GESCOM

Gulbarga Electricity Supply Company Limited

15th ANNUAL REPORT 2016 - 17

(CIN NO. - U04010KA2002SGC030436)

Regd Office :
Station Road,
Gulbarga – 585102
E-Mail: mdgesco@gmail.com
Website: www.gescom.in

MISSION STATEMENT

The mission of the Company is to ensure reliable and quality power to its customers at competitive price

The GESCOM is committed to achieve this mission by

- Encouraging best practices in Distribution.
- Ensuring high order maintenance of all its Technical facilities.
- Emphasizing the best standards in Customer service.

To be the best Electricity Supply Company in the country The GESCOM pledges to optimise its human and technical resources for the benefit of its Customers.

Board of Directors:

NAME	DESIGNATION
Sri. Jawaid Akhtar, I.A.S.,	Chairman
Dr. R.Ragapriya, I.A.S	Managing Director
Sri. R.Jayakumar	Director (Technical)
Sri. P.Sunilkumar, I.A.S.	Director
Sri. M Ramakrishna	Director
Sri. R Jayakumar	Director
Sri.Ramakrishnaih.T.R	Director
Sri. AN Jayaraj	Director
Sri Rajkumar S Biradar	Director
Sri. Pavankumar Malapati	Director
Sri. SB Manjunath	Director
Sri. Sharana Reddy	Director
Sri. Afthab Ahmed Patel	Director
Sri. Reddy Srinivas	Director
Sri. Mukthar Ahmed Patel	Director
Smt. Uma Patil	Director
Sri. B Hanumanthappa	Director
Sri. Veeranna B Karbari	Director
Sri. Ponnaraju A S	Director
Sri. Gopikrishna Gudenavar	Director

* Statutory Auditors : M/s. GRC & Associates, Chartered Accountant, Chennai-600 033
* Cost Auditors : M/s Rao, Murthy & Associated, Cost Accountant, Bengaluru
* Secretarial Auditors : M/s. Kedarnath & Associates, Company Secretary, Bengaluru

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DIRECTOR'S REPORT

The Board of Directors takes the privilege of presenting the 15th Annual Report on the operations and performance of the Company for 2016-17.

The Company was incorporated under Companies Act 1956 and commenced its business activities from 01.06.2002.

In the Fifteenthyear of operations, the Company's performance in various spheres is outlined in the following paragraphs.

I. FINANCIAL PERFORMANCE

i. Profit and Loss :

(Rs. in Crores)

Particulars	For the year ended 31.03.2017	For the year ended 31.03.2016
Revenue from sale of power	4128.09	4078.16
Other income	88.01	39.31
Total income	**4216.10**	**4117.47**
Purchase of Power	3462.49	3306.62
Employees Benefits Expenses	335.17	312.40
Finance Costs	103.48	90.79
Depreciation	122.28	102.22
Other Expenses	447.72	403.41
Total Expenditure	**4471.14**	**4215.44**
Operating Profit	**-255.04**	**-97.97**
Prior period Charges	57.80	33.28
Profit before tax	**-312.84**	**-131.25**
Provision for Current Tax	0.002	-
Profit after tax	**-312.84**	**-131.25**

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. In order to arrange timely payments to the Generating Companies, the Government of Karnataka issued directions for FY 2016-17 indicating the share of GESCOM as 13.685% for CGS, KPCLThermal@ 2.304%,13.683% KPCL Hydel @34.092%,13.683 & 13.683% for Medium & Short termsource of the total power purchase by the GESCOM subject to a final reconciliation of the actual power purchase by each ESCOMs (at the end of each financial year).

During the year 2016-17, the Company has received 7948.86 MUs (Except energy balance units) from various power producers viz.,KPCL, NTPC, NLC, NPCIL-MAPS & KAIGA, DVC Minor IPPs and Major IPPs etc, as detailed below.

Particulars	Energy in M.U.	Amount in Rs.Crore
Karnataka Power Corporation Ltd. (KPCL)	2739.11	705.06
National Thermal Power Corporation Ltd (NTPC)	1429.81	475.68
Neyveli Lignite Corporation Ltd (NLC)	719.33	267.49
NPCIL (MAPS, KAIGA& Kudankulam)	539.56	165.83
NCE's (Minor - IPPs & U/s-11)	539.50	230.90
Damodar Valley Corporation (DVC)	456.43	176.95
Other Power Purchase Cost (UI , Major IPPs-High cost energy&IEX)	1507.00	647.25
Jurala Hydro Electric /TBHE	18.12	7.39
Transmission Charges (KPTCL & PGCIL)	-	589.85
Total	**7948.86**	**3266.39**

iii. Sale of Power:

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

	2016-17	2015-16
Metered Category Sales (in MUs)	3127.49	3159.38
Unmetered Category Sales (in MUs)	3230.86	3348.40
Total Sales (in MUs)	**6358.35**	**6507.78**

As could be seen from the above table, the metered and unmetered category sales have decreased during FY 17 as compared to FY 16.

iv. Revenue from Sale of Power :

The Demand raised during the period towards Sale of Power was Rs. 3776.44 Crores. The category wise details of demand raised and the collection made out of it are as under:

Category of consumers	Demand raised	Cash collection made (Incl. adjustments)	Collection efficiency (%age)	
	(Rs. in crores)		2016 - 2017	2015 - 2016
LT Category	2774.25	2681.73	96.67%	98.31%
HT Category	873.44	866.09	99.16%	101.96%
Interest on belated payments & Other Miscellaneous	128.76	128.76	100%	100.00%
Total (LT+HT)	**3776.44**	**3676.59**	**97.36%**	**99.10%**

v. Revenue from Subsidies:

During the year, Tariff Subsidy released by Government of Karnataka for FY17, amounts to Rs.1670.06 Crores including the tripartite adjustments approved by GoK amounting of Rs.116.27 Crores is considered as the Tariff Subsidy for the Financial Year ended on 31.3.2017.

vi. Capital Expenditure:

The Company has incurred on expenditure of Rs.403.47 Crores on different capital programmes during the year 2016-17, the details of which are as under:-

(Rs in crores)

S. No.	Particulars	Expenditure incurred	
		2016-17	2015-16
1.	Extension and improvement and works & APDRP	166.45	176.06
2	Replacement of faulty distribution transformer	54.90	60.92
3	Service connection and metering	4.71	14.29
4	IP Set Energisation	1.23	3.80
5	Civil Engineering works	13.20	26.71
6	Niratara Joyti works	122.80	88.17
7	Regularisation of Unauthorised IP Sets	14.62	61.99
8	Rural Electrification/ DTC Metering	0.85	17.29
9	Others Provision	24.71	17.27
	Total	**403.47**	**466.50**

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

1. The average cost of supply per unit is Rs.5.69 during FY 16-17 as against Rs 5.52 during FY 15-16.

2. As against this, the average demand raised and the cash 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)	4.96	4.80
Commercial (LT)	8.53	8.34
Industrial (LT)	6.67	6.58
Others (LT)	5.15	4.93
Industrial (HT)	7.65	7.64
Commercial (HT)	8.60	8.63
Others (HT)	4.71	4.28
Metered (LT and HT)	6.36	6.04
Unmetered (LT) (without tariff subsidy)		
Total - Metered and Unmetered (LT&HT)	5.69	5.52

II. OPERATIONAL PERFORMANCE

i. Consumer Base:

The Company having 27.54 lakhs consumers at the beginning of the year, added 1.60 lakh new consumers during the year. The number of consumers at the end of the year stood at 28.42 lakhs. The category wise break up is hereunder:

Tariff Category	No. of consumers as on 31.03.2016	No. of consumers added during the year 2016-17	No. of consumers as on 31.03.2017
Bhagya Jyothi/ Kutir Jyothi	5,96,571	6,24	5,97,195
Irrigation Pumpsets	3,32,991	8,976	3,41,967
Water Supply & Street Light	28,489	1,316	29,805
Domestic Lighting & AEH	14,87,714	60,402	15,48,116
Commercial Lighting	2,29,324	13,467	2,42,791
Industrial (LT)	56,063	3,515	59,578
Temporary Supply	21,043	-406	20,637
Water Supply (HT)	123	8	131
Lift Irrigation Schemes (HT)	266	41	307
Industrial (HT)	1,299	98	1,397
Commercial (HT)	330	15	345
Hospitals, Education (HT)	104	25	129
Residential Colonies & Temporary (HT)	59	-3	56
Total	**27,54,376**	**88,078**	**28,42,454**

ii. Transmission and Distribution Losses :

During the year 2016-17, the company has received 7691.05MU's at KPTCL/GESCOM interface point. The transmission and distribution losses up to the interface point works out to 1332.70 million units (1428.41MUS during FY 15-16). The distribution losses up to the interface point in terms of percentage of power purchase for the year is 17.33% in 2016-17 (18.10% in 2015-16).

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

The Aggregate Technical & Commercial losses for the year 2016-17 works out to 19.51% compared to 18.84% for the previous year. Efforts are on to bring down the AT&C losses through various technical and non-technical measures by improving the collection efficiency and reducing the system losses. The details of the AT&C losses are as under:-

Particulars	2016-17 (in %)	2015-16 (in %)
Billing Efficiency (i.e., units billed/input)	82.67	81.90
Collection Efficiency (i.e., Collection/ Revenue Demand raised)	97.36	99.10
Business Efficiency (i.e., Billing Efficiency/Collection Efficiency)	80.49	81.16
Aggregate Technical & Commercial Losses (100- Business Efficiency)	19.51	18.84

iv. Distribution Transformer Failure:

1. The transformer failure rate during the year 2016-17 was 12.67% (as against 15.72% during 2015-16). The transformer failure rate in urban area was 7.10% and in rural area was 13.60%. The total no. of transformers failed during 2016-17 was 11002(838 nos. in urban areas and 10164 in rural area).

2. Different capacity of distribution transformer like 25 KVA, 63 KVA & 100 KVA totaling to 9944 transformers were added to the system during 2016-17 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 no. of transformers existing in the distribution system of the company at the end of year was 86828 (11852distribution transformers in urban areas and 74976 nos. in rural areas).

3. Efforts are on to build a buffer stock of transformers in the Divisions and Sub Divisions to replace the failed transformers expeditiously. During the year the Company has purchased 12425Nos. of transformers of different capacities for this purpose.The company has already setup transformer repair centers in all the Taluka head quarters.

v. HT/LT Lines:

During the year 2614.79Kms of HT lines and 1857.01 Kms of LT lines were added, taking the total length of HT & LT lines in the distribution network of the Company to 55101.57Kms and 84915.64 Kms respectively. The HT/LT ratio as on 31.03.17 was brought down to1.582 (1.642 as on 31.03.16).

vi. Establishment of 33/11 KV Sub Stations:

1. 4Nos. of 33KV Sub-stations were commissioned during FY 2016-17 i.e.
   1) Yargole in Tq.yadagir Dist, 2)Lakhangaon in Bhalki Tq. Bidar District 3) Idnapur in Tq & Raichur Dist &4)Tolmamdi in Sedam Tq. Kalaburagi District.
   2. The 8 Nosspill over works awarded during previous years is under progressi.e 1)Kolkunda 2)Kawalaga Cross 3)Alandi 4)Sannati 5)Ainapur 6)Mediknal 7)Rupangudi/Kamarchedu &8)Karur-Motsugur,
   3. The 5Nos GIS Sub-Station spill over works awarded during previous years is under progressi.e 1)Service Station44 2)KHB Comlex 3)Shanti Nagar 4)KCT Gate & 5) Government General Hospital.

vii. Metering:

1. During the year 2016-17, 10771 Nos. of non-recording meters were replaced and 1751Nos. of meters were provided to DC installations.
2. A total number of 12887 street light circuits exist in the Company's jurisdiction out of which 11856 street light points were metered.
3. 596587 BJ/KJ installations exist in GESCOM as at thebeginning of the year, out of which 2756 installations were metered during 16-17. The cumulative BJ/KJ installations metered are 427085 nos. and balance 169502 installations are to be metered. Action is being taken to meter the same.

viii. Vigilance Activities:

Particulars	Progress during 15-16	Progress during 16-17
Number of installations inspected	166637	169189
No. of cases booked	6118	5823
Penalty levied	2529.98	3172.63
Penalty collected	1048.27	1343.21

III. SOCIAL WELFARE SCHEMES

i. Energisation of Drinking Water Supply Schemes:

1. 875Water supply installations were energized during 16-17 in urban and rural areas of the Company on top priority under various schemes of GOK.
2. As on 31.03.2017, 557(in rural areas) Applications for Energisation of Drinking Water Supply Schemes were pending, out of which 99 applicationswere pending at GESCOM.458 cases were pending with the local bodies for non-compliance of various formalities of the Company. The balance works are under progress.

ii. Creation of Rural Infrastructure and Electrification of Rural Households including BPL households under RGGVY schemes.

The RGGVY scheme for Gulbarga District was sanctioned under 12th plan at a total cost of Rs.12.21 Crs. The DWA was issued in Sept-2015. The work is under progress.

iii. Energisation of Irrigation Pump Sets:

During the year 2016-17, 5741Irrigation Pump Sets were energized under General Category, SCP, Gangakalyan scheme, Backward Community and Minorities etc.

iv. Electrification of houses under Kutir Jyothi Scheme:

There was no target for Kutir Jyothi Scheme during Year 2016-17.

IV. NEW INITIATIVES

i. SCADA Progress in GESCOM as on 31.03.2017:

1) GESCOM Distribution Control Center (DCC) started functioning from 4.10.2010.Out of 125 Nos. of 33/11 kv Sub-stations, 86 Nos. of stations involved in IE-SCADA Phase-1,SCADAproject amounting to Rs.15.09 Crores covering 86 Nos.of 33/11 kv Sub-stations is taken up in phase-1in GESCOM. The RTUs,VSATs,UPS & Interface panels are erected at 82Nos of 33/11 kv Sub-stations,SAT completed for 81 Nos of 33KV S/S.10 Nos of 33KV S/S are upgraded out of 81Nos of Sub-Stations, since from last one year all sub stations are OFFLINE, no real time data available from 81Nos Sub-Stations.

2) Customer Care Center: A 24x7 Customer Care Center is Established in Corporate Office, GESCOM,Kalburagi to provide service to the consumers for attending billing issues,Power supply issues,water supply new connections issues etc.The complaints received are forwarded to concerned officials/officers for attending and also complaints registering is enabled by calling short code 1912 was provided.

ii. Implementation of Niranatara Jyoti Scheme in GESCOM:

In GESCOM Niranatara Jyothi Scheme was proposed to be taken up Taluka wise under Phase-I & II. Ph-I covered 20 Tqs and in Ph-II covered 10 Tqs.

This scheme was envisaged to provide 24 Hrs of power supply to non-agricultural loads in rural areas by construction of independent 11KV feeders.

The names of the taluks covered in both phases, No. of villages covered, No. of feeders to be constructed and the DPR cost as per CSR 2009 are as given below:

Sl. No	Phase-I Taluks				Phase-II Taluks			
	Name of Taluks	DPR cost Rs. in Lakhs	No. of villages covered	No. of new NJ feeders	Name of Taluks	DPR cost Rs. in Lakhs	No. of villages covered	No. of new NJ feeders
1	Aurad	934.6	131	6	Humnabad	717.7	109	12
2	Bhalki	1095.0	109	8	Basavakalyan	1371.7	85	11
3	Aland	1850.0	122	13	Sedam	1848.4	128	13
4	Afzalpur	1466.0	102	12	Shorapur	1409.2	131	9
5	Gulbarga	1376.5	104	11	Hadagali	1764.6	116	13
6	Chitapur	968.0	83	8	Jewargi	1143.5	113	7
7	Yadgir	1433.5	113	8	Chincholi	1089.0	139	8
8	Sandur	1246.6	110	8	Shahapur	874.9	101	7
9	Kudalgi	2204.6	220	17	Bidar	2908	95	20
10	Bellary	1678.2	100	18	Hospet	2153.28	70	9
11	HB Halli	815.9	107	11				
12	Sirguppa	1054.4	84	9				
13	Koppal	1601.3	153	13				
14	Gangavathi	1341.9	196	12				
15	Yelburga	1590.8	140	13				
16	Raichur	1460.5	156	13				
17	Deodurga	1200.0	190	10				
18	Manvi	1846.5	154	14				
19	Sindhanur	1723.3	198	15				
20	Lingasugur	1802.4	193	16				
	Total	**28689.6**	**2765**	**235**		**15280.28**	**1087**	**109**

The Circle wise requirement of the above materials is as furnished below :

Phase - I

Sl. No	Circle	Poles			45KN Nos.	11KV Pin Ins Nos.	Cond in Kms	Transformers	
		PSC Nos.	RCC (Rect) Nos.	RCC (Sq) Nos.				25 KVA	63 KVA
1	Gulbarga	0	403	0	2806	24099	2106.824	170	214
2	Bidar	0	0	0	0	0	0	0	0
3	Raichur	2791	34	101	10964	34644	2164.276	80	541
4	Bellary	0	0	100	2000	6131	410.874	25	154
	Total	**2791**	**437**	**201**	**15770**	**64874**	**4681.974**	**275**	**909**

Phase - II

Sl. No	Circle	Poles			45KN Nos.	11KV Pin Ins Nos.	Cond in Kms	Transformers	
		PSC Nos.	RCC (Rect) Nos.	RCC (Sq) Nos.				25 KVA	63 KVA
1	Gulbarga	3610	0	0	7268	64043	3276.31	209	292
2	Bidar	1441	0	0	1484	22105	1523.435	66	270
3	Bellary	877	486	0	1318	6970	569.21	2	5
	Total	**5928**	**486**	**0**	**10070**	**93118**	**5368.955**	**277**	**567**

Funding :

a) In support of implementing NJY under Phase-I, Government of Karnataka has sanctioned to provide for 40% of the project cost as equity and further that the balance 60% of the cost to be met out of the internal sources of respective ESCOMs. Accordingly the year wise equity released by GOK to GESCOM vide letters dated 01.09.2009 (Rs.30Crs), 22.12.2010 (Rs.25Crs), 30.03.2011 (Rs.35.49 Crs) and Rs.54.00 Crs for 2011-12, 16.07.2012 (Rs.60.00 Crs), 06.09.2013 (Rs.10.00 Crs), (Total Rs.214.49 Crs).

b) A loan of Rs.164.31 Crs for NJY Phase-I & Rs. 138.42 Crs for NJY Phase-II was availed by GESCOM from REC Bangalore.

Progress under Phase - I :

For Phase-I, out of 20 Tqs 11 taluks works are in progress on PTK basis, 9 talukas works are in progress on TTK basis. Out of 235 Nos of NJY feeders 207 feeders commissioned, 13 feeders work is completed and 15 feeders work under progress, NJY work is expected to be completed by March-2017.

Progress under Phase-II :

For Phase-II, out of 10 Tqs. 5 talukas works are in progress on PTK basis and 5 talukas works are in progress on TTK basis. Out of 109 Nos of NJY feeders 87 feeders commissioned, 6 feeders work is completed, 2 feeders work under progress and 14 feeders work short closed NJY works is expected to be completed by March-2017

New Schemes :

Mop/GoI has sanctioned Two new schemes:

1) 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.

In GESCOM 6 Nos of District wise Proposal has been sanctioned as per Hon'ble Additional Chief Secretary to Government, Energy Department, Bangalore vide letter No. EN 11 VSC 2015/P1 Dtd: 29.01.2016 and the details of district wise sanctioned DPR amount is as below:

Details of District / Component wise sanctioned amount under Deen Dayal Upadhyay Gram Jyoti Yojana (DDUGJY) in GESCOM

Rs in crs.

Sl. No.	Name of the District	Meter-ing	SAGY		Access to RHhs	System Strength-ening	Feeder Separation	Total Cost	PMA charges	Total Cost incl. PMA Charges
			Nos.	Cost						
1	Bellary	27.94	1	0.07	1.47	14.13	35.98	79.59	0.40	79.99
2	Bidar	14.13	1	0.11	0.65	13.44	54.82	83.15	0.42	83.57
3	Gulbarga	30.77	1	0.28	0	15.84	86.06	132.95	0.66	133.61
4	Koppal	15.46	0	0	0.65	8.42	26.17	50.70	0.25	50.95
5	Raichur	22.23	2	0.67	2.45	7.36	30.48	63.19	0.32	63.51
6	Yadgir	10.28	1	0.21	2.03	7.72	67.00	87.24	0.44	87.68
GESCOM TOTAL		**120.81**	**6.00**	**1.34**	**7.25**	**66.91**	**300.51**	**496.82**	**2.48**	**499.31**

The financial support under the scheme shall be as under :

Agency	Nature of support	Quantum of support (percentage of project cost)	
		Other than Special Category States	Special Category States
Govt. of India	Grant	60	85
Utility/ State Contribution	Own Fund	10	5
Loan (FIs/Banks)	Loan	30	10
Additional Grant from GoI on achievement of prescribed milestones	Grant	50% of total loan component (30%) i.e 15%	50% of total loan component (10%) i.e. 5%
Maximum Grant by GoI (including additional grant on achievement of prescribed milestones	Grant	75%	90%

3) **IPDS(Integrated power Development Scheme)** Amount sanctioned Rs.183.41 crore ,Town covered 42 Towns.

Scope of Work : Consist of includes strengthening of system which includes Re-conductoring of HT&LT lines including overhead and AB Cables, New HT&LT lines, Additional DT's,Enhancement of DT's R&M Work's etc.

iii. Grama Vidyut Prathinidhi Scheme:

At present 999 Micro Feeder Franchisees are existing in GESCOM out of which 896 Micro Feeder Franchisees are working.

The progress made by MFFs during the year 2016-17 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	Gulbarga-1	771.49	2176.15	2622.72	2944.01	2899.67	777.96	135.29	110.56
2	Gulbarga-2	823.41	2479.57	2507.65	3093.68	2622.53	829.50	124.77	104.58
3	Yadgir	1439.52	1832.31	2081.24	2231.13	2016.45	1428.57	121.77	96.89
4	Sedam	395.52	1292.49	969.39	1122.92	1121.81	395.01	86.88	115.72
5	Bidar	1524.22	1840.56	2096.42	2099.44	2064.22	1520.22	114.07	98.46
6	Humnabad	267.20	539.05	543.98	539.05	533.15	262.29	100.00	98.01
7	Raichur	1161.36	2282.36	2318.83	2721.27	2590.95	1134.20	119.23	111.74
8	Koppal	207.94	1061.33	1145.12	1418.67	1435.11	199.63	133.67	125.32
9	Sindhanur	195.11	568.87	629.00	1067.48	991.13	470.04	187.63	157.57
10	Gangavathi	1974.76	1605.47	1195.51	1802.91	1723.39	2140.28	112.30	144.16
11	Bellary	1445.63	2463.97	2730.70	2906.29	2760.50	1438.11	117.95	101.09
12	Hospet	438.48	1679.54	1604.97	2145.00	2091.53	428.68	127.71	130.32
	GESCOM	**10644.64**	**19821.67**	**20445.53**	**24091.85**	**22850.44**	**11024.49**	**121.54**	**111.76**

iv. Tendering System :

In order to enhance the transparency in Procurement and Tenderingof various works, electronic Tendering System i.e e-procurement portalwww.karnataka.gov.inof e-governance Dept, GOK.has been introduced in the company.

v. Implementation of R-APDRP in GESCOM :

R-APDRP includes Part A Part B for 21 towns in GESCOM namely:Gulbarga, Aland, Shahabad, Wadi, Sedam, Yadgir, Shahapur, Shorapur, Humnabad, Basavakalyan, Bidar, Bhalki, Raichur, Manvi, Sindhanur, Koppal, Gangavathi, Bellary, Sirguppa, Hospet & Kampli.

Part-A: Scope of work includes IT initiatives

Scope of Part B work include following items;

i) New 11kv link lines, express feeders etc, including UG and AB cables.

ii) 11kv reconducoring

iii) Additional DTCs

iv) LT re-conductoring and using AB cable

v) Consumer metering

R-APDRP schemes under Part A were sanctioned for 15 towns by PFC with Loan Assistance of Rs 30.32 crs dtd 27-2-2009. Sanction to 6 towns was communicated by PFC for Rs. 7.05crs. dtd 11-9-2009. M/s Infosys Technologies Bangalore is appointed as ITIA. Cost of award is Rs.3511.00lakhs. Customer Care Centre was establishment in Gulbarga during Feb 2011. All 21 towns went live with full stack. BESCOM is the Nodal Agency for implementation of RAPDRP

Part A schemes for all ESCOMs. Expenditure booked upto the end of March 2017 is Rs.25.51Crs.

Part B were sanctioned for 21 towns by PFC, New Delhi for 200.79 Crs, 25% of sanctioned amount is loan from GOI and 15% counterpart funding from REC. The works are completed in all 21 townspreparation of closure reports for partA and part B under process.

vi. Computerization of billing :

The Billing and Collection activities in all the Sub-divisions of the Company's jurisdiction was computerized. The meter reader and Micro-Feeder Franchisees are provided with Spot Billing Machines to issue bills on the spot. The Cash Collection and maintenance of ledger accounts has also been computerized and manual ledgers are dispensed with.

vii. IT initiatives :

The Company has taken lot of IT initiatives like, SCADA, TRM, Video conference. For the convenience of its rural customers, alternate payment options such as online, Mobile App etc have been extended to the consumers of rural areas also.

viii. Communication Strategies :

1. The Company believes in effective Internal and External Communication. A monthly newsletter Viz., GESCOM News (English& Kannada) is being brought out, giving information and latest Developmental Activities in the Company.
2. Jana Samparka Sabhas 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.
3. Consumer Grievance meeting are being convened at all the Sub Divisions on third Saturday of every month. Wide publicity has been given to the consumers in the jurisdiction to avail the benefit of this grievance redressal mechanism. The grievances/complaints receivedin the meeting are being heard and addressed to.

ix. DTC Metering :

The status of DTC metering as on 31-03-17 in GESCOM both in Urban and Rural area are as followed.

Sl. No.	Particulars	Total No. of DTC Metered	Balance to be Metered
1	Urban area	9125	2727
2	Rural area	56369	18607

x. 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 1117 Employeeson various subjects such as Financial Management of Distribution Business, Best Practices in Distribution Loss Reduction, Pilferage of Electricity - Detection & Prevention, Power Trading, Intrastate ABT & ABT Mechanism for Distribution companies etc., The training was imparted by professionals from reputed institutions viz. REC, PFC, NTPC, Engineering Staff College of India, Power Research & Development Consultation Pvt. Ltd., CPRI, ICWAI etc.,

V. CORPORATE GOVERNANCE

GESCOM believes in transparency, accountability in all aspects of its operations. Board of Directors of GESCOM believes and supports 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 31st March 2017, the Board of Directors comprised of 19 members. All the Directors took active part in the proceedings of Board and Sub-Committee meetings and which is added value to the decision making process.

i. Board of Directors:

The composition of Board of Directors as on date of AGM is as below:

Sri. Jawaid Akhtar, I.A.S.,	Chairman
Dr. R.Ragapriya, I.A.S	Managing Director
Sri. R.Jayakumar	Director (Technical)
Sri. P.Sunilkumar, I.A.S.	Director
Sri. M Ramakrishna	Director
Sri. R Jayakumar	Director
Sri.Ramakrishnaih.T.R	Director
Sri. AN Jayaraj	Director
Sri Rajkumar S Biradar	Director
Sri. Pavankumar Malapati	Director
Sri. S.B Manjunath	Director
Sri. Sharana Reddy	Director
Sri. Afthab Ahmed Patel	Director
Sri. Reddy Srinivas	Director
Sri. Mukthar Ahmed Patel	Director
Smt. Uma Patil	Director
Sri. B Hanumanthappa	Director
Sri. Veeranna B Karbari	Director
Sri. Ponnaraju A S	Director
Sri. Gopikrishna Gudenavar	Director

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 2016-17, Board meetings were held on the dates as mentioned below:

Sl. No.	Meeting No.	Held on
1	59th Meeting	05.04.2016
2	60 th Meeting	18.06.2016
3	61st Meeting	06.10.2016
4	62nd Meeting	17.12.2016
5	63rd Meeting	28.12.2016
6	64th Meeting	13.03.2017

ii. Board Sub Committees:

The Sub 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 Sub Committees towards expediting decisions.

1. 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.3.00 Crs. and upto Rs.10.00 Crores.

The composition of the Purchase Committee is as follows:

Sl. No.	Members	Designation
1	Managing Director, GESCOM	Chairman
2	Director (Tech) , GESCOM	Member
3	Director, GESCOM & Chief Engineer, Electy., Kalaburagi Zone, KPTCL, Kalaburagi.	Member
	Sri.R.Sridhar, Director & Company Secretary, KPTCL and Authorised Signatory, GESCOM	Covener

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

Sl. No.	Meeting No.	Held on
1	67th PC Meeting at Corporate Office, Kalaburagi	11.08.2016
2.	68th PC Meeting at Corporate Office, Kalaburagi	08.09.2016
3.	69th PC Meeting at Corporate Office, Kalaburagi	10.02.2017
4.	70 th PC Meeting at Corporate Office, Kalaburagi	20.02.2017
5.	71 st PC Meeting at Corporate Office, Kalaburagi	31.03.2017

2. Audit Committee:

The Composition of the Audit committee is as follows:

Sl. No.	Members	Designation
1	*Sri.M Ramakrishana, Director (Admn. &HRD), KPTCL	Chairman
2	*Sri. R.Jayakumar, Director(Technical), GESCOM	Member
3	*Sri.Rajkumar S Biradar, Deputy Secretary, Energy Department & Director, GESCOM	Member
	Sri.R.Sridhar, Director & Company Secretary, KPTCL and Authourised Signatory, GESCOM	Covener

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

The following Terms of Reference are prescribed to Audit Committee to play an effective role:

- **i. The recommendation for remuneration of auditors of the company;**
- **ii. Review and Monitor the Auditor's independence and performance, and effectiveness of Audit Process;**
- **iii. Examination of the 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 it is 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.

Auditors and Whole-time Key Managerial Personnel shall have a right to be heard in the meetings of the Audit Committee when it considers the Auditor's Report but shall not have the right to vote.

During the year under report, the Audit Committee held its meetings as below:

Sl. No.	Meeting No.	Held on
1	21st Meeting	29.09.2016

3. Corporate Social Responsibility (CSR) Committee:

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

1. Sri. M Ramakrishna
2. Sri. Rajkumar S Biradar

The Company has not earned profit during the reporting period hence there are no proposals for CSR activities.

VI. Pursuant to provisions of Section 134(3) of the Act, the following information is provided:

(a) ANNUAL RETURN:

Extract of Annual Return pursuant to the provisions of Section 92 furnished in Annexure 1 is attached to this Report (MGT-9).

(b) Directors' Responsibility Statement;

Pursuant to the requirement under Section 134(5) of the Companies Act, 2013 the Directors, state that

i. In the preparation of the annual accounts, the applicable accounting standards 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 are 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 and 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; and

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

(c) Explanations or Comments by the Board on every Qualification, Reservation Or Adverse Remark Or Disclaimer Made

(i) By the Auditor in his report; enclosed as Annexure-2

(ii) By the Company Secretary in practice in his Secretarial Audit Report; enclosed as Annexure-3

(d) Particulars of loans, guarantees or investments under section 186 - Nil

(e) Particulars of contracts or arrangements with related parties referred to in sub- section (1) of section 188 in the prescribed form; Nil

(f) The state of the company's affairs; indicated ante

(g) The amounts, if any, which it proposes to carry to any reserves - No amount is proposed to carry to any Reserve.

(h) The amount, if any, which it recommends should be paid by way of dividend - No amount recommended towards dividend.

(i) Material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report - NIL

(j) The conservation of energy, technology absorption, foreign exchange earnings and outgo:

As the Company's operations do not involve any manufacturing or processing activities, the particulars as per the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, regarding conservation of energy and technology absorption, are not applicable. During the year under review, there is no foreign exchange earnings and outgo.

(k) Statement Concerning Development and Implementation of risk Management Policy of the Company - Nil

(l) Details of Policy developed and implemented by the Company on its CSR initiatives:

Since the Average of Net Profit after Tax for the last three consecutive years is loss, GESCOM has not spent any amount during the year under report, towards activities listed under schedule VII to Companies Act 2013 as Corporate Social Responsibility expenditure for FY 2016-17.

VII. Statutory Auditors:

M/s GRC & Associates, Chartered Accountants, Chennai were appointed as Statutory Auditors for the year 2016-17.

VIII. Secretarial Auditors:

S.Vishwanathan, Practicing Company Secretaries were appointed as Secretarial Auditors to carry out the Secretarial Audit for the year 2016-17 pursuant to Section 204 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 of the Companies Act 2013.

IX. 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.

Date: 23-12-2017

(Jawaid Akhtar)
Chairman

Annexure -1 to Director's Report

FORM NO. MGT - 9

EXTRACT OF ANNUAL RETURNS

ON THE FINANCIAL YEAR ENDED ON

[Pursuant to section92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

i.	CIN	U31401KA2002SGC030437
ii.	Registration Date	30/04/2002
iii.	Name of the Company	GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED
iv.	Category/Sub-Category of the Company	Government Company
v.	Address of the Registered office and contact details	Corporate Office, Station Road, Kalaburagi, Karnataka-585102
vi.	Whether listed company	Not listed Company
vii.	Name, Address and Contact details of Registrar and Transfer Agent,if any	Not Applicable

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turn over of the company shall be stated :-

Sr. No.	Name and Description of main products/ services	NIC Code of the Product/ service	% to total turnover of the company
1	Distribution of Electricity	35109	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. No.	Name And Address Of The Company	CIN/GLN	Holding/ Subsidiary /Associate	No.of shares held	Applicable Section
1	NA	NA	NA	NA	NA
2					
3					
4					
5					

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i. Category-wise Share Holding

Category of Share holders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during theyear
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoter									
1) Indian									
a) Individual / HUF									
b) Central Govt									
c) State Govt(s)				100%				100%	
d) Bodies Corp									
e) Banks / FI									
f) Any Other									
Sub-total(A)(1):-									
2) Foreign									
g) NRIs-Individuals									
h) Other-Individuals									
i) Bodies Corp.									
j) Banks / FI									
k) Any Other….									
Sub-total(A)(2):-									
B. Public Shareholding									
1. Institutions									
a) Mutual Funds									
b) Banks / FI									
c) Central Govt									
d) State Govt(s)									
e) Venture Capital Funds									
f) Insurance Companies									
g) FIIs									

h) Foreign Venture Capital Funds									
i) Others (specify)									
Sub-total(B)(1)									
2. Non Institutions									
a) Bodies Corp.									
(i) Indian									
(ii) Overseas									
b) Individuals									
(i) Individual share holders holding nominal share capital upto Rs. 1 lakh									
(ii) Individual share									
holders holding nominal share capital in excess of Rs 1 lakh									
c) Others(Specify) Sub-total(B)(2) Total Public Share holding (B)=(B)(1)+ (B)(2)									
C. Shares held by Custodian for GDRs & ADRs									
GrandTotal (A+B+C)				**100%**				**100%**	**NIL**

ii. Share holding of Promoters

Sl. No	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			
		No. of Shares	% of total Shares of the com-pany	% of Shares Pledged /encum bered to	No. of Shares	% of total Shares of the com-pany	% of Shares Pledged /encum bered to	% cha ge in share holding durin g the year
1.	Governor	776766095			776766095			
2.	Sri.Jawaid Akthar	01			01			
3.	Dr. Ragapriya	00			01			
4.	M.Muniraju	01			00			
5.	R.Jayakumar	00			01			
6.	M. Ramakrishna	00			01			
7.	Sri.P. Sunil Kumar	00			01			
8.	Ujjwal Kumar Ghosh	01			00			
9.	Rajkumar S Biradar	00			01			
10.	A.N.Jayaraj	00			01			
11.	T.R.Ramakrishna	00			01			
12.	M.Nagaraja	01			00			
13.	Neelya Naik	01			00			
14.	Pavan Kumar Malapati	00			01			
15.	ISN Prasad	01			00			
16.	S.Sumanth	01			00			
17.	V Vipul Bansal	01			00			
18.	Nanda Kulkarni	01			00			
	Total	**776766104**			**776766104**			

iii. Change in Promoters' Share holding (please specify, if there is no change)

Sl. No		Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
	At the beginning of the year Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):		100		100
	At the End of the year		100		100

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

	Secured Loans	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	7,55,53,58,045	9,27,30,363		7648088408
ii) Interest due but not paid				
iii) Interest accrued but not	25,93,87,820			25,93,87,820
Total (i+ii+iii)	**7814745865**	**92730363**		**7907476228**
Change in Indebtedness during the financial year				
- Addition	2986550945			2986550945
- Reduction	1127997121	13868903		1141866024
Net Change	1858553824	(-)13868903		1844684921
Indebtedness at the				
end of the financial year				
i) Principal Amount				
ii) Interest due but not paid	9413911869	7,88,61,460		
iii) Interest accrued but				
not due	273106224			
Total (i+ii+iii)	**968,70,18,093**	**7,88,61,460**		**976,58,79,553**

VI. REMUNERATIONOFDIRECTORSANDKEYMANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and / or Manager

Sl. No	Particulars of Remuneration	NameofMD/WTD/ Manager		Total Amount
1.	Grosssalary (a) Salary as per provisions contained insection 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act 1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	M.Mahadev Managing Director M.Muniraju Managing Director		Rs.6,29,729 Rs.10,02,616
2.	Grosssalary (a) Salary as per provisions containe dinsection17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-taxAct, 1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act,1961	L.R.Neelya Naik Director(Technical)		Rs.16,23,702
3.	Stock Option			
4.	Sweat Equity			
5.	Commission - as % of profit - others, specify…			
6.	Others, please specify	DA/HRA arrears, ELS		RS. 81,472
				Rs. 8,728
7.	Total (A)			
				Rs. 17,22,545
	Ceiling as per the Act			

B. Remuneration to other directors:

Sl. No	Particulars of Remuneration	Name of MD/WTD/ Manager				Total Amount
	IndependentDirectors ·Fee for attending board committee meetings ·Commission ·Others, please specify					
	Total (1)					
	Other Non-Executive Directors ·Fee for attending board committee meetings ·Commission ·Others, please specify Total (2)					
	Total (B)=(1+2)					
	Total Managerial Remuneration					
	Over all Ceiling as per the Act					

C. Remuneration to Key Managerial Personnel Other Than MD/Manager/WTD

Sl. No	Particulars of Remuneration	Key Managerial Personnel			
		CEO	Company Secretary	CFO	Total
1.	Grosssalary (a) Salary as per provisions contained in section17(1) of the Income-tax Act,1961 (b)Value of perquisites u/s 17(2)Income-tax Act,1961 (c) Profits in lieu of salary under section 17(3)Income-tax Act,1961			Sri.A.N. Manjunath CFO Sri.Suresh.R. Teradal, CFO	Rs. 7,63,502 Rs. 9,65,237
2.	Stock Option				
3.	Sweat Equity				
4.	Commission - as % of profit -others, specify…			DA/HRA arrears,ELS	Rs. 86,812
5.	Others, please specify			DA/HRA arrears,ELS	Rs. 9,039
6.	Total				**Rs. 18,24,590**

VII. PENALTIES/PUNISHMENT/COMPOUNDINGOFOFFENCES:

Type	Section of the companies Act	Brief description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority [RD /NCLT/Court]	Appeal made. If any (give details)
A. Company					
Penalty		NIL			
Punishment					
Compounding					
B. Directors					
Penalty		NIL			
Punishment					
Compounding					
C. Other Officers In Default					
Penalty		NIL			
Punishment					
Compounding					

Annexure -2 to Director's Report
Addendum to the Directors' Report (FY 17)

Sl. No.	Auditors Qualification	Responses
1	**Inventories :**	
a	Company's inventories lying at various locations have become obsolete and lying idle for a considerable long period of time. The usefulness and the serviceability of these inventories are subject to verification, identification and inspection by the management. Pending verification, identification and inspection by the management and subsequent adjustment entries to be passed in the books of accounts, we are unable to ascertain the effect of the same on the loss for the year.	The Annual Store Counting at each store of the Company is taken up during January, during which, each item of the inventory held in Stock as on date is physically verified with respect to its quantity mentioned in the numerical ledger and actual stock. In case, any of the store item is found not useable / repairable then recommendation is made to competent authority to scrap such items duly following the norms. The differential amount between value as per books and the amount realized is recognized and brought to the Profit & Loss Account during the financial year.
b	Inventories, stores and spares include the value of scrapped assets and the value of faulty and dismantled assets for reuse, which are retained at written down value in stores records.	Factual. The same is as per the Significant Accounting Policy of the Company.
c	Materials lying with employees (material imprest account) shown as a part of inventory amounting to Rs. 73.05 lakhs (previous year Rs.110.50lakhs) includes old items yet to be regularized.	An amount of Rs. 37.45 lakhs worth materials have been reconciled during the year and the transactions relating to the balance amount are in the process of regularisation
d	In respect of Koppal division, there is theft of stores material to the extent of Rs. 2.76 Lakhs (2012 - 13).	The Issue had been placed before the Directors in the 64th Board Meeting for adjustment of Rs 1.12 lakhs against the bills payable to the Security Services Agency and to write off balance Rs. 1.64 lakhs. Approval for write off is accorded vide Board Resolution 64/31 and the same will be incorporated in the Accounts for FY18.
2	**Cash and Cash Equivalents:**	
a	The cash balance stated in the books of the Company other than imprest cash, cash deposits from consumers includes cheques / DDs collected, Cash suspense - advance /	Necessary disclosure has been made through a foot note to note -19 forming part of accounts indicating the extent of amount under Cash Suspense, unrecouped vouchers.

Sl. No.	Auditors Qualification	Responses
	salary and other allowance paid to employees. But not regularized for the past several years and fraud amounts pending enquiry which is not in compliance with AS-3.	
b	**Difference in Cash and Bank Balance with the Trail Balance :** As reported in earlier auditor's report, in respect of Gulbarga O&M division I, there is a difference in cash and bank balances between Trial Balance and Cash / Bank Book. These are differences long pending since the formation of the company. The Company has not made any provision for these shortages and is shown as part of cash and bank balance, which is inconsistent with AS-3.	The shortage of balance in cash and the un reconciled bank balances in the books of accounts of O&M Division 1 Rural Gulbarga, are pertaining to the period prior to the formation of the company. The matter is being persued with KPTCL. Necessary adjustments would be accounted on obtaining the details from KPTCL.
	Further as reported in earlier auditor's report in respect of Bidar O&M division and Gulbarga O&M (Kadaganchi sub division), there is a difference in bank balance between trail balance and bank book to the extent of Rs. 3.67 lakhs and Rs. 14.30 lakhs respectively due to fraud. Further there is a difference in cash balances between trial balance and cash books for various divisions to the extent of Rs. 261.04 Lakhs due to cash misappropriation during the period from Jan-2013 to March-2016.	The investigations has been completed in case of the Kadaganchi Sub Division, Gulbarga Rural Division, Bhalki Sub Divison of Bidar Division, Deodurga Sub Division of Raichur Rural Division, City Sub Divisions at Bellary Urban Division & Gulbarga Urban Division. Shortages/ Misappropriations have been reported to competent authorities for initiating enquiries in the matter and passing final orders.
	In 2016-17, the division wise bifurcation for such differences are a.Shahabad Sub-Division Rs.1.12 Lakhs, b.O&M Section Mudhal Rs.0.85 Lakhs, c. Wadi Section Rs.0.95 Lakhs, d.Sub-Division Hagaribomman Halli Rs.0.06 Lakhs, and e.CSD-2 Kalaburagi Rs.83.95 lakhs, and pending reconciliation the amount could not be quantified.	Special Audit is being conducted in cases where shortages have been found and enquiries will be initiated on the concerned employees as per the report of the Internal Audit. Based on the outcome of the enquiry, suitable disciplinary action will be initiated against the defaulting employees and also to recover the shortages from the concerned.

Sl. No.	Auditors Qualification	Responses
c	For the above amounts, no provision has been made in the books.	Disclosure has been made in the Note No 45 of the Accounts & footnote to Note 20.
3	**Tangible Assets :**	
a	An amount of Rs. 14,933.10 lakhs is shown as Capital Work-in-Progress and Rs. 718.92 lakhs under Intangible assets under development. However, without adequate documents with regard to stage of completion of capital works (for example : R-APDRP Part A & B works, NJY works station and other capital works) and also due to want of Completion Certificates in the divisions, we are unable to comment whether categorization of works have been made as and when the assets have been put to use. Further, Capital Advance have a balance of Rs. 8,742.41 lakhs. Without adequate information regarding the same, we are unable to ascertain whether any portion of its have to be transferred to Capital Work in Progress.	Capitalisation of Assets to the extent of Documents available is made and as per the observations pointed out by the C& AG Audit Enquiries .
b	Material imprest account of Bellary O&M division includes Rs. 7.76 lakhs (previous year Rs. 7.76 lakhs) for the period till July 11, 2005. These amounts are outstanding in individual employee's names though the same may have been utilized towards fixed assets. Pending regularization of the material imprest account, fixed assets have been understated to this extent consequently depreciation on these assets has not been provided. In the absence of the documents supporting the actual date of installation of the fixed asset, we are unable to quantify the effect of provision of deprecation. In the absence of detailed information we are not able to comment on the impact of the above in case of other divisions.	The reconciliation of balances under material imprest is under progress. The details of the Technical Officers/Officials who have drawn material are being traced out.

Sl. No.	Auditors Qualification	Responses
c	There are instances where assets (transformers) received for repairs are originally valued at WDV, but when these assets are re-issued to works on bulk quantities, issue value is reckoned at average rate instead of considering WDV of the respective assets. In our opinion, this treatment is not in accordance with generally accepted accounting standards prevalent in India and ought to have been recognized at the WDV of the reissued asset, including the improvements (if the same increases the original life of the asset satisfying conditions stipulated in AS 10). This may also lead to revision in the useful life of the assets.	Factual. Same is as per the Significant Accounting Policy of GESCOM vide clause 2.6 of Note 1 to the Accounts for FY17 The assets as and when withdrawn from active use are accounted at the written down value and in case of failed assets necessary repairs are carried out which top-ups the working capacity to the optimum level and thereby the life cycle of the assets may extend.
d	Attention of the members is invited to Para 2.4 of note 1 - Significant Accounting Policies - forming part of financial statements. Regarding delay in capitalization of fixed assets and providing depreciation on the assets from the date of capitalization and not from the date when the asset was ready for intended use, in the absence of documents supporting the actual date when the asset was ready to use, we are unable to ascertain the effect of short provision of depreciation in the statement of profit & loss.	This is due to the practical time difference of the actual asset being put to use and the formalities required for the closure of the account viz., Certification of Measurement, Material utilized etc being forwarded to the Accounts Dept. However, in light of the audit observation care will be taken to ensure that the Depreciation/Interest will not be capitalized since commissioning of the Assets / put to use of Asset.
e	Reconductoring works and Scada works being carried out in Koppel division has been stopped and enquiry has been initiated. Total value of works suspended amounting to Rs. 2,225.01 lakhs as on 31 March, 2015 is shown under Capital Works in Progress due to disputes. Pending bills of the contractor have been accounted for. Though the asset has been put to use, it has not been capitalized and depreciated appropriately.	Factual. As per Significant Accounting Policy Clause 2.4 of Note 1 to the Accounts for FY17.

Sl. No.	Auditors Qualification	Responses
f	There is Allegation of Misconduct in the allotment of Works contract involving huge amount for the works relating to Transformer Fencing and Fixing aerial Fuse Board by many Divisions during the financial year 2015 - 16. We were informed that an Enquiry was ordered in this regard by Government of Karnataka. The enquiry has been completed but order is awaited. In the meanwhile, all the Pending works were suspended. In the absence of detailed Information on the nature, Value and award of such work contract, violation of the laid down procedures and the Enquiry Order by Karnataka Government, we are not able to comment on the nature of misconduct and it's Impact on the Financials of the Company.	An enquiry in the matter has been conducted by a committee formed by the Energy Department, GoK. On receipt of the copy of the Report/Outcome of the enquiry, necessary action as per the directions of the Report will be initiated by GESCOM.
g	In the absence of comprehensive information and pending capitalization we are not in a position to ascertain the impact of the above qualifications in the financial statement of the company.	Capitalisation of Assets to the extent of Documents available is made based on the policy laid down.
4	**Borrowing Costs:**	
	The Company has availed loans from PFC released through several installments towards R-APDRP scheme, viz, Part A and Part B. The disbursed loan amounts were invested under fixed deposits on a renewal basis. No amount of interest has been capitalized during the year as Borrowing Costs. We are unable to ascertain the impact on the financial statements.	Factual.

Sl. No.	Auditors Qualification	Responses
5	**Deferred Tax :**	
	a) The company has not provided for deferred tax asset / liability on account of timing differences of taxing its income, which would reverse after the carry forward loss is fully setoff in the IT Assessment .Since, the company is having huge carry forward loss to be setoff against future profits, the eventuality of setoff of the entire loss will not happen in the near future. b) Also, all additions to fixed assets made during the year for the purposes of depreciation under Income Tax Act have been considered at less than six months. The impact of such non provisioning of the timing differences mentioned above on the financial statements of the company is not ascertainable.	Factual. Consequential to carry forward losses and also the Loss for the year, there would be Nil Impact on the Income Tax payable by the Company.
6	**Impairment of Assets**	
	The company has not identified the assets which have been impaired and hence we are not in a position to comment on the compliance of AS 28 and its impact on financial statements of the company.	During the year, no such asset are found which could be classified as impaired.
7	**Revenue from Operation - Note-24(3)**	
	The Company has recognized Rs 35376.60 Lakhs as Income during the year, on account of Creation of Regulatory Assets to that extent, for recovering the increase in the actual power purchase cost over and above the power purchase cost approved by KERC. The lack of certainty in realizing the future economic benefit associated with regulatory assets has resulted in the Overstatement of	Reference is invited to the clause 2.6.3 of KERC (Terms and Conditions for Determination of Tariff for Distribution and Retail Sale of Electricity) Regulations, 2006 issued vide Notification No. D/01/6 dated 31st May 2006, where in the components of the ARR have been segregated into Controllable and Uncontrollable expenditure. Power purchase is treated as an uncontrollable expenditure for the purpose.

Sl. No.	Auditors Qualification	Responses
	Trade Receivable (Note-19) and under statement of loss to the extent of Rs 35376.60 Lakhs.	Reference is invited to the Guidance note No GN(A) 30 Revised (2015) on Accounting for Rate Regulated Activities, para 13 where the objective of the guidance note is indicated on creation of the Regulatory Asset / Regulatory Liability. Reference is also invited to para 21 (iii) where the Regulatory Asset is defined as "A regulatory Asset is an entity's right to recover fixed or determinable amounts of money towards incurred costs as a result of the actual or expected actions of its regulator under the applicable regulatory framework. Power purchase being the uncontrollable expense of ARR and the ESCOMs have a right to recover any additional expense i.e cost incurred under this head which is over and above the approved costs. Reference is invited to para 23 to 27 which highlight on the recognition of the Regulatory Assets…. "Further, the Framework states that control over the future economic benefits is sufficient for an asset to exist, even in absence of the legal rights"…. "Any issues regarding recoverability of the amounts should not affect the recognition of the right in the financial statements though they certainly merit consideration in its merit". Based on all the above, the Significant Accounting Policy of the Company has been modified w.e.f FY16 on the Revenue Recognition so as to enable the Company to recognize the Regulatory Asset based on the Actual Expenses which also satisfied the requirement of the Matching Revenue Concept.

Sl. No.	Auditors Qualification	Responses
		The same is as per the Guidance Note issued by the ICAI and within the Framework prescribed for Preparation and Presentation of the financial statements by the ICAI . The Regulatory Assets/Income accounted during FY16 had been filed before the KERC in the Annual Performance Review during FY17 and the difference of power purchase Cost of Rs. 577.39 crores has been approved by the Hon'ble Commission and included in the ARR for the year FY18.
8	Note 40 forming part of Financial statement, regarding balance from certain debtors, secured and unsecured loans, transformers sent to repairs, other loan funds, loans and advances to suppliers , deposit with others, bank suppliers, amount due to contractors and creditors, in the absence of balance confirmation, we are unable to ascertain the impact on the financial statement.	Noted for guidance.
9	Documents of title deeds, (about 10%) in respect of certain Land & Building and vehicles, transferred by M/s. KPTCL to the Company consequent to unbundling of distribution operation are not held the name of the company.	Documentation of title deeds is in progress.
10	The amount shown under the head "Inter Unit Accounts ('IUT')" amounting to Rs. 1188.95 lakhs (Credit) as on 31/03/2017 [opening balance outstanding Rs. 1380.20 Lakhs (Credit) as on 31st March 2016] is the un-reconciled balances pertaining to fund transfer, material transfer, assets transfer, entries for demerger of divisions and other employee transfer related entries. In the absence of IUT	The reconciliation of the IUA transaction is in progress but it has not been possible to fully reconcile the difference. Some of the differences in the IUA are on account of the transactions initiated prior to formation of the ESCOMs but terminated after formation of the Company. Efforts are being made to trace the details and reconcile the differences in Inter Unit Account.

Sl. No.	Auditors Qualification	Responses
	Balances being reconciled we are not in a position to (i) comment on the incorporation of transferred assets, liabilities, income and expenses in newly created divisions and (ii) ascertain the impact of un-reconciled IUT balances on the financial statements.	
11	Para 8.1 of Note 1-Significant Accounting policies - forming part of financial statements, provisions for bad and doubtful debts is made at 4% (as per Para 4.2 of Annexure V of ESAAR, 1985) on the balance of sundry debtors for sale of power outstanding as at the end of the year in the case of LT Consumers. The Company is having old outstanding dues receivable (under LT category) from IP set installations, including interest to the extent provided, 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) amounting to Rs. 70870.23 Lakhs. Recovery of these outstanding trade receivables seems to be doubtful and consequently bad debts provision enhanced from @ 4% pa to @ 10% pa seems to be insufficient. Effect on revenue is not ascertainable.	The total amount of Rs.1913.95 Crores Outstanding arrears include a major receivables Towards w/s and street lighting installations and is due from Government Departments which the company has considered as good. An amount of Rs.1,666.11Crores is outstanding against the IP Set installations, BJ/KJ, Street light and Water Supply installations. It is to be noted that the above dues are fully secured to an extent of Rs. 452.92 crores by way of Consumer Security Deposits available with the Company. Besides the above a provision of Rs. 287.96 crores towards Bad & doubtful dues, is made by GESCOM. Considering the dues from the Departments of Government of Karnataka out of the total dues, the provisions made by the Company is adequate. The Charging of interest on belated payment of IP sets on outstanding has been discontinued w.e.f 1.4.2013
12	The control account balances as reflected by the general ledger at divisions and subsidiary registers at sub divisions in the matter of consumer security deposits are not fully reconciled. The impact of the same the financial statements is not readily ascertainable.	The reconciliation of Security Deposits is in progress.

Sl. No.	Auditors Qualification	Responses
13	Under Micro,Small and Medium Enterprises Development Act,2006 read with notification no':8-7-2006-CDN dated 17/05/2007,certain disclosures are required to be made relating to Micro, Small and Medium Enterprises. As per Note 9 forming part official statements; regarding non-disclosure of dues to Micro, Small and Medium Enterprises and non-provision of interest if any for delayed payments as per the said Act, effect on loss for the year is unascertainable.	Company is in the process of compiling relevant information from its suppliers about their coverage under the said Act. Disclosure is made in the note forming to the account.
14	Ageing of trade receivables and balances as per DCB are based on the statements provided by the individual divisions, which are yet to be reconciled with the consumer wise ledger maintained and managed by the third party. We have relied on the statements provided by management for the correctness of the same.	The reconciliation of the sundry debtors is in process and the same has been disclosed in the notes to accounts.
15	Classification of advances to suppliers and contractors, deposits and receivables from the GOK and liabilities are verified to the extent of relevant records, schedules and statements maintained and provided for our review.	Factual
16	Share application money pending allotment of Rs 19395.00 Lakhs outstanding for a period of more than 75 days, to be reckoned as a deposit. Consequently, the Companies (Acceptance of Deposits) Rules, 2014 have not been complied.	Action is being initiated to complete the process of allotment of the shares.
17	Attention is drawn to Note 45 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.	The enquiries against the concerned are yet to be initiated and final orders issued in the matter. In view of the same, the same could not be provided

Sl. No.	Auditors Qualification	Responses
18	As required under gazette notification No.244 dated 30-03-2017, and new Rule 11 (d) of the Companies (Audit and Auditors) Rules 2014, the company has not disclosed the holding and dealings of Specified Bank Notes during the period from 8th November 2016 to 30th December2016, in the notes to schedule - III, as such, not complied with the requirements under company law.	The information/details are being obtained from all the Sub Divisions/Accounting Sections. Compiled / consolidated information will be made available to the Audit at the earliest.
	Annexure "B"	
1	1. The company did not have appropriate / adequate internal control procedures commensurate with the size, nature, complexity, volume and value of its business operation with regard to 1.1. Maintenance of account books, periodical reconciliation between daily cash collection as per cash book and MIS DCB considering huge volume of transactions involved and the control risk could not be ascertained. 1.2. Updation of registers, physical verification and reconciliation to the books of accounts at regular interval. 1.3. Transfer from capital work in progress to fixed assets register on the basis of completion of work and related documents.	There are large number of vacancies in the clerical cadre across the Company where recruitment process is in progress. The updation of the records, differences / reconciliation between the Subsidiary records/Registers and the financials etc Transfer of Capital Works (Capitalisation of Assets) have been effected due these vacancies . Once the vacancies are filled up the maintenance of books, updation and reconciliation will be taken up on priority.

For GESCOM,

(Jawaid Akhtar)
Chairman

Annexure -3 to Director's Report

Replies to Observation of Secretarial Audit Report FY - 2016 -17

Sl. No.	Observation of Secretarial Audit Report	Managemnt Reply
1	The Board of Directors of the Company is duly consituted. Adequate notice is given to all directors to schedule the Board Meeting, agenda and detailed notes on agenda are 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 meaning full participation at the meeting. Majority decision is carried through while the dissenting member's views are captured and recorded as part of the minutes where applicable. The Chairman of the meeting approves the minutes after making corrections considered necessary. For the size and nature of operations of the Company, there is further scope for compliance with conduct of Board meetings and placings of Agenda items in line with the Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI)	As per GESCOM Article of associassion and memordum of association Companies Board meetings are conducted in respect of Agenda items in line with the Secretrial Standered issued by the Institute of Company secretaries of India (ICSI). Practicing Company Secretary and GESCOM Company Secretary will be Consulted.
2.	With regard to (II) above based on the findings of the Karnataka Electricity Regulatory Commission (KERC) there are short comings and deviations in compliance with KERC (Licensees Standards of performance and deviations in compliance with KERC (Consumers Compliants Handling Procedure 2004 and Standard Operating Procedures (SOPs)	GESCOM has displayed details SOP on barod/ Notice Board in all O & M Section / Sub-divisions Offices for the information of consumers and also hosted in GESCOM website. Consumer intracting meeting is conducted 3rd Saturday of every month in Sub-Divisions headed by SE O&M Circles, EE, AEE of Sub Division/Division. The venue/date to consumers is informed by publishing in news papers and attempt has been made to solve cases on the spot and assured to solve some cases within weeks.

3	I report that the Company's Operations are spread across 2 Zone, 5 Circles and 16 Divisions. We limited our view with regards to the compliance at the Registered Office of the Company. Based on the finding and as reported to us by the officers of the company we report that there is scope for improvement in devising systems and processes for prevention of hazardous accident and providing safety equipment to workmen. I observe that the company has adequate systems and processes for handling Sexual Harassment of women at Workplace (Prevention prohibition and Redressal) Act 2013 but there is scope for improvement in statutory compliance with regard to display requirement of the said circular at the different workplaces units divisions.	For preservation for hazardous accidents Quality training has been given to the maintanance Staff and Safety equipment were provided Regarding prevention of Sexual harrassment at work place, direction were given to all units constitute a women redressal committee vide No.CYS197 Dated 21-09-2017
4	Based on the information provided by the officers of the Company, I report that the Company has been following the systems and processes relating of disposal of waste such as transformer Oils, used batteries as per the norms prescribed by the Pollution Board and in general complying with the Environment laws.	The released transformer oil is being reclaimed and reused. The used batteries will be disposed. The purchaser at the time of taking delivery of the waste oil, batteries, other non-ferrous hazardous materials is mandated to produce the original letter of valid registration issued by Central Pollution Control Board & Pollution Control Board for making an endorsement of transaction as required by the Pollution Control Board. Sale of Old batteries/Lead Acid Batteries will be governed by the Batteries (Management & Handling) Rules, 2001 and its subsequent Amendments.

GRC & ASSOCIATES
Chartered Accountants
Chennai

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED, (GESCOM) KALABURAGI - 585 102

I. Report on the financial Statements

1. We have audited the accompanying financial statements of Gulbarga Electricity Supply Company Limited ("the Company") which comprise of Balance Sheet as at 31st March 2017, the Statement of profit and loss account and the Cash Flow Statement for the year ended on that date, and a summary of accounting policies and other explanatory information.

   The Balance Sheet, Statement of Profit & Loss Cash Flow Statement approved by the Board of Directors on 13th November 2017 and reported by us on 13th November 2017 have been revised in the light of the Observation arising from the audit by the Comptroller & Auditor General of India under section 143(6)(b) of the Companies Act,2013. This report supersedes our report dated 13th November 2017.

Management's Responsibility for the Financial Statements :

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013("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, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the accounting system laid down in the Electricity (Supply) Annual Accounts Rules, 1985 framed under the Electricity (Supply) Act, 1948 (54 of 1948) now repealed by virtue of Section 185(2)(d) of the Electricity Act, 2003. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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 statements that give a true and view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility:

3. Our responsibility is to express an opinion on these financial statements based on our audit.

4. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

5. We conducted our audit in accordance with the Standards on auditing specified under section 143(10) of the Act. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's directors, as well as evaluating the overall presentation of the financial statements.

7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

II. Basis for Qualified Opinion

Attention of the members is invited to the following qualifications:

1. Inventories:

a. Company's inventories lying at various locations have become obsolete and lying idle for a considerable long period of time. The usefulness and the serviceability of these inventories are subject to verification, identification and inspection by the management. Pending verification, identification and inspection by the management and subsequent adjustment entries to be passed in the books of accounts, we are unable to ascertain the effect of the same on the loss for the year.

b. Inventories, stores and spares include the value of scrapped assets and the value of faulty and dismantled assets for reuse, which are retained at written down value in stores records.

c. Materials lying with employees (material imprest account) shown as a part of inventory amounting to Rs. 73.05 lakhs (previous year Rs.110.50lakhs) includes old items yet to be regularized.

d. In respect of Koppal division, there is theft of stores material to the extent of Rs. 2.76 Lakhs (2012 - 13).

2. Cash and Cash Equivalents:

a. The cash balance stated in the books of the Company other than imprest cash, cash deposits from consumers includes cheques/ DDs collected, Cash suspense - advance / salary and other allowance paid to employees. But not regularized for the past several years and fraud amounts pending enquiry which is not in compliance with AS-3.

b. Difference in Cash and Bank Balance with the Trail Balance :

i. As reported in earlier auditor's report, in respect of Gulbarga O&M division I, there is a difference in cash and bank balances between Trial Balance and Cash / Bank Book. These are differences long pending since the formation of the company. The Company has not made any provision for these shortages and is shown as part of cash and bank balance, which is inconsistent with AS-3.

ii. Further as reported in earlier auditor's report in respect of Bidar O&M division and Gulbarga O&M (Kadaganchi sub division), there is a difference in bank balance between trail balance and bank book to the extent of Rs. 3.67 lakhs and Rs. 14.30 lakhs respectively due to fraud. Further there is a difference in cash balances between trial balance and cash books for various divisions to the extent of Rs. 261.04 Lakhs due to cash misappropriation during the period from Jan-2013 to March-2016.

iii. In 2016-17, the division wise bifurcation for such differences are a.Shahabad Sub-Division Rs.1.12 Lakhs, b.O&M Section Mudhal Rs.0.85 Lakhs, c. Wadi Section Rs.0.95 Lakhs, d.Sub-Division Hagaribomman Halli Rs.0.06 Lakhs, and e.CSD-2 Kalaburagi Rs.83.95 lakhs, and pending reconciliation the amount could not be quantified.

i) For the above amounts, no provision has been made in the books.

3. Tangible Assets:

a. An amount of Rs. 14,933.10 lakhs is shown as Capital Work-in-Progress and Rs. 718.92 lakhs under Intangible assets under development. However, without adequate documents with regard to stage of completion of capital works (for example : R-APDRP Part A & B works, NJY works station and other capital works) and also due to want of Completion Certificates in the divisions, we are unable to comment whether categorization of works have been made as and when the assets have been put to use. Further, Capital Advance have a balance of Rs. 8,742.41 lakhs. Without adequate information regarding the same, we are unable to ascertain whether any portion of its have to be transferred to Capital Work in Progress.

b. Material imprest account of Bellary O&M division includes Rs. 7.76 lakhs (previous year Rs. 7.76 lakhs) for the period till July 11, 2005. These amounts are outstanding in individual employee's names though the same may have been utilized towards fixed assets. Pending regularization of the material imprest account, fixed assets have been understated to this extent consequently depreciation on these assets has not been provided. In the absence of the documents supporting the actual date of installation of the fixed asset, we are unable to quantify the effect of provision of deprecation. In the absence of detailed information we are not able to comment on the impact of the above in case of other divisions.

c. There are instances where assets (transformers) received for repairs are originally valued at WDV, but when these assets are re-issued to works on bulk quantities, issue value is reckoned at average rate instead of considering WDV of the respective assets. In our opinion, this treatment is not in accordance with generally accepted accounting standards prevalent in India and ought to have been recognized at the WDV of the reissued asset, including the improvements

(if the same increases the original life of the asset satisfying conditions stipulated in AS 10). This may also lead to revision in the useful life of the assets.

d. Attention of the members is invited to Para 2.4 of note 1 - Significant Accounting Policies - forming part of financial statements. Regarding delay in capitalization of fixed assets and providing depreciation on the assets from the date of capitalization and not from the date when the asset was ready for intended use, in the absence of documents supporting the actual date when the asset was ready to use, we are unable to ascertain the effect of short provision of depreciation in the statement of profit & loss.

e. Reconductoring works and Scada works being carried out in Koppel division has been stopped and enquiry has been initiated. Total value of works suspended amounting to Rs. 2,225.01 lakhs as on 31 March, 2015 is shown under Capital Works in Progress due to disputes. Pending bills of the contractor have been accounted for. Though the asset has been put to use, it has not been capitalized and depreciated appropriately.

f. There is Allegation of Misconduct in the allotment of Works contract involving huge amount for the works relating to Transformer Fencing and Fixing aerial Fuse Board by many Divisions during the financial year 2015 - 16. We were informed that an Enquiry was ordered in this regard by Government of Karnataka. The enquiry has been completed but order is awaited. In the meanwhile, all the Pending works were suspended. In the absence of detailed Information on the nature, Value and award of such work contract, violation of the laid down procedures and the Enquiry Order by Karnataka Government, we are not able to comment on the nature of misconduct and it's Impact on the Financials of the Company.

g. In the absence of comprehensive information and pending capitalization we are not in a position to ascertain the impact of the above qualifications in the financial statement of the company.

4. Borrowing Costs:

The Company has availed loans from PFC released through several installments towards R-APDRP scheme, viz, Part A and Part B.

The disbursed loan amounts were invested under fixed deposits on a renewal basis. No amount of interest has been capitalized during the year as Borrowing Costs. We are unable to ascertain the impact on the financial statements.

5. Deferred Tax:

a. The company has not provided for deferred tax asset / liability on account of timing differences of taxing its income, which would reverse after the carry forward loss is fully setoff in the IT Assessment .Since, the company is having huge carry forward loss to be setoff against future profits, the eventuality of setoff of the entire loss will not happen in the near future.

b. Also, all additions to fixed assets made during the year for the purposes of depreciation under Income Tax Act have been considered at less than six months.

The impact of such non provisioning of the timing differences mentioned above on the financial statements of the company is not ascertainable.

6. Impairment of Assets

The company has not identified the assets which have been impaired and hence we are not in a position to comment on the compliance of AS 28 and its impact on financial statements of the company.

7. Revenue From Operation-Note-24(3)

The Company has recognized Rs 35376.60 Lakhs as Income during the year, on account of Creation of Regulatory Assets to that extent, for recovering the increase in the actual power purchase cost over and above the power purchase cost approved by KERC.

The lack of certainty in realizing the future economic benefit associated with regulatory assets has resulted in the Overstatement of Trade Receivable (Note-19) and understatement of loss to the extent of Rs 35376.60 Lakhs.

8. Note 40 forming part of Financial statement, regarding balance from certain debtors, secured and unsecured loans, transformers sent to repairs, other loan funds, loans and advances to suppliers , deposit with others, bank suppliers, amount due to contractors and creditors, in the absence of balance confirmation, we are unable to ascertain the impact on the financial statement.

9. Documents of title deeds, (about 10%) in respect of certain Land & Building and vehicles, transferred by M/s. KPTCL to the Company consequent to unbundling of distribution operation are not held the name of the company.

10. The amount shown under the head "Inter Unit Accounts ('IUT')" amounting to Rs. 1188.95 lakhs (Credit) as on 31/03/2017 [opening balance outstanding Rs. 1380.20 Lakhs (Credit) as on 31st March 2016] is the un-reconciled balances pertaining to fund transfer, material transfer, assets transfer, entries for demerger of divisions and other employee transfer related entries. In the absence of IUT balances being reconciled we are not in a position to (i) comment on the incorporation of transferred assets, liabilities, income and expenses in newly created divisions and (ii) ascertain the impact of un-reconciled IUT balances on the financial statements.

11. Para 8.1 of Note 1-Significant Accounting policies - forming part of financial statements, provisions for bad and doubtful debts is made at 4% (as per Para 4.2 of Annexure V of ESAAR, 1985) on the balance of sundry debtors for sale of power outstanding as at the end of the year in the case of LT Consumers. The Company is having old outstanding dues receivable (under LT category) from IP set installations, including interest to the extent provided, 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) amounting to Rs. 70870.23 Lakhs. Recovery of these outstanding trade receivables seems to be doubtful and consequently bad debts provision enhanced from @ 4% pa to @ 10% pa seems to be insufficient. Effect on revenue is not ascertainable.

12. The control account balances as reflected by the general ledger at divisions and subsidiary registers at sub divisions in the matter of consumer security deposits are not fully reconciled. The impact of the same the financial statements is not readily ascertainable.

13. Under Micro,Small and Medium Enterprises Development Act,2006 read with notification no':8-7-2006-CDN dated 17/05/2007,certain

disclosures are required to be made relating to Micro, Small and Medium Enterprises.

As per Note 9 forming part official statements; regarding non-disclosure of dues to Micro, Small and Medium Enterprises and non-provision of interest if any for delayed payments as per the said Act, effect on loss for the year is unascertainable.

14. Ageing of trade receivables and balances as per DCB are based on the statements provided by the individual divisions, which are yet to be reconciled with the consumer wise ledger maintained and managed by the third party. We have relied on the statements provided by management for the correctness of the same.

15. Classification of advances to suppliers and contractors, deposits and receivables from the GOK and liabilities are verified to the extent of relevant records, schedules and statements maintained and provided for our review.

16. Share application money pending allotment of Rs 19395.00 Lakhs outstanding for a period of more than 75 days, to be reckoned as a deposit. Consequently, the Companies (Acceptance of Deposits) Rules, 2014 have not been complied.

17. Attention is drawn to Note 45 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.

III. Qualified Opinion:

In our opinion and to the best of our knowledge and according to the information and explanations given to us, except for the effects of the matters described in point II of the Basis for Qualified Opinion paragraph and the possible effects of matters described in points 1 to 17 of the "Basis for Qualified Opinion" paragraphs, the said financial statements give the information required by the Act in the manner so required; give a true and fair view in conformity with the accounting principles generally accepted in India.

1. In the case of the Balance Sheet of the state of affairs of the Company as at March 31, 2017.
2. In the case of Statement of Profit and Loss, of the LOSS for the year ended on that date and
3. In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

IV. Emphasis of Matter:

Without qualifying our report, attention is drawn, in respect of the following;

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) now repealed by virtue of Section185(2)(d) of the Electricity Act, 2003.

b. The appropriation of energy balancing done among various ESCOMS which is confirmed is on a notional basis taking average rates.

c. The company's revenue management involving consumer billing, collection and ledger maintenance under R-APDRP has been done under Infosys software in selected town areas of 21 towns. The software generates various reports viz, DCB Report, Counter wise Cash collection reports, Installation wise collection reports and Tariff wise DCB reports. However, during the course of our audit, it was observed that there were inconsistencies in the reports generated through the Infosys software which was have a bearing on the accounts of the company regarding revenue and demand collection and receivables.

   Further, it was also observed during the course of audit that the above mentioned reports could be generated only up to 3 months from "Live data" and for earlier periods from the system archived data. With this constraint of time and volume , we were unable to quantify the impact of these issues on the revenue.

d. The Company has accounted Rs 718.92 Lakhs as Intangible Assets under Development for which depreciation is not provided on the part of assets (Computer Hardware System and Network related assets)already put to use which is not in accordance with the Company's significant accounting policy stated vide Clause 2 and 3 of note 1.The impact of non-compliance with the accounting policy on the financials of the Company could not be ascertained.

e. There is no follow-up and no Action taken on Exceptional reports on Revenue Leakage like MNR (Meter Not Recorded),NRG (No Reading Generated) and Zero Consumption, available in the billing software(RAPDRP and Software implemented by TRM-Total Revenue Management agencies) even though such reports are available for generation at all levels of hierarchy. A close monitoring and timely action on these exceptional reports could generate significant revenue to the Company.

V. Report on Other Legal and Regulatory Requirements (CARO 2016):

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.

2. As required by section 143 (3) of the companies Act, 2013, we report that:

   a. We have sought and obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;

   b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the divisions not visited by us, subject to our remarks below:

ii. The Present system of accounts keeping is neither robust nor Integrated and highly susceptible to alteration / Modification and takes a lot of time and effort for the preparation Financial Statements.

iii. However, the following registers are under process of updating viz. Fixed Deposits register, Fixed asset Register, Assets categorization register, Staff loans and advances register, Leave Encashment Register, Sundry Creditors for materials and contractors, transformers repairs register, scrap sales and miscellaneous revenue.

iv. The Company is not having integrated Computerized accounting system Commensurate with the complexities and volume and value of its Business.

c. In our opinion the company does not have Internal Audit control system commensurate with the size, nature, complexity, volume and value of its business transaction.

d. The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of accounts.

e. In our opinion, except for the effects of the matters described in point II and the possible effect of matters described in points 1 to 17 of the Basis for Qualified Opinion paragraph and clauses 1, 7, 8 and 10 of Annexure-A and Annexure-B read with the other notes, the Balance Sheet, Statement of Profit and Loss account and the Cash Flow Statement dealt with by this report, comply with the accounting standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

f. 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.

g. 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"

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

3. As required by section 143 (5) of the Act, we have considered the directions issued by the Comptroller and Auditor General of India, the action taken there on and its impact on the accounts and financial statements of the company is, herewith enclosed as "Annexure - C"

4. As required under gazette notification No.244 dated 30-03-2017, and new Rule 11 (d) of the Companies (Audit and Auditors) Rules 2014, the company has not disclosed the holding and dealings of Specified Bank Notes during the period from 8th November2016 to 30th December2016, in the notes to schedule - III , as such, not complied with the requirements under company law.

Chennai
15-12-2017

For **G R C & Associates,**
Chartered Accountants
Firm Reg. No. 02437S

D Rangarajan, FCA
Partner, M. No. 023452

GRC & ASSOCIATES
Chartered Accountants
Chennai

"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 2017.

1. a) The Company has maintained records for fixed assets. However the same does not give particulars about quantitative details 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 during the period of review as per the scheme of physical verification regularly followed.

   c) However, the documents of physical verification have not been made available to us. Hence, we are not in a position to comment on the discrepancies, if any between the physical and book balances.

2. a. The inventory was physically verified during the year by the management.

   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 and the book records have been properly dealt in the books of the company.

3. The Company has not granted/ taken any loans, secured or unsecured, to/ from companies, firms or other parties listed in the register maintained under section 189 of the Companies Act, 2013 and accordingly, clause (iii)(a) and (iii)(b) of paragraph 3 of the Order are not applicable;

4. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of section 185 and 186 of the Companies Act, 2013 in respect of loans, in respect of loans, investments, guarantees and security.

5. The Company has not accepted any deposits from public; hence in our opinion the provisions of section 73 and 76 of the Companies Act, 2013 and the Companies (Acceptance of deposits) Rules, 2014 are not applicable.

6. As explained to us, the Company has maintained cost records under Companies (Cost Records and Audit) Rules, 2014.

According to the information and explanation given to us, the Company has maintained cost records as required under the 'Cost accounting Records (Electricity Industry) Rules 2001 read with Companies (Cost Records and Audit) Rules, 2014. However we have not made a detailed examination of the records. Further, the Cost Audit Report was not verified by us as the Company is yet to obtain the same.

7. According to information and explanation given to us, the Company has been regular in depositing undisputed statutory dues including provident fund, income tax, sales tax and other statutory dues to the appropriate authorities, except in following cases;

a) An amount of Rs. 10.37 lakhs in Koppal division and Rs. 7.98 lakhs in Bellary rural division is shown under the head 'Employee Welfare Trust' as on 31 March, 2016. The amounts have not been remitted to the Trust, neither a separate schedule as required has been maintained.

b) The Company has received intimation, from the Department of Income Tax (TDS) regarding default in TDS Statements for short deduction/ short payments/ late deduction/ late payments/ late filings and interest thereon for the financial years starting from 2007 and onwards amounting to Rs. 392.24 lakhs.

b. There are no outstanding disputed amounts payable on account of sales tax, income tax that were in arrears, as at March 31, 2017 for a period of more than six months from the date they became payable, other than one furnished below:

Name of the Statute	Nature of Dues	Amount (Rs. in lakhs)	Amount (Rs. in lakhs)	Forum where the dispute is pending
Central Sales Tax Act,1956	'C' Form issued on purchase of CFL bulbs and DTC meters	165.10	82.55	Karnataka Sales Tax Tribunal
Income Tax Act, 1961	Default in TDS statements for short deduction/ short payments/ late deduction/ late payments/ late filings and interest thereon for financial years starting from 2007 and onwards	358.14	Nil	Department of Income Tax (TDS)

c. As per the records maintained by the Company, there is no amount required to be transferred to investor education and protection fund in accordance with the relevant provisions of the Companies Act, 2013 and Rules made there under.

8. In our opinion and according to the information and explanations given to us, the company has not defaulted in the repayment of dues to bank.

The company has not executed any documents with the financial institutions nor does it posses 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. Based upon the audit procedures performed and the information and explanations given by the management, the company has not raised moneys by way of initial public offer or further public offer including debt instruments and term Loans. Accordingly, the provisions of clause 3 (ix) of the Order are not applicable to the Company and hence not commented upon.

10. As per the information and explanations furnished to us by the management, following frauds on the Company have been reported.

Description	Amount (Rs. In lakhs)	Recovery (Rs. In lakhs)	Write-off (Rs. In lakhs)	Provision (Rs. In lakhs)
Hospet Urban (FY 14-15)	92.53 lakhs	0	0	0
CSD Division Gulbarga(FY 14-15)	6.77 lakhs	0	0	0
Devadurga Sub Divisions(FY 14-15)	96.37 lakhs	0	0	0
Bellary Urban (FY 14-15)	10.87 lakhs	7.89 lakhs	0	0
Gulbarga CSD 2 (FY 15-16)	62.39 lakhs		0	0
Shahabad Sub-division and Wadi Section (FY 16-17)	1.12 lakhs	0	0	0
O & M Section Mudhol (FY 16-17)	0.86 lakhs	0	0	0
Wadi Section Shahabad Sub-Division(FY 16-17)	0.95 lakhs	0	0	0
Sub-divison Hagaribomman Halli (FY 16-17)	0.06 lakhs	0	0	0
CSD-2 Kalaburagi (FY 16-17)	83.95 lakhs	0	0	0

11. Based upon the audit procedures performed and the information and explanations given by the management, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act;

    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. In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 3 (xii) of the Order are not applicable to the Company.

13. In our opinion, all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 and the details have been disclosed in the Financial Statements

as required by the applicable accounting standards.

14. Based upon the audit procedures performed and the information and explanations given by the management, 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 and hence not commented upon.

15. Based upon the audit procedures performed and the information and explanations given by the management, the company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of clause 3 (xv) of the Order are not applicable to the Company and hence not commented upon.

16. In our opinion, the company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions of clause 3 (xvi) of the Order are not applicable to the Company and hence not commented upon.

Chennai
15-12-2017

For **G R C & Associates,**
Chartered Accountants
Firm Reg. No. 02437S

D Rangarajan, FCA
Partner, M. No. 023452

GRC & ASSOCIATES
Chartered Accountants
Chennai

"ANNEXURE - B" TO THE INDEPENDENT AUDITOR'S REPORT REFERRED TO IN PARAGRAPH 2(G) 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 2017.

We have audited the internal financial controls over financial reporting of **GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED ("the Company")** as of March 31, 2017 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. 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 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.

Auditors' 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, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India.

Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

Qualified Opinion

According to information and explanation given to us and based on the audit evidence obtained by doing sample audit, the following material weakness, control lapses have been identified as at 31st March 2017 in its internal financial control over financial reporting of its operations:

1. The company did not have appropriate / adequate internal control procedures commensurate with the size, nature, complexity, volume and value of its business operation with regard to

1.1. Maintenance of account books, periodical reconciliation between daily cash collection as per cash book and MIS DCB considering huge volume of transactions involved and the control risk could not be ascertained.

1.2. Updation of registers, physical verification and reconciliation to the books of accounts at regular interval.

1.3. Transfer from capital work in progress to fixed assets register on the basis of completion of work and related documents.

2. In our opinion, subject to the material weakness and control lapses in the internal financial control over financial reporting listed above, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, 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.

Chennai
15-12-2017

For **G R C & Associates,**
Chartered Accountants
Firm Reg. No. 02437S

D Rangarajan, FCA
Partner, M. No. 023452

GRC & ASSOCIATES
Chartered Accountants
Chennai

"ANNEXURE - C"

Directions indicating the areas to be examined by the Statutory Auditors During the course of audit of annual accounts of Gulbarga Electricity Supply Company Limited for the year 2016-17 issued by the Comptroller & Auditor General of India under Section 143 (5) of the Companies Act, 2013

We have generated this report as per the information and explanation given to us by the management during the course of audit.

<table>
<tr><th>Sl. No.</th><th>Directions</th><th>Responses</th></tr>
<tr><td>1.</td><td>If the Company has been selected for disinvestment, a complete status report in terms of valuation of Assets (including intangible assets and land) and Liabilities (including Committed & General Reserves) may be examined including the mode and present stage of disinvestment process.</td><td>The Company has not been selected for disinvestment during the financial year2016-17</td></tr>
<tr><td>2</td><td>Please report whether there are any cases of waiver/write off of debts/loans/ interest etc., if yes, the reasons there for and the amount involved.</td><td>According to information and explanations given to us, there are no cases of waiver/ write off of debts/ loans/ interest etc.</td></tr>
<tr><td>3</td><td>Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. or other authorities.</td><td>Proper records are being maintained for the inventories lying with the parties & assets received as gift from Govt. or other authorities. However, during the year there is no case of assets received as gift from Govt. or other authorities.</td></tr>
<tr><td>4</td><td>A report on age-wise analysis of pending legal/ arbitration cases including the reasons of pendency and existence / effectiveness of a monitoring mechanism for expenditure

on all legal cases (foreign and local) may be given.</td><td>Age-wise analysis of pending legal & arbitration cases and pending industrial dispute cases as under:
<table>
<tr><th>Age as on 31.03.2017</th><th>No. of Cases</th><th>Amount wherever ascertainable (Rs. In Lakhs)</th></tr>
<tr><td>Upto - 2006</td><td>2</td><td>15.63</td></tr>
<tr><td>2007 - 2011</td><td>13</td><td>2035.52</td></tr>
<tr><td>2012 - 2017</td><td>220</td><td>2705.82</td></tr>
</table>
Reasons for their pendency is that the legal cases entail procedural rules being adhered to and are finally heard/ disposed of by the court at their own turn.</td></tr>
</table>

Additional Company Specific Directions:

Sl. No.	Directions	Responses
a.	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.	F Presently, there are two software's implemented throughout GESCOM FOR Billing, collection and consumer ledger maintenance. a. Software developed under the R-APDRP and being implemented as per the specifications prescribed by the central Government through ministry of power and PFC. This software has been put to use with all modules in the urban areas of GESCOM covering 21 towns,though there were issues during the initial phase of the implementations of this scheme. b. In the other areas, software developed by M/s. N Soft Ltd and M/s. BCIT Ltd have been installed whose scope is limited to billing, collection and ledger account maintenance. F Tamper proof meters are being installed in the urban areas of the GESCOM under the R-APDRP Program and as of now the work is not yet completed. Refer point (c) under Emphasis of Matter paragraph of auditor's report regarding consumer billing, collection and ledger accounts maintenance under R-APDRP Scheme.
b.	Whether the reconciliation of receivables and payables between the generation, distribution and transmission companies has been completed. The reasons for difference may be examined.	F It is informed that Reconciliation of receivables/ payables between Distribution companies/ Transmission Companies is in progress. F In this regard, refer note 40(c) of the financial Statements
c.	Whether the Company has been recovering and accounting, the State Electricity Regulatory Commission (SERC) approved Fuel and Power purchase Adjustment Cost (FPPCA)?	It is informed that Fuel Escalation adjustment is approved by State Electricity Regulatory Commission and the same is considered for billing to Consumers to the extent of the period of approval and is accounted as revenue.

Sl. No.	Directions	Responses
d.	How much tariff roll back subsidies have been allowed and booked in the accounts during the year? Whether the same is being reimbursed regularly by the State Government?	It is informed that no roll back tariff subsidies have been received during the year.
e.	If the audited entity has computerized its operations or part of it, assess and report, how much of the data in the company is in electronic format, which of the area such as accounting, sales personnel information, payroll, inventory etc. have been computerized and the company has evolved proper security policy for data/ software/ hardware?	F The Company has computerized only areas related to revenue billing, collections and consumer ledger maintenance. However Company does not have proper security policy for data, software and hardware. F It is understood that no specific IS audit has been carried out during the financial year in this area.

Chennai
15-12-2017

For **G R C & Associates,**
Chartered Accountants
Firm Reg. No. 02437S

D Rangarajan, FCA
Partner, M. No. 023452

Rao, Murthy & Associates
Cost Accountants
Bangalore

COST AUDIT REPORT

We, **Rao, Murthy & Associates, 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. (here in after referred to as the Company), have audited the Cost Records maintained under section 148 of the said Act, in compliance with the cost auditing standards in respect of the **Electricity Industry - Distribution and retail supply of electricity** for the year **2016-17** 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 rule 5 of the Companies (Cost Reocrds and Audit) Rules, 2014 as amended have been maintained by the company in respect of services under reference.

(iii) In our opinion, proper returns 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 to our opinion is commensurate to its nature and size of its business.

(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) Detailed unit-wise and product-wise cost statement and schedules thereto in respect of the services under reference of the company duly audited and certified by us are kept in the company.

2. Observations and Suggestions : Nil

Note :

(a) We have conducted the audit in accordance with the Guidance Manual for Audit Quality issued by the Quality Review Board ofthe Institute of Cost Accountants of India. An audit includes examining on a test basis, various 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.

(d) The quantitative information shown in Part C - I in respect of the different services, wherever applicable, is as certified by the management.

(e) Reconciliation of Indirect Taxes for the company as a whole (Part D - 6) are 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.

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

Dated ; 20-12-2017
Place : Bangalore

For **Rao, Murthy & Associates**
Cost Accountants
FRN 000065

N. Ramaskanda
Partner,
M - 9750

FORM NO. MR - 3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED ON 31st MARCH 2017

[Pursuant to section 201(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

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practice by **GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED** (hereinafter referred to as GESCOM) (CIN : U04010KA2002SGC030436) having its Registered office at Main Road, Kalaburagi, Karnataka State (hereinafter called the company).

The company is an Unlisted Public Company wholly owned by Government of Karnataka. It is engaged in supply of electricity, Besides the companies Act and other applicable laws, the Company is required to comply with directions issued by the Government of Karnataka from time to time in the interest of 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 31st March 2017. 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 observation made hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended 31st March, 2017 according to the provisions of :

i. The companies Act. 2013 (the Act) and the Rules made thereunder AND Secretarial Standards issued by the Institute of Company Secretaries of India.

ii. The Company is an unlisted Public Company, wholly owned by Government of Karnataka with no foreign investment. By Notifications No. GSR 463 (F) dt 5-6-2015 and dt 13-6-2017 Government companies have been exempted from certain provision of the companies Act 2013 and Rules made there under. Hence, the provisions of the following Acts are NOT applicable to the Company.

a. The Securities Contracts (Regulation) Act. 1956 (SCRA) and the Rules made thereunder.

b. The Depositories Act. 1996 and the Regulations and Bye-Laws framed thereunder.

e. Foreign Exchange Management Act. 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment. Overseas Direct Investment and External Commercial Borrowings.

iii. I persued the KERC Tariff Order 2017 which details the Annual performance Review of GESCOM by the Karnataka Electricity Regulatory Commission (KERC) with the extant compliance with the applicable Rules and regulations under the Electricity Act. 2003 and the Central and State Rules made there under. Some of the applicable laws to this Company are detailed below.

a. Electricity Act 2003 and the Rules made thereunder

b. Central Electricity Authority Technical Standards for constructions of Electricity Plants and Electric Lines) Regulations 2010.

c. Central Electricity Authority (Measured relating to safety and Electricity Supply) Regulations 2010 (as amended in 2015).

d. Central Electricity Authority (Safety requirements for construction operations and maintenance of electrical plants and electrical lines) Regulation 2011.

e. Indian Electricity Grid Code Regulations 2010.

f. Energy Conservation Act. 2011

g. Forest (Conservation) Act. 1980

h. Karnataka Essential Services Maintenance Act in 1994

i. Public Labilities Insurance Act.

I also reviewed the systems, mechanisms and processes established by the Company for ensuring compliances under other various applicable Acts including Contracts Act, Laws, Rules, regulations, guidelines applicable to the Company and categorized under the following major heads group.

IV. Labour laws and other incidental laws related to labour and employees appointed by the Company either on its payroll or on contractual basis as related to wages, gratuity, provident fund, ESIC, compensation etc. Contract labour (Regulations & Abolition) Act 1970. Contract Labour (Regulations and Abolition Karnataka Rules 1974, also the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act 2013.

V. Laws relating to Pollution Control and Environment Protection

During the period under review the company complied with the provisions of the applicable Acts, Rules, Regulations, Guidelines Standards etc mentioned above subject to the observations made below.

I have not examined compliance by the Company with applicable financial laws like direct and indirect tax laws, since the same have been subject to review by statutory financial audit and other designated professionals.

With regard to (I) above, the Board of Directors of the Company is duly constituted. Adequate notice is given to all directors to schedule the Board Meetings agenda and detailed notes on agenda are 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

Majority decision is carried through while the dissenting member's views are captured and recorded as part of the minutes where applicable. The Chairman of the meeting approves the minutes, after making corrections considered necessary.

For the size and nature of operations of the Company, there is further scope for compliance with conduct of Board meetings and playing of Agent items in line with the Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI)

With regard to (III) above, based on the finding of the karnataka Electricity Regulatory Commission (KERC) there are short coming and deviations in compliance with KERC (Licences's Standards of Performance) regulations 2004 and in compliance with KERC (Consumers Complaints Handling Procedure) Regulations 2004 and Standard Operating Procedures (SOP's)

With regard to (IV) above, I report that the Company's operations are spread across 2 zones, 5 Circles and 16 divisions. WE limited our review with regard to the Compliance at the Registered Office of the Company Based on the findings and as reported to us by the officers of the Company, we report that there is scope for improvement in devising system and processes for prevention of hazardous accidents and providing safety equipments to workmen.

I observe that the Company has adequate systems and processed for handling, Sexual harassment of Women at Workplace (Prevention, Prohibition and Redressal Act, 2013 but there is scope for improvement in statutory compliance with regard to display requirements of the said circular at the different workplaces units, divisions.

With regards to (V) above, based on the information provided by the officers of the Company, I report that the Company has been following the systems and processed relating to disposal of waste such as Transformer Oils, used batteries as per the norms prescribed by the Pollution Control Board and in general complying with the Environment laws.

S.Viswanathan
Practicing Company Secretary
ACS No. : 5284
CP No. 5284

Place : Bangalore
Date : 24-11-2017

ANNEXURE - A

To,
The Members,
My report even date is to read along with this letter.

1) Maintenance of Secretarial record is the responsibility of the management of the Company. My responsibility is to express an opinion on the secretarial records based on my audit.

2) I have followed the audit practices and process as are appropriate to obtain reasonable assurance about the correctness of the contents of the Secretrial records. The verifications was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that process and practices. I followed provide a reasonable basis for my opinion.

3) I have not verified the correctness and apporopriateness of financial records and Books of Accounts of the Company.

4) Where required. I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.

5) The compliance at the Corporate and other applicable laws, rules regulations standards is the responsibility of management. My examination was limited to the verification of procedure on test basis.

6) The Secretrial Audit report is neither an assurance as to the future Validity of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

S.Viswanathan
Practicing Company Secretary
ACS No. : 5284
CP No. 5284

Place : Bangalore
Date : 24-11-2017

भारतीय लेखा तथा लेखापरीक्षा विभाग
Indian Audit And Accounts Department

महालेखाकार का कार्यालय (आ.व.रा.ले.प.) कर्नाटक
Office of the Accountant General (E & RSA)
Karnataka.

BY REGISTERED POST
CONFIDENTIAL

No. AG (E&SRA)/ES-II/PS/2017-18/K:05(16)/64 **Dated: 20.12.2017**

To

The Managing Director,
Gulbarga Electricity Supply Company Limited,
Corporate Office, Registered Office at Station Road,
Gulburga, Karnataka-585 102

Sub: Comments of the Comptroller and Auditor General of India under Section 143(6) (b) of the Companies Act, 2013 on the accounts of **Gulbarga Electricity Supply Company Limited, Gulburga** for the year ended **31st March 2017.**

Sir,

I forward herewith **Comments** under section 143(6) (b) of the Companies Act, 2013 on the accounts **Gulbarga Electricity Supply Company Limited, Gulburga** for the year ended **31st March 2017.**

2. A copy of the proceedings of the Annual General Meeting adopting the certified accounts, Auditors Report thereon and the Comments of the Comptroller and Auditor General of India may be forwarded to this office immediately after the conclusion of the Annual General Meeting. Six copies of the printed Annual Reports may also be sent to this office.

3. Receipt of the letter and the enclosures may please be acknowledged.

Yours faithfully

(BIJIT KUMAR MUKHERJEE)
ACCOUNTANT GENERAL
(ECONOMIC & REVENUE SECTOR AUDIT)
KARNATAKA, BENGALURU

ऑडिट भवन : 'सी' ब्लाक, डाक पेटी सं. 5398 बेंगलूरू - 560 001. Audit Bhavan, 'C' Block, Post Box. No. 5398, Bengaluru - 560 001
Ph : 080 22289101 Fax : 080 22253753 E-mail : agauKarnataka2@cag.gov.in website : http://www.agkar.cag.gov.in

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED, GULBURGA FOR THE YEAR ENDED 31 MARCH 2017

The preparation of financial statements of **Gulbarga Electricity Supply Company Limited, Gulbarga** for the year ended 31 March 2017 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under section 139(5) of the Act is responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 18.12.2017.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 143(6) (a) of the Act of the financial statements of **Gulbarga Electricity Supply Company Limited, Gulbarga** for the year ended 31 **March 2017**. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. In view of the revisions made in the financial statements by the management, as a result of my audit observations highlighted during supplementary audit as indicated in the Note No.58 of the financial statements, I have no further comments to offer upon or supplement to the statutory auditors' report under section 143(6)(b) of the Act.

For and on behalf of the
Comptroller and Auditor General of India

(BIJIT KUMAR MUKHERJEE)
ACCOUNTANT GENERAL
(ECONOMIC & REVENUE SECTOR AUDIT)
KARNATAKA, BENGALURU

Bengaluru
Date: 20.12.2017

GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

(Part - I)

(CIN NO. - U04010KA2002SGC030436)

Registered Office at Station Road, Gulburga, Karnataka - 585 102

Balance Sheet as at 31 March, 2017

	Particulars	Note No.	As at 31 March, 2017	As at 31 March, 2016
A	**EQUITY AND LIABILITIES**		₹	₹
	1 Shareholders' funds			
	(a) Share capital	2	776 76 61 040	305 13 61 040
	(b) Reserves and surplus	3	(160 14 85 364)	18 95 17 916
			616 61 75 676	**324 08 78 956**
2	**Share Application Money Pending Allotment**	3A	193 95 00 003	471 63 00 003
3	**Non-current liabilities**			
	(a) Long-term borrowings	4	751 60 73 202	698 18 31 558
	(b) Deferred tax liabilities (net)	5	--	--
	(c) Other long-term liabilities	6	408 28 12 216	423 22 55 857
	(d) Long-term provisions	7	74 30 99 196	65 63 94 502
			1234 19 84 615	**1187 04 81 917**
4	**Current liabilities**			
	(a) Short-term borrowings	8	161 52 86 249	83 59 35 981
	(b) Trade payables	9	4556 76 89 278	4357 02 66 759
	(c) Other current liabilities	10	447 04 41 521	425 60 88 655
	(d) Short-term provisions	11	20 86 59 297	22 19 81 156
			5186 20 76 345	**4888 42 72 551**
	TOTAL		**7230 97 36 637**	**6871 19 33 427**
B	**ASSETS**			
1	**Non-current assets**			
	(a) Fixed assets			
	(i) Tangible assets	12	2507 43 23 157	2102 33 58 957
	(ii) Intangible assets	13	--	--
	(iii) Capital work-in-progress	14	128 86 98 647	265 75 98 094
	(iv) Intangible assets under development	15	7 18 92 402	6 01 98 655
	(b) Non-current investments	16	2 51 00 000	1 00 000
	(c) Deferred tax assets (net)	5	8 99 56 870	8 99 56 870
	(d) Long-term loans and advances	17	96 26 00 585	169 88 51 642
			2751 25 71 661	**2553 00 64 218**
2	**Current assets**			
	(a) Current investments		--	--
	(b) Inventories	18	182 16 64 828	149 09 76 937
	(c) Trade receivables	19	2531 25 55 526	2172 71 51 978
	(d) Cash and cash equivalents	20	237 24 88 114	208 04 58 565
	(e) Short-term loans and advances	21	513 56 39 398	451 19 35 355
	(f) Other current assets	22	1015 48 17 110	1337 13 46 374
			4479 71 64 976	**4318 18 69 209**
	TOTAL		**7230 97 36 637**	**6871 19 33 427**

Note No 1 to 50 form an integral part of these financial statements

As per our Report of Even Date

For M/s GRC & Associates

Chartered Accountants

Firm Reg. No. 002437S

For and on behalf of the Board of Directors

D Rangarajan	**S R Teradal**	**R Jayakumar**	**Dr. R Ragapriya,** IAS
Partner	Chief Financial Officer	Director (Technical)	Managing Director

Membership No: 023452

Place : Bengaluru

Date : 15-12-2017

GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

(Part - II)

(CIN NO. - U04010KA2002SGC030436)
Registered Office at Station Road, Gulburga, Karnataka - 585 102

Statement of Proft & Loss for the year ending 31st March 2017

	Particulars	Note No.	As at 31 March, 2017	As at 31 March, 2016
			₹	₹
I	Revenue from operations	24	4128 08 66 400	4078 16 21 658
II	Other Income	25	88 01 67 828	39 31 05 383
III	**TOTAL REVENUE**		**4216 10 34 228**	**4117 47 27 041**
IV	**Expenses**			
	Purchase of Power	26	3462 48 54 784	3306 61 98 902
	Employee Benefits Expense	27	335 17 33 150	312 40 44 317
	Finance costs	28	103 47 82 429	90 78 79 617
	Depreciation	12&29	122 28 17 357	102 21 83 112
	Other expenses	30	447 72 55 278	403 41 22 705
	TOTAL EXPENSES		**4471 14 42 997**	**4215 44 28 654**
V	**Profit / (Loss) before Prior period items, exceptional and extraordinary items and Income Tax**		**(255 04 08 769)**	**(97 97 01 614)**
VI	Exceptional items	31	---	---
VII	**Profit / (Loss) before Prior period items, extraordinary items and Tax**		(255 04 08 769)	(97 97 01 614)
	Prior period Expenses (+) / Income (-)	32	57 79 80 247	33 28 25 251
VIII	**Extraordinary Items**	33		
IX	**Profit / (Loss) before Tax**		**(312 83 89 016)**	**(131 25 26 864)**
X	**Income Tax Expense:**			
	(a) Current tax expense		20 000	---
	(b) Less: MAT credit entitlement		---	---
	(c) Deferred tax			
	(d) Tax expenses relating to prior years		---	---
XI	**Profit / (Loss) from continuing operations**		**(312 84 09 016)**	**(131 25 26 864)**
XII	**Profit / (Loss) from discontinuing operations**		---	---
	Profit / (Loss) for the year		**(312 84 09 016)**	**(131 25 26 864)**
XIII	**Earnings per equity share of Rs. 10 each.**	34		
	(1) Basic		(4.03)	(4.30)
	(2) Diluted		(4.03)	(4.30)
	Note No 1 to 50 form an integral part of these financial statements			

As per our Report of Even Date
For M/s GRC & Associates
Chartered Accountants
Firm Reg. No. 002437S

For and on behalf of the Board of Directors

D Rangarajan
Partner
Membership No: 023452
Place : Bengaluru
Date : 15-12-2017

S R Teradal
Chief Financial Officer

R Jayakumar
Director (Technical)

Dr. R Ragapriya, IAS
Managing Director

GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

(CIN NO. - U04010KA2002SGC030436)

Registered Office at Station Road, Gulburga, Karnataka - 585 102

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH 2017

(Amount in Rs.)

	Particulars	As at 31 March, 2017		As at 31 March, 2016	
		₹		₹	
A	**CASH FLOW FROM OPERATING ACTIVITIES**				
	Net Profit before tax and extraordinary items		(3,128,389,016)		(1,312,526,864)
	Adjustments for :				
	Depreciation	1,494,517,357		1,323,583,112	
	Depreciation (Prior period/ adjustment)	(145,268,154)		126,740,638	
	Interest Income	(40,091,000)		(44,976,257)	
	Interest & Finance Charges	3,473,771,247		3,530,651,645	
	Provision for employee benefits	73,382,835		140,741,842	
	Loss on obsolence of fixed assets	15,286,984	4,871,599,268	(12,056,166)	5,064,684,815
	Operating profit before Working Capital Changes		1,743,210,253		3,752,157,951
	Adjustments for (increase) / decrease in operating assets:				
	Inventories	(330,687,891)		(302,989,974)	
	Trade Receivables	(3,585,403,548)		(5,609,232,645)	
	Loans and advances	113,996,178		(943,487,215)	
	Other Current Assets	3,216,529,264	(585,565,997)	(1,526,594,464)	(8,382,304,299)
	Adjustments for increase / (decrease) in operating liabilities:				
	Other liabilities	64,889,225		524,625,273	
	Trade Payables	1,997,422,520	2,062,311,745	11,024,757,563	11,549,382,836
	Cash generated from Operations		3,219,956,001		6,919,236,488
	Direct Taxes Paid	1,449,164	1,449,164	63,254,479	63,254,479
	Net Cash Flow from Operating Activities		3,218,506,837		6,855,982,009
B	Cash flow from Investing Activities				
	Capital expenditure on fixed assets, including capital advances	(4,963,879,929)		(5,925,993,821)	
	Sale of Fixed Asset / Purchase of Investments	596,734,151		545,429,675	
	Investments in Shares	(25,000,000)			
	Interest Received	40,091,000		44,976,257	
	Net Cash used in investing activities		(4,352,054,778)		(5,335,587,888)
C	Cash flow from financing activities				
	Proceeds from issuance of Share Capital (Including Share application money pending allotment)	1,939,500,000		996,075,442	
	Contributions and grants towards cost of Capital assets	1,646,256,825		905,971,997	
	Borrowings	1,313,591,912		1,025,733,317	
	Interest Paid	(3,473,771,247)		(3,530,651,645)	
	Net Cash flow from financing activities		1,425,577,491		(602,870,889)
	Net increase/decrease in cash and cash equivalents		292,029,549		917,523,231
	Cash and cash equivalents at the beginning		2,080,458,565		1,162,935,334
	Cash and cash equivalents at the end of the year		2,372,488,114		2,080,458,565

NOTES : The Cash Flow Statement has been prepared under the 'Indirect Method' set out in Accounting Standard 3 'Cash Flow Statement'.

As per our Report of Even Date
For M/s GRC & Associates
Chartered Accountants
Firm Reg. No. 002437S

For and on behalf of the Board of Directors

D Rangarajan
Partner
Membership No: 023452
Place : Bengaluru
Date : 15-12-2017

S R Teradal
Chief Financial Officer

R Jayakumar
Director (Technical)

Dr. R Ragapriya, IAS
Managing Director

GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

(CIN NO. - U04010KA2002SGC030436)

Registered Office at Station Road, Gulburga, Karnataka - 585 102

NOTE - 1 : SIGNIFICANT ACCOUNTING POLICIES

I. NATURE OF OPERATIONS

Gulbarga Electricity Supply Company Limited (GESCOM) is a Limited Company which is fully owned by Government of Karnataka. GESCOM is engaged in the business of retail distribution of power in the area of Northern Karnataka comprising Six Districts namely Bidar, Gulbarga, Yadgir, Raichur, Bellary and Koppal.

II. SIGNIFICANT ACCOUNTING POLICIES

1 METHOD OF ACCOUNTING

1.1 The financial statements have been prepared under historical cost convention and on accrual basis of accounting in accordance with the provisions of the Electricity Supply Annual Accounts Rules 1985 (ESAAR) framed under the repealed Electricity (Supply) Act, 1948 as well as those of the Companies Accounting Standards Rules, 2006 and the Companies Act, 2013 to the extent not inconsistent with the repealed Electricity (Supply) Act, 1948.

1.2 In accordance with the provisions of Section 185(2)(d) of the Electricity Act, 2003, all rules made under sub -section(1) of Section 69 of the repealed Electricity (Supply) Act, 1948 shall continue to have effect until such rules are rescinded or modified, as the case may be.

1.3 Use of Estimates

The preparation of financial statements in conformity with the provisions of ESAAR / generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

2 FIXED ASSETS

2.1 Land and buildings are valued at actual cost of acquisition/ construction, less accumulated depreciation and impairment losses.

2.2 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.

2.3 Fixed assets acquired/constructed (other than land and buildings) are valued at standard rate (as per rates prescribed under " Common Schedule of Rates 2014-15"), less accumulated depreciation and impairment losses. The Schedule of Rates/ Common Schedule of Rates is determined on the basis of previous purchase price and prevailing market rates).

2.4 The Company has the practice of capitalizing the Assets after the receipt of Final Bill from the Contractor and are accepted/approved/certified by the competent authority. The borrowing costs attributable to the acquisition/construction of qualifying assets are capitalized as part of cost of such assets up to the date when such assets are ready for its intended use.

2.5 Employee cost of Officers / Officials involved in Construction & Maintenance Activity has been capitalized in the ratio of 70:30 between Capital and Revenue based on the time and effort put in by such officers/officials on a conservative basis.

2.6 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

3 DEPRECIATION

3.1 Depreciation on all assets (except lease hold land and Assets created out of Consumer Contribution and Grants) is provided on straight line method at the rates as prescribed by CERC from time to time.

3.2 Depreciation on all assets is provided up to 90% of the Original Cost.

3.3 Depreciation on leasehold land is provided for the years on amortization rates arrived at on the basis of the lease period.

3.4 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.

3.5 Depreciation is provided from the month of commissioning of the assets.

i) While assessing pro-rata depreciation in case of commissioning of new assets the full month shall be considered irrespective of the date of commissioning.

ii) In respect of decommissioning of assets the pro-rata depreciation shall be considered up to the end of previous full month irrespective of date of de-commissioning of assets.

4 CAPITAL WORK IN PROGRESS

4.1 Materials issued to Capital Work in Progress are valued at standard rate (as per rates prescribed under " Common Schedule of Rates 2014-15". 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.

5 INVENTORY

5.1 Inventories are valued at Standard Rate (as per rates prescribed under " Common Schedule of Rates 2014-15" .The Schedule of Rates/Common Schedule of rates is determined on the basis of previous purchase price and prevailing market rates)

5.2 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.

6 RETIREMENT BENEFITS

6.1 In respect of pension and gratuity, Contribution to KPTCL/ ESCOMs Pension & Gratuity Trust is made based on the actuarial valuation and in accordance with the following formula evolved by the Trust:-

a. Pension : 33.02% of (Basic Pay + Dearness pay + Dearness Allowance)

b. Gratuity : 6.06% of (Basic Pay + Dearness pay)

The Company provides for Pension and Gratuity, a defined benefit retirement plan covering eligible employees. The Plan provides for a lump sum payment to vested employees at retirement, death or

		termination of employment, of an amount based on the respective employee's salary and the terms of employment. Liabilities with regard to pension and gratuity are determined by actuarial valuation, based upon which, the company contributes all ascertained liabilities to the KPTCL/ESCOMS Pension and Gratuity Fund Trust.
	6.2	The liability towards Leave Encashment and Family Benefit Fund has been provided based on actuarial valuation under the projected Unit Credit Method

7	**REVENUE RECOGNITION**	
	7.1	Revenue from sale of energy is accounted on accrual basis.
	7.2	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.
	7.3	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 18 units per installations per month and IP Set Category upto and inclusive of 10 HP
	7.4	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.
	7.5	Interest income is accrued on time proportionate bases and in respect of overdue bills on crystallisation.
	7.6	Additional Expenditure incurred in respect of Power purchase Cost over and above the Approved Power Purchase Cost in the Tariff Orders of relevant financial years is accounted as Income for the year and treated as receivables from Consumers as Regulatory Asset in future years

8	**PROVISION FOR BAD & DOUBTFUL DEBTS**	
	8.1	Provision for bad and doubtful debts is made at 4% (as per para 4.2 of Annexure V of ESAAR, 1985) on the balance of sundry debtors for sale of power outstanding as at the end of the year in the case of LT consumers.
	8.2	In case of HT consumers, 100% provision is made on case to case basis, wherever necessary and in remaining cases, a provision @ 4% is made on the balance of sundry debtors outstanding as at the end of the year.
	8.3	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.

9	**ASSETS CREATED OUT OF NON OWNED FUNDS**	
	9.1	Assets created out of Capital Grants/Contribution from consumers/Deposit Contribution works are included in the Fixed Assets with corresponding liability in the Capital Reserves and the Depreciation on such assets is progressively sett-off against these reserves.
	9.2	Other grants are credited to the Profit & Loss account.
10	**RELEASED AND SCRAPPED ASSETS:**	
	10.1	Assets not in use and released assets are accounted at Written Down Value on the month of release and treated as inventory.
	10.2	Scrapped assets are accounted at the residual value i.e., at 10% of the original cost of the asset and treated as inventory
	10.3	The transformers released during the year are removed from assets account only after they are returned to stores.
11	**BORROWING COST:**	
	11.1	Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized till the date of such assets being put to use, as part of the cost of that asset.
		When the funds are borrowed specifically for the purpose of obtaining a qualifying asset, the borrowing costs incurred on such borrowing, will be set-off against any interest income earned on the temporary investment of such borrowed funds till such asset is installed and being put to use.
	11.2	Other borrowing costs are recognized as an expense in the period in which they are incurred.
12	**TAXATION**	
	12.1	Current Taxes are measured at the amount expected to be paid using the applicable tax rates and tax laws.
	12.2	Deferred Tax asset or liablility is recognized for timing differences between the profits as per financial statements and the profit offered for income taxes, based on tax rates that have been enacted or substantially enacted at the Balance sheet date. Deferred Tax assets resulting from tax losses carried forward are recognized only to the extent that there is a virtual certainty that sufficient taxable income will be available against which such deferred tax assets can be realized. The carrying amount of deferred tax assets is reviewed at each Balance sheet date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.
13	**MATERIAL COST VARIANCE ACCOUNT**	
	13.1	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.
	13.2	The variation in purchase price over the Standard Rate is credited/ debited to the "Material Cost Variance account".
	13.3	The balance in the "Material Cost Variance Account" at the year end will be treated as follows:
		a. Credit balance is credited to a reserve called 'Reserve Material Cost Variance'.
		b. 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.

14	**SEGMENT REPORTING:**	
	14.1	The Company is engaged in the activity of distribution of electricity.
	14.2	Considering the Geographical Area of Operations, Economic and political conditions affecting the operations of the company there is no identifiable reporting segment. Hence no Segment wise report is furnished.

15	**INVESTMENTS**	
	15.1	Long Term Investments are valued at Cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of investments.

16	**IMPAIRMENT**	
	16.1	The Carrying amounts of assets are reviewed at each balance sheet date, if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.
	16.2	After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.
	16.3	A previously recognized impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

17	**EARNING PER SHARE**	
	17.1	Basic and Dilutive Earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period (including dilutive).

18	**PROVISIONS**	
	18.1	A provision is recognized when GESCOM has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimates required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

19	**CASH AND CASH EQUIVALENTS**	
	19.1	Cash and Cash Equivalents in the Balance Sheet comprise cash at bank and in hand and short term investments with an original maturity peirod of less than three months.

20	**POWER PURCHASE**	
	20.1	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
	20.2	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

GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

(CIN NO. - U04010KA2002SGC030436)

Registered Office at Station Road, Gulburga, Karnataka - 585 102

NOTES TO THE FINANCIAL STATEMENTS

Note 2 - Share Capital

S. No.	Particulars	As at 31 March, 2017		As at 31 March, 2016	
		Number of shares	₹	Number of shares	₹
A	Authorised Share Capital Equity Shares of Rs.10/- each	80 00 00 000	800 00 00 000	80 00 00 000	800 00 00 000
B	Issued, subscribed and fully paid up Equity shares of Rs.10/- each	77 67 66 104	776 76 61 040	30 51 36 104	305 13 61 040
	Reconciliation				
	At the Beginning of the Reporting Period	30 51 36 104	305 13 61 040	30 51 36 104	305 13 61 040
	Add: Issued during the reporting period	47 16 30 000	471 63 00 000	--	--
	Less: Bought back during the reporting period	--	--	--	--
	At the close of the reporting period	77 67 66 104	776 76 61 040	30 51 36 104	305 13 61 040

Note 2A -Particulars of equity share holders holding more than 5% of the total number of equity share capital:

S. No.	Particulars	As at 31 March, 2017		As at 31 March, 2016	
		Number of shares	₹	Number of shares	₹
1	Government of Karnataka	77 67 66 095	99.99	30 51 36 095	99.99

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.

Note 3 - Reserves & Surplus

S. No.	Particulars	As at 31 March, 2017		As at 31 March, 2016	
		₹	₹	₹	₹
A	**Capital Reserve**				
1	<u>Contributions and grants towards cost of Capital assets</u>				
	Opening Balance	349 43 70 657		304 52 81 859	
	Add: Additions during the year	111 26 31 814		65 10 88 798	
		460 70 02 471		369 63 70 657	
	Less: Reversal of depreciation	19 16 00 000		20 20 00 000	
	Closing Balance		441 54 02 471		349 43 70 657
2	<u>Grants towards cost of Capital Assets/regularisation of unauthorised IP set installations received from Government</u>				
	Opening Balance	172 74 29 014		175 74 04 455	
	Add: Additions during the year	53 36 25 012		6 94 24 558	
		226 10 54 025		182 68 29 014	
	Less: Withdrawal during the year				
	Less: Reversal of depreciation	8 01 00 000		9 94 00 000	
	Closing Balance		218 09 54 025		172 74 29 014
3	<u>Reserve for Material Cost Variance</u>				
	Opening Balance	48 86 90 437		30 32 31 796	
	Add: Additions during the year			18 54 58 641	
		48 86 90 437		48 86 90 437	
	Less: Debit Balance of MCV Account for the year adjusted	3 71 51 089			
	Closing Balance		45 15 39 348		48 86 90 437
	Total Capital Reserves		704 78 95 844		571 04 90 108
B	Surplus/(Deficit) in Statement of Profit and Loss				
	Opening Balance	(552 09 72 192)		(420 84 45 328)	
	Add/(Less): Net Profit / (Net Loss) for the year	(312 84 09 016)		(131 25 26 864)	
	Closing Balance		(864 93 81 208)		(552 09 72 192)
	Total		**(160 14 85 364)**		**18 95 17 916**

Note 3A - Share Application Money Pending Allotment

S. No.	Particulars	As at 31 March, 2017		As at 31 March, 2016	
		₹	₹	₹	₹
1	Share deposit				
	Opening Balance	471 63 00 003		372 02 24 561	
	Add: Additions during the year	193 95 00 000		99 60 75 442	
		665 58 00 003		471 63 00 003	
	Less: Fresh issue of equity shares	471 63 00 000		---	
	Less: Excess transferred to income			---	
	Closing Balance	193 95 00 003	193 95 00 003		471 63 00 003
	Total		**193 95 00 003**		**471 63 00 003**

Note 4 - Long-Term Borrowings

S. No.	Particulars	As at 31 March, 2017		As at 31 March, 2016	
		₹	₹	₹	₹
A	**SECURED LOANS**				
	Term Loans From				
	-Banks (Refer Note below)	137 35 66 868		---	
	-Others (Refer Note below)	737 36 78 337		755 53 58 042	
	Sub-Total	874 72 45 205		755 53 58 042	
	Less: Current Maturities	129 74 69 560	744 97 75 645	65 23 87 944	690 29 70 098
B	**UNSECURED LOANS**				
	Term Loans From				
	-Banks (Refer Note below)	--		--	
	-Others (Refer Note below)	7 88 61 460		9 27 30 363	
	Sub-Total	7 88 61 460		9 27 30 363	
	Less: Current Maturities	1 25 63 903	6 62 97 557	1 38 68 903	7 88 61 460
	Total		**751 60 73 202**		**698 18 31 558**

Additional Information for Note 4 - Details for Secured Loans :

S. No.	Particulars	As at 31 March, 2017		As at 31 March, 2016	
		₹	₹	₹	₹
A 1	**Term Loans from Banks** **State Bank of Hyderabad** (Secured by hypothecation of current assets distribution Material) Less: Current Maturities			---	
	Sub-Total				
B 1	**Term Loans from Others** 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 2009. Interest rate is 8.00%)	2 26 75 637		5 34 14 077	
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%.	36 05 31 446		40 16 80 330	

Additional Information for Note 4 - Details for Secured Loans :

S. No.	Particulars	As at 31 March, 2017		As at 31 March, 2016	
		₹	₹	₹	₹
	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%.)				
3	Loan from Rural Electrification Corporation	586 57 45 448		586 70 74 259	
a	REC-Rural Load Management System- Rs. 36.84 Crores - The Tenure of the loan is 13years with 3years 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%.				
c	REC-Reconductoring-Rs.139.87Crores The Tenure of the loan is 13 years with 3 years moratorium. Repayable in 10 equal annual installments. Repayment starting from 2010. Interest rate varying from 9.75% to 10.90%.				
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 is 12.50%.				
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 varying from 10% to 12.5%.				
4	Loans from Power Finance Corporation (Secured by hypothecation of Assets created under the project - Nirantara Jyoti. The Tenure of the loan	1 65 22 913		1 95 27 079	

Additional Information for Note 4 - Details for Secured Loans :

S. No.	Particulars	As at 31 March, 2017		As at 31 March, 2016	
		₹	₹	₹	₹
	is 12 years repayable in 48 equal quarterly installments starting from 2010. Interest rate 11.75)				
6	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%)	26 31 23 008		31 24 25 108	
7	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 13years with 3years moratorium. Repayable in 10 equal annnual installments starting from 2010. Rate of Interest is varying from 8.25% to 10.90%)	61 91 72 012		60 28 01 312	
8	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 12years repayable in 48 equal quarterly installments starting from 2004 & 2007. Interest rate varying from 8.00% to 11%)	22 59 07 873		29 84 35 877	
9	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% pa)	137 35 66 868			
	Sub-Total		**874 72 45 205**		**755 53 58 042**
C	**Less : Current Maturities :**		**129 74 69 560**		**65 23 87 944**
	Total		**744 97 75 645**		**690 29 70 098**

Additional Information for Note 4 - Details for Un-Secured Loans

S. No.	Particulars	As at 31 March, 2017		As at 31 March, 2016	
		₹	₹	₹	₹
1	Loans from Government - PMGY	3 61 81 916		4 16 32 562	
	(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%.)				
2	Loans from Government - APDRP	4 26 79 544		4 97 92 801	
	(The tenure of the loan is 13 years with 3 years moratoriam, principal being repayable in 10 equal Annual Installments, repayment starting from 2009 and ending during 2018. The rate of Interest is 8%.)				
3	Loan from GoK - Power Sector Automation			13 05 000	
	(The tenure of the loan is 10 years starting from 3rd Dec 2007 and rate of interest is 9% repayable in 10 equal annual installments starting from 3rd Dec 2007 and ends on Dec 2017)				
5	**Sub-Total**		**7 88 61 460**		**9 27 30 363**
6	**Less : Current Maturities**		**1 25 63 903**		**1 38 68 903**
			6 62 97 557		**7 88 61 460**

Additional Information for Note 4 - long-term borrowings guaranteed by some of the directors or others:

S. No.	Particulars	As at 31 March, 2017		As at 31 March, 2016	
		₹	₹	₹	₹
1 2		–	–	–	–

Additional Information for Note 4 - Defaults by the Company in repayment of Long-Term Borrowings and interest :

S. No.	Particulars	As at 31 March, 2017		As at 31 March, 2016	
		₹	₹	₹	₹
1	**Term loans from banks**		--		--
	a) Principal		--		--
	b) Interest		--		--
2	**Term loans from Other Parties**				
	a) Principal		--		--
	b) Interest		--		--
3	**Other loans and advances**				
	a) Principal		--		--
	b) Interest		--		--
	Total		**--**		**--**

Note 5 - Deferred Tax Liability

S. No.	Particulars	As at 31 March, 2017		As at 31 March, 2016	
		₹	₹	₹	₹
i)	**Deferred tax liability:**				
	a) On account of depreciation on fixed assets		190 62 76 319		169 74 34 863
	b) On account of timing differences in recognition of expenditure		--		--
	c) Total		**190 62 76 319**		**169 74 34 863**
ii)	**Deferred tax asset:**				
	a) On account of timing differences in recognition of expenditure		122 02 19 515		116 54 76 164
	b) On account disallowance under section 40 (ia)				
	c) On account of Unabsorbed losses and depreciation under the Income Tax Act, 1961		77 60 13 674		62 19 15 569
	(Deferred Tax Asset on acocunt of unabsorded losses & Depreciation is restricted to the extent of Unabsorbed Deferred Tax Liability)				
	d) Total		199 62 33 189		178 73 91 733
iii)	**Net Deferred tax liability/(asset)**		(8 99 56 870)		(8 99 56 870)

Note 6 - Other Long-Term Liabilities

S. No.	Particulars	As at 31 March, 2017		As at 31 March, 2016	
		₹	₹	₹	₹
1	**Others**				
	(a) Deposit Contribution Work		(44 63 64 495)		(5 42 97 616)
	(b) Security Deposit from consumers		452 91 76 711		428 65 53 473
	Total		**408 28 12 216**		**423 22 55 857**

Note 7 - Long Term Provisions

S. No.	Particulars	As at 31 March, 2017		As at 31 March, 2016	
		₹	₹	₹	₹
1	Provision for Employee Benefits				
	- Provision for Leave encashment	47 02 61 831		38 97 01 899	
	- Provision for Family Benefit Fund	5 03 06 251	52 05 68 082	4 41 61 489	43 38 63 388
2	Other Payables to GoK		3 35 28 956		3 35 28 956
3	BRP II Adjustment given By GOK i.r.o SMIORE		12 93 06 507		12 93 06 507
4	Provisions made by GoK towards Consumers		5 96 95 651		5 96 95 651
	Total		**74 30 99 196**		**65 63 94 502**

Note 8 - Short-Term Borrowings

S. No.	Particulars	As at 31 March, 2017		As at 31 March, 2016	
		₹	₹	₹	₹
A	**From Banks**				
1	Secured	94 86 19 585		83 59 35 981	
2	Unsecured	--		--	
B	**From Other Parties**				
1	Secured	66 66 66 664		--	
2	Unsecured	--		--	
	Total		**161 52 86 249**		**83 59 35 981**
	Cash Credit from Banks				
1	State Bank of Hyderabad (Secured by Charge on Receivables from Consumers)	94 86 19 585		83 59 35 981	
	Loan from Rural Electrification Corporation - STL (Secured by hypothecation of Assets such as overhead lines comprising of towers, poles, fixtures, overhead conducturs and devices, - lines on fabricated steel supports - 11 kv on treated wooden poles. The Tenure of the loan is 12 months repayable in 12 equal monthly installments starting from Dec 2016 Rate of Interest @ 12.25% pa)	66 66 66 664			
			161 52 86 249		83 59 35 981

Note 9 - Trade Payables

S. No.	Particulars	As at 31 March, 2017		As at 31 March, 2016	
		₹	₹	₹	₹
A	**Trade Payable**				
	1. MSME ($)		---		---
	2. Others		4556 76 89 278		4357 02 66 759
	Total		**4556 76 89 278**		**4357 02 66 759**

	Additional Information:				
1	Trade Payables for Purchase of Power		3251 25 34 403		3369 65 54 630
2	Other Liability for Outstanding Expenses		511 73 87 101		65 46 66 681
3	Payable to Associates - KPTCL/PCKL/ other ESCOMs		793 77 67 774		921 90 45 447
			4556 76 89 278		**4357 02 66 759**

($) Micro, Small and Medium Enterprises Development Act, 2006: Under Micro, Small Medium Enterprises Development Act, 2006 read with notification no:8-7-2006-CDN dt17-05-2007, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises. The Company is in the process of compiling relevant information from its suppliers about their coverage under the said Act. Since the relevant information is not readily available, no disclosures have been made in the accounts. However, 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 30 days as at 31st March 2017.

Note 10 - Other Current Liabilities

S. No.	Particulars	As at 31 March, 2017		As at 31 March, 2016	
		₹	₹	₹	₹
1	Current maturities of long term debts				
	---- Unsecured	1 25 63 903		1 38 68 903	
	---- Secured	129 74 69 560	131 00 33 463	65 23 87 944	66 62 56 847
2	Interest accured but not due on loans		28 20 71 398		25 93 87 820
3	Security Deposits in cash from Suppliers / Contractors		9 49 09 672		8 32 33 840
4	Payables/Liabilities for supplies / works		156 66 07 145		193 95 92 219
5	Statutory Liabilities		17 67 25 232		28 88 03 065
6	Interest Accrued and payable to Consumers		59 32 93 161		54 49 01 109
7	Inter Unit Accounts		11 88 95 427		13 80 20 225
8	Liability towards Consumers		2 80 94 322		2 69 28 728
9	Other Payables				
	a. Excess credit under reconciliation with Bank	5 87 80 931		4 47 88 932	
	b. Miscellaneous Deposits/Other liabilities	24 10 30 770	29 98 11 701	26 41 75 871	30 89 64 803
	TOTAL		**447 04 41 521**		**425 60 88 655**

Note 11 - Short-Term Provisions

S. No.	Particulars	As at 31 March, 2017		As at 31 March, 2016	
		₹	₹	₹	₹
1	Provision for Employee Benefits		12 09 99 116		15 18 15 040
2	Provision for Earned Leave Encashment		8 35 09 557		6 59 67 857
3	Provision for Family Benefit Fund		41 50 624		41 98 259
	TOTAL		**20 86 59 297**		**22 19 81 156**

Note 12 - Tangible Assets

Asset Group	Gross Block				Depreciation					Net Block	
	As at 01/04/2016	Additions	Deletions/ Adjustments	As at 31/03/2017	As at 01/04/2016	For the Year	Adjustments	Withdrawals	As at 31/03/2017	As at 31/03/2017	As at 31/03/2016
Land & Rights	6 62 13 430	2 09 94 146		8 72 07 576						8 72 07 576	6 62 13 430
Buildings	48 76 70 935	11 96 95 027		60 73 65 962	9 71 75 876	1 69 22 866	2 82 511		11 43 81 253	49 29 84 710	39 04 95 059
Other Civil Works	4 38 33 615	84 07 417		5 22 41 032	1 64 71 160	23 79 783	(1 33 252)		1 87 17 691	3 35 23 340	2 73 62 454
Roads	2 30 71 267	87 18 534		3 17 89 801	44 98 675	8 08 110	(63 718)		52 43 066	2 65 46 735	1 85 72 592
Plant & Machinery	526 67 10 703	139 18 50 098	56 03 78 036	609 81 82 764	131 82 02 177	27 89 73 942	(63 30 081)	7 70 21 304	151 38 24 735	458 43 58 029	394 85 08 525
Lines Cable Networks	2448 33 61 813	444 93 80 739	13 36 16 668	2879 91 25 884	799 94 27 668	118 78 37 374	(13 86 93 557)	69 84 722	904 15 86 763	1975 75 39 121	1648 39 34 145
Vehicles	5 37 69 780	47 82 636		5 85 52 416	3 47 30 574	19 97 807	(20 391)		3 67 07 990	2 18 44 426	1 90 39 206
Furniture & Fixtures	4 81 37 601	66 24 686	16 88 553	5 30 73 734	2 29 31 019	23 43 665	(3 60 723)	1 457	2 49 12 504	2 81 61 230	2 52 06 582
Office Equipments	6 01 49 083	17 81 258	3 45 365	6 15 84 976	1 61 22 120	32 53 810	51 056		1 94 26 986	4 21 57 990	4 40 26 963
Total	**3053 29 18 227**	**601 22 34 541**	**69 60 28 622**	**3584 91 24 146**	**950 95 59 270**	**149 45 17 357**	**-14 52 68 154**	**8 40 07 483**	**1077 48 00 988**	**2507 43 23 157**	**2102 33 58 957**
Previous Year	2610 55 39 971	509 02 65 974	66 28 87 718	3053 29 18 227	818 87 49 728	132 35 83 112	12 67 40 638	12 95 14 209	950 95 59 270	2102 33 58 957	1791 67 90 243

Asset Group	Gross Block				Depreciation					Net Block	
	As at 01/04/2016	Additions	Deletions/ Adjustments	As at 31/03/2017	As at 01/04/2016	For the Year	Adjustments	Withdrawals	As at 31/03/2017	As at 31/03/2017	As at 31/03/2016
TOTAL											
Previous Year											

Note:

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

2) Includes Fixed Assets added by way of :

- Capitalisation of Interest :

Upto Previous Year	32 79 59 781
During the Year	---
End of the Year	32 79 59 781

- Capitalisation of Assets by way of Consumer Contribution and Grants :

Upto Previous Year	524 81 84 873
During the Year	164 62 56 825
End of the Year	689 44 41 698

2) Assets created out of Consumer Contribution/Grants / Deposit Contribution Works vests with Company. Accumulated Depreciaiton attributable for these assets is not ascertainable

) 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.

Note 14 - Capital Works in Progress

S. No.	Particulars	As at 31 March, 2017		As at 31 March, 2016	
		₹	₹	₹	₹
	(i) Plant & Machinery		128 86 98 647		265 75 98 094
	TOTAL		**128 86 98 647**		**265 75 98 094**

Note 15 - Intangible assets under development:

S. No.	Particulars	As at 31 March, 2017		As at 31 March, 2016	
		₹	₹	₹	₹
	(i) Computer Software		7 18 92 402		6 01 98 655
	TOTAL		**7 18 92 402**		**6 01 98 655**

Note 16 - Non-Current Investments

S. No.	Particulars	As at 31 March, 2017		As at 31 March, 2016	
		₹	₹	₹	₹
1	Trade Investments				
	Investment in equity instruments				
2	Non-Trade Investments (Unquoted)				
	Investment in equity instruments * Company is having a share of 1000 No of 100 Rupees face value as investment made to PCKL		2 51 00 000		1 00 000
	TOTAL		**2 51 00 000**		**1 00 000**

Note 17 - Long-Term Loans & Advances

S. No.	Particulars	As at 31 March, 2017		As at 31 March, 2016	
		₹	₹	₹	₹
1	Capital Advances		79 26 73 686		149 72 48 422
2	Share Application Money Pending Allotment to M/s PCKL*				2 50 00 000
3	Security Deposits		16 93 88 270		17 62 44 352
4	Advances to Suppliers & Contractors		1 83 629		3 867
5	Hyderabad Karnataka Development Programme		3 55 000		3 55 000
	TOTAL		**96 26 00 585**		**169 88 51 642**

* Company has made an investment of Rs. 2,50,00,000/- towards subscription of shares in Power Company of Karnataka Limited during FY 08 where the Shares are pending Allotment to the company. The shares of the Company are unlisted as on date and hence adjustment with respect to the current valuation of the investment is not accounted.

S. No.	Particulars	As at 31 March, 2017		As at 31 March, 2016	
		₹	₹	₹	₹
	Additional Information				
	Breakup of above				
	Secured, considered good		79 30 28 686		152 26 03 422
	Unsecured, considered good		16 95 71 899		17 62 48 219
	Doubtful		---		---
	TOTAL		**96 26 00 585**		**169 88 51 642**

Note 18- Inventories.

S. No.	Particulars	As at 31 March, 2017		As at 31 March, 2016	
		₹	₹	₹	₹
1	Stores, spares and loose tools				
	(Stocks are valued at standard cost)				
	a) Material lying at Stores	134 07 48 967		107 81 30 642	
	b) Material with Employees	73 05 828		1 10 50 140	
	c) Material with Contractor/				
	Other Materials	9 66 16 199	144 46 70 994	8 99 16 660	117 90 97 441
2	Obsolete / scrapped assets.		92 29 691		63 36 907
3	Written down value (WDV) of				
	Faulty / Dismantled Assets.		36 77 64 143		30 55 42 589
	TOTAL		**182 16 64 828**		**149 09 76 937**

Note 19 - Trade Receivables

S. No.	Particulars	As at 31 March, 2017		As at 31 March, 2016	
		₹	₹	₹	₹
	Trade Receivables				
	(i) Trade receivables exceeding				
	six months	1345 46 47 928		1336 54 60 635	
	(ii) others	568 49 21 382		478 89 72 809	
	Sub Total	1913 95 69 310		1815 44 33 444	
	Add : Regulatory Assets Recoverable				
	from Consumers	931 15 59 837		577 39 00 000	
	Sub Total	2845 11 29 147		2392 83 33 444	
	Less :				
	(i) Provision for withdrawal of Revenue	16 72 43 622		2 17 11 228	
	(ii) Revenue Collection Pending				
	Classification	27 26 442		8 30 59 574	
	(iii) Revenue Suspense	8 90 25 885	2819 21 33 197	2 37 310	2382 33 25 331
	Less :				
	(ii) Provision for Doubtful dues from				
	Consumers ($)		287 95 77 672		209 61 73 354
	TOTAL		**2531 25 55 526**		**2172 71 51 978**

Additional Information:

i) Breakup of above:				
a) Secured, considered good		491 74 79 167		452 08 68 091
b) Unsecured, considered good		2039 50 76 359		1720 62 83 887
c) Doubtful		287 95 77 672		209 61 73 354
d) Total		2819 21 33 197		2382 33 25 331
Less : Provisions		287 95 77 672		209 61 73 354
Total		**2531 25 55 526**		**2172 71 51 978**

($) 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. 287.95 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. 26.81 crs and 10% provision is created on IP set Dues outstanding for more than 2 years which works out to Rs.126.34 Crores. On the Balance Debtors, 4% provision is made.

Note 20 - Cash & Cash Equivalents

S. No.	Particulars	As at 31 March, 2017		As at 31 March, 2016	
		₹	₹	₹	₹
1	Cash on hand *		7 73 47 677		14 98 41 230
2	Balances with Banks:				
	(i) in current accounts	64 06 08 490		44 99 74 443	
	(ii) Transfer from units-Intransit Account	----		43 75 81 000	
	(iii) Cheques & Funds-Intransit Account	4 23 000	64 10 31 490	1 53 000	88 77 08 443
3	Balances with Banks:				
	(i) as Fixed Deposits with maturity less than 3 months	153 24 65 737		93 24 66 806	
	(ii) as Fixed Deposits with maturity of 3 months or more but less than 12months	----		----	
	(iii) lien Deposits to the extent held as Margin Money / Security against borrowings, guarantees & other committments**	12 12 26 200	165 36 91 937	11 00 61 051	104 25 27 857
4	Stamps on Hand		4 17 011		3 81 035
	TOTAL		**237 24 88 114**		**208 04 58 565**

* Cash & Bank Balance includes a. Unrecouped Vouchers : Rs.1,56,351/- & b. Suspense : Rs. 53.60 lakhs (some of the suspense vouchers are not charged off within 3 months from the Balance Sheet date.)

** Lien Deposit serving as security against LC for Central Government Stations (Power Generators)

There is a difference in cash balance as per cash certificate as compared to the Balance as per Trial Balance under A/c Code 24.110 in respect of Raichur Division and the same is on account of mis-appropriation in Deodurga Sub Division and to pending reconciliation.

Note 21 - Short Term Loans & Advances

S. No.	Particulars	As at 31 March, 2017		As at 31 March, 2016	
		₹	₹	₹	₹
	Unsecured Considered Good				
1	Advance to Suppliers		28 33 734		55 75 238
2	Advance Tax (Net of Provision for Tax)		44 63 71 248		44 49 22 084
3	Amounts recoverable from current employees*				
	a) Loans and Advances	2 14 18 510		2 14 39 584	
	b) Others	(19 74 275)	1 94 44 235	(33 69 419)	1 80 70 165
4	Receivable from Power Generators		13 46 21 254		16 54 18 941
5	Receivables from Associates - KPTCL/ ESCOMS / PCKL		453 23 68 927		387 79 48 927
	TOTAL		**513 56 39 398**		**451 19 35 355**

* Includes amounts recovered from employees towards disputed claims / pending final orders which are exhibited as credit balances in individual cases and have been netted in the overall closing balance

Additional Information:

i) Breakup of above:				
a) Secured, Considered Good		40 60 07 170		40 60 07 170
b) Unsecured, Considered Good		472 96 32 228		410 59 28 185
c) Doubtful				
d) Total		513 56 39 398		451 19 35 355
Less: Provisions				
Total		**513 56 39 398**		**451 19 35 355**

Additional Information for Note 21 - Short Term Loans & Advances due by Directors of the Company

S. No.	Particulars	As at 31 March, 2017		As at 31 March, 2016	
		₹	₹	₹	₹
1					
2					
	TOTAL				

Additional Information for Not 21 - Short Term Loans & Advances due by firm or private company in which any director is a partner or a director

S. No.	Particulars	As at 31 March, 2017		As at 31 March, 2016	
		₹	₹	₹	₹
1					
2					
	TOTAL				

Note 22 -Other Current Assets

S. No.	Particulars	As at 31 March, 2017		As at 31 March, 2016	
		₹	₹	₹	₹
1	Provision for Unbilled Revenue		201 24 23 981		185 99 05 241
2	Receivable from Government of Karnataka				
	a) Rural Electrification Subsidy	30 50 87 720		30 50 87 720	
	b) Tariff Subsidy	773 20 15 902	803 71 03 622	1110 47 92 529	1140 98 80 249
3	Receivables from Pension / Gratuity Trust		5 31 71 882		5 81 91 420
4	Claims for Loss / Damage to Capital Assets		10 84 209		17 52 381
5	Prepaid expenses		12 96 141		12 26 967
6	Income Accrued and not due		2 52 06 155		2 13 53 669
7	Receivable from Beneficiaries of Solar Lantern		2 45 31 120		1 90 36 448
	TOTAL		**1015 48 17 110**		**1337 13 46 374**

Note 23 - Contingent Liabilities for which no provision has been made by the Company.

S. No.	Particulars	Pending at/With	As at 31st March,2017	As at 31st March,2016
1	Issue of C-Forms	Karnataka Appealated Tribunal	Rs. 82.55 Lakhs	Rs. 82.55 Lakhs
2	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. 358.14 Lakhs	Rs. 392.24 Lakhs
3	TDS on Transmission charges & others	CIT / High Court / Supreme Court	Rs.10377.58 Lakhs	Rs.10377.58 Lakhs
4	Incorrect/excess/arrears billing pending	Appealte Authorities	Rs. 1534.23 Lakhs	Rs. 462.22 Lakhs
5	Interest on Power Purchase Parties	Claims against the Company not acknowledged as debts	---	---
6	Security to energy suppied by the Power Generators in the form of LC	Various Banks	Rs. 9033 Lakh	Rs. 21169 Lakhs
7	For loss of life on account of electrification	Consumer Courts	Not Ascertainable	Not Ascertainable
8	Claims towards interest on delayed payments/ price variation/ refund of liquidated damages/ payment towards material supply/ variation in quantity and estimates	Arbitation	Not Ascertainable	Not Ascertainable
9	Power Purchase Agreement traffifs & dues	Appealte Autority	142 cases pending before various authorities, Courts where the Amount is not Ascertainable.	85 cases pending before various authorities, Courts where the Amount is not Ascertainable

Note 24 - Revenue from Operations

S. No.	Particulars	Current Year 2016-17		Previous year 2015-16	
		₹	₹	₹	₹
1	Revenue from Operations				
	a Sale of Power L T category (*) (**)	2774 25 09 626		2546 54 13 562	
	b Sale of Power HT category	873 43 54 926	3647 68 64 551	826 88 45 398	3373 42 58 961
2	Other - Operating revenues				
	(I) Service Connection	10 95 56 492		7 18 28 667	
	(II) Delayed payment charges from consumers.	116 51 97 566		120 54 90 074	
	(iii) Other Receipts from consumers	1 28 26 077	128 75 80 135	11 02 042	127 84 20 783
3	Net Income on Account of Regulatory Assets for the Year / Adjustments of Regulatory Assets Account /True Up Subsidy		353 76 59 837		577 39 00 000
4	Less : Withdrawal of Revenue Demand		2 12 38 124		49 58 086
	TOTAL		**4128 08 66 400**		**4078 16 21 658**

Additional Information

(*) The Company provides subsidized electricity to its employees, who were appointed on or before 08.05.1997. The difference amount in billing the units at the subsidized rates to the employees and the applicable tariff is recognized as sales and the liability on this account is debited to electricity charges account.

Under the Subsidized power supply category, 7.08 MU of energy was supplied to its employees/Office against which, the Company has charged about Rs 91.37 lakhs to the P & L A/c. An amount of Rs. 75.32 lakhs is receivable from its employees on the balance sheet date.

(**) Subsidy Claimed from GoK under P P Model:

a) Rural Electrification / Tariff Subsidy is accounted as per Purchaser-Provider Model introduced by the Government of Karnataka during the Financial Year 2003-04 vide GO No. DE 35 PSR 2003 dated 25/4/2003 and subsequent guidelines issued from time to time. During the year 2006-07, the GoK vide letter No. EN 48 PSR 2006 has clarified that "Only the amount of subsidy as intimated by State Government needs to be taken into account by ESCOMs while preparing their Accounts and Balance Sheet". Effective from December 2009 and onwards, the Tariff Subsidy is claimed from Government of Karnataka as per the Commission Determined Tariff applicable to the LT 1 and LT 4 a category (as per applicable Tariff Order of KERC) and the same is included in the Revenue from Sale of Power

b) The revenue demand in the case of metered BJ/KJ installations is claimed in accordance with GO No IN 145 PSR 2004 Bangalore dated 15.03.2005/ Current Tariff Order and included in the Tariff Subsidy receivable from the Government of Karnataka.

c) Consequent to the Change in the Accounting Policy on Revenue Recognition during previous year, the differential cost of actual power purchases over and above the Power Purchase Cost Approved by the Hon'ble Commission in the Tariff Order for 2015-16 to an extent of Rs. 577.39 Crores & Rs. 353.76 Crores is recognised as Income from Operations during FY 16 & FY17 respectively.

Additional Information:

S. No.	Particulars	Current Year 2016-17		Previous year 2015-16	
		₹	₹	₹	₹
1	Energy Input at Interface Point		7691.05		7936.21
2	**Energy Sales**				
	Metered CategorySales	3127.49		3205.78	
	Unmetered Category Sales (IP & BJ/KJ)	3230.86	6358.35	3302.02	6507.80
3	Distribution losses (Tech &Comml)(a-b)		1332.70		1428.41
4	Percentage of distribution losses (%)		17.33		18.00

Note 25 - Other Income

S. No.	Particulars	Current Year 2016-17		Previous year 2015-16	
		₹	₹	₹	₹
1	Interest Income :		4 00 91 000		4 49 76 257
2	Other non operating income				
	Profit on Sale of scrap	42 19 806		86 451	
	Rental from Staff/Others	3 34 74 094		2 20 30 320	
	Rebate on Power Purchase	24 18 24 833		17 00 10 629	
	Rebate for Remittance of Electricity Duty.	56 70 500		51 87 500	
	Miscellaneous Recoveries / Provisions no longer required and hence reversed	54 91 18 863		14 80 53 619	
	Other Miscelleneous Income	57 68 731	84 00 76 828	27 60 607	34 81 29 126
	TOTAL		**88 01 67 828**		**39 31 05 383**

Note 26 - Purchase of Power

S. No.	Particulars	Current Year 2016-17		Previous year 2015-16	
		₹	₹	₹	₹
	Power Purchase Cost		3462 48 54 784		3306 61 98 902
	Grand Total		**3462 48 54 784**		**3306 61 98 902**

Additional Information

1 State Transmission Utilities are barred from power trading activities with effect from 10.06.2005, in accordance with the provisions of Section 39(1) of the Electricity Act, 2003. Consequently the State Government has decided that the ESCOMs would directly purchase power from the Generating Companies and that the Power Purchase Agreements already entered into by the KPTCL would be assigned to the ESCOMs with effect from 10.06.2005. The Government had constituted a State Power Procurement Coordination Centre (SPPCC) under the chairmanship of Principal Secretary, Energy Department, inter-alia, consisting of MDs of KPCL, KPTCL & ESCOMs etc. In respect of power supplied by KPCL, Central Generating Stations and Conventional IPPs, the same would be allocated between ESCOMs on the basis of share of each ESCOM in total energy consumption during the year.

Accordingly, the Government has issued another GO No. EN 131 PSR 2003 dated 06.07.2005 indicating the share of GESCOM and revised subsequently by GoK/KERC from time to time.

These PPAs would be assigned to all the ESCOMs and each ESCOM are signatory to the PPA. An exercise is carried out at the year end to allocate the energy on the basis of the actual input and any difference as per the monthly share allocated and actual energy input is accounted during the financial year itself.

In order to facilitate trading and co-ordinate in carrying out tariff based competitive bidding process on behalf ESCOMs for establishment of various power projects and also to undertake related activities the Government of Karnataka has accorded approval vide GO No EN 138 PPC 2006, Bangalore dated 07.04.2007 for constitution of SPV viz., Power Company of Karnataka Limited (PCKL).

In order to facilitate trading and co-ordinate in carrying out tariff based competitive bidding process on behalf ESCOMs for establishment of various power projects and also to undertake related activities the Government of Karnataka has accorded approval vide GO No EN 138 PPC 2006, Bangalore dated 07.04.2007 for constitution of SPV viz., Power Company of Karnataka Limited (PCKL).

Further, the Government of Karnataka in its order No EN 158 PPC 2000 dated 01.09.2007 has accorded approval for merger of SPPCC with PCKL. Consequently, the operations hitherto carried out by the SPPCC are being taken over by the newly constituted PCKL. The Company accounts all power purchase costs based on the intimations received from PCKL.

Depending upon the review of power requirement of ESCOMS and the total availability the above ratio of allocation is modified from time to time by the Government and the same is binding upon GESCOM.

The Energy Balancing for the financial year ending has been communicated by the SLDC and PCKL. Details is as under :

The Energy Balancing for the financial year ending has been communicated by the SLDC and PCKL. Details is as under :	Excess Energy drawn by GESCOM (-ve indicates receivable from other ESCOMs) (in MU)	Amount Payable to Other ESCOMS (Accounted as power purchase cost during FY17) (Rs. Cr)
2016-17	78.193	46.39

Note 27 - Employee Benefits

S. No.	Particulars	Current Year 2016-17		Previous year 2015-16	
		₹	₹	₹	₹
(a)	Salaries and Wages		237 22 09 391		214 71 63 624
(b)	Bonus / Exgratia *		5 76 41 506		5 51 09 485
(c)	Earne Leave Encashment		24 13 27 902		26 20 29 618
(d)	Contribution to Provident & Other funds		58 17 77 894		60 37 93 463
(e)	Staff Welfare		9 40 94 389.72		5 28 18 079
(f)	Remuneration to whole time directors		46 82 068		31 30 049
	TOTAL		**335 17 33 150**		**312 40 44 317**

* The C & AG vide draft para vide CARC/PDP-22/AR-2009-10/2010-11/B-39 dated 06/05/2010 has pointed out that the payment of Exgratia to its employees during 2006-07, 2007-08 & 2008-09 amount to Rs. 3.78 crores, without the approval of the Government of Karnataka is irregular. The personnel related matters such as Revision of Pay Scale, Bonus, regulation of DA and pension etc are being to regulated in GESCOMs based on the orders issued by KPTCL, as ESCOM wise employee segregation is not made. The provision made during FY -10 to FY 17 is in anticipation of the approval of the Government of Karnataka.

The above includes, claims towards terminal benefits and death claims pertaining to the previous but claims/confirmations /details have been received during the year and hence incorporated in the current year.

Note 28 - Finance Costs

S. No.	Particulars	Current Year 2016-17		Previous year 2015-16	
		₹	₹	₹	₹
1	Interest on Loans	103 47 82 429		90 78 79 617	
2	Less - Interest Capitalisd	---		---	
	Total		**103 47 82 429**		**90 78 79 617**

Additional Information

Payment of Interest, guarantee commission and principal amount paid to financial institutions in respect of some of the loans accounts, during the year 2016-17 has been made by KPTCL on behalf of the Company. The above amounts have been recorded in the books of account as per the intimations of KPTCL.

Note 29 - Depreciation

S. No.	Particulars	Current Year 2016-17		Previous year 2015-16	
		₹	₹	₹	₹
1	Depreciation on Buildings	1 93 02 648		1 45 84 013	
2	Depreciation on other Civil Works	8 08 110		6 51 277	
3	Depreciation on Plant and Machinery	27 89 73 942		23 95 09 990	
4	Depreciation on lines, cable, network etc.,	118 78 37 374		106 27 19 447	
5	Depreciation on Vehicles	19 97 807		19 39 555	
6	Depreciation on furniture, fixtures	23 43 665		20 04 445	
7	Depreciation on Office equipments	32 53 810		21 74 386	
	Total (1 to 7)		**149 45 17 357**		**132 35 83 112**
8	Less : Reversal of Depreciation on Assets Created out of Consumer Contribution & Grants		27 17 00 000		30 14 00 000
	Depreciation for the year		**122 28 17 357**		**102 21 83 112**

Note 30 - Other Expenses

S. No.	Particulars	Current Year 2016-17		Previous year 2015-16	
		₹	₹	₹	₹
	Repairs and maintenance:				
	- Plant & Machinery	29 21 52 156		34 63 02 113	
	- Buildings	3 85 71 754		4 37 15 813	
	- Vehicles	27 66 158		22 54 778	
	- Others	2 07 039	33 36 97 107	1 28 826	39 24 01 530
	Rent		1 01 87 210		69 93 161
	Rates & Taxes		1 48 31 902		1 44 50 652
	Legal Charges		1 11 25 988		61 12 386
	Postage, Legal & Telephone Charges		3 19 06 956		3 01 42 383
	Consumer Ledger Maintenance Contract Charges & Station Maintenance Charges		35 74 57 440		32 77 62 321
	Incentive/Remuneration paid to Gram vidyuth pratinidhi (Micro Feeder Franchisee)		11 55 16 690		7 03 71 797
	Conveyance, Travel & Vehicle expenses		14 89 82 420		13 00 58 845
	Printing & Stationery		2 29 52 457		3 22 29 228
	Advertisement Expenses		69 08 217		50 42 228
	Computer stationary and floppies		24 85 167		13 86 350
	Contributions		36 51 794		1 56 56 338
	Electricity Charges		3 07 67 996		3 48 52 083
	Freight & other material related expenses		1 75 74 450		1 85 99 565
	Asset Decommissioning Costs		1 52 86 984		(1 20 56 166)

S. No.	Particulars	Current Year 2016-17		Previous year 2015-16	
		₹	₹	₹	₹
	Bad & Doubtful Debts Written off / provided for		78 34 04 318		26 91 36 022
	Miscellaneous losses		3 84 76 547		19 57 027
	Compensation for Death, injuries & damages		1 72 67 347		2 16 93 562
	Bank Charges		1 10 52 802		2 81 62 498
	Interest to Consumers on Security Deposits		32 97 97 628		36 66 15 291
	Interest on Power Purchase Charges		210 91 91 190		225 61 56 737
	Miscellaneous & Other Expenses		6 06 30 899		1 46 54 267
	Auditors Remuneration				
	-- Statutory Audit Fee	8 11 250		7 18 750	
	-- Tax Audit Fee	1 77 000	9 88 250	1 72 500	8 91 250
	Expenditure towards Consumer Awareness/Education		31 13 518		8 53 351
		447 72 55 278		**403 41 22 705**	

Note 31 - Exceptional Items

S. No.	Particulars	Current Year 2016-17		Previous year 2015-16	
		₹	₹	₹	₹
1					
	TOTAL				

Note 32 - Prior Period Expenses (+) / Income (-) *

S. No.	Particulars	Current Year 2016-17		Previous year 2015-16	
		₹	₹	₹	₹
A	**Credits relating to earlier years :**				
	1.Excess provision for Depreciation in prior period	12 64 34 669		---	
	2.Prior Period Adjustments to Subsidy Account				---
	2.Other excess provision in prior period	5 52 44 958		9 46 82 452	
	Sub-Total		18 16 79 627		9 46 82 452
B	**Debits relating to earlier years :**				
	1. Employee costs relating to previous year	15 94 200		17 22 116	
	2. Depreciation under provided in previous period			13 88 09 019	
	2. Power Purchase expense of previous period	11 67 22 504		28 69 76 567	
	3. Other expenses relating to prior periods	64 13 43 169			
	Sub-Total		**75 96 59 874**		**42 75 07 702**
C.	**Net prior period represent - (Credits) / Expenses (A-B)**		**57 79 80 247**		**33 28 25 251**

* Prior period expenses/income to the extent identified and not comprehensive, on account of payment / crystallisation / receipt

Note 33 - Extraordinary Items

S. No.	Particulars	Current Year 2016-17		Previous year 2015-16	
		₹	₹	₹	₹
1					
	TOTAL				

Note 34 - Earnings per Share #

	Particulars	Current Year 2016-17	Previous year 2015-16
		₹	₹
1	After extraordinary item:		
	Profit for the year after tax expense	(312 84 09 016)	(131 25 26 864)
	Less:		
	Preference dividend payable including dividend tax		
	Profit	(312 84 09 016)	(131 25 26 864)
	Weighted average number of equity shares	77 67 66 095	30 51 36 104
	Earning per share	(4.03)	(4.30)
2	Before extraordinary item:		
	Profit for the year after tax expense	(312 84 09 016)	(131 25 26 864)
	Less:		
	Preference dividend payable including dividend tax		
	Profit	(312 84 09 016)	(131 25 26 864)
	Weighted average number of equity shares	77 67 66 104	30 51 36 104
	Earning per share*	(4.03)	(4.30)

* Share Application Money Pending Allotment has not been considered for computation of earnings per share-dilute, since it is anti dilutive.

Recast

Note 35 - (a) During the reporting period, the Company has made provisions towards Pension & Gratuity (Contributory Trust), Family Benefit Fund (unfunded) and Leave encashment (unfunded) and the details of the same are as under:

Disclosures as per Accounting Standard 15 "Employee Benefits":

Defined Contribution Plan:

Contribution to Defined Contribution, recognized as expense for the year are as under:

	Current Year 2016-17		Previous Year 2015-16	
	₹	₹	₹	₹
Employer's Contribution to Pension & Gratuity		58 17 77 894		60 37 93 463

Note 35 - (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.

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				
Current Service Cost				
Interest Cost				
Actuarial losses/ (gains)				
Benefits paid				
Defined benefit obligation at the end of the year	52 47 18 706	8 35 09 557	4 83 59 748	45 56 69 756
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				
Liability recognized in the Balance sheet				
Present value of unfunded obligations				
Amount recognized in Balance sheet under Current liabilities and provision	52 47 18 706	8 35 09 557	4 83 59 748	45 56 69 756
Expenses recognized in Statement of Profit & loss under Note 26				
Current Service Cost				
Interest on Defined Benefit Obligation				
Net Actuarial losses/ (gains) recongnized in the year				
Total employer expense recognized in Statement of profit and loss				
Actuarial assumptions:				
Discount rate	7.95%	7.95%	7.95%	7.95%
Expected rate of return on assets	0.00%	0.00%	0.00%	0.00%
Rate of escalation in salary (per annum)	6.00%	6.00%	6.00%	6.00%
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.

Note 36 - Related Parties Disclosure:

A	In view of the Paragraph 9 of AS 18, no disclosure is required as regards to related party relationships with other state Controlled enterprises and the transactions with such enterprises. No related party transactions are carried out with enterprises other than State Controlled Enterprises during the year

B. Other Disclosures as required under AS 18 are as below:

S. No.	Particulars	Current Year 2016 - 17		Current Year 2015 - 16	
		₹	₹	₹	₹
1	Directors Remuneration		4,682,068		3,130,049
2	Directors Sitting fees		39500		19,500

Note 37 - Additional Information

S. No.		Particulars	Current Year 2016 - 17		Current Year 2015 - 16	
			₹	₹	₹	₹
	a)	Value of Imports calculated on CIF basis:				
	(i)	Raw Materials		--		--
	(ii)	Capital goods		--		--
	b)	Expenditure in foreign currency: (net of withholding tax)				
	i)	Other matters		--		--
	c)	Details of non-resident shareholdings				
	i)	Number of nonresident share holders		--		--
	ii)	Number of shares held by nonresident shareholders		--		--
	iii)	Amount remitted during the year in foreign currency on account of dividends		--		--
	d)	Earnings in foreign exchange:		--		--

Note 38 There were no derivative instruments outstanding as at the end of the reporting period. Foreign currency exposures which have not been hedged by any derivative instruments or otherwise as at end of the reporting period is as follows:

S. No.	Particulars	Current Year 2016 - 17		Current Year 2015 - 16	
		₹	₹	₹	₹
	Assets (Receivables)		---		---
	Liabilities (payables)		---		---

Note 39 Consequent to unbundling of transmission and distribution activities and formation of Electricity Distribution Companies, the Government of Karnataka has transferred certain 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

Note 40 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 41 In accordance with the provisions of Section 185(2)(d) of the Electricity Act, 2003, all rules made under sub-section (1) of Section 69 of the repealed Electricity (Supply) Act, 1948 shall continue to have effect until such rules are rescinded or modified. Accordingly, the financial statements have been prepared based on the rules laid down under the Electricity (Supply) Act, 1948, since modified rules have not yet been notified under the Electricity Act, 2003.

Note 42 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 43 The C&AG have commented on the adequacy of the provision / contribution to the KPTCL & ESCOMs Pension and Gratuity Trust. As the Liability of the Company is to the extent of the percentage contribution on the employee cost and hence a clarification has been sought regarding the information sought by the C&AG from the Pension & Gratuity Trust. The information is awaited and hence no provision in this regards could be incorporated in the financials for the year.

Note 44 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.

Note 45 The Internal Audit has conducted a special audit on the reported cash misappropriation in Gulbarga Sub Division, Bellary urban , Hospet urban and Devadurga sub division. The investigation report submitted in Sep 2012 found that there had been a case of misappropriation of cash to an extent of Rs.198.65 lakh involving the defaults by Cashier and negligence of the Cash Officer, over a period 2010-11 to 2014-15. The misappropriations reported in the financial year 2013-14 amounting to Rs.36.94 lakhs is not regularised. The outcome of the investigation in respect of the Audit of the above has been referred to KPTCL for conducting enquiry and issue of charge sheet. The conducting of the enquiry and final orders there on is awaited and hence no recoveries/provision has been made on this count.

Note 46 The Company does not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

Note 47 There are no amounts required to be transferred to the Investor Education and Protection Fund by the Group as on the reporting date.

Note 48 All figures have been rounded off to the nearest rupee and previous reporting period's figures have been regrouped wherever required to be in conformity with the presentation for the current reporting period

Note 49 The Regulatory Asset pertaining to Tanir Bavi Power Project which is recoverable from Consumers and Payable to M/s KPTCL and GoK is not accounted as the matter is pending in the Supreme Court. Impact of the same will be brought on the books once the matter is decided.

Note 50 The Annual Accounts for FY 17 of the Company which were approved by the Board on 09/11/2017 have been revised in light of the observations made by the Comptroller and Auditor General of India. The said revision has resulted in :

>> : Non-current investments have Increased by Rs. 2 50 00 000/-

>> : Long-term borrowings have Decreased by Rs. 1 79 84 130/-

>> : Trade payables have Increased by Rs. 11 71 90 713/-

>> : Trade receivables have Increased by Rs. 1 03 21 838/-

>> : Tangible assets have Increased by Rs. 26 47 88 813/-

>> : Capital work-in-progress have Decreased by Rs. 20 46 11 567/-

>> : Other current liabilities have Increased by Rs. 65 974/-

>> : Long-term loans and advances have Decreased by Rs. 10 65 67 266/-

>> : Cash and cash equivalents have Increased by Rs. 40 42 552/-

>> : Employee Benefits Expense have Increased by Rs. 65 974/-

>> : Finance costs have Decreased by Rs. 1 79 84 130/-

>> : Other expenses have Increased by Rs. 42 95 766/-

>> : Other Income have Increased by Rs. 40 42 552/-

>> : Purchase of Power have Increased by Rs. 11 28 94 947/-

>> : Revenue from operations have Increased by Rs. 1 03 21 838/-

>> : Depreciation have Increased by Rs. 2 13 90 020/-

The Net loss for the year which was Rs.302,21,10,829/- has increased by Rs. 10,62,98,187/- Crores to Rs. 312,84,09,016/-.

As per our Report of Even Date
For M/s GRC & Associates
Chartered Accountants
Firm Reg. No. 002437S
D Rangarajan
Partner
Membership No: 023452
Place : Bengaluru
Date : 15-12-2017

For and on behalf of the Board of Directors

S R Teradal
Chief Financial Officer

R Jayakumar
Director (Technical)

Dr. R Ragapriya, IAS
Managing Director