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Independent Auditor's Report to the Program Financial Statements for the period from 01.04.2020 to 31.03.2021 for Energy Efficiency Scale Up Program under Loan No. 8857-IN

To,
Mr. Arun Kumar Mishra,
Chief Executive Officer,
Energy Efficiency Services Limited,
5th & 6th Floor, Core - 3, Scope Complex,
Lodhi Road, New Delhi 110003.

Report on the Audit of the Program Financial Statements

Opinion

We have audited the accompanying special purpose financial statements of **Energy Efficiency Scale Up Program** financed by the **International Bank for Reconstruction and Development (IBRD)** under **Loan No. 8857-IN** and implemented by Energy Efficiency Services Limited. These financial statements comprise of Statement of Sources and Applications of Funds and Notes to these financial statements, including a summary of significant accounting policies (collectively referred to as the "Program Financial Statements").

In our opinion, the aforesaid special purpose Program Financial Statements (PFS) give a true and fair view of the receipts and disbursements of the Program for the year ended March 31, 2021 and the expenditure of the Program for the year ended March 31, 2021, in accordance with the financial reporting provisions of **Section 5.09 of the General Conditions of the World Bank in respect of Program for Results IBRD financing dated July 14, 2017 read with Loan Agreement No. 8857-IN dated 28th August, 2018** entered between Energy Efficiency Services Limited (EESL) & IBRD described in the Program Financial Statements.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing issued by Institute of Chartered Accountants of India (ICAI). 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 implementing agency in accordance, with the ICAI's Code of Ethics for undertaking this assignment and we have fulfilled our ethical responsibilities in accordance with ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Emphasis of Matter

The PFS is prepared to assist the Energy Efficiency Services Limited to meet the financial reporting requirements of the Program Loan Agreement for Energy Efficiency Scale Up Program dated August 28, 2018 and Section 5.09 of the General Conditions of the World Bank in respect of Program for Results IBRD financing dated July 14, 2017 in respect of preparation of the Program Financial Statements in a manner to reflect the operations, resources and expenditures related to the Program and as further specified in the Disbursement & Financial information letter. As a result, these special purpose financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management and those charged with Governance for the Program Financial statements

The Management of the implementing agency is responsible for the preparation and fair presentation of the Program Financial Statements in accordance with the financial reporting framework and for such internal control as management determines is necessary to enable the preparation of Program Financial Statements that are free from material misstatement, whether due to fraud or error.

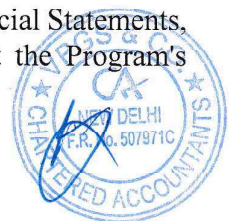
The Management and those charged with governance are responsible for overseeing the implementing agency's financial reporting process.

Auditor's Responsibilities for the Audit of the Program Financial Statements

Our objectives are to obtain reasonable assurance about whether the Program 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 the Standards of Auditing 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 Standard of Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the Program 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.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the Program Financial Statements, including the disclosures and whether these financial statements present the Program's



operations and underlying transactions and events in a manner that achieves fair presentation in accordance with the financial reporting provisions described in Annexure-2 to Auditor's Terms of Reference.

- 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.
- 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.

Other Matter

The implementing agency Energy Efficiency Services Limited has prepared a separate set of entity financial statements for the year ended March 31, 2021 on which M/s. KK Soni & Co., Chartered Accountants have issued an auditor's report to the Shareholders dated 14th October, 2021 and expressed a modified audit opinion.

Report on Other Legal and Regulatory Requirements

Further to our opinion on the Program Financial Statements we further report that:

- a. Program Expenditure reflected in the PFS has been exclusively financed through sources as detailed in the PFS and no other sources of funds were used.
- b. Program expenditure is in accordance with the financing agreement and necessary documents, records, and accounts have been kept in support thereof.
- c. Contracts of values higher than the stipulated thresholds have been excluded from Program Expenditure.
- d. Program funds were utilized for the purposes for which they were intended.
- e. That the PFS are in agreement with the books of account; and clear linkage exists between the books of account and the PFS.
- f. Accounting and internal control systems including internal audit underlying the Program were adequate and maintained throughout the audit period.
- g. Procurements made by EESL under the program had been undertaken in accordance with agreed procedures.

For VPGS & CO.
Chartered Accountants
FRN No. 507971C

Sanjay Chauhan
(CA. Sanjay Chauhan)

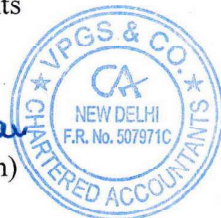
Partner

Membership No. 091315

Place: New Delhi

Date: 27-06-2022

UDIN: 22091315ALZVOZ2152



Energy Efficiency Services Limited
JV of PSU's of Ministry of Power, Government of India

Energy Efficiency Scale Up Program
IBRD Loan Number 8857-IN

**NOTES TO THE PROGRAM FINANCIAL STATEMENTS FOR THE PERIOD FROM 01.04.2020
TO 31.03.2021**

1. PROJECT NATURE AND ACTIVITIES

1.1 In order to develop a viable ESCO industry, Ministry of Power has set up Energy Efficiency Services Limited (hereinafter referred to as 'EESL' or 'Company'), a Joint Venture of NTPC Ltd., Power Finance Corporation Ltd., Rural Electrification Corporation Ltd. and Power Grid Corporation of India Ltd. to facilitate implementation of energy efficiency projects. EESL works as Energy Saving Company (ESCO), as Consultancy Organization for Clean Development Mechanism, as a Resource Centre for capacity building of State Development Authorities (SDAs), financial institutions, etc. It is registered under the companies Act, 1956 on 10th December 2009. It is the first such company exclusively for implementation of energy efficiency in South Asia and amongst a very few such instances in the world.

1.2 EESL has availed a line of credit of UDS 220 million for Energy Efficiency Scale Up Program under PforR (Loan No.8857-IN). The objectives of the Program are to scale up energy savings in residential and public sectors, strengthen the Borrower's institutional capacity, and enhance its access to commercial financing.

The Program consists of the following activities in the Borrower's overall corporate investments program:

- I. Energy Savings and EE Market Transformation in the Residential Sector:*
Scaling-up the EE delivery in the residential sector under the UJALA Program, focusing on LED bulbs, tube lights and ceiling fans.
- II. Energy Savings and EE Market Transformation in Public Street Lighting:*
Providing the financing necessary for investments in public street lighting, under the SLNP Program.
- III. Development of Sustainable Business Models in new EE Market Segments:*
Supporting up-stream program development and incorporation of technical, environmental and social sustainability elements into the design of the new initiatives, such as air-conditioning, agriculture demand side management and Building EE Program, which require additional preparatory work to ensure sustainable scale-up.
- IV. Institutional Strengthening for Sustainable EE Scale-Up:*
Strengthening and developing the institution capacities of the Borrower, especially with respect to technical, managerial, procurement, environmental and social capacity and practices.



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2. STATEMENT OF COMPLIANCE

- 2.1 The company has followed the generally accepted accounting principle in India and complied with the mandatory accounting standards notified under the relevant provisions of the Companies Act 2013.
- 2.2 Contracts of values higher than the stipulated thresholds have been excluded from Program Expenditure.
- 2.3 Program funds were utilized for the purposes for which they were intended.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Financial Statements

This comprises of Program Financial Statements and related notes to the financial statements.

3.2 Basis of measurement

Financial statements have been prepared under the historical cost convention and in accrual basis of accounting.

3.3 Changes in Accounting policies

There were no significant changes in accounting policies.

3.4 Disbursement

IBRD disburses the Loan under PforR. The IBRD Loan proceeds are disbursed on achievement of the six DLIs (Disbursement Linked Indicators) and are disbursed over a period between 2018 to 2022. Disbursements are made after verification by the Independent Verification Agency (IVA). Applications for withdrawal are sent to the World Bank after EESL is notified in writing by the Bank that the Bank has accepted evidence of achievement of the DLIs.

4. FUNDS RECEIVED FROM GOVERNMENT

As at 31.03.2021, EESL has not received any funds from Government. All the counterpart funds are arranged by EESL through Debt and Equity.

5. DATE OF AUTHORIZATION

These financial statements have been authorized for issue by:

Mohit Khatri

Mohit Khatri
GM (Finance)

Sandeep Kumar Jain

Sandeep Kumar Jain
Chief Finance Officer



Date: 27-06-2022
Place: New Delhi

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PROGRAM FINANCIAL STATEMENTS

Statement of Sources and Applications of Funds for the World Bank assisted India: Energy Efficiency Scale Up Program for Results (IBRD Loan Number 8857-IN and IBRD Guarantee Number G2580-IN) for the period from 01/04/2020 to 31/03/2021 (FY 2020-21)

In INR

Program Applications					
Description	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Cumulative to date
Consumption of LED Bulbs	3,46,78,74,395	2,98,15,92,407	97,58,11,139	49,18,73,928	7,91,71,51,869
Consumption of LED Tube Lights	39,69,24,008	16,43,62,796	6,33,44,514	4,91,92,722	67,38,24,040
Consumption of EE Fans	1,13,05,92,082	35,75,48,169	14,83,08,089	8,65,18,550	1,72,29,66,890
Distribution Expenses – DELP	49,01,04,033	21,19,29,161	10,31,78,076	4,17,16,741	84,69,28,011
Media Expenses - DELP	8,61,04,484	26,30,98,799	6,72,93,258	88,89,811	42,53,86,352
Consumption of EE Street Lights and Project Assets Street Lights	5,46,36,54,201	15,77,20,30,310	9,44,48,68,685	3,04,47,81,107	33,72,53,34,303
Employee Salaries and Benefits	39,22,74,844	28,40,42,000	38,87,29,000	45,06,29,534	1,51,56,75,379
Total Program Expenditure	11,42,75,28,048	20,03,46,03,641	11,19,15,32,761	4,17,36,02,392	46,82,72,66,843

Program Sources					
Description	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Cumulative to date
Loan from World Bank under PforR	-	3,95,20,30,335	3,76,66,68,414	1,40,41,24,536	9,12,28,23,285
Proceeds under World Bank Guarantee	-	-	-	-	-
Loan from ADB	31,00,00,000	3,07,30,89,777	2,14,68,87,578	1,52,27,45,078	7,05,27,22,433
Loan from AfD	9,50,07,746	92,00,52,865	1,80,49,87,339	69,18,83,129	3,51,19,31,079
Loan from KfW	36,88,23,370	15,75,02,401	-	-	52,63,25,771
Loan from KfW-II	-	-	32,42,22,169	-	32,42,22,169
Any other source (creditors etc)	4,91,95,78,784	-51,82,24,832	-1,42,92,38,831	-31,35,95,000	2,65,85,20,121
Counterpart EESL Contribution	5,73,41,18,148	12,45,01,53,095	4,57,80,06,092	86,84,44,649	23,63,07,21,985
Total Financing	11,42,75,28,048	20,03,46,03,641	11,19,15,32,761	4,17,36,02,392	46,82,72,66,843

For Energy Efficiency Services Limited

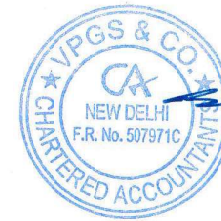
Mohit Khatri
 Mohit Khatri
 General Manager (Finance)

Place: New Delhi
 Date: 27-06-2022

Benjamins

Sandeep Kumar Jain
 Sandeep Kumar Jain
 Chief Finance Officer

For VPGS & CO
 Chartered Accountants
 FRN No. 507971C



Sanjay Chauhan
 (CA.Sanjay Chauhan)
 Partner

Membership No. 091315

UDIN: 22091315ALZV0Z2152