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Independent Auditor's Report

To the Members of **CHHATTISGARH STATE POWER TRANSMISSION COMPANY LIMITED**

Report on the Audit of the Standalone Ind AS Financial Statements

Qualified Opinion

We have audited the standalone Ind AS financial statements of **Chhattisgarh State Power Transmission Company Limited** ("the Company") which comprise the balance sheet as at 31st March 2022, and the statement of Profit and Loss (including other Comprehensive Income), the Statement of Changes in Equity for the year ended on that date and Notes to the Financial Statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as the 'standalone Ind AS 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 financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as 31st March 2022 and profit/loss, and its cash flows for the year ended on that date.

Basis for Qualified Opinion

We conducted our audit in accordance with Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

- a. The company carries out capital work for its own project as well as for other parties; known as deposit works. The company prepares an initial estimate of cost and outside parties are required to submit requisite amount with the company for execution of work. This amount



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is parked in a liability account namely L110702 and L110705 in SAP ERP system. After the completion of work, the same is netted off with respective asset or refunded back to company as the case may be. The amount outstanding in aforesaid codes as **at 31st March, 2022** amounts to **Rs.47,304.53 lacs**. However, the company has not provided party wise/ estimate wise reconciliation nor ageing of the aforesaid amount. During the course of our audit, we have identified that out of total balance of deposit works of Rs.47,304.53 Lacs, amount of Rs.15,901.37 Lacs related to deposit work is still lying in CWIP and balance of Rs. 31,403.16 Lacs is not yet identified. This balance may be on account of amount to be refunded to parties or the work has not been started against those receipts. The company has not provided us adequate information so as to enable us to bifurcate the liability in the aforesaid two categories. In the absence of party wise reconciliation of deposit works liability, we are unable to comment upon the accuracy of deposit work liability of Rs. 47,304.53 lacs and its classification thereon in current and non- current liability.

Further, we have also observed that there have been no significant movement in deposit work account codes during last 4 years the details of which is tabulated below.

Year	Deposit Work Liability	Capital WIP
2021-22	47,304.53	58,921.20
2020-21	45,961.27	49,492.56
2019-20	42,139.03	52,441.07
2018-19	42,413.05	65,342.66

b. We have observed that out of CWIP amounting to Rs. **58,921.20 lacs**, CWIP amounting to Rs. 1,358.93 lacs have not been capitalized for more than 2 years and CWIP amounting to Rs.7,920.67 Lacs have not been capitalized for more than 1 year. Amongst other, these amounts include items such as construction of transformer bay, loading unloading of DP structure, construction of ECG room and other like items. In our opinion these items cannot remain in WIP stage for such a long period and such items should have been identified and capitalized in a timely manner. This delay in capitalization has resulted in overstatement of WIP by **Rs.9,279.60 lacs**, understatement of fixed assets and resultant depreciation resulting in overstatement of profit as well. In the absence of proper records pertaining to completion of assets, depreciation



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on account of delay in capitalization could not be ascertained. Further, the possibility of impairment of asset cannot be ruled out in such circumstances

c. According to **clause 4.32** of Chhattisgarh State Electricity Supply Code, 2011; the company has to refund the excess of deposited amount over the actual expenditure within a period of 90 days from the date of completion of work to consumers from whom the deposit has been received. In case of delay in refund the company is liable to pay interest at the rate of 1 % per month or part thereof on amount refundable.

The amount of interest payable shall have a bearing on profits of the company which, in the absence of party wise listing could not be quantified now.

d. The company has outstanding trade payables outstanding for more than 3 years amounting to Rs.3,308.47 Lacs. The management has not provided detailed listing and status of these amounts. In our opinion, since these amounts are pending for payment over 3 years and also proper listing is not available with the management, the same should be written back in accounts of the company. In view of above, trade payables are overstated by Rs.3,308.47 Lacs.

e. As per section 16 of the MSMED Act, 2006 the buyer is liable to pay compound interest with the monthly rests to the supplier on the amount at the three times of the bank rate notified by RBI in case he does not make payment to the supplier for his supplies of goods or services within 45 days of the acceptance of the goods/service rendered. The company has not made payments to vendors registered as MSME under Micro, Small and Medium Enterprises Development Act, 2006 in accordance within the time schedules as mentioned in the Act. Based on our sample verification of accounts, there should be a provision for Interest Payable on the said delay in payments amounting to Rs.38.97 Lakhs resulting in over statement of profit and understatement of current liabilities to the tune of Rs. 38.97 Lakhs.



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Information other than the financial statements and auditors' report thereon

The Company's board of directors is responsible for the preparation of the other information. The other information comprises the information included in the Board's Report including Annexures to Board's Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Emphasis of Matter

- a) TDS and GST returns are subject to reconciliation with books of accounts. Any liability arising out of subsequent reconciliation is not determinable at the moment.
- b) Contingent Liability reported under Note No.33 have not been verified from source documents due to their non availability.
- c) The management has not provided us stock ageing report of the inventory items. In the absence of stock ageing report, we are unable to quantify if any provision for slow/ nonmoving inventory is desired.
- d) Balances of loan from state government, inter-company accounts, loans & advances including government and others and current liabilities including sundry creditors, employee advances, contractor advances are subject to confirmation and reconciliation.

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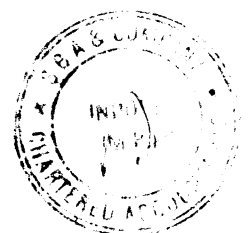
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- e) Attention is invited to Note No 11 of Financial Statements wherein the company has outstanding trade receivables amounting to Rs.70153.48 Lacs (majority of which relates to Chhattisgarh State Power Distribution Company Limited) which is almost equal to 12 months of company's revenue. The company has neither made any provision for bad debts on said receivables nor it has proposed to write off the same to its board of directors. Further, the company has also recorded delay payment surcharge amounting to Rs. 14,991.70 Lacs. Although the amount of surcharge has been written off in books of accounts, board approval for the same has not been taken for write off. In our opinion, the company should assess the recoverability of the same and make adequate provision in this regard. Also the aforesaid balance is subject to reconciliation and confirmation and the impact of any adjustment arising on final reconciliation is not ascertainable at the moment.

Our opinion is not qualified in respect of above matters.

Other Matter

- a) The company has not complied with the appointment of company secretary u/s 203(1)(ii) of the Companies Act 2013 and its rule, as the company secretary can be maximum of two companies at same time but here, the company secretary has been appointed for five companies at same time, in our view, this is not the real intent of the legislature, the same need to be looked into by the management.
- b) The company has not so far furnished any secretarial audit report for the FY 2020-21 under Section 204 of the Companies Act, 2013.
- c) The financial statement for the FY 2020-21 has not been adopted by the company at its AGM as specified under Section 102 of Companies Act 2013.
- d) Following accounting codes are subject to reconciliation:
- i. L010190 -Initial Uploading FI
 - ii. L010191 -Initial Uploading FI



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iii. L112035- Royalty Pay-Cont

iv. L112036- Royalty Pay-Cont

e) The company recognizes property, plant and equipment under deposit work at nominal value of Re.1. However, the fixed assets of company consist assets amounting to Rs. 5.66 lakhs related to deposit works where assets have been capitalized but it could not be transferred at nominal value due to technical error of SAP accounting software. Although the company is not charging depreciation on these assets, but this has resulted in overstatement of net block of assets in the financial statements.

f) There are certain accounts in the trial balance of the company which are having balance but no transactions are being recorded in those accounts due to technical reasons or the accounts have been blocked for entry. Such accounts need to be reconciled and its impact should be taken in the financial statements. We have also observed adverse balances in certain accounts which according to management are due to technical limitations in SAP software. These issues should be resolved at the earliest by the company.

g) Company has not provided details of overdue WIP. Therefore reporting under Note No 4A of Financial Statements relating to Implementation Schedule could not be done.

h) There is no system in SAP to identify MSME Vendors and therefore details of payments due to MSME and non MSME Vendors could not be identified and reported under Note No 18 of Financial Statements.

Our opinion is not qualified in respect of above matters.



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Responsibilities of Management and Those Charged with Governance for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

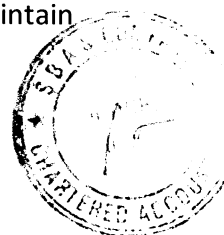
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 SAs 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 financial statements.

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



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- Identify and assess the risks of material misstatement of the 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.

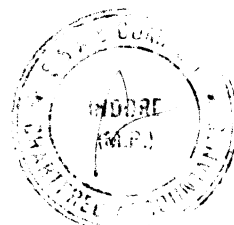
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the standalone financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the standalone financial statements.



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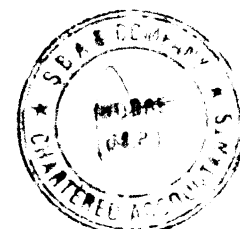
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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

1. 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 Companies Act, 2013, we give in the '**Annexure A**', a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143 (3) of the Act, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - e) On the basis of the written representations received from the directors as on 31st March, 2022 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2022 from being appointed as a director in terms of Section 164 (2) of the Act.
 - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in '**Annexure B**'.



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- g) 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:
- The Company has disclosed pending litigations and the impact on its financial position to the Standalone Ind AS Financial Statements.
 - The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;
 - There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
 - (a) The management has represented that, to the best of it's knowledge and belief, other than as disclosed in the notes to the accounts, 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, other than as disclosed in the notes to the accounts, 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; and



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(c) Based on such audit procedures that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material mis-statement.

v. No dividend have been declared or paid during the year by the company.

3. As required under section 143(5) of the companies act, 2013 we give in the “Annexure III” a statement on direction issued by the Comptroller & Auditor General of India after complying the suggested methodology of audit, action taken thereon and its impact on the accounts and standalone financial statement of the company.

Place:-Raipur

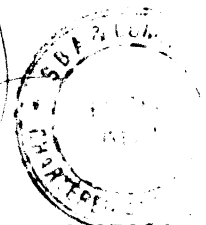
Date: 28/09/2022

UDIN: 22419500AWBFRO8404

For S B A & COMPANY
Chartered Accountants
FRN: 004651C

Sd/-
AKSHAY JAIN
(PARTNER)

Membership No. 419500



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Annexure 'A'

The Annexure referred to in paragraph 1 of Our Report on "Other Legal and Regulatory Requirements".

We report that:

- (i) (a) (A) The company has maintained reasonable records showing full particulars, including quantitative details of Property, Plant and Equipment;
- (B) The Company does not have any intangible assets.
- (b) According to the information and explanations given to us the Company, the Property, Plant and Equipment have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such verification. However, the management has not furnished any report of verification of fixed assets.
- (c) The company does not have a complete list of immovable properties and their title deeds, therefore we are unable to comment on whether all the immovable properties are held in the name of company or not.
- (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 during the year. Accordingly, the reporting under Clause 3(i)(d) of the Order is not applicable to the Company.
- (e) According to the information and explanations given to us and on the basis of our examination of the records of the Company, no proceedings have



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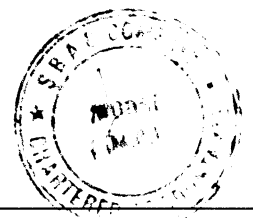
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been initiated or are pending against the company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder.

- (ii) (a) As explained to us & on the basis of the records examined by us, in our opinion, physical verification of inventory has been conducted at reasonable intervals by internal auditor. In our opinion, the coverage and procedure of such verification appropriate. Discrepancies noticed on physical verification have been appropriately accounted for in the books of accounts.
- (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 been sanctioned working capital limits in excess of five crore rupees, in aggregate, from banks or financial institutions on the basis of security of current assets during the year. The quarterly returns or statements filed by the company with such banks or financial institutions are not in agreement with the books of account of the Company in respect of following:

(Amount in Crore)

Particulars	Qtr/Month	As per books	As per stock statement	Reason of difference
Stock and Debtors	June-21	796.63	609.84	As per the company Bank is considering debtors outstanding up to 210 days.
Stock and Debtors	September-21	940.87	625.00	As per the company Bank is considering debtors outstanding up



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				to 210 days.
Stock and Debtors	December-21	1010.73	648.94	As per the company Bank is considering debtors outstanding up to 210 days.
Stock and Debtors	March-22	1083.84	1027.92	As per the company Bank is considering debtors outstanding up to 210 days.

(iii)

(a) According to the information and explanations given to us and on the basis of our examination of the records of the company, during the year the company has provided loans other entities:

(A) the aggregate amount during the year with respect to such loans or advances to parties (fellow subsidiary) other than subsidiaries, joint ventures and associates is Rs.140 crore/- and balance outstanding at the balance sheet date is Rs.NIL/-;

(b) According to the information and explanations given to us and on the basis of our examination of the records of the company, the terms and conditions of the grant of all loans are not prima facie prejudicial to the company's interest.

(c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, in the case of loans given, in our opinion the repayment of principal and payment of interest has been stipulated and the repayments or receipts have been regular.



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- (d) According to the information and explanations given to us and on the basis of our examination of the records of the Company, there are no overdue amounts for more than 90 days in respect of the loans granted to the parties
- (e) According to the information and explanations given to us and on the basis of our examination of the records of the Company, 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 over dues of existing loans given to the same parties.
- (f) 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 granted any loans or advances in the nature of loans either repayable on demand or without specifying any terms or period of repayment.
- Aggregate amount of loans or advances of above nature given during the year is Rs.140 Crores..
 - Percentage thereof to the total loans granted is 100%.
 - Aggregate amount of loans granted to Promoters, related parties as defined in clause (76) of section 2 of the Companies Act, 2013 is Rs. 140 Crores.
- (iv) According to the information and explanations given to us and on the basis of our examination of the records, in respect of loans, investments, guarantees, and security, provisions of section 185 and 186 of the Companies Act, 2013 have been complied with.
- (v) The company has not accepted any deposits or amounts which are deemed to be deposits covered under sections 73 to 76 of the Companies Act, 2013. Accordingly, clause 3(v) of the Order is not applicable.
- (vi) As per information & explanation given by the management,



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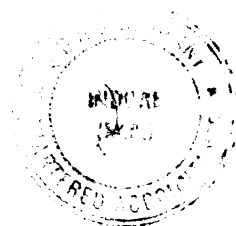
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maintenance of cost records has been specified by the Central Government under sub-section (1) of section 148 of the Companies Act and preparation of such accounts and records is under process.

- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the company, the company is regular in depositing undisputed statutory dues including 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 to the appropriate authorities. According to the information and explanation given to us there were no outstanding statutory dues as on 31st of March, 2022 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us and on the basis of our examination of the records of the company, there is no statutory dues referred to in sub-clause (a) that have not been deposited on account of any dispute:

Name of the Statute	Nature of the Dues	Amount (Rs.)	Period to which the amount relates	Forum where Dispute is pending	Remarks, if Any
Entry Tax Act, 1976	Entry Tax	155.62	FY 2011-12	Appellate Tribunal, Raipur	
Entry Tax Act, 1976	Entry Tax	12.87	FY 2013-14	Appellate Tribunal, Raipur	



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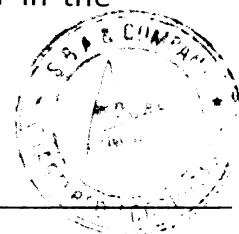
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Entry Tax Act, 1976	Entry Tax	39.40	FY 2014-15	Appellate Tribunal, Raipur	
Income Tax, 1961	Income Tax (cases related to erstwhile CSEB)	4193.99 (15.12% being amount allocable to CSPTCL in equity ratio)	AY 2002-03	ITAT, Mumbai and CG High Court	
Income Tax, 1961	Income Tax (cases related to erstwhile CSEB)	5645.20 (15.12% being amount allocable to CSPTCL in equity ratio)	AY 2006-07	ITAT, Mumbai	
Income Tax, 1961	Income Tax (cases related to erstwhile CSEB)	1392.85 (15.12% being amount allocable to CSPTCL in equity ratio)	AY 2008-09	CIT(A), Raipur	

(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) 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 defaulted in repayment of loans or other borrowings or in the



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payment of interest thereon to any lender.

- (x) 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 willful defaulter by any bank or financial institution or other lender;
- (b) According to the information and explanations given to us by the management, the Company has utilized the money obtained by way of term loans during the year for the purposes for which they were obtained.
- (c) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short term basis have been used for long term purposes by the company.
- (d) The Company does not hold any investment in any subsidiary, associate or joint venture (as defined under the Act) during the year ended 31 March 2022. Accordingly, clause 3(ix)(e) is not applicable.
- (e) The Company does not hold any investment in any subsidiary, associate or joint venture (as defined under the Act) during the year ended 31 March 2022. Accordingly, clause 3(ix)(f) is not applicable.
- (xi) (a) 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 on the basis of our examination of the records of the Company, the company has not made any preferential allotment or private placement of shares or convertible debentures (fully, partially or optionally convertible) during the year. Accordingly, clause 3(x)(b) of the Order is not applicable.



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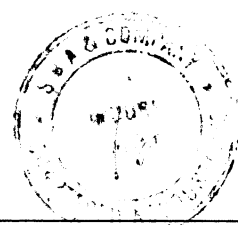
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- (xii) (a) Based on examination of the books and records of the Company and according to the information and explanations given to us, no fraud by the company or any fraud on the company has been noticed or reported during the course of audit.
- (b) According to the information and explanations given to us by the management, no whistle-blower complaints had been received by the company
- (xiii) The company is not a Nidhi Company. Accordingly, clause 3(xii)(a), 3(xii)(b) and 3(xii)(c) of the Order is not applicable.
- (xiv) In our opinion and according to the information and explanations given to us, all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, where applicable and the details have been disclosed in the financial statements, as required by the applicable accounting standards;
- (xv) (a) Based on information and explanations provided to us and our audit procedures, the company has an internal audit system commensurate with the size and nature of its business;
- (b) We have considered the internal audit reports of the Company issued till date for the period under audit.
- (xvi) In our opinion and according to the information and explanations given to us, the company has not entered into any non-cash transactions with



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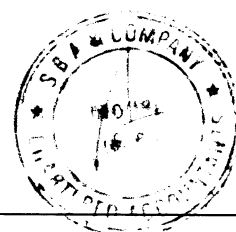
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directors or persons connected with him and hence, provisions of Section 192 of the Companies Act, 2013 are not applicable to the Company

- (xvii) (a) In our Opinion and based on our examination, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934). Accordingly, clause 3(xvi)(a) of the Order is not applicable.
- (b) In our Opinion and based on our examination, the Company has not conducted any Non-Banking Financial or Housing Finance activities without a valid Certificate of Registration (CoR) from the Reserve Bank of India as per the Reserve Bank of India Act, 1934. Accordingly, clause 3(xvi)(b) of the Order is not applicable. ,
- (c) In our Opinion and based on our examination, the Company is not a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India. Accordingly, clause 3(xvi)(c) of the Order is not applicable.
- (d) According to the information and explanations given by the management, the Group does not have any CIC as part of the Group.
- (xviii) Based on our examination, the company has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (xix) There has been no resignation of the statutory auditors during the year. Accordingly, clause 3(xviii) of the Order is not applicable.
- (xx) 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, our knowledge of the Board of Directors and management plans and based on our examination of the



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evidence supporting the assumptions read with our remark against **point e of basis of Emphasis of Matter Section** 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 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.

(xxi)

(a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, there is no unspent amount under CSR hence reporting under this clause is not applicable.

(xxii) The company is not required to prepare Consolidate financial statement hence this clause is not applicable.

Place:-Raipur

Date: 28/09/2022

UDIN: 22419500AWBFRO8404

For S B A & COMPANY
Chartered Accountants
FRN: 004651C

Sd/-

AKSHAY JAIN
(PARTNER)

Membership No. 419500



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Annexure 'B'

Report on Internal Financial Controls Over Financial Reporting

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 CHHATTISGARH STATE POWER TRANSMISSION COMPANY LIMITED ("the Company") as of March 31, 2022 in conjunction with our audit of the 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. 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



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the Institute of Chartered Accountants of India. 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 judgement, 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 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



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accordance with authorizations of management and directors of the company; and

3. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

According to the information and explanations given to us and based on our audit, the following internal control weaknesses have been identified as at March 31, 2022:

- a) The company uses ERP software SAP for recording daily transactions. Despite of using an ERP software, certain reports such as FAR, WIP listing and even financial statements are prepared in MS- Excel. As informed to us by management of the company, the fixed asset module of ERP software is under development and pending its configuration, various reports related to fixed assets are prepared outside ERP software manually. In the view of above, we are unable to comment on operating effectiveness fixed asset module of accounting software.
- b) The company has more than 50 TAN number for TDS compliances, it is a very much tedious process to have an internal control for proper deduction, payments, filling and issuing TDS certifications on timely manner, we suggest to maintain the same at least on Regional office level/ or H.O Level.



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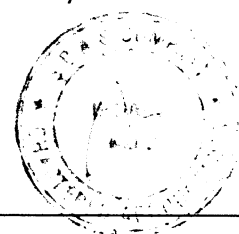
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c) Service Tax/Goods and Service Tax (GST)

We have observed that the GST returns file by the company is not in reconciliation with books of accounts.

d) We have observed that out of CWIP amounting to Rs. **58,921.20 lacs**, CWIP amounting to Rs. 1,358.93 lacs have not been capitalized for more than 2 years and CWIP amounting to Rs.7,920.67 Lacs have not been capitalized for more than 1 year. Amongst other, these amounts include items such as construction of transformer bay, loading unloading of DP structure, construction of ECG room and other like items. In our opinion these items cannot remain in WIP stage for such a long period and such items should have been identified and capitalized in a timely manner. This delay in capitalization has resulted in overstatement of WIP by **Rs.9,279.60 lacs**, understatement of fixed assets and resultant depreciation resulting in overstatement of profit as well. In the absence of proper records pertaining to completion of assets, depreciation on account of delay in capitalization could not be ascertained. Further, the possibility of impairment of asset cannot be ruled out in such circumstances. Furthermore, the CWIP register is being maintained by company in excel and it does not provide proper description of nature of CWIP.

e) The company carries out capital work for its own project as well as for other parties; known as deposit works. The company prepares an initial estimate of cost and outside parties are required to submit requisite amount with the company for execution of work. This amount is parked in a liability account namely L110702 and L110705 in SAP ERP system. After the completion of work, the same is netted off with respective asset or refunded back to company as the case may be. The amount outstanding in aforesaid codes as **at 31st March, 2022** amounts to **Rs.47,304.53 lacs**. However, the company neither have party wise/ estimate wise reconciliation nor ageing of the aforesaid amount. During the course of our audit, we have identified that out of total balance of deposit works of Rs.47,304.53 Lacs, amount of Rs.15,901.37 Lacs related to deposit work is still lying in CWIP and balance of Rs. 31,403.16 Lacs is not yet identified. This balance may be on account of amount to be refunded to parties or the work has not been started against those receipts. The company has not provided us adequate information so as to enable us to bifurcate the liability in the aforesaid two categories. In the absence of party wise reconciliation of deposit works liability, we are unable to comment upon the authenticity of deposit work liability of Rs.



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47,304.53 lacs and its classification thereon in current and non- current liability.

Further, we have also observed that there have been no significant movement in deposit work account codes during last 4 years the details of which is tabulated below.

Year	Deposit Work Liability	Capital WIP
2021-22	47,304.53	58,921.20
2020-21	45,961.27	49,492.56
2019-20	42,139.03	52,441.07
2018-19	42,413.05	65,342.66

f) The company has outstanding trade payables outstanding for more than 3 years , amounting to Rs.3,308.47 Lacs. The management has not provided detailed listing and status of these amounts. In our opinion, since these amounts are pending for payment over 3 years and also proper listing is not available with the management, the same should be written back in accounts of the company. In view of above, trade payables are overstated by Rs.3,308.47 Lacs.

g) There are certain accounts in the trial balance of the company which are having balance but no transactions are being recorded in those accounts due to technical reasons or the accounts have been blocked for entry. Such accounts needs to be reconciled and its impact should be taken in the financial statements. We have also observed adverse balances in certain accounts which according to management are due to technical limitations in SAP software. These issues should be resolved at the earliest by the company.

h) **Following accounting codes are subject to reconciliation:**

- a. L010190 -Initial Uploading FI
- b. L010191 -Initial Uploading FI
- c. L010192 - Initial Uploading FI
- d. L112035- Royalty Pay-Cont
- e. L112036- Royalty Pay-Cont



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According to the information and explanations given to us, the company is in the process of establishing its internal financial control over financial reporting on criteria based on or 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.

Because of these reasons and weaknesses, we are unable to obtain sufficient appropriate audit evidence to provide a basis for our opinion whether the Company had adequate internal financial controls over financial reporting and whether such internal financial controls were operating effectively as at March 31, 2022.

We have considered the disclaimer reported above in determining the nature, timing, and extent of audit tests applied in our audit of the standalone financial statements of the Company, and the disclaimer does not affect our opinion on the standalone financial statements of the Company.

Place:-Raipur

Date: 28/09/2022

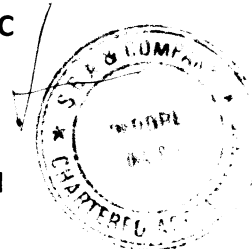
UDIN: 22419500AWBFRO8404

For S B A & COMPANY
Chartered Accountants
FRN: 004651C

Sd/-

AKSHAY JAIN
(PARTNER)

Membership No. 419500



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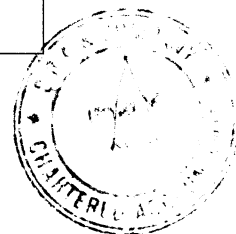
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“ANNEXURE-III” to the Independent Auditor’s Report

(As referred to in Paragraph 3 under Report on Legal and Regulatory Requirements of our report on the statement of Directions under section 143(5) of the companies Act, 2013 issued by the Comptroller & Auditor General of India)

A. <u>REPORT ON THE DIRECTIONS ISSUED BY C&AG UNDER SECTION 143 (5) OF THE COMPANIES ACT 2013</u>		
S No.	DIRECTIONS UNDER SECTION 143(5) OF THE COMPANIES ACT 2013	REPLY / COMMENTS
1	Where the company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing outside IT system on the integrity of the accounts along with the financial implications , if any , may be stated ?	The company uses ERP software SAP for recording daily transactions. Despite of using an ERP software, certain reports such as FAR, WIP listing and even financial statements are prepared in MS-Excel. As informed to us by management of the company, the fixed asset module of ERP software is under development and pending its configuration, various reports related to fixed assets are prepared outside ERP software manually. In the view of above, we are unable to comment on operating effectiveness fixed asset module of accounting software.
2	Whether there is any restructuring of any existing loan or cases of waiver / write off of debts/loans/interest etc. made by a lender to the company due to the company’s inability to repay the loan? If yes , the financial impact may be stated. Whether such cases are properly accounted for?(In case , lender is a government company , then this direction	No such case identified and informed by the management.



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	is also applicable for statutory auditor of lender company).	
3	Whether funds(grants/subsidy etc) received/receivable for specific schemes from Central / State Government or its agencies were properly accounted for / utilised as per its terms and conditions? List the cases of deviations.	Grant has been received under Power Sector Development Funds Scheme amounting to Rs 3823 Lakhs./- This amount has been accounted under Grant Account.

Place:-Raipur

Date: 28/09/2022

UDIN: 22419500AWBFRO8404

For S B A & COMPANY
Chartered Accountants
FRN: 004651C

Sd/-
AKSHAY JAIN
(PARTNER)
Membership No. 419500



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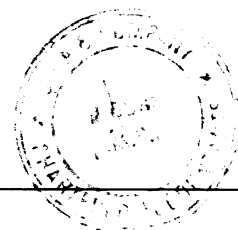
ANNEXURE-II

Specific Sub –direction under section 143(5) of the companies act 2013 issued by the Comptroller and Auditor General of India to the statutory auditors of Chhattisgarh State Power Transmission Company Limited for conducting the audit of accounts for the year 2018-19, POWER SECTOR

S No.	DIRECTIONS UNDER SECTION 143(5) OF THE COMPANIES ACT 2013	REPLY / COMMENTS
1	Adequacy 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.	To prevent encroachment of land under possession of CSPTCL, the area is protected by providing area fencing by Barbed wire or by constructing boundary wall around it. Field authorities regularly visit various companies' premises to ensure that there is no encroachment. In case any such activity is observed, the same is removed with the aid of local revenue officials.
2	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.	The company being a state government company acquires the land for new projects as per the prescribed procedure of Revenue/Forest and MOEF department. The company makes its sincere effort to locate the site preferably on revenue land. If at all suitable revenue land is not available, then alternative land is examined in Forest/Private land. The land acquisition for forest land is done as per the guidelines issued by the Ministry of Environment & Forest. Similarly, private land acquisition is carried out through revenue officials as per their prescribed procedure and there is complete transparency in processing of these acquisitions. However, as informed to us, no fresh acquisition of land has been made by the company for the year under audit.
3	Is the system of evacuation of power commensurate	As informed to us there is no addition in power generation capacity of CSPGCL and so the existing system is

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S B A & COMPANY

CHARTERED ACCOUNTANTS

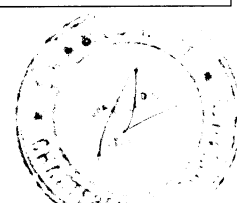
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	with power available for transmission with the generating company? If not loss, if any, claimed by the generating company may be commented.	commensurate with power available for transmission with the generating company.
4	How much transmission loss in excess of prescribed norms has been incurred during the year and whether the same been properly accounted for in the books of accounts.	As informed to us, CSERC has set a target transmission loss of 3.22% vide its tariff order, however the company has incurred actual transmission loss of 3.02% which is within the prescribed limits. Further, as per the directives of CSERC, the transmission loss is recovered from the open access customers, hence accounting effect of the transmission losses in the books of the company is 'Nil'.
5	Whether the assets constructed and completed on behalf of other agencies and handed over to them has been properly accounted for in the financial statements.	As per the stated policy and the methodology consistently adopted by the company, any amount received from consumer against erection of capital assets are initially accounted as "Deposit Work" (Under liability). Post completion of such assets, the amount of "Deposit Work" is adjusted against the cost of assets. Deposit work done for other agencies are not handed over to them and shown under PPE at Nominal Value.
6	Whether the Company has an effective system for recovery of revenues as per contractual terms and the revenues is properly accounted for in the books of accounts in compliance with the applicable accounting standards.	Being a state government owned company and regulated by CSERC, the company accounts its revenues as per tariff rate prescribed by the regulators and as per accounting standards prescribed except unusual delay in recovery of revenues from CSPDCL. In absence of related information, Revenue related to Penalty charges on delays in contract and O&M charges are not commented upon for.



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7	The cost incurred on abandoned projects may be quantified and the amount written-off shall be mentioned.	As informed to us there are no abandoned projects in current year.
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Place:-Raipur

Date: 28/09/2022

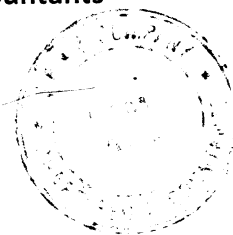
UDIN: 22419500AWBFRO8404

For S B A & COMPANY
Chartered Accountants
FRN: 004651C

Sd/-

AKSHAY JAIN
(PARTNER)

Membership No. 419500



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COMPLIANCE CERTIFICATE

We have conducted the audit of accounts of **Chhattisgarh State Power Transmission Company Limited** for the year ended 31st March 2022 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.

Place:-Raipur

Date: 28/09/2022

UDIN: 22419500AWBFRO8404

For S B A & COMPANY
Chartered Accountants
FRN: 004651C

Sd/-
AKSHAY JAIN
(PARTNER)

Membership No. 419500



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