

Form II

Punjab State Transmission Corporation Ltd
Cost Audit Report for the year ended 31st March, 2014

I Gurvinder Chopra, having been appointed as auditor under Section 233B of the Companies Act, 1956 (1 of 1956) 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 books of accounts prescribed under clause (d) of sub-section (1) of section 209 of the said Act, and other relevant records in respect of Electricity Industry for the year ended 31st March 2014 maintained by the Company and report, in addition to my observations and suggestions in para 2, that -

- (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 applicable Cost Accounting Records Rules, 2011 prescribed under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 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 return adequate for the purpose of the Cost Audit have been received from the Unit.
- (iv) In my opinion and to the best of my information, the said books and records give the information required by the Companies Act, 1956 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, 2011, 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 -



(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. CHA/260

Gurvinder Chopra



Membership No. 104

Date :- 2/11/2015

Place : Dhuri (PB)

Cost Audit Report

Year ended 31 March 2014

General Information

1	Corporate identity number or foreign company registration number	U40109PB2010SGC033814
2	Name of company	Punjab State Transmission Corporation Ltd
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-Apr-13
7	Beginning and end date of previous Financial Year	31-Mar-14
8	Level of rounding used in cost statements	Lakhs
9	Reporting currency of entity	Rupees
10	Number of cost auditors for reporting period	1
11	Date of board of directors meeting in which annexure to cost audit report was approved	
12	Whether cost auditors report has been qualified or has any reservations or contains adverse remarks	No
13	Consolidated qualifications, reservations or adverse remarks of all cost auditors	Nil
14	Consolidated observations or suggestions of all cost auditors	Refer Form - II
15	Whether company has related party transactions for sale or purchase of goods or services	No



General Details of Cost Auditor		
1	Whether cost auditor is lead auditor	Yes
2	Category of cost auditor	Proprietorship
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 Mallgodown Road, Dhuri Punjab 148024
7	Email id of cost auditor or cost auditors firm	Chopragurvinder11@gmail.com
8	Membership number of member signing report	18104
9	Name of member signing report	Gurvinder Chopra
10	Cost audit order date (DD-MM-YYYY)	5/2/2011
11	Cost audit order number	52/26/CAB/2010
12	Name of product or industry	Electricity
13	SRN number of Form 23C (upto additional 4 can be entered, if required)	S08672453
14	Number of audit committee meeting attended by cost auditor during year	0
15	Date of signing cost audit report and annexure by cost auditor	
16	Place of signing cost audit report and annexure by cost auditor	Dhuri (PB)



2. COST ACCOUNTING SYSTEM

M/s. Punjab State Transmission Corporation Limited (PSTCL) was earlier part of Punjab State Electricity Board (PSEB). After 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 center (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 has 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 and AEE pertaining to P&M divisions has 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 administrative overheads as the same is being paid to the retired employees 'as pay you go' basis.

Interest and finance cost

All the interest and finance charges are part of Cost and charged to the Cost Centers as per the Generally Accepted Cost Accounting Principles.



d) Accounting for Depreciation/Amortization.

Depreciation on all assets is provided on straight line method in accordance with and in the manner specified in Schedule XIV to the Companies Act, 1956. In respect of depreciable asset for which no rate has been specified (including the assets of SLDC) rates notified by CERC are adopted. The fixed assets are depreciated up to 90% of the original cost after taking 10% as residual value of assets except lease hold assets. 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/up to the month in which the asset is available for use/disposal. Assets costing up to Rs. 5,000/- 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 equipments".

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 acquisition.

The diminution in the value of obsolete, unresizable 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

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.



3 PRODUCT GROUP DETAILS (For the Company as a whole)						
Sr No.	Name of each Product / Activity Group	Product Group code	Four Digit CETA chapter heading including in product or activity group	Net Operational Revenue from product or activity group code	Whether product or activity group covered under cost audit	Whether previous Year figures are reported
A.	Transmission or distribution of electricity	5406	NA	132,312.82	Yes	Yes
	Net Revenue from operation of the company			132,312.82		
B.	Other Incomes of company			2,427.26		
C.	Total Income as per Audited Annual Report (A+B)			134,740.09		

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

Gurinder Chopra
CMA Gurminder Chopra



For and on behalf of Board

U. K. Panda
Mr. U. K. Panda
Director F & C

Jarvie Singh
Mr. Jarvie Singh
Company Secretary

4. QUANTITATIVE INFORMATION			
Name of the Company		Punjab State Transmission Corporation Ltd	
Name of the Product Group		Transmission or distribution of electricity	
Product or activity group code		5406	
Unit of measurement for product or activity group		LUS	LUS
Financial Year		2013-14	2012-13
S. No.	Particulars	Current Year	Previous Year
1	Available capacity		
	(a) Installed Capacity		
	(b) Capacity enhanced during the year,if any	-	-
	(c) Capacity available through leasing arrangements,if	-	-
	(d) Capacity available through loan licence / third parties	-	-
	(e) Total available capacity	-	-
2	Actual production		
	(a) Self manufactured	438,220	446,770
	(b) Produced under leasing arrangements	-	-
	(c) Produced on loan licence / by third parties on job work	-	-
	(d) Total Production	438,220	446,770
3	Production as per excise records	438,220	446,770
4	Capacity Utilization (in house)		
5	Stock Purchased for Trading		
	(a) Domestic Purchase	-	-
	(b) Imports	-	-
	(c) Total Purchases	-	-
6	Stock & Other Adjustments		
	(a) Change in stock of finished goods		
	(b) Self / captive Consumption(incl. samples etc)		
	(c) Other Quantitative Adjustments, if any (wastage etc.)	(20,740)	(11,170)
	(d) Total Adjustments	(20,740)	(11,170)
7	Total Available quantity for Sale[2(e) + 5(c) -6(d)]	417,480	435,600
8	Actual Sales		
	(a) Domestic Sales (manufacturing)	417,480	435,600
	(b) Domestic Sales (trading)	-	-
	(c) Export Sale (manufacturing)		
	(d) Exports Sale (trading)	-	-
	(e) Total Quantity Sold	417,480	435,600

Note: 1 Quantitative details of Transmission Energy available, Transmission Loss (being normative figures as taken by PSERC) and net energy available in MU as per Table 5.5 Energy Requirement-FY 2014-15 as provided by the company.

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

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

Note: 4 Transmission Loss/Adjustments is shown in point No. 6(c)

Note: 5 Domestic Sales is Actual transmitted for distribution.

As per our report of even date

For Gurvinder Chopra & Co.

Cost Accountants

Gurvinder Chopra

CMA Gurvinder Chopra



For and on behalf of Board

Mr. U. K Panda
Director F & C

Mr. Jasvir Singh
Company Secretary

5. ABRIDGED COST STATEMENT

Name of the Company	Punjab State Transmission Corporation Ltd
Name of the Product Group	Transmission or distribution of electricity
Product or activity group code	5406

S.No.	Particulars	Amount (Rs in Lacs)			
		Current Year	Cost/unit	Previous Year	Cost/Unit
1	Material Consumed				
2	Process Materials/Chemicals(specify)				
3	Utilities (specify details)	-	-		
4	Direct Employees Cost	13,091	2.99	12,208	2.73
5	Direct Expenses	941	0.21	1,391	0.31
6	Consumable Stores & Spares				
7	Repairs & Maintenance	4,243	0.97	5,032	1.13
8	Quality Control Expenses				
9	Research & Development Expenses				
10	Technical Know-How fee/Royalty, if any				
11	Depreciation/Amortization	13,308	3.04	10,275	2.30
12	Other Production Overheads	703	0.16	643	0.14
13	Total 1 to 12	32,286	7.37	29,549	6.61
14	Add/Less: Work In Progress Adjustments				
15	Less: Credit for Recoveries, if any				
16	Primary Packing Cost				
17	Cost Of Production/Operations(12 + 13 to 17)	32,286	7.37	29,549	6.61
18	Increase/Decrease in Stock Of Finished Goods				
19	Less: Self/captive Consumption(incl. Samples etc.)				
20	Other Adjustments(if any)				
21	Cost Of Production/Operation of goods/Services Sold(17 + 18 to 20)	32,286	7.37	29,549	6.61
22	Administrative Expenses	24,754	5.65	19,703	4.41
23	Secondary packing Cost				
24	Selling & Distribution Overheads				
25	Interest & Financing charges	26,870	6.13	21,603	4.84
26	Cost Of Sales(21 + 22 to 25)	83,909	19.15	70,855	15.86
27	Net Sales Realization(Net of Taxes & Duties)	132,313	30.19	89,465	20.02
28	Margin {Profit/(Loss)as per cost accounts} (27-26)	48,404	11.05	18,610	4.17

- Note: 1 Direct Employee cost of different operations cost centres is as per the trial balance figures of such centres.
 Note: 2 Salaries paid up to the level of Sr. Xen and AEE pertaining to P&M divisions has been treated as direct employee cost.
 Note: 3 Terminal Liabilities have been grouped under the administrative overheads as the same is being paid to the retired employees 'as pay you go' basis.

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

CMA Gurvinder Chopra



For and on behalf of Board

Mr. U. K Panda
 Director F & C

Mr. Jasvir Singh
 Company Secretary

6. OPERATING RATIO ANALYSIS			
Name of the Product or activity group		Punjab State Transmission Corporation Ltd	
Name of the Product Group		Transmission or distribution of electricity	
Product or activity group code		5406	
Sno.	Particulars	Current Year	Previous Year
Ratio of Operating Expenses to Cost of Sales			
1	Material(Process Materials) cost		
2	Utilities Cost		
3	Direct Employees Cost	15.60%	17.23%
4	Direct Expenses	1.12%	1.96%
5	Consumables-Stores & Spares		
6	Repair & Maintenance Cost	5.06%	7.10%
7	Depreciation / Amortisation Cost	15.86%	14.50%
8	Packing cost		
9	Other Expences	0.00%	0.00%
10	Stock Adjustments		
11	Production Overheads	0.84%	0.91%
12	Administrative Overheads	29.50%	27.81%
13	Selling & Distribution Overheads		
14	Interest & Financing Overheads	32.02%	30.49%
15	Total	100.00%	100.00%

As per our report of even date

For Gurvinder Chopra & Co.

Cost Accountants

Gurvinder Chopra

CMA Gurvinder Chopra

Date:



For and on behalf of Board

U. K. Panda

Mr. U. K Panda
Director F & C

Jasvir Singh

Mr. Jasvir Singh
Company Secretary

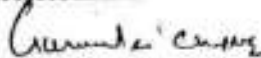
7. PROFIT RECONCILIATION (for the company as a whole)

Sno.	Particulars	Current Year	Previous Year
1	Profit or Loss as per Cost Accounts		
	(a) Profit (loss) from product or activity groups covered under Cost Audit		
	(b) Profit (loss) from product or activity groups covered under cost accounting records rules but not covered under cost audit	48403.72	18,609.79
	(b) Profit (loss) from activities not covered under cost accounting records rules		
2	Add: Incomes not considered in cost accounts:	2,427.26	1,834.73
	Interest on staff loans & advances	2.34	3.79
	Income from trading (sale of scrap)	169.00	244.62
	Income from staff welfare activities	0.83	0.83
	Misc. Receipts	1522.69	1585.49
	Prior period item	732.40	
3	Less: Expenses not considered in cost accounts:	2,119.41	363.94
	Misc. Losses & Written off/Preliminary Exp	2119.41	363.94
4	Add: Overvaluation of closing stock in financial accounts	-	-
5	Add: Undervaluation of opening stock in financial accounts	-	-
6	Less: Undervaluation of closing stock in financial accounts	-	-
7	Less: Overvaluation of opening stock in financial accounts	-	-
8	Adjustments for others, if any (specify)	-	-
9	Profit or Loss as per Financial Accounts	48,711.57	20,080.58

As per our report of even date

For Gurvinder Chopra & Co.


Cost Accountants



CMA Gurvinder Chopra



For and on behalf of Board

Mr. U. K. Panda
Director F & CMr. Jasvir Singh
Company Secretary

8. VALUE ADDITION AND DISTRIBUTION OF EARNINGS (for the company as a whole)

Sno.	Particulars	Current Year	Previous Year
	Value Addition:		
1	Gross Sales (excluding returns)	132,312.82	89,464.98
2	Less: Excise duty, etc.		
3	Net Sales	132,312.82	89,464.98
4	Add: Export Incentives	0.00	0.00
5	Add/Less: Adjustment in Finished Stocks		
6	Less: Cost of bought out inputs/Services		
	(a) Cost of Materials Consumed		
	(b) Process Materials / Chemicals		
	(c) Consumption of Stores & Spares		
	(d) Utilities (e.g. power & fuel)		
	(e) Others, if any	9,462.41	8,704.34
	Total Cost of bought out inputs/Services	9,462.41	8,704.34
7	Value Added	122,850.41	80,760.64
8	Add: Income from any other sources	2,427.26	1,834.73
9	Earnings available for distribution	125,277.67	82,595.37
	Distribution of Earnings to:		
1	Employees as salaries & wages, retirement benefits, etc.	33,943.67	30,011.76
2	Shareholders as dividend		
3	Company as retained funds	51,966.89	26,743.96
4	Government as taxes (specify)	10,659.44	4,214.40
5	Other Costs	28,707.67	21,625.24
	Total distribution of earnings	125,277.67	82,595.37

As per our report of even date

For Gurvinder Chopra & Co.
Cost Accountants

Gurvinder Chopra

CMA Gurvinder Chopra



For and on behalf of Board

U. K. Panda

Mr. U. K Panda
Director F & C

Jasvir Singh

Mr. Jasvir Singh
Company Secretary

9. FINANCIAL POSITION AND RATIO ANALYSIS (for the company as a whole)

S No.	Particulars	Units	Current Year	Previous Year
A.				
1	Paid-up Capital	Lacs	60,588	60,588
2	Reserves & Surplus	Lacs	232,294	193,924
3	Loans (secured & unsecured)	Lacs	340,283	301,014
4	(a) Gross Fixed Assets	Lacs	623,512	556,613
	(b) Net Fixed Assets	Lacs	486,162	431,472
5	(a) Total Current Assets	Lacs	48,236	34,304
	(b) Less: Current Liabilities & Provisions	Lacs	84,751	87,231
	(c) Net Current Assets	Lacs	(36,514)	(52,927)
6	Capital Employed	Lacs	441,441	386,581
7	Net Worth	Lacs	292,883	254,513
B. Financial Performance				
1	Cost of Production	Lacs	32,286	29,549
2	Cost of Sales	Lacs	83,909	70,855
3	Net Revenue from Operations of Co.	Lacs	132,313	89,465
4	Value Added	Lacs	122,850	80,761
5	Profit before Tax (PBT)	Lacs	48,712	20,081
C. Profitability Ratios				
1	PBT to Capital Employed (B5/A6)	%	11%	5%
2	PBT to Net Worth (B5/A7)	%	17%	8%
3	PBT to Net Sales (B5/B3)	%	37%	22%
4	PBT to Value Added (B5/B4)	%	40%	25%
D. Other Financial Ratios				
1	Debt-Equity Ratio	%	116%	118%
2	Current Assets to Current Liabilities	%	57%	39%
3	Value Added to Net Sales	%	93%	90%
E. Working Capital Ratios				
1	Net Working Capital to Cost of Sales excl. depreciation	Months	-7.667	-8.982
2	Raw Materials Stock to Consumption	Months	-	-
3	Stores & Spares to Consumption	Months	-	-
4	Work-in-Progress Stock to Cost of Production	Months	-	-
5	Finished Goods Stock to Cost of Sales	Months	-	-

Note 1: Capital employed means average of net fixed assets (excluding intangible assets, effect of revaluation of fixed assets, and capital work in progress) plus net current assets existing at the beginning and close of the financial year.

Note 2: Net Worth means share capital plus reserves and surplus (excluding revaluation reserves) less accumulated and intangible assets.

As per our report of even date

For Gurvinder Chopra & Co.

Cost Accountants

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For and on behalf of Board

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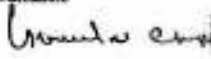
10. RELATED PARTY TRANSACTIONS (for the company as a whole)

Sno.	Name of Related Party	Country Of Related Party	CIN Of Related Party	PAN Of Related Party	Name of the Product / Service Group	Nature of Transaction (Sale, Purchase, etc.)	Quantity	Transfer Price	Amount	Normal Price	Basis adopted to determine the Normal Price
NIL											

As per our report of even date

For Gurvinder Chopra & Co.

Cost Accountants



CMA Gurvinder Chopra



For and on behalf of Board



Mr. U. K. Panda
Director F & C



Mr. Jasvir Singh
Company Secretary

RECONCILIATION OF INDIRECT TAXES (for the company as a whole)

Particulars	Assessable Value	Excise Duty	Service Tax	Cess & Others	VAT
Total Clearances:-					
Domestic					
Export					
Stock Transfers (Net)					
Others, if any					
Total	-	-	-	-	-
Service Tax Payable by the Company			24,198,477		
AT/CST Payable by the Company					36,713,653
Total Duties/Taxes Payable by the Company					36,713,653
Duties/Taxes Paid					
envat/VAT Credit Utilised - Inputs			-		
envat/VAT Credit Utilised - Capital Goods			-		-
envat/VAT Credit Utilised - Input Services			-		-
envat/VAT Credit Utilised - Others			-	-	-
Total	-	-	-	-	-
aid through PLA/Cash			24,198,477		36,713,653
Total Duties/Taxes Paid		-	24,198,477	-	36,713,653
Duties/Taxes Recovered		-	-		36,713,653
Difference between Duties/Taxes Paid and Recovered		-	24,198,477	-	-
Interest/Penalty/Fines Paid		-		-	

As per our report of even date

for Gurvinder Chopra & Co.
Cost Accountants

MA Gurvinder Chopra



For and on behalf of Board

Mr. U. K Panda
Director F & C

Mr. Jasvir Singh
Company Secretary