

NDOH - 29.05.2026

**BEFORE THE APPELLATE TRIBUNAL FOR ELECTRICITY,
NEW DELHI**

ORIGINAL JURISDICTION

O.P. No. 1 OF 2025

IN THE MATTER OF:

In Suo-Motu action under Section 121 of the EAPetitioner(s)

Versus

Forum of Regulators and Ors.

...Respondents.

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Date:- 26.05.2026.

New Delhi.

Rutwik Panda

Ms. Anshu Malik & Rutwik Panda

Advocates for Respondent No. 8/OERC

19, R.K.Garg Lawyers' Chamber,

Supreme Court of India, Bhagaban Dass Road,

New Delhi-110001

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**BEFORE THE APPELLATE TRIBUNAL FOR ELECTRICITY,
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IN THE MATTER OF:

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**AFFIDAVIT ON BEHALF OF ODISHA ELECTRICITY
REGULATORY COMMISSION/ RESPONDENT No. 8 IN
TERMS OF DIRECTION DATED 06.04.2026**

I, Upendra Kumar Pati, aged about 63 years, S/o- Shri Lingaraj Pati, at present working as Secretary, Odisha Electricity Regulatory Commission, Plot No.4, Chunokoli, Shailashree Vihar, Bhubaneswar, Dist-Khurda, Odisha, do hereby solemnly affirm and state as follows:

1. I have gone through the content of the above-mentioned O.P. and understood the same. I am competent to swear this affidavit on behalf of the Odisha Electricity Regulatory Commission (OERC) R-8.
2. That vide order dated 06.04.2026, this Hon'ble Tribunal allowed the OERC/R8 to file the Audit Report along with a short note on



Upendra Kumar Pati
 Secretary
 Odisha Electricity Regulatory Commission
 Plot No-04, Chunokoli, Bhubaneswar-751004

the observation of the Audit Report, and views of the State Commission on the said auditors' report, before the next date of hearing.

3. That the auditors submitted their Audit Report on two DISCOMS, namely:- TPCODL, TPSODL.

The Commission has gone through the audit reports and made necessary observations and opinions on them.

True copy of the observations and opinions on the audit report of TPCODL is annexed herewith and marked as ANNEXURE-A.

True copy of the observations and opinions on the audit report of TPSODL is annexed herewith and marked as ANNEXURE-B.

True copy of the audit report of TP Central Odisha Distribution Limited (TPCODL) is annexed and marked herewith as ANNEXURE-C.

True copy of the audit report of Tata Power Southern Odisha Distribution Limited (TPSODL) is annexed and marked herewith as ANNEXURE-D.

4. That the State Commission will further examine and take suitable measures on the same in the ensuing ARR & RST determination proceedings.

5. That the referred observation and opinion are based only on the "audit reports" referred herein, which are subject to further prudence check with other documents, statements, and reports in appropriate proceedings.



Upendra Kumar Jati
Secretary
Odisha Electricity Regulatory Commission
Plot No-04, Chundoli, Bhubaneswar-751 004

6. That the deponent craves leave from this Hon'ble Tribunal to file further statements, affidavits, and/or documents, if so required for the comprehensive adjudication of the issues.
7. That I have read and understood the facts and contents filed herewith.
8. That the contents of the present affidavit and the Annexure-A, Annexure-B, Annexure-C, and Annexure-D are true and correct, and based on record.

VERIFICATION

I am the deponent (Shri. Upendra Kumar Pati, S/o Shri Lingaraj Pati) aged about 63 years, working as Secretary, Odisha Electricity Regulatory Commission, Plot No. 4, OERC Road, Shailashree Vihar, Bhubaneswar – 751021, Odisha; do hereby verify that the contents of Parra 1 to 8 are true and correct to my knowledge and that I have not suppressed any material facts.

Verified at Bhubaneswar, Odisha, on this 25th day of May, 2026.

Upendra Kumar Pati

Deponent

Secretary
Odisha Electricity Regulatory Commission
Odisha Electricity Regulatory Commission
Plot No-04, Chundkoli, Bhubaneswar-21

Upendra Kumar Pati

Deponent.

Secretary

Odisha Electricity Regulatory Commission
Plot No-04, Chundkoli, Bhubaneswar-21



ANNEXURE-A**OERC Observation and Opinion on TPCODL's Audit Report**

TPCODL has demonstrated a stable and compliant financial position during the period from FY 2020-21 (June 2020 to March 2021) to FY 2022-23. An examination of the audited annual accounts and cash flow statements for the respective financial years indicates that the utility has maintained satisfactory operational performance, sound liquidity, and prudent financial management practices. The overall financial trend reflects the entity's capability to sustain its business operations efficiently while meeting its financial, operational, and regulatory obligations in a timely manner.

A significant indicator of the financial strength of TPCODL is the consistent generation of positive cash flow from operating activities throughout the review period. Positive operating cash flow is a critical parameter for electricity distribution utilities as it demonstrates the ability of the entity to generate sufficient cash from its core operations to meet routine operational expenses, power purchase liabilities, debt servicing commitments, and other financial obligations. The utility has shown continuous improvement in operational cash generation over the years under consideration.

During FY 2020-21, covering the period from June 2020 to March 2021, TPCODL reported positive cash flow from operating activities amounting to ₹146.31 crore. This achievement is noteworthy considering the operational challenges prevailing during the period due to the economic disruptions caused by the COVID-19 pandemic. Despite these constraints, TPCODL was able to maintain positive operational cash flow, which reflects operational resilience and effective financial management.

In FY 2021-22, the utility further improved its cash flow from operating activities to ₹164.82 crore. The increase in operational cash flow



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Secretary

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indicates gradual stabilization of the utility's operations and improvement in its financial performance. The sustained positive cash generation demonstrates the utility's ability to maintain adequate liquidity while efficiently managing its operational responsibilities.

A substantial improvement was witnessed during FY 2022-23, when cash flow from operating activities increased significantly to ₹415.75 crore. The sharp increase in operational cash generation indicates a marked strengthening of the utility's operational and financial position. The substantial rise in operational cash flow also demonstrates improved operational maturity and financial discipline within the organization.

The continuous increase in operating cash flow over the three-year period indicates that TPCODL has been able to generate sustainable internal resources from its principal business activities. In the electricity distribution sector, strong operational cash flow is particularly important because utilities are required to regularly discharge substantial obligations relating to power procurement, employee expenses, maintenance expenditure, transmission charges, and repayment of financial liabilities. The healthy operational cash generation therefore provides assurance regarding the utility's ability to continue operations without significant liquidity constraints.

Although the profitability position of the utility has shown moderate fluctuations during the review period, the cash flow position has remained robust and stable. Consequently, cash flow analysis becomes an important measure for assessing operational sustainability and financial stability.

In addition, regulated power utilities are required to follow specific regulatory accounting practices prescribed under the applicable regulatory framework. Such accounting treatments may include recognition of regulatory deferral assets, tariff adjustments, deferred revenue gaps, and other sector-specific accounting entries. These adjustments may temporarily affect reported profitability without materially impacting the actual cash generation capability of the entity. In the case of TPCODL, the strong operational cash flow despite

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moderate fluctuations in profitability indicates a financially sustainable operational structure.

The improvement observed in receivables during the review period indicates enhanced billing and collection efficiency. The utility appears to have strengthened its billing systems, collection mechanisms, and monitoring processes, thereby improving realization of consumer dues and reducing delays in cash inflows. Better collection efficiency directly contributes to improved liquidity and stronger operational cash flow.

The controlled movement in working capital during the relevant financial years further reflects prudent financial management practices adopted by the utility. Effective working capital management is necessary to maintain liquidity and ensure uninterrupted operations. Distribution utilities are generally required to make timely payments for power purchase and transmission charges, even though revenue realization from consumers may occur over a longer cycle. Efficient management of current assets and liabilities is therefore critical for maintaining financial stability.

The positive liquidity position maintained by TPCODL is particularly important for ensuring uninterrupted operational performance. The ability to service debt obligations is another important aspect of financial sustainability. Distribution utilities often rely upon borrowings for infrastructure development, system strengthening, modernization projects, and working capital support. Timely repayment of principal and payment of interest are essential for maintaining financial discipline and ensuring continued access to institutional financing.

Overall, the financial assessment of TPCODL for the period from FY 2020-21 to FY 2022-23 indicates a stable, sustainable, and financially sound position. The utility has consistently generated positive operational cash flows, strengthened working capital management, improved collection efficiency, and maintained adequate liquidity for meeting operational and financial obligations.



Upendra Kumar Jaiswal
Secretary

Odisha Electricity Regulatory Commission
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Based on the audited annual accounts and cash flow statements of the respective financial years, TPCODL may therefore be considered financially stable and operationally sustainable. No material adverse observations are evident that would adversely affect the utility's long-term operations or compliance with key regulatory requirements applicable to an electricity distribution licensee.

Date:- 22.05.2026.

Upendra Kumar Pati

Shri. Upendra Kumar Pati,

Secretary, Odisha Electricity Regulatory Commission.

Secretary

**Odisha Electricity Regulatory Commission
Plot No-04, Chundoli, Bhubaneswar-751 005**



ANNEXURE-B

OERC Observation and Opinion on TPSODL's Audit Report

The Auditor is of the view that the Discom is financially viable. The Auditor's opinion is based on a detailed and in-depth analysis of data/ information, billing efficiency, collection efficiency, cash flow up to FY 2026, Capital commitment and infusion of equity by the shareholders, Capital investment by the State Government, various orders such as Vesting Order, Carved Out Order, Tariff Orders, True-up orders etc. of the Commission.

This Discom is uniquely positioned in the state of Odisha with large number of rural domestic consumers and subsidized consumers with vast geographical area of around 48,751 sq km.

The Commission in the Vesting Order considered the collection efficiency (CE) at around 84.34% for FY 20 based on past data of the erstwhile SOUTHCO Utility as per para 46(e) of the Vesting Order and accordingly estimated the reasonable collection for the billing months/ period April-2020 to December 2020. However, the collection efficiency has been substantially improved post vesting period/ taking over by the new entity TPSODL.

The below table on billing and collection efficiency for the period from FY 2022 to FY 2026 shows an encouraging trend it indicates correct and timely billing to the consumers and target focus on collection. Improved collection efficiency is also an indicator of better customer services in terms of better and reliable power supply position across the Discom.

Sl .No	Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY-2025-26
1	Billing Efficiency	76.64%	75.34%	73.53%	76.64%	80.28%
2	Collection Efficiency	88.06%	102.46%	100.71%	103.31%	101.19%
3	AT&C Loss	32.51%	22.80%	25.95%	20.82%	18.77%



by order Kumar ltr.
 Secretary
 Odisha Electricity Regulatory Commission
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As per above para 406 to the RST Order for FY-2026-27, it is held that as TPSODL is uniquely positioned in the State of Odisha (for various reasons) and unless the expenditure of TPSODL is recognized, the consumer service may be affected. Therefore, business in TPSODL licensee area is not “business as usual”. Under the above circumstances, Regulator allow creation of Regulatory Assets which has also been demonstrated by the Commission its earlier True Up Order and the Commission Therefore, has consciously kept its BSP (Bulk Supply Price) very low at the level of Rs.1.90 per unit so that it can meet its revenue requirement and regulatory gap will be minimized.

Furthermore, the AT&C loss target achievement commitment by the Discom as per the Vesting Order has also been so far achieved by TPSODL. The investment for better infrastructure to have a reliable, robust network with zero harm to human and animals, seems to be in much improved position with the committed investment amount as per the vesting order.

The table below shows the year wise commitment (as per Vesting Order) and achievements up to FY 2026 w.r.t AT&C and capital investment.

Sl No	Financial Year	AT&C Loss Trajectory Commitment by TPCL (%)	AT&C Loss Trajectory for tariff determination (%)	Comitment/ Actual (%)
1	FY 2021-22	35.29	25.75	32.51
2	FY 2022-23	34.29	25.75	22.80
3	FY 2023-24	32.80	25.75	24.62
4	FY 2024-25	30.00	25.35	19.63
5	FY 2025-26	26.75	25.00	17.70
6	FY 2026-27	22.00	22.57	
7	FY 2027-28	20.00	20.38	
8	FY 2028-29	18.00	18.40	
9	FY 2029-30	16.25	16.61	
10	FY 2030-31	14.80	15.00	

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(Rs. in Cr)			
Sl. No	End of Financial Year	Cumulative Capital Expenditure (Commitment) as per Vesting Order	Cumulative Capitalization (Actual)
1.	FY 2021-22	227.00	118.41
2.	FY 2022-23	543.00	433.51
3.	FY 2023-24	783.00	766.27
4.	FY 2024-25	1,016.00	1,143.56
5.	FY 2025-26	1,166.00	1,476.59

Company has achieved the capital expenditure commitment till March 2026.

In accordance with the provisions of the Electricity Act and rules framed there under, TPSODL has been filling the ARR for determination of retail supply tariff before the Commission within the timeline and complying the directions of the commission given in the tariff order. However, while complying the directions and commitments in the vesting order, the licensee has incurred higher O&M expenses since its operations and accounted for under the head Regulatory Deferral Account (RDA) in its book of accounts expected to liquidate over future years with improved performance as committed in the vesting order.

It is well recognised by the Commission in the truing up order up to FY 23, allowing the incurred O&M expenses in full, hence recognised the Regulatory gap/ Regulatory asset being the excess expenditure over the approved expenses as allowed in the ARR for the respective previous years.

The True up expenses approved by the Commission for FY 2020-2021, FY 2021-22 and FY 2022-23 has been summarized in the Table below:

Sl No	Particulars	Amount (Rs. in Cr)
1.	True up Surplus/(deficit) for FY 2020-21 (3 Months)	21.68
2.	True up Surplus/(deficit) for FY 2021-22	46.29
3.	True up Surplus/(deficit) for FY 2022-23	(201.18)
4.	Total True up Surplus/ (deficit)	(133.21)

In an advance move by the Commission, in the ARR approval for FY 2027, allowed the liquidation of the trued up Regulatory gap / asset in line with the



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Secretary
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regulatory norms (one seventh) together with the carrying cost. Amortisation of Regulatory Asset and carrying cost of TPSODL up to FY 2022-23 allowed by the Commission in its ARR order for FY-2026-27 given below.

Sl No	Particulars	Amount (Rs. in Cr)
1.	Regulatory Asset of TPSODL up to FY 2022-23	(133.21)
2.	1/7th to be passed in ARR 2026-27	(19.03)
3.	Remaining	(114.18)
4.	Carrying cost @ working capital interest 1-year SBI MCLR on 15th March 2026@ 8.7%	(9.92)

This indicates that the Commission has acknowledged the improved performance and confident of further improvement in the performance of the TPSODL despite of being aware with uniquely positioning of the licensee in terms of low end and subsidized consumer with low revenue potential at present.

Date:- 25/05.2026.

Upendra Kumar Pati
Shri. Upendra Kumar Pati,

Secretary, Odisha Electricity Regulatory Commission.

Secretary
Odisha Electricity Regulatory Commission
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IDENTIFIED BY ME

ADVOCATE, BHUBANESWAR
FULL NAME.....

The above named deponent has been
duly identified by Sr. Advocate and appears before me on
dated 25/5/26 that the
AM/PM is true to the
content of the statement made
best of his knowledge



Deponent Executive Magistrate/Notary
Bhubaneswar

Nilai JANI BEHERA
NILAI JANI BEHERA
NOTARY PUBLIC
GOVT. OF ODISHA (INDIA)
REGD. NO- ON-39/2003
M JB: 9437271478

INDEPENDENT REGULATORY AUDITOR'S REPORT

To,
The Secretary
Odisha Electricity Regulatory Commission (OERC)
Bidyut Niyamak Bhawan
Bhubaneswar – 751021

Subject: Regulatory Audit of Books of Accounts of Tata Power Central Odisha Distribution Limited (TPCODL) for FY 2020-21 to FY 2022-23

Opinion

We have conducted the Regulatory Audit of the books of accounts and related regulatory information of **TP Central Odisha Distribution Limited (“the Company” or “TPCODL”)** for the period **FY 2020-21(June'20 to Mar'21) to FY 2022-23**, pursuant to the Request for Proposal issued by Odisha Electricity Regulatory Commission (OERC).

The audit covered, inter alia, examination of power purchase cost, billing and revenue, capitalisation, debtor position, O&M expenses, related party transactions, means of finance and other matters specified in the scope of work.

In our opinion, based on the information and explanations provided to us and subject to our observations in the annexures to this report, the regulatory financial information and books of accounts of TPCODL for the above period are, in all material respects, broadly in conformity with the applicable provisions of the Electricity Act, 2003, OERC Regulations, Vesting Order and the terms and conditions of the distribution licence granted by OERC.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Companies Act, 2013, as applicable to this regulatory engagement. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Regulatory Audit 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 (ICAI) together with the ethical requirements relevant to our audit. We have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibility for the Regulatory Information

The Company's management is responsible for:

- maintenance of proper books of accounts and regulatory records;
- preparation of regulatory submissions and ARR related information;
- compliance with the Electricity Act, 2003 and OERC Regulations;
- design, implementation and maintenance of adequate internal controls; and
- ensuring that the information provided for regulatory audit is free from material misstatement, whether due to fraud or error.

In preparing the regulatory information, the management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as applicable, matters related thereto.

The management is also responsible for overseeing the Company's financial and regulatory reporting process.

Auditor's Responsibilities for the Regulatory Audit

Our objectives are to obtain reasonable assurance about whether the regulatory financial information and books of accounts, taken as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists.

As part of our regulatory audit, we:

- examined reconciliation of power purchase quantum and cost;
- reviewed transmission and SLDC charges;
- verified sales, billing and revenue collections;
- examined capitalisation including IDC and employee cost capitalisation;
- analysed debtors and collection efficiency;
- reviewed O&M expenses and provisioning;
- examined related party transactions and inter-DISCOM transfers; and
- evaluated the financial health of the distribution business in light of the revenue gap.

These procedures were performed in line with the scope prescribed in the RFP issued by OERC.

Inherent Limitations

A regulatory audit involves selective testing of records and the use of professional judgment. Because of the inherent limitations of any audit, there is an unavoidable risk that some material misstatements may not be detected.

For **SCP & Co,**

Chartered Accountants

FRN: 324601E

Digitally signed
by Chiranjeebi
Jena
Date: 2026.05.09
16:58:41 +05'30'

Chiranjeebi Jena



CA Chiranjeebi Jena

Partner

MRN: 058870

UDIN: 26058870UFPIZM7733

Date: 8th May, 2026

Place: Bhubaneswar

REGULATORY AUDIT REPORT OF TP CENTRAL ODISHA LIMITED
(TPCODL) FOR FY 2020-21(JUNE'2020 TO MAR'2021) TO 2022-23

Executive Summary

TPCODL has demonstrated a stable and compliant financial position during FY 2020–21 (June'20 to Mar'21) to FY 2022–23. The entity has consistently reported positive cash flow from operating activities, increasing from ₹146.31 crore in FY 2020–21 to ₹164.82 crore in FY 2021–22 and significantly to ₹415.75 crore in FY 2022–23 as observed from the cash flow statements which are part of Audited Annual Accounts of respective financial years indicating strong operational efficiency and improved working capital management. Although profitability has shown moderate fluctuations, the cash flow position remains robust, supported by non-cash adjustments such as depreciation and regulatory accounting treatments typical of power distribution utilities. The improvement in receivables and controlled movement in working capital reflects enhanced billing and collection efficiency. The positive liquidity position ensures the entity's ability to meet power purchase obligations, debt servicing, and operational expenses in a timely manner. Based on the above, TPCODL is considered financially sound and compliant with key regulatory requirements, with no adverse observations affecting its operational sustainability.



Regulatory Audit Findings:**1. Power Purchase Cost, Transmission cost and SLDC Reconciliation**

Power purchase cost represents the single largest component of the Aggregate Revenue Requirement (ARR) of the Licensee and comprises Bulk Supply Price (BSP) payable to GRIDCO, transmission charges payable to OPTCL, and SLDC charges. Accordingly, detailed verification of both quantum and cost has been undertaken as part of the regulatory audit.

i. Reconciliation of Power purchase quantum

FY 2020-21 (June'20 to Mar'21) (Actual power purchase)

Months	Actual (MU)	Rate/unit (₹)	Power-purchase cost (In Crore)	Debit/(credit) bill adjustment	Total (₹ in Cr.)	Rebate (₹in Cr.)
Jun-20	775.55	2.61	202.42	-	202.42	2.02
Jul-20	829.06	2.61	216.39	-	216.39	2.16
Aug-20	785.33	2.61	204.97	-	204.97	2.05
Sep-20	815.72	2.61	212.90	-	212.90	2.13
Oct-20	731.64	2.77	202.66	-	202.66	2.03
Nov-20	601.59	2.77	166.64	-	166.64	1.67
Dec-20	549.92	2.77	152.33	-	152.33	1.52
Jan-21	572.16	2.77	158.49	-	158.49	1.58
Feb-21	535.07	2.77	148.21	-0.19	148.03	-
Mar-21	764.59	2.77	211.79	-	211.79	-
Total	6,960.62		1,876.80	-0.19	1,876.61	15.17
Inter Discom Power Purchase					0.07	
Total as per computation					1,876.68	15.17
As per audited financial books of accounts					1,876.68	15.17
As per True up order					1876.68	15.17



FY 2021-22

Month	Units (Mus)	Rate/unit (₹)	Power- purchase cost (₹in Cr.)	Debit/(credit) bill adjustment	Total (₹in Cr.)	Rebate (₹in Cr.)
Apr-21	82.13	2.77	22.75	-	22.75	1.48
Apr-21	765.21	2.83	216.55	-	216.55	-
May-21	783.94	2.83	221.86	(0.03)	221.83	2.12
Jun-21	784.49	2.83	222.01	-	222.01	2.39
Jul-21	819.92	2.83	232.04	-	232.04	2.22
Jul-21	1.72	2.83	-	0.49	0.49	-
Aug-21	839.18	2.83	237.49	-	237.49	-
Sep-21	761.25	2.83	215.43	-	215.43	2.33
Oct-21	813.71	2.83	230.28	-	230.28	2.37
Oct-21	12.08	2.83	-	3.42	3.42	-
Nov-21	639.80	2.83	181.06	-	181.06	2.15
Dec-21	567.91	2.83	160.72	-	160.72	2.37
Dec-21	0.92	-	-	0.25	0.25	-
Jan-22	556.76	2.83	157.56	-	157.56	1.81
Jan-22	0.72	-	-	0.20	0.20	-
Feb-22	550.33	2.83	155.74	-	155.74	1.61
Feb-22	4.15	-	-	1.12	1.12	-
Mar-22	823.73	2.83	233.12	-	233.12	1.58
Mar-22	11.54	-	-	3.27	3.27	-
Total	8819.48		2,486.61	8.71	2,495.32	22.43
Inter Discom Power Purchase	3.03				-0.86	
Total As per computation	8816.45				2,494.46	22.43
As per audited financial books of accounts					2,494.46	22.43
As per True up order					2494.46	22.43



FY 2022-23

Month	Units (Mus)	Rate/unit (₹)	Power- purchase cost (₹in Cr.)	Debit/(cred it) bill adjustment	Total (₹in Cr.)	Rebate (₹in Cr.)
Apr-22	947.71	3.00	284.31	-	284.31	1.57
May-22	979.21	3.00	293.76	-	293.76	2.33
	7.30		-	2.07	2.07	-
Jun-22	959.14	3.00	287.74	-	287.74	2.84
	-0.16		-	(0.04)	-0.04	-
Jul-22	921.20	3.00	276.36	-	276.36	2.96
	2.01		-	0.60	0.60	-
Aug-22	906.24	3.00	271.87	-	271.87	2.88
	-1.31		-	(0.39)	-0.39	-
Sep-22	895.73	3.00	268.72	-	268.72	2.77
Oct-22	822.32	3.00	246.70	-	246.70	2.71
Nov-22	683.71	3.00	205.11	-	205.11	2.69
	-1.78		-	(0.53)	-0.53	-
Dec-22	649.28	3.00	194.79	-	194.79	2.47
Jan-23	644.55	3.00	193.37	-	193.37	2.05
Feb-23	666.59	3.00	199.98	-	199.98	1.95
Mar-23	823.76	3.00	247.13	-	247.13	1.93
Total	9,905.50		2,969.83	1.71	2,971.54	29.14
<i>Inter Discom Power Purchase</i>	(3.52)				-1.15	
Total As per computation	9901.98				2,970.39	29.14
As per audited financial books of accounts					2,970.39	29.14
As per True up order					2970.39	29.14



ii. Reconciliation of Transmission Charges and SLDC charge

a. Actual Transmission charges

FY 2020-21 (June'20 to Mar'21)

Transmission Bill raised by OPTCL for the F.Y.2021-22					
Month	MU Billed by OPTCL	Transmission Charges @ 0.25P Per Unit	Debit(Credit) Bill OPTCL	Total (₹ in Cr.)	Rebate @2%
Jun-20	775.21	19.38	-	19.38	0.39
Jul-20	828.80	20.72	-	20.72	0.41
Aug-20	784.99	19.62	-	19.62	0.39
Sep-20	817.05	20.43	-	20.43	0.41
Oct-20	731.64	18.29	-	18.29	0.37
Nov-20	602.42	15.06	-	15.06	0.30
Dec-20	552.34	13.81	-	13.81	0.14
Jan-21	575.25	14.38	-	14.38	0.29
Feb-21	535.58	13.39	-	13.39	0.27
Mar-21	770.82	19.27	-	19.27	-
Total	6,974.09	174.35	-	174.35	2.96
As per audited financial books of accounts				174.35	2.96
As per True up order				174.35	2.96

FY 2021-22

Transmission Bill raised by OPTCL for the F.Y.2021-22					
Month	MU Billed by OPTCL	Transmission Charges @ 0.28P Per Unit	Debit(Credit) Bill OPTCL	Total (₹ in Cr.)	Rebate @2%
Apr-21	847.55	23.48	-	23.48	0.39
May-21	787.52	22.05	-0.01	22.04	0.47
Jun-21	789.07	22.09	-	22.09	0.44
Jul-21	825.34	23.11	0.05	23.16	0.44
Aug-21	838.95	23.49	-	23.49	0.46
Sep-21	763.10	21.37	-	21.37	0.47
Oct-21	813.37	22.77	-	22.77	0.43
Nov-21	639.44	17.90	-	17.90	0.46
Dec-21	567.57	15.89	-	15.89	0.36
Jan-22	556.41	15.58	0.67	16.25	0.32
Feb-22	549.99	15.40	0.01	15.40	0.33
Mar-22	823.38	23.05	-	23.05	0.31
Total	8,801.69	246.19	0.72	246.91	4.86
As per audited financial books of accounts				246.91	4.86
As per True up order				246.91	4.86

FY 2022-23

Transmission Bill raised by OPTCL for the F.Y.2022-23					
Month	MU Billed by OPTCL	Transmission Charges @ 0.28P Per kWh	Debit(Credit) Bill OPTCL	Total (₹ in Cr.)	Rebate @2%
Apr-22	947.39	26.53	-	26.53	0.46
May-22	978.80	27.41	0.20	27.61	0.53
Jun-22	958.80	26.85	-	26.85	0.55
Jul-22	920.94	25.79	0.06	25.84	0.54
Aug-22	905.94	25.37	-0.04	25.33	0.52
Sep-22	895.31	25.07	-	25.07	0.51
Oct-22	822.02	23.02	-	23.02	0.50
Nov-22	683.38	19.13	-0.05	19.09	0.46
Dec-22	648.96	18.17	-	18.17	0.38
Jan-23	644.20	18.04	-	18.04	0.36
Feb-23	665.67	18.64	-	18.64	0.36
Mar-23	819.99	22.96	-	22.96	0.37
Total	9,891.40	276.96	0.18	277.13	5.54
As per Audited financial statement				277.13	5.54
As per True up order				277.13	5.54

b. SLDC Expenses

(₹ Crore)

Particular		June'20 to Mar'21	FY 2021-22	FY 2022-23
a.	SLDC	1.20	1.60	1.75
b.	Rebate	0.01	0.01	0.02
As per calculation (a-b)		1.19	1.59	1.74
As per audited FS		1.19	1.59	1.74
As per True up order		1.19	1.59	1.74



Audit Procedures Performed

- **Obtained power purchase & transmission invoices on monthly basis and reconciled with audited financials**

We obtained the monthly power purchase invoices, transmission charge invoices and SLDC charges for the audit period and reconciled the same with the corresponding expense recognised in the audited financial statements. The reconciliation was performed to assess completeness, accuracy, and proper period recognition of power purchase costs.

- **Verified sample invoices.**

On a risk-based sampling approach, we verified selected power purchase and transmission invoices with reference to underlying power purchase agreements (PPAs), tariff orders, and supporting schedules. The verification included checking of units billed, rates applied, and arithmetical accuracy of the invoices.

- **Performed analytical review of unit cost trends.**

We performed an analytical review of the average power purchase cost per unit over the review period and compared the trends with prior periods and management explanations. Significant movements, where observed, were discussed with the Management to understand the underlying drivers such as change in power mix, fuel cost adjustments, or procurement patterns.

Findings

- The power purchase quantum recorded in the books broadly reconciles with the source data and supporting records made available for our review.
- Cost recognition of power purchase is generally consistent with the terms of the respective power purchase agreements and applicable tariff orders.
- Transmission charges and SLDC charges have been largely accounted for in accordance with the supporting invoices and regulatory provisions.
- Based on the sample-based verification and analytical procedures performed, no material discrepancies or systemic weaknesses were observed in the recognition and recording of power purchase related expenses.

Conclusion

Power purchase cost recognition and related reconciliations are in order and do not indicate any material regulatory concern.

2. Billing And Revenue

i. Reconciliation of Sales & Reconciliation of Category-wise Revenue billed/bills raised

We carried out a detailed reconciliation of sales and category-wise revenue billed during the audit period by analysing the sales data and billing dump generated from the Company's billing system (SAP) and matching the same with the corresponding revenue recognised in the books of account.

(₹ Crore)

Voltage Category-wise	June'20 to Mar'21	FY 21-22	FY 22-23
EHT	557.42	861.46	1,116.62
HT	866.46	1,293.13	1,543.87
LT	1318.76	1,924.21	2,218.22
Electricity duty	-39.53	-143.44	-228.63
Total	2703.11	3935.361	4650.09
Other components			
MMFC	111.02	30.23	-
Over drawal Penalty	0.94	-	-
Penalty for theft of power	0.76	18.24	37.25
Reliability Surcharge	0.41	-	-
Solar	-	-1.24	-
Income from Open Access	20.79	31.51	-
Inter-discoms	0.23	-	-
Total -Other	134.15	78.74	37.25
Gross Total	2,837.26	4,014.10	4,687.34
As per Audited financial statement	2,837.26	4,014.10	4,687.34
As per True up order	2,837.26	4,014.10	4,687.34

ii. Reconciliation of Category-wise Revenue collected

We carried out a reconciliation of category-wise revenue collected during the audit period by analysing the consumer collection data extracted from the billing system and matching the same with the corresponding entries recorded in the general ledger and bank statements of the Company.



The reconciliation procedures included review of collections across major consumer categories (such as HT, LT, Domestic, Commercial, Industrial, and others), verification of the mapping between billed revenue and realised amounts, and examination of timing differences between billing, collection, and accounting recognition. On a sample basis, consumer-level receipts were traced through the collection channels to the bank realisations to assess completeness and accuracy.

Based on the procedures performed and subject to the inherent limitations of sample-based verification, the category-wise revenue collections were found to be broadly reconciled with the books of account.

(₹ Crore)

Sl no	Particular	June'20 to Mar'21	FY 2021-22	FY 2022-23
A.	Revenue from sale of power (Gross) as per financial statement	2,837.28	4,014.10	4,687.34
B.	Add: Opening debtor as per financial statement	135.98	137.32	670.02
C.	Less: Closing debtor as per financial statement	137.32	661.14	623.88
D.	Derived Collection as per books of accounts (A+B-C)	2,835.94	3,490.28	4,733.48
E.	Collection as per revenue register (excluding Past arrears)	2,600.83	3,744.39	4,696.58
F.	Difference (D-E)	235.11	(254.11)	36.90

TPCODL response on difference

The Revenue Collection for calculation of collection efficiency (CE) from period June'20 to March'21, FY 2021-22 and FY 2022-23 is taken from the collection data maintained in revenue register in SAP-ISU & foxpro, not from the derived collection as per books of accounts. Further the reason for above difference in collection is due to electricity duty, meter rent, advance from consumers and other non-energy items routed through debtors but not forming part of sales.

iii. Verification of component-wise (Fixed Charges, Energy Charges, etc.) Billed to individual consumers and revenue collected thereof from Billing Dump and from bank statement.

We performed a detailed verification of the component-wise billing to individual consumers, including Fixed Charges, Energy Charges, and other applicable tariff elements, using the billing dump for selected sample periods. The billed amounts at the consumer level were analytically reviewed and cross-checked with the applicable tariff orders issued by OERC to assess the correctness of tariff application.

Further, on a test-check basis, we traced the corresponding revenue realisation from the billing system to the bank statements and cash/bank records of the Company to verify the completeness and accuracy of collections. The procedures included matching of consumer-wise receipts, review of collection channels, and examination of timing differences between billing and realisation.

Based on the procedures performed and subject to the limitations of sample-based verification, the component-wise billing and the related revenue collections were found to be broadly in order, and no material discrepancies were observed.

Audit Procedures Performed

- **Analysed billing dump for selected months**

We obtained the consumer billing data (billing dump) for selected representative months across the audit period and performed data analytics to validate the completeness and accuracy of units billed, tariff application, and consumer category mapping. The billing data was cross-checked with the revenue records maintained in the financial books.

- **Reconciled billed revenue with general ledger**

We reconciled the total revenue as per the billing system with the corresponding revenue recorded in the general ledger. Variances, if any, were verified through management explanations and supporting documents to ensure that revenue recognition was consistent and appropriately recorded.

- **Verified collection through bank statements on sample basis**

On a test-check basis, we traced consumer collections from the billing system to the bank statements and cash/bank books to verify the accuracy, completeness, and timeliness of revenue realisation. The sampling was performed using risk-based criteria covering different consumer categories and collection channels.

- **Reviewed category-wise tariff application**

We examined the application of tariff rates across major consumer categories with reference to the tariff orders issued by OERC. The review included validation of fixed charges, energy charges, and other applicable components to assess whether billing was carried out in accordance with the approved tariff structure.

3. Capitalisation

- i. The details of actual capitalization as per audited accounts under different heads such as Material Cost, Labour Cost, Interest during construction (IDC), Employee expenses capitalised

(₹ Crore)

Particular	June'2020- Mar'21	FY 2021-22	FY 2022-23
Material and Labour	230.59	708.77	946.45
IDC	-	2.38	2.86
Employee cost	2.73	22.34	23.94
Total	233.32	733.49	973.25

As per audited financial statement:

(₹ Crore)

Particular	June'2020- Mar'21	FY 2021-22	FY 2022- 23
Buildings	1.67	12.89	25.36
Plant & Machinery including transmission lines & cable network	199.55	692.51	932.40
Motor Vehicles	0.81	0.80	2.07
Furniture & Fixtures	13.48	1.39	2.21
Office Equipment	2.46	3.35	1.40
Intangible assets	15.34	22.56	9.82
Total asset	233.32	733.49	973.25

- ii. Percentage of capitalisation of Employee expenses out of total employee expenses.

Sl no	Particular	June'2020- Mar'21	FY 2021-22	FY 2022-23
1	Total Employee cost before Employee Cost Capitalization (₹ Crore)	589.62	767.76	784.53
2	Employee Cost Capitalization (₹ Crore)	2.73	22.34	23.94
Percentage of capitalisation of Employee expenses (2/1)		0.46%	2.91%	3.05%

Note: No R&M and A&G expenses capitalised during the period under audit. Further employee cost capitalised is matching with Trued up amount

iii. Details of computation of IDC clearly specifying the fund flow and rate of interest.

Interest During Construction (IDC) represents borrowing costs attributable to the acquisition and creation of qualifying capital assets and is capitalised in accordance with applicable accounting standards and regulatory principles.

IDC cost is capitalized in accordance with the provisions of Ind AS 23, which states that borrowing costs directly attributable to the acquisition or construction of qualifying assets shall be capitalized as part of the cost of such assets.

For this purpose, only Own Capex expenditures classified based on the WBS element in SAP are considered. The process followed for identification of qualifying assets is as under:

- Assets / CWIP having value more than ₹5 lakhs
- CWIP Days / Conversion period more than 90 days
- Exclusion - Project stock, intangible assets, ready to use assets

Where the construction or conversion period exceeds 90 days, IDC is calculated from the date of commencement of capex in the respective WBS until the asset is put to use (AVD) as per SAP, by applying the WAROI of the term loan for the respective financial year. In case of CWIP, IDC is calculated from the start date of capex until the closing date of the financial year using the same methodology.

Where the conversion period is 90 days or less, borrowing costs are not capitalized, except where assets are capitalized out of opening CWIP. In such cases, borrowing costs are capitalized from the beginning of the financial year until the date the asset is ready for use, subject to fulfilment of the qualifying criteria, namely assets exceeding ₹5 lakhs and exclusion of intangible assets and ready to use assets.

In respect of IDC, we performed the following procedures:

- Obtained the loan schedules and borrowing details for the relevant financial years.
- Verified the weighted average rate of interest applied for IDC computation.
- Examined the allocation of borrowing costs between capitalised assets and CWIP.
- Reviewed the underlying fund flow and utilisation of borrowings for capital projects.
- Performed arithmetical checks of IDC workings and reconciled with the audited financial statements.
- Reviewed management representation regarding non-capitalisation of IDC in FY 2020-21 due to absence of term borrowings.



(₹ Crore)

Sl no	Particular	June'2020-Mar'21	FY 2021-22	FY 2022-23
1	Total interest cost eligible for capitalisation*	-	2.86	4.15
2	Weighted Average rate of interest	-	7.7%	8.01%
Interest cost part of				
1	Capitalised	-	2.38	2.86
2	Part of CWIP	-	0.47	1.29
	Total	-	2.86	4.15

Note: During FY 2020-21, no term loan was availed; accordingly, no IDC was capitalised.

Findings

- The Company has applied weighted average borrowing rates of 7.70% (FY 2021-22) and 8.01% (FY 2022-23) for IDC computation, which are consistent with the underlying borrowing profile reviewed.
- IDC has been appropriately bifurcated between assets capitalised during the year and CWIP, based on the stage of project completion.
- The fund flow review indicates that borrowings considered for IDC were broadly utilised for capital expenditure purposes.
- Arithmetical accuracy of IDC computation was verified on a test-check basis and found to be in order.
- No IDC was recognised in June 2020–March 2021, which is consistent with management representation regarding absence of term borrowings during that period.

Conclusion

Based on the procedures performed and subject to the inherent limitations of sample-based review, the computation and allocation of Interest During Construction (IDC) by TPCODL for FY 2021-22 and FY 2022-23 are broadly reasonable and consistent with the underlying borrowing cost and capital expenditure profile.



- iv. Amount capitalised by Distribution Licensee on account of replacement / repair of existing assets and to comment/ qualify whether the amount booked by Distribution Licensee on account of replacement / repair of existing assets under capitalisation is correct or should be part of O&M expenses.

FY	Asset	Asset description	Acquisition value (₹)
2020-21 (June'20 to Mar'21)	10100000016	Store Shed Roof Replacement At Se Office Badambadi	1,63,141.41
	10100000019	Repair To Store At Bbsr-1	3,63,621.93
	10100000020	Repair To Store At Bbsr-1- Additional Order	7,80,071.00
2021-22	10100000057	Repairs To Wash Room At Idco Tower	4,19,904.36
	10100000070	Repairs To Building	2,07,555.00
2022-23	10203000500	Sick Equipment Replacement	19,85,465.31
	10203000501	Sick Equipment Replacement	20,33,998.02
	10300008188	Replacement Of Lt Bare Conductor By Abc - 0.3 Km	92,250.00
	10300008317	Replacement Of Psc Pole Guarding 2 Spans Dp With	2,06,726.33
	10202000360	33Kv Isolater (W/O Es) Replacement At Kaliapani	1,13,275.61
	10202000361	33Kv Isolater(With Es) Replacement At College Stru	1,36,575.08
	10202000145	11Kv Vcb Replacement In Khinda Feeder,Bantala	12,184.17
	10203000334	11Kv Vcb Replacement In Kanjara O/G Feeder	10,362.29
	10203000335	11Kv Vcb Replacement In In Paiksahi Feeder,Boinda	10,362.29
	10300014954	Replacement Of 33Kv Vcb At Bamur	1,17,580.46
	10300014954	Replacement Of 33Kv Vcb At Bamur	69,680.49

TPCODL response

The above repair and replacement capitalised in accordance with the general accepted accounting principles. According to Ind AS-16, repair and replacement is capitalised when it satisfies the recognition criteria i.e. identification of monetary value and increase in future economic benefit of such assets. Accordingly, assets which are capitalised satisfy the recognition criteria as per IND AS 16.



- v. Amount of actual capitalisation and addition in network capacity during the year under different network capacity heads.

(₹ Crore)

Particulars	Capex	Capitalisation		
		June'20 to Mar'21	FY 2021-22	FY 2022-23
FY 2020-21	278.85	66.13	124.21	41.50
Infrastructure	92.52	38.37	36.84	10.14
Load Growth	12.26	-	1.71	0.45
Loss Reduction	29.26	4.78	3.49	5.82
Reliability	70.48	14.18	33.98	11.88
Statutory & Safety	74.34	8.80	48.19	13.22
FY21-22	296.51	-	95.62	103.28
Infrastructure	71.37	-	10.51	23.94
Load Growth	29.07	-	10.43	0.70
Loss Reduction	59.80	-	14.54	18.86
Reliability	116.42	-	58.37	50.84
Statutory & Safety	19.86	-	1.76	8.95
FY22-23	374.88	-	-	89.33
Infrastructure	59.77	-	-	10.08
Load Growth	120.38	-	-	16.64
Loss Reduction	46.23	-	-	18.30
Reliability	130.93	-	-	40.55
Statutory & Safety	17.57	-	-	3.76
Total Capitalisation	950.24	66.13	219.92	234.11



vi. The amount of de-capitalization as per audited accounts.

(₹ Crore)

FY	De-Capitalisation Description	Category	Description	Quantity	UOM	Gross Book Value	Accm Dep	Nett Book Value
2020-21 (June'20 to Mar'21)	De-Capitalization	Nil				-	-	-
2021-22	Theft & Non-Traceable Assets	Opening Assets	Transformer	741	EA	12.72	-4.14	8.58
		Opening Assets	Office Equipment	1	EA	0.15	-0.14	0.02
		Opening Assets	Furniture & Fixture	1	EA	0.05	-0.05	0.00
		Opening Assets	Light Motor Vehicle	1	EA	0.52	-0.47	0.05
Total						13.45	-4.80	8.65
2022-23	FANI De-Capitalisation	Opening Assets	Lines & Cable	2090	KM	24.83	-19.14	5.69
	Own Capex (Wrong Capitalisation)	Own Capex	Lines & Cable	6.378	KM	0.40	-0.01	0.38
	Employee Car	Employee Car	Light Motor Vehicle	7	No	0.26	-0.03	0.23
Total						25.48	-19.18	6.30



Audit procedure performed:

- Obtained the details of assets decapitalised during the audit period, including those pertaining to opening assets transferred at the time of vesting, and examined the supporting schedules.
- Examined the physical verification reports issued by external agencies engaged by the Company to identify obsolete, damaged, or non-existent assets. Assessed whether such reports support the basis of decapitalisation.
- Reviewed internal approval notes, management authorisations, and supporting documentation for decapitalisation entries to ensure that appropriate governance procedures were followed.
- Verified, on a sample basis, the accounting treatment of decapitalised assets in the books of account, including removal from the fixed asset register and recognition of any loss or gain, where applicable.
- Cross-checked decapitalised assets with the fixed asset register to ensure completeness and accuracy of asset removal.
- Evaluated whether the impact of decapitalisation, including any loss or gain, has been appropriately disclosed in the financial statements.

Findings

Based on the audit procedures performed and information made available to us, the following findings are noted:

- The Company has carried out decapitalisation of assets during the FY 2021-22, 2022-23 which includes decapitalisation of opening assets transferred at the time of vesting, based on identification of obsolete, damaged, or non-existent assets.
- The decapitalisation made in FY 2021-22 supported by physical verification reports obtained from external agencies, which provide the basis for identification and removal of such assets from the fixed asset register.

- Further decapitalisation entries made in financial year of our audit period are supported by internal approval notes and management authorisations, indicating that appropriate governance procedures have been followed.
- On sample verification, the assets decapitalised were found to be duly removed from the fixed asset register, and the corresponding accounting entries have been appropriately recorded in the books of account.
- The loss or gain arising on decapitalisation, wherever applicable, appears to have been recognised in the financial statements.
- No material discrepancies were observed in the sample tested with respect to the identification, approval, and accounting treatment of decapitalised assets.

vii. Bifurcation of Interest During Construction (IDC) into Cash IDC (to be considered as part of capital cost on COD) and Accrued IDC (to be considered as part of Capital cost in the year of payment).

The IDC recognised by the Company during FY 2021-22 and FY 2022-23 represents interest actually incurred and serviced during the respective periods. Based on the records examined and management explanations, no accrued (unpaid) IDC has been capitalised as part of the capital cost. Accordingly, the IDC considered in capitalisation is in the nature of Cash IDC. The accounting treatment appears consistent with the Company's stated policy and the underlying loan servicing pattern.

(₹ Crore)

Sl. no	Particular	June'20 to March'21	FY 2021-22	FY 2022-23
1	Total interest capitalisation as per audited accounts*	-	2.86	4.15
2.	Bifurcation			
a.	Capitalised	-	2.38	2.86
b.	Part of CWIP	-	0.47	1.29
	Total	-	2.86	4.15

Note: During FY 2020-21, no term loan was availed; accordingly, no IDC was capitalised

viii. Related party transactions

We have reviewed the related party disclosures of TP Central Odisha Distribution Limited for FY 2020-21, FY 2021-22 and FY 2022-23 with reference to the audited financial statements and supporting information made available to us.

Based on our review, related party transactions have been disclosed in the financial statements under Note No. 34 for FY 2020-21 and Note No. 36 for FY 2021-22 and FY 2022-23 in accordance with the requirements of Ind AS 24. As represented by the Management, such transactions have been approved through the Company's internal governance mechanisms which is in conformity with the provisions of Companies Act, 2013.

(₹ Crore)

Sl No.	Name of Related Party	Nature of transactions	Year Ended 31.03.2021	Year Ended 31.03.2022	Year Ended 31.03.2023
1	Purchase of power, receiving of services & reimbursement of expenses				
	Tata Power Delhi Distribution Ltd (TPDDL)	Deputation of employees & Reimbursement of expenses	2.30	1.49	0.86
	The Tata Power Company Limited (TPCL)	Deputation of employees, Meter Data Management Services & Reimbursement of expenses	-	1.94	1.20
	GRIDCO Limited	Power purchase expenses net of rebate	1,858.54	2,472.89	2,942.39
	Tata Capital Financial Services Ltd (TCFSL)	Rental services received	-	-	0.75
	Tata AIG General Insurance Company Ltd	Insurance services	-	-	2.70
	Tata Consulting Engineers Ltd (TCES)	Engineering consultancy services	-	-	0.24
	Tata Consulting Services (TCS)	Consulting Services	-	-	0.22
	TP Ajmer Distribution Limited (TPADL)	Reimbursement of expenses	-	-	0.01
2	Rendering of services and Energy Sale & Energy purchase				
	TP Northern Odisha Distribution Limited	Sale of Energy	-	0.89	1.11
	TP Western Odisha Distribution Limited	Purchase of energy	-	0.09	0.00
	TP Northern Odisha Distribution Limited	Rendering of services	-	1.00	-
	TP Western Odisha Distribution Limited	Sale of energy			0.04
	Industrial Energy Ltd (IEL)	Miscellaneous income			0.01
	TP Western Odisha Distribution Limited	Rendering of services	-	1.00	-
	TP Southern Odisha Distribution Limited	Rendering of services	-	1.00	-

3	Payment towards PPE				
	Tata Power Delhi Distribution Ltd (TPDDL)	Property, plant and equipment	2.06	0.32	0.00
	Tata Power Trading Company Limited (TPTCL)	Property, plant and equipment	-	0.00	-
	TP Ajmer Distribution Limited (TPADL)	Property, plant and equipment	-	0.00	-
	The Tata Power Company Limited (TPCL)	Property, plant and equipment	1.48	0.05	0.05
	Tata Power Solar Systems Limited	Property, plant and equipment			0.07
	TP Western Odisha Distribution Limited	Property, plant and equipment			0.13
	TP Northern Odisha Distribution Limited	Property, plant and equipment			0.80
	TP Southern Odisha Distribution Limited	Property, plant and equipment			0.01
4	Transactions towards gratuity and annual Leave				
	The Tata Power Company Limited (TPCL)	Net of PPE , gratuity & Annual Leave	5.44	0.01	0.55
	Industrial Energy Ltd (IEL)	Gratuity & Annual Leave	0.45	0.05	0.03
	Maithon Power Ltd (MPL)	Gratuity & Annual Leave	0.07	0.04	0.06
	Tata Power Delhi Distribution Ltd (TPDDL)	Gratuity & Annual Leave	4.62	2.39	0.27
	Coastal Gujarat Power Ltd (CGPL)	Gratuity & Annual Leave	0.13	-	-
	TP Northern Odisha Distribution Limited	Gratuity & Annual Leave	-	0.10	0.20
	TP Western Odisha Distribution Limited	Gratuity & Annual Leave	-	0.01	0.30
	TP Southern Odisha Distribution Limited	Gratuity & Annual Leave	-	-	1.60
	Tata Power Trading Company Limited (TPTCL)	Gratuity & Annual Leave	0.06		-
	TP Ajmer Distribution Limited (TPADL)	Gratuity & Annual Leave	0.45		
	TP Renewables Microgrid Ltd (TPRML)	Gratuity & Annual Leave	0.18		
	Walwhan Renewable Energy Ltd (WREL)	Gratuity & Annual Leave	0.01		
	Tata Steel Long Products Limited	Gratuity & Annual Leave			0.01
	Tata Power Solar Systems Limited	Gratuity & Annual Leave			0.26
5	Supply of consumable Items				
	TP Western Odisha Distribution Limited	supply of tamper proof box	-	0.07	
	TP Southern Odisha Distribution Limited	supply of tamper proof box	-	0.28	
6	Transaction with Trust				
	CESCO Employees Pension trust	Contribution of Pension	134.95	166.26	172.72
	CESCO Employees Gratuity trust	Contribution of Gratuity	33.91	20.51	18.33
	CESCO Employees Provident Fund trust	Contribution of Provident Fund	46.14	-7.47	27.66
7	Transactions in relation to Equity				
	The Tata Power Company Limited (TPCL)	Share Capital	-	104.01	43.75
	GRIDCO Limited	Share Capital	-	99.94	42.03
8	Managerial remuneration including directors' sitting fee	Managerial remuneration and sitting fees	1.99	2.47	4.04



Audit procedure performed

In respect of related party transactions of TPCODL for FY 2020-21(June'20 to Mar'21) to FY 2022-23, we performed the following procedures:

- **Identification and completeness:** Obtained the list of related parties from the audited financial statements and verified the same with disclosures made under Ind AS 24.
- **Verification of transaction details:** Reviewed the nature, volume, and value of transactions with related parties across categories such as:
 - Power purchase
 - Services received and rendered
 - Employee deputation and reimbursements
 - Capital expenditure (PPE)
 - Employee benefit-related transactions (gratuity, leave, PF)
 - Transactions with trusts
 - Equity-related transactions
- **Sample-based verification:** On a test-check basis, examined supporting documents including:
 - Agreements and service arrangements
 - Invoices and debit notes
 - Payment records and bank statements
 - Board/management approvals
- **Review of major transactions:** Performed focused review on significant transactions such as:
 - Power purchase from GRIDCO Limited
 - Contributions to employee trusts
 - Equity infusions
 - Service arrangements with group entities
- **Arm's length and governance review:** Reviewed management representations and internal approvals to assess whether transactions were carried out under approved governance mechanisms. (No independent benchmarking of arm's length pricing was performed.)
- **Disclosure compliance**
Verified that related party transactions are disclosed in the financial statements in accordance with **Ind AS 24**.



Findings

The Company has entered into transactions with various related parties primarily relating to:

- **Power purchase** (Purchase from GRIDCO Limited): Power purchase transactions with **GRIDCO Limited** constitute a substantial portion of related party transactions and are in line with the Company's core distribution activity. We verified invoices and payment documents for the verification of same.
- Transactions with group entities such as **TPCL, TPDDL, and other DISCOMs** relate to operational support services, deputation of employees, and infrastructure-related activities.
- Contributions to **employee trusts** (pension, gratuity, provident fund) represent significant recurring transactions and are aligned with the mechanism prescribed under the Vesting Order.
- Equity infusions and capital-related transactions are observed in FY 2021-22 and FY 2022-23, supporting infrastructure development. Equity infusion made by GRIDCO is made through kind.

ix. Inter DISCOM fund transfer:

Not applicable as during the period under audit no inter DISCOM fund transfer was there.

x. Means of Financing for Capitalization, Working capital & Accumulated Revenue Gap through:

a) Capex Incurred & its means of finance (₹ Crore)

	Head	June'20 to March'2021	FY 2021-22	FY 2022-23
a.	Own Capex Including IDC,SC	85.12	271.66	345.75
b.	Own Capex in Kind (Gridco Share)	-	99.94	42.03
c.	Own Capex Meter	39.26	78.56	123.40
d.	Government Funded / Consumer Funded Capex / Reimbursement Scheme Assets	17.25	396.34	161.12
	Total	141.63	846.50	672.31
	Means of finance			
a.	Debt	-	170.39	298.61
b.	Equity	-	203.95	85.78
c.	Government Funded / Consumer Funded	17.25	396.34	161.12
d.	Others (Internal accruals, Meter rent & depreciation)	124.38	75.82	126.79
	Total	141.63	846.50	672.31

Capital expenditure incurred by the Company during the review period has been examined with reference to the audited financial statements, fixed asset schedules, and supporting records made available to us. The funding sources for the capital expenditure have also been analysed to understand the means of finance adopted by the Company.

Audit Procedures Performed

In this regard, the following procedures were carried out:

- Obtained the year-wise capital expenditure details from the audited financial statements and fixed asset register.
- Reviewed the classification of capital expenditure under various heads such as own capex, meter capex, capex in kind, and government/consumer funded assets.
- Verified, on a sample basis, supporting documentation relating to capital expenditure including project approvals, invoices, and capitalization records.
- Examined the sources of funding for capital expenditure including debt, equity, government/consumer contributions, and internal accruals.
- Reconciled the total capital expenditure with the corresponding means of finance to ensure completeness and consistency.

Findings

- Capital expenditure during the period primarily relates to network strengthening, metering infrastructure, and other distribution system improvements.
- A significant portion of capex during FY 2021-22 was funded through **government or consumer-funded schemes**, reflecting implementation of infrastructure development programmes.
- Debt and equity funding were utilised mainly during FY 2021-22 and FY 2022-23 to support expansion of distribution infrastructure.
- Internal accruals, meter rent recoveries, and depreciation also contributed towards financing of capital expenditure.
- The total capital expenditure reconciles with the corresponding means of finance for each year based on the information made available.



b) Working capital**(₹ Crore)**

FY	Particulars	Utilisation			Closing balance			
		Total	WCDL	OD	SBI-WCL	DBI-WCL	SBI-OD	IDBI-OD
June'20 to March'2021	Working Capital Utilization	3,074.60	619.00	2,455.60	102.00	-	-	-
2021-22	Working Capital Utilization	3,448.79	1,638.00	1,810.79	150.00	28.00	117.10	115.75
2022-23	Working Capital Utilization	5,332.52	2,411.00	2,921.52	-	-	123.72	91.89

The company make below mentioned banking arrangements to meet working capital requirements:

1. During FY 20-21(June'20 to Mar'21), the Company has availed secured working capital credit limits of ₹950 Crore from State Bank of India which includes fund based limit of ₹400 Crore at applicable tenor and Non-fund based limit of ₹550 Crore .
2. During FY 21-22, the Company has availed secured overdraft limit of ₹336 Crores (₹92 Crores from IDBI bank and ₹244 Crores from State bank of India) . These facilities are secured against fixed deposits of ₹355 Crores.
3. During FY 21-22, The Company has availed secured working capital credit limits of ₹175 Crore from IDBI Bank which includes fund based limit of ₹100 Crore at an interest rate for applicable tenor MCLR per annum and non-fund-based limit of ₹75 Crores at a commission rate of 0.30% per annum.
4. During FY22-23, The Company has availed secured working credit limits of ₹100 Crore from Canara Bank which comprises of fund-based limit of ₹100 Crore at an interest rate for applicable tenor MCLR per annum plus spread of 0.05% p.a.

c) Accumulated Revenue Gap**(₹ Crore)**

FY	Particulars	Revenue (Gap)/ Surplus	Cumulative (Gap)/ Surplus	Means of Finance	
				Through Short term credit line	Through Internal Accrual/ Available Surplus
June'20 to March'2021	True-up FY-2020-21	-43.46	-43.46	43.46	N/A
2021-21	True-up FY-2021-22	102.12	58.66	-	N/A
2022-23	True-up FY-2022-23	97.34	156.00	-	N/A
	Total (Gap)/ Surplus	156.00			

xi. Prudency of Cost of Debt Financing:

TPCODL has been operating under Multiple Banking Arrangements (MBA). Based on the capex approved by the Hon'ble Commission, quotations are invited from all banks under the MBA framework, and the pricing along with other terms are evaluated to ensure they are favorable to the company and in line with the provisions of the Vesting Order.

A charge or security is offered to the banks on the assets created or to be created by TPCODL through bank financing, excluding assets received from the erstwhile CESU, as well as assets created out of Government funding or consumer funding.

Upon receipt of proposals from the banks, approval is obtained from Tata power Treasury to proceed further. Thereafter, the proposal is submitted to the Committee of Directors for final approval.

Snap-shot of charge clause as per Bank Sanction is attached below: -

Primary Security	First Pari Passu charge (with other Term loan lenders) over entire movable fixed assets of the company both present and future, excluding all government and consumer funded assets both present and future & assets transferred to the company from CESU vide vesting order of OERC dated 26.05.2020 and as per the conditions stipulated in vesting order of OERC and any other assets as may be specified by OERC from time to time, along with the other banks under Multiple banking arrangements.
Collateral Security	Second pari passu charge (with other Term loan lenders) over entire current assets of the company, both present and future, excluding regulatory deposits as per conditions stipulated in vesting order. Regulatory deposits include consumer security deposits, and Govt. deposits received in form of grant, subsidy, relief fund etc.

xii. Verification of Audited Financial Statement w.r.t. Segmental Reporting in respect of the distribution business and other businesses and disclosure of the same in the report.

Not applicable as company is engaged in power distribution business only



- xiii. **Computation of Weighted Average Rate of Interest excluding penal interest and additional interest on account of non-deposit of any collateral security, if any, on Loans availed for: • Capitalisation • Working Capital.**

FY	WAROI-Term Loan	WAROI-Working Capital
June'20 to March'2021	N/A	6.63%
2021-22(June'20 to Mar'21)	7.70%	5.84%
2022-23	8.01%	4.71%

FY 2020-2021

(₹ Crore)

S No	Lender	Sanction Amount	Opening Balance	Addition/ Availment	Repayment	Closing Balance	WAROI
Working capital							
1	State bank of India , CC	240 Cr	-	686.77	584.77	102.00	7.51%
2	Union Bank of India-OD	254 c	157.5	2387.83	2545.33	0	6.05%
Total			157.5	3074.60	3130.10	102.00	6.63%

FY 2021-2022

(₹ Crore)

S No	Lender	Sanction Amount t	Opening Balance	Addition/ Availment	Repayment	Closing Balance	WAROI
Term loan							
1	State bank of India	247 Cr	-	170.39	8.52	161.87	7.70%
2	HDFC	178 Cr	-	50.00	-	50.00	7.00%
Total term loan				220.39	8.52	211.87	7.35%
Working capital							
1	State bank of India , CC	240 Cr	102.00	2806.62	2758.62	150.00	7.40%
2	IDBI Ltd, WCL	63 Cr	-	28.00	-	28.00	6.90%
3	IDBI Ltd, OD	116 Cr	-	115.75	-	115.75	3.41%
6	State bank of India, OD	232 Cr		432.63	315.53	117.10	3.57%
Total			102.00	3383.00	3074.15	410.85	5.84%



FY 2022-2023

(₹ Crore)

S No	Lender	Sanction Amount	Opening Balance	Addition/ Availment	Repayment	Closing Balance	WAROI
Term loan							
1	State bank of India	247 Cr	161.87	76.61	17.04	221.44	8.18%
2	HDFC Bank	178 Cr	50.00	128	178.00	-	8.01%
3	Canara Bank	250 Cr	-	171.00	-	171.00	7.50%
4	Union Bank Of India	245.14 Cr	-	1.00	-	1.00	8.25%
5	IDBI Ltd	250 Cr	-	50.00	-	-50.00	8.25%
Total term loan			211.87	298.61	67.04	443.43	8.01%
Working capital							
1	State bank of India , WCL	240 Cr	150.00	888.00	1038.00	-	7.76%
2	IDBI Ltd,WCL	63 Cr	28.00	995.00	1023.00	-	7.27%
3	Canara WCL & CC	60 cr	0	480.00	480.00	0	7.27%
4	IDBI Ltd OD	116 Cr	115.75	134.55	158.41	91.89	4.49%
5	State bank of India, OD	244 Cr	117.10	2706.85	2700.23	123.72	3.62%
Total			410.85	5204.52	5399.76	215.61	4.71%

xiv. Reconciliation of Debtors and Computation of Billing and Collection Efficiency

Particular	June'20 to Mar'21	FY 2021-22	FY 2022-23
Input in MUs	6,960.62	8,816.45	9,901.98
Billed in MUs	5,226.13	6,721.90	7,639.11
BE	75.08%	76.24%	77.15%
Gross revenue as per tariff in audited Financial Statement (₹ in Crore).	2,837.28	4,014.10	4,687.34
Collection incl. Past arrear (₹ in Crore)	2,865.00	3,862.80	4,802.11
Collection excl. Past arrear (₹ in Crore)	2,600.83	3,744.39	4,696.58
CE (Incl. arrear) (%)	100.98%	96.23%	102.45%
CE (Excl. arrear) (%)	91.67%	93.28%	100.20%



- xv. Verify any provisions created for doubtful debts, write-off of any doubtful debts along with write back of the consequent excess provision with reference to the Company's Policy for Provision/write-off of doubtful trade receivables. The same will be done with reference to the origin of the debt, collection efficiency claimed and admitted previously.

SI no	Particular	June'20-Mar'21	FY 2021-22	FY 2022-23
1	Revenue net of rebate (₹ Crore)	2,812.36	3,978.05	4622.14
2	Collection efficiency allowed by commission	99%	99%	99%
3	Provision for doubtful debts (1%)	28.12	39.78	46.22
4	Actual provision for doubtful debts as per audited accounts (₹ Crore)	28.12	39.78	136.07
5	Excess provision (₹ Crore)	0.00	0.00	89.85
6	Written-off	0.00	0.00	0.00

Excess provision in the FY 2022-2023 Created based on Expected Credit loss (ECL) model under Ind AS 109. The Company always measures the loss allowance at an amount equal to lifetime expected credit losses using the simplified approach permitted under Ind AS 109 "Financial Instruments". This expected credit loss allowance is computed based on a provision matrix as given below, which takes into account historical credit loss experience and adjusted for forward-looking information.

Excess provision was taken by TPCODL to comply with IND-AS 109 norms. This provision will be written back in subsequent years based on recovery of arrear from consumer.

This excess provision is not part of ARR, hence not impacting consumers.

Company's Policy for Provision for doubtful trade receivables for Mar 23:

Category		ECL % on outstanding
I	Inactive/ permanent disconnected cases	
	Not paying more than 3 years	100%
	Not paying less than 3 years	100%
II	Temporary Disconnected	
	Disconnected more than 1 year	100%
	Disconnected for more than 6 months	70%
	Disconnected for less than 6 months	50%
III	Non-paying consumers billed on provisional/ average basis	
	No payment for more than 3 years	100%
	No payment between 1-3 years	80%
IV	Non-paying consumers billed on actual basis	
	No payment for more than 3 years	100%
	No payment between 1-3 years	70%
V	Paying consumers - Collection efficiency (Opening balance + billing)/ Collection	
	0-25% - More than 6 month	5%

xvi. Actual O&M expenses:

a. Actual Employee expenses as per audited accounts.

Regulatory Framework

Employee cost forms part of Operation & Maintenance (O&M) expenses and is governed by the applicable provisions of the OERC Tariff Regulations.

Further, the treatment of employee terminal liabilities is guided by:

- Para 50(c) of the Vesting Order dated 26.05.2020, and
- Para 35 of the OERC Order on segregation of CESU Opening Balance Sheet dated 01.10.2021

Key Regulatory Position

As per Para 50(c):

- The respective Trusts raise monthly requisitions for employee liabilities after adjusting investment income.
- TPCODL is responsible for remitting the required amounts to the respective Trusts for disbursement to beneficiaries.
- Provident Fund contributions are remitted without requisition from the CESCO EPF Trust.

Para 35 of order on the segregation of CESU Opening balance sheet dated 1st October 2021:

" Treatment of Employee Liabilities: In the Retail Supply tariff order, the Hon'ble Commission allows the terminal liabilities payments to be made by CESU on actual cash outgo basis. The terminal liabilities as determined under ARR shall be transferred by the TPCODL to the Trusts as per para 50 of the Vesting Order and not based on any liability arising due to Actuarial Valuation. This shall have no bearing on the manner in which such liabilities are reflected in the financial books of accounts. It is further clarified that for entire liabilities toward pension, gratuity and leave encashment of past employees and acquisition date liabilities of existing employees, TPCODL's responsibility is limited only to remitting fixed amount requested by the respective trusts and recovered by it from consumers as a part of ARR on behalf of the respective Trusts for disbursal to the beneficiaries covered under the Trusts as prescribed in clause 50(c) of the vesting Order. Para 50 of the vesting order dated 26.05.2020 in case no 11 of 2020 stands modified to such extent."



Audit Procedures Performed

In respect of employee cost and related liabilities, we performed the following procedures:

- Reviewed the applicable provisions of the Vesting Order and OERC tariff orders relating to employee liabilities.
- Obtained year-wise employee cost break-up from audited financial statements.
- Verified major components including salaries, provident fund contributions, compensated absences, and staff welfare expenses on a sample basis.
- Examined the basis of employee cost capitalisation and its consistency with prior periods.
- Reviewed the mechanism of remittances made to the respective employee trusts and management representations regarding compliance with Para 50(c).
- Performed analytical review of year-on-year movement in employee cost.

Summary of Employee Cost

(₹ Crore)

Particulars	June'20– Mar'21	2021-22	2022-23
Salaries, wages and bonus	328.05	458.96	459.76
Contribution to provident, compensated absences and other fund	258.53	290.15	300.73
Staff welfare expenses	3.04	18.65	24.05
Less: Employee Cost Capitalisation	(2.73)	(22.34)	(23.94)
Total	586.89	745.42	760.60
% Increased	-	27.01%	2.036%

(Figures based on audited financial statements and computations in line with Vesting Order and tariff framework and found no deviations.)



Key Findings

- Employee cost has increased from ₹586.89 crore (June'20–Mar'21) to ₹760.60 crore (FY 2022-23), primarily due to normalisation of operations (10months vs 12 months), annual increments, and increased actuarial provisioning towards employee benefit funds.
- Contributions to provident fund, compensated absences and other funds constitute a significant portion of employee cost and appear consistent with the employee base and applicable policies. Major part of this expenses is terminal liabilities towards take-over employees.
- Employee cost capitalisation has been carried out and adjusted from employee expenses; the methodology appears broadly consistent across the review period.
- Based on information and explanations provided, TPCODL continues to remit amounts to the respective employee trusts in accordance with the mechanism prescribed under Para 50(c) of the Vesting Order except in case of CESCO Employees Rehabilitation Trust In True Up Application of FY 2023-24, TPCODL has claimed an amount of Rs.3.41 crore as one time recoupment towards utilisation of fund of Trust for disbursement of payment to the family of deceased employees and Trust's administrative expenses. In Retail Supply Tariff Order for FY 2026-27, the Hon'ble Commission has directed for comprehensive audit of this claim.
- As clarified by the Commission in the segregation order, the Company's regulatory obligation is limited to remittance of the fixed amounts to the trusts on cash outgo basis of takeover employees; the accounting of actuarial liabilities in the financial statements operates independently.

Conclusion

Based on the procedures performed and subject to the inherent limitations of sample-based review, employee cost of TPCODL for the period June 2020 to FY 2022-23 is broadly in line with the audited financial statements and the regulatory framework.

The mechanism for treatment of employee liabilities appears to be generally aligned with Para 50(c) of the Vesting Order and the clarification issued by OERC vide order dated 01.10.2021. No material regulatory concern was observed in respect of employee cost recognition, subject to ongoing regulatory prudence review.

b. Actual Administrative & General (A&G) Expenses as per audited accounts.

Administrative & General (A&G) expenses form part of Operation & Maintenance (O&M) expenses and are governed by:

- **Regulation 8 of OERC Tariff Regulations, 2014**
- Corresponding provisions under **OERC Tariff Regulations, 2022**

The regulations provide that O&M expenses including A&G shall be allowed subject to prudence check and treated as controllable expenditure. Any variation between approved and actual expenses is examined during truing-up based on justification and necessity.

(₹ Crore)

Administrative and general expenses	June'20- Mar'21	FY 2021-22	FY 2022-23
Rental of land, buildings, plant and equipment, etc	3.41	4.79	4.28
Loss on retirement of property, plant and equipment	-	-	5.75
Electricity consumption expenses	3.44	3.65	4.33
Telephone expenses	1.32	2.06	2.12
Foods and conveyance	2.33	0.46	1.02
Bank and other charges	1.10	3.42	6.90
Office expenses	5.40	7.55	5.05
Travelling and conveyance	11.97	5.47	6.22
Insurance premium	1.13	3.99	4.06
Legal and professional charges	5.76	7.94	12.85
Allowance for doubtful debts and advances (Net)	28.12	39.78	136.07
Software expenses	1.65	0.68	-
Advertisement and marketing expenses	0.92	1.19	2.25
Metering and billing expenses	41.09	70.52	82.84
Printing and stationary	1.58	1.26	2.09
Cost of services*	50.81	51.82	56.39
Other expenses (includes expenses not in opening liability, agency commission charges, etc)	3.53	9.95	16.31
Miscellaneous expenses	0.09	0.02	0.19
Total	163.64	214.54	348.73
% increase	-	31.105%	62.548%

Note: As per tariff order cost of services is a part of employee cost however company booked it under other expenses based on accounting standard. The above A&G expenses are as per the True up Orders.

Audit procedures & findings

Based on the audit procedures performed and information made available to us, our key findings are as follows:

- Administrative & General expenses have increased primarily driven by higher metering & billing expenses, legal & professional charges, and bank/other charges.
- Metering and billing expenses constitute the largest component of A&G and the increase appears broadly aligned with the scale of billing operations and consumer base expansion, as explained by Management.
- On sample verification, the A&G expenses reviewed were supported by underlying invoices, approvals, and payment records and were found to be revenue in nature.
- As per the applicable OERC Tariff framework, provision for doubtful debts is generally allowable up to 1% of revenue for FY 2022-23, subject to prudence check during the truing-up process. We noted that the Company has recognised impairment provision on trade receivables in accordance with the Expected Credit Loss (ECL) model prescribed under Ind AS 109 – Financial Instruments. Also the excess provision is not claimed during the true-up petition.
- No material instances were observed in the samples tested where expenditure of capital nature was inappropriately charged to A&G.
- Certain heads such as legal & professional charges and bank/other charges have shown notable increase over the period; however, based on explanations provided and documents reviewed, the movements appear to be linked to business and operational requirements.
- Overall presentation and disclosure of A&G expenses in the audited financial statements are broadly in line with the requirements of the applicable OERC Tariff Regulations.

Conclusion

Based on the audit procedures performed and subject to the inherent limitations of sample-based verification, the Administrative & General (A&G) expenses of TPCODL for the period June 2020 to FY 2022-23 are broadly reasonable in relation to the Company's operational scale and are generally compliant with the applicable OERC Tariff Regulations.

As A&G expenses are treated as controllable subject to change of law/force majeures under the regulatory framework, continued monitoring and cost optimisation by the Management would further enhance regulatory comfort.

c. Actual Repair & Maintenance (R&M) expenses as per audited accounts.

Repair & Maintenance expenses form part of Operation & Maintenance (O&M) expenses and are governed by:

- Regulation 8 of OERC (Terms and Conditions for Determination of Wheeling and Retail Supply Tariff) Regulations, 2014
- Corresponding provisions under Regulation 2.11 read with Chapter 4 of OERC Tariff Regulations, 2022

As per Regulation 8.2 & 8.3 of OERC (Terms and Conditions for Determination of Tariff) Regulations, 2014, Operation and Maintenance (O&M) expenses including Repair & Maintenance are allowable subject to prudence check and are treated as controllable expenses.

The year-wise R&M expenses as per audited financial statement summarized below which is matching with the true up order:

(₹ Crore)

Particular	June-20 to Mar-21	FY 2021-22	FY 2022-23
Repairs and maintenance to buildings and civil Works	3.55	2.31	4.82
Repairs and maintenance to plant and machinery	136.18	187.13	209.90
Repairs and maintenance to furniture, vehicles, etc	2.61	13.81	20.08
Total	142.33	203.25	234.81
% increase	-	42.80%	15.527%

Audit procedures & findings

Based on the audit procedures performed and information made available to us, our key findings are as follows:

- The Company has incurred R&M expenses primarily towards upkeep of distribution lines, transformers, substations, consumer service infrastructure, breakdown rectification, preventive maintenance, and maintenance of furniture and vehicles, which are consistent with the nature of distribution operations.

- Year-wise analysis indicates an increasing trend in R&M expenditure over the review period. Based on management explanations and our analytical review, the increase broadly corresponds with network expansion, intensified preventive maintenance initiatives, and asset upkeep requirements.
- On sample verification of work orders, vendor invoices, and supporting documents, the expenditures reviewed were found to be revenue in nature and appropriately classified under O&M expenses.
- No material instances were observed in the samples tested where expenditure of capital nature was inappropriately charged to R&M or where R&M expenditure was capitalised.
- The accounting and disclosure of R&M expenses are broadly aligned with the requirements of Regulation 8.2 and 8.3 of the OERC Tariff Regulations, 2014, wherein O&M expenses including R&M are subject to prudence check and treated as controllable expenses subject to change of law/force majeure or implementation of mandatory directives by the competent authority.
- Variations between Commission-approved figures and actual expenditure, where observed, appear to be within a reasonable operational range and supported by management explanations. However, continued monitoring by the Company is advisable given the controllable nature of these expenses.

Conclusions

No material regulatory concern was observed in respect of recognition, classification, or disclosure of R&M expenses. Nevertheless, given that O&M expenses are treated as controllable under the regulatory framework, sustained management focus on cost optimisation and efficiency monitoring would further strengthen regulatory comfort.

d. Actual O&M expenses booked by the distribution licensee as per audited accounts, on different network capacity heads.

Not applicable



e. Amount of provisions been made under different heads in audited accounts

(₹ Crore)

SI no	Particular	June-20 to Mar-21	FY 2021-22	FY 2022-23
A.	Employee expenses as per audited Accounts*	586.89	745.42	760.60
	Provision related to Employee exp			
	a. Actuarial provision	63.52	50.89	71.25
	b. Provision related to Performance pay	18.77	21.50	24.78
	Total	82.29	72.39	96.03
	*Excluding other comprehensive income (OCI)			
B.	R&M Expenses as per audited Accounts	142.33	203.25	234.81
	Provision related to R&M			
	Related to material	13.50	7.50	4.00
	Related to services	10.61	11.15	8.97
	Total	24.11	18.65	12.97
C.	A&G Expenses as per audited Accounts	163.64	214.54	348.73
	Provision related to A&G			
	a. Provision for doubtful debt	28.12	39.78	136.07
	b. Metering and billing expenses	11.32	7.49	7.39
	Total	39.44	47.27	143.46

Provisions were created in order to comply the accrual-based accounting and reversed in next year after receipt of actual bills.

f. To comment whether all provisions made in audited accounts have been shown separately.

Based on our review, provisions made in the audited accounts are generally appropriately disclosed under their respective heads, enabling identification of major provisions. Provision for bad and doubtful debts is identifiable under relevant expense heads, and actuarial provisions relating to employee benefits are separately disclosed as part of employee cost in accordance with the applicable Ind AS framework.

However, general provisions relating to Repair & Maintenance (R&M) and Administrative & General (A&G) expenses are not disclosed separately, as such separate disclosure is not specifically required under the applicable accounting framework and are included within the respective expense heads.

Accordingly, the overall disclosure of provisions is considered to be broadly adequate and in line with applicable accounting practices.

g. Amount of Loss or gain to be reported separately on account on decapitalization of assets and Bifurcation on Loss or gain on account of decapitalization of assets.

During the financial year 2022-23, the Company has recognised a loss on retirement of Property, Plant and Equipment (PPE) amounting to ₹5.75 crore, arising on account of decapitalisation of assets.

The said loss represents the net written down value (WDV) of assets decapitalised, after considering any recoverable value, where applicable. The decapitalisation primarily pertains to assets identified as obsolete, damaged, or no longer in use based on physical verification and operational assessment.

The accounting treatment of such decapitalisation has been carried out by:

Removing the gross block and accumulated depreciation of the respective assets from the fixed asset register; and

Recognising the resultant loss (being the residual WDV) in the Statement of Profit and Loss under the appropriate expense head.

Based on the information and explanations provided, the loss reported during FY 2022-23 is entirely attributable to decapitalisation of assets, and no material gain on such transactions has been observed during the year.

h. Whether the water charges, statutory levies and taxes under O&M expenses have been indicated separately.

As part of our review of Operation & Maintenance (O&M) expenses, we examined whether water charges, statutory levies and taxes have been appropriately identified and disclosed separately in the financial records and supporting schedules.

Audit Procedures Performed

- Reviewed the detailed break-up of O&M expenses from the audited financial statements and supporting ledgers.
- Examined the classification of water charges, statutory levies and taxes within the expense schedules.

- Verified, on a sample basis, the underlying supporting documents such as invoices, statutory payment challans and accounting entries.

Findings

- Water charges have been accounted for and disclosed separately in the relevant expense schedules.
- Statutory levies and taxes, including items such as electricity duty (FY 20-21 Rs.39.53 Cr, FY 21-22 Rs.143.44 Cr and FY 22-23 Rs.228.63 Cr) and income tax/deferred tax (FY 20-21 Rs.2.27 Cr, FY 21-22 Rs.10.16 Cr and Rs.4.86 Cr), have also been recorded and presented separately in the financial statements.
- The classification appears to be consistent with the accounting records and supporting documentation reviewed.

Conclusion

Based on the procedures performed and the records examined, water charges as well as statutory levies and taxes have been appropriately disclosed separately in the accounts and do not appear to be incorrectly grouped under other O&M expense heads.

xvii. Reconciliation of Non-Tariff Income as per regulatory provisions and other income as per Audited Financial Statement.

Non-tariff income has been examined with reference to the applicable OERC Tariff Regulations and relevant provisions of the Vesting Order. As per the regulatory framework, certain income streams recognised in the financial statements require adjustment for tariff purposes based on specific regulatory treatment. In below table we provide the detail reconciliation of non-tariff incomes in between regulation and accounts.

(₹ Crore)

Other Operating Revenue	June'20- Mar'21		FY 2021-22		FY 2022-23	
	As per regulatory provision	As per accounts	As per regulatory provision	As per accounts	As per regulatory provision	As per accounts
Amortisation of Consumer Contribution and Grant	-	60.21	-	74.29		88.47
Meter Rent	-	31.87	-	51.78		44.13
Service Connection Charge	4.33	4.33	21.48	21.48	21.18	21.18
Customer Service Charge	4.60	4.60	6.13	6.13	2.98	2.98
Reconnection Charges & Disconnection Charges	0.27	0.27	0.27	0.27	0.29	0.29
Processing Fee	0.10	0.10	0.73	0.73	1.08	1.08
Meter Testing & Shifting Charges	0.00	0.00	0.21	0.21	0.73	0.73
6% Supervision Charges	-	-	7.14	7.14	6.25	6.25

Incentive on past arrear collection and others		18.46		11.08		8.79
Other miscellaneous receipts	2.44	2.44	-	-	-	
Income from open access	-	-	-	-	33.43	33.43
Total	11.75	122.29	35.95	173.10	65.93	207.32
As per Audited financial statement		122.29		173.10		207.32
Other income						
Interest Income on Bank Deposits	26.69	26.69	26.28	26.28	48.57	48.57
Delayed payment charges	10.18	10.18	11.63	11.63	14.16	14.16
Income from Rent of Land and Building	0.28	0.28	0.03	0.03	0.10	0.10
Income from Sale of Scrap	5.38	5.38	7.90	7.90	5.15	5.15
Gain on sale/fair value of mutual fund investment	-	-	-	-	-	-
Sale of Tender forms	0.34	0.34	0.31	0.31	0.26	0.26
Penalties recovered from contractors	0.33	0.33	0.45	0.45	4.05	4.05
Other miscellaneous receipts	2.83	2.83	4.66	4.66	1.74	1.74
Total	46.03	46.03	51.26	51.26	74.03	74.03
As per Audited financial statement		46.03		51.26		74.05
Total	57.78	168.32	87.21	224.36	139.96	281.35

Note:

1. As per regulatory provisions, amortisation of consumer contribution and grants is adjusted against depreciation and is not treated as non-tariff income. Accordingly, the difference between regulatory figures and financial statements is primarily attributable to this treatment.
2. Metering capex has not been approved under the Annual Capital Investment Plan of the DISCOM; such capex has been funded by the Company and recovered through meter rent. Accordingly, meter rent has not been considered as non-tariff income for regulatory purposes, though recognised in the financial statements.
3. The Hon'ble Commission in the Vesting Order dated 26th May 2020 for TPCODL has allowed TPCODL to retain the incentive on past arrears. The extracts of the Vesting Order in this regard is as *"clause 64 of vesting order, the gains accruing to TPCODL on account of better performance in reducing AT&C loss and incentive on past arrear recovery shall be allowed to be retained in full up to FY 2030 by TPCODL. This would be over and above the return on its equity allowed by the Commission as part of Tariff Regulations and shall not be adjusted as other income or in any way appropriated through any truing up process or future Aggregate Revenue Requirement process."*

Audit Procedures Performed

In this regard, we performed the following procedures:

- Obtained the detailed break-up of Other Operating Revenue and Other Income from the audited financial statements for the period June 2020 to FY 2022-23.
- Reviewed the mapping of income heads between regulatory submissions and financial statements.
- Verified major income streams on a sample basis with supporting records such as billing data, bank statements, and schedules.
- Examined the regulatory treatment of specific items such as amortisation of consumer contribution, meter rent, and incentive on past arrears with reference to applicable OERC orders and Vesting Order provisions.
- Performed arithmetical checks of the reconciliation statements.

Conclusion

Based on the procedures performed and subject to the inherent limitations of sample-based verification, the reconciliation of non-tariff income between regulatory submissions and audited financial statements of TPCODL for the period June 2020 to FY 2022-23 is broadly reasonable.

4. To evaluate the reasons/ circumstances which created Revenue Gaps.

Revenue (Gap)/(Surplus

Particulars	(₹ in Cr)
True up Surplus for FY 2020-21	-43.46
True up Surplus for FY 2021-22	102.13
True up Surplus for FY 2022-23	97.34
Total True up Surplus	156.00
Adjusted in ARR 2022-23	140.00
Adjusted in ARR 2023-24	83.33
Adjusted in ARR 2024-25	5.84
Total True up Surplus adjusted	229.17
Available surplus to be carried forward	-73.17

From the above table it is clearly evident that there is a revenue gap (Regulatory Assets) on cumulative basis is Rs.73.17 crore which needs to be allowed by the Hon'ble Commission in subsequent tariff order. This gap is 1.24% of total revenue of TPCODL for the financial year 2024-25. On materiality aspect this appears to be immaterial.

5. To evaluate the financial health of TPCODL and fulfilment of regulatory requirements.

a. Net Cash Flow from Operating Activities

Financial Year	(₹ in Cr)
FY 2020–21(June'20 to Mar'21)	146.31
FY 2021–22	164.82
FY 2022–23	415.75

From the above, it is evident that company is generating surplus and enough cash for meeting it's financial obligations and enough surplus to meet future business requirement.

- b. AT & C Loss: - At the time of take over as reported the AT& C Loss was 30.40% which consistently reducing as per the loss reduction trajectory set out in the vesting order. At the end of FY 2022-23 it was reduced to 20.96%. This indicates that TPCODL is showing strong operational performance resulting into better revenue management.
- c. During the period under audit, TPCODL has discharged all liabilities and payments on or before due dates. This is because of generating enough cash from operations.
- d. As per the provisions provided in the Vesting Order, TPCODL has incurred capex of Rs.943.75 crores in network expansion, Network modernization, Automation, Loss reduction investments, IT-enabled systems & safety related initiatives up to FY 2022-23. The financing of this capex was 30% from Equity from promoter and 70% from Debt comparatively at cheaper rate of interest. This privilege availed by TPCODL because of consistence improvement in the financial performance of company.
- e. The capital investments as stated above has resulted into the enhanced capability of TPCODL to cater electricity demand of consumers in the license area. The year wise growth in terms of MUs and amount is mentioned below: -

FY	Sales (MUs)	Revenue (Rs/Crore)	AT & C loss (Including arrear collection)	AT & C loss (excluding arrear collection)
2020-21(June'20 to Mar'21)	5226	2837	24.19%	31.17%
2021-22	6722	4014	26.63%	28.88%
2022-23	7639	4687	20.96%	22.69%

In view of consistent growth in sales (both in MUs & Revenue) and improvement in AT&C loss is a clear indicator that performance of TPCODL is improving year by year and has good sign of financial viability.

ANNEXURE -D

Regulatory Audit Report of Tata Power Southern Odisha Distribution Limited (TPSODL)

Financial Year 2020-21 to 2022-23

**Prepared By:
SDR & Associates
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Plot No. 65 Sahid Nagar, Bhubaneswar-751007**

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A. INTRODUCTION

1. Southern Electricity Supply Company of Odisha Limited (the "SOUTHCO") was incorporated on 19th November 1997 under the Companies Act, 1956. Pursuant to the Orissa State Electricity Reform Act, 1995 and Orissa Electricity Reform Rules, 1998, all the assets of GRIDCO pertaining to the distribution business in the Southern Zone of GRIDCO comprising districts of Ganjam, Gajapati, Boudh, Kandhmal, Rayagarda, Koraput, Nabarangapur and Malkanagiri were transferred to SOUTHCO.
2. On 1 April 1999, 51% (fifty-one percent) shares of GRIDCO in SOUTHCO were transferred to BSES Limited selected through competitive bidding process, SOUTHCO was continued to be managed by BSES Limited and later by its successor R-Infra Limited.
3. Under Section 19 of the Electricity Act, 2003, the Hon'ble Odisha Electricity Regulatory Commission revoked license of Southern Electricity Supply Company of Odisha Limited with effect from March, 2015, and vested the Management and Control of SOUTHCO Utility along with its assets, interests and rights with CMD GRIDCO.
4. The Hon'ble Odisha Electricity Regulatory Commission vide letter no. OERC/RA/SALE OF SOUTHCO-34/2020/1395 dated 04.12.2020 then directed GRIDCO to incorporate the SPV to which the utility of SOUTHCO shall be vested and license of SOUTHCO Utility shall be transferred. TP Southern Odisha Distribution Limited (the "TPSODL") was incorporated and later became the SPV Tata Power Company Limited (51%) and GRIDCO Limited (49%). The utility of SOUTHCO is vested in TPSODL with effect from 01.01.2021.

Since, TPSODL and TPCODL had negative gap in their ARR after truing up to the FY 2022-23, Hon'ble Appellate Tribunal for Electricity (APTEL) in their proceeding in OP No. 1 of 2025 dated 26.09.2025 has directed Odisha Electricity Regulatory Commission (OERC) as follows:

"As per the direction of the Supreme Court, the State Commissions are required to undertake a strict and intensive audit of the circumstances in which Discoms have continued without recovery of Revenue deficit/regulatory assets."

Accordingly, audit was undertaken as per the scope of work prescribed by OERC and the findings thereon are summarised below:

B. SCOPE OF WORK**1. POWER PURCHASE COST****I. RECONCILIATION OF POWER PURCHASE QUANTUM AND COST**

The power purchase quantum and cost of TPSODL for the audit period 01.01.2021 to 31.03.2023 have been reconciled with reference to BSP bills (invoices raised by GRIDCO) and audited financial records.

The year-wise summary of power purchase quantum and cost, along with reconciliation is provided below:

Financial Year	Energy Billed (MU)			Amount Billed for Energy (Rs.)		
	as per Audited FS	as per BSP Invoice	Difference	as per Audited FS	as per BSP Invoice	Difference due to Debit/Credit Note Issued by GRIDCO
2020-21 (Q4)	902.259849	902.259849	-	1,77,91,89,353	1,78,10,60,942	(18,71,589) Annexure-1
2021-22	3,941.538375	3,941.538375	-	8,16,64,70,846	8,15,56,27,702	1,08,43,144 Annexure-2
2022-23	4,188.460113	4,203.947155	(15.487042)	9,51,17,16,308	9,54,29,60,041	(3,12,43,733) Annexure-3

Reason for differences:

FY 2020-21 (Q4):

As Explained, the difference has been arisen due to Rambha and Jaynagar Traction Bill adjustment of Rs. 18,71,589 for the period Jan-21 to Mar-21. the adjustment has been made in accordance with the order of the Hon'ble Commission. Reference may be made to Case No. 47 of 2008 of the Hon'ble OERC.

FY 2021-22:

Difference arised due to earlier year Debit Note adjustment in accounts.

FY 2022-23:

Difference arised due to earlier year Credit Note adjustment in accounts.

The reconciliation of Transmission Charges and SLDC Charges has been made for FY 2020-21(Q4) to FY 2022-23 with reference to invoices raised by the OPTCL and SLDC as detailed below.

OPTCL Transmission Charges:

Financial Year	As per Audited FS (In Rs.)	As per OPTCL Invoice (In Rs.)	Difference
2020-21 (Q4)	22,21,27,495	22,21,27,495	-
2021-22	1,08,97,24,923	1,08,97,24,923	-
2022-23	1,17,30,38,792	1,17,30,38,792	-

SLDC Charges:

Financial Year	As per Audited FS (In Rs.)	As per SLDC Invoice (In Rs.)	Difference
2020-21 (Q4)	15,43,200.00	15,43,200.00	-
2021-22	70,72,440	70,72,440	-
2022-23	78,69,600	78,69,600	-

The month wise details of Transmission charges and SLDC charges are furnished in **Annexure- 4 & 5**

2. BILLING & REVENUE

I. RECONCILIATION OF SALES

The details of category-wise revenue from sale of power for FY 2020-21 (Q4), FY 2021-22, and FY 2022-23 are presented below. The sales figures have been arrived based on the audited financial records made available to us for verification.

Rs. in Crore

Category	FY 2020-21(Q4)	FY 2021-22	FY 2022-23
Sale of Power-Domestic	119.66	688.66	662.59
Sale of Power-Bulk Supply domestic	3.19	4.30	3.83
Sale of Power-Commercial	32.68	233.75	278.91
Sale of power-Industrial small	1.44	9.07	8.68
Sale of Power- Industrial Medium	10.76	61.03	60.75
Sale of Power- Industrial large	29.79	209.44	287.23
Sale of Power- Industrial power supply	13.80	72.56	82.99
Sale of Power- Public lighting	4.77	19.25	23.10
Sale of power- Traction	27.50	188.69	208.17
Sale of Power- Irrigation & Agriculture	2.51	19.48	18.11
Sale of Power-Public water works & sewerage	16.48	60.53	66.16
Sale of power- Allied agriculture	0.75	5.66	6.44
Sale of power- Allied Agro Industrial	0.33	1.39	1.41
Sale of power- Public Institution	8.69	41.30	55.34
Sale of power-Captive power plant	-	1.44	41.43
Unbilled Revenue	83.03	38.08	8.92
Total	355.38	1,654.63	1,814.05

II. RECONCILIATION OF CATEGORY-WISE REVENUE BILLED/ BILLS RAISED

We have computed the category wise bill raised from billing dump and compared it with billing information provided to OERC and found both have tallied. The category wise details of bill raised and billing information provided to OERC are given below.

Reconciliation of category-wise Revenue billed/bills raised for FY 2020-21 (Q4) FY 2021-22 & FY 2022-23

Particulars	FY 2020-21(Q4)	FY 2021-22	FY 2022-23
LT	Amt in Cr.	Amt in Cr.	Amt in Cr.
Allied agriculture activities	0.27	2.06	0.99
Allied agro-industrial activities	0.41	0.34	0.34
Domestic	140.28	685.92	688.06
General purpose < 110 KVA	29.87	202.80	200.29
General purpose>=110 KVA	19.20	0.03	0.48
Irrigation pumping & agriculture	4.50	17.97	17.80
Kutir jyoti	7.64	14.23	9.59
Large industry	2.89	0.01	0.00
Lt industrial(M) supply>=22 KVA	6.35	20.55	19.87
Lt industrial(S) supply<22 KVA	2.30	9.60	8.69
Public light	7.17	24.00	23.12
Public water works and sewerage< 110 KVA	6.20	39.13	43.26
Public water works & sewerage>= 110 KVA	-	0.00	2.16
Specified public purpose	6.31	21.28	32.08
Temp. supply general purpose < 110 KVA	-	-	0.24
Sub-total	233.39	1,037.93	1,046.98
HT			
Allied agriculture activities	0.52	5.21	5.29
Allied agro-industrial activities	0.15	1.14	1.22
Bulk supply domestic	0.74	3.95	3.82
General purpose >= 110 KVA	5.29	26.46	34.64
General purpose >70 KVA <110 KVA	-	8.73	11.55
Industrial(M) supply	8.01	43.29	39.40
Irrigation pumping & agriculture	-	0.76	0.38
Large industry	12.01	126.53	166.21
Public water works & sewerage pumping	7.00	19.37	21.22
Specified public purpose	2.28	17.16	22.74
Power Intensive Industry	-	-	0.09
Mega lift	-	1.00	5.28
Sub-total	36.00	253.60	311.83
EHT			
Emergency supply to CGP	0.17	20.22	7.53
Large industry	26.83	77.58	75.35
Large industry-CGP	-	-	83.14
Power Intensive Industry	18.70	72.74	80.88
Railway traction	40.28	192.55	208.32
Colony consumption	-	-	0.02
Sub-total	85.98	363.10	455.24
Grand total	355.37	1,654.63	1,814.05

III. RECONCILIATION OF CATEGORY-WISE REVENUE COLLECTED

We have computed the collection data for different categories of consumer from Collection Dump and compared it with collection data provided to OERC and found tallied, Details of such collection data provided to OERC for the FY 2020-21(Q4), FY 2021-22 & 2022- 23 are given below.

FY 2020-21 (Q4)		Rs. in Crore
Category	FY 2020-21(Q4)(As per collection dump)	
LT	228.48	
HT	42.84	
EHT	86.79	
Total	358.12	

For the FY 2020-21(Q4) past arrear collection of Rs.43.36 Crore excluded from category-wise collection.

FY 2021-22

		Rs. in Crore
Category	FY 2021-22 (As per collection dump)	
LT	775.46	
HT	242.10	
EHT	352.51	
Total	1,370.07	

For the FY 2021-22 past arrear collection of Rs.87.05 Crore excluded from category-wise collection.

FY 2022-23

		Rs. in Crore
Category	FY 2022-23 (As per collection dump)	
LT	978.13	
HT	322.18	
EHT	458.04	
Total	1758.35	

The category-wise revenue collected from different type of consumers as per collection dump are given in **Annexure- 6. For the FY 2022-23, past arrear collection Rs.100.41 Cr excluded from category wise Collection.**

IV. QUARTERLY RECONCILIATION OF SUBSIDY FROM GOVT. OF ODISHA

As explained to us, company has not received any revenue/tariff subsidy from Govt. of Odisha, during the audit period from 01.01.2021 to 31.03.2023.

But company has received Capital Subsidy under different Scheme from Govt. of Odisha. The year-wise details of such subsidy accounts as per Audited Financial Statements are given below:

Amount in Rs.			
Particulars	2020-21 (Q4)	2021-22	2022-23
Capital Subsidy/Grants			
Balance as per last BS	93,30,79,502	93,45,83,428	89,34,71,274
Add: Received during the year	17,71,957	47,37,175	80,00,111

Less: Adjustment	-	4,58,49,329	8,84,000
Less: Adjustment against depreciation	-	-	1,69,89,804
Sub-Total	93,48,51,459	89,34,71,274	88,35,97,581
SOUBHAGYA			
Balance as per last BS	52,59,40,203	52,59,40,203	19,18,62,089
Add: Interest received	-	45,90,485	92,12,424
Less: Return BGJY	-	33,86,68,599	-
Sub-Total	52,59,40,203	19,18,62,089	20,10,74,513
PEETHA			
Balance as per last BS	2,09,56,341	2,09,56,341	2,09,56,341
Add: Interest received	-	-	6,38,283
Sub-Total	2,09,56,341	2,09,56,341	2,15,94,624
Total	1,48,17,48,003	1,10,62,89,704	1,10,62,66,718

It was observed that the closing balance of Capital Subsidy Grant as at the end of FY 2020-21 did not match with the opening balance of Capital Subsidy Grant for FY 2021-22. The closing balance for FY 2020-21 was recorded as Rs. 93,48,51,459, whereas the opening balance for FY 2021-22 was reflected as Rs. 93,45,83,428, resulting in a discrepancy of Rs. 2,68,031. It is further observed that the aforesaid figures were reported in the audited financial statements. However, the reasons for such variation and the reconciliation thereof were not made available for audit verification.

V. MONTHLY RECONCILIATION OF FLOW INTO PENSION TRUST FUND AND PENSION ACTUALLY PAID

We have obtained the month-wise details of TPSODL remittance to pension fund and pension payout and compared with respective figures of Pension Trust Fund Account and noticed the following differences. The reasons of such differences have been explained to us for reconciliation.

Remittance by TPSODL (Amount in Rs.)

Year	FY 2020-21 (Q4)	FY 2021-22	FY 2022-23
Remittance made by TPSODL	24,19,83,210	1,14,08,26,926	98,15,52,889
Remittance received by Pension Trust Fund	24,04,87,283	1,14,08,26,926	98,15,52,889
Difference	14,95,927	-	-

Payout made by Trust (Amount in Rs.)

Year	FY 2020-21 (Q4)	FY 2021-22	FY 2022-23
As per TPSODL	26,15,77,005	1,06,67,75,255	1,09,98,12,353
As per Pension Trust Fund Account	26,00,81,078	1,06,67,34,447	1,01,13,09,950
Difference	14,95,927	40,808	8,85,02,403

Month-wise details of remittance and pay-out as per TPSODL records are given in **Annexure-7** and summary of Audited Receipt & Payment Account of Pension Trust Fund is given in **Annexure-8**

Remark:

- With respect to the Financial Year 2020-21, a difference of Rs. 14,95,927 has arisen on account of Income Tax TDS deducted from pensioners and directly deposited by TPSODL without routing the transaction through the Trust R/P Account, vide JV No. 34 dated 31.03.2021.
- With respect to Financial Year 2021-22, a difference of Rs. 40,808 has arisen on account of pension expenses vide JV No. 12 dated 31.03.2022 without routing it through Receipt & Payment Account of the Trust.

- iii. With respect to Financial Year 2022-23, a difference of Rs. 8,85,02,403 has arisen due to reasons as mentioned below

Amount shown in Receipt payment account (Rs)	1,01,13,09,950
Add:	
Pension and commutation pertaining to March 2023, disbursed in April 2023, considered to align the figures with 12 months' pension payments as per the pensioners' demand	8,60,01,489
Income Tax TDS deducted from pensioners and directly deposited by TPSODL without routing through the Trust Receipt & Payment Account	33,29,393
Less:	
Recovery of excess pension from pensioners, reflected as receipts in the Receipt & Payment Account	8,28,479
Net amount as per monthly details provided showing net payouts	1,09,98,12,353

VI. DIRECT EXPENSES OF OTHER BUSINESS

TPSODL is engaged solely in the business of distribution of electricity. No separate or additional business activity has been carried out by the company during the audit period.

Accordingly, neither direct expenses pertaining to other business have been incurred nor it is reported in the audited financial statements.

VII. VERIFICATION OF COMPONENT-WISE (FIXED CHARGES, ENERGY CHARGES, ETC.) BILLED TO INDIVIDUAL CONSUMERS AND REVENUE COLLECTED THEREOF FROM BILLING DUMP AND FROM BANK STATEMENT

Based on the data collected from billing dump, component-wise various charges billed to consumers during the audit period FY 2020-21(Q4), FY 2021-22 & FY 2022-23 are given below:

			Amt in Cr.
Particulars	FY 2020-21 (Q4)	FY 2021-22	FY 2022-23
Demand Charge	61.48	185.28	166.63
Energy Charge	202.85	1410.30	1,595.95
Fixed charge	8.02	20.97	42.55
Unbilled Revenue	83.03	38.08	8.92
Total	355.38	1,654.63	1,814.05

However, It is observed that a direct one-to-one reconciliation between component-wise billing and its deposit in bank was not practically feasible since component wise segregated amount was not available in the bank statements.

3. OTHERS

a. i. Reconciliation of actual details of capitalization for each quarter of the year vis-à-vis the date of in-principle approval of such capitalization by the Commission

We have obtained the details of capital asset addition (Capitalisation) from financial records and compared it with approval of such capitalisation by the commission and noticed difference under major asset category. The year wise details of capitalisation (Quarterly basis) and Capex approval by commission are given below:

CAPEX APPROVED VS ACTUAL

FY 2020-21 (Q4)

Major Asset Category	4th Quarter (Rs.)	Total Amount (Rs.)	Actual Capex (in crore)	Capex approved by OERC (in crore)	Shortfall (-)/ Excess (+) (in crore)
Civil Infrastructure & Admin	14,79,197.00	14,79,197.00	0.15	-	0.15
Loss Reduction		-	-	-	-
Network Reliability		-	-	-	-
Statutory & Safety		-	-	-	-
Technology Infrastructure	22,25,876.00	22,25,876.00	0.22	-	0.22
Load Growth		-	-	-	-
Total	37,05,073.00	37,05,073.00	0.37	-	0.37
Other Asset (Unapproved)	34,72,940.00	34,72,940.00	0.35	-	
Total addition as per Audited FS	71,78,013.00	71,78,013.00	0.72	-	

FY 2021-22

Major Asset Category	3rd Quarter (Rs.)	4th Quarter (Rs.)	Total Amount (Rs.)	Actual Capex (in crore)	Capex approved by OERC (in crore)	Shortfall (-)/ Excess (+)
Civil Infrastructure & Admin		63,46,302.00	63,46,302.00	0.63	-	0.63
Loss Reduction		1,30,25,930.67	1,30,25,930.67	1.30	15.69	-14.39
Network Reliability		7,49,89,175.06	7,49,89,175.06	7.50	37.47	-29.97
Statutory & Safety		20,23,70,274.61	20,23,70,274.61	20.24	31.43	-11.19
Technology Infrastructure	27,38,13,506.07	62,32,51,641.67	89,70,65,147.74	89.71	91.32	-1.61
Load Growth	-	-	-	-	8.74	-8.74
Total	27,38,13,506.07	91,99,83,324.01	1,19,37,96,830.08	119.38	184.65	-65.27
Other Asset (Unapproved)		66,15,86,147.95	66,15,86,147.95	66.16		
Employee Cost		2,16,75,901.38	2,16,75,901.38	2.17		
Total addition as per Audited FS	27,38,13,506.07	1,60,32,45,373.34	1,87,70,58,879.41	187.71		

FY 2022-23

Major Asset Category	1st Quarter (Rs.)	2nd Quarter (Rs.)	3rd Quarter (Rs.)	4th Quarter (Rs.)	Total Amount (Rs.)	Actual Capex (in crore)	Capex Approved by OERC (in crore)	Shortfall (-)/ Excess (+)
Civil Infrastructure & Admin	17,40,830.48	3,17,50,027.48	1,89,89,506.80	9,00,91,885.97	14,25,72,250.73	14.26	19.04	-4.78
Loss Reduction	1,03,01,822.42	1,79,37,930.04	8,92,69,709.03	33,12,67,869.38	44,87,77,330.87	44.88	60.72	-15.84
Network Reliability	2,49,36,679.50	8,15,70,554.13	20,37,43,205.66	1,02,41,02,909.20	1,33,43,53,348.49	133.44	123.75	9.69
Statutory & Safety		5,26,43,463.37	13,76,91,911.77	26,24,12,117.45	45,27,47,492.59	45.27	39.33	5.94
Technology Infrastructure	6,21,93,969.96	8,46,60,837.97	7,35,13,147.06	33,45,59,254.67	55,49,27,209.66	55.49	33.27	22.22
Load Growth		63,49,021.68	7,13,40,204.52	14,00,21,328.41	21,77,10,554.61	21.77	18.72	3.05
Total	9,91,73,302.36	27,49,11,834.67	59,45,47,684.84	2,18,24,55,365.08	3,15,10,88,186.95	315.11	294.83	20.28

Major Asset Category	1st Quarter (Rs.)	2nd Quarter (Rs.)	3rd Quarter (Rs.)	4th Quarter (Rs.)	Total Amount (Rs.)	Actual Capex (in crore)	Capex Approved by OERC (in crore)	Shortfall (-)/ Excess (+)
Other Asset (Unapproved)	6,46,245.00		7,03,41,209.91	1,12,52,96,083.54	1,19,62,83,538.45	119.63		
Employee Cost	61,59,339.17	2,25,44,900.28	5,46,26,588.24	20,03,69,172.31	28,37,00,000.00	28.37		
IDC	1,57,325.00	6,24,362.00	24,03,230.00	45,76,732.14	77,61,649.14			
Total addition as per Audited FS	10,61,36,211.53	29,80,81,096.95	72,19,18,712.99	3,51,26,97,353.07	4,63,88,33,374.54			

Cumulative Capitalization (Year wise) vis-à-vis OERC approval:

CAPEX YEAR	Actual (Rs in Crore)	OERC Approval (Rs. in Crore)	Shortfall (-)/ Excess (+)
CAPEX 2020-21 (Q4)	0.37	-	0.37
CAPEX 2021-22	119.38	184.65	-65.27
CAPEX 2022-23	315.11	294.83	20.28
Cumulative Capex	434.49	479.48	-44.99

Cumulative Capitalization (Asset wise) vis-à-vis OERC Approval:

Major Asset Category	Actual Capex (Rs. in Crore)	Capex approved by OERC (Rs. in Crore)	Shortfall (-)/ Excess (+) (Rs. in Crore)
Civil Infrastructure & Admin	14.89	19.04	-4.15
Loss Reduction	46.18	76.41	-30.23
Network Reliability	140.93	161.22	-20.29
Statutory & Safety	65.51	70.76	-5.25
Technology Infrastructure	145.20	124.59	20.61
Load Growth	21.77	27.46	-5.69
Cumulative Capex	434.49	479.48	-44.99

As explained to us, the Licensee files a capital expenditure (Capex) petition before the Odisha Electricity Regulatory Commission each year, pursuant to which the Commission issues a Capex Order to be implemented by the Licensee. Since the Capex approval is granted on an annual basis, a portion of the approved Capex normally spills over to the subsequent financial year.

Further, as per the Vesting Order, the cumulative Capex target up to March 2026 was Rs. 1,166 crore against which actual capitalisation up to March 2026 amounted to Rs. 1,476 crore. It was also explained to us that the Licensee is restricted from undertaking shutdown activities during summer season, paddy season, school examination periods, etc., in compliance with the directives issued by the Government of Odisha.

ii. The details of actual capitalization as per audited accounts under different heads such as Material Cost, Labour Cost, Interest During Construction (IDC), Employee expenses capitalised, A&G expenses capitalised, etc.

We have obtained the component-wise details of capitalisation from financial records and noticed that

- Segregation of material and labour cost were not made but shown as acquisition cost.
- A&G expenses were not capitalised.

Component-wise classification of capitalization for the audit period 2020-21(Q4), 2021-22 & 2022-23 are given below.

FY 2020-21

Asset Class	Material Cost	Labour Cost	Acquisition Cost (Rs.)	IDC	Employee Expenses Capitalised	A&G Expenses Capitalised	TOTAL (Rs.)
Building	-	-	-	-	-	-	-
Furniture & Fixture	-	-	12,98,841	-	-	-	12,98,841
Meter (Non Approved)	-	-	-	-	-	-	-
Office Equipment	-	-	21,66,562	-	-	-	21,66,562
Plant & Machinery	-	-	2,39,670	-	-	-	2,39,670
Software	-	-	-	-	-	-	-
Vehicle	-	-	34,72,940	-	-	-	34,72,940
Total	-	-	71,78,013	-	-	-	71,78,013

FY 2021-22

Asset Class	Material Cost	Labour Cost	Acquisition Cost (Rs.)	IDC	Employee Expenses Capitalised (Rs.)	A&G Expenses Capitalised	TOTAL (Rs.)
Building	-	-	22,30,27,957	-	1,08,57,514	-	23,38,85,470
Furniture & Fixture	-	-	5,29,78,221	-	-	-	5,29,78,221
Meter (Non Approved)	-	-	-	-	-	-	-
Office Equipment	-	-	34,66,91,283	-	-	-	34,66,91,283
Plant & Machinery	-	-	87,79,53,903	-	1,08,18,388	-	88,87,72,290
Software	-	-	34,81,77,473	-	-	-	34,81,77,473
Vehicle	-	-	65,54,141	-	-	-	65,54,141
Total	-	-	1,85,53,82,978	-	2,16,75,901	-	1,87,70,58,879

FY 2022-23

Asset Class	Material Cost	Labour Cost	Acquisition Cost (Rs.)	IDC (Rs.)	Employee Expenses Capitalised (Rs.)	A&G Expenses Capitalised	TOTAL (Rs.)
Building	-	-	52,53,67,394	14,74,252	3,86,31,129	-	56,54,72,776
Furniture & Fixture	-	-	4,93,94,132	-	19,46,742	-	5,13,40,874
Meter (Non Approved)	-	-	51,90,05,137	-	-	-	51,90,05,137
Office Equipment	-	-	32,68,07,703	-	2,30,24,360	-	34,98,32,063
Plant & Machinery	-	-	2,50,63,31,685	62,87,397	18,50,42,868	-	2,69,76,61,951
Software	-	-	39,65,77,973	-	3,50,54,901	-	43,16,32,874
Vehicle	-	-	2,38,87,700	-	-	-	2,38,87,700
Total	-	-	4,34,73,71,725	77,61,649	28,37,00,000	-	4,63,88,33,375

As explained to us, most of the Capex orders are executed on an SITC (Supply, Installation, Testing and Commissioning) basis and, accordingly, the acquisition cost includes the cost of materials as well as related labour and commissioning charges. However, in cases where purchase orders are placed solely for materials such as transformers, poles, etc., the same are capitalised component-wise.

b. Percentage of Capitalisation of Employee expenses and A&G expenses out of total Employee expenses and A&G Expenses:

Year wise details of Total Employee cost and Employee cost capitalised are given below.

Financial Year	Total Employee Cost (including the amount capitalised) (Amt in Crore)	Employee Cost Capitalised (Amt in Crore)	% of Total Employee Expenses
FY 2020-21	107.26	Nil	Nil
FY 2021-22	397.76	2.16	0.54%
FY 2022-23	409.90	28.37	6.84%

The Year-wise employee cost capitalised to assets are provided in **Annexure-9 & 10**.

Further no A&G expenses were capitalised during FY 2020-21(Q4), FY 2021-22 & FY 2022-23.

c. Details of Computation of IDC clearly specifying the fund flow and rate of interest

We have checked the working sheet relating to calculation of IDC and found that Rs. 0.78 crore (**Refer Annexure 11**) has been capitalised during the year 2022-23. During the course of audit, we noticed the following.

- i. Company has applied weighted average rate of interest @ 7.37% p.a. for capitalization of IDC. As per our calculation weighted average cost of interest for capitalization was arrived @7.38% p.a., The details of such calculation are given below.

Union Bank

From	to	No of Days	Loan O/s	Weighted o/s
01-04-2022	30-04-2022	30.00	40,00,00,000.00	3,28,76,712.33
01-05-2022	31-05-2022	31.00	40,00,00,000.00	3,39,72,602.74
01-06-2022	01-06-2022	1.00	40,00,00,000.00	10,95,890.41
02-06-2022	03-06-2022	2.00	41,39,79,103.92	22,68,378.65
04-06-2022	05-06-2022	2.00	42,30,76,472.92	23,18,227.25
06-06-2022	06-06-2022	1.00	45,96,08,285.45	12,59,200.78
07-06-2022	08-06-2022	2.00	50,02,36,518.23	27,41,022.02
09-06-2022	09-06-2022	1.00	52,59,02,969.72	14,40,830.05
10-06-2022	13-06-2022	4.00	54,27,93,638.72	59,48,423.44
14-06-2022	23-06-2022	10.00	54,80,58,597.72	1,50,15,304.05
24-06-2022	28-06-2022	5.00	59,00,57,334.72	80,82,977.19
29-06-2022	29-06-2022	1.00	59,74,72,630.72	16,36,911.32
30-06-2022	30-06-2022	1.00	59,74,72,630.72	16,36,911.32
01-07-2022	03-07-2022	3.00	59,74,72,630.72	49,10,733.95
04-07-2022	11-07-2022	8.00	60,95,44,136.41	1,33,59,871.48
12-07-2022	15-07-2022	4.00	62,89,34,613.36	68,92,434.12
16-07-2022	20-07-2022	5.00	65,59,03,051.78	89,84,973.31
21-07-2022	25-07-2022	5.00	67,65,64,573.27	92,68,007.85
26-07-2022	27-07-2022	2.00	69,59,24,171.36	38,13,283.13

From	to	No of Days	Loan O/s	Weighted o/s
28-07-2022	30-07-2022	3.00	71,14,23,805.06	58,47,318.95
31-07-2022	31-07-2022	1.00	71,14,23,805.06	19,49,106.32
01-08-2022	04-08-2022	4.00	71,46,41,984.06	78,31,692.98
05-08-2022	05-08-2022	1.00	72,65,04,333.62	19,90,422.83
06-08-2022	09-08-2022	4.00	73,66,74,539.60	80,73,145.64
10-08-2022	18-08-2022	9.00	74,40,13,814.99	1,83,45,546.12
19-08-2022	24-08-2022	6.00	76,99,81,461.37	1,26,57,229.50
25-08-2022	28-08-2022	4.00	83,73,17,114.58	91,76,077.97
29-08-2022	31-08-2022	3.00	87,73,76,722.72	72,11,315.53
01-09-2022	04-09-2022	4.00	87,73,76,722.72	96,15,087.37
05-09-2022	11-09-2022	7.00	91,38,95,213.79	1,75,26,757.52
12-09-2022	14-09-2022	3.00	93,93,01,603.51	77,20,287.15
15-09-2022	16-09-2022	2.00	96,40,27,170.15	52,82,340.66
17-09-2022	21-09-2022	5.00	97,53,88,567.35	1,33,61,487.22
22-09-2022	27-09-2022	6.00	97,73,24,194.19	1,60,65,603.19
28-09-2022	28-09-2022	1.00	98,08,09,841.45	26,87,150.25
29-09-2022	29-09-2022	1.00	98,81,84,428.91	27,07,354.60
30-09-2022	30-09-2022	1.00	99,64,22,824.87	27,29,925.55
01-10-2022	10-10-2022	10.00	99,64,22,824.87	2,72,99,255.48
11-10-2022	19-10-2022	9.00	1,02,59,04,613.49	2,52,96,278.14
20-10-2022	30-10-2022	11.00	1,03,09,04,425.57	3,10,68,352.55
31-10-2022	31-10-2022	1.00	1,03,09,04,425.57	28,24,395.69
01-11-2022	02-11-2022	2.00	1,03,09,04,425.57	56,48,791.37
03-11-2022	16-11-2022	14.00	1,04,53,81,857.93	4,00,96,838.39
17-11-2022	23-11-2022	7.00	1,05,08,15,619.64	2,01,52,628.32
24-11-2022	29-11-2022	6.00	1,06,77,55,272.90	1,75,52,141.47
30-11-2022	30-11-2022	1.00	1,06,77,55,272.90	29,25,356.91
01-12-2022	02-12-2022	2.00	1,06,77,55,272.90	58,50,713.82
03-12-2022	12-12-2022	10.00	1,07,05,62,451.28	2,93,30,478.12
13-12-2022	21-12-2022	9.00	1,08,08,78,136.63	2,66,51,789.67
22-12-2022	30-12-2022	9.00	1,08,96,95,175.91	2,68,69,196.12
31-12-2022	31-12-2022	1.00	1,09,78,60,465.60	30,07,836.89
01-01-2023	20-01-2023	20.00	1,09,78,60,465.60	6,01,56,737.84
21-01-2023	30-01-2023	10.00	1,10,47,30,077.84	3,02,66,577.48
31-01-2023	31-01-2023	1.00	1,10,93,18,289.92	30,39,228.19
01-02-2023	05-02-2023	5.00	1,10,93,18,289.92	1,51,96,140.96
06-02-2023	07-02-2023	2.00	1,11,60,01,841.58	61,15,078.58
08-02-2023	27-02-2023	20.00	1,11,85,76,131.92	6,12,91,842.84
28-02-2023	28-02-2023	1.00	1,11,85,76,131.92	30,64,592.14
01-03-2023	26-03-2023	26.00	1,11,85,76,131.92	7,96,79,395.70
27-03-2023	28-03-2023	2.00	1,36,85,76,131.92	74,99,047.30
29-03-2023	30-03-2023	2.00	1,36,85,76,131.92	74,99,047.30
31-03-2023	31-03-2023	1.00	1,34,17,90,416.92	36,76,138.13

Weighted O/s 85,03,58,424.14
Actual Interest Paid 6,27,86,181.00

IDBI Bank

From	to	No of Days	Loan O/s	Weight o/s
29-12-2022	31-12-2022	3.00	17,50,00,000.00	14,38,356.16
01-01-2023	19-01-2023	19.00	22,07,83,185.34	1,14,92,823.35

From	to	No of Days	Loan O/s	Weight o/s
20-01-2023	31-01-2023	12.00	22,07,83,185.34	72,58,625.27
01-02-2023	06-02-2023	6.00	26,37,92,742.31	43,36,319.05
07-02-2023	07-02-2023	1.00	27,32,08,154.93	7,48,515.49
08-02-2023	08-02-2023	1.00	28,92,95,162.64	7,92,589.49
09-02-2023	09-02-2023	1.00	30,06,77,568.02	8,23,774.16
10-02-2023	10-02-2023	1.00	31,97,72,531.73	8,76,089.13
11-02-2023	16-02-2023	6.00	45,18,81,592.09	74,28,190.55
17-02-2023	22-02-2023	6.00	48,38,32,084.13	79,53,404.12
23-02-2023	23-02-2023	1.00	53,07,81,083.67	14,54,194.75
24-02-2023	28-02-2023	5.00	53,07,81,083.67	72,70,973.75
01-03-2023	02-03-2023	2.00	57,26,06,915.67	31,37,572.14
03-03-2023	06-03-2023	4.00	61,27,26,579.34	67,14,811.83
07-03-2023	10-03-2023	4.00	63,92,08,150.87	70,05,020.83
11-03-2023	14-03-2023	4.00	73,57,64,425.15	80,63,171.78
15-03-2023	16-03-2023	2.00	75,63,93,845.28	41,44,623.81
17-03-2023	21-03-2023	5.00	78,12,29,336.95	1,07,01,771.74
22-03-2023	24-03-2023	3.00	85,81,20,446.65	70,53,044.77
25-03-2023	29-03-2023	5.00	94,28,45,212.46	1,29,15,687.84
30-03-2023	31-03-2023	2.00	94,28,45,212.46	51,66,275.14

Weighted Average O/s **11,67,75,835.15**
Actual Interest Paid **86,02,364.00**

Particulars	UBI	IDBI	Total
Weighted Average O/s	85,03,58,424.14	11,67,75,835.15	96,71,34,259.30
Actual Interest Paid	6,27,86,181.00	86,02,364.00	7,13,88,545.00
Weighted Average ROI*			7.38%

*Weighted Average ROI = Total Interest / Total Weighted Balance × 100

- ii. As explained to us as the gestation period of project is very low, hence borrowing cost is not loaded to CWIP.

d. Amount capitalized by Distribution Licensee on account of replacement / repair of existing assets and to comment/ qualify whether the amount booked by Distribution Licensee on account of replacement / repair of existing assets under capitalization is correct or should be part of O&M expenses

During the course of audit, it was observed that TPSODL has capitalized expenditure amounting to ₹0.44 Crore during FY 2022-23 on account of replacement of existing assets, including items such as damaged cable replacements, insulator replacement, transformer upgradation (3.15 MVA to 5 MVA), and other similar works.

The details of such capitalization during 2022-23 are given, below.

Assets Description	Asset Capitalization Date	Acquisition Cost (Amt in Rs.)	Employee Cost (Amt in Rs.)	IDC (Amt in Rs.)	Total (Amt in Rs.)
BUILDING					
Water tank replaced & new tank installed at SIDHE	31-01-2023	19,387.00	1,897.04		21,284.04
Dismantling of	31-03-2023	6,12,715.00	59,954.89		6,72,669.89

Assets Description	Asset Capitalization Date	Acquisition Cost (Amt in Rs.)	Employee Cost (Amt in Rs.)	IDC (Amt in Rs.)	Total (Amt in Rs.)
old damage ac sheet and fixing of n					
Sub-Total		6,32,102.00	61,851.93		6,93,953.93
PLANT & MACHINERY					
33 Kv Line Ref. - Pin insulator replacement of Mal	31-01-2023	4,21,745.00	41,268.25	3,111.00	4,66,124.25
Damaged Cable Replacement Apr-22	31-03-2023	1,69,852.97	16,620.31		1,86,473.28
Damaged Cable Replacement Aug-21	31-03-2023	1,625.28	159.04		1,784.32
Damaged Cable Replacement Aug-22	31-03-2023	5,53,213.77	54,132.62		6,07,346.39
Damaged Cable Replacement Dec-21	31-03-2023	2,24,186.84	21,936.95		2,46,123.79
Damaged Cable Replacement Dec-22	31-03-2023	2,186.59	213.96		2,400.55
Damaged Cable Replacement Feb-22	31-03-2023	83,151.02	8,136.43		91,287.45
Damaged Cable Replacement Jan-22	31-03-2023	64,810.79	6,341.81		71,152.60
Damaged Cable Replacement Jul-21	31-03-2023	6,040.50	591.07		6,631.57
Damaged Cable Replacement Jul-22	31-03-2023	1,60,665.84	15,721.34		1,76,387.18
Damaged Cable Replacement Jun-22	31-03-2023	1,65,719.51	16,215.85		1,81,935.36
Damaged Cable Replacement Mar-22	31-03-2023	1,14,273.00	11,181.75		1,25,454.75
Damaged Cable Replacement May-22	31-03-2023	95,356.23	9,330.72		1,04,686.95
Damaged Cable Replacement Nov-21	31-03-2023	1,18,714.46	11,616.35		1,30,330.81
Damaged Cable Replacement Nov-22	31-03-2023	2,12,330.77	20,776.82		2,33,107.59
Damaged Cable	31-03-2023	59,308.52	5,803.41		65,111.93

Assets Description	Asset Capitalization Date	Acquisition Cost (Amt in Rs.)	Employee Cost (Amt in Rs.)	IDC (Amt in Rs.)	Total (Amt in Rs.)
Replacement Oct-21					
Damaged Cable Replacement Oct-22	31-03-2023	5,02,918.92	49,211.21		5,52,130.13
Damaged Cable Replacement Sep-21	31-03-2023	17,489.44	1,711.36		19,200.80
Damaged Cable Replacement Sep-22	31-03-2023	4,20,894.23	41,185.00		4,62,079.23
Sub-Total		33,94,483.68	3,32,154.25	3,111.00	37,29,748.93
Total		40,26,585.68	3,94,006.18	3,111.00	44,23,702.86

While verifying the details of assets replaced it is observed that:

- The replacements were only made during FY 2022-23 for Rs 0.44 crore. As explained to us, as per determination of tariff regulation 2014, the expenditure qualifies for capital investment as per (para 7.33, 7.36 and 7.37 of the said regulation)
- Decapitalization entry for replaced assets were not made.
- Decapitalization amounting to Rs. 1.42 crore was made during FY 2021-22 without any corresponding replacement. As explained by the management, asset decapitalisation was carried out based on the Physical Verification (PV) report issued by the independent auditor. It was further explained that the decapitalisation pertains to legacy assets as on 1st January 2021 transferred to TPSODL, which were not found during the physical verification conducted by the independent auditor. Hence, no replacement has been considered against such decapitalisation.
- Direct link between asset decapitalised during FY 2021-22 and asset replaced during FY 2022-23 could not be established.
- Many of the above replaced asset are very small in value and in the nature of repair and maintenance expenses which should have been charged to profit & loss account instead of capitalisation. List of those items are given below:

FY 2022-23

Asset Description	Asset Capitalization Date	Acquisition Cost (Amt in Rs.)	Employee Cost (Amt in Rs.)	IDC	Total (Amt in Rs.)
BUILDING					
Water tank replaced & new tank installed at SIDHE	31-01-2023	19,387.00	1,897.04		21,284.04
PLANT & MACHINERY					
Damaged Cable Replacement Aug-21	31-03-2023	1,625.28	159.04		1,784.32
Damaged Cable Replacement Dec-22	31-03-2023	2,186.59	213.96		2,400.55
Damaged Cable Replacement Jul-21	31-03-2023	6,040.50	591.07		6,631.57
Damaged Cable Replacement Sep-21	31-03-2023	17,489.44	1,711.36		19,200.80
Sub-Total		27,341.81	2,675.43	-	30,017.24
Total		46,728.81	4,572.47	-	51,301.28

e. Amount of actual capitalisation and addition in network capacity during the year under different network capacity heads

It is observed that addition in network capacity heads is covered under loss reduction, network reliability and load growth. The addition in network capacity during the year 2020-21 (Q4), 2021-22 and 2022-23 are given below.

FY 2020-21 (Q4)

Major Asset Category	Total Amount
Loss Reduction	-
Network Reliability	-
Load Growth	-
Total	-

FY 2021-22

Major Asset Category	Total (Amt in Rs.)
Loss Reduction	1,30,25,930.67
Network Reliability	7,49,89,175.06
Load Growth	-
Total	8,80,15,105.73

FY 2022-23

Major Asset Category	Total (Amt in Rs.)
Loss Reduction	44,87,77,330.87
Network Reliability	1,33,43,53,348.49
Load Growth	21,77,10,554.61
Total	2,00,08,41,233.97

Details of capitalization based on different network capacity heads were not made available for audit. Management explained that capitalization has been carried out under various heads such as Loss Reduction, Network Reliability & Load Growth, and Statutory & Safety, in line with the capitalization approved by OERC in its CAPEX Order.

f. The amount of de-capitalization as per audited accounts

During FY 2022-23 decapitalisation of assets values Rs. 9,84,183.96 were made under account head Vehicle and Office Equipment. The asset-wise details of such asset decapitalised are given below:

Asset Description	Decapitalisation Date	Cost (Amt in Rs.)	Accumulated Depreciation (Amt in Rs.)	WDV (Amt in Rs.)
Vehicle				
Honda City 1.5	30-06-2022	6,46,245.00	46,044.95	6,00,200.04
Sub-Total		6,46,245.00	46,044.95	6,00,200.04
Office Equipment				
Apple iPad 9.7 inch, 32 GB, WiFi+Cellular, with Cover	30-06-2022	17,207.00	2,150.88	15,056.12
Laptop Lenovo L470	30-06-2022	24,032.00	3,004.00	21,028.00
Laptop Lenovo L470	30-06-2022	82,588.20	14,452.94	68,135.26
Laptop	31-12-2022	82,588.20	13,420.58	69,167.62
Laptop	31-12-2022	82,588.20	10,326.52	72,261.68
Laptop	30-09-2022	82,588.20	13,420.58	69,167.62
Laptop	31-12-2022	82,588.20	13,420.58	69,167.62
Sub-Total		4,54,180.00	70,196.08	3,83,983.92
Total		11,00,425.00	1,16,241.03	9,84,183.96

g. Bifurcation of Interest During Construction (IDC) into Cash IDC (to be considered as part of capital cost on COD) and Accrued IDC (to be considered as part of Capital cost in the year of payment)

During the course of audit, it was observed that Interest During Construction (IDC) amounting to ₹0.78 Crore has been capitalised during FY 2022-23 as part of the cost of fixed assets.

As informed by the management, no accrued IDC exists, and the entire IDC capitalised during the year represents cash IDC.

h. Related party transactions

We have reviewed the related party transaction of TPSODL for the years 2020-21(Q4), 2021-22 & 2022-23 with reference to audited financial statements and the summary details of such transactions are given below.

FY 2021-22

(Amt in Rs.)		
Vendor Name	Expenses Type	Transaction Total
TATA CONSULTANCY SERVICES LTD	Purchase of Intangible Asset	32,45,897.00
TATA CONSULTANCY SERVICES LTD	Service	4,33,78,355.00
Tata AIG General Insurance Company	Insurance Exp	1,77,54,496.00
TATA CAPITAL FINANCIAL SERVICES LTD	Car Lease Charges	3,540.00
Tata Power Delhi Distribution Limited	Asset	9,31,660.94
Tata Power Delhi Distribution Limited	Manpower	1,75,01,347.08
Tata Power Delhi Distribution Limited	Reimbursement	4,16,282.81
THE TATA POWER COMPANY LIMITED	Manpower	90,31,158.00
TP Central Odisha Distribution Limited	CSA Fees	1,08,07,170.00
TP Central Odisha Distribution Limited	Gratuity & AI	27,973.00
Total		10,30,97,879.83

FY 2022-23

(Amt in Rs.)		
Vendor Name	Expenses Type	Transaction Total
TATA CONSULTANCY SERVICES LTD	Purchase Of Intangible	1,25,11,244.66
TATA CONSULTANCY SERVICES LTD	Services	3,59,31,302.86
TATA Capital Financial Services Ltd	Car Lease Charges	5,68,473.00
Tata AIG General Insurance Company	Insurance Exp	1,58,90,015.00
TP Central Odisha Distribution Limited	Material	28,41,120.02
TP Central Odisha Distribution Limited	Gratuity and AI	98,544.00
Tata Power Delhi Distribution Limited	Laptop	-697.00
Tata Power Delhi Distribution Limited	Manpower	2,68,08,509.74
Tata Power Delhi Distribution Limited	Reimb	1,29,534.00
Tata Power Delhi Distribution Limited	Gratuity and AI	39,45,740.00
THE TATA POWER COMPANY LIMITED	Manpower	43,33,446.00
THE TATA POWER COMPANY LIMITED	Gratuity and AI	35,76,595.00
THE TATA POWER COMPANY LIMITED	Safety Module	3,69,340.00
Tata Power Trading Company Limited	Laptop	48,614.00
Tata Power Trading Company Limited	Car	3,42,542.00
Tata Power Trading Company Limited	I Pad	7,957.00
THE TATA POWER CO LTD (NOIDA)	It Support	1,18,00,000.00
TP Northern Odisha Distribution Limited	Gratuity and AI	23,27,914.00
		12,15,30,194.28

i. Inter DISCOM fund transfer

The details of inter-DISCOM fund transfer are given below:

Particulars	Amount in Crore.
NESCO Loan as on 01.01.2021 (As per Opening Balance Sheet Carved out Order of OERC)	16.08
Interest on above Loan	0.42
Total	16.50
Loan repaid during 2021-22	16.50
Outstanding	-

j. Means of Financing for Capitalization, Working capital & Accumulated Revenue Gap through:

- Equity
- Debt
- Consumer Contribution
- Grant etc.

Amount of Capitalization

Asset Capitalisation	FY 2020-21 (Q4) (Amt in Rs.)	FY 2021-22 (Amt in Rs.)	FY 2022-23 (Amt in Rs.)
Approved	37,05,073	1,45,09,30,971	4,03,54,49,836
Non-approved	34,72,940	42,61,27,908	60,33,83,538
Total	71,78,013	1,87,70,58,879	4,63,88,33,375

Source of Fund

Equity			
GRIDCO	-	23,54,58,240	59,29,00,000
TPCL	-	24,44,94,000	61,71,00,000
Total Equity	-	47,99,52,240	1,21,00,00,000
Employee Cost	-	2,16,75,901	28,37,00,000
IDC	-	-	77,61,656
Consumer Contribution	-	-	13,27,263
Govt. Funded	-	-	8,03,87,721
Debt Fund (Bal. fig.)	71,78,013	1,37,54,30,738	3,05,56,56,734

Assumption: In the absence of project-wise fund flow and direct asset-funding linkage, it has been assumed for the purpose of analysis that the total capitalisation during the year has been financed first through equity raised during the year, Government grants, and consumer contribution relating to assets capitalised during the year, and the balance amount has been considered as funded through debt

It may not be appropriate to directly conclude that the capitalisation during the year has been financed from the equity or debt raised during the same year. This is because a portion of the assets capitalised during the year pertains to Capital Work-in-Progress (CWIP) carried forward from earlier years, while fresh CWIP has also been created during the current year. Accordingly, the loans and equity raised during the year may not necessarily have been utilised for the assets capitalised during the year, but could have been utilised towards ongoing or newly created CWIP. In absence of project-wise fund flow and asset-funding linkage, the exact source-wise financing of annual capitalisation could not be independently established

Note:

It is further noticed that there is a difference between GRIDCO Equity as per audited accounts and Asset addition schedule for the year 2021-22. The details of which are given below.

GRIDCO Equity as per Audited Accounts (2021-22)	Rs. 23,49,06,000
GRIDCO Equity as per Asset Addition Schedule	Rs.23,54,58,240
Difference	-5,52,240

As explained to us, the difference of Rs. 5,52,240 pertains to charges paid to the valuer of GRIDCO assets. The rectification entry in this regard was passed in FY 2022-23.

k. Prudence of Cost of Debt Financing

During the course of audit, the cost of debt financing has been examined with reference to loan agreements, sanction terms, and interest charged by lending institutions of TPSODL. The weighted average rate of interest (ROI) has been computed @ 7.38% based on actual loan position and interest paid as per bank statements.

In the absence of any abnormal terms or deviations in borrowing conditions, the cost of debt generally appears to be in line with prevailing market rates (SBI Portal). For detailed calculation of Weighted Average Rate of Interest refer Point No. (c) of the report.

l. Verification of Audited Financial Statement w.r.t. Segmental Reporting in respect of the distribution business and other businesses and disclosure of the same in the report

We have verified the Audited Financial statements for the Year 2021 (Q4), 2021-22 & 2022-23 and found that the company is engaged in the business of distribution of power in Southern Odisha. Chief Operating Decision Maker (CODM) reviews the financial information of the Company as a whole for decision making and allocation of resources. Accordingly, the Company has a single reportable segment and no segment information are required to be provided.

Further, there is no consumer from whom the Company has earned more than 10% of revenue. So, in our opinion company has a single reportable segment.

m. Computation of Weighted Average Rate of Interest excluding penal interest and additional interest on account of non- deposit of any collateral security, if any, on Loans availed for:

- Capitalisation**

We have checked the Capex loan statements with related loan documents and by considering the actual loan position and interest paid during the period and the weighted average interest rate has been calculated @ 7.38% p.a.

Loan Name	Lender	Loan disbursement date	Balance as on 31.03.2023 (Rs.)	Interest for Year 2022-23 (Rs.)
UBI-CAPEX	Union Bank of India	30.03.2022	1,34,17,90,416	6,27,86,181
IDBI-CAPEX	IDBI Bank	29.12.2022	94,28,45,212	86,02,364
Total			2,28,46,35,628	7,13,88,545

For detailed calculation of Weighted Average Rate of Interest refer Point No. (c) of the report.

- Working Capital**

The weighted average rate of interest on working capital has been calculated on the basis of actual interest paid as per bank statements and weighted average outstanding balances for the period.

The calculation of the weighted average rate of interest on working capital loan is given below.
FY 2021-22

Bank Name	Interest in Rs.	Weighted Avg. Balance (O/S Balance X days)
ICICI	35,57,534	6,71,23,288
IndusInd	4,45,39,273	75,19,14,227
KMB	2,84,85,287	47,42,60,274
SBI	3,50,30,144	60,90,73,850
UBI OD	1,58,08,348	24,84,90,165
Total	12,74,20,586	2,15,08,61,803

Weighted Average Interest Rate on Working Capital = Total Interest / Total Weighted Balance
×100

Weighted Average ROI = 5.92%

FY 2022-23

Bank Name	Interest in Rs.	Weighted Avg. Balance (O/S Balance X days)
ICICI	10,97,33,512	1,57,06,84,932
IDBI WCDL	51,41,095	6,49,31,507
IndusInd	6,70,50,989	89,13,70,274
KMB	9,26,81,342	1,22,58,35,616
SBI	3,33,25,535	60,57,67,598
UBI(OD)	1,32,56,392	25,33,23,654
Total	32,11,88,865	4,61,19,13,581

Weighted Average Interest Rate on Working Capital = Total Interest / Total Weighted Avg.
Balance ×100

Weighted Average ROI = 6.96%

n. Reconciliation of Debtors and Computation of Billing and Collection Efficiency

Particulars	2020-21 (Q4)	2021-22	2022-23
Sale of Power-Net	353.31	1,639.92	1,792.96
Add: Recovery of meter rent	2.56	14.66	21.36
Add: Power Factor & Over Drawal Penalties	0.07	0.02	1.03
Add: Delayed payment charges	4.42	8.51	13.64
Add: Reliability surcharges	0.03	0	0
Add: Unbilled Revenue (OB)	0	83.03	121.11
Less: Unbilled Revenue (CB)	-83.03	-121.11	-130.03
Billing Amount	277.36	1625.03	1820.07
Add: Opening Debtor (OB)	266.91	196.15	415.07
Less: Closing Debtor (CB)	-196.15	-415.07	-509.5
Collection Amount	348.12	1406.11	1725.64
Collection efficiency (Considering opening receivables)	125.51%	86.53%	94.81%

IMPACT ON PROFIT/ REVENUE GAP

Though normative collection efficiency is 99% on total revenue billed TPSODL achieved **86.53%** and **94.81%** collection efficiency during the FY 2021-22 & 2022-23 respectively. As a result, trade receivable has increased substantially from Rs. **415.07 Cr** in FY 2021-22 to Rs. **509.50 Cr** in FY 2022-23. Reconciliation of trade receivable for the year 2021-22 and 2022-23 are given below:

Debtor Reconciliation		
	FY 2021-22	FY 2022-2023
Billing Amount	1,625.03	1,820.07
Collection Amount	1,406.11	1,725.64
Current year increase in debtors	218.92	94.43
Add: Opening debtor	196.15	415.07
Closing debtors	415.07	509.50

As explained to us, the lower collection efficiency during FY 2021-22 and FY 2022-23 was primarily attributable to (a) the initial years of operations, (b) the impact of the COVID-19 pandemic, and (c) collection contracts being put in place only from December 2021. Further, collection efficiency has exceeded 100% subsequently, and debtor balances have started showing a reducing trend from FY 2023-24 onwards.

During the year 2022-23 TPSODL made provision for doubtful receivable of Rs. **59.25 Cr** against the normative provision of Rs.18.14 Cr for 2022- 23 i.e. 1% on total revenue billed, So TPSODL made excess provision.

Further, outstanding period of most of the trade receivable are more than 6 months, even substantial part of trade receivables are more than 2- year during FY 2022-23 is due to transfer of Receivables during the period of Pre-vesting (Apr-20 to Dec-20) for an amount of Rs. 266 Cr as per the Carved out order, Trade receivable ageing schedule for the year 2021-22 & 2022-23 are given below for reference:

As on 31.03.2022		Rs. In Crore			
Particulars	Total	less than 6 months	6 months to 1 year	1-2 years	More than 2 years
(i) Undisputed trade receivable					
(a) Considered good	314.67	74.54	154.27	85.86	-
(b) significant increase in credit risk	120.48	43.70	22.41	54.37	-
Total	435.15	118.24	176.68	140.23	-

As on 31.03.2023		Rs. In Crore			
Particulars	Total	less than 6 months	6 months to 1 year	1-2 years	More than 2 years
(i) Undisputed trade receivable					
(a) Considered good	435.37	119.30	111.49	181.06	23.52
(b) significant increase in credit risk	152.86	-	-	30.06	122.80
Total	588.23	119.30	111.49	211.12	146.32

Due to large increase in trade receivable company's working capital gap has been increased substantially for which company has to borrow funds from Bank & financial institution to meet the working capital gap.

Particulars	FY 2020-21 (Q4)	FY 2021-22	FY 2022-23
Selling Unit (MU)	717.52	3,021.54	3,155.37
Purchase unit (MU)	902.26	3,941.54	4,188.45
Billing Efficiency	79.52%	76.66%	75.34%

Computation of Collection Efficiency

Particulars	2020-21 (Q4)	2021-22	2022-23
Sale of Power-Net	353.31	1,639.92	1,792.96
Add: Recovery of meter rent	2.56	14.66	21.36
Add: Power Factor & Over Drawal Penalties	0.07	0.02	1.03
Add: Delayed payment charges	4.42	8.51	13.64
Add: Reliability surcharges	0.03	0	-
Add: Unbilled Revenue (OB)	-	83.03	121.11
Less: Unbilled Revenue (CB)	-83.03	-121.11	-130.03
Billing Amount	277.36	1625.03	1820.07
Add: Opening Debtor (OB)	266.91	196.15	415.07
Less: Closing Debtor (CB)	-196.15	-415.07	-509.5
Collection Amount	348.12	1406.11	1725.64

Billing Amount	277.36	1625.03	1,820.07
Less: Delayed payment charges	-4.42	-8.51	-13.64
Less: Reliability surcharges	-0.03	0	-
Billing amt. for energy charge & meter rent	272.91	1616.52	1806.43
Collection Amount	348.12	1406.11	1,725.64
Less: Delayed payment charges	-4.42	-8.51	-13.64
Less: Reliability surcharges	-0.03	0	-
Collection amt. for energy charge & meter rent	343.67	1397.6	1712
Collection Efficiency	125.93%	86.46%	94.77%

Collection efficiency of 2020-21(Q4) is 125.93.% (More than 100%). This was happened due to inclusion of arrear collection in current collection.

- O. Verify any provisions created for doubtful debts, write-off of any doubtful debts along with write back of the consequent excess provision with reference to company's Policy for Provision/ write off of doubtful trade receivables. The same will be done with reference to the origin of the debt, collection efficiency claimed and admitted previously**

During the course of audit, the provisions created towards doubtful trade receivables were checked with reference to the audited financial statements and the details of which are given below.

Financial Year	Provision made as per Audited FS (Rs. in Cr.)	Provision allowed by OERC (Rs. in Cr.)	Regulatory Ceiling (1%)
2020-21(Q4)	3.53	3.53	3.55
2021-22	16.55	16.40	16.55
2022-23	59.25	17.93	18.14

As per the applicable OERC Regulations:

“Provision for bad and doubtful debts shall be allowed subject to a ceiling of 1% of the total annual revenue billed for sale of electricity or the actual provision made in the audited accounts, whichever is lower.”

It is observed that for all three years, the provision for doubtful debts allowed by the Commission is within the prescribed regulatory ceiling.

No write-off of doubtful debts or write-back of excess provision was observed during the period under review. Accordingly, the entire provision created towards doubtful debts remains unadjusted.

p. Actual O&M Expenses:

• **Actual Employee expenses as per audited accounts.**

As per the financial Statement Company incurred following employee expenses for the year 2020-21(Q4), 2021-22 & 2022-23

Rs. in crore

Particulars	2020-21 (3M)	2021-22 (12M)	2022-23 (12M)	2022-23 (12M) Recast in FY 2023-24
Salaries Wages & Bonus	41.74	196.69	220.01	224.27
Contribution to Provident fund and other funds	62.20	194.57	154.68	146.96
Contribution to gratuity fund	-	-	-	15.84
Staff welfare expenses	3.32	6.51	35.21	27.52
Gross Employee benefit expenses	107.26	397.77	409.90	414.59
Less: Employees Cost Capitalised	-	2.17	28.37	28.37
Net Employee benefits expenses	107.26	395.60	381.53	386.22

i. Movement of Southco Utility and TPSODL employees for the audit period is analyzed as under

FY 2020-21(Q4):

Particulars	Erstwhile	CTC	Total
Opening	2002	0	2002
Recruited/ Addition	0	128	128
Retired/Deletion	32	0	32
Closing	1970	128	2098

FY 2021-22:

Particulars	Erstwhile	CTC	Total
Opening	1970	128	2098
Recruited/ Addition	0	347	347
Retired/Deletion	112	0	112
Closing	1858	475	2333
Employee Cost	168.47	28.22	196.69

FY 2022-23:

Particulars	Erstwhile	CTC	Total
Opening	1858	475	2333
Recruited/ Addition	0	433	433
Retired/Deletion	79	0	79
Closing	1779	908	2687
Employee Cost	155.10	64.91	220.01

ii. Employees benefit expenses amounting Rs.381.53 as per audited account for the year 2022-23 Crore has been recasted as Rs. 386.22 Crore in the Audited Accounts of 2023-24. The difference of Rs. 4.69 Crore initially booked as Rental of land, building, plant and equipment under the head Administrative and General (A&G) expenses in the Audited accounts of 2022-23 has been shifted to Employees Benefit expenses in recasted (2022-23) Audited accounts for the year 2023-24. Rs. 4.69 Crs

pertains to CLA provided to on roll CTC employees as per the terms of employment which has been recasted under employee cost in FY 2023-24.

- iii. Payroll Registers of TPSODL employees joined or deputed after takeover have not been provided for verification. It was explained to us that salary of employees deputed from various TPC group companies were processed and paid at respective TPC group companies. Above transactions were covered under the RPT framework and approved by the audit committee.
- iv. Payroll Register/details for Southco Utility for the FY 2021-22 & FY 2022-23 have been provided for checking.

• **Actual Administrative & General Expenses as per audited accounts.**

Actual Administrative & General (A&G) expenses as per Audited accounts for the year 2020-21(Q4), 2021-22 & 2022-23 are given below:

Rs. in crore

Particulars	2020-21 (3M)	2021-22 (12M)	2022-23 (12M)	2022-23 (12M) Recast
Rental of land, buildings, plant and equipment, etc	0.15	2.46	6.83	2.13
Contractual employees	13.34	132.55	244.26	86.24
Travelling	3.25	14.31	38.08	19.57
Metering, billing and collection	4.39	31.80	47.26	88.39
Allowance for doubtful receivables	3.53	16.55	59.25	59.25
Legal and professional charges	1.60	13.42	7.54	7.54
Audit fees	0.26	0.55	0.63	0.63
Telephone expenses	0.15	1.44	2.24	2.24
Conveyance expenses/ Fooding Expenses	0.77	1.46	11.93	11.93
License fees	-	1.92	1.92	1.92
Insurance	-	3.54	2.13	2.13
Printing and stationery	0.09	0.91	3.01	3.01
Provision for contingencies	-	9.77	5.79	5.79
Corporate social responsibility	-	0.34	1.26	1.26
Rebate on OTS Collection	-	-	1.97	1.97
Miscellaneous expenses	2.88	11.15	18.17	31.97
Total	30.41	242.17	452.27	325.97

It was observed that many account heads under Administrative and General Expenses as per Audited accounts of 2022-23 have been recasted in the audited accounts of 2023-24.

It was explained that, recasting has been made in conformity with para 3.9.14 of the Tariff regulation, 2022.

The details of such expenses are given below.

Heads of Account	Expenses as per Audited Accounts 2022-23 (Rs. In Cr.)	Recasted figure as per Audited Accounts of 2023-24 (Rs. In Cr.)	Difference	Remarks
Rental of land, buildings, plant and equipment, etc.	6.83	2.13	4.70	Added to Employees Benefit Expenses
Contractual Employees	244.26	86.24	-158.02	Refer Note-1
Travelling	38.08	19.57	-18.51	Refer Note-2
Metering, billing and Collection	47.26	88.39	41.13	Refer Note-3
Miscellaneous Expenses	18.17	31.97	13.80	Refer Note-4

NOTE-1: RECONCILIATION OF CONTRACTUAL EMPLOYEES EXPENSES

Particulars	Amount in Rs.	Rs. in Cr	GL CODE	GL NAME
Total Manpower cost as on 31.03.2023	2,44,26,17,999.09	244.26	4075503	OUTSOURCED MANPOWER
Add: Manpower for Metering & Billing		22.09	4076178	Spot billing Charges
Less: 33KV AMC Lines/PSS transferred to R&M	46,76,92,973.77	12.33	4074902	EXTERNAL SERVICES O&M
Less: 11KV AMC Fixed cost transferred to R&M	1,22,52,90,901.79	103.32	4074902	EXTERNAL SERVICES O&M
Less: 11KV AMC Extra Manpower cost transferred to R&M	7,61,20,320.96	7.61	4074902	EXTERNAL SERVICES O&M
Less: Arrear recovery team transferred to MBC	39,13,62,918.96	39.14	4076178	Spot billing Charges
Less: MBC Collection Counter (MANPOWER Cost) transferred to MBC	4,76,92,379.99	1.50	4076178	Spot billing Charges
Less: Vigilance & Enforcement (Amman) transferred to Disconnection Squad Expenses	3,76,13,300.90	3.76	4076174	Disconnection squad Expenses
Less: Guest House (Sai & MSH) to Guest House Upkeep & Maintenance	25,93,936.73	0.26	4076143	GUEST HOUSE UPKEEP & MAINTENANCE
Less: Pantry Exp (Rakshak, City & innovo) to office Pantry Expenses	3,62,93,206.26	3.63	4076192	Office Pantry Expenses
Less: Customer Care (BPO CONV & Cooneqt) to Operation & Manint-Customer Care & Collection Counter	1,98,81,291.40	-0.22	4075503	OUTSOURCED MANPOWER
Less: Manpower for R&M	2,99,999.29	0.03	4074902	EXTERNAL SERVICES O&M
Less: Manpower for CSAT SURVEY	3,30,400.00	0.03	4074902	EXTERNAL SERVICES O&M
Less: Manpower for Rev Coll & Bill rev Team trf. to MBC	8,71,40,185.04	8.71	4076178	Spot billing Charges
Recast Balance in Manpower Cost contractual		86.24	4075503	OUTSOURCED MANPOWER

NOTE-2: RECONCILIATION OF TRAVELLING EXPENSES

Particulars	Amount in Rs.	Rs. in Cr	GL CODE	GL NAME
Total Travelling as on 31.03.2023		38.08		Travelling
Less: 11KV AMC Extra Vehicle transferred to R&M	3,49,02,741.67	3.49	4074902	EXTERNAL SERVICES O&M
Less: Arrear recovery team Vehicle transferred to MBC	7,76,95,410.83	7.77	4076178	Spot billing Charges
Less: Vigilance & Enforcement (Amman) transferred to Disconnection Squad Expenses	1,27,57,765.50	1.28	4076174	Disconnection squad Expenses
Less: MBC Vehicle transferred to MBC	2,58,62,314.26	2.59	4076178	Spot billing Charges
Less: Art Fuel transferred to MBC	3,39,24,154.59	3.39	4076178	Spot billing Charges
Recast Balance of Travelling as on 31.03.2023		19.57		Travelling

NOTE-3: RECONCILIATION OF METERING, BILLING & COLLECTION EXPENSES

Particulars	Amount in Rs.	Rs. in Cr	GL CODE	GL NAME
Metering, billing and collection as on 31.03.2023		47.26		Metering, Billing & Collection
Add: Arrear recovery team transferred to MBC	39,13,62,918.96	39.14	4076178	Spot billing Charges
Add: MBC Collection Counter (MANPOWER Cost) transferred to MBC	4,76,92,379.99	1.50	4076178	Spot billing Charges
Add: Manpower for Rev Coll & Bill rev Team trf to MBC	8,71,40,185.04	8.71	4076178	Spot billing Charges
Add: Arrear recovery team Vehicle transferred to MBC	7,76,95,410.83	7.77	4076178	Spot billing Charges
Add: MBC Vehicle transferred to MBC	2,58,62,314.26	2.59	4076178	Spot billing Charges
Add: ART FUEL transferred to MBC	34,09,452.67	0.34	4076178	Spot billing Charges
Add: Art Fuel transferred to MBC	3,39,24,154.59	3.39	4076178	Spot billing Charges
Less: Customer Care (BPO CONV & Cooneqt) to Operation & Manint-Customer Care & Collection Counter	1,98,81,291.40	0.22	4075503	OUTSOURCE D MANPOWER
Less: Manpower for Metering & Billing		22.09	4076178	Spot billing Charges
Recast Metering, billing and collection balance		88.39		Metering, Billing & Collection

NOTE-4: RECONCILIATION OF MISCELLANEOUS EXPENSES.

Particulars	Amount in Rs.	Rs. in Cr	GL CODE	GL NAME
Miscellaneous Expenses as on 31.03.2023		18.17		Miscellaneous Expenses
Add: & Enforcement (Amman) transferred to Disconnection Squad Expenses	3,76,13,300.90	3.76	4076174	Disconnection squad Expenses
Add: Guest House (Sai & MSH) to Guest House Upkeep & Maintenance	25,93,936.73	0.26	4076143	GUEST HOUSE UPKEEP & MAINTENANCE
Add: Pantry Exp (Rakshak, City& innova) to office Pantry Expenses	3,62,93,206.26	3.63	4076192	Office Pantry Expenses
Add: Vigilance & Enforcement (Amman) transferred to Disconnection Squad Expenses	1,27,57,765.50	1.28	4076174	Disconnection squad Expenses
Add: Guest House (Sai & MSH) to Guest House Upkeep & Maintenance	46,60,104.34	0.47	4076143	GUEST HOUSE UPKEEP & MAINTENANCE
Add: Pantry Exp (City & innova) to office Pantry Expenses	4,19,03,385.11	4.19	4076192	Office Pantry Expenses
Add: Vigilance & Enforcement other support cost (Amman) transferred to Disconnection Squad Expenses	21,91,614.00	0.22	4076174	Disconnection squad Expenses
Recast Miscellaneous Expenses as on 31.03.2023		31.97		Miscellaneous expenses

- **Actual Repair & Maintenance (R&M) expenses as per audited accounts.**

Details of Repair & Maintenance (R&M) expenses as per the audited accounts for the year 2020-21(Q4), 2021-22 & 2022-23 are given below:

Particulars	2020-21 (3M)	2021-22 (12M)	2022-23 (12M)	2022-23 (12M) Recast in FY 2023-24
R&M Building & Civil works	0.07	5.97	0.19	0.19
R&M Plant & Machinery	0.87	20.44	65.75	187.36
R&M Furniture, vehicles etc	0.33	0.75	1.52	1.52
Total Repair & Maintenance (R&M) expenses	1.28	27.16	67.47	189.07

It was noticed that Repair & Maintenance- Plant & Machinery Rs. 65.75 Crore as per Audited Accounts of FY 2022-23 has been recasted as Rs.187.36 Crore in the audited accounts for FY 2023-24. The increase of Rs.121.61 Crore in recasted account has been explained as below.

Particulars	Amount in Rs.	Rs.in Cr	GL CODE	GL NAME
Balance of Plant & Machinery R&M as on 31.03.2023		65.75		Plant & Machinery R&M
Less: Guest House (Sai & MSH) to Guest House Upkeep & Maintenance	46,60,104.34	0.47	4076143	GUEST HOUSE UPKEEP & MAINTENANCE
Less: Pantry Exp (City& innova) to office Pantry Expenses	4,19,03,385.11	4.19	4076192	Office Pantry Expenses
Less: Vigilance & Enforcement other support cost (Amman) transferred to Disconnection Squad Expenses	21,91,614.00	0.22	4076174	Disconnection squad Expenses
Less: ART FUEL transferred to MBC	34,09,452.67	0.34	4076178	Spot billing Charges
Add: 33KV AMC Lines/PSS transferred to R&M	46,76,92,973.77	12.33	4074902	EXTERNAL SERVICES O&M
Add: 11KV AMC Fixed cost transferred to R&M	1,22,52,90,901.79	103.32	4074902	EXTERNAL SERVICES O&M
Add: 11KV AMC Extra Manpower cost transferred to R&M	7,61,20,320.96	7.61	4074902	EXTERNAL SERVICES O&M
Add: Manpower for R&M	2,99,999.29	0.03	4074902	EXTERNAL SERVICES O&M
Add: Manpower for CSAT SURVEY	3,30,400.00	0.03	4074902	EXTERNAL SERVICES O&M
Add: 11KV AMC Extra Vehicle transferred to R&M	3,49,02,741.67	3.49	4074902	EXTERNAL SERVICES O&M
Recast balance as in Plant & Machinery		187.35		Plant & Machinery R&M

• **Actual O&M Expenses booked by the distribution licensee as per audited accounts on different network capacity heads.**

On scrutiny of expense entries recorded in the SAP system along with corresponding narrations, it was observed that the licensee has not maintained distinct cost centers, General Ledger (GL) codes, or expense categories for different network capacities. Further, the narration provided in the accounting entries is either inadequate or absent, thereby lacking identification of the nature and purpose of expenditure.

Absence of network-wise cost classification restricts segregation and allocation of expenses accurately across different network capacities. Deficient or missing narrations resulted in lack of transparency and increases

the risk of misclassification or incorrect booking of expenses and also raises question over the veracity of the allocated expenses under different GLs.

It was explained that, the company is maintaining cost records under the companies act. Therefore, cost centre wise O&M expenditure has been disclosed in the cost records in different network capacity wise (LT, HT and EHT) Further, most of the expenses recorded in the SAP System are primarily purchase order-based transaction where there was a 3-way mapping i.e. PR - PO - GRN/ SRN. Therefore, nature and purpose of expenditure will be identified from the respective PO/ PR. There is no risk of misclassification or incorrect booking of expenditure.

But, In our opinion the accounting entries in the SAP system generally lack adequate narrations and direct identification of network capacity-wise classification at the transaction level. Though supporting details may be available through related documents, maintaining proper narrations and clear cost center classifications within the accounting system itself would improve transparency, facilitate easier verification and strengthen the audit trail of expenses booked under different heads.

• **Amount of Provisions been made under different heads in audited accounts.**

During the course of audit, provisions created under various heads have been verified with reference to the audited financial statements. It is observed that provision for doubtful receivables has increased significantly from Rs.3.53 Crore in FY 2020-21(Q4), Rs.16.55 Crore in FY 2021- 22 and Rs.59.25 Crore in FY 2022-23, indicating potential credit risk and potential deterioration in collection efficiency.

The details of provisions made as per audited accounts for the years 2020-21(Q4), 2021-22 & 2022-23 are given below.

<i>Rs. In Crore</i>				
Heads of Account in Financial Statement	Note Ref.	2020-21 (Q4)	2021-22	2022-23
Allowance for doubtful receivables	Note-29 (P/L)	3.53	16.55	59.25
Provision for contingencies	Note-29 (P/L)	-	9.77	5.79

Provision for contingencies and allowance for doubtful receivable has already been disclosed in separate line items under other expenses (Note no. 29) of the audited financial statements.

• **To Comment whether all provisions made in audited accounts have been shown separately.**

It is observed that provisions made in the audited financial statements are recorded under separate GL codes in the Trial balance; however, all such provisions have not been disclosed separately as distinct line items in the audited financial statements.

• **Amount of loss or gain to be reported separately on account of decapitalization of assets.**

We have checked the audited financial statements for the years 2020-21(Q4), 2021-22 & 2022-23 and noticed that decapitalization of Rs. 1.42 Crore & Rs. 0.11 Crore have been made during the financial year 2021-22 & 2022-23 respectively.

• **Whether the water charges, statutory levies and taxes under O&M expenses have been indicated separately.**

We have checked the audited financial statements for the year 2020-21(Q4), 2021-22 & 2022-23 and noticed that Rates & Taxes and water charges are booked under the head miscellaneous expenses and license & related fees are shown under a distinct head under Administrative and General expenses (A&G) expenses. Details of such expenses are given below.

GL Code	GL Description	2020-21 (Q4)	2021-22	2022-23	Expenses booked under A/c Head of A&G
		Amount in Rs.	Amount in Rs.	Amount in Rs.	
4076102	Rates & Taxes	4,23,376.00	4,25,784.00	4,53,968.00	Miscellaneous

					Expenses
4076160	Water Charges	38,520.00	2,99,687.00	4,19,913.00	Miscellaneous Expenses
4076163	License & related fees		1,92,25,363.99	1,92,02,295.97	License fee

• **Bifurcation of Loss or gain on account of decapitalization of assets.**

We have checked the audited financial statements for the years 2020-21(Q4), 2021-22 & 2022-23 and noticed that decapitalization of Rs. 1.42 Crore & Rs. 0.11 Crore have been made during the financial year 2021-22 & 2022-23 respectively.

It is further noticed that there was a loss of Rs. 69,167.61 on account of theft of assets and such loss was booked under loss on asset sale and Loss made on asset sale w.r.t revenue Rs.6,42,538.54 have been booked under Miscellaneous Expenses under major head A&G expenses. Further, it is noted that no gain on account of decapitalization of asset has been booked.

q. Actual Other Expenses.

Other expenses shown in the profit & Loss account are generally grouped under following two heads for tariff calculation purposes.

- Administrative & General Expenses (A&G)
- Repair & Maintenance Expenses (R&M)

The other expenses (Note-29) classified under A&G expenses and R&M expenses are given below.

Rs. In Crore

Particulars	2020-21 (Q4)	2021-22	2022-23
A& G Expenses	30.41	242.18	452.27
R& M Expenses	1.28	27.16	67.47
Total	31.69	269.34	519.74

r. Reconciliation of Non-tariff Income as per regulatory provisions and other income as per audited financial Statements.

Reconciliation of non-tariff income as per regulatory provisions and "Other Income" disclosed in the audited financial statement for the FY 2020-21 (Q4) to FY 2022-23 are given below.

Rs. In Crore

Non-Tariff Income	FY 2020-21 (Q4)		FY 2021-22		FY 2022-23	
	Other Income as per AFS	Approved in ARR	Other Income as per AFS	Approved in ARR	Other Income as per AFS	Approved in ARR
Recovery of Meter Rent	2.56	-	14.66	-	21.36	9.60
Transfer from Consumer Contribution for capital work	-	-	12.34		11.24	-
Amortisation & Gain in value of Fixed Assets	-	-	-	-	0.34	-
Sale Proceeds of Scraps	-	-	10.93	10.93	12.04	12.04
Power Factor & Over Drawal Penalties	0.07	0.07	0.02	0.02	1.03	1.03
Disconnection, Dismantle and Reconnection Fees	-	-	0.25	0.25	0.49	0.49
Meter Box Charges	0.04	0.04	0.10	0.10	0.32	0.32
Service Connection Fees	0.57	0.57	7.25	7.25	11.36	11.36

Other Miscellaneous Operating Income	0.11	0.11	0.66	0.66	1.14	1.14
Recoveries-Malpractices	0.10	0.10	-	-	-	-
Fuse Charges	0.01	0.01	-	-	-	-
Disconnection, Dismantle and Reconnection Fees	0.09	0.09	-	-	-	-
Recoveries-Theft of power	-	-	-	-	0.83	0.83
Interest on Investment-Fixed Deposits in Banks Etc	5.76	5.76	12.84	12.84	4.14	4.14
Interest earned on Grant-Soubhagya	-	-	0.07	0.07	-0.07	-
Interest on Fixed Deposits & STDR in Banks	-	-	0.04	0.04	15.58	15.58
Interest Received on Income Tax Refund	-	-	-	-	0.01	0.01
Delayed Payment Surcharges from Consumers	4.42	4.42	8.51	8.51	13.64	13.64
Discount to Consumers	-	-2.07	-	-14.71	-	-
Incentive Earned on Arrear Collection	9.08		17.25		16.63	-
Sale of Tender forms	0.07	0.07	0.17	0.17	0.36	0.36
Application fees			0.02	0.02	0.04	0.04
Supervision & Inspection Charges	3.65	3.65	7.11	7.11	11.26	11.26
Meter Testing Fees	0.11	0.11	0.36	0.36	0.29	0.29
Other Miscellaneous Receipts	0.44	0.44	1.42	1.42	1.73	1.73
Cross Subsidy & Open Access Charges	0.61	0.61	1.19	1.19	-	-
Reliability Surcharges	0.03	0.03	-	-	-	-
Excess on physical verification of materials	-	-	0.18	0.18	-	-
Sundry Credit balances written back	-	-	0.14	0.14	-	-
Rental for Staff quarters	-	-	0.01	0.01	-	-
Total	27.72	14.01	95.51	36.54	123.77	83.87

5. ADDITIONAL OBSERVATIONS:

A. INCORRECT CAPITALISATION AND IMPACT ON RETURN ON EQUITY (ROE), INTEREST ON DEBT & WORKING CAPITAL:

During the course of audit and verification of fixed asset records and Return on Equity (ROE) computation for FY 2021-22, the following observations have been made:

i. Incorrect Capitalisation of Employee Cost:

FY 2021-22

Employee cost amounting to ₹0.16 crore has been capitalised, which pertains to ready-to-use assets (Plant & Machinery) and does not qualify for capitalisation. The details of such assets and amount of employee cost capitalised thereon are given in **Annexure-12**.

FY 2022-23

Employee cost amounting to ₹0.48 crore has been capitalised, which pertains to ready-to-use assets (Plant & Machinery) and ₹3.51 crore pertaining to Software and did not qualify for capitalisation. The details of such assets and amount of employee cost capitalised thereon are given in **Annexure-13**.

ii. **Capitalisation of Tools, Consumables & PPE:**

FY 2021-22

Expenditure amounting to ₹1.75 Crore towards tools, testing instruments, consumables, and FR safety jackets have been capitalised under various asset heads, though these are in the nature of O&M expenses. Further it revealed that items of consumable in the nature like cups, plates, wall clocks, spoons, and similar housekeeping/office items have also been capitalised. Accordingly, capitalisation of such items is not in line with applicable accounting principles. The details of such items are given in **Annexure-14**.

As explained to us this has primarily occurred during the initial years of operations due to the establishment of new offices across various locations and the associated operational exigencies.

FY 2022-23

Expenditure amounting to ₹2.70 crore towards tools, testing instruments, consumables, and FR safety jackets have been capitalised under P&M, though these are O&M in nature. The details of such are items given in **Annexure-15**.

As explained to us this has primarily occurred during the initial years of operations due to the establishment of new offices across various locations and the associated operational exigencies.

iii. **REVISED ROE CALCULATION:**

Sl No	Particulars	FY 2021-22 (Rs. in Cr.)	FY 2022-23 (Rs. in Cr.)
a	Capitalisation for the Year	121.57	344.19
b	Less: Employee Cost disallowed	-0.16	-3.99
c	Less: O&M items wrongly capitalised	-1.75	-2.70
d	Revised Capitalisation	119.66	337.50
E	Eligible Capitalisation	119.66	337.50
F	Add: GRIDCO Contribution @17.2% [(i) x 17.2%]	20.58	58.05
g	Total Eligible Capitalisation	140.24	395.55
h	Equity Addition @30% [(g) x 30%]	42.07	118.67
i	Opening Equity	200.00	242.07
j	ROE on Opening Equity @16% [(i) x 16%]	32.00	38.73
k	ROE on Addition @8% [(h) x 8%]	3.37	9.49
m	Revised ROE	35.37	48.22

RETURN ON EQUITY VS IMPACT ON ARR:

Particulars	FY 2021-22 (Rs. in Cr.)	FY 2022-23 (Rs. in Cr.)
a. TPSODL Claimed ROE	35.48	48.65
b. OERC Approved ROE	35.48	48.65
c. ROE as calculated above	35.37	48.22
d. Excess Amount Approved	- 0.11	- 0.43

a. **REVISED CALCULATION OF INTEREST ON DEBT**

The following is the interest on debt computed in line with revised eligible capitalisation (post disallowance of ineligible items and exclusion of year-end additions)

Sl No	Particulars	FY 2021-22 (Rs. in Cr.)	FY 2022-23 (Rs. in Cr.)
a	Capitalisation for the Year	121.57	344.19
b	Less: Employee Cost disallowed	-0.16	-3.99
c	Less: O&M items wrongly capitalised	-1.75	-2.70
d	Revised Capitalisation	119.66	337.50
e	Eligible Capitalisation	119.66	337.50
f	Add: GRIDCO Contribution @17.2%	20.58	58.05
g	Total Eligible Capitalisation	140.24	395.55
h	Opening debt	-	93.03
i	Addition @ 70% [(g) x 70%]	98.17	276.89
j	Repayment (Depreciation on asset created after 01.01.2021)	-5.14	-18.99
k	Closing Debt	93.03	350.92
l	Average Debt [(h+k)/2]	46.51	221.98
m	Rate of Interest*	6.90%	7.37%
n	Interest on Debt [(l) x (m)]	3.21	16.36

*During the course of audit, the weighted average rate of interest (ROI) computed basing on actual CAPEX Loan balances and interest as per bank statements works out to 6.90% for FY 2021-22 & 7.38% for FY 2022-23.

b. **CALCULATION OF INTEREST ON WORKING CAPITAL**

Particulars	FY 2021-22 (Rs. in Cr.)	FY 2022-23 (Rs. in Cr.)
1 Month Power Purchase cost	77.19	89.11
1 Month O&M Expenses	48.59	67.54
20% of average 1 Month R&M Expenses	1.51	3.15
Normative Working capital	127.29	159.79
Weighted Average ROI*	5.92%	6.96%
Interest on Working Capital	7.53	11.12

*The weighted average rate of interest on working capital, computed basing on actual interest as per bank statements and weighted outstanding balances, works out to 5.92% for FY 2021-22 & 6.96% for FY 2022-23.

INTEREST ON DEBT & WORKING CAPITAL VS IMPACT ON ARR:

FY 2021-22

Particulars (a)	TPSODL Claim (b)	OERC Approval (c)	as per our Calculation (d)	Excess Amt. Approved (e)= (d)-(c) (Rs in Cr.)
Interest on Debt	3.33	15.11	10.74	-4.37
Finance charges	1.27			
Interest on Opening Transferred loans	9.41			
Interest on Working Capital	5.70			
Total Interest	19.71	15.11	10.74	-4.37

FY 2022-23

Particulars (a)	TPSODL Claim (b)	OERC Approval (c)	as per our Calculation (d)	Excess Amt. Approved (e)= (d)-(c) (Rs in Cr.)
Interest on Debt	16.86	16.86	16.36	-0.50
Finance charges (Actual Basis)	1.43	1.43	1.43	-
Interest on Opening Transferred loans (158.90 Crores)	12.57	12.57	12.57	-
Interest on Working Capital	9.08	9.08	11.12	2.04
Total Interest	39.94	39.94	41.48	1.54

B. COLLECTION OF PAST ARREARS VS IMPACT ON ARR:

As per the Para 47 of Vesting Order of OERC dated 28.12.2020 bidder was required to recover past arrears from live as well permanently disconnected consumers in first 5 (five) years of operation.

As per the order TPSODL was eligible for an incentive of 20% on past arrear collection from live consumer and 30% on past arrear collection from permanently disconnected consumers. The cost incurred by TPSODL for such recovery of past arrear will not form part of ARR. Accordingly, TPSODL collected past arrears during 2020-21 (Q4), 2021-22 & 2022-23 and remitted the proceeds to GRIDCO after deducting incentives. The details of such arrear collection, incentive & GST thereon and net amount payable to GRIDCO are given below:

Financial Year	Net Arrear Collection	Incentive	GST	Net Past arrear payable after Incentive including GST
2020-21 (Q4)	42,98,68,963	8,69,95,422	1,56,59,176	32,72,14,365
2021-22	84,29,25,082	17,08,63,354	3,07,55,406	64,13,06,327
2022-23	56,23,88,293	11,42,44,690	2,05,64,044	51,48,28,481
Total	1,83,51,82,338	37,21,03,466	6,69,78,626	1,48,33,49,173

Period	Amount
Jan-21 to Mar-22	98,72,93,168
Apr-22 to Mar-23	50,09,18,563
Total Payments	1,48,82,11,731
Total collection net of incentive	1,48,33,49,173
Excess/ (Short) payment	48,62,558

Excess payment of Rs. 48.62 lacs were reported by the auditors in the certificate which has been subsequently adjusted.

The above figures are provided as per 'Independent Assurance Report on Arrear Collection'.

On review of audited financial statements and accounting records it is noticed that incentive for collection of past arrears is booked under the Head Other Income Rs. 9.08 crore in FY 2020-21 (Q4), Rs. 17.25 crore in FY 2021-22 & Rs. 16.3 Crore in FY 2022-23, total amounting to Rs.42.63 Crore which do not match with the Certified figure of 37.21 Crore. The same incentive has been excluded from non-tariff income for the calculation of ARR.

It is further noticed that expenses incurred on arrear collection has not been shown as a separate line item in audited financial statements.

On review of ARR calculation and Truing-up petition, it is noticed that expenditure on recovery of such arrear has not been excluded from for calculating ARR.

It was explained to us that, as per the present arrangement there is no specific contract for collection of past arrears as defined in Vesting Order. Therefore, existing BA collect current assessment, TPSODL arrear over and above past arrear. Therefore, it will be difficult to ascertain the actual expenses against past arrear (as defined in Vesting Order) for each person deployed in 48500 Sq KM area. As per the OERC Regulation 152, the amount collected is adjusted first in Current Billing prioritizing ED, EC and thereafter against arrear component wise i.e EC, ED, MR. One agency cannot collect arrear without collecting the current Billing. The Regulation Provides LIFO basis adjustment of the amount collected prioritizing ED. Hence, the expenses incurred for MBC is not for only arrear collection rather it is MBC of the Current year expenses and part of A&G Expenses of that year.

However, in our opinion, when an employee or collection agency visits a consumer for recovery of dues, the related employee cost and other associated expenses incurred for such recovery activities should be allocated on a reasonable and proportionate basis considering the nature of collection, i.e., past arrears, current arrears and current billing. Since Para 47 clause (b) of the Vesting Order specifically provides that the cost incurred for collection of past arrears shall not form part of ARR, the proportionate expenditure attributable to recovery of past arrears ought to have been identified and excluded while determining ARR and truing-up claims.

C. COLLECTION EFFICIENCY VS IMPACT ON WORKING CAPITAL REQUIREMENT:

Company's collection efficiency for the Year 2020-2 (Q4), 2021-22 & 2022-23 are calculated as below:

Financial Year	Collection Efficiency
2020-21 (Q4)	125.51%
2021-22	86.53%
2022-23	94.81%

It is observed from the audited financial statements receivable position has been increased substantially during the period between 01.01.2021 to 31.03.2023 (27 months). The receivable

position as 31.03.2021, 31.03.2022 & 31.03.2023 are given below:

Financial Year end	Net Receivable	Increase
2020-21 (Q4)	196.15	-
2021-22	415.07	218.92
2022-23	509.50	94.43

From the above table it may be seen that the amount of receivable has been substantially increased year after year. The age-wise analysis of the receivables for the FY 2020-21 (Q4), FY 2021-22 & 2022-23 is given below:

Financial Year end	Total	Less than 6 months	Between 6 months to 1 year	Between 1 to 2 years	More than 2 years
2020-21 (Q4)	199.68	199.68	-	-	-
2021-22	435.15	118.24	176.68	140.23	-
2022-23	588.83	119.30	111.49	211.72	146.32

As the chance of recovery of receivables are low, company making higher provision than the OERC norm of 1%. The provisions made vs provision allowed for ARR purpose is given below:

Financial Year	Provision for Bad & doubtful debt	Provision allowed by OERC	Excess provision made
2020-21 (Q4)	3.53	3.53	-
2021-22	16.55	16.55	-
2022-23	59.25	18.14	41.11

Company may need more working capital loan to meet the gap arises due to increase in receivable as a result company has to pay higher interest which may ultimately increase the revenue gap. So, for long term survival company has to improve the collection efficiency to 99% as per the OERC Regulation to reduce possible bad debt and to save interest cost.

It was explained to us that Collection efficiency of the Company has increased in recent years i.e. Debtors as on 31st March 2024 is Rs. 606 Crs is reduced to Rs. 580 Cr in March 2025 and further reduced to Rs. 567 Cr in March 2026. Further the above debtors include opening debtors (Southco) of Rs. 134 Crs in March 2026 (Opening debtors of Rs. 266 Crs as on 1st Jan-21).

D. SCRAP SALE VS DECAPITALISATION:

It is noticed that company has realised Rs. 10.93 crores in FY 2021-22 and Rs. 12.04 crores in FY 2022-23, totalling Rs. 22.97 crores from sale of scrap booked and as non-tariff income. While checking the fixed asset register it is observed that company has decapitalised following assets during the FY 2021-22 & 2022-23.

Year	Head of Account	Gross Value (in Crore)	Accumulated Depreciation (in crore)	Net Value (in Crore)
2021-22	Plant & Machinery	1.42	-	1.42
2022-23	Vehicle	0.06	0.00	0.06
	Office Equipment	0.05	0.01	0.04
	Sub-Total	0.11	0.01	0.10
	Total	1.53	0.01	1.52

It is further observed that company has not received any scrap asset from erstwhile company SOUTHCO Utility as per the Vesting Order.

In our opinion decapitalization of asset amounting to Rs. 1.52 crore was abnormally lower side considering the actual realization from sale of scrap Rs 22.97 crore.

It was explained to us that, as per the practice being followed by the company, if any asset is outlived its useful life due to fire, cyclone or technological obsolescence, a devaluation note is

being prepared by the user with nil value (scrap) and send it to stores to dump in the scrap yard and also the same asset is being decapitalized in the books of accounts. There is no co-relation between scrap sale and the decapitalization value in the books of accounts.

Decapitalization of assets amounting to Rs. 1.52 Crs is the WDV of the assets against which gross value is Rs. 19 crores. Further all decapitalization is based on gross book value, accumulated depreciation and WDV which have been verified by Joint Auditors of TPSODL. Sale of scrap amounting to Rs. 22 Crs includes scrap material lying with store are related to pre vesting period. TPSODL only sales scrap and any income arise out of scrap income transferred to consumer through Non-Tariff Income.

In our opinion the scrap sale realization amounting to Rs. 22.97 crore during FY 2021-22 and FY 2022-23 is significantly high in comparison to the net written down value of assets decapitalized amounting to Rs. 1.52 crore. Though management has stated that there is no direct co-relation between scrap sale value and decapitalization value in the books of accounts, the substantial variance warrants strengthening of supporting documentation and asset-wise reconciliation records.

E. INCREMENTAL MARGIN VS INCREMENTAL EXPENSES:

Company has incurred an expenditure of Rs. 115.74 crore towards metering, billing & collection during FY 2022-23, as against the previous year 2021-22 expenses of Rs. 31.8 crore with a resultant increase of expenditure of Rs. 83.94 crore (263.96%). Further it is noticed that the additional margin of Rs. 25.73 crore generated during the year 2022-23 representing 3.34% of increase as against the increase of expenses to the extent of 263.96%. the fact of which did not justify such increase in expenses towards metering, billing & collection, this needs clarification.

A comparative statement of additional revenue generated and additional expenditure made during 2022-23 is given below:

Year	Particulars	2021-22 (in crore)	2022-23 (in crore)	Increase (in crore)
2022-23	Revenue for sale of power	1,686.14	1,853.12	166.98
	Cost of power purchase	916.57	1,057.82	141.25
	Incremental Margin	769.57	795.3	25.73
	Meter, billing & collection expenses	31.8	115.74	83.94

So, company during 2022-23 earned additional marginal revenue of Rs. 25.73 crores against additional meter, billing and collection expenses of Rs. 83.94 crore.

It was explained to us that Company's business is under distribution regulatory framework. Therefore margin is dependent upon various factors like billing efficiency, ABR and consumer mix etc. Further, during the FY 2022-23, Power Purchase Cost (BSP) is increased substantially without increase in RST.

For FY-2022-23 BSP price increased by Rs 0.20 paisa per unit as compared to FY-2021-22 which cost increased by Rs. 83.77 crores (4,188.46 MU* Rs0.20). therefore, considering this company earned additional margin revenue of Rs.109.53 crores against additional meter, billing and collection expenses of Rs.83.94 Crores.

F. AT&C LOSS TRAJECTORY VS ACTUAL AT&C LOSS:

As part of the RFP the commission provided the following 10 years AT&C loss trajectory to be adopted by the company for determination of tariff for FY 2021-22 to FY 2030-31.

AT&C loss trajectory for tariff determination (%)									
FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
25.75	25.75	25.75	25.35	25.00	22.57	20.38	18.40	16.61	15.00

AT&C loss trajectory Commitment by TPCL (%)									
FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
35.29	34.29	32.80	30.00	26.75	22.00	20.00	18.00	16.25	14.80

AT & C loss can be reduced by improving both billing efficiency as well as collection efficiency. From audited financial statements and other available records, the AT&C loss was calculated at **33.67%** for the FY 2021-22 and **28.57%** for 2022-23 as given below:

Financial Year	2021-22	2022-23
Billing Efficiency (A)	76.66%	75.34%
Collection Efficiency (B)	86.53%	94.81%
AT&C Loss [1-(AxB)x100]	33.67%	28.57%

It is observed the AT&C loss for the FY 2021-22 & 2022-23 are much above the AT&C loss trajectory as shown below:

Financial Year	AT&C loss trajectory for tariff determination (%)	AT&C Loss trajectory as per TPCL (%)	Actual AT&C loss (%)
2021-22	25.75	35.29	33.67%
2022-23	25.75	34.29	28.57%

So, the company should reduce the AT&C loss as per the trajectory of vesting order of the commission to reach at 15% by the FY 2030-31 for its long-time survival.

It was explained that this has happened during the initial years of operation and other factor such as covid and delay in tie up of collection contracts. However, AT&C Loss (without past arrears) has improved to 25.95% for FY24, 20.82% for FY25 and 18.77% for FY26 as against TPC commitment of 26.75% and Tariff determination of 25%.

G. INCREMENTAL REVENUE VS INCREMENTAL EXPENSES:

The revenue gap for the FY 2022-23 was calculated at Rs.182.05 crores mostly occurred due to substantial increase in cost in comparison to increase in revenue. To identify the revenue gap a comparison of revenue & expenditure position between FY 2021-22 & FY 2022-23 are given below:

Particulars	FY 2022-23	FY 2021-22	Surplus/Deficit
Income			
Revenue from operation	1,853.12	1,686.14	166.98
Other income	63.63	49.30	14.33
	1,916.75	1,735.44	181.31
Expenditure			
Power purchase cost	1,057.82	916.57	-141.25
Employee benefit expenses	381.53	395.60	14.07
Finance cost	58.62	27.03	-31.59
Depreciation	58.32	40.63	-17.69
Other expenses	519.73	269.33	-250.40
	2,076.02	1,649.16	-426.86
Profit/(loss)	-159.27	86.28	-245.55

It was explained to us that the increase in power purchase cost of Rs 141.25 crores during FY 2022-23 is due to increase in BSP Price. For FY-2022-23 BSP price increased by Rs 0.20 paisa per unit as compared to FY-2021-22 which cost increased Cost by Rs. 83.77 crores (4188.46 MU* Rs0.20).

From above it may observe that operation margin has increased by Rs.25.73 crores after increase in BSP as calculated below:

Particulars	FY 2022-23	FY 2021-22	Surplus/Deficit
Revenue from operation	1,853.12	1,686.14	166.98
Power purchase cost	1,057.82	916.57	-141.25
Operation margin	795.30	769.57	25.73

Further it was observed that other expenses have been increased by Rs.250.40 crores in the FY 2022-23 in comparison to FY 2021-22. The other expenses mostly increased due to increase in following heads.

- Repair & maintenance exp. by Rs.40.30 crores from Rs.27.16 crores to Rs.67.46 crores.
- Contractual employee cost by Rs.111.71 crores from Rs.132.55 crores to Rs.244.26 crores.
- Allowance for doubtful receivable by Rs.42.70 crores from Rs.16.55 crores to Rs.59.25 crores.

Further Finance cost has been increased by Rs.31.59 crores in the FY 2022-23 due to increase in working capital loan from Rs.300.92 crores in the FY 2021-22 to Rs.647.91 crores in FY 2022-23.

So, company may increase the efficiency in manpower management and repair & maintenance of plant & machinery. Further management may improve the efficiency of meter, billing & collection department.

H. CAPEX APPROVAL VS ACTUAL CAPITALISATION:

It is important that company should reduce the AT&C loss to the required level fixed by OERC for tariff purpose. So, company should have invested in capex under Loss Reduction, Network Reliability, and Load Growth to reduce the technical loss, but it was noticed that, company could not achieve the investment target fixed by OERC in the respective head in FY 2021-22 & 2022-23, as detailed below:

Major Asset Category	Actual Capex	Capex Approval as per OERC	Shortfall (-)/ Excess (+)
Civil Infrastructure & Admin	14.89	19.04	-4.15
Loss Reduction	46.18	76.41	-30.23
Network Reliability	140.93	161.22	-20.29
Statutory & Safety	65.51	70.76	-5.25
Technology Infrastructure	145.20	124.59	20.61
Load Growth	21.77	27.46	-5.69
Total	434.49	479.48	-44.99

Instead, the company exceed the capex target in Technology Infrastructure, invested Rs. 145.20 crore against target of 124.59 crore. So, company is required to increase the investment in Capex of Loss Reduction, Network Reliability, and Load Growth to reduce the technical loss in long run.

Management clarified that, as per the Vesting Order, the overall CAPEX commitment for the first five years ending March 2026 is Rs. 1,166 crore. Against this, actual capitalization achieved up to March 2026 amounted to Rs. 1,476 crore. It was further clarified that the Vesting Order does not prescribe any year-wise CAPEX target.

MISCLASSIFICATION EXPENSES:**a. CONTRACTUAL MANPOWER-UNDER ADMINISTRATION & GENERAL EXP (A&G):**

Following expenses were wrongly booked to contractual manpower expenses under Administrative & General Expenses (A&G). Subsequently, these were reclassified / booked to other heads of account in recasted accounts of 2022-23 in Audited accounts.

Particulars	Amount in Cr.	Booked in 2022-23	Recasted head in 2022-23 (Audited A/c of 2023-24)
33KV AMC Lines/PSS	12.33	A&G -Contractual Manpower	R&M-Plant & Machinery
11KV AMC Fixed Cost	103.32	A&G -Contractual Manpower	R&M-Plant & Machinery
11KV AMC Extra Manpower Cost	7.61	A&G -Contractual Manpower	R&M-Plant & Machinery
Arrear Recovery Team	39.14	A&G -Contractual Manpower	A&G-Meter Billing & Collection
MBC Collection Counter Cost (Manpower Cost)	1.50	A&G -Contractual Manpower	A&G-Meter Billing & Collection
Vigilance & Enforcement (Aman)	3.76	A&G -Contractual Manpower	A&G-Miscellaneous Exp
Guest House (SAI & MSH)	0.26	A&G -Contractual Manpower	A&G-Miscellaneous Exp
Pantry Exp (Rakshak, City & innova)	3.63	A&G -Contractual Manpower	A&G-Miscellaneous Exp
Manpower for R&M	0.03	A&G -Contractual Manpower	R&M-Plant & Machinery
Manpower for CSAT Survey	0.03	A&G -Contractual Manpower	R&M-Plant & Machinery
Manpower for Rev. Collection	8.71	A&G -Contractual Manpower	A&G-Meter Billing & Collection

Following expenses are initially booked to Meter, Billing & Collection A/c in FY 2022-23 but subsequently transferred to other heads in recasting of 2022-23 account in Audited Accounts of 2023-24.

Particulars	Amount in Cr.	Booked in 2022-23	Recasted head in 2022-23 (Audited A/c of 2023-24)
Manpower for Metering, Billing & Collection	22.09	A&G-Metering, Billing & Collection	A&G- Contractual Manpower
Customer Care (BPO CONV, etc), Collection Counter	0.22	A&G-Metering, Billing & Collection	A&G- Contractual Manpower

6. A. REASONS/ CIRCUMSTANCES WHICH CREATED REVENUE GAP: FY2020-21(Q4)**TPSODL TRUE UP for FY 2020-21 (Jan 21 to Mar 21)****(Rs. in Cr.)**

Expenditure	Approved in the ARR 2020-21 (Jan-Mar)	<Difference>	Allowed in true up
Cost of Power Purchase	213.79	-5.65	208.14
Employee costs	92.72	3.94	96.66
Repair & Maintenance	11.49	-10.22	1.27

Administrative and General Expenses	8.87	4.66	13.53
Provision for Bad & Doubtful Debts	2.7	0.83	3.53
Depreciation	7.26	-0.35	6.91
Interest on Working capital		0.09	0.09
Interest on consumer security deposit	3.44	-0.29	3.15
Interest on long term loan	2.94	-1.45	1.49
Efficiency gains on account of AT & C losses		0	
A-1/3rd to be declared as Dividend /Equity		0	
B-1/3rd to be passed on to consumer as rebate		0	
C-1/3rd to be kept as tariff balancing reserve		0	
Sub-Total	343.21	-8.44	334.77
Less: Employee cost capitalised		0	
(A) Total expenses	343.21	-8.44	334.77
Income Tax		4.93	4.93
Return on equity	1.51	6.49	8
(B) Sub total	1.51	11.42	12.93
TOTAL(A+B)	344.72	2.98	347.7
Less Miscellaneous Receipt	9.94	6.14	16.08
Receipt on account of CSS		0	0
Total Revenue Requirement	334.78	-3.16	331.62
Revenue from Sale of Power	336.49	16.82	353.31
GAP(+/-)	1.71	19.98	21.69

Rs. In Crores			
GAP as per ARR	Note Ref.		1.71
Less: Items Increasing Revenue gap			
Employee costs	1	3.94	
Administrative and General Expenses	2	4.66	
Provision for Bad & Doubtful Debts	3	0.83	
Interest on Working capital	4	0.09	
Efficiency Gains to be Shared :			
A- 1/3 rd to be declared as Dividend/Equity			
B- 1/3 rd to be passed on to the customer as rebate			
C- 1/3 rd to be kept as tariff balance reserve			
Income Tax	5	4.93	
Return on Equity	6	6.49	
Sub Total			20.94
Add: Items Reducing Revenue gap			
Cost of Power Purchase	7	5.65	
Repair & Maintenance	8	10.22	
Depreciation	9	0.35	
Interest on consumer security deposit	10	0.29	

Interest on long term loan	11	1.45	
Revenue from Sale of Power	12	16.82	
Misc Receipts	13	6.14	
Sub Total			40.92
Allowed by Commission			21.69

100

Note : 1

Employee Cost	In Crore
As per ARR	92.72
Employee cost as per P&L Account	107.26
Add Contractual Employee Exp.	13.34
Less Employee Acturial Provision	23.94
Allowed by Commission	96.66
Net Increase	-3.94

Note : 2

Administrative & General Expenses	In Crore
As per ARR	8.87
As per Audited accounts and allowed by Commission	27.04
Less Other Adjustment	0.17
Less Contractual Manpower Cost	13.34
Allowed by Commission	13.53
Net Increase	-4.66

Note : 3

Provision for Bad & Doubtful Debts	In Crore
As per ARR	2.70
As per Audited Accounts & allowed by Commission	3.53
Net Increase	-0.83

Note : 4

Interest on Working capital	In Crore
As per ARR	
As per Audited Accounts & allowed by Commission	0.09
Net Increase	-0.09

Note : 5

Income Tax	In Crore
Income Tax Liability as er Audited Accounts	-
As per ARR	-
Income tax liability as per ITR and allowed by the commission	4.93
Net increase	-4.93

Note : 6

	In Crore
Approved as per ARR	1.51
Retutn on equity as proposed & allowed by the commission	8.00
Net Increase	-6.49

Note: 7

	Power Purchase Cost	In Crore
	Power Purchase in ARR	213.79
Add	Efficiency Gain	10.92
Less	Decrease in Power Purchase	-16.57
	Approved Power Purchase Cost	208.14
	Net Decrease	5.65

The above difference arises due to efficiency gain in energy consumption.

Sale of power unit = 718 MU

Aggregate technical loss% = 25%

Normative Purchase unit = $718/75\% = 957.33$ MU

Purchase units = 902 MU

Efficiency Gain = $957.33 - 902 = 55.33$ MU

$55.33 \text{ MU} @ 1.974 \text{ unit} = \text{Rs. } 10.92 \text{ Crores.}$

Note : 8

	Repair & Maintenance	In Crore
	As per ARR	11.49
	As per Audited Accounts & allowed by Commission	1.27
	Net Decrease	10.22

Note : 9

	Depreciation	In Crore
	As per ARR	7.26
	As per Audited Accounts & allowed by Commission	6.91
	Net Decrease	0.35

Note : 10

	Interest on consumer security deposit	In Crore
	As per ARR	3.44
	As per Audited Accounts & allowed by Commission	3.15
	Net Decrease	0.29

Note : 11

	Interest on long term loan	In Crore
	As per ARR	2.94
	As per Audited Accounts & allowed by Commission	1.49
	Net Decrease	1.45

Note : 12

	Revenue from sale of power	In Crore
	As per ARR	353.31
	As per Audited account and approved by commission	336.49
	Net Decrease	16.82

Note : 13

	Non Tariff Income	In Crore
	As per ARR	9.94
	Other income as per Audited Account	27.72

Non Tariff Income allowed by Commission	16.08
As per ARR	9.94
Net Increase	6.14

B. REASONS/ CIRCUMSTANCES WHICH CREATED REVENUE GAP FY 2021-22:

TPSODL TRUE UP for FY 2021-22

Rs. In Cr

Expenditure	Approved in the ARR 2021-22	<Difference>	Allowed in true up
Cost of Power Purchase	964.22	-29.85	934.37
Employee costs	404.76	-9.16	395.6
Repair & Maintenance	88.57	2.11	90.68
Administrative and General Expenses	72.2	24.57	96.77
Provision for Bad & Doubtful Debts	12.21	4.19	16.4
Depreciation	21.47	6.82	28.29
Interest on Working capital		0	
Interest on consumer security deposit	11.6	0	11.6
Interest on long term loan		15.11	15.11
Efficiency gains on account of AT & C losses		0	
A-1/3rd to be declared as Dividend /Equity		0	0
B-1/3rd to be passed on to consumer as rebate		0	0
C-1/3rd to be kept as tariff balancing reserve		0	0
Sub-Total	1575.03	13.79	1588.82
Less: Employee cost capitalised		0	
(A) Total expenses	1575.03	13.79	1588.82
Income Tax		20.6	20.6
Return on equity	32	3.48	35.48
(B) Sub total	32	24.08	56.08
TOTAL(A+B)	1607.03	37.87	1644.9
Less Miscellaneous Receipt	25.56	25.71	51.27
Receipt on account of CSS		0	0
Total Revenue Requirement	1581.47	12.16	1593.63
Revenue from Sale of Power	1522.73	117.19	1639.92
GAP(+/-)	-58.74	105.03	46.29

GAP as per ARR	Notes Ref		-58.74
Less: Items Increasing Revenue gap			
Repair & Maintenance Including Outsource employee cost for R&M	1	2.11	
Administrative & General Expenses	2	24.57	
Provision for Bad & Doubtful Debts	3	4.19	
Depreciation	4	6.82	
Interest on long term loan	5	15.11	

Efficiency Gain to be Shared :			
A- 1/3 rd to be declared as Dividend/Equity			
B- 1/3 rd to be passed on to the customer as rebate			
C- 1/3 rd to be kept as tariff balance reserve			
Income Tax	6	20.6	
Return on Equity	7	3.48	
Provisional surplus considered			
Sub Total			76.88
Add: Items Reducing Revenue gap			
Non-Tariff Income	8	25.71	
Revenue from Sale of Power	9	117.19	
Cost of Power Purchase	10	29.85	
Employee costs	11	9.16	
Sub Total			181.91
Allowed by Commission			46.29

C. REASONS/ CIRCUMSTANCES WHICH CREATED REVENUE GAP:

Note:1

In Crore

As per ARR		88.57
Add: As per Profit & Loss Account	27.16	
Add: Outsourcing Employee cost booked as A&G Exp	63.52	
Allowed by commission in the truing up order		90.68
Net Increase		-2.11

Despite of our several request the licensee didn't provide the adjustment details of Rs. 63.52

Note: 2

In Crore

Administrative & General Expenses		
Less As per ARR		72.20
As per Audited Financial Statement	225.62	
Less Contractual Manpower Cost	65.30	
Less Outsourced Employee Cost Transferred to Repair & Maintenance Exp	63.52	
Less Other Adjustment	0.03	
Allowed by Commission in Truing up Order		96.77
Net Increase		-
		24.57

Despite of our several request the licensee didn't provide the adjustment details for checking

Note:3

In Crore

Provision for Bad Debts

As per Audited Accounts	16.55
-------------------------	-------

As per ARR
Allowed by commission 1% of Energy billing of Rs. 1,639.92 crore

12.21 **104**

16.40

Net Increase

-

4.19

Note: 4

In Crore

As per ARR

21.47

As per Audited Accounts

40.63

Less Amortisation of Consumer contribution on Capital Asset

12.34

Allowed by Commission

28.29

Net Increase

-6.82

Note 5

In Crore

Interest on term loan

As per ARR

0

As per Audited Account

15.11

Allowed by Commission

15.11

Net Increase

-15.11

Note 6

In Crore

Income Tax

As Per ARR

0

As per Audited Account

20.6

As per ITR Allowed by Commission

20.6

Net Increase

-20.6

Note 7

In Crore

Approved in ARR

32

Retutn on equity as proposed & allowed by the commission

35.48

Net Increase

-

3.48

Note 8

In Crore

Non Tariff Income

As per ARR

25.56

As per audited accounts other income

95.52

Allowed by Commssion in Truing up Order

51.27

Net Increase

-25.71

Note 9

In Crore

Revenue from Sale of Power

As per ARR

1522.73

Less As per Audited Accounts

1639.92

Allowed by Commission

1639.92

Net Increase

-117.19

Note 10

In Crore

Power Purchase Cost

Rs. In crore

Power Purchase in ARR

964.22

As per Audited Accounts

916.57

Efficiency Gain

17.8

Normative Purchase allowed by commision

934.37

Net Decrease**29.85**

The above difference arises due to efficiency gain in energy consumption.

Sale of power unit = 3021 MU

Aggregate technical loss% = 25%

Normative Purchase unit = $3021/75\% = 4028$ MU

Purchase units = 3942 MU

Efficiency Gain = $4028 - 3942 = 86$ MU

86MU @ 2.07 unit = Rs. 17.80 Crores.

Note 11**In Crore**

Employee Cost

As per ARR

404.76

As per Audited Accounts

395.6

Less Difference between Actuarial Provisions & Cash

47.71

347.89

Add Outstanding Employee Cost as per Truing up Proposal

65.3

413.19

Allowed by Commssion in Truing up order

395.6

Net Decrease**9.16****C. REASON/CIRCUMSTANCES WHICH CREADTED REVENUE GAP FY 2022-23 TPSODL TRUE UP FOR FY 2022-23**

Rs.in Crores

Particulars	As per Approved ARR	<Difference>	Allowed by Commission after Truing up
Cost of Power Purchase	1,120.24	-58.09	1,062.15
		-	
Employee costs including Outsource/Contractual Employee cost	430.79	38.49	469.28
Repair & Maintenance Including Outsource employee cost for R&M	90.24	98.83	189.07
Administrative & General Expenses	77.25	103.22	180.47
Provision for Bad & Doubtful Debts	12.99	4.94	17.93
Depreciation	32.03	8.83	40.86
Interest on Working capital		-	
Interest on consumer security deposit	12.26	6.42	18.68
Interest on long term loan	5.00	33.51	38.51
Other Borrowing cost		1.43	1.43
Efficeincy Gainto be Shared :		-	
A- 1/3 rd to be declared as Dividend/Equity		1.29	1.29
B- 1/3 rd to be passed on to the customer as rebate		1.29	1.29

Particulars	As per Approved ARR	<Difference>	Allowed by Commission after Truing up
C- 1/3 rd to be kept as tariff balance reserve		1.29	1.29
Sub Total	1,780.80	241.45	2,022.25
Less: Employee cost capitalised	28.37	-	28.37
Total Expenses (A)	1,752.43	241.45	1,993.88
Income Tax		16.36	16.36
Deferred Tax		-	-
Return on Equity	32.00	16.65	48.65
Deferred tax credit		-	-
Sub Total (B)	32.00	33.01	65.01
TOTAL (A+B)	1,784.43	274.46	2,058.89
Less: Non-Tariff Income	35.16	48.72	83.88
Net movement in Regulatory Deferral balances		-	-
Provisional surplus considered	60.00	-60.00	-
Total Revenue Requirement	1,689.27	285.74	1,975.01
Revenue from Sale of Power	1,694.00	98.96	1,792.96
GAP (+/-)	4.73	-186.78	-182.05

Head Wise Reconciliation with detailed Explanation

Particulars	Annexure Ref.	Amount in Crores	Amount in Crores
GAP as per ARR			4.73
Less: Items Increasing Revenue gap			
Employee costs including			
Outsource/Contractual Employee cost	2	38.49	
Repair & Maintenance Including Outsource employee cost for R&M	3	98.83	
Administrative & General Expenses	4	103.22	
Provision for Bad & Doubtful Debts	5	4.94	
Depreciation	6	8.83	
Interest on consumer security deposit	8	6.42	
Interest on long term loan	7	33.51	
Other Borrowing cost	9	1.43	
Efficiency Gain to be Shared :			
A- 1/3 rd to be declared as Dividend/Equity	10	1.29	
B- 1/3 rd to be passed on to the customer as rebate	10	1.29	
C- 1/3 rd to be kept as tariff balance reserve	10	1.29	
Income Tax	11	16.36	
Return on Equity	12	16.65	
Provisional surplus considered		60	
Efficiency Gain on Energy Consumption	1B	4.33	
Sub Total			392.55
Add: Items Reducing Revenue gap			
Non-Tariff Income	13	48.72	

Revenue from Sale of Power	14	98.96	
Cost of Power Purchase	1A	62.42	
Sub Total			205.77
Allowed by Commission			-182.05

Annexure 1A

Expenditure	Approved by OERC FY 2022-23	Actual (Audited Accounts)	Rs. In Crore Trues up Considering Normative T&D loss 25%
INPUT (MU)	4390	4188.45	4207.52
Cost of power purchase	996.53	951.17	955.5
Transmission cost	122.92	117.3	117.3
SLDC Cost	0.79	0.79	0.79
Less Rebate		-11.44	-11.44
Total Power Purchase Cost	1120.24	<62.42>	1057.82
			<4.33>
			1062.15

Annexure 1B

Cost of power purchase (Efficiency Gain):

	Rs. In crore
Audited Account	1057.82
Truing up proposal	1062.15
Allowed by OERC	1062.15
Difference	-4.33

The above difference arises due to efficiency gain in energy consumption.

Sale of power unit = 3156 MU

Aggregate technical loss% = 25%

Normative Purchase unit = 3156/75%=4208 MU

Purchase units = 4188 MU

Efficiency Gain=4208-4188=20 MU

20MU@ 2.27 unit =4.54 Crores but commission considered efficiency gain at 4.33 crores.

Annexure 2**Rs. In Crore****Employee Cost**

Employee cost as per P&L Account	414.57
Add Contractual Employee Exp.	86.24
Less Employee Actuarial Provision	31.53
Allowed by Commission	469.28
Less As per ARR	430.79
Net Increase	38.49

Annexure 3**Rs. In Crore**

Repair & Maintenance as per P&L A/c and allowed as per commission	189.07
Less As per ARR	90.24
Net Income	98.83

Annexure 4**Rs. In Crore**

Administrative & General Expenses

	As per Audited accounts and allowed by Commission	180.47
Less	As per ARR	77.25
	Net Increase	103.22

Annexure 5		Rs. In Crore
	Provision for Bad Debts	
	As per Audited Accounts	59.25
	Allowed by commission 1% of Energy billing of Rs. 1792.96 crore	17.93
Less	As per ARR	12.99
	Net Increase	4.94

Annexures 6		Rs. In Crore
	As per Audited Accounts	58.32
Less	Adjustment of asset under Govt. Grant & Consumer contribution amortisation	17.46
	Approved by OERC	40.86
Less	As per ARR	32.03
	Net Increase	8.83

Annexure 7		Rs. In Crore
	Interest on loan	
	Interest cost as per Audited Accounts and approved as per OERC	38.51
Less	As per ARR	5
	Net Increase	<u>33.51</u>

Annexure 8		Rs. In Crore
	Interest on consumer security	
	As per audited Accounts & allowed by OERC	18.68
Less	Approved as per ARR	12.26
		6.42

Annexure 9		Rs. In Crore
	Other Borrowing Cost	
	As per audited Accoounts	1.43
Less	As per ARR	0
	Net Increase	1.43

Annexure 10		Rs. In Crore
A-	1/3 rd to be declared as Dividend/Equity	1.29
B-	1/3 rd to be passed on to the customer as rebate	1.29
C-	1/3 rd to be kept as tariff balance reserve	1.29

Annexure 11	Rs. In Crore
	Income Tax

	Income Tax Liability as per Audited Accounts	19.41
	Income tax liability as per ITR and allowed by the commission	16.36
Less	As per ARR	0
	Net increase	16.36

Annexure 12		Rs. In Crore
	Return on equity as proposed & allowed by the commission	48.65
Less	Approved as per ARR	32
	Net Increase	16.65

Annexure 13		Rs. In Crore
	Non Tariff Income	
	Other income as per Audited Account	123.79
	Non Tariff Income as proposed and allowed	83.88
Less	As per ARR	35.16
	Net Increase	48.72

Annexure 14		Rs. In Crore
	Revenue from sale of power	
	As per Audited account and approved by commission	1792.96
Less	Aa per ARR	1,694.00
	Net Increase	98.96

7. EVALUATION OF FINANCIAL HEALTH AND FULFILMENT OF REGULATORY REQUIREMENT FOR FY 2020-21 (Q4), FY 2021-22 & FY 2022-23

For Evaluation of Financial Health of the Licensee for the FY 2020-21(Q4), FY 2021-22 & FY 2022-23 we have reviewed the Financial Ratios reported in audited financial statement of respective years and incorporated our comment along with explanations if any given by the management.

Similarly for fulfillment of regulatory requirements, we have reviewed the billing efficiency, collection efficiency and AT&C loss for the said periods and incorporated our comment along with explanations if any given by the management.

8. SL NO	Ratios	FY 20-21(Q4)	FY 21-22	FY 22-23
A. EVALUATION OF FINANCIAL HEALTH ACCOUNTING RATIO				
1	Current Ratio	0.84	1.01	1.05
Current ratio shows the ratio between current assets and current liability and measures the short term liquidity position of the entity. Current Ratio should always be above 1. In FY 2020-21 (Q4) it was 0.84, which show that the current assets were 84% of current liabilities i.e. current assets were not sufficient to meet the current liabilities.				

8. SL NO	Ratios	FY 20-21(Q4)	FY 21-22	FY 22-23
Subsequently it was improved to 1.01 in FY 2021-22 and further improved to 1.05 in FY 2022-23. Current Assets included substantial amount of Account Receivables Rs.435.15 crores in FY 2021-22 & Rs. 588.83 Crore in FY 2022-23. Account Receivable of FY 2021-22 & 2022-23 includes some long outstanding receivables more than 1 to 2 years which may affect the recovery position of the current asset and ultimately short term liquidity position of the entity. It was explained to us that - Lower current ratio 0.84 in 2020-21 (Q4) and 1.01 in 2021-22arised due to transfer of Current liability of Southco Utility in opening balance sheet of TPSODL based on carved out order - Long outstanding of Trade Receivables of FY 2021-22 and FY 2022-23 were mostly arised due to inclusion of Trade Receivable of Rs 266 crore of Pre Vesting period.				
2	Debt Equity Ratio	0.45	1.00	1.74
Debt to equity ratio measures the long-term solvency position of the entity. Higher ratio shows the higher debt in comparison to equity and considered to be risky. Debt equity ratio more than 2 may be considered as risky which affect long term solvency position of the entity. Debt-equity ratio in all three years are within the limit and long term solvency position of the entity is considered to be at satisfactory level .				
3	Return on Equity	42.46 %	24.58 %	7.87 %
Higher ratio indicates higher profit available to equity shareholders. Return on Equity (ROE) for FY 2020-21 (Q4) and FY 2021-22 stood at 42.46% and 24.58% respectively, which were above the 16% ROE allowed by OERC. However, during FY 2022-23, the ROE further reduced to 7.87%, which was significantly below the normative ROE of 16% allowed by OERC. It was further observed that the ROE of 7.87% had been arrived at after considering the Regulatory Deferral Account (RDA) balance amounting to Rs. 206.09 crore. In this regard, management explained that ROE is allowed at the rate of 16% on the capital infused towards capitalization, including the reserve price of Rs. 200 crores for regulatory purpose whereas ROE as shown above is as per audited financials is based on the PAT upon average Networth. Management further stated that ROE is computed based on the net profit of the company, which is impacted by various other factors such as creation of additional Expected Credit Loss (ECL) provision over and above the 1% regulatory norms, recognition of past arrear incentives, and other regulatory adjustments.				
4	Trade receivable turnover ratio	26	89	117
Trade receivables collection period measures the collection efficiency of an entity. Collection period for FY 2020-21(Q4) was 26 days, below the collection period of 30 days demonstrated higher efficiency in collection of Trade receivable but collection period for 2021-22 & 2022-23 increased to 89 days and 117 days respectively which were more than the normal bill collection period of one month. Lower collection efficiency increases commercial loss and ultimately AT & C loss. It was explained that it is mainly due to trade receivable of Rs. 266 Cr for the pre vesting period (April 2020 to December 2020) transferred to TPSODL (in its opening balance sheet)				
5	Net profit ratio	6.62 %	4.12 %	1.60 %
Net Profit Ratio measures the profitability position of an entity; a higher ratio indicates better profitability and operational efficiency. The ratio represents the proportion of net profit earned against the revenue generated by the entity. During FY 2020-21 (Q4), FY 2021-22, and FY 2022-23, the Net Profit Ratio was calculated at 6.62%, 4.12%, and 1.60% respectively, thereby indicating a continuous declining trend in profitability over the years. The decreasing trend reflects a reduction in the profit margin of the organization, which may be attributable to higher operational and other related costs incurred during the period. It was further observed that the Net Profit Ratio for FY 2022-23 had been computed after considering the Regulatory Deferral Account (RDA) balance amounting to Rs. 206.09 crore while arriving at the net profit for the year. The RDA of Rs. 206.09 Cr also recognised by the OERC in its True Up order passed in Mar-25 In this regard, management stated that recognition of RDA has been carried out in compliance with the requirements of Ind AS 114 and in accordance with the principles prescribed under the Tariff Regulations, and therefore the impact of RDA cannot be excluded while computing the profitability ratio. Management				

8. SL NO	Ratios	FY 20-21(Q4)	FY 21-22	FY 22-23
further explained that, as evident from the past True-up Orders, the company has not incurred any actual loss.				
B. FULLFILLMENT OF REGULATORY REQUIREMENTS- BILLING EFFICIENCY, COLLECTION EFFICIENCY, COLLECTION EFFICIENCY & AT & C LOSS				
Billing efficiency and collection efficiency and AT &C loss have been calculated earlier in this report and compared with the target prescribed in vesting order and OERC tariff order and details are given below.				
Particulars		2021-22	2022-23	
Billing Efficiency				
Actuals		76.66%	75.34%	
As per Order		75.00%	75.00%	
Variance		+1.66%	+0.34%	
Collection Efficiency				
Actuals		86.53%	94.81%	
As per OERC Tariff Order		99.00%	99.00%	
Variance		-12.47%	-4.19%	
AT&C Loss				
Actual		33.67%	28.57%	
AT&C Loss Trajectory by TPCC		35.29%	34.29%	
AT&C Loss Trajectory for Tariff Purpose		25.75%	25.75%	
Billing Efficiency achieved during FY 2021-22 and FY 2022-23 stood at 76.66% and 75.34% respectively against the target of 75% prescribed under the Vesting Order. Thus, the entity was able to achieve the Billing Efficiency targets fixed under the Vesting Order during both the years under review.				
Collection Efficiency achieved during FY 2021-22 and FY 2022-23 was 86.46% and 94.77% respectively against the Collection Efficiency target of 99% fixed by OERC for tariff purposes. Although Collection Efficiency showed improvement during FY 2022-23, the entity could not achieve the target level prescribed by OERC in either of the years.				
AT&C Loss for FY 2021-22 and FY 2022-23 was calculated at 33.67% and 28.57% respectively as against the AT&C loss trajectory of 25.75% prescribed under the Vesting Order for both the years. Though the AT&C loss exhibited a declining trend over the period, the entity could not achieve the loss trajectory specified in the Vesting Order. However, it was observed that the entity achieved the AT&C loss trajectory stipulated by TPCL, wherein the actual AT&C loss stood at 33.67% against the target of 35.29% during FY 2021-22 and 28.57% against the target of 34.29% during FY 2022-23.				