Annual Performance for FY-21

3.1 The financial statements for FY 21 have been finalized and placed before the Board of Directors for approval in the 86th Meeting of the directors held on 10/11/2021 and the Audit of the Accounts by the Statutory Auditors is completed. The financial statements are subsequently taken up for supplementary / test audit by the C&AG.. Based on these approved financials, GESCOM proposes to file the Annual Performance Review and True Up for FY 21 as here under:

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Table-41
Annual Performance for FY-21

Amt in Crs.

Annual Performance Review for FY21 is as here under				
Sl. No	**Particulars**	**FY 21 Actual**	**FY21 Approved**	**Difference**
1	Energy @ Gen Bus in MU	8506.06	9170.60	664.54
2	Transmission Losses in %	6.74	3.039	-3.70
3	Energy @ Interface in MU (March-20 to Feb-21)	7931.81	8891.91	960.10
4	Distribution Losses in %	11.72	14.00	2.28
	Sales in MU			
5	Sales to other than IP-sets & BJ/KJ installation	3710.41	4243.15	532.74
6	Sales to BJ/KJ installation	250.36	237.95	-12.41
7	Sales to IP Sets	3041.47	3165.94	124.47
	Total Sales	**7002.24**	**7647.04**	**644.80**
	Revenue at existing tariff in Rs Crs			
8	Revenue from tariff and Misc. Charges	3284.80	3362.96	78.16
9	Tariff Subsidy to BJ/KJ Installations	183.23	167.04	-16.19
10	Tariff Subsidy to IP-sets	1864.47	1877.40	12.93
	Total Existing Revenue	**5332.50**	**5407.40**	**74.90**
	Expenditure in Rs Crs			
11	Power Purchase Cost	3599.62	4125.84	526.22
12	Transmission charges of KPTCL	789.58	521.183	-268.397
13	SLDC	3.67	3.67	0
	Total Power Purchase Cost including cost of Transmission	**4392.87**	**4650.69**	**257.82**
14	Employee Cost	678.70	851.19	
15	Repairs & Maintenance	52.25		
16	Admin & General Expenses	127.38		
	Total O&M Expenses	**858.33**	**851.19**	**-7.14**
17	Depreciation	**244.24**	**172.10**	**-72.14**
	Interest & Finance charges			
18	Interest on Capital Loans	210.17	119.74	**-90.43**
19	Interest on Working Capital Loans	202.96	113.19	**-89.77**
20	Interest on belated payment of power purchase cost		0	**0**
21	Interest on consumer Security deposits	25.54	32.36	**6.82**
22	Other Interest & Finance charges		0	**0**
23	Less interest & other expenses capitalized	**4.69**	-5.75	**-10.44**

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	Total Interest & Finance charges	**433.98**	**259.54**	**-174.44**
24	Other Debits	78.32	0	**-78.32**
25	Net Prior Period Debit/Credit		0	**0**
26	Return on Equity		87.40	**87.40**
27	Funds toward consumer relation/consumer education	0.076	0.50	**0.42**
28	**Less :Other income**	153.69	-93.09	**-246.78**
	Total Expenditure/ (ARR)	**6,007.82**	**5928.33**	**-79.48**
29	Surplus/Deficit for FY 21 to be carried forward (APR) Fy-23	-675.32	215.04	**890.36**
30	**Deferred tax credit**	-9.39		**9.39**
	Regulatory Assets Account balance	**-504.06**		**504.06**
	Net ARR	**7,177.80**	**5713.29**	**-1464.51**
		1,169.99		

Note: The Revenue for the year is arrived after accounting the Regulatory income of Rs 178.48 Crores for the year FY-21 as approved in Tariff order 2020. Further the Regulatory income accounted during previous year FY 19 amounting to Rs 682.49 Crores is reversed during FY 21 considering being passed on in the tariff order of the relevant year. After considering net movement in regulatory deferral account balance related to profit or loss and, tax expenses the Company had incurred loss during FY-21 of Rs. 1169.91 Crs (Rs. 992.27 Crs loss during FY-20). Hon'ble Commission is requested to consider approving the difference in the expenses as compared to the approved numbers as true up for FY 21 based on the Audited Financials.

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Table-42

Details of Capital Budget Allocated and Expenditure booked for FY-21

Amount in Lakhs

Sl. No	**Nomenclature of the Work**	**Allocated**	**Utilized**
1	GKS-SC	5302.84	3367.17
2	GKS-ST	3258.48	2019.24
3	GKS-BC	2263.18	733.13
4	GKS-Min	1312.50	654.69
5	GKS-Vishwakarma	443.78	33.13
5(a)	GK Karnataka Uppar Abhivrudhi Nigam	0.00	0.00
5(b)	GK Ambigara Chowdayya Nigam	0.00	0.00
5(c)	GK Karnataka Adi Jamabava Abhivrudhi Nigam	0.00	0.00
5(d)	GK Karnataka Bhuvi Abhivrudhi Nigam	0.00	0.00
	Total GKS	**12580.78**	**6807.37**
6	Water Works.	1348.59	717.66
7	25 kVA Additional DTCs.	1407.60	968.02
8	63 kVA Additional DTCs.	1680.97	1022.96
9	100 kVA Additional DTCs.	904.08	218.39
10	250KVA Additional DTCs.	30.00	2.00

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	Total Additional DTCs.	**4022.65**	**2211.38**
11	25kVA to 63kVA DTC Enhancement.	658.56	337.40
12	63kVA to 100kVA DTC Enhancement.	847.57	354.85
13	100KVA to 250KVA DTC Enhancement.	35.00	0.00
	Total DTC Enhancement	**1541.13**	**692.25**
14	Shifting of existing DTC to load center.	326.01	59.13
15	LT Line Conversion of 1 Ph 2 wire or 1 Ph 3 wire to 3Ph 5 Wire (Including providing ABC,UG cable etc).	722.74	45.92
16	Providing SMC Box to DTCs.	96.22	1.00
17	Replacement of Damaged poles	2029.06	1634.18
18	Energisation of IP Sets under General category	579.28	232.13
19	Energisation of IP Sets under General category (Shighra Samparka Yojane)	824.28	458.96
20	Service Connection works other than IP/BJ/KJ/Water works.	1213.79	557.12
21	Sub Stations.	4008.54	1216.00
22	Stations Augmentation	330.00	176.40
23	Providing 33kV new link Lines for bifurcation load and Express Feeder	1441.26	0.00
24	Providing 11kV new link Lines for bifurcation load and Express Feeder	1625.67	457.76
25	Nirantara Jyoti Yojana	441.62	241.62
26	RAPDRP Part-A	64.28	2.23
27	RAPDRP Part-B	120.00	0.79
28	Un Authorized IP Sets	2753.09	1146.89
29	Providing meters to IP Sets above 10 HP	85.30	2.12
30	Providing meters to BJ/KJ	146.62	0.00
31	Providing meters to Street Lights and Water Supply.	229.61	0.64
32	Replacement of Faulty / MNR energy meters other than BJ/KJ/ Street Light.	184.67	26.40
33	Replacement of EM meters by Static meters	461.67	36.00
34	DTC Metering of RAPDRP	112.57	0.00
35	DTC Metering of non RAPDRP	214.98	0.00
36	Replacement of 33kV Line Rabbit Conductor by Coyote Conductor	651.58	0.00
37	11kV Re-Conductoring	879.61	155.41
38	LT Re-Conductoring	1450.39	288.13
39	IT Initiatives, Automation and Call Centers	450.96	173.30
40	Establishing ALDC & SCADA	0.00	0.00
41	Distribution Automation System (DAS)	0.00	0.00
42	DSM	59.00	0.00
43	Replacement of failed Distribution Transformers by New Transformer by Scraping failed Transformer which is beyond Repair.	1343.17	331.72

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44	Replacement of Power Transformers	251.26	20.14
45	Replacement of Old and failed equipments and other works of existing 33kV Stations & Lines.	1024.54	146.14
46	Preventive measures to reduce the accidents (Providing intermediate poles, Re-stringing of sagging lines, providing guy and stud, guarding, shifting of lines, fencing of DTCs)	2433.80	1271.36
47	Safety Materials	255.00	0.00
48	Civil works	2644.92	1538.32
49	SCP/TSP	1283.81	354.37
50	SDP works	5674.07	3682.27
51	DDUGJY	14667.00	10028.83
52	IPDS	6267.14	1698.96
53	HT Conductor by 11KV AB Cable/UG cable	510.50	0.00
54	T&P Materials i) Furniture	119.70	12.90
55	Computer and Printers (T & P materials)	216.01	12.46
56	Shifting of meter from I to O	527.09	400.94
57	Creation of Electrical Infrastructures for conversion of Existing various villages to Model villages	0.00	0.00
58	SOUBHAGYA Scheme	5151.63	2313.24
59	CWIP- Capital Expenditure booked for restoration of infrastructure in flood affected areas.	2037.00	1262.03
60	Solar Roof Top on existing GESCOM buildings and substations under 13th Finance Commission schemes.	1332.00	354.48
TOTAL		**86735.00**	**40768.92**

During the year 2010-21 out of the total allocated budget of Rs. 867.35Crs an expenditure of Rs. 407.69 Crs was incurred.

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Table-43

Details of Capital Budget proposed and Expenditure booked for FY-22 Up to Sept 2021

Sl. No.	**Particulars**	**Capex budget proposed for FY 2021-22**	**Budget Booked upto 30 th September-2021 (Tentively)**
1	GKS-SC	9375	2795.66
2	GKS-ST		
3	GKS-BC		
4	GKS-Min		
5	GKS-Vishwakarma		
5(a)	GK Karnataka Uppar Abhivrudhi Nigam		
5(b)	GK Ambigara Chowdayya Nigam		
5(c)	GK Karnataka Adi Jamabava Abhivrudhi Nigam		

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5(d)	GK Karnataka Bhuvi Abhivrudhi Nigam		
6	Water Works.	1536.81	384.20
7	25 kVA Additional DTCs.	2580	1289.87
8	63 kVA Additional DTCs.		
9	100 kVA Additional DTCs.		
10	250KVA Additional DTCs.		
11	25kVA to 63kVA DTC Enhancement.	1025.43	205.09
12	63kVA to 100kVA DTC Enhancement.		
13	100KVA to 250KVA DTC Enhancement.		
14	Shifting of existing DTC to load center.	286.81	14.34
15	LT Line Conversion of 1 Ph 2 wire or 1 Ph 3 wire to 3Ph 5 Wire (Including providing ABC,UG cable etc).	510.992	51.1
16	Providing SMC Box to DTCs.	25	0
17	Replacement of Damaged poles	2029.47	405.89
18	Energisation of IP Sets under General category	570.2	57.02
19	Energisation of IP Sets under General category (Shigrra Samparka Yojane)	877.456	131.62
20	Service Connection works other than IP/BJ/KJ/Water works.	1434.69	315.63
21	Sub Stations.	8279.99	1656
22	Stations Augmentation		
23	Providing 33kV new link Lines for bifarcation load and Express Feeder		
24	Providing 11kV new link Lines for bifarcation load and Express Feeder	2689.18	268.92
25	Nirantara Jyoti Yojana	1171.22	351.37
26	RAPDRP Part-A	120	0
27	RAPDRP Part-B	160	0
28	Un Authorized IP Sets	4079.58	611.94
29	Providing meters to IP Sets above 10 HP	46.8	0
30	Providing meters to BJ/KJ	127	0
31	Providing meters to Street Lights and Water Supply.	227.62	11.38
32	Replacement of Faulty / MNR energy meters other than BJ/KJ/ Street Light.	201.23	0
33	Replacement of EM meters by Static meters	217.38	0
34	DTC Metering of RAPDRP	582.67	29.13
35	DTC Metering of non RAPDRP	190	19
36	Replacement of 33kV Line Rabbit Conductor by Coyote Conductor	493	49.3
37	11kV Re-Conductoring	2063.92	206.39
38	LT Re-Conductoring		
39	IT Initiatives, Automation and Call Centers	3145	314.5
40	Establishing ALDC & SCADA	0	0
41	Distribution Automation System (DAS)	0	0
42	DSM	25	0

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43	Replacement of failed Distribution Transformers by New Transformer by Scraping failed Transformer which is beyond Repair.	1115.91	111.59
44	Replacement of Power Transformers	515	51.5
45	Replacement of Old and failed equipment's and other works of existing 33kV Stations & Lines.	2487.98	124.4
46	Preventive measures to reduce the accidents (Providing intermediate poles, Re-stringing of sagging lines, providing guy and stud, guarding, shifting of lines, fencing of DTCs)	2777.44	555.49
47	Safety Materials	182	0
48	Civil works	3922.4	784.48
49	SCP/TSP	1017.77	203.55
50	SDP works	1723.73	861.87
51	DDUGJY	0	0
52	IPDS	11	0
53	HT Conductor by 11KV AB Cabie	435.35	0
54	T&P Materials) Furniture	100	0
55	Computer and Printers (T & P materials)	149	
56	Shifting of meter from I to O	346	69.2
57	RDSS	0	0
58	Soubhagya schme	100	0
59	CWIP- Capital Expenditure booked for restoration of infrastructure in flood affected areas.	2870.8	574.16
60	Solar Roof Top of existing GESCOM buildings and substations under 13th Finance Commission.	1386	138.6
	Total	**63211.4**	**12643.19**

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3.2 Financial performance of GESCOM for FY-21

Table-44
Financial performance of GESCOM for FY-21

		Rs in Crores
Sl. No.	**Particulars**	**FY21**
	Receipts	
1	Revenue from Tariff, Tariff subsidy and misc. charges	5178.81
2	Other income	153.69
	Total Revenue	**5332.50**
	Expenditure	
3	Power Purchase Cost	3599.62
4	Transmission charges of KPTCL & PGCIL	789.58
5	SLDC Charges	3.67
	Power Purchase Cost including cost of transmission	**4392.87**
6	O&M Expenses	**858.33**
7	Depreciation	**244.24**
	Interest & Finance charges	
8	Interest on Loans	210.17

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9	Interest on consumer deposits	25.54
10	Interest on belated payment of power purchase cost/Working capital	202.96
11	Other Interest & Finance charges	0.00
12	Less: Interest and Finance charges Capitalised	4.69
	Total interest & finance charges	**433.98**
13	Other Debits	78.32
13	Net Prior Period Debit/Credit	0
14	Total Expenditure	**6007.74**
	Profit /(Loss)	**-675.24**

3.3 GESCOM's Accumulated Profit / Losses

Table-45

Amount in Rs. Crs

GESCOM's Accumulated Profit / Losses

Particulars	Profit / (Loss) for the year	Accumulated profit / (Loss) at the year end
For the year 2019-20	-992.27	-1,995.03
For the year 2020-21	-1169.91	-3,164.94

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The loss for FY 21 is after accounting income on Regulatory Asset recoverable from consumers in subsequent financial years. However, Hon'ble Commission is kindly requested to approve the difference in expenditure as per the audited financials and Approved numbers in the true up exercise.

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3.4 Energy sale for FY-21

Table-46

Tariff wise approved &Actual number of installations and Sales for FY-21

Category	Sales for FY-21 in MU			No. of installation FY-21		
	Approved As per Tariff Order 2020	Actuals	Diff	Approved As per Tariff Order 2020	Actuals	Diff
BJ/KJ-More than 40 units	237.95	250.36	-12.41	589810	589907	-97
LT-2a	1260.26	1305.87	-45.61	1877023	1885548	-8525
LT-2b	16.65	9.56	7.09	5740	5338	402
LT-3	376.74	329.91	46.83	306372	298803	7569
LT-4 (b)	10.94	3.29	7.65	2335	2298	37
LT-4 (c)	1.25	1.43	-0.18	511	478	33
LT-5	180.23	176.66	3.57	70140	68746	1394
LT-6 WS	446.99	399.04	47.95	29210	28071	1139
LT-6STL	284.9	206.48	78.42	13222	15479	-2257
LT-7	27.12	20.87	6.25	37443	39347	-1904
HT-1	130.51	122.38	8.13	161	167	-6
HT-2 (a)	1227.88	911.29	316.59	1741	1778	-37
HT-2 (b)	81.15	57.75	23.4	434	434	0
HT2C	38.74	23.85	14.89	282	228	54

HT-3(a)& (b)	124.75	105.05	19.7	456	431	25
HT-4	15.29	15.21	0.08	34	44	-10
HT-5	12.78	15.51	-2.73	33	46	-13
Sub-Total other than BJ/KJ and IP sets	**4474.13**	**3954.51**	**519.62**	**2934947**	**2937143**	**-2196**
BJ/KJ-Upto 40 Units	6.97	6.26	0.71	7865	7768	97
IP	3165.94	3041.47	124.47	402324	407519	-5195
Sub-Total BJ/KJ and IP sets	**3172.91**	**3047.73**	**125.18**	**410189**	**415287**	**-5098**
Total	**7647.04**	**7002.24**	**644.8**	**3345136**	**3352430**	**-7294**

Table-47

Comparison of Energy Sales in MU for FY 21 as per Audited Financials

Million units

Category	**FY 20 Audited**	**Approved for FY-21 as per Tariff Order 2020**	**FY 21 Audited**	**Increase/ Decrease over FY20**	**Increase / decrease over Approved (Tariff Order-20)**
BJ/KJ more than 40 units	254.55	237.95	250.36	-4.19	12.41
LT-2a	1202.32	1260.26	1305.87	103.55	45.61
LT-2b	14.82	16.65	9.56	-5.26	-7.09
LT-3	352.82	376.74	329.91	-22.91	-46.83
LT-4 (b)	2.82	10.94	3.29	0.47	-7.65
LT-4 (c)	1.16	1.25	1.43	0.27	0.18
LT-5	172.2	180.23	176.66	4.46	-3.57
LT-6-WS	413.67	446.99	399.04	-14.63	-47.95
LT-6-PL	244.22	284.9	206.48	-37.74	-78.42
LT-7	22.29	27.12	20.87	-1.42	-6.25
HT-1	109.95	130.51	122.38	12.43	-8.13
HT-2 (a)	1088.82	1227.88	911.29	-177.53	-316.59
HT-2 (b)	75.87	81.15	57.75	-18.12	-23.4
HT2C	29.65	38.74	23.85	-5.8	-14.89
HT-3(a)& (b)	115.55	124.75	105.05	-10.5	-19.7
HT-4	14.75	15.29	15.21	0.46	-0.08
HT-5	11.12	12.78	15.51	4.39	2.73
Sub-Total other than BJ/KJ & IP sets	**4126.58**	**4474.13**	**3954.51**	-172.07	-519.62
LT-1 BJ/KJ	6.6	6.97	6.26	-0.34	-0.71
LT4 (a)IP Sets	3054	3165.94	3041.47	-12.53	-124.47
Sub Total BJ/KJ & IP sets	**3060.6**	**3172.91**	**3047.73**	-12.87	-125.18
Total	**7187.18**	**7647.04**	**7002.24**	-184.94	-644.8

From the details of the energy sales indicated in the above table, we can see that:

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a) Sales under LT categories other has increased by 26.79 MU i.e., 1.09% over previous year.

b) IP set sales has decreased by 12.53 MU i.e., 0.41% as compared to previous year

c) There is a decrease of 194.68 MU i.e., 13.47% over the previous year is seen under HT category mainly due to Covid-19 restrictions.

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3.4.1:Sales to IP Sets and BJ/KJ:

Table-48

IP set details for FY-2020-21

Category	FY-21 approved (As per Tariff order 2020)	Actual	Difference
No. of IP Set installations (LT-4 a)	402324	407519	-5195
Sales in MU	3165.94	3041.47	124.47
IP Set Specific consumption	7947	7,463.38	483.62

Note: IP Set Specific Consumption is has shown significant difference as compared to approved and Actual as per DCB

LT4 – Agricultural sale: As per DCB, 7892 No of installations have been added during the year consequent to new services during FY-21 and the specific consumption of total IP consumption is 7463.38 units/ IP/ annum as against the approved specific consumption of 7947 units/IP/annum, and there is a Significant difference in the specific consumption has seen in IP set considering the unauthorised installations yet to be regularised existing on the network.

The Commission in its Tariff order dated 04-11-2020 had approved total sales to various consumer categories at 7647.04 MU as against the GESCOM's proposal of 7766.75 MU. The actual sales of the GESCOM for FY-21 is 7002.25 MU indicating an decrease in sales to an extent of 644.79 MU with respect to the approved sales. The increase in sales to LT-categories (other than IP and BJ/KJ) by 26.82 MU compared to previous year and there is an decrease in sales to HT-categories by 380.06 MU with respect to the approved sales for FY-21.

BJ/KJ installations Consumption:

Table-49

Category	FY-21 approved (As per Tariff order 2020)	Actual	Difference
BJ/KJ Less than 40 Units	6.97	6.26	0.71
BJ/KJ More than 40 Units	237.95	250.36	-12.41
installation less than 40 units	7865	7768	97
installation More than 40 units	589810	589907	-97

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The total BJ/KJ consumption of GESCOM for the FY21 is 256.61 MU as against 244.92 MU sales approved by the Commission. The difference in BJ/KJ consumption between the approved and the actual for the FY21 is increased by 11.69 MU.

3.4.2 Approved V/s Actual Average Realisation Rate:

With the decreased energy sales, the Company has been able to maintain the Average Revenue Realisation of Rs 7.40 per unit as per the Audited financial statements as against the KERC Approved rate of Rs 7.47 per unit for FY-21.

Table-50

Approved for FY-21 V/s Actual Average Realisation Rate for FY-21

Particulars	Energy Sales (in Mu)	Revenue (in Rs Cr)	Average Revenue Realization (Rs / Unit)
As Approved by KERC	7647.04	5713.38	7.47
As per Audited Financials	7002.24	5178.81	7.40
Increase as compared to KERC Approved Figures	-644.81	-534.57	-0.07

As could be seen from the above, the Average Revenue Realization has reduced by 7 ps to Rs 7.40 per unit as per audited financials against the KERC Approved rate of Rs 7.47 per unit.

3.5: Distribution Losses for FY-21:

The Commission had approved distribution losses for FY-21 as shown in the table below:

Table-51

SL No.	Range	Approved FY-21 As per Tariff order 2020	Approved FY-21 As per Tariff order 2021
1	Upper limit	14.45%	11.25%
2	Average	14.00%	11.00%
3	Lower Limit	13.75%	10.75%

Table-52

The distribution loss of GESCOM for FY-21 is as shown in the table below:

SI. No	Particulars	For FY-20
1	Input energy at IF points in MU (March-20 to Feb-21)	7931.81
2	Total sales in MU	7002.24
3	Avg. Distribution loss in %	11.72%

In the Tariff Order 2021, Hon'ble Commission has approved revised Upper limit of a distribution loss level of 11.25 % for FY-21, against which the GESCOM has achieved distribution loss of 11.72% during the year for FY-21.

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Comparison of Approved V/s Actuals sales for FY-21

Category	KERC Approved for FY-21	Actuals for FY-21	Difference	percentage of loss
LT sales	6015.93	5751.20	-264.73	-4.40%
HT sales	1631.1	1251.05	-380.05	-23.30%
Total	7647.03	7002.25	-644.78	-8.43%

As indicated above the HT Sales could not be achieved owing to the lockdown imposed by Government to curb the spread of COVID-19 Virus, which has resulted significant reduction in HT consumption (23.30%) which is actually zero / Negligible distribution loss consumption, the overall losses of GESCOM are marginally higher than average loss level.

In Tariff Order -2020, the Approved Average Distribution loss is fixed at 14.00 %, GESCOM achieved 11.72% and this value well with in the approved limit. The Hon'ble Commission has revised the Average Distribution Loss to 11.00% in the Tariff Order -2021 on dated 09.06.2021. i.e., after closure of Financial Year (FY-21).

The conditions indicated above were beyond the control of GESCOM and not attributable to the efficiency of Company.

Hence, it is requested to kindly allow the loss level of 11.72% of FY-21 and request not to levy any penalty on the same.

3.6: Financial Performance:

The financial performance of GESCOM as per the Audited Annual financials for FY-21 and the Annual Revenue Requirement approved by the Hon'ble Commission in the Tariff Order-2020 is tabulated below;

Income FY-21 :

Table-53

Sales & Revenue Comparison FY 20 V/s FY 21:

Category	Sales			Revenue in Rs. Crs.		
	FY-20 in Mu	FY-21 in Mu	Increase in %	FY-20 in Rs. Crs	FY-21 in Rs.Crs	Increase in %
LT –Other than IP Set	2684.45	2709.72	0.94%	1882.16	1896.83	0.78%
LT - IP Set	3054	3041.47	-0.41%	1858.69	1864.47	0.31%
HT	1445.72	1251.04	-13.47%	1190.31	1123.40	-5.62%
Total	**7184.17**	**7002.23**	**-2.53%**	**4931.16**	**4884.70**	**-0.94%**

From the details of the Revenue Income indicated in the above table are exclusive of interest as per DCB, we can see that:
Improvement of 14.67 Crores i.e 0.78 % over the previous years increased base figures is seen under other LT categories.
The decreased sales in IP set sales has resulted in nominal increase of revenue of Rs. 5.78 Crores i.e 0.31 %.(Excluding interest)
There is a major decrease under HT category of Rs 66.91 Crores ie -5.62 % due to reduced sales under these categories mainly due to Covid-19 restrictions as compared to previous year.

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Revenue Income for FY-21 V/s Approved.

Table-54
Revenue Income for FY-21 V/s Approved

Sl. No	Particulars	Income (Rs Cr)	
		Approved As per Tariff Order 2020	Actuals
1	Revenue at existing tariff	5407.40	5178.81
2	Energy Sales in MU	7647.04	7002.24

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This decrease in revenue is on account of Covid-19 pandemic restrictions .

Table-55

Expenditure FY-21

Sl. No	Particulars	Expenses (Rs Cr)	
		As approved	Actuals
1	Power purchase cost inclusive of transmission charges and SLDC Charges	4650.69	4392.87
2	R&M Expenses	851.19	858.33
3	Employee Expenses		
4	A&G Expenses		
5	Depreciation	172.10	244.24
6	**Interest & Finance Charges**		
7	Interest on Capital Loan	119.74	210.17
8	Interest on Working Capital	113.19	202.96
9	Interest on Consumer Security Deposits	32.36	25.54
10	Interest on belated payment of power purchase	0	
11	Other Interest & Finance Charges	0	
12	Less Interest & other expenses capitalized	-5.75	4.69
13	Other Debits (incl. Prov for Bad debts)	0	78.32
14	Extraordinary Items	0	0
15	Other (Misc.)-net prior period credit	0	0
	Total	**5933.52**	**6007.74**
16	ROE	87.40	0.00
17	Other Income	-93.09	153.69
18	Provision for taxes		
19	Fund towards Consumer Relations / Consumer Education	0.50	0.076
	Total ARR	5928.33	5854.13
20	Surplus/Deficit for Fy-21 Carried forward (APR)	215.04	-675.32
21	NET ARR	5713.29	6529.44

The major variation in the expenditure, with reference to the approved costs, is observed in Interest & Finance Charges and including cost of Transmission KPTCL & PGCIL cost, other

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income. The depreciation on consumer contribution and grant assets is considered in the Audited financials under the Other income as per the Ind AS requirements but the same is reduced from the Depreciation claim in the Tariff Calculations for the purpose of clarity.

3.7:Power Purchase Cost for FY-21:

The details of the Power Purchase quantum and Cost approved by KERC and actual Cost is as under:

Table-56

Approved Power Purchase Cost for FY-21

Particulars	Energy in MU	Rs .Crores
As approved by KERC at Generator Bus (Tariff Order 2020)	9170.60	4650.69
Actuals of GESCOM after accounting of Energy Balancing Liability (Cost including Transmission & SLDC Charges)	8506.06	4392.87
Difference (Increase/Decrease)	664.54	257.82

Power Purchase Cost for FY-21:

Comparison of actual Power Purchase with respect to Commission approved power purchase in the Tariff Order dated 04.11.2020 is shown below:

Table - 57

Power Purchase Cost:

Source of Power	Approved FY21 As per tariff order 2020			Actuals			Variation		
	Energy in MU	Cost in Rs Crs.	Per unit Cost in Rs	Energy in MU	Cost in Rs Crs.	Per unit Cost in Rs	Energy in MU	Cost in Rs Crs.	Per unit Cost in Rs
	1	2	3	4	5	6	7=1-4	8=2-5	9=3-6
KPCL Hydel	1645.47	183.74	1.12	1784.96	233.94	1.31	-139.49	-50.2	-0.19
KPCL Thermal	1039.12	650.85	6.26	652.89	463.64	7.10	386.23	187.21	-0.84
CGS Energy	2596.14	1177.43	4.54	2517.19	1127.94	4.48	78.95	49.49	0.05
ipps (UPCL)	396	269.28	6.80	237.21	199.96	8.43	158.79	69.32	-1.63
Renewable Energy	2731.46	1043.63	3.82	2781.25	1130.88	4.07	-49.79	-87.25	-0.25
Other State Hydel	22.94	7.71	3.36	28.42	7.51	2.64	-5.48	0.2	0.72
Medium term (co gen)	181.37	94.49	5.21	260.16	132.67	5.10	-78.79	-38.18	0.11
Bundled Power	558.11	219.99	3.94	491.49	222.62	4.53	66.62	-2.63	-0.59
PGCIL Charges		478.72			311.42		0	167.3	
KPTCL Charges, SLDC, POSOCO		524.848			483.1		0	41.748	
PCKL exp/RE/RRAS/					33.53		0	-33.53	
Other charges/				4.68	9.38		-4.68	-9.38	

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Inter ESCOM/ Energy balancing									
previous year diff of energy balance				-5.23	-2.91		5.23	2.91	
Others (UI, IEX, prior period)				-246.96	39.19		246.96	-39.19	
Total	9170.61	4650.688	5.07	8506.06	4392.87	5.16	664.55	257.82	-0.09

Table-58

Percentage-wise, Source-wise energy and cost approved is compared with the actual percentage of power purchased and its cost for FY-21 in the below table:

Name of the Generating Station	Energy			Cost		
	Approved (%)	Actuals (%)	Variance (%)	Approved (%)	Actuals (%)	Variance (%)
	1	2	3=1-2	4	5	6=4-5
KPCL Hydel	17.94	20.98	-3.04	3.95	5.33	-1.38
KPCL Thermal	11.33	7.68	3.65	13.99	10.55	3.44
CGS Energy	28.31	29.59	-1.28	25.32	25.68	-0.36
ipps (UPCL)	4.32	2.79	1.53	5.79	4.55	1.24
Renewable Energy	29.78	32.7	-2.92	22.44	25.74	-3.3
Other State Hydel	0.25	0.33	-0.08	0.17	0.17	0
Medium term (co gen)	1.98	3.06	-1.08	2.03	3.02	-0.99
Bundled Power	6.09	5.78	0.31	4.73	5.07	-0.34
PGCIL Charges	0	0	0	10.29	7.09	3.2
KPTCL Charges, SLDC, POSOCO	0	0	0	11.29	11	0.29
RE/RRAS/PCKL exp	0	0	0	0	0.76	-0.76
Other charges/ Inter ESCOM/ Energy balancing	0	0.05	-0.05	0	0.21	-0.21
previos year diff of energy balance	0	-0.06	0.06	0	-0.07	0.07
Others (UI, IEX, prior period)	0	-2.9	2.9	0	0.89	-0.89
Total	100	100	0.0	100	100	0.0

From the above table, it can be seen that there is an energy shortage of -3.04%,--1.28%, -2.92%,-0.08 %, -1.08 in, KPCL Hydel, CGS energy, Renewable Energy, Other State/hydel and Medium term Co-gen respectively. This energy shortage is made good by 3.65%, 1.53%, and 0.31% through KPCL Thermal, IIPs and Bundled Power. Similarly, the power purchase cost has reduced by -1.38%,-0.36%, &-3.3%, in KPCL Hydel, CGS Energy, and Renewable Energy respectively. Power purchase increased by 3.65%, 1.53%, 0.31% in KPCL Thermal, IIP, Bundled.

GESCOM most respectfully submits that the above changes are beyond the reasonable control of GESCOM but well within the regulatory provisions for consideration in true up. Hon'ble Commission in its MYT Order has stated that, since the power purchase cost are uncontrollable as per MYT regulations, any excess quantum or cost will be trued up

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in the Annual Performance Review of the respective years. Hence, GESCOM requests the Hon'ble Commission to approve the power purchase expenses for FY-21 as per the Audited Accounts.

3.8 Renewable Purchase Obligation (RPO) target for FY-21:

As per KERC (Procurement of Energy from Renewable Sources)(Sixth Amendment) Regulations, 2018, target for FY-21 for Non-Solar RPO is 8% of the total power procurement and target for Solar RPO is 8.5% of the total power procurement.

The Commission approved the power procurement of 2731.46 MU energy from NCE sources for FY-21 to GESCOM. Details are as under.

Table-59

Renewable Purchase Obligation (RPO) target for FY-21:

Particulars	UoM	Reference	Quantum
Energy Requirement from Apr-20 to March-21 (Excluding Hydel) (Prov)	MU	A	6753.75
Solar RPO as per RPO Regulations		B	8.50%
Energy to be purchased through solar during FY 21	MU	C=AXB	574.07
Non solar RPO as per RPO Regulations		D	8.00%
Energy to be purchased through Non solar during FY 21	MU	E=AXD	540.30
Purchased through Solar	MU	F	1280.88
Actual purchase through Non-Solar	MU	G	1977.7
Shortfall/Excess – Solar	MU	H=C-F	-706.81
Shortfall/Excess – RE	MU	I=E-G	-1437.40

Table-60

RPO obligation for FY-21 & 2021-22 (uptoSept-21)

FY	Total Power Consumed (in Mus)	Total Power considered for calculation of RPO as per sixth Amendment (in Mus)	TARGET				Achieved				Difference		Remarks	(+ve) energy indicates excess energy above obligation & (-ve) energy indicates deficit to achieve the obligation
			in %		in Mus		in %		in Mus		in MU			
			Solar RPO Target	Non-Solar RPO Target	Solar Power Target to meet RPO	Non-Solar Power Target to meet RPO	Actual Solar power Consumed / procured	Actual Non-Solar power Consumed/ procured	Actual Solar power Consumed / procured	Actual Non-Solar power Consumed /procured	Solar Obligation met obove obligation	Non-Solar Obligation met above obligation		
	1	2	3	4	5=2*3	6=2*4	7 =9/2	8=10/2	9	10	11=9-5	12=10-6		
2020-21(Prov.)	8506.06	6753.75	8.50 %	8.00 %	574.07	540.3	18.97%	29.28%	1280.88	1977.7	706.81	1437.4		

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3.9 O&M Expenditure:

Employee Cost:

Table-61

Sl No	Particulars	Actuals FY 21
1	Salaries & Wages	432.08
2	Contribution to provident and other funds	190.13
3	Bonus &Exgratia	5.09
	Sub-Total (1 to 3)	**627.3**
4	Earned Leave Encashment	44.11
5	Staff Welfare expenses	7.29
6	Arrears towards P&G Trust Contribution	
	Sub-total (4 to 6)	**51.4**
Grand Total		678.7

Additional Employee Cost Impact in FY 21

There is an Increase of Rs. 66.68 Crores (10.89%) in the Employee Benefits Expense during the year under review

The major component was increase in Contribution towards Pension & NDCPS by 52.72 Crs due to increase in contribution rates of Pension (Contribution rates were revised twice during the year (i) 57.30% to 68.95 % w.e.f 01.04.2018 and (ii) 57.30% to 64% w.e.f 01.04.2019)

Provisioning of Contribution amount towards pension trust were accounted and arrears of previous years paid during the year was up to that extent. Salaries, Wages and arrears payment have resulted in increase of 24.45 Crores and other components such as Staff welfare Expns, Earned Leave encashment and Bonus has reduced to an extent of Rs. 10 Crs as compared to previous year.

Hence, it is requested to Hon'ble Commission to consider the same as per APR FY-21, and additional expenditure accounted as per above and be allowed to include in truing up exercise for FY-23.

3.10. Repairs and Maintenance Expenses and Other A & G Expense:

As per the directions of Hon'ble Commission, the expenditure on account of replacement of transformers by same capacity is to be classified as revenue expenditure which was hitherto allowed as Capital Expenditure has resulted in decreased in R&M Expenses by Rs. 5.93 Crores.

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3.11 Depreciation:

Table-62
Depreciation

Particulars	FY-21		
	Approved	Actual	Increase/ (Decrease)
Buildings	3.16	3.29	0.13
leasehold assets		0.07	0.07
Other Civil	0.17	0.51	0.34
Plant & M/c	33.87	38.52	4.65
Line, Cable Network	198.41	200.7	2.29
Vehicles	0.32	0.37	0.05
Furniture	0.32	0.36	0.04
Office Equipment's	0.46	0.41	-0.05
Sub Total	236.7	244.23	7.53
Less : Depreciation on assets created out of grants and consumer contribution	-64.6	-50.57	14.03
Net Depreciation	**172.1**	**193.66**	**21.56**

GESCOM submits that for FY 20, the Hon'ble Commission in it Tariff Order dated 04.11.2020 had considered the Depreciation in accordance with the provisions of the KERC (Terms and Conditions for determination of Tariff) Regulations, 2006 and its amendments. On the similar line GESCOM is claiming the depreciation.

A comparison of Depreciation Expense approved by the Hon'ble Commission and actual depreciation expenses of GESCOM is shown in the above table.

The proportion is equivalent to 10 % of depreciation charged for plant and machinery/line and cables are reckoned as basis for arriving at depreciation write back against such quantum received over the year including current financial year under grants/subsidies/consumer contribution and the same is charged back as income and shown distinctively in depreciation schedule in the statement of Profit and Loss.

Depreciation amount of Rs. 244.23 Crs is worked out as per annual accounts for FY-21 after deducting an amount of Rs. 50.57 Crs, as per Ind AS 20, the net depreciation works out to Rs. 193.66 Crs.

3.12 Interest and Finance Charges:

As per MYT regulations, Commission is allowing actual interest incurred on the loans borrowed towards creation of Capital Assets, interest paid towards consumer deposit and interest on working capital on normative basis.

Breakups of interest and finance charges are as under:

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Table-63
Interest on Working Capital / outstanding power Purchase dues :

SI. No	Particulars	FY 21
1	One-Twelfth of the amount of O & M Exp	71.53
2	Opening Balance Gross Fixed Assets (GFA)	5694.13
3	Stores, Materials & Supplies 1% of Opening Balance of GFA	56.94
4	one-sixth of the Revenue	863.13
5	Total Working Capital (1 + 3 + 4)	991.60
6	Rate of Interest (% p.a.)	11.00
7	Interest on Working capital	109.08

Interest & Finance Charges in respect of past loans (i.e interest payables on all loans drawn up to 31-03-2021):- interest liability in respect of past loans to be allowed as per actual during the control period.

3.13 Interest on Consumer Deposits:

Interest payable on security deposits collected from Consumer:- Based on the interest rate approved by the commission from time to be allowed as per actuals, Hence no to the account of the company.

Table-64
Interest on Consumer Deposits

Sl.no.	Particulars	FY 21
1	Balance of Consumer Deposit at the Beginning of the year	563.74
2	Closing Balance of Consumer Deposits	599.47
3	Addition during the year	35.73
4	Rate of Interest Allowed (% p.a.)	4.65
5	Interest on Consumer Security Deposit	25.54

Interest in consumer deposits is paid during FY 21 is 25.54 Crs based on Prevailing bank rates on the first day of the financial year.

3.14 Long term loan:

The interest expenditure on account of long-term loans depends on the outstanding loan, repayments, and prevailing interest rates on the outstanding loans. Further, the projected capital expenditure and the funding of the same also have a major bearing on the long-term interest expenditure.

As per final Accounts, an amount of Rs.821..95 Crore of long term borrowings are existing as at the end of FY-21. Details of loans outstanding and interest paid are shown below:

Interest is calculated on the normative average loan availed during the year using Weighted average interest rate as shown in following table:

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Loans/Debentures and interest charges

Table-65
Long Term loans

Rs in Crores

Sl no	Institution	Audited (FY21)					
		Opening Balance	New loan addition	Total loan at the end of the year	Repayment of principal	Interest for the year	Closing Bal
1	Loans from GoK (APDRP)	2.13	0	2.13	0.71	0.23	1.42
2	PFC	88.12	0	88.12	12.14	8.37	75.98
3	REC	811.52	5	816.52	74.42	84.32	742.1
4	PMGY	1.98	0	1.98	0.55	0.17	1.43
	Grand Total	903.75	5	908.75	87.82	93.09	820.93

3.15 Other Expenses/Provisions Bad and doubtful debts

Despite best of efforts, any organization dealing with a lot of costumers would find difficult to realize the entire money towards the sale of electricity to its customers. This is why the debtors need to be discounted to the extent of their un realisability to depict a correct picture of realisable debts in the books. It is requested to allow Hon;ble commission a provision for bad doubtful debts of a certain percentage of the amount shown as receivable in the audited accounts

Provision for Bad & Doubtful dues is incorporated in the financials @10% for IP set outstanding arrears, 100% in case of such HT installations which have been identified as fully not recoverable and 4% in all other cases. The provision towards doubtful dues 78.32 Crores.

Return on Equity ROE:
The company has incurred loss during the year FY-21, and is negative return on equity

Surplus/Deficit:

Table-66

Sl. No	Particulars	Actual	Approved	(Difference) Trued up
	Revenue at existing tariff in Rs. Crs.			
1	Revenue from tariff and Misc. Charges	3284.80	3362.96	-78.16
2	Tariff Subsidy from BJ/KJ	183.23	167.04	16.19
3	Tariff Subsidy from IP	1864.47	1877.40	-12.93
	Total Revenue	**5332.50**	**5407.40**	-74.90
	Expenditure in Rs. Crs.			
4	Power Purchase Cost	3599.62	4125.84	-526.22
5	Transmission charges of KPTCL, PGCIL	789.58	999.603	-210.023
6	SLDC Charges	3.67	3.67	0.00

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	Power Purchase Cost including cost of transmission	**4392.87**	**4650.69**	-257.82
7	Employee Cost	678.70	851.19	
8	Repairs and Maintenance	52.25		
9	Admin & General Expenses	127.38		
	Total O&M Cost	**858.33**	**851.19**	7.14
10	Depreciation	**244.24**	**172.10**	72.14
	Interest & Finance Charges			
11	Interest on Loans	210.17	119.74	90.43
12	Interest on Working capital	202.96	113.19	89.77
13	Interest on Power Purchase Dues			0
14	Interest on consumer deposits	25.54	32.36	-6.82
15	Other Interest & Finance charges		0	0
16	**Less: interest & other expenses capitalized**	4.69	-5.75	10.44
	Total Interest and Finance charges	**433.98**	**271.04**	162.94
17	Other debits	78.32	0	78.32
18	Net Prior period debit/credits		0	0
19	Return on Equity		87.40	-87.40
20	Funds towards Consumer Relations/Consumer Education	0.076	0.50	-0.42
21	**Less: Other Income**	153.69	-93.09	246.78
	ARR	**6,007.82**	**5713.29**	294.52
	Surplus/Deficit for the year FY-21 carried forward to FY-23	**-675.32**	215.04	
	Regulatory Asset Account balance	-504.06		
	Net ARR	7,187.19		
	GAP			
21	Sales	**7002.24**	**7647.04**	-644.80
	Average cost of supply	8.58	7.47	1.11

3.16 Average Cost of Supply:

Commission determined the average cost of supply at Rs. 7.47 per unit for FY-21. Actual Average Cost of Supply after accounting as per ARR is tabulated below:

Table-67 :
Average Cost of Supply

Particulars	FY-21	
	Approved	**Actual**
Net ARR (in Crs.)	5,713.29	6,007.82
Approved/Actual Sales (MU)	7,647.04	7,002.24
Average Cost of Supply (Rs./unit)	7.47	8.58

As per proposed trued up figures, average cost of supply is Rs. 8.58 per unit as against approved average cost of Supply of Rs. 7.47 per unit. This is mainly due to decrease in the units sold as against approved figures.

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3.17 Annual Accounts:

Audited financials for FY-21 is enclosed as **ANNEXURE-1**.

Hence it is kindly requested to consider these results/ profits as provisional.

Half yearly financials performance for FY 22(April to September 2021) is enclosed submitted.

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ANNEXURE-1
Audited financials for FY-21.

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INDEPENDENT AUDITOR'S REPORT

To the members of **Gulbarga Electricity Supply Company Limited (GESCOM)**

Report on the Audit of the Indian Accounting Standards (Ind AS) Financial Statements

QUALIFIED OPINION

We have audited the financial statements of **Gulbarga Electricity Supply Company Limited** ("GESCOM" or "the Company"), which comprise the balance sheet as at March 31, 2021, the statement of Profit and Loss, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the Ind AS Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the aforesaid financial statements give the information required by the Companies Act 2013 (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, 2021 and its loss, changes in equity and its cash flows for the year ended on that date.

BASIS FOR QUALIFIED OPINION

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. 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 Companies Act, 2013 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

1) Accrual System of Accounting: As per the Company's accounting policy, the Company recognizes revenue form Grants / subsidies / consumer contribution in respect of capital assets, penalties & damages recovery from contractors, supervision charges on cash basis and expenses towards interest on delayed payment to suppliers on claim basis. This is contrary to the accrual system of accounting as per the provisions of Section 128(1) of the Companies Act, 2013

2) Books of account and records:
   a. The Company has adopted the accounting policies and procedures followed by KPTCL and is consistently following the accounting system laid down in the Electricity (Supply) Annual Accounts Rules, 1985 framed under the Electricity (Supply) Act, 1948 (54 of 1948) & repealed

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by the Electricity Act, 2003. These accounting rules are followed even though the same are inconsistent with Indian Accounting Standards (Ind AS) specified under section 133 of the Act.

b. At present, only the operations relating to billing and collection from consumers have been computerized by way of Total Revenue Management (TRM) / RAPDRP software. In respect of other processes, transactions / records are maintained partly manual and partly through MS-excel work sheets. The transaction processing from entry level till generation of Trial Balance is done through Microsoft Excel by using account codes. This system of account keeping is neither robust nor integrated and highly prone to human errors and mistakes. In view of the size of operations and decentralisation of accounting process at various locations, we are of the opinion that there is a need for integrated accounting software for transaction processing.

c. Further, the TRM / RAPDRP softwares have issues viz (a) Certain billings continue to be under manual system, (b) The opening balances, demands and closing balances as per software do not match with books / DCB Statements, (c) absence of system based aging reports for analysis and (d) difference between consumer security deposits as per TRM systems and Financial statements. The impact of such inconsistencies on the financial statements is not ascertainable

d. On our test checks, it is observed that the subsidiary ledger accounts (other than consumer ledgers which are in TRM software) like sundry creditors, advances, recurring expense ledgers were not maintained / updated properly. Further, wherever the subsidiary books are maintained, the same are not in ledger account format.

e. The Company has introduced Financial Accounting & Material Management software (FAMS), but all the modules / cycle of operations are not being used to generate the financial reports. Even the stores transactions are not completely routed through the software to generate the financial reports. In view of this, the books of account continue to be through excel / manual system.

f. There is no uniformity in the accounting methodologies being used at accounting units for accounting of DCB collections, Online collection entries, Bill Booking, rates used for reissue of TCs, Accounting for Social Schemes etc.

3) Indian Accounting Standard (Ind AS) 2 -Inventories:

a. As per the Accounting policy referred under clause 2.19 of Note 2 of Financial statements, the Company is using standard cost for accounting of purchases, consumption & valuation of closing stock of stores. The Inventories include the value of scrapped assets, faulty & dismantled assets for reuse and repaired good items, which are carried at Written Down Value. These constitute departure from the Indian Accounting Standard 2, which requires valuation of inventories at lower of cost and Net Realisable Value. Further, it is observed that, the value of stocks in hand as on the date of latest revision has not been updated to the revised standard rates. The impact of the same has not been ascertained by the Company.

b. The internal annual physical verification of stores stock conducted during the year at various locations shows many items classified as un-operated for last several years. There is no further analysis / financial assessment to ascertain the ultimate usability / obsolescence and write down to their realizable value, if necessary. We are unable to comment on provision requirement on obsolete and unusable inventories. Further, the annual counting appears to

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be ineffective, as there was no mention about the material issued but pending for regularisation. We observed large quantity of items issued by stores based on manual indents and pending for more than 6 months (Bellary Division)

c. Inventory includes, materials lying with employees (material imprest account) amounting to Rs. 584.58 lakhs (PY Rs. 340.91 lakhs). The Company needs to ascertain the age wise analysis of these material pending for regularisation.

d. The stock of inventory which includes substantial items for ultimate use as part of capital asset (plant & equipment). As the intention / ultimate use of such items of inventory is towards creation of "Plant & Equipment", the same needs to be separately identified as capital items in the Financial Statements.

e. Inventories include Rs.61.37 lakhs (PY Rs. 70.93) material issued for temporary installations to contractor/employees for temporary work and are lying / being used at site. Age wise analysis of such material at site was not available during our visit to the units. Such items are classified as inventory under the head "material with contractor" under current assets. In our opinion this classification is inappropriate, as the material is being used and there is no charge of depreciation on these items.

We are unable to comment on the impact of the above, on the financial statements.

4) Cash and Cash Equivalents:

a. The internal audit department had carried out special audit as described in the note No. 57 to the financial statements. The Company needs to co-relate these amounts to the related ledger balance in the respective units and reconcile the latest status of the same. Further there is difference of cash as per physical balance confirmation and books to the extent of Rs. 22.88 lacs, which needs to be clarified. The loss on account of possible non-recovery, if any is not ascertainable on account of pendency of the issues. Further, to this extent the cash and cash equivalent are overstated in the cash flow statement as per Ind AS-7 - "Statement of Cash flows."

b. The method of accounting / reporting and the process of reconciliation of non-operative bank accounts for the account code 24.3 needs to be revisited, as the Bank Reconciliation Statement (BRS) does not give the cumulative value of unrealized cheques as at the date of reconciliation.

c. The company has arrangements with electronic service providers for web based electronic payments from consumers. On our test checks with the accounting units we visited, it is observed that these collections were not being reconciled periodically with the bank statement. There is a need for periodical reconciliation and monitoring of these transactions.

d. As per the information and explanation, the Company has Cheques in hand amounting to Rs. 522.78 lakhs as at March 31, 2021. The information relating to the subsequent deposit and realisation of these cheques were not available in the Bank Reconciliation Statements for verification. Accordingly, we could not comment on the impact of the same on financial statement.

The impact of the above, on the financial statements is not ascertainable.

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5) Indian Accounting Standard (Ind AS) 16 on Property, Plant and Equipment:

a. The company does not possess the detailed listing / analysis of the value of work-in-progress amounting to Rs. 21049.81 lacs (PY Rs. 34014.70 lakhs) viz. work order wise aging, work order amount & actual amount incurred till date, scheduled date of completion and actual progress as at the reporting date. Due to this, we are unable to analyse/comment on the value of work under progress.

b. Ind AS 16 on Property, Plant and Equipment requires the cost of dismantling to be estimated and included in arriving at the cost of the item for capitalization. The Company has not included the estimated cost of dismantling for capitalization. The impact of this on the financial statements is not ascertainable.

c. Assets retired from active use are stated at written down value and the same is not tested for comparative net realizable value. These assets are disclosed as Inventories, Stores and Spares under the head WDV of obsolete / scrapped assets. Such assets are reissued after repairs at the weighted average / FIFO rate of such inventory and not at its WDV. This is not in accordance with the Indian Accounting Standard 16 - Property, Plant and Equipment (PPE). As per the policy, charge of depreciation is stopped from the date of decommissioning till the assets are reissued & capitalised. Such reissued asset is capitalised at the average cost and depreciated over their original life and not on the remaining useful life. This practice is not in accordance with the Ind AS 16. The effect of the same on the financial statements is not quantifiable. Further, the company has taken up the process of tracking of Transformers by putting identification numbers. This tracking system should be used for asset accounting & calculation of depreciation.

d. The Company's policy is to capitalise the assets after the receipt of final bill and certifying the date put to use. However, there were instances of capitalisation of assets before accounting of the entire expenses relating to the asset (as observed in Bellary divisions). This practice results in capitalization of asset on the date which is not the actual date put to use and incorrect calculation of depreciation. There is a need for proper monitoring of assets capitalized during the year & work in progress by automation of the activity. Due to this, we were unable to ascertain the effect of the same on the financial statements.

e. As reported in the audit report for the financial year ending 31-03-2018 by the predecessor auditor, reconductoring works and Scada works carried out in Koppal division were stopped and enquiry was initiated. The total value of such works suspended was Rs. 2,225.01 lakhs as on 31st March, 2015. Status of the issue, as at the date of financial statements for the year, was not available for our review. Hence, we are unable to comment on the impact of the issue on the financial statements for the year.

f. As reported in the audit report for the financial year ending 31-03-2018 by the predecessor auditor, there was an allegation of misconduct in contract for the works relating to transformer fencing and fixing aerial fuse board across many divisions during the financial year 2015–16 and the pending works were suspended. As informed to us, detailed enquiries are under process and necessary financial entries would be incorporated on the outcome of the

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proceedings. Due to pendency of the proceedings, we are unable to comment on the impact of the issue on the financial statements for the year.

g. There is need to establish proper accounting control mechanism with respect to self-execution works (Consumer contributed assets) till it is capitalised. In absence of this, categorisation of the all the self-execution works could not be ensured.

h. Various instances amounting to Rs. 1317.37 lakhs on account of alleged material mis-use by employees are pending for final orders, ranging up to last 10 years. The Company needs to identify the related account code / work order under which such materials are shown in the books of account. As informed to us recovery in the form of material / cash will be done on final order. Further, there were instances where recovery from employees is being made before initiating inquiries and such recoveries are netted off to the amount of Advance to employees under other Current Assets

6) Indian Accounting Standard (Ind AS) 36 -Impairment of Assets
The company has not carried out the process of identifying the impaired assets in accordance with Ind AS 36. Accordingly, we could not be able to identify the impact of impairment, if any on the financial statement.

7) Indian Accounting Standard (Ind AS) 19 on Employee Benefits

a. As per the policy of the company on contribution to Pension & Gratuity trust indicated under clause 2.13 of Note 2 of Financial statements, the company is making contributions to Pension and Gratuity Trust based on the percentage of salary towards Gratuity and Pension liability as intimated from time to time. The Company does not possess the data relating to actuarial valuation made by the Trust for the current financial year. Due to this, we are unable to comment on the correctness of cost of employee benefits charged to statement of profit and loss as per actuarial valuation and the disclosure as required by the Ind AS-19 in the financial statements

b. The Company has not provided for Gratuity to employees covered under NDCPS scheme. We are unable to comment on the impact on the financial statements due to non-provision of liability. Further, the company has not provided for the lumpsum payable on the death of the employee, as per the existing provisions of the NDCPS Scheme for the last 3 years. The Company has not ascertained the amount of liability in such cases and hence we are unable to comment the impact on the financial statements.

8) Indian Accounting Standard (Ind AS) 113 - Fair Value Measurement and Indian Accounting Standard (Ind AS) 109 - Financial Instruments

a. The Company has investment in equity shares of Power Company of Karnataka Limited amounting to Rs. 1 lakh. These investments have not been fair valued as at the date of balance sheet. Due to this, we are unable to comment on the impact on the financial statements for the year and the compliance with the Ind AS. Further, as per the confirmation, the face value of investments is Rs. 0.98 lakh and the Company does not possess the reasons for the difference of Rs. 0.02 lakh.

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b. The security deposits received from contractor/suppliers and retention money from contractors is not carried at amortised cost as required by Ind AS 109, as expected realization date of these deposits is not ascertainable. Accordingly, we are unable to comment on its impact on amounts of deposit and retention money and related impact on statement of profit and loss.

9) Indian Accounting Standard (Ind AS) 116 –Leases

a) We observed instances of immovable properties of the company being used by KPTCL and vice versa without any financial covenants / consideration. There were instances of demands raised by KPTCL towards rent which were not provided for in the books of the company. As informed to us, such demands are not accepted by the Company and hence kept pending. Suitable lease deeds be executed for all the instances.

b) Further, the Company has not renewed the agreement in respect of land given on lease, with Indian Oil Corporation for the last several years and hence disclosure requirements as required by the Ind AS 116 have not been complied with.

10) Indian Accounting Standard (Ind AS) 20 - Government Grants

a. As disclosed in clause 2.7 under note 2 of the financial statements, Grants/subsidies received from the government or other authorities towards capital expenditure as well as consumers' contribution to capital works are treated initially under deferred income and taken to income based on the depreciation that is charged to the class of asset for which such Grants/subsidies are received. However as per Ind AS 20, the release from deferred income to statement of profit and loss must be made based on systematic basis over useful life of the related asset. The company is not able to demarcate the capital grants against particular asset to match with the date of categorisation and release from its active use when charging of depreciation is discontinued. Accordingly, the impact of over or under charge to statement of profit and loss from deferred income cannot be ascertained.

b. Also, company has no data for bifurcation of deferred income into current and noncurrent portion and hence the entire balance of deferred income has been shown in non-current liabilities. Accordingly, we are unable to comment on its related impact on bifurcation into current and noncurrent portion in financial statement

c. The Company had received a grant of Rs. 2205 lacs vide GO EN13 PSR 2014 dt 10.12.2015 under the 13th finance commission. The said grant is lying partially unutilised as at the reporting date and the amount has been invested in fixed deposit with bank. The accumulated interest so earned has been parked under current liability during the year. Clarify on the treatment of such interest has not been obtained from the concerned granting authority.

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11) Indian Accounting standard (Ind AS) – 115- Contract with customers.
With respect to supervision charges charged by the company towards capital assets contributed by consumers, Company recognises revenue on such supervision charges on the basis of application made by consumer. Company does not determine the timing of satisfaction of performance obligation as derived from contract of customer as required under Ind AS-115. The company does not possess the relevant information to assess the impact of above deviation. Accordingly, we are unable to comment on related impact on financial statement.

12) The amount shown under the head "Inter Unit Accounts ('IUT')" as at the end of the year amounting to Rs. 103.42 lakhs (PY 552.15 lakhs (CR)) under "Other Current Liabilities" is the un-reconciled balance pertaining to fund transfer, material transfer, assets transfer, entries for demerger of divisions and other employee transfer related entries. In absence of reconciliation of these balances, we are unable to comment on the impact on the financial statements.

13) The Company is making provision every year in a phased manner, in respect of old outstanding dues from IP set installations, pertaining to the period prior to 31/07/2008, not recoverable from Govt. of Karnataka (prior to subsidy era needs to be collected from ultimate consumer). As at the end of the year, the said dues are unprovided to the extent of Rs. 22538.31 lakhs. In our opinion the entire dues should have been provided, as the same are not ultimately recoverable. Therefore, had the same been provided fully, loss for the year would have been higher by Rs. 22538.31 lakhs and the balance of Trade Receivables would have been lower to that extent.

14) Confirmation of balances / Reconciliation: The Company does not have the procedure of obtaining confirmations (except in case of power purchase suppliers) and reconciliation of balances from/to KPTCL, KPCL, PCKL and other ESCOMs, sundry debtors, sundry creditors, advances, deposits from/to suppliers / contractors / government authorities / consumers / employees, loans and other receivables from various parties. In case of power purchase suppliers, the letters for confirmations were sent and very few responses have been received. However, the Company has not analysed the reasons for the differences in respect of the confirmations received. There are several old balances with ESCOMS and KPTCL carried forward from several years & pending for settlement. The effect of the adjustment arising from reconciliation and settlement on the financial statements is not ascertainable.

15) Other noncurrent liabilities include deposit contribution works amounting to Rs. 9701.16 lakhs as at the year-end (including Ganga Kalyan works). The correspondence with the respective departments centrally is limited to the extent of the total eligible amount of subsidy based on the no. of beneficiaries. There is a need for basic accounting analysis viz. work order wise breakup of amount spent, amount categorized to A/c code 10, amount to be retained under a/c code 47 which needs to be matched with the amount due from Govt. department under the Scheme. There is no uniformity in accounting of amount spent under welfare schemes among the accounting units. Some units are not recognizing the amount receivable from the respective departments by booking to A/c code 47 Series. In case of Bellary Rural, entries were passed in respect of earlier years transactions, without any working back up, which clearly shows a poor accounting control. Adequate details of the transactions have not been maintained at accounting units. Due to this, we are unable to comment on the impact of the same on the financial statements.

16) Indian Accounting Standard (Ind AS) 33 - Earnings per Share

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The cumulative effect on account of all the deviations / qualifications, on the profit for the year, taxes on income, net income and shareholders' funds and cash flow statement for the year is not ascertainable. Further, the impact on earnings- per share and the disclosures required as per Ind AS 33 is not ascertainable.

17) Non-Compliance with the requirements of Schedule III to the Companies Act 2013

a. In respect of Trade Receivables:

i. As per Schedule III to the Companies Act 2013, a receivable shall be classified as 'trade receivable' if it is in respect of the amount due on account of goods sold or services rendered in the normal course of business. However, receivable from Government in respect of sale of electricity which are discharged by Government on behalf of consumers of IP sets / BJKJ installations amounting to Rs.117610.37 lakhs as at the balance sheet date are classified by the Company under "Other Financial Assets-Tariff Subsidy" as against the requirement of classifying them as "Trade Receivables". In our opinion, Trade receivables are understated and Other Financial Assets are overstated to the extent of the amount stated above. Further, the age wise analysis of the outstanding balance was not available for our verification.

ii. The Company has not ascertained the accurate amount of advance from consumers to show the same separately under current liabilities. Presently the Trade receivables are net of such advances from consumers. Due to this the Trade Receivables and Current Liabilities are under stated to the extent of advances from consumers. Further, individual receivables (RR number wise) have not been analysed and reconciled with the receivables as per Trial Balance.

iii. The Company does not have adequate workings / report to justify the correctness of the amount classified as Secured Trade receivables. Accordingly, we could not comment on the same.

b. The process followed by the company to identify the suppliers covered Under Micro, Small and Medium Enterprises Development Act, 2006 and the delays in payment to them, is not documented and appears to be inadequate & not verifiable. In view of this, we are unable to comment on the compliance with the MSMED Act 2006 and disclosure requirements as per Schedule III to the Companies Act 2013.

c. Disclosure of capital and other commitments at the year-end prescribed under Schedule III to the Companies Act, 2013 has not been made in the financial statements in absence of related data.

d. The Company has received share application money from Government of Karnataka and such amounts are kept under share deposit pending allotment of shares beyond 60 days from the date of receipt. This is not in compliance with the provisions of Section 42 of Companies Act 2013.

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18) The cash flow statement prepared by the company is in non-compliance with Ind AS-7 to the extent of the impact which could have been drawn on financial statement because of qualifications enumerated above. Accordingly, we are unable to comment on the correctness of the change in cash flow arising from operating, financing, investing activities to the extent of the impact of above qualifications.

19) Loan from Government of Karnataka amounting to Rs.100286.05 lakhs are subject to confirmation.

20) Detailed terms and conditions of the advance / contribution and the present status of Rs. 1400 lakhs contributed (grouped under non-current loans) towards Priyadarshini Jurala Hydel Project in the year 2013 are not available. Due to insufficient information, we are unable to comment on the impact on the financial statements for the year.

21) The Company makes interest provision on security deposits from consumer based on General Ledger balances, whereas actual payment is made based on balances in the TRM software / manual workings. The excess provision is written back periodically. Since there are differences between General Ledger and TRM software deposit balances, the provision made in the books does not represent the correct amount of interest expenses. The impact of the same on the financial statements is not ascertained.

22) Other Financial Assets include long pending amounts in respect of Rural Electrification Subsidy 3050.88 lakhs, Receivable from Power generators Rs.2636.54 lacs (net) and Receivable from beneficiaries of Solar Lantern Rs. 166.74 lakhs. We are unable to comment on recoverability of these amounts and provision if any required, in absence of person wise details and non-recovery over the last several years.

23) The "Other noncurrent financial liabilities" include BRP II Adjustment given by GOK i.r.o SMIORE Rs. 1293.07 lakhs pending since long time. The company does not possess detailed information for adjustment of this balance and needs to reconcile the same.

EMPHASIS OF MATTER: Without modifying our opinion, we report that

1) Regulatory Income / (Expenses) : Attention is invited to Note No.15 and 42 regarding recognition of revenue during the year, on account of creation of Regulatory Assets, which is the future economic benefit towards recovery of the increase in the actual power purchase cost over and above the power purchase cost approved by KERC.

2) Attention is drawn to Note 57 forming part of financial statements, regarding frauds committed by employees of the Company. Management has represented to us that KPTCL is conducting enquiry and the final orders are awaited. No provision for the same has been made in the books.

3) Attention is drawn to Note No. 2.4 regarding depreciation rates charged as per KERC/CERC Rules which are different from the rates as per Schedule II of the Companies Act, 2013.

4) Attention is drawn to Note No. 2.20 of Accounting policies regarding Reserve for Material Cost Variance which is being adjusted to Reserve & Surplus instead of charging to Statement of Profit & Loss in accordance with the Generally Accepted Accounting Principles

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5) Attention is drawn to foot note (c) to Note No.18, regarding mismatch in accrued interest in respect of loan availed from Power Finance Corporation and the pending conversion of loan in to grant.

6) Attention is drawn to Note No.22 (b) "Other Non-Current Liabilities" regarding transfer of unreconciled balances under certain account codes, including Cash & Bank balances and Share application money on unbundling of the Company from KPTCL to a separate head "Other Payables". The company does not possess adequate information for adjustment of these balances and needs to reconcile with KPTCL as there will be offsetting debit / credit balances against these amounts.

7) Attention is drawn to Note No. 49, wherein some of the amounts were taken incorrectly leading to incorrect calculation of Gearing Ratio and the same needs correction. However, this will not have any impact on the statement of profit & loss or Balance Sheet.

OTHER INFORMATION

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis, Shareholder Information and Directors' Report but does not include the Ind AS financial statements and auditors report thereon. Such information was not available at the time of issue of this report.

Our opinion on the Ind AS 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 identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

RESPONSIBILITY OF MANAGEMENT FOR 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 and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. 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 implementation and maintenance of accounting policies; making judgments and estimates that are reasonable and prudent; design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Financial Statement 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.

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

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