

FINANCIAL STATEMENTS

कार्यालय प्रधान महालेखाकार (लेखापरीक्षा-II),
पश्चिम बंगाल
तृतीय एम.एस.ओ. बिल्डिंग, पांचवीं मंजिल,
सी.जी.ओ. कॉम्प्लेक्स, डी एफ ब्लॉक,
सॉल्ट लेक, कोलकाता-700 064



OFFICE OF
THE PRINCIPAL ACCOUNTANT GENERAL
(AUDIT-II), WEST BENGAL
3rd MSO Building, 5th Floor, CGO Complex,
DF Block, Salt Lake, Kolkata – 700 064

No.: OA/AMG-IV/Acctts/WBSEDCL/2024-25/ 252 & 253

Date:- 03 Sep 2025

To,
The Chairman & Managing Director,
West Bengal State Electricity Distribution Company Limited,
Vidyut Bhavan, Bidhannagar,
Block-DJ, Sector-II, Salt Lake,
Kolkata – 700 091

To,
M/s R. Gopal & Associates,
1/1A, Vansittart Row, 1st Floor,
Room No.-6,
Kolkata – 700 001

Comments of the Comptroller and Auditor General of India under Section 143(6)(b) of the Companies Act, 2013 on the Financial Statements of West Bengal State Electricity Distribution Company Limited (SFS) for the year ended 31 March 2025

Sir,

I am to forward the Comments of the Comptroller and Auditor General of India under Section 143(6)(b) of the Companies Act, 2013 on the Financial Statements of West Bengal State Electricity Distribution Company Limited (SFS) for the year ended 31 March 2025.

Encl: As stated.

Yours faithfully,

Deputy Accountant General (AMG-IV)

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF WEST BENGAL STATE ELECTRICITY DISTRIBUTION COMPANY LIMITED FOR THE YEAR ENDED 31 MARCH 2025

The preparation of standalone financial statements of West Bengal State Electricity Distribution Company Limited for the year ended 31 March 2025, in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act), is the responsibility of the management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under section 139(5) read with section 129(4) of the Act are responsible for expressing opinion on the financial statements under section 143 read with section 129(4) of the Act, based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them *vide* their Audit Report dated 29.05.2025.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the standalone financial statements of West Bengal State Electricity Distribution Company Limited for the year ended 31 March 2025 under section 143(6)(a) read with section 129(4) of the Act. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditors and company personnel and a selective examination of some of the accounting records.

Based on my supplementary audit, I would like to highlight the following significant matters under section 143(6)(b) read with section 129(4) of the Act which have come to my notice and which, in my view, are necessary for enabling a better understanding of the financial statements and the related audit report:

A. Comments on

1. BALANCE SHEET

Regulatory Deferral Account Debit Balance (Note No. 14): ₹ 20,467.27 crore

The Company's business is rate-regulated. The annual tariffs are to be notified in advance by the West Bengal Electricity Regulatory Commission (WBERC) before commencement of each year. These rates are subsequently reviewed through Annual Performance Reviews (APRs) and adjusted in future years. Accordingly, based on their understanding and interpretation of regulations notified and past tariff /APR orders issued by WBERC, the Company estimates the quantum of Regulatory Assets (RAs) to be reflected in their financial statements every year. The accumulated balance of RAs at the end of the year 2024-25 was ₹ 20,467.27 crore.

RAs have arisen primarily due to time lag between submission of petitions for Fuel and Power Purchase Cost Adjustment (FPPCA) and APRs by the Company to WBERC and their acceptance, either in full or part by WBERC. It is seen that recovery of outstanding RAs along with carrying cost of RAs should be time bound and within a period not exceeding seven years.

The Company had continued to account for RAs over the years under 'business as usual' conditions as of 31 March 2025 and an aggregate amount of ₹ 20,467.27 crore appeared as recoverable which included as under:

Carrying cost of ₹ 5747.39 crore for the financial years from 2023-24 to 2022-23, which was disallowed by WBERC in its APR orders. The Company appealed before APTEL for disallowance of carrying cost but an inherent risk of the appeal not being disposed off in favour of the Company exists.

Income realizable through APR petition made before WBERC for the years 2023-24 and 2024-25 were ₹ 2762.15 crore and ₹ 2008.74 crore, respectively and the same were subject to acceptance by WBERC. Thus, regulatory and statutory risk of the amount not being realized by the Company.

Recoverability of the withheld amount of ₹ 2176.65 crore for the period from financial years 2013-14 to 2017-18 and 2022-23 depends on submission of required compliance report to WBERC.

WBERC admitted APR for the year 2022-23 without considering the proportionate share of RAIL amounting to ₹ 265.51 crore. The Company appealed before APTEL for disallowance of such share of RAIL. However, an inherent risk of the appeal not being disposed off in favour of the Company exists.

To meet the under-recovery of cost in tariff, Government of West Bengal sanctioned ₹ 3700 crore as revenue grant consists ₹ 825 crore for financial year 2023-24 and ₹ 2875 crore for financial year 2024-25. During the year 2024-25, the Company received ₹ 1500 crore of which ₹ 825 crore was adjusted from accumulated RAs and balance of ₹ 675 crore was adjusted from ARR for the year 2024-25.

Further, WBERC introduced Monthly Variable Cost Adjustment (MVCA) in April 2011 to avoid accumulation of RAs. However, the Company had not revised MVCA rate since July 2016.

Therefore, amounts admitted by WBERC and their recovery through tariff mechanism have not been commensurate with the claims booked by the Company, resulting in increasing amounts of RAs recoverable in every successive year.

The Company has recognised RAs without reasonably considering past orders of the WBERC. Moreover, contrary to WBERC's directions, it had not revised the rate of MVCA since June 2016. Consequently, recovery of accumulated RAs of ₹ 20,467.27 crore entirely through tariff mechanism is uncertain. Therefore, depiction of RAs in the financial statements as receivable does not appear to be reasonable.

In this connection, it is pertinent to mention that similar nature of comment was issued on the financial statement of the Company since 2020-21. However, no action has been initiated by the Company in this regard.

**For and on behalf of the Comptroller &
Auditor General of India**

030925

Dated at Kolkata

The

(Manish Kumar)

**Principal Accountant General (Audit-II)
West Bengal**

कार्यालय प्रधान महालेखाकार (लेखापरीक्षा-II),
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RAs have arisen primarily due to time lag between submission of petitions for Fuel and Power Purchase Cost Adjustment (FPPCA) and APRs by the Company to WBERC and their acceptance, either in full or part by WBERC. It is seen that recovery of outstanding RAs along with carrying cost of RAs should be time bound and within a period not exceeding seven years.

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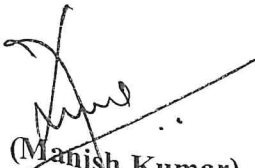
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For and on behalf of the Comptroller &
Auditor General of India

Dated at Kolkata
The


(Manish Kumar)
Principal Accountant General (Audit-II)
West Bengal

Management Reply on the Comments of Comptroller and Auditor General of India under Section 143(6)(b) of the Companies Act 2013 on the Standalone Financial Statements of WBSEDCL for the year ended 31st March 2025.

WBSEDCL operates within a rate-regulated environment, adhering to financial reporting standards outlined in Ind AS 114 and a comprehensive regulatory framework, which includes regulations, orders from regulatory commissions, the National Electricity Policy, the National Electricity Plan, and the Tariff Policy.

Regarding the recoverability of aggregate regulatory receivables amounting to ₹20,467.27 Crore, it is essential to analyze the components, nature, scope, value, and associated risk elements. Out of the total amount, ₹7613.74 Crore has been principally admitted. Of this, ₹4242.33 Crore is already included in the Multi-Year Tariff (MYT) order for 2025-26, indicating that a portion of the regulatory assets has been incorporated into the future tariff structure.

The carrying cost of ₹5,747.39 Crore, permitted by the National Tariff Policy and Tariff Regulation to account for delayed crystallization of regulatory assets, is currently under appeal at the Hon'ble APTEL. In its order dated 20th April 2023, APTEL upheld the claim of carrying cost by utilities. Additionally, WBERC has included a regulation on carrying cost through Notification: 76/WBERC dated 13.03.2023, specifying that carrying cost shall apply to Revenue Gap or Revenue Surplus as determined in the APR and FPPCA orders. Furthermore, WBERC has considered carrying cost as a legitimate cost element in their MYT orders for 2023-24 to 2025-26, signaling a positive trajectory for potential resolution at the appropriate forum.

Regarding the withheld amount of ₹2176.65 Crore, this pertains to unpaid terminal liabilities of Rs 1777.36 crore as of 31.03.2023 and ₹399.29 Crore, Withheld against reserve for unforeseen exigencies for which a resolution roadmap has been submitted before WBERC. Further a significant portion of payments to Terminal Benefits Fund has already been made, and the company is in the process of submitting compliance documents corroborating the proof of payment to the Trust fund. Additionally ₹718.09 Crore was pending for review before WBERC against APR order for 2022-23 against which favorable order for ₹ 598.33 Crore has already been received.

Further the Regulatory Income recognized in the financial statements for the year 2023-24 amounting to ₹1,937.15 Crore is subject to the outcome of the APR order of the said year. Similarly, the recognition of ₹2,008.74 Crore for the year 2024-25 represents a cyclical feature arising out of the statutory requirement of filing the APR petition by the utility within 30th November of the subsequent financial year. Accordingly, the accounting of regulatory receivables amounting to ₹2,008.74 Crore has been carried out strictly in adherence to the Principle of Conservatism and in compliance with the requirements of Ind AS 114. It is likely that WBERC will release the entire amount in due course.

It may be noted that the Monthly Variable Cost Adjustment (MVCA) is essentially derived from the Monthly Fuel Cost Adjustment (MFCA) and variations in power purchase costs, which are subject to wide fluctuations on a month-to-month basis. While the WBERC Regulations provide for monthly recovery of such costs through MVCA, as well as annual recovery through Fuel and Power Purchase Cost Adjustment (FPPCA), WBSEDCL has consciously opted for recovery through annual FPPCA so as to safeguard consumers from monthly tariff shocks. The Commission has duly allowed such recovery through the annual FPPCA mechanism. Furthermore, as rightly mentioned in the Audit Comment, in order to compensate WBSEDCL against the under-recovery of costs, the Government of West Bengal has extended operational revenue support of ₹3,700 Crore, thereby addressing the deficit arising from such under-recovery.

In this context, it is emphasized that the financial practices of WBSEDCL are aligned with Ind AS 114 and the regulatory framework. The recognition of regulatory deferral balances is carried out with meticulousness, adopting a conservative approach towards claims and giving due consideration to the likelihood of disallowances, in line with the trend of claims admitted by the Regulator. Further, WBSEDCL undertakes proper impairment testing and ensures appropriate disclosure so that such balances are not carried at amounts exceeding their recoverable value, based on past regulatory trends.

Considering the continued operational support of the GoWB, the ongoing active monitoring, and the improvement in key performance indicators, WBSEDCL is actively pursuing a structured resolution roadmap for effective management and gradual reduction of Regulatory Assets.

Management Reply on the Comments of Comptroller and Auditor General of India under Section 143(6)(b) of the Companies Act 2013 on the Consolidated Financial Statements of WBSEDCL for the year ended 31st March 2025.

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Considering the continued operational support of the GoWB, the ongoing active monitoring, and the improvement in key performance indicators, WBSEDCL is actively pursuing a structured resolution roadmap for effective management and gradual reduction of Regulatory Assets.



R. GOPAL & ASSOCIATES

CHARTERED ACCOUNTANTS

1/1A, Vansittart Row, 1st Floor,

Room No.-6, Kolkata - 700 001

Telefax : +91-33-2248-0021/3135

COMPLIANCE CERTIFICATE

We have conducted the Statutory Audit of West Bengal State Electricity Distribution Company Limited (WBSEDCL) for the year ended 31st March, 2025 in accordance with directions/sub-direction issued by the Comptroller and Auditor General (CAG) 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 R. Gopal & Associates.
Chartered Accountants
FRN: 000846C



Sandeep Kumar Sawaria
Partner,
Membership No. 061771
UDIN:25061771BMILLDV7228

Place: Kolkata
Date : 12th August, 2025