GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the 19th Annual Report on the operations and performance of your Company together with audited financial statements for the financial year ended March 31, 2021.

The Company was incorporated under Companies Act, 1956 and commenced its business activities from June 01, 2002.

The Company has successfully completed Nineteenth year in distribution of electricity. Your Company is vested with a responsibility to cater to the needs of electricity of the public in 7 districts of Karnataka namely Kalaburagi, Bidar, Yadgir, Raichur, Koppal, Bellari and Vijayanagar.

During the year under review, the Company took various initiatives for rendering better services in line with Government's objectives and policies.

The company aims at providing a quality service in distribution of electricity to its consumers by strengthening the network system with an improved information technology. The Company has already made a phenomenal growth in this aspect and looks for future with better positive prospect.

This report highlights the performance of the Company in various parameters including financial performance and operational performance. The same is enumerated in the following paragraphs:

A. FINANCIAL PERFORMANCE

Pursuant to the mandatory requirement for adoption of Indian Accounting Standards (Ind AS), as notified by the Ministry of Corporate Affairs (MCA), The Financial Statements of GESCOM for the year ending 31st March 2021 are compiled in accordance with Rules made under sub-section (1) of Section 69 of the Electricity (Supply) Act 1948 (54 of 1948), the Electricity (Supply) Annual Accounting Rules 1985, the provisions of Companies Act, 2013 and The Companies (Indian Accounting Standard) Rules 2015 for application of the Ind AS. The financial statements for FY 20-21 are prepared in accordance with the provisions of Ind-AS to the extent they are not inconsistent with ESAAR and in such cases ESAAR regulations are followed for accounting and disclosures.

i. Profit and Loss:

(Rs. in Crores)

Particulars	For the year ended 31.03.2021	For the year ended 31.03.2020
i. Revenue from sale of power	5178.81	5113.10
ii. Other income	207.80	181.82
A. Total income (i+ii)	**5386.61**	**5294.92**
i. Purchase of Power	4392.99	4191.95
ii. Employees Benefits Expenses	678.70	612.02
iii. Finance Costs	433.98	477.68
iv. Depreciation	244.93	213.30
v. Other Expenses	258.02	263.66
B. Total Expenditure(i to v)	**6008.62**	**5758.61**
C. Operating Profit (A – B)	**-622.02**	**-463.69**
D. Regulatory Deferral Income	-504.06	-368.35
E. Exceptional Items	0	-206.13
F. Profit before tax (C+D+E)	**-1126.08**	**-1038.17**
G. Deferred Tax (Asset)	-9.39	-45.89
H. Profit after tax (F-G)	**-1116.68**	**-992.28**

ii. Power Purchase:

Prior to 10.06.2005, KPTCL was purchasing power from various generating companies and supplied to ESCOMs. Consequent to enactment of the IE Act 2003, State Transmission Utilities were barred from carrying out power trading activities with effect from 10.06.2005. In order to facilitate for purchase of power on behalf of Distribution Companies (ESCOMs), the Government of Karnataka has established Power Company of Karnataka Limited (earlier it was called as State Power Procurement Coordination Centre). Further, the State Government issued guidelines to the ESCOMs to make necessary arrangements to purchase power directly from the generating Companies and the Power Purchase Agreements already entered into by the KPTCL has been assigned to ESCOMs with effect from 10.06.2005. Subsequently, GESCOM has executed the power purchase agreements with RE generators as per GoK allocation from time to time to meet its demand/requirement of energy. In order to arrange timely payments to the Generating Companies, the Government of Karnataka issued directions for FY 2020-21 indicating the % share of allocation to GESCOM is as follows:

Source	GESCOM % of share for FY 2020-21 as per GoK order Dtd. 08-05-2020
CGS	13.281%
KPCL-RTPS unit 8 & BTPS unit 1to 3 & RPCL	7.00%
RTPS unit 1to7	6.651%
KPCL Hydel-Sharavathy	9.00%
KPCL Hydel-other stations	26.546%
NCE/RE	100.00%
Co-Gen Medium Term	14.114%

The total power purchase by the GESCOM as per GoK order Dtd.08-05-2020 is subject to final reconciliation of the actual power purchase by each ESCOMs at the end of each financial year.

During the year 2020-21, the Company has received 8506.06 MUs (including energy balance units) from various power producers viz., KPCL, RPCL, NTPC, NLC, NPCIL-MAPS, KAIGA & KKNPP, DVC, NCE/RE and Major IPPs etc, as detailed below.

Particulars	Energy in M.U.	Amount in Rs. Crs
Karnataka Power Corporation Ltd. (KPCL-Hydel, Thermal & Solar)	2220.61	556.57
Raichur Power Corporation Ltd (RPCL-Thermal)	219.06	142.10
National Thermal Power Corporation Ltd (NTPC)	1642.93	764.56
Neyveli Lignite Corporation Ltd (NLC Ltd)	481.08	216.4
NPCIL (MAPS, KAIGA &Kudankulam)	622.67	235.05
Damodar Valley Corporation (DVC)	263.56	134.56
Major IPP (UPCL)	237.21	199.96
NCE’s / RE	2678.07	1105.00
Medium Term-Co Gen	260.16	132.67
Jurala Hydro Electric /TBHE	28.42	7.51
Banked energy/Infirm power/SRPTV	101.37	24.91
Other Power Purchase Cost (UI,SWR,Energy Balance)	-37.07	9.865
Transmission Charges (KPTCL & PGCIL)		789.58
Prior period (PP cost)		35.79
PCKL Exp, SLDC exp& other charges		38.46
Sale of Energy through IEX	-212.01	
Total	**8506.06**	**4392.99**

iii. Sale of Power:

The total sales under metered and un-metered categories are as under:-

	2020-21	2019-20
Metered Category Sales (in MUs)	3704.15	3872.02
Unmetered Category Sales (in MUs)	3298.09	3312.15
Total Sales (in MUs)	**7002.24**	**7184.17**

As could be seen from the above table, both the metered & unmetered category sales have decreased during FY 21 as compared to FY 20.

Energy Sales Comparison

Category	Sales in MU		Increase/ Decrease over previous year	% Increase/ Decrease over previous year
	2020-21	2019-20		
LT - Others	2709.73	2684.45	25.28	0.93%
LT - IP Set	3041.47	3054.00	-12.53	-0.41%
HT	1251.04	1445.72	-194.68	-15.56%
Total	**7002.24**	**7184.17**	**-181.93**	**-2.59%**

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

a) Sales under LT categories others has increased by 25.28 MU i.e., 0.94% over previous year.

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

c) Decrease of 194.68 MU i.e., 15.56 % over the previous year is seen under HT categories due to Covid Lockdown.

Comparison of Actuals with KERC Approved Figures

Particulars	Energy Sales (in Mu)	Revenue (in Rs Cr)	Average Revenue Realisation (Rs / Unit)

As Approved by KERC	7647.04	5713.28	7.47
As per audited Financials	7002.24	5178.81	7.40
Increase as compared to KERC Approved Figures	**-644.80**	**-534.47**	**-0.07**

As could be seen from the above, Average Revenue Realisation has decreased by 7 ps to Rs 7.40 per unit against the KERC Approved rate of Rs 7.47 per unit due to application of Revised Tariff from the month of Nov-20 instead of April-20 due to Covid.

iv. Revenue from Sale of Power:

The demand raised during the period towards sale of power is Rs.5178.81 Crs. The category wise details of demand raised and the collection made out of it are as under:

Category of consumers	Demand raised	Collections (Incl. adjustment)	Collection efficiency (%age)	
	Revenue Rs. in Crores		2020-21	2019-20
LT Category	3761.30	3711.98	98.69%	98.48%
HT Category	1123.40	1118.00	99.52%	96.63%
Interest on belated payments & Other Miscellaneous	294.10	284.68	96.80%	96.16%
Total (LT+HT)	**5178.81**	**5114.66**	**98.76%**	**97.97%**

Revenue Comparison:

Category	Revenue in Rs. Crs.		Increase/ Decrease over previous year	% Increase/ Decrease over previous year
	2020-21	2019-20		
LT –Others	2142.61	2046.9	95.71	4.68%
LT - IP Set	1895.59	1859.01	36.58	1.97%
HT	1140.61	1207.19	-66.58	-5.52%
Total	**5178.81**	**5113.10**	**-65.71**	**-1.29%**

From the details of the Revenue Income indicated in the above table, we can see that:

a) Increase of 95.71 Crores i.e., 4.68% over the previous years' revenue is seen under other LT categories.

b) There is increase of Rs.36.58 Crores i.e., 1.97% in LT – IP set category over previous years' revenue.

c) There is a decrease of Rs. 66.58 Crores i.e. 5.52% under HT category over previous years' revenue.

v. Revenue from Subsidies:

During the year, Tariff Subsidy released by Government of Karnataka for FY21, amounts to Rs.1887.72 Crores including the tripartite adjustments approved by GoK amounting to Rs.205.95 Crores is considered as the Tariff Subsidy for the financial year ended on 31.3.2021.

vi. **Capital Expenditure:**

The Company has incurred an expenditure of Rs.448.49 Crores on various capital programmers during FY21 as against Rs.676.47 Crores during previous year. The details of the works are as under:

(Rs in crores)

Sl.No	Particular	Expenditure incurred	
		2020-21	2019-20
1	Extension and improvement and works R- APDRP	(24.27)	133.31
2	Replacement of faulty distribution transformer	38.33	39.91
3	Ganga Kalyan Works-GESCOM	34.20	72.14
4	Consumer Contribution/ Deposit Contribution Works	42.37	48.53
5	Nirantara Jyoti works	1.55	-8.66
6	Civil Engineering works	17.77	77.94
7	Rural Electrification/ Metering of DTC', Installations	52.08	50.14
8	Additional DTC'/Enhancement of DTC' Capacities	24.05	23.04

9	Service connection and Metering	4.02	3.96
10	Electrification of Water Supply Work	4.96	4.44
11	DeenDayalUpadhaya Gram JyothiYojana	147.99	127.45
12	Other Expenditure/provisions	16.99	21.36
13	Regularisation of Unauthorised IP Sets	19.17	10.12
14	IP Set Energisation	5.82	3.93
15	APDRP/IPDS/RGGVY	56.57	68.09
16	Metering/DTCs	0.11	0.77
17	SRTPV installations on Govt Buildings.	2.19	0
18	Flood Works	4.57	0
	Total	**448.47**	**676.47**

vii.Cost of Supply, Average Demand and Realisation per unit:

1. The average cost of supply per unit is Rs.8.58 during FY 2020-21 as against Rs.8.06 during FY 2019-20.

2. As against this, the average demand raised and the realization across different categories of consumers is as under:

Category of consumers	Average demand per unit of power (Rs.)	Average realization per unit of power (Rs.)
Domestic (LT)	6.38	6.13
Commercial (LT)	10.27	10.11
Industrial (LT)	8.24	8.10
Others (LT)	6.19	6.18
Industrial (HT)	9.68	9.66
Commercial (HT)	10.75	10.26
Others (HT)	5.96	5.98
Metered (LT and HT)	7.63	7.48
Unmetered (LT) (without tariff subsidy)	6.25	6.25
Total – Metered and	**6.98**	**6.90**

Unmetered (LT&HT)		
Total – LT & HT (incl interest)	**7.23**	**7.14**

viii. BORROWINGS:

During the year FY-21 Government of Karnataka Provided Government Guarantee for availing Special Long Term Loan (Covid Loan) to the tune of Rs.1700.00 Crs. which comprises Rs.1000 Crs. from Bank of India, Rs.500.00 Crs. from Punjab National Bank and Rs.200.00 Crs. from State Bank of India. The same was availed towards payment of power purchase bills. Further the company has also availed long term loan of Rs. 5.00 Crs. M/s. REC Ltd. towards Saubhagya Scheme. The total long-term loan availed during the year is Rs. 1705.00 Crs.

Further during the year company has repaid an amount of Rs. 202.40 Crs. to various lenders as below:

Name of the Lender	Total amount repaid (In Rs. Crs.)
M/s. REC Ltd	174.42
M/s. PFC Ltd	12.14
Syndicate Bank	14.58
GOK	1.26
Total	202.40

B. OPERATIONAL PERFORMANCE

i. Consumer Base:

The Company was having 32.65 lakhs consumers at the beginning of the year, added 87,435 new consumers during the year. The number of consumers at the end of the year stood at 33.52 lakhs. The category wise break up is here under:

Tariff category	No. of consumers as on 01.04.2020	No. of consumers added during the year 2020-21	No. of consumers as on 31.03.2021
BhagyaJyothi/ KutirJyothi	5,97,675	0	5,97,675
Irrigation Pumpsets	4,02,367	7,928	4,10,295
Water Supply & Street Light	38,497	5,053	43,550

Domestic Lighting & AEH	18,35,288	55,598	18,90,886
Commercial Lighting	2,86,835	11,968	2,98,803
Industrial (LT)	66,504	2,242	68,746
Temporary Supply	34,850	4,497	39,347
Water Supply (HT)	156	11	167
Lift Irrigation Schemes (HT)	422	9	431
Industrial (HT)	1,695	83	1,778
Commercial (HT)	412	22	434
Hospitals, Education (HT)	213	15	228
Residential Colonies & Temporary (HT)	81	9	90
Total	**32,64,995**	**87,435**	**33,52,430**

ii. Transmission and Distribution Losses:

During the year 2020-21 the Company has received 7931.81 MUs at KPTCL/GESCOM interface point. The transmission and distribution losses up to the interface point works out to 929.57 million units (907.80 MUs during FY 2019-20). The distribution losses up to the interface point in terms of percentage of power purchase for the year is 11.72% in 2020-21 as against KERC approved distribution loss at 14%. (11.22% in 2019-20)

iii. Aggregate Technical & Commercial Losses (AT & C losses):

The Aggregate Technical & Commercial losses for the year 2020-21 works out to 12.81% compared to 13.02% for the previous year. Efforts are on to bring down the AT&C losses through various technical and non-technical measures by improving the metered sales collection efficiency and reducing the system losses. The details of the AT&C losses are as under:

Particulars	2020-21 (in %)	2019-20 (in %)
Billing Efficiency (i.e., units billed/input)	88.28	88.78
Collection Efficiency (i.e., Collection/Revenue Demand raised)*	98.76	97.97
Business Efficiency (i.e., Billing Efficiency/ Collection Efficiency)	87.19	86.98
Aggregate Technical & Commercial Losses (100- Business Efficiency)	12.81	13.02

* on demand collection basis

iv. Distribution Transformer Failure:

1. The transformer failure rate during the year 2020-21 was 11.98% as against 11.94% during 2019-20. The transformer failure rate in urban areas was 5.72% and in rural areas was 13.19%. 13601 distribution transformers failed during 2020-21 (1058 in urban areas and 12549 in rural areas.

2. 5476 distribution transformers of various capacities like 25KVA, 63KVA & 100 KVA were added to the system during 2020-21 to improve the voltage of the system and to provide reliable power supply to the consumers and to bring down the system losses. The total number of transformers existing in the distribution system of the company at the end of 2020-21 was 113578 (18505 distribution transformers in urban areas and 95073 in rural areas).

v. HT/LT Lines:

During the year 3166.89 Kms of HT lines and 1605.68 Kms of LT lines were added taking the total length of HT & LT lines in the distribution network of the Company to 70367.60 Kms and 91437.73 Kms respectively. The HT/LT ratio as on 31.03.2021 was brought down total 1:1.30 (1:1.337 as on 31.03.2020).

vi. Establishment of New 33/11 KV Sub Stations:

During the FY-2020-21, 01 No. of 33/11kV Sub-Station at Mamadadoddi in Raichur (Tq.& Dist.) was commissioned.

Further, Establishing of 03 Nos of 33/11KV Sub-Station at 1) Nelgi in Bhalki (Tq.), Bidar Dist., 2) Khashempur in Aurad (Tq.), Bidar Dist. & 3) Hirebommanal in Koppal (Tq. & Dist.) were awarded on 27.07.2020 & the works are under progress.

vii. Augmentation of 33/11 KV Sub Stations:

During the FY 2020-21, Augmentation of 03Nos. of 33/11KV Sub -Stations by providing additional 5 MVA Power Transformers at 1) Malli in Yedrami (Tq.) Kalaburagi Dist. 2) Ratkal in Chincholi (Tq) Kalaburagi Dist., and 3) Rodalbanda in Lingasugur (Tq.) Raichur Dist were commissioned.

viii. Metering:

1. During the year 2020-21, 16944 No's of non-recording meters were replaced and 2412 No's of meters were provided to DC installations.

2. A total number of 15479 street light points exist in the company's jurisdiction, for which 12919 RR numbers assigned and 1410 are metered.

3. 5,97,675 BJ/KJ installations exist in GESCOM as at the beginning of the year, out of which zero installations were metered during 2020-21. The cumulative numbers of BJ/KJ installations metered is 431015 and the balance 1,66,660 installations are to be metered.

ix. Vigilance Activities:

(Rs. in Lakhs)

Particulars	**Progress during-18-19**	**Progress during 19-20**	**Progress during 20-21**
Number of installations inspected	75725	87961	80936
No. of cases booked (Cog & NC)	6952	6529	15989
Amount of Back Billing (Cog & NC)	1476.27	1440.62	1590.04
Back Billing Charges collected (Cog & NC)	953.89	2167.11	1181.84
Compounding Fee i) Assessed (Cog Cases)	119.45	96.44	68.2
ii) Collected (Cog Cases)	**159.44**	**135.97**	**78.74**

C. SOCIAL WELFARE SCHEMES

i. Energisation of Drinking Water Supply Schemes:

1. 438 Water supply installations were energized during 2020-21 in urban and rural areas of the Company on top priority under various schemes of GOK.

2. As on 31.03.2021, 220 applications for energization of drinking water supply schemes (in rural areas) were pending out of which 63 applications were pending at GESCOM. 157 cases were pending with the local bodies for non-compliance of various formalities of the company. The balance works are under progress.

ii. Energisation of Irrigation Pump Sets:

During the year 2020-21, 6292 (GK-4014, UAIP-2278) irrigation pump sets were energized under the Ganga Kalyan Scheme, regularization of unauthorized IP sets, General IP set, Sheeghra Samparka Yojane, etc.

D. NEW INITIATIVES

1) 24X7 Customer Care Centre:

- 24X7 Customer Care Centre (CCC) established on 18-01-2012 with Toll Free number 18004258585 in the Corporate Office premises, for registering of complaints by consumers on fuse off calls, billing problem, transformers failure and power supply failure etc., with all necessary infrastructures.

- As of now, the No. of GESCOMs consumers have reached more than 33.52 Lakhs, the average phone calls / Complaints received by Centralized Customer Care Centre (CCC) are about 2 Lakhs per month (7,000 per day).

- Previously 12 desks were functioning which has been enhanced to 15 desks for improving consumer service and satisfaction. These desks are functioning round the clock, so that, at a time 15 Nos of complaints can be received.

- The consumer can contact over Toll free No 1912. There are 51 desk operators for three shifts; each shift 15 Nos. of operators for 15 desks are working to attend each and every call.

- Junior Engineer, Assistant Engineer and Assistant Executive Engineers are placed to supervise the overall activities.

- The Employees working in CCC are given suitable training on handling public relation issues. The awareness of CCC is brought to the notice of consumers by wide publicity of the complaint handling procedure/contact number, of the centralized customer care center through local media, by hosting on GESCOM website for the information of public to ensure that all the complaints are registered only through CCC for proper monitoring and disposal of complaints.

- Once the complaints are addressed successfully the consumer is also intimated about the same through SMS.

- Short code '1912' has been made Toll-Free successfully w.e.f. 01.09.2016. 1912 is now integrated with PGRS for redressal of complaints.

- Regular correspondence is being made with the concerned O & M Divisions to attend to the registered complaints within the stipulated time.

- The complaints are being registered at 24X7 Customer Care Centre, Corporate office, GESCOM, and the same is being dispersed to the concerned O & M Service station to enable them to attend to the complaint within the stipulated time, through telephone. The 24X7 Customer Care Centre is obtaining feedback from consumers, every two hours.

- The GESCOM is trying to continue its efforts in further improving the delivery of consumer services with prompt response especially in reducing the time required for resolving consumer complaints on breakdowns of lines/equipment's, failure of transformers etc.

- GESCOM had also given facility to register their complaints through social media such as

  1. Twitter : Address (Gescom official)
  2. Facebook – ID : (Gescom Kalaburagi)
  3. Whatsapp – No. 9480847593
  4. GESCOM Website: http: //gescompgrs 24x7.com & www. gescom.karnataka.gov.in also GESCOM Consumer App, Urja Mitra App (to be download from playstore), PGRS Web site are available.

- The Process of shifting 24x7 Centralized Customer Care Centre to new fully established building with up-gradation of 38 desks is in full pledge to provide reliable and quality service to the GESCOM consumers.

Statement Showing the Details of calls received and answered / complaints Registered and attended in 24x7 Centralized Customer Care Centre, GESCOM, Kalaburagi from April-2020 to March-2021.

Statement Showing the Details of No of Calls Received/Calls Answered & No of complaints Registered/ Redressed in the Customer Care Center, GESCOM, Kalaburagi for FY-2020-21

SI No	Month	No. of Calls		No. of Complaints		
		Received	Answered	Registered	Redressed	Pending
1	Apr-20	55392	55392	6983	6983	0
2	May-20	127844	127844	7951	7951	0
3	Jun-20	139997	139997	12919	12919	0
4	Jul-20	162105	162105	11803	11803	0
5	Aug-20	191847	191847	9173	9173	0
6	Sep-20	224920	224920	11618	11618	0
7	Oct-20	167662	167662	9738	9738	0
8	Nov-20	92562	92562	12422	12422	0
9	Dec-20	68520	68520	21200	21200	0
10	Jan-21	81099	75255	19585	19585	0
11	Feb-21	82548	79978	16019	16019	0
12	Mar-21	123519	115826	15908	15907	0

Statement Showing the Details of No of Calls Received/Calls Answered & No of complaints Registered/ Redressed in the Customer Care Center, GESCOM, Kalaburagi for 1st quarter FY-2021-22.

SI No	Month	No. of Calls		No. of Complaints			Time Period	
		Received	Answered	Registered	Redressed	Pending	Min	Max
1	Apr-2021	270207	173750	16344	16344	0	0:30:00	6:00:00
2	May-2021	356753	210061	14126	14125	0	0:38:00	4:02:10
3	June-2021	196082	81724	13501	13500	0	0:30:00	5:35:00
4	July-21	284749	200534	24398	24398	0	0:25:00	5:45:00
5	Aug-21	238351	185312	25965	25965	0	0:30:00	6:00:00
6	Sep-21	247170	173565	25388	25388	0	0:35:00	5:48:21
7	Oct-21	221508	153642	22055	22055	0	0:45:00	5:30:00
8	Nov-21	201691	142078	15979	15979	0	0:35:00	5:45:00
Total		**2104484**	**1440288**	**157835**	**157835**	0	0:33:30	5:33:11

New Schemes:

2) Deen Dayal Upadhyay Gram Jyoti Yojana (DDUGJY):

Government of India has launched Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) to extend financial assistance against capital expenditure to supplement the efforts of DISCOMs/Power Departments in strengthening and augmenting distribution infrastructure in Rural areas of the country.

Scope of Work:

The Project under the scheme was formulated for rural areas only and the scope of the works will cover works relating to Feeder Separation, System Strengthening and Sansad Adarsh Gram Yojana (SAGY) including Metering of distribution transformers/ feeders/consumers and Rural Electrification.

Objectives of the Scheme:

1. To provide electrification to all villages.
2. Feeder separation to ensure sufficient power to farmers and regular supply to other consumers.
3. Improvement of Sub-transmission and distribution network to improve the quality and reliability of the supply.
4. Metering to reduce the losses.

DDUGJY Physical Progress and Financial Progress (upto March-21) (Cumulative)

Sl. No.	Milestone Name	Unit	GESCOM		
			Target	Revised Target	Achievement
1	Running of New 11kV Line	KM's	5591.39	4537.96	4537.96
2	Re-conductoring of 11kV Line	KM's	2651.31	2160.42	2160.42
3	Running of New LT Line	KM's	188.54	134.26	134.26
4	Re-conductoring of LT Line	KM's	549.49	442.83	442.83
5	Providing New DTC	No's	3552	3458	3458
7	Providing Service connection to BPL households	No's	4392	3802	3802
8	LT AB Cable	KM's	1842.9	1414.24	1414.24
9	Replacement of Electro Mechanical by Electro Static Meters	No’s	434851	397253	397253
10	DTC Metering	No’s	4841	4841	4841
11	Expenditure Booked in Crs	502.27Crs			

GESCOM has completed entire scope of the project well within the time extension given by MOP/GOI and closure proposals were submitted on 30.03.2021 and same are accepted by M/s. REC vide letter No. REC /BLR/DDUGJY-New/Closure/30 Dated: 07.09.2021.

3) IPDS (Integrated Power Development Scheme): Circle Wise

Amount sanctioned for Rs.183.41Crore, 42 Town covered.

Scope of Work: Consist of 11KV System Strengthening works which includes Re-conducting of HT & LT lines including overhead and AB Cables, New HT & LT lines, Additional DT's Enhancement of DT's and augmentation of 33KV Sub-Stations and Solar Roof Top on existing GESCOM /Govt. buildings.

The above said works were completed with respect to all circles i.e, (Kalaburagi, Bidar, Raichur, 31.09.2019 and Ballari 28.02.2019) and closure reports were submitted to SLRDC & M/S. PFC and the same is approved.

4) SOUBHAGYA Scheme:

Scope of Work: Providing last mile connectivity and electricity connections to all un-electrified households in rural areas

- The prospective beneficiary households for free electricity connection under the scheme would be identified using socio economic caste census (SECC) 2011 data so that all economically poor households can be benefitted under this scheme.
- Total 61446 rural households are considered for electrification under Saubhagya.
- Electrification work of un-electrified households is awarded in 16 packages (7 Division wise packages and 9 taluka wise packages) in rural area under this scheme.
- Total DPR cost Rs.78.55 Crores.
- Total awarded amount of 16 packages is Rs. 91.78 Crores
- Electrification of 62804 Nos. RHHs including creation of additional Infrastructure is completed as on 31.03.2020. and the closure formats are submitted to M/S. REC & the same is approved.

➢ **Civil Engineering works**

During Financial Year 2020-21 office building and other infrastructure works has been taken up in GESCOM.

Amount in lakhs

Sl.	Particulars	Total Completed works	Spill over works

No.		Expenditure during 2020-21	No of works completed	Expenditure required for during 2021-22
1	Construction of office building/ stores/ Guest house and other building and extension works.	492.28	46	1226.180
2	Other infrastructure works such as compound, road, water supply, fencing and drainage etc.	463.46	63	489.40
Total		**955.74**	**109**	**1715.58**

During Financial Year 2021-22, a budget of Rs.3922.40 lakhs is allocated towards spillover and fresh Civil Engineering works in GESCOM.

1. **Grama Vidyut Prathinidhi Scheme:**

At present 1077 Micro Feeder Franchisees are existing in GESCOM out of which 922 Micro Feeder Franchisees are working.

The progress made by MFFs during the year 2020-21 is as under:

Sl .No	Name of the Division:	Opening balance	Target		Achievement		Closing balance	% achievement over target of	
			Demand	Collection	Demand	Collection		Demand	Collection
1	Kalaburagi -1	878.7	4347.93	4122.48	4961.20	4628.79	1183.15	114.10	112.28
2	Kalaburagi -2	848.54	2966.81	2858.26	3235.58	2761.58	1086.67	109.06	96.62
3	Yadgir	1569.65	2973.82	2711.33	3043.97	2739.77	1819.54	102.36	101.05
4	Sedam	649.07	2341.35	2013.9	2631.72	2869.24	351.00	112.40	142.47
5	Bidar	1444.83	3548.49	3842.26	3906.73	3618.33	1704.42	110.10	94.17
6	Humnabad	354.57	3440.6	2995.55	2974.74	2839	467.77	86.46	94.77
7	Raichur	1165.85	2696.9	2505.48	3831.58	3281.32	1305.77	142.07	130.97
8	Koppal	639.51	1562.74	1576.89	2244.6	2188.63	-63.91	143.63	138.79
9	Sindhanur	561.08	908	1669.99	2071.93	1830.9	782.47	228.19	109.64
10	Gangavathi	843.74	2271.81	2125.48	2198.37	2225.59	999.60	96.77	104.71
11	Bellary	1033.48	3763.68	3659.25	4196.91	3923.79	1257.99	111.51	107.23

12	H B Halli (Hospet)	320.75	4459.35	3317.96	3530.29	3295.28	467.63	79.17	99.32
	GESCOM TOTAL	**10309.77**	**35281.48**	**33398.83**	**38827.62**	**36202.22**	**11362.10**	**110.05**	**108.39**

2. **Tendering System:**

   In order to enhance the transparency in procurement and tendering of various works, electronic tendering system i.e. e-procurement portal **https://eproc.karnataka.gov.in** of e-governance Dept, GOK has been introduced in the Company. The tenders so called are encouraging.

3. **Communication Strategies:**

   Jana Samparka Sabah's are being held in urban and rural areas of the Company's jurisdiction involving people's representatives, Company's local officials and senior officers of the Company to redress the grievances of the consumers.

4. **DTC Metering:**

   The status of DTC metering as on 31-03-2021 in GESCOM both in urban and rural area are as follows.

Sl.No.	Particulars	Existing No of DTCs	DTCs which do not require metering	DTC metered during FY 21	Cumulative No of DTCs actually metered	Cumulative No of DTCs considered as metered	Balance to be Metered
1	2	3	4	5	6	7	8
1	Urban Area	18505	750	39	12898	13648	4857
2	Rural Area	95073	69806	511	14797	84603	10470
	Total	**113578**	**70556**	**550**	**27695**	**98251**	**15327**

5. **Employee Training:**

   With a view of harnessing the Human Resources to the maximum, the Company has given utmost importance to Employee training. This will go a long way in our pursuit of achieving the Business Goals. During the year the Company has imparted training to 1799 employees during the year details are follow.

For the year 2020-21			
SI. No	Cadre wise	No. of officer / employee	Type of Training
1	CEE/FA/SEE/EEE/ AEE/AE/PS/DSP/ PSI/PT	36	1) Online CPDP programme "Solar photo voltaic power plants Desaign" 2) Online programme on Energy Audit and Conservation in Electrical Utilities. 3) Sustainability of power Utility -Electricity Act Amendment, Tariff Reform, Real time Market and Renewable Integration
2	CA/DCA/AO/AAO/ Sr.Asst/Asst/Jr.Asst	21	1) Online Training programme on GST Khajane-2 2) Online Training programme (Webinar) on "Labour Laws & procedures in dealing Court cases" 3) Sustainability of Power Utility Electricity ActAmend ment, Tariff Reform, Real tim e Market andRenewable Integration
3	JEE	-	-
4	C&D Group Employees	**1742**	1) Pre-Employment Training to Revenue Asst Physical Handicaped 2) JLM Safety Training 3) Apprenthship Training
	Total	**1799**	

E. <u>CORPORATE GOVERNANCE</u>

GESCOM believes in transparency, accountability and fairness in all aspects of its operations. Board of Directors of GESCOM believe and support Corporate Governance practices ensuring observance of best practices in all its dealings.

The Governance process in the Company includes an effective post-meeting follow-up, review and reporting process for Action Taken/pending on decisions of the Board & Board Sub-committees.

As on the date of this report, the Board of Directors comprised of 12 members. All the Directors took active part in the proceedings of Board and Sub-Committee meetings and which has added value to the decision making process.

- **Board of Directors:**

The composition of Board of Directors as on date of this report is as below:

1.	Dr.N.Manjula, IAS.,	:	Chairperson
2.	Sri.Pandve Rahul Tukaram IAS.,	:	Managing Director
3.	Dr.Dileesh Sasi, IAS.,	:	Independent Director
4.	Sri.Nitish K IAS.,	:	Director
5.	Sri.Mahesh Karjagi KAS.,	:	Director
6.	Sri.Venkatachalam G.V	:	Independent Director
7.	Smt. G. Sheela	:	Director
8.	Sri.T.R.Ramakrishnaiah	:	Director
9.	Sri. Shivaprakash.T.M	:	Director
10.	Sri.Devendrappa Ullagaddi	:	Non Official Director
11.	Sri. Babarao Shankarrao Biradar	:	Non Official Director
12.	Sri. Veeranna Sidramappa Mangane	:	Non Official Director

Changes to the composition of the Board of Directors in the Company were done in accordance with orders issued by the Government of Karnataka.

Directors and KMP who were appointed during the year under review:

Sl. No.	Name of the Director	Designation	Date of Appointment
1	Sri.Gangadharaswamy G.M IAS.,	Director	08.05.2020
2	Sri.Pandve Rahul Tukaram IAS.,	Managing Director	06.07.2020
3	Sri. Nitish K IAS.,	Director	19.10.2020
4	Sri.G.V Ventachalam	Director	21.10.2020
5	Sri.Devendrappa Ullagaddi	Non official Director	27.11.2020
6	Sri.Babarao Shankarao Biradar	Non official Director	27.11.2020

7	Sri.Veeranna Sidramappa Mangane	Non official Director	27.11.2020
8	Smt.G.Sheela	Director	16.03.2021

Directors and KMP who were demitted office during the year under review:

Sl. No.	Name of the Director	Designation	Date of Cessation
1	Dr. R Ragapriya IAS.,	Managing Director	06.07.2020
2	Sri.L.Chandrashekhar Nayak IAS.,	Director	19.10.2020
3	Sri. Rajkumar S Biradar	Independent Director	21.10.2020
4	Sri. Purushotham Singh	Independent Director	03.02.2021

The Company places on its record the appreciation and gratitude for valuable guidance provided by the Directors demitted the office.

Board Meetings:

Meetings of the Board of Directors are scheduled in advance for which notice is given to each Director in writing. Agenda and other relevant Notes are circulated to the Directors well in advance.

During 2020-21, Board meetings were held on the dates as mentioned below:

Sl. No.	Meeting Nos.	Held on
1	78th Meeting	07.05.2020
2	79th Meeting	12.08.2020
3	80th Meeting	27.11.2020
4	81st Meeting	28.12.2020
5	82nd Meeting	31.12.2020

- **Board Committees:**

The committees of the Board were constituted not only to give more focused attention on important issues but also to expedite decisions on such issues. The Board has delegated certain specific powers to the

Committees towards expediting decisions. The following are the Board constituted committees:

1. Central Purchases Committee:

Purchase Committee was formed to consider all cases of purchases & Award of Station works/Line Works or any other works and all matters relating thereto Company financial implication above Rs.3.00Crs. and upto Rs.10.00Crores.

The composition of the Purchase Committee as on date of this report is as follows:

Sl. No.	Members	Designation
1	Managing Director, GESCOM	Chairman
2	Director (Technical),GESCOM	Member
3	Sri.G V Venkatachalam	Member
4	Company Secretary, GESCOM	Convener

During the year under review, Purchase Committee meetings were held as follows:

Sl.No	Meeting No.	Held on
1.	88th Meeting	04.07.2020
2.	89th Meeting	18.09.2020
3.	90th Meeting	03.10.2020
4.	91st Meeting	15.01.2021
5.	92nd Meeting	31.03.2021

2. Audit Committee:

The Composition of the Audit committee as on date of this report is as follows:

Sl. No.	Members	Designation
1	Dr. Dileesh Sasi IAS., Independent Director	Chairman
2	Director(Technical),GESCOM	Member
3	Sri.G V Venkatachalam	Member

	Independent Director	
4	Chief Financial Officer, GESCOM	Invitee
5	Company Secretary, GESCOM	Convener

During the year under review, Audit Committee meetings were held as follows:

Sl. No.	Meeting Nos.	Held on
1	24^{th} Meeting	26.11.2020
2	25^{th} Meeting	28.12.2020

NOTE: Membership is coterminous with their Directorship on the Board of GESCOM.

The Statutory Auditor, the Internal Auditor and the Chief Finance Officer in charge of Finance shall attend and participate at the meetings of the Audit Committee.

Terms of reference of Audit Committee:

i. The recommendation for remuneration of auditors of the Company
ii. Review and monitor the Auditors independence and performance and effectiveness of audit process
iii. Examination of financial statement and the auditors report thereon
iv. Approval or any subsequent modification of transactions of the Company with related parties;
Provided that the Audit Committee may make omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to such conditions as may be prescribed.
v. Scrutiny of inter corporate loans and investments
vi. Valuation of undertakings or Assets of the Company wherever necessary
vii. Evaluation of Internal Financial Controls and Risk Management Systems
viii. Monitoring the end use of funds raised through public offers and related matters.

3. Corporate Social Responsibility (CSR) Committee:

CSR Committee has been constituted by the Board comprising the following members:

Sl. No.	Members	Designation
1	Chairman, GESCOM	Chairman
2	Director (Technical), GESCOM	Member
3	Director (Admn.& HR), KPTCL	Member
4	Company Secretary, GESCOM	Convener

The Company has not earned any Average Net Profit before Tax during the immediately preceding three years. Hence spending of CSR amount during FY 2020-21 is not applicable.

Annual Report on CSR Activities:

1. **A brief outline of the company's CSR policy:**

   CSR targets inclusive growth of all stakeholders under the categories mentioned in schedule VII of the Companies Act, 2013. CSR policy of the Company is annexed herewith as annexure 1 and also available on the Company's website i.e. www.gescom.karnataka. gov.in and can be accessed thereat.

2. **Composition of the CSR Committee:** as provided above.

3. **Web-link where Composition of CSR Committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company.**

   All details can be accessed at www.gescom.karnataka. gov.in.

4. **The details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social responsibility Policy) Rules, 2014, if applicable (attach the report):**
   Not Applicable

5. **Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any:**

   Not Applicable

6. Average Net profit of the Company as per section 135(5):

The Company has not earned any Average Net Profit before Tax during the immediately preceding three years.

7. (a) Two per cent. Average net profit of the Company as per section 135 (5): Not Applicable
(b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years – Not Applicable
(c) Amount required to be set off for the financial year, if any – NIL
(d) Total CSR Obligation for the Financial Year (7(a) + 7(b) – 7(c)) - NIL.

8. (a) CSR amount spent or unspent for the financial year: Not Applicable
(b) Details of CSR amount spent against ongoing projects for the financial year: Not Applicable
(c) Details of CSR amount spent against other than ongoing projects for the financial year: Not Applicable
(d) Amount spent in Administrative Overheads: Not Applicable
(e) Amount spent on Impact Assessment, if applicable: Not Applicable
(f) Total amount spent for the Financial Year: Not Applicable (8b+8c+8d+8e)
(g) Excess amount for set off, if any - Not Applicable

9. (a) Details of Unspent CSR amount for the preceding three financial year - Not Applicable
(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s) - Not Applicable

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year.
(Asset-Wise details).

(a) Date of creation or acquisition of the capital asset(s) - Not Applicable
(b) Amount of CSR spent for creation or acquisition of capital asset - Nil
(c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc. - Nil

(d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset). Nil

11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5).
Not Applicable

4. Nomination and Remuneration Committee

Board of Directors at their 84th meeting held on 22.07.2021 re-constituted Nomination and Remuneration Committee pursuant to provisions of Section 178 of the Companies Act, 2013. As on the date of this report, the composition of the Committee is as follows:

Sl. No.	Name of the Director	Criteria of Director	Designation
1	Dr. Dilish Sasi IAS.,	Independent Director	Chairman
2	Director (Admn.& HR), KPTCL & Director GESCOM	Non-Executive Director	Member
3	Sri.G V Venkatachalam	Independent Director	Member

No meetings of the Committee were held.

- **Statutory Disclosures:**

None of the Directors of the Company are disqualified as per provisions of Section 164(2) of the Companies Act, 2013. Your Directors have made necessary disclosures, as required under various provisions of the Companies Act, 2013.

- **Declaration by Independent Directors:**

The Company has received declarations from all the Independent directors of the Company confirming that they meet with the criteria of independence as prescribed under section 149 (6) & (7) of the Companies Act, 2013. The Independent Directors of the Company have registered themselves with the Indian Institute of Corporate Affairs for the inclusion of their names in the data bank of Independent directors within the due date.

- **Vigil Mechanism:**

The Board at its 78th Meeting held on 07.05.2020 approved the Vigil Mechanism policy as per the provisions of the Companies Act, 2013. Accordingly, the Vigil Mechanism Policy was implemented vide

Notification No.GESCOM/CS/ACS/AO/ASST/2020-21–8850-61 dated 15.06.2020. During the year 2020-21, no Complaints were received.

➢ SHARE CAPITAL:

The paid up Equity Share Capital as at March 31, 2021 stood at Rs.150979.61 lakhs. The company has not issued shares with differential voting rights nor has granted any stock options or sweat equity. As on March 31, 2021, none of the Directors of the company held instruments convertible into equity shares of the Company.

➢ DIRECTOR'S RESPONSIBILITY STATEMENT

In terms of Section 134 (5) of the Companies Act, 2013, the directors would like to state that:

i) In the preparation of the annual accounts, the applicable accounting standards (IndAS) have been followed along with proper explanation relating to material departures.

ii) The directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.

iii) The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

iv) The directors have prepared the annual accounts on a going concern basis.

v) The directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

➢ RELATED PARTY TRANSACTIONS:

All contracts / arrangements / transactions entered by the Company during the financial year with related parties were in its ordinary course of business and on arms' length basis and do not have potential conflict with interest of the Company at large.

In accordance with Notification issued by Ministry of Corporate Affairs vide GSR.463 (E) dated 5th June 2015, transactions entered between the related parties does not fall under the purview of proviso to Section 188 (1) of the Companies Act, 2013.

The contracts / arrangements / transactions with related party which are required to be reported in Form No. AOC-2 in terms of Section 134(3) (h) read with Section 188 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014 is annexed herewith as Annexure 2 to this report.

a. Related Party Transactions pertaining to KPTCL, PCKL, KPCL and other ESCOMs is disclosed as under

Amounts in lakhs

Sl. No.	Nature of transactions	Party Name	2020-21 Rs.	2019-20 Rs.
1	Transmission of Energy	KPTCL	(47,531.51)	(42,642.95)
2	Towards Energy Balancing	BESCOM	(9,293.90)	10,399.50
3	Towards Energy Balancing	HESCOM	2,519.88	(2,724.22)
4	Towards Energy Balancing	MESCOM	341.40	11,154.43
5	Towards Energy Balancing	CESCOM	5,757.00	4,060.40
6	Purchase of Power	PCKL	(3,396.63)	(99.26)
7	Purchase of Power	KPCL	(55,657.19)	(72,286.64)

Note: (+) indicates income and (-) indicates expenditure.

b. Related Party outstanding balances pertaining to KPTCL, PCKL, KPCL and other ESCOMs is disclosed as under

Amounts in lakhs

Sl. No.	Nature of transactions	Party Name	As at March 31 2021	As at March 31 2020
1	Transmission of Energy	KPTCL	(587.93)	(6,163.85)
2	Receivable/Payable towards Energy Balancing	BESCOM	(18,769.95)	(9,476.05)
3	Receivable/Payable towards Energy Balancing	HESCOM	375.08	(2,144.80)
4	Receivable/Payable towards Energy Balancing	MESCOM	25,729.85	25,388.45
5	Receivable/Payable towards Energy Balancing	CESCOM	11,600.71	5,843.71
6	Purchase of Power	PCKL	114.07	4.04
7	Purchase of Power	KPCL	(140,105.55)	(160,456.42)

Note: (+) indicates income and (-) indicates expenditure.

- **PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS**

The company has not given any loans or guarantees covered under the provisions of section 186 of the Companies Act, 2013. Details of investments made by the company are given in the notes to the financial statements.

➢ TRANSFER TO RESERVES

No amount is proposed to be transferred to the General Reserve for the year under review.

➢ DIVIDEND

No amount is recommended towards the dividend.

➢ SUBSIDIARY COMPANIES

The Company does not have any subsidiary.

➢ FIXED DEPOSITS

The Company has not accepted any deposits during the year within the meaning of Section 73 of the Companies Act, 2013 and the rules made thereunder.

➢ AUDITORS & AUDIT REPORTS

a. Statutory Auditors & Audit Report

In accordance with extant provisions of the Companies Act, 2013, C&AG has appointed M/s P.G Bhagwat, Chartered Accountants, Dharwad as the Statutory Auditors of GESCOM for the year 2020-21. The said auditors have completed their audit and have submitted their report as required under the Act. Responses to the qualifications made by the Statutory Auditors are enclosed as Annexure 3.

b. Secretarial Auditors & Secretarial Audit Report

Pursuant to provisions of section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended, the company has appointed M/s. P Venkatesh & Associates, a firm of practicing Company Secretaries as Secretarial Auditors to undertake the Secretarial Audit of the Company for FY 2020-21 & 2021-22. The Secretarial Audit report is annexed herewith as Annexure 4. Responses to the qualifications made by the said Auditors are annexed herewith as Annexure 5.

c. Cost Auditors & Cost Audit Report

Section 148 of the Companies Act 2013 read with Rules made thereunder mandates every Company belonging to category prescribed in the Rules to undertake a Cost Audit. In compliance with said provision, Company had appointed M/s S.K. Tikare & Co., Cost Accountants, Belagavi to audit the cost records for FY 2020-21. The Cost Auditor has submitted the Cost Audit report for FY 2020-21 and the same is annexed as Annexure 6 herewith.`

There are no qualifications, reservations or adverse remarks made by the Cost Auditors in their report for the financial year ended March 31, 2021.

Board of Directors of the Company have appointed M/s Shivan & Co., Cost Accountants, Bengaluru as Cost Auditors of the Company for FY 2021-22 at a remuneration of Rs.25,000/- all inclusive, subject to ratification by the members at the ensuing Annual General Meeting of the Company. Board recommends the ratification of the appointment said remuneration payable to the Cost Auditor in accordance with Section 148 of the Companies Act, 2013 and the Rules made thereunder.

➢ ANNUAL RETURN

A copy of the Annual Return of the Company containing the particulars prescribed u/s 92 of the Companies Act, 2013, in Form MGT-7, as of the end of the financial year i.e. 31st March, 2021 is available on the website of the Company and the same can be accessed at our website www.gescom.karnataka.gov.in.

➢ DETAILS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

I. Conservation of Energy

1. The Steps taken or impact on energy conservation

a. Energy Efficient LED Bulbs, LED Tube lights and Five star rated ceiling fans sold under UJALA scheme by EESL in the GESCOM jurisdiction for the FY 2020-21 as follows

Sl no.	Energy Efficient Equipment	Total quantity sold
1	9 Watts LED Bulb	31,606
2	20 Watts LED Bulb	0
3	50 Watts 5- star rated ceiling fan	58

b. While servicing new agricultural pump sets installations, 2469 number of Energy Efficient (4 or 5 star rated) agricultural pump sets have been installed.

c. Energy Efficient, Star rated distribution transformers are added in the GESCOM for the FY 2020-21.

Sl no.	Capacity of Distribution Transformer	Numbers
1	25 KVA (Star rated)	4406
2	63 KVA (Star rated)	738
3	100 KVA (Star rated)	259
4	250 KVA (Star rated)	14
5	500 KVA (Star rated)	1
	Total	**5418**

d. Energy Efficient equipments (5-star rated fans and 20 Watts LED tube lights) are installed is mandatory for replacement of failed /faulty equipment's in GESCOM buildings during FY 2020-21.

e. Twelve thousand LED Street lights have been installed in the GESCOM jurisdiction by concerned City municipal corporations, City municipal council, Town municipal council and Village Panchyaths.

f. Energy conservation awareness has been created among the consumers by
   i. Distributing Pamphlets to all consumers along with electricity bills.
   ii. Playing jingles in radios on May-2020 month in KAL radio (93.5 Red FM).
   iii. Newspaper Advertisements issued in Kannada Rajyotsava Special Issue of Fashion People (English Daily) on 1st Nov-2020.
   iv. Newspaper Advertisements issued in Deepawali special editions of udayavani, prajavaani, vijayavaani, kannada prabha, vijaya Karnataka, karmavvera, udaya kala magazines in the month of Nov-2020.
   v. Newspaper Advertisements issued in Samyukth Karnataka, The hindu and deccan herald regarding energy conservation and safety awareness on 22nd Nov-2020.

vi. Playing jingles on energy conservation and electrical safety and solar roof top in KAL Radio (93.5 Red FM from 20th Oct-2020 to 19th November-2020.

vii. Playing jingles on energy conservation and electrical safety and solar roof top all India radio (AIR) IN THE MONTH Dec-2020.

2. Steps taken by the company for utilizing alternate sources of energy.

i. Under GESCOM jurisdiction 13 number of Agricultural solar pump Sets have been installed by KREDL under PM-KUSUM Scheme for FY 2020-21.

ii. Under GESCOM jurisdiction 20 numbers of Grid connected Solar roof top installations were commissioned of capacity 849.88 kWp for the FY 2020-21.

iii. Rebate for the solar water Heater installed GESCOM consumers on electricity bill.

II. Technology Absorption

1) The efforts made towards technology absorption:

a. Distribution Transformer Life Cycle Management Software (DTLMS):

To computerize transformers' life, status and location have been made operational and put to active use without to rule out any undetected vulnerabilities / short comings.

The transformer available at stores including new and repaired good and the transformers available at repairs centers are coded and are computerized so that all the transformers can be located.

The code of transformer is mentioned in the estimate as well as in the Indents and invoice and are computerized.

2) The benefits derived like product improvement, cost reduction, product development of import substitution:

a. DTLMS: This Software will be able to tackle the basic problems in transformer management. Creating a database of all these codes, development of common web-based software to maintain details of transformers and their life cycles. It is easy to access and maintain the work of transformer.

As on date 108464 numbers of DTCs are surveyed and updated in the software. Dash board is created in the website so that updation in monitored. Any DTC can be treated with the help of code. The provision is made in the online estimate for entering the code of transformers.

b. **Public Grievance Redressed System (PGRS):**

The multipoint Public Grievance Redressed System of Gulbarga Electricity Supply Company Limited (GESCOM) has been developed in order to provide an effective grievance redressed mechanism for the consumers of GESCOM. The system has been so designed that it would cater to the redressed of grievances related to electricity and its un- interrupted supply in the GESCOM.

The consumer can address their complaints through helpline-mobile/landline, SMS, Website, Facebook, Email Complaints & offline mode.

c. **The benefits derived like product improvement, cost reduction, product development of import substitution.**

(PGRS): The web based PGRS system can be accessed from anywhere through internet to log complaint, any consumer can log his/her complaints directly by PGRS website to central database without username & password with basic internet connection by own computer or mobile hand held devices and Consumer query will be received with a docket number as a feedback.

The dashboard is created where in the operation of PGRS can be monitored.

3) In case imported technology (imported during the last 5 years reckoned from the beginning of the financial year) – Nil

4) Expenditure incurred on Research and Development - Nil

III. **Foreign Exchange Earnings and Outgo** - Nil

➢ RISK MANAGEMENT

GESCOM, a GoK owned organization functions under the ambit of various statutory Acts and Regulations. As per Electricity Act 2003, Tariff filing for each year is carried by the Company for Annual

Performance Review (APR) and Revision in Annual Revenue Requirement (ARR) with KERC (Regulator) and hence is subject to regulatory risk. Each of its activity attributable to Credit risk, Liquidity risk and Market risk undergoes consistent monitoring by Regulator (KERC) annually.

The Company's principal financial liabilities comprise borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations to support its operations. The Company's principal financial assets include trade and other receivables, rental and bank deposits and cash and cash equivalents that are derived directly from operations.

The Company is exposed to market risk/credit and liquidity risks. The Company's senior management observe the management of these risks. The Board reviews their activities. No significant derivative activities have been undertaken so far.

There is a steady growth in number of consumers and demand for electricity from existing and new consumers. Hence, no demand risk is anticipated.

The company's senior management oversees the risk management policies and systems regularly.

The company has exposure to the following risks from its use of financial instruments:

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans, borrowings and deposits. The Company is mainly exposed to interest rate risk since it has availed borrowings at fixed and floating interest rates.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the company reputation, typically the company ensures that it has sufficient cash on demand to meet expected operational expenses, servicing of financial obligations.

The Company manages liquidity risk by maintaining sufficient cash and cash equivalents including bank deposits and availability of funding through an adequate amount of committed credit facilities to meet the obligations when due. In addition to this, liquidity management also involves projecting cash flows at the beginning of each year considering the level of liquid assets necessary to meet obligations by matching the maturity profiles of financial assets and liabilities.

- **PARTICULARS OF EMPLOYEES**

In accordance with Notification issued by Ministry of Corporate Affairs vide GSR.463 (E) dated 5th June 2015; Section 197 of the Companies Act, 2013 and Rules made thereunder is not applicable. As such, particulars of employees have not been included in this report.

- **COMPLIANCE WITH SECRETARIAL STANDARDS**

The Company is in compliance with applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

- **MATERIAL CHANGES AND COMMITMENTS**

There were no material changes and commitments that occurred subsequent to the end of the financial year till the date of this report, which affects the financial position of the Company.

- **INDUSTRIAL RELATIONS**

During the year under review, your Company experienced cordial relationship with workers and employees at all levels, throughout the year.

- **SIGNIFICANT AND MATERIAL ORDERS**

There are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations for a foreseeable future.

- **DISCLOSURE UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT 2013**
  The Company has in place a Policy for prevention, prohibition and punishment of Sexual Harassment of Women at work place in line with requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013. Internal Complaints Committee has been set up to redress complaints received regarding sexual harassment. All employees are covered under this policy. During the year under review, there were no cases filed pursuant The Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013.

F. ACKNOWLEDGEMENT:

The Board would like to place on record its appreciation of:

- The Government of India and the Government of Karnataka, Comptroller &Auditor General of India and other Agencies/ Regulatory bodies such as Central Electricity Authority, Central Electricity Regulatory Commission, Karnataka Electricity Regulatory Commission for their assistance, guidance and co-operation.
- Financial institutions such as Rural Electrification Corporation, Power Finance Corporation and Commercial Banks for their financial support.
- The media for publicity and creating awareness among public.
- The Statutory Auditors, Cost Auditors & Secretarial Auditors for their guidance and support.
- Employees' Unions and Associations for their co-operation and collective participation.

For and on behalf of GESCOM

Director
GESCOM

Managing Director
GESCOM

Directors List as on 31-03-2021

SL. No	Name	Designation	Pan No.	DoB	Qualification
1	Dr.N Manjula, IAS	Chairperson	AKOPM5393C	21-08-1975	IAS
2	Sri. Pandve Rahul Tukaram, IAS	Managing Director	AMBPP5927A	25-12-1985	IAS
3	Sri. R Jayakumar	Director (Technical)	ACPPJ4681H	17-02-1967	BE, MBA
4	Dr.Raja P, IAS	Independent Director	BMRPR2422P	18-01-1983	IAS
5	Sri. Nitish K, IAS	Director	AWQPN3439E	07-06-1989	IAS
6	Sri. Gangadharaswamy GM, IAS	Director	AIHPG1563F	20-07-1973	IAS
7	Smt. G Sheela	Director	ALCPS2052D	15-02-1965	BE, MBA
8	Sri.G V Venkatachalam	Independent Director	ABQPV6431R	09-03-1966	BE
9	Sri.Shivaprakash T M	Director	AIUPP7897E	10-07-1966	BE
10	Sri.T.R.Ramakrishnaiah	Director	AACYPR5064K	01-06-1962	Graduate
11	Sri. Devendrappa Ullagaddi	Non-Official Director	ACRPU2084P	05-07-1987	Graduate
12	Sri. Babarao Shankarrao Biradar	Non-Official Director	AJBPB6656R	12.07.1955	Graduate
13	Sri. Veeranna Sidramappa Mangane	Non-Official Director	DAHPM2303C	15.08.1947	Matriculation
14	Sri.Abdul B Wajid	Chief Financial Officer	AAIPW2739A	10.04.1963	M.Com & MBA
15	Sri.Kiran Policepatil	Company Secretary	CGZPP9724P	02-09-1989	CS
16	Sri. Shankar Pagad	Statutory Auditor	AEQPP4607Q	01-06-1971	CA
17	M/s.P.G.Bhagwat , LLP	-	AAAFB0762E	01-01-1994	-
18	GESCOM	-	AABCG8895R	30.04.2002 (DoI)	-

GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

CIN : U04010KA2002SGC030436

CORPORATE SOCIAL RESPONSIBILTY POLICY:

Table of Contents:

1. BACKGROUND:

Corporate Social Responsibility is a company's sense of responsibility towards the community and environment in which it operates. It is the continuing commitment by business to behave ethically and contribute to economic development of the society at large and building capacity for sustainable livelihoods. The Corporation believes in conducting its business responsibly, fairly and in a most transparent manner. It continually seeks ways to bring about an overall positive impact on the society and environment where it operates and as a part of its social objectives.

Gulbarga Electricity Supply Company Limited as a State Distribution Utility is vested with the functions of distribution of power in the State of Karnataka through its Stations & distribution Lines. GESCOM in its endeavor to serve general public has set its mission to ensure reliable quality power at competitive prices through:

1. Encouraging best practices in distribution;
2. Ensuring high order maintenance of all its technical facilities; and
3. Emphasizing the best standards in customer service.

2. OBJECTIVE:

This Policy lays down guidelines to make CSR a key business process. The Policy aims at enhancing welfare measures of the society based on social and environmental consequences of the Corporation's activities in India. This Policy specifies the projects and programmes that can be undertaken in terms of the Schedule VII to the Companies Act, 2013. Policy brings out the plans and projects proposed to be undertaken during the implementation years, specifies the modalities of execution in the areas/ sectors chosen and the implementation schedule. The scope of the Policy has been kept as wide as possible, so as to allow the Corporation to respond to different situations and challenges appropriately and flexibly, subject to the activities enumerated in Schedule VII of the Companies Act, 2013. However, no contribution will be made for any activities undertaken outside India.

3. TERMS OF REFERENCE TO CSR COMMITTEE:

The following Terms of Reference have been prescribed to CSR Committee:

a) To formulate and recommend a CSR policy to the Board;
b) To recommend amount of expenditure to be incurred on CSR activities;
c) To monitor the CSR policy of the company from time to time; and
d) To institute a transparent Monitoring Mechanism for implementation of the CSR projects/programs or activities undertaken by the Company.

CSR Committee will play the following role in fulfilling the Corporation's CSR objectives:

- Formulation and review of CSR Policy indicating the activities to be undertaken by the Corporation towards CSR initiatives;
- Recommendation of the amount of expenditure to be incurred on the CSR activities; and
- Formulation of a transparent monitoring mechanism for ensuring implementation of the projects/ programmes/ activities proposed to be undertaken by the Corporation or the end use of the amount spent by it towards CSR activities.
- Monitor and implement this Policy from time to time
- Annually report to the Board, the status of the CSR activities and contributions made by the Corporation
- Any other requirements mandated under the Act and Rules issued thereto.

4. CSR ACTIVITIES / PROJECTS:

Amended Schedule VII of Companies Act, 2013 provides for the following which may be included by Companies as their Corporate Social Responsibility Policy Activities:

i) Eradicating Hunger, Poverty and Malnutrition, Promoting Health Care including Preventive Health Care and Sanitation including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of Sanitation and making available safe Drinking Water.

ii) Promoting Education including Special Education And Employment Enhancing Vocation Skills especially among Children, Women, Elderly And Differently Abled and Livelihood Enhancement Projects.

iii) Promoting Gender Equality, Empowering Women, Setting up Homes and Hostels for Women and Orphans; Setting up Old Age Homes, Day Care Centres and such other Facilities for Senior Citizens and Measures for reducing Inequalities faced by Socially and Economically Backward Groups.

iv) Ensuring Environmental Sustainability, Ecological Balance, Protection of Flora & Fauna, Animal Welfare, Agroforestry, Conservation of Natural Resources and Maintaining Quality of Soil, Air & Water including contribution The Clean Ganga Fund set-up by Central Government for rejuvenation of River Ganga.

v) Protection of National Heritage, Art And Culture Including Restoration Of Buildings and Sites of Historical Importance and Works of Art; Setting up Public Libraries; Promotion and Development of Traditional Art and Handicrafts;

vi) Measures for the Benefit of Armed Forces Veterans, War Widows and their Dependents;

vii) Training to promote Rural Sports, Nationally Recognised Sports, Paralympic Sports & Olympic Sports

viii) Contribution to the Prime Minister's National Relief Fund or any other Fund set up by the Central Govt. for Socio Economic Development and Relief and Welfare of The Schedule Caste, Tribes, Other Backward Classes, Minorities and Women;

ix) Contributions or Funds Provided to Technology Incubators located within Academic Institutions which are Approved by Central Govt.

x) Rural Development Projects
xi) Slum Area Development.

Explanation.- For the purposes of this item, the term `Slum Area' shall mean any Area declared as such by the Central Government or any State Government or any other Competent Authority under any Law for the time being in force.

Schedule VII is the guiding Document towards the areas for consideration of expenditure under CSR obligation which would be revised by MoCA. Hence Schedule VII as amended by MoCA, GoI from time to time shall be replaced in the CSR Policy.

5. CSR AMOUNT:

The Corporation shall ensure that it spends, in every financial year, at least 2% of its average net profits (before Tax) made during the 3 immediately preceding financial years, in pursuance of its corporate social responsibility and subject to Section 135 of the Companies Act, 2013 and the Rules made thereunder.

For the purpose of this Policy, the first CSR spending financial year would be 2014-15 and the net profit shall mean average of the annual net profits of the financial years 2011-12, 2012-13 and 2013-14.

Net profits mentioned herein above means, net profit before tax as per the books of accounts of the Corporation and shall not include profits arising from branches outside India.

6. SPENDING OF CSR AMOUNT:

The CSR Committee will decide on the following with regard to spending of CSR amount:

- Percentage of total amount to be used for funding various development organizations and grass-root level organisations; and

- Tranches of disbursement.

- Any surplus arising from CSR projects or programs or activities will not form part of the business profits of the Corporation

- Any income arising from the contribution received and surplus arising out of the CSR activities will be used for CSR only.

- The Committee shall recommend to contribute funds for building the CSR capacities of personnel for the Corporation, through which it may undertake its CSR activities.

7. GOVERNANCE:

1. Every year, the CSR Committee will place for the Board's approval, a CSR Plan delineating the CSR Programmes to be carried out during the financial year and the specified budgets thereof. The Board will consider and approve the CSR Plan with any modification that may be deemed necessary.
2. The CSR Committee shall review the implementation of the CSR Programmes and issue necessary directions from time to time to ensure orderly and efficient execution of the CSR Programmes in accordance with this Policy.
3. Once every six months the CSR Committee will provide a status update on the progress of implementation of the approved CSR Programmes carried out during the six month period. It shall be the responsibility of the CSR Committee to review such reports and keep the Board apprised of the status of implementation of the same.
4. At the end of every financial year, the CSR Committee will submit its report to the Board.

8. DISSEMINATION OF INFORMATION

The CSR Committee shall report to the Board of the Corporation, at least on an annual basis, the status of the CSR projects/ activities undertaken by the Corporation along with the report on the impact created by such projects/ activities.

The Corporation shall also upload this Policy on its website www.kptcl.com/ePrasarana. Further, a detailed status report on the CSR activities carried out by the Corporation would be disclosed every year as part of the Directors' Report in the Annual Report. The said information would also be uploaded on the website of the Corporation.

The CSR Committee will also make a Responsibility Statement in the Annual Report stating that the CSR Policy implementation and monitoring thereof is, in letter and spirit, in compliance with its CSR objectives.

FORM NO. AOC.2

(Pursuant to clause (h) of sub-section (3)of section 134 of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto:

1. **Details of contracts or arrangements or transactions not at arm's length basis -** Not Applicable.
2. Details of material contracts or arrangement or transactions at arm's length basis
   - **a. Name(s) of the related party and nature of relationship:**
     Karnataka Power Transmission Corporation Ltd (KPTCL), Bangalore Electricity Supply Company Ltd (BESCOM), Hubli Electricity Supply Company Ltd (HESCOM), Mangalore Electricity Supply Company Ltd (MESCOM), Chamundeshwari Electricity Supply Company Ltd (CESC), Power Company of Karnataka Ltd (PCKL), Karnataka Power Corporation Ltd (KPCL), Related party of the Company under Ind AS 24 and Section 2(76) (viii) (c) read with Section 188 of the Companies Act, 2013.
   - b. **Nature of contracts/arrangements/transactions:**
     Agreements for Power Purchase Transactions.
   - c. **Duration of the contracts/arrangements/transactions**:
     Long Term.
   - **d. Salient terms of the contracts or arrangements or transactions including the value, if any:**
     Agreements with related party are generally for supply of power, providing transmission lines etc.
     The nature of transaction are like payment of transmission charges, settlement of energy balancing dues, shared expenses etc which arise in regular course of business and the value of transaction is based on actual quantum of transactions.
   - e. **Date(s) of approval by the Board, if any:**
     These contracts with related parties are generally approved by Board of Directors as a regular course of business as mandated by the GoK or by the competent authorities like KERC, KREDL etc.
   - **f. Amount paid as advances, if any:**
     Nil

For and on behalf of the Board of Directors

Director
GESCOM

Managing Director
GESCOM

Annexure -1

Draft audit observations / qualifications in respect of the Statutory Audit for the year ending 31-03-2021

	Audit Qualification	Managements Reply
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	The Government has not been releasing any other subsidy other than Tariff Subsidy from past several years. In view of this, the Significant Accounting Policy relating to Tariff Subsidy will be re-examined and modified to Accrual System. This will be examined at the field levels and suitable modifications to Accounting policy will be proposed. In the present practice at field levels, there is a lack of information in respect of utilization of the Grants and one -to-one matching of the works and Grants released in the existing system of works/funds releases, it would be practically difficult to modify from receipt-based accounting to accrual system in respect of Grants, Consumer contribution. Existing DWA's clause allow us to recover the penalties/liquidated damages out of balance payments and hence Accrual system will be difficult to be implement without modification to the DWA clause of liquidated damages / Penalties and damages recovery from contractors.
2(a)	**Books of accounts & Records** 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 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	Some of the Accounting Procedures such as Inventory accounting through Standard rates, Material Cost Variance Accounting, provisioning of Consumer dues, Depreciation rates/method, Accounting of Released assets movements (on WDV rates) are based on the Provisions of ESAAR 1985 and also the accounting treatment for the released Assets, Depreciation rates and accounting have a bearing on the Consumer Tariff determination. In view of this, the disclosure is made in the Significant Accounting Policy.
2(b)	At present, only the operations relating to billing and collection from consumers have been computerized by way of Total Revenue Management (TRM) software. In respect of other processes, transactions / records are maintained partly	Development of ERP for entire GESCOM transactions including, stores, cash, works, estimation, employee salary, subsidiary records is under progress.

	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 decentralization of accounting process at various locations, we are of the opinion that there is a need for integrated accounting software for transaction processing	Subsequent to successful implementation of various modules of the ERP, the transactions processes can be controlled/monitored centrally.
2©	Further, the TRM software's 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	Instructions have been issued to all the accounting units for discontinuing Manual System of billing and to migrate all the ledger accounts to TRM system. Subsequently, the reconciliation of the consumer Balances and deposits is proposed to be taken up and necessary measures to rectify the differences will be implemented.
2(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	The formats for subsidiary ledger are carried forward from erstwhile parent company. As the ERP is under development, necessary changes can be included and implemented in the ERP which is under development as Changes requirement and will be available before final adoption.
2(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	Some of the modules of the ERP are under development.
2(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.	Proper methodology will be adopted in FY22
3(a)	**IND AS 2 – Inventories** 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	Discontinuing of Standard Rates for valuation of inventory, CWIP, Fixed Assets etc requires implementation of dynamic pricing system. Considering that a Large number of items held under inventory/stores being handled at any given point of time by GESCOMs and dynamic pricing system if implemented will lead to

	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	1. difficulty in considering the rates for preparation of estimates and to determine the amount put to tender. 2. If standard rates are used for only for the purpose of estimation and execution of works (CWIP), Asset, inventories etc are valued as per Indian Accounting Standard (lower of cost and Net Realisable Value), will result in difference in the Estimates, Budget approved and actual invoicing / payments to the Contractors and requires to be approved by the competent authorities in each case depending on the variation % and amount. Procedure to overcome these above needs to be examined. For the purpose of implementation, it will require to be done through specific software which allows for centralized control for all updation of value of the materials as per IND-AS requirements at every instance and common across all the stores, accounting units. Implementation of dynamic pricing in the present manual system by maintaining common practice across all the stores and accounting units will be practically difficult to achieve. Development and implementation of ERP will be essential to change the accounting methodology for inventory
3(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 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)	A committee of technical officers and Internal audit wing will be constituted at each store location to analyze the Store counting reports and recommend a consolidated remedial action in respect of all the store counting reports and MIS.

3©	Inventory includes, materials lying with employees (material imprest account) amounting to Rs. 584.59 lakhs (PY Rs.340.91lakhs). The Company needs to ascertain the age wise analysis of these material pending for regularization.	Annexure 20C was introduced in MF21 Annexures, Units have adopted and included details of all the materials drawn by employees (e.g., Bidar, Gulbarga 1, Gangavathi, Humnabad, Raichur urban and Sindhanur)
3(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.	Annexure 19-1 was introduced in MF21 annexures, Units have adopted and shown inventory bifurcation between capital, self-execution and Repair works.
3 (e)	Inventories include Rs.61.38 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	Assets/lines constructed for temporary installations are only for few days to few months. Subsequently these are released and returned to stores. As indicated under 3C above, this information will be mandated to be provided along with MF accounts of units and made available to audit from FY 22 and onwards.
4(a)	**Cash and Cash Equivalents** 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.”	This matter will be examined and a procedure devised to recognize / correlate to the respective ledgers.
4(b)	The method of accounting / reporting and the process of reconciliation of non-operative bank accounts for the account code 24.3 (Cash Balance) needs to be revisited, as the Bank Reconciliation Statement (BRS) does not	The new BRS format has been devised providing the details of unrealized cheques, unremitted revenue, online Collections through PayTM and

	give the cumulative value of unrealized cheques as at the date of reconciliation.	Billdesk, etc., The same will be adopted and will be effected from this financial year. (Format copy enclosed)
4©	The company has arrangements with various 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.	A detailed guideline illustrating the procedure/logic for reconciliation of both online service provides remittances with transactions, is being issued to all the accounting unit and reconciliation of the all online transactions will be completed. Annexure 12 was included in MF21 Annexures, some units have adopted the procedure correctly and reconciled online balances periodically. Some units have started the Reconciliation process from FY22. The online payment reconciliation has been done on periodic basis (Monthly) from FY22
4(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	The cheques amounting to Rs.522.78 lakhs was unremitted on 31.03.2021 which was held under cash on hand, the same was remitted/deposited to respective bank accounts on 3rd April 2021 and same was realized latest by next day, Accounting treatment was done for realized and dishonored cheques.
5(a)	**Ind AS 16 on Property, Plant and Equipment** 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.	The age wise analysis of the work orders will be extracted from all units through introduction of new annexure in Final Accounts from FY22.
5(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.	At Present Estimate preparation are guided by the Common Schedule of Rates followed by all ESCOMs. This can be implemented with necessary modifications in the Cost Data Sheets and amendment to the Estimate Preparation guidelines so as to include the Cost of Dismantling as part of Estimate. However, the possibility of duplication of the preparation of the Estimates again at the time actual dismantling need to be addressed as there will a requirement of labour cost and financial implication at the time of dismantling.

5©	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 specific 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.	For the purpose of the Inventory Control and Material Management, the released assets have to be returned to stores. As the asset has served some part of the life and has been released from active use, the original cost is reduced proportionate to the eligible depreciation. Upon release, if it is repairable only then it is carried on the WDV else, it is proposed to be scrapped and accounted and carried on at scrap value. If the assets are found repairable, it is got repaired and repair charges are treated as revenue expense and the Asset is utilized for the balance life of the asset. Presently, Depreciation is claimed for the assets in use as the released assets are returned to stores and accounted as part of inventory until such time these are issued back to Capital Works and put to use. One-to-one co-relation is not possible in case of the Distribution Transformers (These are Block assets as per existing guidelines) and hence, tracking and tagging of individual WDV with each transformer is practically difficult. Hence, the weighted average rate for issue of used transformers is the prescribed method.
5(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.	All accounting units will be educated to comply with the guidelines on Capitalization of Assets as laid down in the Significant Accounting Policy of the Company. Also Instructions will be issued to make necessary corrections / adjustments in the depreciation calculation and date of commission in respect of Assets already capitalized.
5(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,	SCADA works have been carried out across all the O&M Divisions of GESCOM and Material has been received at various sites. Also, the issue pertains to 2007-08 to 2011-12.

	2015. Status of the issue, as at the date of financial statements for the year, was available for our review. Hence, we are unable to comment on the impact of the issue on the financial statements for the year	We need some time to compile the a) extent of works carried out and pending b) Information to value of material supplied to GESCOM, c) details of the quantity of material in the possession of GESCOM & Contractor as on date d) to examine the usability/obsolescence of the material delivered. The details will be examined and suitable action initiated during FY 22.
5(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 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	The Enquiry in respect of these works is in progress and the outcome or the financial implications can be incorporated based on the outcome and final orders of the enquiry.
5(g)	There is need to establish proper accounting control mechanism with respect to self-execution works (consumer contributed assets) till it is capitalized. In absence of this, categorization of the all the self-execution works could not be ensured	This issue will be examined and attempted to address through specific guidelines for carrying out consumer contributed assets and capitalization.
5(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	Efforts were made in FY21, but due to lack of time. The same couldn’t be adopted to full extent. Full Compliance will be ensured during FY22.
6	**IND AS 36 – Impairment of Assets**	A team of Technical experts and Internal Audit Officers will be constituted at each Circle level to identify impairment of any assets or inventory at a regular Intervals

	The company has not carried out the process of identifying the impaired assets in accordance with Ind AS 36. In the opinion of management, there are no instances of impairment of assets.	and submit their report for Management. These reports will be made available for audit.
7 (a)	**IND AS 19 on Employee Benefits** 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	Liability of the Company towards pension and Gratuity ceases on full payment of the contribution as per the rates determined and intimated to the Company for FY-22 based on which further contributions will be made.
7(b)	a) 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. b) Further the company has not provided for the lump sum 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	Order relating to applicability of Gratuity payment and family pension to NDCPS employees have been issued by KPTCL on 25/11/2020. However, related financial requirements, contribution rates of ESCOMs towards are yet to be determined by trust considering the existing employer and employee contribution. As per the order issued, the financial treatment will be based on the orders of the Government of Karnataka which are expected as on the date of issue of the Order. KPTCL issued order dated 18th April 2020 about withdrawal of lump sum amount payable to NDCPS employees who have expired post 01.04 2018
8	**IND AS 113 – Fair Value Measurement and IND AS 109 – Financial Instruments**	
8(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.	GESCOM has paid Rs 1 lakh to M/s PCKL towards share application money. Based on the this, the issue will be taken up with PCKL and corrective action and compliance reported to audit in FY22.

8(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	Annex 38C & 38D were introduced in MF21 Annexures. To some extent details about the deposits from contractors/suppliers have been extracted.
9 (a)	**IND AS 116 - Leases** 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. Such arrangements have to be by way of an agreement as the transactions are between two legal entities	Rates of rent in respect of Buildings / land of KPTCL/GESCOM used by GESCOM/KPTCL has been finalized and agreed by the competent authorities of both GESCOM/KPTCL and hence liability could not be crystalised.
9(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.	Matter is pending resolution of dispute
10 (a)	**Indian Accounting Standard (Ind AS) 20- Government Grants** 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 categorization 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.	Consumer contribution and Government Grants are lumpsum in nature and also do not form full cost of a particular asset. Grants released by Government, partially finance the underlying asset and remaining part is again funded by GESCOM. Consumer contribution towards capital asset is not linked to the actual Infrastructure expenditure and also the timing of receipt and actual expenditure can be completely different. For example, Infrastructure is developed by GESCOM in respect of old layout at a given time at a specific cost. The consumers contribute towards this asset based on the rates fixed by the Regulator which is linked to the Sanctioned load and the urban and rural area. Gradually as and when the consumers seek power supply in these layouts the contribution is received by GESCOM but it is only partial expenditure spread over an indefinite future period.

		In view of the above practical difficulty of demarcation of the grants/consumer contribution and also difficulty in one-to-one co-relation of the assets and grants/consumer contribution, the Grants/Consumer contribution are treated as revenue on a proportionate basis.
10(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	Due to the practical difficulty in one-to-one linking of the Consumer contribution/Grants to the Assets Constructed and also to the fact that in most of the case, the assets is partially financed by GESCOM and another part by Consumer/Government grant, the segregation of current and non-current component of the deferred income relating to Consumer Contribution/Grants could not be carried out.
10 (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.	Clarity on the treatment on the interest earned out of FD of this grants will be sought from Government and until such time, the Interest earned will be parked as liabilities.
11	**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.	The obligation to carry out the work is completely on the consumer and GESCOM cannot fix an exact time frame and also the one-to-one tracking of these works is practically difficult. As such the accounting of the recognizes the revenue relating Supervision charges on receipt basis without waiting for the capitalization of asset.
12	The amount shown under the head "Inter Unit Accounts ('IUT')" as at the end of the year amounting to Rs. 103.43 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	The reconciliation of these balances is under progress.

	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 period prior to 31/07/2008, not recoverable from GoK. As at the end of the year, such dues are unprovided to the extent of Rs. 22,538.31 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. 22,538.31 lakhs and the balance of trade receivables would have been lower to that extent.	The proposal for provisioning for outstanding IP Dues has been considered and approved for enhancement to 10% from the existing rate of 4% by the Board, effective from FY 16 and onwards. Accordingly, provision towards outstanding IP set dues is accounted every year.
14	Confirmation of balances / Reconciliation**:** The Company does not have the procedure of obtaining confirmations 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, loans and other receivables from various parties. There is no process of analysis of invoice wise / age wise trade payables. There are several old balances with ESCOMS and KPTCL carried forward from several years & pending for confirmation / settlement. The effect of the adjustment arising from reconciliation and settlement of old dues and possible loss which may arise on account of non-recovery or partial recovery of such dues is not ascertainable.	Reconciliation of the balance is under progress.
15	Other noncurrent liabilities include deposit contribution works amounting to Rs. 9701.16 lakhs as at the yearend (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. 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	Reconciliation of Deposits for Ganga Kaylan Works is completed by GESCOM and Details have been shared with the concerned department for confirmation. The process is expected to be completed soon and will be shared with Audit.

	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** 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	The Impact on EPS is based on the net impact of the of Statutory Audit Qualifications.
17(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.117610.38 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 trade receivables and current liabilities are under stated to that extent of advance from consumers.	The reclassification of Government receivables to Trade receivables will have an impact on the provisioning and levy of interest. The Government in the past has clarified that there is no provision for payment of Interest from the consolidated funds and any dues outstanding in the Sundry Debtors are required to be subjected to Delayed payment charges and hence these dues have been separately classified. ii) Some of the Ledger accounts are maintained in manual set up and also this ledger balance is yet to be reconciled. Instructions have been issued to move over these Consumer ledger accounts to the Software based billing system so as to finalize the reconciliation process. In the present partial computerized/ partial manual system, the advance from consumers' balance could not be extracted. iii) Reconciliation of Deposits as per Consumer ledger account and the financials is in progress.

	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	
17(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 inadequate not documented. In view of this, we are unable to verify and comment on the compliance with the MSMED Act 2006 and disclosure requirements as per Schedule III to the Companies Act 2013	Efforts will be made to put in place a mechanism to maintain documentation so as to identify all transactions and dues outstanding to Micro, Small and Medium Enterprises as required to comply with the provisions of MSMED Act 2006.
17©	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.	Efforts will be made to consolidate the required information for providing this disclosure.
17(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 receipt of money. This in not in compliance with the provisions of Section 42 of Companies Act 2013	Compliance will be reported to the Audit during FY 22 .
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	The Impact on Cash Flow is based on the net impact of compliance to Statutory Audit Qualifications.
19	Loan from Government of Karnataka amounting to Rs.100286.05 lakhs are subject to confirmation	Servicing of these loan accounts is regular as per the terms of loan.
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.	Clarification has been sought from Government in this regard through M/s PCKL. Necessary accounting treatment will be given based on the clarification.

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 for interest liability and the interest expenses for the year do not represent the correct amounts. The impact of the same on the financial statements is not ascertained.	The existing method is based on the Audit Enquiry issued by C&AG in the past financials in this aspect. The same method is continued. Any difference in the provisioning and the actual passing on to consumer is treated as Excess Provision no longer required and written back.
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. 166.75 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	Letter has been addressed to Government claiming the Subsidy dues as per the approved financials. In response the Government has communicated that these dues will be proposed in the State Government Budget and if allowed, will be allocated to GESCOM. As such there is no doubt on the recoverability of the amounts. The Receivables from the Consumers towards On-Bill Financing Scheme for LED bulbs in monthly installments along with the energy Bills is also accounted under this account "Receivable from the Beneficiaries of Solar Lanterns". Order for recovery from the consumers has been issued by GESCOM in Feb 2020. Progress of the recovery will be reported to Audit.
23	The "other noncurrent financial liabilities include BRPII 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.	We have received this transaction while notification of the Opening Balance to be adjusted against the dues of M/s Sandur Manganese & Iron Ore Limited (SMIORE) upon fulfilling of certain conditions. The Corresponding Dues are depicted under Trade Receivables - Sundry Debtors.

Chief Financial Officer
GESCOM

Managing Director
GESCOM

P. Venkatesh & Associates
(Formerly P.K. Pande & Associates)
Company Secretaries

139, 3rd Floor, Shalimar Galaxy,
1st Main Road, Seshadripuram,
Bengaluru - 560 020.
Tel : 080 - 2346 5808
Cell : 95910 18095
E-mail : pande@pkpandeassociates.com

Form No. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2021
[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To:
The Members,
Gulbarga Electricity Supply Company Limited
Registered Office: Gulbarga Main Road, Gulbarga - 585102

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Gulbarga Electricity Supply Company Limited** (hereinafter called the 'Company"). Secretarial Audit was conducted in the manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on 31st March, 2021 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minutes' books, forms and returns filed and other records made available to me and maintained by the Company for the Financial Year ended 31st March, 2021 according to the applicable provisions of:

1. The Companies Act, 2013 (the Act) and the rules made there-under;

2. This being a unlisted public Government Company, wholly owned by the Government of Karnataka, the following Acts will not apply to it:

   (i) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there-under;
   (ii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there-under;

3. For the reasons stated to in point No.2, the following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') will not apply to this Company:

P. VENKATESH & ASSOCIATES ★ C.P. No. 22617 ★ COMPANY SECRETARIES

P.C.

(a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
(b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
(c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
(d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
(e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
(f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
(g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
(h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;

4. The Company has not done any foreign exchange related transactions during the period under review and, therefore, there is nothing to report under the Foreign Exchange Management Act, 1999 and the rules and regulations made there under.

5. The Specific Act applicable to the Company is Karnataka Electricity Act and the rules made there-under. The Company has complied with the provisions of the Act and rules.

6. Apart from the aforementioned Acts & Rules, the provisions of the Act mentioned in Annexure-II are also applicable to this Company and the Co has complied with the provisions of these Acts & rules made there-under. **Annexure-II** is attached to this report.

I have also examined compliance with the applicable clauses of the Secretarial Standards issued by The Institute of Company Secretaries of India.

I further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

P. VENKATESH & ASSOCIATES
C.P. No. 22617
COMPANY SECRETARIES

P.C.

Having gone through the proceedings of the Board and Committee meetings, I observe that all the decisions at these meetings were carried through unanimously and there were no dissenting views emanated from the members of the Board and Committee.

I further report that as per the explanations given to me and the representations made by the management, there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines subject to my observations made in points No.3 and 6 above.

Observations / qualifications:

1. **Most of the Share Transfers entries pertaining to the earlier period were not entered in the Share Transfer Register.**

2. **The endorsement on the back side of the share certificates for having effected transfer has not been done according to the information obtained during the audit.**

3. **The gap between 77th BM (29.11.2019) and 78th BM (07.05.2020) is 159 days. Hence, the Company has violated the Provisions of Section 173 of CA, 2013.**

For P. Venkatesh & Associates
(Formerly P K Pande & Associates)

P. VENKATESH & ASSOCIATES
C.P. No. 22617
COMPANY SECRETARIES

P.C.
Venkatesh P.C.
M.No.48210, C.P.No.22617

Place: Bangalore
Date: 12.11.2021
UDIN: A048210C001415422

ANNEXURE -I

To

The Members,
M/s. Gulbarga Electricity Supply Company Limited
Gulbarga Main Road,
Gulbarga - 585102

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.

2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure the correct facts are reflected in secretarial records. We believe that the process and practices. We followed provide a reasonable basis for our opinion.

3. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company.

4. Whenever required, we have obtained the Management representation about the compliance of laws, rule and regulations and happening of events etc.

5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of the management. Our examination was limited to the verification of procedures on test basis.

6. The Secretarial Audit report is neither as assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

or P. Venkatesh & Associates
(Formerly P K Pande & Associates)

P. VENKATESH & ASSOCIATES
C.P. No. 22617
COMPANY SECRETARIES

P. C.

Venkatesh P.C.
M.No.48210, C.P.No.22617

Place: Bangalore
Date: 12.11.2021
UDIN: A048210C001415422

ANNEXURE-II

LIST OF OTHER APPLICABLE ACTS

1. Electricity Act, 2003 and the Rules made there under and particular the Annual performance review and regulatory mechanism with the Karnataka Electricity Regulatory Commission.
2. Central Electricity Authority (Technical Standards for Construction of Electrical ants and Electric Lines) Regulations, 2010.
3. Central Electricity Authority (Measures relating to safety and Electricity supply) Regulations 2010 (as amended in 2015)
4. Central Electricity Authority (Safety requirements for construction, operations, and maintenance of electrical plants and electrical lines) Regulations 2011
5. Indian Electricity Grid Code Regulations 2010
6. Energy Conservation Act, 2011
7. Forest (Conservation) Act, 1980
8. Indian Contract Act
9. Karnataka Essential Services Maintenance Act in 1994

I have also reviewed the systems and mechanisms established by the Company for ensuring compliances under the other applicable Acts, Laws, Rules, Regulations, Guidelines applicable to the Company and categorized under the following major heads/groups:

1. Air (Prevention and Control of Pollution) Act, 1961
2. Water (Prevention and Control of Pollution) Act, 1974
3. The Water (Prevention and Control of Pollution) Cess Act, 1977
4. Environment (Protection) Act, 1986
5. Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.
6. Consumer Protection Act, 1986
7. Apprentices Act, 1961
8. Factories Act 1948 and Rules
9. Industrial Disputes Act, 1947
10. Maternity Benefit Act (Applicable to Woman Employees who are outside the purview of the ESI Act)
11. Contract Labour (Regulation & Abolition) Act 1970
12. Contract Labour (Regulation and Abolition) Karnataka Rules 1974
13. Payment of Bonus Act, 1965
14. Payment of Wages Act, 1936
15. Workmen's Compensation Act, 1923

P. VENKATESH & ASSOCIATES ★ COMPANY SECRETARIES ★ C.P. No. 22617

P.C.

16. KERC (General & Conduct Of Proceedings) Regulations 2000
17. KERC (Licensing) Regulations 2000
18. KERC (Fee) Regulations 2016
19. KERC (Tariff) Regulations 2000
20. KERC (Recovery of Expenditure for supply of Electricity) Regulations 2004
21. KERC (Electricity Supply) Code 2004
22. Karnataka (Electricity Supply) Code 2004
23. Karnataka Electricity Board employees' service regulations
24. Conditions of supply of Electricity on Distribution Licensees in the State of Karnataka Gazette notification dated 17.06.2006.
25. KERC Notification No KERC/COS/D/07/10 dated 01.07.2016
26. Karnataka Electricity Board Recruitment and Promotion Regulations, employees (Probation) Regulation and Employees (Seniority) Regulations
27. Employee's State Insurance Act, 1948
28. Employee's Provident Funds & Miscellaneous Provisions Act, 1952
29. Employment Exchanges Act, 1959
30. Equal Remuneration Act, 1976
31. Minimum Wages Act, 1947
32. Property Tax

For P. Venkatesh & Associates
(Formerly P K Pande & Associates)

P. VENKATESH & ASSOCIATES ★ COMPANY SECRETARIES ★ C.P. No. 22617

P.C.

Venkatesh P.C.
M.No.48210, C.P.No.22617

Place: Bangalore
Date: 12.11.2021
UDIN: A048210C001415422

RESPONSES TO OBSERVATIONS / QUALIFICATIONS MADE BY SECRETARIAL AUDITOR IN HIS REPORT FOR FY 2020-21

Sl. No.	Qualifications / Observations by Secretarial Auditor	Management Replies
1	**Most of the Share Transfers entries pertaining to the earlier period were not entered in the Share Transfer Register.**	Noted for compliance.
2	**The endorsement on the back side of the share certificates for having effected transfer has not been done according to the information obtained during the audit.**	Noted for compliance.
3	**The gap between 77th BM (29.11.2019) and 78th BM (07.05.2020) is 159 days. Hence the Company has violated the Provisions of Section 173 of CA, 2013.**	

DIRECTOR (TECHNICAL)
GESCOM

MANAGING DIRECTOR
GESCOM

CMA

M No : 9343367678, 8073118985
e-mail : sanjay_tikare@yahoo.co.in

S K TIKARE & CO
COST ACCOUNTANTS

CTS NO. 623/A, 1st FLOOR, OFFICE NO : 2, CONGRESS ROAD, BESIDE PARATHA CORNER
HINDU NAGAR, TILAKWADI, BELGAUM- 590 009.

Ref : Date :

FORM CRA III

COST AUDIT REPORT

We, **S K Tikare & Co, Cost Accountants** having been appointed as Cost Auditors under Section 148(3) of the Companies Act, 2013 (18 of 2013) of **GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED,** having its registered office at Station Road, Gulbarga, Karnataka-585102. (hereinafter referred to as the Company), have audited the Cost Records maintained under section 148 of the Companies Act of 2013, in compliance with the Cost Auditing Standards in respect of the **Electricity Industry – Distribution and retail supply of electricity** for the financial year **2020-21** maintained by the company and report, in addition to our observations and suggestions in Para2.

(i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of this audit.

(ii) In our opinion, proper cost records, as per Companies (Cost Records and Audit) Rules, 2014 have been maintained by the company in respect of service under reference (Confirmed by the company in their letter of representation).

(iii) In our opinion, proper returns/records adequate for the purpose of the Cost Audit have been received from the branches not visited by us.

(iv) In our opinion and to the best of our information, the said books and records give the information required by the Companies Act, 2013, in the manner so required.

(v) In our opinion, the company has adequate system of Internal Audit of Cost Records which is commensurate to the nature and size of its business. (Confirmed by the company in their letter of representation).

(vi) In our opinion, information, statements in the annexure to this cost audit report gives a true and fair view of the cost of service rendering, cost of sales, margin and other information relating to services under reference.

(vii) Circle wise cost statements and schedules thereto in respect of the services under reference of the company duly audited and certified by us are kept in the company.

S. K. TIKARE & CO.
M.No. 020794
F.R. No: 101039
BELGAUM
COST ACCOUNTANTS

CMA

M No : 9343367678, 8073118985
e-mail : sanjay_tikare@yahoo.co.in

S K TIKARE & CO
COST ACCOUNTANTS

CTS NO. 623/A, 1st FLOOR, OFFICE NO : 2, CONGRESS ROAD, BESIDE PARATHA CORNER
HINDU NAGAR, TILAKWADI, BELGAUM- 590 009.

Ref : Date :

Observations: Nil :

Note:

a) We have conducted the audit in accordance with the Guidance Manual for Audit Quality issued by the Quality Review Board of the Institute of Cost Accountants of India. An audit includes examining on a test basis, various Cost Accounting Records, Cost Statements and Annexure to the Cost Audit Report. We believe that our audit provides a reasonable basis for our opinion.

b) The Cost Accounting Records of the company have been maintained in accordance with CRA-1 of the Rules and are also in conformity with generally accepted cost accounting principles and cost accounting standards issued by the Institute of Cost Accountants of India to the extent these are found to be relevant and applicable .

c) In our opinion, the company has a well laid down Budgetary Control System. (Confirmed by the company in their letter of representation).

d) The Annexure to the Cost Audit Report is an integral part of this report.

e) The quantitative information shown in Part C-1 in respect of the service is as certified by the management.

f) Reconciliation of Indirect Taxes for the company as a whole (Part D - 6) is based on the monthly returns submitted by the company to the various authorities and prima facie reviewed by us. We have not carried out detailed audit of the same.

g) The Cost Audit Report and Annexure's have been prepared based on accounts for 2020-21 Audited by Statutory Auditors and C&AG Audits.

h) Previous year's figures have been revised / regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

i) The previous year figures have been recast and regrouped wherever necessary to meet the requirements of the Companies (Cost Records and Audit) Rules,2014.

Date: 29-12-2021
Place: Belgaum
UDIN :

For S. K. Tikare & Co.
Cost Accountants
CMA Sanjay K. Tikare
Proprietor, M.No: 020794
F. R. No: 101039

For S K TIKARE & Co
Cost Accountants
CMA.SANJAY K TIKARE
M No 20794, F R No :101039

P G BHAGWAT LLP
Chartered Accountants
LLPIN: AAT-9949

FF-02, First Floor, "RENUKA RESIDENCY"
1st Cross, Shivanandnagar,Opp.Axis Bank
Behind Gaonkar Tower, Near Toll Naka
Hubballi-Dharwad Road, Dharwad-580001
Tel.: 0836- 2441282, 2951282
Email:ca.pgbhagwat@gmail.com
Web : www.pgbhagwatca.com

INDEPENDENT AUDITOR'S REPORT

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

Revised 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"). This revised report is issued, on account of revision of financial statements by the company in compliance with the supplementary audit observations by the Comptroller & Auditor General of India and the report supersedes our erstwhile report dated 10th November 2021

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

P G BHAGWAT LLP * Chartered Accountants *

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

P G BHAGWAT LLP Chartered Accountants

requirement on obsolete and unusable inventories. Further, the annual counting appears to 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. 584.59 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.61.38 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.

P G BHAGWAT LLP * Chartered Accountants *

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. 20181.81 lacs (PY Rs. 34014.69 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 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.

P G BHAGWAT LLP * Chartered Accountants *

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.

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

P G BHAGWAT LLP * Chartered Accountants *

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 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. Clarification on the treatment of such interest has not been obtained from the concerned granting authority.

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.

P G BHAGWAT LLP * Chartered Accountants *

12) The amount shown under the head "Inter Unit Accounts ('IUA')" as at the end of the year amounting to Rs. 103.43 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 analyzed 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
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

P G BHAGWAT LLP * Chartered Accountants *

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.117610.38 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.

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.

P G BHAGWAT LLP * Chartered Accountants *

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. 166.75 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

5) Attention is drawn to foot note (b) 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.

P G BHAGWAT LLP * Chartered Accountants *

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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE IND-AS FINANCIAL STATEMENTS

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

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence

P G BHAGWAT LLP * Chartered Accountants *

that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- Evaluate the overall presentation, structure and content of the Ind AS financial statements, including the disclosures, and whether the Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

OTHER MATTERS: Without modifying our opinion, we report that

1) The Company has a separate in-house internal audit department. The coverage of the audit is apparently inadequate & many areas of audit for the year are pending. As all the accounting entries are made manually in excel sheet, there is a need for periodical checking / review of entries to minimise the manual accounting errors. Considering the size of the Company and volume of its business, we are of the opinion that the present system needs to be strengthened and the audit department needs to be adequately staffed.

2) The company does not have the practice of communicating the suppliers by issue of debit notes / credit notes for variations in the amounts charged by suppliers in the invoices on account of various reasons which may result in unreconciled balances of suppliers.

3) Power purchase expenses are accounted based on the supplier's invoices till date and provisional energy reconciliation statement by SLDC. Therefore, the power purchase cost is

P G BHAGWAT LLP * Chartered Accountants *

subject to revision if any, on account of final reconciliation among ESCOMS and impact of the same on financial statements for the year is not ascertainable.

4) We observed substantial number of instances of journal entries, entered in the online excel sheet without the proper authorization by the preparer & approver (E.g. Bellary Rural division)

5) The Company has the practice of writing back of retention money o/s for more than 3 years. However, the same has not been done across all the accounting units.

6) The company needs to reconcile/ co-relate 4 (borrowings from PFC and REC) number of borrowings with the register of Charges as per the MCA portal

7) The Company is paying GST on services other than supply of electricity e.g. supervision charges etc. As there are provisions for claiming input credit on proportionate basis, the possibility availing input credit needs to be explored by taking suitable expert opinion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2016 (the Order), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Companies Act, 2013, we give in the Annexure A; a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2. As required by Section 143(3) of the Act, we report that:

a. We have sought and obtained except for the matters described in the Basis for Qualified Opinion paragraph all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

b. Except for the effects of the matters described in the Basis for Qualified Opinion paragraph and clause 6 of Annexure A to our report, in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the divisions not visited by us.

c. The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

d. In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with the Companies (Accounts) Rules, 2014.

e. The Government of India vide General Notification No. G.S.R 463 (E) dt 05.06.2015 has exempted the Directors of the Government Companies from the provisions of disqualification. Hence, the provision for disqualification of directors of the Government Companies under section 164 (2) of the Companies Act, 2013 are not applicable.

P G BHAGWAT LLP * Chartered Accountants *

f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure B.

g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 29 to the financial statements;

ii. The Company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses.

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

3. As required by section 143 (5) of the Act, we have considered the directions issued by the Comptroller and Auditor General of India and the same are reported in "Annexure – C"

For P G Bhagwat LLP
Chartered Accountants
FRN:101118W / W100682

P G BHAGWAT LLP * Chartered Accountants *

S.B.Pagad
Partner.M.No. 206124
UDIN: 21206124AAAAJB7946
Date: 25th December 2021
Place: Dharwad

ANNEXURE – "A" to the Independent Auditor's Report

Referred to In Paragraph 1 under the Heading "Report On Other Legal and Regulatory Requirements" of Our Report of Even Date to The Members of GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED, (GESCOM) KALABURAGI - 585 102, For the year ended 31st March 2021.

1) In respect of Fixed Assets

   a) The Company has maintained records for fixed assets. However, the same does not give individual particulars about quantity, cost of acquisition and situation of fixed assets in the Fixed Assets Register.
   b) We are informed that Company has carried out the physical verification of its fixed assets (only furniture and office equipment) during the period of review as per the scheme of physical verification regularly followed. However, due to inadequate particulars in the asset register, we are unable to comment on the discrepancies identified between the physical and book balances. As the Company has not conducted physical verification of assets other than Furniture & Equipment's, we are unable comment on the adequacy or otherwise of physical verification of such assets.
   c) As informed to us, documents of title deeds in respect of some of the Land & Building and vehicles, transferred by M/s. KPTCL to the Company consequent to unbundling of distribution operation are not held in the name of the company.

2) In respect of Inventories
   a) As informed to us the inventory was physically verified during the year by the management. However, it is observed that the Transformers lying with repairers are not being physically verified and no confirmation has been obtained for such inventories lying at third party.
   b) The company is maintaining proper records of inventory. According to the information and explanations given to us the discrepancies noticed during physical verification between the physical stocks were not material.

3) The Company has not granted any loans, secured or unsecured, to Companies, Firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.

4) The Company has not given any given loans / investments / guarantees to which the provisions of Sec 185 and 186 of the Companies Act, 2013 apply.

5) The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.

6) Pursuant to the rules made by the Central Government of India, the Company is required to maintain cost records as specified under Section 148(1) of the Act in respect of its products. We have broadly reviewed the records for the previous year (as the records for the current year were not updated), and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

P G BHAGWAT LLP * Chartered Accountants *

7) In respect of Statutory dues

a) The Company has been generally regular in depositing with the appropriate authorities undisputed statutory dues viz. service tax, value added tax, Goods and Services tax, cess and any other statutory dues except the following which were outstanding for a period of more than 6 months from the date they became payable as on the Balance sheet date i.e., 31 March, 2021. As informed to us, provident fund, employee state insurance & duty of customs are not applicable to the Company.

Nature of Dues	Rs. in lacs
Electricity Tax	6533.00
Compounding Charges	71.08
Worker Welfare Cess	21.47
Sales Tax Deducted	82.84
Dues towards Income Tax (TDS) default (Refer note below)	299.57

Note: The Company did not have the complete consolidated information in respect of the TDS demands pertaining to all the accounting units. Further, information regarding pending dispute / rectification process was not available with the Company and hence we are unable to classify these dues as disputed or otherwise

b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of excise duty, service-tax, duty of customs, value added tax, Goods and Services Tax which have not been deposited on account of any dispute.

8) According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank or Government. However, the company has not executed any documents with the financial institutions nor does it possess any documents in respect of loans transferred from KPTCL to the Company consequent to unbundling of transmission and distribution activities. Hence, we are unable to comment on default made in repayment of these dues to a financial institution or bank.

9) The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans during the year. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.

10) As per the information and explanations furnished to us by the management, 2 cases of suspected frauds in the nature of mis-appropriation of cash / other financial loss by employees, amounting to Rs.23.28 lakhs, have been reported during the year and the departmental enquiries are under progress.

P G BHAGWAT LLP * Chartered Accountants *

11) As per Notification dated 05.06.2015 the Provisions relating to section 197 of Companies Act, 2013 is not applicable to the Government Company. Hence the Company is not required to comply with the above Provision.

12) As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.

13) The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Ind AS 24, Related Party Disclosures specified under Section 133 of the Act, read with the Companies (Accounts) Rules, 2014.

14) The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company

15) The Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.

16) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For P G Bhagwat LLP
Chartered Accountants
FRN:101118W / W100682

P G BHAGWAT LLP * Chartered Accountants *

S.B.Pagad
Partner.M.No. 206124
Place: Dharwad
Date: 25th December 2021

ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF GULBARGA ELECTRICITY SUPPLY COMPANY LIMTED

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

We were engaged to audit the internal financial controls over financial reporting of **Gulbarga Electricity Supply Company Limited** ("the Company") as of March 31, 2021, in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India.

Because of the matter described in Disclaimer of Opinion paragraph below, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on internal financial controls over financial reporting of the Company.

Meaning of Internal Financial Controls Over Financial Reporting

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

P G BHAGWAT LLP * Chartered Accountants

Disclaimer of Opinion

According to the information and explanation given to us, the Company has not established its internal financial control over financial reporting on criteria based on or considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. Because of this reason, we are unable to obtain sufficient appropriate audit evidence to provide a basis for our opinion whether the Company had adequate internal financial controls over financial reporting as at March 31, 2021 and whether such internal financial controls were operating effectively. Accordingly, we do not express an opinion on Internal Financial Controls Over Financial Reporting.

Explanatory paragraph

We also have audited, in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act, the financial statements of Gulbarga Electricity Supply Company Limited, which comprise the Balance Sheet as at March 31, 2021, and the related Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information. We have considered the disclaimer of opinion reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2021 financial statements of Gulbarga Electricity Supply Company Limited and this report does not affect our report dated 10th November,2021 which expressed qualified opinion on those financial statements.

For P G Bhagwat LLP
Chartered Accountants
FRN:101118W / W100682

P G BHAGWAT LLP * Chartered Accountants *

S.B.Pagad
Partner.M.No. 206124
Place: Dharwad
Date: 25th December 2021

P G BHAGWAT LLP

Chartered Accountants
LLPIN: AAT-9949

ANNEXURE –" C" TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF GULBARGA ELECTRICITY SUPPLY COMPANY LIMTED

Directions indicating the areas to be examined by the Statutory Auditors
Directions to the Statutory Auditors of the Company, issued by the Comptroller & Auditor General of India under Section 143 (5) of the Companies Act, 2013 and the actions taken there on during the course of audit of annual accounts of Gulbarga Electricity Supply Company Limited for the year ending 31st March 2021.
We have generated this report as per the information and explanation given to us by the management during the course of audit.

S.N	Directions	Auditors Reply
1	Whether the company has system in place to process all the accounting transactions through IT Systems? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications if any, may be stated	According to information and explanations given to us, only the billing and collection of revenue is through TRM software. The company has also introduced material management software for the last few years but the same is not being fully utilized and accounting / financial transactions are not being routed through this software. These softwares are managed by third parties and in our opinion require Information System audit to ensure internal controls on processing. Further, there is no integration of these softwares to get consolidated reports at company level. All other transactions are processed manually or through excel spread sheets. In view of this there are possibilities of inaccurate processing and processes are vulnerable to security issues. The financial implication cannot be ascertained.
2	Whether there is any restructuring of an existing loan or cases of waiver/write off to debts/loans/interest etc. made by a lender to the company due to the company's inability to repay the loan? If yes, the financial impact may be stated. Whether such cases are properly accounted for? (In case, lender is a Government Company, then this direction is also applicable for statutory auditor of lender company).	As informed to us no restructuring was done during the year

P G BHAGWAT LLP * Chartered Accountants *

3	Whether funds received / receivable for specific schemes from Central / State agencies were properly accounted for / utilised as per its term and conditions? List the cases of deviation.	As per the information given to us, all the funds received have been utilsed as per the terms and conditions. However attention is drawn to para No. 10 (c) of our main audit report of even date in respect of non-utilization of grant.

Additional Company Specific Directions:

Sl. No.	Directions	Auditors Reply
a	All the items with regard to Cash and Bank balances as in the Annexure-1 shall be verified and report the cases of specific non-compliances. Details of unexplained balances/balances operated under suspense head may also be examined	Annexure -1 Attached
b	Report on the efficacy of the system of billing and collection of revenue in the Company. Whether tamper proof meters have been installed for all consumers? If not then, examine how accuracy of billing was ensured.	As per the information given to us a) Regarding efficacy of billing & collections: Some of the billing continues to be under manual system (LT& and HT) and not through the software. There is a need for agewise analysis, credit balance analysis and tallying of RR number wise balances to General Ledger balances to conclude the accuracy of receivables and effectiveness of the system. b) Regarding tamper proof meters : We have been informed that i) No. of Active Installation – 3056000 ii) Tamper proof meters are installed with efficiency of 100% as on 31.03.2021 We have relied on the representation of the Management in this regard
c.	Whether the Company recovers and accounts, the State Electricity Regulatory Commission (SERC) approved Fuel and Power Purchase Adjustment Cost (FPPCA)?	As informed to us the recovery has been done in the billing.

P G BHAGWAT LLP * Chartered Accountants *

P G BHAGWAT LLP

Chartered Accountants
LLPIN: AAT-9949

d.	Comment on the confirmation of balances of trade receivables, trade payables, advances and other similar balances and whether an effective mechanism for reconciliation of the same exists.	The company does not have a system of confirmation of balances. We have been reporting this issue for the last years.
e.	Whether system of monitoring the execution of works in case of sub-stations and lines vis-à-vis the milestone stipulated in the agreement is in existence and the impact of cost escalation, if any, abandoned projects, if any, revenues/losses from contracts, etc., have been properly accounted for in the books	We are of the opinion that, project monitoring system through ERP/software needs to be put in place for effective monitoring of the execution of works. As informed to us, no Projects have been abandoned in GESCOM during the year under review. Liquidated damages on account of delay in commissioning of the project is included as a separate clause in all Total/Partial Turnkey works or other Civil Works. The clause is invoked and amount recovered from the payments to the Contractors in the event of any delay in achieving project milestone. The same is also applicable for the Power Purchase Agreements and there are cases where Liquidated damages have been recovered for delay in achieving of the work milestones or commissioning of the power projects However, there is no analytical report made available to us for effective monitoring of such cases

For P G Bhagwat LLP
Chartered Accountants
FRN:101118W / W100682

P G BHAGWAT LLP * Chartered Accountants *

S.B.Pagad
Partner.M.No. 206124
Place: Dharwad
Date: 25th December 2021

Annexure-I

S.N	Items in Check list	Reply by Auditor
1	Whether all Banks Accounts/Fixed Deposits have been opened with banks/ proper authorization and approvals as per the aforesaid delegation of powers?	We have not been provided with the accounting opening information of bank A/cs / date wise FDs opened during the year and the related copy of resolution given to the Bank. The corporate office did not have the sufficient documentation for verification. In view of this we were unable to verify the same.
2	Whether there was a periodical system of preparation of Bank reconciliation statement and whether they were produced for verification to audit?	There is a process for monthly BRS preparation only in respect of non-operative bank accounts. In respect of operative banks, there is no practice / monitoring of obtaining monthly BRS copies by Finance Section. In response to our requirement, BRS copies for the year end were procured from 20 accounting units out of 26 accounting units. As mentioned in our main audit report, the BRS used for non-operative bank accounts needs to be revised as the same does not give the cumulative details of unrealized cheques. Further the BRS does not give the details of subsequent date of realization of cheques issued / deposited.
3	Whether Bank reconciliation of the Main account and all subsidiary bank accounts were done?	GESCOM uses a main bank account for sweeping the amount deposited at accounting units. These amounts transferred are reconciled at the year end.
4	Was the authorisation to operate the bank accounts were given to a single signatory?	As informed to us, no authorisation is given to a single signatory. No sufficient documentation was available with corporate office to verify the same.
5	Whether the interest for the entire duration of Fixed Deposits was accounted in the books of accounts?	Yes. However, there is no practice of passing entries periodically for interest and fixed deposits. Entries have been passed at the year end, based on the balance confirmation / interest accrued from Bank to match the amount of FDs and interest accrued with the confirmations. In view of this we were unable to verify the interest entries as and when the FDs were renewed / matured.
6	Whether physical verification of cash has taken place periodically?	As informed to us, cash at accounting units is verified by the cash officer on daily basis. During our visit to the selected sub divisions, we confirmed the same. We have obtained scanned copy of year end cash balances denominations signed by cash officer
7	Whether the cash in hand as shown in the Balance Sheet tallies with the certificate of	Cash in Hand as confirmed by the respective units is matching with the balance as per books except for the

P G BHAGWAT LLP * Chartered Accountants *

	physical verification of cash?	following amounts: 1) Rs. 1,84,261 shortage in Raichur Rural 2) Rs. 20,50,551 shortage in Gulbarga Rural 1 3) Rs. 2,029 shortage in Gulbarga Urban 4) Rs. 855 shortage in Gulbarga Rural 2 5) Rs. 50,661 shortage in Bidar Division 6) Rs. 375 shortage in Hagaribommanahalli Total difference of Rs. 22,88,732. These are kept as suspense in yearend Annexure No 11. As informed to us, the difference in Sl. No. 2 pertains to opening balance during unbundling of ESCOMs and the same is netted off to other payables during FY 2019-20
8	Is there a register of Fixed Deposits showing amounts, maturity dates, rates of interest and dates for payment of interest?	Detailed register not maintained
9.	Is there a follow-up system to ensure that interest on Fixed Deposits is received on due dates?	There is no follow-up process for this activity
10.	Is there a follow-up system to ensure that transfer of matured amount of Fixed Deposits is done without any delay?	Most of the FDs were auto renewable basis. However, follow up system needs to be established
11.	Whether bank confirmation statements are obtained periodically from the banks for all accounts: SB accounts, Current Accounts and Fixed deposits?	Confirmations were not obtained in respect of Fixed Deposits periodically. Only at the time of annual audit, these are being obtained from bank. At unit level the bank statements are being used for monthly BRS preparation.
12.	Whether confirmations of balances in respect of all bank balances tally with the Bank statements?	There is no practice of taking balance confirmations certificates at division level, as the BRS is prepared based on the bank statements. However, balance confirmation letters are obtained in respect of the bank accounts maintained at corporate office.
13.	Whether Fixed Deposits and interests as per Fixed Deposits Register tally with the confirmation/certificate issued by the bank?	No Fixed Deposit register has been maintained and hence we were not able to verify the same
14.	Whether the confirmation statements received from banks are authenticated and in the letter head by the bank?	Confirmations in respect of bank accounts maintained at corporate office are in letter head (except HDFC bank). In respect of bank account maintained at units, no confirmations are obtained.
15.	In case of any difference observed in the above check, whether the same was adjusted in the subsequent year?	Following are our observations on BRS: 1) There are several cheques amounting to Rs. 2,00,67,095 across the accounting units unrealized for more than 30 days. Some of the

P G BHAGWAT LLP Chartered Accountants

		cheques are more than a year also. 2) There are unascertained credits in bank which are parked in A/c code 46.97 amounting to Rs. 19,63,50,936 (A/c codes 46.971,46.972,46.973 and 46.975) across all the units. The consolidated list of the same needs to be analyzed at Company level by obtaining the aging of the transactions 3) Further, as reported in our main audit report, the format of the BRS used for non-operative accounts should be modified to include the cumulative unrealized cheques.
16.	Whether external confirmations were obtained from Banks in the test checked cases, if so details thereof with.	We had requested the Company to communicate the same to all the bankers to send the information in a standard format. However, the response to the same was very poor and hence could not be verified.
17.	Whether any of the aforesaid lapses were brought out in the Report of the Internal Financial controls by the Statutory Auditor, if not, whether Audit Enquiry was issued?	The Company has not implemented the Internal Financial controls and we have been qualifying our report in this regard

For P G Bhagwat LLP
Chartered Accountants
FRN:101118W / W100682

P G BHAGWAT LLP Chartered Accountants

S.B.Pagad
Partner.M.No. 206124
Place: Dharwad
Date: 25th December 2021

GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

Annual Accounts

FY 2020-21

(CIN NO. - U04010KA2002SGC030436)

Regd Office :
Station Road,

Gulbarga – 585102
E-Mail: mdgesco@gmail.com
Website: www.gescom.in

GULBARGA ELECTRICTY SUPPLY COMPANY LIMITED
(CIN NO. - U04010KA2002SGC030436)
Registered office at Station Road, Gulburga, Karnataka - 585 102

BALANCE SHEET AS AT MARCH 31,2021

Rs. In Lakhs

	Particulars	Note No.	As at March 31,2021	As at March 31,2020
I.	**ASSETS**			
A	**Non-current assets**			
	(a) Property, plant and equipment	3(i)	4,44,806.36	4,08,708.78
	(b) Right of Use Asset	3(ii)	203.75	211.45
	(c) Other intangible assets	3(iii)	527.09	395.63
	(d) Capital work-in-progress	4	39,869.30	59,981.04
	(e) Intangible Assets under Development	5	-	-
	(f) Financial assets		-	-
	(i) Investments	6(i)	1.00	1.00
	(ii) Loans	6(ii)	2,249.88	2,264.80
	(g) Deferred tax assets	7	-	-
	(h) Other non-current assets	8	444.95	87.54
	Total Non-current assets		**4,88,102.33**	**4,71,650.24**
B	**Current assets**			
	(a) Inventories	9	16,634.55	16,684.51
	(b) Financial assets		-	-
	(i) Unbilled Revenue	10	29,489.00	27,370.62
	(ii) Trade receivables	11	1,59,777.90	1,34,743.15
	(iii) Cash and cash equivalents	12(i)	3,802.32	8,946.80
	(iv) Bank balances other than (iii) above	12(ii)	6,710.94	4,343.39
	(v) Other financial assets	13	2,51,560.11	2,21,145.70
	(c) Other Current Assets	14	304.06	242.23
	Total Current assets		**4,68,278.88**	**4,13,476.40**
	Total Assets before Regulatory Deferral Account		**9,56,381.21**	**8,85,126.64**
C	**Regulatory Deferral Account debit balances**	15	26,643.14	77,049.27
	TOTAL ASSETS		**9,83,024.35**	**9,62,175.91**
II	**EQUITY AND LIABILITIES**			
A	**EQUITY**			
	Shareholders' funds			
	(a) Share capital	16	1,50,979.61	1,11,495.61
	(b) Other equity	17	(2,22,142.41)	(87,085.14)
	Total Equity attributable to equity share holders of the Company		**(71,162.80)**	**24,410.47**
B	**LIABILITIES**			
	Non-current liabilities			
	(a) Financial liabilities			
	(i) Borrowings	18	3,20,663.28	1,91,120.92
	(ii) Other financial liabilities	19	61,240.52	57,667.51
	(b) Provisions	20	13,072.70	9,596.36
	(c) Deferred revenue	21	1,35,753.08	1,07,098.45
	(d) Deferred tax liabilities (net)	7	15,444.99	14,648.04
	(e) Other non current liabilities	22	11,216.55	9,545.92
	Total Non current liabilities		**5,57,391.12**	**3,89,677.20**
	Current liabilities			
	(a) Financial liabilities			
	(i) Borrowings	23	8,489.41	9,350.96
	(ii) Trade payables		-	-
	(i) Total outstanding dues of micro enterprises and small enterprises	24	-	-
	(ii) Total outstanding dues of creditors other than micro enterprises		4,28,134.34	4,72,916.15
	(iii) other financial liablities	25	50,800.30	58,714.09
	(b) Provisions	26	1,284.57	1,134.18
	(c) Other current liabilities	27	8,087.41	5,972.86
	(d) Current Tax Liabilities (Net)	28	-	-
	Total Current liabilities		**4,96,796.03**	**5,48,088.24**
	TOTAL EQUITY AND LIABILITIES		**9,83,024.35**	**9,62,175.91**

Significant accounting policies and notes attached form an integral part of the financial statements

As per our Report of Even Date
For P G BHAGWAT LLP
Chartered Accountants
Firm Reg. No. 101118W/W100682

For and on behalf of the Board of Directors
Gulbarga Electricity Supply Company Limited

P G BHAGWAT LLP Chartered Accountants

S B Pagad
Partner
Memebership No: 206124
Place: Dharwad
Date:
UDIN:
21206124AAAAJB7946

Pandve Rahul Tukaram, IAS
Managing Director

Place: Kalaburagi
Date:

Dr. Dileesh Sasi, IAS
Director

Place: Kalaburagi
Date:

B. Abdul Wajid
Chief Financial Officer
Place: Kalaburagi
Date:

Kiran Police Patil
Company Secretary
Place: Kalaburagi
Date:

25 DEC 2021

24 DEC 2021

GULBARGA ELECTRICTY SUPPLY COMPANY LIMITED
(CIN NO. - U04010KA2002SGC030436)
Registered office at Station Road, Gulburga, Karnataka - 585 102

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2021

	Particulars	Note No.	As at March 31,2021 ₹ in Lakhs		As at March 31,2020 ₹ in Lakhs	
I	Revenue from operations	30		5,17,880.84		5,11,309.91
II	Other income	31		20,779.67		18,182.15
III	**Total revenue (I + II)**			**5,38,660.51**		**5,29,492.06**
IV	**Expenses:**					
	Purchase of power	32		4,39,299.11		4,19,195.15
	Employee benefits expense	33		67,870.06		61,202.24
	Finance costs	34		43,398.10		47,768.06
	Depreciation and amortization expense	35		24,493.30		21,329.56
	Other expenses	36		25,802.00		26,365.74
	Total expenses			**6,00,862.57**		**5,75,860.75**
V	**Profit/(loss) before Rate Regulated Activities, Exceptional items and tax (III-IV)**			**(62,202.06)**		**(46,368.69)**
VI	**Net movement in regulatory deferral account balances related to profit or loss and the related deferred tax movement**	38		**(50,406.12)**		**(36,834.55)**
VII	**Profit/(loss) Before Exceptional Items and Tax (V+VI)**			**(1,12,608.18)**		**(83,203.24)**
VIII	**Exceptional Items**	39		-		**(20,613.42)**
IX	**Profit/(loss) before tax (VII+VIII)**			**(1,12,608.18)**		**(1,03,816.67)**
X	**Tax expense:**					
	Current tax			-		-
	Deferred tax credit			(939.46)		(4,588.95)
				(939.46)		**(4,588.95)**
XI	**Profit/(loss) for the year from continuing opertaions (IX- X)**			**(1,11,668.72)**		**(99,227.72)**
XII	Profit/(loss) from discontinuing operations			-		-
XIII	Tax expense of discontinuing operations			-		-
XIV	**Profit/(loss) for the year (after tax) (XI+XII-XIII)**			**(1,11,668.72)**		**(99,227.72)**
XV	**Other comprehensive income**					
	(i) Items that will not be reclassified to profit or loss					
	a) Re-measurement gains/(losses) on defined benefit plans		(136.19)		(121.48)	
	b) Deferred tax impact on gains/(losses) on defined benefit plans		42.49		102.59	
	c) Revaluation surplus on land		6,962.67		-	
	d) Deferred tax impact on revaluation reserve		(1,778.91)		487.78	
				5,090.06		**468.89**
	(ii) Items that may be reclassified to profit or loss					
	a) Mark to Market of Investments		-		-	
	b) Taxes on above		-		-	
				-		-
XVI	**Total other comprehensive income (XV(i) + XV(ii))**			**5,090.06**		**468.89**
XVII	**Total Comprehensive Income for the year (XIV+XVI)**			**(1,06,578.66)**		**(98,758.83)**
XVIII	**Earning per equity share**					
	Earning per equity share before exceptional items					
	Basic (in ₹)	37		(4.06)		(7.44)
	Diluted (in ₹)	37		(3.78)		(5.50)
	Earning per equity share after exceptional items					
	Basic (in ₹)	37		(4.06)		(5.60)
	Diluted (in ₹)	37		(3.78)		(4.13)
	Basic earnings per share including net movement in regulatory deferral account balances (in ₹)	37		(7.40)		(8.90)
	Diluted earnings per share including net movement in regulatory deferral account balances (in ₹)	37		(6.88)		(6.57)
	Paid up value per share			10.00		10.00

Significant accounting policies and notes attached form an integral part of the financial statements

As per our Report of Even Date
For P G BHAGWAT LLP
Chartered Accountants
Firm Reg. No. 101118W/W100682

P G BHAGWAT LLP * Chartered Accountants *

S B Pagad
Partner
Memebership No: 206124
Place: Dharwad
Date:
UDIN:
21206124AAAAJB7946

25 DEC 2021

For and on behalf of the Board of Directors
Gulbarga Electricity Supply Company Limited

Pandve Rahul Tukaram, IAS
Managing Director
Place: Kalaburagi
Date:

Dr. Dileesh Sasi, IAS
Director
Place: Kalaburagi
Date:

B. Abdul Wajid
Chief Financial Officer
Place: Kalaburagi
Date:

Kiran Police Patil
Company Secretary
Place: Kalaburagi
Date:

24 DEC 2021

GULBARGA ELECTRICTY SUPPLY COMPANY LIMITED
(CIN NO. - U04010KA2002SGC030436)
Registered office at Station Road, Gulburga, Karnataka - 585 102
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2021

	Particulars	March 31, 2021 Rs. In Lakhs	March 31, 2020 Rs. In Lakhs
A	**Cash Flow from Operating Activities**		
	Net Profit Before Taxation	**(1,12,608.18)**	**(1,03,816.67)**
	Adjustments to reconcile profit before tax to net cash flows:		
	Depreciation and impairment of property, plant and equipment	24,493.30	21,329.56
	Amortisation on Right of Use Asset till March 31, 2019	-	(12.01)
	Government grant released to statement of profit and loss	(1,267.00)	(926.20)
	Consumer contributed asset- released to statement of profit and loss	(3,790.00)	(3,450.00)
	Provision no longer required written back	(6,711.81)	(12,682.08)
	Rental Income	(230.60)	(168.46)
	Interest Income	(246.56)	(187.45)
	Finance costs	43,398.10	47,768.06
	Bad and doubtful debts written off/provided for	7,831.73	7,114.99
	Reserve for Material Cost variance	(218.14)	(643.50)
		(49,349.16)	**(45,673.76)**
	Income taxes paid (net of refunds)	(357.41)	(47.61)
		(49,706.57)	**(45,721.37)**
	Working capital adjustments:		
	(Increase) / decrease in inventories	49.96	3,500.70
	(Increase) / decrease in unbilled revenue	(2,118.37)	(1,570.34)
	(Increase) / decrease in trade receivables	(26,154.67)	(27,690.41)
	(Increase) / decrease in loans	14.92	(377.41)
	(Increase) / decrease in other financial asset	(30,572.55)	4,565.78
	(Increase) / decrease in other current asset	(61.84)	131.12
	(Increase) / decrease in regulatory deferral account- assets	50,406.12	36,834.55
	Increase / (decrease) in long term provisions	-	-
	Increase / (decrease) in short term provisions	-	-
	Increase/(decrease) in provisions of leave encashment; family benefit fund	3,490.53	2,282.21
	Increase / (decrease) in trade payables	(44,781.80)	(21,708.81)
	Increase / (decrease) in other current liabilities	2,114.56	2,529.08
	Increase / (decrease) in other non current liablities	1,670.63	4,453.34
	Increase / (decrease) in other financial liabilites	389.64	5,888.82
	Net cash flows from/(used in) operating activities	**(95,259.43)**	**(36,882.73)**
B	**Cash flows from investing activities:**		
	Purchase of property, plant and equipment (including Right of Use Asset)	(27,942.67)	(41,369.60)
	Rental Income	230.60	168.46
	Interest Income	404.69	138.98
	Redemption/ maturity of margin money or security against the borrowings, guarantees, other commitments	(2,367.55)	(307.42)
	Net cash flows used in investing activities	**(29,674.93)**	**(41,369.58)**
C	**Cash flow from financing activities:**		
	Proceeds from share application money collected	11,223.53	19,312.00
	Proceeds/ (Repayment) of borrowings	1,19,184.89	1,02,723.03
	Proceeds from sale of investment	-	250.00
	Repayment of short term borrowings (net)	(861.56)	2,955.96
	Interest paid	(38,994.43)	(51,642.91)
	Proceeds from Deposits from consumers	3,573.01	2,262.89
	Net cash flows from financing activities	**94,125.44**	**75,860.97**
	Net increase / (decrease) in cash and cash equivalents	**(30,808.92)**	**(2,391.34)**
	Cash and cash equivalents at the beginning of the year	8,946.80	11,338.14
	Cash and cash equivalents as at year end	**(21,862.12)**	**8,946.80**

	Particulars	March 31, 2021 Rs. In Lakhs	March 31, 2020 Rs. In Lakhs
	Cash and cash equivalents		
a)	Balances with banks		
	- in current accounts	2,893.97	8,876.23
b)	Cash on hand	383.37	69.13
c)	Cheques in hand	522.79	-
d)	Cheques and Funds in Transit	0.11	0.11
e)	Stamps on Hand	2.08	1.33
	Cash and cash equivalents at year end	**3,802.32**	**8,946.80**

Change in Liability arising from Financing Activities

Rs. In Lakhs

Particulars	1st April, 2020	Cash flows of (Repayment) / Proceeds of Loan	Non cash changes	31st March, 2021
Non current borrowings - including current maturities (refer note 18)	2,11,417.82	5,410.61	(5,410.61)	3,36,013.31
Current Borrowings (refer note 23)	9,350.96	-	-	8,489.41

Note: The Cash flow statement is prepared under the indirect method in accordance with IND AS 7: Statement of Cash Flows
Significant accounting policies and notes attached form an integral part of the financial statements

As per our Report of Even Date
For P G BHAGWAT LLP
Chartered Accountants
Firm Reg. No. 101118W/W100682

For and on behalf of the Board of Directors
Gulbarga Electricity Supply Company Limited

P G BHAGWAT LLP ★ Chartered Accountants ★

S B Pagad
Partner
Memebership No: 206124
Place: Dharwad
Date:
UDIN:
21206124AAAAJB7966

Pandve Rahul Tukaram, IAS
Managing Director
Place: Kalaburagi
Date:

Dr. Dileesh Sasi, IAS
Director
Place: Kalaburagi
Date:

B. Abdul Wajid
Chief Financial Officer
Place: Kalaburagi
Date:

Kiran Police Patil
Company Secretary
Place: Kalaburagi
Date:

25 DEC 2021

24 DEC 2021

GULBARGA ELECTRICTY SUPPLY COMPANY LIMITED
(CIN NO. - U04010KA2002SGC030436)
Registered office at Station Road, Gulburga, Karnataka - 585 102

Statement of changes in equity for the year ended March 31, 2021

A. Equity Share Capital

Equity shares of Rs. 10 each issued, subscribed and fully paid (refer note 16)	**Number (Lakhs)**	Rs. In Lakhs
At 31 March 2019	**11,149.56**	**1,11,495.61**
Issued during the year	-	-
At 31 March 2020	**11,149.56**	**1,11,495.61**
Issued during the year	3,948.40	39,484.00
At 31 March 2021	**15,097.96**	**1,50,979.61**

B. Other Equity

Attributable to the equity holders of the Company

Rs. In Lakhs

Particulars	**Share Application Money Pending Allotment**	**Reserves and Surplus**			**Items of OCI**		**Total other equity (A+B)**
		Reserve for Material Cost variance	**Retained Earnings**	**Total (A)**	**Revaluation Reserve of PPE**	**Total (B)**	
Total comprehensive income as at March 31 2019	**20,172.00**	**5,138.72**	**(1,00,244.04)**	**(74,933.32)**	**67,931.77**	**67,931.77**	**(7,001.56)**
Add/(Less): Loss for the year	-	-	(99,227.72)	(99,227.72)	-	-	(99,227.72)
Add/(Less): Reversal of revaluation reserve	-	-	-	-	-	-	-
Add: Addditions during the year	-	(643.50)	-	(643.50)	-	-	(643.50)
Add: Share application money received	19,312.00	-	-	19,312.00	-	-	19,312.00
Add/(less): Adjustment *	18.75	-	-	18.75	-	-	18.75
Add/(Less): Allotment of shares	-	-	-	-	-	-	-
Less: Amortisation on Right of Use Asset till March 31, 2019	-	-	(12.01)	(12.01)	-	-	(12.01)
Add: Other comprehensive income (net of deferred tax)	-	-	(18.89)	(18.89)	487.78	487.78	468.90
Total comprehensive income as at March 31 2020	**39,502.75**	**4,495.22**	**(1,99,502.66)**	**(1,55,504.69)**	**68,419.55**	**68,419.55**	**(87,085.14)**
Add/(Less): Loss for the year	-	-	(1,11,668.72)	(1,11,668.72)	-	-	(1,11,668.71)
Add/(Less): Revaluation of Land (net of deferred tax)	-	-	-	-	5,183.76	5,183.76	5,183.76
Add/(Less): On account of new issue	-	-	-	-	-	-	-
Add: Addditions during the year	-	(218.14)	-	(218.14)	-	-	(218.14)
Add: Share application money received	11,223.53	-	-	11,223.53	-	-	11,223.53
Add/(less): Fair Value Changes on interest free loan	-	-	-	-	-	-	-
Add/(Less): Allotment of shares	(39,484.00)	-	-	(39,484.00)	-	-	(39,484.00)
Add/(Less): Ind AS adjustments	-	-	-	-	-	-	-
Add: Other comprehensive income (net of deferred tax)	-	-	(93.70)	(93.70)	-	-	(93.70)
Total comprehensive income as at March 31 2021	**11,242.28**	**4,277.08**	**(3,11,265.08)**	**(2,95,745.72)**	**73,603.31**	**73,603.31**	**(2,22,142.41)**

Summary of significant accounting policies Note 2
The accompanying notes are an integral part of the financial statements.

* Refer note 22 for adjustments made

As per our Report of Even Date
For P G BHAGWAT LLP
Chartered Accountants
Firm Reg. No. 101118W/W100682

For and on behalf of the Board of Directors
Gulbarga Electricity Supply Company Limited

P G BHAGWAT LLP Chartered Accountants

S B Pagad
Partner
Memebership No: 206124
Place: Dharwad
Date:
UDIN: 21206124AAAAJB7946

Pandve Rahul Tukaram, IAS
Managing Director
Place: Kalaburagi
Date:

Dr. Dileesh Sasi, IAS
Director
Place: Kalaburagi
Date:

B. Abdul Wajid
Chief Financial Officer
Place: Kalaburagi
Date:

Kiran Police Patil
Company Secretary
Place: Kalaburagi
Date:

24 DEC 2021

25 DEC 2021

GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED
(CIN NO. - U04010KA2002SGC030436)
Registered office at Station Road, Gulburga, Karnataka - 585 102
NOTES TO FINANCIAL STATEMENTS

Note - 1 : Corporate information

Gulbarga Electricity Supply Company Ltd ('GESCOM' or 'the company') is a premier power distribution Company in the state of Karnataka and wholly owned undertaking of Government of Karnataka. The Company is engaged in distribution of Power in six Revenue districts of Karnataka, viz. namely Bidar, Gulbarga, Yadgir, Raichur, Bellary and Koppal The Company is registered under the provisions of the Companies Act, 1956. The Company is a distribution licensee under Section 14 of the Electricity Act, 2003. It is domiciled and incorporated in India having its registered office at at Station Road, Gulburga, Karnataka - 585 102.

Earlier, the power sector in the state of Karnataka was serviced by Karnataka Electricity Board. In the year 1999, the State Government initiated the reforms process of the power sector to meet the needs of the burgeoning economy. As a first step, in 1999, the Karnataka Electricity Board was bifurcated into two companies, viz. Karnataka Power Transmission Corporation Limited (KPTCL) and Vishweswaraiah Vidyut Nigama Limited (VVNL). The Karnataka Electricity Regulatory Commission (KERC) was also setup in 1999. In the subsequent stage of reforms, the transmission and distribution activities carried out by KPTCL were unbundled and four power distribution companies were formed in June, 2002. GESCOM is one of the companies thus formed, with its headquarters at Gulbarga.

Note - 2 : Significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared under historical cost convention and on accrual basis of accounting except as otherwise provided in the policy and in accordance with the provisions of the Electricity Supply Annual Accounts Rules 1985 (ESAAR) as well as those to comply with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended thereafter ("the Rules") and theprovisions of the Electricity Act, 2003 to the extent applicable.

All items having a material bearing on the financial statements are recognized on accrual basis except the following:
- Grants and subsidies from Government in respect of capital assets, which are accounted on actual receipt basis; and
- Interest on delayed payment to power producers, which are accounted for as and when intimated by them.
- Penalties & Damages recoveries from contractors and vendors are recognised as Income as and when recovered.

The financial statements have been prepared on a historical cost basis, except for the following assets and liabilitieswhich which have been measured at revalued amount:
- Land and rights classified as property, plant and equipment

Assets and liabilities transferred from M/s. Karnataka Power Transmission Corporation Ltd, (KPTCL) consequent to unbundling of transmission and distribution activities, have been stated at the amount indicated by KPTCL in transfer document.

The Company has applied the following standards and amendments for the first time for their reporting period commencing 1st April 2018:
- Ind AS 115, Revenue from Contracts with Customers
- Amendment to Ind AS 20, Accounting for Government Grants and Disclosure of Government Assistance
- Appendix B, Foreign Currency Translations and Advance consideration to Ind AS 21, The Effects of Changes in Foreign Exchange Rates
- Amendment to Ind AS 12, Income Taxes

On assessment, the Comapany determines that there are no impacts on the financial statements for above standards and amendments.

The financial statements are presented in Lacs and all values are rounded to the nearest lacs, except when otherwise indicated.

2.2 Use of Estimates

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses during the reporting period. Although such estimates and assumptions are made on reasonable and prudent basis taking into account all available information, actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognized prospectively.

Key source of judgments, assumptions and estimation uncertainty in the preparation of the financial statements which may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are in respect of useful lives of property, plant and equipment, employee benefit obligations, provision for income tax, Regulatory Deferral Account balance and measurement of deferred tax.

P G BHAGWAT LLP * Chartered Accountants *

2.3 Current versus non-current classification

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

> Expected to be realised or intended to be sold or consumed in normal operating cycle.
> Expected to be realised within twelve months after the reporting period, or
> Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

> It is expected to be settled in normal operating cycle.
> It is due to be settled within twelve months after the reporting period, or
> There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

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

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

2.4 Property Plant & Equipment ("PPE")

The company has elected to continue with thecarrying value for all of its property, plant and equipment except land and rights as recognised in the previous GAAP financial statements as at the date of transition to Ind AS; measured as per the previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments in accordance with the relevant Ind AS, since there is no change in functional currency.

Property, Plant and Equipment except land and rights are stated at cost, net of accumulated depreciation and impairment loss, if any. Such cost comprises purchase price, non-refundable taxes and duties, borrowing costs on qualifying assets and any cost directly attributable to bring the asset into location and condition necessary for it to be capable of operating in the manner intended by the management. It does not include any estimate of the cost of dismantling and removing the item and restoring the site on which it is located.

Land and rights are measured at fair value recognised at the date of revaluation. Valuation of the land was made as on transition date of 1 April 2016 and company has performed valuation as on 31 March 2021 with sufficient frequency at every five years to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit and loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve

The company depreciates property, plant & equipment using straight line method and depreciation is charged at the rate approved in KERC Tariff Order 2009 dated 25th November 2009. The company does not charge depreciation as per the rates prescribed under the Schedule II of the companies Act, 2013. Depreciation on additions of assets is provided on pro-rata basis from the month immediately following the one in which the assets become available for use. In case there is a revision in the rates prescribed and notified by the KERC, the company applies the revised rates prospectively from the date of change notified by the KERC. The residual value of all the assets is taken at 10% as per KERC guidelines as against 5% as per Companies act 2013.
In case of Computer software & IT equipment, the Company follows rate of depreciation as notified in CERC since no relevant rates are present in KERC guidelines

The useful lives used are as below:

Assets	Useful life
Buildings	15 years to 50 years
Other Civil Works	50 years
Roads	50 years
Plant & Machinery	5 years to 25 years
Computer Softwares	5 years to 7 years
Lines & Cable networks	15 years to 50 years
Motor Vehicle	5 years
Furniture & Fixtures	15 years
Office Equipments	15 years
Solar Roof top	25 years

The Company believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

P G BHAGWAT LLP Chartered Accountants

Plant and machinery costing Rs.500/- or less individually is depreciated at 100% in the year in which they are installed and put to use, in accordance with para 2.37 of Annexure-III of ESAAR, 1985.

Assets not in use and released assets are accounted at Written Down Value on the month of release and treated as inventory.

Scrapped assets are accounted at the residual value i.e., at 10% of the original cost of the asset and treated as Inventory

The transformers released during the year are removed from assets account only after they are returned to stores.

Assets retired from active use and re-issued to works after necessary repairs/servicing are categorized at the weighted average of the written down value existing in the books of account at that time.

Advance paid towards the acquisition of property, plant & equipment outstanding at each Balance sheet date is classified as capital advance under Other Non-current Assets. Subsequent costs on renovation and modernization of fixed assets resulting in increased life and/ or efficiency of an existing asset is added to the cost of related assets or recognized as a separate asset as appropriate when it is probable that future economic benefits will flow to the company.

2.5 Capital work in progress

Materials issued to Capital Work in Progress are valued at standard rate (as per rates prescribed under Common Schedule of Rates. The Schedule of Rates/Common Schedule of Rates is determined on the basis of previous purchase price and prevailing market rates.) In respect of labour and direct overheads, the same is accounted at actual. Contracts are capitalized on receipt of final completion report or technicalcommissioning reports.

2.6 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives i.e. period of agreement or license term. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised.

Intangible Assets under development represent amount paid towards development of software intended for future use and will be capitalized on receipt of completion/commissioning. These are valued at cost.

2.7 Grants and subsidies

Revenue Grants

Revenue grants/Tariff subsidies from the government and other agencies are recognized as income only when there is reasonable assurance that the conditions attached to them shall be complied with and the grants will be received.

Capital Grants & Contributions towards Capital Expenditures

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.

P G BHAGWAT LLP Chartered Accountants

2.8 Impairment of Assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Company extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit and loss.

For assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

2.9 Borrowing Cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

2.10 Revenue recognition

The revenue is recognised based on basis of following five step process:

> Identify the contracts with the customer: The contract may be oral or written.
> Identify the performance obligation: Performance obligation is nothing but promise made by the Company to its customer for delivery of goods or services.
> Determine the transaction price
> Allocate the transaction price to the performance obligation
> Recognise the revenue when or as the Company satisfied the performance obligation: Revenue is recognised either at point in time or over a time

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of power

Sale of power is accounted on accrual basis at the tariff rates approved by the Karnataka Electricity Regulatory Commission (KERC). Revenue dues from consumers whose ledger accounts are yet to be opened are accounted on an estimated basis. The company accounts revenue net of electricity taxes in its statement of profit and loss.
Revenue for the year is adjusted by estimating un-billed revenue demand appropriately
Provision for unbilled revenue in respect of LT installations billed on bimonthly basis is recognized as the average of February and March bills of the year. In respect of LT installations billed on monthly basis, provision for unbilled revenue is recognized to the extent of 50% of the demand raised in the month of March. In respect of HT installations, the bills issued with regard to consumption during the month of March are taken into account.

P G BHAGWAT LLP Chartered Accountants

Tariff/rural Subsidy from government

The Tariff/Rural Electrification Subsidy released by Government of Karnataka is recognized as part of Revenue in accordance of the Government of Karnataka order No EN 48 PSR 2006 Bangalore Dated 13th June 2007.

The Tariff subsidy is claimed from the Government as per the Commission Determined Tariff (As per the prevailing tariff order) on the consumption of BJ/KJ upto 40 units per installations per month and IP Set Category upto and inclusive of 10 HP.

Interest on delay in execution of work

In respect of amount recovered from Contractors/Suppliers towards delay in execution of works/supplies, the amount is recognized as income upon rejection of the delay condonation request of the contractor/supplier, by the competent authority. Until such time the same is accounted under current liabilities. In the absence of any such request, the amount so recovered would be treated as penalty and credited to miscellaneous revenue.

Interest income:

Interest income is accrued on time proportionate bases and in respect of overdue bills on crystallisation.

For all debt instruments measured either at amortised cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. Interest income is included in finance income in the statement of profit and loss.

Penalties and damages

Penalties & Damages recoveries from contractors and vendors are recognised as Income as and when recovered.

Dividends

Revenue is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

2.11 Regulatory Asset/Liability

Regulatory asset is recognized when it is probable that the future economic benefits associated with it will flow to the entity as a result of the actual or expected actions of the regulator, Karnataka Electricity Regulatory Commission (KERC) under the applicable regulatory framework and the amount can be measured reliably.

The probable quantum of deferred asset/liability for the current FY which is expected to flow to the entity as a result of the actual or expected actions passed by the KERC while assessing Annual Performance Review of the concerned Financial year filed along with Annual Revenue Requirement of different years is recognized as Regulatory Asset/Liability on accrual basis, but limiting the quantum of Regulatory Asset recognition to such extent that, the profit for the year does not exceed the Return on Equity determined by KERC in tariff proposal filed in the previous year

2.12 Impairment of Trade Receivables

For trade receivables, the company applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Company has used a practically expedient method as permitted under Ind AS 109. This expected credit loss allowance is computed based on a general provision for doubtful debts of 4% of the outstanding trade receivables as at the end of the reporting period. In the case of HT installations, case-to-case review will be made and if the doubtful amount exceeds the provision at 4%, the amount of such excess will be additionally provided.

In respect of IP Set Installations dues :

a. Dues outstanding for 2 years and above – 100% Subject to a maximum of 10% in a financial year of the Total ourstanding IP Set Installation dues

b. Dues outstanding between 1 year and 2 years – 20% Subject to a maximum of 7.5% in a financial year of the Total ourstanding IP Set Installation dues.

c. Dues outstanding less than 1 years – NIL.

P G BHAGWAT LLP * Chartered Accountants *

2.13 Employee Benefits:

Short-term employee benefits:

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service.

The cost of short-term compensated absences is accounted as under:
- In case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- In case of non-accumulating compensated absences, when the absences occur.

Long-term employee benefits:

Long term employee benefits comprising of earned leave scheme and family benefit fund are recognized based on the present value of defined benefit obligation and computed using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period and same is recognised in Profit and Loss statement and other comprehensive income in case of family benefit fund.

Post employment benefits:

Defined contribution plans

Employee benefit under defined contribution plans comprising of pension fund and gratuity fund for employees enrolled on or after 01.04.2006 are recognized based on the amount of obligation of the Company to contribute to the plan.

a. Pension : 64.00% of (Basic Pay + Dearness pay + Dearness Allowance)
b. Gratuity : 6.05% of (Basic Pay + Dearness pay)

The same is paid to KPTCL/ESCOMs Pension & Gratuity Trust and expensed during the year through Profit & Loss Statement.

In respect of employees who have joined GESCOM before 1.4.2006, provision for contribution to KPTCL/ESCOMs Pension & Gratuity Trust is made on the formula evolved by the Trust based on the actuarial valuation undertaken by KPTCL/ESCOMs' Pension & Gratuity Trust. Any revision in contribution rates due to actuarial valuation by the Trust is accounted in the year of intimation by the Trust to the company.

As the company contribution is collected and administered by the trust and contribution paid on a pay as you go basis, the same has been treated as a Defined Contribution Plan in accordance with Ind AS 19.

The company has not made any provision on acturial valuation for above defined contribution plan.

2.14 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.15 Contingent liabilities and assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company.

A contingent liability can arise for obligations that are possible, but it is yet to be confirmed whether there is present obligation that could lead to an outflow of resources embodying economic benefits.

The Company does not recognise a contingent liability but only makes disclosures for the same in the financial statements when the company has:

> a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation; or

> present obligation arising from past events, when no reliable estimate is possible; or

> a possible obligation arising from past events where the probability of outflow of resources is not remote

Contingent liabilities are reviewed at each Balance Sheet date.

Contingent assets are disclosed in the financial statements by way of notes to accounts when inflow of economic benefits is probable

P G BHAGWAT LLP * Chartered Accountants *

2.16 Taxes on Income

Current income tax

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

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

> When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

> In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

> When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

> In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.
Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Minimum Alternative Tax (MAT) is recognised to the extent payable as current tax and simultaneously credit is taken in the Statement of Profit & Loss to the extent it can be measured and is likely to give future benefits in the form of set off against future income tax liability.

Company has not recognised any of the deferred tax asset for brought forward losses; MAT credit; expenses which are allowed on actual payment basis etc.

P G BHAGWAT LLP * Chartered Accountants *

2.17 Financial instruments:

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

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

> Debt instruments at amortised cost
> Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
> Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortised cost

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

This category is the most relevant to the Company. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss. This category generally applies to loans, trade receivables, cash and cash equivalents, other bank balances and other financial assets. For more information on receivables, refer note 6, 10, 11, 12 and 13.

Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in the P&L.

Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument by- instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the P&L

The investment in equity instrument has been carried at cost in financial and has not been fair valued as at reporting date.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e. removed from the Company's balance sheet) when:

> The rights to receive cash flows from the asset have expired, or
> The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of financial assets

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

i) Financial assets that are debt instruments, and are measured at amortised cost e.g. deposits, loans,trade receivables, bank balance and other financial assets.
ii) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 115;
iii) Loan commitments which are not measured as at FVTPL.

P G BHAGWAT LLP * Chartered Accountants *

The Company follows 'simplified approach' for recognition of impairment loss allowance on

> Trade receivables.

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, twelve-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on twelve-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The twelve-month ECL is a portion of the lifetime ECL which results from default events that are possible within twelve months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss (P&L). This amount is reflected under the head 'other expenses' in the statement of profit and loss. The balance sheet presentation for financial instrument is described below:

> ECL on financial assets measured at amortised cost is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss; loans and borrowings; payables as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss.

P G BHAGWAT LLP ★ Chartered Accountants ★

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR (effective interest rate) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2.18 Leases
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement. For arrangements entered into prior to 1 April 2016, the Company has determined whether the arrangement contain lease on the basis of facts and circumstances existing on the date of transition.

Company as a lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. An operating lease is a lease other than a finance lease.

Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term.

Company as a lessor
Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.19 Inventories
Inventories are valued at Standard Rate (as per rates prescribed under " Common Schedule of Rates" . The Schedule of Rates/Common Schedule of rates is determined on the basis of previous purchase price and prevailing market rates).

Materials procured for capital and revenue works will be accounted in stocks only after verification, inspection and clearance of the same by the competent authorities of the Company.

These are valued at lower of cost and net realizable value. Cost includes all costs of purchases, non-refundable taxes and duties and all other costs incurred for bringing the inventories to their present location and condition. Cost is determined on weighted average basis.

2.20 Material cost variance account

The Company is following the Standard Rates for accounting of material receipts and issues in accordance with the guidelines contained in the Electricity Supply Annual Accounts Rules, 1985.

The variation in purchase price over the Standard Rate is credited/ debited to the "Material Cost Variance account".

The balance in the "Material Cost Variance Account" at the year end will be treated as follows:
> Credit balance is credited to a reserve called 'Reserve Material Cost Variance'.
> Debit Balance is debited to the "Reserve for Material Cost Variance". If as a result of such debit, net balance in this reserve account is a debit balance, the amount of debit balance shall be charged to revenue account for the year.

2.21 Segment reporting

The Company is engaged in the activity of distribution of electricity.

Based on similarity of activities/products, risk and reward structure, organisation structure and internal reporting systems, the Company has structured its operations into a single operating segment. The Company operates majorly in single geographical segment, i.e India and having immaterial export transactions. Accordingly, the chief operating decision maker uses this set of financial for decision making.

P G BHAGWAT LLP * Chartered Accountants *

2.22 Earning per share

Basic EPS is calculated by dividing the profit for the year attributable to equity holders of the parent company by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements, if any, in equity shares issued during the year and excluding treasury shares.

Diluted EPS adjusts the figures used in the determination of basic EPS to consider :

> The after-income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
> The weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares

2.23 Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the financial statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

2.24 Fair value measurement

The Company measures financial instruments such as investment at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable
For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. This note summarises accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.

Disclosures for valuation methods, significant estimates and assumptions (note 50)
Quantitative disclosures of fair value measurement hierarchy (note 44)
Financial instruments (including those carried at amortised cost) (note 6,10,11,12,13,18,19,23,24,25)

2.25 Power purchase

Power purchase in respect of State Grid, Central Grid and other Major Independent Power Producers is accounted based on the sharing formula intimated by State Load Dispatch Centre

Interest on Power purchase in respect of State Grid, Central Grid and other Major Independent Power Producers is accounted based on the sharing formula intimated by State Load Dispatch Centre

2.26 Recent Accounting Pronouncements:

Standards issued but not effective
Exposure draft on amendments to following standards have been issued by the Institute of Chartered Accountants of India:
1. Ind AS 40, "Investment Property"
2. Ind AS 1 "Presentation of Financial Statements" and Ind AS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"
3. Ind AS 103, "Business Combinations"
4. Ind AS 109, "Financial Instruments" and Ind AS 107, "Financial Instruments: Disclosure"

However, such exposure drafts have not been notified by the Ministry of Corporate Affairs ('MCA') to be applicable from 1 April 2020 as at the date of approval of these financial statements.

P G BHAGWAT LLP * Chartered Accountants *

GULBARGA ELECTRICTY SUPPLY COMPANY LIMITED
(CIN NO. - U04010KA2002SGC030436)
Registered office at Station Road, Gulburga, Karnataka - 585 102
NOTES TO FINANCIAL STATEMENTS

3(i). Property plant and equipment:
Tangible assets

Rs. In Lakhs

Gross block	Land & Rights	Buildings	Other Civil Works	Roads	Plant & Machinery	Lines Cable Networks	Motor vehicles	Furniture and fittings	Office Equipments	Total
Balance as at 31 March 2019	**89,742.20**	**7,757.52**	**617.56**	**367.51**	**70,126.09**	**3,42,795.91**	**585.52**	**626.77**	**706.70**	**5,13,325.80**
Additions	-	2,139.20	48.77	83.87	17,570.65	44,066.38	86.23	68.13	38.32	64,101.55
Reclassification/Adjustments	(297.03)	-	-	-	-	-	-	-	-	(297.03)
Disposals	-	-	-	-	7,815.37	734.96	-	-	-	8,550.33
Balance as at 31 March 2020	**89,445.17**	**9,896.72**	**666.33**	**451.38**	**79,881.37**	**3,86,127.33**	**671.75**	**694.90**	**745.02**	**5,68,579.99**
Additions	4.58	1,575.54	47.51	61.21	12,875.37	46,295.81	64.58	100.99	19.11	61,044.70
Revaluation surplus (refer note c below)	6,962.67	-	-	-	-	-	-	-	-	6,962.67
Reclassification/Adjustments	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	9,308.29	459.67	-	-	-	9,767.96
Balance as at 31 March 2021	**96,412.42**	**11,472.26**	**713.84**	**512.59**	**83,448.45**	**4,31,963.47**	**736.33**	**795.89**	**764.13**	**6,26,819.41**
Accumulated depreciation										
Balance as at 31 March 2019	-	**1,597.53**	**246.15**	**76.16**	**18,674.84**	**1,19,399.84**	**414.29**	**304.00**	**267.69**	**1,40,980.51**
Depreciation charge for the year	-	275.22	32.01	11.32	3,613.04	17,069.24	24.39	31.12	38.94	21,095.27
Reclassification	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	1,750.87	453.71	-	-	-	2,204.57
Balance as at 31 March 2020	-	**1,872.75**	**278.16**	**87.48**	**20,537.01**	**1,36,015.37**	**438.68**	**335.12**	**306.63**	**1,59,871.21**
Depreciation charge for the year	-	356.02	34.30	16.41	3,786.44	20,084.20	37.02	36.02	41.36	24,391.77
Reclassification	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	1,938.48	311.45	-	-	-	2,249.93
Balance as at 31 March 2021	-	**2,228.77**	**312.46**	**103.89**	**22,384.97**	**1,55,788.12**	**475.70**	**371.14**	**347.99**	**1,82,013.05**
Net block										
Balance as at 31 March 2020	89,445.17	8,023.97	388.17	363.90	59,344.36	2,50,111.96	233.07	359.78	438.39	4,08,708.78
Balance as at 31 March 2021	**96,412.42**	**9,243.49**	**401.38**	**408.70**	**61,063.48**	**2,76,175.35**	**260.63**	**424.75**	**416.14**	**4,44,806.36**

* P G BHAGWAT LLP * Chartered Accountants

GULBARGA ELECTRICTY SUPPLY COMPANY LIMITED
(CIN NO. - U04010KA2002SGC030436)
Registered office at Station Road, Gulburga, Karnataka - 585 102

3(ii) Right of Use assets

Rs. In Lakhs

Gross block	Land	Total
Balance as at 31 March 2019	-	-
Additions (net of accumulated amortisation till March 31, 2019)	219.17	219.17
Disposals	-	-
Balance as at 31 March 2020	**219.17**	**219.17**
Additions	-	-
Withdrawals	-	-
Balance as at 31 March 2021	**219.17**	**219.17**
Accumulated amortisation		
Balance as at 31 March 2019	-	-
Charge for the year	7.72	7.72
Disposals	-	-
Balance as at 31 March 2020	**7.72**	**7.72**
Depreciation charge for the year	7.70	7.70
Reclassifications	-	-
Withdrawals	-	-
Balance as at 31 March 2021	**15.42**	**15.42**
Net block		
Balance as at 31 March 2020	**211.45**	**211.45**
Balance as at 31 March 2021	**203.75**	**203.75**

3(iii) Intangible assets

Rs. In Lakhs

Gross block	Softwares	Total
Balance as at 31 March 2019	-	-
Additions	622.19	622.19
Disposals	-	-
Balance as at 31 March 2020	**622.19**	**622.19**
Additions	213.94	213.94
Withdrawals	-	-
Balance as at 31 March 2021	**836.13**	**836.13**
Accumulated amortisation		
Balance as at 31 March 2019	-	-
Charge for the year	226.56	226.56
Disposals	-	-
Balance as at 31 March 2020	**226.56**	**226.56**
Depreciation charge for the year	82.48	82.48
Withdrawals	-	-
Balance as at 31 March 2021	**309.04**	**309.04**
Net block		
Balance as at 31 March 2020	**395.63**	**395.63**
Balance as at 31 March 2021	**527.09**	**527.09**

P G BHAGWAT LLP Chartered Accountants

a) Capitalised borrowing costs

The amount of borrowing costs capitalised during the year ended 31 March 2021 with respect to PPE was Rs. 469.32 Lakhs(31 March 2020: Rs. 1238.19 Lakhs). The rate used to determine the amount of borrowing costs eligible for capitalisation was '9.00% to 12%, which is the effective interest rate of specific borrowing. The borrowing cost capitalised for assets under construction (CWIP) for the year ended March 31, 2021 was Nil (31 March 2020: Rs. 324.44 Lakhs). Below table explains the same.

Rs. In Lakhs

Particulars	31-Mar-21	31-Mar-20
Capitalisation of Interest:		
Opening Balance	**5,067.86**	**3,505.23**
Add: For the year		
Included in PPE	469.32	1,238.19
Included in CWIP	-	324.45
Closing Balance	**5,537.18**	**5,067.86**

b) Plant and equipment contributed by customers/grants

The Company recognises as PPE any contribution made by its consumers to be utilised in the process of providing services and that meets the definition of an asset. The initial gross amount is estmated at fair value by reference to the market price of these assets on the date in which control is obtained. Deferred income liability is created for such contribution received from customers. Deferred income is released to statement of profit and loss account under other income in proportinate to the depreciation on PPE for the year.

Assets created out of capital grants are included in PPE and a curresponding deferred income liability is created for such capital grants received. Deferred income is released to statement of profit and loss account under other income in proportinate to the depreciation on PPE for the year. (refer note 21 for grants and consumer contributed assets)

Refer table below for the amounts included in above PPE by way of capitalisation of assets by way of consumer contribution/grants/deposit contribution works:

Rs. In Lakhs

Particulars	31-Mar-21	31-Mar-20
Opening Balance	**1,14,922.25**	**98,781.58**
Add: For the year	8,047.18	16,140.67
Closing Balance	**1,22,969.43**	**1,14,922.25**

Assets created out of Consumer Contribution/Grants / Deposit Contribution Works vests with Company. Accumulated Depreciation attributable for these assets is not ascertainable and hence the release of deferred income to statement of profit and loss account is made on basis of proportinate of depreciation of overall PPE.

c) Revaluation of land

The revalued land and buildings consist of lands owned by company in India. The management determined that these constitute one class of asset under Ind AS 16, based on the nature, characteristics and risks of the property.

Fair value of the properties was determined by using the market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for difference in the nature, location or condition the specific property. As at the date of revaluation April 01, 2016, the properties' fair values are based on valuations performed by M/s Vaibhav Associates an accredited independent valuer who has relevant valuation experience for similar properties in India for the last five years. Further as on March 31, 2021, the valuation is performed by M/s Vaibhav Associates and curresponding net increase in the revaluation has been accounted for as revaluation reserve of PPE in other equity. The revaluation surplus has been routed through other comprehensive income net of taxes. The independent valuers have arrived at the fair values/revalues of those lands considering the rates fixed by the respective State Government, the municipal limits where the respective lands are situated, considering the proximity/connectivity's to the towns/cities and availability of similar kind of properties as duly assessed in the active markets.

P G BHAGWAT LLP * Chartered Accountants *

Fair value hierarchy disclosures for revalued land have been provided in Note 45.

Significant unobservable valuation input:	Range
Significant increases/ (decreases) in estimated price per square metre in isolation would result in a significantly higher/ (lower) fair value.	

Information of revaluation model:

	Rs. In Lakhs
Opening balance as at 1 April 2016	**662.13**
Level 3 re-measurement recognised in asset revaluation reserves (01 April 2016) (Note 50)	91,437.14
Purchases	209.94
Balance as at 31 March 2017	**92,309.21**
Purchases	169.48
Balance as at 31 March 2018	**92,478.69**
Purchases	-
Deletion*	(2,736.49)
Balance as at 31 March 2019	**89,742.20**
Purchases	-
Reclassifications #	**(297.03)**
Balance as at 31 March 2020	**89,445.17**
Level 3 re-measurement recognised in asset revaluation reserves (31 March 2021) (Note 50)	**6,962.67**
Purchases	-
Deletion*	-
Balance as at 31 March 2021	**96,407.84**

* The deletion includes; the revaluation amount for which clear title doesnot exist with the company and hence the same has been reversed.

#Reclassification includes;

Right of Use asset pertaining to Lease hold land amounting to Rs. 223.09 Lakhs which has been recognised as separate asset as per the requirement of Ind AS: 116

Rs. 49.45 Lakhs pertaining to amount returned for cancellation of the lease agreement

Rs. 24.49 Lakhs pertaining to amount paid in advance for lease agreement to be entered and accordingly, the same has been reclassified to Deposits.

If land and rights were measured using the cost model. The carrying amounts would be as follows:

Net book value	**31-Mar-21**	**31-Mar-20**
Cost	744.52	1,041.55
Addition	**0.00**	-297.03
Net carrying amount	**744.52**	**744.52**

d) The title deeds of some of the properties transferred to the Company from KPTCL are being obtained/ built up.

e) In respect of assets shared with KPTCL, the ownership and title vests with KPTCL and as such, they are not reflected in the books of accounts of the Company. But the share of maintenance expenditure in respect of such assets is charged to Profit & Loss account.

f) Management has determined that there are no significant parts of assets whose useful life is different from that of the principal asset to which it relates to in terms of Note 4 Schedule II to the Companies Act, 2013. Accordingly, useful life of assets have been determined for the overall asset and not for its individual components.

g) Carrying amount of property plant equipment pledged as security for borrowings is Rs. 33000.00 Lakhs

P G BHAGWAT LLP * Chartered Accountants *

Rs. In Lakhs

Particulars	As at March 31, 2021	As at March 31, 2020
4 Capital Work In Progress:		
a) Capital work in progress - PPE	20,181.81	34,014.69
b) Capital Advances*	19,687.49	25,966.35
	39,869.30	**59,981.04**

Refer note 3(a) for interest cost capitalised.

Capital work in progress as at year end comprises expenditure for the plant and machinery in the course of construction.

* Capital Advances was previously grouped under Note 8 "Other Current Assets" has now regrouped to this note

Particulars	As at March 31, 2021	As at March 31, 2020
5 Intangible Assets under development:		
a) Computer Software	-	-
	-	-

P G BHAGWAT LLP Chartered Accountants

GULBARGA ELECTRICTY SUPPLY COMPANY LIMITED
(CIN NO. - U04010KA2002SGC030436)
Registered office at Station Road, Gulburga, Karnataka - 585 102
NOTES TO FINANCIAL STATEMENTS

6 Financial Assets

i) Non current investments:

Rs. In Lakhs

Particulars	As at March 31, 2021	As at March 31, 2020
a) Investments in equity Instruments:		
1) Unquoted equity shares (fully paid) (other than traded) Invested in M/s Power Company of Karnataka Limited (98 Shares - Rs. 1000/Share)	1.00	1.00
Total	**1.00**	**1.00**

Investment in equity instrument shown above is not fair valued as on reporting dates. Accordingly the investment values are carried at cost.

ii) Non Current Loans

Particulars	As at March 31, 2021	As at March 31, 2020
(a) Security deposits (unsecured, considered good)*	2,249.88	2,264.80
Total	**2,249.88**	**2,264.80**

Breakup of security details

Particulars	As at March 31, 2021	As at March 31, 2020
- Loans considered good- Secured		
- Loans considered good- Unsecured	2,249.88	2,264.80
- Loans which have significant increase in credit risk	-	-
- Loans - credit impaired	-	-
Total	**2,249.88**	**2,264.80**
Total Non Current Financial assets	**2,250.88**	**2,265.80**

* During FY21, 4 Account Codes previously grouped in "Non current Loans" have been regrouped to Note No 13 Other Financial Assets under Receivable from entities under common control (KPTCL/ESCOMS/PCKL)

P G BHAGWAT LLP Chartered Accountants

GULBARGA ELECTRICTY SUPPLY COMPANY LIMITED
(CIN NO. - U04010KA2002SGC030436)
Registered office at Station Road, Gulburga, Karnataka - 585 102
NOTES TO FINANCIAL STATEMENTS

Particulars	As at March 31, 2021	As at March 31, 2020
	₹ in Lakhs	₹ in Lakhs
7 Deferred tax Assets (Net):		
a) Deferred tax liability:		
i) On account of depreciation on fixed assets (other than land)	49,020.68	46,349.71
ii) On account of revaluation of land	22,018.06	20,239.15
ii) On account of fair valuation of investments	-	-
Total	**71,038.74**	**66,588.86**
b) Deferred tax asset:		
i) On account of depreciation on fixed assets (other than land)	-	-
ii) FBF	258.22	176.22
iii) Leave balance	3,100.66	2,901.51
iv) Bonus/Commission to employees	2.80	7.46
v) Government grant	16,653.64	16,218.74
vi) Consumer contributed asset	17,694.01	17,195.97
vii) Provision for doubtful debts	17,884.42	15,440.92
Total	**55,593.75**	**51,940.82**
Net Deferred tax (liability)/asset	**(15,444.99)**	**(14,648.04)**

Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for March 31, 2021

Rs. In Lakhs

	Year ended March 31, 2021	Year ended March 31, 2020
Accounting profit before tax	(1,12,608.18)	(1,03,816.67)
Accounting profit before income tax	**(1,12,608.18)**	**(1,03,816.67)**
Deferred tax credit to statement of profit and loss at 31.20%	**(35,133.75)**	**(32,390.80)**
Adjustments in respect of current income tax of previous years		
Disallowances under section 37	18.97	81.75
Deferred tax asset not recognised on following items on virtual certainity basis:		
Unabsorbed Depreciation	(9,587.53)	(8,407.71)
Business Loss	(28,545.95)	(24,042.49)
Impact of previous year adjustments	-	4,877.90
Deferred tax income recognised in statement of profit and loss	(939.46)	(4,588.95)
Others	2,259.71	(311.30)
Total	**(36,794.26)**	**(32,390.80)**
Difference	**1,660.51**	-

8 Other non current assets:*		
(unsecured and considered good)		
a) Advance payment of tax (net)	444.95	87.54
Total	**444.95**	**87.54**

* Capital Advances was previously grouped under this Note has now regrouped to Note No. 4 "Capital Work In Progress"

P G BHAGWAT LLP * Chartered Accountants *

GULBARGA ELECTRICTY SUPPLY COMPANY LIMITED
(CIN NO. - U04010KA2002SGC030436)
Registered office at Station Road, Gulburga, Karnataka - 585 102
NOTES TO FINANCIAL STATEMENTS

Particulars	As at March 31, 2021	As at March 31, 2020
	Rs. In Lakhs	Rs. In Lakhs
9 Inventories:		
Stocks, spares and loose tools		
a) Materials lying at Stores	9,754.93	10,765.75
b) Materials with Contractors	61.38	70.93
c) Materials with Employees	584.59	340.91
d) Obsolete/ Scrapped Assets	224.25	220.91
e) WDV of Faulty/Dismantled Assets	6,009.40	5,286.01
	16,634.55	**16,684.51**
10 Unbilled Revenue:		
Unbilled Revenue	29,489.00	27,370.62
	29,489.00	**27,370.62**

The break up of the unbilled revenue is given below:

	As at March 31, 2021	As at March 31, 2020
Opening Balance	**27,370.62**	**25,800.28**
Add: Provision for unbilled revenue during the year	29,489.00	27,370.62
Less: Provision for unbilled revenue reversed during the year	27,370.62	25,800.28
Closing Balance	**29,489.00**	**27,370.62**

11 Trade receivables:

a) Trade receivables	2,17,099.75	1,84,233.28
b) Receivables from related parties	-	-
	2,17,099.75	**1,84,233.28**
Total	**2,17,099.75**	**1,84,233.27**
Break-up for security details:		
- Trade recievables considered good- Secured	70,268.01	64,711.20
- Trade recievables considered good- Unsecured (including doubtful)	1,46,831.74	1,19,522.07
- Trade recievables which have significant increase in credit risk	-	-
- Trade recievables- credit impaired	-	-
Total	**2,17,099.75**	**1,84,233.27**
Loss allowance ($)	57,321.85	49,490.12
Total Trade receivables	**1,59,777.90**	**1,34,743.15**

($) An amount of Rs. 99.37 Crores is transferred by GoK in the Opening Balance of the Company, as provision towards Bad & doubtful consumer receivables. In accordance with the clause (b) of the Government of Karnataka order No DE 48 PSR 2003 dated 31.05.2003, the same is not to be adjusted against any consumer categories at the Sub Divisions of the ESCOMs. The provision towards Doubtful dues from Consumers amounting to Rs. 573.21 crores is inclusive of the aforesaid provision. Besides the above, 100% provision is made on case to case basis under HT installations category which works outs Rs. 41.80 Crs and 10% provision is created on IP set Dues outstanding for more than 2 years which works out to Rs.400.67 Crores. On the Balance Debtors, 4% provision is made.

P G BHAGWAT LLP Chartered Accountants

GULBARGA ELECTRICTY SUPPLY COMPANY LIMITED
(CIN NO. - U04010KA2002SGC030436)
Registered office at Station Road, Gulburga, Karnataka - 585 102
NOTES TO FINANCIAL STATEMENTS

Particulars	As at March 31, 2021	As at March 31, 2020
	Rs. In Lakhs	Rs. In Lakhs
12 Cash and Bank Balances		
12 (i) Cash and Cash Equivalents *		
Balance with Banks		
Current accounts	2,893.97	8,876.23
Deposits with original maturity of less than three months	-	-
Cash on hand	383.37	69.13
Cheques in hand	522.78	-
Cheques and Funds in Transit	0.11	0.11
Stamps on Hand	2.08	1.33
Total cash and cash equivalents	**3,802.32**	**8,946.80**
12 (ii) Other bank balances		
Deposits with remaining maturity for less than 12 months (other commitments#)	3,443.08	2,890.34
Balances with banks to the extent held as margin money** or security against the borrowings, guarantees)	3,267.86	1,453.05
Total other bank balances	**6,710.94**	**4,343.39**
Total cash and bank balances	**10,513.26**	**13,290.19**

* Cash & Bank Balance includes a. Unrecouped Vouchers : Rs. 1.63 lacs & b. Suspense : Rs. 98.55 lakhs (some of the suspense vouchers are not charged off within 3 months from the Balance Sheet date.)

** Margin money are given as against LC's obtained from Banks in favour of Power Generators as per the terms of PPA.

other commitments includes the fixed deposits kept by the Company for the grants unutilised being released by government on dated 10 Dec 2015.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

Particulars	As at March 31, 2021	As at March 31, 2020
Balance with Banks		
Current accounts	2,893.97	8,876.23
Deposits with original maturity of less than three months	-	-
Cash on hand	383.37	69.13
Cheques and Funds in Transit	0.11	0.11
Stamps on Hand	2.08	1.33
	3,279.54	**8,946.80**

13 Other Financial Assets:

Particulars	As at March 31, 2021	As at March 31, 2020
a) Receivable from entities under common control (KPTCL/ESCOMS/PCKL)*	1,26,245.40	1,12,088.06
b) Receivable from Power Generators	2,636.54	2,954.22
c) Receivable from Pension/Gratuity Trust	917.44	958.03
d) Receivable from beneficiaries of Solar Lantern	166.75	200.13
e) Income accrued and not due	123.63	281.76
f) Rural Electrification Subsidy	3,050.88	3,050.88
g) Tariff Subsidy	1,17,610.38	1,01,612.61
h) RDPR Dues	-	-
i) Receivable from GoK - MSME Demand/Fixed Charges waived off During Covid -19	809.08	-
Total	**2,51,560.11**	**2,21,145.70**
Break-up for security details:		
- other financial assets considered good- Secured	-	-
- other financial assets considered good- Unsecured (including doubtful)	2,51,560.11	2,21,145.70
- other financial assets which have significant increase in credit risk	-	-
- other financial assetscredit impaired	-	-
Total	**2,51,560.11**	**2,21,145.70**
Loss allowance	-	-
Total other financial asset	**2,51,560.11**	**2,21,145.70**
Total current financial assets	**4,51,340.27**	**3,96,549.67**

P G BHAGWAT LLP Chartered Accountants

GULBARGA ELECTRICTY SUPPLY COMPANY LIMITED
(CIN NO. - U04010KA2002SGC030436)
Registered office at Station Road, Gulburga, Karnataka - 585 102
NOTES TO FINANCIAL STATEMENTS

Particulars	As at March 31, 2021	As at March 31, 2020
	Rs. In Lakhs	Rs. In Lakhs
Break up of financial assets carried at amortised cost		
Particualrs	**As at March 31, 2021**	**As at March 31, 2020**
Loans (note 6(ii))	2,249.88	2,264.80
Unbilled revenue (note 10)	29,489.00	27,370.62
Trade receivables (note 11)	1,59,777.90	1,34,743.15
Cash and Cash equivalents (note 12)	3,802.32	8,946.80
Other bank balances (note 12)	6,710.94	4,343.39
Other financial assets (note 13)	2,51,560.11	2,21,145.69
Total financial assets carried at amortised cost	**4,53,590.15**	**3,98,814.45**

* During FY21, 4 Account Codes previously grouped in Note 6(ii) "Non current Loans" have been regrouped to "Receivable from entities under common control (KPTCL/ESCOMS/PCKL)" under this Note

14 Other Current Assets:

a) Prepaid Expenses	6.47	14.15
b) Advance to employees	286.85	217.24
c) Claims for loss/Damage to Capital Assets	10.75	10.84
Total	**304.06**	**242.23**

15 Regulatory Deferral Accounts:

Regulatory Deferral Account - debit balances and related deferred tax		
Regulatory Assets	26,643.14	77,049.27
Regulatory Deferral Account	**26,643.14**	**77,049.27**

Rate Regulated Activities:

(i) As per the Ind AS-114 'Regulatory Deferral Accounts' the business of electricity distribution is a Rate Regulated activity wherein the regulators determine Tariff to be charged from consumers based on prevailing regulations in place.

The Multi Year Tariff (MYT) Regulations issued by Karnataka Electricity Regulatory Commission ("KERC") is applicable to the Company's distribution business. According, to these regulations, the regulators shall determine tariff in a manner in which the Company can recover its fixed and variable costs including assured rate on return approved equity base, from its consumers. The Company determines the Revenue, Regulatory Assets and Liabilites as per the terms and conditions specified in respective MYT Regulations.

(ii) Reconciliation of Regulatory Assets/Liabilities of distribution business as per Rate Regulated Activities as on March 31, 2021, and March 31, 2020 is as follows:

Particulars	As at March 31, 2021	As at March 31, 2020
Opening Regulatory Assets (net)	77,049.27	1,13,883.82
Regulatory Income/(Expenses) during the year:		-
(i) Power Purchase Cost	17,843.00	8,800.15
(ii) Reversal of earlier years income recognised	(68,249.12)	(45,634.70)
Closing Regulatory Assets (net)	**26,643.15**	**77,049.27**

(iii) Company offers the movement in regulatory deferral accounts to income tax as and when the same is accounted in books of accounts. Accordingly; Company has not recognised any deferred tax on regulatory deferral accounts as the accounting does not differ in the books of accounts and tax.

P G BHAGWAT LLP * Chartered Accountants *

GULBARGA ELECTRICTY SUPPLY COMPANY LIMITED
(CIN NO. - U04010KA2002SGC030436)
Registered office at Station Road, Gulburga, Karnataka - 585 102

NOTES TO FINANCIAL STATEMENTS

Particulars	As at March 31, 2021 Number (Lakhs)	As at March 31, 2021 Rs. In Lakhs	As at March 31, 2020 Number (Lakhs)	As at March 31, 2020 Rs. In Lakhs
16 Share capital:				
Authorized:				
Equity shares of ₹ 10/- each	20,000.00	2,00,000.00	20,000.00	2,00,000.00
	20,000.00	**2,00,000.00**	**20,000.00**	**2,00,000.00**
Issued, subscribed and fully paid up:				
Equity shares of ₹ 10/- each				
At the beginning of the year	11,149.56	1,11,495.61	11,149.56	1,11,495.61
Issued during the year				
- by way of issue of fully paid up equity shares	3,948.40	39,484.00		
At the close of the year	**15,097.96**	**1,50,979.61**	**11,149.56**	**1,11,495.61**
Total carried to Balance Sheet		**1,50,979.61**		**1,11,495.61**

Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of Rs. 10/- each. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of the equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the equity shares held by the shareholder.

a **Particulars of equity share holders holding more than 5% of the total number of equity share capital:**

Particulars	As at March 31, 2021		As at March 31, 2020	
	Number	Percentage	Number	Percentage
(i) Government of Karnataka	15,097.96	99.99%	11,149.56	99.99%

b **Aggregate number of equity shares issued as bonus, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date:**

Particulars	Year ended	
	31 March 2021	31 March 2020
i) Equity shares allotted as fully paid bonus shares by capitalization of securities premium or capital redemption reserve	Nil	Nil

P G BHAGWAT LLP Chartered Accountants

GULBARGA ELECTRICTY SUPPLY COMPANY LIMITED
(CIN NO. - U04010KA2002SGC030436)
Registered office at Station Road, Gulburga, Karnataka - 585 102

Note 17: Other Equity

		Rs In Lakhs
a)	**Share Application Money Pending Allotment**	
	At 31 March 2019	**20,172.00**
	Add: Share application money received	19,312.00
	Add/(less): Adjustment *	18.75
	Less: Allotment of shares	
	At 31 March 2020	**39,502.75**
	Add: Share application money received	11,223.53
	Add/(less): Adjustment *	-
	Less: Allotment of shares	(39,484.00)
	At 31 March 2021	**11,242.28**

* Refer note 22 for adjustments made

		Rs In Lakhs
b)	**Reserve for Material Cost variance**	
	At 31 March 2019	**5,138.72**
	Add: Addition during the year	(643.50)
	Less: Reversal of Depreciation/ withdrawal during the year	-
	At 31 March 2020	**4,495.22**
	Add: Addition during the year	(218.14)
	Less: Reversal of Depreciation/ withdrawal during the year	-
	At 31 March 2021	**4,277.08**

P G BHAGWAT LLP Chartered Accountants

c) **Retained Earnings**

	Rs In Lakhs
At 31 March 2019	**(1,00,244.04)**
Less: Loss for the year	(99,227.72)
Less: Other comprehensive income for the year	(18.89)
Less: Amortisation on Right of Use Asset till March 31, 2019	(12.01)
At 31 March 2020	**(1,99,502.66)**
Less: Loss for the year	(1,11,668.72)
Less: Other comprehensive income for the year	(93.70)
At 31 March 2021	**(3,11,265.08)**

d) **Revaluation reserve on PPE**

	Rs In Lakhs
At 31 March 2019	**67,931.77**
Add: Revaluation of PPE	-
Less: Reversal of revaluation reserve	-
Add: Other comprehensive income for the year	487.78
At 31 March 2020	**68,419.55**
Add: Revaluation surplus of PPE	5,183.76
Less: Reversal of revaluation reserve	-
Less: Other comprehensive income for the year	-
At 31 March 2021	**73,603.31**

Total other equity	**(2,22,142.41)**

P G BHAGWAT LLP Chartered Accountants

Rs. In Lakhs

Particulars	As at March 31, 2021	As at March 31, 2020
Non- Current Liabilities		
18 Borrowings:		
I) Secured loans:		
a. Loan from banks	1,69,999.26	1,458.33
b. Loan from Others	91,392.44	1,09,547.79
Less: Current maturities on loan from others	15,224.40	20,171.26
	2,46,167.30	**90,834.86**
II) Unsecured loans:		
a. Loan from banks	-	-
b. Loan from Others	74,621.62	1,00,411.70
Less: Current maturities on loan from others	125.64	125.64
	74,495.98	**1,00,286.06**
Total Borrowings	**3,20,663.28**	**1,91,120.92**

Additional information:
Secured Loans:

Rs. In Lakhs

Sl no	Particulars	31-03-2021	31-03-2020
A	<u>**Term Loans from Others**</u>		
1	**Loans from Rural Electrification Corporation Limited, New Delhi. - APDRP Counter part funding** (Secured by Hypothecation of all existing unencumbered moveable properties including machinery, equipments, machinery spares, tools, implements, and accessories installed / created / erected and all future moveable including machinery, equipmetns, machinery spares, tools, implements, and accessories installed / created / erected in future and its stock of materials equipments bought or to be bought out of the loan amount. The Tenure of the loan is 13 years with 3 years moratorium, repayable in 10 equal annual installments. Repayment starting from 2013 Interest rate is 10.75% p.a.)	**39.14**	**78.29**
2	**PFC - RAPDRP** Part A -The tenure of loan originally was 10 years from the date of disbursement including morotorium period of 3 years for both Principal and interest. Interest to be paid as notified by Ministery of Finance from time to time. 'Secured by way of hypotecation on the newly financed assests under the project as securities for loan. The Tenure of the loan is modified as 10 years with 5 years moratorium repayable in equal annual installments. (i.e.Moratorium period extendedby two years). Interest rate is 11.50%. Part B- The Tenure of the loan is 20 years with 5 years moratorium. Repayable in equal annual installments starting from 2016. Interest rate is 11.50%.)	**4,313.15**	**4,524.07**
3	**Loan from Rural Electrification Corporation**	67,157.89	73,232.27
a	REC-Rural Load Management System - Rs. 36.84 Crores - The Tenure of the loan is 13 years with 3 years moratorium. repayable in 10 equal annual installments. Starting from 2011. Interest rate is 10.90%.		
b	REC-NJY (Phase-I) Rs.108.19 Crores - The Tenure of the loan is 13 years with 3 years moratorium. Repayable in 10 equal annual installments. Repayment starting from 2016. Interest rate is 11.00%.		

P G BHAGWAT L.L.P Chartered Accountants

GULBARGA ELECTRICTY SUPPLY COMPANY LIMITED
(CIN NO. - U04010KA2002SGC030436)
Registered office at Station Road, Gulburga, Karnataka - 585 102
NOTES TO FINANCIAL STATEMENTS

Rs. In Lakhs

	Particulars	As at March 31, 2021	As at March 31, 2020
c	REC-Reconductoring - Rs. 139.87 Crores - The Tenure of the loan is 13 years with 3 years moratorium. Repayable in 10 equal annual installments. Repayment starting from 2011. Interest rate varying from 11.00% to 11.50% p.a.		
d	REC-DTC Metering - Rs. 128.04 Crores - The Tenure of the loan is 13 years with 3 years moratorium. Repayable in 10 equal annual installments. Repayment starting from 2014. Interest rate varying from 11.00% to 11.50% p.a.		
e	REC- RGGVY - Rs. 12.72 Crores - The tenure of the Loan is 15 years with 5 years moratorium. Repayable in 10 equal annual installment. Interest rate is 10.25% p.a.		
f	REC-DDUGJY - Rs. 198.73 Crores - The Tenure of the loan is 13 years with 3 years moratorium. Repayable in 10 equal annual installments. Repayment starting from 2023. Interest rate is 9.75% to10.50 % p.a.)		
g	REC-IPDS - Rs. 73.37 Crores - The Tenure of the loan is 13 years with 3 years moratorium. Repayable in 10 equal annual installments. Repayment starting from 2023. Interest rate is 10.50 % p.a.)		
h	REC-Saubhagya - Rs. 47.55 Crores - The Tenure of the loan is 13 years with 3 years moratorium. Repayable in 10 equal annual installments. Repayment starting from 2023. Interest rate is 11.00 % p.a.)		
4	**Loans from Power Finance Corporation** (Secured by hypothecation of Assets created under the project - Nirantara Jyoti. The Tenure of the loan is 12 years repayable in 48 equal quarterly installments starting from 2010. Interest rate 11.75)	45.06	75.10
5	**Loans from Power Finance Corporation** (Secured by hypothecation of Assets created under the project - DTC Metering. The Tenure of the loan is 5 years repayable in 20 equal quarterly installments starting from 2009. Interest rate is 10.90%)	-	624.85
6	**Loan from Rural Electrification Corporation - PSI** (Secured by hypothecation of Assets installed in Sub Stations constructed under the project. The Tenure of the loan is 13 years with 3 years moratorium. Repayable in 10 equal annnual installments and the loans are availed during the period 2008 to 2019. Rate of Interest is varying from 10.75 to 11.00% p.a.)	7,013.00	7,841.06
7	**Loans from Power Finance Corporation** (Secured by hypothecation of Movable Assets comprising 2 x 5 MVA, 33/11 KV Sub Stations and associated lines. The Tenure of the loan is 12 years repayable in 48 equal quarterly installments starting from 2004 & 2007. Interest rate varying from 8.00% to 11%)	3,240.87	3,588.82
	Medium Term Loans from Rural Electrification Corporation The payment of interest and repayment of principal would be secured by way of charge on materials/assets together with ESCROW cover as acceptable to REC for the loan. The Loan would be for a eriod of 36 months, repayable in 36 monthly instalments of principal along with the interest from the date of first disbursement without any moratorium period, the applicable Rate of interest is 11.25% (on monthly rest)	9,583.33	19,583.33
8	**Loans from Commercial Banks** **a) Syndicate Bank** (Secured by 1st pari passu charge by way of hypothecation of receivables of company along with other working capital lenders.. The Tenure of the loan is three years repayable in 36 equal quarterly installments starting from Jan 2017 with an Interest rate of one year MCLR +0.50% pa i.e 10.95% p.a.)		1,458.33

P G BHAGWAT LLP Chartered Accountants

Rs. In Lakhs

	Particulars	As at March 31, 2021	As at March 31, 2020
	b) Bank Of India (Secured by State Govt, Guarantee. The tenure of the loan is ten years with three years moratorium. Repayable in 84 monthly installments commencing from 37th month from the date of first disbursement. Rate of Interest at one year MCLR prevalling on the date of first disbursement presently 7.35% p.a.)	99,999.65	-
	c) Punjab National Bank (Secured by State Govt, Guarantee. The tenure of the loan is ten years with three years moratorium. Repayable in 7 annual equal installments commencing from end of 4th year from the date of disbursement. Rate of Interest at one year MCLR+0.20% pa prevalling presently 7.55% p.a.)	49,999.61	-
	d) State Bank of India (Secured by State Govt, Guarantee. The tenure of the loan is ten years with three years moratorium. Repayable in 84 monthly installments commencing from 37th month from the date of first disbursement. Rate of Interest at 0.70% above 6 month MCLR {Present MCLRis 6.95% p.a. for year} applicable rate of Interest is 7.65% p.a.)	20,000.00	-
	Sub-Total	**2,61,391.70**	**1,11,006.12**
C	**Less : Current Maturities :**	15,224.40	20,171.26
	Total	**2,46,167.30**	**90,834.86**

Unsecured Loans:

Sl no	Particulars	31-03-2021	31-03-2020
1	**Loans from Government - PMGY** (The tenure of the loan is 20 years with 5 years moratorium, principal being repayable in equal Annual Installments, repayment starting from 1st Sep 2010 and ending during Sep 2024. The rate of Interest is 12%.p.a.)	143.79	198.30
2	**Loans from Government - APDRP** (The Loan is transferred during unbundling & the loan repayment period is upto FY-23. The rate of Interest is 10.85%.p.a.)	142.27	213.40
3	**Liability component of compound financial instrument Interest free Loan from Govt of Karnataka** (The tenure of the loan is 7 years with 2 years of moratorium and principal shall be repaid over 5 years after 2 years moratorium)	74,335.56	1,00,000.00
	Sub-Total	**74,621.62**	**1,00,411.70**
	Less : Current Maturities :	125.64	125.64
	Total	**74,495.98**	**1,00,286.06**

a The carrying amounts of property, plant and equipment pledged as security for borrowings are disclosed in note 3.

b In respect of loan availed from Power Finance Corporation (RAPDRP A –Originally disbursed amount Rs.3604 lakhs), the said loan was under the scheme of conversion in to grant. As per the balance confirmation letter from PFC, an amount of Rs.1073.92 lacs is outstanding as on 31st March 2021 towards accrued interest as at the end of the year and there is no corresponding provision in the books of Company. The company has sought clarification based on the minutes of the meeting of Ministry of Power approving the conversion of the loan in to grant. The Company is awaiting the official communication from PFC for effecting the conversion of loan to grant in the books of account and accordingly no provision is made for Rs. 1073.92 lacs.

c The Company does not have any continuing defaults in repayment of loans and interest during the year and as at the reporting date.

P G BHAGWAT LLP Chartered Accountants

GULBARGA ELECTRICTY SUPPLY COMPANY LIMITED
(CIN NO. - U04010KA2002SGC030436)
Registered office at Station Road, Gulburga, Karnataka - 585 102
NOTES TO FINANCIAL STATEMENTS

Particulars		As at March 31, 2021 ₹ in Lakhs	As at March 31, 2020 ₹ in Lakhs
Non - Current Liabilities			
19	**Other non current financial Liabilities:**		
a)	Security Deposit from Consumers	59,947.46	56,374.44
b)	Provision made by GOK towards consumers	-	-
c)	BRP II Adjustment given by GOK i.r.o SMIORE	1,293.06	1,293.07
d)	Other Payables to GoK	-	-
		61,240.52	**57,667.51**

Company pays interest at bank rate at the beginning of the year on security deposit from consumers. (Rate of interest 31 March 2021- 4.65%; 31 March 2020- 6.5%

20	**Provisions: (non Current)**		
a)	Provision for Family Benefit Fund	779.67	651.63
b)	Provision for Leave Encashment	12,293.03	8,944.73
		13,072.70	**9,596.36**

The liability for compensated absences cover the Company's liability for earned leaves.

Also refer note 40 for detailed disclosure of family benefit fund and leave encashment.

			Rs. In Lakhs
21	**Deffered revenue**		
(i)	**Consumer Contribution towards cost of Capital Asset**		
	Opening balance	**55,115.29**	**52,602.71**
	Received during the year	5,386.28	5,962.58
	Released to the statement of profit and loss	(3,790.00)	(3,450.00)
	Closing balance	**56,711.57**	**55,115.29**
(ii)	**Government grants towards cost of capital assets**		
	Opening balance*	**51,983.16**	**42,731.26**
	Received during the year	2,660.91	10,178.10
	Released to the statement of profit and loss	(1,267.00)	(926.20)
	Closing balance	**53,377.07**	**51,983.16**
(iii)	**Other Government grants**		
	Opening balance	-	-
	Received during the year	31,075.05	-
	Released to the statement of profit and loss	(5,410.61)	-
	Closing balance	**25,664.44**	-
	Total Deferred income	**1,35,753.08**	**1,07,098.45**
	Current liability		
	Non Current liability	**1,35,753.08**	**1,07,098.45**

*Above grants includes Rs. 2,205.00 lakhs being released by government on dated 10 Dec 2015 and are remaining unutilised till date.

Other Government Grants of Rs. 25664.44 Lakhs is the deferred revenue portion of the Rs. 100000 Lakhs Interest free loan released by Govt of Karnataka and the same will be amortised over the Loan term.

P G BHAGWAT LLP Chartered Accountants

22 Other non - current liabilities:

		Rs. In Lakhs
(a) Deposit Contribution Work	9,701.17	8,030.54
(b) Other payables*	1,515.38	1,515.38
	11,216.55	**9,545.92**

*Other payables pertains to the unreconciled amount of following heads on date of unbundling of ESCOMs. The Company is in process of reconciling the same and to make necessary adjustments after approval of the board of directors and government.

Rs. In Lakhs

Acc Code	Descrption	Amount
14.35	CWIP - Bhagyajyoti Scheme - 11 KV	35.62
14.351	CWIP - Bhagyajyoti Meter Fixing Scheme - 11 KV	256.85
14.36	CWIP - Kuteera Jyoti Schemes - 11 KV	365.90
14.361	CWIP - Kuteera Jyoti Meter Fixing Schemes - 11 KV	37.14
46.206	Payble to GOK-BRP-II arrearas recovered for consumers. State Govt. Installations.	60.48
46.207	BRP Adjustment recovered from IP Consumers payable to GOK	18.57
46.981	Electricity dues of Gram Panchayats released by Department of Energy, Government of Karnataka to ESCOMs through KPTCL and accounted as payable to ESCOMs in KPTCL Accounts.	596.96
28.816	Amount recoverable from Government wards Bhagya Jyothi works	227.24
37.303	IUA - BJ/KJ balances clearance - BRP	0.25
37.304	IUA - Permanently disconnected Installations - Balance Clearance - BRP	9.56
37.308	IUA - BRP Clearence amount returned - Permanently Diss. Instns	122.32
37.823	BRP - II Write off	17.72
24.11	Cash on Hand	(20.50)
24.303	Non Operative - SBI	(73.12)
28.815	Receivables from MESCOM towards advances paid to suppliers prior to 1.6.2002 in respect of Purchase Orders placed by the then Office of CEE, MW (South)	(110.73)
37.311	IUA - IP set principal collection(interest waiver scheme 2001)	(10.12)
	Previous balance in net-worth adjustment account (Debit balance)	(18.75)
	Total	**1,515.38**

P G BHAGWAT LLP Chartered Accountants

GULBARGA ELECTRICTY SUPPLY COMPANY LIMITED
(CIN NO. - U04010KA2002SGC030436)
Registered office at Station Road, Gulburga, Karnataka - 585 102
NOTES TO FINANCIAL STATEMENTS

Particulars	As at March 31, 2021 ₹ in Lakhs	As at March 31, 2020 ₹ in Lakhs
Current Liabilities		
23 Borrowings:		
I) Secured loans:		
a) Loans repayable on demand		
- from banks	8,489.41	9,350.96
- from others	-	-
Total	**8,489.41**	**9,350.96**

1) **Details of security for secured loans:**

a) **Loan from Banks:** (Secured by Charge on Receivables from Consumers)	8,489.41	9,350.96

The carrying amounts of property, plant and equipment pledged as security for borrowings are disclosed in note 3.

P G BHAGWAT LLP Chartered Accountants

Particulars	As at March 31, 2021 ₹ in Lakhs	As at March 31, 2020 ₹ in Lakhs
Current Liabilities		
24 Trade payables:		
a) Total outstanding dues of micro and small enterprises	-	-
b) Total outstanding dues other than micro and small enterprises	3,21,671.29	3,92,206.32
c) To related parties	1,06,463.06	80,709.83
Total Trade payable	**4,28,134.34**	**4,72,916.15**

Terms and conditions of the above financial liabilities:

Trade payables are non-interest bearing and are normally settled on 60 to 90 day terms

For explanations on the Company's credit risk management processes, refer note 46

Additional Information:

1	Trade Payables for Purchase of Power	2,61,954.95	3,25,091.94
2	Other Liability for Outstanding Expenses	59,716.34	67,114.38
3	Payable to Associates - KPTCL/PCKL/other ESCOMs	1,06,463.06	80,709.83
		4,28,134.34	**4,72,916.15**

Details of dues to Micro and small as defined under MSMED Act, 2006

(i) The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year		
Principal amount due to micro and small enterprises	Nil	Nil
Interest due on above	Nil	Nil
(ii) The amount of interest paid by the buyer in terms of section 16, of the MSMED Act, 2006.		
The amounts of the payment made to the supplier beyond the	Nil	Nil
appointed day during each accounting year.	Nil	Nil
(iii) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006.	Nil	Nil
(iv) The amount of interest accrued and remaining unpaid at the end of each accounting year.	Nil	Nil
(v) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act, 2006	Nil	Nil

In the view of the management, the impact of interest, if any, that may be payable in accordance with provisions of this Act is not expected to be material. Also no amounts are due to small scale industrial undertaking to whom the Company owes and which is outstanding for more than 45 days as at 31st March 2021.

P G BHAGWAT LLP Chartered Accountants

GULBARGA ELECTRICTY SUPPLY COMPANY LIMITED
(CIN NO. - U04010KA2002SGC030436)
Registered office at Station Road, Gulburga, Karnataka - 585 102
NOTES TO FINANCIAL STATEMENTS

Particulars	As at March 31, 2021 ₹ in Lakhs	As at March 31, 2020 ₹ in Lakhs
25 Other current financial liabilities		
a) Current Maturities of Long term debts	15,350.03	20,296.90
b) Payable to Trust (Pension & NDCPS)	6,756.92	4,670.38
c) Miscellaneous Deposits/other liabilites (incl liability towards Employees)	2,580.45	3,046.24
d) Security deposit in cash from Suppliers/ Contractors	622.09	754.12
e) Excess credit under reconciliation with Bank	1,963.51	3,216.83
f) Interest accrued and payable to consumers	2,439.53	3,396.90
g) Interest accrued but not due on loans	1,766.49	1,816.05
h) Liability towards consumers	831.32	677.08
i) Sundry payables for capital goods	18,489.97	20,839.59
	50,800.30	**58,714.09**

Break up of financial liabilities carried at amortised cost

Particulars	As at March 31, 2021	As at March 31, 2020
a) Borrowings (non-current) (note 18)	3,20,663.28	1,91,120.92
b) Borrowings (current) (note 23)	8,489.41	9,350.96
c) Current maturity of long term loans(note 25)	15,350.03	20,296.90
d) Trade payables (note 24)	4,28,134.34	4,72,916.15
e) Other financial liabilities (non current) (note 19)	61,240.52	57,667.51
f) Other financial liabilities (current) (note 25)	35,450.27	38,417.19
Total	**8,69,327.85**	**7,89,769.63**

Particulars	As at March 31, 2021 ₹ in Lakhs	As at March 31, 2020 ₹ in Lakhs
26 Provisions: (current)		
a) Provision for Earned Leave Encashment	1,236.62	1,091.18
b) Provision for Family Benefit Fund	47.95	43.00
	1,284.57	**1,134.18**
27 Other current liabilities:		
a) Interunit accounts	103.43	552.15
b) Statutory Liabilities	7,733.10	5,061.87
c) Other payables	250.88	358.84
	8,087.41	**5,972.86**
28 Current Tax Liabilities (Net):		
a) Provision for tax (net of advance tax)	-	-
		-

P G BHAGWAT LLP * Chartered Accountants *

NOTES TO FINANCIAL STATEMENTS

29 Contingent Liabilities for which no provision has been made by the Company.

Sl No	Particulars	Pending at/With	31-Mar-21	31-Mar-20
1	Intimation regarding default in TDS statement based on the Tax Payers data reflected in the Computer System of the Department for Short Deduction/Short Payments/Late Deduction/Late Payments/Late filings and interest thereon	DIT (TDS)	Rs. 299.57 Lakhs	Rs. 102.59 Lakhs
2	Incorrect/excess/arrears billing pending	Appealte Authorities	Rs. 1322.59 Lakhs	Rs. 1855.90 Lakhs
3	For loss of life on account of electrification	Consumer Courts	108 Cases pending before various courts, Amount is not Ascertainable	99 Cases pending before various courts, Amount is not Ascertainable
4	Power Purchase Agreement trafiffs & dues	Appealte Autority	90 Cases pending before various authorities, Out of which claim amount of Rs. 10624.73 Lakhs pertains to 23 cases and rest 67 cases where amount is not ascertainable	107 Cases pending before various authorities, Out of which claim amount of Rs. 61754.04 Lakhs pertains to 26 cases and rest 81 cases where amount is not ascertainable

P G BHAGWAT LLP Chartered Accountants

GULBARGA ELECTRICTY SUPPLY COMPANY LIMITED
(CIN NO. - U04010KA2002SGC030436)
Registered office at Station Road, Gulburga, Karnataka - 585 102
NOTES TO FINANCIAL STATEMENTS

Rs. In Lakhs

	Particulars	2020-21	2019-20
30	**Revenue from operations:**		
	Operating revenue		
a)	- Sale of Power - LT Category	3,77,998.75	3,72,316.85
b)	- Sale of Power - HT Category	1,12,345.73	1,19,029.49
c)	- Sale of Power - Through IEX	10,498.29	5,288.42
	Other operating revenue		
a)	-Supervision Charges	994.30	865.98
b)	- Interest on belated payments from consumers	15,287.87	12,708.16
c)	- Other Receipts	755.90	1,101.01
		5,17,880.84	**5,11,309.91**
31	**Other income:**		
a)	Rental Income	230.60	168.46
b)	Interest Income	246.56	187.45
c)	Profit on sale of scrap	29.65	242.58
d)	Provision no longer required written back	6,711.81	12,682.07
e)	Rebate on Power Purchase	2,738.85	279.66
f)	Rebate on remittance of eletricity duty	102.98	101.65
g)	Other Miscellaneous Income	251.61	144.08
h)	Government grants for capital assets	1,267.00	926.20
i)	Consumer contributed assets	3,790.00	3,450.00
j)	Govt Grant - Interest Free Loan	5,410.61	-
		20,779.67	**18,182.15**
32	**Cost of Power Purchased:**		
a)	Purchase of Power	4,39,299.11	4,19,195.15
		4,39,299.11	**4,19,195.15**
33	**Employee benefit expenses:**		
a)	Salaries & Wages	43,208.02	40,763.35
b)	Contribution to provident and other funds	19,013.44	13,741.03
c)	Bonus/Exgratia	509.18	519.58
d)	Earned leave encashment	4,410.64	5,004.70
e)	Staff welfare expenses	728.78	1,173.58
		67,870.06	**61,202.24**
34	**Finance costs:**		
a)	Interest on loans	15,607.01	13,620.60
b)	Interest on liability component of loan from Shareholders	5,410.61	-
c)	Interest on Power charges	20,295.71	32,150.39
d)	Interest to Consumers on security deposits	2,554.09	3,559.71
e)	Less : Interest Capitalised	469.32	1,562.64
		43,398.10	**47,768.06**

P G BHAGWAT LLP * Chartered Accountants *

GULBARGA ELECTRICTY SUPPLY COMPANY LIMITED
(CIN NO. - U04010KA2002SGC030436)
Registered office at Station Road, Gulburga, Karnataka - 585 102
NOTES TO FINANCIAL STATEMENTS

Rs. In Lakhs

Particulars		2020-21	2019-20
35 Depreciation and amortization:			
a)	Depreciation on Building	355.72	273.01
b)	Depreciation on furnitures, fixtures	36.02	31.12
c)	Depreciation on lines, canle & network etc	20,112.51	17,192.56
d)	Depreciation on office equipments	41.36	38.93
e)	Depreciation on Other civil works	16.26	12.55
f)	Depreciation on Plant & Machinery	3,852.41	3,717.27
g)	Depreciation on vehicles	37.02	24.39
h)	Depreciation on Hydraulic Works	34.30	32.01
i)	Amoritisation on Right of Use Asset	7.70	7.72
		24,493.30	**21,329.56**
36 Other expenses:			
a)	Advertisement Expenses	73.30	53.81
b)	Asset Decomissioning Costs	5.14	8.35
c)	Payment to auditors	-	-
	- as auditor	9.34	8.11
	- for taxation and other matters	2.36	1.77
	- Reimbursement of expenses	0.60	0.32
d)	Repairs & Maintanance - Building	935.59	780.21
e)	Repairs & Maintanance - Plant & Machinery	4,243.01	5,010.00
f)	Repairs & Maintanance - Others	5.63	5.20
g)	Repairs & Maintanance - Vehicles	40.55	22.55
h)	Rent	146.83	76.91
i)	Bad and doubtful debts written off/provided for	7,831.73	7,114.99
j)	Bank charges	676.91	125.11
k)	Compensation for death, injuries and damages	405.38	359.72
l)	Computer stationery and floppies	16.35	26.50
m)	Contributions	2.66	15.80
n)	Conveyance & travel Expenses	455.56	453.76
o)	Vehicle Hiring Expenses	1,381.31	1,388.59
p)	Electricity charges	430.65	376.19
q)	Expenditure towards consumer awareness/education	0.76	6.95
r)	Freight and other material related expenses	122.13	114.28
s)	Incentive/Remuneration paid to Gram Vidyuth prathinidhi	1,328.14	1,393.66
t)	Legal Charges	87.63	64.41
u)	Station Maintenance by Contract agencies	2,316.11	2,359.79
v)	Manpower Contract Agencies	2,613.06	2,964.18
w)	Other Consultancy Charges	373.24	634.23
x)	Rates & Taxes	704.42	859.02
y)	Postage and telephone charges	395.49	284.26
z)	Printing & Stationery	270.22	242.99
aa)	Miscellaneous & other expenses	874.91	1,376.21
ab)	Miscellaneous losses	53.00	237.88
		25,802.00	**26,365.74**

CSR expenditure		
Gross amount required to be spent during the year		
Amount spent during the year in cash	-	-

(The average profits of preceeding 3 years is negative hence CSR Expenditure for the current year is Nil)

P G BHAGWAT Chartered Accountants

Rs. In Lakhs

	Particulars	2020-21	2019-20
37	**Earnings per share:** **(Basic and diluted)**		
	Basic and Diluted Earnings per share [EPS] computed in accordance with Ind AS 33 "Earnings per Share":		
I	**Basic and diluted Earnings per share before exceptional items**		
(a)	Basic Earnings per share		
	Profit/(loss) for the year after tax expense before exceptional items	(61,262.60)	(83,006.59)
		-	-
	Weighted average number of equity shares	15,097.96	11,149.56
	Paid up value per share (in ₹)	10.00	10.00
	Basic Earnings per share (in ₹)	**(4.06)**	**(7.44)**
(b)	Diluted Earnings per share		
	Profit/(loss) for the year after tax expense before exceptional items	(61,262.60)	(83,006.59)
	Weighted average number of equity shares	16,220.31	15,097.78
	Paid up value per share (in ₹)	10.00	10.00
	Diluted Earnings per share (in ₹)	**(3.78)**	**(5.50)**
II	**Basic and diluted Earnings per share after exceptional items**		
(a)	Basic Earnings per share		
	Profit/(loss) for the year after tax expense after exceptional items	(61,262.60)	(62,393.17)
	Weighted average number of equity shares	15,097.96	11,149.56
	Paid up value per share (in ₹)	10.00	10.00
	Basic Earnings per share (in ₹)	**(4.06)**	**(5.60)**
(b)	Diluted Earnings per share		
	Profit/(loss) for the year after tax expense after exceptional items	(61,262.60)	(62,393.17)
	Weighted average number of equity shares	16,220.31	15,097.78
	Paid up value per share (in ₹)	10.00	10.00
	Diluted Earnings per share (in ₹)	**(3.78)**	**(4.13)**

P G BHAGWAT LLP Chartered Accountants

Rs. In Lakhs

	Particulars	2020-21	2019-20
III	**Basic and diluted earnings per share including net movement in regulatory deferral account balances**		
(a)	Basic Earnings per share		
	Profit/(loss) for the year after tax expense including net movement in regulatory deferral account balances	(1,11,668.72)	(99,227.72)
	Weighted average number of equity shares	15,097.96	11,149.56
	Paid up value per share (in ₹)	10.00	10.00
	Basic Earnings per share (in ₹)	**(7.40)**	**(8.90)**
(b)	Diluted Earnings per share		
	Profit/(loss) for the year after tax expense including net movement in regulatory deferral account balances	(1,11,668.72)	(99,227.72)
	Weighted average number of equity shares	16,220.31	15,097.78
	Paid up value per share (in ₹)	10.00	10.00
	Diluted Earnings per share (in ₹)	**(6.88)**	**(6.57)**

Note Weighted average number of equity shares for diluted earnings per share for the year ended March 31, 2021 is calculated based on subsequent allotment made by the Company against share application money pending for allotment which is an adjusting event after the reporting period.

38 Net Movement in Regulatory Deferral account Balance related to Profit or Loss

	2020-21	2019-20
Regulatory Asset to be created for current year	17,843.00	8,800.15
Reversal of regulatory asset created during previous year	(68,249.12)	(45,634.70)
Net movement in regulatory deferral account	**(50,406.12)**	**(36,834.55)**

39 The exceptional items includes the amount written off pertaining to the interest levied on delayed payment of RDPR dues from April 01, 2015 to March 31, 2019. An Agenda was placed before the Board of directors for writte-off of the Interest amount as per the instructions of government and was approved vide resolution no. 79/13 dated 12th August 2020.

P G BHAGWAT LLP Chartered Accountants

Note 40 Disclosure pursuant to Employee benefits

(a) Defined Contribution Plan:
Amount of Rs. 19,050.58 Lakhs (March 31, 2020: Rs. 13,698.47 Lakhs) contribution towards Pension, Gratuity & NDCPS is recognised as expenses and included in Note No. 33 "Employee benefit expense"

(b) Defined Benefit Plan:
The employees' family benefit fund (FBF) and leave encashment, which is unfunded. The Present value of obligation is determined based on actuarial valuation using the projected unit credit method.

Rs. In Lakhs

		31-Mar-21		31-Mar-20	
1	**Changes in Defined benefit obligation**	**Family Benefit Fund (Unfunded)**	**Leave Encashment (Unfunded)**	**Family Benefit Fund (Unfunded)**	**Leave Encashment (Unfunded)**
		(Rs)	(Rs)	(Rs)	(Rs)
	Defined benefit obligation at the beginning of the year	694.63	10,035.91	597.49	7,816.25
	Current Service Cost	68.73	3,723.24	64.18	3,142.27
	Interest Cost	46.45	654.83	43.46	545.93
	Actuarial losses/ (gains)	136.20	73.50	121.48	1,390.08
	Benefits paid	(118.38)	(957.83)	(131.98)	(2,858.62)
	Defined benefit obligation at the end of the year	**827.62**	**13,529.65**	**694.63**	**10,035.91**
2	**Changes in Fair Value of assets**				
	Opening Fair value of plan assets	-	-	-	-
	Expected return on plan assets	-	-	-	-
	Actuarial losses/ (gains)	-	-	-	-
	Contributions by employer	-	-	-	-
	Benefits paid	-	-	-	-
	Closing Fair Value of Plan Assets	-	-	-	-

3	**Liability recognized in the Balance sheet**				
	Present value of unfunded obligations	827.62	13,529.65	694.63	10,035.91
	Amount recognized in Balance sheet under Current liabilities and provision	**827.62**	**13,529.65**	**694.63**	**10,035.91**
4	**Expenses recognized in Statement of Profit & loss under Note 26**				
	Current Service Cost	68.73	3,723.24	64.18	3,142.27
	Interest on Defined Benefit Obligation	46.45	654.83	43.46	545.93
	Amount recognised in other comprehensive income	136.20	-	121.48	-
	Net Actuarial losses/ (gains) recongnized in the year	-	73.50	-	1,390.08
	Benefits paid	(118.38)	(957.83)	(131.98)	(2,858.62)
	Total employer expense recognized in Statement of profit and loss	**132.99**	**3,493.74**	**97.14**	**2,219.66**
5	**Actuarial assumptions:**				
	Discount rate	6.80%	6.80%	6.90%	6.90%
	Expected rate of return on assets	0.00%	0.00%	0.00%	0.00%
	Rate of escalation in salary (per annum)	0.00%	7.00%	0.00%	7.00%
	Retirement Age	60 Years	60 Years	60 Years	60 Years

Apart from the above acturial assumptions, the Company has assertained the actuarial assumptions to the effect that the estimates of future salary increases are considered in actuarial valuation and the assumptions of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

P G BHAGWAT LLP
Chartered Accountants

Note 41 - Related Parties Disclosure:

Disclosure on Related party transaction is limited to transactions occurred among ESCOMs, KPTCL, PCKL, MPM & KPCL as they are also owned by GoK and having significant bearing on GESCOM. Company cannot ascertain or assess the quantum of transactions for any other GoK owned establishement

I Names of the related party and related party relationship:

a) Related party where control exists

Government of karnataka

b) Related parties under 'Ind AS 24- Related Party Disclosures', with whom transactions have taken place during the period

i) Key management personnel (KMP)

Smt. N Manjula (IAS)
Sri. Pandve Rahul Tukaram (IAS)
Sri P Raja (IAS)
Sri G V Venkatachalam
Sri Nitish K (IAS)
Sri G M Gangadhar Swamy (IAS)
Sri. R Jayakumar
Smt. G Sheela
Sri. Devindrappa Ullagaddi
Sri. Babarao Shankarrao
Sri Rajkumar S Biradar
Sri. Veeranna Sidramappa Mangne
Sri. T R Ramakrishnaiah
Sri. Shivaprakash T M
Sri B Abdul Wajid
Sri. Kiran Policepatil

ii) Enterprises having significant bearing on GESCOM through common ownership of government of karnataka

Karnataka Power Transmission Corporation Limited (KPTCL)
Bangalore Electricity Supply Company Limited (BESCOM)
Hubli Electricity Supply Company Limited (HESCOM)
Mangalore Electricity Supply Company Limited (MESCOM)
Chamundeshwari Electricity Supply Corporation (CESCOM)
Power Company of Karnataka Limited (PCKL)
Karnataka Power Corporation Limited (KPCL)

II The transactions with related parties during the period/year and their outstanding balances are as follows:

a) Managerial remuneration & Sitting Fees — **Amounts in lakhs**

Sl. No.	Key Manegerial Personnel	Designation	2020-21	2019-20
1	Dr. R Ragapriya (IAS)	Managing Director	3.76	13.40
2	Sri.Pandve Rahul Tukaram (IAS)	Managing Director	8.99	Nil
3	Sri.Anilkumar S.Babaleshwar	Director (Tech)	0.01	2.32
4	Sri Udaykumar Bhosgi	Director (Tech)	Nil	Nil
5	Sri Vinod Havalgi	Director (Tech)	Nil	0.14
6	Sri. R Jayakumar	Director (Tech)	27.83	21.09
7	Sri.Abdul wajeed	Chief Financial Officer	28.58	27.08
8	Sri. Kiran Policepatil	Company Secretary	14.14	7.33
1	Directors Sitting Fees		1.09	0.11

b) Related Party Transactions pertaining to KPTCL, PCKL, KPCL and other ESCOMs is disclosed as under

Amounts in lakhs

Sl. No.	Nature of transactions	Party Name	2020-21 Rs.	2019-20 Rs.
1	Transmission of Energy	KPTCL	(47,531.51)	(42,642.95)
2	Towards Energy Balancing	BESCOM	(9,293.90)	10,399.50
3	Towards Energy Balancing	HESCOM	2,519.88	(2,724.22)
4	Towards Energy Balancing	MESCOM	341.40	11,154.43
5	Towards Energy Balancing	CESCOM	5,757.00	4,060.40
6	Purchase of Power	PCKL	(3,396.63)	(99.26)
7	Purchase of Power	KPCL	(55,657.19)	(72,286.64)

Note: (+) indicates Income and (-) indicates Expenditure

c) Related Party outstanding balances pertaining to KPTCL, PCKL, KPCL and other ESCOMs is disclosed as under

Amounts in lakhs

Sl. No.	Nature of transactions	Party Name	As at March 31 2021	As at March 31 2020
1	Transmission of Energy	KPTCL	(587.93)	(6,163.85)
2	Receivable/Payable towards Energy Balancing	BESCOM	(18,769.95)	(9,476.05)
3	Receivable/Payable towards Energy Balancing	HESCOM	375.08	(2,144.80)
4	Receivable/Payable towards Energy Balancing	MESCOM	25,729.85	25,388.45
5	Receivable/Payable towards Energy Balancing	CESCOM	11,600.71	5,843.71
6	Purchase of Power	PCKL	114.07	4.04
7	Purchase of Power	KPCL	(1,40,105.55)	(1,60,456.42)

Note: (+) indicates income and (-) indicates expenditure

P G BHAGWAT LLP Chartered Accountants

Note 42 True-up Subsidy/ Regulatory Asset (Refer Note 15)

Determination of the Retail Supply Tariff chargeable by the Company to its consumers is governed by KERC (Terms and conditions for determination of Tariff for Distribution and Retail Sale of Electricity) Regulations 2006, and the ammendments made thereon from time to time, whereby KERC is required to determine the Tariff in a manner that the Company recovers its Power purchase cost as well as other prudently incurred expenses and earns return of 19.70% (post MAT) on KERC determined Equity.

In the process of determining the tariff, KERC will approve the ARR for the year considering the tariff applications submitted by the ESCOMs, which will be again trued up by the Commission during Annual Performance Review considering actuals, on finalisation of accounts for the year. The Surplus/Deficit in revenue if any will be adjusted in future tariff. GESCOM is accounting such surplus/Deficit in the accounts of respective year itself as "Regulatory Asset" being the defferred expenses expected to flow to the Company subsequently on determination of tariff by Hon'ble KERC during Annual Performance Review.

Accordingly, Company had accounted Regulatory Assets of Rs. 35376.59 Lakhs, Rs. 45634.70 Lakhs , Rs. 68249.12 Lakhs and Rs. 8800.14 Lakhs for FY17, FY 18, FY19 and FY20 respectively. For the year 2016-17 Hon'ble KERC has determined the Revenue Gap of FY 17 as 46506.00 Lakhs in the APR and carried forward the same for allowing in the year 2018-19. Further, Regulatory Asset created during FY17, FY18 and FY19 amounting to Rs. 35376.59 Lakhs, Rs. 45634.70 Lakhs and Rs. 68249.12 Lakhs respectively are treated as recovered during FY19, FY20, FY21 reversed in the accounts.

Further fresh regulatory Asset to the extent of Rs 17843.00 Lakhs is created in the accounts for FY 2020-21 by computing the provisional gap expected to be considered by KERC for inclusion in the tariff revision of future years. (Refer Table below)"

Amt in Lakhs

Particulars	Approved in tariff 2020	Actual for FY 2020-21	Expected to be approved by KERC in True-up	Considered for Regulatory Income/Assets during FY 21
Revenue				
Revenue including Subsidy	5,71,328.00	5,17,880.84	5,17,880.84	
Regulatory Asset recovered/reversed		(68,249.12)		
Additional Regulatory Asset if any		17,843.00	17,843.00	
Total Revenue	**5,71,328.00**	**4,67,474.71**	**5,35,723.84**	
Expenses				
Power Purhase cost	4,65,069.00	4,39,299.11	4,39,299.11	(25,769.89)
O&M Cost	85,168.00	93,672.05	93,672.05	
Depreciation	17,210.00	24,493.30	24,493.30	
Interest & Finance Charges	25,954.00	43,398.10	25,954.00	
ROE	8,740.00	-		
Others				
Total Expenses	**6,02,141.00**	**6,00,862.56**	**5,83,418.46**	**(25,769.89)**
Less: other income	9,309.00	20,779.67	20,779.67	
Net ARR	5,92,832.00	5,80,082.90	5,62,638.80	
GAP for FY 2020-21	21,504.00	1,12,608.18	26,914.96	

Reconciliation of regulatory asset

a	Opening Regulatory Asset as on 01.04.2020	77,049.27
b	Add: Regulatory Asset created for FY 2020-21	17,843.00
c	Add: Additional Regulatory Asset accounted for FY if any as per true-up order	-
d	Less: Reversal of Regulatory assets created during FY 18	(68,249.12)
e	**Closing regulatory asset as on March 31, 2021**	**26,643.15**

Note 43 Operating Segment (Ind AS 108)

Electricity distribution is the principal business activity of the Company. There are no other activities which form a reportable segment as per the Indian Accounting Standard – 108. The operations of the Company are mainly carried out within six Revenue districts of Karnataka, viz. namely Bidar, Gulbarga, Yadgir, Raichur, Bellary and Koppal Therefore geographical segments are not applicable.

Note 44 Fair values measurement

The below table summarises particulars of Financial Instruments carried at amortised cost.

Rs. In Lakhs

Particulars	31-Mar-21	31-Mar-20
Financial Assets at amortized cost:		
Loans (note 6(ii))	2,249.88	2,264.80
Unbilled revenue (note 10)	29,489.00	27,370.62
Trade receivables (note 11)	1,59,777.90	1,34,743.15
Cash and Cash equivalents (note 12)	3,802.32	8,946.80
Other bank balances (note 12)	6,710.94	4,343.39
Other financial assets (note 13)	2,51,560.11	2,21,145.69
Total Financial Assets	**4,53,590.15**	**3,98,814.47**
Financial Liabilities at amortized cost:		
Borrowings (non-current) (note 18)	3,20,663.28	1,91,120.92
Borrowings (current) (note 23)	8,489.41	9,350.96
Current maturity of long term loans(note 25)	15,350.03	20,296.90
Trade payables (note 24)	4,28,134.34	4,72,916.15
Other financial liabilities (non current) (note 19)	61,240.52	57,667.51
Other financial liabilities (current) (note 25)	35,450.27	38,417.19
Total Financial Liabilities	**8,69,327.86**	**7,89,769.62**

P G BHAGWAT LLP Chartered Accountants

The Fair Value of the above financial assets and liabilities are measured at amortized cost which is considered to be approximate to their fair values except as stated below:

a Security deposit in cash from Suppliers/ Contractors and retention money (refer note 25)

The adjustment with respect to EIR has not been made for Security deposit in cash from Suppliers/ Contractors and retention money shown under note 25 "other current financial liabilities as expected realization date is not available. And hence the same cannot be stated to be at fair value. The fair value determination of the same is not made due to non availability of expected realisation date.

b Security deposit (refer note 6(ii) "Loans")

Security deposit (refer note 6(ii) "Loans") includes amoount of Rs. 1400 lakhs contributed by company towards Priyadarshini Jurala Hydel Project; . Company is not in a position to ascertain whether the investment is with respect to equity or debt etc due to non availability of sufficient information. Accordingly such security deposit is not adjusted with EIR or has been fair valued and the same is carried at cost which is not in complaince with Ind AS-109: Financial Instruments and Ind AS-113: Fair value Measurement.

The management assessed that cash and cash equivalents, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Investment in equity shares:

Investment in equity instrument of PCKL (refer note 6(i)) is not fair valued as on reporting dates. Hence to the extent of the same; the investment values are carried at cost which is in non complaince with Ind AS-109: Financial Instruments and Ind AS-113: Fair value Measurement. The fair value determination of the same is not made due to non availability of sufficient information.

Since the fair value determination of above stated financial instruments was not made by the company; accordingly; disclosure with respect to comparison by class of the carrying amounts and fair value of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values was not possible.

Note 45 Fair value hierarchy

Since the fair value determination in case of financial instrument was not made by the company; due to the reason stated in the note no 44; accordingly; the disclosure with respect to fair value measurement hierarchy of the Company's assets and liabilities was not possible.

Note 46 Financial risk management objectives and policies:

GESCOM, a GoK owned organization functions under the ambit of various statutory Acts and Regulations. As per Electricity Act 2003, Tariff filing for each year is carried by the Company for Annual Performance Review (APR) and Revision in Annual Revenue Requirement (ARR) with KERC (Regulator) and hence is subject to regulatory risk. Each of its activity attributable to Credit risk, Liquidity risk and Market risk undergoes consistent monitoring by Regulator (KERC) annually.

The entity's principal financial liabilities comprise borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the entity's operations to support its operations. The entity's principal financial assets include trade and other receivables, rental and bank deposits and cash and cash equivalents that are derived directly from its operations.

The entity is exposed to market risk/credit and liquidity risks. The entity's senior management observe the management of these risks. The board reviews their activities. No significant derivative activities have been undertaken so far.

There is a steady growth in number of consumers and demand for electricity from existing and new consumers. Hence, no demand risk is anticipated.

The company's senior management oversees the risk management policies and systems regularly:

The company has exposure to the following risks from its use of financial instruments:

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans, borrowings and deposits. The Company is mainly exposed to interest rate risk since it has availed borrowings at fixed and floating interest rates.

The sensitivity analysis in the following sections relate to the position as at 31 March 2021 and 31 March 2020.

The sensitivity analysis have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives.

The analysis exclude the impact of movements in market variables on the carrying values of gratuity and other post retirement obligations and provisions.

Interest rate risk

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

		Amt In Lakhs
Year ended	**Increase/ decrease in basis points**	**Effect on profit before tax**
31 March 2021	50	756.22
	(50)	(756.22)
31 March 2020	50	628.27
	(50)	(628.27)

P G BHAGWAT LLP Chartered Accountants

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

The Company's exposure to the foreign currency risk is Nil; due to the fact that; the companies does not have any export market or does not have any foreign currency borrowings. Accordingly, no sensitivity analysis have been performed by the management.

Power purchase cost risk
The Company is affected by the price volatility of power purchase. Its operating activities require the ongoing distribution of electricity and therefore require a continuous purchase of power.

The Company's exposure to the risk of change in prices of power purchase are mitigated by the fact that the price increases/decreases from the vendors are passed on to the customers based on following;
In the process of determining the tariff, KERC will approve the ARR for the year considering the tariff applications submitted by the ESCOMs, which will be again trued up by the Commission during Annual Performance Review considering actuals, on finalisation of accounts for the year. The Surplus/Deficit in revenue if any will be adjusted in future tariff. GESCOM is accounting such surplus/Deficit in the accounts of respective year itself as "Regulatory Asset" being the defferred expenses expected to flow to the Company subsequently on determination of tariff by Hon'ble KERC during Annual Performance Review.

Hence the fluctuation of prices of power purchase do not materially affect the statement of profit and loss. Accordingly, no sensitivity analysis have been performed by the management.

Credit risk
Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

Trade receivable
Trade receivable majorly comprises sundry debtors for sale of power from various class of consumers and Receivable from other ESCOMs. Risk element involving sundry debtors is adequately covered by security deposit held against such consumers by way of collection of 2 months minimum deposit (as per mandatory stipulation of regulatory governance). Other major contributor of receivable is from inter ESCOM energy balancing, all being sovereign government flagship organizations risk element of turning those to bad debts is not foreseen. Further, provision for expected credit loss is made as a percentage of doubtful debts to the extent indicated clause 12 of Note 2 (Significant Accounting Policies)

Financial instruments and cash deposits
The Company has diversified its bank deposits and placed the same only with reputed and creditworthy nationalized banks.

The Company's maximum exposure to credit risk for the components of the balance sheet at 31 March 2020 and 31 March 2019 is the carrying amounts as illustrated in note 12.

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the company reputation, typically the company ensures that it has sufficient cash on demand to meet expected operational expenses, servicing of financial obligations.

The Company manages liquidity risk by maintaining sufficient cash and cash equivalants including bank deposits and availability of funding through an adequate amount of committed credit facilities to meet the obligations when due. In addition to this, liquidity management also involves projecting cash flows at the beginning of each year considering the level of liquid assets necessary to meet obligations by matching the maturity profiles of financial assets and liabilities.

P G BHAGWAT LLP Chartered Accountants

Note 47 Capital and other commitment

The relevant information with respect to capital and other commitments as at reporting date is not ascertainable and hence the disclosure was not possible.

Note 48 Segment information

Electricity distribution is the principal business activity of the Company. There are no other activities which form a reportable segment as per the Indian Accounting Standard – 108.

Based on similarity of activities/products, risk and reward structure, organisation structure and internal reporting systems, the Company has structured its operations into a single operating segment. The Company operates majorly in single geographical segment, i.e India and having immaterial export transactions. Accordingly, the chief operating decision maker uses this set of financial for decision making.

Note 49 Capital Management

For the purpose of the Company's capital management, capital includes issued equity capital, and all other equity reserves attributable to the equity holders and borrowings. The primary objective of the Company's capital management is to maximise the shareholder value. The Company manages its capital structure and makes adjustments for complaince with the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents, excluding discontinued operations.

	31 March 2021	31 March 2020
	Rs In Lakhs	Rs In Lakhs
Borrowings (note 18 and 23)	3,44,502.72	2,20,768.78
Trade payables (note 24)	4,28,134.34	4,72,916.15
Other current and non current liabilities (note 22 and 27)	19,303.96	15,518.78
Other financial liabilities (note 19 and 25)	96,690.79	96,084.70
Less: cash and cash equivalent (note 8)	3,802.32	8,946.80
Net debt	**8,92,434.14**	**8,14,235.20**
Total Equity	(71,162.80)	24,410.47
	(71,162.80)	24,410.47
Capital and net debt	**8,21,271.34**	**8,38,645.69**
Gearing ratio	**109%**	**97%**

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

Note 50: Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Accounting judgements, estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Revaluation of property, plant and equipment

The Company measures land and rights classified as property, plant and equipment at revalued amounts with changes in fair value being recognised in OCI. The Company engaged an independent valuation specialist to assess fair value as at March 31, 2021 after having initial fair value done on April 01, 2016 for revalued land. Land were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

P G BHAGWAT LLP Chartered Accountants

Defined benefit plans (family benefit fund and leave encashment)

The cost of the defined benefit plans the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The parameter most subject to change is the discount rate. In determining the appropriate discount rate for the plans ,the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation. The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates. Further details about defined benefit obligations are given in note 39.

Usefule lives of property,plant and equipment

The Company believes that the estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used. Refer accounting policy note for useful lives of the PPE.

Regulatory deferral account

In the process of determining the tariff, KERC will approve the ARR for the year considering the tariff applications submitted by the ESCOMs, which will be again trued up by the Commission during Annual Performance Review considering actuals, on finalisation of accounts for the year. The Surplus/Deficit in revenue if any will be adjusted in future tariff. GESCOM is accounting such surplus/Deficit in the accounts of respective year itself as "Regulatory Asset" being the defferred expenses expected to flow to the Company subsequently on determination of tariff by Hon'ble KERC during Annual Performance Review.

Note 51: Leases

(a) Change in Accounting Policy

Except as specified below, the company has consistently applied the accounting policies to all periods presented in this financial statements. The Company has applied Ind AS 116 with the date of initial application of 1st April, 2019. As a result, the Company has changed its accouting policy for lease contracts as detailed below:

The Company has applied Ind AS 116 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at 1st April, 2019 amounting to Rs. 12.01 lakhs (net of tax).

Particulars	Amount
Lease Commitment as at 31st March, 2019	-
Add: Contracts reassessed as lease contracts	-
Add: Adjustments on account of termination/modification	-
Lease Liabilities as on 1st April, 2019	-

There is no lease liabilities on lease hold land, since the company has no obligation to pay any rents for lands obtained on lease basis for the tenure of the lease agreement. The Company has paid upfront lease premium on date of entering into lease agreements.

Right of use assets of Rs. 219.17 lakhs and lease liabilites of Rs. Nil have been recognised as on 1st April, 2019.

The impact of change in accounting policy on account on adoption of Ind AS 116 as at 1st April 2019 is as follows :

Particulars	Amount
Decrease in Property, Plant and Equipment by	219.17
Increase in lease liability by	-
Increase in right of use by	219.17
Decrease in deferred tax liability by	-
Increase in finance cost by	-
Increase in depreciation by	-
Decrease in other equity by	12.01
Increase in interest income by	-

Company as lessee

The Company has entered into agreement in the nature of lease agreement with different lessors for the purpose to operate regional offices and to install the plant and machineries at various places. The disclosure in regard to Ind AS 116 is as below -

Particulars	31st March, 2021	31st March, 2020
Depreciation charge for 'Right-to-Use Asset'	7.70	7.72
Interest Expense on Lease Liability	-	-
Carrying amount of 'Right-to-Use Asset' at the end of the reporting period	-	-
Total Cash outflow for leases	-	-
Expense relating to short term leases and and leases of low value assets	146.83	76.91

There is no lease liabilties and accordingly no details of the maturities of lease liabilities is given.

P G BHAGWAT LLP Chartered Accountants

Note 52 - Consequent to unbundling of transmission and distribution activities and formation of Electricity Distribution Companies, the Government of Karnataka has transferred certain assets and liabilities including loans taken by M/s KPTCL to the Company. As part of transfer of assets and liabilities and the same has been accounted in the books of account at book values.

Summary of assets and liablities transferred as per transfer document

Particulars	**Amount (In Rs Lakhs)**
Assets	
Fixed Assets	
Fixed Assets (net block)	27,400.00
Capital work in progress	1,800.00
Change in net block due to transfer of asset from ESCOMS to KPTCL	(400.00)
Total Fixed assets	**28,800.00**
Current Assets	
Inventories	2,600.00
Sundry Debtors	9,800.00
Cash Balances	200.00
Bank balances	700.00
Loans and advances	500.00
Other Assets	100.00
Total Current Assets	**13,900.00**
Total Assets	**42,700.00**
Equity	
Equity share capital	13,100.00
Total equity	**13,100.00**
Loans	9,800.00
Other liabilities	
Security deposit from consumer	13,100.00
Security line deposit from consumers	900.00
Other liablities	**14,000.00**
Current liabilities	
Liability for supplies/works	2,700.00
Unpaid salary and other liabilities	200.00
Security deposit from contractor in cash	100.00
Other liabilities and provisions	2,800.00
Total Current Liabilities	**5,800.00**
Total equity and liabilities	**42,700.00**

Note 53 Applicability of Gratuity Payment to Employees who have joined on or after 01.04.2006 have been issued by KPTCL on 25.11.2020. However, related financial requirements and contribution rates of ESCOMs are yet to be detemined by Trust. The financial treatment will be based on the orders of the Govt of Karnataka which are expected as on the date of issue of the order.

Note 54 The below mentioned points are subject to confirmation and reconcilaition, pending which Company is unable to ascertain the impact on the financial results of the Company.

a. The balances under Sundry Debtors, Sundry Creditors, Deposits, Secured Loans, Unsecured loans, other loan funds, Loans and Advances to suppliers, contractors , bank balances.

b. Balances under Inter Unit accounts.

c. Transactions with KPTCL/ SPPCC/ PCKL & ESCOMs, KPTCL/ESCOMs Pension & Gratuity Trust and KPCL .

d. There are a few negative balances against assets in the statement of capital expenditure, works in progress, stock and suspense heads.

e. The differences between ledger account balances and the balances in the respective subsidiary registers/ schedules maintained for the purpose in respect of loans from GoK, Sundry Debtors, Sundry Creditors, Advance to suppliers and other suspense balances transferred to Divisions as on 01.06.2002 is in progress.

Note 55 Common expenditure incurred by Divisions/Circles/Zones and Administrative offices is not apportioned and debited to Capital Expenditure as the costing method and procedures are not yet evolved.

Note 56 In respect of assets shared with KPTCL, the ownership and title vests with KPTCL and as such, they are not reflected in the books of accounts of the Company. But the share of maintenance expenditure in respect of such assets is charged to Profit & Loss account.

P G BHAGWAT LLP Chartered Accountants

Note 57 The Internal audit has been conducting a special audit since 2014-15 on various cash misappropriation issues at accounting units.

Financial Year	Reported cases	Involved Amount	Final Orders issued	Cases Pending	Pending Cases Amount
2014-15	3	Rs. 11.59 Lakhs	3	0	0
2015-16	4	Rs. 109.09 Lakhs	3	1	Rs. 0.48 Lakhs
2016-17	8	Rs. 286.80 Lakhs	7	1	Rs. 83.95 Lakhs
2017-18	4	Rs. 45.47 Lakhs	2	2	Rs. 11.03 Lakhs
2018-19	2	Rs. 23.51 Lakhs	1	1	Rs. 20.62 Lakhs
2019-20	4	Rs. 13.34 Lakhs	1	3	Rs. 13.30 Lakhs
2020-21*	1	Rs. 407.49 Lakhs	0	1	Rs. 407.49 Lakhs

* Special Audit was conducted in O&M Division, Gulbarga Rural 2 in FY21 pertaining to Accounting error of Account Code 24.110 - Cash In Hand.

Note 58 **Impact of revisions on Financial Statements consequent to Supplementary Audit by C&AG**

The Financial Statements for the year ended 31/3/2020 were approved by the Board in the meeting dated 10/11/2021. These Accounts were certified by the by the Statutory Auditors vide their report dated 10/11/2021. These financial statements were revised in light of the observations made by the Comptroller & Auditor General of India during their supplementary Audit conducted under Sec 143(6) (b) of the Companies Act 2013. Impact of the revisions on the Financial Statements for FY21 is as under:

Revisions in Statement of Profit & Loss

Note Ref	Head	Prior to C&AG Audit	After Supplementary Audit by C&AG	Revision Impact	Increase/ Decrease
31	Other Income	15,369.08	20,779.67	5,410.59	Increase
32	Power Purchase	4,39,286.76	4,39,299.11	12.35	Increase
35	Depreciation	24,423.83	24,493.30	69.47	Increase
36	Other Expenses	25,795.36	25,802.00	6.64	Increase
	Profit before Rate Regulated Activities, Exceptional items and tax	**-67,524.20**	**-62,202.06**	5,322.14	**Loss decreased**
	Net Profit/(Loss)	**-1,16,990.86**	**-1,11,668.72**	5,322.14	**Loss decreased**

Revisions in Balance Sheet

Note Ref	Head	Prior to C&AG Audit	After Supplementary Audit by C&AG	Revision Impact	Increase/ Decrease
	Assets				
3(i)	Property, Plant & Equipment	4,44,007.82	4,44,806.36	798.54	Increase
4	Capital Work in Progress	40,737.31	39,869.30	-868.01	Decrease
12(i)	Cash & Cash Equivalents	3,728.18	3,802.32	74.14	Increase
14	Other Current Assets	303.79	304.06	0.28	Increase
	Equities & Liabilities				
17	Other Equity	-1,96,389.50	-2,22,142.41	-25,752.91	Decrease
21	Deferred Revenue	1,10,088.63	1,35,753.08	25,664.44	Increase
24	Trade Payables	4,28,115.38	4,28,134.34	18.97	Increase
25	Other Financial Liabilities	50,725.85	50,800.30	74.45	Increase

As per our Report of Even Date
For P G BHAGWAT LLP
Chartered Accountants
Firm Reg. No. 101118W/W100682

S B Pagad
Partner
Memebership No: 206124
Place: Dharwad
Date:
UDIN: 21206124AAAAJB7946

P G BHAGWAT LLP Chartered Accountants

For and on behalf of the Board of Directors
Gulbarga Electricity Supply Company Limited

Pandve Rahul Tukaram, IAS
Managing Director

Place: Kalaburagi
Date:

Dr. Dileesh Sasi, IAS
Director

Place: Kalaburagi
Date:

B. Abdul Wajid
Chief Financial Officer
Place: Kalaburagi
Date:

Kiran Police Patil
Company Secretary
Place: Kalaburagi
Date:

25 DEC 2021

24 DEC 2021