GESCOM

Gulbarga Electricity Supply Company Limited

16th ANNUAL REPORT 2017 - 18

(CIN NO. - U04010KA2002SGC030436)

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GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

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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. Dr. S. Selvakumar, I.A.S.	**Chairman**
Dr. R. Ragapriya, I.A.S.	**Managing Director**
Sri. Anilkumar S. Babaleshwar	**Director (Technical)**
Sri. Dr. Raja, I.A.S.	**Director**
Sri. H. N. Gopalakrishna, I.A.S.	**Director**
Sri. Rajkumar S. Biradar	**Director**
Sri. Purushotham Singh. B. H.	**Director**
Sri. A. N. Jayaraj	**Director**
Sri. T. R. Ramakrishnaiah	**Director**

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

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DIRECTOR'S REPORT

The Board of Directors takes the privilege of presenting the 16th Annual Report on the operations and performance of the Company for FY 2017-18.

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

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

I. FINANCIAL PERFORMANCE

Pursuant to the mandatory requirement for adoption of Indian Accounting Standards (Ind AS), as notified by the Ministry of Corporate Affairs (MCA), the Company has prepared its Financial Statements for the year ended 31st March, 2018 in accordance with Ind AS 101-First time adoption of Indian Accounting Standards as notified under the Companies (Indian Accounting Standards) Rules2015 as amended from time to time. As mandated by the Ind AS, the comparative figures in the financial statements with respect to the previous two years also have been restated.

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	4291.75	3774.32
Other income	74.43	95.27
Total income	**4366.19**	**3869.59**
Purchase of Power	3577.15	3479.98
Employees Benefits Expenses	351.68	3347.37
Finance Costs	141.30	122.41
Depreciation	202.92	205.34
Other Expenses	447.72	403.41
Total Expenditure	**4717.77**	**4490.41**
Operating Profit	**(351.58)**	**(620.82)**
Regulatory Deferral Income	(121.05)	353.76
Profit before tax	**(472.63)**	**(267.05)**
Provision for Current Tax	0	0.002
Profit after tax	**(472.63)**	**(267.05)**

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 Indian Electricity 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 2017-18 indicating the share of GESCOM as 13.508% for CGS, KPCL Thermal @ 5.243%, 13.508% KPCL Hydel @39.343%, 13.508% & 13.683% for Medium & Short term source 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 2017-18, the Company has received 8117.44 MUs (including energy balance units) from various power producers viz., KPCL, NTPC, NLC, NPCIL-MAPS, KAIGA& KKNPP, DVC, Minor IPPs and Major IPPs etc, as detailed below.

Particulars	Energy in M.U.	Amount in Rs.Crore
Karnataka Power Corporation Ltd. (KPCL)	2932.47	775.58
National Thermal Power Corporation Ltd (NTPC)	1546.81	562.72
Neyveli Lignite Corporation Ltd (NLC)	669.78	274.99
NPCIL (MAPS, KAIGA& Kudankulam)	569.84	217.82
NCE's (Minor - IPPs)	951.96	437.74
Damodar valley Corporation (DVC)	382.81	141.79
Other Power Purchase Cost (UI , Short term, energy balance,provision etc)	505.62	232.20
Banked energy/ Infirm power/SRPTV	18.87	4.11
Jutala Hydro Electric/TBHE	14.80	9.02
Provisions	-	48.26
Transmission Charges (KPTCL & PGCIL)	-	610.62
Total	**8117.44**	**3577.15**

iii. Sale of Power:

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

	2017-18	2016-17
Metered Category Sales (in MUs)	3297.50	3127.49
Unmetered Category Sales (in MUs)	3213.39	3230.86
Total Sales (in MUs)	**6510.89**	**6358.35**

As could be seen from the above table, the metered and unmetered category sales have increased during FY 18 as compared to FY 17.

iv. Revenue from Sale of Power :

The Demand raised during the period towards Sale of Power was Rs. 4291.76 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)		2017 - 2018	2016 - 2017
LT Category	3144.97	3551.54	112.93%	96.67%
HT Category	1010.53	1001.20	99.08%	99.16%
Interest on belated payments & Other Miscellaneous	136.26	276.71	203.08%	100.00%
Total (LT+HT)	**4291.76**	**4829.45**	**112.53%**	**97.36%**

v. Revenue from Subsidies:

During the year, Tariff Subsidy released by Government of Karnataka for FY18, amounts to Rs.1739.83Crores including the tripartite adjustments approved by GoK amounting toRs.148.34 Crores is considered as the Tariff Subsidy for the financial year ended on 31.3.2018.

vi. Capital Expenditure:

The Company has incurred an expenditure of Rs.352.01 Crores on various capital programmes during FY18 as against Rs.403.47Crores during previous year. The details of the works are as under:

(Rs in crores)

S. No.	Particulars	Expenditure incurred 2016-17	Expenditure incurred 2015-16	Remarks
1.	Extension and improvement and works & APDRP	109.58	166.45	
2	Replacement of faulty distribution transformer	63.82	54.9	
3	Ganga Kalyan Works-GESCOM	53.76	--	Regrouped
4	Consumer Contribution/Deposit Contribution works	51.75	--	Regrouped
5	Nirantara jyoti works	15.01	122.8	
6	Civil Engineering works	13.48	13.2	
7	Rural Electrification/ Metering of DTC', Installations	13.2	0.85	
8	Additional DTC'/ Enhncement of DTC' Capacities	12.45	—	Regrouped
9	Service connection and Metering	4.74	4.71	
10	Electrification of Water Supply Work	3.91	—	Regrouped
11	DeenDayalUpadhaya Gram JyothiYojana	3.78	—	New Works
12	Other Expenditure/ provisions	3.64	24.71	
13	Regularisation of Unauthorised IP Sets	2.37	14.62	
14	IP Set Energisation	0.52	1.23	
	Total	**352.01**	**403.47**	

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

1. The average cost of supply per unit is Rs.7.25 during FY 17-18 as against Rs 6.69 during FY 16-17.
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)	5.64	5.51
Commercial (LT)	8.87	8.92
Industrial (LT)	7.25	7.19
Others (LT)	5.71	6.93
Industrial (HT)	8.94	8.93
Commercial (HT)	9.41	9.41
Others (HT)	5.63	5.22
Metered (LT and HT)	7.09	8.36
Unmetered (LT) (without tariff subsidy)	5.65	5.59
Total – Metered and Unmetered (LT&HT)	**6.38**	**6.99**

viii. Borrowings:

During the year FY-18 the Company has drawn Medium Term Loan ofRs.75.00Crs from Syndicate Bank, Super Market Branch, Kalaburagi.Further, during the year the Company has repaid in total Rs.214.85 Crs. against which amount ofRs. 87.16 Crs is repaid to M/s. PFC Ltd. & M/s. REC Ltd on Term Loan and Rs.126.43 Crs. is repaid to M/s. REC Ltd& Syndicate Bank on Medium Term Loan, further repayments against KPTCL borrowed loan on behalf of GESCOM from Govt.of Karnataka during the yearamounting to Rs.1.26 Crs.

II. OPERATIONAL PERFORMANCE

i. Consumer Base:

The Company having 28.42 lakhs consumers at the beginning of the year, added 1.03 lakh new consumers during the year. The number of consumers at the end of the year stood at 29.45 lakhs. The category wise break up is hereunder:

Tariff Category	No. of consumers as on 31.03.2017	No. of consumers added during the year 2017-18	No. of consumers as on 31.03.2018
BhagyaJyothi/ KutirJyothi	597,195	480	597,675
Irrigation Pumpsets	341,967	12,118	354,085
Water Supply & Street Light	29,805	2,278	32,083
Domestic Lighting & AEH	1,548,116	66,598	1,614,714
Commercial Lighting	242,791	12,418	255,209
Industrial (LT)	59,578	2,267	61,845
Temporary Supply	20,637	6,876	27,513
Water Supply (HT)	131	5	136
Lift Irrigation Schemes (HT)	307	58	365
Industrial (HT)	1,397	77	1,474
Commercial (HT)	345	14	359
Hospitals, Education (HT)	129	33	162
Residential Colonies & Temporary (HT)	56	6	62
Total	**2,842,454**	**103,228**	**2,945,682**

ii. Transmission and Distribution Losses :

During the year 2017-18 the company has received 7787.36 MU's at KPTCL/ GESCOM interface point. The transmission and distribution losses up to the interface point works out to 1276.48 million units (1332.70 MUS during FY16-17).The distribution losses up to the interface point in terms of percentage of power purchase for the year is 16.39 % in 2017-18 (17.33 % in 2016-17).

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

The Aggregate Technical & Commercial losses for the year 2017-18 works out to 5.92% compared to 19.51% 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	2017-18 (in %)	2016-17 (in %)
Billing Efficiency (i.e., units billed/input)	83.61	82.67
Collection Efficiency (i.e Collection/ Revenue Demand raised)	112.53	97.36
Business Efficiency (i.e., Billing Efficiency/ Collection Efficiency)	94.08	80.49
Aggregate Technical & Commercial Losses (100-Business Efficiency)	5.92	19.51

i. Distribution Transformer Failure:

1. The transformer failure rate during the year 2017-18 was 13.21% (as against 12.60% during 2016-17).The transformer failure rate in urban area was 7.30% and in rural area was 14.10%. The total no. of transformers failed during 2017-18 was 12252 (881 nos. in urban areas and 13371 in rural area).

2. Different capacity of distribution transformer like 25 KVA, 63 KVA & 100 KVA totaling to 5894 transformers were added to the system during 2017-18 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 92722(12063 distribution transformers in urban areas and 80659 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 2017-18 the Company has purchased 14,250 Nos. of transformers of different capacities for this purpose. The company has already setup transformer repair centers in all the Taluka headquarters.

ii. HT/LT Lines:

During the year 3343.33Kms of HT lines and 1556.47Kms of LT lines were added, taking the total length of HT & LT lines in the distribution network of the Company to 58444.90 Kms and 86472.11Kms respectively. The HT/LT ratio as on 31.03.18 was brought down total 1: 480 (1:582 as on 31.03.17).

iii. Establishment of 33/11 KV Sub Stations:

1. During the year 2017-18 6No's of 33KV Sub-stations were commissioned and 1 No. i.e.Rupangudi/Kamarchedu work is completed and 1No.Karur-Motsugurwork is under progress(i.e.95% work completed.)

2. 5 Nos. of GIS Sub-Stationworks are under progress i.e. 1)Service Station 44, 2)KHB Complex, 3)Shanti Nagar, 4)KCTGate & 5)Government General Hospital.

iv. Metering:

1. During the year 2017-18, 19084 Nos. of non-recording meters were replaced and 757 Nos. of meters were provided to DC installations.

2. A total number of 11779 street light circuits exist in the Company's jurisdiction out of which 10389 street light points were metered.

3. 597675 BJ/KJ installations exist in GESCOM as at the beginning of the year, out of which 1282 installations were metered during 17-18. The cumulative BJ/KJ installations metered are 428357 nos. and balance 169318 installations are to be metered. Action is being taken to meter the same.

v. Vigilance Activities:

(Rs.in Lakhs)

Particulars	Progress during 17-18	Progress during 16-17
Number of installations inspected	42197	47512
No. of cases booked	7049	6210
Amount of Back Billing	1424.50	1154.64
Back Billing Charges collected	659.79	619.02
Compounding Feei) Assessed	163.65	122.28
ii) Collected	178.25	156.69

III. SOCIAL WELFARE SCHEMES

i. Energisation of Drinking Water Supply Schemes:

1. 928 Water supply installations were energized during 17-18 in urban and rural areas of the Company on top priority under various schemes of GOK.
2. As on 31.03.2018, 522applications for energisation of drinking water supply schemes(in rural areas) were pending, out of which 83 applications were pending at GESCOM.439 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 work was awarded to M/s Shree Ishwar Electricals Dharwad for Rs.14.03 Crs in Mar-15 and DWA was issued in Sept-2015, 5360 No's BPL households completed.The firm has stoped the work.Hence he has been shortlisted Dated.05.09.2017.

iii. Energisation of Irrigation Pump Sets:

During the year 2017-18, 6498 irrigation pump sets were energized under general category, SCP, Gangakalyan scheme, Backward Community and Minorities etc.

iv. Electrification of houses under KutirJyothi Scheme:

There was no target for KutirJyothi Scheme during Year 2017-18

I. NEW INITIATIVES

1) SCADA Progress in GESCOM as on 31.03.2018:

The SCADA Project amounting to Rs.15.09 Crores and covering 86 No's

of 33/11 KV Sub-Stations under Phase-1 is taken up in GESCOM and the Project is Commissioned at 82 No's Sub-Stations. Out of which 9 No's of Sub-Stations have been upgraded to 110KV Sub-Station. Now under Phase-I, only 73 No's of Sub-Stations are remained and out of which none of Sub-Station not found online at DCC. The DCC Established at Corporate Office Premises and started functioning from 04-10-2010.The SCADA Project under Phase-II amounting to Rs.2.09 Crores and Covering 21 No's of 33/11KV Sub-Stations is awarded to M/s. ABB Ltd., Bangalore on 08-02-2013.

The Progress of Phase-II Project is as below:

The RTU's and Interface Panels are erected at some of 33/11KV

Sub-Stations & V-SAT, UPS erection work andEarthing work, Testing

& Commissioning of SCADA are pending from M/s. ABB Ltd. Still

someequipments are not supplied.

2) 24X7 Customer Care Centre:

- 24X7 Customer Care Centre Established on 18-01-2012 with Toll Free number 180042558585 in the Corporate Office premises for registering of complaints by consumers on fuse off calls, billing problem, transformers failure and power supply failure etc., with all necessary infrastructure.
- Mapping of Short Code '1912' to Toll Free No : 18004258585 has been successfully implemented from 01-09-2016.
- On registering of consumer complaints, the consumer will be given complaint number and the same will be informed to the concerned Service Station of the sub-division for attending the complaints at the earliest. The complaints which are attended by the Service Stations will be confirmed by the consumers over phone.
- There is provision of 15 No.'s of Desktops at CCC. Out of which 12 No's of Work Stations (Desktops) are being used for receiving consumer calls from 03-08-2017.
- PGRS system has been implemented in the CCC from 01-08-2017
- Operators working at CCC were 12 No's before 13-10-2017.
- The additional 30 No's of operators have been provided to CCC from 13-10-2017. Now the total operators working at CCC 42 No's.
- At present one AE (Ele), three JEE's & 42 No's of operators are working at Customer Care Centre.
- In each shift one JEE and Eleven operators are working at CCC for attending consumer calls.

ii. Implementation of NiranataraJyoti Scheme in GESCOM:

In GESCOM NiranataraJyothi Scheme was propo-I & II. Ph-I covered 20 Tqs and in Ph-II covered 10 Tqs.

This scheme was envisaged to provide 24 Hrs of powreas by construction of independent 11KV feeders.

The names of the taluks covered 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	21530.28	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 provided 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.35.49Crs) 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 wasavailed by GESCOM fromREC Bangalore.

Pilot Project:

Pilot Project was taken up in KushtagiTq. in Koppal District. 13 Nos. of NJ feeders were proposed out of which 12 feeders commissioned and remaining 1 feeder, the case is pending in court.

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 235 feeders commissioned.

Progress under Phase-II:

For Phase-II, out of 10Tqs. 5 taluks works are in progress on PTK basis and 5 talukas works are in progress on TTK basis. Out of 109 No's of NJY feeders, 91feeders commissioned, 1 feeder work is completed and 17 feeders are short closed(2 feeders are covered under DDUGJY and 15 feeders are retendered).

New Schemes:

Mop/GoI has sanctioned Two new schemes:

1. DeenDayalUpadhyay Gram JyotiYojana (DDUGJY):

Government of India has launched DeenDayalUpadhyaya Gram JyotiYojana (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 SansadAdarsh 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	Status
			Nos.	Cost							
1	Bellary	27.94	1	0.07	1.47	14.13	35.98	79.59	0.40	79.99	LOI issued on 15.7.17Except metering component. For consumer metering tender hasbeen invited District wise for Rs.70.00 Crs. and techno commercial evalution is under process as on 24.11.18
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%

DDUGJY Physical Progress (upto March-18)

SL. No.	Milestone Name	Unit	GESCOM	
			Target	Ach
1	Running of New 11kV Line	KM's	6039.78	190.25
2	Re-conduct ring of 11kV Line	KM's	2164.04	294.79
3	Running of New LT Line	KM's	194.84	0
4	Re-conduct ring of LT Line	KM's	2453.5	21.05
5	Providing New DTC	No's	3552	3
6	Augmentation of DTC	No's	0	0
7	Providing Service connection to BPL households	No's	4942	0
8	HT AB Cable	KM's	0	0
9	LT AB Cable	KM's	810.07	3.23
10	Providing Earthling for Existing DTC (R&M)	No's	0	0

2. **IPDS(Intergreted Power Development Scheme)** Amount sactioned **Rs.183.41**crore ,Town covered 42 Twons.

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

iii. **GramaVidyutPrathinidhi Scheme:**

At present 999 Micro Feeder Franchisees are existing in GESCOM out of which 897 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	772.31	2597.18	3081.21	3804.40	3811.00	765.70	146.48	123.69
2	Gulbarga -2	923.67	2627.69	2375.37	2810.16	2217.77	975.72	106.94	93.37
3	Yadgir	1444.28	2299.95	2309.85	2422.05	2216.40	1681.56	105.31	95.95
4	Sedam	576.84	1776.90	1657.02	1963.44	1884.13	632.00	110.50	113.71
5	Bidar	1520.22	2326.86	2567.13	2765.15	2689.83	1446.35	118.84	104.78
6	Humnabad	791.37	3915.54	3832.28	2220.61	2241.65	357.11	56.71	58.49
7	Raichur	1221.38	2446.75	2178.16	2756.92	2675.10	1081.09	112.68	122.81
8	Koppal	199.63	1220.59	1223.00	1650.65	1648.29	614.55	135.23	134.77
9	Sindhanur	200.76	568.87	714.01	2574.49	1256.36	487.31	452.56	175.96
10	Gangavathi	1804.49	2459.35	2180.22	2886.02	2710.35	819.91	117.35	124.32
11	Bellary	1418.36	2995.41	3116.58	3309.27	3331.28	1396.89	110.48	106.89
12	Hospet	461.94	2723.4	2484.68	2645.50	2642.16	482.57	97.14	106.34
	GESCOM	**11335.25**	**27958.49**	**27719.51**	**31808.66**	**29324.32**	**10740.76**	**113.77**	**105.79**

1V. Tendering System:

In order to enhance the transparency in procurement and tendering of various works, electronic tendering system i.e e-procurement portal www.karnataka.gov.in of e-governance Dept, GOK has been introduced in the Company. These tenders so called is encouraging.

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 reconductoring

iii) Additional DTCs

iv) LT reconductoring 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 crsdtd 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 2018 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 75% counterpart funding from REC. The works are completed in all 21 towns and closure reports for part A and part B are submitted.

vi. Computerization of billing:

The billing and Collection activities in all the Sub-divisions of the Company's jurisdiction were 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, and also providing Online Payment facilities for consumer convenience.

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

ix. DTC Metering:

The status of DTC metering as on 31-03-18 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	9336	2727
2	Rural area	62052	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 2709 Employees on 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.,

I. CORPORATE GOVERNANCE

GESCOM believes in transparency, accountability and fairness 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 2018, the Board ofDirectors comprised of 20members. Allthe Directors took active part in the proceedings of Board and Sub-Committee meetings and which is added value to the decision making process.

Board of Directors:

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

1. Dr.S.Selvakumar, IAS : Chairman
2. Dr.R.Ragapriya, IAS : Managing Director
3. Sri.AnilkumarS.Babaleshwar :Director (Technical)
4. Dr.Raja P., IAS : Director
5. Dr.H.NGopalakrishna, IAS : Director
6. Sri.Rajkumar S. Biradar : Director
7. Sri.PurushothamSingh.B.H : Director
8. Sri. A.N.Jayaraj : Director
9. Sri.T.R. Ramakrishnaiah : 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 2017-18, Board meetings were held on the dates as mentioned below:

Sl. No.	Meeting No.	Held on
1	65th Meeting	29.06.2017
2	66th Meeting	28.09.2017
3	67th Meeting	09.11.2017
4	68th Meeting	15.12.2017
5	69th Meeting	23.12.2017
6	70th Meeting	05.03.2018

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	Sri Rajkumar S. Biradar	Member
	Authorised Signatory, GESCOM	Convener

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

Sl. No.	Meeting No.	Held on
1	72nd Meeting	09.06.2017
2.	73th Meeting	27.11.2017
3.	74 th Meeting	23.12.2017
4.	75 th Meeting	26.02.2018
5.	76 th Meeting	19.03.2018

2. Audit Committee:

The Composition of the Audit committee is as follows:

Sl. No.	Members	Designation
1	Ms.Hephsiba Rani Korlapati,IAS	Chairperson
2	Director(Technical), GESCOM	Member
3	Sri.Rajkumar S Biradar	Member
4	Authorised Signatory, GESCOM	Convener

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

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

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

Sl. No.	Meeting No.	Held on
1	22^{nd}Meeting	29.06.2017

1. Corporate Social Responsibility (CSR) Committee:

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

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

Convener

The Company has not earned any Average Net Profit before Tax during the immediately preceding three years. Hence spending of CSR amount during FY 2017-18 is not applicable.

I. <u>Pursuant to provisions of Section 134(3) of the Act, the following information is provided:</u>

(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 Statutory Auditor in their report; enclosed as Annexure-2

(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(Annexure-3)

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 2017-18.

I. Auditors:

(a) Statutory Auditors:

The C & AG of India, New Delhi has appointed M/s GRC & Associates, Chartered Accountants, Chennai as Statutory Auditors for the year 2017-18.

(b) Cost Auditors:

M/s K.P.R & Associates, Cost Accountants Bengaluru are the Cost Auditors for the year 2017-18.

(c) Secretarial Auditors:

Sri.S.Vishwanathan,Practicing Company Secretary were appointed as Secretarial Auditors to carry out the Secretarial Audit for the year 2017-18.\

II. ACKNOWLEDGEMENT:

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

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

For and on behalf of GESCOM

Sd/-
(Dr.S.SELVAKUMAR, IAS)
Chairman, GESCOM

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.	RegistrationDate	30/04/2002
iii.	NameoftheCompany	GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED
iv.	Category/Sub-Category of theCompany	Government Company
v.	AddressoftheRegisteredoffice andcontactdetails	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,ifany	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					

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 at Rs. 10/- each				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) CentralGovt									
c) State Govt(s)	-	776766104	776766104	100%	-	1114956104	1114956104	100%	(+)43.55%
d) Bodies Corp									
e) Banks / FI									
f) Any Other									
Sub-total(A)(1):-	-	776766104	776766104	100%	-	1114956104	1114956104	100%	(+)43.55%
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)	-	-	-	-	-	-	-	-
TotalPublic Share holding (B)=(B)(1)+(B)(2)	-	-	-	-	-	-	-	-
C. Shares heldby Custodian for GDRs&ADRs	-	-	-	-	-	-	-	-
GrandTotal (A+B+C)	776766104	776766104	100		1114956104	1114956104	100	(+)43.55%

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 company	% of Shares Pledged /encum bered to the total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged /encum bered to	% cha ge in share holding durin g the year
1.	**Hon'ble Governor State of Karnataka**	**776766095**	100%		**1114956095**	+43.54%	-	100%
2.	**Sri.JawaidAkthar**	**01**			**01**			
3.	**M.Muniraju**	**01**			**00**		-	100%
4.	**Chikkananjappa**	**00**			**01**		+	100%
5.	**R.Jayakumar**	**01**			**01**			
6.	**M. Ramakrishna**	**01**			**01**			
7.	**Ujjwal Kumar Ghosh**	**01**			**00**		-	100%
8.	**Sri.P. Sunil Kumar**	**00**			**01**		+	100%
9.	**Rajkumar S Biradar**	**01**			**01**			
10.	**A.N.Jayaraj**	**01**			**01**			
11.	**M.Nagaraja**	**01**			**00**		-	100%
12.	**T.R.Ramakrishnaiah**	**00**			**01**		+	100%
13.	**L.R Neelyanaik**	**01**			**00**		-	100%
14.	**Pavankumarmalapati**	**00**			**01**		+	100%
	Total	**776766104**			**1114956104**		+	**43.54%**

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

Sl. No		Shareholding at the beginning of the year		Cumulative Share holding during 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	**776766104**	**69.67%**	**776766104**	**69.67%**
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	**338190000 No. of Shares issued in favour of Hon'ble Governor on 5th March 2018**	**30.33%**	**1114956104**	**100%**
	At the End of the year	**1114956104**	**100%**	**1114956104**	**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	10,36,25,31,413	7,88,61,460	4,52,91,76,711	14,97,05,69,584
ii) Interest due but not paid				
iii) Interest accrued but not	28,20,71,398			28,20,71,398
Total (i+ii+iii)	**10,64,46,02,811**	**7,88,61,460**	**4,52,91,76,711**	**15,25,26,40,982**
Change in Indebtedness during the financial year				
- Addition	80,13,80,457		3,96,44,86,087	1,19,78,66,544
- Reduction	2,39,19,97,186	1,25,63,903		2,40,45,61,089
Net Change	(-)1,59,06,16,729	(-)1,25,63,903	3,96,44,86,087	(-)12,06,69,45,445
Indebtedness at the				
end of the financial year				
i) Principal Amount	8,77,19,14,684	6,62,97,557	4,92,56,62,798	13,76,38,75,039
ii) Interest due but not paid	-	-	31,74,71,775	31,74,71,775
iii) Interest accrued but				
not due	23,39,74,088	-	-	23,39,74,088
Total (i+ii+iii)	**9,00,58,88,772**	**6,62,97,557**	**5,24,31,34,573**	**14,31,53,20,902**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL 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	Sri.M.Muniranju Managing Director Managing Director		Rs.6,31,750.00 Rs.2,82,186.00
2.	Grosssalary (a) Salary as per provisions contained 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	Dr. R. Ragapriya (IAS) Managing Director		Rs.4,13,545.00 Rs. 44,542.00
3.	Grosssalary (a) Salary as per provisions contained 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	Sri. Chikkananjappa Managing Director		Rs.2,27,430.00 Rs. 33,322.00

Sl. No	Particulars of Remuneration	NameofMD/WTD/ Manager		Total Amount
4.	Grosssalary (a) Salary as per provisions contained 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	Sri. L.R.Neelya Naik Director (Technical)		Rs.6,00,184.00 Rs. 1,17,953.0
5.	Grosssalary (a) Salary as per provisions contained 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	Sri. R. Jayakumar Director (Technical)		Rs.12,46,301.00 Rs. 2,74,206.00
3.	Stock Option			
4.	Sweat Equity			
5.	Commission - as % of profit - others, specify…			
6.	Others, please specify			
7.	Total (A)			
	Ceiling as per the Act			Rs. 38,71,419.00

B. Remuneration to other directors:

Sl. No	Particulars of Remuneration	Name of MD/WTD/ Manager			Total Amount
1.	IndependentDirectors ·Fee for attending board committee meetings ·Commission ·Others, please specify		Sitting Fee	TA & DA	
		Sri.JawaidAkthar IAS	3000/-		16,000.00
		Sri.M.Ramkrishna	3000/-		
		Sri.R.Jayakumar	500/-		
		Sri.A.N.Jayaraj	2000/-		
		Sri T.R. Ramakrishnaiah	2500/-		
		Sri.Purushotham Singh B.H	1000/-		
		Sri.RajkumarS.Biradar	4000/-		
		Total	16000/-		
	Total (1)				**16,000.00**
2.	Other Non-Executive Directors ·Fee for attending board committee meetings ·Commission ·Others, please specify	**Non Official Directors**	Sitting Fee	TA & DA	Total Amount
		Sri.S.B.Manjunath	18000	78618	96618
		Sri.Sharana Reddy	12000	157095	169095
		Sri.Aftab Ahmed Patel	12000	59665	71665
		Sri.Reddy Srinivas	18000	-	18000
		Sri.Muktar Ahmed Patel	9000	-	9000
		Ms.UmaPatil	15000	106060	121060
		Sri.B. Hanumanthappa	12000	109840	121840
		Sri.Veeranna.B. Karbari	3000	-	3000
		Sri.Ponna Raj	3000	-	3000
		Sri.GopikrishnaGudenavar	15000	68946	83946
		Total	117000	580224	697224
	Total (B) = (1+2)				**7,13,224.00**
	Total Managerial Remuneration A+B				**4584643.00**
	Over all Ceiling as per the Act				

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

Sl. No	Particulars of Remuneration	CFO	Total
1.	Grosssalary (a)Salary as per provisions contained insection17(1) of the Income-tax Act,1961(b) Value of perquisites u/s17(2) Income-taxAct,1961 **DA/HRA Arrears,ELS** (c)Profits in lieu of salary under Section17(3) Income- Tax Act,1961	**Sri. Suresh R.Terdal, CFO**	**Rs.17,65,896.00** **Rs. 4,234.00** --
2.	Grosssalary (a)Salary as per provisions contained in section17(1) of the Income-tax Act,1961 (b)Value of perquisites u/s17(2) Income-taxAct,1961 (c)Profits in lieu of salary under Section17(3) Income- TaxAct,1961	**Sri. B. Abdul Wajid, CFO**	**Rs.1,62,998.00** -- --
3.	Stock Option		
4.	Sweat Equity		
5.	Commission- as % of profit-others,specify…		
6.	Others, please specify		
7.	**Total**		**Rs. 19,28,894.00**

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 18.

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.180.11 lakhs (previous year Rs.73.05 lakhs) includes old items yet to be regularized.	The materials drawn by the field officers is for ongoing urgent works (restoration of power supply) and the employee wise records for the same are available at the Accounting units. These are regularized with regular work orders and documentation the along with the completion reports.
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 Ind AS-7.	Necessary disclosure has been made through a foot note to note -12 forming part of accounts indicating the extent of amount under Cash Suspense, unrecouped vouchers.

Sl. No.	Auditors Qualification	Responses
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 Ind AS	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 Reports on the shortages/ Misappropriations of cash have been finalised and enquiries are initiated/being 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.
c	For the above amounts, no provision has been made in the books.	Disclosure has been made in the Note No 47 & footnote to Note 12 of the financial statements for FY18.

Sl. No.	Auditors Qualification	Responses
3	**Tangible Assets:**	
a	An amount of Rs.8479.80 lakhs is shown as Capital Work-in-Progress and Rs.740.18 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.17139.28 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..	Policy of the Company on Capitalisation of Assets is indicated under Clause 2.4 of Note 1 of the Financial statements for FY18. Capital Advances are made to the Contractors / suppliers as per the conditions of the Contract and the same are adjusted in the running bills. In most of the cases only 50% of the value of materials are paid on supply and balance is retained as Retention Money of the Contract. The value of material lying with the Contractor until such time the erections have been reported treated as Capital advance. On completion of the works and submission of the final bills, these advances are adjusted and Assets Capitalised.
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	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
	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 Ind -AS. 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 Financial Statements for FY18The 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	The Accounting policy of the Company on Capitalizing the Assets after the receipt of final bill and the approved by the competent authority is not incompliance with Ind AS - 16. 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 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.

Sl. No.	Auditors Qualification	Responses
e	Reconductoring works and Scada works being carried out in Koppal 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. The final Bills are pending to submitted by the contractor and need to be processed. Hence the works could not be measured and capitalized in full. As per Significant Accounting Policy Clause 2.4 of Note 1 to the Accounts for FY18.
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	The Tangible Assets – Property, Plant and Equipment for which clear title doesn't exist with the Company have been incorrectly revalued and accounted resulting in excess accounting of Tangible Assets and other Equity to an extent of Rs.24.79 Crores.	Noted for guidance. Necessary Corrections will be incorporated in the financial statements for FY19

Sl. No.	Auditors Qualification	Responses
H	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.
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 set-off in the IT Assessment .Since, the company is having huge carry forward loss to be set-off 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.

Sl. No.	Auditors Qualification	Responses
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	**Regulatory Income / (Expenses) (Net) - Note 15**	
	The Company has recognized Rs.45634.70 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 **Regulatory Deferral Account – Assets - (Note-15)** and under statement of loss to the extent of Rs.45634.70 Lakhs.	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. 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) of the Guidance note 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 of the Guidance note which highlight on the recognition of the Regulatory Assets…. “Further, the Framework states that control over the future

Sl. No.	Auditors Qualification	Responses
		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 Deferral Assets based on the Actual Expenses which also satisfied the requirement of the Matching Revenue Concept. 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 Deferral Assets/Regulatory 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. The same has been reversed during the current financial year
8	Note 42 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.	Documentation of title deeds is in progress.

Sl. No.	Auditors Qualification	Responses
	KPTCL to the Company consequent to unbundling of distribution operation are not held in the name of the company.	
10	The amount shown under the head "Inter Unit Accounts ('IUT')" amounting to Rs.685.44 lakhs (Debit) as on 31st March 2018 [opening balance outstanding Rs.1188.95 Lakhs (Credit) as on 31st March 2017] 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.	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.
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	The total amount of Rs. 1130.33 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. 1,090.75 Crores 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. 492.56 crores by way of Consumer Security Deposits available with the Company. Besides the above a provision of Rs. 354.84 crores towards Bad & doubtful dues, is made by GESCOM. this includes Rs 197.19 Crores towards IP set Dues where provisioning has been enhanced to 100% subjected to 10% per

Sl. No.	Auditors Qualification	Responses
	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.	year w.e.f FY16 and onwards Considering the dues from the Departments of Government of Karnataka out of the total dues, the provisions made by the Company is adequate.
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 and the same has been disclosed vide Note 42 of the financial statements.
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 22** 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 reconciliation of the sundry debtors is in process and the same has been disclosed in the notes to accounts.

Sl. No.	Auditors Qualification	Responses
	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.	All relevant records are made available for Audit
16	Attention is drawn to **Note 47** 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
17	**1)** Attention is drawn to the Significant Accounting Policy of the Company clause 9.1 of Note 1 as per which the Capital Grants received from the Government have been depicted under the Capital Reserve. The same is not in compliance with Ind AS 20 which requires the Grants received from Government to be depicted as Deferred Income. The Contribution received from Consumers towards Capital Assets have also been depicted in the same way.	Noted for guidance. Necessary modification in the presentation of the financials will be taken case while preparing the financials for FY19
	2) Misclassification of the cashflow have been observed in the Cashflow Statement prepared by the Company which have resulted in overstatement of Cash flow from Operating Activities and from Investing Activities by Rs 216.43 lakhs and 3748.42 lakhs respectively. The cash flow from Financing Activities have been understated by Rs 3965. 86 lakhs	Necessary modification in the presentation of the financials will be taken case while preparing the financials for FY19

Sl. No.	Auditors Qualification	Responses
	3) Power Purchase bills for Rs.613.90 lakhs have not been included in the cost of power purchase and the corresponding liability is not included in the current liabilities- Trade Payables This omission has resulted in under statement of cost of power purchase (Note 29), loss for the year and current liabilities – Trade Payables to that extent.	The corrections have been incorporated in the financials for FY19
	4) The Company has not disclosed the details of leases and it's impact on the financials for the year which is not in compliance to the requirements of IND-AS 17.	As of now GESCOM has not leased any of its assets to others. Hence no disclosure was made in the financials. However, in view of the observations, Nil Disclosure will be made in the subsequent financials.
	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

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 Ind AS 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 2018, the Statement of profit and loss account including Other Comprehensive Income, the Statement of changes in Equity and the Cash Flow Statement for the year ended on that date, and a summary of the significant accounting policies and other explanatory information.

2. The Balance Sheet, statement of Profit & Loss Accounts, including Other Comprehensive Income, the Statement of changes in Equity and the Cash Flow Statement was approved by the Board of Directors on 26-10-2018 and in the light observation arising from the Audit by the Comptroller & Auditor General of India under section 143(6)(b) of the Companies Act, 2013, we revised our Audit Report and this report supersedes our report dated: 26-10-2018

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 including other comprehensive income, cash flows and changes in equity of the company in accordance with the Indian Accounting standards (IND AS) prescribed u/s 133 of the Companies Act, 2013 read with, companies (Indian Accounting Standards) Rules, 2015, as amended and other accounting principles generally accepted in India 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:

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

5. In conducting our Audit, 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 and the order issued u/s.143 (11) of the act.

6. 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.

7. 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.

8. 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.180.11 lakhs (previous year Rs.73.05 lakhs) includes old items yet to be regularized.

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 Ind AS-7.

b. Difference in Cash and Bank Balance with the Trial 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 Ind AS

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.

1. **Tangible Assets:**

a. An amount of Rs.8479.80 lakhs is shown as Capital Work-in-Progress and Rs.740.18 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.17139.28 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 Ind -AS. This may also lead to revision in the useful life of the assets).

d. The Accounting policy of the Company on Capitalizing the Assets after the receipt of final bill and the approved by the competent authority is not incompliance with Ind AS - 16. 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 Koppal 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. The Tangible Assets – Property, Plant and Equipment for which clear title doesn't exist with the Company have been incorrectly revalued and accounted resulting in excess accounting of Tangible Assets and other Equity to an extent of Rs.24.79 Crores.

h. 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.

1. 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

2. 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 set-off in the IT Assessment .Since, the company is having huge carry forward loss to be set-off 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.

3. **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.

4. **Regulatory Income / (Expenses) (Net) - Note 15**

The Company has recognized Rs.45634.70 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 **Regulatory Deferral Account – Assets - (Note-15)** and understatement of loss to the extent of Rs.45634.70 Lakhs.

5. Note 42 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.

6. 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 in the name of the company.

7. The amount shown under the head "Inter Unit Accounts ('IUT')" amounting to Rs.685.44 lakhs (Debit) as on 31st March 2018 [opening balance outstanding Rs.1188.95 Lakhs (Credit) as on 31st March 2017] 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.

8. 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.

9. 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.

10. 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 22** 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.

11. 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.

12. 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.

13. Attention is drawn to **Note 47** 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.

1. Additional Qualifications:

1. Attention is drawn to the Significant Accounting Policy of the Company clause 9.1 of Note 1 as per which the Capital Grants received from the Government have been depicted under the Capital Reserve. The same is not in compliance with Ind AS 20 which requires the Grants received from Government to be depicted as Deferred Income. The Contribution received from Consumers towards Capital Assets have also been depicted in the same way.

2. Misclassification of the cashflow have been observed in the Cashflow Statement prepared by the Company which have resulted in overstatement of Cash flow from Operating Activities and from Investing Activities by Rs

216.43 lakhs and 3748.42 lakhs respectively. The cash flow from Financing Activities have been understated by Rs 3965. 86 lakhs

3. Power Purchase bills for Rs.613.90 lakhs have not been included in the cost of power purchase and the corresponding liability is not included in the current liabilities- Trade Payables This omission has resulted in under statement of cost of power purchase (Note 29), loss for the year and current liabilities – Trade Payables to that extent.

4. The Company has not disclosed the details of leases and it's impact on the financials for the year which is not in compliance to the requirements of IND-AS 17.

II. **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 16 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, 2018 and the changes in equity.

2. In the case of Statement of Profit and Loss, including other comprehensive income, 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.

II. **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. 740.17 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.

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.

II. **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:

i. The company has maintained its books of accounts as per the Electricity (Supply) Annual Accounts Rules (ESAAR), 1985 which came into existence as per Section 69 of the Electricity (Supply) Act, I948 (repealed by Electricity Act, 2003).

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 account including other comprehensive income, changes in equity 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 16** 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 including other comprehensive income and the Cash Flow Statement dealt with by this report, comply with the Ind AS specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2015.

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".** Our Report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

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,

   i. The Company does not have any pending litigations which would impact its financial position subject to the contingent liabilities reported vide Note 26 to the Financial Statements and our responses given to Item No. 4 of the "**Annexure - C**"

   ii. The Company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses – Refer Note 48 to the Financial Statements

   iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company, - Refer Note 49 to the Financial Statement.

1. 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**"

Chennai
21-11-2018

For G R C & Associates,
Chartered Accountants
Firm Reg. No. 002437S

T.S.Chandrasekar, FCA
Partner, M. No. 022052

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 2018.

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, 2018 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	364.96	Nil	Depart-ment 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
21-11-2018

For **G R C & Associates,**
Chartered Accountants
Firm Reg. No. 002437S

T.S.Chandrasekar, FCA
Partner, M. No. 022052

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 2018.

We have audited the internal financial controls over financial reporting of **GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED ("the Company")** as of March 31, 2018 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 2018 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, 2018, 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
21-11.2018

For **G R C & Associates,**
Chartered Accountants
Firm Reg. No. 002437S

T.S.Chandrasekar, FCA
Partner, M. No. 022052

GRC & ASSOCIATES
Chartered Accountants
Chennai

"ANNEXURE - C"

Directions to the Statutory Auditors of the Company, issued by the Comptroller & Auditor General of Indian Under Section 143 (5) of the Companies Act, 2013 and the actions taken there on during the Course of audit of annual accounts of Gulbarga Electricity Supply Company Limited for the year 2017-18

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>Whether the Company has clear title / lease deeds for freehold and leasehold land respectively?

If not please state the area of freehold and leasehold land for which title / lease deeds are not available</td><td>YES

Reference is drawn to clause 9 of our audit report to the members of GESCOM on its Financial Statement where we have indicated that about 10% of the title deeds of the land assets are not held in the name of company</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>
<tr><td>2017-2018</td><td>46</td><td>100.52</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	Impact On Ind AS Financial Statements
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	➢ 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. ➢ Tamper proof meters are being installed in the urban areas of the GESCOM under the R-APDRP Program and	Not ascertainable

Sl. No.	Directions	Responses	Impact On Ind AS Financial Statements
		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.	➢ It is informed that Reconciliation of receivables/ payables between Distribution companies/ Transmission Companies is in progress. ➢ In this regard, refer note 42 of the financial Statements	Not ascertainable
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.	Not ascertainable
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.	Not applicable

Sl. No.	Directions	Responses	Impact On Ind AS Financial Statements
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 hasevolved proper security policy for data/ software/ hardware?	➢ 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. ➢ It is understood that no specific IS audit has been carried out during the financial year in this area.	Not ascertainable
	policy for data/ software/ hard-ware?	➢ carried out during the financial year in this area.	

Chennai
21-11.2018

For **G R C & Associates,**
Chartered Accountants
Firm Reg. No. 002437S

T.S.Chandrasekar, FCA
Partner, M. No. 022052

KPR & Associates
Cost Accountants

COST AUDIT REPORT

We, **KPR & 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. (hereinafter 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 **2017-18** maintained by the company and report, in addition to our observations and suggestions in Para2.

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

(ii) In our opinion, proper cost records, as per Companies (Cost Records and Audit) Rules, 2014as amended in 2017 have been maintained by the company in respect of service under reference (Confirmed by the company in their letter of representation).

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

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

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

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

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

2(ii) **Observations and Suggestions : Nil**

The quantity of power purchased and billed for 2017-18 is given below :

2017-2018			
	MU	Rs in CroresRate	per unit Rs
Power Purchased	7787.36	3577.16	4.59
Power Sold & Billed	6510.89	4291.76	6.59
Distribution Loss	1276.47(16.39%)		

It was learnt that distribution loss is more in Rural distribution compared to Urban distribution. The norm for the distribution loss for FY18 is in the range of 15.50% to 16.50%. A reduction of 1.00% in distribution loss could mean generation of additional revenue of Rs 35.77 Crores. Efforts may be made to reduce distribution losses to improve the working results of the company.

Note:

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

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

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

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

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

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

g) The Cost Audit Report and Annexure's have been prepared based on accounts for 2017-18 Audited by Statutory Auditors and C&AG, considering a turnover of Rs. 429175.72 lakhs and loss of Rs. 47262.57 lakhs for the year and the letter of representation given by the company.

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

i) It is confirmed by the company that the accounts for 2017-18 are IND AS compliant and for fair comparison the figures for 2016-17 have also been made IND AS compliant by reclassification/ regrouping of income, expenditure, assets and liabilities.

Date:

Place:

For KPR & Associates
Cost Accountants
(Firm No.000126)

V.V. Kalyanasundaram
Partner
(M No (1320))

[illegible]
Indian Audit And Accounts Department

[illegible]
Office of the Accountant General (E & RSA)
Karnataka

BY REGISTERED POST
CONFIDENTIAL

No. [illegible] Date: 27.11.2018

To,
The Managing Director
Gulbarga Electricity Supply Company Limited,
Corporate Office, Registered Office at Station Road,
Gulbarga, Karnataka – 585101

Sub: Comments of the Comptroller & Auditor General of India under Section 143(6)(b) of the Companies Act, 2013 on the accounts of **Gulbarga Electricity Supply Company Limited, Gulbarga** for the year ended **31 March 2018**.

Sir,

I forward herewith **Comments** under section 143(6)(b) of the Companies Act, 2013 on the accounts of **Gulbarga Electricity Supply Company Limited, Gulbarga** for the year ended **31st March 2018.**

2. A copy of the proceedings of the Annual General Meeting adopting the audited 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,

(E. P. NIVEDITA)
Pr. ACCOUNTANT GENERAL
(ECONOMIC & REVENUE SECTOR AUDIT)
KARNATAKA, BENGALURU

[illegible]

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, GULBARGA FOR THE YEAR ENDED 31 MARCH 2018

The preparation of financial statements of **Gulbarga Electricity Supply Company Limited, Gulbarga** for the year ended **31 March 2018** in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibilit of the management of the company. The statutory auditors 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 presecribed 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 Revised Audit Report dated **21-11-2018** which supersedes their earlier Audit Report dated **26-10-2018**

1. on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statement of **Gulbarga Electricity Supply Company Limited, Gulbarga** for the year ended **31 March 2018** under section 143(6)(a) of the Act. 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 revision made in the Statutory Auditors Report, to give effect to some of my audit observation raised during supplementary audit. 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 & Auditor General of India

(E. P. NIVEDITA)
Pr. ACCOUNTANT GENERAL
(ECONOMIC & REVENUE SECTOR AUDIT)
KARNATAKA, BENGALURU

[illegible]
COMPANY SECRETARY

[illegible] Apartments Flat B
[illegible] Cross, [illegible] Main
Malleswaram, Bangalore [illegible]
E-Mail Id: [illegible]
Tel: [illegible] Mobile: [illegible]

ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder; **NOT APPLICABLE**
iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder; **NOT APPLICABLE**
iv. 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; **NOT APPLICABLE**
v. Electricity Act, 2003 and the Rules made there under and it publishes the annual performance review and regulatory clarification with the Karnataka Electricity Regulatory Commission
vi. Central Electricity Authority (Technical Standards for Construction of Electrical Plants and Electric Lines) Regulations, 2010.
vii. Central Electricity Authority (Measures relating to safety and Electricity supply) Regulations 2010 (as amended in 2015)
viii. Central Electricity Authority (Safety requirements for construction, operation and maintenance of electrical plants and electrical lines) Regulations 2011
ix. Indian Electricity Grid Code Regulations 2010
x. Energy Conservation Act, 2001
xi. Forest (Conservation) Act, 1980
xii. Indian Contract Act
xiii. Karnataka Essential Services Maintenance Act in 1994

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

1. Air (Prevention and Control of Pollution) Act, 1981
2. Water (Prevention and Control of Pollution) Act, 1974
3. The Water (Prevention and control of Pollution) Cess Act, 1977
4. Environment (Protection) Act, 1986
5. Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.
6. Consumer Protection Act, 1986
7. Apprentices Act, 1961
8. Factories Act 1948 And Rules
9. Industrial Disputes Act, 1947
10. Maternity Benefit Act (Applicable to Women Employees who are outside the purview of the ESI Act)
11. Contract Labour (Regulation & Abolition) Act 1970.
12. Contract Labour (Regulation and Abolition) Karnataka Rules 1974.
13. Payment of Bonus Act, 1965

[illegible]

14. Payment Of Wages Act, 1936
15. Workmen's Compensation Act, 1923
16. KERC (General & Conduct Of Proceedings) Regulations 2000
17. KERC (Licensing) Regulations 2004
18. KERC (Fees) Regulations [illegible]
19. KERC (Tariff) Regulations 2000
20. KERC (Recovery of Expenditure for supply of Electricity) Regulations 2004
21. KERC (Electricity Supply) Code 2004
22. Karnataka Electricity Grid Code 2005
23. Karnataka Electricity Board/Distribution service regulations
24. Conditions of supply of Electricity of Distribution Licensees in the State of Karnataka [illegible] dated 17.6.2004
25. KERC Notification No. [illegible] dated [illegible]
26. Karnataka Electricity Board [illegible] Regulations [illegible]

I have also examined compliance with the applicable clauses of the following:

(i) Secretarial Standards issued by The Institute of Company Secretaries of India.

(ii) The Listing Agreements entered into by the Company with National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE): **NOT APPLICABLE**

(iii) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 **NOT APPLICABLE**

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

Regarding "Other laws", the Company is a well established Government Company and, in general, there are proper systems and mechanisms in place for compliance with the provisions of Other laws. Certificate of compliance with the provisions of various other laws are obtained from concerned department heads.

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.

S. VISWANATHAN
COMPANY SECRETARY

[illegible]
[illegible]
[illegible]
E-Mail Id: [illegible]
Tel: [illegible] Mobile: [illegible]

I further report that

The Board of Directors of the Company and its Audit Committee are duly constituted. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

The Company has constituted the following Committees:

1) Central Purchase Committee
2) Audit Committee
3) CSR Committee

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda are sent 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.

The Minutes of Meetings of the Board and its Sub Committees are maintained properly.

I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with other applicable laws, rules, regulations and guidelines.

S. Viswanathan
Practising Company Secretary
ACS No. [illegible]
CP No. [illegible]

Place: Bengaluru
Date: [illegible]/2018

Encl: Annexure

S. VISWANATHAN
Company Secretary
C.P. No. [illegible]

GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

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

Balance Sheet as at 31 March, 2018

	Particulars	Note No.	As at 31 March, 2018	As at 31 March, 2017	As at 01 April, 2016
			₹	₹	₹
I.	**ASSETS**				
A	**Non-current assets**				
	(a) Property, plant and equipment	3	35,66,68,66,600	34,21,80,36,738	30,16,70,72,538
	(b) Capital work-in-progress	4	84,79,98,245	1,28,86,98,647	2,68,64,76,676
	(c) Intangible Assets under Development	5	7,40,17,653	7,18,92,402	3,13,20,073
	(e) Financial assets				
	(i) Investments	6	2,51,00,000	2,51,00,000	2,51,00,000
	(f) Deferred tax assets	7	-	-	-
	(g) Other non-current assets	8	1,88,41,74,018	1,40,84,33,204	2,11,84,14,858
	Total Non-current assets		**38,49,81,56,516**	**37,01,21,60,991**	**35,02,83,84,145**
B	**Current assets**				
	(a) Inventories	9	1,82,73,06,659	1,82,16,64,828	1,49,09,76,937
	(b) Financial assets				
	(i) Unbilled Revenue	10	2,37,26,90,170	2,01,24,23,981	1,85,99,05,241
	(ii) Trade receivables	11	7,75,49,10,491	16,00,09,95,688	15,95,32,51,979
	(iii) Cash and cash equivalents	12	1,04,01,35,352	2,37,24,88,115	2,08,04,58,565
	(iv) Other financial assets	13	5,77,30,45,479	4,68,98,06,779	4,06,73,72,138
	(c) Other Current Assets	14	8,83,50,27,815	8,14,23,93,128	11,51,14,41,134
	Total Current assets		**27,60,31,15,966**	**35,03,97,72,519**	**36,96,34,05,994**
	Total Assets before Regulatory Deferral Account		**66,10,12,72,482**	**72,05,19,33,510**	**71,99,17,90,139**
C	**Regulatory Deferral Account- Assets**	15	8,10,11,29,873	9,31,15,59,837	5,77,39,00,000
	TOTAL ASSETS		**74,20,24,02,355**	**81,36,34,93,347**	**77,76,56,90,139**
II	**EQUITY AND LIABILITIES**				
A	**EQUIT**				
	Shareholders' funds				
	(a) Share capital	16	11,14,95,61,040	7,76,76,61,040	3,05,13,61,040
	(b) Other equity	17	2,01,72,49,106	7,28,88,92,716	11,39,88,58,130
	TOTAL EQUITY		**13,16,68,10,146**	**15,05,65,53,756**	**14,45,02,19,170**
B	**LIABILITIES**				
	Non-current liabilities				
	(a) Financial liabilities				
	(i) Borrowings	18	6,33,65,47,052	7,51,60,73,202	6,98,18,31,558
	(ii) Other financial liabilities	19	4,91,80,76,547	4,08,28,12,216	4,23,22,55,857
	(b) Provisions	20	72,14,55,277	74,30,99,196	65,63,94,502
	(c) Deferred tax liabilities (net)	7	1,98,27,36,252	1,98,27,36,252	1,98,27,36,252
	Total Non current liabilities		**13,95,88,15,128**	**14,32,47,20,866**	**13,85,32,18,169**

	Particulars	Note No.	As at 31 March, 2018	As at 31 March, 2017	As at 01 April, 2016
			₹	₹	₹
	Current liabilities				
	(a) Financial liabilities				
	(i) Borrowings	21	74,39,69,617	1,61,52,86,249	83,59,35,981
	(ii) Trade payables				
	(i) micro and small enterprises, and	22	-	-	-
	(ii) other than micro and small enterprises		41,34,51,73,942	45,68,78,31,658	44,14,82,47,007
	(b) Provisions	23	41,48,34,535	20,86,59,297	22,19,81,156
	(c) Other current liabilities	24	4,53,60,42,960	4,47,04,41,521	4,25,60,88,656
	(d) Current Tax Liabilities (Net)	25	3,67,56,027	-	-
	Total Current liabilities		**47,07,67,77,081**	**51,98,22,18,725**	**49,46,22,52,800**
	TOTAL EQUITY AND LIABILITIES		**74,20,24,02,355**	**81,36,34,93,347**	**77,76,56,90,139**

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

T.S.Chandrasekar
Partner

B Abdul Wajid
Chief Financial Officer

Anil Kumar Babaleshwar
Director (Technical)

Dr. R Ragapriya, IAS
Managing Director

Membership No: 022052

Place :

Date :

GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

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

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 2017-18 Amt. in Rs.

	Particulars	Note No.	Current Year ₹		Previous Year ₹	
I	Revenue from operations	27		42,91,75,72,146		37,74,32,06,563
II	Other income	28		74,43,77,239		95,27,74,661
III	**Total revenue (I + II)**			**43,66,19,49,385**		**38,69,59,81,224**
IV	**Expenses:**					
	Purchases of stock in trade	29	35,77,15,95,773		34,79,98,88,732	
	Changes in inventories of finished goods, work in progress and Stock-in-Trade	-		-		
				35,77,15,95,773		34,79,98,88,732
	Employee benefits expense	30		4,44,71,16,527		3,35,29,71,856
	Finance costs	31		3,51,68,25,357		3,47,37,71,247
	Depreciation and amortization expense	32		1,41,30,15,101		1,22,41,29,445
	Other expenses	33		2,02,92,24,094		2,05,34,30,930
				47,17,77,76,852		**44,90,41,92,210**
	Less: expenses capitalised					
	Total expenses			**47,17,77,76,852**		**44,90,41,92,210**
V	**Profit before Rate Regulated Activities, Exceptional items and tax (III-IV)**			**(3,51,58,27,467)**		**(6,20,82,10,986)**
VI	**Add/(Less): Regulatory income/(expense) (net):**					
	Regulatory income/(expense) (net)	15		4,56,34,70,036		3,53,76,59,837
	Regulatory income/(expense) (net) in respect of earlier years	15		(5,77,39,00,000)		-
VII	**Profit Before Exceptional Items and Tax (V+VI)**			**(4,72,62,57,431)**		**(2,67,05,51,149)**
VIII	Exceptional Items			-		-
IX	**Profit before tax (VII-VIII)**			**(4,72,62,57,431)**		**(2,67,05,51,149)**
X	Tax expense:					
	Current tax		-		20,000	
	Deferred tax		-	-	-	**20,000**
XI	Profit for the year from continuing opertaions (IX- X)			**(4,72,62,57,431)**		**(2,67,05,71,149)**
XII	Profit/(loss) from discontinuing operations			-		-
XIII	Tax expense of discontinuing operations			-		-
XIV	Profit/(loss) for the year (after tax) (XI+XII-XIII)			**(4,72,62,57,431)**		**(2,67,05,71,149)**
	Other comprehensive income					
	(I) Items that will not be reclassified to profit or loss					
	a) Remeasurements of the defined benefit plans		-		-	
	b) Taxes on above		-		-	
	(ii) Items that may be reclassified to profit or loss					
	a) Mark to Market of Investments		-		-	
	b) Taxes on above		-	-	-	-

Amt. in Rs.

	Particulars	Note No.	Current Year ₹	Previous Year ₹
XV	**Total Comprehensive Income for the year (XI + XIV)**		**(4,72,62,57,431)**	**(2,67,05,71,149)**
XVI	Earning per equity share before and after exceptional item:			
	Basic (in ₹)	34	**-5.87**	**-3.44**
	Earning per equity share before and after exceptional item:			
	Diluted(in ₹)	34	**(5.87)**	**-3.44**
	(Paid up value per share)		10.00	10.00
	Significant accounting policies and notes attached form an integral part of the financial statements			

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

For and on behalf of the Board of Directors

T.S.Chandrasekar
Partner

B Abdul Wajid
Chief Financial Officer

Anil Kumar Babaleshwar
Director (Technical)

Dr. R Ragapriya, IAS
Managing Director

Membership No: 022052

Place :

Date :

GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 2017- 18

	Particulars	March 31, 2018 ₹	March 31, 2017 ₹
A.	**Cash Flow from Operating Activities**		
	Net Profit Before Taxation	**(4,72,62,57,431)**	**(2,67,05,71,149)**
	Adjustments for:		
	Provisions	20,61,75,238	(1,33,21,859)
	Depreciation	1,41,30,15,101	1,22,41,29,445
	Interest Expense	3,51,68,25,357	3,47,37,71,247
	Interest Income	(2,96,99,058)	(4,00,91,000)
	Rental Income	(1,57,08,203)	(3,34,74,094)
	Operating Profit Before Working Capital Changes	**36,43,51,004**	**1,94,04,42,590**
	Movements in Working Capital :		
	(Increase)/Decrease in Trade Receivables	7,88,58,19,008	(20,02,62,449)
	(Increase)/Decrease in Inventories	(56,41,831)	(33,06,87,891)
	(Increase)/Decrease in short term Loans and Advances	(1,04,11,84,237)	(8,10,64,818)
	Increase/(Decrease) in Current Liabilities	(4,24,03,00,250)	1,75,39,37,516
	Cash Generated from Operations	**2,96,30,43,694**	**3,08,23,64,948**
	Direct Taxes paid (Net of Refunds)	-	(20,000)
	Net cash from Operating Activities	**2,96,30,43,694**	**3,08,23,44,948**
B.	**Cash Flows from Investing Activities**		
	Purchase of Fixed Assets	(40,27,60,390)	1,46,96,29,055
	Other Non-Current Liabilities	83,52,64,331	(14,94,43,641)
	Long term Provisions	(2,16,43,919)	8,67,04,694
	Rental Income	1,57,08,203	3,34,74,094
	Interest Received	2,96,99,058	4,00,91,000
	Net cash used in Investing Activities	**45,62,67,283**	**1,48,04,55,202**
C.	**Cash Flows from Financing Activities**		
	(Repayment)/ Acceptance of Long Term Borrowings	(1,17,95,26,150)	53,42,41,644

Particulars	March 31, 2018 ₹	March 31, 2017 ₹
(Repayment)/ Acceptance of Short Term Borrowings	(87,13,16,632)	77,93,50,268
Proceeds from issue of equity share capital (net of expenses)	3,38,19,00,000	4,71,63,00,000
Other movements in statement showing changes in equity	(2,56,58,95,601)	(6,82,68,91,265)
Interest paid	(3,51,68,25,357)	(3,47,37,71,247)
Net Cash used in Financing Activities	**(4,75,16,63,740)**	**(4,27,07,70,600)**
Net increase in Cash and Cash Equivalents (A + B + C)	(1,33,23,52,763)	29,20,29,550
Cash and Cash Equivalents at the Beginning of the Year	2,37,24,88,115	2,08,04,58,565
Cash and Cash Equivalents at the End of the Year	**1,04,01,35,352**	**2,37,24,88,115**
Components of Cash and Cash Equivalents	**March 31, 2018**	**March 31, 2017**
Balances with banks		
- in current accounts	57,95,41,236	64,06,08,490
- in other accounts (to the extent held as margin money or security against the borrowings, guarantees, other commitments)	40,80,58,125	1,65,36,91,937
Cash on hand	5,20,77,781	7,73,47,677
Cheques and Funds in Transit	11,138	4,23,000
Stamps on Hand	4,47,072	4,17,011
	1,04,01,35,352	**2,37,24,88,115**

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

T.S.Chandrasekar	**B Abdul Wajid**	**Anil Kumar Babaleshwar**	**Dr. R Ragapriya, IAS**
Partner	Chief Financial Officer	Director (Technical)	Managing Director

Membership No: 022052
Place :

Date :

GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

(CIN NO. - U04010KA2002SGC030436)

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

NOTE - 1 : SIGNIFICANT ACCOUNTING POLICIES

I. BACKGROUND:

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 to comply with Accounting Standards (“AS”) specified under Section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules as ammended from time to time. 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 ESAAR / generally accepted accounting principles requires management of the Company to make estimates and assumptions that affect certain reported balances of assets and liabilities, disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expense during the year. Accordingly, future results could differ due to changes in these estimates and the difference between the actual result and the estimate are recognized in the period in which the results are known / materialize.

2 Property Plant & Equipment (“PPE”)

2.1 Buildings are valued at actual cost of acquisition/ construction, less accumulated depreciation and impairment losses. Land has been revalued as on the date of transition too Indian Accounting Standards (“Ind AS”).

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 PPE acquired/constructed (other than land and buildings) are valued at standard rate (as per rates prescribed under “ Common Schedule of Rates”), 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". 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" .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 ALLOWANCE 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 duesb. 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 IMPAIRMENT

15.1 **Financial Assets:**

The Company assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired. Ind AS 109 requires expected credit losses to be measured through a loss allowance. The Company recognizes lifetime expected losses for all contract assets and / or all trade receivables that do not constitute a financing transaction. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

15.2 **Non Financial Assets:**

A non financial asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss, if any, is charged to statement of profit and loss, in the year in which an asset is identified as impaired.

16 EARNING PER SHARE

16.1 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).

17 PROVISIONS

17.1 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.

18 CASH AND CASH EQUIVALENTS

18.1 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.

19 POWER PURCHASE

19.1 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

19.2 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

20 FINANCIAL INSTRUMENTS:

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability.

20.1 **Cash and Cash Equivalents:**

Cash and Cash Equivalents comprise cash and deposit with banks. The company considers all highly liquid investments including demand deposits with bank with an original maturity of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

20.2	**Financial assets at amortized cost**
	Financial assets are subsequently measured at amortized cost if these financial assets are held within a business whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
20.3	**Financial liabilities**
	Financial liabilities are subsequently carried at amortized cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

III	**Recent Accounting Pronouncements:**
	Introduction of new Ind AS Standard/Amendments to Ind AS Standards
	Through a Notification dated 28th March 2018, the Ministry of Corporate Affairs has indicated 1st April 2018 as the effective date for the implementation of Ind AS 115- Revenue from Contracts with Customers. In addition, limited amendments have been made to some other Ind AS standards (Ind AS's 2, 12, 21, 28 and 40)
	The company is in the process of assessing the impact of the introduction of Ind AS 115- Revenue from Contracts with Customers and the limited amendments to the other Ind AS Standards. The impact, if any, will be disclosed in the financial statements for the year ended 31st March 2019.

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

NOTES TO THE FINANCIAL STATEMENTS

2.1 Transition to Ind AS:

These are the Company's first financial statements prepared in accordance with Ind AS notified under the Companies (Indian Accounting Standards) Rules, 2015. The adoption of Ind AS was carried out in accordance with Ind AS 101 - 'First-time Adoption of Indian Accounting Standards' using transition date as April 1, 2016.

Ind AS 101 requires that all Ind AS be consistently and retrospectively applied for fiscal years presented. The Company has prepared Opening Balance Sheet on the transition date and subsequent financials based on the accounting policies set out in Note-1.

In preparing these financials, the Company has availed following exemptions in the transition from previous GAAP to Ind AS in accordance with Ind AS 101.

Optional Exemptions:

a) Deemed Cost:

Property, plant and equipment and intangible assets were carried in the balance sheet prepared under previous GAAP as at March 31, 2016. The Company has elected to regard such carrying amount as deemed cost at the date of transition i.e. April 01, 2016 except for Land. Land has been revalued on the date of transition and the same has been considered as deemed cost.

b) Designation of previously recognized financial instruments

Under Ind AS 109, at initial recognition of a financial asset, an entity may make an irrevocable election to present subsequent changes in the fair value of an investment in an equity instrument in other comprehensive income. Ind AS 101 allows such designation of previously recognized financial assets, as 'fair value through other comprehensive income' on the basis of the facts and circumstances that existed at the date of transition to Ind AS.

Accordingly, the Company has designated its investments in certain equity instruments at fair value through other comprehensive income on the basis of the facts and circumstances that existed at the date of transition to Ind AS.

2.2 The following statement provides first-time Ind AS adoption reconciliation that quantifies the significant differences arising on account of transition from previous GAAP to Ind AS

S. No.	Particulars	As at March 31,2017			As at April 01,2016		
		Amount as per previous GAAP	Effect of transition to Ind AS	Amount as per Ind AS	Amount as per previous GAAP	Effect of transition to Ind AS	Amount as per Ind AS
I.	**ASSETS**						
	Non-current assets						
	(a) Property, plant and equipment	25,07,43,23,157	9,14,37,13,580	34,21,80,36,737	21,02,33,58,958	9,14,37,13,580	30,16,70,72,538
	(b) Capital work-in-progress	1,28,86,98,647	-	1,28,86,98,647	2,68,64,76,676		2,68,64,76,676
	(c) Other Intangible assets	7,18,92,402	-	7,18,92,402	3,13,20,073		3,13,20,073
	(d) **Financial assets**						
	(i) Investments	2,51,00,000	-	2,51,00,000	2,51,00,000		2,51,00,000
	(e) Deferred tax assets (net)	8,99,56,870	(8,99,56,870)	-	8,99,56,870	(8,99,56,870)	-
	(f) Other non-current assets	1,40,84,33,204	-	1,40,84,33,204	2,11,84,14,858		2,11,84,14,858
	Total Non-current assets	**27,95,84,04,280**	**9,05,37,56,710**	**37,01,21,60,990**	**25,97,46,27,435**	**9,05,37,56,710**	**35,02,83,84,145**
	Current assets						
	(a) Inventories	1,82,16,64,828	-	1,82,16,64,828	1,49,09,76,937		1,49,09,76,937
	(b) **Financial assets**						
	(i) Unbilled Revenue	2,01,24,23,981	-	2,01,24,23,981	1,85,99,05,241	-	1,85,99,05,241
	(ii) Trade receivables	25,31,25,55,527	(9,31,15,59,837)	16,00,09,95,690	21,72,71,51,979	(5,77,39,00,000)	15,95,32,51,979
	(iii) Cash and cash equivalents	2,37,24,88,115		2,37,24,88,115	2,08,04,58,565		2,08,04,58,565
	(iv) Other financial assets	4,68,98,06,779		4,68,98,06,779	4,06,73,72,138		4,06,73,72,138
	(v) Other current assets	8,14,23,93,128		8,14,23,93,128	11,51,14,41,134		11,51,14,41,134
	Total Current assets	**44,35,13,32,358**	**(9,31,15,59,837)**	**35,03,97,72,521**	**42,73,73,05,994**	**(5,77,39,00,000)**	**36,96,34,05,994**
	Total Assets before Regulatory Deferral Account	**72,30,97,36,638**	**(25,78,03,127)**	**72,05,19,33,511**	**68,71,19,33,429**	**3,27,98,56,710**	**71,99,17,90,139**
	Regulatory Deferral Account-Assets	**-**	**9,31,15,59,837**	**9,31,15,59,837**	**-**	**5,77,39,00,000,**	**5,77,39,00,000**
	TOTAL ASSETS	**72,30,97,36,638**	**9,05,37,56,710**	**81,36,34,93,348**	**68,71,19,33,429**	**9,05,37,56,710**	**77,76,56,90,139**
I.	**EQUITY AND LIABILITIES**						
	Shareholders' funds						
	(a) Share capital	7,76,76,61,040		7,76,76,61,040	3,05,13,61,040	-	3,05,13,61,040
	(b) Other equity	33,80,14,642	6,95,08,78,078	7,28,88,92,720	4,90,58,17,919	6,49,30,40,211	11,39,88,58,130
	TOTAL EQUITY	**8,10,56,75,682**	**6,95,08,78,078**	**15,05,65,53,760**	**7,95,71,78,959**	**6,49,30,40,211**	**14,45,02,19,170**
II.	**LIABILITIES**						
	Non-current liabilities						
	(a) Financial liabilities						
	(i) Borrowings	7,51,60,73,199		7,51,60,73,199	6,98,18,31,558	-	6,98,18,31,558
	(ii) Other financial liabilities	4,08,28,12,216		4,08,28,12,216	4,23,22,55,857	-	4,23,22,55,857
	(b) Provisions	74,30,99,196		74,30,99,196	65,63,94,502	-	65,63,94,502
	(c) Deferred tax liabilities (net)	-	1,98,27,36,252	1,98,27,36,252	-	1,98,27,36,252	1,98,27,36,252
	Total Non current liabilities	**12,34,19,84,611**	**1,98,27,36,252**	**14,32,47,20,863**	**11,87,04,81,917**	**1,98,27,36,252**	**13,85,32,18,169**

S. No.	Particulars	As at March 31,2017			As at April 01,2016		
		Amount as per previous GAAP	Effect of transition to Ind AS	Amount as per Ind AS	Amount as per previous GAAP	Effect of transition to Ind AS	Amount as per Ind AS
	Current liabilities						
	(a) **Financial liabilities**						
	(i) Borrowings	1,61,52,86,249	-	1,61,52,86,249	83,59,35,981	-	83,59,35,981
	(ii) Trade payables						
	(i) micro and small enterprises, and	-	-	-	-	-	
	(ii) other than micro and small enterprises	45,56,76,89,278	12,01,42,380	45,68,78,31,658	43,57,02,66,760	57,79,80,247	44,14,82,47,007
	(iii) Other Financial Liabilities	-	-	-	-	-	-
	(b) Provisions	20,86,59,297	-	20,86,59,297	22,19,81,156	-	22,19,81,156
	(c) Other current liabilities	4,47,04,41,521	-	4,47,04,41,521	4,25,60,88,656	-	4,25,60,88,656
	(d) Current Tax Liabilities (Net)	-		-	-		-
	Total Current liabilities	**51,86,20,76,345**	**12,01,42,380**	**51,98,22,18,725**	**48,88,42,72,553**	**57,79,80,247**	**49,46,22,52,800**
	TOTAL EQUITY AND LIABILITIES	**72,30,97,36,638**	**9,05,37,56,710**	**81,36,34,93,348**	**68,71,19,33,429**	**9,05,37,56,710**	**77,76,56,90,139**

b) Reconciliation of loss between Ind AS and previous GAAP

(Rs.)

Nature of adjustments	Amount
Net Loss after tax as reported under Previous GAAP	(3,12,84,09,016)
Ind AS: Adjustments increase/(decrease)	
Prior Period expense of earlier year adjusted in opening balance	57,79,80,247
Prior Period expense of current year adjusted	(12,01,42,380)
Actuarial gains/losses in respect of employees defined benefit plans reclassified as other comprehensive income	-
Total Ind AS adjustments affecting loss as per statement of profit and loss	**45,78,37,867**
Profit under Ind AS (after tax)	**(2,67,05,71,149)**
Other comprehensive income	
Actuarial gains/losses in respect of employees defined benefit plans reclassified as other comprehensive income	-
Fair value adjustments on investments (Mark to Market of Mutual Funds)	-
Deferred tax Asset in respect of above items(net)	-
Total Ind AS adjustments of other comprehensive income	-
Total comprehensive income reported under Ind AS	**(2,67,05,71,149)**

c) **Reconciliation of Other equity between Ind AS and previous GAAP**

Nature of adjustments	As at March 31,2017 ₹	As at April 1,2016 ₹
Other Equity as reported under Previous GAAP	(1,60,14,85,364)	18,95,17,916
Effect of Transition to Ind AS:		
Revaluation gain on Land	9,14,37,13,580	9,14,37,13,580
Deferred tax liabilties (net)	(2,07,26,93,122)	(2,07,26,93,122)
Reclassification of Share Application money pending alllotment	1,93,95,00,003	4,71,63,00,003
Prior period - correctly recognised (to year which it belongs)	(12,01,42,381)	(57,79,80,247)
Total Ind AS Adjustments	**8,89,03,78,080**	**11,20,93,40,214**
Other equity under Ind AS	**7,28,88,92,716**	**11,39,88,58,130**

d) There were no significant reconciliation items between cash flows prepared under previous GAAP and those prepared under Ind AS.

Notes:

A Under previous GAAP, there was no requirement to present investment property as a distinct line item and the same was included under property, plant and equipment as at March 31,2016 and non current investments as at March 31,2017 and measured at cost..

B Under previous GAAP, non current Investments were recognized at cost. Where applicable, provision was made to recognize a decline, other than temporary, in valuation of such Investments. Under Ind AS, financial assets in equity instruments (other than investments in subsidiaries, associate and joint ventures) are to be recognized at fair value through other comprehensive income.

C Under previous GAAP, rental deposits were recognised at amount paid to lessors. Under Ind AS, lease deposits are carried at amortised cost over the period of deposits.

D Under previous GAAP, allowance for trade receivables and dues from consumers were recognized based on the incurred loss method. Under Ind AS, loss allowance are based on probable loss assessment as estimated by the management.

E Under previous GAAP, actuarial gains and losses on measurement of employees defined benefit plans were recognized in the statement of profit and loss. Under Ind AS, the same are recognized under other comprehensive income. Suitable reclassifications have been done.

F Under previous GAAP, deferred tax was accounted based on timing differences impacting the Statement of Profit and Loss for the period. Under Ind AS, Deferred tax is recognised for temporary differences between tax and book bases of the relevant assets and liabilities.

GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

(CIN NO. - U04010KA2002SGC030436)

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

NOTES TO THE FINANCIAL STATEMENTS

3. Property plant and equipment:

Tangible assets

Gross block	Land & Rights	Buildings	Other Civil Works	Roads	Plant & Machinery	Lines Cable Networks	Motor vehicles	Furniture and fittings	Office Equipments	Total
Balance as at 01 April 2016	**6,62,13,430**	**48,76,70,935**	**4,38,33,615**	**2,30,71,267**	**5,26,67,10,703**	**24,48,33,61,813**	**5,37,69,780**	**4,81,37,601**	**6,01,49,083**	**30,53,29,18,227**
Revaluation gains/(losses)	9,14,37,13,580	-								9,14,37,13,580
Balance as at 01 April 2016 (Ind AS)	**9,20,99,27,010**	**48,76,70,935**	**4,38,33,615**	**2,30,71,267**	**5,26,67,10,703**	**24,48,33,61,813**	**5,37,69,780**	**4,81,37,601**	**6,01,49,083**	**39,67,66,31,807**
Additions	2,09,94,146	11,96,95,027	84,07,417	87,18,534	1,39,18,50,098	4,44,93,80,739	47,82,636	66,24,686	17,81,258	6,01,22,34,541
Disposals	-		-		56,03,78,036	13,36,16,668		16,88,553	3,45,365	69,60,28,622
Balance as at 31 March 2017	**9,23,09,21,156**	**60,73,65,962**	**5,22,41,032**	**3,17,89,801**	**6,09,81,82,765**	**28,79,91,25,88**	**5,85,52,416**	**5,30,73,734**	**6,15,84,976**	**44,99,28,37,726**
Additions	1,69,47,844	9,10,64,805	60,38,417	30,48,796	1,18,14,03,046	2,85,56,39,554	-	62,60,548	81,42,231	4,16,85,45,241
Disposals			-		74,49,79,700	37,60,59,426		2,13,833	15,35,496	1,12,27,88,456
Balance as at 31 March 2018	**9,24,78,69,000**	**69,84,30,767**	**5,82,79,449**	**3,48,38,597**	**6,53,46,06,110**	**31,27,87,06,012**	**5,85,52,416**	**5,91,20,449**	**6,81,91,711**	**48,03,85,94,511**
Accumulated depreciation										
Balance as at 01 April 2016	-	**9,71,75,876**	**1,64,71,160**	**44,98,675**	**1,31,82,02,177**	**7,99,94,27,668**	**3,47,30,574**	**2,29,31,019**	**1,61,22,120**	**9,50,95,59,269**
Reclassification to investment property		-								-
Balance as at 01 April 2016 (Ind AS)	-	**9,71,75,876**	**1,64,71,160**	**44,98,675**	**1,31,82,02,177**	**7,99,94,27,668**	**3,47,30,574**	**2,29,31,019**	**1,61,22,120**	**9,50,95,59,269**
Depreciation charge for the year	-	1,69,22,866	23,79,783	808,110	27,89,73,942	1,18,78,37,374	19,97,807	23,43,665	32,53,810	1,49,45,17,357
Other Adjustments	-	2,82,511	(1,33,252)	(63,718)	(63,30,081)	(13,86,93,557)	(20,391)	(3,60,723)	51,056	(14,52,68,155)
Disposals	-	-	-		7,70,21,304	69,84,722	-	1,457	-	8,40,07,483
Balance as at 31 March 2017	-	**11,43,81,253**	**1,87,17,691**	**52,43,067**	**1,51,38,24,734**	**9,04,15,86,763**	**3,67,07,990**	**2,49,12,504**	**1,94,26,986**	**10,77,48,00,988**
Depreciation charge for the year	-	2,16,90,501	22,46,531	10,80,308	33,24,91,040	1,40,42,71,323	23,93,905	27,10,884	34,30,609	1,77,03,15,102
Other Adjustments	-	(6,01,697)	6,01,697	-	(2,94,80,395)	(1,95,72,375)	-	(525)	(772)	(4,90,54,067)
Disposals	-		-	-	10,34,80,969	2,08,53,144	-	-	-	12,43,34,113
Balance as at 31 March 2018	-	**13,54,70,057**	**2,15,65,919**	**63,23,375**	**1,71,33,54,410**	**10,40,54,32,568**	**3,91,01,895**	**2,76,22,863**	**2,28,56,823**	**12,37,17,27,910**
Net block										
Balance as at 01 April 2016	9,20,99,27,010	39,04,95,059	2,73,62,455	1,85,72,592	3,94,85,08,526	16,48,39,34,145	1,90,39,206	2,52,06,582	4,40,26,963	30,16,70,72,538
Balance as at 31 March 2017	9,23,09,21,156	49,29,84,709	3,35,23,341	2,65,46,734	4,58,43,58,031	19,75,75,39,121	2,18,44,426	2,81,61,230	4,21,57,990	34,21,80,36,738
Balance as at 31 March 2018	**9,24,78,69,000**	**56,29,60,710**	**3,67,13,530**	**2,85,15,222**	**4,82,12,51,700**	**20,87,32,73,444**	**1,94,50,521**	**3,14,97,586**	**4,53,34,888**	**35,66,68,66,600**

Additional information:

1) As allowed under Ind AS-101 , the Company has revalued the entire class of land as at April 1, 2016 which is the effective date of the revaluation by approved independent valuers and accordingly crediting revaluation reserve by Rs. **914.37 crores** The method adopted and significant assumptions applied in estimating fair values/revalues of the said lands are based on the local market surveys and from market enquiries. The independent valuers have arrived at the fair values/revalues of those lands considering the rates fixed by the respective State Government, the municipal limits where the respective lands are situated, considering the proximity/connectivity's to the towns/cities and availability of similar kind of properties as duly assessed in the active markets.

2) If the Company has valued its freehold & leasehold Land using Cost model the carrying amount would have been Rs. 6.62 crores as at April 01,2016.

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

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

5) 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.

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

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NOTES TO THE FINANCIAL STATEMENTS

7) Included in above PPE by way of Capitalisation of Interest & Capitalisation of assets by way of consumer contribution/grants/deposit contribution works:

Particulars	31-Mar-18	31-Mar-17	01-Apr-16
	₹	₹	₹
Capitalisation of Interest:			
Opening Balance	**32,79,59,781**	**32,79,59,781**	**32,79,59,781**
Add: For the year			-
Closing Balance	**32,79,59,781**	**32,79,59,781**	**32,79,59,781**
Capitalisation of assets by way of consumer contribution/grants/deposit contribution works:			
Opening Balance	**6,89,44,41,698**	**5,24,81,84,873**	**4,62,12,17,282**
Add: For the year	51,91,90,042	1,64,62,56,825	62,69,67,591
Closing Balance	**7,41,36,31,740**	**6,89,44,41,698**	**5,24,81,84,873**

4 Capital Work In Progress:

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
	₹	₹	₹
Capitalisation of Interest:			
a) Plant & Machinery	84,79,98,245	1,28,86,98,647	2,68,64,76,676
	84,79,98,245	**1,28,86,98,647**	**2,68,64,76,676**
5 Intangible Assets under development:			
a) Computer Software	7,40,17,653	7,18,92,402	3,13,20,073
	7,40,17,653	**7,18,92,402**	**3,13,20,073**

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6. Non current investments:

Details of investments	Name of the Company	As at March 31, 2018			As at March 31, 2017			As at March 31, 2016		
		No of shares	Face value	Amount	No of shares	Face value	Amount	No of shares	Face value	Amount
a) Investments in equity Instruments:										
1) Others: (Other than Trade,Unquoted) Fully paid up Investment in equity instruments		2,51,000	100	2,51,00,000	2,51,000	100	2,51,00,000	2,51,000	100	2,51,00,000
Total				**2,51,00,000**			**2,51,00,000**			**2,51,00,000**
Less: Provision for diminution in value of investments				-			-			-
Total				**2,51,00,000**			**2,51,00,000**			**2,51,00,000**

7 Deferred tax Assets (Net):

Particulars	31-Mar-18	31-Mar-17	01-Apr-16
	₹	₹	₹
a) Deferred tax liability:			
i) On account of depreciation on fixed assets (other than land)	-	1,90,6,2,76,319	1,69,74,34,863
ii) On account of revaluation of land	2,07,26,93,122	2,07,26,93,122	2,07,26,93,122
ii) On account of fair valuation of investments	-	-	-
Total	**2,07,26,93,122**	**3,97,89,69,441**	**3,77,01,27,985**
b) Deferred tax asset:			
i) On account of depreciation on fixed assets (other than land)	8,99,56,870	1,22,02,19,515	1,16,54,76,164
ii) On account of timing differences in recognition of expenditure		77,60,13,674	62,19,15,569
Total	**8,99,56,870**	**1,99,62,33,189**	**1,78,73,91,733**
Net Deferred tax (liability)/asset	**(1,98,27,36,252)**	**(1,98,27,36,252)**	**(1,98,27,36,252)**

8 Other non current assets:

Particulars	31-Mar-18	31-Mar-17	01-Apr-16
	₹	₹	₹
(unsecured and considered good)			
a) Advance payment of tax (net)	-	44,63,71,248	44,49,22,084
b) Capital advances	1,71,30,28,215	79,26,73,686	1,49,72,48,422
c) Security deposits	17,11,45,803	16,93,88,270	17,62,44,352
d) Security deposits- Others	-	-	-
	1,88,41,74,018	**1,40,84,33,204**	**2,11,84,14,858**
Less: Allowance for other non current assets	-	-	-
	1,88,41,74,018	**1,40,84,33,204**	**2,11,84,14,858**

9. Inventories:

Particulars	31-Mar-18	31-Mar-17	01-Apr-16
	₹	₹	₹
Stocks, spares and loose tools			
a) Materials lying at Stores	1,34,19,99,214	1,42,20,00,372	1,15,20,17,001
b) Materials with Contractors	1,86,08,819	1,53,64,794	1,60,30,300
c) Materials with Employees	1,80,11,269	73,05,828	1,10,50,140
d) Obsolete/ Scrapped Assets	1,46,82,016	92,29,691	63,36,907
e) WDV of Faulty/Dismantled Assets	43,40,05,341	36,77,64,143	30,55,42,589
	1,827,306,659	**1,821,664,828**	**1,49,09,76,937**

10. Unbilled Revenue:

Particulars	31-Mar-18	31-Mar-17	01-Apr-16
	₹	₹	₹
Unbilled Revenue	2,37,26,90,170	2,01,24,23,981	1,85,99,05,241
	2,37,26,90,170	**2,01,24,23,981**	**1,85,99,05,241**

11 Trade receivables:

Particulars	31-Mar-18	31-Mar-17	01-Apr-16
	₹	₹	₹
a) Trade receivables exceeding six months	4,25,11,38,126	13,45,46,47,928	13,36,54,60,635
b) others	7,05,21,29,845	54,259,25,432	4,68,39,64,698
	11,30,32,67,971	**18,88,05,73,360**	**18,04,94,25,333**
Less: Allowance for doubtful receivables	3,54,83,57,480	2,87,95,77,672	2,09,61,73,354
	7,75,49,10,491	**16,00,09,95,688**	**15,95,32,51,979**
Additional information:			
1) Breakup of above:			
a) Secured, considered good	5,52,25,76,657	4,91,74,79,167	4,52,08,68,091
b) Unsecured, considered good	2,23,23,33,834	11,08,35,16,521	11,43,23,83,888
c) Doubtful	3,54,83,57,480	2,87,95,77,672	2,09,61,73,354
Total	**11,30,32,67,971**	**18,88,05,73,360**	**18,04,94,25,333**
Less: Allowance for doubtful receivables ($)	3,54,83,57,480	2,87,95,77,672	2,09,61,73,354
	7,75,49,10,491	**16,00,09,95,688**	**15,95,32,51,979**

($) 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. 354.84 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. 44.32 Crs and 10% provision is created on IP set Dues outstanding for more than 2 years which works out to Rs.197.19 Crores. On the Balance Debtors, 4% provision is made.**

12 Cash and Cash Equivalents:

Particulars	31-Mar-18	31-Mar-17	01-Apr-16
	₹	₹	₹
Cash and cash equivalents:			
a) Balances with banks			
- in current accounts	57,95,41,236	64,06,08,490	88,75,55,443
-in other accounts (to the extent held as margin money or security against the borrowings, guarantees, other commitments)	40,80,58,125	1,65,36,91,937	1,04,25,27,857
b) Cash on hand	5,20,77,781	7,73,47,677	14,98,41,230
c) Cheques and Funds in Transit	11,138	4,23,000	1,53,000
d) Stamps on Hand	4,47,072	4,17,011	3,81,035
Total	**1,04,01,35,352**	**2,37,24,88,115**	**2,08,04,58,565**

* Cash & Bank Balance includes a. Unrecouped Vouchers : Rs.1,24,362/- & b. Suspense : Rs. 14.56 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.

13 Other Financial Assets:

Particulars	31-Mar-18	31-Mar-17	01-Apr-16
	₹	₹	₹
a) Advance to Suppliers	14,33,68,879	33,72,363	59,34,105
b) Advance to Employees	3,46,61,861	1,94,44,235	1,80,70,165
c) Receivable from Associates (KPTCL/ESCOMS/PCKL)	5,33,88,63,635	4,53,23,68,927	3,87,79,48,927
d) Receivable from Power Generators	25,61,51,104	13,46,21,254	16,54,18,941
	5,77,30,45,479	**4,68,98,06,779**	**4,06,73,72,138**
Less: Allowance for other financial assets	-	-	-
	5,77,30,45,479	**4,68,98,06,779**	**4,06,73,72,138**
Additional information:			
1) Breakup of above:			
a) Secured, considered good	40,60,07,170	40,60,07,170	40,60,07,170
b) Unsecured, considered good	5,3670,38,309	4,28,37,99,609	3,66,13,64,968
c) Doubtful	-	-	-
Total	**5,77,30,45,479**	**4,68,98,06,779**	**4,06,73,72,138**
Less: Allowance for doubtful advances for advance paid to suppliers and other receivables	-	-	-
Total	**5,77,30,45,479**	**4,68,98,06,779**	**4,06,73,72,138**

14 Other Current Assets:

Particulars	31-Mar-18	31-Mar-17	01-Apr-16
	₹	₹	₹
a) **Receivable from Government of Karnataka:**			
Rural Electrification Subsidy	30,50,87,720	30,50,87,720	30,50,87,720
Tariff Subsidy	6,31,31,02,034	7,73,20,15,902	11,10,47,92,529
RDPR Dues	2,07,45,62,711	-	-
b) Receivable from Pension/Gratuity Trust	9,74,41,075	5,31,71,882	5,81,91,420
c) Receivable from beneficiaries of Solar Lantern	1,94,06,483	2,45,31,120	1,90,36,448
d) Prepaid Expenses	12,48,166	12,96,141	12,26,967
e) Income accrued and not due	2,30,95,417	2,52,06,154	2,13,53,669
f) Claims for loss/Damage to Capital Assets	10,84,209	10,84,209	17,52,381
	8,83,50,27,815	**8,14,23,93,128**	**11,51,14,41,134**
Less: Allowance for doubtful advances for advance paid to suppliers and others	-	-	-
	8,83,50,27,815	**8,14,23,93,128**	**11,51,14,41,134**

15 Regulatory Deferral Accounts :

Particulars	31-Mar-18	31-Mar-17	01-Apr-16
	₹	₹	₹
Regulatory Deferral Account - Liability:			
Regulatory Liabilities	-	-	-
Regulatory Deferral Account-Asset:			
Regulatory Assets	8,10,11,29,873	9,31,15,59,837	5,77,39,00,000
Regulatory Deferral Account - Asset/ (Liability)	**8,10,11,29,873**	**9,31,15,59,837**	**5,77,39,00,000**

<u>Rate Regulated Activities:</u>

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

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

(ii) Reconciliation of Regulatory Assets/Liabilities of distribution business as per Rate Regulated Activities as on March 31, 2018, and March 31, 2017 is as follows:

Particulars	As at 31-Mar-18	As at 31-Mar-17
	₹	₹
Opening Regulatory Assets (net)	9,31,15,59,837	5,77,39,00,000
Regulatory Income/(Expenses) during the year:		
(i) Power Purchase Cost	4,56,34,70,036	3,53,76,59,837
(ii) Reversal of earlier years income recognised	(5,77,39,00,000)	-
Closing Regulatory Assets (net)	**8,10,11,29,873**	**9,31,15,59,837**

Particulars	As at March 31, 2018		As at March 31, 2017		As at April 01, 2016	
	Number	₹	Number	₹	Number	₹
16 Share capital:						
Authorized: (*)						
Equity shares of						
₹ 10/- each	1,20,00,00,000	12,00,00,00,000	80,00,00,000	8,00,00,00,000	80,00,00,000	8,00,00,00,000
	1,20,00,00,000	**12,00,00,00,000**	**80,00,00,000**	**8,00,00,00,000**	**80,00,00,000**	**8,00,00,00,000**
Issued, subscribed and fully paid up:						
Equity shares of ₹ 10/- each						
At the beginning of the year	77,67,66,104	7,76,76,61,040	30,51,36,104	3,05,13,61,040	30,51,36,104	3,05,13,61,040
Issued during the year						
- by way of issue of fully paid up equity shares	33,81,90,000	3,38,19,00,000	47,16,30,000	4,71,63,00,000	-	-
At the close of the year	**1,11,49,56,104**	**11,14,95,61,040**	**776,766,104**	**7,76,76,61,040**	**30,51,36,104**	**3,05,13,61,040**
Total carried to Balance Sheet		**11,14,95,61,040**		**7,76,76,61,040**		**3,05,13,61,040**

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

Particulars	As at March 31, 2018		As at March 31, 2017		As at March 31, 2016	
	Number	Percemtage	Number	Percemtage	Number	Percemtage
(i) Government of Karnataka	1,11,49,56,095	99.99%	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

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Note : 17

Other Equity

Statement of Changes in Equity

Particulars	Other Equity						Other Comprehensive Income			Total Equlity Shares
	Share Application Money Pending Allotment	Capital Reserve	Grants towardscost of Capital Assets	Reservefor Material Cost variance	Retained Earnings	Total (A)	Items that will be reclassified to profit or loss: Revaluation of Land	Items that will not be reclassified to profit or loss: Actuarial gains/ (losses) of employee benefits	Total(B)	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 1 April 2016	4,71,63,00,003	3,49,43,70,657	1,72,74,29,014	48,86,90,437	(5,52,09,72,192)	4,90,58,17,919	-	-	-	4,90,58,17,919
Add/(Less): Ind AS adjustments				-	(57,79,80,247)	**(57,79,80,247)**	9,14,37,13,580		9,14,37,13,580	8,56,57,33,333
Less: Tax Adjustment on Ind AS items						-	(2,07,26,93,122)		(2,07,26,93,122)	(2,07,26,93,122)
As at 1st April 2016 (after opening Ind AS adjustments)	**4,71,63,00,003**	**3,49,43,70,657**	**1,72,74,29,014**	**48,86,90,437**	**(6,09,89,52,439)**	**4,32,78,37,672**	**7,07,10,20,458**	-	**7,07,10,20,458**	**11,39,88,58,130**
Add/(Less): Profit / (Loss) for the year	-	-	-	-	(3,12,84,09,016)	(3,12,84,09,016)			-	(3,12,84,09,016)
Add: Addditions during the year	-	1,11,26,31,814	53,36,25,012	-	-	1,64,62,56,826			-	1,64,62,56,826
Add: Share application money received	1,93,95,00,000	-	-	-	-	1,93,95,00,000			-	1,93,95,00,000
Add/(Less): Allotment of shares	(4,71,63,00,000)	-	-	-	-	(4,71,63,00,000)				(4,71,63,00,000)
Less: Reversal of Depreciation/ withdrawal during the year	-	(19,16,00,000)	(8,01,00,000)	(3,71,51,089)	-	(30,88,51,089)				(30,88,51,089)
Add/(Less): Ind AS adjustments	-		-	-	45,78,37,865	45,78,37,865	-		-	45,78,37,865
Less: Tax Adjustment on Ind AS items	-		-	-	-	-	-		-	-
Total comprehensive income as at March 31 2017	**1,93,95,00,003**	**4,41,54,02,471**	**2,18,09,54,026**	**45,15,39,348**	**(8,76,95,23,590)**	**21,78,72,258**	**7,07,10,20,458**	-	**7,07,10,20,458**	**7,28,88,92,716**
Add/(Less): Loss for the year				-	(4,72,62,57,431)	(4,72,62,57,431)			-	(4,72,62,57,431)
Add/(Less): On account of new issue	-					-			-	-
Add: Addditions during the year	-	56,60,76,302	71,69,39,400	-		1,28,30,15,702			-	1,28,30,15,702
Add: Share application money received	1,91,50,00,000	-	-	-	-	1,91,50,00,000			-	1,91,50,00,000
Add/(Less): Allotment of shares	(3,38,19,00,000)	-	-	-	-	(3,38,19,00,000)			-	(3,38,19,00,000)
Less: Reversal of Depreciation/ withdrawal during the year	-	(22,51,00,000)	(13,22,00,000)	(42,01,880)	-	(36,15,01,880)				(36,15,01,880)
Add/(Less): Ind AS adjustments	-	-	-	-	-	-	-		-	-
Less: Tax Adjustment on Ind AS items-	-	-	-	-	-	-			-	-
Total comprehensive income as at March 31 2018	**47,26,00,003**	**4,75,63,78,773**	**2,76,56,93,426**	**44,73,37,468**	**(13,49,57,81,021)**	**(5,05,37,71,352)**	**7,07,10,20,458**	-	**7,07,10,20,458**	**2,01,72,49,106**

Non- Current Liabilities

18 Borrowings:

Particulars	31-Mar-18	31-Mar-17	01-Apr-16
	₹	₹	₹
I) Secured loans:			
a) Loan from Others	8,02,79,44,833	8,74,72,45,205	7,55,53,58,042
Less: Current maturities on loan from others	1,74,51,31,435	1,29,74,69,560	65,23,87,944
	6,28,28,13,398	**7,44,97,75,645**	**6,90,29,70,098**
II) Unsecured loans:			
a) Loan from Others	6,62,97,557	7,88,61,460	9,27,30,363
Less: Current maturities on loan from others	1,25,63,903	1,25,63,903	1,38,68,903
	5,37,33,654	**6,62,97,557**	**7,88,61,460**
Total Borrowings	**6,33,65,47,052**	**7,51,60,73,202**	**69,818,31,558**

Additional information:

Secured Loans:

Particulars	31-Mar-18	31-Mar-17	01-Apr-16
Term Loans from Others	₹	₹	₹
Loans from Rural Electrification Corporation Limited, New Delhi. -APDRP Counter part funding	**1,87,61,297**	**2,26,75,637**	**5,34,14,077**
(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%)			

Particulars	31-Mar-18	31-Mar-17	01-Apr-16
	₹	₹	₹
PFC - RAPDRP	**27,87,45,229**	**36,05,31,446**	**40,16,80,330**
Part A -The tenure of loan originally was 10 years from the date of disbursement inclu-ding 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 morato-rium repayable in equal annual installments. (i.e.Moratorium period extendedby two years). Interest rate is 11.50%. Part B- The Tenure of the loan is 20 years with 5 years moratorium. Repayable in equal annual installments starting from 2016. Interest rate is 11.50%.)			
Loan from Rural Electrification Corporation	**5,28,84,24,040**	**5,86,57,45,448**	**5,86,70,74,259**
a REC-Rural Load Management System- Rs. 36.84 Crores - The Tenure of the loan is 13 years with 3 years moratorium. repay- able 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. 139.87 Crores - 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%.			

Particulars	31-Mar-18	31-Mar-17	01-Apr-16
	₹	₹	₹
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%.			
Loans from Power Finance Corporation	**1,42,69,788**	**1,65,22,913**	**1,95,27,079**
(Secured by hypothecation of Assets created under the project - Nirantara Jyoti. The Tenure of the loan is 12 years repayable in 48 equal quarterly installments starting from 2010. Interest rate 11.75)			
Loans from Power Finance Corporation	**20,30,76,319**	**26,31,23,008**	**31,24,25,108**
(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%)			
Loan from Rural Electrification Corporation - PSI	**53,62,25,991**	**61,91,72,012**	**60,28,01,312**
(Secured by hypothecation of Assets installed in Sub Stations constructed under the project. The Tenure of the loan is 13 years with 3 years moratorium. Repayable in 10 equal annnual installments starting from 2010. Rate of Interest is varying from 8.25% to 10.90%)			

Particulars	31-Mar-18	31-Mar-17	01-Apr-16
	₹	₹	₹
Loans from Power Finance Corporation	**16,25,39,333**	**22,59,07,873**	**29,84,35,877**
(Secured by hypothecation of Movable Assets comprising 2 x 5 MVA, 33/11 KV Sub Stations and associated lines. The Tenure of the loan is 12 years repayable in 48 equal quarterly installments starting from 2004 & 2007. Interest rate varying from 8.00% to 11%)			
Loans from Commercial Banks	**1,52,59,02,836**	**1,37,35,66,868**	**-**
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)			
Sub-Total	**8,02,79,44,833**	**8,74,72,45,205**	**7,55,53,58,042**
Less : Current Maturities :	1,74,51,31,435	1,29,74,69,560	65,23,87,944
Total	**6,28,28,13,398**	**7,44,97,75,645**	**6,90,29,70,098**
Unsecured Loans:			
1 Loans from Government - PMGY (The tenure of the loan is 20 years with 5 years moratorium, principal being repayable in equal Annual Installments, repayment starting from 1st Sep 2010 and ending during Sep 2024. The rate of Interest is 12%.)	3,07,31,270	3,61,81,916	4,16,32,562
2 Loans from Government - APDRP (The tenure of the loan is 13 years with 3 years moratorium, principal being			

Particulars	31-Mar-18	31-Mar-17	01-Apr-16
	₹	₹	₹
repayable in 10 equal Annual Installments, repayment starting from 2009 and ending during 2018. The rate of Interest is 8%.)	3,55,66,287	4,26,79,544	4,97,92,801
3 **Loan from GoK - Power Sector Automation** (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)	-	-	13,05,000
Sub-Total	**6,62,97,557**	**7,88,61,460**	**9,27,30,363**
Less : Current Maturities :	1,25,63,903	1,25,63,903	1,38,68,903
Total	**5,37,33,654**	**6,62,97,557**	**7,88,61,460**
19 Other Financial Liabilities:			
a) Deposit Contribution Work	(75,86,251)	(44,63,64,495)	(5,42,97,616)
b) Security Deposit from Consumers	4,92,56,62,798	4,52,91,76,711	4,28,65,53,473
	4,91,80,76,547	**4,08,28,12,216**	**4,23,22,55,857**
20 Provisions:			
a) Provision for Family Benefit Fund	5,37,58,508	5,03,06,251	4,41,61,489
b) Provision for Leave Encashment	44,51,65,655	47,02,61,831	38,97,01,899
c) Provision made by GOK towards consumers	59,6,95,651	5,96,95,651	5,96,95,651
d) BRP II Adjustment given by GOK i.r.o SMIORE	12,93,06,507	12,93,06,507	12,93,06,507
e) Other Payables to GoK	3,35,28,956	3,35,28,956	3,35,28,956
	72,14,55,277	**74,30,99,196**	**65,63,94,502**

Particulars	31-Mar-18	31-Mar-17	01-Apr-16
	₹	₹	₹
21 Borrowings:			
I) Secured loans:			
a) Loans repayable on demand	74,39,69,617	94,86,19,585	83,59,35,981
- from others	-	66,66,66,664	-
Total	**74,39,69,617**	**1,61,52,86,249**	**83,59,35,981**
1) **Details of security for secured loans:**			
a) **Loan from Banks:**			
(Secured by Charge on Receivables from Consumers)	74,39,69,617	94,86,19,585	83,59,35,981
b) **Loan from Others:**			
(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. TheTenure 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	-
22 Trade payables:			
a) Total outstanding dues of micro and small enterprises	-	-	-
b) Total outstanding dues other than micro and small enterprises	41,34,51,73,942	45,68,78,31,658	44,14,82,47,007
	41,34,51,73,942	**45,68,78,31,658**	**44,14,82,47,007**
Additional Information:			
1 Trade Payables for Purchase of Power	36,20,82,11,855	32,51,25,34,403	33,69,65,54,630
2 Other Liability for Outstanding Expenses	5,90,01,00,593	5,11,73,87,101	65,46,66,681
3 Payable to Associates - KPTCL/PCKL /other ESCOMs	(76,31,38,501)	7,93,77,67,774	9,219,045,448
	41,34,51,73,948	**45,56,76,89,278**	**43,570,266,759**

($) 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 2018.

Particulars	31-Mar-18	31-Mar-17	01-Apr-16
	₹	₹	₹
23 Provisions:			
a) Provision for Earned Leave Encashment	8,70,81,868	8,35,09,557	6,59,67,857
b) Provision for Employee Benefits	32,30,68,958	12,09,99,116	15,18,15,040
c) Provision for Family Benefit Fund	46,83,709	41,50,624	41,98,259
	41,48,34,535	**20,86,59,297**	**22,19,81,156**
24 Other current liabilities:			
a) Current Maturities of Long term debts	1,75,76,95,338	1,31,00,33,463	66,62,56,847
b) Excess credit under reconciliation with Bank	6,97,21,996	5,87,80,931	4,47,88,932
c) Interest accrued and payable to consumers	66,31,62,107	59,32,93,161	54,49,01,109
d) Interest accrued but not due on loans	23,37,43,616	28,20,71,398	25,93,87,820
e) Interunit accounts	(6,85,44,524)	11,88,95,427	13,80,20,225
f) Liability towards consumers	4,34,49,790	2,80,94,322	2,69,28,728
g) Miscellaneous Deposits/other liabilites	21,16,54,568	24,10,30,770	26,41,75,871
h) Payables/liabilities for supplies/works	1,588,276,869	1,56,66,07,145	1,93,95,92,219
i) Security deposit in cash from Suppliers/ Contractors	9,32,33,899	9,49,09,672	8,32,33,840
j) Statutory Liabilities	(5,63,50,699)	17,67,25,232	28,88,03,065
	4,53,60,42,960	**4,47,04,41,521**	**4,25,60,88,656**
25 Current Tax Liabilities (Net):			
a) Provision for tax (net of advance tax)	3,67,56,027	-	-
	3,67,56,027	**-**	**-**

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

Particulars		Pending at/with	31-Mar-18	31-Mar-17	01-Apr-16
		₹	₹	₹	₹
1	Issue of C-Forms	Karnataka Appealated Tribunal	Rs. 82.55 Lakhs	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. 364.96 Lakhs	Rs. 358.14 Lakhs	Rs. 991.09 Lakhs
3	TDS on Transmission charges & others	CIT / High Court / Supreme Court	Rs. 10377.58 Lakhs	Rs. 10377.58 Lakhs	Rs. 10377.58 Lakhs
4	Incorrect/excess/arrears billing pending	Appealte Authorities	Rs. 1661.27 Lakhs	Rs. 1534.23 Lakhs	Rs. 2362.00 Lakhs
5	Interest on Power Purchase Parties	Claims against the Company not acknowledged as debts	—	—	Rs. 99.81 Lakhs
6	Security to energy suppied by the Power Generators in the form of LC	Various Banks	Rs. 1276 Lakh	Rs. 9033 Lakh	Rs. 14234 Lakh
7	For loss of life on account of electrification	Consumer Courts	Rs 697.08 lakhs(39 cases)	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	Not Ascertainable
9	Power Purchase Agreement trafiffs & dues	Appealte Autority	110 cases pending before various authorities, Courts where the Amount is not Ascertainable.	142 cases pending before various authorities, Courts where the Amount is not Ascertainable.	Not Ascertainable

Particulars	2017-18	2016-17
	₹	₹
27 Revenue from operations:		
a) Sale of Power		
- HT & LT	42,91,75,72,146	37,74,32,06,563
	42,91,75,72,146	**37,74,32,06,563**
28 Other income:		
a) Rental Income	1,57,08,203	3,34,74,094
b) Interest Income	2,96,99,058	4,00,91,000
c) Profit on sale of scrap	1,08,19,948	42,19,806
d) Provision no longer required written back	53,05,48,581	54,91,18,863
e) Rebate on Power Purchase	13,62,20,670	24,18,24,833
f) Rebate on remittance of eletricity duty	63,30,500	56,70,500
g) Other Miscellaneous Income	1,50,50,279	57,68,731
	74,43,77,239	**88,01,67,827**
29 Cost of Power Purchased:		
a) Purchase of Power	35,77,15,95,773	34,62,48,54,784
	35,77,15,95,773	**34,62,48,54,784**
30 Employee benefit expenses:		
a) Salaries & Wages	3,39,11,12,401	2,37,68,91,459
b) Contribution to provident and other funds	69,47,65,614	58,17,77,894
c) Bonus/Exgratia	5,34,95,131	5,76,41,506
d) Earned leave encashment	14,67,25,497	24,13,27,902
e) Staff welfare expenses	16,10,17,884	9,40,94,390
f) Reclassification of Actuarial gains/ losses	-	-
	4,44,71,16,527	**3,35,17,33,151**
31 Finance costs:		
a) Interest expense on loans from others*	1,03,91,97,933	1,03,47,82,429
b) Interest on Power charges	2,16,02,15,649	2,10,91,91,190
c) Interest to Consumers on security deposits	31,74,11,775	32,97,97,628
	3,51,68,25,357	**3,47,37,71,247**

*Payment of Interest, guarantee commission and principal amount paid to financial institutions in respect of some of the loans accounts, during the year 2017-18 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.

Nature of adjustments	2017-18	2016-17
	₹	₹
32 Depreciation and amortization:		
a) Depreciation on Building	2,39,37,032	1,93,02,648
Depreciation on furnitures, fixtures	27,10,884	23,43,665
Depreciation on lines, canle & network etc	1,40,42,71,323	1,18,78,37,374
Depreciation on office equipments	34,30,609	32,53,810
Depreciation on Other civil works	10,80,308	8,08,110
Depreciation on Plant & Machinery	33,24,91,040	27,89,73,942
Depreciation on vehicles	23,93,905	19,97,807
Reversal of Depreciation	(35,73,00,000)	(27,17,00,000)
	1,41,30,15,101	**1,22,28,17,356**
33 Other expenses:		
a) Advertisement Expenses	1,30,00,330	69,08,217
b) Asset Decomissioning Costs	11,09,290	1,52,86,984
c) Payment to auditors		-
- as auditor	8,11,250	8,11,250
- for taxation and other matters	1,77,000	1,77,000
- for Certification and limited review	-	-
d) R&M - Building	4,73,80,309	3,85,71,754
e) R&M - Plant & Machinery	27,89,44,754	29,21,52,156
f) R&M- Others	2,76,026	2,07,039
g) R&M- Vehicles	29,86,799	27,66,158
h) Rent	62,47,898	1,01,87,210
i) Bad and doubtful debts written off/provided for	66,89,43,434	78,34,04,318
j) Bank charges	2,16,15,417	1,10,52,802
k) Compensation for death, injuries and damages	1,41,34,221	1,72,67,347
l) Computer stationery and floppies	18,62,903	24,85,167
m) Contributions	30,000	36,51,794
n) Conveyance,travel and vehicle expenses	14,82,88,140	14,89,82,420
o) Electricity charges	3,76,29,507	3,07,67,996
p) Expenditure towards consumer awareness/education	2,24,28,50	31,13,518
q) Freight and other material related expenses	(83,42,112)	1,75,74,450
r) Incentive/Remuneration paid to Gram Vidyuth prathinidhi	14,73,47,656	11,55,16,690
s) Legal Charges	51,87,315	1,11,25,988
t) Maintenance charges	46,18,34,249	35,74,57,440
u) Rates & Taxes	6,33,76,397	1,48,31,902
v) Other Expenses	-	-
w) Postage and telephone charges	365,92,991	3,19,06,956
x) Printing & Stationery	2,74,61,171	2,29,52,457
y) Miscellaneous & other expenses	1,43,34,993	6,06,30,897
z) Miscellaneous losses	1,55,65,656	3,84,76,547
	2,02,92,24,094	**2,03,82,66,457**

Nature of adjustments	2017-18	2016-17
	₹	₹
34 Earnings per share:		
(Basic and diluted)		
Basic and Diluted Earnings per share [EPS] computed in accordance with Ind AS 33 "Earnings per Share":		
a) Before exceptional item		
Profit for the year after tax expense	(4,72,62,57,431)	(2,67,05,71,149)
Weighted average number of equity shares	80,49,48,604	77,67,66,095
Paid up value per share	10.00	10.00
Earnings per share (basic & diluted) (*)	(5.87)	(3.44)
b) After exceptional item		
Profit for the year after tax expense	(4,72,62,57,431)	(2,67,05,71,149)
Add: Preference dividend payable including dividend tax	-	-
	(4,72,62,57,431)	**(2,67,05,71,149)**
Weighted average number of equity shares	80,49,48,604	77,67,66,095
Paid up value per share	10.00	10.00
Earnings per share (basic & diluted) (*)	(5.87)	(3.44)
(*) Effect of potential equity shares is antidilutive		

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

NOTES TO THE FINANCIAL STATEMENTS

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 :

	2017-18		2016-17	
	₹	₹	₹	₹
Employer's Contribution to Pension & Gratuity		69,47,65,614		58,17,77,894

(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.

		March 31, 2018		March 31, 2017		March 31, 2016	
1	**Changes in Defined benefit obligation**	Family Benefit Fund (Unfunded)	Leave Encashment (Unfunded)	Family Benefit Fund (Unfunded)	Leave Encashment (Unfunded)	Family Benefit Fund (Unfunded)	Leave Encashment (Unfunded)
		₹	₹		₹		₹
	Defined benefit obligation at the beginning of the year	5,44,56,875	55,37,71,388	4,83,59,748	45,56,69,756	4,31,41,984	34,62,61,033
	Current Service Cost	46,73,805	19,36,89,070	52,80,774	17,56,39,127	36,48,310	14,13,89,734
	Interest Cost	36,92,900	3,60,97,171	34,92,677	3,19,12,780	35,63,604	3,62,72,740
	Actuarial losses/ (gains)	16,82,936	(9,13,36,730)	97,94,665	3,28,69,832	36,23,038	7,38,19,280
	Benefits paid	(60,64,299)	(15,99,73,376)	(1,24,70,989)	(14,23,20,107)	(56,17,188)	(14,20,73,031)
	Defined benefit obligation at the end of the year	**5,84,42,217**	**53,22,47,523**	**5,44,56,875**	**55,37,71,388**	**4,83,59,748**	**45,56,69,756**
2	**Changes in Fair Value of assets**						
	Opening Fair value of plan assets	-	-	-	-	-	-
	Expected return on plan assets	-	-	-	-	-	-
	Actuarial losses/ (gains)	-	-	-	-	-	-
	Contributions by employer	-	-	-	-	-	-
	Benefits paid	-	-	-	-	-	-
	Closing Fair Value of Plan Assets	-	-	-	-	-	-

Changes in Defined benefit obligation	March 31, 2018		March 31, 2017		March 31, 2016	
	Family Benefit Fund (Unfunded)	Leave Encashment (Unfunded)	Family Benefit Fund (Unfunded)	Leave Encashment (Unfunded)	Family Benefit Fund (Unfunded)	Leave Encashment (Unfunded)
	₹	₹		₹		₹
3 **Liability recognized in the Balance sheet**						
Present value of unfunded obligations	5,84,42,217	53,22,47,523	5,44,56,875	55,37,71,388	4,83,59,748	45,56,69,756
Amount recognized in Balance sheet under Current liabilities and provision	**5,84,42,217**	**53,22,47,523**	**5,44,56,875**	**55,37,71,388**	**4,83,59,748**	**45,56,69,756**
4 **Expenses recognized in Statement of Profit & loss under Note 26**						
Current Service Cost	46,73,805	19,36,89,070	52,80,774	17,56,39,127	36,48,310	14,13,89,734
Interest on Defined Benefit Obligation	36,92,900	3,60,97,171	34,92,677	3,19,12,780	35,63,604	3,62,72,740
Net Actuarial losses/ (gains) recongnized in the year	16,82,936	(9,13,36,730)	97,94,665	3,28,69,832	36,23,038	7,38,19,280
Benefits paid	(60,64,299)	(15,99,73,376)	(1,24,70,989)	(14,23,20,107)	(56,17,188)	(14,20,73,031)
Total employer expense recognized in Statement of profit and loss	**39,85,342**	**(2,15,23,865)**	**60,97,127**	**9,81,01,632**	**52,17,764**	**10,94,08,723**
5 **Actuarial assumptions:**						
Discount rate	7.55%	7.55%	7.05%	7.05%	7.55%	7.55%
Expected rate of return on assets	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Rate of escalation in salary (per annum)	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Retirement Age	60 Years	60 Years	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:

Sl. No.	Nature of transactions	2017-18	2016-17	2015-16
		₹	₹	₹
1	Directors Remuneration	4,451,643	4,682,068	3,130,049
2	Directors Sitting fees	133,000	39,500	19,500

Note 37 - Additional Information

PARTICULARS	2017-18		2016-17		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 non resident 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:

PARTICULARS	2017-18		2016-17		2015-16	
	₹	₹	₹	₹	₹	₹
Assets (Receivables)		--		--		--
Liabilities (payables)		--		--		--

Note 39 - Financial risk management objectives and policies:

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

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

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include deposits, FVTOCI investments and derivative financial instruments.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The company's exposure to the risk of changes in foreign exchange rates relates primarily to the some of the vendor payments and customer receivables.

Note 40 - Fair Value Measurement (Ind AS 113):

The Financial Instruments of the Company are initially recorded at fair value and subsequently measured at amortized cost based on the nature and timing of the cash flows.

The below table summarises particulars of Financial Instruments used:

PARTICULARS	31-Mar-18	31-Mar-17	01-Apr-16
	₹	₹	₹
Financial Assets at amortized cost:			
Investments	2,51,00,000	2,51,00,000	2,51,00,000
Unbilled Revenue	2,37,26,90,170	2,01,24,23,981	1,85,99,05,241
Trade receivables	7,75,49,10,491	16,00,09,95,688	15,95,32,51,979
Cash and cash equivalents	1,04,01,35,352	2,37,24,88,115	2,08,04,58,565
Other financial assets	5,77,30,45,479	4,68,98,06,779	4,06,73,72,138
Total Financial Assets	**16,96,58,81,492**	**25,10,08,14,563**	**23,98,60,87,923**
Financial Liabilities at amortized cost:			
Borrowings	7,08,05,16,669	9,13,13,59,451	7,81,77,67,539
Other Financial Liabilities	4,91,80,76,547	4,08,28,12,216	4,23,22,55,857
Trade Payables	41,34,51,73,942	45,68,78,31,658	44,14,82,47,007
Total Financial Liabilities	**53,34,37,67,158**	**58,90,20,03,325**	**56,19,82,70,403**

The Company has not classified any Financial Asset or Liabilities as measured at Fair value through Profit and Loss (FVTPL) or measured at Fair Value through Other Comprehensive Income (FVTOCI).

The Fair Value of the above financial assets and liabilities are measured at amortized cost which is considered to be approximate to their fair values.

Note 41 -	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 42 -	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 43 -	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 44 -	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 45 -	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 46 -	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 47 -	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 48 -	The Company does not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
Note 49 -	There are no amounts required to be transferred to the Investor Education and Protection Fund by the Group as on the reporting date.
Note 50 -	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 51 -	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.

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

T.S.Chandrasekar	**B Abdul Wajid**	**Anil Kumar Babaleshwar**	**Dr. R Ragapriya, IAS**
Partner	Chief Financial Officer	Director (Technical)	Managing Director

Membership No: 022052

Place :

Date :