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A. K. Sabat & Co.
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INDEPENDENT AUDITOR’S REPORT

To the Members of TP Southern Odisha Distribution Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of TP Southern Odisha Distribution Limited (“the Company”), which comprise the Balance Sheet as at March 31 2023, the Statement of Profit and Loss, including the Statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013, as amended (“the Act”) in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2023, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs), as specified under Section 143(10) of the Act. Our responsibilities under those Standards are further described in the ‘Auditor’s Responsibilities for the Audit of the Financial Statements’ section of our report. We are independent of the Company in accordance with the ‘Code of Ethics’ issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended March 31, 2023.

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These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's Responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
<p>(a) <u>Expected credit loss on trade receivables (as described in Note 9 to the financial statements)</u></p> <p>The Company has outstanding gross trade receivables of Rs 588.83 crores as at March 31, 2023 (March 31,2022: Rs 435.15 crores), including overdue / aged receivables.</p> <p>The Company supplies electricity to various types of customers including individual customers with wide ranging characteristics in the Southern Odisha. There exists inherent exposure to credit risk for these customers. Since the Company has acquired this business recently, limited past experiences are available to estimate credit loss allowance.</p> <p>The Company has recognised Expected Credit Loss (ECL) allowance on trade receivables using its best estimate considering various factors such as segregation between</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of the Company's process and tested internal controls associated with the management's assessment of determining ECL allowance for trade receivables. • Obtained an understanding of the management plan and steps being taken to collect all receivables including overdue / aged receivables. • Evaluated management's assessment of recoverability of the outstanding receivables including recoverability of overdue/ aged receivables through inquiry with management, and analysis of recent collection trends in respect of receivables particularly aged and pre-acquisition receivables. • Evaluated management's assumption and judgement relating to collection considering business environment in which the Company operates and rights available with the Company

Key audit matter	How our audit addressed the key audit matter
<p>government and non-government consumers, security deposit available, outcome of the Company's effort to reach consumers, their most recent payment behaviour as well as the fact that electricity is an essential commodity and regulations require consumers to clear old dues to get continuous electricity etc.</p> <p>Based on the above mechanism and using its best estimate, the Company has accounted ECL provision of Rs 79.33 crores as on the balance sheet date.</p> <p>The appropriateness of the provision for expected credit loss is subjective due to the high degree of judgment applied by management. Due to the significance of trade receivables and the related estimation uncertainty this is considered to be a key audit matter.</p>	<p>to recover amount due from customers for estimating the amount of ECL allowance.</p> <ul style="list-style-type: none"> • Evaluated management's continuous assessment of the assumptions used in the credit loss provision computation. These considerations include whether there are regular receipts from the customers and the Company's past collection history. • Verified mathematical accuracy of provision computation based on credit loss estimation model used and other factors considered by the management. • Assessed the disclosures in the financial statements. • Obtained necessary management representation.
<p>(b) <u>Accrual of regulatory asset for items which are subject matter of true up in tariff orders (as described in Note 32 to the financial statements)</u></p>	
<p>Being regulated distribution business, tariff of the Company is determined by the regulator on cost plus return on equity basis wherein the cost is subject to prudential norms. The Company invoices its customers on the basis of pre-approved tariff which is subject to true up.</p> <p>The Company recognizes revenue at the amount invoiced to customers based on pre-approved tariff rates. As</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of the Company's process and tested internal controls associated with the estimation and recoverability of such regulatory deferral balances. • Read the tariff regulations and tariff orders and evaluated relevant clauses to understand management's assessment on allowability of various income and expenses and consequent recognition/ measurement of regulatory deferral account balances.

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Key audit matter	How our audit addressed the key audit matter
<p>the Company is entitled to a fixed return on equity and applicable incentives, the difference between the revenue recognized and entitlement as per the regulation is recognized as regulatory assets/liabilities. The Company has recognized regulatory asset of Rs 298.04 crores as at March 31, 2023.</p> <p>Accruals are determined based on tariff regulations and past tariff orders and are subject to verification and approval by the regulators. Further the costs incurred are subject to prudential checks and prescribed norms.</p> <p>Significant judgements are made in determining the accruals including interpretation of tariff regulations. Further, in the true-up order, the regulator has observed that certain expenses booked in the audited accounts are higher than the approved costs and disallowed certain expenses. The regulator has also stated that these higher costs can only be verified through relevant information/data, field visits and third-party audits. The Company is taking steps considered appropriate by the management to claim allowance for disallowed expenses and has treated these expenses as recoverable/pass-through to the customer through subsequent regulatory orders.</p>	<ul style="list-style-type: none"> • Discussed with the management to understand their assessment on each qualitative and quantitative factor and reviewed consistency of the management’s explanation with the underlying documentation, rules, and regulations. • Assessed management’s evaluation of the likely outcome in respect of material disallowances made by the regulators. • Assessed impact, if any, recognized by the Company in respect of tariff orders received. • Re-calculated workings obtained from the management to check arithmetical accuracy of the calculations. • Assessed disclosures made by the Company in accordance with the requirements of Ind AS 114 “Regulatory Deferral Accounts.” • Obtained necessary management representation.

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Key audit matter	How our audit addressed the key audit matter
Considering judgements involved in estimating various elements of true up order and resulting regulatory deferral account balance, we have determined this to be a key audit matter.	

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Board Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of Management for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and

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completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor’s Report) Order, 2020 (“the Order”), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the “Annexure 1” a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.;
 - (c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

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- (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
- (e) On the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2023 from being appointed as a director in terms of Section 164 (2) of the Act;
- (f) With respect to the adequacy of the internal financial controls with reference to these financial statements and the operating effectiveness of such controls, refer to our separate Report in “Annexure 2” to this report;
- (g) In our opinion, the managerial remuneration for the year ended March 31, 2023 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;
- (h) With respect to the other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 34 to the financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company;
 - iv. (a) The management has represented that, to the best of its knowledge and belief and as disclosed in note 44, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person or entity, including foreign entities (“Intermediaries”), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company (“Ultimate Beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

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- (b) The management has represented that, to the best of its knowledge and belief and as disclosed in note 44, no funds have been received by the Company from any persons or entity, including foreign entities (“Funding Parties”), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (“Ultimate Beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and
- (c) Based on such audit procedures performed that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (a) and (b) contain any material misstatement.
- v. No dividend has been declared or paid during the year by the Company.
- vi. As proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable for the Company only w.e.f. April 1, 2023, reporting under this clause is not applicable.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

For A. K. Sabat & Co.
Chartered Accountants
ICAI Firm Registration Number: 321012E

per Vishal Bansal
Partner
Membership Number: 097546
UDIN: 23097546BGYCOW9522
Gurugram
April 25, 2023

per B. R. Mohanty
Partner
Membership Number: 057266
UDIN: 23057266BGSMTS8177
Bhubaneswar
April 25, 2023

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Annexure 1 referred to in paragraph 1 under the heading “Report on other legal and regulatory requirements” of our report of even date

Re: TP Southern Odisha Distribution Limited (“the Company”)

In terms of the information and explanations sought by us and given by the Company and the books of account and records examined by us in the normal course of audit and to the best of our knowledge and belief, we state that:

- (i) (a) (A) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.

(B) The Company has maintained proper records showing full particulars of intangibles assets.
- (b) All property, plant and equipment have not been physically verified by the management during the year but there is a regular programme of verification of all the property, plant and equipment over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with the programme, a portion of the property, plant and equipment was verified during the year. No material discrepancies were noticed on such verification.
- (c) The Company does not hold any land in its name. As regard the buildings, thereon, the Company retains operational rights over the buildings used for the purpose of carrying out distribution business under a license granted by the Odisha Electricity Regulatory Commission. Thus, verification of title deeds is not applicable for such buildings.
- (d) The Company has not revalued its property, plant and equipment or intangible assets during the year ended March 31, 2023.
- (e) There are no proceedings initiated or are pending against the Company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988 and rules made thereunder.
- (ii) (a) The management has conducted physical verification of inventory during the year. In our opinion, the frequency of verification is reasonable and the coverage and the procedure of such verification by the management is appropriate.

Discrepancies of 10% or more in aggregate for each class of inventory were not noticed on such physical verification.

- (b) As disclosed in note 19 to the financial statements, the Company has been sanctioned working capital limits in excess of Rs. five crores in aggregate from banks during the year on the basis of security of current assets of the Company. Based on the records examined by us in the normal course of audit of the financial statements, the quarterly returns/statements filed by the Company with such banks are in agreement with the books of accounts of the Company. The Company does not have sanctioned working capital limits in excess of Rs. five crores in aggregate from financial institutions during the year on the basis of security of current assets of the Company.
- (iii) (a) During the year, the Company has not provided loans, advances in the nature of loans, stood guarantee or provided security to companies, firms, Limited Liability Partnerships or any other parties. Accordingly, the requirement to report on clause 3(iii)(a) of the Order is not applicable to the Company.
- (b) During the year, the Company has not made investments, provided guarantees, provided security and granted loans and advances in the nature of loans to companies, firms, limited liability partnerships or any other parties. Accordingly, the requirement to report on clause 3(iii)(b) of the Order is not applicable to the Company.
- (c) As per terms of vesting order for acquisition of business, a loan to another Company was transferred where the schedule for repayment of principal and payment of interest has not been stipulated. The loan has been repaid in full before the period end. Post acquisition, the Company has not granted loans and advances in the nature of loans to companies, firms, limited liability partnerships or any other parties during the year. Accordingly, the requirement to report on clause 3(iii)(c) of the Order is not applicable to the Company.
- (d) As per terms of vesting order for acquisition of business, a loan to another Company was transferred where the schedule for repayment of principal and payment of interest has not been stipulated. The loan has been repaid in full before the year end. Post-acquisition, the Company has not granted loans and advances in the nature of loans to companies, firms, limited liability partnerships or any other parties during the year. Accordingly, the requirement to report on clause 3(iii)(d) of the Order is not applicable to the Company.

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- (e) As per terms of vesting order for acquisition of business, a loan to another Company was transferred where the schedule for repayment of principal and payment of interest has not been stipulated. The loan has been repaid in full before the year end. Post-acquisition, the Company has not granted loans and advances in the nature of loans to companies, firms, limited liability partnerships or any other parties during the period. Accordingly, the requirement to report on clause 3(iii)(e) of the Order is not applicable to the Company.
- (f) As per terms of vesting order for acquisition of business, a loan to another Company was transferred where the schedule for repayment of principal and payment of interest has not been stipulated. The loan has been repaid in full before the period end. Post-acquisition, the Company has not granted any loans or advances in the nature of loans, either repayable on demand or without specifying any terms or period of repayment to companies, firms, limited liability partnerships or any other parties. Accordingly, the requirement to report on clause 3(iii)(f) of the Order is not applicable to the Company.
- (iv) There are no loans, investments, guarantees, and security given by the Company post-acquisition of business in respect of which provisions of sections 185 and 186 of the Companies Act, 2013 are applicable and accordingly, the requirement to report on clause 3(iv) of the Order is not applicable to the Company.
- (v) The Company has neither accepted any deposits from the public nor accepted any amounts which are deemed to be deposits within the meaning of sections 73 to 76 of the Companies Act and the rules made thereunder, to the extent applicable. Accordingly, the requirement to report on clause 3(v) of the Order is not applicable to the Company.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Companies Act, 2013, related to the service of distribution of electricity, and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- (vii) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including goods and services tax, provident fund, employees' state insurance, income-tax, cess and other statutory dues applicable to it though there has been a slight delay in a few cases. According to the

information and explanations given to us and based on audit procedures performed by us, no undisputed amounts payable in respect of these statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable. During the year, the Company did not have any undisputed dues towards sales-tax, service tax, duty of excise, duty of customs and value added tax.

- (b) The dues of services tax have not been deposited on account of any dispute, are as follows:

Name of the statute	Nature of the dues	Amount (Rs in crores)	Period to which the amount relates (Financial Year)	Forum where dispute is pending
The Finance Act, 1994	Service tax	15.16	FY 2014-15 to FY 2017-18	CESTAT, Kolkata

There are no dues of goods and services tax, employees' state insurance, income tax, sales-tax, customs duty, excise duty, value added tax, cess and other statutory dues which have not been deposited on account of any dispute.

- (viii) The Company has not surrendered or disclosed any transaction, previously unrecorded in the books of account, in the tax assessments under the Income Tax Act, 1961 as income during the year. Accordingly, the requirement to report on clause 3(viii) of the Order is not applicable to the Company.
- (ix) (a) The Company has not defaulted in repayment of loans or other borrowings or in the payment of interest thereon to any lender
- (b) The Company has not been declared willful defaulter by any bank or financial institution or government or any government authority.
- (c) Term loans were applied for the purpose for which the loans were obtained.
- (d) On an overall examination of the financial statements of the Company, no funds raised on short-term basis have been used for long-term purposes by the Company.
- (e) The Company does not have any subsidiary, associate or joint venture. Accordingly, the requirement to report on clause 3(ix)(e) of the Order is not applicable to the Company.

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- (f) The Company does not have any subsidiary, associate or joint venture. Accordingly, the requirement to report on clause 3(ix)(f) of the Order is not applicable to the Company.
- (x) (a) The Company has not raised any money during the year by way of initial public offer / further public offer (including debt instruments) hence, the requirement to report on clause 3(x)(a) of the Order is not applicable to the Company.

(b) The Company has not made any preferential allotment or private placement of shares /fully or partially or optionally convertible debentures during the year under audit and hence, the requirement to report on clause 3(x)(b) of the Order is not applicable to the Company.
- (xi) (a) No material fraud by the Company or no material fraud on the Company has been noticed or reported during the year.

(b) During the year, no report under sub-section (12) of section 143 of the Companies Act, 2013 has been filed by cost auditor/ secretarial auditor or by us in Form ADT – 4 as prescribed under Rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government.

(c) We have taken into consideration the whistle blower complaints received by the Company during the year while determining the nature, timing and extent of audit procedures.
- (xii) (a) The Company is not a Nidhi Company as per the provisions of the Companies Act, 2013. Therefore, the requirement to report on clause 3(xii)(a) of the Order is not applicable to the Company.

(b) The Company is not a nidhi Company as per the provisions of the Companies Act, 2013. Therefore, the requirement to report on clause 3(xii)(b) of the Order is not applicable to the Company.

(c) The Company is not a nidhi Company as per the provisions of the Companies Act, 2013. Therefore, the requirement to report on clause 3(xii)(c) of the Order is not applicable to the Company.
- (xiii) Transactions with the related parties are in compliance with section 177 and 188 of the Companies Act, 2013 (as amended) where applicable and the details have been

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disclosed in the notes to the financial statements, as required by the applicable accounting standards.

- (xiv) (a) The Company has an internal audit system commensurate with the size and nature of its business.
- (b) The internal audit reports of the Company issued till the date of the audit report, for the period under audit have been considered by us.
- (xv) The Company has not entered into any non-cash transactions with its directors or persons connected with its directors and hence requirement to report on clause 3(xv) of the Order is not applicable to the Company.
- (xvi) (a) The provisions of section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934) are not applicable to the Company. Accordingly, the requirement to report on clause (xvi)(a) of the Order is not applicable to the Company.
- (b) The Company is not engaged in any Non-Banking Financial or Housing Finance activities. Accordingly, the requirement to report on clause (xvi)(b) of the Order is not applicable to the Company.
- (c) The Company is not a Core Investment Company (CIC) as defined in the regulations made by Reserve Bank of India. Accordingly, the requirement to report on clause 3(xvi)(c) of the Order is not applicable to the Company.
- (d) The Group has five Core Investment Companies (CICs) which are registered with the Reserve Bank of India and one CIC which is not required to be registered with the Reserve Bank of India.
- (xvii) The Company has not incurred cash losses in the current year as well as in the immediately preceding financial year respectively.
- (xviii) There has been no resignation of the statutory auditors during the year and accordingly requirement to report on Clause 3(xviii) of the Order is not applicable to the Company.
- (xix) On the basis of the financial ratios disclosed in note 39 to the financial statements, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the

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Chartered Accountants
Sahid Nagar,
Bhubaneswar – 751 007

evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.

- (xx) (a) In respect of other than ongoing projects, there are no unspent amounts that are required to be transferred to a fund specified in Schedule VII of the Companies Act (the Act), in compliance with second proviso to sub section 5 of section 135 of the Act. This matter has been disclosed in note 29 to the financial statements.
- (b) There are no unspent amounts in respect of ongoing projects, that are required to be transferred to a special account in compliance of provision of sub section (6) of section 135 of Companies Act. This matter has been disclosed in note 29 to the financial statements.
- (xxi) The Company does not have any subsidiary, associate or joint venture. Accordingly, the requirement to report on clause 3(xxii) of the Order is not applicable to the Company.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

For A. K. Sabat & Co.
Chartered Accountants
ICAI Firm Registration Number: 321012E

per Vishal Bansal
Partner
Membership Number: 097546
UDIN: 23097546BGYCOW9522
Gurugram
April 25, 2023

per B. R. Mohanty
Partner
Membership Number: 057266
UDIN: 23057266BGSMTS8177
Bhubaneswar
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ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF TP SOUTHERN ODISHA DISTRIBUTION LIMITED

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls with reference to financial statements of TP Southern Odisha Distribution Limited (“the Company”) as of March 31, 2023 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (“ICAI”). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to these financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, as specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to these financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to these financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements

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included obtaining an understanding of internal financial controls with reference to these financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to these financial statements.

Meaning of Internal Financial Controls with Reference to these Financial Statements

A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with Reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2023, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

For A. K. Sabat & Co.
Chartered Accountants
ICAI Firm Registration Number: 321012E

per Vishal Bansal
Partner
Membership Number: 097546
UDIN: 23097546BGYCOW9522
Gurugram
April 25, 2023

per B. R. Mohanty
Partner
Membership Number: 057266
UDIN: 23057266BGSMTS8177
Bhubaneswar
April 25, 2023

TP SOUTHERN ODISHA DISTRIBUTION LIMITED
CIN : U40109OR2020PLC035195
Kamapalli, Courtpetta, Berhampur, Ganjam, Odisha-760004,
Website: www.tpsouthernodisha.com; Email: tpsodl@tpsouthernodisha.com

BALANCE SHEET AS AT MARCH 31, 2023

Particulars	Notes	₹ crore	
		As at March 31, 2023	As at March 31, 2022
ASSETS			
(A) Non-current assets			
(a) Property, plant and equipment	4	1,119.95	750.26
(b) Capital work in progress	5	129.62	78.93
(c) Intangible assets	4	69.78	34.02
(d) Financial assets			
Other financial assets	6	53.10	86.19
(e) Deferred tax assets (net)	7	54.07	43.17
(f) Non-current tax assets (net)		2.99	2.22
Total non-current assets		1,429.51	994.79
(B) Current assets			
(a) Inventories	8	45.22	28.30
(b) Financial assets			
(i) Trade receivables	9	509.50	415.07
(ii) Unbilled revenue		130.03	121.11
(iii) Cash and cash equivalents	10	174.00	177.05
(iv) Bank balances other than (iii) above	10	849.46	423.05
(v) Other financial assets	11	14.67	10.56
(c) Other current assets	12	25.98	10.03
Total current assets		1,748.86	1,185.17
(C) Total assets before regulatory deferral account (A+B)		3,178.37	2,179.96
(D) Regulatory deferral account- assets	32	298.04	93.58
(E) Total assets and regulatory deferral account debit balances (C+D)		3,476.41	2,273.54
EQUITY AND LIABILITIES			
(A) Equity			
(a) Equity share capital	13	368.94	247.94
(b) Other equity	14	124.20	91.45
Total equity (A)		493.14	339.39
Liabilities			
(B) Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	15	210.60	39.29
(ii) Other financial liabilities	16	23.73	26.29
(b) Provisions	17	262.51	218.86
(c) Other non-current liabilities	18	820.11	471.29
Total non-current liabilities (B)		1,316.95	755.73
(C) Current liabilities			
(a) Financial liabilities			
(i) Borrowings	19	647.91	300.92
(ii) Trade payables	20		
(a) Total outstanding dues of micro enterprises and small enterprises		119.58	12.39
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises		130.59	230.18
(iii) Other financial liabilities	21	617.81	597.42
(b) Provisions	17	30.56	19.74
(c) Other current liabilities	22	111.94	13.64
(d) Current tax liabilities (net)	23	7.93	4.13
Total current liabilities (C)		1,666.32	1,178.42
(D) Total liabilities (B+C)		2,983.27	1,934.15
(E) Total equity and liabilities - (A+D)		3,476.41	2,273.54

See accompanying notes forming part of financial statements

As per our report of even date

For S R B C & CO LLP
Chartered Accountants
ICAI FRN: 324982E/ E300003

For A K Sabat & Co.
Chartered Accountants
ICAI FRN: 321012E

**For and on behalf of the Board of
TP Southern Odisha Distribution Limited**

per Vishal Bansal
Partner
Membership No. 097546
Place: Gurugram

per B.R. Mohanty
Partner
Membership No. 057266
Place: Bhubaneswar

Praveer Sinha
Director
DIN:01785164
Place: Mumbai

Sanjay Banga
Director
DIN:07785948
Place: Mumbai

Arvind Singh
Chief Executive Officer
Place: Bhubaneswar

Bijay Kumar Mohanty
Chief Financial Officer
Place: Berhampur

Jeevanivoti Navak
Company Secretary
Place: Berhampur

Date: April 25, 2023

TP SOUTHERN ODISHA DISTRIBUTION LIMITED

CIN : U40109OR2020PLC035195

Kamapalli, Courtpetta, Berhampur, Ganjam, Odisha-760004,

Website: www.tpsouthernodisha.com; Email: tpsodl@tpsouthernodisha.com

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2023

Particulars	Notes	₹ crore	
		Year ended March 31, 2023	Year ended March 31, 2022
I. Revenue from operations	24	1,853.12	1,686.14
II. Other income	25	63.63	49.30
III. Total income (I+II)		1,916.75	1,735.44
IV. Expenses			
Cost of power purchased and transmission charges	26	1,057.82	916.57
Employee benefits expense	27	381.53	395.60
Finance costs	28	58.62	27.03
Depreciation and amortisation expense	4	58.32	40.63
Other expenses	29	519.73	269.33
Total expenses (IV)		2,076.02	1,649.16
V. (Loss)/Profit before movement in regulatory deferral balance and tax (III-IV)		(159.27)	86.27
Add: Net movement in regulatory deferral balances	32	206.09	3.35
VI. Profit before tax		46.82	89.62
VII. Tax expense			
(1) Current tax			
(a) For the year		19.41	18.04
(b) Adjustment of tax relating to earlier period		6.09	-
(2) Deferred tax (credit)/expense	30	(11.43)	2.56
VIII. Profit for the year (VI-VII)		32.75	69.03
IX. Other comprehensive income			
Items that will not be reclassified to profit or loss (net)	31	-	-
X. Total other comprehensive income		-	-
XI. Total comprehensive income for the year (VIII+X)		32.75	69.03
XII. Earnings per equity share (face value of ₹ 10/- each)			
Earnings per equity share {excluding regulatory income (net)}			
Basic and Diluted (in ₹)		(4.89)	3.32
Earnings per equity share {including regulatory income (net)}			
Basic and Diluted (in ₹)		1.32	3.45

See accompanying notes forming part of financial statements

As per our report of even date

For S R B C & CO LLP
Chartered Accountants
ICAI FRN: 324982E/ E300003

For A K Sabat & Co.
Chartered Accountants
ICAI FRN: 321012E

**For and on behalf of the Board of
TP Southern Odisha Distribution Limited**

per Vishal Bansal
Partner
Membership No. 097546
Place: Gurugram

per B.R. Mohanty
Partner
Membership No. 057266
Place: Bhubaneswar

Praveer Sinha
Director
DIN:01785164
Place: Mumbai

Sanjay Banga
Director
DIN:07785948
Place: Mumbai

Arvind Singh
Chief Executive Officer
Place: Bhubaneswar

Bijay Kumar Mohanty
Chief Financial Officer
Place: Berhampur

Jeevanjyoti Nayak
Company Secretary
Place: Berhampur

Date: April 25, 2023

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31,2023

A. Equity Share Capital

Particulars	No. of Shares	Amount ₹ crore
Balance as at April 1, 2021	20,00,00,000	200.00
Issued during the year	4,79,40,000	47.94
Balance as at March 31, 2022	24,79,40,000	247.94
Balance as at April 1, 2022	24,79,40,000	247.94
Issued during the year	12,10,00,000	121.00
Balance as at March 31, 2023	36,89,40,000	368.94

B. Other Equity

Particulars	Retained Earnings	Total
	₹ crore	₹ crore
Balance as at April 1, 2021	22.42	22.42
Profit for the year ended	69.03	69.03
Other comprehensive income for the year	-	-
Total comprehensive income	69.03	69.03
Balance as at March 31, 2022	91.45	91.45
Balance as at April 1, 2022	91.45	91.45
Profit for the year ended	32.75	32.75
Other Comprehensive Income for the year	-	-
Total Comprehensive Income	32.75	32.75
Balance as at March 31, 2023	124.20	124.20

See accompanying notes forming part of financial statements

As per our report of even date

For S R B C & CO LLP
Chartered Accountants
ICAI FRN: 324982E/ E300003

For A K Sabat & Co.
Chartered Accountants
ICAI FRN: 321012E

**For and on behalf of the Board of
TP Southern Odisha Distribution Limited**

per Vishal Bansal
Partner
Membership No. 097546
Place: Gurugram

per B.R. Mohanty
Partner
Membership No. 057266
Place: Bhubaneswar

Praveer Sinha
Director
DIN:01785164
Place: Mumbai

Sanjay Banga
Director
DIN:07785948
Place: Mumbai

Arvind Singh
Chief Executive Officer
Place: Bhubaneswar

Bijay Kumar Mohanty
Chief Financial Officer
Place: Berhampur

Jeevanjyoti Nayak
Company Secretary
Place: Berhampur

Date: April 25, 2023

TP SOUTHERN ODISHA DISTRIBUTION LIMITED

CIN : U40109OR2020PLC035195
Kamapalli, Courtpeta, Berhampur, Ganjam, Odisha-760004,
Website: www.tpsouthernodisha.com; Email: tpsodl@tpsouthernodisha.com

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2023

Accounting Policy

Cash Flows from operating activities are reported using the indirect method, whereby profit for the year is adjusted for the effects of transactions of non-cash nature and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated and presented separately. The Company considers all highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value to be cash equivalents.

Particulars	₹ crore	
	Year ended March 31, 2023	Year ended March 31, 2022
A. Cash Flow from operating activities		
Profit before tax	46.82	89.63
Adjustments to reconcile profit and loss to net cash provided by operating activities		
Depreciation and amortisation expense	58.32	40.63
Provision for contingencies	5.33	9.77
Transfer from consumer contribution for capital work	(11.58)	(12.34)
Finance costs	39.94	15.11
Interest income on term deposits at amortised cost	(19.65)	(12.94)
Income from delayed payment charges	(13.64)	(8.51)
Loss on disposal / write off of property, plant and equipment #	0.00	1.42
Allowances for doubtful receivables	59.25	16.55
Operating profit before working capital changes	164.79	139.32
Adjustments for (increase)/decrease in operating assets:		
Inventories	(16.91)	(20.05)
Trade receivables	(153.67)	(240.05)
Other financial assets - current	0.42	0.73
Other financial assets - non current	17.38	(1.38)
Unbilled revenue	(8.92)	(38.08)
Other current assets	(15.95)	(4.48)
Regulatory deferral account- assets	(203.93)	(82.03)
Movement in operating assets	(381.58)	(385.34)
Adjustments for increase/(decrease) in operating liabilities:		
Trade payables	7.60	33.28
Other financial liabilities - current	0.72	11.97
Other financial liabilities - non current	(2.56)	15.68
Other current liabilities	99.09	5.36
Provisions - current	5.49	(0.64)
Provisions - non current	43.65	128.29
Movement in operating liabilities	153.99	193.94
Cash used in operations	(62.80)	(52.07)
Income tax paid (net of refund received)	(22.47)	(10.18)
*Net cash flow used in operating activities (A)	(85.27)	(62.25)
B. Cash flow from investing activities		
Proceeds from sale of property, plant and equipment	0.08	-
Capital expenditure on property, plant and equipment and intangible assets (including capital work in progress and net of capital creditors)	(444.86)	(165.32)
Delayed payment charges received	13.64	8.51
Interest income on fixed deposits	15.12	15.03
Movement in bank balance not considered as cash and cash equivalents (net)	(410.70)	(32.83)
Net cash flow used in investing activities (B)	(826.72)	(174.61)
C. Cash flow from financing activities		
Proceeds from issuance of equity shares	61.71	24.45
Finance costs paid	(40.73)	(15.11)
Proceeds from Consumer Contribution/Government Grant	362.30	69.29
Repayment of Consumer Contribution/Government Grant	(0.81)	(33.40)
Proceeds/Adjustment/Refund of Security deposit from electricity consumers(net)	8.17	34.09
Proceeds from short-term borrowings	1,915.80	2,129.16
Repayments of short-term borrowings	(1,585.96)	(1,928.82)
Proceeds from long-term borrowings	191.14	40.00
Repayment of long-term borrowings	(2.68)	-
Net cash flow generated from financing activities (C)	908.94	319.66
D. Net (decrease) /increase in cash and cash equivalents (A+B+C)	(3.05)	82.80
E. Cash and cash equivalents at the beginning of the year	177.05	94.25
F. Cash and cash equivalents at year end	174.00	177.05
G. Non-cash financing and investing activities		
Issue of right shares for consideration other than cash	59.29	23.49

1 # 0.00 represents amount below the rounding off norm adopted by the Company

2 *Net cash flow from operating activities includes an amount of ₹ 1.26 crore (March 31, 2022: ₹ 0.34 crore) towards Corporate social responsibility.

Cash and cash equivalents include:	As at March 31, 2023	As at March 31, 2022
	₹ crore	₹ crore
(a) Balances with banks - in current accounts	82.17	78.42
(b) Cheques on hand	12.32	6.76
(c) Cash on hand	13.16	14.27
(d) Deposit having original maturity of less than 3 months	66.35	77.60
Total cash and cash equivalents	174.00	177.05

See accompanying notes forming part of financial statements

As per our report of even date

For S R B C & CO LLP
Chartered Accountants
ICAI FRN: 324982E/ E300003

For A K Sabat & Co.
Chartered Accountants
ICAI FRN: 321012E

**For and on behalf of the Board of
TP Southern Odisha Distribution Limited**

per Vishal Bansal
Partner
Membership No. 097546
Place: Gurugram

per B.R. Mohanty
Partner
Membership No. 057266
Place: Bhubaneswar

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Director
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Place: Mumbai

Arvind Singh
Chief Executive Officer
Place: Bhubaneswar

Bijay Kumar Mohanty
Chief Financial Officer
Place: Berhampur

Jeevanjyoti Nayak
Company Secretary
Place: Berhampur

Date: April 25, 2023

TP SOUTHERN ODISHA DISTRIBUTION LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2023

NOTE 1

Corporate Information

TP Southern Odisha Distribution Limited (TPSODL or the Company) is a public limited company, domiciled and incorporated in India and is engaged in the business of distribution of electricity in Southern Odisha. The Company has been incorporated on December 25, 2020 under the Companies Act, 2013 (as amended). Pursuant to Vesting Order issued by the Odisha Electricity Regulatory Commission ('OERC') dated December 28, 2020, the Company acquired the business of distributing power in Southern Odisha ('business') from SOUTHCO Utility with effect from January 1, 2021 (Vesting Date). Accordingly, the Company is a licensee to carry out the function of distribution and retail supply of electricity covering the distribution circles of Southern state of Odisha for a period of 25 years effective from January 1, 2021, which also marked the commencement of commercial operations for the Company.

The registered office of the Company is located at Kamapalli, Courtpeta, Berhampur -760 004, Ganjam, Odisha.

The Company is subsidiary of The Tata Power Company Limited (TPCL) which holds 51% equity shares and balance 49% equity shares are held by GRIDCO Ltd.

NOTE 2

Significant Accounting Policies

2.01 Statement of compliance

The Financial Statements have been prepared in accordance with Indian Accounting Standards (Ind AS) as notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended) read with section 133 of the Companies Act, 2013 (as amended from time to time). The Company also applies requirement of Division II to Schedule III of the Companies Act 2013, while presenting financial statements. During the year, certain amendments to Ind AS have become applicable and been adopted by the Company. However, their applications did not have any material impact on financial position and financial performance of the Company.

2.02 Basis of preparation and presentation

The Ind AS Financial Statements have been prepared on a historical cost basis, except for the following assets and liabilities which have been measured at fair value

- certain financial assets and liabilities measured at fair value (Refer accounting policy regarding financial instruments):
- employee benefit expenses (refer note 17 for accounting policy)

Historical cost is the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire assets at the time of their acquisition or the amount of proceeds received in exchange for the obligation, or the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The financial statements are presented in ₹ and all values are rounded to the nearest crore (₹ '00,00,000), except when otherwise indicated.

The Company has prepared the financial statements on the basis that it will continue to operate as a going concern.

NOTE 3

Other significant accounting policies

Accounting policies are set out along with respective explanatory notes where it specifically relates to such transactions or balances. Other significant accounting policies are set out below:

3.01 Foreign currencies

These financial statements are presented in Indian Rupee (₹), which is the functional currency of the Company. The functional currency represents the currency of the primary economic environment in which the Company operates.

Transactions in foreign currencies are recorded at exchange rates prevailing on the date of the transaction. Foreign currency denominated monetary assets and liabilities are translated at the exchange rate prevailing on the Balance Sheet date and exchange gains and losses arising on settlement and restatement are recognised in the Statement of Profit and Loss.

3.02 Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current / non-current classification. An asset is treated as current when it is:

- expected to be realised or intended to be sold or consumed in normal operating cycle,
- held primarily for the purpose of trading,
- expected to be realised within twelve months after the reporting period, or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in normal operating cycle,
- it is held primarily for the purpose of trading,
- it is due to be settled within twelve months after the reporting period, or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

3.03 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

Except for trade receivables, financial assets and financial liabilities are initially measured at fair value. Trade receivables are measured at the transaction price determined in accordance with Ind AS 115-"Revenue from contracts with customers". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in the Statement of Profit and Loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period.

3.04 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

3.04.1 Financial assets at amortised cost

A financial asset shall be measured at amortised cost using effective interest rates if both of the following conditions are met:

- (i) financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (ii) contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3.04.2 Financial assets at fair value through profit or loss (FVTPL)

Financial assets at FVTPL include financial assets that either do not meet the criteria for amortised cost and/ or fair value through other comprehensive income (FVTOCI) classification or are equity instruments held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments also fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements may apply. Assets in this category are measured at fair value with gains or losses recognised in the Statement of Profit and Loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

A financial asset is held for trading if:

- (i) it has been acquired principally for the purpose of selling it in the near term; or
- (ii) on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent
- (iii) it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Dividends on these investments in equity instruments are recognised in the Statement of Profit and Loss when the Company's right to receive the dividends is established, it is probable that the economic benefits associated with the dividend will flow to the company, the dividend does not represent a recovery of part of cost of the investment and the amount of dividend can be measured reliably. Dividends recognised in the Statement of Profit and Loss are included in the 'Other income' line item.

3.04.3 Financial assets at fair value through other comprehensive income (FVTOCI)

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cashflows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to present the subsequent changes in fair value in other comprehensive income pertaining to investments in equity instruments. This election is not permitted if the equity investment is held for trading. These elected investments are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the 'Reserve for equity instruments through other comprehensive income'. The cumulative gain or loss is not reclassified to the Statement of Profit and Loss on disposal of the investments.

3.04.4 Impairment of financial asset

The Company applies the expected credit loss model for recognising impairment loss on financial assets measured at amortised cost, trade receivables and other contractual rights to receive cash or other financial asset not designated as at FVTPL.

Expected credit losses are the weighted average of credit losses with the respective risks of default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). The Company estimates cash flows by considering all contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) through the expected life of that financial instrument.

Further, for the purpose of measuring lifetime expected credit loss allowance for trade receivables, the Company has used a practical expedient as permitted under Ind AS 109. This expected credit loss allowance is computed based on a provision matrix which takes into account historical credit loss experience and adjusted for forward-looking information.

For trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 115 "Revenue from Contracts with Customers", the Company always measures the loss allowance at an amount equal to lifetime expected credit losses using the simplified approach permitted under Ind AS 109 "Financial Instruments".

3.04.5 Derecognition of financial asset

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially transfers all the risks and rewards of ownership of the asset to another party.

3.05 Financial liabilities and equity instruments

3.05.1 Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.05.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Incremental costs directly attributable to the issuance of new ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

3.05.3 Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

3.05.4 Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent reporting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant reporting period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3.05.5 Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. An exchange with a lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the Statement of Profit and Loss.

3.06 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as properties and other assets/ liabilities acquired as part of business combination.

3.07 Lease accounting

At inception of contract, the Company assesses whether the Contract is or contains a lease. A contract is or contains a lease if the contract convey a right to control the use of an identified asset for a period of time in exchange for consideration. At inception or on reassessment of a contract that contains a lease component, the Company allocates consideration in the contract to each lease component on the basis of their relative standalone price.

3.07.1 As a Lessee

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to dismantle. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company generally uses its incremental borrowing rate at the lease commencement date if the discount rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The carrying amount is remeasured when there is a change in future lease payments arising from a change in index or rate. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Short term leases and leases of low value of assets

The Company applies short-term lease recognition exemption to its short-term leases. It also applies the lease of low-value assets recognition exemption that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

3.08 Dividend

Final dividends on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors.

3.09 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. Where the grant relates to a specified asset, it is recognized as deferred income, and amortised over the expected useful life of the asset. Other grants relating to revenue are recognised in the statement of profit and loss on a systematic basis to match with the related expense.

3.10 Business combinations and goodwill

Business combinations, except those under common control, are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, the following assets and liabilities acquired in a business combination are measured at the basis indicated below:

- Deferred tax assets or liabilities, and the liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with Ind AS 12 Income Tax and Ind AS 19 Employee Benefits respectively.
- Potential tax effects of temporary differences and carry forwards of an acquiree that exist at the acquisition date or arise as a result of the acquisition are accounted in accordance with Ind AS 12 Income Tax.
- When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the Company recognises the gain directly in equity as capital reserve, without routing the same through OCI.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill as well as other assets, if any, is recognised in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted through goodwill during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date. These adjustments are called as measurement period adjustments. The measurement period does not exceed one year from the acquisition date.

3.11 Standards issued but not yet effective

The key new and amended standards that are issued, but not yet effective, up to the date of issuance of the financial statements are disclosed below. The Company intends to adopt these new and amended standards, if applicable, when they become effective.

Definition of Accounting Estimates - Amendments to Ind AS 8

The amendment introduces a definition of 'accounting estimates.' The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 April 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period.

The amendments are not expected to have a material impact on the Company's financial statements.

Disclosure of Accounting Policies - Amendments to Ind AS 1

The amendment provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments are applicable for annual periods beginning on or after 1 April 2023 with earlier application permitted. The Company is revisiting its accounting policy information disclosures to ensure consistency with the amended requirements.

Deferred tax related to Assets and Liabilities arising from a Single Transaction - Amendments to Ind AS 12

The Ministry of Corporate Affairs (MCA) has notified amendments to Ind AS 12, which narrow the scope of the initial recognition exception under Ind AS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Company is currently assessing the impact of the amendments.

3.12 Critical accounting estimates and judgements

In the application of the Company's accounting policies, management of the Company is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Detailed information about each of these estimates and judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

The areas involving critical estimates or judgements are:

- 1 Estimation of defined benefit obligation
- 2 Estimations of tax expense and balances
- 3 Estimates related to accrual of regulatory deferrals and revenue recognition
- 4 Estimation of provision required toward litigation and other claims against the Company
They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.
- 5 Estimation of unbilled revenue
- 6 Estimation of expected credit loss

Estimates and judgement are continually evaluated. They are based on industrial experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

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NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2023

NOTE 4 Property, plant and equipment (PPE) and Intangible assets:

4.01 Accounting Policy :

Property, plant and equipments are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes purchase price (net of trade discount and rebates) and any directly attributable cost of bringing the asset to its working condition for its intended use and for qualifying assets, borrowing costs capitalised in accordance with the Ind AS 23. When significant parts of Property, Plant and Equipments are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipments as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit and loss as incurred. Subsequent costs are included in the carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for separately is derecognised when replaced.

Depreciation on regulated assets

Depreciation commences when an asset is ready for its intended use.

Depreciation on property, plant and equipments in respect of electricity business of the Company covered under Part B of Schedule II of the Companies Act, 2013, has been provided on the straight line method at the rates specified in the Vesting Order and the Tariff Regulation notified by the Regulatory Commission.

Rate of depreciation of the property, plant and equipment as prescribed by the Regulator is as follows:

Type of asset	Rate (Assets transferred on acquisition)	Rate (New assets acquired post acquisition)
Buildings	1.80%	3.34%
Plant and Machinery including transmission lines and cable network	3.80%	5.28% to 9.50%
Office Equipments	9.00%	5.28% to 15%
Office Equipments (others)	9.50%	6.33%
Furniture and Fixtures	4.55%	6.33%
Vehicles	12.86%	9.50%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Based on the Vesting Order/ Tariff Regulations, the residual value of the assets is considered at 10% of the Original Cost.

Depreciation on Non-regulated assets

Depreciation is recognised on the cost of assets less their residual values (Nil) over their estimated useful lives, using the straight-line method.

Rate of depreciation of the property, plant and equipment of non-regulated assets is as follows:

Type of asset	Rate (New assets acquired post acquisition)
Owned Meter	20.00%

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Estimated useful lives of the Intangible assets is as follows:

Type of Intangible Asset	Useful lives
Softwares	6 Years

Derecognition

An item of Property, plant and equipments and intangible assets is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipments and intangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit and loss.

Impairment of Property, plant and equipments and intangible assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. Impairment loss, if any, is recognised in the statement of profit and loss.

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4.02 Property, plant and equipment (Contd.)

a. Property, plant and equipment

Description	₹ crore						
	Buildings	Plant and Machinery including transmission lines and cable network	Vehicles	Furniture and Fixtures	Office Equipments	Meter	Total
Cost							
Balance as at April 1, 2022	26.94	727.76	1.00	5.78	35.51	-	796.99
Additions	56.55	269.71	2.39	5.13	35.02	51.90	420.70
Disposals/Adjustment	-	-	(0.06)	-	(0.05)	-	(0.11)
Balance as at March 31, 2023	83.49	997.47	3.33	10.91	70.48	51.90	1,217.58
Accumulated depreciation and impairment							
Balance as at April 1, 2022	0.31	44.32	0.19	0.13	1.78	-	46.73
Depreciation expense	1.38	35.83	0.10	0.50	7.22	5.88	50.91
Disposals/Adjustment	-	-	(0.00)	-	(0.01)	-	(0.01)
Balance as at March 31, 2023	1.69	80.15	0.29	0.63	9.00	5.88	97.63
Net carrying amount							
Balance as at March 31, 2023	81.80	917.32	3.04	10.28	61.49	46.02	1,119.95

Description	₹ crore						
	Buildings	Plant and Machinery including transmission lines and cable network	Vehicles	Furniture and Fixtures	Office Equipments	Meter	Total
Cost							
Balance as at April 01, 2021	3.55	640.30	0.35	0.51	0.84	-	645.55
Additions	23.39	88.88	0.65	5.27	34.67	-	152.86
Disposals/Adjustment	-	(1.42)	-	-	-	-	(1.42)
Balance as at March 31, 2022	26.94	727.76	1.00	5.78	35.51	-	796.99
Accumulated depreciation and impairment							
Balance as at April 01, 2021	0.02	6.84	-	0.01	0.03	-	6.90
Depreciation expense	0.29	37.48	0.19	0.12	1.75	-	39.83
Disposals/Adjustment	-	-	-	-	-	-	-
Balance as at March 31, 2022	0.31	44.32	0.19	0.13	1.78	-	46.73
Net carrying amount							
Balance as at March 31, 2022	26.63	683.44	0.81	5.65	33.73	-	750.26

b. Intangible assets

Description	₹ crore
	Amount
Cost	
As at April 01, 2022	34.82
Additions	43.16
Disposals	-
Balance as at March 31, 2023	77.98
Accumulated amortisation and impairment	
As at April 01, 2022	0.80
Amortisation expense	7.40
Disposals	-
Balance as at March 31, 2023	8.20
Net carrying amount	
Balance as at March 31, 2023	69.78

₹ crore	
Description	Amount
Cost	
Balance as at April 01, 2021	-
Additions	34.82
Disposals	-
Balance as at March 31, 2022	34.82
Accumulated amortisation and impairment	
Balance as at April 01, 2021	-
Amortisation expense	0.80
Disposals	-
Balance as at March 31, 2022	0.80
Net carrying amount	
Balance as at March 31, 2022	34.02
As at March 31, 2021	-

4.03 Depreciation and amortisation charged to Statement of Profit & Loss ₹ crore

Particulars	Year ended March 31,2023	Year ended March 31,2022
Depreciation on Tangible asset	50.91	39.83
Add: Amortisation of Intangible asset	7.40	0.80
Total	58.32	40.63

4.04 The Company does not own any land in its name. As per terms of the Vesting Order, lands has been given on lease to the Company for a consideration of ₹1 per year, till the expiry of power distribution license. The Company has retained operational rights over these lands used for the purpose of carrying out distribution business under the license granted by OERC. Beneficial ownership of immovable properties constructed over the above lands have been transferred to the Company with effect from acquisition date. As per terms of the Vesting Order, title for the said immovable properties continues to be in the name of erstwhile administration and Companies.

4.05 The Property, plant and equipments include assets created out of government grants. As per the terms of the Vesting Order and the Carve Out Order, these assets have been transferred to the Company. However, the corresponding grant liability has not been transferred. The Vesting Order and the Carve Out Order also provides that depreciation charged on these assets will not be allowed for determination of tariff. The Company has charged depreciation on these assets as per the accounting policy followed by the Company for other assets not created out of grants. As per the Vesting Order and the Carve Out Order, the Company is required to utilise any amount realised through depreciation toward meeting certain opening liabilities transferred ("additional serviceable liabilities"). If there are any shortages in realisation to meet these additional serviceable liabilities, then the OERC will allow such shortfall through Aggregate Revenue Requirement ('ARR') adjustment.

Considering the above, the management has determined that lower depreciation allowed in ARR pursuant to the above requirements will not have any adverse impact on financial position and financial performance of the Company as at and for the year ended March 31, 2023.

4.06 In accordance with the physical verification policy adopted by the Company, an independent party has carried out physical verification in respect of a portion of PPE belonging to the Company. Based on reports issued by the independent party, the discrepancies noticed are not material.

4.07 Refer Note 15 & 19 for charge created on Property, plant and equipments.

4.08 Considering the provisions of the Odisha Electricity Regulatory Commission Distribution (Conditions of Supply) Code, 2019, the management believes that it has legal right and ownership over the property, plant and equipment (PPE) which were directly funded by the consumers and are being used to supply electricity to the consumers. Accordingly, during the year, the company has capitalised PPE amounting to ₹ 0.13 crore (March 31, 2022: Nil) and recognised the corresponding liability under the head consumer contribution. Depreciation on PPE as well as amortisation of ₹ 0.01 crore (March 31, 2022: Nil) are being recognised in the Statement of Profit and Loss, having no net impact on profit or loss of the Company.

The management believes that the accounting adopted by the Company reflects substance of the arrangement and is also in compliance with the applicable requirements. Based on physical verification policy adopted by the Company, physical verification of these assets is being carried out along with other assets of the Company.

TP SOUTHERN ODISHA DISTRIBUTION LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2023

NOTE 5 Capital work in progress (CWIP)

5.01 Accounting Policy

Capital work in progress is stated at cost, net of accumulated impairment loss, if any.

5.02 CWIP Movement

Description	Amount
Balance as at April 1, 2022	78.93
Additions	455.27
Capitalised	(404.58)
Balance as at March 31, 2023	129.62
Balance as at April 01, 2021	77.82
Additions	165.30
Capitalised	(164.19)
Balance as at March 31, 2022	78.93

*Project in progress includes setting up substations, installations of transformers and cable networks at various locations in southern part of Odisha. CWIP includes closing capital inventory of ₹ 92.73 crore as at March 31,2023 (March 31,2022 : ₹ 53.85 crore).

5.03 Capital work in progress (CWIP) ageing schedule*

Particulars	Amount in CWIP for a period of *			Total
	Less than 1 year	1-2 years	More than 2 Years	
CWIP ageing Schedule as at March 31, 2023				
Projects Stock	81.14	3.88	7.71	92.73
Capex-Government Funded	0.64	2.21	-	2.85
Capex-Consumer Funded	0.69	-	-	0.69
Capex-Meter	15.65	-	-	15.65
Capex-Own	16.68	1.02	-	17.70
Total	114.80	7.11	7.71	129.62
CWIP ageing Schedule as at March 31, 2022				
Projects in progress	18.80	35.05	-	53.85
Capex-Government Funded	8.09	-	-	8.09
Capex-Consumer Funded	0.75	-	-	0.75
Capex-Meter	-	-	-	-
Capex-Own	16.24	-	-	16.24
Total	43.88	35.05	-	78.93

* CWIP ageing schedule has been prepared from the date of acquisition of business by the Company.

5.04 Refer note 15 & 19 for charge created against borrowings

5.05 Post acquisition of business, there are no projects with costs overrun or exceeding the planned timelines for completion.

5.06 In accordance with physical verification policy adopted by the Company, an independent party has carried out physical verification in respect of a portion of CWIP belonging to the Company. No material discrepancies were noted on such physical verification.

5.07 Refer note no 4.08 regarding CWIP capitalised out of consumer contribution.

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	As at March 31, 2023 ₹ crore	As at March 31, 2022 ₹ crore
NOTE 6 Other financial assets - non current		
(Unsecured and considered good, at amortised cost)		
(a) Government grant receivable	27.13	46.00
(b) Deposits with banks -earmarked balances*	13.29	29.00
(c) Other receivables	12.68	11.19
Total other financial assets - non current	53.10	86.19

*Earmarked balances against government grants/consumer contribution for work under progress.

	As at March 31, 2023 ₹ crore	As at March 31, 2022 ₹ crore
NOTE 7 Deferred tax assets		
Deferred tax asset (Refer Note 30.02)	54.07	43.17
Total deferred tax asset	54.07	43.17

NOTE 8 Inventories (At lower of cost and net realisable value)

8.01 Accounting policy

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on moving weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Cost of inventory includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Unserviceable/damaged stores and spares are identified and written down based on technical evaluation.

	As at March 31, 2023 ₹ crore	As at March 31, 2022 ₹ crore
Stores and spares	45.22	28.30
Total inventories	45.22	28.30

8.02 Refer note 15 & 19 for charge created against borrowings

	As at March 31, 2023 ₹ crore	As at March 31, 2022 ₹ crore
NOTE 9 Trade receivables-current (at amortised cost)		
Unsecured, considered good	435.37	314.67
Significant increase in the credit risk	153.46	120.48
Less: Allowance for doubtful receivables (expected credit loss)	(79.33)	(20.08)
Total trade receivables	509.50	415.07

9.01 The Company holds security deposits from consumers amounting to ₹ 315.19 crore (March 31, 2022: ₹ 307.02 crore)

9.02 Refer note 15 & 19 for charge created against borrowings

9.03 Trade receivables include amount of ₹153.46 crore (March 31, 2022 : ₹ 120.48 crore) from consumers who are inactive/ permanently disconnected, temporarily disconnected or non-paying for past one year or more as at March 31, 2023 and disputed.

The Company has acquired power distribution business of SOUTHCO Utility w.e.f. January 01, 2021. The management believes that collection data related to pre-acquisition period is not relevant to assess expected credit loss (ECL) allowance on receivables in the post-acquisition period. In this scenario, the Company has recognised Expected Credit Loss (ECL) allowance on trade receivables using its best estimate considering among other aspects factors such as segregation between government and non-government consumers, security deposit available, outcome of the Company's effort to reach consumers, their most recent payment behaviour as well as the fact that electricity is an essential commodity and regulations will require consumers to clear old dues to get continuous electricity.

Post-acquisition of power distribution business from the SOUTHCO Utility, the Company's continuous endeavour has been to reduce AT&C losses, reduce provisional billing and improve collection through better reach to consumers as well as other measures. In the process, the Company had initially faced several challenges including more than one Covid waves, Cyclones and delays in appointment/ working of metering, billing and collection (MBC) agencies for reasons beyond control of the Company. The Company successfully dealt with these challenges. It is continuously working toward reducing provisional billing and improving overall collection efficiency by changing payment behaviour of consumers. The management is confident it will be able to collect most of the outstanding receivables as it increases its reach to the consumers and also considering that electricity is an essential commodity for all consumers. Accordingly, the management believes the above ECL allowance reflects best estimate and is appropriate as per Ind AS 109 - "Financial Instruments".

9.04 Trade receivables Ageing schedule as at March 31, 2023

Particulars	Outstanding for following periods from due date of payment *					Total
	Unbilled	Less than 6 Months	6 Months - 1 Year	1-2 Years	More than 2 Years	
(i) Undisputed trade receivables						
a) Considered good	130.03	119.30	111.49	181.06	23.52	565.40
b) Significant increase in credit risk	-	-	-	30.66	122.80	153.46
(ii) Disputed trade receivables	-	-	-	-	-	-

Trade receivables Ageing schedule as at March 31, 2022

Particulars	Outstanding for following periods from due date of payment *					Total
	Unbilled	Less than 6 Months	6 Months - 1 Year	1-2 Years	More than 2 Years	
(i) Undisputed trade receivables						
a) Considered good	121.11	74.54	154.27	85.86	-	435.78
b) Significant increase in credit risk	-	43.70	22.41	54.37	-	120.48
(ii) Disputed trade receivables	-	-	-	-	-	-

Where due date of payment is not available date of transaction has been considered

* Trade receivable ageing schedule has been prepared from the date of acquisition of business by the Company.

9.05 The management has formulated a mechanism for receiving and addressing customers complaints including those related to billing and receivables outstanding. The management has identified disputed receivables basis the information available with the Company.

9.06 Movement in the allowance for doubtful trade receivables

	As at March 31,2023 ₹ crore	As at March 31,2022 ₹ crore
Balance at the beginning of the year	20.08	3.53
Add: Expected credit loss allowance on trade receivables calculated at lifetime expected credit losses for the year	59.25	16.55
Balance at the end of the year	79.33	20.08

9.07 The concentration of credit risk is limited due to the fact that the large customer are either industrial/corporate or government entities and remaining customer base is large and widely dispersed. The Company also holds security deposits from consumers.

NOTE 10 Cash and bank balances

Accounting policy

10.01 Cash and cash equivalents comprise cash at banks, cheques on hand and cash on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. Cash and cash equivalents include balances with banks which are unrestricted for withdrawal and usage.

	As at March 31,2023 ₹ crore	As at March 31,2022 ₹ crore
10.02 Cash and cash equivalents (At amortised cost)		
(a) Balances with banks - in current accounts	82.17	78.42
(b) Cheques on hand	12.32	6.76
(c) Cash on hand	13.16	14.27
(d) Deposit having original maturity of less than 3 months	66.35	77.60
Total cash and cash equivalents	174.00	177.05

	As at March 31,2023 ₹ crore	As at March 31,2022 ₹ crore
10.03 Other balances with banks (At amortised cost)		
(a) Deposits with banks - Earmarked balances*	780.03	304.68
(b) Balances with banks - Earmarked balances*	62.24	118.37
(c) Deposits with banks	7.19	-
Total other balances with banks	849.46	423.05

* Earmarked balances against consumer security deposits, consumer contribution for work under progress and short term borrowings.

10.04 Reconciliation of Liabilities from Financing Activities

Particular	As at April 1, 2022	Cash Inflows	Cash Outflows	Non-cash Adjustments	As at March 31, 2023
		Net Proceeds	Payment		
Consumer Contribution/Government Grant	288.86	362.30	(0.81)	(21.04)	629.31
Share Capital	247.94	61.71	-	59.29	368.94
Non Current borrowings (including current maturities)	40.00	191.14	(2.68)	-	228.46
Current borrowings	300.20	1,915.80	(1,585.96)	-	630.04
Total	877.00	2,530.95	(1,589.45)	38.25	1,856.75

Particular	As at April 1, 2021	Cash Inflows	Cash Outflows	Non-cash Adjustments	As at March 31, 2022
		Net Proceeds	Payment		
Consumer Contribution/Government Grant	257.55	69.29	(33.40)	(4.58)	288.86
Share Capital	200.00	24.45	-	23.49	247.94
Non Current borrowings (including current maturities)	-	40.00	-	-	40.00
Current borrowings	99.86	200.34	-	-	300.20
Total	557.41	334.08	(33.40)	18.91	877.00

NOTE 11 Other financial assets

(Unsecured and considered good, unless otherwise stated, at amortised cost)

	As at March 31,2023 ₹ crore	As at March 31,2022 ₹ crore
(a) Interest accrued but not due on deposits	8.67	4.13
(b) Other receivables	6.00	6.43
Total other financial assets	14.67	10.56

NOTE 12 Other current assets

(Unsecured and considered good)

	As at March 31,2023 ₹ crore	As at March 31,2022 ₹ crore
(a) Prepaid assets	3.99	3.64
(b) Other assets	21.99	6.39
Total other current assets	25.98	10.03

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	As at March 31, 2023		As at March 31, 2022	
	No. of Shares	₹ crore	No. of Shares	₹ crore
NOTE 13 Share Capital				
Authorised				
Equity Shares of ₹ 10/- each with voting rights				
At the beginning of the year	1,00,00,00,000	1,000.00	1,00,00,00,000	1,000.00
Add: Increase during the year	-	-	-	-
Outstanding at the end of the year	<u>1,00,00,00,000</u>	<u>1,000.00</u>	<u>1,00,00,00,000</u>	<u>1,000.00</u>
Issued, subscribed and paid up				
Equity shares of ₹ 10/- each fully paid up with voting rights	36,89,40,000	368.94	24,79,40,000	247.94
Total issued, subscribed and paid-up share capital	<u>36,89,40,000</u>	<u>368.94</u>	<u>24,79,40,000</u>	<u>247.94</u>

a. Reconciliation of shares outstanding as at the beginning and at the end of the reporting year:

	As at March 31, 2023		As at March 31, 2022	
	No. of Shares	₹ crore	No. of Shares	₹ crore
Equity shares				
At the beginning of the year	24,79,40,000	247.94	20,00,00,000	200.00
Issued during the year	12,10,00,000	121.00	4,79,40,000	47.94
Outstanding at the end of the year	<u>36,89,40,000</u>	<u>368.94</u>	<u>24,79,40,000</u>	<u>247.94</u>

b. Rights, preference and restrictions attached to shares including restrictions on the distribution of dividends and the repayment of capital:-

Equity Shares

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share held. The share holders are entitled to dividend declared on proportionate basis. On liquidation of the Company, the equity shareholders are eligible to receive remaining assets of the Company after distribution of all preferential amounts in proportion to their shareholding.

c. Details of shareholders holding more than 5% shares in the Company and the shares held by the Holding Company:

	As at March 31, 2023		As at March 31, 2022	
	No. of Shares	% Holding	No. of Shares	% Holding
Equity shares of ₹ 10 each fully paid				
Name of the Shareholder				
The Tata Power Company Ltd (the Holding company)	18,81,59,400	51.00	12,64,49,400	51.00
GRIDCO Limited	18,07,80,600	49.00	12,14,90,600	49.00
Total	<u>36,89,40,000</u>	<u>100.00</u>	<u>24,79,40,000</u>	<u>100.00</u>

d. Aggregate number and class of shares allotted as fully paid up pursuant to contract without payment being received in cash

The Company allotted 18,07,80,600 equity shares (including 5,92,90,000 equity shares allotted during the year) till March 31, 2023 (March 31, 2022 : 2,34,90,600) as fully paid for considerations received in form of distribution assets, pursuant to shareholder's agreement and the Government of Odisha notifications. The value of distribution assets have been determined by an independent valuer.

e. Details of shares held by promoters at the end of the year :

Equity shares of ₹ 10 each fully paid

Disclosure of shareholding of promoters as at March 31, 2023 is as follows:

Promoter	No. of Shares		No. of Shares		% of Total Shares	% Change During the year
	As at April 1, 2022	Change During the year	As at March 31, 2023	Total Shares		
A. The Tata Power Company Ltd	12,64,49,400	6,17,10,000	18,81,59,400	51.00%	0.00%	
B. GRIDCO Ltd	12,14,90,600	5,92,90,000	18,07,80,600	49.00%	0.00%	
Total	<u>24,79,40,000</u>	<u>12,10,00,000</u>	<u>36,89,40,000</u>	<u>100%</u>	<u>-</u>	

Disclosure of shareholding of promoters as at March 31, 2022 is as follows:

Promoter	No of Shares		No of Shares		% of Total Shares	% Change During the year
	As at April 1, 2021	Change During the year	As at March 31, 2022	Total Shares		
A. The Tata Power Company Ltd	10,20,00,000	2,44,49,400	12,64,49,400	51.00%	0.00%	
B. GRIDCO Ltd	9,80,00,000	2,34,90,600	12,14,90,600	49.00%	0.00%	
Total	<u>20,00,00,000</u>	<u>4,79,40,000</u>	<u>24,79,40,000</u>	<u>100%</u>	<u>-</u>	

NOTE 14 Other Equity

14.01 Retained Earnings

Balance at beginning of year

Add : Profit for the year

Balance as at the end of the year

	As at March 31, 2023	As at March 31, 2022
	₹ crore	₹ crore
Balance at beginning of year	91.45	22.42
Add : Profit for the year	32.75	69.03
Balance as at the end of the year	<u>124.20</u>	<u>91.45</u>
Total retained earnings	<u>124.20</u>	<u>91.45</u>

14.02 Nature and purpose of reserves:

Retained Earnings

Retained Earnings are the profits of the Company earned till date net of appropriations. The amount can be distributed to the shareholders of the Company as per the requirements of the Companies Act, 2013 (as amended).

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	As at March 31, 2023	As at March 31, 2022
	₹ crore	₹ crore
NOTE 15 Non-current borrowings		
(at amortised cost)		
15.01 Secured		
(A) From banks		
(a) Union Bank of India	134.18	40.00
(b) IDBI Bank Limited	94.28	-
	228.46	40.00
Less: Current maturities of long-term debt	(17.86)	(0.71)
Total non-current borrowings	210.60	39.29

15.02 The Company has not defaulted on any loans payable. The Company has utilized the loan for the sanctioned purpose.

15.03 Term Loans from Union Bank of India and IDBI Bank Limited are repayable over 56 equal quarterly instalments respectively.

15.04 Installments for the term loan from Union Bank of India are payable on quarterly basis and repayment has started from March'2023. Installments for the term loan from IDBI Bank are payable on quarterly basis and repayment will start from December'23.

15.05 The rate of interest for term loan from Union Bank of India is at 3 months MCLR i.e., presently at 8.25% per annum (March 31, 2022: 6.90%). For IDBI Bank Limited, it is at 3 Months MCLR i.e., presently at 8.25% (March 31, 2022: Nil).

15.06 Both the term loans from Union Bank of India and IDBI Bank Limited contain certain debt covenants relating to limitation on indebtedness, total debt to EBITDA, interest coverage ratio, FACR and debt service coverage ratio. The Company has satisfied all the debt covenants prescribed in the terms of bank loan.

15.07 Term Loan from Union Bank of India is Secured against first pari passu charge on entire movable and immovable fixed assets of the Company both present and future, excluding assets transferred from Southco Utility vide vesting order of OERC.

Term Loan from IDBI is secured against first pari passu charge on entire movable fixed asset of the Company, both present and future, excluding assets transferred to the company from Southco Utility vide vesting order or any other securities offered to the existing term lenders and second pari passu charge on all current assets (other than restricted as per the vesting order which includes consumer security deposit and govt deposits received in the form of grant, subsidy, relief fund etc.) both present and future with other term lenders of the Company.

	As at March 31, 2023	As at March 31, 2022
	₹ crore	₹ crore
NOTE 16 Other financial liabilities - non current		
(at amortised cost)		
(a) Security deposits/ Earnest money deposit from supplier	0.40	6.06
(b) Retention money payable	23.33	20.23
Total other financial liabilities - non current	23.73	26.29

NOTE 17 Provisions

17.01 Accounting policy

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). The impact of unwinding present value determine is recognised in the statement of profit and loss.

Present obligations arising under onerous contracts are recognized and measured as provisions with charge to the statement of profit and loss. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations will exceed the economic benefits expected to be received from the contract.

Defined contribution plans

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the benefit. If the contribution payable to the scheme for service received on or before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognised as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received on or before the balance sheet date, then excess is recognised as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

Defined benefits plans

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in the statement of profit and loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income.

Other current and other non-current employee benefits

A liability is recognised for current benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period in which the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. Liabilities recognised in respect of current employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

The cost of providing other long-term employee benefits, including earned leave, sick leave and other benefits, is determined using the projected unit credit method. The related expenses including rereasurement gains and losses are recognized in the statement of profit and loss.

The Company operates a scheme for Compensated absences wherein the employee is entitled to avail leave benefits as per the policy of the Company. The leave benefits are linked to the salary of the employee and the employee is entitled to either avail paid leave or encash unutilised leave either during employment or on retirement. The liability for compensated absences is provided on the basis of an actuarial valuation done by an independent actuary at the reporting period end. The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Remeasurement/ Actuarial gains and losses are recognized immediately in the statement of profit and loss.

Pre acquisition liabilities of employees transferred from erstwhile SOUTHCO Utility:-

The terms of the Vesting Order as modified by the Carve Out Order provide that for entire liabilities toward pension, gratuity and compensated absences of employees retired before the acquisition date and acquisition date liabilities of continuing employees on the acquisition date, the Company's responsibility is limited only to remitting fixed amount requested by the respective Trusts and the same will be allowed to be recovered from consumers for disbursement to the beneficiaries covered under the Trusts. The Company has recognized amount payable to the Trusts for the current year for onward payment of the said liabilities are charged as an expense as they fall due.

Post-acquisition date liabilities of employees who were in service employees on the acquisition date are accounted for either as defined benefit plan or other long term employee benefit basis nature of the benefit.

17.02 Defined contribution plans

Erstwhile SOUTHCO Utility Employees

Provident Fund Plan

The Company's contributions toward provident fund of the eligible employees is deposited under the Employees Provident Fund and Miscellaneous Provisions Act, 1952. The provident fund is operated by the regional provident fund commissioner. Under the scheme, the Company is required to contribute a specified percentage of payroll cost to the retirement benefit scheme to fund the benefits. The Company does not have any further obligation under the plan.

Other than erstwhile SOUTHCO Utility Employees

(i) Provident Fund Plan

The Company makes contributions toward Provident Fund of qualifying employees which is a defined contribution plan. The Company's contribution to the Employees Provident Fund is deposited under the Employees Provident Fund and Miscellaneous Provisions Act, 1952 which is recognized by the Income Tax Authorities and operated by the Regional Provident Fund Commissioner. Under the scheme, the Company is required to contribute a specified percentage of payroll cost to the retirement benefit scheme to fund the benefits. The Company does not have any further obligation under the plan.

(ii) Employee State Insurance :-

The Company makes Employee State Insurance ('ESI') scheme contributions to defined contribution plans for eligible employees. Under the scheme, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The contributions as specified are paid to the Employee State Insurance Corporation ('ESIC') set under the ESI Act 1948. The Company is generally liable for annual contributions. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognised as a liability. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognised as an asset to the extent that the pre-payment will lead to a reduction in future payment or a cash refund.

(iii) The Company has recognised a total of ₹ 14.12 crore (March 31, 2022 is ₹8.83 crore) as contribution towards the defined contribution plan in the Statement of Profit or Loss.

17.03 Defined Benefits plans

Erstwhile SOUTHCO Utility Employees

(i) Gratuity

The Company has a defined benefit gratuity plan. The gratuity plan is primarily governed by the Odisha Civil Services (Pension) Rules 1992. Employees who are in continuous service for a period of five years are eligible for gratuity. The level of benefits provided depends on the member's length of service and salary at the retirement date. The gratuity plan is partly funded plan. The fund has the form of a trust and is governed by Trustees appointed by the Company. The Trustees are responsible for the administration of the plan assets and for the definition of the investment strategy in accordance with the regulations. The funds are deployed in recognized insurer managed funds in India.

(ii) Pension

The Company has a defined benefit pension plan. The pension plan is primarily governed by the Odisha Civil Services (Pension) Rules 1992. Employees who had joined SOUTHCO Utility on or before 31st December 2004 are eligible for pension. The level of benefits provided depends on the member's length of service and salary at the retirement date. The pension plan is partly funded plan. The fund has the form of a trust and is governed by Trustees appointed by the Company. The Trustees are responsible for the administration of the plan assets and for the definition of the investment strategy in accordance with the regulations. The funds are deployed in recognized insurer managed funds in India.

Terms of the vesting order as modified by the Carve Out order provide that for entire liabilities toward pension, gratuity and leave encashment of employees retired before the acquisition date and acquisition date liabilities of continuing employees on the acquisition date, the Company's responsibility is limited only to remitting fixed amount requested by the respective Trusts and the same will be allowed to be recovered from consumers for disbursement to the beneficiaries covered under the Trusts. Based on specific clarifications provided in the carve out and the vesting order, the Company has recognized amount payable to the Trusts for the current year for onward payment of the said liabilities in the statement of profit and loss as they fall due.

Post-acquisition date liabilities of employees who were in service employees on the acquisition date are accounted for either as defined benefit plan or other long term employee benefit basis nature of the benefit.

Refer note 17.06 for further details.

Other than Erstwhile SOUTHCO Utility Employees**i) Gratuity**

The Company operates a gratuity plan covering qualifying employee. The benefit payable is calculated as per the Payment of Gratuity Act, 1972. The benefit vests upon completion of five years of continuous service and once vested it is payable to employees on retirement or on termination of employment. The gratuity benefits payable to the employees are based on the employee's service and last drawn salary at the time of leaving. The employees do not contribute towards this plan and the full cost of providing these benefits are met by the Company. In case of death while in service, the gratuity is payable irrespective of vesting.

ii) Pension

The Company has a defined benefit pension plan granting a pre-determined sum as pension after completing vesting period.

iii) Post Employment Medical Benefit

The Company provides certain post-employment health care benefits to superannuated employees at some of its locations. In terms of the plan, the retired employees can avail free medical check-up and medicines at companies' facilities. The benefit is treated as defined benefit plan.

iv) Ex-Gratia Death Benefits

The Company has a defined benefit plan granting ex-gratia payment in case of death during service. The benefit consists of a pre-determined lump sum amount along with a sum determined based on last drawn basic salary per month and the length of service.

v) Retirement Gift

The Company has a defined benefit plan granting a pre-determined sum as retirement gift on superannuation of an employee

	As at March 31, 2023	As at March 31, 2022
	₹ crore	₹ crore
Provision		
Current		
Provision for Employee Benefits:-		
(a) Compensated absences	3.55	1.74
(b) Defined benefit plans	11.77	7.56
(c) Other employee benefits	0.20	0.73
Total current provision for employee benefit-(A)	15.52	10.03
Other Provisions		
Provision for contingencies-(B)	15.04	9.71
Total current provisions- (A+B)	30.56	19.74

Provision for contingencies movement:-

	₹ crore
Particular	Amount
As at April 01, 2021	-
Additions	9.71
Utilized	-
As at March 31, 2022	9.71
Additions	6.12
Utilized	(0.79)
As at March 31, 2023	15.04

	As at March 31, 2023	As at March 31, 2022
	₹ crore	₹ crore
Provision		
Non Current		
Provision for Employee Benefits		
(a) Compensated absences	39.29	21.60
(b) Defined benefit plans	221.36	196.00
(c) Other employee benefits	1.86	1.26
Total non-current provision	262.51	218.86

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17.04 Pre-acquisition liabilities of employees transferred from erstwhile SOUTHCO Utility:

The Company has acquired the electricity distribution business of SOUTHCO Utility with effect from January 1, 2021. As a part of Business transfer, all the employees of the undertaking were transferred to the Company effective January 1, 2021, on a continuity of service conditions. Previously retired employees as well as continuing employees of SOUTHCO Utility transferred to the Company are entitled to pension and/or gratuity plan which are managed by separate trusts who are responsible for the disbursement of pension and gratuity to the beneficiaries. Liabilities of these trusts determined on an actuarial basis exceed assets available with them. Based on terms of the Vesting Order as modified by the Carve Out Order, these liabilities are treated in two parts.

Liabilities for past employees and acquisition date liabilities of existing employees

The Vesting Order as modified by the Carve Out Order states that for entire liabilities toward pension, gratuity and leave encashment of past employees and acquisition date liabilities of existing employees, the Company's responsibility is limited only to remitting fixed amount requested by the respective Trusts and recovered by it from consumers as a part of ARR for disbursement to the beneficiaries covered under the Trusts. Given below are details of Trusts' total accrued liabilities in respect of these of ligations not transferred to the Company at this stage.

Given below are details of Trusts' total accrued liabilities in respect of these benefits not transferred to the Company:

March 31,2023				₹ crore
Particulars	Pension	Gratuity	Other Defined benefits	Compensated absences
Total liability of past employees	1,009.42	33.80	(0.32)	79.65
Total	1,009.42	33.80	(0.32)	79.65

March 31,2022				₹ crore
Particulars	Pension	Gratuity	Other Defined benefits	Compensated absences
Total liability of past employees	1,109.42	40.08	(0.47)	86.32
Total	1,109.42	40.08	(0.47)	86.32

As per the Vesting and the Carve Out Order, below amounts paid/ payable in respect of the current year have been recognised as expense in the statement of profit and loss:

March 31,2023				₹ crore
Particulars	Pension	Gratuity	Other Defined benefits	Compensated absences
Amount paid/ payable toward liability of past employees	108.60	7.02	-	6.68
Total	108.60	7.02	-	6.68

March 31,2022				₹ crore
Particulars	Pension	Gratuity	Other Defined benefits	Compensated absences
Amount paid/ payable toward liability of past employees	106.14	14.54	-	5.45
Total	106.14	14.54	-	5.45

Post acquisition date liabilities of existing employees :

The Company has assessed that post transfer of business, these plans as defined benefit plans and has accordingly recognised incremental liability in respect of existing employees on the acquisition date in the financial statements. Given below are necessary disclosures in respect of these liabilities, along with other defined benefits plan of the Company.

17.05 Risk associated with the plan provisions are actuarial risk. These risk are interest rate risk, demographic risk and salary escalation risk.

Interest risk

A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

Longevity risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary Escalation risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

17.06 The following tables set out the funded status of gratuity plan and amount recognised in the Company's financial statements as at 31st March 2023.The valuation has been carried out using the " Project Unit Credit Method " as per Ind AS 19 " Employee Benefits" to determine the present value of defined benefit obligations and related current service cost.

Present Value of obligations					₹ crore
Particulars	Gratuity (Unfunded)	Other Defined Benefit	Gratuity (Funded)	Pension (Funded)	
a. Present Value of obligations as at April 1, 2021 as per Actuarial Valuation (including obligation not transferred to the Company) (Refer note 17.04)	6.43	2.62	71.91		1,080.79
b. Interest Cost	0.42	0.78	4.38		71.64
c. Current Service Cost	0.37	0.21	3.63		9.49
d. Past Service Cost	-	-	-		-
e. Acquisition (Credit)/Cost	4.20	-	-		-
f. Actuarial loss / (gain)-Demographic	-	0.03	-		-
g. Actuarial loss / (gain)-Financial	(0.30)	(0.07)	(1.10)		5.94
h. Actuarial loss / (gain)-Experience	(3.87)	0.23	18.98		253.82
i. Benefits Paid	(0.23)	(0.59)	(18.79)		(114.08)
j. Present value of obligation as at March 31,2022 (including obligation not transferred to the Company) (Refer note 17.04)	7.02	3.21	79.01		1,307.60
k. Interest Cost	0.50	0.21	5.27		89.51
l. Current Service Cost	0.83	0.44	3.40		8.62
m. Past Service Cost	-	0.01	-		-
n. Acquisition (Credit)/Cost	-	-	-		-
o. Actuarial loss / (gain)-Demographic	-	-	-		-
p. Actuarial loss / (gain)-Financial	(0.14)	(0.08)	(1.76)		(23.82)
q. Actuarial loss / (gain)-Experience	0.54	0.56	6.62		(59.99)
r. Adjustments related to prior period	(0.02)	(0.12)	(0.13)		6.87
s. Benefits Paid	-	(0.74)	(11.04)		(108.60)
t. Present value of obligation at March 31,2023 (including obligation not transferred to the Company) (Refer note 17.04)	8.73	3.49	81.37		1,220.19

TP SOUTHERN ODISHA DISTRIBUTION LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2023

Fair value of plan assets

		₹ crore			
Particulars		Gratuity (Unfunded)	Other Defined Benefit	Gratuity (Funded)	Pension (Funded)
a.	Fair value of plan asset as at April 1, 2021 (including plan assets not transferred to the Company) (Refer note 17.04)	-	1.43	7.41	32.80
b.	Acquisition (Credit)/Cost	-	-	-	-
c.	Estimated return on plan asset	-	-	-	-
d.	Employer contribution	-	-	0.46	-
e.	Benefits Paid	-	(0.43)	16.29	0.19
f.	Interest Income	-	0.49	(18.04)	2.29
g.	Others	-	-	(0.16)	(0.65)
h.	Fair value of plan asset as at March 31,2022 (including plan assets not transferred to the Company) (Refer note 17.04)	-	1.49	5.96	34.63
i.	Acquisition (Credit)/Cost	-	-	-	-
j.	Estimated return on plan asset	-	0.14	(0.01)	7.12
k.	Employer contribution	-	0.02	11.33	98.00
l.	Benefits Paid	-	(0.74)	(11.04)	(108.60)
m.	Interest Income	-	0.08	0.43	2.09
n.	Others	-	0.02	-	0.17
o.	Fair value of plan asset at March 31,2023 (including plan assets not transferred to the Company) (Refer note 17.04)	-	1.01	6.67	33.41

Amount to be recognised in the balance sheet

		₹ crore			
Particulars		Gratuity (Unfunded)	Other Defined Benefit	Gratuity (Funded)	Pension (Funded)
1.	Present Value of obligations as at March 31,2022 as per Actuarial Valuation (including obligation not transferred to the Company)	7.02	3.21	79.01	1,307.60
2.	Fair value of Assets at the end of the period (including plan assets not transferred to the Company)	-	1.49	5.96	34.63
3.	Net liability (before reducing liability not transferred to Company)	7.02	1.72	73.05	1,272.97
4.	Liability not transferred to the Company as per vesting order	-	(0.47)	40.08	1,109.42
5.	Net Liability recognised in balance sheet as at March 31,2022	7.02	2.19	32.97	163.55
1.	Present Value of obligations as at March 31,2023 as per Actuarial Valuation (including obligation not transferred to the Company)	8.73	3.49	81.37	1,220.19
2.	Fair value of Assets at the end of the period (including plan assets not transferred to the Company)	-	1.01	6.67	33.41
3.	Net liability (before reducing liability not transferred to Company)	8.73	2.49	74.70	1,186.78
4.	Liability not transferred to the Company as per vesting order	-	(0.32)	33.80	1,009.42
5.	Net Liability recognised in balance sheet as at March 31,2023	8.73	2.81	40.90	177.36

Expenses Recognised in the Statement of Profit & Loss

		₹ crore			
Particulars		For the year ended March 31,2023			
		Gratuity (Unfunded)	Other Defined Benefit	Gratuity (Funded)	Pension (Funded)
1.	Current Service Cost	0.83	0.44	3.40	8.62
2.	Past Service Cost	-	0.01	-	-
3.	Net Interest Cost	0.50	0.13	4.84	23.20
4.	Others	-	0.34	-	-
Expenses recognised in statement of Profit & Loss		1.33	0.92	8.24	31.82

		₹ crore			
Particulars		For the year ended March 31,2022			
		Gratuity (Unfunded)	Other Defined Benefit	Gratuity (Funded)	Pension (Funded)
1.	Current Service Cost	0.37	0.21	3.63	9.49
2.	Past Service Cost	-	-	-	-
3.	Interest Cost	0.42	0.29	18.47	17.08
4.	Others	-	-	-	-
Expenses recognised in statement of Profit & Loss		0.79	0.50	22.10	26.57

TP SOUTHERN ODISHA DISTRIBUTION LIMITED
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Amount recognised in other comprehensive income (remeasurements)

Particulars	For the year ended March 31,2023			
	Gratuity (Unfunded)	Other Defined Benefit	Gratuity (Funded)	Pension (Funded)
Actuarial (gains)/losses arising from:				
- changes in demographic assumptions	-	-	-	-
- changes in financial assumptions	(0.14)	(0.03)	(1.76)	(10.82)
- experience adjustments	0.54	0.17	6.62	3.24
Return on Plan Assets,Excluding Interest Income	-	(0.14)	0.01	0.14
Total	0.40	(0.00)	4.87	(7.44)

Particulars	For the year ended March 31,2022			
	Gratuity (Unfunded)	Other Defined Benefit	Gratuity (Funded)	Pension (Funded)
Actuarial (gains)/losses arising from:				
- changes in demographic assumptions	-	(0.02)	-	-
- changes in financial assumptions	(0.30)	(0.61)	(1.10)	5.94
- experience adjustments	(1.64)	0.63	18.99	59.01
Return on Plan Assets,Excluding Interest Income	-	-	0.16	0.07
Total	(1.94)	-	18.05	65.02

Principal assumptions

Particulars	As at 31.03.2023		As at 31.03.2022	
	Gratuity (Unfunded)	Gratuity (funded)	Gratuity (Unfunded)	Gratuity (funded)
1. Discount rate	7.30%	7.30%	7.10%	7.10%
2. Salary escalation	7%	6%	7%	6%
	Indian Assured Lives Mortality (2012-14) Ult	Indian Assured Lives Mortality (2006-08) Ult	Indian Assured Lives Mortality (2012-14) Ult	Indian Assured Lives Mortality (2006-08) Ult
3. Mortality rate				

Sensitivity analysis

Significant actuarial assumptions for the determination of the defined obligation are discount rate and expected salary increase. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

Increase/ (decrease) in defined benefit liability	As at March 31, 2023			
	Gratuity (Unfunded)	Other Defined Benefit	Gratuity (Funded)	Pension (Funded)
Impact on discount rate for 0.5% decrease in defined benefit obligation	0.37	0.19	4.52	28.00
Impact on discount rate for 0.5% increase in defined benefit obligation	(0.34)	(0.17)	(4.16)	(24.99)
Impact on salary escalation rate for 0.5% decrease in defined benefit obligation	(0.34)	(0.09)	(2.90)	(11.32)
Impact on salary escalation rate for 0.5% increase in defined benefit obligation	0.37	0.10	2.92	12.05

Increase/ (decrease) in defined benefit liability	As at March 31, 2022			
	Gratuity (Unfunded)	Other Defined Benefit	Gratuity (Funded)	Pension (Funded)
Impact on discount rate for 0.5% decrease in defined benefit obligation	0.30	0.15	4.38	27.57
Impact on discount rate for 0.5% increase in defined benefit obligation	(0.28)	(0.14)	(4.02)	(24.52)
Impact on salary escalation rate for 0.5% decrease in defined benefit obligation	(0.28)	(0.06)	(2.99)	(11.43)
Impact on salary escalation rate for 0.5% increase in defined benefit obligation	0.30	0.07	3.03	12.19

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from previous years.

Effect of Plan on Company's future cash flows

Expected Future cashflows	As at March 31, 2023			
	Gratuity (Unfunded)	Other Defined Benefit	Gratuity (Funded)	Pension (Funded)
March 31, 2024	0.25	0.46	6.37	14.04
March 31, 2025	1.21	0.45	6.49	14.17
March 31, 2026	0.81	0.46	5.20	12.02
March 31, 2027	0.44	0.47	5.04	11.88
March 31, 2028	0.95	0.47	5.18	11.64
March 31, 2029 to March 31, 2033	10.29	2.73	27.52	59.28

Expected Future cashflows	As at March 31, 2022			
	Gratuity (Unfunded)	Other Defined Benefit	Gratuity (Funded)	Pension (Funded)
March 31, 2023	0.21	0.40	6.15	12.03
March 31, 2024	0.23	0.39	7.78	14.60
March 31, 2025	1.18	0.40	6.09	12.05
March 31, 2026	0.31	0.39	5.04	10.12
March 31, 2027	0.34	0.39	4.91	9.92
March 31, 2028 to March 31, 2032	7.75	2.19	26.28	48.41

TP SOUTHERN ODISHA DISTRIBUTION LIMITED
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NOTE 18 Other non-current liabilities	As at March 31, 2023	As at March 31, 2022
	₹ crore	₹ crore
(a) Consumer contribution for work under progress	84.63	67.01
(b) Government grants	509.63	175.02
(c) Government grants towards cost of capital asset (Refer note below)	19.34	12.87
(d) Consumer contribution towards capital cost (Refer note below)	206.51	216.39
Total capital grant and consumer contribution towards capital assets	820.11	471.29

Note: Government grants towards cost of capital asset/ Consumer contribution towards capital cost is amortised to the statement of profit and loss to match with the depreciation charged on assets created out of such grants/ contribution.

NOTE 19 Borrowings	As at March 31, 2023	As at March 31, 2022
	₹ crore	₹ crore
(at amortised cost)		
Secured		
Working capital loan		
(a) Short term loans		
(i) State Bank of India **	60.62	60.59
(ii) Kotak Mahindra Bank Limited*	170.00	-
(iii) Indusind Bank Limited*	143.91	124.23
(b) Working capital demand loan		
(i) IDBI Bank Limited*	40.00	-
(c) Bank overdraft		
(i) Union Bank of India**	30.42	30.29
Unsecured		
(a) From Banks		
(i) ICICI Bank	185.00	85.00
(b) From Others		
(i) GOO Loan	0.10	0.10
Current maturities of non-current borrowings	17.86	0.71
Total short-term borrowings	647.91	300.92

- 19.01 *The above loans has been secured on first pari passu charge on entire current assets of the Company, both present and future excluding regulatory deposits and second pari passu charge over entire movable assets of the Company, both present and future, excluding assets transferred through Vesting Order issued by OERC.
- 19.02 The rate of interest from banks ranges from 4.03% to 9.70% (March 31, 2022 - 5.30% to 5.60%).
- 19.03 **The Company has availed short term borrowings by earmarking term deposits.
- 19.04 The quarterly returns or statements of current assets filed by the Company with banks are in agreement with the books of accounts and there are no discrepancies
- 19.05 The Company has not used any of the borrowings from banks apart for the purpose for which it was taken .

NOTE 20 Trade payables	As at March 31, 2023	As at March 31, 2022
	₹ crore	₹ crore
(At amortised cost)		
(a) Outstanding dues of micro and small enterprises	119.58	12.39
(b) Outstanding dues of creditors other than micro and small enterprises	130.59	230.18
Total trade payables	250.17	242.57

Trade payables ageing schedule as at March 31, 2023**

Particular	Outstanding for following periods from due date of payment*				Total
	Not Due	Less than 1Year	1-2 Years	More than 2 Years	
(i) Undisputed Trade Payables					
a) MSME	74.23	42.37	1.56	1.42	119.58
b) Others	25.69	124.81	37.40	(57.31)	130.59
(ii) Disputed Trade Pavables					
a) MSME	-	-	-	-	-
b) Others	-	-	-	-	-

Trade payables ageing schedule as at March 31, 2022**

Particular	Outstanding for following periods from due date of payment*				Total
	Not Due	Less than 1Year	1-2 Years	More than 2 Years	
(i) Undisputed Trade Payables					
a) MSME	-	12.10	0.29	-	12.39
b) Others	-	174.29	55.89	-	230.18
(ii) Disputed Trade Payables					
a) MSME	-	-	-	-	-
b) Others	-	-	-	-	-

* Trade Payable ageing schedule has been prepared from the date of acquisition of business by the Company.

** where due date of payment is not available, date of transaction has been considered.

	As at March 31,2023	As at March 31,2022
	₹ crore	₹ crore
NOTE 21 Other financial liabilities - current		
(At amortised cost)		
(a) Payable to employees	24.88	44.74
(b) Security Deposit from consumer {Refer Note below (i)}	315.19	307.02
(c) Deposit - others	2.40	0.85
(d) Government grants payable	35.05	33.95
(e) Payable towards purchase of capital goods	55.06	44.66
(f) Other liabilities (Refer Note 40)	145.04	118.11
(g) Other payables	40.19	48.09
Total other financial liabilities - current	617.81	597.42

(i) The security deposits from electricity consumers carry interest at 6.75% p.a. (March 31, 2022:4.25% p.a.) and is adjusted against power bill of the respective consumers as per Tariff Regulations. The amount is refundable on surrender of electricity connection by the consumer.

	As at March 31,2023	As at March 31,2022
	₹ crore	₹ crore
NOTE 22 Other current liabilities		
(a) Statutory liabilities	27.46	13.06
(b) Advance from consumers	82.55	-
(c) Other liabilities	1.93	0.58
Total other current liabilities	111.94	13.64

	As at March 31,2023	As at March 31,2022
	₹ crore	₹ crore
NOTE 23 Current tax liabilities (net)		
Provision for taxes {net of advance tax paid ₹11.48 crore (March 31,2022 :₹13.91 crore)}	7.93	4.13
Total current tax liabilities (net)	7.93	4.13

TP SOUTHERN ODISHA DISTRIBUTION LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2023

NOTE 24 Revenue recognition

Accounting policy

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the transaction price to which the Company expects to be entitled in exchange for those goods or services.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

24.01 Sale of power

Revenue from the supply of power is recognised net of any trade discounts, cash rebates, etc. when the power is supplied and units of electricity are delivered as it best depicts the value to the customer and satisfaction of performance obligation. Revenue from such contracts is recognised over time for each unit of electricity delivered at the pre-determined rate.

Revenue from power supply is accounted for on the basis of billings to consumers and includes unbilled revenues accrued up to the end of the reporting period. Revenue from power supply is recognised net of the applicable taxes which the Company collects from the customer on behalf of the government/state authorities.

The Company, as per the prevalent regulations (the "Tariff Regulations") for distribution business and Vesting Order passed by OERC, is entitled to recover its Annual Revenue Requirement (ARR) comprising of expenditure on account of power purchase costs, operations and maintenance expenses, financing costs, depreciation and taxation subject to certain conditions and an assured return on equity. Any excess/shortfall in recovery of ARR over actual revenue billed to the customers during the year is recognised as "Net movement in regulatory deferral balances" and accumulated in "Regulatory deferral account".

Revenue in respect of invoice raised for dishonest abstraction of power is recognized when the certainty of its collection is probable i.e. generally as and when recovered.

24.02 Contribution for capital works

Consumer's contribution towards capital assets is recognised as liabilities. On the commissioning of the assets and/or installation of connection, an amount equivalent to the depreciation charge on such assets is reduced from such liabilities and recognised as income.

24.03 Revenue from operations

	As at March 31, 2023	As at March 31, 2022
	₹ crore	₹ crore
(a) Revenue from power supply		
Sale of power	1,814.05	1,654.63
Less: Cash discount	(21.09)	(14.71)
Total revenue from power supply	1,792.96	1,639.92
(b) Other operating revenue		
Recovery of meter rent	21.36	14.66
Transfer from Consumer Contribution for capital work	11.58	12.34
Miscellaneous revenue	27.22	19.22
Total other operating revenue	60.16	46.22
Total revenue from operations - (a+b)	1,853.12	1,686.14

24.04 Disaggregation of revenue

The Company deals in a single type of product i.e. power which is sold directly to consumers, consideration in respect of which is based on energy supplied. Thus, further disclosure in respect of disaggregation of revenue is not required.

24.05 Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract including advance received from customer i.e. normally within twelve months from the reporting date.

Particulars	As at March 31, 2023	As at March 31, 2022
	₹ crore	₹ crore
Contract liabilities		
Advance from consumers	82.55	-
Total contract liabilities	82.55	-

Contract assets

Contract asset is the right to consideration in exchange for goods or services transferred to the customer. Contract assets are transferred to receivables when the rights become unconditional.

	As at March 31, 2023	As at March 31, 2022
	₹ crore	₹ crore
Receivables		
Trade receivables	588.83	435.15
Unbilled revenue depending only on passage of time	130.03	121.11
Less : Allowances for doubtful receivables	(79.33)	(20.08)
Net receivables	639.53	536.18

24.06 Transaction Price - Remaining performance obligation

The remaining performance obligation disclosure provides the aggregate amount of the transaction price yet to be recognised as at the end of the reporting period and an explanation as to when the Company expects to recognise these amounts in revenue. Applying the practical expedient as given in Ind AS 115, the Company has not disclosed the remaining performance obligation related disclosures for contracts as the revenue recognised corresponds directly with the value to the customer of the entity's performance completed to date. Advance from customers will be recognised as revenue with twelve months from reporting date.

NOTE 25 Other income**Accounting Policy****Interest income**

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Delayed Payment Charges (DPC)

DPC is charged at the rate prescribed by the Tariff Regulations on the outstanding balance. Revenue in respect of DPC and interest on DPC leviable as per the Tariff Regulations are recognised on actual realisation or accrued based on an assessment of certainty of realisation supported by an acknowledgement from customers.

Incentive on past arrears and One Time Settlement collection's

As per terms of OERC Vesting Order, the Company is entitled for incentive on past arrear collections pertaining to period prior to March 31, 2020. The Company's entitlement is based on the certain percentage of the past arrear collected by the Company. Further, as per the One Time Settlement (OTS) scheme (FY'23) passed by the OERC, the Company is entitled for incentive on collection pertaining to period, prior to March 31, 2020 against OTS. Incentives are recognised on the basis of actual realisation.

25.01 Other income

	As at March 31, 2023	As at March 31, 2022
	₹ crore	₹ crore
Interest income on:		
Term deposits carried at amortised cost	19.65	12.94
Other non-operating income		
Delayed payment charges	13.64	8.51
Incentive on past arrears collection	16.63	17.25
Other income	13.71	10.60
Total other income	63.63	49.30

NOTE 26 Cost of power purchased and transmission charges

	As at March 31, 2023	As at March 31, 2022
	₹ crore	₹ crore
(a) Power Purchase Cost	951.17	816.65
Less: Rebate on power purchase cost	(10.18)	(8.68)
	940.99	807.97
(b) Transmission Charges	118.09	109.68
Less: Rebate on transmission charges	(1.26)	(1.08)
	116.83	108.60
Total cost of power purchased and transmission charges (a+b)	1,057.82	916.57

NOTE 27 Employee benefits expense

	As at March 31, 2023	As at March 31, 2022
	₹ crore	₹ crore
Salaries, wages and bonus	220.01	196.69
Contribution to provident and other funds (Refer Note 17)	154.68	194.57
Staff welfare expenses	35.21	6.51
Gross employee benefit expenses	409.90	397.77
Less: Employee cost capitalised	(28.37)	(2.17)
Net employee benefits expense	381.53	395.60

TP SOUTHERN ODISHA DISTRIBUTION LIMITED
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NOTE 28 Accounting policy

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in Statement of Profit and Loss in the period in which they are incurred.

28.01 Finance costs

	As at March 31,2023	As at March 31,2022
	₹ crore	₹ crore
Interest on loans carried at amortised cost-Net*	38.51	13.84
Interest on consumer security deposits carried at amortised cost	18.68	11.92
Other borrowing costs	1.43	1.27
Total finance costs	58.62	27.03

*Interest is net of Interest capitalised to the tune of ₹ 0.78 crore (March 31,2022: Nil)

NOTE 29 Other expenses

	As at March 31,2023	As at March 31,2022
	₹ crore	₹ crore
Rental of land, buildings, plant and equipment, etc	6.83	2.46
Repair and maintenance-		
-Buildings and civil Works	0.19	5.97
-Plant and machinery	65.75	20.44
-Furniture, vehicles, etc	1.52	0.75
Contractual employees	244.26	132.55
Travelling	38.08	14.31
Metering, billing and collection	47.26	31.80
Legal and professional charges	7.54	13.42
Audit fees (Refer Note 29.01)	0.63	0.55
Allowance for doubtful receivables	59.25	16.55
Telephone expenses	2.24	1.44
Conveyance expenses	11.93	1.46
License fees	1.92	1.92
Insurance	2.13	3.54
Printing and stationery	3.01	0.91
Provision for contingencies	5.79	9.77
Corporate social responsibility (Refer Note 29.02)	1.26	0.34
Rebate on OTS Collection	1.97	-
Miscellaneous expenses	18.17	11.15
Total other expenses	519.73	269.33

29.01 Auditors Remuneration

Auditor's remunerations include as follows:

Particulars	As at March 31,2023	As at March 31,2022
	₹ crore	₹ crore
(a) For statutory audit	0.53	0.51
(b) For tax audit	0.02	0.02
(c) For other matters	0.04	-
(d) For reimbursement of expenses	0.04	0.02
Total (including goods and service tax)	0.63	0.55

29.02 Corporate social responsibility expenditure

Particulars	As at March 31,2023	As at March 31,2022
	₹ crore	₹ crore
a) Gross amount required to be spent by the Company during the year	1.26	0.34
b) Amount approved by the board to be spent during the year	1.25	0.34
c) Amount spent during the year in cash:		
(i) Construction/acquisition of asset	-	-
(ii) On purposes other than (i) above	1.26	0.34
	1.26	0.34
d) Details related to spent / unspent obligations :		
i) Promoting health care, social welfare and women empowerment	1.26	0.34
ii) Unspent Amounts	-	-
	1.26	0.34

29.03 Short Term Leases

The Company has applied short term lease exemption for rental of land, buildings, plant and equipment, etc. in accordance with Ind AS 116 - 'Leases'.

NOTE 30 Tax expenses**Accounting policy**

Income tax expense represents the sum of the tax currently payable and deferred tax.

30.01 Current tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax related to items recognised outside Statement of Profit and Loss are recognised either in other comprehensive income or in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

30.02 Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financials statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit on the date of initial recognition.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity).

Deferred tax assets and liabilities are offset when they relate to income tax else levied by the same taxation authority and the relevant entity intends to settle its current tax assets and liabilities on a net basis.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

(a) Income tax expenses recognised in the profit and loss :	As at	As at
	March 31,2023	March 31,2022
	₹ crore	₹ crore
Current tax		
In respect of the current year	19.41	18.04
In respect of earlier year	6.09	-
Deferred tax		
In respect of the current year	(11.43)	2.56
Total income tax expense recognised in the current year	14.07	20.60

(b) Income tax expenses recognised in the OCI:	As at	As at
	March 31,2023	March 31,2022
	₹ crore	₹ crore
Current tax		
In respect of the current year	-	-
Deferred tax		
In respect of the current year	0.53	(36.56)
Total income tax expense/(income) recognised in the current year	0.53	(36.56)

Reconciliation of tax expense and the accounting profit multiplied by India's tax rate :

Profit before income tax expense	46.82	89.63
Tax at the Indian tax rate of 25.17% *	11.78	22.56
Adjustments under Income Tax Act	2.29	(1.96)
(i) Corporate social responsibilities	0.32	0.34
(ii) Other fines and penalty	1.97	(2.30)
Net tax expense	14.07	20.60

*The rate used for calculation of Deferred Tax is 25.17% being statutory enacted rates as per Section 115BAA of the Income Tax Act, 1961, for the year ended March 31,2023.

The Company has made provision for income tax at the rate of 25.17% (Tax rate 22% Plus Surcharge 10% Plus cess 4% on tax & surcharge) in accordance with normal provisions of Income Tax Act, 1961.

Deferred Tax Asset on account of :	Recognised in OCI	Recognised in Profit and Loss	₹ crore	
			As at March 31,2023	As at March 31,2022
Property plant and equipment	-	(16.38)	(35.87)	(19.49)
Provision for doubtful receivables	-	14.92	19.97	5.05
Provision for employee liability	(0.53)	12.89	69.97	57.61
Total	(0.53)	11.43	54.07	43.17

TP SOUTHERN ODISHA DISTRIBUTION LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2023

NOTE 31 Other comprehensive income/(expenses) - OCI

	As at March 31, 2023 ₹ crore	As at March 31, 2022 ₹ crore
Items that will not be reclassified to profit or loss		
Remeasurements of the defined benefit plans (net of tax)	1.63	(42.13)
Net Movement in regulatory deferral balances	(1.63)	42.13
Total other comprehensive income/(expenses)	-	-

Post-acquisition of business, the Company has decided to treat pension and gratuity benefits payable to erstwhile SOUTHCO Utility employees as defined benefit plan under Ind AS 19 "Employee Benefits". Consequently, the cost and liability of providing such benefits is determined using the projected unit credit method (PUCM). Among other matters, the application of PUCM results in recognition of remeasurement gain/ loss, comprising items such as actuarial gains and losses and effect of the asset ceiling, in the Other Comprehensive Income (OCI). The amount of remeasurement gain/ loss fluctuates period on period based on changes in actuarial assumptions including discount rate and mortality rate.

To ensure offsetting impact in the OCI and the Balance Sheet, the Company recognises equivalent amount as Regulatory Deferral Account – Income/ expense in the OCI. The amount of Regulatory Deferral Account – Income/ expense recognised in the OCI in this manner fluctuates in line with and in contrary to the Remeasurement gain/ loss. Based on the Vesting Order, the Company will be allowed to include and recover this amount as revenue from customers only when the amount is paid to the trust for onward payment to employees.

NOTE 32 Regulatory Deferral Account

32.01 Accounting Policy

The Company determines revenue gaps (i.e. surplus/ shortfall in actual returns over returns entitled) in respect of its regulated operations in accordance with the provisions of Ind AS 114 - 'Regulatory Deferral Accounts' read with the Guidance Note on Rate Regulated Activities issued by the Institute of Chartered Accountants of India (ICAI) and based on the principles laid down under the relevant Tariff Regulations/Tariff Orders notified by the Electricity Regulator and the actual or expected actions of the regulator under the applicable regulatory framework. Appropriate adjustments in respect of such revenue gaps are made in the regulatory deferral account of the respective year for the amounts which are reasonably determinable and no significant uncertainty exists in such determination.

These adjustments/accruals representing revenue gaps are carried forward as Regulatory deferral accounts debit/credit balances (Regulatory Assets/ Regulatory Liabilities) as the case may be in the financial statements, which would be recovered/refunded through future billing based on future tariff determination by the regulator in accordance with the electricity regulations.

The Company presents separate line items in the balance sheet for:

- i. the total of all regulatory deferral account debit balances and related deferred tax balances; and
- ii. the total of all regulatory deferral account credit balances and related deferred tax balances.

A separate line item is presented in the Statement of Profit and Loss for the net movement in regulatory deferral account.

32.02 Description of Rate Regulated Activities and related balances / movement

- (i) The business of electricity distribution is a Rate Regulated activity wherein the Odisha Electricity Regulatory Commission (the 'OERC' or the 'regulator') determines Tariff to be charged from consumers based on prevailing regulations in place.

The Odisha Electricity Regulatory Commission (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2014/ 2022, are applicable to the Company. These regulations require the OERC to determine tariff in a manner wherein the Company can recover its fixed and variable costs including assured rate of return on approved equity base, from its consumers. The Company determines the Revenue, Regulatory Assets and Liabilities as per the terms and conditions specified in these Regulations and Vesting Order.

As per the vesting order, the AT&C loss trajectory which can be passed on to customers is fixed for the first ten years. Any gain/ loss arising due to lower/ higher AT&C losses vis-a-vis fixed trajectory belongs to the Company and is not passed on to the customer. The Company determines the amount of such gain/ loss based on basis power purchase cost only and treats all other expenses including operation and maintenance expenses, employee cost, finance cost, depreciation and tax expense as per prevailing regulations and tariff orders while determining 'Regulatory deferral account balance.'

- (ii) In terms of the applicable regulations, the Company submits its Annual Revenue Requirements (ARR) before beginning of the year for approval of the OERC. After close of financial statements for a year, the actual income and expense incurred by the Company are reviewed and approved by the OERC in the form of True-up Order.
- (iii) The balance of Regulatory Assets of distribution business at the reporting date is as follows:

Particulars	As at March 31, 2023 ₹ crore	As at March 31, 2022 ₹ crore
	Regulatory Deferral Account- Non current	
Regulatory Assets	298.04	93.58
Total Regulatory Deferral Account- Non current	298.04	93.58

- (iv) Movement of Regulatory Assets as per Rate Regulated Activities is as follows:

	As at March 31, 2023 ₹ crore	As at March 31, 2022 ₹ crore
(a) Opening Regulatory Assets (Net of liabilities)	93.58	48.10
(b) Regulatory Income/(Expenses) during the year		
(i) Power Purchase Cost including Transmission	1,061.75	937.53
(ii) Other expenses as per the terms of Tariff Regulations including Return on Equity	1,071.45	874.85
(iii) Available revenue including non tariff income etc	(1,914.23)	(1,732.90)
(iv) Deferred Tax on Regulatory Assets	(10.91)	(34.00)
(v) True Up Impact of earlier years	(3.60)	-
Total	204.46	45.48
Regulatory Income/(Expenses) recognised in Statement of Profit and Loss	206.09	3.35
Regulatory Income/(Expenses) recognised in OCI	(1.63)	42.13
(c) Closing Regulatory Assets (Net of liabilities)	298.04	93.58

(v) True up Order

During the current year, the Company has filed true up petitions for FY 20-21 and 21-22 along with ARR petition for FY 23-24 as per the regulations. After going through due process of tariff finalisation, the OERC has issued true up order up to FY 22 and ARR for FY 23-24. In the true up order, the OERC has found that the licensees have incurred actual expenses in variance to initially approved amount by the OERC.

The OERC has true up revenue surplus up to 31.03.22 resulting in a lower revenue entitlement of ₹ 55.78 crore amount vis-a-vis the amount arrived at using actual expenses incurred by the Company.

The Commission has stated in the order that the actual expenses booked in the audited accounts are higher than the approved costs for most of components, particularly for O&M. However, DISCOMs have booked higher Revenues also against the approved Revenues in the ARR. The DISCOMs have proposed to allow the higher costs owing to the operational requirement during these initial two years of the operations i.e. FY2020-21 and 2021-22. The Commission observes these proposed higher costs can only be verified through relevant information/data, field visits and third party audit.

In view of the above, the management believes that, the Company will be able to justify additional expense to the OERC and claim through ARR. Accordingly, the Company continues to treat the expenses as pass through to the consumer. The management believes that, there will not be any adverse financial implications and the Company is in process of taking up these issues with the OERC as per applicable law.

TP SOUTHERN ODISHA DISTRIBUTION LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2023

NOTE 33 Commitments:	As at	As at
	March 31, 2023	March 31, 2022
	₹ crore	₹ crore
Estimated amount of contracts remaining to be executed on capital account and not provided for	159.35	97.24
	159.35	97.24

As per terms of Vesting Order, cumulative capital expenditure of ₹543 crore has been committed for the first two years of operation to meet out the commitment in respect of AT&C losses and past arrears collection which has been stated in the Vesting Order. Against the above commitment OERC has initiated a process and identified MSME vendors based on confirmations received. In the absence of adequate data, the Company is unable to determine whether approved Cumulative capital expenditure to the tune of ₹ 479.47 crore.

NOTE 34 Contingent liabilities*

In the normal course of business, contingent liabilities arise from litigations and claims. It is a possible obligation that arises from the past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognise a contingent liability but discloses the same.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are not recognised but disclosed only when an inflow of economic benefits is probable.

	As at	As at
	March 31, 2023	March 31, 2022
	₹ crore	₹ crore
34.01 Claims against the Company not acknowledged as debts:		
Legal cases filed by consumers, employees and others under litigation	26.27	24.20

34.02 Indirect taxation matters relating to Service Tax/GST where demand is under contest before judicial/appellate authorities	15.16	14.40
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*No provision is considered necessary since the Company expects favourable decisions.

34.03	Before acquisition, SOUTHCO Utility was not identifying and tracking dues payable to MSME vendors separately. Consequently, it was not tracking whether timely payments are being made to such vendors and/ or interest/ penalty, if any, payable for delay in making payment. Post acquisition, the Company has initiated a process and identified MSME vendors based on confirmations received. In the absence of adequate data, the Company is unable to determine whether any interest of penalty is payable for past default. The management will be able to identify and recognize such obligation, if any, based on claims received.
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34.04	As per terms of Vesting Order, all litigations pertaining to SOUTHCO and SOUTHCO Utility have been transferred to the Company. In case of any unfavourable outcome related to those litigation, the Company will be able to recover the amount through Aggregate Revenue Requirement.
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NOTE 35 Micro and small enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 (MSME) have been determined based on the information available with the Company and the required disclosures are given below:

Particulars	₹ Crore	
	As at March 31, 2023	As at March 31, 2022
(a) Principal amount remaining unpaid	140.74	26.64
(b) Interest due thereon	0.46	0.06
(c) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day	-	-
(d) The amount of interest due and payable for the year	0.46	0.06
(e) The amount of interest accrued and remaining unpaid	0.46	0.06
(f) The amount of further interest due and payable even in the succeeding years, until such date when the interest dues as above are actually paid, for the purpose of disallowance under section 23.	0.00	0.00

NOTE 36 Earnings per equity share (EPS)

Accounting policy

Basic earnings per equity share has been computed by dividing the net profit for the reporting period attributable to equity shareholders by the weighted average number of equity shares outstanding during the reporting period in accordance with Ind AS 33, "Earnings Per Share". Diluted earnings per equity share is computed by dividing the net profit for the reporting period attributable to equity shareholders of the Company as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares by the weighted average number of equity shares outstanding during the reporting period as adjusted to the effects of all dilutive potential equity shares, except where results are anti-dilutive.

The Company also presents Basic Earnings per equity share in accordance with Ind AS 114, "Regulatory Deferral Accounts" which is computed by dividing the profit for the reporting period before and after net movement in regulatory deferral account balance attributable to equity shareholders by the weighted average number of equity shares outstanding during the reporting period. Diluted earnings per share is computed by dividing the net profit for the reporting period before and after net movement in regulatory deferral account balance attributable to equity shareholders as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares by the weighted average number of equity shares outstanding during the reporting period as adjusted to the effects of all dilutive potential equity shares, except where results are anti-dilutive.

36.01 EPS (excluding regulatory income/expense)

Particulars	Units	Year ended	Year ended
		March 31, 2023	March 31, 2022
(a) Profit for the year	₹ crore	32.75	69.03
(b) Net movement in regulatory deferral account balance	₹ crore	206.09	3.35
(c) Income-tax attributable to regulatory expenses	₹ crore	(51.87)	(0.84)
(d) Net movement in regulatory deferral account balance (net of tax)	₹ crore	154.22	2.51
(e) (Loss)/Profit for the year attributable to equity shareholders before net movement in regulatory deferral account balance	₹ crore	(121.47)	66.53
(f) Weighted average number of equity shares	Nos. in crore	24.86	20.01
(g) Basic and diluted earnings per equity share of ₹10 each - (e/f)	₹	(4.89)	3.32
(h) Face value of equity shares	₹	10.00	10.00

36.02 EPS (including regulatory income/expense)

Particulars	Units	Year ended	Year ended
		March 31, 2023	March 31, 2022
(a) Profit for the year after net movement in regulatory deferral balances attributable to equity shareholders	₹ crore	32.75	69.03
(b) Weighted average number of equity shares	Nos. in crore	24.86	20.01
(c) Basic and diluted earnings per equity share of ₹10 each -(a/b)	₹	1.32	3.45
(d) Face value of equity shares	₹	10.00	10.00

TP SOUTHERN ODISHA DISTRIBUTION LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2023

NOTE -37

Related party disclosures

Names of related parties where control exists and other related parties where transactions took place :

A. Holding Company

The Tata Power Company Limited (TPCL)

B. Promoters holding together with its subsidiary more than 20% in Holding Company

Tata Sons Private Limited (Tata Sons)

C. Company exercising significant influence

GRIDCO Limited

D. Fellow Subsidiaries

Tata Power Delhi Distribution Ltd (TPDDL)
 TP Central Odisha Distribution Limited (TPCODL)
 TP Northern Odisha Distribution Limited (TPNODL)

E. Subsidiaries of Promoter Group

Tata Steel Limited
 Tata Consultancy Services Limited
 Tata Capital Financial Services Ltd
 Tata AIG General Insurance Company Ltd
 Tata Tele Services Limited (TTL)
 TP Ajmer Distribution Limited (TPADL)
 Tata Power Trading Company Limited (TPTCL)
 Tata Power Solar Systems Limited (TPSSL)
 Tata Advanced Systems Limited (TASL)

F. Joint Venture of Holding Company

Industrial Energy Ltd (IEL)

G. Post retirement employee benefit trust

SOUTHCO Employees Pension Trust
 SOUTHCO Employees Gratuity Fund Trust
 SOUTHCO Employees Rehabilitation Assistance Fund Trust

H. Key management personnel

Chief Executive Officer

Mr. Arvind Singh

Chief Financial Officer

Mr. Bijay Kumar Mohanty

Company Secretary

Mrs. Suchitra Dash (upto May 31,2022)
 Mr. Jeevanjyoti Nayak (w.e.f July 19,2022)

Non-executive directors

Mr. Suresh Chandra Mahapatra
 Mr. Nikunja Bihari Dhal
 Dr. Praveer Sinha
 Mr. Trilochan Panda
 Mr. Sanjay Kumar Banga
 Mr. Kesava Menon Chandrasekhar
 Mr. Arup Ghosh
 Mr. Nipun Aggarwal (upto April 18, 2022)
 Mr. Sanjeev Satyaprakash Gupta (w.e.f April 28, 2022)
 Mr. Umakanta Sahoo

Independent directors

Mr. Kailash Nath Shrivastava
 Mrs. Aditi Raja
 Mr. Arun Kumar Panda
 Mr. Ashok Kumar Tripathy

Related party transactions and balances

a. Particulars of transactions with the related parties

₹ crore

SI no.	Name of Related Party	Nature of transactions	Year ended March 31,2023	Year ended March 31,2022	
1	Receiving of Goods, Services & Reimbursement of Expenses				
	Tata Power Delhi Distribution Ltd (TPDDL)	Deputation of employees	2.68	1.75	
	Tata Power Delhi Distribution Ltd (TPDDL)	Reimbursement of expenses	0.01	0.04	
	TP Central Odisha Distribution Limited (TPCODL)	Consultancy services	-	1.18	
	GRIDCO Limited	Power purchase expenses net of rebate	940.99	807.98	
	Tata Consultancy Services Limited (TCS)	Field Survey services	3.59	-	
	TP Central Odisha Distribution Limited (TPCODL)	Purchase of goods	0.28	-	
	Tata Capital Financial Services Ltd	Car Lease charges	0.06	-	
	Tata AIG General Insurance Company Limited	Insurance expenses	1.59	2.33	
	The Tata Power Company Limited (TPCL)	Reimbursement of Expenses	-	0.04	
	The Tata Power Company Limited (TPCL)	Deputation of employees	0.43	0.87	
	2	Sale of Energy :-			
		Tata Steel Limited	Sale of energy	80.78	28.98
3	Purchase of property, plant and equipments and intangibles				
	Tata Consultancy Services Limited (TCS)	Purchase of Intangibles	1.25	4.66	
	Tata Power Delhi Distribution Ltd (TPDDL)	Purchase of Property,plant and equipment	0.01	0.09	
4	Sale of property, plant and equipments, intangibles and goods				
	Tata Power Trading Company Limited (TPTCL)	Purchase of Property,plant and equipment	0.04	-	
	Tata Power Delhi Distribution Ltd (TPDDL)	Sale of Property,plant and equipment	0.06	-	
	The Tata Power Company Limited (TPCL)	Sale of Property,plant and equipment	0.01	-	
5	Loan/Advance repaid during the year				
	TP Central Odisha Distribution Limited (TPCODL)	Sale of Property,plant and equipment	0.01	-	
	TP Northern Odisha Distribution Limited (TPNODL)	Loan/Advance repaid during the year	-	16.70	
6	Repayment of advance received during the year				
	TP Western Odisha Distribution Limited (TPWODL)	Repayment of advance received during the year	-	5.05	
7	Gratuitv & Compensated Absence-Pavable				
	Tata Power Delhi Distribution Ltd (TPDDL)	Reimbursement of gratuity for the employees transferred	0.19	1.38	
	Tata Power Delhi Distribution Ltd (TPDDL)	Reimbursement of leave salary for the employees transferred	0.21	-	
	The Tata Power Company Limited (TPCL)	Reimbursement of gratuity for the employees transferred	0.23	0.54	
	The Tata Power Company Limited (TPCL)	Reimbursement of leave salary for the employees transferred	0.13	-	
	TP Central Odisha Distribution Limited (TPCODL)	Reimbursement of gratuity for the employees transferred	0.00	-	
	TP Central Odisha Distribution Limited (TPCODL)	Reimbursement of leave salary for the employees transferred	0.01	-	
	Tata Advanced Systems Limited (TASL)	Reimbursement of gratuity for the employees transferred	-	0.02	
	Tata Power Solar Systems Limited (TPSSL)	Reimbursement of gratuity for the employees transferred	-	0.02	
	TP Northern Odisha Distribution Limited (TPNODL)	Reimbursement of gratuity for the employees transferred	0.15	-	
	TP Northern Odisha Distribution Limited (TPNODL)	Reimbursement of leave salary for the employees transferred	0.08	-	

SI no.	Name of Related Party	Nature of transactions	Year ended March 31,2023	Year ended March 31,2022
8	Gratuity & Compensated Absence-Receiveable			
	Tata Power Delhi Distribution Ltd (TPDDL)	Reimbursement of gratuity for the employees transferred	0.27	-
	Tata Power Solar Svstems Limited (TPSSL)	Reimbursement of arativity for the employees transferred	0.02	-
	Industrial Energy Ltd (IEL)	Reimbursement of arativity for the employees transferred	0.05	-
	TP Ajmer Distribution Limited (TPADL)	Reimbursement of arativity for the employees transferred	0.12	-
	The Tata Power Company Limited(TPCL)	Reimbursement of gratuity for the employees transferred	2.79	-
	Tata Power Trading Company Limited (TPTCL)	Reimbursement of gratuity for the employees transferred	0.38	-
	Tata Tele Services Limited (TTL)	Reimbursement of gratuity for the employees transferred	0.02	-
	Tata Power Delhi Distribution Ltd (TPDDL)	Reimbursement of leave salary for the employees transferred	0.14	0.18
	TP Ajmer Distribution Limited (TPADL)	Reimbursement of leave salary for the employees transferred	0.04	-
	Tata Power Trading Company Limited (TPTCL)	Reimbursement of leave salary for the employees transferred	0.18	-
	Industrial Energy Ltd (IEL)	Reimbursement of leave salary for the employees transferred	0.03	-
	The Tata Power Company Limited(TPCL)	Reimbursement of leave salary for the employees transferred	1.31	0.16
	Tata Power Solar Systems Limited (TPSSL)	Reimbursement of leave salary for the employees transferred	0.02	0.02
9	Transaction with Trust			
	SOUTHCO Employees Pension Trust	Contribution towards pension	98.57	114.08
	SOUTHCO Employees Gratuity Fund Trust	Contribution towards gratuity	11.33	17.19
	SOUTHCO Employees Rehabilitation Assistance Fund Trust	Contribution towards Rehabilitation Assistance	0.15	0.62
10	Directors sitting fees	Directors sitting fees	0.40	0.36
11	Share Capital			
	The Tata Power Company Limited (TPCL)	Issue of right shares	61.71	24.45
	GRIDCO Limited	Issue of right shares for consideration other than cash	59.29	23.49

Note: 0.00 represents amount below the rounding off norm adopted by the Company.

b. Particulars of outstanding balances with the related parties :			₹ crore	
SI No.	Particulars	Nature of transactions	As at March 31,2023	As at March 31,2022
1	Share Capital			
	The Tata Power Company Limited (TPCL)	Issue of equity shares	188.16	126.45
	GRIDCO Limited	Issue of equity shares	180.78	121.49
2	Trade Receivable			
	Tata Steel Limited	Sale of energy-advance received	3.99	0.00
3	Trade Payable			
	Tata Power Delhi Distribution Ltd (TPDDL)	Property plant and equipment, annual Leave and reimbursement of expenses	-	0.66
	GRIDCO Limited	Power purchase cost	15.26	82.13
	The Tata Power Company Limited(TPCL)	Gratuity, annual leave and other payables	0.62	0.89
	Tata Consultancy Services Limited	Field survey services	2.28	-
	TP Central Odisha Distribution Limited (TPCODL)	Consultancy services	-	1.08
	TP Central Odisha Distribution Limited (TPCODL)	Property plant and equipment, Annual Leave and Reimbursement of expenses	0.00	-
	Tata Power Delhi Distribution Ltd (TPDDL)	Purchase of property, plant and equipment, manpower and reimbursement	0.76	-
4	Other Receivables			
	The Tata Power Company Limited(TPCL)	Gratuity and annual Leave	-	2.94
	Tata AIG General Insurance Company Limited	Insurance expenses	0.10	-
	Industrial Energy Ltd (IEL)	Gratuity and annual Leave	-	0.08
	TP Central Odisha Distribution Limited (TPCODL)	Sale of Material	0.00	0.89
5	Other financial liabilities - current			
	GRIDCO Limited	Payable towards collection of arrears	22.66	25.40

Note: 0.00 represents amount below the rounding off norm adopted by the Company.

TP SOUTHERN ODISHA DISTRIBUTION LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2023

Note 38 Financial Instruments : Accounting classifications, Fair value measurements, Financial Risk management and offsetting of financial assets and liabilities

This section gives an overview of the significance of financial instruments for the Company and provides additional information on balance sheet items that contain financial instruments.

The details of significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument has been disclosed in Note 2 to the financial statements.

(i) Accounting classifications

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- a) The carrying amounts of trade receivables, cash and cash equivalents, short term deposits, trade payables, payables for acquisition of property, plant and equipment, short term loans from banks, financial institutions and others are considered to be the same as their fair values, due to their short-term nature. Most financial assets and liabilities of the Company as at the balance sheet date are short term having fair value equal to amortised cost.
- b) For financial assets and liabilities that are measured at fair value, the carrying amounts are equal to the fair values.

(ii) Fair Value measurements

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted price included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Unobservable inputs from assets and liability

The carrying value of financial instruments by categories as of March 31, 2023 is as follows :

Particulars	Carrying Value	FVTPL	Classification		Amortised Cost	Fair Value			
			FVTOCI	Level 1		Level 2	Level 3		
Financial assets									
Trade receivables	509.50	-	-	-	509.50	-	-	-	
Unbilled revenue	130.03	-	-	-	130.03	-	-	-	
Other financial assets	67.77	-	-	-	67.77	-	-	-	
Cash and cash equivalents	174.00	-	-	-	174.00	-	-	-	
Bank Balances other than above	849.46	-	-	-	849.46	-	-	-	
	<u>1,730.76</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,730.76</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Financial Liabilities									
	Carrying Value	FVTPL	Classification	FVTOCI	Amortised Cost	Level 1	Fair Value	Level 2	Level 3
Borrowings	858.51	-	-	-	858.51	-	-	-	-
Trade payables	250.17	-	-	-	250.17	-	-	-	-
Other financial liabilities	641.54	-	-	-	641.54	-	-	-	-
	<u>1,750.22</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,750.22</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The carrying value of financial instruments by categories as of March 31, 2022 is as follows :

Particulars	Carrying Value	FVTPL	Classification		Amortised Cost	Fair Value			
			FVTOCI	Level 1		Level 2	Level 3		
Financial assets									
Trade receivables	415.07	-	-	-	415.07	-	-	-	
Unbilled revenue	121.11	-	-	-	121.11	-	-	-	
Other financial assets	96.75	-	-	-	96.75	-	-	-	
Cash and cash equivalents	177.05	-	-	-	177.05	-	-	-	
Bank Balances	423.05	-	-	-	423.05	-	-	-	
	<u>1,233.03</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,233.03</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Financial Liabilities									
	Carrying Value	FVTPL	Classification	FVTOCI	Amortised Cost	Level 1	Fair Value	Level 2	Level 3
Borrowings	340.21	-	-	-	340.21	-	-	-	-
Trade payables	242.57	-	-	-	242.57	-	-	-	-
Other financial liabilities	623.71	-	-	-	623.71	-	-	-	-
	<u>1,206.48</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,206.48</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(iii) Capital Management & Gearing Ratio

For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders of the Company. The Company's objectives for managing capital comprise safeguarding the business as a going concern, creating value for stakeholders and supporting the development of the Company. In particular, the Company seeks to maintain an adequate capitalisation that enables it to achieve a satisfactory return for shareholders and ensure access to external sources of financing, in part by maintaining an adequate rating.

The Company's capital structure consists of net debt and total equity. The Company includes within net debt, interest bearing borrowings, less cash and bank balances as detailed below. The position on reporting date is summarised in the following table:

	As at March 31, 2023 ₹ crore	As at March 31, 2022 ₹ crore
Long-term borrowings	210.60	39.29
Current maturities of long-term borrowings	17.86	0.71
Interest accrued but not due on borrowings	0.77	(0.01)
Short-term borrowings	630.05	300.21
Total debt (a)	859.28	340.20
Less: Cash and bank balances (b)	174.00	177.05
Net debt {(c)=(a-b)}	685.28	163.15
Total equity (d)	493.14	339.39
Total equity and net debt {(e)=(c+d)}	1,178.41	502.55
Net debt to total equity plus net debt ratio (%) {(f)=(c)/(e)}	58.15	32.46

- i. Debt is defined as Non-current borrowings (including current maturities) and Current borrowings (excluding derivative, financial guarantee contracts and contingent considerations) and interest accrued on Non-current and Current borrowings.
- ii. Equity is defined as Equity share capital and other equity.

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no significant breaches in the financial covenants of any interest-bearing loans and borrowing in the current year.

(iv) **Financial risk management objectives and policies**

The Company's principal financial liabilities comprise borrowings, consumers' security deposit, trade and other payables and other financial liabilities. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include investments, loans, trade and other receivables, cash and cash equivalents, other balances with banks, unbilled revenue and other financial assets that are derived directly from its operations.

The senior management of the Company oversees these risks and are managed in accordance with the Companies policies and risk objectives.

(v) **Market Risk**

Market risk is the risk that changes in market prices will affect the Company's income or value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. As at the reporting date, the Company does not have material financial assets or financial liabilities exposing it to market risk comprising foreign currency risk, interest rate risk and price risk.

The variable rate of borrowing will not have any impact on profit & loss of the company as interest cost is pass-through to consumers through ARR. Market risk comprises of three types of risk: currency risk, interest rate risk and price risk.

(vi) **Interest rate risk management**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's Long term debt obligations with floating interest rates.

The Company manages its interest rate risk by linking interest rate with different benchmarks (e.g. MCLR/ External benchmarks like Repo, T- Bills etc) .

(vii) **Credit Risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from its operating activities (primarily trade receivables and unbilled revenue) and other financial instruments.

Particulars	As at March 31,2023 ₹ crore	As at March 31,2022 ₹ crore
(a) Trade receivables	509.50	415.07
(b) Unbilled revenue	130.03	121.11
(c) Other financial assets	67.77	96.75
(d) Cash and cash equivalents	174.00	177.05
(e) Bank Balances other than above	849.46	423.05
Total	1,730.76	1,233.03

In case of trade receivables and unbilled revenue, senior management of the Company monitors overdue amount on regular basis and take appropriate action, including forfeiture of security deposit and/ or disconnection of electricity, to get timely dues. Most of the cash and bank balances of the Company are with scheduled commercial banks where risk of default is low.

(viii) **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The Company has access to a sufficient variety of sources of funding.

The following table details the Company's remaining contractual maturity for its financial liabilities with agreed repayment periods, ignoring the call and refinancing options available with the Company. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows. The amounts included below for variable interest rate instruments for non-derivative liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Particulars	₹ crore			Total
	Upto 1 year	1 to 5 years	5+ years	
As at March 31,2023				
(a) Long Term Borrowing (including current maturities and interest)	36.35	154.07	139.39	329.81
(b) Trade payables	250.17	-	-	250.17
(c) Short term borrowings	630.05	-	-	630.05
(d) Other financial liabilities	617.81	23.73	-	641.54
	1,534.38	177.80	139.39	1,851.57
As at March 31,2022				
(a) Long Term Borrowing (including current maturities and interest)	3.47	25.46	32.55	61.48
(b) Trade payables	242.57	-	-	242.57
(c) Short term borrowings	300.21	-	-	300.21
(d) Other financial liabilities	597.42	26.29	-	623.71
	1,143.67	51.75	32.55	1,227.97

Long term borrowings are evaluated by the Company based on parameters such as interest rates, credit risk and the risk characteristics of the financed project. The fair value is determined using the discounted cash flow method. The future cash flows are based on the terms of the borrowings. These cash flows are discounted at a rate that reflects current market rate and the current credit risk.

As at the balance sheet date, the Company has cash and bank balances of ₹ 174 crore which can be used to meet its obligation. In case of requirement, the management is confident of raising further finance as required to meet its obligations. The Company has access to financing facilities. The Company expects to meet its obligations from operating cash flows and proceeds of maturing financial assets.

TP SOUTHERN ODISHA DISTRIBUTION LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2023

NOTE 39 Financial Ratios

Sl No	Ratios	Numerator	Denominator	Note	As at March 31, 2023	As at March 31, 2022	% of Variance	Reason for Variance
1	Current Ratio (in times)	Current Assets	Current Liabilities	a	1.05	1.01	4%	Not Applicable as variance is less than 25%
2	Debt equity ratio (in times)	Total Debt	Total Equity	b	1.74	1.00	74%	Long term Borrowing (net) has increased by ₹ 188.46 crore to fund the capital expenditure and Short term borrowing (net) has increased by 329.84 crore to meet the Company's working capital requirement and in comparison to increase in equity by ₹ 153.75 crore.
3	Debt service coverage ratio (in times)	Profit before exceptional items & tax + interest expenses + depreciation and amortisation	Interest expense + scheduled principal repayment of long-term debt and lease liabilities during the period	c	3.13	8.80	-64%	Impact of additional expected credit loss and higher interest costs as compare to previous financial year resultant in lower profit which further results in lower DSCR.
4	Return on equity ratio (ROE)	Net Profit After Tax including continuing & Discontinuing Operation)- Interest on Perpetual securities	Average share holder's Equity	d	7.87	24.58	-68%	The ratio has fallen due to drop in PAT mainly on account of proactive provisioning for debtors.
5	Inventory Turnover Ratio	NA	NA		NA	NA	NA	NA
6	Trade Receivable Turnover Ratio	(Average Receivable Including Regulatory balances wherever applicable) * No of days	Gross sales		116.51	88.90	31%	Lower collection resulted in higher receivable turnover ratio.
7	Trade payable turnover ratio (in number of days)	Average trade payable * Number of days	Net credit purchase	e	59.51	71.13	-16%	Not Applicable as variance is less than 25%
8	Net capital turnover ratio	Revenue from Operation including net movement in Regulatory deferral balances	Working capital= Current Assets- Current liabilities	f	20.24	225.22	-91%	High movement in regulatory balance along with increase in working capital resultant in lower net capital turnover ratio as compare to previous financial year.
9	Net Profit Ratio	Net Profit after tax	Revenue Including net movement in regulatory deferral balances		1.60	4.12	-61%	Impact of additional expected credit loss resultant in lower profit as well as higher sale as compare to previous financial year.
10	Return on capital employed (ROCE)	Profit before exceptional items & tax + interest expenses excluding Interest on consumer Security deposits	Average Capital Employed(Shareholder's equity+total Debt)	g	9.00	21.61	-58%	Impact of additional expected credit loss and higher debts as compare to previous financial year resultant in lower return on capital employed.

As explained in note related to financial instruments, the Company has access to sufficient liquidity resources to continue its operations for at least 12 months from the date of approval of Financial Statements

Notes:-

- a. Current assets and current liabilities as per Balance sheet
- b. Total Debt: Long term borrowings (including current maturities of long term borrowings), short term borrowings and interest accrued on these debts and total equity as per Balance sheet
- c. For the purpose of computation, scheduled principal repayment of long term borrowings does not include prepayments
- d. Average Shareholders equity: Issued share capital and other equity
- e. Net credit purchase comprises of Power purchase cost, transmission charges and other expenses excluding provision for bad and doubtful debt, contingencies and CSR expenses
- f. Working Capital:
 - i) Current Assets: as per balance sheet
 - ii) Current Liabilities as per balance sheet (excluding current maturities of long term debt and lease liability and interest accrued on long-term debts)
- g. Average Shareholders equity: Issued share capital and other equity

TP SOUTHERN ODISHA DISTRIBUTION LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2023

NOTE 40 Business Combinations

Additional explanations to liability assumed

The Company has been incorporated on December 25, 2020 under the Companies Act, 2013 (as amended). Pursuant to vesting order issued by the OERC dated December 28, 2020 ('Vesting Order'), the Company acquired the business of distributing power in Southern Odisha ('business') from SOUTHCO Utility with effect from January 1, 2021 (Vesting Date). Accordingly, the Company is a licensee to carry out the function of distribution and retail supply of electricity covering the distribution circles of Southern state of Odisha for a period of 25 years effective from January 1, 2021.

The OERC has issued the Carved Out order dated November 26, 2021 to specify assets and liabilities transferred to the Company. The Carved Out order so issued by the OERC acknowledges that underlying details are not available for certain assets and liabilities. In accordance with the Carved Out Order, these amounts have been transferred to the Company and will continue to be its liabilities, and they cannot be paid without verification. These liabilities need to be verified through an external agency. Once verified, the Company is obliged to discharge the same upon the OERC approval. These liabilities cannot be written off without the Board and the OERC approval. Pending legal release, the Company continues to recognise these liabilities at the stated amount reflecting acquisition date fair values. In accordance with the vesting order, any change in the value of assets and liabilities transferred on account of the reconciliation / resolution of the above matters and / or any other matter identified in future will be allowed to be recovered by the Company in the manner specified in the vesting order, viz., by way of future tariff adjustment or adjustment to the grant liability. Hence, the Company believes that the reconciliation / resolution of the above matters will not have any impact on the financial position and financial performance of the Company as reflected in the financial statements.

(a) Carrying amount of security deposits as per the general ledger is lower by ₹0.61 crore as compared to balance as per consumer ledger .

(b) Vendor/ customer/ counterparty details not available for the following items:

- (i) Sundry Creditors for Expenses - ₹4.02 crore (March 31, 2022: ₹4.74 crore) (classified under note 21 as other liabilities in the Balance Sheet);
- (ii) Advance payment/deposit from suppliers/contractors/consumers for capital works - ₹98.85 crore (March 31, 2022: ₹81.99 crore) (classified under note 21 as other liabilities in the Balance Sheet);
- (iii) Other liabilities - ₹23.58 crore (March 31, 2022: ₹ 27.92 crore) (classified under note 21 as other liabilities in the Balance Sheet) ; and
- (iv) Creditors for Capital Account - ₹18.59 crore (March 31, 2022: ₹ 3.46 crore) (classified under note 21 as other liabilities in the Balance Sheet) .

During the year the Company has appointed external agency to verify aforesaid liabilities whose details are not available. Basis the outcome ₹ 26.93 crore is transferred from serviceable to unserviceable liabilities.

The Company, with the SOUTHCO Utility management and the help of the OERC, is in the process of reconciling/ resolving the above matters and adjustments, if any, will be recognised post reconciliation and resolution of the matters. As stated above, the Vesting Order provides that any change in the value of assets and liabilities transferred on account of the reconciliation / resolution of the above matters and/ or any other matter identified in future will be allowed to be recovered by the Company in the manner specified in the vesting order. Hence, the Company believes that the reconciliation/ resolution of the above matters will not have any impact on the financial position and financial performance of the Company as reflected in the financial statements.

NOTE 41 Segment Reporting

The Company is engaged in the business of distribution of power in Southern Odisha. Chief Operating Decision Maker (CODM) reviews the financial information of the Company as a whole for decision making and allocation of resources. Accordingly, the Company has a single reportable segment and no segment information has been provided.

There is no consumer from whom the Company has earned more than 10% of revenue.

NOTE 42 Social Security Code

The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified and the final rules/interpretation have not yet been issued. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective. Based on a preliminary assessment, the entity believes the impact of the change will not be significant.

NOTE 43 Disclosure regarding details of assets created with Government Fund and used by the SOUTHCO Utility/ TPSODL

As per details provided by the Odisha Power Transmission Company Limited (OPTCL) vide e-mail dated April 18, 2023, certain assets were created for SOUTHCO Utility through different schemes formed by the Government and executed by OPTCL. Based on details shared by OPTCL, the carrying amount (on provisional basis) of such assets as at March 31, 2023 is ₹ 1,638.53 crore for completed assets and ₹ 109.64 crore for work in progress (WIP). These are subject to detailed verification and reconciliation by various authorities.

As per the Vesting Order, the ownership of these assets has not been transferred to the Company; however, the Company continues to use these assets for supply of power to the consumer. Since the Company is not able to charge any depreciation for these assets in the ARR, the provisional fair value of these assets for the Company at the Vesting Date is Nil. Details of the assets as provided by OPTCL are given below:

TP SOUTHERN ODISHA DISTRIBUTION LIMITED			
As at March 31, 2023			
Name of Scheme	Completed	WIP	Total
Odisha Distribution System Strengthening Project (ODSSP)*	698.87	103.02	801.89
Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY)	395.08	-	395.08
Integrated Power Development Scheme (IPDS)	241.64	-	241.64
Pradhan Mantri Sahaj Bijli Har Ghar Yojana (Soubhagya)	191.44	-	191.44
Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)	11.59	-	11.59
Odisha Dedicated Agriculture and Fishery Feeder Project (ODAFFF)	-	6.62	6.62
Biju Gram Jyoti Yojana (BGJY-OPTCL DTR)	45.71	-	45.71
Integrated Power Development Scheme-IT (IPDS-IT-Phase-II)	54.20	-	54.20
Total	1,638.53	109.64	1,748.17

*Excluding ₹ 59.29 crore as it is a part of equity contribution by GRIDCO during the year ending March 31, 2023.

As per details provided by the Odisha Power Transmission Company Limited (OPTCL) vide e-mail dated April 25, 2022, certain assets were created for SOUTHCO Utility through different schemes formed by the Government and executed by OPTCL. Based on details shared by OPTCL, the carrying amount (on provisional basis) of such assets as at March 31, 2022 is ₹ 1,496.23 crore for completed assets and ₹ 264.18 crore for work in progress (WIP). These are subject to detailed verification and reconciliation by various authorities.

As per the Vesting Order, the ownership of these assets has not been transferred to the Company; however, the Company continues to use these assets for supply of power to the consumer. Since the Company is not able to charge any depreciation for these assets in the ARR, the provisional fair value of these assets for the Company at the Vesting Date is Nil. Details of the assets as provided by OPTCL are given below:

TP SOUTHERN ODISHA DISTRIBUTION LIMITED			
As at March 31, 2022			
Name of Scheme	Completed	WIP	Total
Odisha Distribution System Strengthening Project (ODSSP)*	534.46	224.50	758.96
Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY)	395.08	-	395.08
Integrated Power Development Scheme (IPDS)	241.64	-	241.64
Pradhan Mantri Sahaj Bijli Har Ghar Yojana (Soubhagya)	267.75	-	267.75
Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)	11.59	-	11.59
Odisha Dedicated Agriculture and Fishery Feeder Project (ODAFFF)	-	6.55	6.55
Biju Gram Jyoti Yojana (BGJY-OPTCL DTR)	45.71	-	45.71
Integrated Power Development Scheme-IT (IPDS-IT-Phase-II)	-	33.13	33.13
Total	1,496.23	264.18	1,760.41

*Excluding ₹ 23.49 crore as it is a part of equity contribution by GRIDCO during the year ending March 31, 2022.

NOTE 44 Other Statutory Information

- (i) The Company has not given any loans or advances in the nature of loans are granted to promoters, directors, KMPs and/ or related parties (as defined under Companies Act, 2013), either severally or jointly with any other person, that are repayable on demand, or without specifying any terms or period of repayment.
- (ii) The Company does not have any Benami property, where any proceeding has been initiated or pending against the Company for holding any Benami property under the Benami Transactions (Prohibition) Act, 1988 and rules made thereunder.
- (iii) The Company do not have any charges or satisfaction which is yet to be registered with ROC beyond the statutory period.
- (iv) The Company is in compliance with the number of layers prescribed under clause (87) of section 2 of the Companies Act, 2013 read with the Companies (Restriction on number of Layers) Rules, 2017 (as amended).
- (v) The Company has not been declared as willful defaulter by any bank or financial institution or other lender.
- (vi) The Company does not have any transactions with companies struck off under section 248 of the Companies Act, 2013 (as amended) or section 560 of the Companies Act, 1956.
- (vii) The Company have not traded or invested in Crypto currency or Virtual Currency during the current and previous financial year.
- (viii) The Company has not advanced or loaned or invested funds to any other persons or entities, including foreign entities (Intermediaries) with the understanding that the Intermediary shall:
 - (a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company (Ultimate Beneficiaries) or
 - (b) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries.
- (ix) The Company have not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the Company shall:
 - (a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or
 - (b) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries.
- (x) Quarterly returns or statements of current assets filed by the Company with the banks in connection with the working capital limit sanctioned are in agreement with the books of accounts.
- (xi) The Company does not have any such transaction which is not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961).

NOTE 45 Significant events after the reporting period

There were no significant adjusting events that occurred subsequent to the reporting period other than the events disclosed in the relevant notes.

NOTE 46 Previous year figures are regrouped or rearranged wherever required.

NOTE 47 Approval of Financial Statements

The financial statements were approved for issue by the board of directors on April 25, 2023.

For S R B C & CO LLP
Chartered Accountants
ICAI FRN: 324982E/ E300003

For A K Sabat & Co.
Chartered Accountants
ICAI FRN: 321012E

For and on behalf of the Board of
TP Southern Odisha Distribution Limited

per Vishal Bansal
Partner
Membership No. 097546
Place: Mumbai

per B.R. Mohanty
Partner
Membership No. 057266
Place: Bhubaneswar

Praveer Sinha
Director
DIN:01785164
Place: Mumbai

Sanjay Banga
Director
DIN:07785948
Place: Mumbai

Arvind Singh
Chief Executive Officer
Place: Bhubaneswar

Bijay Kumar Mohanty
Chief Financial Officer
Place: Berhampur

Date: April 25, 2023

Jeevanjyoti Nayak
Company Secretary
Place: Berhampur