

INDEPENDENT AUDITORS' REPORT

To the Members of

Punjab State Power Corporation Limited

Report on the Audit of Standalone Financial Statements

Qualified Opinion

We have audited the accompanying standalone financial statements of **Punjab State Power Corporation Limited** ("the Company"), which comprise the Balance Sheet as at 31st March, 2024, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and notes to the standalone financial statements including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the standalone financial statements").

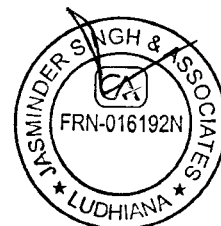
In our opinion and to the best of our information and according to the explanations given to us, **except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report**, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ("Ind AS") specified under section 133 of the Act, of the state of affairs of the Company as at 31st March 2024, and its loss including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Qualified Opinion

1. *Company had made investments amounting Rs. 0.05 Crores in its Subsidiary Company – Gidderbaha Power Limited. Further the Company had remitted funds from time to time to this Company and recorded that amount as Loans & Advances. As on 31.03.2024, Loan to Gidderbaha Power Limited stood as Rs. 12.03 Crores.*

From the Balance sheet of Gidderbaha Power Limited, it was observed that the funds, remitted by the Company – PSPCL, were reported to have been invested in Capital Work in process amounting Rs. 09.07 Crores and Rs. 02.96 Crores as Non-Current Assets – Preliminary Expenses. These figures are outstanding for more than 10 Years. Reportedly, Gidderbaha Power Ltd. is not doing any business and is up for winding up proceedings.

PSPCL should have accounted for impairment / Write-Offs for fair valuation of Investments.



2. Company has made expenditure of Rs. 09.47 Crores on account of Corporate Social Responsibility. No justifiable records / data was provided to verify that the amount was actually utilised for the purpose it was disbursed.

3. IND AS 109, inter-alia, provides that that: Para 5.4.4:

“An entity shall directly reduce the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event”

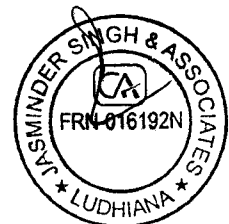
Following are the balances of Receivables, which should have been written-off but still outstanding in the Financial Statements:

Accounting Code	Account Name	Closing Balance as on 31.03.2024 (Rs. in Crores)	DR/CR
28.511	Claim for Grade Difference – Coal	2.97	DR
28.513 & 28.514	Railway Claims for Coal	1.86	DR
28.518 & 28.551	Railway Claims for Others	2.36	DR
28.867	Amount recoverable from HSEB	0.37	DR
28.868	Misc. Advance Account	1.30	DR
28.870	Losses under Investigation	48.01	DR
28.874	Cost of Shortages of T/Fs pending Investigation	61.93	DR
28 & 46	Inter Corporation Transactions (ICT) – PSTCL	18.43	DR
	Total	137.23	
22.8	Material Excess / Shortage pending Investigation	(7.21)	CR

4. As per the Actuary valuation Report, dated 15-07-2024—Company is having an outstanding Liability of Rs. 43,672.75 Crores pertaining to Pension, Gratuity, Leave encashment, Ex- Gratia, Commutation, Medical as on 31.03.2024. This Liability has not been booked by the Company entirely resulting the Profit of the Company Overstated.

Further the Company has Trusts in relation to the Post employment Benefits, which were formed to make investments in Planned Assets as per the requirements of IND AS 19. Financial Statements of these Trusts have not been prepared and Audited and shown to us.

Had company booked this liability, Company’s Profit would have been reduced by Rs. 127.55 Crores for current year and Rs. 43545.20 crore for previous years and

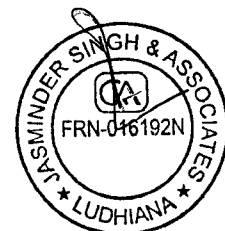


Company's Current and non-current Liabilities would have been increased by Rs. 3939.01 crore and Rs. 39,733.74 Crores respectively.

5. *Attention is invited to note 36 'Finance Cost' to the financial statements which, inter alia, includes an expenditure of ₹ 224.83 Crores on account of interest on security deposits of consumers computed on the outstanding balance as per billing system instead of outstanding balance as per books. Accordingly, a sum of ₹ 62.61 Crores for the year ending 31-03-2024 and ₹ 834.31 Crores for the earlier years, worked out at the applicable rate, has been short accounted for. The short provision of interest on balance of security has resulted in overstatement of profit by ₹ 62.61 Crores, and understatement of Current liabilities and overstatement of 'Equity' by ₹ 896.92 Crores.*
6. *Debtors and Creditors amounting Rs. 7550.37 Crores and Rs. 3553.86 Crores respectively are subject to confirmation.*
7. *Attention is invited to note 13 'Financial Assets - Cash & Cash Equivalents' which, inter alia, includes a sum of ₹ 9.71 Crores on account of 'Cheque issued account' under group head 24.403 (accumulated from 01.02.1959 till 01.04.2011) and ₹ 0.66 Crores on account of 'Remittance to HO in transit account' under group head 24.501, for which no details/information is available. Since the said amount is not recoverable and need to be written off, therefore, profit is overstated, and assets are overstated to that extent.*
8. *Attention is invited to note 27 'Financial Liabilities - Others (Current)' to the Financial Statements which, inter alia, includes a sum of ₹19.37 Crores under group head 46.9 'Other Liability & provisions' for which no details are available and no claims in respect of such liabilities is pending with the Company. In the absence of complete details, the impact of adjustment, if any, on financial statements is presently not ascertainable.*
9. *IND AS 105, Non – Current Assets held for Sale and Discontinued Operations, inter-alia, provides that: Para – 15,*

“An entity shall measure a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell”

Company had held Fixed Assets amounting Rs. 12.00 Crores for Sale (Accounting Code 16.105). Per the requirements of the IND AS – 105, Company had to measure fair Value of the assets held for sale and Lower of carrying amount and Fair Value should have been recorded in the Financial Statements. However, Company had not calculated the Fair value rather valued those fixed Assets at Carrying Value only. This leads to the violation of IND AS 105.
10. *Company has accounted for certain expenses like leave travel concessions, medical reimbursement, TA/DA claims, arrears of salary and dearness allowance on cash basis. Further, the above treatment is not in compliance with Ind AS 1 'Presentation of Financial Statements' read together with section 128 of the Act.*



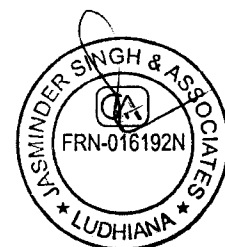
In view of observations at Sr No. 1, 4, 5 & 7 considering the impact quantifiable, profit for the current year is overstated by Rs. 211.90 Crores, overstatement 'Other Equity' by Rs. 44,379.51 Crores, Current Assets are overstated by Rs. 9.71 crores, Non-Current Assets are overstated by Rs. 12.03 Crores, Current Liabilities are understated by Rs. 4835.93 Crores and Non-Current Liabilities are understated by Rs. 39,733.74 Crores.

In the absence of information and sufficient details, we are unable to quantify the impact on financial statements of our observations given at other paragraphs.

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the standalone financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matters

1. Attention is invited to note 57 (2) to the standalone financial statements which states that "Some of the assets as allocated to the Company vide Notification dated 24.12.2012 by the Govt. of Punjab and as per decision of BODs from time to time are being utilized by Punjab State Transmission Corporation Ltd. (PSTCL). Similarly, the Company is also using some of the assets of PSTCL. The accounting of rentals payable/receivable to/from PSTCL has not been made in the accounts of Company in the absence of any agreement between the two Companies for use of such assets."
2. Attention is invited to note 56(1) to the standalone financial statements which, *inter-alia*, includes leasehold land revalued at ₹ 41.18 Crores carried over since previous years, which were in the possession of erstwhile PSEB for installing its equipment allotted by village panchayat and other Govt. departments.
3. Attention is invited note 45 to the standalone financial statements which, *inter-alia*, states that the Company has not accounted for its investment in joint venture company namely Panem Coal Mines Limited of 1300000 numbers of equity shares (par value of ₹ 10 each) allotted in earlier years to erstwhile PSEB.
4. Attention is invited sub-note 20.2 of note 20 'Financial Liabilities-Borrowings (Non-Current)' to the standalone financial statements which states that "The company is repaying the loans as per agreement and reconciliation is made at the time of final settlement".



5. Attention is invited to sub-note 16.1 of note 16 'Other Current Assets' to the standalone financial statements which states that "PSERC in its Tariff Order disallowed interest on account of diversion of funds. A portion of this disallowance is recoverable from Govt. of Punjab. However, Erstwhile PSEB has paid interest in excess to GOP on its outstanding Loans. Resultantly, Rs. 426.15 crores (Account code 28.730) is the amount of excess interest paid by PSEB to GOP upto 2009-10. GOP approached APTEL against orders of PSERC. Hon'ble APTEL turned down the appeal filed by GOP. Now, GOP had challenged, the APTEL judgement dated 12-12-2012 in appeal no. 163 of 2008, in the Supreme Court of India vide Civil Appeal no. 2703/2013 and the case is pending."
6. Attention is invited to note 45(5)(ii)(c) to the standalone financial statements which states that "PSERC while true up of FY 2010-11 to 2014-15 in tariff order for FY 2014-15 to FY 2017-18 has decided an amount of Rs. 312.48 crores on account of carrying cost on revenue gap is payable by GOP to PSPCL due to delay in the finalization of opening balance sheet of PSPCL. GOP has requested vide letter no. 11/31/2015/PE(2) dated 27-02-2017 to PSERC to pass on this amount on consumer through tariff. Hon'ble Commission in its tariff order 2019-20 vide para no. 2.27.2 has decided that the cost of delay in finalization of opening balance sheet cannot be burdened on to the consumer of state of Punjab and the request of GOP is disallowed. Further, PSERC vide Tariff Order for FY 2023-24 has allowed carrying cost of Rs. 122.89 crores recoverable from GOP. As such debtors of subsidy include Rs. 435.37 crores for carrying cost as recoverable from GOP."
7. Attention is invited to sub-note 5.1 of note 5 'Capital Work in Progress' to the standalone financial statements which describe that "No borrowing cost is capitalized on above works which are held in abeyance, impaired and BBMB works."
8. Attention is invited to note 3 to the standalone financial statements which, *inter-alia*, includes that Inter-division transfer of property, plant and equipment have been shown as additions and disposal with their corresponding depreciation rather than eliminating the same.
9. Attention is invited to sub-note 2 note 49 to the standalone financial statements which describe the Company is having dispute pending in Hon'ble Supreme Court with Himachal Pradesh Government regarding amount receivable / payable for share in BBMB Project. Since the matter is still pending with Hon'ble Supreme Court the accounting treatment for the amount recoverable and payable from Himachal Pradesh has also not been recognized in the books of accounts.
10. Attention is invited to the sub-note 10 of note 57 to the Standalone Financial Statements which describe the company arranged a loan of Rs. 1115.77 crore from M/s Power Finance Corporation which disbursed directly to M/s GVK Power as per the terms of escrow agreement dated 06-02-24. The loan is transferred to M/s GVK Power as per tripartite loan transfer agreement.



Our opinion is not qualified in respect of the matters as stated in the Emphasis of Matters paragraph.

Responsibility of Management for the Standalone Financial Statements

The Company's Board of Directors are responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015 as amended.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

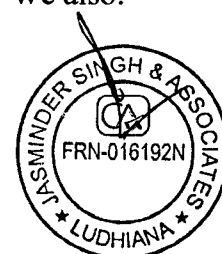
In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements 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 Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

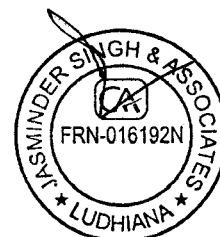


- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



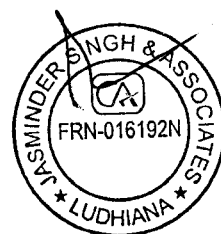
Report on Other Legal and Regulatory Requirements

1. As per Notification No. GSR 463(E) dated 5th June, 2015 issued by the Ministry of Corporate Affairs, Government of India, Section 197 of the Act is not applicable to the Government Companies. Accordingly, reporting in accordance with requirement of provisions of section 197(16) of the Act is not applicable on the Company.
2. As required by section 143(5) of the Act, we give in the “Annexure – I”, a statement on the matters directed by Comptroller and Auditor General of India.
3. As required by the Companies (Auditor’s Report) Order, 2020 (“the Order”), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the “Annexure – II” a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
4. As required by Section 143 (3) of the Act, we report that:
 - (a) We have sought and, *except for the matters/ effects/ possible effects of matters described in the Basis of Qualified Opinion paragraph*, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) *Except for the effects/ possible effects of the matter described in the Basis for Qualified Opinion paragraph*, in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) *Except for the effects/ possible effects of the matter described in the Basis for Qualified Opinion paragraph*, the Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
 - (d) *Except for the effects/ possible effects of the matter described in the Basis for Qualified Opinion paragraph*, in our opinion, the aforesaid standalone financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended.
 - (e) The matters described in the Basis for Qualified Opinion section and Emphasis of Matters section above, in our opinion, have no adverse effect on the functioning of the Company.
 - (f) Since, the Company is a Government Company, section 164(2) of Act regarding obtaining written representations from the directors of the Company, is not applicable



to the company in terms of notification number GSR-463(E), issued by Ministry of Corporate Affairs.

- (g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.
- (h) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure – III".
- (i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer note 49 to the standalone financial statements.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. *The Company has not transferred a sum of ₹ 0.10 Crores, required to be transferred, to the Investor Education and Protection Fund by the Company.*
 - iv.
 - (a) The management has represented that, to the best of its knowledge and belief, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the ultimate beneficiaries.
 - (b) The management has represented, that, to the best of it's knowledge and belief, no funds have been received by the company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
 - (c) Based on such audit procedures that have been considered reasonable and appropriate in the circumstances, nothing has come to their notice that has caused them to believe that the representations under sub-clause (i) and (ii)

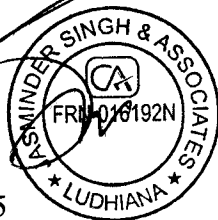


of Rule 11(e), as provided further under clause (a) and (b) above, contain any material mis-statement.

- v. The Company has not declared or paid dividend during the financial year 2023-24, hence, reporting under Rule 11 (f) of Companies (Audit and Auditors) Rules, 2014 is not applicable.
- vi. The Company has used the Accounting Software for maintaining its books of account which has a feature of recording audit trail (edit log) facility and the same has been operated throughout the year for all transactions recorded in the software and the audit trail feature has not been tampered with and the audit trail has been preserved by the company as per the statutory requirements for record retention

for **Jasminder Singh & Associates**
Chartered Accountants
ICAI Firm's Registration Number 016192N

CA. Jasminder Singh
Partner
Membership Number 096895
UDIN: 24096895BKALYU3772



Place of Signature: Patiala
Date: 23.09.2024

Jasminder Singh & Associates
Chartered Accountants

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TO WHOM SO EVER IT MAY CONCERN

We ('M/s Jasminder Singh & Associates') have conducted the audit of accounts of **Punjab State Power Corporation Limited** for the year ended 31st March 2024 in accordance with the directions/ sub-directions issued by the Comptroller General of India under section 143(5) of the Companies Act, 2013 and certify that we have complied with all the directions/ sub-directions issued to us.

for M/s Jasminder Singh & Associates

Chartered Accountants

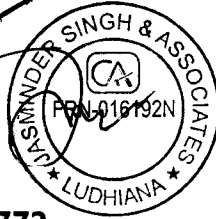
ICAI Firm's Registration Number 016192N

CA. Jasminder Singh

Partner

Membership Number 096895

UDIN: 24096895BKALYU3772



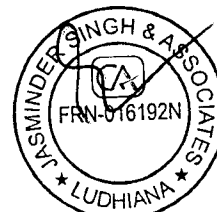
Place of Signature: Patiala

Date: 23.09.2024

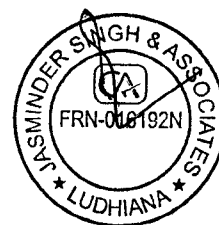
ANNEXURE - I TO THE INDEPENDENT AUDITORS' REPORT

[Referred to the Paragraph 2 of "Other Legal and Regulatory requirements" of our Audit Report]

Sr. No.	Direction	Auditors' Reply
1.	Whether the Company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.	<p>As per the information and explanations given to us and based on our audit, the Company has inhouse developed system 'JV Package' to record voucher level entry at sub-division level.</p> <p>The invoices are generated through SAP system/Non-SAP system.</p> <p>Based on the audit procedures carried out and as per the information and explanations given to us, no accounting transactions have been processed/ carried out outside the IT system. Accordingly, there are no implications on the integrity of the accounts.</p>
2.	Whether there are any restructuring of an existing loan or cases of waiver/ write off of debts/loans/interest etc. made by a lender to the company due to the company's inability to repay the loan? If yes, the financial implication may be stated: Whether such cases are properly accounted for? (In case, lender is a Government company, then this direction is also applicable for statutory auditor of Lender Company).	<p>As per the information and explanations given to us and based on our audit, during the year under audit, there is no restructuring of any existing loan or cases of waiver/ write off of debts/ loans/ interest etc. by a lender to the Company.</p>
3.	Whether funds (grants/subsidy etc.) received/receivable for specific schemes from Central/ State Government or its agencies were properly accounted for/ utilized as per its term and conditions? List the cases of deviation.	<p>As per the information and explanation given to us and based on our audit, the Company has properly accounted for/ utilised funds received/ receivable for specific schemes from Central/ State agencies as per the respective terms and conditions.</p>



4.	Adequacy of steps to prevent encroachment of idle land owned by Company may be examined. In case land of the Company is encroached, under litigation, not put to use or declared surplus, details may be provided.	As per the information and explanation given to us, proper steps are being regularly undertaken to prevent encroachment of land of the Company. <i>However, land measuring 46.374 acre has been encroached and matter is being taken up with appropriate authorities for vacating the same at the earliest.</i>
5.	Where land acquisition is involved in setting up new projects, report whether settlement of dues done expeditiously and in a transparent manner in all cases. The cases of deviation may please be detailed.	As per the information and explanation given to us and based on our audit, during the year under audit No land acquisition is involved in setting up new project.
6.	Whether the Company has an effective system for recovery of revenue as per contractual terms and the revenue is properly accounted for in the books of accounts in compliance with the applicable Accounting Standard?	As per the information and explanation given to us and based on our audit, the Company has effective system of recovery for revenue as per contractual terms and the revenue are properly accounted for in the books of accounts in compliance with the applicable Indian Accounting Standards. However, there are some losses (normal and abnormal) of the Electricity Units at the time of distribution. Company should take preventive measures to reduce those losses to the minimum.
7.	How much cost has been incurred on abandoned projects and out of this how much cost has been written off?	As per the information and explanation given to us and based on our audit, the Company has not incurred any expenditure on the abandoned projects during the financial year 2023-24. However, Company has incurred Cost on various projects, which have been abandoned in the past. Accumulated Impairment Loss amounting Rs. 96.25 Crores has been booked against the Project Cost of Rs. 101.57 Crores. Necessary disclosures have been given (Refer Note no. 5)
8.	In the cases of Thermal Power Projects, compliance of the various Pollution Control Acts and the impact there of including utilization and disposal of ash and the policy of	As per the information and explanation given to us and based on our audit, <u>Guru Hargobind Thermal Power Plant (GHTP) Lehra Mohabbat,</u> GHTP is complying with various acts and



the company in this regard, may be checked and commented upon.

has got all the three consents from Punjab Pollution Control Board as detailed below:

- i) Consent to operate till 31-03-2024, u/s 21 of Air (Prevention and Control of Pollution Act, 1981).
- ii) Consent to operate on outlet of water till 31-03-2024 u/s 25/ 26 of Water (Prevention and Control of Pollution) Act, 1974).
- iii) Authorization till 31-03-2028 under rule 5 of hazardous waste (Management handling and Trans boundary Movement) Rules, 2008.
- iv) In case of Fly ash, fly ash is being utilized by selling to various cement manufacturers, RMC plants and Brick and Tile manufacturers as per MOE & F notification 03-11-2009.

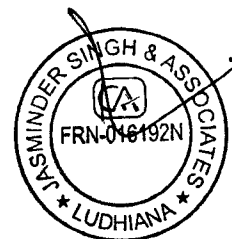
Guru Nank Dev Thermal Plant (GNDTP), Bathinda

- i) GNDTP has been permanently closed w.e.f. 01-01-18 as per orders of GOP.
- ii) Due to closure of plant generation of ash is nil and ash stored in ash dyke area is being sold to various cement manufacturers, RMC plants and Brick & Tile manufacturers.

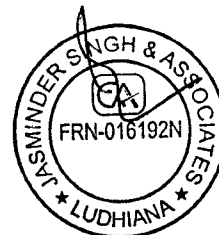
Guru Gobind Singh Super Thermal Plant (GGSSTP), Ropar

GGSSTP is complying with various acts and has got all the three consents from Punjab Pollution Control Board (PPCB) as detailed below:

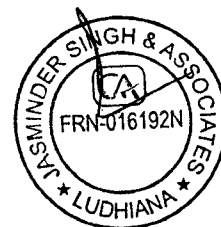
- i. Consent to operate till 30-06-2024, u/s 21 of Air (Prevention & Control of Pollution Act, 1981).
- ii. Consent to operate on outlet of water till 30-06-2024 u/s, 25/ 26 of Water



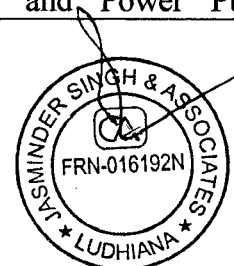
		<p>(Prevention & Control of Pollution Act, 1974).</p> <p>iii. Authorization till 25-08-2026 under rule 5 of hazardous waste (Management handling and Trans boundary Movement) Rules, 2008.</p> <p>iv. In case Fly ash, fly ash is being utilized by selling to various cement manufacturers, RMC plants and Brick and Tile manufacturers as per MOE & F notification 03-11-2009.</p>
9.	<p>Has the Company entered into revenue sharing agreements with private parties for extraction of coal at pitheads and it adequately protects the financial interest of the company?</p>	<p>As per the information and explanation given to us and based on our audit, the Company was allotted Captive mine at Pachhwara Central. However, the work of extraction of coal from mine has been allotted to M/s Dilip Buildcon Limited. PSPCL has to pay composite mining charges per ton of coal along with statutory payments as per provisions of Coal Mine Agreement executed on 11-09-2018. Further, necessary information regarding coalmine has been disclosed in Annual Accounts at note no. 50.</p>
10.	<p>Does the Company have a proper system for reconciliation of quantity/ quality of coal ordered and received and whether grade of coal/moisture and demurrage etc. are properly recorded in the books of accounts?</p>	<p>Yes, As per the information and explanation given to us, the Company has proper system for reconciliation of quantity/ quality of coal received, grade of coal/ moisture etc. The Company has established laboratory at the thermal power plants in this regard. Reconciliation of the quantity of coal supplied by the suppliers is done periodically by reconciling the details of coal supplies sent by CIL to the Company which is checked by concerned plants.</p>
11.	<p>How much share of free power was due to the State Government and whether the same was calculated as per the agreed terms and depicted in the accounts as per accepted accounting norms?</p>	<p>As per the information and explanation given to us, no share of free power was due to state government for the year under audit by the Company.</p>



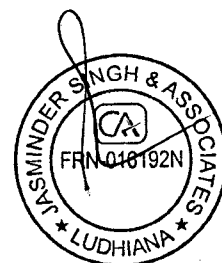
12.	In the case of Hydroelectric Projects, the water discharge is as per policy/ guidelines issued by the State Government to maintain biodiversity. For not maintain it penalty paid/ payable may be reported.	As per the information and explanation given to us, the water discharge from the Hydroelectric Projects is as per policy/ guidelines issued by the State Government and no penalty has been paid/ payable from the year under audit.
13.	Has the company entered into agreements with franchise for distribution of electricity in selected areas and revenue sharing agreements adequately protect the financial interest of the company?	Yes, Company has entered into franchise agreements for distribution of electricity. These agreements are executed with owners of residential colonies, Shopping malls/ Commercial complexes, Industrial Complexes, IT park & other single point supply consumers in compliance with regulation 6.6.2 of Supply Code.
14.	Report on the efficacy of the system of billing and collection of revenue in the Company.	As per the information and explanation given to us and based on our audit, the billing process involves collection of data regarding energy consumed from meters, preparation of bills and issuance thereof as following: <ol style="list-style-type: none"> 1. Reading of DS/NRS with load upto 20KW/SP connections meter reading is taken by outsourced agencies/ spot billing official/ meter reader and billing is done through spot billing machines and bill are delivered to consumers at the same time at spot. If some bills are out sorted, then it is delivered after getting it checked / corrected. 2. Meters reading of DS/NRS (21-50KW)/BS connections upto 100 KW are taken by JE in charge of feeder, DS/NRS (51-100 KW) /MS connections reading is taken by AAE/JE-1 and the bills are prepared by Sr. XEN Computerization Cell. 3. DS/NRS/LS/BS (100-500 KW) connections reading is taken by AE/AEE, reading of meters of consumers having connected load of 500KW and above is taken by Sr.



		<p>XEN/Addl. SE (DS) and AE/AEE and the bills are prepared by CBC. DDL of LS consumer is taken by XEN/MMTS after 60 days.</p> <p>4. Under the sub-divisions where SAP software has been introduced bills of all categories of consumers are issued through SAP.</p> <p>Revenue is collected in computerized mode at cash collection counters at subdivisions, bill payment machines, outsourced collection through easy bill limited, Paytm, RTGS, NEFT, Debit card and E-payment through online payment system. Hence the system of billing and collection is efficient.</p>
<p>15.</p>	<p>Whether tamper proof meters have been installed for all consumers? If not then, examine how accuracy of billing is ensued.</p>	<p>As per the information and explanation given to us and based on our audit, all types of meters are procured as per relevant Indian Standards. While preparing the specifications of every type of meters, it is ensured that assorted anti tamper features be incorporated so that meter shall be capable of recording correct energy within permissible limits of error of relevant IS under these tamper conditions. In addition to this, all meters are tested in Metering Equipment lab before installation. Meters are installed outside the consumer premises in 4 in 1 or 20 in 1 pillar boxes. Meters are properly sealed, and pillar boxes are locked. Besides this, connections are checked from time to time by operation enforcement wing to check accuracy of meters/ billing. The faulty meters, if any, are checked in ME division from time to time. The cross checking of connections is also carried over to check and ensure the accuracy of meter/ reading.</p>
<p>16.</p>	<p>Whether the Company recovers and accounts, the State Electricity Regulatory Commission (SERC) approved Fuel and Power Purchase</p>	<p>As per the information and explanation given to us and based on our audit, the Company recovers and account for the amount of Fuel and Power Purchase</p>



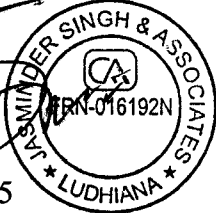
	Adjustment Cost (FPPCA)?	Adjustment Cost (FPPCA) as approved by the Hon'ble PSERC from time to time by levying fuel cost adjustment.
17.	Whether the reconciliation of receivables and payables between the generation, distribution and transmission companies has been completed. The reasons for difference may be examined.	As per the information and explanation given to us and based on our audit, Inter-company transaction with the Punjab State Transmission Corporation Limited have been reconciled except ₹ 18.43 Crores. <i>However, no reason for such difference has been provided.</i>
18.	Whether the Company is supplying power to franchises, if so, whether the Company is not supplying power to franchises at below its average cost of purchase.	Yes, Company is supplying Power to franchises. The power is supplied to franchisee for distribution in the colony and the billing to the individual consumers is done at the PSERC approved rates. Further, the difference of units on the main meter of single point supply and units/total consumption of individual consumers shall be billed at the highest slab of relevant category, to be paid by franchisee. Thus, the present franchisee model for colonies does not involve any issue regarding supply of power to franchisee at below average cost of purchase.
19.	How much tariff roll back subsidies have been allowed and booked in the accounts during the year? Whether the same is being reimbursed regularly by the State Government shortfall if any may be commented'?	As per the information and explanation given to us and based on our audit, the Punjab State Electricity Regulatory Commission (PSERC) in its tariff order takes note of the subsidy announced by GOP u/s 65 of Electricity Act, 2003 and authorized PSPCL to recover it from GOP based on relevant section of tariff. A ₹ 17630.60 Crores financial impact, paid/payable by GoP in shape of subsidy, of roll back, is as (refer Note No. 29 to the financial statements).



We have conducted of the audit of accounts of **Punjab State Power Corporation Limited** for the year ended 2023-24 in accordance with the directions issued by the C & AG of India under section 143(5) of the Companies Act, 2013 and certify that we have complied with all the directions issued to us.

for **M/s Jasmindar Singh & Associates**
Chartered Accountants
ICAI Firm's Registration Number 016192N

CA. Jasmindar Singh
Partner
Membership Number 096895
UDIN: 24096895BKALYU3772



Place of Signature: Patiala
Date: 23.09.2024

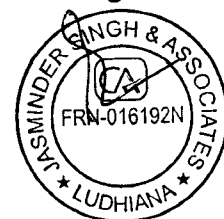
Annexure – II to the Independent Auditors’ Report

Referred to in paragraph 3 under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date to the members of Punjab State Power Corporation Limited (‘the Company’) on the Standalone Financial Statements for the year ended 31st March, 2024. We report that:

- (i) (a) (A) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment and relevant details of right-of-use assets.
- (B) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company has maintained proper records showing full particulars of intangible assets.
- (b) In our opinion and according to the information and explanations given to us, the Property, plant and equipment have been physically verified by the management during the year. To the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) In our opinion and according to the information and explanation given to us, the title deeds of immovable properties (other than immovable properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) disclosed in the standalone financial statements are held in the name of the Company as at balance sheet date *except for the following which are not held in the name of the Company:*

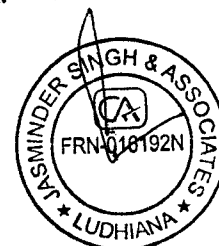
Description of Asset	Gross Carrying Value (₹ in Crores)	Held in name of	Whether title deed holder is a promoter, director or relative of Promoter/ director or employee of promoter/director	Period held - indicate range where appropriate	Reason for not being held in name of the Company
Land - Freehold	807.84	Panchayats of Villages	No	Since inception of the Company	The land parcels are held in the name of the Village Panchayats. All these land parcels are in peaceful possession of the Company and investment has already being made on such lands for creation of assets.
Land - Leasehold	3896.85	Government of Punjab	No	Since inception of the Company	Due to some disputes during acquisition of this land.

- (d) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not revalued its Property, Plant and Equipment (including Right of Use assets) or intangible assets or both during the year. Accordingly, the provisions of clause 3(i)(d) of the Order are not applicable.
- (e) According to information and explanations given to us and on the basis of our examination of the records of the Company, there are no proceedings initiated or



pending against the Company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988 and rules made thereunder.

- (ii) (a) In our opinion and according to the information and explanations given to us, the Company does not carry any stock of finished goods. Inventory of coal was physically verified at reasonable intervals. Inventory of Operation and Maintenance (O & M) material and capital stores has been physically verified by the management during the year. According to the information and explanations given to us and based on the audit procedures performed by us, we are of the opinion that the coverage and procedure of such verification by the management is appropriate and no material discrepancies of 10% or more in the aggregate for each class of inventory between physical inventory and book records were noticed on physical verification.
- (b) Subject to para according to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not been sanctioned any working capital limits on the basis of security of current assets at any point of time of the year, in excess of five crore rupees in aggregate from banks and financial institutions. Accordingly, clause 3(ii) (b) of the Order is not applicable to the Company.
- (iii) Subject to para 1 and 3 of basis for Qualified Opinion Section of our report, according to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has made investments in subsidiaries and joint venture and given unsecured loan to subsidiaries.
- (a) (A) According to the information and explanations given to us, the Company has not provided guarantee, security and not granted loans and advances in the nature of loans, secured and unsecured to subsidiaries, Joint Ventures and other entities during the year, *except*:
- Aggregate amount of unsecured loan of ₹ 12.04 Crores is outstanding in respect of subsidiary companies (₹ 12.03 Crores to Gidderbaha Power Limited and ₹ 0.01 Crores to Punjab Thermal Generation Limited) with respect of such loans, as at the balance sheet date.
 - Company has made investment amounting Rs. 0.10 crores in the wholly owned Subsidiary M/s GATPL, the company incorporated as a Special Purpose Vehicle, to acquire the Company M/s GVK Power through NCLT. Further the Company got sanctioned Loan amounting Rs. 1440.00 Crores from M/s Power Finance Corporation, which directly disbursed Rs. 1115.77 crores to M/s GVK Power as per the Resolution Plan and Escrow Agreement. This Loan was transferred to M/s GVK Power as per the agreement to transfer and the Company has given Corporate Guarantee to secure the Loan to M/s Power Finance Corporation.

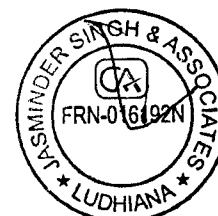


Other than the Loans mentioned above, The Company had availed Loans from M/s PFC and M/s REC Ltd. as mentioned in the note no. 20 & 24 of the Financial Statements.

- (B) Based on the audit procedures carried out by us and as per the information and explanations given to us, during the year, the Company has not provided loans or provided advances in the nature of loans, or stood guarantee, or provided security to parties other than subsidiaries and joint ventures.
- (b) According to the information and explanations given to us and based on the audit procedures performed by us, we are of the opinion that the investments made, and the terms and conditions of loans given by the company are, prima facie, not prejudicial to the company's interest.
- (c) According to the information and explanations given to us and based on the audit procedures performed by us, we are of the opinion that in respect of loans, the schedule of repayment of principal and payment of interest has been stipulated and the repayments of principal and receipts of interest are regular, except in a case of, a subsidiary of the Company, which has not paid due amount of interest for the year, detail of which is disclosed in para (iii)(d) below.
- (d) According to the information and explanations given to us and based on the audit procedures performed by us, receipt of interest is overdue for a period of more than 90 days in respect of a loan given to Gidderbaha Power Limited, a subsidiary company, detail of which is given hereunder:

No. of Cases	Principal Amount Overdue	Interest overdue (₹ in Crores)	Total Overdue (₹ in Crores)	Remarks
One	12.03	-	12.03	The Company has filed petition in the Hon'ble CERC, New Delhi against NTPC Limited for recovery of loan given, the petition is pending for hearing.

- (e) According to the information and explanations given to us and based on the audit procedures performed by us, we are of the opinion that no loan or advance in the nature of loan granted which has fallen due during the year, has been renewed or extended or fresh loans granted to settle the overdue of existing loans given to the same parties.
- (f) According to the information and explanations given to us and based on the audit procedures performed by us, we are of the opinion that the Company has not granted any loans or advances in the nature of loans either repayable on demand or without specifying any terms or period of repayment.

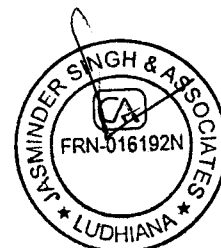


- (iv) Subject to Para 5 of basis for Qualified Opinion Section of our report, the Company has complied with the provisions of Sections 185 and 186 of the Act, to the extent applicable, in respect of grant of loans, making investments and providing guarantees and securities during the year, as applicable.
- (v) The Company has not accepted any deposits or amounts which are deemed to be deposits from the public within the meaning of sections 73 to 76 or any other relevant provisions of the Act. In respect of overdue earnest money deposits and security deposits, Management is of the view that overdue earnest money deposits and security deposits of suppliers/contractors appearing in the books are in the nature of retention money for performance of contracts for supply of goods and services and accordingly, not to be treated as deemed deposits by virtue of amendment in rule 2, sub rule (1), clause (c) of the Companies (Acceptance of Deposits) Amendment Rules 2016.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 148 (1) of the Act in respect of the Company's products to which the said rules are made applicable and are of the opinion that prima facie, the prescribed records have been maintained. We have however not made a detailed examination of the said records with a view to determine whether they are accurate or complete.
- (vii) (a) According to the information and explanations given to us, during the year, the Company has generally been regular in depositing with appropriate authorities undisputed statutory dues including Goods and Services Tax, Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service tax, Custom Duty, Excise Duty, Value Added Tax, Cess and other material statutory dues as applicable to it.

There were no undisputed amounts payable in respect of Goods and Services Tax, Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service tax, Custom Duty, Excise Duty, Value Added Tax, Cess and other material statutory dues in arrear as at 31st March, 2024 for a period of more than six months from the date they became payable.

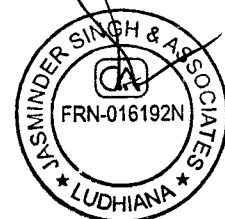
- (b) According to the information and explanations given to us, the details of disputed dues of Goods and Services Tax, provident fund, employees' state insurance, income- tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues, if any, as at 31st March, 2024, are as follows:

Sr. No	Name of the Statute	Nature of Dues	Period to which the amount relates	Forum where dispute is pending	Amount Demanded (In Crores)	Amount paid under protest (In Crores)
1	Punjab Value Added Tax, 2004	VAT on meter/service Rental	2006-07 to 2010-11 and 2013-14	VAT Tribunal Punjab, Chandigarh	209.08	15.87



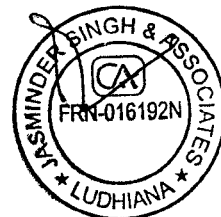
2	Punjab Value Added Tax, 2004	VAT on meter/service Rental	2011-12 to 2016-17 (Except 2013-14)	DETC (Appeals) Patiala	253.59	7.61
3	Entry Tax and Punjab Value Added Tax, 2004	Entry tax on imports of goods from other states	28-03-2011 to 31-03-2024	Hon'ble Supreme Court of India	975.17	-
4	Central Goods and Service Tax Act, 2017	Service Tax	01-10-2017 to 30-06-2017	Service tax department	319.85	0.25
5	Central Goods and Service Tax Act, 2017 and Punjab Goods and Service Tax Act, 2017	Goods and Services Tax (GST) including interest and penalty	01-07-2017 to 31-03-2019	Office of Joint Excise and Taxation Commission (Appeals), Patiala	72.91	4.01
6	Central Goods and Service Tax Act, 2017 and Punjab Goods and Service Tax Act, 2017	Goods and Services Tax (GST) including interest and penalty	2018-19	Office of Dy Commissioner, State Tax. The Company have filed CWP against the notice in Punjab & Haryana High court and stay orders have been issued by the Hon'ble High Court	46.01	-
7	Central Goods and Service Tax Act, 2017 and Punjab Goods and Service Tax Act, 2017	Goods and Services Tax (GST) including interest and penalty	2019-20	Show Cause Notice for non-payment of GST. Against this company has filed writ petition before Hon'ble High Court and stay was granted.	284.46	-
8	Central Goods and Service Tax Act, 2017 and Punjab Goods and Service Tax Act, 2017	Goods and Services Tax (GST) including penalty	01-07-2017 to 31-03-2019	Appeal filed by PSPCL against the SCN has been rejected by the Commissioner (Appeals) CGST Commissionerate, Chandigarh. Against the order in Appeal, Stay has been granted by Hon'ble Punjab & Haryana High Court.	30.65	2.79
9	Employees' Provident Fund and Miscellaneous Provisions Act, 1952	Non deposit of employee provident fund in respect of ASHP	1980-1983	High Court, Delhi	8.66	4.00

(viii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not surrendered or



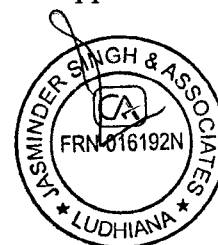
disclosed any transactions, previously unrecorded as income in the books of account, in the tax assessments under the Income Tax Act, 1961 as income during the year.

- (ix) (a) In our opinion and on the basis of information and explanations given to us by the management, we are of the opinion that the Company has not defaulted in repayment of loans or other borrowings or in the payment of interest thereon to any lender.
 - (b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not been declared a wilful defaulter by any bank or financial institution or other lender.
 - (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, term loans were applied for the purpose for which the loans were obtained.
 - (d) According to the information and explanations given to us and on the basis of our examination of the records of the Company, funds raised on short term basis have, prima facie, not been used during the year for long-term purposes by the Company.
 - (e) According to the information and explanations given to us and on an overall examination of the financial statements of the Company, we report that the Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries or joint ventures. Accordingly, clause 3(ix)(e) of the Order is not applicable.
 - (f) According to the information and explanations given to us and procedures performed by us, we report that the Company has not raised loans during the year on the pledge of securities held in its subsidiaries or joint ventures. Accordingly, clause 3(ix)(f) of the Order is not applicable.
- (x) (a) In our opinion and according to the information and explanations given to us, the Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year. Accordingly, clause 3(x)(a) of the Order is not applicable.
 - (b) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly or optionally convertible debentures during the year. Accordingly, clause 3(x)(b) of the Order is not applicable to the Company.
- (xi) (a) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud by the Company or on the Company by its officers or employees during the course of our Audit.



- (b) According to the information and explanations given to us, no report under sub-section (12) of Section 143 of the Companies Act, 2013 has been filed by the auditors in Form ADT-4 as prescribed under Rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government.
- (c) We have taken into consideration the whistle blower complaints received by the Company during the year while determining the nature, timing and extent of our audit procedures.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company, therefore, the provisions of para 3(xii) of the Order is not applicable to the Company.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and the requisite details of such transactions have been disclosed in the financial statements, as required by the applicable Indian Accounting Standards.
- (xiv) (a) In our opinion and based on our examination, the Company has an internal audit system commensurate with size of the company and nature of its business.
- (b) We have considered the reports of the Internal Auditors for the year under audit, issued to the Company during the year and till date, in determining the nature, timing and extent of our audit procedures.
- (xv) In our opinion and according to the information and explanations given to us, the Company has not entered into any non-cash transactions with the directors or persons connected with them covered under Section 192 of the Act. Accordingly, provisions of clause 3(xv) of the Order are not applicable.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable.
- (xvi) According to the information and explanations given to us and based on our examination of the records of the Company,
- (a) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.
- (b) The company has not conducted any Non- Banking Financial or Housing Finance activities during the year.
- (c) The Company is not a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India.
- (d) The Group does not have any CIC.

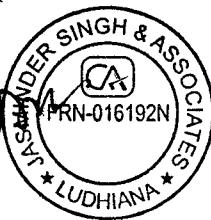
Accordingly, clauses 3(xvi) (a), (b), (c) and (d) of the Order are not applicable.



- (xvii) The Company has not incurred losses during the financial year covered by our Audit. Company has incurred Cash Loss amounting Rs. 3481.30 Crores in the immediate Preceding Financial Year.
- (xviii) There has been no resignation of the statutory auditors during the year. Accordingly, clause 3(xviii) of the Order is not applicable.
- (xix) According to the information and explanations given to us and on the basis of the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the standalone financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that the Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.
- (xx) (a) As mentioned in Para no. 2 of Basis for Qualified Opinion Para, in our opinion and according to the information and explanations given to us, in respect of other than ongoing projects, there are unspent amounts amounting Rs. 09.47 Crores that are required to be transferred to a fund specified in Schedule VII of the Act, in compliance with second proviso to sub section 5 of section 135 of the Act.
- (b) As mentioned in Para no. 2 of Basis for Qualified Opinion Para, in our opinion and according to the information and explanations given to us, funds amounting Rs. 09.47 Crores, that are unspent under section (5) of section 135 of Act, pursuant to any ongoing project, has not been transferred to special account in compliance of with provisions of sub section (6) of section 135 of the said Act.
- (xxi) The reporting under clause 3(xxi) of the Order is not applicable in respect of audit of standalone financial statements. Accordingly, no comment in respect of the said clause has been included in this report.

for M/s Jasminer Singh & Associates
Chartered Accountants
ICAI Firm's Registration Number 016192N

CA. Jasminer Singh
Partner
Membership Number 096895
UDIN: 24096895BKALYU3772



Place of Signature: Patiala
Date: 23.09.2024

Annexure - III to the Independent Auditors' Report

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Punjab State Power Corporation Limited ("the Company") as of 31st March, 2024 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

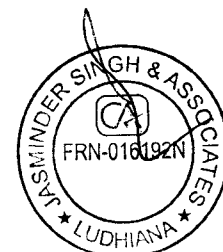
The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a



basis for our qualified audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

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

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls with reference to the standalone financial statements in place and such internal financial controls with reference to the standalone financial statements were operating effectively as at 31st March 2024, based on the internal controls over financial reporting criteria established by the Company considering the components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

for M/s Jasminder Singh & Associates

Chartered Accountants

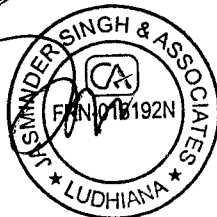
ICAI Firm's Registration Number 016192N

CA. Jasminder Singh

Partner

Membership Number 096895

UDIN: 24096895BKALYU3772



Place of Signature: Patiala

Date: 23.09.2024

Independent Auditors' Report on the Audit of Standalone Financial Statements of PSPCL for FY 2023-24 and Management Replies thereon

Para No.	Observation	Management Replies								
1	<p>Company had made investments amounting Rs. 0.05 Crores in its Subsidiary Company – Gidderbaha Power Limited. Further the Company had remitted funds from time to time to this Company and recorded that amount as Loans & Advances. As on 31.03.2024, Loan to Gidderbaha Power Limited stood as Rs. 12.03 Crores.</p> <p>From the Balance sheet of Gidderbaha Power Limited, it was observed that the funds, remitted by the Company – PSPCL, were reported to have been invested in Capital Work in process amounting Rs. 09.07 Crores and Rs. 02.96 Crores as Non-Current Assets – Preliminary Expenses. These figures are outstanding for more than 10 Years. Reportedly, Gidderbaha Power Ltd. is not doing any business and is up for winding up proceedings.</p> <p>PSPCL should have accounted for impairment / Write-Offs for fair valuation of Investments.</p>	<p>Necessary disclosure in this regard has already been made at Note 45(1) & 46 of Financial Statements. However, the matter is still under dispute and Petition has been filed in Hon'ble CERC, New Delhi with Reference No. 424/2020 dated 12-02-2020 (Petition No. 262/MP/2020) which is disposed-off vide its order dated 20-01-2024. As per orders, Commission does not have the jurisdiction to adjudicate the dispute raised by PSPCL. Hence, PSPCL is in process to file again fresh petition for adjudication of the disputes before Hon'ble PSERC as per legal advise/opinion.</p>								
2	<p>Company has made expenditure of Rs. 09.47 Crores on account of Corporate Social Responsibility. No justifiable records / data was provided to verify that the amount was actually utilised for the purpose it was disbursed.</p>	<p>The amount of Rs. 9.47 crores on account of unspent CSR has been transferred to the Department of School Education (Amount paid for improvement of infrastructure like classrooms, washrooms, major repairs etc. for 28 no govt. schools). So far as record/data regarding actually utilized for the purpose it was disbursed, it is intimated that the matter has been taken up with the concerned department.</p>								
3	<p>IND AS 109, inter-alia, provides that that: Para 5.4.4:</p> <p>“An entity shall directly reduce the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event”</p> <p>Following are the balances of Receivables, which should have been written-off but still outstanding in the Financial Statements:</p> <table border="1" data-bbox="290 1774 944 1989"> <thead> <tr> <th data-bbox="290 1774 450 1899">Accounting Code</th> <th data-bbox="450 1774 662 1899">Account Name</th> <th data-bbox="662 1774 869 1899">Closing Balance as on 31.03.2024 (Rs. in Crores)</th> <th data-bbox="869 1774 944 1899">DR/CR</th> </tr> </thead> <tbody> <tr> <td data-bbox="290 1899 450 1989">28.511</td> <td data-bbox="450 1899 662 1989">Claim for Grade Difference – Coal</td> <td data-bbox="662 1899 869 1989">2.97</td> <td data-bbox="869 1899 944 1989">DR</td> </tr> </tbody> </table>	Accounting Code	Account Name	Closing Balance as on 31.03.2024 (Rs. in Crores)	DR/CR	28.511	Claim for Grade Difference – Coal	2.97	DR	<p>The majority of the balances in question relates to amount under investigations. As such till the decision of the competent authority, the amount cannot be charged to P&L. However, the efforts are being made for clearing all these outstanding balances at the earliest.</p> <p>Further, the amount under reconciliation on account of Inter Corporation Transaction mainly pertains to 66kv sub-stations & lines which were executed by PSTCL and CWIP/Assets of PSPCL parked to PSTCL in the opening balances. However, the</p>
Accounting Code	Account Name	Closing Balance as on 31.03.2024 (Rs. in Crores)	DR/CR							
28.511	Claim for Grade Difference – Coal	2.97	DR							

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	28.513 & 28.514	Railway Claims for Coal	1.86	DR	necessary disclosure has already been made at Note 14.1 of financial statements.
	28.518 & 28.551	Railway Claims for Others	2.36	DR	
	28.867	Amount recoverable from HSEB	0.37	DR	
	28.868	Misc. Advance Account	1.30	DR	
	28.870	Losses under Investigation	48.01	DR	
	28.874	Cost of Shortages of T/Fs pending Investigation	61.93	DR	
	28 & 46	Inter Corporation Transactions (ICT) – PSTCL	18.43	DR	
		Total	137.23		
	22.8	Material Excess / Shortage pending Investigation	(7.21)	CR	
4	<p><i>As per the Actuary valuation Report, dated 15-07-2024-Company is having an outstanding Liability of Rs. 43,672.75 Crores pertaining to Pension, Gratuity, Leave encashment, Ex- Gratia, Commutation, Medical as on 31.03.2024. This Liability has not been booked by the Company entirely resulting the Profit of the Company Overstated.</i></p> <p><i>Further the Company has Trusts in relation to the Post employment Benefits, which were formed to make investments in Planned Assets as per the requirements of IND AS 19. Financial Statements of these Trusts have not been prepared and Audited and shown to us.</i></p> <p><i>Had company booked this liability, Company's Profit would have been reduced by Rs. 127.55 Crores for current year and Rs. 43545.20 crore for previous years and Company's Current and non-current Liabilities would have been increased by Rs. 3939.01 crore and Rs. 39,733.74 Crores respectively.</i></p>				Necessary disclosure in this regard has already been made at Note 40(1) of Financial Statements.
5.	<p><i>Attention is invited to note 36 'Finance Cost' to the financial statements which, inter alia, includes an expenditure of ₹ 224.83 Crores on account of interest on security deposits of consumers computed on the outstanding balance as per billing system instead of outstanding balance as per books. Accordingly, a sum of ₹ 62.61 Crores for</i></p>				Interest on consumer security deposit has been provided on the balance outstanding as per control register of consumer security as on 31-03-2024. However, necessary instructions have been imparted to concerned distribution offices for

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	<p><i>the year ending 31-03-2024 and ₹ 834.31 Crores for the earlier years, worked out at the applicable rate, has been short accounted for. The short provision of interest on balance of security has resulted in overstatement of profit by ₹ 62.61 Crores, and understatement of Current liabilities and overstatement of 'Equity' by ₹ 896.92 Crores.</i></p>	<p>making correct provision for interest on security in future.</p>
6.	<p><i>Debtors and Creditors amounting Rs. 7550.37 Crores and Rs. 3553.86 Crores respectively are subject to confirmation.</i></p>	<p>Company prepares books of accounts at branch office level and consolidates abstract/summaries at head office level as per Section 128 of Companies Act, 2013. Accordingly, list of debtors at available at concerned field offices, which is already verified by audit team during their field visits. Further, the billing mechanism of company is on accumulated basis, unpaid amount of last bill is added to current bill along with interest and penal charges as per applicable tariff. Hence, only current and last bill is remains payable except defaulting consumers. The majority of same is already realised except defaulting before finalisation of accounts. Further, ageing of debtors and creditors is also disclosed at note no 12 and 26 of financial statements. However, efforts are being made for reconciliation of the balances of creditors.</p>
7	<p><i>Attention is invited to note 13 'Financial Assets - Cash & Cash Equivalents' which, inter alia, includes a sum of ₹ 9.71 Crores on account of 'Cheque issued account' under group head 24.403 (accumulated from 01.02.1959 till 01.04.2011) and ₹ 0.66 Crores on account of 'Remittance to HO in transit account' under group head 24.501, for which no details/ information is available. Since the said amount is not recoverable and need to be written off, therefore, profit is overstated, and assets are overstated to that extent.</i></p>	<p>The difference relates to cheque issued & drawn account and has been accumulated since 01.02.1959 i.e. inception of erstwhile PSEB till 01.04.2011. However, each and every entry of bank statement has been reconciled since inception of company and some misclassifications have been detected. As, the reconciliation is of enormous amount for long period, efforts are being made to reconcile the same.</p>
8	<p><i>Attention is invited to note 27 'Financial Liabilities - Others (Current)' to the Financial Statements which, inter alia, includes a sum of ₹19.37 Crores under group head 46.9 'Other Liability &</i></p>	<p>The efforts are being made to clear these balances at the earliest.</p>

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	<i>provisions' for which no details are available and no claims in respect of such liabilities is pending with the Company. In the absence of complete details, the impact of adjustment, if any, on financial statements is presently not ascertainable.</i>	
9.	<p><i>IND AS 105, Non – Current Assets held for Sale and Discontinued Operations, inter-alia, provides that: Para – 15,</i></p> <p><i>“An entity shall measure a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell”</i></p> <p><i>Company had held Fixed Assets amounting Rs. 12.00 Crores for Sale (Accounting Code 16.105). Per the requirements of the IND AS – 105, Company had to measure fair Value of the assets held for sale and Lower of carrying amount and Fair Value should have been recorded in the Financial Statements. However, Company had not calculated the Fair value rather valued those fixed Assets at Carrying Value only. This leads to the violation of IND AS 105.</i></p>	<p>Sale of waste and scrap is accounted for as and when realized as per policy of company disclosed at note 2.15 of annual accounts.</p>
10.	<p><i>Company has accounted for certain expenses like leave travel concessions, medical reimbursement, TA/DA claims, arrears of salary and dearness allowance on cash basis. Further, the above treatment is not in compliance with Ind AS 1 'Presentation of Financial Statements' read together with section 128 of the Act.</i></p>	<p>Expenses have been accounted for on cash basis as per accounting policy 2.16 of the company.</p>
	<p><i>In view of observations at Sr No. 1, 4, 5 & 7 considering the impact quantifiable, profit for the current year is overstated by Rs. 211.90 Crores, overstatement 'Other Equity' by Rs. 44,379.51 Crores, Current Assets are overstated by Rs. 9.71 crores, Non-Current Assets are overstated by Rs. 12.03 Crores, Current Liabilities are understated by Rs. 4835.93 Crores and Non-Current Liabilities are understated by Rs. 39,733.74 Crores.</i></p>	<p>In view of the replies submitted above there is no overstatement of profit during the year 2023-24.</p>

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