Audited Project Financial Statements

Project Number: 47100 Loan Number: 3066

Period covered: 1 April 2014 to 31 March 2015

IND: Madhya Pradesh Power Transmission and Distribution System Improvement Project

Prepared by Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited, Indore

For the Asian Development Bank Date received by ADB: 4 January 2016

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Public Communications Policy 2011 and as agreed between ADB and the Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited, Indore.



L.K. Maheshwari & Co.

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314, Jain Plaza, CMD Chowk,

Link Road, Bilaspur - 495 004

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To,
The Board of Directors,
Madhya Pradesh Paschim Kshetra Vidyut Vitran Company Limited,
Indore (M.P.).

Report on the Project Financial Statements

We have audited the accompanying financial statements of the Madhya Pradesh Power Transmission and Distribution System Improvement Project executed by Madhya Pradesh Paschim Kshetra Vidyut Vitran Company Limited, Indore, financed under Asian Development Bank Loan No. 3066-IND which comprise the Statement of Receipts and Payments, the Statement of Expenditure by Category and Financier, the Statement of Disbursement and related notes for the year ended 31st March 2015.

These statements are the responsibility of the Project's management. Our responsibility is to express an opinion on the accompanying financial statements based on our audit.

We conducted our audit in accordance with the Auditing Standards promulgated by the Comptroller and Auditor General of India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit examines, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the sources and applications of funds of Project for the year ended 31st March 2015 in accordance with accounting standards as applicable to MPPKVVCL.

In addition, in our opinion:

- (a) Proceeds of the loan from ADB have been utilized for the purposes as per ADB Loan/Project Agreement.
- (b) Financial covenants in the loan agreement of the Madhya Pradesh Power Transmission and Distribution System Improvement Project dated 17.02.2014 have been complied with.

For L.K. Maheshwari & Co.

Chartered Accountants

FRN-000780C

Partner

M.No.: 079873

(Abhay Singi)

Dated: 22.12.2015

Name of Project: Madhya Pradesh Power Transmission and Distribution System Improvement Project Name of the Executing Agency-Madhya Pradesh Paschim Kshetra Vidyut Vitran Co. Ltd. Name of the Implementing Agency-Implemented By Government Of Madhya Pradesh Loan No.: 3066-IND

STATEMENT OF EXPENDITURE BY CATEGORY & FINANCIER REPORT FOR THE PERIOD ENDED 31st March 2015

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7 Amount 8	8 8 0.00	8 8 0.00 0.00	8 8 0.00 0.00	0.00 0.00 0.00	0.00 0.00 0.00	0.00 0.00 0.00 0.00	0.00 0.00 0.00 0.00 0.00
6 7	00.00						
2 6	5 20.57	5 20.57 76.80	20.57	20.57	5 20.57 76.80 97.37	5 20.57 76.80 97.37 2.63	5 20.57 76.80 97.37 2.63 2.63
Amount 4	5435.41	5435.41, 20292.33,	5435.41, 20292.33, 25727.75	5435.41 20292.33 25727.75	5435.41, 20292.33, 25727.75	5435.41, 20292.33, 25727.75 696.18	5435.41 20292.33 25727.75 696.18 696.18
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2	30659.50	30659.50,	2 30659.50, 284263.63, 314923.13	30659.50, 284263.63 314923.13	2 30659.50, 284263.63, 314923.13	2 30659.50, 284263.63, 314923.13	30659.50, 284263.63, 314923.13 0.00
1	1 100% of total Expenditure	1 100% of total Expenditure excluding taxes & Duties	1 100% of total Expenditure excluding taxes & Duties	1 100% of total Expenditure excluding taxes & Duties	1 100% of total Expenditure excluding taxes & Duties	100% of total Expenditure excluding taxes & Duties	1 100% of total Expenditure excluding taxes & Duties
Costs	Costs	Costs	Costs	: Costs	t Costs Costs Costs	nt Costs A) Costs Costs B)	Erection Supply Subtotal (A) Recurrent Costs Overhead Cost Subtotal (B) Total Project Cost C=(A+B)
	30659.50 9.74 5435.41 20.57 0.00 0.00	30659.50 9.74 5435.41 20.57 0.00 0.00 284263.63 90.26 20292.33 76.80 0.00 0.00	30659.50 9.74 5435.41 20.57 0.00 0.00 284263.63 90.26 20292.33 76.80 0.00 0.00 314923.13 100.00 25727.75 97.37 0.00 0.00	100% of total Expenditure 30659.50 9.74 5435.41 20.57 0.00 0.00 excluding taxes & Duties 284263.63 90.26 20292.33 76.80 0.00 0.00 314923.13 100.00 25727.75 97.37 0.00 0.00	100% of total Expenditure excluding taxes & conduction and buttles 30659.50 9.74 5435.41 20.57 0.00 0.00 0.00 2010 on the standing taxes on the standard states 284263.63 90.26 20292.33 76.80 0.00 0.00 314923.13 100.00 25727.75 97.37 0.00 0.00 696.18 2.63 0.00 0.00 0.00	100% of total Expenditure 30659.50 9.74 5435.41 20.57 0.00 0.00 excluding taxes Duties 284263.63 90.26 20292.33 76.80 0.00 0.00 Duties 314923.13 100.00 25727.75 97.37 0.00 0.00 696.18 2.63 0.00 0.00 0.00 0.00 0.00	100% of total Expenditure Expenditure excluding taxes & 284263.63 9.74 5435.41 20.57 0.00 0.00 0.00 excluding taxes Duties 314923.13 100.00 25727.75 97.37 0.00 0.00 0.00 st C=(A+B) - 0.00 0.00 26423.93 100.00 26423.93 7.680 0.00 0.00 st C=(A+B) - 0.00 26423.93 100.00 0.00 0.00 0.00 0.00

* Retention money yet to be paid by ADB as and when it becomes due and it has already been included in Expenditure.



Chief Financial Officer M,P.P.K.V.V,Co.Ltd, Indore Executing Agency: Madhya Pradesh Paschim Kshetra Vidyut Vitran Co. Ltd.

Implementing Agency: Government Of Madhya Pradesh

Name of Project: Madhya Pradesh Power Transmission and Distribution System Improvement Project

Loan No.: 3066-IND

FOR THE YEAR ENDED 31.03.2015

Statement of Disbursement

Details of the disbursement by method are given below:

In INR'(000)

Statement of Disbrusement	Current Year 2014-15	Prior Year 2013-14	Cumulative Project as on 31st March 2015
ADB Fund claimed for expenditure incurred during			
the year			
Reimbursement	0.00	0.00	0.00
Imprest Fund	0.00	0.00	0.00
Direct Payment	314923.13	0.00	314923.13
Commitment Letter	0.00	0.00	0.00
SubTotal (A)	314923.13	0.00	314923.13
Total Expenditure made during the year (B)	341850.27	0.00	341850.27
Less			0.00
Expenditure not yet claimed (C)	0.00	0.00	0.00
Borrower's Share (D)	26927.14	0.00	26927.14
Retention money yet to be paid (E)	0.00	0.00	0.00
Total Eligible Expenditure claimed (B-C-D-E=F)(F=A)	314923.13	0.00	314923.13



Chief Financial Officer
M.P.P.K.V.V.Co Ltd., Indose

Executing Agency: Madhya Pradesh Paschim Kshetra Vidyut Vitran Co. Ltd.

Implementing Agency: Government Of Madhya Pradesh

Name of Project: Madhya Pradesh Power Transmission and Distribution System

Improvement Project Loan No.: 3066-IND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st March 2015

1. PROJECT NATURE AND ACTIVITIES

Description-

The objective of this project is to increase capacity and operational efficiency in electricity transmission and distribution system in state. The Project has three components – Transmission system improvement, Distribution system improvement and Capacity Building.

Impact-

The impact of this project would be adequate and reliable power supply in Madhya Pradesh. The project outcome would be increased capacity and operational efficiency in electricity transmission and distribution system in the state.

Loan Effective Date: 21st March 2014

Loan Closing Date : 31st December 2018

2. STATEMENT OF COMPLIANCE

The Company is engaged in the business of electricity distribution in the area of Indore and Ujjain Commissionaire of State of Madhya Pradesh and is governed by the provisions of Electricity Act 2003. The provisions of this Act read with the rules made there under prevail wherever the same are Inconsistent with the provision of The Companies Act 1956. The company prepares its financial statements under historical cost basis in accordance with generally Accepted Accounting Principles (GAAP) and the Accounting Standards as notified by the Companies (Accounting Standard) Rules 2006 unless otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Financial Statements:

The financial statement have been prepared under the historical cost convention in accordance with **Generally acceptable accounting principles (GAAP) and applicable Accounting Standards issued** under section 211(3C) and Section 210 A(1) of the Companies Act 1956 and the relevant presentational requirement of Companies Act 1956.

3.2 Basis of measurement

The financial statements have been prepared under the historical cost convention. The project account is prepared in INR thousand.

3.3 Changes in Accounts policies

During the year there is no change in the Company's Accounting policies

Page 1 of 2

Chief Financial Officer
M.P.P.K. V.V.Co Ltd. Indore

3.4 Fund flow mechanism

All the payments are made to Contractors through Direct Payment procedure of ADB.

3.5 Advances and other receivables

Discom has not taken any advance from ADB under this Loan

3.6 Cash and Cash equivalents

For this project Discom has not taken any imprest from ADB hence this clause is not applicable.

3.7 Accrued and other liabilities

All the accrued and other liabilities have been duly accounted for in preparation of Project Accounts.

3.8 Income

Revenue from sale of energy to consumers is accounted –for on accrual basis on the basis of billing to consumers as per the Tariff fixed by M.P. Electricity Regulatory Commission (MPERC) for each category. Revenue from Electricity Sale which remained un-billed as at the end of Financial Year has been provided for in the books of accounts on the basis of last month's bill. However there is no direct income related to this project.

3.9 Foreign currency transaction and translation

Items included in the Financial Statements of the Projects are measured in INR.

3.10 Allocation of Common Costs

Common Costs are apportioned on the weighted average balance of expenditure on CWIP for the year against specified project and it is accounted in 'Beneficiary Contribution' (i.e. MPPKVVCL) under Annexure-1 of the Project account

3.11 Interest Expenses and Financial Charges

Interest and Finance charges are apportioned on the weighted average balance of expenditure on CWIP for the year as per accounting policy followed by the Company for all Projects.

4. Fund Received from the Government

MPPKYVCL has not received any funds from the Government for this project.

5. Date of Authorization

The accounts of the company are authorised in the 63rd Board Meeting held on 19th November 2015.

Chief Financial Officer M.P.P.K.V.V.Co Ltd, Indote Name of the Executing Agency-Madhya Pradesh Paschim Kshetra Vidyut Vitran Co. Ltd.

Name of the Implementing Agency-Implemented By Government Of Madhya Pradesh

Name of Project:Madhya Pradesh Power Transmission and Distribution System Improvement Project

Loan No.: 3066-IND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31.03.2015

Funds Received from ADB

1.Date of Loan Agreement- 17.02.2014

2.Loan Effective Date- 21.03.2014

3Disbursement Schedule - Disbursement can be taken up to 31.12.2018

4.Interest Rate for the year ended 31st March 2015- 3.39%

ADB Source of Funds-Method of Withdrawal	During the Current year 2014-15	During the Previous year 2013-14	Cumulative Project as on 31st March 2015
ADB Loan			
-By Reimbursement Method	NIL	NUL	
-By Imprest account		NIL	NIL
- By Direct payment	NIL	NIL	NIL
	314923.13	NIL	314923.13
- By commitment procedure	NIL	NIL	NIL
ADB Loan total	314923.13	NIL	314923.13
ADB Grant		1,115	314323.13
ADB Loan and Grant Total	314923.13	NIL	314923.13

Note:ADB Loan is calculated on the basis of Expenditure incurred during the Years

Chief Financial Officer M.P.P.K.V.V,Co.Ltd., Indore

Name of the Executing Agency-Madhya Pradesh Paschim Kshetra Vidyut Vitran Co. Ltd. Name of the Implementing Agency-Implemented By Government Of Madhya Pradesh Name of Project:Madhya Pradesh Power Transmission and Distribution System Improvement Project Loan No.: 3066-IND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.03.2015

Reconciliation of the Imprest Account and the Bank Statement 6.2

NA

Details of Payment made by ADB as per L.F.I.S through Direct payment method during the year 2014-15 are given below :-6.3

W/Appl. No.	Amount Disbursed	Value Date
WA007	766654	6 30-Apr-14
	235912	
	1499404	
	461658	
WA011	4397218	
	431520	
WA012	3996760	
	3953729	9 18-Jun-14
WA018	14994040	28-Aug-14
	4616583	
WA019	11510992	
WA021	4779127	
	7666546	
	2359128	
WA025	1641170	
	2809145	22-Oct-14
WA034	7891710	02-Dec-14
	4812489	02-Dec-14
WA039	11048394	11-Dec-14
	8020815	11-Dec-14
WA056	43972188	03-Mar-15
	4315200	03-Mar-15
	39967607	03-Mar-15
	3953730	03-Mar-15
WA057	2818654	
WA066	3156684	19-Mar-15
	1604163	19-Mar-15
WA074	1604163	27-Mar-15
	2483658	27-Mar-15
	170226	27-Mar-15
OTAL (In Rs.)	308041429	//
N INR'(000)	308041.43	

Details of payment made through commitment procedure 6.4

6.5 Details of Grant NIL

Name of Project:Madhya Pradesh Power Transmission and Distribution System Improvement Project Name of the Executing Agency-Madhya Pradesh Paschim Kshetra Vidyut Vitran Co. Ltd. Name of the Implementing Agency-Implemented By Government Of Madhya Pradesh Loan No.: 3066-IND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.03.2015

6.6 Details of disbursement claimed under Statement of Expenditure (SOE) Procedure

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C.V.V.Co.Ltd., Inforg

Name of the Executing Agency-Madhya Pradesh Paschim Kshetra Vidyut Vitran Co. Ltd.

Name of the Implementing Agency-Implemented By Government Of Madhya Pradesh

Name of Project:Madhya Pradesh Power Transmission and Distribution System Improvement Project

Loan No.: 3066-IND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.03.2015

In INR '(000)

		A Section A
Current Year	Prior Year	Cumulative
2014-15	2013-14	Project as on 31st
2014 15	2015-14	March 2015

7-13

If any of the amount given on the Satement of Receipt and payment require further detail or Break-down, provide this here against relevant Note

Not Required

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Chief Financial Officer M.P.P.K., V.V.Co.Ltd., Indore

and the Contraction

MADHYA PRADESH PASCHIM KSHETRA VIDYUT VITRAN CO.LTD., REGISTERED OFFICE: GPH COMPOUND POLO GROUND, INDORE (A Govt. of MP Undertaking)

<u>www.mpwz.co.in, CIN</u>: U40109MP2002SGC015121 , E-MAIL ID: mkjmpeb@gmail.com Ph.No: 0731-2426108, 2426110, 2426105, 2426310 Fax: 2423300

Indore Dtd: 15.12.2015

To,

L.K. Maheshwari & Co. Chartered Accountants 324, Starlit Tower 29,Y.N. Road Indore (M.P.)

This assertion letter is provided in connection with your audit of the financial statement of the Madhya Pradesh Power Transmission and Distribution System Improvement Project Loan No. 3066-IND for the year ended 31st March 2015. We acknowledge our responsibility for the fair presentation of financial statements in accordance with Accounting Standards as applicable to MPPKVVCL, and we confirm, to the best of our knowledge and belief, the following representations made to you during your audit:

- The project financial statements are free of material misstatements, including omissions.
- Project expenditures are eligible for financing under the Loan/Credit agreement.
- There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the project financial statements.
- We have made available to you all books of account and supporting documentation relation to the project.
- The project has complied with the conditions of all relevant legal agreements, including the Financing Agreement, the Project Agreement and the Project Appraisal Document, the Minutes of Negotiations, and the Borrower's Project Implementation Plan.

(Sanjay Vatsa)
Chief Financial Officer