GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

Annual Accounts

FY 2018-19

(CIN NO. - U04010KA2002SGC030436)

Regd Office :
Station Road,

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

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

BALANCE SHEET AS AT MARCH 31,2019

Amt in Rs.

Particulars		Note No.	As at March 31,2019	As at March 31,2018
I.	ASSETS			
A	Non-current assets			
	(a) Property, plant and equipment	3	37,23,45,29,517	35,66,68,66,600
	(b) Capital work-in-progress	4	3,00,32,07,285	84,79,98,245
	(c) Intangible Assets under Development	5	7,49,23,008	7,40,17,653
	(d) Financial assets	6		
	(i) Investments		2,51,00,000	2,51,00,000
	(ii) Loans		16,41,54,856	17,11,45,803
	(e) Deferred tax assets	7	-	-
	(f) Other non-current assets	8	3,36,48,65,611	1,85,63,97,094
	Total Non-current assets		**43,86,67,80,277**	**38,64,15,25,395**
B	Current assets			
	(a) Inventories	9	2,01,85,20,333	1,82,73,06,659
	(b) Financial assets			
	(i) Unbilled Revenue	10	2,58,00,28,138	2,37,26,90,170
	(ii) Trade receivables	11	10,14,85,65,707	7,75,49,10,491
	(iii) Cash and cash equivalents	12	1,13,38,13,658	63,20,77,227
	(iv) Bank balances other than (iii) above	12	40,35,97,192	40,80,58,125
	(v) Other financial assets	13	22,56,62,99,682	14,42,77,10,179
	(c) Other Current Assets	14	3,73,34,800	3,69,94,236
	Total Current assets		**38,88,81,59,510**	**27,45,97,47,087**
	Total Assets before Regulatory Deferral Account		**82,75,49,39,787**	**66,10,12,72,482**
C	Regulatory Deferral Account debit balances and related deferred tax	15	11,38,83,82,156	8,10,11,29,873
	TOTAL ASSETS		**94,14,33,21,944**	**74,20,24,02,355**
II	EQUITY AND LIABILITIES			
A	EQUITY			
	Shareholders' funds			
	(a) Share capital	16	11,14,95,61,040	11,14,95,61,040
	(b) Other equity	17	(70,01,55,537)	(5,50,48,23,092)
	Total Equity attributable to equity share holders of the Company		**10,44,94,05,503**	**5,64,47,37,948**
B	LIABILITIES			
	Non-current liabilities			
	(a) Financial liabilities			
	(i) Borrowings	18	8,21,84,32,306	6,33,65,47,052
	(ii) Other financial liabilities	19	5,54,04,61,737	5,14,81,93,912
	(b) Provisions	20	71,12,11,843	49,89,24,163
	(c) Deferred revenue	21	9,53,33,97,775	7,52,20,72,199
	(d) Deferred tax liabilities (net)	7	1,98,27,36,252	1,98,27,36,252
	(e) Other non current liabilities	22	51,11,33,624	(75,86,251)
	Total Non current liabilities		**26,49,73,73,537**	**21,48,08,87,326**
	Current liabilities			
	(a) Financial liabilities			
	(i) Borrowings	23	63,95,00,331	74,39,69,617
	(ii) Trade payables			
	(i) Total outstanding dues of micro enterprises and small enterprises	24	-	-
	(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises		49,46,24,95,173	41,34,51,73,942
	(iii) other financial liablities	25	6,65,32,80,519	4,98,40,07,141
	(b) Provisions	26	12,14,72,928	9,17,65,577
	(c) Other current liabilities	27	31,97,93,953	(8,81,39,196)
	(d) Deferred revenue	21	-	-
	(e) Current Tax Liabilities (Net)	28	-	-
	Total Current liabilities		**57,19,65,42,904**	**47,07,67,77,081**
	TOTAL EQUITY AND LIABILITIES		**94,14,33,21,944**	**74,20,24,02,355**

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

Shankar Pagad
Partner
Membership No: 206124

B Abdul Wajid
Chief Financial Officer

For and on behalf of the Board of Directors

R Jayakumar
Director (Technical)

Dr. R Ragapriya, IAS
Managing Director

Place : Kalaburagi
Date : 30 AUG 2019

P G BHAGWAT Chartered Accountants FRN 101118W

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

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2019

Amt in Rs.

	Particulars	Note No.	Current Year ₹		Previous Year ₹	
I	Revenue from operations	30		50,78,44,00,218		42,91,75,72,146
II	Other income	31		1,27,64,61,744		1,10,16,77,239
III	Total revenue (I + II)			52,06,08,61,962		44,01,92,49,385
IV	Expenses:					
	Purchase of power	32		39,49,24,12,120		35,77,15,95,773
	Employee benefits expense	33		5,29,21,26,905		4,44,54,33,591
	Finance costs	34		2,83,77,47,872		3,51,68,25,357
	Depreciation and amortization expense	35		1,90,98,76,837		1,77,03,15,101
	Other expenses	36		2,33,53,16,895		2,02,92,24,094
	Total expenses			51,86,74,80,628		47,53,33,93,916
V	Profit before Rate Regulated Activities, Exceptional items and tax (III-IV)			19,33,81,334		(3,51,41,44,531)
VI	Net movement in regulatory deferral account balances related to profit or loss and the related deferred tax movement	38		3,28,72,52,283		(1,21,04,29,964)
VII	Profit Before Exceptional Items and Tax (V+VI)			3,48,06,33,617		(4,72,45,74,495)
VIII	Exceptional Items			-		-
IX	Profit before tax (VII-VIII)			3,48,06,33,617		(4,72,45,74,495)
X	Tax expense:					
	Current tax		-		-	
	Deferred tax		-	-	-	-
XI	Profit for the year from continuing opertaions (IX- X)			3,48,06,33,617		(4,72,45,74,495)
XII	Profit/(loss) from discontinuing operations			-		-
XIII	Tax expense of discontinuing operations			-		-
XIV	Profit/(loss) for the year (after tax) (XI+XII-XIII)			3,48,06,33,617		(4,72,45,74,495)
XV	Other comprehensive income					
	(i) Items that will not be reclassified to profit or loss					
	a) Re-measurement gains/(losses) on defined benefit plans		(92,56,695)		(16,82,936)	
	b) Reversal of revaluation reserve (net of taxes)		(27,36,48,543)		-	
	c) Taxes on above items		-	(28,29,05,238)	-	(16,82,936)
XVI	Total other comprehensive income (XV(i) + XV(ii))			(28,29,05,238)		(16,82,936)
XVII	Total Comprehensive Income for the year (XIV+XVI)			3,19,77,28,379		(4,72,62,57,431)
XVIII	Earning per equity share before and after exceptional item:					
	Basic (in ₹)	37		0.17		(3.15)
	Diluted (in ₹)	37		0.17		(3.15)
	Basic earnings per share including net movement in regulatory deferral account balances (in ₹)	37		3.12		(4.24)
	Diluted earnings per share including net movement in regulatory deferral account balances (in ₹)	37		3.12		(4.24)
	(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 P G BHAGWAT
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Shankar Pagad
Partner
Membership No: 206124

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R Jayakumar
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Dr R Ragapriya, IAS
Managing Director

Place: Kalaburagi
Date: 30 AUG 2019

GULBARGA ELECTRICTY SUPPLY COMPANY LIMITED
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CASH FLOW STATEMENT FOR THE YEAR ENDED 2018-19

	Particulars	March 31, 2019 In Rs.	March 31, 2018 In Rs.
A	**Cash Flow from Operating Activities**		
	Net Profit Before Taxation	**3,48,06,33,617**	**(4,72,45,74,495)**
	Adjustments to reconcile profit before tax to net cash flows:		
	Depreciation and impairment of property, plant and equipment	1,90,98,76,837	1,77,03,15,101
	Government grant released to statement of profit and loss	(11,25,00,000)	(13,22,00,000)
	Consumer contributed asset- released to statement of profit and loss	(34,07,00,000)	(22,51,00,000)
	Provision no longer required written back	(59,23,79,867)	(53,05,48,581)
	Rental income	(2,99,56,636)	(1,57,08,203)
	Interest income	(9,21,96,996)	(2,96,99,058)
	Finance costs	2,83,77,47,872	3,51,68,25,357
	Bad and doubtful debts written off/provided for	68,91,56,047	66,89,43,434
	Reserve for Material Cost variance	6,65,34,134	(42,01,880)
		7,81,62,15,007	29,40,51,675
	Income taxes paid (net of refunds)	(39,92,144)	44,63,71,248
		7,81,22,22,863	**74,04,22,923**
	Working capital adjustments:		
	(Increase) / decrease in inventories	(19,12,13,674)	(56,41,831)
	(Increase) / decrease in unbilled revenue	(20,73,37,968)	(36,02,66,189)
	(Increase) / decrease in trade receivables	(2,49,04,31,396)	8,10,76,90,344
	(Increase) / decrease in loans	69,90,947	(17,57,533)
	(Increase) / decrease in other financial asset	(8,13,83,55,839)	(1,62,28,17,957)
	(Increase) / decrease in other current asset	(3,40,564)	(1,51,69,651)
	(Increase) / decrease in regulatory deferral account- assets	(3,28,72,52,283)	1,21,04,29,964
	Increase/(decrease) in provisions of leave encashment; family benefit fund	23,27,38,336	(1,92,21,459)
	Increase / (decrease) in trade payables	8,11,73,21,230	(4,34,26,57,716)
	Increase / (decrease) in other current liabilities	44,46,89,176	(38,37,59,855)
	Increase / (decrease) in other non current liablities	51,87,19,875	43,87,78,244
	Increase / (decrease) in other financial liabilites	(9,35,46,977)	19,73,14,400
	Net cash flows generated from operating activities	**2,72,42,03,726**	**3,94,33,43,684**
B	**Cash flows from investing activities:**		
	Proceeds from sale of property, plant and equipment		
	Purchase of property, plant and equipment	(4,09,38,51,577)	(2,53,62,35,432)
	Rental Income	2,99,56,636	1,57,08,203
	Interest Income	5,52,07,305	3,18,09,795
	Redemption/ maturity of margin money or security against the borrowings, guarantees, other commitments	44,60,933	1,24,56,33,812
	Net cash flows used in investing activities	**(4,00,42,26,703)**	**(1,24,30,83,622)**
C	**Cash flow from financing activities:**		
	Proceeds from share application money collected	1,54,46,00,000	1,91,50,00,000
	Proceeds/ (Repayment) of borrowings	2,77,52,35,905	(73,18,64,275)
	Repayment of short term borrowings (net)	(10,44,69,286)	(87,13,16,632)
	Interest paid	(2,82,58,75,036)	(3,49,52,84,193)
	Proceeds from Deposits from consumers	39,22,67,826	39,64,86,087
	Net cash flows used in financing activities	**1,78,17,59,409**	**(2,78,69,79,013)**
	Net increase / (decrease) in cash and cash equivalents	50,17,36,431	(8,67,18,951)
	Cash and cash equivalents at the beginning of the year	63,20,77,227	71,87,96,178
	Cash and cash equivalents as at year end	**1,13,38,13,658**	**63,20,77,227**

	Particulars	March 31, 2019 In Rs.	March 31, 2018 In Rs.
	Cash and cash equivalents		
a)	Balances with banks		
	- in current accounts	1,00,61,49,302	57,95,41,236
b)	Cash on hand	12,68,28,910	5,20,77,781
c)	Cheques and Funds in Transit	11,138	11,138
d)	Stamps on Hand	8,24,308	4,47,072
e)	Transfer from Units - Inter Unit Account	-	-
	Cash and cash equivalents at year end	**1,13,38,13,658**	**63,20,77,227**

Change in Liability arising from Financing Activities

Particulars	1st April, 2018	Cash flows of (Repayment) / Proceeds of Loan	Non cash changes	31st March,2019
Non current borrowings - including current maturities (refer note 18)	8,09,42,42,390	2,77,52,35,905	-	10,86,94,78,295
Current Borrowings (refer note 18)	74,39,69,617	(10,44,69,286)	-	63,95,00,331

Note: The Cash flow statement is prepared under the indirect method in accordance with IND AS 7: Statement of Cash Flows

Summary of significant accounting policies

The accompanying notes are an integral part of the financial statements.

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

For and on behalf of the Board of Directors

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Managing Director

Place: Kalaburagi
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M/s. P. G. BHAGWAT Chartered Accountants FRN 101118W

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

Statement of changes in equity for the year ended March 31, 2019

A. Equity Share Capital

Equity shares of Rs. 10 each issued, subscribed and fully paid (refer note 16)	Number	In Rs.
At 1 April 2017	77,67,66,104	7,76,76,61,040
Issued during the year	33,81,90,000	3,38,19,00,000
At 31 March 2018	1,11,49,56,104	11,14,95,61,040
Issued during the year	-	-
At 31 March 2019	1,11,49,56,104	11,14,95,61,040

B. Other Equity

Attributable to the equity holders of the Company

Particulars	Reserves and Surplus				Items of OCI		Total other equity (A+B)
	Share Application Money Pending Allotment	Reserve for Material Cost variance	Retained Earnings	Total (A)	Revaluation Reserve of PPE	Total (B)	
As at 1 April 2017	**1,93,95,00,003**	**45,15,39,348**	**(8,76,95,23,590)**	**(6,37,84,84,239)**	**7,07,10,20,458**	**7,07,10,20,458**	**69,25,36,219**
Add/(Less): Loss for the year	-	-	(4,72,45,74,495)	(4,72,45,74,495)	-	-	(4,72,45,74,495)
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	-	(42,01,880)	-	(42,01,880)	-		(42,01,880)
Add: Other comprehensive income			(16,82,936)	(16,82,936)		-	(16,82,936)
As at March 31, 2018	**47,26,00,003**	**44,73,37,468**	**(13,49,57,81,021)**	**(12,57,58,43,550)**	**7,07,10,20,458**	**7,07,10,20,458**	**(5,50,48,23,092)**
Add/(Less): Loss for the year	-	-	3,48,06,33,617	3,48,06,33,617	-	-	3,48,06,33,617
Add/(Less): Reversal of revaluation reserve	-	-	-	-	(27,78,43,500)	(27,78,43,500)	(27,78,43,500)
Add: Addditions during the year	-	6,65,34,134	-	6,65,34,134			6,65,34,134
Add: Share application money received	1,54,46,00,000	-	-	1,54,46,00,000		-	1,54,46,00,000
Add/(Less): Allotment of shares	-	-	-	-		-	-
Less: Reversal of Depreciation/ withdrawal during the year	-	-	-	-	-	-	-
Add: Other comprehensive income.			(92,56,695)	(92,56,695)		-	(92,56,695)
Total comprehensive income as at March 31 2019	**2,01,72,00,003**	**51,38,71,602**	**(10,02,44,04,100)**	**(7,49,33,32,495)**	**6,79,31,76,958**	**6,79,31,76,958**	**(70,01,55,537)**

Summary of significant accounting policies Note 2

The accompanying notes are an integral part of the financial statements.

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

Shankar Pagad
Partner
Membership No: 206124

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

Note - 1 : Corporate information

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

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

Note - 2 : Significant accounting policies

2.1 Basis of preparation

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

All items having a material bearing on the financial statements are recognized on accrual basis except the following:

- Grants and subsidies from Government in respect of capital assets, which are accounted on actual receipt basis; and
- Interest on delayed payment to power producers, which are accounted for as and when intimated by them.
- Penalties & Damages recoveries from contractors and vendors are recognised as Income as and when recovered.

The financial statements have been prepared on a historical cost basis, except for the following assets and liabilitieswhich which have been measured at revalued amount:

- Land and rights classified as property, plant and equipment

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

The Company has applied the following standards and amendments for the first time for their reporting period commencing 1st April 2018:

- Ind AS 115, Revenue from Contracts with Customers
- Amendment to Ind AS 20, Accounting for Government Grants and Disclosure of Government Assistance
- Appendix B, Foreign Currency Translations and Advance consideration to Ind AS 21, The Effects of Changes in Foreign Exchange Rates
- Amendment to Ind AS 12, Income Taxes

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

M/s. P. G. BHAGWAT FRN 101118W Chartered Accountants

2.2 Use of Estimates

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

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

2.3 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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

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

2.4 Property Plant & Equipment ("PPE")

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

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

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

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

The company depreciates property, plant & equipment using straight line method and depreciation is charged at the rate approved in KERC Tariff Order 2009 dated 25th November 2009. The company does not charge depreciation as per the rates prescribed under the Schedule II of the companies Act, 2013. Depreciation on additions of assets is provided on pro-rata basis from the month immediately following the one in which the assets become available for use. In case there is a revision in the rates prescribed and notified by the KERC, the company applies the revised rates prospectively from the date of change notified by the KERC. The residual value of all the assets is taken at 10% as per KERC guidelines as against 5% as per Companies act 2013

The useful lives used are as below:

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

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

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

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

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

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

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

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

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

2.5 Capital work in progress

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

2.6 Intangible Assets

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

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

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

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

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

2.7 Grants and subsidies

Revenue Grants

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

Capital Grants & Contributions towards Capital Expenditures

Grants/subsidies received from the government or other authorities towards capital expenditure as well as consumers' contribution to capital works are treated initially under deferred income and taken to income based on the depreciation that is charged to the class of asset for which such Grants/subsidies are received.

2.8 Impairment of Assets

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

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

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

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

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

2.9 Borrowing Cost

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

2.10 Revenue recognition

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

> Identify the contracts with the customer: The contract may be oral or written.

> Identify the performance obligation: Performance obligation is nothing but promise made by the Company to its customer for delivery of goods or services.

> Determine the transaction price

> Allocate the transaction price to the performance obligation

> Recognise the revenue when or as the Company satisfied the performance obligation: Revenue is recognised either at point in time or over a time

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

Sale of power

Sale of power is accounted on accrual basis at the tariff rates approved by the Karnataka Electricity Regulatory Commission (KERC). Revenue dues from consumers whose ledger accounts are yet to be opened are accounted on an estimated basis. The company accounts revenue net of electricity taxes in its statement of profit and loss.

Revenue for the year is adjusted by estimating un-billed revenue demand appropriately

Provision for unbilled revenue in respect of LT installations billed on bimonthly basis is recognized as the average of February and March bills of the year. In respect of LT installations billed on monthly basis, provision for unbilled revenue is recognized to the extent of 50% of the demand raised in the month of March. In respect of HT installations, the bills issued with regard to consumption during the month of March are taken into account.

Tariff/rural Subsidy from government

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

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

Interest on delay in execution of work

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

M/s. R. G. BHAGWAT & Co. Chartered Accountants FRN 101118W

Interest income:

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

Penalties and damages

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

Dividends

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

2.11 Regulatory Asset/Liability

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

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

2.12 Impairment of Trade Receivables

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

In respect of IP Set Installations dues :

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

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

c. Dues outstanding less than 1 years – NIL.

2.13 Employee Benefits:

Short-term employee benefits:

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

The cost of short-term compensated absences is accounted as under:

- In case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- In case of non-accumulating compensated absences, when the absences occur.

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

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

a. Pension : 42.52% of (Basic Pay + Dearness pay + Dearness Allowance)
b. Gratuity : 6.08% of (Basic Pay + Dearness pay)

The same is paid to KPTCL/ESCOMs Pension & Gratuity Trust and expensed during the year through Profit & Loss Statement.
In respect of employees who have joined GESCOM before 1.4.2006, provision for contribution to KPTCL/ESCOMs Pension & Gratuity Trust is made on the formula evolved by the Trust based on the actuarial valuation undertaken by KPTCL/ESCOMs' Pension & Gratuity Trust. Any revision in contribution rates due to actuarial valuation by the Trust is accounted in the year of intimation by the Trust to the company.
As the company contribution is collected and administered by the trust and contribution paid on a pay as you go basis, the same has been treated as a Defined Contribution Plan in accordance with Ind AS 19.
The company has not made any provision on acturial valuation for above defined contribution plan.

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

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

2.15 Contingent liabilities and assets
A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company.
A contingent liability can arise for obligations that are possible, but it is yet to be confirmed whether there is present obligation that could lead to an outflow of resources embodying economic benefits.

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

> a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation; or
> present obligation arising from past events, when no reliable estimate is possible; or
> a possible obligation arising from past events where the probability of outflow of resources is not remote

Contingent liabilities are reviewed at each Balance Sheet date.

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

2.16 Taxes on Income

Current income tax

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

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

Deferred tax

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.17 Financial instruments:

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

Financial assets

Initial recognition and measurement

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

Subsequent measurement

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

> Debt instruments at amortised cost

> Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)

> Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortised cost

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

a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

Debt instrument at FVTPL

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

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

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

Equity investments

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

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

M/s. P. G. BHAGWAT * FRN 101118W Chartered Accountants investment. However, the Company may transfer the cumulative gain or loss within equity.

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

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

Derecognition

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

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

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

Impairment of financial assets

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

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

The Company follows 'simplified approach' for recognition of impairment loss allowance on
> Trade receivables.

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

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

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

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

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss (P&L). This amount is reflected under the head 'other expenses' in the statement of

M/s. P. G. BHAGWAT FRN 101118W Chartered Accountants profit and loss. The balance sheet presentation for financial instrument is described below:

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

Loans and borrowings

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

Derecognition

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

2.18 Leases

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

FRN 101118W

has determined whether the arrangement contain lease on the basis of facts and circumstances existing on the date of transition.

Company as a lessee

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

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

Company as a lessor

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

2.19 Inventories

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

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

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

2.20 Material cost variance account

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

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

The balance in the "Material Cost Variance Account" at the year end will be treated as follows:

> Credit balance is credited to a reserve called 'Reserve Material Cost Variance'.

> Debit Balance is debited to the "Reserve for Material Cost Variance". If as a result of such debit, net balance in this reserve account is a debit balance, the amount of debit balance shall be charged to revenue account for the year.

2.21 Segment reporting

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

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

2.22 Earning per share

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

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

> The after-income tax effect of interest and other financing costs associated with dilutive potential equity shares, and

> The weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares

2.23 Cash and cash equivalents

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

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

2.24 Fair value measurement

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

> In the principal market for the asset or liability, or

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

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

2.25 Power purchase

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

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

2.26 Recent Accounting Pronouncements:

Introduction of new Ind AS Standard/Amendments to Ind AS Standards

Through a Notification, the Ministry of Corporate Affairs has indicated 1st April 2019 as the effective date for the implementation of Ind AS 116 - 'Leases'.

Ind AS 116 introduces a single lease accounting model and requires a lease to recognise Right-of-Use of Assets and lease liabilities for all leases with a term more than 12 months, unless the underlying asset of low value.

The company is in the process of assessing the impact of the introduction of Ind AS 116 - 'Leases' The impact, if any, will be disclosed in the financial statements for the year ended 31st March 2020.

M/s. P. G. BHAGWAT
FRN 101118W
Chartered Accountants

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 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**	**28,79,91,25,884**	**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**
Additions	(27,36,48,543)	7,73,21,721	34,76,777	19,12,851	1,28,31,33,411	3,06,88,06,345	-	37,50,207	33,32,385	4,16,80,85,155
Disposals					80,51,30,927	6,79,21,094		1,93,602	8,53,878	87,40,99,501
Balance as at 31 March 2019	**8,97,42,20,457**	**77,57,52,488**	**6,17,56,226**	**3,67,51,448**	**7,01,26,08,595**	**34,27,95,91,262**	**5,85,52,416**	**6,26,77,054**	**7,06,70,218**	**51,33,25,80,165**
Accumulated depreciation										
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**
Depreciation charge for the year	-	2,42,83,312	30,49,229	12,92,930	29,23,63,365	1,57,98,71,464	23,27,433	27,77,281	39,11,821	**1,90,98,76,837**
Other Adjustments	-									-
Disposals	-				13,82,34,024	4,53,20,077				**18,35,54,100**
Balance as at 31 March 2019	-	**15,97,53,369**	**2,46,15,149**	**76,16,305**	**1,86,74,83,752**	**11,93,99,83,955**	**4,14,29,328**	**3,04,00,144**	**2,67,68,645**	**14,09,80,50,647**
Net block										
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
Balance as at 31 March 2019	**8,97,42,20,457**	**61,59,99,119**	**3,71,41,077**	**2,91,35,143**	**5,14,51,24,843**	**22,33,96,07,307**	**1,71,23,088**	**3,22,76,910**	**4,39,01,574**	**37,23,45,29,517**

a) Capitalised borrowing costs

The amount of borrowing costs capitalised during the year ended 31 March 2019 with respect to PPE was Rs. 1,75,81,788 (31 March 2018: Nil). The rate used to determine the amount of borrowing costs eligible for capitalisation was 9.00% to 12%, which is the effective interest rate of specific borrowing. The borrowing cost capitalised for assets under construction (CWIP) for the year ended March 31, 2019 was Rs. 49,81,044 (31 March 2018: Nil). Below table explains the same.

Particulars	31-Mar-19	31-Mar-18
Capitalisation of Interest:		
Opening Balance	**32,79,59,781**	**32,79,59,781**
Add: For the year		
Included in PPE	1,75,81,788	-
Included in CWIP	49,81,044	-
Closing Balance	**35,05,22,613**	**32,79,59,781**

b) Plant and equipment contributed by customers/grants

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

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

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

Particulars	31-Mar-19	31-Mar-18
Opening Balance	7,41,36,31,740	6,89,44,41,698
Add: For the year	2,46,45,25,577	51,91,90,042
Closing Balance	9,87,81,57,317	7,41,36,31,740

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

c) Revaluation of land

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

Fair value of the properties was determined by using the market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for difference in the nature, location or condition the specific property. As at the date of revaluation April 01, 2016, the properties' fair values are based on valuations performed by M/s Vaibhav Associates an accredited independent valuer who has relevant valuation experience for similar properties in India for the last five years. 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.

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

Significant unobservable valuation input:	Range
Price per square metre	INR 325 – INR 350

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

Information of revaluation model:

	Rs.
Opening balance as at 1 April 2016	**6,62,13,430**
Level 3 re-measurement recognised in asset revaluation reserves (01 April 2016) (Note 50)	9,14,37,13,580
Purchases	2,09,94,146
Balance as at 31 March 2017	**9,23,09,21,156**
Purchases	1,69,47,844
Balance as at 31 March 2018	**9,24,78,69,000**
Purchases	-
Deletion*	(27,36,48,543)
Balance as at 31 March 2019	**8,97,42,20,457**

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

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

Net book value	31-Mar-19	31-Mar-18
	Rs	Rs
Cost	10,41,55,420	8,72,07,576
Addition	-	1,69,47,844
Net carrying amount	**10,41,55,420**	**10,41,55,420**

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

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

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

Out of total block of property, plant and equipment comprising of immovable assets with a carrying amount of Rs. 0.00 Crores (31 March, 2018: Rs. 0.00 Crores) and movable assets with a carrying amount of Rs. 2343.39 Crores (31 March, 2018: Rs. 1620.18 Crores) are subject to first charge to secure the Company's borrowings. (refer note 18)

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

Particulars	As at March 31, 2019	As at March 31, 2018
4 Capital Work In Progress:		
a) Plant & Machinery	3,00,32,07,285	84,79,98,245
	3,00,32,07,285	**84,79,98,245**

Refer note 3(a) for interest cost capitalised.
Capital work in progress as at 31 March 2019 comprises expenditure for the plant and machinery in the course of construction.

Particulars	As at March 31, 2019	As at March 31, 2018
5 Intangible Assets under development:		
a) Computer Software	7,49,23,008	7,40,17,653
	7,49,23,008	**7,40,17,653**

M/s. P. G. BHAGWAT * FRN 101118W * Chartered Accountants

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

6 Financial Assets

i) **Non current investments:**

Particulars	As at March 31, 2019	As at March 31, 2018
a) Investments in equity Instruments:		
1) Unquoted equity shares (fully paid) (other than traded)		
2,51,000 (31 March 2018; 2,51,000) equity shares of M/s Power Company of Karnataka Limited	2,51,00,000	2,51,00,000
Total	**2,51,00,000**	**2,51,00,000**

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

ii) **Non Current Loans**

Particulars	As at March 31, 2019	As at March 31, 2018
(a) Security deposits (unsecured, considered good) *	16,41,54,856	17,11,45,803
Total	**16,41,54,856**	**17,11,45,803**

Breakup of security details

Particulars	**As at March 31, 2019**	**As at March 31, 2018**
- Loans considered good- Secured	-	-
- Loans considered good- Unsecured	16,41,54,856	17,11,45,803
- Loans which have significant increase in credit risk	-	-
- Loans - credit impaired	-	-
Total	**16,41,54,856**	**17,11,45,803**
Total Non Current Financial assets	**18,92,54,856**	**19,62,45,803**

M/s. G. BHAGWAT Chartered Accountants FRN 101118W

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

Particulars	As at March 31, 2019	As at March 31, 2018 ₹
7 Deferred tax Assets (Net):		
a) Deferred tax liability:		
i) On account of depreciation on fixed assets (other than land)	-	-
ii) On account of revaluation of land	2,07,26,93,122	2,07,26,93,122
ii) On account of fair valuation of investments	-	-
Total	**2,07,26,93,122**	**2,07,26,93,122**
b) Deferred tax asset:		
i) On account of depreciation on fixed assets (other than land)	8,99,56,870	8,99,56,870
ii) On account of timing differences in recognition of expenditure		
Total	**8,99,56,870**	**8,99,56,870**
Net Deferred tax (liability)/asset	**(1,98,27,36,252)**	**(1,98,27,36,252)**
8 Other non current assets:		
(unsecured and considered good)		
a) Advance payment of tax (net)	39,92,144	-
b) Capital advances	3,36,08,73,467	1,85,63,97,094
c) Security deposits	-	-
d) Security deposits- Others	-	-
	3,36,48,65,611	**1,85,63,97,094**

M/s. G. BHAGWAT * FRN 101118W * Chartered Accountants

Particulars	As at March 31, 2019 ₹	As at March 31, 2018 ₹
9 Inventories:		
Stocks, spares and loose tools		
a) Materials lying at Stores	1,48,43,61,243	1,34,19,99,214
b) Materials with Contractors	1,95,73,096	1,86,08,819
c) Materials with Employees	2,16,44,065	1,80,11,269
d) Obsolete/ Scrapped Assets	1,66,07,441	1,46,82,016
e) WDV of Faulty/Dismantled Assets	47,63,34,488	43,40,05,341
	2,01,85,20,333	**1,82,73,06,659**
10 Unbilled Revenue:		
Unbilled Revenue	2,58,00,28,138	2,37,26,90,170
	2,58,00,28,138	**2,37,26,90,170**

The break up of the unbilled revenue is given below:

	As at March 31, 2019	As at March 31, 2018
Opening Balance	**2,37,26,90,170**	**2,01,24,23,981**
Add: Provision for unbilled revenue during the year	2,58,00,28,138	2,37,26,90,170
Less: Provision for unbilled revenue reversed during the year	2,37,26,90,170	2,01,24,23,981
Closing Balance	**2,58,00,28,138**	**2,37,26,90,170**

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

Particulars	As at March 31, 2019 ₹	As at March 31, 2018 ₹
11 Trade receivables:		
a) Trade receivables exceeding six months	8,19,87,42,586	4,25,11,38,126
b) others	6,18,73,36,648	7,05,21,29,845
Trade receivables - Others	14,38,60,79,234	11,30,32,67,971
Total	**14,38,60,79,234**	**11,30,32,67,971**
Break-up for security details:		
- Trade recievables considered good- Secured	5,98,99,65,892	5,52,25,76,657
- Trade recievables considered good- Unsecured (including doubtful)	8,39,61,13,341	5,78,06,91,314
- Trade recievables which have significant increase in credit risk	-	-
- Trade recievables- credit impaired	-	-
Total	**14,38,60,79,234**	**11,30,32,67,971**
Loss allowance ($)	4,23,75,13,527	3,54,83,57,480
Total Trade receivables	**10,14,85,65,707**	**7,75,49,10,491**

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

Particulars	As at March 31, 2019 ₹	As at March 31, 2018 ₹

($) 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. 423.75 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. 42.39 Crs and 10% provision is created on IP set Dues outstanding for more than 2 years which works out to Rs.267.60 Crores. On the Balance Debtors, 4% provision is made.

Particulars	As at March 31, 2019 ₹	As at March 31, 2018 ₹
12 Cash and bank balances		
Cash and cash equivalents:		
Balance with Banks		
Current accounts	1,00,61,49,302	57,95,41,236
Deposits with original maturity of less than three months		
Cash on hand	12,68,28,910	5,20,77,781
Cheques and Funds in Transit	11,138	11,138
Stamps on Hand	8,24,308	4,47,072
Total cash and cash equivalents	**1,13,38,13,658**	**63,20,77,227**
Other bank balances		
Deposits with remaining maturity for less than 12 months	26,92,18,010	
Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments)	13,43,79,182	40,80,58,125
Total other bank balances	**40,35,97,192**	**40,80,58,125**
Total cash and bank balances	**1,53,74,10,850**	**1,04,01,35,352**

M/s. P. G. BHAGWAT * FRN 101118W * Chartered Accountants

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

Particulars	As at March 31, 2019 ₹	As at March 31, 2018 ₹

* Cash & Bank Balance includes a. Unrecouped Vouchers : Rs.1,31,452/- & b. Suspense : Rs. 20.47 lakhs (some of the suspense vouchers are not charged off within 3 months from the Balance Sheet date.)

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

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

Particulars	**As at March 31, 2019**	**As at March 31, 2018**
Balance with Banks	1,00,61,49,302	57,95,41,236
Current accounts	-	-
Deposits with original maturity of less than three months	12,68,28,910	5,20,77,781
Cash on hand	11,138	11,138
Cheques and Funds in Transit	8,24,308	4,47,072
Stamps on Hand	-	-
	1,13,38,13,658	**63,20,77,227**
Less: Bank Overdraft	(63,95,00,331)	(74,39,69,617)
	49,43,13,328	**(11,18,92,390)**

M/s. S. G. BHAGWAT Chartered Accountants FRN 101118W

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

Particulars		As at March 31, 2019 ₹	As at March 31, 2018 ₹
13 Other Financial Assets:			
a)	Receivable from entities under common control (KPTCL/ESCOMS/PCKL)	8,24,77,29,432	5,33,88,63,635
b)	Receivable from Power Generators	27,00,34,314	25,61,51,104
c)	Receivable from Pension/Gratuity Trust	10,32,65,598	9,74,41,075
d)	Receivable from beneficiaries of Solar Lantern	2,00,12,937	1,94,06,483
e)	Income accrued and not due	2,33,29,081	2,30,95,417
f)	Rural Electrification Subsidy	30,50,87,720	30,50,87,720
g)	Tariff Subsidy	11,53,54,98,210	6,31,31,02,034
h)	RDPR Dues	2,06,13,42,391	2,07,45,62,711
	Total	**22,56,62,99,682**	**14,42,77,10,179**
	Break-up for security details:		
	- other financial assets considered good- Secured	40,60,07,170	40,60,07,170
	- other financial assets considered good- Unsecured (including doubtful)	22,16,02,92,512	14,02,17,03,009
	- other financial assets which have significant increase in credit risk	-	-
	- other financial assetscredit impaired	-	-
	Total	**22,56,62,99,682**	**14,42,77,10,179**
	Loss allowance	-	-
	Total other financial asset	**22,56,62,99,682**	**14,42,77,10,179**
	Total current financial assets	**36,83,23,04,377**	**25,59,54,46,192**

Particulars	As at March 31, 2019 ₹	As at March 31, 2018 ₹
Break up of financial assets carried at amortised cost		
Particualrs	**As at March 31, 2019**	**As at March 31, 2018**
Loans (note 6(ii))	16,41,54,856	17,11,45,803
Unbilled revenue (note 10)	2,58,00,28,138	2,37,26,90,170
Trade receivables (note 11)	14,38,60,79,234	11,30,32,67,971
Cash and Cash equivalents (note 12)	1,13,38,13,658	63,20,77,227
Other bank balances (note 12)	40,35,97,192	40,80,58,125
Other financial assets (note 13)	22,56,62,99,682	14,42,77,10,179
Total financial assets carried at amortised cost	**41,23,39,72,760**	**29,31,49,49,475**
14 Other Current Assets:		
a) Prepaid Expenses	13,83,897	12,48,166
b) Advance to employees	3,48,66,694	3,46,61,861
c) Claims for loss/Damage to Capital Assets	10,84,209	10,84,209
Total	**3,73,34,800**	**3,69,94,236**
15 Regulatory Deferral Accounts:		
Regulatory Deferral Account - debit balances and related deferred tax		
Regulatory Assets	11,38,83,82,156	8,10,11,29,873
Regulatory Deferral Account	**11,38,83,82,156**	**8,10,11,29,873**

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

Particulars	As at March 31, 2019 ₹	As at March 31, 2018 ₹

Rate Regulated Activities:

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

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

(ii) Reconciliation of Regulatory Assets/Liabilities of distribution business as per Rate Regulated Activities as on March 31, 2019, and March 31, 2019 is as follows:

Particulars	As at March 31,2019	As at March 31,2018 (Rs.)
Opening Regulatory Assets (net)	8,10,11,29,873	9,31,15,59,837
Regulatory Income/(Expenses) during the year:		
(i) Power Purchase Cost	6,82,49,12,120	4,56,34,70,036
(ii) Reversal of earlier years income recognised	(3,53,76,59,837)	(5,77,39,00,000)
Closing Regulatory Assets (net)	**11,38,83,82,156**	**8,10,11,29,873**

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

M/s. P. G. BHAGWAT Chartered Accountants FRN 101118W

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

NOTES TO FINANCIAL STATEMENTS

	Particulars	As at March 31, 2019		As at March 31, 2018	
		Number	₹	Number	₹
16	**Share capital:**				
	Authorized:				
	Equity shares of ₹ 10/- each	1,20,00,00,000	12,00,00,00,000	1,20,00,00,000	12,00,00,00,000
		1,20,00,00,000	**12,00,00,00,000**	**1,20,00,00,000**	**12,00,00,00,000**
	Issued, subscribed and fully paid up:				
	Equity shares of ₹ 10/- each				
	At the beginning of the year	1,11,49,56,104	11,14,95,61,040	77,67,66,104	7,76,76,61,040
	Issued during the year				
	- by way of issue of fully paid up equity shares	-	-	33,81,90,000	3,38,19,00,000
	At the close of the year	**1,11,49,56,104**	**11,14,95,61,040**	**1,11,49,56,104**	**11,14,95,61,040**
	Total carried to Balance Sheet		**11,14,95,61,040**		**11,14,95,61,040**

Terms/rights attached to equity shares

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

M/s. P. G. BHAGWAT * FRN 101118W * Chartered Accountants

NOTES TO FINANCIAL STATEMENTS

Particulars	As at March 31, 2019		As at March 31, 2018	
	Number	₹	Number	₹

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

Particulars	As at March 31, 2019		As at March 31, 2018	
	Number	Percentage	Number	Percentage
(i) Government of Karnataka	1,11,49,56,095	99.99%	1,11,49,56,095	99.99%

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

Particulars	Year ended				
	31 March 2018	31 March 2017	31 March 2016	31 March 2015	31 March 2014
i) Equity shares allotted as fully paid bonus shares by capitalization of securities premium or capital redemption reserve	-	-	-	-	-

M/s G. BHAGWAT & Chartered Accountants FRN 101118W

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

Note 17: Other Equity

		In Rs.
a)	**Share Application Money Pending Allotment**	
	At 1 April 2017	**1,93,95,00,003**
	Add: Share application money received	1,91,50,00,000
	Less: Allotment of shares	(3,38,19,00,000)
	At 31 March 2018	**47,26,00,003**
	Add: Share application money received	1,54,46,00,000
	Less: Allotment of shares	-
	At 31 March 2019	**2,01,72,00,003**

		In Rs.
b)	**Reserve for Material Cost variance**	
	At 1 April 2017	**45,15,39,348**
	Add: Addition during the year	-
	Less: Reversal of Depreciation/ withdrawal during the year	(42,01,880)
	At 31 March 2018	**44,73,37,468**
	Add: Addition during the year	6,65,34,134
	Less: Reversal of Depreciation/ withdrawal during the year	-
	At 31 March 2019	**51,38,71,602**

c)	Retained Earnings	In Rs.
	At 1 April 2017	**(8,76,95,23,590)**
	Add: Profit for the year	(4,72,45,74,495)
	Add: Other comprehensive income for the year	(16,82,936)
	At 31 March 2018	**(13,49,57,81,021)**
	Add: Profit for the year	3,48,06,33,617
	Add: Other comprehensive income for the year	(92,56,695)
	At 31 March 2019	**(10,02,44,04,100)**
d)	**Revaluation reserve on PPE**	
	At 1 April 2017	**7,07,10,20,458**
	Add: Revaluation of PPE	-
	Less: Reversal of revaluation reserve	-
	At 31 March 2018	**7,07,10,20,458**
	Add: Revaluation of PPE	-
	Less: Reversal of revaluation reserve	(27,78,43,500)
	At 31 March 2019	**6,79,31,76,958**
Total other equity		**(70,01,55,537)**

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

NOTES TO FINANCIAL STATEMENTS

Particulars		As at March 31, 2019	As at March 31, 2018
Non- Current Liabilities			
18 Borrowings:			
I) Secured loans:			
a.	Loan from Others	10,81,57,44,641	8,02,79,44,833
	Less: Current maturities on loan from others	2,63,84,82,086	1,74,51,31,435
		8,17,72,62,555	**6,28,28,13,398**
II) Unsecured loans:			
a)	Loan from Others	5,37,33,654	6,62,97,557
	Less: Current maturities on loan from others	1,25,63,903	1,25,63,903
		4,11,69,751	**5,37,33,654**
Total Borrowings		**8,21,84,32,306**	**6,33,65,47,052**

M/s. P. G. BHAGWAT Chartered Accountants FRN 101118W

NOTES TO FINANCIAL STATEMENTS

Particulars		As at March 31, 2019	As at March 31, 2018
Additional information:			
Secured Loans:			
A	**Term Loans from Others**		
1	**Loans from Rural Electrification Corporation Limited, New Delhi. -APDRP Counter part funding** (Secured by Hypothecation of all existing unencumbered moveable properties including machinery, equipments, machinery spares, tools, implements, and accessories installed / created / erected and all future moveable including machinery, equipmetns, machinery spares, tools, implements, and accessories installed / created / erected in future and its stock of materials equipments bought or to be bought out of the loan amount. The Tenure of the loan is 13 years with 3 years moratorium, repayable in 10 equal annual installments. Repayment starting from 2009. Interest rate is 8.00%)	1,17,43,020	1,87,61,297
2	**PFC - RAPDRP** Part A -The tenure of loan originally was 10 years from the date of disbursement including morotorium period of 3 years for both Principal and interest. Interest to be paid as notified by Ministery of Finance from time to time. 'Secured by way of hypotecation on the newly financed assests under the project as securities for loan. The Tenure of the loan is modified as 10 years with 5 years. moratorium repayable in equal annual installments. (i.e.Moratorium period extendedby two years). Interest rate is 11.50%. Part B- The Tenure of the loan is 20 years with 5 years moratorium. Repayable in equal annual installments starting from 2016. Interest rate is 11.50%.)	46,38,19,847	27,87,45,229

P. G. BHAGWAT FRN 101118W Chartered Accountants

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

NOTES TO FINANCIAL STATEMENTS

	Particulars	As at March 31, 2019	As at March 31, 2018
3	**Loan from Rural Electrification Corporation**	6,87,81,31,771	5,28,84,24,040
a	REC-Rural Load Management System - Rs. 36.84 Crores - The Tenure of the loan is 13 years with 3 years moratorium. repayable in 10 equal annual installments. Starting from 2011. Interest rate is 10.90%.		
b	REC-NJY (Phase-I) Rs.108.19 Crores - The Tenure of the loan is 13 years with 3 years moratorium. Repayable in 10 equal annual installments. Repayment starting from 2016. Interest rate is 11.00%.		
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%.		
d	REC-DTC Metering - Rs. 128.04 Crores - The Tenure of the loan is 13 years with 3 years moratorium. Repayable in 10 equal annual installments. Repayment starting from 2014. Interest rate is 12.50%.		
e	REC- RGGVY - Rs. 12.72 Crores - The tenure of the Loan is 15 years with 5 years moratorium. Repayable in 10 equal annual installment. Interest rate is varying from 10% to 12.5%.		
4	**Loans from Power Finance Corporation** (Secured by hypothecation of Assets created under the project - Nirantara Jyoti. The Tenure of the loan is 12 years repayable in 48 equal quarterly installments starting from 2010. Interest rate 11.75)	1,05,14,581	1,42,69,788

NOTES TO FINANCIAL STATEMENTS

	Particulars	As at March 31, 2019	As at March 31, 2018
5	**Loans from Power Finance Corporation** (Secured by hypothecation of Assets created under the project - DTC Metering. The Tenure of the loan is 5 years repayable in 20 equal quarterly installments starting from 2009. Interest rate is 10.90%)	12,49,70,039	20,30,76,319
6	**Loan from Rural Electrification Corporation - PSI** (Secured by hypothecation of Assets installed in Sub Stations constructed under the project. The Tenure of the loan is 13 years with 3 years moratorium. Repayable in 10 equal annnual installments starting from 2010. Rate of Interest is varying from 8.25% to 10.90%)	77,68,08,687	53,62,25,991
7	**Loans from Power Finance Corporation** (Secured by hypothecation of Movable Assets comprising 2 x 5 MVA, 33/11 KV Sub Stations and associated lines. The Tenure of the loan is 12 years repayable in 48 equal quarterly installments starting from 2004 & 2007. Interest rate varying from 8.00% to 11%)	40,07,00,278	16,25,39,333
	Medium Term Loans from Rural Electrification Corporation The payment of interest and repayment of principal would be secured by way of charge on materials/assets together with ESCROW cover as acceptable to REC for the loan. The Loan would be for a eriod of 36 months, repayable in 36 monthly instalments of principal along with the interest from the date of first disbursement without any moratorium period, the applicable Rate of interest is 11.25% (on monthly rest)	1,37,49,99,993	-
8	**Loans from Commercial Banks**	77,40,56,425	1,52,59,02,836

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

NOTES TO FINANCIAL STATEMENTS

	Particulars	As at March 31, 2019	As at March 31, 2018
	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	**10,81,57,44,641**	**8,02,79,44,833**
C	**Less : Current Maturities :**	2,63,84,82,086	1,74,51,31,435
	Total	**8,17,72,62,555**	**6,28,28,13,398**

M/s. P. G. BHAGWAT
FRN 101118W
Chartered Accountants

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

NOTES TO FINANCIAL STATEMENTS

Particulars	As at March 31, 2019	As at March 31, 2018

Unsecured Loans:

Sl no	Particulars	31-Mar-19	31-Mar-18
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%.)	2,52,80,624	3,07,31,270
2	**Loans from Government - APDRP** (The tenure of the loan is 13 years with 3 years moratoriam, principal being repayable in 10 equal Annual Installments, repayment starting from 2009 and ending during 2018. The rate of Interest is 8%.)	2,84,53,030	3,55,66,287
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)		-
	Sub-Total	**5,37,33,654**	**6,62,97,557**
	Less : Current Maturities :	1,25,63,903	1,25,63,903
	Total	**4,11,69,751**	**5,37,33,654**

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

M/S. P. G. BHAGWAT FRN 101118W Chartered Accountants

Term loan and loans repayable on demand from banks contain covenants relating to debt service coverage ratio, total

Particulars	As at March 31, 2019	As at March 31, 2018

debt gearing ratio. All the ratios mentioned above are within the level stipulated by the banks in its prescribed sanctions.

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

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

Particulars	As at March 31, 2019 ₹	As at March 31, 2018 ₹
Non - Current Liabilities		
19 Other non current financial Liabilities:		
a) Security Deposit from Consumers	5,31,79,30,623	4,92,56,62,798
b) Provision made by GOK towards consumers	5,96,95,651	5,96,95,651
c) BRP II Adjustment given by GOK i.r.o SMIORE	12,93,06,507	12,93,06,507
d) Other Payables to GoK	3,35,28,956	3,35,28,956
	5,54,04,61,737	**5,14,81,93,912**

Company pays interest at bank rate at the beganning of the year on security deposit from consumers. (Rate of interest 31 March 2019- 6.25%; 31 March 2018- 6.75%

Particulars	As at March 31, 2019 ₹	As at March 31, 2018 ₹
20 Provisions:		
a) Provision for Family Benefit Fund	4,66,77,453	5,37,58,508
b) Provision for Leave Encashment	66,45,34,390	44,51,65,655
	71,12,11,843	**49,89,24,163**

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

Also refer note 39 for detailed disclosure of family benefit fund and leave encashment.

21 Deferred revenue

(i)	Consumer Contribution towards cost of Capital Asset		
	Opening balance	**4,75,63,78,773**	**4,41,54,02,471**
	Received during the year	84,45,92,658	56,60,76,302
	Released to the statement of profit and loss	(34,07,00,000)	(22,51,00,000)
	Closing balance	**5,26,02,71,430**	**4,75,63,78,773**
(ii)	Government grants towards cost of capital assets		
	Opening balance	**2,76,56,93,426**	**2,18,09,54,026**
	Received during the year	1,61,99,32,919	71,69,39,400
	Released to the statement of profit and loss	(11,25,00,000)	(13,22,00,000)
	Closing balance	**4,27,31,26,345**	**2,76,56,93,426**
Total Deferred income		**9,53,33,97,775**	**7,52,20,72,199**
Current liability			
Non Current liability		**9,53,33,97,775**	**7,52,20,72,199**

Consumer Contribution towards cost of Capital Asset and Government grants towards cost of capital assets were previously shown in reserves and release from these reserves was shown as deduction from depreciation. However; since the grouping and disclosure of the same was not in compliance with Ind AS-20; the same has been rectified during the year and accordingly;

i) The amounts of Consumer Contribution towards cost of Capital Asset and Government grants towards cost of capital assets has been shown under deferred income liability.

ii) The release from above is shown under other income schedule

22 Other non - current liabilities:

(a)	Deposit Contribution Work	51,11,33,624	(75,86,251)
		51,11,33,624	**(75,86,251)**

M/s. P. G. BHAGWAT Chartered Accountants FRN 101118W

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

NOTES TO FINANCIAL STATEMENTS

Particulars	As at March 31, 2018 ₹	As at March 31, 2018 ₹
Current Liabilities		
23 Borrowings:		
I) Secured loans:		
a) Loans repayable on demand		
- from banks	63,95,00,331	74,39,69,617
- from others	-	-
Total	**63,95,00,331**	**74,39,69,617**

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

a) **Loan from Banks:** (Secured by Charge on Receivables from Consumers)	63,95,00,331	74,39,69,617

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

M/s. F. G. BHAGWAT Chartered Accountants FRN 101118W

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

NOTES TO FINANCIAL STATEMENTS

Particulars	As at March 31, 2019 ₹	As at March 31, 2018 ₹
Current Liabilities		
24 Trade payables:		
a) Total outstanding dues of micro and small enterprises	-	-
b) Total outstanding dues other than micro and small enterprises	42,07,45,76,734	42,10,83,12,443
c) To related parties	7,38,79,18,438	(76,31,38,501)
Total Trade payable	**49,46,24,95,173**	**41,34,51,73,942**

Terms and conditions of the above financial liabilities:

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

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

Additional Information:

1	Trade Payables for Purchase of Power	36,20,25,40,291	36,20,82,11,855
2	Other Liability for Outstanding Expenses	5,87,20,36,444	5,90,01,00,593
3	Payable to Associates - KPTCL/PCKL/other ESCOMs	7,38,79,18,438	(76,31,38,501)
		49,46,24,95,173	**41,34,51,73,948**

NOTES TO FINANCIAL STATEMENTS

Particulars	As at March 31, 2019 ₹	As at March 31, 2018 ₹
Details of dues to Micro and small as defined under MSMED Act, 2006		
(i) The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year		
Principal amount due to micro and small enterprises	Nil	Nil
Interest due on above	Nil	Nil
(ii) The amount of interest paid by the buyer in terms of section 16, of the MSMED Act, 2006.	Nil	Nil
The amounts of the payment made to the supplier beyond the appointed day during each accounting year.	Nil	Nil
(iii) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006.	Nil	Nil
(iv) The amount of interest accrued and remaining unpaid at the end of each accounting year.	Nil	Nil
(v) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act, 2006	Nil	Nil

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

NOTES TO FINANCIAL STATEMENTS

Particulars	As at March 31, 2019 ₹	As at March 31, 2018 ₹

In the view of the management, the impact of interest, if any, that may be payable in accordance with provisions of this Act is not expected to be material. Also no amounts are due to small scale industrial undertaking to whom the Company owes and which is outstanding for more than 45 days as at 31st March 2019.

25 Other current financial liabilities

Particulars	As at March 31, 2019 ₹	As at March 31, 2018 ₹
a) Current Maturities of Long term debts	2,65,10,45,989	1,75,76,95,338
b) Provision for Employee Benefits-P&G Turst	29,34,81,798	32,30,68,958
c) Miscellaneous Deposits/other liabilites (incl liability towards Employees)	14,69,65,397	21,16,54,568
d) Security deposit in cash from Suppliers/ Contractors	7,84,75,733	9,32,33,899
e) Excess credit under reconciliation with Bank	7,37,78,271	6,97,21,996
f) Interest accrued and payable to consumers	72,32,76,536	66,31,62,107
g) Interest accrued but not due on loans	18,55,02,023	23,37,43,616
h) Liability towards consumers	5,48,81,034	4,34,49,790
i) Sundry payables for capital goods purchased	2,44,58,73,737	1,58,82,76,869
	6,65,32,80,519	**4,98,40,07,141**

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

NOTES TO FINANCIAL STATEMENTS

Particulars	As at March 31, 2019 ₹	As at March 31, 2018 ₹
Break up of financial liabilities carried at amortised cost		
Particulars	**As at March 31, 2019**	**As at March 31, 2018**
a) Borrowings (non-current) (note 18)	8,21,84,32,306	6,33,65,47,052
Borrowings (current) (note 23)	63,95,00,331	74,39,69,617
Current maturity of long term loans(note 25)	2,65,10,45,989	1,75,76,95,338
Trade payables (note 24)	49,46,24,95,173	41,34,51,73,942
Other financial liabilities (non current) (note 19)	5,54,04,61,737	5,14,81,93,912
Other financial liabilities (current) (note 25)	4,00,22,34,530	3,22,63,11,803
Total	**70,51,41,70,065**	**58,55,78,91,664**
26 Provisions:		
a) Provision for Earned Leave Encashment	11,70,90,546	8,70,81,868
b) Provision for Employee Benefits	-	-
c) Provision for Family Benefit Fund	43,82,382	46,83,709
	12,14,72,928	**9,17,65,577**

M/s. P. G. BHAGWAT * Chartered Accountants * FRN 101118W

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

NOTES TO FINANCIAL STATEMENTS

Particulars	As at March 31, 2019 ₹	As at March 31, 2018 ₹
27 Other current liabilities:		
a) Current Maturities of Long term debts	-	-
b) Interunit accounts	15,04,21,539	(6,85,44,524)
c) Statutory Liabilities	16,93,72,414	(5,63,50,699)
d) Other paybales	-	3,67,56,027
	31,97,93,953	**(8,81,39,196)**
28 Current Tax Liabilities (Net):		
a) Provision for tax (net of advance tax)	-	-
	-	-

M/s. P. G. BHAGWAT Chartered Accountants FRN 101118W

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

NOTES TO FINANCIAL STATEMENTS

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

Sl No	Particulars	Pending at/With	31-Mar-19	31-Mar-18
1	Issue of C-Forms	Karnataka Appealated Tribunal	Rs. 82.55 Lakhs	Rs. 82.55 Lakhs
2	Intimation regarding default in TDS statement based on the Tax Payers data reflected in the Computer System of the Department for Short Deduction/Short Payments/Late Deduction/Late Payments/Late filings and interest thereon	DIT (TDS)	Rs. 268.56 Lakhs	Rs. 364.96 Lakhs
3	TDS on Transmission charges & others	CIT / High Court / Supreme Court	Rs. 10377.58 Lakhs	Rs. 10377.58 Lakhs
4	Incorrect/excess/arrears billing pending	Appealte Authorities	Rs. 1536.39 Lakhs	Rs. 1661.27 Lakhs
5	Interest on Power Purchase Parties	Claims against the Company not acknowledged as debts	---	---
6	Security to energy suppied by the Power Generators in the form of LC	Various Banks	Rs. 1344 Lakh	Rs. 1276 Lakh
7	For loss of life on account of electrification	Consumer Courts	Rs. 2590.52 Lakhs (38 Cases)	Rs 697.08 lakhs (39 cases)
8	Claims towards interest on delayed payments/ price variation/ refund of liquidated damages/ payment towards material supply/ variation in quantity and estimates	Arbitation	Not Ascertainable	Not Ascertainable
9	Power Purchase Agreement trafiffs & dues	Appealte Autority	100 cases pending before various authorities, Courts where the Amount is not Ascertainable.	110 cases pending before various authorities, Courts where the Amount is not Ascertainable.

M/s G. Bhagwat Chartered Accountants FRN 101118W

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

Particulars		2018-19	2017-18
30 Revenue from operations:			
a)	Operating Revenue		
	- Sale of Power	50,64,51,13,946	42,77,40,79,744
	-Supervision & Other Charges	13,92,86,272	14,34,92,402
		50,78,44,00,218	**42,91,75,72,146**
31 Other income:			
a)	Rental Income	2,99,56,636	1,57,08,203
b)	Interest Income	9,21,96,996	2,96,99,058
c)	Profit on sale of scrap	7,38,702	1,08,19,948
d)	Provision no longer required written back	59,23,79,867	53,05,48,581
e)	Rebate on Power Purchase	3,46,57,816	13,62,20,670
f)	Rebate on remittance of eletricity duty	83,56,500	63,30,500
g)	Other Miscellaneous Income	6,49,75,227	1,50,50,279
h)	Other income		-
h)	Government grants for capital assets	11,25,00,000	13,22,00,000
i)	Consumer contributed assets	34,07,00,000	22,51,00,000
		1,27,64,61,744	**1,10,16,77,239**
32 Cost of Power Purchased:			
a)	Purchase of Power	39,49,24,12,120	35,77,15,95,773
		39,49,24,12,120	**35,77,15,95,773**

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

Particulars		2018-19	2017-18
33 Employee benefit expenses:			
a)	Salaries & Wages	3,31,63,70,748	3,39,11,12,401
b)	Contribution to provident and other funds	1,27,75,25,461	69,30,82,678
c)	Bonus/Exgratia	5,67,66,375	5,34,95,131
d)	Earned leave encashment	47,70,75,857	14,67,25,497
e)	Staff welfare expenses	16,43,88,463	16,10,17,884
f)	Reclassification of Actuarial gains/ losses		-
		5,29,21,26,905	**4,44,54,33,591**
34 Finance costs:			
a)	Interest on loans	97,53,50,648	1,03,91,97,933
b)	Interest on Power charges	1,56,56,01,089	2,16,02,15,649
c)	Interest to Consumers on security deposits	31,93,58,967	31,74,11,775
d)	Less : Interest Capitalised	2,25,62,832	-
		2,83,77,47,872	**3,51,68,25,357**

*Payment of Interest, guarantee commission and principal amount paid to financial institutions in respect of some of the loans accounts, during the year 2018-19 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.

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

Particulars		2018-19	2017-18
35 Depreciation and amortization:			
a)	Depreciation on Building	2,73,32,542	2,39,37,032
	Depreciation on furnitures, fixtures	27,77,281	27,10,884
	Depreciation on lines, canle & network etc	1,57,98,71,464	1,40,42,71,323
	Depreciation on office equipments	39,11,821	34,30,609
	Depreciation on Other civil works	12,92,930	10,80,308
	Depreciation on Plant & Machinery	29,23,63,365	33,24,91,040
	Depreciation on vehicles	23,27,433	23,93,905
	Reversal of Depreciation	0	0
		1,90,98,76,837	**1,77,03,15,101**

M/s. P. G. BHAGWAT * Chartered Accountants * FRN 101118W

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

Particulars		2018-19	2017-18
36 Other expenses:			
a)	Advertisement Expenses	1,58,18,836	1,30,00,330
b)	Asset Decomissioning Costs	15,428	11,09,290
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)	Repairs & Maintanance - Building	4,94,81,703	4,73,80,309
e)	Repairs & Maintanance - Plant & Machinery	40,46,69,304	27,89,44,754
f)	Repairs & Maintanance - Others	21,51,456	2,76,026
g)	Repairs & Maintanance - Vehicles	20,57,070	29,86,799
h)	Rent	94,04,491	62,47,898
i)	Bad and doubtful debts written off/provided for	68,91,56,047	66,89,43,434
j)	Bank charges	11,60,79,023	2,16,15,417
k)	Compensation for death, injuries and damages	2,64,28,567	1,41,34,221
l)	Computer stationery and floppies	27,71,680	18,62,903
m)	Contributions	53,71,228	30,000
n)	Conveyance,travel and vehicle expenses	16,97,09,875	14,82,88,140
o)	Electricity charges	3,73,67,021	3,76,29,507
p)	Expenditure towards consumer awareness/education	1,29,830	2,24,28,500
q)	Freight and other material related expenses	(3,76,26,358)	(83,42,112)
r)	Incentive/Remuneration paid to Gram Vidyuth prathinidhi	13,67,06,802	14,73,47,656
s)	Legal Charges	90,15,651	51,87,315
t)	Ledger Maintenance charges & Other Consultancy Charges	53,18,44,869	46,18,34,249
u)	Rates & Taxes	12,22,59,826	6,33,76,397
v)	Postage and telephone charges	3,46,01,921	3,65,92,991
w)	Printing & Stationery	2,05,32,070	2,74,61,171
x)	Miscellaneous & other expenses	3,80,11,660	1,43,34,993
y)	Miscellaneous losses	(5,16,29,355)	1,55,65,656
		2,33,53,16,895	**2,02,92,24,094**

G. BHAGWAT FRN 101118W Chartered Accountants

Particulars	2018-19	2017-18
CSR expenditure		
Gross amount required to be spent during the year		
Amount spent during the year in cash	-	-

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

37 Earnings per share:
(Basic and diluted)

Basic and Diluted Earnings per share [EPS] computed in accordance with Ind AS 33 "Earnings per Share":

I

	2018-19	2017-18
(a) Before exceptional items		
Profit for the year after tax expense	19,33,81,334	(3,51,41,44,531)
Weighted average number of equity shares	1,11,49,56,104	1,11,49,56,104
Paid up value per share	10.00	10.00
Earnings per share (basic & diluted) (*)	0.17	(3.15)
(b) After exceptional item		
Profit for the year after tax expense	19,33,81,334	(3,51,41,44,531)
Weighted average number of equity shares	1,11,49,56,104	1,11,49,56,104
Paid up value per share	10.00	10.00
Earnings per share (basic & diluted)	0.17	(3.15)

M/s. P. G. Bhagwat Chartered Accountants FRN 101118W

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

	Particulars	2018-19	2017-18
II	Basic and diluted earnings per share including net movement in regulatory deferral account balances		
	Profit for the year after tax expense	3,48,06,33,617	(4,72,45,74,495)
	Weighted average number of equity shares	1,11,49,56,104	1,11,49,56,104
	Paid up value per share	10	10
	Earnings per share (basic & diluted)	3.12	(4.24)
38	**Net Movement in Regulatory Deferral account Balance related to Profit or Loss**		
	Regulatory Asset to be created for current year	6,82,49,12,120	4,56,34,70,036
	Reversal of regulatory asset created during previous year	(3,53,76,59,837)	(5,77,39,00,000)
	Net movement in regulatory deferral account	**3,28,72,52,283**	**(1,21,04,29,964)**

M/s. P. G. BHAGWAT * Chartered Accountants * FRN 101118W

GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

(CIN NO. - U04010KA2002SGC030436)

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

NOTES TO THE FINANCIAL STATEMENTS

Note 39 Disclosure pursuant to Employee benefits

(a) Defined Contribution Plan:

Amount of Rs. 1,27,75,25,461 (March 31, 2018: Rs. 69,30,82,678) is recognised as expenses and included in Note No. 33 "Employee benefit expense"

(b) Defined Benefit Plan:

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

		31-Mar-19		31-Mar-18	
1	**Changes in Defined benefit obligation**	**Family Benefit Fund (Unfunded)**	**Leave Encashment (Unfunded)**	**Family Benefit Fund (Unfunded)**	**Leave Encashment (Unfunded)**
		(Rs)	(Rs)	(Rs)	(Rs)
	Defined benefit obligation at the beginning of the year	5,84,42,217	53,22,47,523	5,44,56,875	55,37,71,388
	Current Service Cost	62,12,028	23,17,61,650	46,73,805	19,36,89,070
	Interest Cost	42,35,577	3,68,97,347	36,92,900	3,60,97,171
	Actuarial losses/ (gains)	92,56,695	16,46,74,591	16,82,936	(9,13,36,730)
	Benefits paid	(1,83,97,129)	(18,39,56,175)	(60,64,299)	(15,99,73,376)
	Defined benefit obligation at the end of the year	**5,97,49,388**	**78,16,24,936**	**5,84,42,217**	**53,22,47,523**
2	**Changes in Fair Value of assets**				
	Opening Fair value of plan assets			-	-
	Expected return on plan assets			-	-
	Actuarial losses/ (gains)			-	-

M/s. P. G. BHAGWAT Chartered Accountants FRN 101118W

GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

(CIN NO. - U04010KA2002SGC030436)

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

NOTES TO THE FINANCIAL STATEMENTS

	Contributions by employer			-	-
	Benefits paid			-	-
	Closing Fair Value of Plan Assets			-	-
3	**Liability recognized in the Balance sheet**				
	Present value of unfunded obligations	5,97,49,388	78,16,24,936	5,84,42,217	53,22,47,523
	Amount recognized in Balance sheet under Current liabilities and provision	**5,97,49,388**	**78,16,24,936**	**5,84,42,217**	**53,22,47,523**
4	**Expenses recognized in Statement of Profit & loss under Note 26**				
	Current Service Cost	62,12,028	23,17,61,650	46,73,805	19,36,89,070
	Interest on Defined Benefit Obligation	42,35,577	3,68,97,347	36,92,900	3,60,97,171
	Net Actuarial losses/ (gains) recongnized in the year	92,56,695	16,46,74,591	16,82,936	(9,13,36,730)
	Benefits paid	(1,83,97,129)	(18,39,56,175)	(60,64,299)	(15,99,73,376)
	Total employer expense recognized in Statement of profit and loss	**13,07,171**	**24,93,77,413**	**39,85,342**	**(2,15,23,865)**
5	**Actuarial assumptions:**				
	Discount rate	7.55%	7.55%	7.55%	7.55%
	Expected rate of return on assets	0.00%	0.00%	0.00%	0.00%
	Rate of escalation in salary (per annum)	7.00%	7.00%	6.00%	6.00%
	Retirement Age	60 Years	60 Years	60 Years	60 Years

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

M/s. P. G. BHAGWAT * Chartered Accountants * FRN 101118W

Note 40 - Related Parties Disclosure:

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

I Names of the related party and related party relationship:

a) Related party where control exists

Government of karnataka

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

i) Key management personnel (KMP)

Sri. Jawaid Akthar (IAS)
Sri. S Selvakumar (IAS)
Smt. N Manjula (IAS)
Smt. Dr. R. Ragapriya (IAS)
Sri. H N Gopalkrishna (IAS)
Sri Ragunandan Murthy (IAS)
Smt. Hepsiba Rani Korlapati (IAS)
Sri P Raja (IAS)
Sri. H S Ashokanand (IAS)
Sri. Chikkananjappa
Sri. R Jayakumar
Sri. Vinodkumar Havangi
Sri Anilkumar S Bableshwar
Sri. Purushotham Singh B H
Sri. Udaykumar Bhosgi
Sri Rajkumar S Biradar
Sri. A N Jayaraj
Sri. T R Ramakrishnaiah
Sri. K T Hiriyanna
Sri B Abdul Wajid

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

Karnataka Power Transmission Corporation Limited
Bangalore Electricity Supply Company Limited
Hubli Electricity Supply Company Limited
Mangalore Electricity Supply Company Limited
Chamundeshwari Electricity Supply Corporation
Power Corporation of Karnataka Limited
Karnataka Power Corporation Limited

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

a) Managerial remuneration

Sl. No.	Nature of transactions	2018-19	2017-18
1	Directors Remuneration [Managing Director & Director (Tech)]	29,51,322	44,51,643
2	Directors Sitting fees	14,000	1,33,000
2	Sri. Abdul Wajid - Key Management Personnel	31,45,496	157377*

*Salary for only 1 month drawn from GESCOM

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

Sl. No.	Nature of transactions	Party Name	2018-19	2017-18
1	Transmission of Energy	KPTCL	(4,06,57,82,396)	11,01,86,15,551
2	Receivable/Payable towards Energy Balancing	BESCOM	1,49,33,50,000	1,08,41,20,000
3	Receivable/Payable towards Energy Balancing	HESCOM	30,40,000	(6,43,50,000)
4	Receivable/Payable towards Energy Balancing	MESCOM	90,73,30,276	69,73,69,391
5	Receivable/Payable towards Energy Balancing	CESCOM	(1,31,40,000)	29,91,10,000
6	Purchase of Power	PCKL	-	-
7	Purchase of Power	KPCL	-	-

M/s. P. G. BHAGWAT * Chartered Accountants * FRN 101118W

GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

(CIN NO. - U04010KA2002SGC030436)

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

NOTES TO THE FINANCIAL STATEMENTS

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

Sl. No.	Nature of transactions	Party Name	As at March 31 2019	As at March 31 2018
1	Transmission of Energy	KPTCL	1,18,74,87,825	8,82,02,59,242
2	Receivable/Payable towards Energy Balancing	BESCOM	(1,98,75,54,574)	(3,48,09,04,574)
3	Receivable/Payable towards Energy Balancing	HESCOM	5,79,42,057	5,49,02,057
4	Receivable/Payable towards Energy Balancing	MESCOM	1,42,34,02,421	51,60,72,145
5	Receivable/Payable towards Energy Balancing	CESCOM	17,83,31,000	19,14,71,000
6	Purchase of Power	PCKL	-	-
7	Purchase of Power	KPCL	22,16,25,62,880.00	27,92,27,44,667.00

Note 41 Disclosure in respect of Ind AS-17- "Leases"

The relevant data and information with respect to leases is not available and hence no disclosure is made as per Ind AS- 17 - "Leases".

The Company has entered into commercial leases for office premises and guest house. These leases have an average life of between three years with no renewal option included in the contracts. There are no restrictions placed upon the Company by entering into these leases.

The Company has paid Rs. 94.04 lacs (31 march 2018: Rs. 62.47 lacs) during the year towards minimum lease payment.

Note 42 True-up Subsidy/ Regulatory Asset (Refer Note 21)

Determination of the Retail Supply Tariff chargeable by the Company to its consumers is governed by KERC (Terms and conditions for determination of Tariff for Distribution and Retail Sale of Electricity) Regulations 2006, and the ammendments made thereon from time to time, whereby KERC is required to determine the Tariff in a manner that the Company recovers its Power purchase cost as well as other prudently incurred expenses and earns return of 19.70% (post MAT) on KERC determined Equity.

In the process of determining the tariff, KERC will approve the ARR for the year considering the tariff applications submitted by the ESCOMs, which will be again trued up by the Commission during Annual Performance Review considering actuals, on finalisation of accounts for the year. The Surplus/Deficit in revenue if any will be adjusted in future tariff. GESCOM is accounting such surplus/Deficit in the accounts of respective year itself as "Regulatory Asset" being the defferred expenses expected to flow to the Company subsequently on determination of tariff by Hon'ble KERC during Annual Performance Review.

Accordingly, Company had accounted Regulatory Assets of Rs. 35377 lakhs and Rs. 45635 Lakhs for FY 2016-17 and FY 2017-18 respectively. For the year 2016-17 Hon'ble KERC has determined the Revenue Gap of FY 17 as 46506 lakhs in the APR and carried forward the same for allowing in the year 2018-19. Further, Regulatory Asset created during FY17 amounting to 35377 lakh is treated as recovered during FY 2018-19 and reversed in the accounts.

M/s. G. BHAGWAT Chartered Accountants FRN 101118W

GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

(CIN NO. - U04010KA2002SGC030436)

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

NOTES TO THE FINANCIAL STATEMENTS

Further fresh regulatory Asset to the extent of Rs 68249 lakhs is created in the accounts for FY 2018-19 by computing the provisional gap expected to be considered by KERC for inclusion in the tariff revision of future years. (Refer Table below)"

Particulars	Approved in tariff 2018	Actual for FY 2018-19	Expected to be approved by KERC in True-up	Considered for Regulatory Income/Assets during FY 19
Revenue				
Revenue including Subsidy	4497.65	5078.44	5078.44	
Regulatory Asset recovered/reversed		-353.77	-353.77	
Additional Regulatory Asset if any		682.49	682.49	
Total Revenue	**4497.65**	**5407.16**	**5407.16**	
Expenses				
Power Purhase cost	3266.75	3949.24	3949.24	682.49
O&M Cost	557.44	679.58	679.58	
Depreciation	155.22	190.98	145.66	
Interest & Finance Charges	250.36	283.77	250.36	
ROE	56.8		56.8	
Others	0.5	83.18		
Total Expenses	**4287.07**	**5186.75**	**5081.64**	**682.49**
Less: other income	45.04	127.65	127.65	
Net ARR	4242.03	5059.1	4953.99	
GAP for FY 2018-19	-255.62	-348.06	-453.17	

Reconciliation of regulatory asset

a	Opening Regulatory Asset as on 01.04.2018	8,10,11,29,873
b	Add: Regulatory Asset created for FY 2018-19	6,82,49,12,120
c	Add: Additional Regulatory Asset accounted for FY if any as per true-up order	-
d	Less: Reversal of Regulatory assets created during FY 17	(3,53,76,59,837)
e	**Closing regulatory asset as on March 31, 2019**	**11,38,83,82,156**

G. BHAGWAT & Co. Chartered Accountants FRN 101118W

Note 43 Operating Segment (Ind AS 108)

Electricity distribution is the principal business activity of the Company. There are no other activities which form a reportable segment as per the Indian Accounting Standard – 108. The operations of the Company are mainly carried out within six Revenue districts of Karnataka, viz. namely Bidar, Gulbarga, Yadgir, Raichur, Bellary and Koppal Therefore geographical segments are not applicable.

Note 44 Fair values measurement

The below table summarises particulars of Financial Instruments carried at amortised cost.

Particulars	31-Mar-19	31-Mar-18
Financial Assets at amortized cost:		
Loans (note 6(ii))	16,41,54,856	17,11,45,803
Unbilled revenue (note 10)	2,58,00,28,138	2,37,26,90,170
Trade receivables (note 11)	28,28,80,07,555	19,99,60,20,436
Cash and Cash equivalents (note 12)	1,13,38,13,658	63,20,77,227
Other bank balances (note 12)	40,35,97,192	40,80,58,125
Other financial assets (note 13)	8,66,43,71,361	5,73,49,57,714
Total Financial Assets	**41,23,39,72,760**	**29,31,49,49,475**
Financial Liabilities at amortized cost:		
Borrowings (non-current) (note 18)	8,21,84,32,305	6,33,65,47,052
Borrowings (current) (note 23)	63,95,00,331	74,39,69,617
Current maturity of long term loans(note 25)	2,65,10,45,989	1,75,76,95,338
Trade payables (note 24)	49,46,24,95,173	41,34,51,73,942
Other financial liabilities (non current) (note 19)	5,54,04,61,737	5,14,81,93,912
Other financial liabilities (current) (note 25)	4,00,22,34,530	3,22,63,11,803
Total Financial Liabilities	**70,51,41,70,065**	**58,55,78,91,664**

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

a Security deposit in cash from Suppliers/ Contractors and retention money (refer note 25)

The adjustment with respect to EIR has not been made for Security deposit in cash from Suppliers/ Contractors and retention money shown under note 25 "other current financial liabilities as expected realization date is not available. And hence the same cannot be stated to be at fair value. The fair value determination of the same is not made due to non availability of expected realisation date.

b Security deposit (refer note 6(ii) "Loans")

Security deposit (refer note 6(ii) "Loans") includes amoount of Rs. 1400 lakhs contributed by company towards Priyadarshini Jurala Hydel Project; . Company is not in a position to ascertain whether the investment is with respect to equity or debt etc due to non availability of sufficient information. Accordingly such security deposit is not adjusted with EIR or has been fair valued and the same is carried at cost which is not in complaince with Ind AS-109: Financial Instruments and Ind AS-113: Fair value Measurement.

The management assessed that cash and cash equivalents, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Investment in equity shares:

Investment in equity instrument of PCKL (refer note 6(i)) is not fair valued as on reporting dates. Hence to the extent of the same; the investment values are carried at cost which is in non complaince with Ind AS-109: Financial Instruments and Ind AS-113: Fair value Measurement. The fair value determination of the same is not made due to non availability of sufficient information.

Since the fair value determination of above stated financial instruments was not made by the company; accordingly; disclosure with respect to comparison by class of the carrying amounts and fair value of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values was not possible.

Note 45 Fair value hierarchy

Since the fair value determination in case of financial instrument was not made by the company; due to the reason stated in the note no 44; accordingly; the disclosure with respect to fair value measurement hierarchy of the Company's assets and liabilities was not possible.

Note 46 Financial risk management objectives and policies:

GESCOM, a GoK owned organization functions under the ambit of various statutory Acts and Regulations. As per Electricity Act 2003, Tariff filing for each year is carried by the Company for Annual Performance Review (APR) and Revision in Annual Revenue Requirement (ARR) with KERC (Regulator) and hence is subject to regulatory risk. Each of its activity attributable to Credit risk, Liquidity risk and Market risk undergoes consistent monitoring by Regulator (KERC) annually.

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

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

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

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

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

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

The sensitivity analyses in the following sections relate to the position as at 31 March 2019 and 31 March 2018.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives.

The analyses exclude the impact of movements in market variables on the carrying values of gratuity and other post retirement obligations and provisions.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term and short-term debt obligations with floating interest rates.

Year ended	**Increase/ decrease in basis points**
31 March 2019	50 (50)
31 March 2018	50 (50)

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

M/S. G. BHAGWAT FRN 101118W Chartered Accountants

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

The Company's exposure to the foreign currency risk is Nil; due to the fact that; the companies does not have any export market or does not have any foreign currency borrowings. Accordingly, no sensitivity analysis have been performed by the management.

Power purchase cost risk

The Company is affected by the price volatility of power purchase. Its operating activities require the ongoing distribution of electricity and therefore require a continuous purchase of power.

The Company's exposure to the risk of change in prices of power purchase are mitigated by the fact that the price increases/decreases from the vendors are passed on to the customers based on following;
In the process of determining the tariff, KERC will approve the ARR for the year considering the tariff applications submitted by the ESCOMs, which will be again trued up by the Commission during Annual Performance Review considering actuals, on finalisation of accounts for the year. The Surplus/Deficit in revenue if any will be adjusted in future tariff. GESCOM is accounting such surplus/Deficit in the accounts of respective year itself as "Regulatory Asset" being the defferred expenses expected to flow to the Company subsequently on determination of tariff by Hon'ble KERC during Annual Performance Review.

Hence the fluctuation of prices of power purchase do not materially affect the statement of profit and loss. Accordingly, no sensitivity analysis have been performed by the management.

Credit risk

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

Trade receivable

Trade receivable majorly comprises sundry debtors for sale of power from various class of consumers and Receivable from other ESCOMs. Risk element involving sundry debtors is adequately covered by security deposit held against such consumers by way of collection of 2 months minimum deposit (as per mandatory stipulation of regulatory governance). Other major contributor of receivable is from inter ESCOM energy balancing, all being sovereign government flagship organizations risk element of turning those to bad debts is not foreseen. Further, provision for expected credit loss is made as a percentage of doubtful debts to the extent indicated clause 12 of Note 2 (Significant Accounting Policies)

Financial instruments and cash deposits

The Company has diversified its bank deposits and placed the same only with reputed and creditworthy nationalized banks.

The Company's maximum exposure to credit risk for the components of the balance sheet at 31 March 2019 and 31 March 2018 is the carrying amounts as illustrated in note 12.

M/s. P. G. BHAGWAT
FRN 101118W
Chartered Accountants

Liquidity risk

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

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

Note 47 Capital and other commitment

The relevant information with respect to capital and other commitments as at reporting date is not ascertainable and hence the disclosure was not possible.

Note 48 Segment information

Electricity distribution is the principal business activity of the Company. There are no other activities which form a reportable segment as per the Indian Accounting Standard – 108.

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

Note 49 Capital Management

For the purpose of the Company's capital management, capital includes issued equity capital, and all other equity reserves attributable to the equity holders and borrowings. The primary objective of the Company's capital management is to maximise the shareholder value. The Company manages its capital structure and makes adjustments for complaince with the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents, excluding discontinued operations.

M/s. P. G. BHAGWAT Chartered Accountants FRN 101118W

GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED

(CIN NO. - U04010KA2002SGC030436)

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

NOTES TO THE FINANCIAL STATEMENTS

	31 March 2019	31 March 2018
	Rupees	Rupees
Borrowings (note 18 and 23)	11,50,89,78,625	8,83,82,12,007
Trade payables (note 24)	49,46,24,95,173	41,34,51,73,942
Other current and non current liabilities (note 22 and 27)	83,09,27,577	(9,57,25,447)
Other financial liabilities (note 19 and 25)	9,54,26,96,267	8,37,45,05,715
Less: cash and cash equivalent (note 8)	(1,13,38,13,658)	(63,20,77,227)
Net debt	**70,21,12,83,984**	**57,83,00,88,990**
Total Equity	10,44,94,05,503	5,64,47,37,948
	10,44,94,05,503	5,64,47,37,948
Capital and net debt	**80,66,06,89,487**	**63,47,48,26,938**
Gearing ratio	**87%**	**91%**

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

Note 50: Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Accounting judgements, estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

G. BHAGWAT Chartered Accountants FRN 101118W

Revaluation of property, plant and equipment

The Company measures land and rights classified as property, plant and equipment at revalued amounts with changes in fair value being recognised in OCI. The Company engaged an independent valuation specialist to assess fair value at 01 April 2016 for revalued land. Land were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Company has not performed valuation with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

Defined benefit plans (family benefit fund and leave encashment)

The cost of the defined benefit plans the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The parameter most subject to change is the discount rate. In determining the appropriate discount rate for the plans ,the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation. The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates. Further details about defined benefit obligations are given in note 39.

Usefule lives of property,plant and equipment

The Company believes that the estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used. Refer accounting policy note for useful lives of the PPE.

Regulatory deferral account

In the process of determining the tariff, KERC will approve the ARR for the year considering the tariff applications submitted by the ESCOMs, which will be again trued up by the Commission during Annual Performance Review considering actuals, on finalisation of accounts for the year. The Surplus/Deficit in revenue if any will be adjusted in future tariff. GESCOM is accounting such surplus/Deficit in the accounts of respective year itself as "Regulatory Asset" being the defferred expenses expected to flow to the Company subsequently on determination of tariff by Hon'ble KERC during Annual Performance Review.

FRN
101118W
Chartered Accountants

Note 51 - Consequent to unbundling of transmission and distribution activities and formation of Electricity Distribution Companies, the Government of Karnataka has transferred certain assets and liabilities including loans taken by M/s KPTCL to the Company. As part of transfer of assets and liabilities and the same has been accounted in the books of account at book values.

Summary of assets and liablities transferred as per transfer document

Particulars	Amount (Rs Cr)
Assets	
Fixed Assets	
Fixed Assets (net block)	274
Capital work in progress	18
Change in net block due to transfer of asset from ESCOMS to KPTCL	(4)
Total Fixed assets	**288**
Current Assets	
Inventories	26
Sundry Debtors	98
Cash Balances	2
Bank balances	7
Loans and advances	5
Other Assets	1
Total Current Assets	**139**
Total Assets	**427**
Equity	
Equity share capital	131
Total equity	**131**
Loans	98
Other liabilities	
Security deposit from consumer	131
Security line deposit from consumers	9
Other liablities	**140**
Current liabilities	
Liability for supplies/works	27
Unpaid salary and other liabilities	2
Security deposit from contractor in cash	1
Other liabilities and provisions	28
Total Current Liabilities	**58**
Total equity and liabilities	**427**

Note 52 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 53 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.

FRN 101118W
Chartered Accountants

Note 54 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 55 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. During the year 2018-19 the Internal Audit have identified and conducted special audit in 6 cases of cash Misappropriation amounting to Rs 37.98 Lakhs 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 56 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 P G BHAGWAT
Chartered Accountants
Firm Reg. No. 101118W

For and on behalf of the Board of Directors

Shankar Pagad Partner Membership No: 206124	**B Abdul Wajid** Chief Financial Officer	**R Jayakumar** Director (Technical)	**Dr R Ragapriya, IAS** Managing Director

Place : Kalaburagi
Date : 30 AUG 2019

M/S P G BHAGWAT FRN 101118W Chartered Accountants