Total outstanding dues of micro enterprises and small enterprises | | 645.04 | 129.55 | 0.00 |
| | (b) Total outstanding dues of creditors other than micro enterprises and small enterprises | | 6663.44 | 8646.37 | 5285.97 |
| | (iii) Other financial liabilities | 24 | 72039.26 | 59447.93 | 39121.94 |
| | b) Other current liabilities | 25 | 16051.36 | 16245.69 | 14318.83 |
| | c) Provisions | 26 | 17594.39 | 16583.41 | 15220.49 |
| | d) Current Tax liabilities | 14 | 11319.28 | 13944.30 | 8983.55 |
| | 6. Total Current Liabilities | | 152549.40 | 134997.25 | 116205.78 |
| 7 | 7. Regulatory deferral accounts credit balances | | 0.00 | 0.00 | 0.00 |
| | Total Equity and Liabilities (4 + 5 + 6 +7) | | 1507328.03 | 1436332.19 | 1312039.97 |

Summary of significant accounting policies - Note no.1

The accompanying notes 1 to 52 form an integral part of these financial statements

| | | | | |
|--------------------------------------|---|---|--|--|
| Date: 20.06.2019 Place: New Delhi | For and on behalf of the Board of Directors | | In terms of our report of even date | |
| | C Sharma Company Secretary | M Shiva Shunni Ganathan Director (Finance) | A.G West Kharakongor Chairman & Managing Director | For M/S SPAN & Associates Chartered Accountants F.R.N.302192E T.R. Das Partner Membership No-053080 |



Statement of Changes in Equity

A. Equity Share Capital

Period ended 31st March 2018

(₹ in Lakh)

| Balance at at 01.04.2017 | Changes in equity share capital during | Balance as at 31.03.2018 |
|--------------------------|--|--------------------------|
| 1 | 2 | 3 |
| 345,281.04 | - | 345,281.04 |

Period ended 31st March 2019

(₹ in Lakh)

| Balance at at 01.04.2018 | Changes in equity share capital during | Balance as at 31.03.2019 |
|--------------------------|--|--------------------------|
| 1 | 2 | 3 |
| 345,281.04 | 15,700.00 | 360,981.04 |

B. Other Equity

Period ended 31st March 2018 (Restated)

(₹ in Lakh)

| Particulars | Balance as at 01.04.2017 | Changes in accounting policy or prior period errors | Restated balance as at 01.04.2017 | Total Comprehensive income for the year | Dividends | Trasfer to/from retained earnings | Fair Value Adjustment | Balance as at 31.03.2018 (Restated) |
|---------------------------------|--------------------------|---|-----------------------------------|---|-----------|-----------------------------------|-----------------------|-------------------------------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Retained Earnings | 2319.04 | 4256.11 | 6575.15 | 27703.48 | 11089.75 | 17334.60 | 4.40 | 5858.68 |
| General Reserve | 197691.68 | | 197691.68 | - | | | | 197691.68 |
| Bond Redemption Reserve | 39732.48 | | 39732.48 | - | | 17334.60 | | 57067.08 |
| Share Application money pending | 0.00 | | | | | | | 9600.00 |

Period ended 31st March 2019

(₹ in Lakh)

| Particulars | Balance as at 01.04.2018 | Changes in accounting policy or prior period errors | Restated balance as at 01.04.2018 | Total Comprehensive income for the year | Dividends | Trasfer to/from retained earnings | Fair Value Adjustment | Balance as at 31.03.2019 |
|-------------------------|--------------------------|---|-----------------------------------|---|-----------|-----------------------------------|-----------------------|--------------------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Retained Earnings | 5858.68 | | 5858.68 | 21605.87 | 13863.86 | 7987.09 | 788.31 | 6401.91 |
| General Reserve | 197691.68 | | 197691.68 | | | | | 197691.68 |
| Bond Redemption Reserve | 57067.08 | | 57067.08 | | | 7987.09 | | 65054.17 |

In terms of our report of even date

For M/S S P A N & Associates
Chartered Accountants
F.R.N.302192E

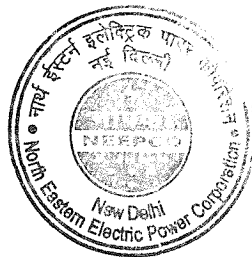
Date: 20.06.2019
Place: Noida Delhi
C Sharma
Company Secretary

For and on behalf of the Board of Directors

M Shiva Shunuganathan
Director (Finance)

A. West Kharkongor
Chairman & Managing Director

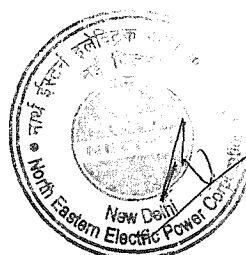
T K Das
Partner
Membership No-053080



PARTII- STATEMENT OF PROFIT AND LOSS
Statement of Profit and Loss

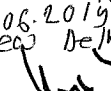
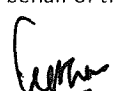

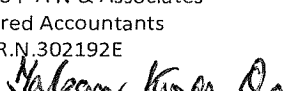
(₹ in lakhs)

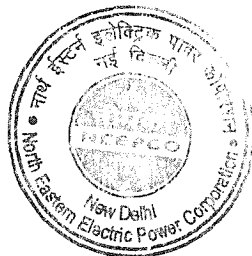
| Sl No. | Particulars | Notes | For the period ended 31st-Mar-19 | For the period ended 31st-Mar-18 (Restated) |
|--------|---|-------|----------------------------------|---|
| I | Revenue from Operations | 27 | 200703.91 | 163294.41 |
| II | Other Income | 28 | 10137.28 | 3172.35 |
| III | Total Income (I + II) | | 210841.19 | 166466.76 |
| IV | Expenses | | | |
| | (a) Cost of materials consumed | 29 | 56199.59 | 42632.78 |
| | (b) Employee benefit expense | 30 | 49112.45 | 41026.61 |
| | (c) Finance costs | 31 | 15704.43 | 6902.88 |
| | (d) Depreciation and amortization expense | 32 | 35711.48 | 18305.63 |
| | (e) Other expenses | 33 | 25194.10 | 20880.92 |
| | Total expenses (IV) | | 181922.05 | 129748.82 |
| | Profit / (loss) before exceptional items, Rate Regulated Activities and tax (III - IV) | | 28919.14 | 36717.94 |
| V | | | 28919.14 | 36717.94 |
| VI | Add : Regulatory Income/(Expense) | 16 | 16238.59 | 3553.61 |
| VII | Exceptional Items | | | |
| VIII | Profit / (loss) before tax (V + VI + VII) | | 45157.73 | 40271.55 |
| IX | Tax Expense: | | | |
| | (i) Current tax | | 6222.51 | 12631.60 |
| | Add : Tax on Regulatory Deferral Accounts | | 3499.22 | 1222.44 |
| | Less : MAT Credit | | - | 895.91 |
| | Net Current Tax | | 9721.73 | 12958.13 |
| | (ii) Deferred tax | | 14042.19 | (152.69) |
| | | | 23763.92 | 12805.44 |
| | Profit / (loss) for the year from continuing operations (VIII - IX) | | 21393.81 | 27466.11 |
| X | | | 21393.81 | 27466.11 |
| XI | Profit / (loss) from discontinued operations | | 0.00 | 0.00 |
| XII | Tax expense of discontinued operations | | | |
| | Profit / (loss) for the year from Discontinued operations (XI - XII) | | 0.00 | 0.00 |
| XIII | | | 0.00 | 0.00 |
| XIV | Profit / (loss) for the year/period (X +XIII) | | 21393.81 | 27466.11 |



| Sl No. | Particulars | For the period ended 31st-Mar-19 | For the period ended 31st-Mar-18 (Restated) |
|--------|--|----------------------------------|---|
| XV | Other comprehensive income | | |
| A | (i) Items that will not be reclassified to profit and loss | | |
| | (a) Remeasurements of the defined benefit plans | 325.96 | 363.00 |
| | (b) Others (specify nature) | 325.96 | 363.00 |
| | (ii) Income tax relating to items that will not be reclassified to profit and loss | 113.90 | 125.63 |
| B | (i) Items that will be reclassified to profit and loss | | |
| | (ii) Income tax relating to items that will be reclassified to profit and loss | | |
| | Total other comprehensive income XV = (A+ B) | 212.06 | 237.37 |
| XVI | Total comprehensive income for the period (XIV + XV) | 21605.87 | 27703.48 |
| | Earnings per equity share (for continuing operation before regulatory Deferral Accounts) : | | |
| | (1) Basic (in Rs.) | 0.24 | 0.73 |
| | (2) Diluted (in Rs.) | 0.24 | 0.73 |
| XVII | Earnings per equity share (for continuing operation after regulatory Deferral Accounts) : | | |
| | (1) Basic (in Rs.) | 0.60 | 0.80 |
| | (2) Diluted (in Rs.) | 0.60 | 0.80 |

The accompanying notes 1 to 52 form an integral part of these financial statements

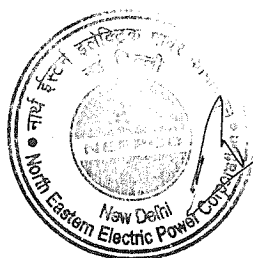
| | | | |
|---|---|--|---|
| For and on behalf of the Board of Directors | | In terms of our report of even date | |
| Date: 20.06.2019 | | For M/S P A N & Associates | |
| Place: New Delhi | | Chartered Accountants | |
| | | F.R.N.302192E | |
|  |  |  |  |
| C Sharma Company Secretary | M Shiva Shrinuganathan Director (Finance) | A.G. West Kharkongor Chairman & Managing Director | T K Das Partner |
| | | | Membership No-053080 |



STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31st MARCH' 2019

(₹ in Lakhs)

| Particulars | For the year ended 31 st March 2019 | For the year ended 31 st March 2018 (Restated) |
|--|---|--|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before tax for the year including OCI & movements in Regulatory Deferral Account Balances | 45,483.69 | 40,634.55 |
| Less : Movement in Regulatory deferral Account Balances | 16,238.59 | 3,553.61 |
| Profit before Tax | 29,245.10 | 37,080.94 |
| ADD : | | |
| Depreciation & Amortisation | 35,711.48 | 18,305.63 |
| Finance Cost | 15,704.43 | 6,902.88 |
| Loss on Sale of Assets/Asset Write off | 3,132.77 | 569.95 |
| Expenditure towards Regulatory Deferral Account Balances | 16,238.59 | 3,553.61 |
| Foreign Exchange loss | 822.86 | 87.90 |
| Fair value loss | 2.37 | 4.40 |
| | <u>71,612.50</u> | <u>29,424.37</u> |
| | 100,857.60 | 66,505.31 |
| LESS: | | |
| Profit on Sale of Assets | 0.24 | 0.70 |
| Interest/Investment income | 84.98 | 329.00 |
| Foreign Exchange gain | - | - |
| Fair value gain | - | - |
| | <u>85.22</u> | <u>329.70</u> |
| Cash flow from Operating Activities before operating Assets & Liabilities adjustments | 100,772.38 | 66,175.61 |
| Changes in operating Assets & Liabilities | | |
| Inventories | (1979.54) | 4,331.81 |
| Trade & Other Receivable | (25339.00) | (2962.27) |
| Other Financial Assets, Loans and Advances | (2531.22) | (75.11) |
| Other Financial Liabilities & Provisions | 2,866.70 | 19,412.39 |
| | <u>(26,983.06)</u> | <u>20,706.82</u> |
| Cash flow from operating activities before taxes | 73,789.32 | 86,882.43 |
| Less : Direct Taxes Paid | 10,308.00 | 9,100.00 |
| NET CASH FLOW FROM OPERATING ACTIVITIES (A) | 63,481.32 | 77,782.43 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Property, plant and equipment | (48,212.77) | (95,363.28) |
| Financial assets | - | 8200.00 |
| Interest income | 121.69 | 270.89 |
| Dividend Income | 3.10 | 15.01 |
| Changes in Regulatory Deferral Account Balances | (16238.59) | (3553.61) |
| NET CASH FLOW FROM INVESTING ACTIVITIES (B) | (64,326.57) | (90,430.99) |
| C. CASH FLOW FROM FINANCING ACTIVITIES (C) | | |
| Equity Share (Pending Allotment) | 6,100.00 | 9,600.00 |
| Proceed from Borrowings | 74,163.18 | 115,171.15 |
| Repayment of borrowings | (35,267.25) | (59,112.05) |
| Dividends & Dividend Tax paid | (13,077.92) | (11,089.75) |



| | | |
|---|-------------|-------------|
| Interest & Finance Charges | (54,822.81) | (35,240.88) |
| NET CASH FLOW FROM FINANCING ACTIVITIES (C) | (22904.80) | 19,328.47 |
| D. NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C) | (23750.05) | 6,679.91 |
| Cash & Cash Equivalents at the beginning of the year | 33,607.92 | 26,928.01 |
| Cash & Cash Equivalents at the close of the year | 9,857.87 | 33,607.92 |

Explanatory notes to statement of cash flows

- Cash & Cash equivalents consists of Cash in hand, cheques/drafts in hands and Bank Balances including Short Term Deposits with original maturity of less than three months. The details of Cash & Cash equivalent as per Note 11 & 12 of the Balance Sheet is as under :

(₹ in lakhs)

| Particulars | As at 31 st March , 2019 | As at 31 st March, 2018 |
|---|-------------------------------------|------------------------------------|
| Cash and Cash equivalents | 6900.43 | 33049.07 |
| Bank balances other than above (restricted balance) | 2957.44 | 558.85 |
| | 9857.87 | 33607.92 |

- Bank balances other than Cash and Cash equivalents consists of restricted money amounting to ₹ 2957.44 lakhs (Previous years ₹ 558.85 lakhs), held for Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY), Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGYA Scheme) and margin money against LC provided to Bank.
- Previous year figures have been regrouped/rearranged wherever considered necessary.
- Interest & finance charges in Cash Flow from Financing Activities includes borrowing cost of ₹ 61.39 Lakhs (Previous year ₹ 52.38) & Guarantee & Commitment fee ₹ 546.53 Lakhs (Previous year ₹ 564.97 Lakhs) capitalised during the period on account of Expenditure attributable to construction (EAC).
- 5 Changes in liabilities arising from financing activities**
- i. Issue of equity instruments during the period amounts to ₹ 15700.00 lakh, out of which ₹ 6100.00 lakh received during the period.
- ii (a): Borrowings ₹ 74,163.18 lakhs (Previous year ₹ 1,15,171.15 lakhs) includes net foreign exchange loss of ₹ 584.45 lakhs (Previous year net foreign exchange loss ₹ 6,758.18 lakhs).
- ii (b): Amortisation of bond cost amounting to ₹ 240.36 lakhs (Previous year ₹ 232.92 lakhs) adjusted with proceed from borrowings.

| | | |
|-------------------------------|---|---|
| Date: 20.08.2019 | For and on behalf of the Board of Directors | In terms of our report of even date |
| Place: New Delhi | | For M/S S P A N & Associates |
| | | Chartered Accountants |
| | | F.R.N.302192E |
| C Sharma Company Secretary | M Shiva Sharma Director (Finance) | A.G. West Khan Kongor Chairman & Managing Director |
| | | T K Das Partner |
| | | Membership No-053080 |

