

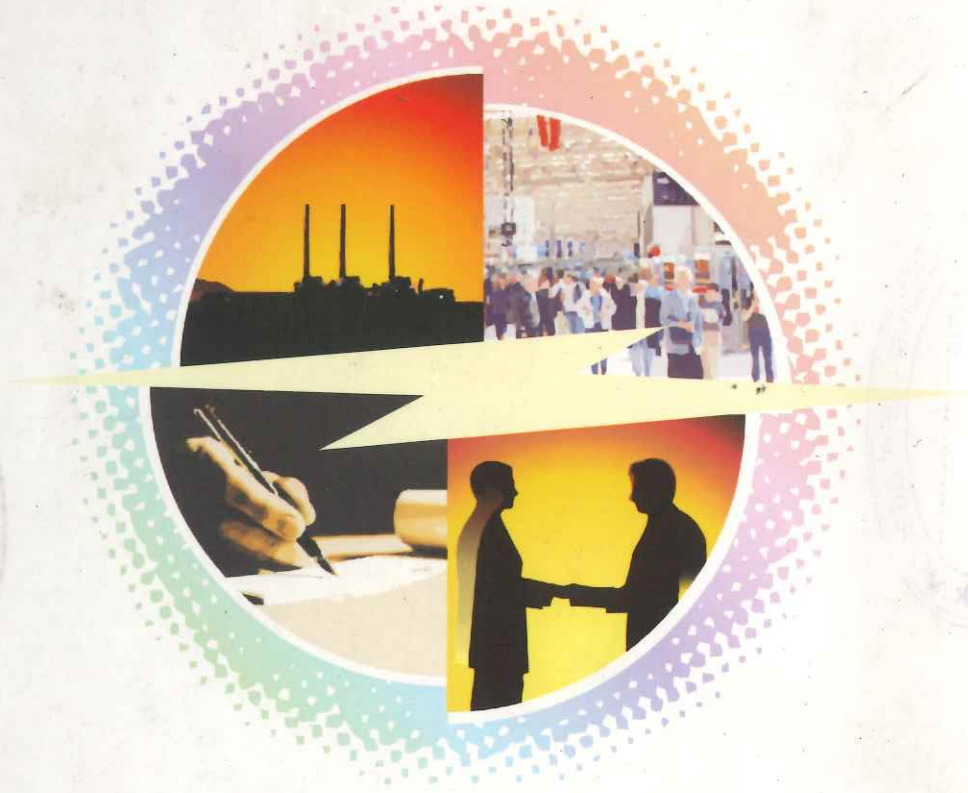


ಬೆವಿಕಂ



1ನೇ ವಾರ್ಷಿಕ ವರದಿ 2002-2003 1st ANNUAL REPORT 2002-2003

Post Office,
550 001
Bangalore



BESCOM

ಬೆಂಗಳೂರು ವಿದ್ಯುತ್ ಸರಬರಾಜು ಕಂಪನಿ ನಿಯಮಿತ
Bangalore Electricity Supply Company Limited



Inauguration of HRD Centre on 12th Feb 2004
by Sri Dilip Rau, Principal Secretary,
Energy Dept., Govt. of Karnataka



Releasing of Corporate brochure by
Sri Dilip Rau, Principal Secretary, ED, GOK



Launching of IVRS by
Sri K.N. Shrivastava, Chairman, BESCOM



BESCOM

1st ANNUAL REPORT FOR THE YEAR 2002 -03

BANGALORE ELECTRICITY SUPPLY COMPANY LIMITED



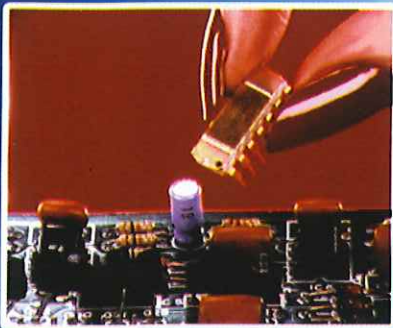
Strategic

Development



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**Em 'Power' ing
Development**



DIRECTORS' REPORT

Dear Members,

The Board of Directors are pleased to present their First Annual Report on the business and operations of the Company and the Statement of Accounts for the year ended 31.03.2003.

The Government of Karnataka, as part of reforms in power sector has unbundled the Transmission & Distribution activity in the State of Karnataka. As a result, the BESCOM was incorporated on 30.04.2002 under the Companies Act, 1956 and the Company started operation with effect from 01.06.2002. The Company came into existence with geographical jurisdiction of 6 districts comprising of Bangalore Urban, Bangalore Rural, Kolar, Tumkur, Chitradurga and Davangere with an aim to carry on the business of Distribution and Supply of Electricity more efficiently and economically. The Company is a holder of "Distribution and Retail Supply License" granted by KERC under Section 19 of the KERC Act-1999 (Act No.25 of 1999) for carrying on the business of Retail Supply of Electrical Energy in Karnataka.

FINANCIAL

The financial performance of BESCOM during FY - 03 is as follows :

Sl No.	Particulars	Amount: Rs.in Crores
1.	Net Sales / Income from Operations	2353.50
2.	Revenue Subsidies and Grants	315.65
3.	Total Expenditure	2564.21
4.	Operating Profit	104.94
5.	Add Other Income	21.06
6.	Profit before Depreciation, Interest	126.00
7.	Less Depreciation	71.23
8.	Profit before Interest and Taxes	54.77
9.	Less Interest & Other charges / Reserves	35.05
10.	Profit before Tax	19.72
11.	Less Provision for Taxes	1.80
12.	Net Profit after Tax	17.92
13.	Balance Carried forward to Balance Sheet	17.92



STRATEGY AND VISION OF THE COMPANY

The vision of BESCOM is to be the best electricity distribution company in India. In order to achieve this vision, the Company has drawn up a strategy, which focuses on customer satisfaction, regulatory compliance, meeting stake holders' expectations through an internal reporting, monitoring and control systems.



MISSION STATEMENT

The mission of BESCOM is to ensure complete customers' satisfaction by providing its customers reliable and quality Power supply at competitive rates.

BESCOM is set to achieve this mission through :

1. Best practices in the Construction & Maintenance of its distribution network.
2. High Standards in customer service.
3. Optimum usage of Technical and Human Resources.

In pursuance of the Mission and vision, BESCOM has set out the following objectives:

● Customer service

It is the honest endeavor of BESCOM to provide best customer service and sincerely attempt to resolve the grievances of the customers in the shortest possible time and to the satisfaction of the customers.

● Performance

BESCOM is achieving continuous performance enhancement in the areas of Operation and Maintenance of the infrastructure, implementation of new projects/ schemes and to acquire and sustain best practices in these areas with good business ethics and values.

● Human Resource Development

BESCOM committed to create a culture of team building, performance orientation, empowerment and accountability to convert the excellent experience and knowledge into productive action.

● Growth

BESCOM continuously attempts to expand the distribution system and the retail business activity in a cost effective and time effective manner.

● Financial soundness

BESCOM has developed appropriate commercial policies and systems to maintain and improve the financial viability and status of the company by being commercially successful.



BOARD OF DIRECTORS

The following are the Directors of BESCOM as on the date of AGM.

Sriyuth :

- | | | |
|-------------------------|---|--|
| 1) Chairman | : | K.N. Shrivastava, I.A.S. |
| 2) Managing Director | : | Bharatlal Meena, I.A.S. |
| 3) Director (Technical) | : | M. Muniswamy |
| 4) Director (Labour) | : | V. Narayana Gowda
President, KPTCL Employees' Union (Reg-659) |
| 5) Director | : | Dilip Rau, I.A.S. |
| 6) Director | : | G. Gurucharan, I.A.S. |
| 7) Director | : | M.N. VijayaKumar, I.A.S. |
| 8) Director | : | Karla Hucchae Gowda |
| 9) Director | : | H. Gangappa Bin oblegowda |
| 10) Director | : | Revanna |
| 11) Director | : | Uthannur Srinivasa |

1. BRIEF ANALYSIS OF SIGNIFICANT ASPECTS

1.1 Industry, Structure and Developments

The Power Sector is one of the most important growth engines for an economy, especially for a developing country like India. However, the Indian power scenario continues to be plagued by a variety of ills such as perennial shortages, skewed tariffs, poor distribution and sub-distribution networks and high transmission, distribution and commercial losses. Annual losses of State Electricity Board in 2001-02 was astonishingly very high. The mounting outstanding liability of SEBs to Central Power Utilities is a further testimony of the worsening state of State Electricity Boards.

1.2 Power Sector

The state government is undertaking power sector reforms for developing an efficient, commercially viable and competitive power supply to industries to achieve the objective of

- ensuring that the people of Karnataka have equitable access to basic and reasonably priced electricity services; the target being to electrify all the remaining households and hamlets by the year 2010,
- providing electricity supplies that industry and commerce need for achieving economic growth,
- improving the quality and reliability of power supply to the consumers, and
- promoting the kind of energy use and production that will not damage the environment.



The year 2002-03 saw several government initiatives to reform the Indian Power Sector. The major initiatives are -

- 1) The Electricity Act, 2003 (Central Act 36 of 2003) has been brought into force w.e.f. 10-06-2003.
- 2) The Govt of Karnataka has brought into force the Karnataka Electricity Reforms [Transfer of Undertakings of KPTCL and its Personnel to Electricity Distribution and Retail Supply Companies] (Amendment) Rules, 2002.
- 3) Electricity Reform (Transfer Scheme) (Amendment) Rules 2002.
- 4) Electricity Regulatory Commission Code of practice on payment of Bills (Amendment) Rules, 2002.

Unbundling of the power sector, reduction in T&D losses, restructuring of State Electricity Boards and reduction in subsidies and cross subsidies are the themes that are now receiving increasing attention from the government. With the onset of privatization and huge gap in demand and supply in India, the Power Sector needs growth in the long term.

1.3 Implementation of Availability Based Tariff (A.B.T)

The country has finally seen the implementation of ABT in all the four major regions. Aimed at introducing efficiency, improving power quality and bringing in grid stability, introduction of ABT replaces the earlier two-part tariff system based on fixed and variable costs by a performance-based tariff having a reward and penalty system. This has paved way for improved grid operation and a change in existing tariff structure of power utilities in the central sector.

Implementation of ABT has brought about much needed grid discipline amongst the various constituents. The results are already visible. Reduction in overdrawals and considerable improvement in frequency during both peak and off peak periods are the visible results. It has also opened up new avenues for power trading.

1.4 Passage of New Electricity Act

The long awaited Electricity Bill 2001 known as the Electricity Act 2003 was approved by both the houses of parliament and finally brought into force with effect from 10th June 2003.

The main objectives of EA 2003 are -

- To consolidate the laws relating to generation transmission, distribution, trading and use of electricity.
- To deconstruct the electricity value chain.



- To promote competition in the sector thereby enhancing the efficiency in the power sector.
- To protect interest of consumers and supply of electricity to all areas.
- To rationalize tariff and reduce subsidy and cross subsidy.
- Promotion of efficient and environmentally benign policies.
- Constitution of CEA, Regulatory Commissions and establishment of Appellate Tribunal.



Key features of EA 2003 include -

- Abolition of licensing requirement and techno-economic clearance for generation projects other than hydel projects.
- Provision of open access in transmission on enactment and later on in distribution.
- Repealing of the existing laws / Acts i.e., The Indian Electricity Act, 1910, The Electricity (Supply) Act, 1948, The Electricity Regulatory Commission Act, 1998.
- Fillip to power trading.
- Competition in distribution.

1.5 Accelerated Power Development and Reforms Programme (APDRP)

The improvements in the sub-transmission and distribution systems in a phased manner are the hallmarks of introduction of APDRP Scheme. Under the Scheme, funds are made available to the SEBs linked with reform initiative and with safeguards to ensure proper utilization and accountability. The proposal moved by



Sri. Aravind Jadav IAS, Joint Secretary, Ministry of Power, GOI, visited BESCOM on 25-06-04

the Ministry of Power is approved by the GOI. It consists of six level intervention strategy for distribution reforms. The expenditure includes investment and incentive components.

A cell is set up to expedite execution of APDRP works. Under the scheme for this year and next year, an action plan has been prepared to an extent of Rs. 372.00 crores for replacement of old meters and systems improvement. Work has since



started in many towns. The breakup is as follows:

- Providing new 11 KV lines,
- Providing new DTCs,
- Renovation & maintenance of existing DTCs,
- Metering Programme,
- Use of IT.

In the Budget, Capital Expenditure has been planned to an extent of Rs. 85.00 Crores. To have more HVDS (High Voltage Distribution System), it is proposed to have one feeder for every division in addition to other works. HVDS has several obvious advantages -

- Reduction of power purchase cost by reduction of technical losses.
- Improvement of revenues through reduction of commercial losses.
- Reduction of consumer complaint on power supply.
- Better quality and reliability of power supply.
- Least DT failures.



Conventional type transformer in Bangalore City

Under the scheme, GOI provides 50% of the project outlay, ie 25% as loan and 25% as grants through State Government. The Utilities have to borrow 50% of the outlay from financial Institutions.

Government of India, Ministry of Power vide their letter dated 4-10-02 sanctioned the following projects under APDRP for BESCOM.

Name of the Project	Cost (Rs. in Crores)
Bangalore City	338.30
KGF (Robertsonpet)	7.76
Tumkur	16.22
Davangere	9.93
Total	372.21

1.6 Anti-theft Legislation

Anti-theft legislation has been brought into force by some States like West Bengal, Andhra Pradesh, Karnataka, Madhya Pradesh and Uttar Pradesh, while other states like Maharastra, Punjab, Bihar, Gujarat and Kerala have also taken steps in this direction. Under this legislation, various stringent provisions have been made including a minimum



term of imprisonment for theft of electricity. The enactment of this legislation has helped in reducing theft, thereby increase in revenue collection and reduction in commercial losses to a considerable extent.

Before the enactment of Anti-theft legislation, consumers were given sufficient opportunity to get their unauthorized connections regularized. It is one of the milestones in the reforms activities.

Special rewards are given to informants by keeping their identities confidential.

ATL 2nd Phase

Physical inspection of Commercial & Power installations in Bangalore Metropolitan Area Zone was taken up in order to assess unauthorized load, theft, if any, and to collect necessary back billing charges.

The details are as follows :

No. of Installations Inspected	:	2,31,960 Nos.
No. of cases where excess load was noticed	:	58,708 Nos.
Additional load to be regularized	:	44,784 Kws.
No. of theft cases booked	:	95 Nos.
Back billing charges claimed	:	Rs.330.96 Lakhs.
Back billing and compounding fee collected	:	Rs.116.86 Lakhs.

1.7 New National Power Tariff Policy

The new National Power Tariff Policy is under preparation by the GOI. It is expected to be in place by the end of the year 2004. Under this policy, the Central Electricity Regulatory Commission (CERC) would specify the principles and methodologies for terms and conditions applicable to tariff of generating companies and transmission licensees. The SERC in turn would be guided by CERC's principles while determining inter-state tariffs.

1.8 Financial Restructuring Plan

Government of Karnataka, as part of its reform agenda, is in the process of approving the FRP (revised) for each of the ESCOMs.

The FRP after its approval would become a key performance – monitoring document for the





Government. It contains the year-on-year assumptions for the next 5 to 6 years in respect of the following:

- a. System input
- b. Distribution losses
- c. Power Purchase cost
- d. Category-wise growth rates, sales, revenue demand, collection efficiency etc.,
- e. Receivable and Payable levels
- f. Expenditure projections etc.

If these assumptions have to be translated into results, a detailed action plan identifying the performance indicators right from the sub-division level has to be developed. In order to achieve the above objectives/goals during the plan period, a business plan is developed. For the purpose of the business plan, following have been identified as thrust areas.



*Business Plan was inaugurated
on 21st Feb 2004*

- a. Increasing revenues.
- b. Reducing costs.
- c. Enhancement of productivity of employees.
- d. Increasing customer satisfaction.

2.0 ERC FILING WITH KERC AND TARIFF ORDERS

- KERC passed its Tariff Order –2002 on 8th May 2002 approving an overall increase in Tariff of 16.20% and the same was notified on 24th June 2002
- The revision of tariff was effective from 01-07-2002.
- KPTCL & ESCOMs have filed Review Petition on tariff order-2002 on 06-06-2002.
- The ERC of KPTCL & ESCOMs for FY-04 was filed before KERC on 30th November 2002.
- Simultaneously, KERC held several public hearings on implementation of directives and validation of data relating to ERC. Senior officers attended the meetings/hearings and furnished suitable reply to the Hon'ble Commission.
- KERC passed its Tariff Order-2003 on 10th March 2003. This order was published in the Newspapers on 22-03-2003 and given effect to from 01-04-2003. KERC has approved an average increase in tariff of 2.02%.
- KPTCL and ESCOMs have filed the Review Petition on Tariff Order-2003 on 24th March 2003 for review of some of the decisions of KERC in Tariff Order-2003.



**Transformers to provide
Electricity throughout the Day**

IMPORTANT DIRECTIVES ISSUED BY KERC

Directives/Comments	Steps initiated and achievement made
<ul style="list-style-type: none"> MIS & computerization. 	<p>BESCOM has taken the following initiatives :</p> <ol style="list-style-type: none"> Computerization of billing activity is already in place in 39 Sub-Divisions of BMAZ and 13 in BRAZ. In the remaining 45 Sub-divisions of BESCOM, the spot billing through hand held instruments and Total Revenue Management is entrusted to outside agencies. Round the clock Internet connectivity to all the Sub-Divisions of BMAZ area has been established. It is planned to establish similar facility in rural areas before March 2004. This will enable flow of data from Sub-Division to Division to Circle to Zone and in turn to Corporate Office. BESCOM website has been launched. “Anywhere Payment Facility” is being extended to all consumers of BESCOM – Web payment/Bill junction payment/Kiosk payment are encouraged. ‘IVRS’ is installed which facilitates customers across BESCOM area seeking any information or for lodging complaints. As a part of e-governance, e-Tendering system is being put in place. Automatic meter reading (AMR) of all installations & all LT installations above 20 HP are planned. Pilot project to cover 100 installations across BESCOM area has been put in place. Of 10,000 installations, all HT & LT installations of 40 HP and above will be covered under this project. MMS (Mobile Messaging Service) is being introduced for lodging complaints & seeking Information. TMS (Transformer Management System) software is implemented in 14 rural divisions of BESCOM. Data is being validated for Tumkur Circle. Cash Management System (CMS) Apart from various initiatives, BESCOM has taken action to strengthen its process. As a part of this initiative it has launched Cash Management System-Online (CMS). This will facilitate the company to have network with banks and its sub-divisions so as to ascertain its cash flow and also reduce the floats.

Directives/Comments	Steps initiated and achievement made																					
<ul style="list-style-type: none"> Energy Audit covering the areas of metering, sealing of meters, creation of responsibility centers and allocation of targets & responsibilities to these centers, metering of IP sets on town feeders, providing HT metering cubicles to all semi urban feeders, metering & conversion of BJ installations in town limits to domestic category, taking up of energy audit of at least three DTCs in each urban subdivision, survey of unauthorized IP sets, implementation of revised procedure for estimation of consumption of IP sets etc. 	<p>To ascertain the correct loss levels and to analyze the reasons for the same and to take remedial measures for bringing down the distribution and commercial losses, the company has taken various steps. Some of which are as follows.</p> <p>1. Energy Audit of 13 towns</p> <p>As directed by the Commission, the Company conducts energy audit of the 13 towns, mentioned below:</p> <table border="0"> <tr> <td>1. Ramanagara</td> <td>8</td> <td>Channapatna</td> </tr> <tr> <td>2. Hoskote</td> <td>9</td> <td>Doddaballapur</td> </tr> <tr> <td>3. Tumkur</td> <td>10</td> <td>Tiptur</td> </tr> <tr> <td>4. Kolar</td> <td>11</td> <td>Chintamani</td> </tr> <tr> <td>5. KGF</td> <td>12</td> <td>Chikkaballapur</td> </tr> <tr> <td>6. Chitradurga</td> <td>13</td> <td>Harihara</td> </tr> <tr> <td>7. Davangere</td> <td></td> <td></td> </tr> </table> <p>The procedure for the audit has been finalized in consultation with the Commission and every month a report is being sent. Based on the analysis of the energy audit, corrective measures are planned and implemented for reduction of both technical & commercial losses.</p> <p>2. BESCOM has outsourced the work of meter reading of predominantly IP feeding Distribution Transformer Centers, furnishing consolidated IP consumption and LT distribution loss of the Transformer Centers in Tumkur & Kolar districts.</p> <p>This analysis helps in computing the level of average consumption per IP Set in a given area, which can be extrapolated for calculation of distribution losses with a greater degree of accuracy.</p> <p>3. To ascertain Technical & Commercial losses, the works pertaining to calculation of power supply reliability assessment and 11 KV feeder wise energy audit have been out sourced for Bangalore North & South Circles, Bangalore Rural Circle, Tumkur Circle & Kolar O & M Circles.</p>	1. Ramanagara	8	Channapatna	2. Hoskote	9	Doddaballapur	3. Tumkur	10	Tiptur	4. Kolar	11	Chintamani	5. KGF	12	Chikkaballapur	6. Chitradurga	13	Harihara	7. Davangere		
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Directives/Comments	Steps initiated and achievement made
	<p>It also yields reliability index of a given feeder or Transformer Center. This helps in planning and implementing action programme for -</p> <ul style="list-style-type: none"> ● Reduction of losses (both Technical & Commercial). ● Increasing reliability index to enhance customer satisfaction. ● To plug loop holes. ● To detect unauthorized installations etc., <p>4. As a part of massive energy audit, the company has commenced the work of installing meters on all TCs in Bangalore City Areas and other District / Taluk level Towns. Consumer indexing has already been done. It would help to find losses and also index TCs/ feeders with reference to revenue and reliability.</p> <p>(a) Metering of IP sets</p> <p>All efforts were made to fix meters to IP sets, even though there was stiff opposition from the farmers. Due to non-co-operation of the farmers, the company has lost considerable number of meters fixed to IP sets. The meters fixed to IP sets have been either returned to local officers or damaged. Further there is no protection to the staff, who are going to the IP installations to fix meters. Added to this, owing to severe drought conditions prevailing in the State, the company has not been able to achieve considerable progress in this category. However, all efforts will be made to fix the meters to IP set installations by educating the IP consumers. On an experimental basis, about 100 meters are proposed to be fixed to IP installations in every O & M section for every quarter and if there is no resistance from the farmers, the metering programme for this category will be intensified.</p> <p>(b) Metering of BJ / KJ installations</p> <p>The target for metering the BJ/KJ installations is 4,95,300. KPTCL has awarded the work of fixing 3,08,000 meters to BJ/KJ installations on turnkey basis and these meters are being fixed during FY 2003-04.</p> <p>(c) Metering of MNR / DC installations</p> <p>Action has been taken to provide meters to all DC/MNR installations.</p>

Directives/Comments	Steps initiated and achievement made																																																							
<ul style="list-style-type: none"> Improving quality of service viz., reduction of interruptions, maintenance of good voltage and frequency, earmarking of capital expenditure for improvement of quality of power supply in rural areas, monitoring of interruptions, identifying & improving low voltage pockets, maintenance of EHT & HT capacitor banks, complaint handling machinery, reduction of accidents etc. 	<p>(d) Metering of Street Lights</p> <p>Directions are being issued to all the field officers to service all the new installations under the above categories only after fixing meters. Instructions are issued to replace the MNR/DC meters by good meters either departmentally or by requesting the consumers to purchase the meters from retail outlets.</p> <p>For new installations, the novel scheme of purchasing meters through retail outlet for servicing of new installations is found successful.</p> <p>In order to improve quality of service, action is taken for execution of the following works.</p> <ul style="list-style-type: none"> Providing additional DTCs Reconductoring of HT/LT lines Refurbishment of DTCs Providing new RMUs Providing new Pilfer Proof Boxes Refurbishment of old RMUs. <p>Tenders for the above works to an extent of Rs. 56.92 Crores have been floated and are being finalized.</p> <p>Details of tenders for execution covering the above mentioned works floated by different Circles of BESCOM for execution on total turnkey basis are also furnished below :</p>																																																							
<table border="1"> <thead> <tr> <th>Sl. No.</th> <th>Circle Name</th> <th>Bid Number</th> <th>Tender Value (Rs. in Lakhs)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Tumkur</td> <td>BESCOM/TKR/Capital Works/TK-1</td> <td>701.16</td> </tr> <tr> <td>2</td> <td>Kolar</td> <td>BESCOM/SEE/KR/E&I Works/T-1</td> <td>1289.00</td> </tr> <tr> <td>3</td> <td>Bangalore Rural</td> <td>BESCOM/SEE/E&I/TK-2</td> <td>841.36</td> </tr> <tr> <td></td> <td></td> <td>BESCOM/SEE/E&I/TK-2</td> <td>785.25</td> </tr> <tr> <td>4</td> <td>Davangere</td> <td>BESCOM/DVG/E&I/TK-1/LOT-1</td> <td>800.96</td> </tr> <tr> <td></td> <td></td> <td>BESCOM/DVG/E&I/TK-1/LOT-2</td> <td>814.71</td> </tr> <tr> <td>5</td> <td>Bangalore South</td> <td>SEE/BC (S)/Tech-1/5710</td> <td>30.00</td> </tr> <tr> <td></td> <td></td> <td>SEE/BC (S)/Tech-2/7471 Lot - 1</td> <td>23.35</td> </tr> <tr> <td></td> <td></td> <td>SEE/BC (S)/Tech-2/7471 Lot - 2</td> <td>73.39</td> </tr> <tr> <td></td> <td></td> <td>SEE/BC (S)/Tech-1/9058</td> <td>80.29</td> </tr> <tr> <td>6</td> <td>Bangalore North</td> <td>No.BESCOM/SEE (N)/E&I/TK-1.</td> <td>49.41</td> </tr> <tr> <td></td> <td></td> <td>No.BESCOM/SEE (N)/E&I/TK-2</td> <td>140.00</td> </tr> <tr> <td></td> <td></td> <td>Total</td> <td>5628.88</td> </tr> </tbody> </table>	Sl. No.	Circle Name	Bid Number	Tender Value (Rs. in Lakhs)	1	Tumkur	BESCOM/TKR/Capital Works/TK-1	701.16	2	Kolar	BESCOM/SEE/KR/E&I Works/T-1	1289.00	3	Bangalore Rural	BESCOM/SEE/E&I/TK-2	841.36			BESCOM/SEE/E&I/TK-2	785.25	4	Davangere	BESCOM/DVG/E&I/TK-1/LOT-1	800.96			BESCOM/DVG/E&I/TK-1/LOT-2	814.71	5	Bangalore South	SEE/BC (S)/Tech-1/5710	30.00			SEE/BC (S)/Tech-2/7471 Lot - 1	23.35			SEE/BC (S)/Tech-2/7471 Lot - 2	73.39			SEE/BC (S)/Tech-1/9058	80.29	6	Bangalore North	No.BESCOM/SEE (N)/E&I/TK-1.	49.41			No.BESCOM/SEE (N)/E&I/TK-2	140.00			Total	5628.88
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<ul style="list-style-type: none"> Reduction in the failure rate of the distribution transformers by restricting the failure rate to 5% in urban areas and to 12% in rural areas and to reward the staff who perform better and action against officials who disregard this work. Earmarking of funds for improving the T & D system, time bound action plan for improving the net work in rural areas, prioritizing the capital works, realistic project cost estimates. Benchmarking of system parameters, interest charging, maintenance of cost registers, preparation of completion reports, action plan for enhancing safety etc. 	<p>Other measures taken to improve quality of service</p> <ul style="list-style-type: none"> On a massive scale, works under APDRP have already commenced in many towns with an aim to provide reliable and good quality power in addition to reducing the technical losses. Call Centers working round the clock are being set up for convenience of the consumers in lodging various types of complaints round the clock and obtaining related information. These are setup in all towns/ division head quarters. Action is being taken for establishment of 24 hours service station for attending to the power supply complaints in other towns as is being done in Bangalore City. As mentioned above, IVRS has been setup in Bangalore city. <p>The company would make all efforts to reduce failure rates at 5% in urban areas & at 12% in rural areas.</p> <p>Transformer Failure details upto Sept. 2003 are indicated below :</p> <table border="1" data-bbox="517 997 1444 1266"> <thead> <tr> <th>Sl. No.</th> <th>Zone</th> <th>Trs. Existing</th> <th>Trs.failed from Apr to Sept 02</th> <th>% age failure</th> <th>Trs. existing</th> <th>Trs.failed from Apr to Sept 03</th> <th>% age failure</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>BMAZ</td> <td>11731</td> <td>NIL</td> <td>NIL</td> <td>12981</td> <td>0</td> <td>0</td> </tr> <tr> <td>2</td> <td>BRAZ/CZ</td> <td>51756</td> <td>5894</td> <td>11.39</td> <td>56710</td> <td>4835</td> <td>8.52</td> </tr> <tr> <td>3</td> <td>Aggregate</td> <td>63487</td> <td>5894</td> <td>9.28</td> <td>69691</td> <td>4835</td> <td>6.94</td> </tr> </tbody> </table> <p>Officers are being made accountable for the TC failures. For close monitoring, TMS a software developed by KPMG has been installed.</p> <p>1. The Budget allocation for FY-05 is Rs.146 Crores, proposed budget allocation to various works is as follows :-</p> <table border="1" data-bbox="566 1453 1466 1900"> <thead> <tr> <th>Sl. No.</th> <th>Particulars</th> <th>Allocation (Rs. in crores)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Service Connection</td> <td>15.00</td> </tr> <tr> <td>2</td> <td>RE/TSP/SCP</td> <td>13.50</td> </tr> <tr> <td>3.</td> <td>Civil Works/T&P</td> <td>5.00</td> </tr> <tr> <td>4.</td> <td>Metering Programme</td> <td>10.00</td> </tr> <tr> <td>5.</td> <td>Computerization</td> <td>2.00</td> </tr> <tr> <td>6.</td> <td>E&I Works</td> <td>85.00</td> </tr> <tr> <td>7.</td> <td>Replacement of failed DTC's</td> <td>5.50</td> </tr> <tr> <td>8.</td> <td>RGRHCL</td> <td>10.00</td> </tr> <tr> <td></td> <td>Total</td> <td>146.00</td> </tr> </tbody> </table>	Sl. No.	Zone	Trs. Existing	Trs.failed from Apr to Sept 02	% age failure	Trs. existing	Trs.failed from Apr to Sept 03	% age failure	1	BMAZ	11731	NIL	NIL	12981	0	0	2	BRAZ/CZ	51756	5894	11.39	56710	4835	8.52	3	Aggregate	63487	5894	9.28	69691	4835	6.94	Sl. No.	Particulars	Allocation (Rs. in crores)	1	Service Connection	15.00	2	RE/TSP/SCP	13.50	3.	Civil Works/T&P	5.00	4.	Metering Programme	10.00	5.	Computerization	2.00	6.	E&I Works	85.00	7.	Replacement of failed DTC's	5.50	8.	RGRHCL	10.00		Total	146.00
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Directives/Comments	Steps initiated and achievement made
	<ol style="list-style-type: none"> <li data-bbox="514 304 1467 457">2. To strengthen and improve the existing system, Rs.85.00 Crores is earmarked for E&I works. These works are exclusive of the works proposed under APDRP. Provision of Rs. 5.5 Crores is made for replacement of failed DTCs. <li data-bbox="514 485 1467 793">3. In order to fulfill its social obligation, Rs. 13.50 Crores is earmarked for RE / TSP / SCP Programme and Rs.10 crores for electrification of residential colonies of economically poor people, formed under various Government housing schemes like Rajeev Gandhi Rural Housing Corporation Limited, Ashraya colonies etc. Most of the capital works are proposed to be carried out on total Turnkey basis by calling tenders to avoid bottlenecks due to paucity of labour and other resources and for timely completion of the works in order to reap early benefits. <li data-bbox="514 821 1467 894">4. The entire works management system is computerized for better monitoring of works. <li data-bbox="514 921 1467 1108">5. There is continuous commitment to improve Distribution system in Rural areas by providing additional TCs, re-conductoring of HT & LT lines, providing new 11 KV lines etc. The Company as a matter of policy, proposes to provide more No.of 15 KVA DTCs to reduce the losses and to increase HT/LT ratio. <li data-bbox="514 1136 1467 1251">6. In order to adopt information Technology in BESCOM, computerization is being taken up in a big way. Rs.2 Crores is proposed to be invested for this programme. <li data-bbox="514 1278 1467 1822">7. This year, Improvement works like re-conductoring, construction of new 11 KV lines and express feeders, providing additional 3 phase, 15 KVA, DTCs (HVDS0), Metering Programme etc., are proposed to be carried out on war footing under APDRP works. Out of Rs. 372.20 Crores sanctioned, Rs. 186.10 Crores is proposed to be spent during the FY-05. In addition, a grant of Rs. 800 Crores is being sought to take up works under APDRP in other four circles viz. Kolar, Tumkur Davangere and Bangalore Rural Circles (at Rs. 200 crores per circle) to provide 24 Hours Power supply to villages. Besides, it is also planned to spend Rs. 108.352 Crores for 24 hours single phase power supply to rural areas. KPTCL is finalizing Rs.580.50 Crores of Capital Works Programme for FY-05 and the share of BESCOM in this program works out to Rs.108.352 Crores, as loan from Rural Electrification Corporation.

Directives/Comments	Steps initiated and achievement made
	<p>This should substantially improve the existing Distribution system besides reduction of losses.</p> <p>The nature of works proposed to be taken up under APDRP is as follows :</p> <p>a) Distribution works</p> <ol style="list-style-type: none"> 1. HT and LT improvement works. <ol style="list-style-type: none"> a) Re-conductoring works of HT & LT lines. b) Creation of additional 11 KV feeders. 2. Providing additional Transformers. 3. Providing L.T. fixed capacitors to Distribution Transformer Centers. 4. Providing energy meters to Distribution Transformers for proper energy auditing. 5. Refurbishment & Modernization (R&M) of Distribution Transformer Centers. <p>b) Consumer Metering</p> <p>Replacement of old Electro Mechanical Meters by sustained accuracy long life electrostatics meters to all categories of installations is also being done on priority basis.</p> <p>c) Consumer Indexing</p> <p>Consumer indexing is done in towns and will be done for entire area of BESCOM. Computerized billing would be 100% from January 2004. Meter Test benches and Computerized call centers are setup.</p> <p>The above would yield the following benefits and would also help the Company to accomplish its mission.</p> <ul style="list-style-type: none"> ● Supply of quality power. ● Reduction in Aggregate Technical and Commercial (AT &C) loss. ● Reduced interruptions. ● Reduction in input energy. ● Improved consumer satisfaction.

Directives/Comments	Steps initiated and achievement made
<ul style="list-style-type: none"> ● Others directives such as formulation of scheme for compensating consumers who are put to loss by deficient supply. ● Disconnection of all unauthorized IP sets, street light metering, remote meter reading of the 11 KV feeder meters, providing infrastructure facilities to the installations regularized during ATL drive, TOD metering. 	<p>d. Investment Programme</p> <p>In Bangalore City, the conductor on LV side of distribution transformers is being changed from 2/4 ACSR to Rabbit ACSR, which will reduce the LV line losses substantially. Similar technical loss reduction efforts will be taken up in the other 13 selected towns initially and proposed to be extended to other towns also.</p> <p>The issue of formulating scheme for compensating consumers who suffered loss on account of deficient supply is highly contentious. The question whether there was deficient supply, quantum of loss sustained, the machinery to adjudicate these aspects are all complicated and it is difficult to formulate such a scheme. A scheme that will suit each and every case of loss sustained by the consumers cannot be formulated as it depends on various factors. Each case has to be decided independently on its own merit and based on the facts and circumstances of each case. The question of payment of compensation arises only in case of proved negligence on the part of BESCOM or its officials and on proof of loss. Further due to power situation and system constraints it is practically not possible to adhere to standard of supply as the grid is operated in a closely-knit way and the grid condition is not always stable and depends upon power conditions inside and outside the state.</p> <p>Disconnection of un-authorized IP sets</p> <ol style="list-style-type: none"> 1. Vigilance wing has been strengthened. All the police stations in BESCOM have been provided with requisite staff. Action is being taken to book cases and regularize unauthorized IP sets as per Government Order. 2. High Voltage distribution system is being implemented. 3. "Own your transformer scheme" as approved by the Gok is put in place. Additional distribution transformers of 10KVA, 15KVA capacities are proposed to be installed. <p>Street Light Metering</p> <p>The target for fixing meters for the year 2004 is 15,000. Letter of Intent has been placed by KPTCL to procure the same. These meters will be supplied and fixed by the supplier.</p>

3.0 REGULATORY ENVIRONMENT

Codes and Standards

KERC has issued the following Codes and Standards, which are required to be followed by the licencees.

- Codes and Standards for Transmission & Distribution Systems.
- Code on Payment of Bills.
- KERC Complaint Handling & Redressal Standards relating to Distribution & Supply of Power (Standards of Performance).

All these measures are aimed at improving the quality of supply and service to the customers.

3.1 Multi-year Tariff

Electricity Act 2003, Draft National Tariff Policy envisage introduction of long-term tariff principles to ensure predictability and consistency of tariff setting process. KERC has also come out with a discussion paper on multi year tariff.

These measures are aimed at setting principles of risk sharing between the utility and the consumers, defining the controllable and non-controllable expenses, fixing opening levels of losses, O&M expenses, setting parameters and principles for incentives/disincentives, improving the customer service standards etc.,



3.2 Other possible Policy Changes

The EA 2003 and the NTP also provide for establishment of cross subsidy reduction road map by the Regulatory Commissions. This measure would enable the commission to fix the tariffs on cost to serve basis in a progressive manner, which would in turn dictate the sales pattern of the company.

4. EFFICIENCY IMPROVEMENT & CUSTOMER SERVICE

4.1 TECHNICAL

PRESK (Participation in Rural Electricity Services of Karnataka)

This is being implemented with the help of Government of Karnataka and involvement of US AID. PRESK is being implemented in 4 taluks of BESCOM area. These taluks are Molakalmuru, Gubbi, Chintamani & Doddaballapur. Training is being given to the elected Representatives and others. Results are awaited.

Energy Audit

Energy Audit has been accorded very high priority in BESCOM. Feeder- wise energy audit is being done for the first time in a more scientific and comprehensive manner. Action is being taken to identify the areas where higher degree loss of both T&D and Commercial is taking place. Services of experts are also being secured for the purpose of conducting energy audit on a scientific basis. Rural and urban feeders are being separated. Express feeders are provided for urban loads. Feeder wise Managers have been designated and are made responsible for reduction of losses and improved recovery.

ATC Losses

Review of the performance of the Units is being done on the Aggregate Technical and Commercial Losses (ATC) basis. This is also being taken into consideration while reviewing the overall performance of officials. This reflects clearly the true position of losses. Feeder wise ATC analysis is planned. ATC analysis is being done for all the feeders in BESCOM area. Grading of feeders is done based on the average rate of return of revenue. Efforts are being made to analyze and reduce ATC losses. ATC loss of Bangalore Metro area is just 12% whereas for BESCOM it is 32%. Massive efforts are on to bring it down further. ATC losses clearly reflect the true picture of energy loss and inefficiencies of the system.

Metering Programme

As a part of the drive for universal metering, ambitious programme has been worked out for covering the unmetered category of consumers like BJ/KJ/Street Lights etc. Also all the old meters, DC and MNR



meters are being replaced on priority basis. High precision meters are being installed in a big way. Over five lakh meters would be installed during this year covering all consumers except IP consumers. In IP set category also, number of meters installed would be increased gradually. During 2004, it is proposed to complete 100% metering except in IP segment where there is resistance from consumers.



Single pole transformer (Rural)

Transformer Management

MIS is developed for better inventory management especially DTCs and meters. Services of Consultants are being taken and put in place for efficient management of assets. From January 2004, Transformer Management System is functional in BESCOM. It has been found very useful for tracking the DTCs and optimizing their use.

Safety Audit

Lot of emphasis is being given for safety of employees in particular and public in general. Safety norms are prescribed and education is being imparted through various means. Safety audit is also conducted

with a view to create awareness and to avoid fatal accidents. Action is being taken against employees who are not conscious of safety requirements.



Works Information Management System

In order to monitor and review all the Works, MIS has been developed. It is very effective and user friendly. The executing agencies are also using this software for providing feed back on progress of works.

Concession

Tariff rebates are provided to deserving sections of the society as approved by KERC.

- a) Under LT-2 (a) tariff schedule, a rebate of 25 paise per unit is given for a House/School/Hostel meant for Handicapped, aged destitute and Orphans and Rehabilitation Centres run by Charitable Institutions.
- b) A rebate of 25 Paise per unit is allowed, if solar water heaters are installed and used under LT-2 (a) tariff schedule. The rebate is limited to Rs.25 per installation per month.
- c) Under LT-3 commercial tariff category, a rebate of 20% on fixed and energy charges is allowed in monthly bills in respect of telephone booths having STD/ISD/ FAX facility run by handicapped people.
- d) As per the tariff order issued on May 08,2002, a rebate of 2 paise per unit is allowed if capacitors are installed as per section 23 of KERC (ES&D) Code, 2001 in respect of all metered IP set installations.

- e) Rural Rebate at 25% on fixed charges is also allowed to consumers falling under category LT2a, LT2b, LT3 and LT5 fed from rural feeders which are subject to rural load shedding for six hours or more daily.

4.2 COMMERCIAL

In order to promote the business of BESCOM and to enhance responsiveness to the high revenue yielding consumers, a separate Business Development & Industrial Consumer relation (BD & ICR) wing headed by an Executive Engineer is formed by the Company. The BD & ICR wing started functioning from October - 2002.

The scope of the activity of this wing is mainly to persuade high revenue yielding consumers to use more BESCOM Power instead of captive generation or other own sources for their requirement as part of Business Development strategy.

The other important activity is improvement in Industrial Consumer Relations by taking necessary action for the redressal of the grievances of the Industrial consumers.

Special approvals were accorded to erect new lines/link lines, wherever required to improve the quality of power supply to aggrieved Industrial consumers.

Power sanctions up to 1000 KVA are examined at the state level single window agency constituted by the Govt. of Karnataka under the Department of Industries & Commerce. Power requirement above 1000 KVA are examined and cleared by the high level Committee for Industries headed by Hon'ble Minister for Large and Medium Industries, Govt. of Karnataka. On receipt of the clearance from the Government of Karnataka, H.T.Power supply up to 500 KVA is being sanctioned by the Executive Engineer (EI) of respective O&M Divisions.

The details are as follows:

Sl.No.	Limit	Authorized Officer
1.	250 – 500 KVA	Exe. Engineer (EI), of Jurisdictional O&M Divisions.
2.	Above 500 KVA & up to 1000 KVA	Superintending Engineer of Jurisdictional O&M Circle (EI).
3.	Above 1000 KVA & up to 2000 KVA	Zonal Chief Engineers (EI).
4.	Above 2000 KVA	Corporate Office.



Single pole transformer in Bangalore

During the period 01-06-2002 to 31-03-2003, 28 numbers of new power sanctions for H.T. Supply to Consumers having contract demand more than 1000 KVA, total contract demand of 37,100 KVA were communicated.

Grama Vidhyuth Prathinidhi Scheme

A large number of GVPs have been identified and trained and their services are being utilized for revenue collections in rural areas. Positive results are seen at most places. Training has been imparted to them. Assistance of XIMB (Xavier Institute of Management, Bhubaneswar) is being taken. It is hoped that this initiative would result in not only better recovery but also better rapport between BESCOM and consumers. This would pave the way for Input Based Franchise of power distribution in rural areas. It would also enable to educate the public that BESCOM has no other alternative but to function on commercial lines.



Inauguration of Training for Grama Vidyuth Prathinidhis

Commercial Loss Reduction Efforts

Special efforts were made to implement Anti theft law enacted by GOK. In Bangalore most of the LT3 and LT5 installations were inspected by In-house inspecting teams specially formed for this purpose. About

60,000 installations were inspected since 1-10-2002 and in 30% of the installations excess load was detected which yielded additional revenue in the form of BBC. The Revenue Monitoring Wing was effective in pointing out the revenue short claims and efficiency of recovery.

Operational efficiency

BESCOM has shown an improved performance in various operational parameters compared to the same period last year before the formation of the Company. The hazardous installations in Bangalore city are identified and are being attended to on sustained basis keeping in view the safety of the citizens. Sustained and serious efforts are being made to reduce billing errors in Bangalore City. These are showing encouraging results.

The failure of transformers in Bangalore City is "NIL" after the formation of BESCOM. The failed Transformers in other areas are replaced early. Emphasis is being laid on Energy Audit to reduce distribution losses in 13 numbers of identified towns and cities.

Special teams of officers have verified causes of losses in each of these towns, based on which, corrective action has been initiated.



Single Pole Transformer in Bangalore city

4.3 REVENUE ENHANCEMENT MEASURES

Many measures have been taken to increase the revenue collections and monitored closely. Definite programme has been chalked out on this and efforts are on for fixing responsibility on the individuals. This has yielded positive results. From consumer master data base, exception reports are being generated using several enabling tools for critical analysis. These exception reports are being used as a tool to monitor various activities and revenue enhancement. Feeder wise DCB is being done for the first time. Similarly feeder indexing is done depending on the revenue earning capability of the feeder.

Strengthening of Vigilance Wing

Vigilance is key to Revenue Protection. The Vigilance wing has been strengthened by defining the role of the various sections clearly and making them responsible for specific and clear cut tasks. The Police wing of Vigilance headed by the Superintendent of Police and technical wing is headed by the Superintending Engineer EI (Revenue Leakage Prevention & Revenue Protection) with a mechanism of close co-ordination. O&M staff is now vigilant and is taking keen interest in reduction of commercial losses. Specific targets have been given to O&M staff also. It has started yielding positive results. Information is being collected and analyzed in detail. Intensive mass-raids are being organized.

The details of the inspection carried out during the period 6/02 to 3/03 and the amount of back billing charges demanded are as follows:

● Total No. of Installations checked	22,900 Nos.
● Cognizable cases booked	485 Nos.
● Energy in Kwh	7,77,634
● Amount of BBC demanded	Rs. 97,03,651
● BBC amount collected	Rs. 20,99,254
● Compounding Fee demanded	Rs. 10,22,000
● Compounding Fee collected	Rs. 11,08,000
● No. of Non-cognizable cases booked	1497 Nos.
● BBC demanded	Rs. 2,95,86,591
● Amount collected	Rs. 22,82,480

Eleven police stations have been sanctioned and have started functioning at various localities.

Collection Efficiency

The collection efficiency has an important role to measure commercial efficiency and there has been an improvement in revenue collection month on month. BESCOM has come into existence from 01.06.2002 and thereby the Revenue award and collections have shown an increasing trend month on month compared either to the revenue demand and collection during last year or even compared to previous three months prior to BESCOM's formation.

Overall Collection efficiency of BESCOM from June-02 to March-03 including all category of consumers was 84.23%

Total Revenue Management

In various towns outside Bangalore, services of outside agencies are being secured for better consumer service and efficient billing. Hand held spot billing machines would be used in all places. Successful firms have already started works. Balance rural areas have also been assigned to various other agencies. From January 2004 on wards, 100% computerized bills would be given in all areas.

Computerisation at other Sub Divisions have been done and follow up action being taken. This has also resulted in enhancement of revenue mobilization and also in identifying the poor performing areas. Internal audit wing is made active and responsive. More attention is being paid to area where there are possibilities of enhancement of revenue streams. This exercise has resulted in increase in revenue of Rs.10 Crores every month. Now officers are aware of the areas where revenue leakages may be there. They are taking action to prevent such losses.

Inspection

Comprehensive Inspection Format has been devised and circulated to officers with directions to conduct detailed annual inspections so that many short comings are pointed out in time and remedial measures are taken in time.

Financial parameters

A series of financial parameters have been prescribed which reflect the ranking and position of each Division and Sub-Division. The performance of the officials is being reviewed on these parameters. These are helping to monitor various financial aspects.

5.0 CUSTOMER CARE

Vision of BESCOM is to ensure customer satisfaction. It is committed to achieve this vision by adopting-

1. High Standard Practices in construction of distribution Network.
2. High Order maintenance of distribution network.
3. High Standards in Customer Service.
4. Optimum Usage of Human Resources.



Customer care has been given utmost priority by BESCOM.

In the direction of improving the customer care, the following consumer friendly measures have been introduced.

Field Officers are instructed to inform the VIPs in the respective areas about interruption of power supply over telephone. A list of VIPs along with their telephone numbers is available in all sub-divisions.

Closed User Group mobile facility is provided for O&M Assistant Executive Engineers (Ele.) and service stations to enable the customers to contact the respective area Assistant Executive Engineer (Ele.) and service station Assistant Engineer instantly in the event of interruption of power supply and during other emergency times for immediate redressal of customer grievances.

A system of having regular customer interaction meetings with customer welfare associations by Zonal Chief Engineers (Ele.) Circle Superintending Engineers (Ele.) Divisional Executive Engineers (Ele) and Sub-divisional officers has been introduced. This has been done to build closer customer relationship.



Customer meet held at Tumkur

The Electronic Clearance Scheme is being popularized by encouraging the customers to enroll under the scheme to avoid visiting offices every month to make payment of electricity bills. BESCOM has also improved this scheme to limited Mandate System.

Computerization of Sub-divisions in respect of bills rendered is being streamlined to give error free billing to the customers. A core team has been constituted and this team is visiting all the sub-divisions for implementing proper operation of software which would result in error free billing.

The public and Residents Welfare Association are lodging complaints directly or by e-mail and these are attended to on priority basis.

Service to the rural customers is improved by involving Grama Panchayaths through a pilot scheme at two locations namely Karahalli in Devanahalli Taluk and Konagatta in Doddabalapur Taluk.

The pilot project undertaken by M/s. Xavier Institute of Management, Bhubaneshwar, in three O & M Sections namely



Nonavinkere, Budigere and Kaiwara, has shown improvement in providing improved customer service by attending to complaints on priority.

System has been put in place for attending to customers' complaints quickly. Customers can even approach the Managing Director directly with their complaints, either through e-mail, letter or in person. The complaints are acknowledged, attended and responded through e-mail and letters.

Special efforts are being made to bring about an attitudinal change in the field staff for attending to customer complaints. Field staff have been sensitized to be courteous, polite and responsive while dealing with customers at all times.



Launching of IVRS by Sri. K.N. Shrivatsava, MD KPTCL



All meter readers have been provided with uniform and identity cards, to make it easier for customers to identify them.

To ensure proper trimming of trees, the field staff have been instructed to consult the area welfare association before they take up such work.

To address the problems of customers efficiently and to obtain their views and suggestions, Visitors' Books are placed in all the sub-divisions/division offices. Customers can write down their problems/views/suggestions in these books and these are attended to promptly.

Soujanya counters are functioning in all the sub-divisions of Bangalore city as single window agency for receiving and attending to customers' complaints. Field officers are instructed to provide proper arrangements and the other facilities in all the Soujanya Counters to enable the customers to sit and lodge their complaints. In order to improve customer care in rural zone, the Soujanya counters are opened in other cities/towns.

Single redressal point contact with dedicated telephone for all ECS related problems is established in the office of the Chief Engineer Electy., BMAZ. Prospective customers (Domestic, AEH and Commercial) are allowed to purchase single-phase

energy meters at approved retail outlets in Bangalore city, in order to speed up new connections with effect from 6th January 2003.

The O&M Sub-Divisions and Divisions are observing all Mondays as "Customer Grievance Redressal Day" to receive the customer grievances/complaints. The Executive Engineer El., and Assistant Executive Engineer El., will be available through out the day in their offices.

VPN (Virtual Private Network) is established in BRAZ and all the Executive Engineers El., and Assistant Executive Engineers El., of O&M divisions/sub-divisions are provided with mobile phones.

Executive Engineer (El.) is made in charge of Control Room and Central Complaints Centre. He transmits the information about faults, outages and other fuse calls to concerned officers for redressal.

5.1 COMMUNICATION CAMPAIGN

To increase awareness amongst the customers about initiatives of BESCOM, Demand side Management, Energy savings, Safety etc., massive communication campaign is undertaken through various modes. Printed material like pamphlets, brochures, folders, posters, paper advertisements, etc., were got printed and distributed among consumers. AIR and DD were also utilized for this purpose.

6.0 FINANCIAL ACCOUNTING PACKAGE

The entire accounting and financial activities are being streamlined and more financial controls are being introduced.

7.0 GENERAL

Accidents

The details of accidents occurred to human lives & animals during the period 01-06-02 to 31-03-03 are as follows :-



	Fatal	Non - Fatal
Departmental	7 Nos.	35 Nos.
Non-Departmental	47 Nos.	37 Nos.
Animals	49 Nos.	

Several remedial measures have been taken up to reduce accidents. In addition, employees have been asked to strictly follow safety norms. Keeping in view the necessity of creating safety in the public locations, about 20,000 nos. of installations were identified as dangerous in Bangalore City. Out of which, around 13,000 installations have since been rectified. These installations include LT feeder pillar-boxes, deteriorated service mains, burnt out aerial cutouts, loose span, etc.



I.P. Set

7.1 Installations existing as on 31.03.2003

The number of installations existing as on 31.03.03 is 47,84,698. Category wise installation details are furnished below.

Sl. No.	Category	No. of Installations
1.	Bhagya Jyothi	4,87,162
2.	Domestic Lighting Including AEH	32,23,414
3.	Commercial Lighting	4,17,070
4.	L.T.Power	1,11,581
5.	H.T.Power	2,954
6.	Irrigation Pumpsets	4,80,842
7.	Street Lights & water works	39,895
8.	Temp.Power Supply	21,780
	Total	47,84,698

7.2 Total Power Availability

The power availability at interface point: 10,275.92 MUs.

During this period from 01-06-2002 to 31-03-2003, 10275.92 MUs of energy was purchased. This includes 44.44 MUs wheeled energy.

7.3 Sale of Energy

During the period 01.06. 2002 to 31-03-2003, 7721.78 MUs were sold to the consumers. Category wise consumption by various consumers is as follows :

No.	Category	In MUs
A.	Metered Energy:	
1	Domestic Lighting. Incl. AEH	1708.73
2	Commercial Lighting	339.74
3	IP set (metered)	2.50
4	L.T.Power	693.68
5	H.T.Power	1819.25
6	Water Works	158.50
7	Temporary installations	25.69
	Total	4748.09
B.	Un-Metered Energy:	
1	Irrigation Pump Sets	2702.30
2	Public Lighting	184.51
3	BJ/KJ	86.88
	Total	2973.69
C. Total Energy sold : 7,721.78 MUs.		
% Energy Loss : 24.86%		

7.4 Banking & Wheeling of Energy by Independent Power Projects

During the period 1-06-02 to 31-03-03, 15 Nos. of Private Generating Companies availed the banking & wheeling facility.

7.5 Internal Audit

During the period from 01.06.02 to 31.03.03 Internal Audit staff has pointed out Rs. 717.10 Lakhs as audit short claims in auditing revenue ledger accounts of various categories of consumers and recovered Rs.770.24 lakhs which includes the opening balance of short claims pointed out prior to June-02.

During the year 2003, similar programme for the year 2003 (Action Plan 2003) was drawn up and is under implementation. In the Action Plan 2003, it was proposed to complete the revenue ledger accounts of HT upto December-03 and power installations upto June-03 and LT1, LT2 and LT3 installations upto December-02 besides checking of Store Audit and all other monetary claims of the Company.

The performance report of the Internal Audit Wing for the year 2002-03 is given in the table below.

Opening Balance Rs.	Audit short claims pointed out Rs.	Total Rs.	Audit short claims recovered Rs.	Closing Balance Rs.
9,66,24,841	7,17,09,554	16,83,34,395	7,70,24,385	9,13,10,010

7.6 Personnel Management

All the employees of BESCOM including officers are on deputation from KPTCL. These employees fall under two categories, viz Technical and Non-technical. The Technical cadre comprises of Engineering personnel and employees like Meter readers/Operators/Overseas. The non-technical cadre comprises of ministerial staff to look after finance audit and accounts. The category wise break up of officers/employees borne on regular establishment (on deputation in terms of transfer scheme) is shown in the following table.

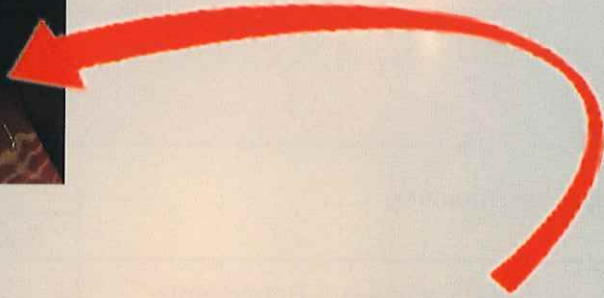


Sl No.	Category of Employee	Year 2002-03	
		Sanctioned	Working
1.	Chief Engineer & Equivalentents	4	3
2.	Superintending Engineer	15	13
3.	Officers Category Executive Engineer & Equivalentents	63	54
4.	Asst. Executive Engineer & Equivalentents	312	282
5.	Asst. Engineer & Equivalentents	763	458
6.	All Other Staff Technical & Non - Technical Employees	15,359	10,525

New Posts Created

Due to formation of ESCOMs, the following new posts were created during the year 2002-03 for working in corporate Office.

No	Category	Technical	Non-Technical	Total
1.	Group-A	41	37	78
2.	Group-B	-	13	13
3.	Group-C	-	05	05
4.	Group-D	-	-	-
	Total	41	55	96



MOVE FORWARD

Recruitments

During the period 1.06.02 to 31.03.03 no recruitment was made to any cadre.

Training

BESCOM has a sanctioned strength of 16,516 employees. Against this sanction, only 11,335 employees are working presently. Lot of emphasis is being given for HRD. Intensive training on customer care and other aspects of HRD is being given in all Sub-Divisions and Divisions. 6000 man-days training has already been imparted. Training is also given to enhance their other skills. BESCOM has taken action to start a Training Institute for HRD.

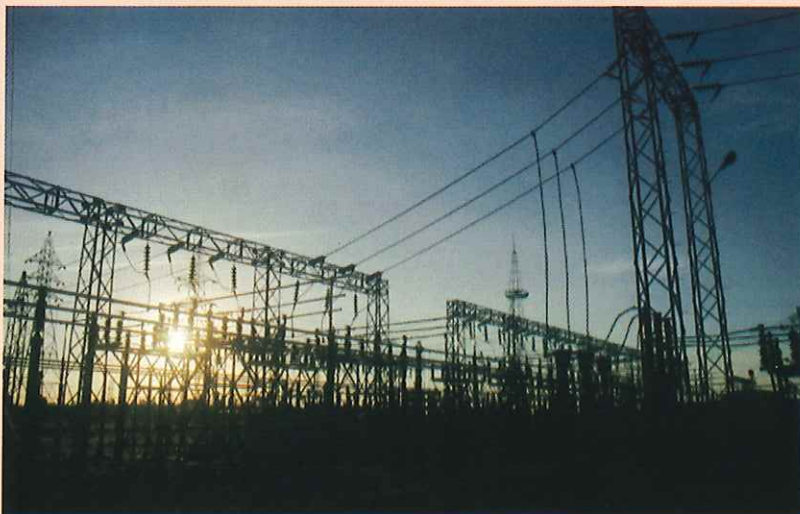


Inauguration of HRD Centre at 27th Feb 2004 by Sri Dilip Rau, Pr

HRD training on consumer care and attitude change was arranged to the employees consisting of Asst.Lineman, Meter readers, Clerical Staff of Revenue Section and Engineers. This task was entrusted to M/s. Expert Solutions, Bangalore. Training was conducted covering areas of (a) Importance & need for training, (b) Role building (c) Importance of attitude, (d) Self development & motivation, (e) Values & vision, (f) Customer Care (g) Personnel Leadership.

This will have all modern facilities required for training and will be run on professional lines. It would cater to all training needs of all employees. It is proposed to train all balance employees of BESCOM during 2004. Better customer service is the focus of all Training Courses.

All the staff A, B & C categories are being trained and made computer literate. Training is being given in each division and sub-division.



meetings with Managing Director and other Directors on matters of policy.

Constitution of Central Grievance Committee

Central Grievance Committee in BESCOM is constituted vide Order No.BESCOM/BC-31/1001/2002-03 dtd.22.06.2003 consisting of Managing Director, Director,(Technical) and Financial Adviser, President of Employees' Union and General Secretary, Employees' Union. The issues which are not solved at local level are discussed by the Central Grievance Committee. Besides this, the representatives of the Union hold regular

Departmental Enquiries

Since inception of the company & up to 31.03.03, 98 Departmental Enquiries were ordered and 117 enquiries were finalized. Details of which are as follows.

	Numbers
Number of Departmental Enquiries pending as at the end of May 02	106
Number of Departmental Enquiries ordered	98
Number of Departmental Enquiries finalized	117
Number of Departmental Enquiries pending as at the end of 31.03.03	87

7.7 Appeals by Consumers-Appellate Authorities

As per the provisions of KERC ES & D Code 2001, any consumer aggrieved by claims made by the licensee & on the ground of prejudicial use of power or on account of faulty material equipment or due to any supplemental claims, may file an appeal to the prescribed Appellate Authority within 30 days from the date of bill of claims served on him, duly making payment of 50% of claims or more in respect of dishonest abstraction/consumption/use, is alleged and 25% in respect of other cases. Further, if the licensee or consumer is not satisfied with the orders of the first Appellate Authority, they are permitted to file a second appeal to the Second Appellate Authority within 30 days of receipt of order of First Appellate Authority. If such appeal is from consumer, it is subject to payment of 50% of the amount as decided by the First Appellate Authority.

The details of Appeal Cases received, disposed & pending during the period June 02 to March 03 are as follows:

Appeal Cases	Number	Amount (Rs. in lakh)
a) Pending as on 31-05-02	1659	1084.82
b) Received	1061	1150.83
c) Disposed	1543	805.37
d) Pending as on 31-03-03	1177	1430.28

8.0 Corporate Planning

Corporate Planning is monitoring the Energy Audit. As per the guidelines of KERC, 13 Towns have been selected for Energy Audit. The towns selected are Tumkur, Tiptur, Chitradurga, Davangere, Harihara, Hoskote, Kolar, KGF, Chickaballapur. Chintamani, Ramanagara, Doddaballapura, Channapatna. Feederwise Energy Audit is also monitored.



In order to reduce losses, BESCOM has taken up the following steps:

- Inspection of LT installations and replacement of old electro mechanical meter by high precision meters.
- Out-sourcing the activities of 11 KV feeder wise and transformer wise energy audit (LOI issued).
- Out-sourcing meter installations survey of LT installations in 13 towns (Tenders called).
- Improvement to the Distribution System at Bangalore City, Davangere, Tumkur and KGF is being taken up under APDRP and under annual programme of works of BESCOM for the remaining towns.
- Assessment of IP consumption and calculation of L.T.line loss. (LOI issued).

8.1 Technical Audit & Quality Control (TA & QC)

An amount of Rs.5.38 Lakhs was recovered from various agencies due to non-adhering to specification of certain works executed. This wing works under direct control of Managing Director.

8.2 Master Plan Division

This division has carried out extension, improvement & maintenance works of under ground cable system in Bangalore. Where ever there are obstacles for digging the road, trenchless cutting has been adopted. An amount of Rs.6.5 lakhs has been spent.

The details of work carried out are as follows :

1. Number of 11 KV UG Cable faults reported & rectified	1078 Nos.
2. No. of Straight through joints attended	414 Nos.
3. No. of Termination faults attended	60 Nos.
4. a) No. of Cable faults attended other than BESCOM	9 Nos.
b) Amount collected (At private agencies premises)	Rs. 90,000/-

This division monitors revenue collection from streetlights pertaining to BMP.

8.3 IT & MIS

- The IT wing of BESCOM started functioning since 1st July 2002. The following is the brief on the activities carried out by the IT & MIS wing.
- Generated cent percent bills in 52 sub-divisions.
- Awarded the work of Total Revenue Management of Davangere district to M/s N soft, (which includes software, Hand held machines, Hardware, Manpower and stationery)
- Spot billing, on a trail basis to consumers covered by two Meter Readers each in E6 Subdivision, Indiranagar being tried by M/s. Zygox Software Pvt.Ltd., and in C2 Sub-division, Malleshwaram by Maruthi IT.Com.
- All sub-division employees were being trained on awareness about Computers and the existing BNC Software.

8.4 Extent

BESCOM covers an area of 41,232 Sq.Kms with a population of over 139 lakhs and serves nearly 48 lakhs customers. The gross fixed assets of the company is Rs.1,279 crores.

Power Purchases are made from KPTCL at the rate fixed by the State Government/Karnataka Electricity Regulatory Commission from time to time.

8.5 Meetings

During the period 1-6-02 to 31-3-03, there were 3 meetings of Board of Directors. No Annual General Body Meeting was held during this period.

9.0 The information under section 217 (2A) of Companies Act, 1956 read with Company (particulars of employees) Rules, 1976 may be taken as NIL.

9.1 DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, the Directors, based on the information received from the Operating management, confirm that:

- a) In the preparation of the Annual Accounts, the applicable Accounting standards have been followed along with proper explanation relating to material departures ;
- b) Accounting policies have been selected and applied consistently and judgements and estimates are made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the period;
- c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities; and
- d) Annual accounts have been prepared on a going concern basis.

10. AUDITORS

The C & AG of India, appointed M/s. Murali & Venkat as Statutory Auditors for audit of accounts of BESCOM for the year 2002-03.

11. GENERAL

The Board would like to place on record its appreciation for all the assistance and guidance extended by the Govt of Karnataka, Govt. of India, Karnataka Power Transmission Corporation Limited, KERC, CERC, State Bank of India, Canara Bank, Syndicate Bank, State Bank of Mysore, Bank of Baroda, Corporation Bank, ICICI Bank, Vijaya Bank, Registrar of Companies and the General Public for Co-operation and active support in our endeavor to serve the public. The Board would also like to place on record its appreciation for the dedicated and committed service rendered by the employees of the company.

For and on behalf of the Board of Directors,

Sd/-

CHAIRMAN.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(Pursuant to part IV of schedule - VI of the Company Act-1956)

I. Registration Details			
Registration No	CIN-U04010KA2002PLC030438	State Code	08
Balance Sheet date	31.03.2003		
II. Capital Raised during the year (Amount in Rs. Thousands)			
Public Issue	Nil	Right Issue	Nil
Bonds Issue	Nil	Private placement	Nil
III. Position of Mobilization & Deployment of Funds (Amount in Rs. Thousands)			
Total Liabilities	1,31,02,240	Total Assets	1,31,02,240
Sources of Funds		Reserves & Surpules	5,67,046
Paid up Capital	500		
Share Deposit	20,59,151		
Share Deposit Adj A/c	12,608		
Service & security deposits	76,77,163		
Secured Loans	2,38,000		
Application of Funds		Unsecured loans	25,47,772
Net Fixed Assets	75,12,864		
Net Current Assets	50,54,874	Capital works in progress	5,34,502
Accumulated losses	-		
IV. Performance of Company (Amount in Rs.thousands)			
Turnover	2,69,02,098	Total Expenditure	2,67,04,855
Profit Before Tax	1,97,243	Profit after Tax	1,79,243
Earnings per Share in Rs.	-	Dividend	-
V. Generic Name of Three Principal Products / Services of Company (as per monetary terms)			
Item code No.(ITC Code) :	Nil		
Product description :	Electricity distribution		

Sd/-
V.G Pandit
Financial Advisor

Sd/-
M.Muniswamy
Director (Technical)

Sd/-
Bharatlal Meena
Managing Director

As per our Report annexed
for MURALI & VENKAT, Chartered Accountants

Place : Bangalore
Date : 17th March, 2004.

Sd/-
K. Venkatesh, Partner.

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF BANGALORE ELECTRICITY SUPPLY COMPANY LIMITED, BANGALORE FOR THE PERIOD FROM 1 JUNE 2002 TO 31 MARCH, 2003.

“In view of the revisions made in the accounts as a result of the observations made by the Comptroller and Auditor General of India as indicated in Para 1 of the Auditors’ Report to the Shareholders and Note No. 33 of notes forming part of accounts, there are no further comments to offer upon or supplement to the Auditors’ Report under section 619 (4) of the Companies Act, 1956 on the accounts of BANGALORE ELECTRICITY SUPPLY COMPANY LIMITED, BANGALORE for the period from 1 JUNE 2002 to 31 MARCH 2003”.

Sd/-

(K. P. LAKSHMANA RAO)

PR. ACCOUNTANT GENERAL (AUDIT)-I
KARNATAKA, BANGALORE.

Bangalore

Dated : 29 March 2004

The image is a composite of two photographs. The top photograph shows a vineyard with rows of grapevines supported by wooden posts. In the background, a tall utility pole with electrical equipment is visible against a blue sky with light clouds. The bottom photograph shows a close-up of a large, curved pipe pouring a stream of water into a shallow trench. The ground is dark brown soil, and the background features a field of green crops and several palm trees under a bright sky.

We are with Farmers

AUDITORS' REPORT

To

The Members of Bangalore Electricity Supply Company Limited

- I We have audited the Balance Sheet of M/S BANGALORE ELECTRICITY SUPPLY COMPANY LIMITED, as at 31st March 2003 and also the Profit & Loss Account and the Cash Flow Statement for the year ended on that date and submitted our report on 24.12.2003. Subsequently, the Accounts have undergone revision in the light of observations of the Comptroller and Auditor General of India. We have audited the attached Revised Balance Sheet of the Company as on 31.03.2003 and the Revised Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto, and we report on the same. These Financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these Financial Statements based on our Audit.
- II We have conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the Accounting Principles used and Significant Estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
- III We report, further in terms of the Provisions of section 227 of the Companies Act, 1956, that:
 1. As required by the Manufacturing and other Companies (Auditors' Report) Order 1988 issued by the Company Law Board in terms of section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
 2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (b) In our opinion, proper Books of Account as required by law have been kept by the Company so far as appears from our examination of such Books.

Auditor's Report



(c) The Balance Sheet, the Profit & Loss Account and Cash Flow Statement referred to in this report are in agreement with the Books of Account.

(d) In our opinion, the Balance Sheet, the Profit and Loss Account and Cash Flow Statement referred to in this Report comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956 subject to our remarks below:

The Accounting Principles / Policies enunciated in Electricity (Supply) Annual Accounts Rules, 1985 followed by the Company are not in total consonance with the Accounting Standards (AS) referred to in Section 211(3C) of the Companies Act, 1956. Attention is drawn to the departure of Accounting Policies of the Company in case of AS-2 of Valuation of Inventories, AS-6 of Accounting for Depreciation, AS-10 of Accounting for Fixed Assets, AS-15 of Accounting for Retirement Benefits in the Financial Statements of Employers, AS-16 of Borrowing Costs, AS-19 of Leases, AS-22 of Accounting for Taxes on Income.

(e) Government of India vide a General Circular No. 8/2002 dated 22.03.2002 has exempted the Directors of Government Companies from the provisions of Disqualification. Bangalore Electricity Supply Company Limited being Government of Karnataka Undertaking, the Directors of the Company are therefore exempt from giving any written representations to the effect that they are not disqualified. Hence the provisions for disqualification of Directors of the Company under section 274(1)(g) of the Companies Act, 1956 do not apply.

(f) Subject to the following that:

1. The Company is vested with fixed assets such as Land and Buildings and vehicles by virtue of the Transfer Scheme under Government of Karnataka Approval. The titles for the above assets are yet to be transferred in its name.
2. We draw attention to the Notes on Accounts Para-1 and Para - 2 that the Company is vested with certain Assets and Liabilities as part of Karnataka Electricity Reforms transfer scheme as on 01-06-2002. The Opening Balances are provisional in nature and are subject to an Audit and further approval of the Government as per the Government Order dated 31-05-2003. Any changes in the Opening Balances after the Audit are based on a thorough Due Diligence being carried out at a later date either by KPTCL or any of the ESCOMs, may have bearing on Share Deposit Account of the Company. The Company to certain extent, identified Opening

Auditor's Report



Balances in certain assets and liabilities and transferred the same to Share Deposit Adjustment Account, which as per the Company's Management may have an impact on the Share Deposit Account. The same is subject to the approval of Government of Karnataka. The balance in the Share Deposit Adjustment Account is also subject to reconciliation of each such account/balance transferred. The impact of the same on the financials of the Company is not presently quantifiable.

3. The Company has not followed the Accounting Standard-10 (AS-10), which deals with the Accounting for Fixed Assets for the assets transferred by KPTCL as on 01.06.2002. The values of the Fixed Assets are not carried in the Books of Accounts of the Company at transfer price (Gross Block reduced by Accumulated Depreciation) but at historical Cost of assets of Gross Block and accumulated depreciation as carried on by the KPTCL.
4. Depreciation is not charged on Assets commissioned during the year and Depreciation is charged for the full year on Assets identified for the removal from Fixed Assets Block including on the decommissioned Assets identified for repair and reuse. Depreciation is charged on SLM Rate prescribed by the Central Government Notification issued under the Electricity (supply) Act, 1948, which is not in accordance with the rates specified under Schedule XIV of the Companies Act, 1956. The amount of shortfall / excess in such provision is not quantifiable.
5. In case of addition of Decommissioned Repaired Assets to the Gross Block of Fixed Assets, the Written Down Value of Repaired assets are being adopted as the Gross Value of the Asset and the depreciation is provided on the Written Down Value. The Company has not retained the Gross values and the accumulated depreciation for these assets and depreciation is not charged on the original values of the Assets. This may result in extending the life cycle of the asset from the life period as against the originally decided Lifetime of the Assets. Also the disclosure to the extent of decommissioned Assets at the time of decommissioning as deletions from the Gross Block and such decommissioned assets after their repair and put to use being disclosed as additions may impair the actual position of the Fixed Assets. The Policy of the Company is not in line with the Accounting Standard – 10 for Accounting for Fixed Assets as well as with the Accounting Standard – 6 Accounting for Depreciation. The quantum of such excess/short provision of Depreciation on these categories of Assets added to the Gross Block is not quantifiable.

Auditor's Report



6. The Company's inventories at various locations are old. The usefulness and serviceability is also subject to identification and inspection. It would not be possible to quantify the exact amount of effect on the profitability of the Company, but the same would have a material impact on the profitability of future years or in the year in which such identification and provision is made
7. Inventories, stores and spares include the scrapped value of assets and value of faulty and dismantled assets for reuse, which is not a proper classification as per Accounting Standard -2 Valuation of Inventories. Also the value of scrapped assets and the realisability of such value is a question of fact. Any short fall in realisable value would have an impact on the Revenue of the current year. The value of the faulty and dismantled assets includes certain assets, which are not reusable but are not yet scrapped. The loss arising out of the same also is not quantifiable in the absence of information.
8. Materials are valued at standard cost or purchase cost. The valuation of inventory is not carried out at the lower of cost and net realizable value and hence is not in consonance with Accounting Standard – 2: Valuation of Inventories. The difference is not quantified.
9. The Material Cost Variance is accounted by the Company at the time of the payment to suppliers and not at the time of purchases where standard rates are attributed to the Materials bought. As a result, the Company to the extent of unpaid materials is not accounting the material cost variance on accrual basis and the quantification of the same is not arrived at.
10. A provision of 20% on the Scrapped and Faulty and Dismantled Assets disclosed under the Inventory is made and the same is debited to Share Deposit Adjustment account. In our opinion, a technical committee is to be constituted to arrive at the exact quantum of usefulness of the entire inventory, which in some cases is more than 20 to 25 years old. The value of inventory is to be arrived at after the verification of the Technical Committee and the inventory, which does not command usefulness or is technologically obsolescent, is to be written off.
11. Reserves and Surplus include Rs. 35,58,28,517 as Consumers' contribution towards Capital Assets. The Company has a policy of showing both the Contributions and the full value of the Fixed Assets created out of such funds separately without deducting the contributions out of the Assets created. Depreciation is provided on the full value of the Assets capitalized without deducting the

Auditor's Report



proportionate depreciation to the extent applicable on the Consumers' contributions. The same is in variance to the requirements of AS – 10 Accounting for Fixed Assets. The consequential effect on Consumers' contributions by not deducting the relevant portion of the Depreciation on the Consumers' Contribution and crediting the same to the Profit and Loss Account is not quantifiable, in the absence of details with regard to the receipt of Contributions and the Specific Assets created out of such Funds.

12. By virtue of the Government Order No. DE 48 PSR 2003 dated 31.05.2003, a certain portion of the loans availed by KPTCL from various institutions have been transferred to BESCOM. The basis for such transfer is not provided to us for verification. The liabilities are not transferred in the name of the Company pending lenders' consent. In the light of the same, the Company is accounting the interest paid, Guarantee Commission to Government of Karnataka apart from accounting the loans from REC, PFC, Commercial Banks based on the advise of KPTCL. KPTCL has fixed certain amount of lease charges to be borne by the company. No details are available with the company with regard to the stationing of leased assets at various locations of the company. The accuracy and rationale behind allocation of the same, however is not subjected to our verification.
13. The Company has carried the provision for Bad & Doubtful of Rs. 254 Crores on Sundry Debtors as part of the Opening Balances and also as at the year-end. As the basis for arriving at such provision is not furnished to us, we are unable to express our opinion on the accuracy of Sundry Debtors and the adequacy of provision thereof.
14. None of the balances of Sundry Debtors, Receivables and Payables, Sundry Creditors and Loans and Advances have been confirmed.
15. Security deposits from consumers include deposits received against debts pending in courts, arrears pursued, arrears from bill stopped services and disconnected services for which details are not available to disclose and present them under different heads.
16. The Company's Fixed Assets, Inventories and Cash Balances are not insured. Any Financial misappropriation, loss/theft, damage to Inventory, Cash Balances and Capital Assets is taken on record only on being reported. The investigations with regard to the accountability of the personnel in such eventualities have been continuing for a long time. The Company has not made any provision to meet such eventualities.
17. Other Current Assets include unreconciled Inter Unit Accounts (IUAs)

Auditor's Report



- relating to CWIP, Fixed Assets, Depreciation Provision, Obsolete and Released Assets to an extent of Rs. 9,20,29,602 and Balances for other Transactions and Adjustments to an extent of Rs. 23,16,17,183. The effect of the same on the Current Year Financials of the Company on reconciliation is not presently quantifiable.
18. Sundry receivables from KPTCL, MESCOM, GESCOM, HESCOM include receivables which are to some extent should not have been categorized as receivables keeping in view of the nature of transactions. These accounts are to be reconciled and any observance with regard to misclassification may have to be either charged to Revenue Account or Share Deposit –Adjustment account. The impact of the same is not ascertained pending reconciliation.
 19. Amounts payable to KPTCL and other ESCOMS are also subject to reconciliation and include certain amounts not payable due to misclassification or keeping the nature of transactions in view. The quantum of the same is not ascertained and the amount of such non-payable portion may have impact either on Revenue or on Share Deposit Adjustment Account.
 20. The Company accounts a 3% Rate of Return on Opening Balance of Net Fixed Assets after considering the entire Revenue Expenditure and the resultant Income Tax Provision as Rural Electrification Subsidy receivable from Government of Karnataka. Any change in the Revenue/ Expenditure consequent to any decisions by GOK /KERC would have an impact on the subsidy amount.
 21. Provision for liability for increase in power purchase (share of KPTCL's Revenue gap 2002-2003) is made as per KERC's order. Any change in the KERC's order in the near future with respect to the above may have an impact on the revenue /profitability of the year under review.
 22. In view of the entire staff of BESCOM being on deputation from KPTCL, the Company is yet to evolve a system of routing the rentals collected / rentals paid through payables/receivables to KPTCL/Other ESCOMs. The impact on the Receivables/Payables to KPTCL and other ESCOMs on account of these transactions is not quantified.
 23. The Company has an Accounting Policy for Accounting Retirement Benefits as per the Actuarial Valuation, which is as per the provisions of the Accounting Standard –15. However, provision for Pension and Gratuity is made as per the advise of the KPTCL Pension and Gratuity Fund Trust at a fixed percentage. Any additional demand in future by the Trust would have an impact on the profitability of the Company.
 No Actuarial Valuation is carried out for making provision for Leave encashment. The Company has provided for leave encashment

Auditor's Report



provision on a provisional estimate. The same is in variance with AS15. In the absence of information on actuarial valuation, we are unable to quantify the variance and the consequential effect on the Profit and Loss Account of the year.

24. The Company has not provided the Deferred Tax Liabilities/Asset as per the Accounting Standard – 22 for accounting for taxes on income. The same is not quantified in the absence of the details of the written down values for various assets under the Provisions of the Income Tax Act.
 25. No wealth tax provision has been made by the Company in respect of Motor Cars. In the absence of the details of Written Down Value under the provisions of the Income Tax Act, the provision for the liability is not presently quantifiable.
 26. In the absence of any clear guidelines for treating contingent liabilities under the transfer scheme, any liabilities contingent in nature and such liabilities crystallized in the current year and are going to crystallize in future years in the hands of the Company, and its treatment would have a bearing on the financial statements of the Company.
- (g) In our opinion and to the best of our information and according to the explanation given to us, the said Balance Sheet, the Profit & Loss Account and the Cash Flow Statement read together with the Schedules and Notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
- (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2003.
 - (ii) In the case of the Profit & Loss Account, of the Profit of the Company for the period ended on that date.
 - (iii) In case of the Cash Flow Statement, of the Cash Flows for the period ended on that date

for MURALI & VENKAT
Chartered Accountants

Bangalore
17th March, 2004

Sd/-
(K.VENKATESH)
Partner



ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 of our report of even date)

1. The Company has records to show particulars of Fixed Assets, which are not updated and does not include quantitative details and situation of all Fixed Assets. The Company is yet to obtain title deeds of the Land owned by it in its name and has not yet transferred the Vehicles in its name. The Fixed assets of the Company have not been physically verified by the Management and any discrepancies between the book records and physical verification may have a bearing on the Financials of the Company. Attention is drawn to Para Nos (f) 1,18 and 19 of our Audit Report. The Management of the Company is in the process of identifying the assets that are of transmission in nature and also that of other ESCOMs erroneously grouped under the Assets of the Company. The process of identification is not complete. Any differences arising on this account would have a bearing on the Fixed Assets in number and value.
2. None of the Fixed Assets have been revalued during the year.
3. The stock of Stores, Spare Parts have been physically verified during the year by the Management. In our opinion, the frequency of physical verification of stocks followed by the management needs to be strengthened with increased frequency and coverage to ascertain the usefulness and also to identify the deterioration and obsolescence of the inventory.
4. The Procedures of Physical Verification of stocks followed by the Management need to be further strengthened keeping in view the size of the Company and the nature of its business.
5. The discrepancies noticed on physical verification of stocks as compared to book records have been properly dealt in the Books of Accounts.
6. On the basis of our examination of stocks, we observe that the Company is carrying over the inventory of Spares and Stores, which are in some cases more than ten years old. As the Company is yet to set up a Technical Committee to identify the obsolescent and technologically redundant materials we are unable to express an opinion as to what would be the quantum of unusable materials and its impact on the Profit and Loss Account and the Balance Sheet of the Company. These stocks are valued at Standard or purchase cost as per the Accounting Policies of the Company. Attention is drawn to our Audit Report Paras (f) 7,8 and 10 on the valuation of inventories.
7. The Company has not taken any loans, secured or unsecured from Companies, Firms or other Parties listed in the Register maintained under Section 301 of the Companies Act, 1956 or from the Companies under the same Management referred to in Section 370 (1B).

Annexure to Auditor's Report



8. The Company has not granted any loans, secured or unsecured from 16. Companies, Firms or other Parties listed in the Register maintained under Section 301 of the Companies Act, 1956 or from the Companies under the same Management referred to in Section 370 (1B).
9. The Company has given advances in the nature of Loans to Contractors and Suppliers both on interest and interest free and such Advances are being repaid or adjusted along with interest wherever applicable, against the bills raised by such parties as per the terms and conditions as stipulated while granting such advances. The Company has also given advances in the nature of Loans to Staff and the same are being recovered as per the terms and conditions stipulated for such sanctions.
10. In our opinion, the internal control procedures need to be strengthened to be commensurate with the size of the Company and the nature of its business, for purchase of stores and consumables, equipment and other assets and for the sale of energy.
11. There are transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956 and aggregating to Rs.50,000 or more in respect of Karnataka Power Transmission Corporation Limited (KPTCL) during the year. In case of Material transfers, the prices adopted are at Standard Rate or at Purchase Rate as the case may be and the purchase price for the power is at a rate, which is based on an agreement.
12. Unserviceable and damaged stores are determined by the Company periodically, but considering the volume of the Stores and Spares and their longevity in the Stores, the system needs to be strengthened for identifying unserviceable Stores and Spares. Excepting the above, all identified unserviceable and damaged stores have been considered by the Company for provision of loss adequately during the year.
13. The Company has not accepted any deposit from the public.
14. The Company has maintained reasonable records for sale and disposal of scrap. There are no bi-products.
15. The Company has instituted an Internal Audit system of its own, and presently it is carried out by the staff of the Company. In our Opinion, the Internal Audit system needs to be strengthened.

Annexure to Auditor's Report



16. The maintenance of Cost Records has been prescribed by the Central Government under section 209 (1) (d) of the Companies Act, 1956 in respect of the activities of the Company for the year under reference and the Company has not maintained any Cost Records as prescribed.
17. We have been informed that the provisions of the Provident Fund Act and Employees State Insurance Act are not applicable to the Company for the year.
18. There are no undisputed and outstanding amounts payable in respect of Income-tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty which have remained outstanding as at 31st March 2003, for a period of more than six months from the date they became payable.
19. According to the information and explanation given to us, no personal expenses of Directors have been charged in the accounts.
20. The Company is not a Sick Industrial Company within the meaning of clause (o) of sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 (1 of 1986).
21. In case of Service activities of the Company,
 - a) The Company has a reasonable system of recording receipts, issues and consumption of materials and stores and allocating the materials consumed to the relative jobs, commensurate with its size and nature of the business.
 - b) The Company is not having a reasonable system of allocating man hours utilized to the relative jobs commensurate with the size of the Company.
 - c) There is a reasonable system of authorization at proper levels on issue of stores and allocation of the stores and labour to jobs. However Internal control System with regard to the issue of stores and allocation of stores and labour to jobs needs to be strengthened.

For MURALI & VENKAT
Chartered Accountants

Bangalore
17th March, 2004

Sd/-
(K.VENKATESH)
Partner

ADDENDUM TO DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2003

Following remarks are offered on the observation / comments of the Statutory Auditors on the accounts for 2002 - 03

	Observations of Statutory Auditors	Management's Reply
2(d)	The Accounting Principles / Policies enunciated in Electricity (Supply) Annual Accounts Rules, 1985 followed by the Company are not in total consonance with the Accounting Standards (AS) referred to in Section 211(3C) of the Companies Act, 1956. Attention is drawn to the departure of Accounting Policies of the company in case of AS-2 of valuation of Inventories, AS-6 of Accounting of Depreciation, AS-10 of Accounting for fixed Assets, AS-15 of Accounting for Retirement Benefits in the Financial statements of Employees, AS-16 of Borrowings Costs, AS-19 of Leases, AS-22 of Accounting for Taxes on Income.	Consequent to unbundling and notifying the Transfer scheme, the Company is formed and FY-2002-03 being the formative and first year, the policies that were being followed in erstwhile KEB/KPTCL with respect to the provisions of the Indian Electricity Act 1910, Electricity (Supply) Act 1948 and Electricity (Supply) Annual Account Rules, 1985 were adopted due to complexity of operations. However the Company would review in future to comply the Accounting Standards. Point wise reply also indicated below.
2(f)(1)	The Company is vested with fixed assets as Land & Building and Vehicles by virtue of the Transfer Scheme under Government of Karnataka Approval. The Titles for the above assets are yet to be transferred in its name.	Factual Company is making efforts to ascertain the title to the Assets.
2(f) (2)	We draw attention to the Notes on Accounts Para-1 & Para-2 that the Company is vested with certain Assets & Liabilities as part of Karnataka Electricity Reforms Transfer scheme as on 01-06-2002. The Opening Balances are provisional in nature and are subject to an Audit & further approval of the Government as per the Government Order dated 31-05-2003. Any changes in the Opening Balances after the Audit are based on a thorough Due Diligence being carried out at a later date either by KPTCL or any of the ESCOMs, may have bearing on Share Deposit Account of the Company. The Company to certain extent, identified Opening balances in certain assets & liabilities and transferred the same to Share Deposit Adjustment Account, which as per the Company's Management may have an impact on the Share Deposit Account. The same is subject to the approval of Government of Karnataka. The Balance is also subject to	Factual. Efforts are being made to reconcile. Any effect on Accounts and further approval to be accorded by the Government of Karnataka would be adjusted in ensuing years.

Compliance / Reply to Statutory Auditors Report on the Accounts for FY 2002-03		
	Observations of Statutory Auditors	Management's Reply
	reconciliation of each such account/balance transferred. The impact of the same on the financials of the Company is not presently quantifiable.	
3	The Company has not followed the Accounting Standard (AS-10), which deals with the Accounting for Fixed Assets for the Assets transferred by KPTCL as on 01.06.2002. The values of the Fixed Assets are not carried in the Books of Accounts of the Company at transfer price (Gross Block reduced by Accumulated Depreciation) but at historical Cost of assets of Gross Block and accumulated depreciation as carried on by the KPTCL	Generally Depreciation is charged as per Electricity (Supply) Annual Accounts Rules, 1985. Since assets are transferred under transfer scheme, the life of the asset shall not be changed and hence existing procedure/ rules that were followed in erstwhile KPTCL were carried out, as this being formative year.
4	Depreciation is not charged on Assets Commissioned during the year and Depreciation is charged for the full year on assets identified for the removal from Fixed Assets Block including on the decommissioned Assets identified for repair and reuse. Depreciation is charged on SLM Rate prescribed by the Central Government Notification issued under the Electricity (Supply) Act, 1948, which is not in accordance with the rates specified under Schedule XIV of the Companies Act, 1956. The Amount of shortfall/excess in such provision is to be quantifiable.	Schedule XIV of Companies Act clearly provides for exemption for Electricity Companies for which the Electricity Supply Act and Rules are applicable.
5	In the case of addition of Decommissioned Repaired Assets to the Gross Block of Fixed Assets, the Written down value of Repaired assets are being adopted as the gross value of the Asset and the depreciation is provided on the Written Down Value. The Company has not retained the Gross Values and the accumulated depreciation for these assets and depreciation is not charged on the original values of the Assets. This may result in extending the life cycle of the asset from the life period as against the	Existing procedure followed in the KPTCL is continued due to complexity of operations. However the issue would be examined in future to comply with the Accounting Standards.

	Observations of Statutory Auditors	Management's Reply
	originally decided lifetime of the Assets. Also the disclosure to the extent of decommissioned Assets at the time of decommissioning as deletions from the Gross Block and such decommissioned assets after their repair and put to use being disclosed as additions may impair the actual position of the Fixed Assets. The policy of the company is not in line with the Accounting Standard - 10 for accounting for Fixed Assets as well as with the Accounting Standard - 6 Accounting for Depreciation. The Quantum of such excess /short provision of Depreciation on these categories of Assets added to the Gross Block is not quantifiable.	
6	The Company's inventories at various locations are old. The Usefulness and serviceability is also subject to identification and inspection. It would not be possible to quantify the exact amount of effect on the profitability of the company, but the same would have a material impact on the profitability of future years or in the year in which such identification and provision is made.	Company is having the practice of identifying obsolete, unserviceable and scrap assets. After examining the issues in detail proper treatment would be considered at appropriate time.
7	Inventories, stores and spares include the scrapped value of assets and value of faulty and dismantled assets for reuse, which is not a proper classification as per Accounting Standard-2 Valuation of Inventories. Also the value of scarped assets and the realisability of such value is a question of fact. Any short fall in realisable value would have an impact on the Revenue of the current year. The value of the faulty and dismantled assets includes certain assets, which are not reusable but are not yet scrapped. The loss arising out of the same also is not quantifiable in the absence of information.	Estimation is made according to the views of technical experts and accordingly accounted. Efforts are being made to identify the value of scrap / dismantled assets. Effect on this would also be accounted on such identification.

	Observations of Statutory Auditors	Management's Reply
8	Materials are valued at standard costs or purchase cost. The valuation of inventory is not carried out at the lower of cost and net realisable value and hence is not in consonance with Accounting Standard-2: Valuation of Inventories. The difference is not quantified.	Due to Complexity of situation, the existing procedure followed by the erstwhile KPTCL was continued in the formative year. However, efforts would be made to comply with the Accounting Standards in future.
9	The Material Cost Variance is accounted by the Company at the time of the payment to suppliers and not at the time of purchases where standard rates are attributed to the Materials bought. As a result, the Company to the extent of unpaid materials is not accounting the material cost variance on accrual basis and the quantification of the same is not arrived at.	Practice followed earlier in KPTCL is adopted. In Company's opinion, value may not be significant. However, the issue would be examined in future.
10	A provision of 20% on the Scrapped and Faulty and Dismantled Assets disclosed under the Inventory is made and the same is debited to Share Deposit Adjustment account. In our opinion, a technical committee is to be constituted to arrive at the exact quantum of usefulness of the entire inventory, which in some cases is more than 20 to 25 years old. The value of inventory is to be arrived at after the verification of the Technical Committee and the inventory, which does not command usefulness or is technologically obsolescent, is to be written off.	The company is making efforts to constitute a committee to examine this in detail. On evaluation of inventories, proper treatment will be given.
11	Reserves and Surplus includes Rs. 35,58,28,517 as Consumers contribution towards Capital Assets. The Company has a policy of showing both the Contributions and the full value of the Fixed Assets created out of such funds separately without deducting the contributions out of the assets created. Depreciation is provided on the full value of the Assets capitalised without deducting the proportionate depreciation to the extent applicable on the Consumers Contribution. The same is the variance to the requirements of AS-10 Accounting for Fixed Assets. The consequential effect on	Practice followed earlier in KPTCL has been adopted. However, efforts would be made to comply with Accounting Standards in future.

	Observations of Statutory Auditors	Management's Reply
	consumers contribution by not deducting the relevant portion of the Depreciation on the consumers contribution and crediting the same to the Profit & Loss Account is not quantifiable, in the absence of details with regard to the receipt of contributions and the Specific Assets created out of such Funds.	
12	By virtue of the Government Order No. DE 48 PSR 2003 dated 31.05.2003, a certain portion of the loans availed by KPTCL from various Institutions have been transferred to BESCOM. The basis for such transfer is not provided to us for verification. The liabilities are not transferred in the name of the Company pending lenders consent. In the light of the same, the company is accounting the interest paid, Guarantee Commission to Government of Karnataka apart from accounting the loans from REC, PFC, and Commercial Banks based on the advice of KPTCL. KPTCL has fixed certain amount of lease charges to be borne by the company. No details are available with the company with regard to the stationing of leased assets at various locations of the company. The accuracy and rationable behind allocation of the same, however is not subjected to our verification.	Both KPTCL and BESCOM are Government Companies. Consequent to unbundling and issue of transfer schemes as per Government Order, what ever the loan details identified and transferred by the KPTCL, the same was accounted. Any variation observed in future, it would be accounted at appropriate time.
13	The Company has carried out the provision for Bad and Doubtful of Rs. 254 Crores on Sundry Debtors as part of the Opening Balances and also as at the year-end. As the basis for arriving at such provision is not furnished to us, we are unable to express our opinion on the accuracy of Sundry Debtors and the adequacy of provision thereof.	These are identified by FDP consultants and the same was transferred by Government at the time of notifying the Transfer Scheme. Further, efforts are made to obtain item wise details from KPTCL and would be accounted at appropriate time on receipt of details. However as a better prudence, provision is made.
14	None of the Balances of Sundry Debtors, Receivables and Payables, Sundry Creditors and Loans and advances have been confirmed.	Appropriate action would be taken to reconcile.

	Observations of Statutory Auditors	Management's Reply
15	Security deposits from consumers include deposits received against debts pending in courts, arrears pursued, arrears from bill stopped services and disconnected services for which details are not available to disclose and present them under different heads.	Since entire deposit items transferred under transfer scheme are yet to be supported with item wise details, this has been accounted based on the information available. However efforts are being made to identify particulars for each item and required accounting treatment will be given at appropriate time on such findings.
16	The Company's Fixed Assets, Inventories and Cash Balances are not insured. Any Financial misappropriation, loss/theft, damage to inventory, Cash Balances and Capital Assets is taken on record only on being reported. The investigations with regard to the accountability of the personnel in such eventualities have been continuing for a long time. The Company has not made any provision to meet such eventualities.	Factual. Due to complexity of situation, the existing policy as in KPTCL was continued in the formative year. However Company would review the situation and appropriate action would be taken in future to get Fixed Assets, Inventories and cash balances to be insured.
17	Other Current Assets include unreconciled Inter Unit Accounts (IUAs) relating to CWIP, Fixed Assets, Depreciation Provision, obsolete and Released Assets to an extent of Rs. 9,20,29,602 and Balances for other Transactions and Adjustments to an extent of Rs. 23,16,17,183. The effect of the same on the Current Year Financials of the Company on reconciliation is not presently quantifiable.	Being formative year, existing practice as in KPTCL continued and adopted. However, efforts would be taken to give proper Accounting treatment at appropriate time.
18	Sundry receivables from KPTCL, MESCOM, GESCOM, HESCOM include receivables which are to some extent should not have been categorized as receivables keeping in view of the nature of transactions. These accounts are to be reconciled and any observance with regard to misclassification may have to be either charged to revenue account or share Deposit - Adjustment account. The impact of the same is not ascertained pending reconciliation.	Efforts are being made to verify each Receivable item and to reconcile the same with KPTCL / other ESCOMs. Proper treatment will be given at appropriate time.

	Observations of Statutory Auditors	Management's Reply
19	Amounts payable to KPTCL and other ESCOMS are also subject to reconciliation and include certain amounts not payable due to misclassification or keeping the nature of transactions in view. The quantum of the same is not ascertained and the amount of such non-payable portion may have impact either on Revenue or on Share Deposit Adjustment Account.	Efforts are being made to verify each Payable item and to reconcile the same with KPTCL / other ESCOMS. Proper treatment will be given at appropriate time.
20	The Company accounts a 3% Rate of Return on Operating Balance of Net Fixed Assets after considering the entire Revenue Expenditure and the resultant Income Tax Provision as Rural Electrification Subsidy receivable from Government of Karnataka. Any change in the Revenue/ Expenditure consequent to any decisions by GOK/ KERC would have an impact on the Subsidy amount.	Factual.
21	Provision for liability for increase in power purchase (share of KPTCL's Revenue gap 2002-2003) is made as per KERC's order. Any change in the KERC's order in the near future with respect to the above may have an impact on the revenue/ profitability of the year under review.	Factual.
22	In view of the entire staff of BESCOM being on deputation from KPTCL, the Company is yet to evolve a system of routing the rentals collected / rentals paid through payables / receivables to KPTCL / other ESCOMS. The impact on the Receivables / Payables to KPTCL and other ESCOMS on account of these transactions is not quantified.	Company is contemplating to constitute a committee. Based on committee's report, action would be taken to reconcile and settle these items.
23	The company has an Accounting Policy for Accounting Retirement Benefits as per the Actuarial Valuation, which is as per the provisions of the Accounting Standard-15. However, provision for Pension and Gratuity is made as per the advice of the KPTCL Pension & Gratuity Fund Trust at a fixed	Factual. All employees are on deputation from KPTCL. Only salary and other allowances are paid to the employees directly. Terminal benefits are paid according to the directions of KPTCL.

	Observations of Statutory Auditors	Management's Reply
	<p>percentage. Any additional demand in future by the trust would have an impact on the profitability of the company. No Actuarial Valuation is carried out for making provision for Leave encashment. The Company has provided for Leave encashment provision on a provisional estimate. The same is in variance with AS-15. In the absence of information on actuarial valuation, we are unable to quantify the variance and the consequential effect on the Profit and Loss Account of the year.</p>	
24	<p>The Company has not provided the Deferred Tax Liabilities/Asset as per the Accounting Standard-22 for accounting for taxes on income. The same is not quantified in the absence of the details of the written down values for various assets under the provisions of the Income Tax Act.</p>	<p>Though as per Transfer scheme, Opening Balances were transferred to the Company but no item wise details for written down values for each individual assets are available & hence no provision is made in the formative year.</p> <p>Nevertheless, as service industry, the Company is also bound to comply with Electricity Supply Rules and Tariff / regulations issued by KERC.</p> <p>However, the issue would be reviewed to comply with Accounting Standards in future.</p>
25	<p>No wealth tax provision has been made by the company in respect of Motor Cars. In the absence of the details written down value under the provisions of the Income Tax Act, the provision for the liability is not presently quantifiable.</p>	<p>Since Item wise details for each item including original value, accumulated depreciation were not readily available in respect of the vehicles transferred by the KPTCL, this has not been provided for. In the Formative year itself, retransfer of Assets again to KPTCL were effected, necessary provision could not be made. However liability will be made at appropriate time and on demand.</p>

	Observations of Statutory Auditors	Management's Reply
26	<p>In the absence of any clear guidelines for treating contingent liabilities under the transfer scheme, any liabilities contingent in nature and such liabilities crystallized in the current year and are going to crystallize in future years in the hands of the Company, and its treatment would have a bearing on the financial statements of the Company.</p>	<p>Factual</p>
<p style="text-align: center;">Sd/- Financial Advisor</p>		<p style="text-align: center;">Sd/- Managing Director</p>



BALANCE SHEET AS AT 31ST MARCH 2003

Sl. No.	Particulars	Schedule	Amount in Rs.	
I	SOURCES OF FUNDS : -			
1	<u>Share holders' Funds</u>			
	Share Capital	1	5,00,000	
	Share Deposit	1A	205,91,51,353	
	Share Deposit Adjustment account	1B	1,26,07,834	
	Reserves and Surplus	2	56,70,46,143	
				263,93,05,330
2	<u>Loans / Funds</u>			
	Secured Loans	3	23,80,00,000	
	Unsecured Loans	4	254,77,72,125	
				278,57,72,125
3	<u>Other Funds</u>			
	Service Line and Security Deposits	5		767,71,62,484
	Total - I			1310,22,39,939
II	APPLICATION OF FUNDS			
1	Fixed Assets			
	(a) Gross Block	6	1278,97,41,724	
	(b) Less: Depreciation		527,68,77,742	
	(c) Net Block			751,28,63,982
	(d) Capital Work in Progress	7		53,45,02,281
	Total - 1			804,73,66,263
2	Current Assets, Loans and Advances			
	(a) Inventories, Stores & Spares	8	52,37,69,133	
	(b) Sundry Debtors	9	938,54,54,524	
	(c) Cash and Bank balances	10	62,83,46,551	
	(d) Loans, Advances and Deposits	11	10,76,38,665	
	(e) Other Current Assets	12	167,93,08,356	
	Total - 2		1232,45,17,229	
	Less:			
	Current Liabilities & Provisions	13	726,96,43,553	
	Net Current Assets			505,48,73,676
	Significant Accounting Policies and Notes on Accounts	22		
	Total - II			1310,22,39,939
The schedules referred to above form an integral part of the Balance Sheet				

Sd/-
V.G Pandit
Financial Advisor

Sd/-
M.Muniswamy
Director (Technical)

Sd/-
Bharatlal Meena
Managing Director

As per our Report annexed
for MURALI & VENKAT, Chartered Accountants

Place : Bangalore
Date : 17th March, 2004.

Sd/-
K. Venkatesh, Partner.

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDING 31st MARCH 2003

Sl. No.	Particulars	Schedule	Amount in Rs.	
I	INCOME			
1	Revenue from sale of power	14	2353,50,24,628	
2	Rural Electrification Subsidy - GoK		315,64,51,760	
3	Other Income	15	21,06,21,425	
	Total			2690,20,97,813
II	EXPENDITURE			
1	Purchase of power - KPTCL		2207,67,03,846	
2	Provision for increase in power purchase (share of KPTCL's Revenue gap 2002-03)		89,40,00,000	
3	Repairs and Maintenance	16	28,58,57,786	
4	Employee Costs	17	202,39,31,126	
5	Administrative and Other Expenses	18	21,92,65,444	
6	Other Charges (Debits)	19	14,23,66,567	
	Total			2564,21,24,769
III	Profit before Depreciation and Interest			125,99,73,044
	Depreciation (Net)	20	71,22,83,204	
IV	Profit before Interest and Taxes			54,76,89,840
	Interest and other Charges	21	31,84,72,214	
V	Profit before Reserve & Taxation			22,92,17,626
	Reserve for Contingencies	21A	3,19,74,354	
VI	Profit before Taxation			19,72,43,272
	Provision for Taxation		1,80,00,000	
VII	Profit after Taxation			17,92,43,272
	NET PROFIT			17,92,43,272
VIII	Appropriations			
	Balance surplus carried to Balance Sheet			17,92,43,272
IX	Significant Accounting Policies and Notes on Accounts	22		

The schedules referred to above form an integral part of the Profit & Loss Account

Sd/-
V.G Pandit
Financial Advisor

Sd/-
M.Muniswamy
Director (Technical)
As per our Report annexed
for MURALI & VENKAT
Chartered Accountants
Sd/-
K. Venkatesh, Partner.

Sd/-
Bharatlal Meena
Managing Director

Place : Bangalore
Date : 17th March, 2004.

SCHEDULES 1 TO 13 FORMING PART OF BALANCE SHEET AS AT 31ST MARCH 2003

SCHEDULE - 01 : SHARE CAPITAL

Sl. No.	Particulars	Amount in Rs.
1	Authorised Capital 10,00,000 Equity shares of Rs. 10/- each	1,00,00,000
2	Issued, Subscribed and Paid up	
	a Issued Capital 50,000 Equity shares of Rs.10/- each	<u>5,00,000</u>
	b Subscribed Capital 50,000 Equity shares of Rs.10/- each	<u>5,00,000</u>
	c Paid Up Capital 50,000 Equity shares of Rs.10/- each Fully paid up	5,00,000
	Total	5,00,000

SCHEDULE - 1A : SHARE DEPOSIT

Sl. No.	Particulars	Amount in Rs.
	Share Deposit (as per GoK Notification)	205,91,51,353

SCHEDULE - 1B : SHARE DEPOSIT ADJUSTMENT ACCOUNT

Sl. No.	Particulars	Amount in Rs.
	Share deposit Adjustment Account (pending GoK approval)	1,26,07,834

SCHEDULE - 02 : RESERVES AND SURPLUS

Sl. No.	Particulars	Amount in Rs.
1.	Contributions, grants and subsidies towards cost of Capital assets	35,58,28,517
2.	Surplus in Profit and Loss Account	17,92,43,272
3.	Reserves for Contingencies	3,19,74,354
	Total	56,70,46,143

SCHEDULE - 03 : SECURED LOANS

Sl. No.	Particulars	Amount in Rs.
	Loans from Rural Electrification Corporation Limited, New Delhi. (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, equipments, 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.)	23,80,00,000
	Total	23,80,00,000

Note : The above loan accounts are subject to confirmation.

SCHEDULE - 04 : UNSECURED LOANS

Sl. No.	Particulars	Amount in Rs.
1.	Term Loans from Commercial Banks	11,79,96,626
2.	I.P. Loans	26,81,00,000
3.	Loans from Government	2,94,00,000
4.	Term Loans from REC	204,85,60,519
5.	Term Loans from PFC	8,37,14,980
	Total	254,77,72,125

Note: The above loan accounts are subject to confirmation

SCHEDULE - 05 : SERVICE LINE AND SECURITY DEPOSITS

Sl. No.	Particulars	Amount in Rs.
1.	Deposits for : i) Electrification / Service Connection ii) Deposit Contribution Work - Non Refundable iii) Deposit Works	1,36,318 34,31,63,825 77,50,347
2.	Other Deposits from Consumers	36,64,48,447
3.	Security Deposit from Consumers	695,96,63,547
	Total	767,71,62,484

SCHEDULE - 06 : FIXED ASSETS

(Amount in Rs.)

Asset Group	Gross Block			Depreciation			Net Block	
	As at 01-06-2002	Additions	Deductions	As at 31-03-2003	Additions	Deductions	As at 01-06-2002	As at 31-03-2003
Land & Rights	8,65,95,650	38,21,464	2,17,600	9,01,99,514	0	--	8,61,85,066	8,97,88,930
Buildings	17,51,43,367	1,92,44,687	36,60,667	19,07,27,387	78,88,428	8,80,385	13,40,22,151	14,25,98,128
Civil Works (Pipeline, Sewerage, Drainage, Water supply)	1,29,72,466	8,91,789	34,849	1,38,29,406	16,11,784	2,91,348	1,21,01,362	1,16,37,865
Other Civil Works	42,86,605	-	10,424	42,76,181	1,15,900	75,133	38,43,103	37,91,912
Plant & Machinery	296,01,95,764	46,41,04,446	45,53,49,800	296,89,50,410	20,15,39,521	12,97,95,116	208,39,43,168	202,09,53,409
Lines Cable Networks	855,02,53,848	102,84,73,520	21,24,21,339	936,63,06,029	50,84,69,499	8,10,38,698	480,84,97,184	519,71,18,564
Vehicles	9,71,27,837	55,72,006	33,01,607	9,93,98,236	7,91,37,010	36,55,560	1,79,90,827	1,81,50,021
Furniture & Fixtures	2,96,91,225	73,13,327	5,92,278	3,64,12,275	21,94,424	70,503	1,63,61,336	2,09,58,464
Office Equipments	1,80,53,811	28,49,257	12,60,783	1,96,42,285	8,04,117	2,95,665	67,86,667	78,66,689
Total	1193,43,20,574	153,22,70,496	67,68,49,346	1278,97,41,724	72,83,90,439	21,61,02,407	716,97,30,864	751,28,63,982

NOTE:

1. Gross block of assets and accumulated depreciation provision as on 01-06-2002 is as per Gok notification
2. Buildings includes shared assets as per KPTCL's intimation
3. Addition includes released assets after reconditioning
4. Deduction includes transfer of assets for reconditioning and shared assets to KPTCL

SCHEDULE - 07 : CAPITAL WORKS IN PROGRESS

Sl. No.	Particulars	Amount in Rs.
1.	Capital Work in Progress	52,62,14,617
2.	Contracts in Progress	34,18,646
3.	Provision for Works	48,69,018
	Total	53,45,02,281

SCHEDULE - 8 : INVENTORIES, STORES AND SPARES

Sl. No.	Particulars	Amount in Rs.	
1	Assets not in use (valued at WDV)		
	a) Value of scraped assets	3,82,08,353	
	Less: Provision @ 20% estimated/considered as not realisable and transferred to share deposit adjustment account	76,41,671	
			3,05,66,682
	b) Value of Faulty and Dismantled assets for reuse	22,02,85,693	
	Less: Provision @ 20% estimated/considered as not realisable and transferred to share deposit adjustment account	4,55,28,867	
			17,47,56,826
	Total-1		20,53,23,508
2	Materials Stock		
	(Stocks are valued as per the Accounting Policy followed by the Company and certified by the Management)		
	Material Stock Account		22,03,65,641
	Material imprest Account		5,59,27,811
	Material pending inspection		1,48,84,403
	Materials under transfer among divisions		1,76,96,656
	Other Material Account		95,71,114
			31,84,45,625
	Total 1 + 2		52,37,69,133

SCHEDULE - 9 : SUNDRY DEBTORS

Sl. No.	Particulars	Amount in Rs.	
1	a) Sundry Debtors - Supply of Power		
	a. Sundry Debtors for sale of Power – LT	700,39,77,264	
	b. Unbilled Revenue - LT	70,37,18,644	
	c. Sundry Debtors for sale of Power - HT	23,38,68,320	
	d. Unbilled Revenue - HT	97,67,95,620	
	b) Sundry Debtors - miscellaneous receipts from consumers		
	a. Reconnection fee	31,554	
	b. Public lighting maintenance charges	3,54,387	
	c. Supervision charges	25,90,293	
	d. Delayed payment charges from consumers.	54,04,00,035	
	Sub total - 1		946,17,36,117
2	Less :		
	a) Revenue Suspense Account	9,88,27,026	
	b) Provision for withdrawal of Revenue demand	27,18,27,481	
	c) Provision for Doubtful Dues from consumers	279,15,19,693	
	Sub total - 2		316,21,74,200
3	Net Receivables against Supply of Power (1-2)		629,95,61,917
4	Sundry Receivables from		
	KPTCL	293,30,22,831	
	MESCOM	6,04,82,479	
	GESCOM	2,90,49,942	
	HESCOM	4,56,72,185	
	Others	1,54,45,199	
	Sub total - 4		308,36,72,636
5	Sundry Debtors for Electricity Tax		22,19,971
	Total (3+4+5)		938,54,54,524

Note: A) Secured - Nil -

B) Un Secured :

Receivables are unsecured but considered good except to an extent of provision for doubtful debts of Rs 279,15,19,693

Rs. 474,71,76,662/- is less than 6 months old out of the total receivables.

SCHEDULE - 10 : CASH AND BANK BALANCES

Sl. No.	Particulars	Amount in Rs.
1	Cash on Hand	8,74,42,248
2	Cash at Bank - Operative Accounts	11,82,71,703
3	Cash at Bank - Non-operative Accounts	18,23,63,834
4	Deposits with Bank	5,25,798
5	Stamps on Hand	2,87,919
6	Remittance to Head Office -Transit Account	15,75,99,095
7	Transfers from Head Office In Transit Account	8,18,55,954
	Total	62,83,46,551

SCHEDULE - 11 : LOANS, ADVANCES and DEPOSITS

Sl. No.	Particulars	Amount in Rs.
1	Loans and Advances (Unsecured, considered good recoverable in cash or in kind for the value to be received)	
	Advances to Suppliers	2,90,33,587
	Advances to Contractors	59,73,950
	Loans and Advances to Staff - Interest free	3,71,14,977
	Sub total - I	7,21,22,514
2	Deposits	3,55,16,151
	Total	10,76,38,665

SCHEDULE - 12 : OTHER CURRENT ASSETS

Sl. No.	Particulars	Amount in Rs.
A	Other Current Assets	
	1) Amounts Recoverable from Employees	3,92,30,298
	2) R.E Subsidy receivable from Government of Karnataka	131,10,75,231
	3) Other Receivables	53,56,042
B	Inter Unit Accounts	
	1) IUA - CWIP, Fixed Assets, Depreciation provision, obsolete and released assets	9,20,29,602
	2) Inter Unit Accounts - Other transactions / adjustments	23,16,17,183
	Total	167,93,08,356

SCHEDULE - 13 : CURRENT LIABILITIES & PROVISIONS

Sl. No.	Particulars	Amount in Rs.	
1	Power Purchase Liability		
	a) Sundry Creditors for purchase of power from KPTCL	215,65,18,242	
	b) Provision for liability for increase in power purchase (share of KPTCL's Revenue Gap 2002-03)	89,40,00,000	
			305,05,18,242
2	Liabilities for supplies / works		109,30,70,341
3	Staff Related Liabilities		
	Unpaid Salaries	27,66,510	
	Unpaid Bonus	30,868	
	Salary payable	1,23,48,964	
	Bonus payable	1,36,326	
	Ex-gratia payable	2,88,41,055	
			4,41,23,723
4	Payables to KPTCL		
	On accounts of funds received	170,09,55,830	
	On account of Materials, Released Assets, Personnel and others	107,48,11,592	
			277,57,67,422
5	Payable to other ESCOMs		2,88,54,478
6	Other Liabilities		
	Security Deposits in cash from Suppliers / Contractors	3,43,56,743	
	Security deposit other than in cash from suppliers / contractors	93,57,060	
	Bill amount retained as per terms of P.O / Turnkey Contract	1,39,141	
	Stale Cheques	19,80,173	
	Miscellaneous Deposits	16,97,234	
	Excess credit afforded by banks - pending reconciliation	36,233	
	Levies / fees payable to GoK	34,97,375	
			5,10,63,959
7	Liability for Expenses		5,85,40,835
8	Provisions for other liabilities		
	Provision for Gratuity, Pension, Leave encashment and Family Benefit Fund	14,79,93,512	
	Provision for Income-Tax	1,80,00,000	
	Miscellaneous Provisions	17,11,041	
			16,77,04,553
	Total		726,96,43,553

SCHEDULES 14 TO 21A FORMING PART OF PROFIT & LOSS ACCOUNT
 FOR THE PERIOD ENDING 31ST MARCH 2003

SCHEDULE - 14 : REVENUE FROM SALE OF POWER

Sl. No.	Particulars	Amount in Rs.	
1	Revenue from Sale of Power – LT		
	Bhagya jyothi Scheme.	15,59,23,143	
	Non-Commercial Lights and Fans Non-Domestic and Non-commercial lighting installations.	8,97,44,017	
	Domestic combined lighting, heating and motive power Private, Professional and unaided educational institutions	552,42,32,680	
	Commercial and Non-Industrial Lights and Fans.	201,38,70,099	
	Irrigation Pump Sets (10 HP & below)/ Water Lifting.	221,43,77,244	
	Irrigation Pump sets (above 10 HP)/Water Lifting.	60,14,750	
	Water supply-Village Panchayats and Town Panchayats.	42,15,42,163	
	Water supply - Others.	21,72,08,010	
	Private Horticultural Nurseries, Coffee, Tea, Coconut and Arecanut Plantations.	57,90,679	
	Industrial, Non-Industrial, Heating and Motive Power including Lighting	315,23,69,579	
	Public Lighting/ Village and Town Panchayats.	32,43,83,540	
	Public Lighting - Others.	36,14,88,936	
	Public Lighting - Un-metered category	-	
Temporary Power Supply - Non-commercial lights and fans and other small appliances.	24,75,07,043		
Sub - total - 1		1473,44,51,883	
2	Revenue from Sale of Power – HT		
	Public Water Supply & Sewerage Pumping	96,40,06,594	
	Industrial, Non-industrial and Commercial purposes & Railway Traction	544,20,67,568	
	Commercial	183,78,46,848	
	Irrigation and Agricultural Farms. Lift Irrigation Societies, Lift Irrigation Schemes and Govt., Horticultural Farms	63,10,509	
	Residential apartments and colonies availing power supply independently.	15,85,13,271	
Sub-total - 2		840,87,44,790	
3	Miscellaneous recoveries from Consumers		
	Fuse charges	13,25,060	
	Reconnection Fee (D & R)	179,85,447	
	Public Lighting Maintenance Charges	96,94,288	
	Service Connection (Supervision charges)	7,69,18,885	
	Delayed payment charges from consumers.	21,09,38,312	
	Other Receipts from consumers	7,49,65,963	
Sub-total -3		39,18,27,955	
Total 1, 2, & 3			2353,50,24,628

SCHEDULE - 15 : OTHER INCOME

Sl. No.	Particulars	Amount in Rs.	
1	Income from Investments		
	Interest on Bank Fixed Deposits	25,799	1,40,297
	Interest from Banks	3,169	
	Interest on loans to Societies	1,11,329	
Sub total - 1			
2	Other Income		21,04,81,128
	Profit on sale of stores	34,67,344	
	Sale of scrap	34,96,956	
	Other Miscellaneous receipts	7,67,535	
	Materials Cost Variance	6,64,74,719	
	Rental from Staff Quarters	96,09,419	
	Rental from others	20,508	
	Value of materials found excess during physical verification	1,00,99,591	
	Commission for collection of Electricity Duty.	1,07,87,464	
	Miscellaneous Recoveries.	10,57,57,592	
	Sub total - 2		21,04,81,128
	Total		21,06,21,425

SCHEDULE - 16 : REPAIRS AND MAINTENANCE

Sl. No.	Particulars	Amount in Rs.
1	Plant and Machinery	17,42,17,430
2	Buildings	66,28,296
3	Civil works (Pipeline, Seweage, drainage and water supply)	19,48,868
4	Other Civil works	56,218
5	Lines, Cable, Net Work etc.	9,45,63,055
6	Vehicles	74,65,986
7	Furniture and Fixtures	61,490
8	Office Equipments.	9,16,443
	Total	28,58,57,786

SCHEDULE - 17 : EMPLOYEE COSTS

Sl. No.	Particulars	Amount in Rs.	
1	Salaries and allowances		
	Salaries	91,44,82,638	157,90,06,891
	Over Time	3,07,01,227	
	Dearness Allowance	45,53,68,442	
	Other Allowances	14,80,64,173	
	Bonus	3,03,90,411	
Sub total - 1			
2	Other Benefits		41,81,41,695
	Medical Expenses reimbursement	1,23,97,712	
	Leave travel assistance	41,62,189	
	Earned leave encashment	10,61,99,689	
	E.L.Encashment - Retirement / Deceased Employees	2,00,00,812	
	Staff Welfare expenses	4,06,36,266	
	Terminal Benefits	23,47,45,027	
Sub total - 2			
3	Others		2,67,82,540
	Payment under workmens compensation Act	5,78,074	
	Payment to helpers/employees of Monsoon gang	2,62,04,466	
	Total		202,39,31,126

SCHEDULE - 18 : ADMINISTRATIVE AND OTHER EXPENSES

Sl. No.	Particulars	Amount in Rs.
1	Insurance, Rent Rates and Taxes	2,03,49,422
2	Security Charges	25,66,028
3	Postage & Telephone charges	1,39,43,113
4	Revenue Receipts Stamps	1,11,470
5	Remuneration to contract agencies	2,94,97,872
6	Legal and other professional charges	62,09,978
7	Conveyance & Travel expenses	5,81,02,493
8	Vehicle running expenses	20,551,359
9	Statutory Auditors' Remuneration	
	- as Statutory Audit fee	1,35,000
	- as Tax Audit fee	37,800
	- as Expenses	16,200
10	Printing & Stationery	2,59,76,064
11	Advertisement Expenses	24,64,004
12	Electricity Charges	1,07,61,020
13	Water Charges	9,47,100
14	Miscellaneous expenses	2,05,69,359
15	Freight & other material related expenses	70,27,162
	Total	21,92,65,444

SCHEDULE - 19 : OTHER CHARGES (DEBITS)

Sl. No.	Particulars	Amount in Rs.	
1	Preliminary expenses written off		1,65,440
2	Other Expenses		
	Small & Low value items Written off	2,91,882	
	Computer software	4,040	
	Losses relating to Fixed Assets	1,13,65,494	
	Asset decommissioning cost	2,65,585	
	Bad & Doubtful Debts Written off / provided for	6,35,24,120	
	Miscellaneous losses and Write offs	6,46,51,296	
			14,01,02,417
3	Loss / Damage to capital assets - written off		20,98,710
	Total		14,23,66,567

SCHEDULE - 20 : DEPRECIATION

Sl. No.	Particulars	Amount in Rs.
1	Amortisation of Lease Hold Assets	2,35,543
2	Depreciation on Buildings	76,52,451
3	Depreciation on Civil works (pipeline, sewage, drainage, water supply etc.,)	2,86,854
4	Depreciation on other Civil Works	1,15,901
5	Depreciation on Plant and Machinery	20,86,04,416
6	Depreciation on lines, cable, network etc.,	48,76,67,622
7	Depreciation on Vehicles	49,27,299
8	Depreciation on furniture and fixtures	20,05,936
9	Depreciation on Office Equipments	7,87,182
	Total	71,22,83,204

SCHEDULE - 21 : INTEREST AND OTHER CHARGES

Sl. No.	Particulars	Amount in Rs.
1	Interest on Loans	26,44,79,478
2	Guarantee Commission to GoK	83,02,463
3	Lease Rentals	4,25,83,474
4	Other Interest and Finance Charges	31,06,799
	Total	31,84,72,214

SCHEDULE - 21A : RESERVE FOR CONTINGENCIES

Sl. No.	Particulars	Amount in Rs.
1	Reserve for Contingencies as per clause -IV of Sixth Schedule of Electricity (Supply) Act, 1948 (at the rate of 0.25% on gross value of fixed Assets as at 31st March 2003)	3,19,74,354
	Total	3,19,74,354

SCHEDULE NO: 22

**SIGNIFICANT ACCOUNTING POLICIES AND
NOTES FORMING PART OF THE ANNUAL ACCOUNTS
AS AT 31ST MARCH 2003**

PART – A : SIGNIFICANT ACCOUNTING POLICIES**1. Method of Accounting**

- 1.1. The Financial statements are prepared under Historical Cost convention, in accordance with the provisions of the Companies Act, 1956 as adopted by the Company and also as per the provisions of Electricity (Supply) Act, 1948 wherever inconsistency with the Companies Act 1956.
- 1.2. (a) All Income and Expenditure having a material bearing on the Financial Statements are recognized on accrual basis except the following, which are accounted on cash basis:
- i. Grants and subsidies from Government in respect of capital assets.
 - ii. Interest on House building advance, House purchase advance, Vehicle advance and Computer advance to employees.
- (b) Revenue Recognition
- i. Revenue from sale of energy is accounted on accrual basis.
 - ii. Revenue dues from consumers whose ledger accounts are yet to be opened is estimated and accounted.
 - iii. The sale of energy is as per the tariff fixed by Karnataka Electricity Regulatory Commission (KERC).
 - iv. Revenue for the year is also adjusted by estimating un-billed revenue of previous year and current year.

2. Fixed Assets

- 2.1. Fixed Assets are stated at cost of acquisition or construction less accumulated depreciation. All costs relating to the acquisition and installation of fixed assets are capitalized and include interest and finance charges payable on loans obtained for construction.
- 2.2. Released assets are accounted on Withdrawal / Capitalization at Written Down Value (WDV).

3. Depreciation

- 3.1. Depreciation on all assets (except computers and lease hold land) is provided on straight-line method as per Electricity (Supply) Act, 1948 on the basis of Central Government Notification No: S.O. 265E dated 27-03-1994.

- 3.2. Depreciation on released assets reissued to works and categorized as assets, is charged at rates prescribed vide Gol Notification dated 27-03-1994, considering the WDV as base value.
- 3.3. Depreciation on computers is provided on straight-line method as per Schedule XIV of Companies Act, 1956.
- 3.4. Depreciation on leasehold land is provided at the years' amortization rate arrived at on the basis of lease period.
- 3.5. Depreciation on all assets is provided upto 90% of the original cost.
- 3.6. Plant & Machinery costing Rs. 500/- or less individually are written off at 100% in the year in which they are installed and put to use.
- 3.7. Depreciation is not provided in the year in which the assets are commissioned or added. Depreciation is provided for the entire year in the year in which assets are decommissioned / scrapped / released irrespective of the date of the event.

4. Capital Work in Progress

- 4.1. Materials issued to Capital Works in progress are valued at the cost of purchase or at scheduled standard rates (Standard rate is determined on the basis of previous purchases and prevailing market rates).
- 4.2. Common expenditure incurred by divisions / circles / zones and administrative offices are not apportioned and debited to capital expenditure as the costing methods and procedures are not fully evolved yet.
- 4.3. All expenditure incurred for major works units are debited to capital works.

5. Inventory

- 5.1. Inventories, stores and spares are valued at the cost of purchase or at scheduled standard rates (the standard rates are determined on the basis of previous purchase rates and prevailing market rates).
- 5.2. Scrapped and released assets identified for disposal are valued at WDV.

6. Investments

- 6.1. Investments are valued at lower of cost or fair market value.

7. Rural Electrification Subsidy from Government of Karnataka

- 7.1. Rural Electrification subsidy has been accounted on accrual basis to earn a surplus of 3% on the net fixed assets at the beginning of the year based on Section 27(2)(b) of Karnataka Electricity Reform Act, 1999. GoK in its letter No: DE 79 PSR 2003/1016 dt 12-12-2003 has confirmed the applicability of RoR for the year 2002-03.

8. Retirement Benefits

- 8.1. Pension is provided based on the actuarial valuation.
- 8.2. Gratuity is also provided based on the actuarial valuation, payable as per the Company's rule.
- 8.3. Leave encashment is provided based on the actual payment basis, payable as per company's rules.

9. Provision for Bad & Doubtful Debts

- 9.1 Provision for bad & doubtful debts is made in the accounting units at 4% on the net balance of sundry debtors for sale of power of LT category outstanding as at the year-end and in case of HT consumers on case-to-case basis.

10. Accounting of Grants

- 10.1 Grants received for capital expenditure are included in capital reserves and are neither diminished nor cost of assets have been reduced to the extent of grants.
- 10.2 Contributions received from customers for capital expenditure are included in capital reserves and are neither diminished as deferred income nor cost of assets has been reduced to the extent of contribution.
- 10.3 Other grants are credited to the Profit & Loss Account.

11. Taxes on Income

- 11.1 Current tax is determined as the amount of tax payable in respect of taxable income for the period.
- 11.2 Deferred tax liabilities and assets are recognized at substantively enacted tax rates, subject to the consideration of prudence, on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

12. Power Purchase

- 12.1 The power purchase cost is recognized on the basis of readings at the Interface points between KPTCL and the company.

The company has recognized the following as interface points for measurement for power purchase:

1. For EHT consumers, consumption recorded at EHT consumer installations (66KV and above)
2. Readings recorded at 33 KV and 11 KV banks (interface points) existing in various sub-stations.

PART – B: NOTES ON ACCOUNTS

1. Establishment of the Company

- 1.1 The Karnataka Power Transmission Company Limited (KPTCL), which is the successor entity of erstwhile Karnataka Electricity Board was further unbundled into four Electricity Supplying Companies for the distribution activities keeping the KPTCL as the transmission company. Consequently, The Company (BESCOM) was incorporated on 30th April 2002 under Companies Act, 1956 and certificate of commencement of business was obtained on 13-05-2002. It has started its commercial operation on 1st June 2002 and cash operation independently from 1st October 2002. During the interim period, the Government of Karnataka has issued guidelines to carry out day-to-day operations.
- 1.2 The Karnataka Electricity Regulatory Commission had issued a provisional retail supply license on 29-05-2002 and later a regular distribution and retail supply license has been issued for a period of five years vide their Order dated: 28-01-2003. The company has a service area comprising of following districts:
Bangalore Urban, Bangalore Rural, Kolar, Tumkur, Chitradurga and Davangere.
- 1.3 The Government of Karnataka published vide their order no: DE 14 PSR 2002 dated 31-05-2002, the 2nd Transfer Scheme called Karnataka Electricity Reform (transfer of undertakings of KPTCL and its personnel to Electricity distribution and retail supply companies Rules 2002) was published giving effect to the approval of distribution undertakings, assets and liabilities and provisional opening balance sheets for KPTCL and BESCOM based on the Annual Accounts of KPTCL as on 31-03-2001. As per the provisions of 2nd Transfer Scheme, after provisionality period of one year i.e., by 31-05-2003, the same became final. Opening balance sheets earlier approved and published vide G.O and Government notification dated 31-05-2002 read above were provisional and thereafter Government had approved and issued final opening balance sheets for BESCOM as at 01-06-2002 vide their order No. DE 48 PSR 2003 dated 31-05-2003, which is subject to audit and further approval of the Government. The same is annexed.

2. Share Deposit

- 2.1 By virtue of transfer scheme of transfer of assets and liabilities as on 31-05-2002 between KPTCL and the company, the net difference of assets and liabilities is arrived as share deposit amount as opening balance as on 01-06-2002.
- 2.2 Share Deposit adjustment account.
The Government Order: DE 48 PSR 2003 dated 31-05-2003 has provided for arriving final opening balances after due verification of audit and after exhausting all possibilities. The company has identified certain assets and liabilities, which are long outstanding and not recoverable, have been arrived to adjust to the share deposit account. This is subject to the approval of Government of Karnataka.

3. Loans

- 3.1 The secured loans and unsecured loans are determined subject to the receipt of consent based on the KPTCL's intimation to various lending institutions. The specific details of loan scheme wise and its terms and condition are yet to be received from KPTCL.
- 3.2 As per Transfer Scheme, the loans transferred to BESCOM are at Rs. 232.00 crores as on 01-06-2002; where as the amount is Rs. 231.74 crores as per the information from KPTCL. The difference of Rs. 25.94 lakhs is adjusted to share deposit adjustment account.
- 3.3 The repayments towards principal and interest are being routed through KPTCL. The interests on such loans are also accounted based on intimation by KPTCL.

4. Fixed Assets

- 4.1 The fixed assets are accounted vide Government of Karnataka notification mentioned above as cost of assets in gross block and accumulated depreciation on such assets till the date of transfer and the depreciation has been provided accordingly.
- 4.2 The movable and immovable assets are specifically to be identified with description, situation and the extent for transfer of titles in favour of the company, which are being obtained.
- 4.3 The assets have been recorded as assigned specifically by KPTCL. In case of buildings without transfer of land, the same is assumed to be taken on lease from the KPTCL at nominal value.
- 4.4 As per arms length agreement between KPTCL and the company, certain facilities owned either by KPTCL or by the company are being utilized by both of them. The income and expenditure has not been recognized and provided for in respect of such shared assets.

5. Sundry Debtors

- 5.1. Sundry debtors include Rs. 254 Crores as provision for doubtful debts identified and transferred by KPTCL in the transfer scheme. This is in addition to annual provision for doubtful debts at the rate of 4% (LT), which is being made as a normal practice.
- 5.2. The balances with KPTCL and other ESCOMs (GESCOM, HESCOM, MESCOM) and dues from Contractors, Sundry Creditors, Advance to Suppliers and fabricators holding materials, deposits with various parties are subject to confirmation / reconciliation at the accounting units.

6. Inventories Stores and Spares

- 6.1. Inventories, stores and spares are valued at the cost of purchase or at scheduled standard rates.
- 6.2. In case of purchase of inventories, if standard rates are attributed the difference between the purchase rate and standard rate of materials is debited or credited to material cost variance account, which is charged / credited to Revenue Account at the end of the year.

7. Balance sheet restructuring Plan-III (BRP-III)

Balance sheet restructuring Plan-III adjustment proposed by FDP consultants and approved by Government of Karnataka for (a) shared assets and (b) adjustments relating to networth have been accounted for the year.

8. Pension, Gratuity and Leave Encashment

- 8.1. All the employees of the company are on deputation from KPTCL.
- 8.2. The actuarial valuation for the year 2002-03 is pending. Hence, provision for pension and gratuity is made on the basis of rates determined in the actuarial valuation report 31-05-2002.
- 8.3. In case of leave encashment, the company has estimated the earned leave of all employees and provided in the books of accounts accordingly.

9. Contingent Liability

- 9.1 Claims against the company not acknowledged as debts are as follows:

On account of suits filed / cases pending adjudication

- a. After Transfer scheme : Rs. 0.21 Crores.
 - b. Before transfer scheme : Rs. 1.15 Crores.
- 9.2 Estimated amount of contract remaining to be executed on Capital Account not provided for Information on the same is not available with the company to quantify as major capital works during the year are monitored by KPTCL.

10. Free Lighting

Difference between power purchase cost and subsidized rate on free lighting provided to the employees of KPTCL including employees on deputation to BESCOM in the service area of the Company is recognized as expenditure in the books of the company.

11. Electricity consumption of Company's offices

Electricity consumption in respect of Company's offices are accounted both as Revenue at retail tariff rates and the same is treated as its expenses.

12. Power Purchase

- 12.1. The supply of energy to the company includes EHT supply at more than 66 KV voltage at the interconnection points for transfer of power for billing by the company. The company does not recognize any transmission loss on EHT power purchase from KPTCL in the books of the company.
- 12.2. A system is put in place to measure the energy received by the company at such interface points. The BST and Transmission charges are being levied by the KPTCL on the units made available at this point of supply i.e., interface point of supply, which is as per approval of KERC.
- 12.3. The company has recognized an additional cost of power of the Revenue Gap of KPTCL as per the KERC's Tariff Order – 2003 to the extent of Rs. 89.40 crores as its share on the basis of the information furnished by KPTCL to KERC for the year 2002-03.

13. The company has paid lease rentals on the advice of KPTCL. The lease assets are yet to be identified.
14. Rent recovered from employees is accounted as income. Likewise the HRA paid to the employees is accounted as expenditure.
15. Cash and bank balances includes Demand drafts lost to the extent of Rs. 94,700/- which is yet to be recovered from the consumers, which are considered as good and no provision is made.
16. Tariff subsidy relating to IP sets (difference between Rs. 720 per HP per annum per installation as per the tariff fixed by KERC and Rs. 540 per HP per annum per installation actually billed as per Government of Karnataka orders) received by KPTCL from Government of Karnataka amounting to Rs. 37.65 Crores for the period from July – 2002 to March – 2003 has been accounted as receivable from KPTCL.
17. The Company has vested with certain scrap and released assets as per the transfer scheme of assets and liabilities. As the realizable value of such scrap and released assets is not determinable, 20% of the total value amounting to Rs. 5.32 crores is adjusted towards share deposit adjustment account.
18. The Inter Unit Accounts on account of funds transfer and material transfer are subject to reconciliation, within the company's divisions / accounting units.

19. Electricity Tax

BESCOM has retained electricity tax of Rs. 71.92 Crores collected from consumers for the year 2002-03 and accounted / adjusted towards Government of Karnataka subsidy receivable from KPTCL as per Government of Karnataka orders.

20. Rebate / Commission

Commission for having collected electricity tax from consumers amounting to Rs. 1.08 Crores at 1.5% on Rs. 71.92 crores accounted as miscellaneous revenue and is accounted as receivable from Government of Karnataka.

21. The company being a distribution licensee, the transactions pertaining to meter testing activity only to be accounted. Transactions pertaining to MT & RT (MRT division) from 01-06-2002 to 31-03-2003 have been reflected in the books of company and no bifurcation between Meter Testing and Relay Testing division has been made.

22. The Preliminary Expenses incurred for the incorporation of the company has been fully written off during the year.

23. Managerial Remuneration

Managerial remuneration is included in employee costs and administrative and other expenses and the details are as follows:

(Amount in Rs.)

Expenses	Managing Director	Director (Technical)	Other Directors
Salaries and other allowances	3,09,241	3,65,315	
Ex-gratia	2,272	2,500	
Travelling expenses	44,090	---	
Sitting fees			4,000

24. Foreign exchange earnings – Rs. Nil

Foreign exchange expenses – Rs. Nil

25. Additional Information

25.1 Quantitative details of power purchase, distribution loss and sales

A. Details of sale of energy and distribution loss for the year 2002-03 are as follows:

1. Total energy purchased at interface point for sale : 10275.92 MUs
2. Total metered sales : 4748.09 MUs
3. Total un-metered sales : 2973.69 MUs*
4. Total Sales (2+3) : 7721.78 MUs **
5. Distribution loss : 2554.14 MUs
6. Percentage of Distribution Loss : 24.86%

* Un-metered category of installations, Energy consumed has been assessed as follows:

- BJ/KJ installations : Units consumed by this category of consumers at 18 units per month per installation.
- IP sets : During validation of Estimated Revenue Charges of the licensee [i.e., BESCOM], KERC has finally approved 7055 units per installation per HP per annum in respect of areas coming under BESCOM taking secondary line loss @ 10% and assessment is also based on sample readings recorded at Distribution Transformer Centers.
- Street Lighting : The units consumed for this category of installation has been assessed on the basis of 12 hours per day Load factor i.e., for every KW connected load, the consumption assessed from 6.00 P.M to 6.00 A.M (12 hours).

** Total sale of energy in 2002-03 includes 1.24 MUs in respect of unopened test reports.

25.2 As the company deals with innumerable items of stores and spares for maintenance and capital works, the quantitative details with respect to opening stock, purchases, consumption and closing stock are not ascertainable.

26. Income Tax Provision

26.1 Provision has been made in the accounts for Minimum Alternate Tax as per the provisions of Section – 115 JB of the Act.

26.2 No provision for regular income tax has been made in the Accounts as there is no income tax liability on account of Income Tax Depreciation and Carry-Forward of un-absorbed depreciation assigned by KPTCL as per the provisions of Income Tax Act, 1961 amounting to Rs. 22.66 crores.

26.3 Deferred Tax Liability as per Accounting Standard - 'AS-22'.

The company's operations have commenced from 01-06-2002 and being the first year, the deferred tax liability / asset has not been provided for.

27. As per the records available, there are no transactions between related parties as stipulated in Accounting Standard AS-18 during the year.
28. Dues to SSI units are not ascertained due to lack of information about their identity.
29. Paise have been rounded off to the nearest rupee.
30. The Accounts of the Company are prepared from 30-04-2002 to 31-03-2003. However, the commercial operations are for a period of 10 months from 01-06-2002 to 31-03-2003.
31. The Government of Karnataka vide its Order No: DE 36 PSR 2003 dated 03-09-2003 has waived all the dues in respect of IP sets as on 31-03-2001, which as per the records of the company works-out to Rs.16314.67 lakhs and the effect of the same would be accounted in FY 2003-04 after its detailed verification.
32. It is required to disclose segmental activities as per Accounting Standard - 17. Since the Company deals with only distribution of Electricity, the Accounts are finalised accordingly.
33. The Accounts approved by the Board on 22-12-2003 and reported by the Statutory Auditors on 24-12-2003 were revised based on the observations made by the Comptroller and Auditor General of India, u/s 619(4) of the Companies Act, 1956. As a result of revision, the net profit has reduced from Rs.21.51 crores to Rs.17.92 crores.

Sd/-
V.G Pandit
Financial Adviser

Sd/-
M.Muniswamy
Director (Technical)

Sd/-
Bharatlal Meena
Managing Director

As per our Report annexed
for MURALI & VENKAT
Chartered Accountants

Place : Bangalore
Date : 17th March, 2004.

Sd/-
K. Venkatesh,
Partner.

Cash Flow Statement for the Period Ended 31st March 2003

No. Particulars	Amount in Rs	
A CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before Tax	19,72,43,272	
Adjustments for		
Depreciation	71,22,83,204	
Interest & other charges	31,84,72,214	
Interest Income on Investment	-	
Contingency Reserve	3,19,74,354	
Other Income	(21,06,21,425)	
Income Tax	(1,80,00,000)	
Operating Profit before working capital changes	103,13,51,619	
Adjustments for		
Changes in Inventories	(52,37,69,133)	
Changes in Sundry Debtors	(938,54,54,524)	
Changes in loans & Advances	(10,76,38,665)	
Changes in Other Asset	(167,93,08,356)	
Changes in Current Liabilities	710,19,39,000	
Changes in Provisions	16,77,04,553	
Operating Profit after working capital changes	(339,51,75,506)	
Extraordinary items-Contribution from Consumers	35,58,28,517	
Net cash inflow from Operating Activities		(303,93,46,989)
B CASH FLOW FROM INVESTMENT ACTIVITIES		
Changes in Fixed Assets (Net)	(822,51,47,186)	
Changes in Capital Work in Progress	(53,45,02,281)	
Net Cash outflow from Investment Activities		(875,96,49,467)
C CASH FLOW FROM FINANCING ACTIVITIES		
Changes in Capital / Share deposits Account	207,22,59,187	
Changes in Unsecured Loans (& Deposit)	1022,49,34,609	
Changes in Secured Loans	23,80,00,000	
Interest & Other Charges	(31,84,72,214)	
Other Income	21,06,21,425	
Net Cash available from Financing Activities		1242,73,43,007
D. Net change in Cash & Cash equivalents-Surplus Cash (A+B+C)		62,83,46,551
Add: Opening Cash and Cash Equivalents as on 1.6.2002		-
		62,83,46,551
E. Closing Cash and Cash equivalent as on 31-03-2003		62,83,46,551

Sd/-
V.G Pandit
Financial Advisor

Sd/-
M.Muniswamy
Director (Technical)

Sd/-
Bharatlal Meena
Managing Director

As per our Report annexed
for MURALI & VENKAT
Chartered Accountants

Place : Bangalore
Date : 17th March, 2004.

Sd/-
K. Venkatesh, Partner.



Workshop conducted at HRD Centre



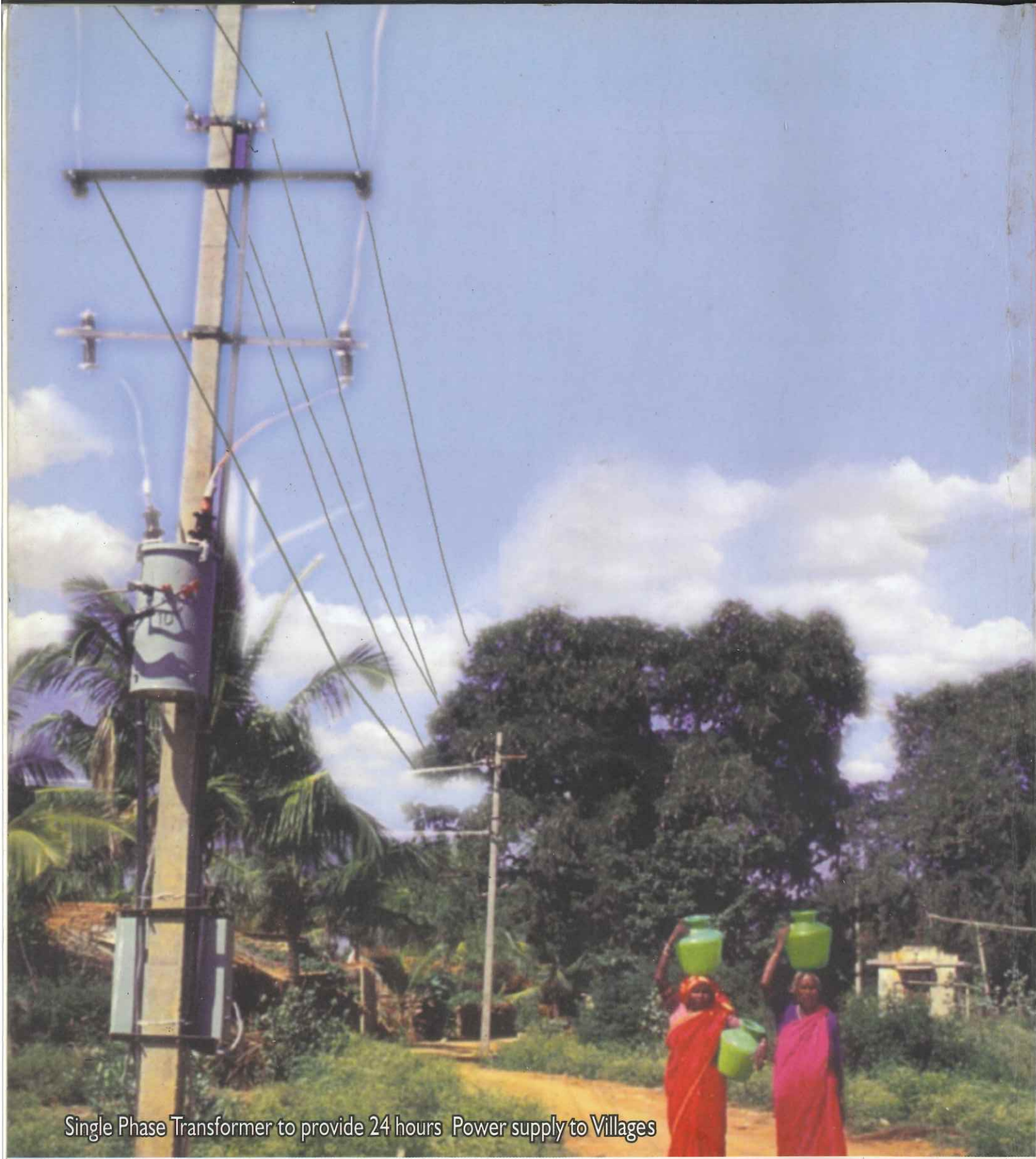
*Press Conference called by
Managing Director to brief Business Plan*



Signing of MoU for Business Plan



Review meeting of Senior Officers



Single Phase Transformer to provide 24 hours Power supply to Villages

ಬೆವಿಕಂ



BESCOM

ಬೆಂಗಳೂರು ವಿದ್ಯುತ್ ಸರಬರಾಜು ಕಂಪನಿ ನಿಯಮಿತ
Bangalore Electricity Supply Company Limited

(Wholly owned Government of Karnataka Undertaking)

K.R.Circle, Bangalore - 560 001.

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