



**P.K. Pande & Associates**  
**Sampark & Co.,**  
**Company Secretaries &**  
**Insolvency Professionals**

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Form No. MR-3

**SECRETARIAL AUDIT REPORT**

FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2019

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies  
(Appointment and Remuneration Personnel) Rules, 2014]

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

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

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on 31<sup>st</sup> March, 2019 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minutes' books, forms and returns filed and other records made available to me and maintained by the Company for the Financial Year ended 31<sup>st</sup> March, 2019 according to the applicable provisions of:

1. The Companies Act, 2013 (the Act) and the rules made there-under;
2. This being a unlisted public Government Company, wholly owned by the Government of Karnataka, the following Acts will not apply to it:
  - (i) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there-under;
  - (ii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there-under;
3. For the reasons stated to in point No.2, the following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') will not apply to this Company:
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

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

4. The Company has not done any foreign exchange related transactions during the period under review and, therefore, there is nothing to report under the Foreign Exchange Management Act, 1999 and the rules and regulations made there under.
5. The Specific Act applicable to the Company is Karnataka Electricity Act and the rules made there-under. The Company has complied with the provisions of the Act and rules.
6. Apart from the aforementioned Acts & Rules, the provisions of the Act mentioned in Annexure-II are also applicable to this Company and the Co has complied with the provisions of these Acts & rules made there-under. **Annexure-II** is attached to this report.

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

**I further report that:**

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

The Co has constituted Central Purchase Committee and held seven meetings during the audit period. The other committees did not convene their meetings.

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

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

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Company Secretaries.

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

## Observations / qualifications:

- (a) The MGT-1 & share transfers ledgers are not kept and maintained in the Registered office of the Company. The management was unable to show the Statutory books required to be kept, maintained and preserved as a permanent document as per the CA 1956.
- (b) The endorsement on the back side of the share certificates for having effected transfer has not been done according to the information obtained during the audit.
- (c) The Company is yet to adopt the Table 'F' for its AoA.
- (d) There is scope to improve the implementation of SS-1 & SS-2.
- (e) MBP-1 was placed in the second BM of the audit period in respect of five directors alone against the requirement of placing them in the first Board Meeting of the financial year of all the Directors.
- (f) The nature and size of the Company demands constitution of Nomination and Remuneration Committee under section 178 & establish Vigil Mechanism system under section 177 of Companies Act, 2013.
- (g) The Company has not appointed the whole time Company Secretary required under section 203 of Companies Act, 2013 and committed contravention of the provisions of the said Section.
- (h) The Company has not filed the e-form ACTIVE - INC-22A as a result the Company's status and that of the Directors has been marked as "ACTIVE Non-Compliant" on the website of the MCA. The pre-perquisite for filing this form is compliance under section 203, viz., appointment of qualified whole time Company Secretary on rolls.
- (i) The appointment of Directors is based on the notification issued by the GoK. As per the notification, the appointees' designation has to be "Nominee Directors", and other derivatives such as 'independent', 'whole-time', 'Managing Director', 'Executive', 'Non-executive', shall follow as the case may be. The basic characteristic of all the directors is 'nominee director' as they are nominated by GoK.
- (j) The Company has to host a copy of the Annual returns on the website of the Company mandatorily and CSR Policy, which has not been done.

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Company Secretaries.

- (k) There shall be Board's authorization for a specific Director to use his Digital Signature while filing each and every e-form and the date of the BM and the resolution number should be filled in the e-forms. It is observed that in the e-forms some of the dates have been shown, but on some of those dates belong to the year 2016 where no such authorization was given. It is also observed that an authorization was given on 18.6.2018, but no BM was held on that date.
- (l) The Company shall have atleast 1/3 of Independent directors of total directors on the Board of the Company, as per section 149(6) of the CA 2013. The status of none of the Directors has been selected as "Independent".
- (m) The Company should send the notice of EGM & AGM to the Office of the Governor, as the Hon'ble Governor is the shareholder of the Company, which not been done.

P K Pande & Associates,  
Company Secretaries.

*S. Prabhakar*  
C.P. No.  
3984

P K Pande-Proprietor  
Membership No:5487

Place: Bangalore  
Date: 20/09/2019

# P K Pande & Associates

Company Secretaries.

## ANNEXURE -I

To

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

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

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure the correct facts are reflected in secretarial records. We believe that the process and practices. We followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company.
4. Whenever required, we have obtained the Management representation about the compliance of laws, rule and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of the management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither as assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

P K Pande & Associates  
Company Secretaries

*S. Pralhap Zest*  
C.P. No. 3984

P K Pande-Proprietor  
Membership No:5487

Place: Bangalore  
Date: 20/09/2019

**LIST OF OTHER APPLICABLE ACTS**

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

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

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

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14. Payment of Wages Act, 1936
15. Workmen's Compensation Act, 1923
16. KERC (General & Conduct Of Proceedings) Regulations 2000
17. KERC (Licensing) Regulations 2000
18. KERC (Fee) Regulations 2016
19. KERC (Tariff) Regulations 2000
20. KERC (Recovery of Expenditure for supply of Electricity) Regulations 2004
21. KERC (Electricity Supply) Code 2004
22. Karnataka (Electricity Supply) Code 2004
23. Karnataka Electricity Board employees' service regulations
24. Conditions of supply of Electricity on Distribution Licensees in the State of Karnataka Gazette notification dated 17.06.2006.
25. KERC Notification No KERC/COS/D/07/10 dated 01.07.2016
26. Karnataka Electricity Board Recruitment and Promotion Regulations, employees (Probation) Regulation and Employees (Seniority) Regulations
27. Employee's State Insurance Act, 1948
28. Employee's Provident Funds & Miscellaneous Provisions Act, 1952
29. Employment Exchanges Act, 1959
30. Equal Remuneration Act, 1976
31. Minimum Wages Act, 1947
32. Property Tax

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Company Secretaries

*S. Pralhad*  
C.P. No.  
3984

P K Pande-Proprietor  
Membership No:5487

Place: Bangalore  
Date: 20/09/2019