**ANNEXURE-IV**

**True-Up filings for FY 2024-25 and Annual Tariff Petition for FY 2026-27**

**Replies to submissions on SLDC Business Activity O.P. No.69 of 2025 by The Federation of Telangana Chambers of Commerce and Industry**

| **SI.**  **No.** | **Objections** | **Reply** |
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| 1 | **TRUE-UPforFY2024–25**Inconsistent RoE Claim No tax has actually been paid during FY 2024–25 (current taxis NIL) as per the accounts. Accordingly, tax on RoE shall be NIL, consistent with the MY Regulations. | The Clause 30.1 of Regulation 2 of 2023 specifically mention that the RoE shall be grossed up with effective income tax rate of the relevant year. Further, it also provided that in case the Company is paying tax under MAT, then the effective tax rate shall be considered as MAT rate including surcharge and Cess.  In this regard, it is to submit that the Company has paid tax for the FY 2024-25 under MAT provisions on Transmission SLDC income for an amount of Rs.81.77 Crores (Income tax return acknowledgement is enclosed). By considering the same, the Company has grossed up RoE in the ATP filings with MAT rate.  Accordingly, the Company has computed RoE for the FY 2026-27 as per clause 30.1 of Regulation 2 of 2023. |
| 2 | Mismatch in NTI The Net Tariff Income claimed does not reconcile with the audited financials and remains unsubstantiated. The NTI shown in the NTI section does not match the NTI factored into the ARR calculation. | The details of Non- Tariff income of Rs.1.98 crores is as follows:   |  |  | | --- | --- | | **Particulars** | **Amount (Rs. In Crores)** | | SLDC charges including Other Operating income | 56.40 | | Less: SLDC Charges | 54.65 | | Other Operating charges (A) | 1.75 | | Other income (B) | 0.23 | | **Total Non Tariff Income (A+B)** | **1.98** | |
| 3 | Mismatch in Revenue from SLDC Charges Revenue from SLDC charges does not reconcile with the audited statements. | The actual revenue received by the Company in the FY 2024-25 is Rs.56.63 crores which consists of SLDC Charges of Rs.54.66 crores, Other Operating income of Rs.1.75 crores and Other Income of Rs.0.23 crores.  In the page no.38 of Annual Accounts of FY 2024-25 under Operating segment wise revenue and expenditure statement under the head SLDC charges of Rs.56.40 crores in cludes both SLDC charges and Other operating income of the SLDC activity. And the other income consists Rs.0.23 crores mainly consists of interest income received by the Company. |
| 4 | Unexplained Pension and Gratuity Expenses SLDC’s contribution towards Pension and gratuity has not been provided. | Pension & Gratuity expenses pertains to SLDC has been clearly shown under Note No. 4 and 16 of Notes Financials of F.Y. 2024-25 |
| 5 | High Depreciation A comparison of the actual depreciation with the depreciation approved by the Commission in the previous Tariff/MYT Order indicates a significantly higher amount, even after excluding ₹1.19 crore from the actual depreciation. | During the FY 2024-25 the Company has reclassified some of the assets in compliance with regulation 2 of 2023.  The increase in depreciation is mainly on account of reclassification of assets and Capitalisation of assets during the FY 2024-25.  Further, at the time of filing of MYT the company has not taken in to consideration of reclassification of assets, hence there is difference in depreciation approved by the Hon’ble Commission and actual depreciation claimed in the FY 2024-25. |
| 6 | Disapproval of RoE Rate Consideration The prayer seeking waiver of reduction in RoE on account of delay in filing the MYT Petition should not be accepted. | The Company has made a request to the Hon’ble Commission to consider the condonation of delay in filings for the 5th Multi Year Control period during the time of filing of Multi Year Tariff petition. As the delay has happened mainly due to the reason not in the control of the Company such as General election to the 18th Lok sabha etc.,  However, the Hon’ble Commission has levied a penalty by reducing the RoE by 3.5%. There by company has incureed a loss of Rs.0.13 crores (Approx.,) as per 5Th MYT Order.  In view of the above, it was once again requested the Hon’ble Commission to allow condonation of delay and approve RoE at 14 % without penalty. |
| 7 | Justification of High Employee Expenses Employeeexpensesareveryhighwhencomparedtothestandard.Furtherdetails are required in this regard. | The Employee expenses for the FY 2024-25 has increased mainly on account of regular annual grade increment, Encashment of earned leave by the employees and Dearness allowance and also includes Actuarial Valuation Liability towards employee terminal benefits.  However, as per clause 89.3 of regulation 2 of 2023 Employee Cost for the year is arrived by increasing the previous year employee cost at an inflation rate of Consumer price index. But in actual practice an Employees will receive annual grade increment and Encashment of leave salary but the same was not considered in Commission methodology.  In view of the above, the actual employee cost for the FY 2024-25 was increased when compared to approved employee benefit expenses for the year. |
| 8 | Details Required for Ongoing Works The write-upon the status of ongoing works as on 31.03.2025 requires additional details, including the expected commissioning schedule of the project and the phasing of works over the remaining period of completion. | 1) Upgradation of existing SCADA system at Main SLDC, Hyderabad & Establishment of  SCADA/EMS system as Backup SLDC at Warangal:   1. Expected commissioning date: 6th September 2026 2. Of the total expenditure of 62.16 Cr, 31.08 Cr is proposed in 2025-26 and remaining expenditure is proposed in 2026-2027.   2) Construction of building & providing infrastructure for Backup SLDC:   1. Expected commissioning date: 31st March 2026 2. Expenditure of Rs.7,59,01,471 is proposed in FY 2025-26 |
| 9 | **ARR/TARIFFforFY2026–27** IncomeTaxCannotBeProvidedonaProjectionBasis The MYT framework does not allow projected tax; only actual tax paid may be considered.Accordingly,theeffectiveincometaxrateshouldnotbeconsideredin the calculationof RoEfor FY2026–27. | The Clause 30.1 of Regulation 2 of 2023 specifically mention that the RoE shall be grossed up with effective income tax rate of the relevant year. Further, it also provided that in case the Company is paying tax under MAT, then the effective tax rate shall be considered as MAT rate including surcharge and cess.  In this regard, it is to submit that the Company has paid tax for the FY 2024-25 under MAT provisionson Transmission & SLDC income for an amount of Rs.81.77 crores (Income tax return acknowledgement is enclosed). By considering the same, the Company has grossed up RoE in the ATP filings with MAT rate.  Accordingly, the Company has computed RoE for the FY 2026-27 as per clause 30.1 of Regulation 2 of 2023. |
| 10 | Outstanding and Addition of Debt ItismentionedintheInterestandFinanceChargessectionthatthedebthasbeen takenas75%oftheNetFixedAssetsinsteadofGrossFixedAssets. | As per clause 27 of the Regulation 2 of 2023 the debt – equity portion will be considered at the ratio of 75:25.  Further, as per Clause 31.2 of the regulation the normative loan outstanding as on 01.04.2024 shall be considered by deducting cumulative repayments up to 31.03.2024. However as per Clause 31.3 the loan repayments for the period is deemed to be equal to depreciation allowed for the period.  In view of the above, the Outstanding debt as on 01.04.2024 has been arrived by considering 75 % of the Gross block of the assets as debt and the same is deducted by accumulated depreciation (as the same is considered as repayment of loan as per clause 31.3) for the purpose of computation of Interest and Finance charges. |
| 11 | Error in Computation of Receivables in IoWC Receivables, which should be equivalent to 45 days of the ARR, work out to ₹11.96 crore; however, they have been considered as ₹11.07crore. | As per clause 33.5 of Regulation 2 of 2023, one of the component of Working capital is 45 day’s receivable of the ARR.  However, while computing the 45 day’s receivable for the FY 2026-27 for the purpose of Interest on working the True up amount of Rs.7.59 crores pertaining to FY 2024-25 is not considered as the same is subject to approval of the Hon’ble TGERC. |
| 12 | Error in Computation of Base Equity In the RoE section, it is stated that the equity value should be 25% of the Net Fixed Assets instead of Gross Fixed Assets. | As per clause 27 of the Regulation 2 of 2023 the debt – equity portion will be considered at the ratio of 75:25.  In view of the regulation Company has arrived normative Equity as on 01.04.2024 by considering 25% of the net block of the assets for the purpose of computation of Return on Equity. |
| 13 | Unusual Capitalisation The opening GFA for FY 2026–27 is approximately ₹52 crores, while the proposed capital expenditure using the year is around ₹43 crores, constituting nearly 84% of the total assets capitalized since the company became operational. It is difficult to justify the capitalization of such as substantial proportion of total assets within a single year, i.e., FY 2026–27. Accordingly, detailed justification and supporting information are required.  The total capitalization during the period October 2025 to March 2027 is approximately ₹100 crores, which appears unusually high when compared to zero capitalisation during the period April2025 to September 2025. Capitalisation should be allowed in line with past trend so rat the time of True-Up. | As part of disaster management, each state shall have a Main State Load Dispatch Centre (SLDC) and a fully functional Backup SLDC. TGSLDC has proposed to establish a full-fledged Backup SLDC wherein parallel grid operations to the Main SLDC will be carried out. In the event of any incident or disruption at the Main SLDC, the Backup SLDC shall assume operations with minimal downtime or instant switchover.  To establish the Backup SLDC, the following activities shall be undertaken: construction of building infrastructure for the Backup SLDC, procurement and deployment of SCADA system to enable real-time monitoring and control, and establishment of necessary communication links to ensure seamless integration with the various stations, Main SLDC, Main SRLDC & Backup SRLDC etc  Further, existing SCADA system is also proposed for replacement, as it was commissioned in 2015–16, has become insufficient to support the faster pace of grid expansion and increasingly complex grid management activities. In line with CERC’s approved life cycle of 7 years for SCADA/IT systems, the system is being replaced with a state-of-the-art SCADA/EMS solution. The new SCADA/EMS system will provide enhanced visibility of grid operations, advanced decision-making facilities for system operators, and improved real-time operation and control for reliable, efficient, and secure grid management.  All works related to Backup SLDC establishment and SCADA replacement shall be completed during FY 2025–26 & FY 2026–27 and constitute major capitalization in these years  During the FY 2024-25 the Company has taken up Upgradation of existing SCADA/EMS System at main SLDC, Hyderabad & Establishment of a SCADA/EMS System as Backup SLDC at Warangal in order to meet the unexceptional situation which may arise in any time in the future with the approval of Hon’ble TGERC for an amount of Rs.62.16 Crores on 21.03.2024.  The following are the expenditure incurred and proposed to be incurred towards this asset is as follows:   |  |  | | --- | --- | | **Particulars** | **Rupees in Crores** | | Expenditure incurred in FY 2024-25 | 1.72 | | Expenditure proposed in the FY 2025-26 | 38.66 | | Total Capital expenditure incurred by FY 2025-26 | **40.38** | | Less: Proposed Capitalisation in the FY 2025-26 (Building expected to be completed in the FY 2025-26) | 9.31 | | Opening CWIP as on 31.03.2026 | 31.07 | | Expenditure proposed in the FY 2026-27 | 36.39 | | Total expenditure incurred till FY 2026-27 | **67.46** | | Add: Interest During the Construction (Till date of Capitalisation) | 5.59 | | Total capitalized in the FY 2026-27 | **73.05** |   As creation of Backup SLDC is like core asset in the SLDC Business , Hence, it is the substational portion of value of assets of the SLDC business. |
| 14 | Justification on Closing CWIP The closing CWIP has been shown as NIL, implying that no works are expected to spill over into the subsequent year. Accordingly, justification is required on how the capital expenditure proposed in FY 2026–27, amounting to ₹43.84 crore, is proposed to be completed and capitalized within the same financial year. | Majority of the SLDC business capital works are having gestation period less than one year except the Backup SLDC work which was taken up in the FY 2024-25, whose Project execution is approx. 20 months (as submitted in the MYT filings)  Therefore, all other assets whose expenditure incurred in that financial year is capitalized in the same year. However, during the FY 2026-27 the Backup SLDC asset is proposed to be capitalized, hence it was considered under capitalization. Which resulted in NIL CWIP as on 31.03.2027. |
| 15 | Mismatch in Capital Expenditure The capital expenditure proposed for FY 2026–27 is assumed to be capitalised within the same year. However, the capital expenditure considered at ₹43.84crore does not align with the capex indicated in the Investment Plan, which amounts to ₹39.60 crore. | The capital expenditure proposed in the Fy 2026-27 is Rs. 39.60 crores, however in the filings along with interest during construction of the FY 2026-27 Rs. 4.24 crores also included under Capital Expenditure of the Year.  Therefore, the entire amount of Rs.43.84 crores including the IDC proposed to be Capitalised in the FY 2026-27. |
| 16 | Explanation on Weighted Average Interest Rate in IoL Detailed information on borrowings, outstanding loan balances, and the computation of the weighted average interest rate applied for calculating interest on loans is required. | As the Company has taken long term loan for the purpose of backup SLDC work at Warangal and upgradation of existing SCADA **and the interest rate applicable for the said loan is considered for the purpose of ATP Computations.**  **The details of borrowing is mention below:**   |  |  | | --- | --- | | Name of the Financial Institution | HUDCO | | Sanctioned amount (Amount in Crores) | Rs.86 Crores. | | Interest rate p.a | 9% p.a | |

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