



Indowind Energy Ltd

FORM B

1	Name of the Company	Indowind Energy Limited
2	Annual financial statements for the year ended	31 st March 2013
3	Type of Audit qualification	Attached
4	Frequency of qualification	Yearly
5	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the Directors report	Attached
6	Additional comments from the Board / Audit Committee chair:	Nil
7	Signed by • CEO / Managing Director • CFO • Auditor • Audit Committee Chairman	 



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Type of Audit Qualification:

Basis for Qualified Opinion

The company had made payment for machinery advance to the tune of \$15.25 million (i.e. Rs. 68,99,14,581/-). There has been a delay in the supply of machinery and release of bank funds, as a result the completion of the project has been delayed. The company on its part has initiated arbitration proceeding. No provision has been made for any potential losses which may arise in the future on this project

Management Response

The Company has contracts entered in various currencies for supply of projects, sale of Carbon Credits, capital and fund raising activities which carry foreign currency risk apart from penalties for not providing LC facilities for taking delivery, getting statutory approvals, release of funds in time, repayments etc. The company also has raised / certain rights to raise claims on counter parties, there may arise certain claims on the company and company has also raised / shall raise certain demands on the counter parties. The Company has not provided for such contingencies as of date. The Company may have to provide for such contingencies to the tune of Rs.20 to Rs.30 crores in future from the share premium account or provide as expenditure to be written off over a period of time as they are not arising out of regular operations of the company and are extraordinary in nature.

Type of Audit Observation:

1. Emphasis of Matter

Loss arising out of foreign currency fluctuations out of partial settlement of Foreign Currency Convertible Bonds and certain advances have been classified as unamortised expenses, grouped under 'Other Current Assets' to be written off over the period of time. In the case of loss arising out of foreign currency fluctuation, the decision to write-off will be taken after meeting the entire foreign currency convertible bonds redemption commitments.

Management Response

"Others" under "Other Current Assets" include Rs.2,36,75,000/- representing Loss on account of Partial Redemption of Foreign Currency Convertible Bonds. Pending redemption of balance bonds the same is not written off. The Balance of Rs.7,11,35,542/- represents unamortised advances.

2. Report on other Legal and Regulatory Requirements

In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956 *except Accounting Standard 5 on Net Profit or Loss for the period, Prior Period Item & Changes in Accounting Policies. CER Income recognised in earlier years due to its non-recoverability to the tune of Rs.3,09,67,422/- has been treated as Prior period item and an amount equivalent to it has been withdrawn from reserves. In our opinion, it has to be treated as Bad - Debts written off during the current year and consequently, Profits for the year to that extent are overstated*

Management Response

The Company has been accounting the Carbon Income on accrual basis as unbilled revenue. Based on the events happened during the year, the irrecoverable amount has been written off as prior period items.

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5. Draw attention to relevant notes in the annual financial statements and management response to the qualification in the Directors report:

S.No.	Audit qualification/observation	Reference to notes in financial statements
1	Basis for Qualified Opinion	Note 27.1
2	Emphasis of Matter	Note (i) to 18(a)(ii)
3	Report on other Legal and Regulatory Requirements	Directors' Report (Pg. No.5 of Annual Report)