Power Transmission Corporation of Uttarakhand Ltd. (PTCUL)

Reply of Comments of the Comptroller and Auditor General of India under Section 143(6)(b) of the Companies Act 2013 on the Accounts of Power Transmission Corporation of Uttarakhand Ltd. (PTCUL) for the Year ended 31st March 2024.

AUDIT Observation reference	Audit PARA (AIR)	Management Reply	Statutory Auditor Reply
#1 (OBS-1458565)	**Balance Sheet** **Non-Current Liabilities** **Other Financial Liabilities- Non Current (Note No. 16): Rs. 189.46 crore** The above does not include Rs. 0.19 crore payable to UPCL against material supply being outstanding for more than three years shown under the head Other Financial liabilities-Current. The same should have been shown under the head Other Financial Liabilities – Non Current. This has resulted in understatement of Other Financial Liabilities – Non Current and overstatement of Other Financial liabilities-Current by Rs. 0.19 crore to the same extent.	Noted for compliance. Necessary correction shall be made in the accounts for the F.Y. 2024-25. In view of the above, it is requested to kindly drop the audit para.	We agree with the reply given by the management
#2 (OBS-1458604)	**Balance Sheet** **Other Financial Assets – Non Current (Note- 5)** **Trade Receivable: Rs. 0.76 crore** The above does not include Rs. 0.17 crore receivable from BHPL. As the said amount is outstanding for more than three years, the same should have been shown as Trade Receivable under the head Other Financial	Noted for compliance. Necessary correction shall be made in the accounts for the F.Y. 2024-25. In view of the above, it is requested to kindly drop the audit para.	We agree with the reply given by the management

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AUDIT Observation reference	Audit PARA (AIR)	Management Reply	Statutory Auditor Reply
	Assets, however it has been shown as Trade Receivables (considered good) under the head Current Assets. This has resulted in understatement of Other Financial Assets –Non Current by Rs. 0.17 crore and overstatement of Trade Receivables – Considered Good to the same extent. The comment was also issued on the accounts of 2022-23, however, no corrective action has been taken by the Company.		
#3 (OBS-1458666)	**Balance Sheet** **Non-Current Assets** **Property, Plant and Equipment (Note 2) : Rs. 1578.94 crore.** The above includes capitalisation of Rs. 84.69 crore being the cost of 132 KV S/C line on D/C tower from Pithoragarh (PGCIL) – Champavat (Lohaghat). As per Significant Accounting Policies Note 1 (iii) of the Company, "Transmission system assets are considered as ready for intended use on the date of commercial operation declared in terms of Uttarakhand Electricity Regulatory Commission (UERC) tariff regulations and capitalised accordingly". The said transmission line was capitalised on 02.06.2023 without being	It is to bring to your kind notice that PTCUL has filed the review petition before the Hon'ble Commission on June 20, 2024 in which the following facts has been elaborated: *"Hon'ble Commission while evaluating the Capitalisation for Half year of FY 2023-24 has erroneously ignored the Capitalisation towards the "Construction of 132 kV S/C Line on Panther Conductor on Double Circuit Towers from 220/132 kV S/s Pithoragarh (PGCIL) to 132/33 kV Sub-station Lohaghat (Champawat) of PTCUL", citing the same as incomplete as the PTCUL has not yet planned for the downstream asset (i.e. Sub-station at Lohaghat) yet. However, the Hon'ble Commission has erred in taking*	We agree with the reply given by the management.

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	commissioned and commercially operated for intended use which was not as per the *ibid* Significant Accounting Policies. Moreover, UERC vide its order dated 28 March 2024 did not allow the capitalisation of said line in Financial Year 2023-24 and stated that said line was not put to its intended use. Hence, the same should have been shown under Capital Work in Progress. Further, depreciation on the same amounting to Rs. 3.34 crore was also charged in Statement of Profit and Loss in Financial Year 2023-24. This resulted in overstatement of Property, Plant and Equipment by Rs. 81.35 crore as well as Depreciation and Amortisation Expenses by Rs. 3.34 crore and understatement of Capital Work in Progress by Rs. 84.69 crore (Rs. 81.35 crore + Rs. 3.34 crore). Consequently, Profit for the year was also understated by Rs. 3.34 crore.	*cognizance of its own direction to charge the transmission line.* *The PTCUL in this regard wish to highlight pertinent aspects that the proposed capitalisation of construction of 132 kV S/C line from Pithoragarh to Lohaghat and 132 kV GIS S/s at Lohaghat, are two independent capex schemes planned by the PTCUL, though linked to each other. The PTCUL hassubmitted that the first part of the capex scheme was considered for expeditious capitalisation because of the specific direction by the Hon'ble Commission. The PTCUL wish to highlight the chronology wise schedule of events that coerced them to expedite the first part of the capex scheme and consequential capitalisation in the books of accounts after following due process of capitalisation at the guidance of this Hon'ble Commission:* *It is to be noted that the load centres at Champawat and Lohaghat is catered by the distribution licensee viz. Uttarakhand Power Corporation Limited (UPCL) using 33 kV feeders emanating from 132 kV S/s at Pithoragarh and Almora.* *Because of the terrain and weather conditions, the existing supply lines of UPCL are subject to low voltage and frequent interruptions resulting into load shedding to the load centres.* *Since the aforesaid 132 kV line of the Petitioner was under construction passing by through the same region, UPCL has requested to energise the 132 kV S/C line on D/C tower from Pithoragarh to Lohaghat citing following*	

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AUDIT Observation reference	Audit PARA (AIR)	Management Reply	Statutory Auditor Reply
		reasons: *33 kV line passes through dense forest, river, and very remote places and in case of breakdown, it takes time to restore the supply. In case the above line is charged at 33 kV voltage, the voltage breakdown issue will reduce to zero.* *To supply uninterrupted 24x7 power supply to district Chapawat.* *To reduce the line losses.* *Accordingly, the PTCUL has sought guidance from the Hon'ble Commission and has submitted the status of the project and also the request made by the UPCL, vide its letter No Director (Projects)/PTCUL/225 dated 27.01.2021**(Annexure 1)**.* *The PTCUL hereby submits that the Hon'ble Commission had held a joint meeting with the presence of officials of PTCUL, UPCL, and the Hon'ble Commission itself. Pursuant to the same, the Hon'ble Commission vide its letter ref No UERC/7/CL/460/2020-21/1388 dated 10.03.2021* ***(Annexure 2)****has directed as herein below:*	

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		" I have been directed to inform you since the above proposal of PTCUL would immediately improve the reliability of supply of Champawat district ,the commission accords in principal approval to PTCUL for charging 132 KV Pithoragarh to Lohaghat (Champawat) line at 33 KV voltage level temporarily till completion /construction of 132 KV GIS substation at Lohaghat. However with regard to capitalisation of the said 132 KV line consequent to its charging at 33 KV voltage level the decision will be taken at the time of filling of Tariff /ARR Petition by the licence later on." *The PTCUL has expedited the execution of the capex scheme taking cognizance of the directive of the Hon'ble Commission. Further, during the 8th coordination meeting held on 08.05.2023* ***(Annexure 3)****, the matter was deliberated again and the Hon'ble Commission had directed as herein below:* *"UPCL to coordinate with PTCUL for charging 132 kV Chandak- Lohaghat line at 33 kV for interim relief till the time 132/33 kV Champawat S/s commissioned."* *Accordingly, the construction work of 132 kV S/C line on D/C tower from Pithoragarh to Lohaghat was completed and Electrical inspector has issued charging certificate to the PTCUL. Consequently, the PTCUL has submitted the compliance of directive of the Hon'ble Commission vide its*	

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		*letter dated 24.06.2023**(Annexure 4)**. Further to this, the UPCL has issued 'Commercial Utilisation Certificate' vide its letter dated 21.08.2023**(Annexure 5)** to the PTCUL. Pursuant to the submissions there has been no observations, objections by either the Hon'ble Commission or any other stakeholder and beneficiary.* *The PTCUL humbly submits that the Hon'ble Commission has neither sought any queries raising concern on the aforesaid capitalisation nor sought the view of the Petitioner prior to disallowance. The PTCUL submits that the denial of capitalisation specifically incurred upon the direction of the Hon'ble Commission with no opportunity given to be heard of the PTCUL, leads to violate the principle of natural justice. The PTCUL submits that the impugned order neither deliberates the rational for the existing capitalisation, nor deliberates upon the reasons of disallowance.* *In wake of the above, the PTCUL requests the Hon'ble Commission to kindly restate the capitalisation as per the books of accounts by taking into cognizance the details already in possession of the Hon'ble Commission."* In the view of the above and as per accounting policy of PTCUL, the work of " Construction of 132 KV S/C line on D/C tower from Pithoragarh (PGCIL) – Champavat (Lohaghat) Line" has been capitalized in the books of accounts during F.Y. 2023-24 accordingly.	

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MANAGING DIRECTOR
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		In view of the above, it is requested to kindly drop the audit para.	
#4 (OBS-1459040)	**Statement of Profit & Loss** **Expenses** **Repairs& Maintenance Expenses (Note 28) Rs. 57.88 crore** The above does not include Rs. 1.25 crore being the expenses pertaining to AMC Sub Station H/W and AMC Data Center end H/W of Intra State ABT Metering Scheme for On-Lining of ABT Meters payable to M/s Secure Meters Limited for the period 12 April 2023 to 31 March 2024. The same should have been account for in books of accounts, which was not done. This resulted in understatement of Repairs& Maintenance Expenses as well as Short Term Provisions under the head Current Liabilities by Rs. 1.25 crore, each. Consequently, Profit for the year was also overstated by Rs. 1.25 crore.	It is to bring to your kind notice that Hon'ble Commission (UERC) while passing the Tariff Order has also disallowed the AMC part of the contract stating that the AMC is the maintenance contract being signed by PTCUL for the upkeep and maintenance of the Software and Hardware involved in ABT Metering System, the same do not form the part of physical hardware being capitalized under the scheme. Accordingly, the Hon'ble Commission has opined to consider the same as part of the normative R&M expenses. Againstthe above order PTCUL has submitted a review petition on June 20, 2024 before Hon'ble Commission (UERC) stating the following facts: - *"The PTCUL has submitted that the aforesaid act of the Hon'ble Commission is in violation of its own investment approval granted in Case No 11 of 2016 dated May 06, 2016**(Annexure 6)**. The said order was pronounced by the Hon'ble Commission taking cognizance of not only the detailed cost estimate submitted for consideration of the Hon'ble Commission while giving in-principal approval for*	We agree with the reply given by the management

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		the same. The said approval by the Hon'ble Commission has neither opined nor directed to exclude the AMC cost of the detailed cost estimate from the total approved cost nor has specified to undertake the AMC as part of the normative R&M expenses. The PTCUL submits that the purchase order for the aforesaid capex scheme was awarded only after the investment approval and in same manner as projected in the DPR and detailed project cost. *The PTCUL humbly submits that the Hon'ble Commission appears to have ignored its own approval and the facts submitted on face of the record. The PTCUL humbly submits that the denial of the capitalisation from its original scheme in-principally approved by the Hon'ble Commission tantamount to changing the rule of the game when the game has already been played. Thus requests the Hon'ble Commission to take cognizance of the submissions made and restate the capitalisation, the documentary evidence in this regard is being submitted again for easy reference of the Hon'ble Commission (Annexure – 7)."* Considering the above facts, it is clear that the AMC component is part of whole contract and the work is not yet completed in all respect as per the terms and condition of the contract. Hence, the cost incurred in AMC should also be additionally capitalised to the project cost as stated in the submission made in the review petition of PTCUL toHon'ble Commission(UERC).	

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AUDIT Observation reference	Audit PARA (AIR)	Management Reply	Statutory Auditor Reply
		In view of the above, it is requested to kindly drop the audit para.	
#5 (OBS-1459106)	**Assets** **Non Current Assets** **Property, Plant and Equipment (Note 2) Rs. 1578.94 crore** The above includes Rs. 1.14 crore being the expenditure incurred on AMC Sub Station H/W and AMC Data Center end H/W of Intra State ABT Metering Scheme for On-Lining of ABT Meters for the period 12 April 2022 to 11 April 2023. The Expenses (AMC of Sub Station and Central Data Center)being revenue nature should have been charged to Statement of Profit and Loss (Repair & Maintenance Expenses) instead of exhibiting in Property, Plant and Equipment. Further, depreciation of Rs. 0.05 crore has also been charged thereon	It is to bring to your kind notice that Hon'ble Commission (UERC) while passing the Tariff Order has also disallowed the AMC part of the contract stating that the AMC is the maintenance contract being signed by PTCUL for the upkeep and maintenance of the Software and Hardware involved in ABT Metering System, the same do not form the part of physical hardware being capitalized under the scheme. Accordingly, the Hon'ble Commission has opined to consider the same as part of the normative R&M expenses. Against the above order PTCUL has submitted a review	We agree with the reply given By the management.

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	@5.28*per cent.* This resulted in overstatement of Property, Plant and Equipment by Rs. 1.14 crore (Rs. 1.19 crore less Rs. 0.05crore) as well as Depreciation and Amortization Expenses by Rs. 0.05 crore and understatement of Repair & Maintenance Expenses by Rs. 1.19 crore. Consequently, Profit for the year was also overstated by Rs. 1.14 crore(Rs. 1.19 crore less Rs. 0.05 crore).	petition on June 20, 2024 before Hon'ble Commission (UERC) stating the following facts: - *"The PTCUL has submitted that the aforesaid act of the Hon'ble Commission is in violation of its own investment approval granted in Case No 11 of 2016 dated May 06, 2016**(Annexure 6)**. The said order was pronounced by the Hon'ble Commission taking cognizance of not only the detailed cost estimate submitted for consideration of the Hon'ble Commission while giving in-principal approval for the same. The said approval by the Hon'ble Commission has neither opined nor directed to exclude the AMC cost of the detailed cost estimate from the total approved cost nor has specified to undertake the AMC as part of the normative R&M expenses. The PTCUL submits that the purchase order for the aforesaid capex scheme was awarded only after the investment approval and in same manner as projected in the DPR and detailed project cost.* *The PTCUL humbly submits that the Hon'ble Commission appears to have ignored its own approval and the facts submitted on face of the record. The PTCUL humbly submits that the denial of the capitalisation from its original scheme in-principally approved by the Hon'ble Commission tantamount to changing the rule of the game when the game has already been played. Thus requests the Hon'ble Commission to take cognizance of the submissions made and restate the capitalisation, the documentary evidence in this regard is being submitted again for easy reference of the Hon'ble Commission. **(Annexure 7)**"* Considering the above facts, it is clear that the AMC	

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MANAGING DIRECTOR
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AUDIT Observation reference	Audit PARA (AIR)	Management Reply	Statutory Auditor Reply
		component is part of whole contract and the work is not yet completed in all respect as per the terms and condition of the contract. Hence, the cost incurred in AMC should also be additionally capitalised to the project cost as stated in the submission made in the review petition of PTCUL to Hon'ble Commission(UERC). In view of the above, it is requested to kindly drop the audit para.	
#6 (OBS-1459124)	**Assets** **Non Current Assets** **Capital Work-in-progress (Note 4) Rs. 772.51 crore** The above includes Rs. 7.00 crore being the expenditure *i.e.* Interest During Construction (IDC) incurred on 220/33 KV GIS Substation Baram (Jauljivi), Pithoragrah for the period October 2022 to March 2024. The Construction work of the said Substation has been completed on 06 October 2022, however Substation was not commissioned due to non-availability of associated 220KV Power Transmission line and is being idle since completion. Paragraph 22 of Ind AS-23 states that "An entity shall cease capitalising borrowing costs when substantially all the activities necessary to	As per Significant Accounting Policy of PTCUL Note 1 (iii) (a) "the transmission system assets are considered as ready for intended use on the date of commercial operation declared in terms of Uttarakhand Electricity Regulatory Commission tariff regulations and capitalized accordingly". Paragraph 22 of Ind AS-23 states that "An entity shall cease capitalizing borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete". Since all the activities necessary to prepare the qualifying assets are not completed till 06.10.2022 and various	We agree with the reply given by the management

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	prepare the qualifying asset for its intended use or sale are complete", therefore, in compliance of Ind AS-23, as the construction of Substation has been completed, interest should have been charged to Statement of Profit and Loss instead of exhibiting in Capital Work-in-Progress. This resulted in overstatement of Capital Work-in-Progress by Rs. 7.00 crore and understatement of Finance Costs (Expenses) by Rs. 7.00 crore. Consequently, Profit for the year was also overstated by Rs. 7.00 crore.	activities werecompleted even after 06.10.2022 and also certain activities are still pending for completion. In this regard SE(PI) has the following activities which have been either completed after 06.10.2022 or are still in progress:- 1. Different punch points related to 220 KV GIS Baram was taken up with the firm observed on dated 14.11.2022, and was intimated to the firm vide SE (PI) Baram, Pithoragarh e-mail dated 18.11.2022**(Annexure-8).** 2. Supply and erection of 33 KV 3*185 sq.mm copper power cable was required at site for connecting 33 KV GIS to Substation LT transformer (33 KV/415 V) which was not in original BOQ of the contract agreement hence PTCUL has issued contract amendment new items in contract agreement dated 27.06.2017 (supply and erection, civil works) executed against LOA no. 1558 & 1559/CE(C&P)/PTCUL/SS-27/2014-15 Dated 15.11.2016 (Supply & Erection, Civil work) for "Construction of 220/33 KV GIS at Baram (Jauljivi), Pithoragarh" vide letter on 402/SE (C7PII)/PTCUL/SS-27/2014-15 dated 03.06.2023 **(Annexure-9).** Accordingly, 33 KV 3*185 sq mm copper power cable was supplied by the firm on dated 25.09.2023 and erection was done on dated 30.09.2023. **(Annexure-10).** 3. Similarly, 36 KV surge arrestor AIS type was not in original BOQ quantity of contract agreement hence amendment (new item) in contract agreement was	

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		issued as above and accordingly erection work of 36 KV surge arrester AIS type was carried out on dated 30.09.2023 as per record of measurement. **(Annexure-11)**. 4. UPCL vide letter no. 828 dated 17.10.2020 intimated to PTCUL that there are 3 outgoing 33 KV feeders proposed from upcoming 220/33 KV Baram substation and cable size 33 KV XLPE 3c*400 sq mm is sufficient to meet out the required load, accordingly 33 KV GIS indoor termination kit was designed and manufactured by PTCUL but UPCL laid 3*300 sq mm cable in place of 3*400 sq mm cable as earlier confirmed so because of this indoor termination kit could not be installed accordingly as per request of PTCUL,(**Annexure-12**) UPCL changed the cable of size 3*400 sq mm as earlier confirmed. 5. PGCIL has requested PTCUL for installation of PLCC communication equipments for 220 KV Baram-Jauljivi transmission line circuit 1 and 2 at 400/200 KV GIS Jauljivi, accordingly PTCUL is taking the matter of supply of PLCC communication equipment with the contractor M/s Capital Electec Pvt. Ltd. Ghaziabad. 6. As per contract agreement operation, troubleshooting and familiarization of PTCUL staff with the installed system for a period of 12 months will be done by the contractor and also necessary training shall be provided to PTCUL staff by the contractor as per terms and conditions of the	

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		contract agreement(**Annexure -13**). 7. M/s Capital has supplied testing equipments at site as per contract agreement, demo of the testing equipment will be carried out by the contractor as soon as the Substation is energized and O&M staff deputed at the substation (**Annexure -14).** It is also to brought to the kind notice that previously 220 KV GIS Baram was planned to be energized through LILO of one circuit of "220 KV D/C Dhauliganga-Pihtoragarh PGCIL Power Transmission Line", which has not yet been completed. In View of above the said qualifying asset i.e220/33 KV GIS Substation Baram (Jauljivi), Pithoragarhis still under capital work in progress as all the activities necessary to prepare the qualifying assets for its intended use are not yet complete. Hence, the interest component should be charged to Capital Working in progress (CWIP) and not to Profit and loss statement. In view of the above, it is requested to kindly drop the audit para.	

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#7 (OBS-1459294)	**Balance Sheet** **Non-Current Assets** **Property, Plant and Equipment (Note 2) : Rs. 1578.94 crore.** As per Para 16 and 18 of the Ind AS-16 read with para 45 of the Ind AS-37, the Company was required to provide present value of the expenditure expected to be incurred for dismantling and removing the PPE at the end of its useful life and restoring the site on which it was located at the end of useful life. However, the Company has neither made any estimates nor disclosed any fact in this regard in the financial statements. Resultantly, PPE and other non-current liabilities are understated. Moreover, as per Note 1 (iii) Significant Account Policies (a) Property, Plant and Equipments (PPE) para 3rd PPE Cost includes purchase price (after deducting trade discount / rebate), non-refundable duties and taxes, cost or decommissioning liability and other directly attribute cost to brining the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. However, in absence of the financial estimates, financial impact of the same could not be	This is to inform that the Para 16, of Ind-AS 16 is related to "Element of Cost of PPE", i.e. the cost should include the purchase price / Taxes / Discounts / Direct Costs / Dismantling cost etc., to the cost of Assets. PTCUL includes all these costs at the time of capitalization of the projects. Further, para 18 of Ind-AS 16 states that the cost of obligation for dismantling should include the cost of inventory as per Ind-AS 2. Since, there is no obligation on PTCUL for dismantling any of its asset and also there is no such case existing as on date hence Para 18 of Ind-AS 16 also don't apply on PTCUL. Also, Para 45 of Ind-AS 37 is with respect to the "Provision for expenditure expected to be required to settle the obligation". As there is no obligation on PTCUL for dismantling of any asset and para 45 also don't apply in our case. Considering the above,there is no requirement of provision to be made for dismantling / Recovering of PPE at the end of its life as per above Para no. 16, 18 of Ind-AS 16 and Para 45 of Ind-AS 37.	We agree with the reply given by the management

G.M.(FINANCE
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MANAGING DIRECTOR
POWER TRANSMISSION CORPORATION
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	ascertained.	In view of the above, it is requested to kindly drop the audit para.	
#8 (OBS-1459333)	**Disclosure** The Company claimed refund of Rs. 16.11 crore (Advance Tax: Rs. 7.05 crore, TDS: 12.94 crore and MAT Credit u/s 115JAA: Rs. 0.39 crore) for Assessment Year 2023-24 whereas the Income Tax Department assessed a refund of Rs. 13.62 crore under Section 143(1) for the assessment year 2023-24 on 09.01.2024. The fact being material in nature and should have been	Noted for compliance. Necessary disclosure shall be made in the accounts for the F.Y. 2024-25 as per order passed by the Income Tax department. In view of the above, it is requested to kindly drop the audit para.	We agree with the reply given by the management

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	disclosed in the notes under the head Other Current Assets (Note 12).		

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