Annexure I

Gurvinder Chopra & Co.
Cost Accountants
Chopra Building, Mall Godown Road, Dhuri

Form II
Punjab State Transmission Corporation Ltd
Cost Audit Report for the year ended 31st March, 2015

I Gurvinder Chopra, having been appointed as Cost Auditors under section 148(3) of the Companies Act, 2013 (18 of 2013) of **Punjab State Transmission Corporation Ltd**, having its registered office at **PSEB, Head Office, The Mall Patiala, Punjab India - 147001** (hereinafter referred to as the Company) have audited the cost records maintained under section 148 of the said act, in compliance with the Cost Auditing Standard, in respect steel products for the year ended 31-03-2015 maintained by the company.

(i) I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purpose of this audit;

(ii) In my opinion, proper cost records, as per rule 5 of applicable Companies (Cost Records and Audit) Rules, 2014 have been maintained by the Company so as to give a true and fair view of the cost of production / operation, cost of sale and margin of products as prescribed under the rules.

(iii) In my opinion, proper returns adequate for the purpose of the Cost Audit been received from the branches not visited by us.

(iv) In my opinion and to the best of my information, the said books and records give the information required by the Companies Act, 2013 in the manner so required;

(v) In my opinion, the said books and records are in conformity with the Cost Accounting Standards issued by The Institute of the Cost Accountants of India, to the extent these are found to be relevant and applicable.

(vi) In my opinion, company has adequate system of internal audit of cost records which in my opinion is commensurate with its nature and size of its business.

(vii) Detailed unit-wise and product/activity-wise cost statements and schedules thereto in respect of the product groups/activities under reference of the company duly audited and certified by me are kept in the company.

(viii) As required under the provision of The Companies (Cost Audit Report) Rules, 2014, I have furnished Performance Appraisal Report, to the company, on the prescribed form.

2. Based on my examination of the records of the company, I give my observations and suggestions on the following –

GURVINDER CHOPRA & CO. COST ACCOUNTANTS

(a) Cost Accounting System :

The company has installed costing system commensurate with its size and the cost for each unit. The company has integrated system of accounting which is capable of generating proper cost accounting information. The company is taking steps to enhance its quality of integration in order to analyse its value chain for cost management initiatives.

(b) The Company has a well defined budgetary control system. Detailed variance analysis is done for the purpose of exercising effective control over operations.

(c) In my opinion, there are no matters which appear to be clearly wrong in principle or apparently unjustifiable with respect to the interpretation of the Cost Accounting Standards on subsidies etc.

(d) It is beneficial for company to implement an internal control for cost records.

For Gurvinder Chopra & Co.
Cost Accountants
Firm Regn. No. 100260CH

Gurvinder Chopra
Membership No. 18104

Date :-01.09.2016
Place : Dhuri (PB)

Annexure to Cost Audit Report

Part A

General Information		
S No.	Particulars	Details
1	Corporate identity number or foreign company registration number	U40109PB2010SGC033814
2	Name of company	Punjab State Transmissions Corporation Limited
3	Address of registered office or of principal place of business in India of company	PSEB, Head Office, The Mall Patiala, Punjab India - 147001
4	Address of corporate office of company	PSEB, Head Office, The Mall Patiala, Punjab India - 147001
5	Email address of company	csjasvir@yahoo.in
6	Beginning and end date of reporting Financial Year	1/4/2014 to 31/03/2015
7	Beginning and end date of previous Financial Year	01/04/2013 to 31/03/2014
8	Level of rounding used in cost statements	Actual
9	Reporting currency of entity	Rupees
10	Number of cost auditors for reporting period	1
11	Whether cost auditors report has been qualified or has any reservations or contains adverse remarks	No
12	Consolidated qualifications, reservations or adverse remarks of all cost auditors	Nil
13	Whether company has related party transactions for sale or purchase of goods or services	No

Part A.2

General Details of Cost Auditor		
S No.	Particulars	Details
1	Whether cost auditor is lead auditor	Yes
2	Category of cost auditor	Properitorship
3	Firm's registration number	100260
4	Name of cost auditor's firm	Gurvinder Chopra & Co.
5	PAN of cost auditor's firm	AAWPC8838L
6	Address of cost auditor or cost auditors firm	Chopra Building, Mall Godown Road, Dhuri (PB) - 148024
7	Email id of cost auditor or cost auditors firm	chopragurvinder11@yahoo.co.in
8	Membership number of member signing report	18104
9	Name of member signing report	Gurvinder Chopra
10	Cost audit order date (DD-MM-YYYY)	30/6/2014
11	Cost audit order number	
12	Name of product or industry	Transmission of Electricity
13	Number of audit committee meeting attended by cost auditor during year	0
14	Date of signing cost audit report and annexure by cost auditor	1-Sep-16
15	Place of signing cost audit report and annexure by cost auditor	Dhuri (PB)

GURVINDER CHOPRA COST ACCOUNTANT

2. COST ACCOUNTING SYSTEM

M/s. Punjab State Transmission Corporation Limited (PSTCL) was earlier part of Punjab State Electricity Board (PSEB). Vide Notification No 1/9/08-EB(PR)196, dated-16.04.2010 Govt. of Punjab carved out following two corporations out of PSEB - Namely Punjab State Transmission Corporation Limited (PSTCL) and Punjab State Power Corporation Limited (PSPCL). PSTCL is a wholly owned Govt. company registered under the Companies Act, 1956 acting as State Transmission Utility within the state of Punjab as provided in the Electricity Act, 2003. Functions of State Load Dispatch Centre (SLDC) is also discharged by PSTCL. The Company takes care of the activities of transmission of electricity through EHT intra-state transmission system.

1) Briefly describe the cost accounting policy adopted by the company keeping in view the requirements of the Companies (Cost Accounting Records) Rules, 2011, the Companies (Cost Audit Report) Rules, 2011, cost accounting standards and its adequacy or otherwise to determine correctly the cost of production/operation, cost of sales, sales realization & margin of the product/activity groups under reference separately for each product/activity group. The policy should cover, inter alia, the following areas:

a) Identification of cost centers/cost objects and cost drivers.

To determine the cost of transmission, Operation and service cost Centers have been defined. The cost of all the Cost Centers have been determined. The total expenses of service cost centers have been apportioned to the operation (direct) cost center to arrive at the final cost. The cost of service centers have been determined under the following heads -

1. Salary and wages
2. Works Overhead
3. Administration Overhead

b) Accounting for material cost including packing materials, stores and spares etc., employee cost, utilities and other relevant cost components.

No relevance of material cost for this Company.

In factories, cost of production includes costs booked in production as well as service cost centres. The cost is inclusive of long term employee benefits. Cost Accounting standard-7 issued by the Institute of Cost Accountants of India on Employee Cost is followed. Salaries paid up to the level of Sr. Xen pertaining to P&M divisions during FY 2014-15 have been treated as direct employee cost.

Repairs and Maintenance expenses and other direct expenses are identified to relevant cost centres on cause and effect basis and the same is in compliance with the Cost Accounting Standard 12 issued by the Institute of Cost Accountants of India and Generally Accepted Cost Accounting Principles.

c) Accounting, allocation and absorption of overheads.

Work Overheads
Total work overhead is charged directly to the product in cost Sheet.

Administrative Overhead
Administrative Overhead include the expenses of corporate office, Personnel Department, accounts Department, Legal department, recruitment cell, secretarial department etc. of organization. Total of all these administrative expenses is charged in Cost sheet as administrative Overhead as per the CAS issued by the Institute. Terminal liabilities have been grouped under the head administrative overheads as the same is being paid to the retired employees on ' pay as you go' basis. This also includes contribution towards NPS and provision for gratuity and leave encashment in respect of employees recruited by company.

Interest and finance cost
Interest and finance charges after capitalization are part of Cost and charged to the Cost Centers as per the Generally Accepted Cost Accounting Principles.

d) Accounting for Depreciation/Amortization.

In line with Part B of Schedule II to Companies Act 2013, with effect from 1st April 2014, depreciation is provided as per PSERC (Terms & Conditions for determination of Tariff) Regulations, 2005 (as amended in 2012). In accordance with PSERC Regulations, 2005, depreciation is calculated annually based on Straight Line Method at rates specified in Appendix II of CERC (Terms & Conditions of Tariff) Regulations, 2014. The fixed assets are depreciated up to 90% of the original cost after taking 10% as residual value of assets. However, the leasehold assets are fully amortized over the entire lease period as per the terms of the lease agreement. Temporary erections are depreciated fully (100%) in the year of acquisitions/ capitalization by taking the WDV as Re. 1/- for control purpose. Depreciation on additions to/ deductions from fixed assets during the year is charged on pro-rata basis from the month of such addition or as the case may be upto the month in which such asset is sold, discarded, demolished or destroyed. Assets costing up to Rs. 5,000/- each are fully depreciated in the year of acquisition except where specific classification has been prescribed for the purpose of depreciation under the classification Furniture & Fixtures and Office Equipment.

e) Accounting for by-products/joint-products, scraps & wastage etc.

There is no generation of by-product/joint-product, scrap or wastage in transmission process so no role of accounting for such purpose.

f) Basis for Inventory Valuation.

Inventories are valued at lower of cost determined on weighted average basis or net realisable value.

The Cost of inventories comprise of all cost of purchase, cost of conversion and other cost incurred in bringing the inventory to their present location and condition.

The cost of purchase consist of the purchase cost including duties and taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), freight inwards and other expenditures directly attributable to the acqusition.

The diminution in the value of obsolete, unserviceable and surplus stores and spares is ascertained on review and provided for.

g) Methodology for valuation of Inter unit / Intercompany and Related Party transactions.

Not applicable for the year under audit as there is no such transaction of the Company.

h) Treatment of abnormal and non recurring costs including classification of other non-cost items.

Abnormal & non recurring costs or non-cost items are not made part of the cost. These costs are reported in profit reconciliation statement.

i) Other relevant cost accounting policy adopted by the company.

Company has followed Generally Accepted Cost Accounting Principles.

2) Briefly specify the changes, if any, made in the cost accounting policy for the product / activity group under audit during the current financial year as compared to the previous financial year.

The necessary rescheduling has been done in the current financial year balance sheet's figures as compared to previous financial year.

3. Observations of the Cost Auditor regarding adequacy or otherwise of the Budgetary Control System, if any followed by the company.

The Company has a well laid down budgetary control system. Detailed variance analysis is done for the effective control of operations.

GURVINDER CHOPRA & CO. * COST ACCOUNTANTS *

Part A.4

4	PRODUCT GROUP DETAILS (For the Company as a whole)					
Sr No.	Name of each Product / Activity Group	UOM	CETA Heading	Whether Covered Under Cost Audit	Net Operational Revenue (Net of taxes, duties etc.) Amount in Rs	
				Yes/No	2014-15	2013-14
A	Manufacturing			-	-	-
B.	Service					
	Distribution & Transmission of Electricity	LUS	NA	Yes	9,525,855,855	13,231,282,288
	Other Income		NA	No	193,535,661	242,726,254
C.	Trading			-	-	-
	Grand Total				9719391516	13,474,008,542

As per our report of even date
For Gurvinder Chopra & Co.
Cost Accountants

CMA Gurvinder Chopra
Membership No. 18104

For and on behalf of Board

Mr. U. K Panda
Director F & C

Mr. Jasvir Singh
Company Secretary

Part C. 1

4. QUANTITATIVE INFORMATION				
Name of Product		Distribution & Transmission of Electricity		
CETA Heading		Not Applicable		
S. No.	Particulates	Unit	2014-15	2013-14
1	Available capacity			
	(a) Installed Capacity			
	(b) Capacity enhanced during the year,if any			
	(c)Total available capacity			
2	Actual production			
	(a)Own Service	LUS	477240	438220
	(b) Service Under Contractual Arrangements			
	(c) Outsourced services			
	(d) Total service	LUS	477240	438220
3	Stock & Other Adjustments			
	(a) Self / captive Consumption(incl. samples etc)			
	(b) Other Quantitative Adjustments, if any (wastage etc.)	LUS	19630	20740
	(c) Total Adjustments	LUS	19630	20740
4	Total service provided as per Service tax Records			
5	Actual Sales			
	(a) Services rendered - domestic	LUS	457610	417480
	(b) services rendered - Export			
	(c) Total Services rendered	LUS	457,610	417,480

Note: 1 Quantitative details of Transmission Energy available,Transmission Loss (being normative figures and other adjustments shown in point 3 (c) comprises 1193 LUs as transmission loss and other adjustment 770 MUs by PSPCL) and net energy available in MU as per Table 3-5 Energy Requirement-FY 2014-15 as taken by PSERC.

Note: 2 Installed capacity is not applicable as there is no power generation.

Note: 3 Power received from generating units is shown in own production in point no. 2

Note: 4 Transmission Loss is shown in point No. 3(c)

Note: 5 Service rendered domestic is Actual transmitted for distribution.

As per our report of even date

For Gurvinder Chopra & Co.
Cost Accountants

CMA Gurvinder Chopra
Membership No. 18104

For and on behalf of Board

Mr. U. K Panda
Director F & C

Mr. Jasvir Singh
Company Secretary

Part C.2

ABRIDGED COST STATEMENT					
	Name of the Service	Distribution & Transmission of Electricity			
	Service Code (if Applicable)	Not Applicable			
	Unit of measure	LUS			
		Service Provided	Captive Consumption	Other Adjustment	Service Rendered
	Current year	477240		19630	457610
	Previous year	438220		20740	417480
S.No.	Particulars	2014-15		2013-14	
		Amount (Rs)	Cost/Unit	Amount (Rs)	Cost/Unit
1	Material Consumed(specify details as per para 3A)				
2	Process Materials/chemicals				
3	Utilities				
4	Direct Employees Cost	13735	2.88	13091	2.99
5	Direct Expenses	825	0.17	941	0.21
6	Consumable Stores & Spares				
7	Repairs & Maintenance	3,449	0.72	4,243	0.97
8	Quality Control Expenses				
9	Research & Development Expenses				
10	Technical Know-How fee/Royalty, if any				
11	Depreciation/Amortization	21,346	4.47	13,308	3.04
12	Other Production Overheads	619	0.13	703	0.16
13	Industry specific operation expenses (specificy details as per para 3C)		-		
14	**Total 1 to 13**	39,975	8.38	32,286	7.37
15	Increase/decrease in work-in-progress				
16	Less: Credit for Recoveries, if any				
17	Primary packing cost				
18	Cost of production/Operations (14 + 15 to 17)	39,975	8.38	32,286	7.37
19	Cost of finished goods purchased				
20	Total cost of production and purchases (18 + 19)	39,975	8.38	32,286	7.37
21	Increase/decrease in stocks of finished goods				
22	Less: self/captiveconsumption (incl.samples,etc)				
23	Other Adjustment (if any)				
24	Cost of production/Operation of product sold (20 + 21 to 23)	39,975	8.38	32,286	7.37
25	Administrative Expences	24,898	5.22	24,754	5.65
26	Secondary packing cost				
27	Selling & Distribution Overheads		-		
28	Cost Of Sales Before Interest (24 to 27)	64,874	13.59	57,039	13.02
29	Interest & Financing charges	37,399	7.84	26,870	6.13
30	Cost Of Sales(28+ 29)	102,273	21.43	83,909	19.15
31	Net Sales Realization(Net of Taxes & Duties)	95,259	19.96	132,313	30.19
32	Margin {Profit/(Loss)as per cost accounts} {30-31}	-7,014	-1.47	48,404	11.05

Note: 1 Direct Employee cost of different operations cost centres is as per the trial balance figures of such centres.

Note: 2 Salaries paid upto the level of Sr. Xen pertaining to P&M Divisions have been treated as direct employee cost.

Note: 3 Terminal liabilities have been grouped under the administrative overheads as the same are being paid to retired employees on pay 'as you go' basis. This also includes contribution towards NPS and provision for gratuity and leave encashment in respect of employees recruited by company. Terminal benefits are Rs. 20776.25 Lac which is 4.35 paisa per unit.

As per our report of even date
For Gurvinder Chopra & Co.
Cost Accountants

CMA Gurvinder Chopra
Membership No. 18104

For and on behalf of Board

Mr. U. K Panda
Director F & C

Mr. Jasvir Singh
Company Secretary

Part C . 2A

Details Of Material Consumed									
Name Of Product				Distribution & Transmission of Electricity					
CETA Heading				Not Applicable					
S. No	Description Of Material	Category	UOM	2014-15			2013-14		
				Quantity	Rate per Unit(Rs.)	Amount	Quantity	Rate per Unit(Rs.)	Amount
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									

Category : Indigenous/imported/Self Manufactured

As per our report of even date
For Gurvinder Chopra & Co.
Cost Accountants

CMA Gurvinder Chopra
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Mr. U. K Panda
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