



West Bengal State Electricity Distribution Company Limited

(A Govt. of West Bengal Enterprise)

Registered Office: Vidyut Bhavan, Bidhannagar, Block – DJ, Sector –II, Kolkata-700 091

CIN: U40109WB2007SGC113473; website: www.wbsedcl.in

Memo. No. A/Bond/DCL/58/BSE/ **503**

Date: 16.03.2022.

To
The Manager,
Department of Corporate Services,
Bombay Stock Exchange,
PJ Towers, (Floor – 25th)
Dalal Street,
Mumbai – 400 001.

**Sub:Adoption and submission of comments of the Comptroller & Auditor General of India(C& AG)
in the Annual Report for the Financial year ended 31st March 2021.**

Ref: Company Code 10007

Sir/Madam,

This is to inform you that the Audited Financial Statements for the year ended 31st March, 2021 together with the Reports of the Board of Directors and Auditors thereon could not be considered by the Members at the Annual General Meeting of the Company held on 23rd December 2021 as the comments of the Comptroller and Auditor General of India (C&AG) under Section 143(6)(b) of the Companies Act ,2013 on the Financial Statements for the year ended 31st March ,2021 had not been received by the Company.The meeting was adjourned sine die.The comments of the Comptroller and Auditor General of India (C&AG) under section 143(6)(b) of the Companies Act ,2013 vide Memo no.OA(AMG-IV)/Accounts /WBSEDCL/2020-21/383 dated.21.02.2022 of the Deputy Accountant General(AMG-IV) on the Financial Statements for the year ended 31st March, 2021 has been now received,considered and adopted in the adjourned 14th Annual General Meeting of West Bengal State Electricity Distribution Company Limited held on 16th March,2022 and submitted for your record please.

Thanking you.

Yours faithfully,

For West Bengal State Electricity Distribution Company Limited

Aparna Biswas.
(A.Biswas) 16/03/2022
Company Secretary

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Email: lnbwbsedcl@gmail.com

WBSEDCL

By Speed Post



सत्यमेव जयते

कार्यालय प्रधान महालेखाकार
(लेखापरीक्षा II)
पश्चिम बंगाल
OFFICE OF THE
PRINCIPAL ACCOUNTANT GENERAL
(Audit-II)

West Bengal

No.: OA(AMG-IV)/Accounts/WBSEDCL/2020-21/383

Date:- 21.02.2022

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

Sub: 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 2021

Sir,

I am to forward herewith 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 for the year ended 31 March 2021.

Yours faithfully,

Encl: As stated.

Deputy Accountant General (AMG-IV)

सी. जी. ओ. कॉम्प्लेक्स, डी. एफ. ब्लॉक, साल्ट लेक, कोलकाता - 700 064
3rd MSO Building, 5th Floor, CGO Complex, DF Block, Salt Lake, Kolkata - 700 064.
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**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 2021**

The preparation of financial statements of West Bengal State Electricity Distribution Company Limited for the year ended 31 March 2021, 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) of the Act are responsible for expressing opinion on the financial statements under section 143 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 15.09.2021.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of West Bengal State Electricity Distribution Company Limited for the year ended 31 March 2021 under section 143(6)(a) 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) 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. Other Comments

Balance Sheet as on 31 March 2021

Regulatory Deferral Account Debit Balance (Note-14) - ₹ 19,580.57 crore

The Company's business is rate-regulated. The annual tariffs (or rates) 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 the 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 as at the end of the year 2020-21 is ₹ 19,580.57 crore.

RAs have arisen primarily due to time lags between submission of petitions for Fuel and Power Purchase Cost Adjustment (FPPCA) and APRs by the Company to WBERC and their acceptance, either in part or in full, by WBERC. It is seen that APRs of the Company are pending with WBERC since 2015-16.

Para 8.2.2 of The National Tariff Policy 2016 provides that creation of Regulatory Assets would not be allowed under 'business as usual' conditions. In addition, WBERC tariff regulations provide that any amount admitted as RAs shall be extinguished within a period of not more than three years from being admitted. WBSEDCL had also continued to account for RAs over the years 'under business as usual' conditions and as of 31 March 2021 an aggregate amount of ₹ 19,580.57 crore appeared as recoverable which included RAs since June 2010.

Further, WBERC had introduced Monthly Variable Cost Adjustment (MVCA) in April 2011 to avoid accumulation of RAs; in July 2014 they directed licensees to compute MVCA, taking into consideration the related costs, failing which WBERC would not allow adjustments of RAs in full during trueing up in subsequent APRs. However, the Company had not revised MVCA rate for the last five years since July 2016.

WBERC had increased average tariff in the past six years from ₹ 6.56 per unit in 2014-15 to ₹ 6.98 per unit in 2019-20, i.e., an increase of 42 paise per unit. Moreover, amounts admitted by WBERC and their recovery through tariff mechanism has not been commensurate with the claims booked by the Company, resulting in increasing amounts of RAs recoverable in every successive year.

Even if RAs of ₹ 19,580.57 crore were to be admitted in full by WBERC and WBSEDCL were to adjust it over three years as permissible, tariffs would increase by 201.95 paisa per unit per annum for three years, based on the projected sale of power for 2021-22. This would be in addition to the regulatory assets that will continue to be accounted in every year from 2021-22, which would also have to be either settled through tariff rise or absorbed by WBSEDCL. Consequently, recovery of RAs of ₹ 19,580.57 crore, in full, through the tariff mechanism does not appear feasible.

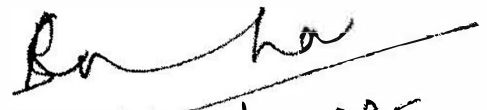
Besides, the State Government has intimated (July 2021) to WBERC that current scale of regulatory receivables was so large that it was beyond their means to liquidate RA as they had done before.

The Company has recognised RAs without reasonably considering past trends of WBERC. Moreover, contrary to WBERC's directions, it had not revised the rate of MVCA since 2016. The State Government has also expressed their inability to liquidate RAs. Consequently, recovery of aggregate accumulated RAs of ₹ 19,580.57 crore either through tariff mechanism or from Government grants is uncertain. Therefore, the depiction of RAs in the financial statements as receivables appears not reasonable.

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

21 FEB 2022

Dated at Kolkata


(Reena Saha)
Principal Accountant General (Audit II)
West Bengal