

**KERALA STATE ELECTRICITY BOARD LIMITED**

**THIRUVANANTHAPURAM**



**FIFTH ANNUAL REPORT  
2015-2016**

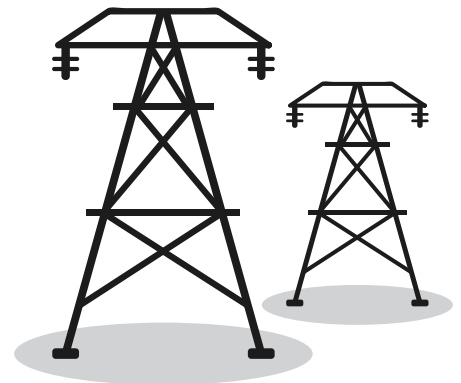




## KERALA STATE ELECTRICITY BOARD LIMITED

### THIRUVANANTHAPURAM

Sl.No.	Contents	Page No.
1	Notice of Annual General Meeting	07
2	Directors Report	09
3	Statutory Auditors Report	45
4	Comments of C&AG of India	72
5	Comments of Secretary(Finance Expenditure)	77
6	Secretarial Audit Report	78
7	Cost Audit Report	82
8	Replies of Management	
	1.Replies to comments of Independent Auditor	101
	2.Replies to comments of C&AG	130
	3.Replies to comments of Secretary(Finance Expenditure)	141
	4.Replies to comments of Secretarial Auditor	145
9	Balance Sheet & Profit and Loss Accounts	149
10	Cash flow Statement	153
11	Notes	156
12	Statement of Accounting Policies	186
13	Notes to Accounts	191







## KERALA STATE ELECTRICITY BOARD LIMITED

(Incorporated under the Indian Companies Act, 1956)

Reg. Office: Vydyuthi Bhavanam, Pattom, Thiruvananthapuram - 695 004, Kerala

Phone: +91 471 2514456, 2514491, Fax: 0471 2554039

E-mail: cs@kseb.in. website: www.kseb.in.

CIN: U40100KL2011SGC02742



### CHAIRMAN'S MESSAGE

I am happy to present the 5<sup>th</sup> Annual Report of the Board of Directors of Kerala State Electricity Board Limited for the financial Year 2015-16.

During the period 1.04.2015 to 31.03.2016, the company has been able to improve its performance substantially from the previous years. The whole hearted support and the dedicated and tireless work of the officers and employees of the company has contributed to the positive trend in its performance. In financial terms, the company has reduced loss from ₹1,272.90 crores during 2014-15 to ₹313.29 crores during 2015-16. On the transmission loss the company reported reduction from 14.57% during 2014-15 to 14.37% during 2015-16 which is again one of the best, as compared to other states in the country. Besides, during the year under report, KSEBL has ventured into the renewable energy projects, including innovative projects such as Floating Solar at Banasurasagar, in Wayanad district and Canal Top solar project in Barapole in Kannur district.

Decreasing trend in consumer grievances during the period, in comparison to the earlier periods clearly points to improvement in consumer satisfaction. The company has attached its highest importance to safety standards to be observed while executing the projects and during maintenance of lines and Sub Stations.

I once again place on record my sincere appreciation for the invaluable contribution made by the officers and employees at every level and thank them for their good work for the well being of the Company and the Society at large.



**DR. K. ELLANGOVAN. IAS**

CHAIRMAN AND MANAGING DIRECTOR



**KERALA STATE ELECTRICITY BOARD LIMITED**

Registered office: Vydyuthi Bhavanam  
Pattom, Thiruvananthapuram-695004  
CIN U40100KL2011SGC027424

CS/Adj.General Meeting/5

**All members, Auditors and Directors****Notice of Adjourned Annual General Meeting**

Ref: AGM dt 29.09.2016

Notice is hereby given that the Adjourned 5th Annual General Meeting of Kerala State Electricity Board Ltd, will be held on Friday, the 3rd November 2017 at 12.00 noon at the Registered Office of the Company at Vydyuthi Bhavanam, Pattom, Thiruvananthapuram 695004 to transact the following business:

**ORDINARY BUSINESS:**

1. To receive and adopt the Balance Sheet, the Profit & Loss Account, Cash Flow Statement of the Company and the Annexures and Schedules thereto for the year ended 31st March, 2016 together with the report of the Statutory Auditors, the Comments of the Comptroller & Auditor General of India and Additional Chief Secretary(Finance) thereon, and the replies of the Company to the report of the statutory auditors, comments of the Comptroller & Auditors General of India and Additional Chief Secretary(Finance) and the Report of the Directors and annexures thereto and forming part thereof.

Further to consider and, if thought fit, to pass with or without modification (s), the following resolution as an Ordinary Resolution:

“RESOLVED that the Balance Sheet, the Profit & Loss Account of the Company and the Schedules and Annexure thereto for the year ended 31st, March 2016, the Auditors’ Report, the Comments of the Comptroller & Auditors General of India and Additional Chief Secretary (Finance) thereon, replies of the Company to the report of the Statutory Auditors, the comments of the Comptroller & Auditor General of India and Additional Chief Secretary (Finance) , the Directors’ Report and annexure thereto and forming part thereof be and are hereby approved and adopted.”

By order of the Board

For Kerala State Electricity Board Ltd

Sd/-

Thiruvananthapuram

12.10.2017

**Chairman & Managing Director**

**DIN:05272476**

## NOTES :

- 1) A Member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote on behalf of himself and proxy need not be a member of the company.
- 2) The proxy should be lodged with the Company at its Registered Office not less than 48 hours before the commencement of the meeting.
- 3) The 5th Annual General meeting which was held on 29.09.2016 for consideration and adoption of audited financial statements for 2015-16 was adjourned sine die pending receipt of the comments of the Comptroller and Auditor General of India.




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## REPORT OF THE BOARD OF DIRECTORS

Dear Members,

Your Directors have great pleasure in presenting the 5th Annual Report on the performance of the Company for the year ended 31st March, 2016 together with the Audited Balance Sheet and Profit and Loss Account of the Company along with the Auditor's Report and review of accounts by the Comptroller and Auditor General of India, for that period.

The Kerala State Electricity Board Limited is a Public Limited Company fully owned by the Government of Kerala, engaged in Generation, Transmission and Distribution of power , committed in providing reliable supply of power delivering better services at reasonable tariff in line with the Government objectives. As part of the commitment of the Government of India to provide access of power for all citizens of India for improvement of the standard of living and social welfare, Government of Kerala signed the state specific document of Kerala for the '24x7 Power for all' programme on 13.02.2016 which envisages supply of electricity to the entire population of Kerala State.

On an organizational front, having recognized the importance of global objective of ushering green energy strategies , sustainable development and to implement energy efficiency measures in the State, a separate department was formed viz"Renewable Energy and Energy Savings(REES)" and was put in charge of a new Director for Corporate Planning. It is entrusted with identification and implementation of viable and beneficial renewable energy projects like wind, solar and other non conventional energy sources, energy conservation activities and assisting Government of Kerala in startup village projects related to power sector in Kerala.

### A. HIGHLIGHTS OF KERALA POWER SYSTEM

Particulars	2015-16	2014-15
Installed Generating capacity (MW)	2,880.18	2,835.63
Length of EHT lines(km)	9,367.97	9,303.68
Length of HT lines (11/12/33 KV) (km)	59,476.66	57,308.57
Length of LT lines(km)	2,85,970	2,68,753
No. of EHT substations (Nos)	250	244
No. of Distribution transformers (Nos)	73,460	71,198
Total consumers at the end of the year (Nos)	1,16,68,031	1,14,30,895
Per Capita Consumption (kWh)	565	544
Connected load at the end of the year (MW)	20,980.82	20391.53
Employee Strength at the end of the year (Nos)	36742	33041

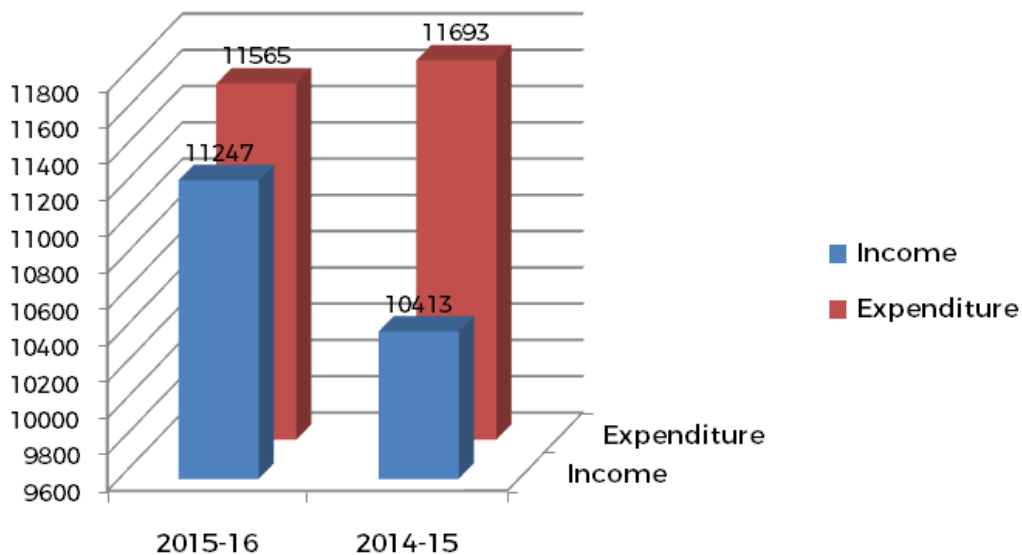
## B. FINANCIAL REVIEW

Your Directors have immense pleasure in placing on record the financials of the company having registered a good annual growth in revenue to the tune of Rs.11247.15 crores in 2015-16 as against an amount of Rs.10412.87Crores in previous year showing an increase of 8%.The net loss of the company has been reduced drastically from Rs. 1272.90 crores to an amount of Rs. 313.90 crores showing a remarkable improvement in the financial operations. This was achieved due to tariff hikes,DBFOO power procurement,low cost power from power exchanges and short term markets and lower scheduling of power from costlier thermal stations like RGCCP etc.

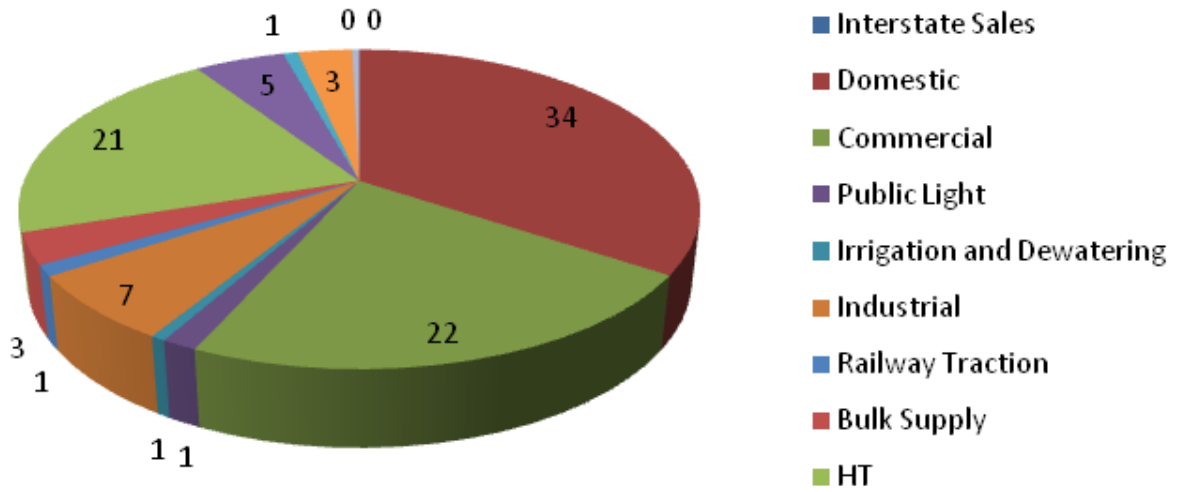
A comparative statement showing revenue from operations ,Net Profit /Loss of the company for the year 2015-16 and 2014-15 is furnished herebelow.

Sl. No.	Particulars	2015-16 (in Rs Crores)	2014-15 (in Rs Crores)
	Revenue from operations	10,914.44	10,116.26
	Other Income	332.71	296.61
	Total Income	11,247.15	10,412.87
	Profit (Loss) before Depreciation Interest & Tax	(1029.34)	40.26
	Depreciation	491.22	459.70
	Interest	851.41	853.46
	Profit (Loss) before Tax	(313.29)	(1272.90)
	Income Tax	-	-
	Profit/(Loss)	(313.29)	(1272.90)

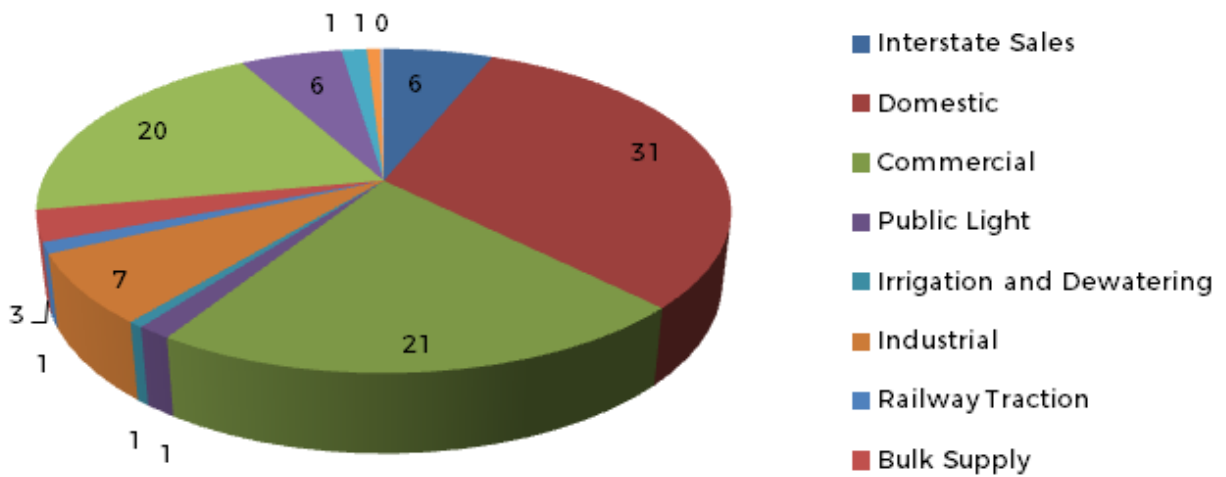
### I Revenue and Expenditure (In ₹Crores)



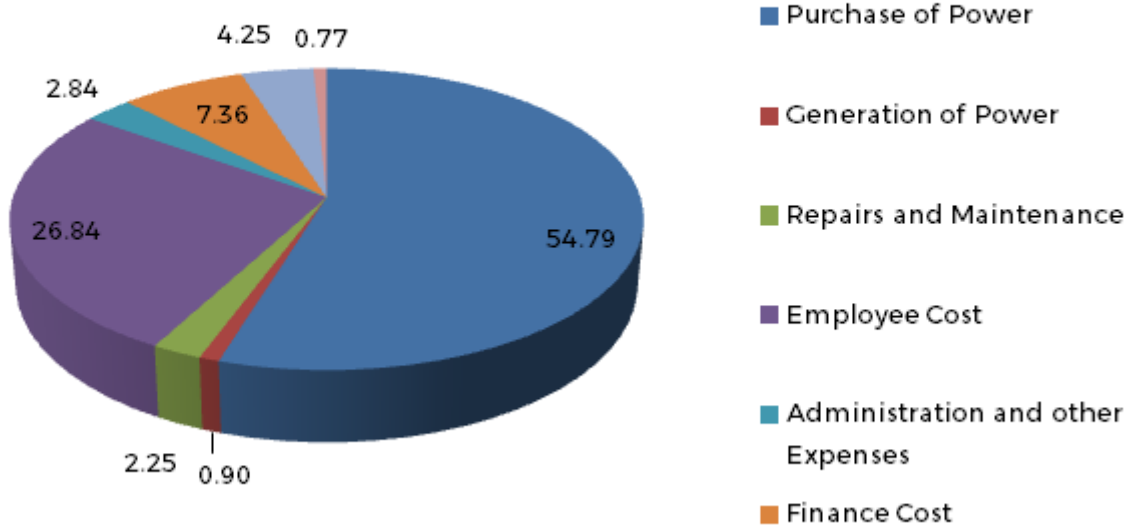
### Consumer Category Wise Source of Income 2015-16 (In Percentage)



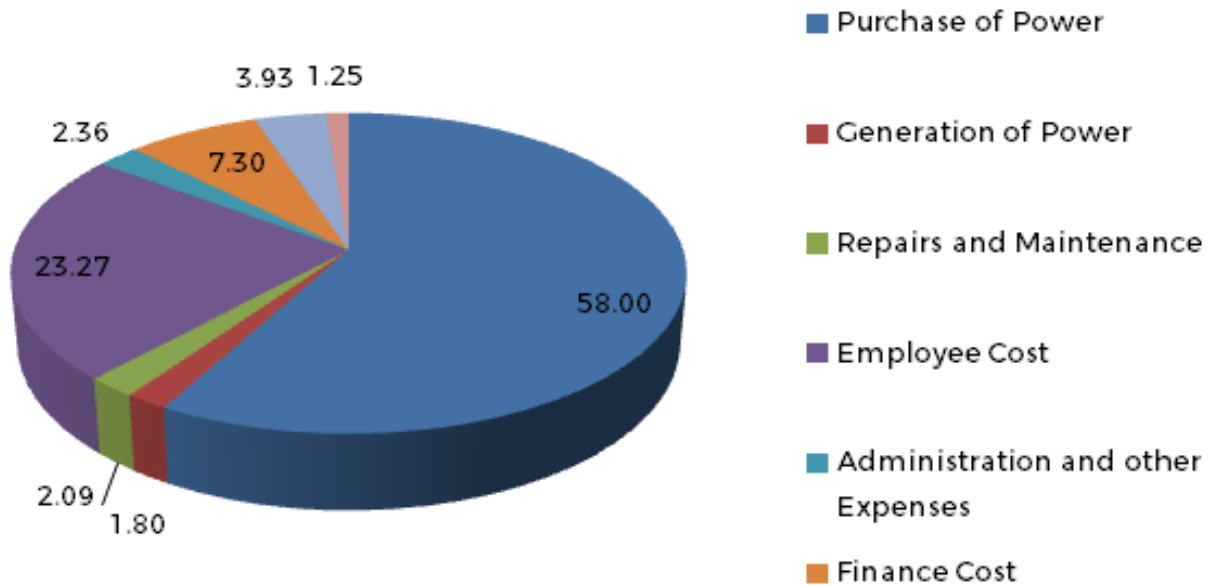
### Consumer Category Wise Source of income 2014- 15 (in percentage)



### Composition of Cost Structure in Percentage 2015-16

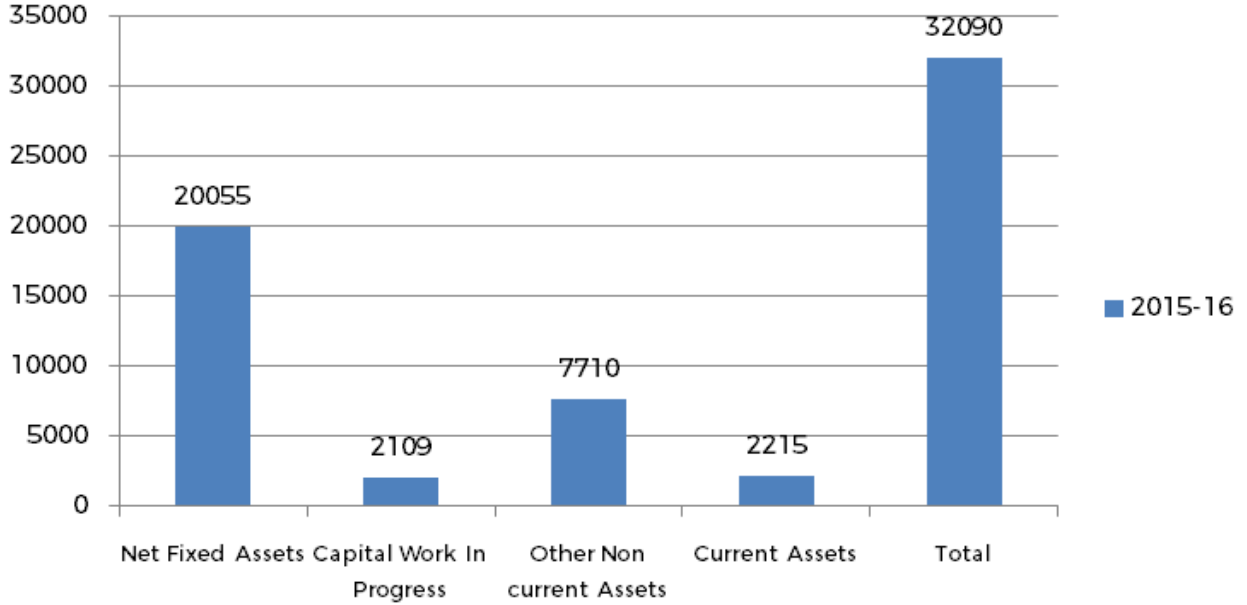


### Composition of Cost Structure in Percentage 2014-15



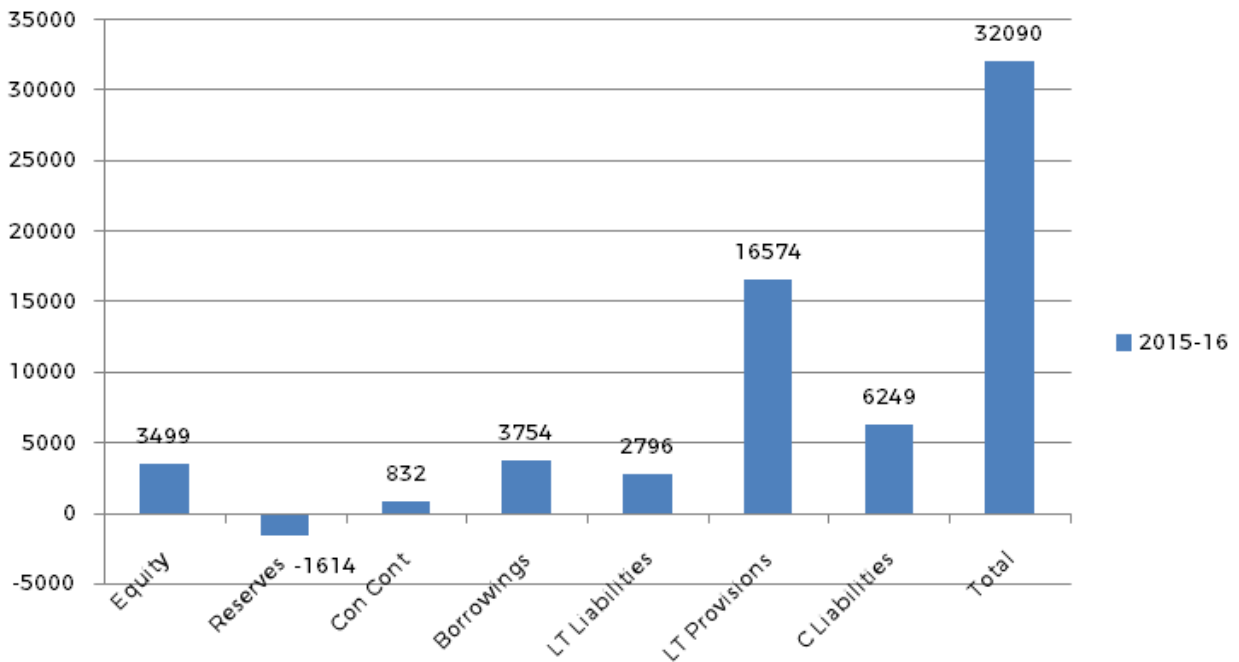
Value of Assets at the end of the years 2015-16 (in ₹ Crores)

**2015-16**



Liabilities at the close of the years 2015-16 (in ₹ Crores)

**2015-16**



## C. OPERATIONAL REVIEW

During the year under review, the revenue from the sale of power including other income amounted to Rs 11,247.15 Crores (PY Rs 10,412.87 Crores). The Company generated 6,791.85 MUs (PY 7,342.88 MUs) of energy (gross) from own sources and purchased 15897.76 (PY 15031.71 MUs) of energy from Central Generating stations/IPPs/ Traders / Power Exchange. The energy sold within the state was 19325.07 MUs (PY 18426.26 MUs). The Company's overall transmission and distribution losses are reported to the extent of 3267.02 MUs at 14.37% (PY-14.57%). A comparison of T&D loss shows that the T&D loss had decreased by 0.20% showing the results of the sustained effort in reducing loss to the maximum possible extent by various measures like system strengthening, replacement of conductors, capacity augmentation, better metering and good O&M activities. The operational review shows that there is an increase in income to the tune of ₹ 834.28 crores registering an increase of 8% on revenue during 2015-16 compared to the previous year in financial terms. In energy terms there is an increase in sales of power by 898.81 MU, registering a growth of 4.87% compared to last years figure.

## D. ACHIEVEMENT

- Kerala State Electricity Board Limited has been awarded with State Energy Conservation Award, 2015 and National Energy Conservation Certificate of Merit, 2015, in recognition of energy efficiency and loss reduction activities of the company.
- Company had formulated Land Management policy for KSEBL. KSEBL is the first PSU in the Kerala State to bring out a policy document on land
- KSEBL has been selected by the High level Jury for “**CBIP award for excellence in operation and maintenance of large dams**” in connection with the implementation of Dam Rehabilitation and Improvement Project works.
- In the Digital India Knowledge Exchange Submit 2016, hosted by the Department of Information Technology, Government of Kerala and IT Mission, Kerala the Project “Initiatives in Kerala State Electricity Board Limited” won ‘Best Digital India Initiatives’ Award.

## E. SHARE CAPITAL

The Authorized Share Capital of the Company is Five Hundred Crore shares of face value ₹10/- each, amounting to ₹5,000.00 Crores. The paid up share capital as on 31.03.2016 is ₹3,499.05 Crore which are subscribed by the Hon'ble Governor of Kerala and his nominees.

## F. MANAGEMENT

### F.1 DETAILS OF CHANGE IN DIRECTORS AND KEY MANAGERIAL PERSONNEL

In exercise of powers conferred on Government under the Articles of Associations of the Company, the Government at various times has ordered for reconstitution / Change in the Directorship of the Company. The details of changes in Chairman & Managing Director and other Directors till date of Report are given as under :

Sl. No.	DIN	Chairman & Managing Director	Tenure
1	1987180	M. Sivasankar IAS	21.12.2012 to 02.06.2016
2	2239492	Paul Antony IAS	02.06.2016 to 23.10.2016
3	5272476	Dr. K. Ellangovan IAS	24.10.2016 to till date

	<b>DIN</b>	<b>DIRECTORS</b>	<b>TENURE</b>
1	02103601	Manoj Joshi. IAS	28.09.2017 to till date
2	5178826	Dr. K.M. Abraham IAS	27.09.2014 to 28.09.2017
3	3377203	S. Venugopal	14.06.2011 to 19.04.2015
4	7282785	N.S. Pillai IA & AS	24.07.2015 to till date
5	3604278	Advocate B. Babu Prasad	14.06.2011 to 02.07.2016
6	7572823	Dr. V. Sivadasan	02.07.2016 to till date
7	7095940	K. Venugopalan	23.12.2014 to 31.05.2015
8	7247504	P. Vijayakumari	30.05.2015 to till date
9	5252164	M. Muhammed Ali Rawther	29.03.2012 to 31.05.2015
10	7239762	B. Nina	30.05.2015 to 31.05.2016
11	7558958	N. Venugopal	21.06.2016 to till date
12	7242641	C.V. Nandan	30.05.2015 to 21.06.2016
13	7559017	S. Rajeev	21.06.2016 to till date
14	6991567	J. Baburaj	10.09.2014 to 31.05.2015
15	7239765	O. Asokan	30.05.2015 to 31.05.2017
16	03134779	Kumaran. P.	20.06.2017 to till date

Pursuant to the provisions of Section 203 of the Companies Act, 2013 Sri. Biju. R, Financial Adviser was designated as Chief Financial Officer. The Chairman and Managing Director, Chief Financial Officer and Company Secretary have been designated as Key Managerial Personnel of the Company.

## **F.2 NUMBER OF BOARD MEETINGS**

The Board of Directors meet at regular intervals to discuss and decide on business strategies / policies and review the operational and financial performance of the Company. The notice of each Board Meeting along with the agenda has been given in writing to each Director separately and in exceptional cases tabled at the meeting. This ensures timely and informed decision by the Board. The interval between two consecutive meetings of the Board was not more than 120 days as specified under Section 173 of the Companies Act, 2013. In the Financial Year 2015-16, the Board of Directors met five times with an Annual General Meeting for the financial year 2014-15 and adjourned AGM for financial year 2012-13. The details are given as under

Sl. No.	Type of Meeting	Date of Meeting	Total Number of Members entitled to attend the Meeting	Number of Members attended	Percentage of Total share holding
1	Annual General Meeting(2014-15)	29.09.2015	8	7	87.5
2	Adjourned Annual General Meeting(2012-13)	15.02.2016	8	8	100
1	Board Meeting	20.05.2015	6	6	100
2		27.06.2015	7	7	100
3		24.08.2015	8	8	100
4		20.11.2015	8	8	100
5		15.02.2016	8	8	100

## G. STRATEGIC BUSINESS UNITS

The Kerala State Electricity Board Limited performs the functions of Generation Transmission and Distribution through separate Strategic Business Units (SBU) headed by the respective Directors.

### G.1 GENERATION SBU

The Generation SBU operates and maintains 36 hydro electric generating stations, 2 Thermal Power Plants and the wind farm at Kanjikode. Renovation, modernization and uprating of the old hydro electric projects which surpassed their useful life are also being carried out by this wing. Investigation, Planning and design of all hydro electric projects, land acquisition matters connected with various hydel projects, works connected with the environmental and forest clearance aspects of generation schemes, safety and maintenance of dams and connected structures, construction works of all hydro electric and thermal projects come under the Generation SBU. Other activities include construction and maintenance of various office buildings, fabrication of the materials for distribution, yard structures for substations and accessories for hydraulic structures. The details of the station wise Generation during the year 2015-16 is furnished as under :

Sl. No.	Name of Station	Station Capacity (MW)	Annual Generation Capacity (MU)	Annual Generation in MU	Design Plant Load Factor (PLF)%
1	PART A - HYDEL				
2	Pallivasal	37.50	284.00	218.60	86.67
3	Sengulam	51.20	182.00	160.91	43.33
4	Neriamangalam	52.65	237.00	352.07	60.00
5	Neriamangalam Extension	25.00	58.27		30.00



6	Panniar	32.40	158.00	173.93	60.00
7	Poringalkuthu	36.00	170.00	170.77	61.25
8	Sholayar	54.00	233.00	210.22	38.15
9	Sabarigiri	340.00	1338.00	1168.95	51.00
10	Kuttiyadi Scheme	75.00	268.00	575.89	40.80
11	Kuttiyadi Extension	50.00	75.00		17.12
12	Kuttiyadi Additional Extension	100.00	223.00		30.00
13	Idukki	780.00	2398.00	2373.27	35.92
14	Idamalayar	75.00	380.00	275.76	57.73
15	Kallada	15.00	65.00	44.81	40.33
16	Peppara	3.00	11.50	4.71	43.33
17	Lower Periyar	180.00	493.00	510.97	31.28
18	Mattupetty	2.00	6.40	4.29	35.00
19	Poringalkuthu LBE	16.00	74.00	106.43	61.25
20	Kakkad	50.00	262.00	183.64	60.00
21	Kuttiyadi Tailrace	3.75	17.01	8.05	50.00
22	Malampuzha	2.50	5.60	2.03	25.60
23	Chembukadavu Stage I	2.70	6.59	9.04	28.00
24	Chembukadavu Stage II	3.75	9.03		28.00
25	Urumi Stage I	3.75	9.72	9.30	30.00
26	Urumi Stage II	2.40	6.28		30.00
27	Malankara	10.50	65.00	32.43	70.00
28	Lower Meenmutty	3.50	7.63	5.56	30.00
29	Poozhithode	4.80	10.97	8.62	26.00
30	Ranni Perinad	4.00	16.73	7.66	48.00
31	Peechi	1.25	3.21	1.43	30.00
32	Vilangad	7.50	22.63	12.75	34.00
33	Chimony	2.50	6.70	4.59	30.00
34	Adyanpara	3.50	9.01	2.36	30.00
35	Barapole	15.00	36.00	0.0008	27.00
36	Poringalkuthu Micro	0.011	0.082	-	-
<b>Total</b>		<b>2046.161</b>	<b>7148.362</b>	<b>6639.0408</b>	<b>-</b>

Part B - WIND					
No.	Name of Station	Station Capacity (MW)	Annual Generation Capacity (MU)	Annual Generation in MU	Design Plant Load Factor (PLF)%
1	Kanjikode	2.025	4	1.38	20%
	<b>Total</b>	<b>2.025</b>	<b>4</b>	<b>1.38</b>	
PART C - THERMAL					
Sl. No.	Name of Station	Station Capacity (MW)	Annual Generation Capacity (MU)	Annual Generation in MU	Design Plant Load Factor (PLF)%
1	Brahmapuram Diesel Power Plant (BDPP)	63.96	606.00	13.25	68.5%
2	Kozhikode Diesel Power Plant (KDPP)	96.00	896.00	138.38	80%
	<b>Total</b>	<b>159.96</b>	<b>1502.00</b>	<b>150.63</b>	
Part D - Solar					
Sl. No.	Name of Station	Station Capacity (MW)	Annual Generation Capacity (MU)	Annual Generation in MU	Design Plant Load Factor (PLF)%
	Kanjikode	1.00	1.63	0.81	18%
	Chaliyoor Colony, Agali	0.096	0.15	0.05	18%
	Poringalkuthu Power House	0.05	0.06	0.04	14%
	*Banasurasagar, Wayanad	0.01	0.014	-	17%
	<b>Total</b>	<b>1.156</b>	<b>1.86</b>	<b>0.90</b>	

\*10KW floating solar project at Banasurasagar is an innovative project

The Company has been purchasing power from the following generating station (not owned), Private Hydro Stations, Thermal Stations and Private Wind Generating Stations situated in Kerala with installed generating capacity as on 31.03.2015 & actual generation during the period from 01.04.2015 - 31.03.2016 (station wise) is as given under.

Sl. No.	Name of Station	Annual Generation in MU	Station Capacity (MW)	Annual Generation Capacity (MU)	Design Plant Load Factor (PLF)%
<b>THERMAL</b>					
1	Kayamkulam (NTPC)	359.58	2158	798.81	68.50%
<b>PRIVATE HYDRO</b>					
1	Maniyar	12.00	36.00	30.30	30.83%
2	Kuthungal	21.00	79.00	49.31	42.94%
3	Ullunkal	7.00	32.22	18.26	53%
4	Iruttukkanam	4.50	15.86	24.83	50%
5	Pampumkayam (Mankulam)	0.11	0.29	0.06	
6	Karikkayam	10.50	43.69	26.99	
7	Meenvallom	3.00	8.37	2.37	
8	Kallar	0.05	0.13	-	
<b>Total</b>		<b>58.16</b>	<b>215.56</b>	<b>152.12</b>	

#### PART E- PRIVATE THERMAL

Sl. No.	Name of Station	Station Capacity (MW)	Annual Generation Capacity (MU)	Annual Generation in MU	Design Plant Load Factor (PLF)%
1	BSES	157	1099	-	80%
2	Kasaragod Power Corporation	21.9	140	-	80%
3	MPS Steel Castings Limited (Co-Generation Plant)	10	67.63	-	77.20%
4	Philips Carbon Black Limited (Co-Generation Plant)	10	70.08	-	-
<b>Total</b>		<b>198.90</b>	<b>1376.71</b>	<b>-</b>	

#### PART F - PRIVATE WIND

Sl. No.	Name of Station	Station Capacity (MW)	Annual Generation Capacity (MU)	Annual Generation in MU	Design Plant Load Factor (PLF)%
1	Ramakkalmedu	14.25	32.46	23.65	26%
2	Agali	18.60	37.47	23.79	23%
3	Ahalia, Kanjikode	8.40	16.19	0.00	22%
<b>Total</b>			<b>41.25</b>	<b>47.44</b>	<b>86.12</b>

PART G - PRIVATE SOLAR					
Sl. No.	Name of Station	Station Capacity (MW)	Annual Generation Capacity (MU)	Annual Generation in MU	Design Plant Load Factor (PLF)%
1	Cochin International Airport Limited	13	20.50	11.42	18%
<b>Total</b>		<b>13</b>	<b>20.50</b>	<b>11.42</b>	<b>-</b>
<b>Grand Total</b>		<b>2880.18</b>	<b>12513.02</b>		

### G.1a IMPORTANT ACHIEVEMENTS IN HYDEL CAPACITY ADDITIONS

- The Chimmomy (1 x 2.5 MW) Project was dedicated to the nation on 22.05.2015.
- Renovated Unit # 4 (9MW) machine of Poringalkuthu Hydro Electric Project (4 x 9 MW) was commissioned on 29.05.2015.
- The Adyanpara (2 x 1.5 MW + 1 x 0.5 MW) Project was dedicated to the nation on 03.09.2015.
- The Barapole (3 x 5 MW) Project was dedicated to the nation on 29.02.2016.
- Poringalkuthu Micro Hydel Project (11 Kw) was commissioned on 06.02.2016. This is the first project which is using Screw Turbine Technology.

### G.2 TRANSMISSION SBU

Transmission network, the backbone of any power system, enables the transfer of bulk power from the place of generation to the load centers. The transmission SBU is responsible for the development and management of the transmission network in the State. Transmission SBU manages the construction, operation and maintenance of EHT substations and transmission lines and the supply of power to EHT consumers. It is responsible for the implementation of transmission loss reduction programs and co-ordinating the activities for Transmission system development. Transmission SBU controls all State load despatch activities of powers system operations and management and matters pertaining to protection and communication system. An abstract of the list of Substations and Transmission lines under the SBU as on 31.03.2016 is given below.

Sl. No	Voltage level (kV)	No of Substations	Line length (in circuit kms)
1	400	*5(1No: KSEB)	**571.96
2	220	20	2801.89
3	110	145	4366.34
4	66	73	2208.75
5	33	136	1828.36

\* The 400 kV Substations at Pallippuram (Thiruvananthapuram), Pallikkara(Ernakulam), Areakode and Mannukkadu(Palakkadu) are owned by PGCIL.

\*\* Lines within Kerala periphery (owned by PGCIL)

The Transmission wing is geographically organized in to two zones – The North and South zones – each headed by a Chief Engineer and headquartered at Kozhikode and Thiruvananthapuram respectively. The System Operations Wing headed by a Chief Engineer with headquarters at Kalamassery performs the real time management of the Kerala Power System.

The year 2015-16 was a challenging year to Transmission and System Operation Wing due to power crisis consequent to the failure of monsoon resulting in reduced inflow in to the reservoirs, insufficient transmission network, and unprecedented rise in demand etc. The peak demand has reached 3860MW (on 28.3.2016) and the maximum daily consumption recorded during the year was 76.74 MU (on 31.3.2016). Even in the midst of extreme difficulties KSEBL has been able to manage the power crisis with the co-ordinated effort of all the wings.

Even though the individual performance during the year may seem not the best in history, the important factor to be noted is the reversal in trends. 14 substations (including new & upgraded) were commissioned during the year, which is the highest figure during the the last 5 years out of which eight are 110 kV Substations. On the financial front also the achievement during the year has exceeded the target. The total capital expenditure for transmission project works, for the year was Rs.277.25 Cr which is 15.9% more than the target. This is probably for the first time that the project expenditure has exceeded the targets, showing better efficiency and quality of management in Transmission wing for implementation of Transmission Projects. The Transmission wing was able to arrest the declining trends in both the physical and financial achievements and accelerate a record of positive growth.

## **G2. a INNOVATION AND ADOPTION OF MODERN TECHNOLOGY IN TRANSMISSION WING.**

### **(1) Hybrid Switchgears**

The year was also characterized by the adaptation of many innovative concepts in to our system. 'Hybrid switchgears' were introduced in our system for the first time. This provides much relief to the space starved substations where major development activities are stalled due to space constraints. SCADA based Substation Automation System (SAS) was also introduced in our system which facilitates easy operation of large substations such as 220 kV Substations. In future, this can be extended to other stations also.

### **(2) Use of HTLS in place of conventional conductors.**

The lower current carrying capacity of our transmission lines was one of the major limiting factors for conveyance of power through our network. Most of the lines are overloaded leading to frequent load restrictions. Drawal of new lines/ upgradation of the existing lines is one of the major solution for this problem. Constructing New lines raises RoW issues which cause inordinate delay in execution. As an alternative, the use of new generation conductors like HTLS which have high current carrying capacity and less weight compared to conventional ACSR conductors was introduced. This will enable in the use of same corridor and towers for higher capacity. The Brahmapuram - New Vytilla SC line is proposed for re conductoring with HTLS conductor and the tender for the same is under evaluation. HTLS conductors are extensively proposed in the TRANSGRID 2.0 Project also.

### **(3) Optical Ground Wires**

The conventional earth wires in our transmission lines are steel wires. If the same are replaced with Optical Ground Wires, it can serve both the functions of earth wire as well as a communication link. Until now, PGCIL was doing the replacement work for us. We have ventured into replacing

the earth wires with OPGW. Replacement of earth wire in Sholayar - Chalakkudy stretch is in progress. It is also proposed to draw OPGW in new lines.

### **G.2.b TRANSGRID 2.0**

One of the greatest achievements during 2015-16 is the formulation of Transgrid 2.0, Project proposal, the second generation transmission network development project. Administrative sanction has been obtained from the Board and Government for an amount of Rs. 4745 Cr for the first phase of the project. This is the single largest project sanctioned by the Board. The project has been well appreciated by the State and Central Governments and the prospects of getting financial assistance from the Governments are bright. The first phase of the project is targeted for completion by 2018-19.

### **G.2.c System Operation**

The system operation wing was successful in managing the grid without much disturbances during the year. There were no load shedding /restriction except for some localized issues. The unprecedented growth in demand was met through meticulous planning of the internal resources as well as through purchase from external sources. The contribution of the commercial wing in contracting power from various sources is appreciable. The growth in demand helped us in identifying the inadequacy of the network and exposed the weak points in the system. This has led to the formulation of the Transgrid project.

### **G.2.d PSDF works.**

KSEBL was the first utility to submit the DPR for the schemes under the Power System Development Fund (PSDF). All the materials required for the works have been either procured or action initiated for the procurement. Many of the works have been completed and time extension has been granted for the completion of the balance works. An amount of Rs. 9.96 Cr was received as grant from PSDF during the year.

## **G.3 DISTRIBUTION SBU**

Distribution SBU manages distribution of electricity in the State other than in other Licensees areas. The activities of the SBU include construction operation and maintenance of distribution network upto a voltage level of 11 kV. Implementation of Central Sector Schemes like RAPDRP Part B, RGGVY, DDUGJY, IPDS etc. Distribution Sector Projects funded like MP LAD/MLA LAD Kerala Development Schemes are also undertaken by this SBU.

### **G.3.a. SCHEMES FUNDED BY CENTRAL / STATE / OTHER AGENCIES**

#### **(1) RAJIV GANDHI GRAMEEN VYDYUDHIKARAN YOJANA (RGGVY)**

Details of achievements of XI Plan RGGVY works (I&II phase) as on 31.03.2016 is tabulated below:-

Sl. No.	District	Sanctioned project cost (₹lakh)	Amount received from REC (₹ lakh)	Expenditure (₹ lakh)	Date of completion
	Thiruvananthapuram	2182.13	1197.032	1303.8	30.11.2015
	Kollam	328.05	180.208	479.00	31.03.2015
	Pathanamthitta	575.65	316.912	646.6	31.03.2015
	Alappuzha	1366.81	753.24	1425.32	31.03.2015
	Kottayam	796.51	436.94	619.26	30.11.2015
	Ernakulam	2471.24	698.91	555.86	30.11.2015
	Thrissur	1262.70	693.56	700.07	30.09.2015
	Kasaragod	1460.71	1149.58	1445.61	31.12.2014
	Kannur	1971.40	1439.47	2285.51	31.12.2014
	Kozhikode	1692.93	1212.29	1675.27	31.12.2014
	Wayanad	1433.44	968.6	1571.89	31.12.2014
	Palakkad	1635.40	1127.08	1716.95	31.12.2014
	Malappuram	3263.46	2524.908	3147.1	31.03.2015

## (2) DEEN DAYAL UPADHYAYA GRAM JYOTHI YOJANA (DDUGJY)

Government of India sanctioned a total amount of Rs. 485.37 Cr. For implementing DDUGJY in Kerala on 05.01.2016 as detailed below. Work include 33kV Substations, 33 kV lines, 11kV lines, distribution transformers. HT and LT lines, replacement of energy meters, BPL service connections etc.

Sl. No.	Name of District	Sansad Adarsh Gram Yojna	Metering	Connecting Unconnected Hhs	System Strengthening	Total sanctioned Cost (In ₹Cr.)
	Alappuzha	5.33	21.67	7.38	5.13	39.51
	Ernakulam	3.23	19.18	5.11	10.50	38.02
	Idukki	0.14	20.80	4.80	12.36	38.10
	Kannur	2.67	23.59	9.73	3.46	39.45
	Kasaragod	1.79	5.36	1.17	1.06	9.38
	Kollam	3.64	17.36	4.47	8.58	34.05
	Kottayam	4.03	20.24	6.53	11.62	42.42
	Kozhikode	10.40	19.48	7.67	1.89	39.44
	Malappuram	2.71	10.72	11.84	5.55	30.82
	Palakkad	2.76	19.73	2.35	3.49	28.33
	Pathanamthitta	5.03	8.35	6.18	6.02	25.58
	Thiruvananthapuram	15.75	22.69	8.11	6.16	52.71
	Thrissur	0.41	37.73	3.76	4.84	46.74
	Wayanad	1.25	12.26	2.50	2.40	18.41
<b>Total</b>		<b>59.14</b>	<b>259.16</b>	<b>81.60</b>	<b>83.06</b>	<b>482.96</b>
<b>PMA Charges</b>						<b>2.41</b>
<b>Total</b>						<b>485.37</b>

\* Works exclusively for the Panchayats selected by the representative Member of Parliament under Saansad Adarsh Gram Yojana (SAGY).

\*\* Replacement of faulty and electro-mechanical meters with static meters to reduce AT & C loss.

### (3) R-APDRP

The following works completed under R-APDRP Part-B amounting to ₹566.24Cr against target amount of ₹ 1078.3 Cr.

Description	Quantity
Construction of HT OH line	1393 km
Laying of HT UG Cable	796 km
Re-conductoring HT OH line	496 km
Installation of distribution transformers	2056 Nos.
Construction of LT line	210 KM
Re-conductoring / conversion of LT line	5404 km
Replacing faulty / mechanical meters with electrostatic meters	1037912 Nos.



#### (4) LOCAL AREA DEVELOPMENT (LAD) WORKS

The physical and financial status of work carried out through MLA LAD fund is given below:-

Region	Total No. of work	Completed work	Balance work	Amount remitted (₹ lakh)	Amount for which work was completed (₹ lakh)	Balance Amount (₹ lakh)
South	64	51	13	82.5264	59.3507	23.1757
Central	42	37	5	66.952	56.9425	10.01
North	42	36	6	62.01	54.16	7.85
<b>Total</b>	<b>148</b>	<b>124</b>	<b>24</b>	<b>211.488</b>	<b>170.453</b>	<b>41.035</b>

The physical and financial progress of works carried out using MP LAD fund is given below:

Region	Total No. of work	Completed work	Balance work	Amount remitted (₹ lakh)	Amount for which work was completed (₹ lakh)	Balance Amount (₹ lakh)
South	9	9	0	15.6908	15.6908	0
Central	18	17	1	60.1912	56.6392	3.552
North	3	1	2	32.53	11.88	20.65
<b>Total</b>	<b>30</b>	<b>27</b>	<b>3</b>	<b>108.412</b>	<b>84.21</b>	<b>24.202</b>

#### (5) KERALA DEVELOPMENT SCHEME

Kerala Development Scheme works are distribution activities taken up by local bodies with their funds through Kerala State Electricity Board Limited. The progress of work is given below:-

Region	Total No. of work	Completed work	Balance work	Amount remitted (₹ lakh)	Amount for which work was completed (₹ lakh)	Balance Amount (₹ lakh)
South	921	732	189	1681.0194	1015.889	665.1301
Central	783	529	254	1554.1085	796.241	757.8675
North	700	489	211	1426.9	845.08	581.82
<b>Total</b>	<b>2404</b>	<b>1750</b>	<b>654</b>	<b>4662.027</b>	<b>2657.21</b>	<b>2004.8176</b>

## H. COMMERCIAL & TARIFF

### H.1 CONTRACTS FOR PURCHASE OF POWER EXECUTED DURING 2015-16

Agreement for the purchase of 150MW RTC power from Maithon Power Ltd. executed on 29.6.2015 on long term basis for a period of 30 years from the date of COD of the station at CERC approved tariff.

Agreement was executed on 3.12.2015 between KSEBL and M/s NLC Ltd on long term basis for a period of 25 years from the date of CoD of the Thermal Power Station-2( 2nd Expansion) (2x500MW) in Neyveli at Cuddalore district of Tamilnadu.

Based on the tenders invited for the procurement of RTC power of 450 MW and 400 MW for 25 years on Design Build Finance Own & Operate (DBFOO) from 01.12.2016 and 01.10.2017 respectively, seven PPAs' were executed during year 2014-15 for 865 MW RTC power, for supply of 315 MW from 01.12.2016 and the remaining 550 MW from 01.10.2017.

### H.2 SIGNIFICANT ORDERS THAT WERE PASSED BY THE REGULATORS,COURTS AND TRIBUNALS DURING THE YEAR 2015-16

The Kerala State Electricity Regulatory Commission (KSERC) is the authority to regulate the working of Power Sector in the State and is entrusted with various functions, inter-alia including the determination of retail tariff for the end users of electricity energy.

KSERC had, in exercise of its powers under Section 61 of the Electricity Act 2003, issued vide notification, the KSERC (Terms and Conditions for Determination of Tariff)Regulations, 2014, which specify the detailed principles and procedures for determination of tariff. The norms fixed by the Regulator for various expenses especially O&M expenses was very low and only 50% of actual costs. These norms were challenged before Honourable High Court and a final verdict is awaited.

The increase in Equity Share Capital of the Company, fully contributed by the Government of Kerala to Rs 3499 crore vide Second Transfer Scheme (Re-vesting) dated 31.10.2013 was challenged by the Kerala HT& EHT Industrial Consumers Associations before APTEL which was allowed in their favour.The Company has moved appeal before the Hon'ble Supreme Court on the order of APTEL.

## I. INFORMATION TECHNOLOGY INITIATIVES

- Migrated about 680 Electrical Section from 'Oruma Software' to 'Oruma Net' which provides the facilities to consumers such as online payment facility and anywhere payment facility, Web based services for consumers like view of bills, payment history, consumption details, meter reading history, TOD billing for high value LT consumers..
- Long Term Settlement, 2016 Pay Revision of Officers 2016, have been successfully implemented in HRIS.
- Video conferencing System was set up in three locations - Vidyuthi Bhavanam, Pattom, Thiruvananthapuram, 220 kV Substation, Brahmapuram and 220 kV Substation, Vatakara.
- A Full Fledged Data Centre is set up in Vidyuthi Bhavanam, Pattom, Thiruvananthapuram for hosting the software application of Kerala State Electricity Board Limited.
- HRIS is integrated to Single Sign On Module in Data Centre. Modules for e-transfer, Service Book Digitalization, Training Management, Vigilance Wing Management, Welfare Fund Management, Auditing, Attendance Management System, and Gradation of Employees are also being developed.

- The HT/EHT billing system with web based consumer services software is in maintenance phase. Now the direct entry of meter reading HT/EHT consumers can be done from Electrical sections. The update of tariff change was implemented to the date.
- Integration of SARAS with the LT Billing applications software ORUMA/ORUMA net and SCM is progressing.
- Cash deposit machines were installed in CCC(Centralized Customer Care Centre)for easy bill remittance for consumers
- A corporate service centre has been started functioning at CCC to provide single window payment facility for bulk/corporate consumers.
- Pilot Implementation of e-office (paperless office) package has been done in about 25 KSEBL offices including corporate offices.
- e-tendering implemented for all purchases and work above Rs 5 lakhs
- Video Conferencing System has been set up in Vydyuthi Bhavan, Trivandrum, 220KV Substation, Brahmapuram, 220KV substation,Vadakara.and is functional from April 2015.
- Software development for Geographical Information System, Meter Data Management System, Energy Audit, and Network Analysis completed. Asset survey of all RAPDRP towns completed.
- PDA (spot billing machines) around 690 Nos. in 32 RAPDRP towns have been deployed
- Facility Management Services(FMS) of RAPDRP-IT implementation has been initiated.

## **J. HRD INITIATIVES**

### **(a) Man Power**

The Company takes pride in its well trained, efficient, experienced and committed manpower.

### **(b) Training & Development**

The Management provides continuous emphasis on manpower training and development activities. Employees are also sponsored for training conducted by reputed institutions like ESCI Hyderabad, CIRE Hyderabad, CPRI Bangalore, PMI Noida, TNEB Madurai, NPTI Neyveli, etc. Seminars and workshops are being organized in house through Power Engineers Training & Research Centre (PETARC) at Moolamattom, Regional Power Training Institute (RPTI) at Trivandrum, Kottayam, Thrissur and Kozhikode and at Vydyuthi Bhavanam Thiruvananthapuram for all categories of employees to keep them updated in their related areas. The highlight of the training provided during the period are as:-

- Deputed 161 employees for attending 58Nos. various training programmes outside the state.
- Through National training programme of C&D employees (Sub Engineer, Senior Assistant, Overseer, Lineman, Meter Reader, Electricity Worker), KSEBL has trained 3,145 employees by conducting 137 programmes with the financial assistance of Ministry of Power.
- Trained 22,783 employees through 894 training programme including external programme, incurring an expenditure of Rs 2.7818 Cr.
- Permitted 2,850 students from professional colleges to do their project works and industrial training at various powerhouses and substations

### **(c) Industrial Relations**

KSEBL has accepted the agreement reached with the recognized trade unions revising pay and allowances of workmen and officers and the pension and related benefits of the pensioners subject to the approval from the Government and issued Board Order.B.O(FTD) No.746/2016

(PSI /3764/2015) Thiruvananthapuram Dated :03.03.2016 in this regard.

A cordial and harmonious relationship exist between the company and its workmen ,officers and the pensioners.

## **K. CONSERVATION OF ENERGY,TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO**

The information pertaining to Conservation of Energy,Technology Absorption and Foreign Earnings & Outgo as required under Section 134(3)(m) of the Companies Act 2013 read with Rule 8(3) of the Companies (Accounts) Rules,2014 is furnished in Annexure 1 attached to and forming part of this Report.

## **L. EXTRACTS OF ANNUAL RETURN**

Pursuant to section 92(3) of the Companies Act 2013 and Rule 12(1) of the Companies (Management and Administration) Rules 2014, the extract of Annual Return is enclosed as Annexure 2.

## **M. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY**

The Company has a very effective internal control system commensurate with its size and nature of business and complexity of its operation. The internal control system is designed through providing adequate hierarchy of functional levels and Central information with greater stress on the high value items. The internal audit is headed by the Chief internal auditor .There are Regional Audit Officers to conduct audit at regional level. In addition, the Resident Concurrent Audit section attached to the office of Chief Internal Auditor with three pre-check units across the state is entrusted to carry out pre-check of major bills related to IT, System Operation, Civil, Transmission and Generation Wings. This ensures that the internal audit is conducted in proper manner and is also reviewed periodically. The Operational, compliance related financial and economic matters are properly identified and managed overtime.

## **N. RISK MANAGEMENT POLICY**

The Company, which is the Distribution Licensee & State Transmission Utility under Section 14 of the Electricity Act 2003 also owning power generating assets in the State of Kerala, is wholly owned by Government of Kerala. The Company functions in accordance with the policies of the State as well as Central Government in discharging its duties and responsibilities. As such there is no element of risk envisaged which may threaten the existence of the company.

## **O. POLICY ON DIRECTOR'S APPOINTMENT,ETC**

The Company being a Government Company, the provisions of Section 134(3)(e) of the Companies Act 2013 are not applicable in view of the Notification No.GSR -463(E) dated 5.06.2015 issued by the Ministry of Corporate Affairs, Government of India.

## **P. DETAILS OF SUBSIDIARY / JOINT VENTURE**

### **a. Baitarni West Coal Company Limited(BWCCL)**

BWCCL has its corporate office at SetuBhawan,Plot No3(d) Nayapally Bhubaneswar , Orissa. BWCCL is a Joint Venture Company between KSEBL,OHPCL and GEL with contribution of 33.33 % Equity Shares , holding 10000 number of equity shares of Rs.1000 each amounting to Rs.10 crores.

### **b. Kerala State Power and Infrastructure Finance Corporation limited(KSPIFCL)**

KSPIFCL has its corporate Office at KPFC Bhavanam,Vellayambalam,Trivandrum .KSEBL is an

associate company with KSPIFCL) having 40.6% Equity Shares ,holding 10819470 equity shares of Rs.10/- each amounting to Rs.10,81,94,700.00

### **c. Renewable Power Corporation of Kerala Limited(RPCKL)**

RPCKL has its head quarters at Vydyuthi Bhavanam,Thiruvananthapuram and has an authorized and paid up capital of Rs.1 crore of which KSEBL holds 50 % Shares( 5,000 Equity shares of ₹ 1000/- each).

## **Q. DECLARATION BY INDEPENDENT DIRECTORS.**

As per the provisions of Section 149 of the Companies Act 2013 read with notification dated 5.06.2015 issued by the Ministry of Corporate Affairs, Independent Director of the Government Company shall be a person who is in the opinion of the Ministry or Department of the Central Government which is administratively in charge of the Company or as the case may be the State Government is a person of integrity and possess relevant expertise and experience. Accordingly,the Government of Kerala had appointed Dr.V.Sivadasan as independent Director of the Company on 2.07.2016. Hence the Declaration by Independent Directors has been furnished from the year 2016-17 onwards.

## **R. CORPORATE SOCIAL RESPONSIBILITY**

The Company has constituted on 17.05.2016, a “Corporate Social Responsibility Committee” (CSR Committee) in accordance with Section 135 read with the Companies(CSR Policy) Rules 2014. The Committee has formulated and recommended to the Board, a Corporate Social Responsibility Policy (CSR Policy) indicating the activities to be undertaken by the Company, which has been approved by the Board. The policy adopted by the company is posted on the Company’s website at [www.kseb.in](http://www.kseb.in)

## **S. AUDIT COMMITTEE**

The Audit Committee has been reconstituted on 3.5.2016 with the terms of reference as prescribed in Section 177 of the Companies Act 2013 read with Rule 6 of the Companies (Meetings of the Board and its Powers) Rules 2014.The Chairman of the Audit Committee is an Independent Director.

## **T. ESTABLISHMENT OF VIGIL MECHANISM**

As per requirement of Section 177 of the Companies Act 2013 and rules made there under the Vigil mechanism for Directors and Employees has not been established in KSEBL. But preliminary action has been initiated for framing draft vigil policy document of the company.

## **U. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES**

MCA vide notification dated 05.06.2015, has exempted the applicability of Section 188(1) (related Party transaction of the Companies Act, 2013 for a transaction entered into between two Government Companies. (Form No.AOC 2 is enclosed).

## **V. RIGHT TO INFORMATION ACT 2005 (RTI)**

KSEBL has put in place an effective mechanism for implementation of RTI Act 2005.Public Information Officers and Appellate Authority have been designated at all levels from Section Office to the Head office for giving information to the public as per the requirements of the RTI Act 2005.

## W. CONSUMER GRIEVANCES REDRESSAL FORUM:

The Company has set up the Consumer Grievance Redressal Forums as mandated by the Electricity Act 2003 and the Regulations notified there under, within its jurisdiction for quick disposal of consumer's grievances.

Details of the number of consumer complaints received, settled and pending for disposal

Region	South	Central	North	Total
Complaints received	384	173	260	817
Complaints settled	316	137	221	674
Complaints to be settled	68	36	39	143

## X. DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Company has in place an Anti Sexual Harassment Policy in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment.

Summary of Sexual harassment issues raised, attended and dispensed during the year 2015-16.

No: of complaints received in 2015-16 - 6

No: of complaints disposed off during the year 2015-16 -6

## Y. AUDITORS

### I. STATUTORY AUDITORS

The three Chartered Accountant Firms in Thiruvananthapuram-M/s K.Venkatachalam Aiyer & Co, M/s Issac & Suresh and M/s Ananthan & Sundaram were appointed as Statutory Auditors by the Comptroller and Auditor General of India during the financial year under report. They have audited the financial statements for the year ended 31st March 2016 and submitted their report. No instances of fraud has been reported by the Auditors under Section 143(12) of the Companies Act, 2013. The explanations/comments by the Board on every qualification, reservation or adverse remarks or Disclaimer made by them is provided in Annexure-A attached

### II. C&AG COMMENTS

The Comptroller and Auditor General of India (C&AG) have conducted supplementary Audit under Section 143 of the Companies Act of the financial statements for the financial year ended 31st March 2016. The comments vide report No dated 20/07/2017 is enclosed herewith. The explanations/comments by the Board on every qualification, reservation or adverse remarks made by them is provided in Annexure-B attached.

### III. SECRETARIAL AUDITORS

In terms of the provisions of Section 204 of the Companies Act 2013, the Board has appointed practicing Company Secretary Shri N.C Nair, Thiruvananthapuram for conducting Secretarial



Audit for the financial year 2015-16. Secretarial Audit Report (Form MR-3) for the Financial Year 2015-16 issued by the Secretarial Auditor is attached as Annexure-C .

The replies to the adverse comments, qualifications or reservation is furnished as **Annexure-D**

#### **IV. COST AUDITORS**

In terms of the provisions of the Companies Act, 2013, the Board has to maintain cost records and conduct cost audit. In accordance with the applicability of Rule 14 of Companies (Audit and Auditors) Rules 2014, M/s Murthy & Co ,LLP Cost Accountants, Bangalore has been appointed as the Cost Auditors of KSEBL for the Financial Year 2015-16. The Cost Auditor has submitted the unqualified Cost Audit Report in form CRA -3 (**Annexure E**).

#### **Z. DIRECTORS RESPONSIBILITY STATEMENT**

Pursuant to clause (c) of subsection (3) read with sub section (5) of section 134 of the Companies Act 2013, the Directors to the best of their knowledge and belief confirm that,

- i. In preparation of the Annual Accounts for the year ended 31st March 2016, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- ii. The Directors had selected such accounting policies and applied them consistently and made judgement and estimates that are reasonable and prudent so as to give a true and fair view of state of affairs of the company as at March 31 ,2016 and the profit or loss of the company for that period.
- iii. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 2013 to the extent applicable for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- iv. The Directors had prepared the financial statements as a going concern basis.
- v. The Directors had devised proper system to ensure compliance with the provision of all the applicable laws and that such a system are adequate and operating effectively.

#### **GENERAL**

- a) Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions on these items during the year under review:
  - i. Deposits covered/as defined under Chapter-V of the Companies Act 2013 read with the Companies (Acceptance of Deposits) Rules 2014.
  - ii. Issue of Equity shares with differential rights as to dividend, voting or otherwise.
  - iii. Issue of Shares(including sweat equity shares) to employees of the Company under any scheme.
  - iv. Significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.
  - v. Material Changes and Commitments affecting the financial position of the company occurred subsequent to the date of Balance Sheet.
  
- b) The Company is engaged in the infrastructure sector which is covered under the exemption provided under Section 186(11) of the Companies Act 2013. Accordingly the details of loan given or guarantee or security provided by the Company are not required to be reported.

- c) The Company being a Government Company is exempted vide Notification No.GSR-463(E) dated 05-Jun-2015 issued by the Ministry of Corporate Affairs, Govt. of India, to furnish information as required under section 197 of the companies Act, 2013 relating to particulars of employees.
- d) There were no instance of frauds identified or reported by the Statutory Auditors during the course of their audit pursuant to section 143(12) of the companies Act, 2013.

## **ACKNOWLEDGEMENT**

The Board wishes to place on record their gratitude to the Central and State Government Department/Agencies, Central and State Electricity Regulatory Commissions, Appellate Tribunal, Financial Institutions and Banks, Consumers and various other stakeholders for their continued assistance, cooperation and patronage. The Board is thankful to Comptroller & Auditor General of India, Statutory Auditors, Cost Auditor and Secretarial Auditors and Consultants / Advisors for their suggestions and co.operation. Last but not least, the Board would also like to place on record its deep sense of appreciation for the dedicated and committed services rendered by the employees at all levels.

Sd/-

CHAIRMAN & MANAGING DIRECTOR



## ANNEXURE-1 2015 - 16

Information on Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo as stipulated under Section 134(3)(m) of the Companies Act, 2013 read with Rule-8(3) of the Companies (Accounts)Rules , 2014.

### (A) Conservation of energy -

#### i) The steps taken or impact on conservation of energy.

- Energy conservation activities in ice plant started
- DELP project started .
- Innovation group coordinated the functions of various conservation of energy projects related to start up village in Kochi.
- Programme of LED street lighting in Aalappuzha Municipality started.
- Conducted energy conservation programmes among the NSS volunteers of technical students.
- KSEBL has been awarded with State Energy Conservation Award 2015 and National Energy Conservation Certificate of Merit 2015. These awards were for the recognition of energy efficiency and loss reduction activities of KSEBL.

#### ii) The steps taken by the company for utilizing alternate sources of energy.

- Invited Expression of Interest( EOI) and issued work order(WO) for the 500 KWP floating solar project at either Banasurasagar or Kakkayam reservoirs funded from innovation fund.
- Completed the following innovative projects through Energy Open Innovation Zone in Startup village, Kalamassery with financial support from innovation fund of Government of Kerala.
  - (a) 10KWP floating solar plant on ferro cement platform at Banasurasagar reservoir.
  - (b) Eco solar pump.
  - (c) Solar powered public space consisting of solar flower,solar canopy tree,solar tree, solar fountain, solar infro shrub.

#### iii) The capital investment on conservation equipments.

Proposal for the implementation of Solar park at Ambalathara, Kinanoor, Karinthalam, Paivelikai and Meenja Villages in Kasargode Districts have been initiated.

(B) Technology absorption -	
i) The efforts made towards technology absorption ;	<ul style="list-style-type: none"> <li>· Development of IT infrastructure updation.</li> <li>· Implementation of SCADA and DMS</li> </ul>
ii) The benefits derived like product improvement cost reduction, product development or import substitution.	<ul style="list-style-type: none"> <li>· Safety of Working Staff.</li> <li>· Reduction in Power Interruptions.</li> <li>· Consumer satisfaction on correct billing.</li> </ul>
iii) In case of imported technology (imported during the last three years reckoned from the beginning of the financing year).  (a) The details of technology imported. (b) The year of import; (c) Whether the technology been fully absorbed; (d) If not fully absorbed, areas where absorption has not taken places, and the reasons thereof, and	- NIL -
iv) The expenditure incurred on Research and Development.	
(C) Foreign exchange earnings and outgo	
The Foreign Exchange earned in terms of actual inflows during the years and the Foreign Exchange outgo during the year in terms of actual outflows.	- NIL -

For and on behalf of the Board

Date: 20.10.2017

Place : Thiruvananthapuram.

sd/-

CHAIRMAN AND MANAGING DIRECTOR

**FORM NO. MGT 9**  
**EXTRACT OF ANNUAL RETURN**  
**As on financial year ended on 31.03.2016**  
**Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company**  
**(Management & Administration) Rules, 2014.**

## I. REGISTRATION & OTHER DETAILS:

1.	CIN	U40100KL2011SGC027424
2.	Registration Date	14/01/2011
3.	Name of the Company	Kerala State Electricity Board Limited
4.	Category/Sub-category of the Company	Public Limited by Shares   Kerala State Government Company
5.	Address of the Registered office & contact details	Vydyuthi Bhavanam , Pattom, Thiruvananthapuram, Kerala - 695004, India
6.	Whether listed company	No
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any.	NA

## II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY (All the business activities contributing 10 % or more of the total turnover of the company shall be stated)

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
01	Electric power generation, transmission and distribution	D-35-351	100%

## III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES -

Sl. No.	Name and Address of the Company	CIN/GLN	Holding / Subsidiary/ .....Associate	% of shares held	Applicable Section
01	Baitarni West Coal Company Limited	U40102OR2008SGC009955	Joint Venture	33.33	2(6)
02	Kerala State Power and Infrastructure Finance Corporation Limited	U65910KL1998SGC012160	Associate	40.6	2(6)
03	Renewable Power Corporation of Kerala	U40106KL2016PLC039891	Associate	50	2(6)

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

### Category-wise Share Holding

Category of Shareholder	No. of Shares held at the beginning of the year [As on 01-April-2015]				No. of Shares held at the end of the year [As on 31-March-2016]				% Change during the year
	Demat	Physical	Total	% of Total Share	Demat	Physical	Total		
<b>A. Promoter</b>									
(1) Indian									
a) Individual/ HUF	-	6	6	0.0001	-	6	6	0.0001	-
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	349,90,49,994	349,90,49,994	99.9999	-	3,49,90,49,994	3,49,90,49,994	99.9999	-
d) Bodies Corp.	-	-	-	-	-	-	-	-	-
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
<b>Sub Total A(1)</b>	-	349,90,50,000	349,90,50,000	100	-	349,90,50,000	349,90,50,000	100	-
(2) Foreign									
a) NRIs – Individuals	-	-	-	-	-	-	-	-	-
b) Other Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
<b>Total shareholding of Promoter (A) = A(1)+ A(2)</b>	-	349,90,50,000	349,90,50,000	100	-	349,90,50,000	349,90,50,000	100	-
<b>B. Public Shareholding</b>									
1. Institutions									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIs	-	-	-	-	-	-	-	-	-

h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(1):-</b>	-	-	-	-	-	-	-	-	-
<b>2. Non-Institutions</b>									
<b>a) Bodies Corp.</b>									
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
<b>b) Individuals</b>									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	-	-	-	-	-	-	-	-	-
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	-	-	-	-	-	-	-	-	-
c) Others (specify)	-	-	-	-	-	-	-	-	-
Non Resident Indians	-	-	-	-	-	-	-	-	-
Overseas Corporate Bodies	-	-	-	-	-	-	-	-	-
Foreign Nationals	-	-	-	-	-	-	-	-	-
Clearing Members	-	-	-	-	-	-	-	-	-
Trusts	-	-	-	-	-	-	-	-	-
Foreign Bodies - D R	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(2):-</b>	-	-	-	-	-	-	-	-	-
<b>Total Public Shareholding (B)=(B)(1)+ (B)(2)</b>	-	-	-	-	-	-	-	-	-
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	-	<b>349,90,50,000</b>	<b>349,90,50,000</b>	<b>100</b>	-	<b>349,90,50,000</b>	<b>349,90,50,000</b>	<b>100</b>	-

**B) Shareholding of Promoter-**

SN	Shareholder's Name Shareholding at the beginning of the year				Shareholding at the end of the year			% change in shareholding during the year
	No. of Shares	% of total Shares of the company	% of Shares Pledged encumb. to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumb. to total shares		
1.	The Honourable Governor of Kerala	3,49,90,49,994	99.999999	-	3,49,90,49,994	99.999999	-	-
2.	M.Sivasankar	1	0.00000003	-	1	0.00000003	-	-
3.	Muhammed Ali Rawther	1	0.00000003	-	0	0	-	(0.00000003)
4.	K. Vikraman Nair	1	0.00000003	-	0	0	-	(0.00000003)
5.	K.M Abraham	1	0.00000003	-	1	0.00000003	-	-
6.	S Venugopal	1	0.00000003	-	0	0	-	(0.00000003)
7.	Adv B.Prasad	1	0.00000003	-	1	0.00000003	-	-
8.	B.Nina	0	0		1	0.00000003	-	0.00000003
9.	P.Vijayakumari	0	0		1	0.00000003	-	0.00000003
10.	C.V Nandan	0	0		1	0.00000003	-	0.00000003

**C) Change in Promoters' Shareholding (please specify, if there is no change)**

SN	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	<b>3,49,90,50,000</b>	<b>100.00</b>	<b>3,49,90,50,000</b>	<b>100.00</b>
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer / bonus/ sweat equity etc.):				
	At the end of the year	<b>3,49,90,50,000</b>	<b>100.0</b>	<b>3,49,90,50,000</b>	<b>100.00</b>

**D) Shareholding Pattern of top ten Shareholders:**
**(Other than Directors, Promoters and Holders of GDRs and ADRs):**

SN	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	-	-	-	--
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	-	-	-	-
	At the end of the year	-	-	-	-

**E) Shareholding of Directors and Key Managerial Personnel:**

SN	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	Sivasankar Madhavan Nair				
	At the beginning of the year	1	0.00000003	1	0.00000003
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):		-	-	-
	At the end of the year	1	0.00000003	1	0.00000003

2.	B.Nina				
	At the beginning of the year	-	-	-	-
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.): Transfer from S.Venugopal vide GO(MS) no 23/15/PD dt 26.06.2015	1	0.00000003	1	0.00000003
	At the end of the year	1	0.00000003	1	0.00000003
3.	Smt P.Vijayakumari				
	At the beginning of the year	-	-	-	-
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.): Transfer from Muhammed Ali Rawther vide GO(MS) no 23/15/PD dt 26.06.2015	1	0.00000003	1	0.00000003
	At the end of the year		0.00000003	1	0.00000003
4.	O Asokan				
	At the beginning of the year		-	-	-
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	-	-	-	-
	At the end of the year	-	-	-	-
5.	C.V Nandan				
	At the beginning of the year		-	-	-
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.): Transfer from K Vikraman Nair vide GO(MS) no 23/15/PD dt 26.06.2015	1	0.00000003	1	0.00000003
	At the end of the year	1	0.00000003	1	0.00000003
6.	Kandathil Mathew Abraham				
	At the beginning of the year	1	0.00000003	1	0.00000003



	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):		-	-	-
	At the end of the year	1	0.00000003	1	0.00000003
7	Bala Krishna Kurup Babu Prasad				
	At the beginning of the year	1	0.00000003	1	0.00000003
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):		-	-	-
	At the end of the year	1	0.00000003	1	0.00000003

**V) INDEBTEDNESS** -Indebtedness of the Company including interest outstanding/accrued but not due for payment.

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	1990,78,85,184	3916,41,19,993	-	5907,20,05,177
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	1990,78,85,184	3916,41,19,993	-	5907,20,05,177
<b>Change in Indebtedness during the financial year</b>				
* Addition	192,32,63,443	-	-	192,32,63,443
* Reduction	-	(43,04,06,419)	-	(43,04,06,419)
Net Change	192,32,63,443	(43,04,06,419)	-	149,28,57,024
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	2183,11,48,628	3873,37,13,574	-	6056,48,62,202
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	2183,11,48,628	3873,37,13,574	-	6056,48,62,202

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

SN.	Particulars of Remuneration	Name of MD/WTD/ Manager (in Rs.)	Total Amount (in Rs.)
		Sivasankar Madhavan Nair (Chairman & Managing Director)	
1	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	18,23,207	18,23,207
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961		
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961		
2	Stock Option		
3	Sweat Equity		
4	Commission - as % of profit - others, specify...		
5	Others, please specify	25,557	25,557
	Total (A)	18,48,764	18,48,764
	Ceiling as per the Act	Rs. 1,20,10,00,000/-	Rs. 1,20,10,00,000/-

### C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

SN	Particulars of Remuneration	Key Managerial Personnel			
		CEO	CS (LEKHA GEETHA)	CFO (BIJU RAVINDRAN)	Total
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	-	2,48,745	9,94,805	12,43,550
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	-

	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission	-	-	-	-
	- as % of profit	-	-	-	-
	others, specify...	-	-	-	-
5	Others, please specify	-	12,463	57,477	69,940
	Total	-	2,60,208	10,52,282	13,12,490

**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:**

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
<b>A. COMPANY</b>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
<b>B. DIRECTORS</b>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-

By order of the Board of Directors  
For KERALA STATE ELECTRICITY BOARD LIMITED

sd/-  
CHAIRMAN & MANAGING DIRECTOR

**ANNEXURE -III  
2015-16**

**FORM NO. AOC-2**

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto (Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

1. Details of contracts or arrangements or transactions not at arm's length basis

Sl. No.	Particulars	Details
A	Name(s) of the related party and nature of relationship	-
B	Nature of contracts/arrangements/transactions	-
C	Duration of the contracts / arrangements / transactions	-
D	Salient terms of the contracts or arrangements or transactions including the value, if any	-
E	Justification for entering into such contracts or arrangements or transactions	-
F	Date of approval by the Board	-
G	Amount paid as advances, if any	-
H	Date on which the special resolution was passed in General meeting as required under first proviso to section 188	-

2. Details of material contracts or arrangement or transactions at arm's length basis

Sl. No.	Particulars	Details
A	Name(s) of the related party and nature of relationship	Renewable Power Corporation of Kerala
B	Nature of contracts/arrangements/transactions	Investment
C	Duration of the contracts /arrangements / transactions	Long Term
D	Salient terms of the contracts or arrangements or transactions including the value, if any:	
E	Date(s) of approval by the Board, if any	25.09.2015
F	Amount paid as advances, if any:	Rs 50,00,000.00/-

Note: Form shall be signed by the persons who have signed the Board's report.

By the order of Board,  
For Kerala State Electricity Board Limited  
sd/-  
Chairman & Managing Director

## Independent Auditors' Report

K. Venkatachalam Aiyer & Co.  
Chartered Accountants  
Sriniketan, Chettikulangara  
Thiruvananthapuram  
To

Isaac & Suresh  
Chartered Accountants  
Thennala Towers  
Thiruvananthapuram

Ananthan & Sundaram  
Chartered Accountants  
123, Sivakarathi, Sankarnagar  
Neeramankara, Kaimanam  
Thiruvananthapuram

### The Members of M/s. KERALA STATE ELECTRICITY BOARD LIMITED Report on the Financial Statements

We have audited the accompanying financial statements of M/s. KERALA STATE ELECTRICITY BOARD LIMITED, which comprise the Balance Sheet as at 31st March, 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

#### Management's Responsibility for Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

## Basis for Qualified Opinion

1. The figures reported and notified under the opening balance sheet as per G.O (P) No.3/2015/ PD dt.28/01/2015 does not have the detailed break-up of items such as Stock, Debtors, Fixed Assets, Creditors, Advances paid, Advances received, remittances in transit, provisions etc. of erstwhile KSEB, and therefore the impact cannot be quantified or assessable.
2. G.P.F balances are subject to reconciliation and confirmation with the subsidiary registers and records in the GPF Section as on March 31, 2016. Also the interest on GPF is being provided on the basis of estimated figures due to the non-availability of actual interest of individual P F accounts of employees of the Company and therefore the GPF balances as on March 31, 2016 is subject to the adjustment in respect of the differences between the actual and estimated interest. In the absence of necessary information the impact of this could not be quantified.
3. As per the financial statements of Kerala Power Finance Corporation Limited, number of shares of KSEBL excluding bonus shares is 95,00,000 shares. However, as per accounts of the Company, the investment in Kerala Power Finance Corporation Limited is 95,00,100 shares. On physical verification share certificates for 100 shares of ₹10 each in respect of Kerala Power Finance Corporation Limited was not available.
4. In Note No.15 Loans and advances - Others -includes:-
  - (a) An amount of ₹64,24,05,617/- being Interest bearing loan to Energy Management Centre. As per the information and explanation received from the Company, it has not provided interest on this loan since there is uncertainty in the realization of interest. As per the terms and conditions, the loan is repayable by Energy Management Centre only if the Certified Emission Reduction is available from UNFCC to obtain Carbon credit. As per the information available from the management, Energy Management Centre has not obtained carbon credit as on date. Hence there is uncertainty in the realization of this advance. However, no provision has been created for this balance which is doubtful of realization.

### (b) In ARU 956

1. **Coastal Tamil Nadu Power Limited:** As per the confirmation from the party, the total advances owing to KSEBL are ₹10,26,80,746 ( Contribution to Land ₹6,26,80,746 and Commitment advance ₹4,00,00,000). In the accounts of KSEBL the total advance is ₹9,26,80,746/-. The difference of ₹1,00,00,000 could not be verified as the Company has not furnished any documents relating to loan advanced.
  2. No interest has been provided in the accounts on Advance given to Coastal Tamil Nadu Power Limited, Ghogarpalli Integrated Power Company Limited and Tatiya Andhra Mega Power Limited for the year 2015-16, We are unable to quantify the Interest amount since the Company has not provided loan documents for verification.
5. a) Attention is invited to item No.38.6 (b) and (c) of the Accounting Policy in which it is mentioned that "Asset are depreciated to the extent of 90% of the cost of the asset and 10% is retained as residual value." and "the remaining depreciable value as on 31st March of the year closing after a period of 12 years from the date of commercial operation shall be spread over the balance useful life of the asset." However due to lack of necessary information (date purchase of asset, useful life etc.) we are not able to verify the same.
- b) Depreciation shall be calculated annually based on straight line method and at rates specified in Appendix III to the CERC regulation for the assets of the generation station and transmission system. The Company has been charging depreciation as per rates prescribed by Central Electricity Authority till 2012-13 & as per CERC regulation from 2013 14 onwards. However in many cases, the rates as per CERC regulation and the actual rates applied are different. Furthermore, The Company is charging depreciation on the asset

bought before 2012-13 at the rates prescribed in Central Electricity Authority. Cumulatively, all this has resulted in the understatement of depreciation, over statement of fixed assets and understatement of loss by ₹5,67,27,780.

- c) Depreciation on additions to fixed assets is charged in the year subsequent to the year in which the asset is put to use, which is not in conformity with Accounting Standard – 6 “Depreciation Accounting”, the effect of which in the financial statements of the Company for the year is not ascertainable.
  - d) The Company is following a policy, wherein wrong grouping of assets are reversed in the year in which it is detected and negative depreciation is provided on the assets from thereon on SLM basis. The depreciation on some of the assets is negative as a result of wrong grouping and its subsequent reversal. This has resulted in an understatement of depreciation, over statement of fixed assets and understatement of loss by ₹1,88,24,042.
  - e) The fixed assets on which depreciation has been charged does not tally with the fixed assets as per financial statements. Hence we are unable to verify whether depreciation has been charged on all the assets.
  - f) In some ARU's visited by us (ARU 307,381,332,341,343,383,325, 956,103) some of the assets acquired are booked as revenue expenditure resulting in overstatement of expenses and understatement of fixed assets amounting to ₹31,11,874/-. However due to non-availability of information from ARUs not visited by us, we are not able to quantify the same.
  - g) In respect of ARUs visited by us, it is noticed that no standard norms are being followed with regard to treatment of an item as consumption of material or asset, like rain coat, gloves, safety helmets, earth rods etc. Due to non-availability of information from ARUs not visited by us, we are not able to quantify the same.
  - h) Title deeds of immovable properties were not produced for our verification.
6. a) Company has accounted deferred income on the additions of depreciable assets created out of Capital Grants and Contribution from consumers amounting to ₹26,40,62,387 as clawing back of fixed assets by crediting other income and debiting Grant. As per Accounting Standard 12 issued by the Institute of Chartered Accountants of India the same need to be shown separately in the profit and loss account as depreciation written back. The wrong grouping of same as other income has resulted in overstatement of other income and understatement of depreciation written back. The computation of the same, list of assets acquired out of contribution from customers and Capital Grants received were not made available for our verification.
  - b) The Company has wrongly accounted sale of fixed assets under the heads either in miscellaneous receipts or in sale of scrap instead of deletion of fixed assets in ARU 102, ARU 208 and ARU 956. Hence, we are unable to quantify the profit or loss on sale of fixed assets. In addition to this, the Gross Block of Assets, WDV of Assets and Depreciation are overstated to that extent. The Company has not disclosed the details of deletions during the year in Note.11. However due to lack of necessary information we are not able to quantify the same.
  - c) We observed that the Location Code 852: Civil Circle, Kothamangalam has capitalized the interest and finance charges, employee cost and admin charges etc at HO, in the account head 10101- Land -Owned under full Title. The accounting treatment was found not in order as per the General Accounting Principles. Amount capitalized under various years totals to ₹10, 37,50,654/- [₹4837184 (2012-13), ₹9351467(2013-14) ₹74991667(2014-15) and ₹1,45,70,336 (2015-16)] in the accounts under the said head.

The above amounts should have been accounted under Capital Work in Progress and to be capitalized on the basis of put to use or capitalisation.



- d) The Company follows the procedure of capitalizing the interest, and finance charges and other expenses apportioned and proportionate advertisement charges in the succeeding financial year. But we observed that the ARUs have capitalized the amount without considering the extent the work already completed or put to use. This may have an impact in the depreciation accounting also. The accounting policy followed in capitalizing any directly attributable cost of bringing the asset to the working condition for its intended use is in contrary to the Accounting Standard 10. However due to lack of necessary information we are not able to quantify the same.
- e) Company has not produced any documents for having assessed impairment of assets as required as per Accounting Standard 28.
- f) ARU 102-Total asset capitalized under account code 10535 - Auxiliaries for Hydel Power Plant amounts to ₹4,66,50,847. Out of this, an amount of ₹61,00,963 should be capitalized under different asset blocks. This was found to be in contrary to the identification of assets as per AS-10, the fixed asset purchased/constructed/installed. Also the accounting treatment may have depreciation impact as applicable.
- g) During the year, the ARU 208 has commissioned a project-“1 MW Solar Power Plant”. The total contract value for the Project was ₹6,99,00,000. The total capitalized value during the year amounts to ₹5,59,20,000 ie,80% of the contract value. The ARU has thus undercapitalized the asset and has not create liability to the extent of ₹1,39,80,000 /- being the remaining 20% of the project
- h) In some ARUs (ARU 854 - Amount ₹85,91,505), the Company follows the accounting procedure of capitalizing employee cost and other administration and general expenses and other revenue expenditure to the fixed assets on annual basis though the unit doesn't have any qualifying asset capitalized.
- i) In ARU 956 an amount of ₹1,00,20,088/- is remaining unadjusted under Advances as 100% advance given to M/s Force Motors Limited in connection with purchase of 6 Nos. of Traveller, though the assets are already put to use by the Company.
7. Bank balances includes bank accounts maintained at ARU's and other offices and most of the bank accounts maintained are subject to confirmation and reconciliation.
8. The Company has not properly adjusted the account “Stale cheques”( Code 46910) ; thereby long pending cheques issued have remained unadjusted under this account.
9. Inter Unit balance amounting to ₹911.85 lakhs (Note No.22.6) is subject to reconciliation and further adjustments, the effect of which on the financial results of the Company is not ascertainable.
10. a) The amounts and balances lying under Long term borrowings, Other long term liabilities, Short term borrowings, Trade payables, Other short term liabilities, Trade receivables, Long term loans and advances, Other non-current assets, Short term loans and advances, Other current assets are subject to confirmation and reconciliation. The effect of the adjustment arising from reconciliation and settlement of old dues and possible loss which may arise on account of non-recovery or partial recovery of such dues could not be ascertained. Thus we are unable to comment the impact thereof on the accounts and the loss ( if any)for the period.

However, in specific to ARU 954-“Special Officer Revenue”, the Debt collection Balancing(DCB) report generated by the ARU and the Debtors net balance as per accounts under account code 23 shows the a huge difference of ₹1,34,70,17,776.70 (DCB- ₹11,12,99,90,885 less net Account Code 23- ₹9,78,29,73,108.30) remain un reconciled.

- b) Sundry Debtors, Advances to employees, EMD, Security Deposits paid are showing credit balances and EMD & Security Deposits payable, Retention money, Sundry Creditors are



- showing debit balances in some of the units verified.(ARU 343,332,341,381)for which no satisfactory explanations were given. However due to non-availability of information from ARUs not visited by us, we are not able to quantify the impact of the same on the accounts.
- c) Cash balances in respect of Expenditure Division under ARUs- 437,397, 411 and 414 shows negative balance for which management has not given any explanation.
  - d) The basis of preparation of ageing schedule of sundry debtors and break-up of Secured considered good, unsecured considered good and doubtful not furnished for our verification.
  - e) In some of the units verified by us, certain account codes are showing both credit and debit balances. For the purpose of consolidation of final accounts only the net balance is taken, resulting in understatement of Current Assets and Current Liabilities. However due to non-availability of information from ARUs not visited by us, we are not able to quantify the impact of the same on the accounts
  - f) The Company is not properly accounting the work deposits received under account code 47, (ARU 203,ARU 208,ARU 851). No proper adjustment entries are made in these accounts on the completion of work. Huge balances are pending for adjustments for a long period of time. This has resulted overstatement of deposit and understatement of Contribution, Grants and subsidies towards cost of capital assets. However due to non-availability of information from ARUs not visited by us, we are not able to quantify the impact of the same on the accounts.
  - g) In ARU 954- the excess demand made to consumers by the ARU has been written off to the extent of ₹13,06,46,115.74. The amounts written off by the ARU in the accounts were found not in line with the sanction made by the Board. However due to lack of proper reconciliation between amount written off and sanction made by the Board, we are unable comment on the impact of the same in the accounts.
  - h) Material stock in respect of ARU 341, ARU 385, ARU 397, ARU 414 and ARU 453 shows negative balance to the extent of ₹3,70,73,955.
11. Note No 9 Other Short term liabilities include under the head other liabilities and provisions fixed asset value realized pending adjustment account, which was wrongly classified instead of adjusting the same against fixed assets. On Account of Non-adjustment of credit in the Fixed asset value realized pending adjustment account, fixed asset and other short term liabilities are over stated to the extent of ₹15,96,21,345/-. The amount of depreciation to be reversed, if any, on such fixed assets could not be ascertained for want of details.
12. In respect of Contribution & Grants as per Note 3, details of Grants received and utilized during the year were not furnished for our verification.
13. In ARU 208 Govt. of Kerala has sanctioned a grant of ₹ 4 crores specifically for execution of 1 MW grid connected Solar Power Plant at Kanjikode, Palakkad. The ARU has accounted the grant under Inter- Unit transactions. Thus the ARU has not complied the accounting procedure required as per Accounting Standard 12, Accounting for Government Grants, resulting in the understatement of grant received related to the specific asset and understatement of the Other Current Assets.
14. Company has provided expenditure towards deferred benefit scheme, gratuity and pensions which covers employees who are in the pay roll on the Company on the basis of actual expenditure. It has been informed that actuarial valuation for pension and gratuity liabilities as at 31-3-2016 is not done and therefore the incremental liability as on the balance sheet date is not ascertainable and accordingly there is an understatement of loss with corresponding understatement of liability to that extent and non- compliance of Accounting Standard 15 issued by The Institute of Chartered Accountants of India regarding " Employee Benefits".

Company has adopted cash system for accounting of earned leave encashment to its retiring employees which in our opinion is not in accordance with mandatory Accounting Standard 15 issued by The Institute of Chartered Accountants of India regarding "Employee Benefits". Due to lack of necessary information we are not in a position to quantify the amount of such liability as at 31st March, 2016 .

15.a) Note No.13 includes Capital Work in progress (14) and Advance to suppliers/Contractors (capital) (25.1 to 25.9) amounting to ₹1634.83 crores and ₹105.36 crores respectively for which sub-schedule of various works, Stage of completion of works etc. were not furnished for our verification. Hence, we are not in a position to comment whether the amount includes any works actually completed during the year itself but pending capitalization. However due to lack of necessary information, we are not in a position to quantify the same in absolute terms and the possible impact of it in the accounts as on March 31, 2016.

b) Projects completed and put to use amounting to ₹13,12,13,324 in ARU310 have not been capitalized in the absence of Completion Report Certificate resulting in understatement of fixed assets and depreciation.

c) Some of the projects ARU (103,854,851) where Completion Report Certificate has been issued are not capitalized resulting in understatement of fixed assets and depreciation. However due to lack of necessary evidence we are unable to quantify the same.

d) CWIP to the extent of ₹2,29,672 is showing credit balance in two units ARU 405 and ARU 424.

e) In ARU 203, there is huge balance of CWIP representing a World Bank project for ₹ 57,26,00,185 pending for capitalization. Though the project has been completed and commissioned, the entire CWIP is not capitalized.

f) In ARU 951,"Report on expenditure incurred by Kerala State Electricity Board (KSEB) on Dam Rehabilitation & Improvement Project "shows total expenditure as on 31/03/2016 ₹6,77,72,552. But the ledger code 1440 - Dam Rehabilitation and Improvement Project (DRIP) shows the net balance of ₹ 6,84,41,579. The difference was not reconciled.

g) Wrong entry was passed for capitalization of CWIP by debiting CWIP and crediting fixed asset to the extent of ₹1,65,39,124 in Thrissur East Division (ARU-391).This has resulted in understatement of Fixed asset & Depreciation.

h) In ARU 323,341 & 343 expenses incurred to the extent of ₹13,04,937 in connection with CWIP work is charged to revenue expenditure. CWIP value to that extent is understated.

i) Various assets acquired by ARU 343 & 307 during the financial year 2015-16 is capitalized only in financial year 2016-17 resulting in understatement of assets and depreciation.

16.Attention is invited to Item No.38.5 of Accounting Policy in which the allocation of revenue expenditure to capital work in progress is mentioned. Note 13 include revenue expenses pending allocation (15.2). During current year, an amount of ₹70,92,80,532/- has been capitalized out of this head. However details such as the basis of capitalization of this amount, under which block the same has been capitalized, depreciation provided on the same etc. were not made available for our verification. Hence we are not in a position to confirm the capitalization of the same and balance amount of revenue expenses pending allocation over capital works amounting to ₹3,68,97.20,716.

17.Borrowings amounting to ₹3,753.51 crores includes both current and non current portion . However Company grouped the same as non current liability under Note No.4 -Long term borrowings . Current liability portion of the borrowing has not been segregated and separately disclosed as per the Schedule III requirements of the Companies Act, 2013. In the absence of the exact amount of the current portion of the borrowing, we are unable to quantify the extent of overstatement and understatement of the same under the Long term borrowings and the short term borrowings respectively as on March 31, 2016.

18. Prepaid portion of insurance policies, Annual maintenance Contract etc. are not accounted by the Company which has resulted in overstatement of expenses and understatement of current assets by same amount. Due to lack of necessary information we are not in a position to quantify the same
19. The Company has not provided outstanding expenses of 65 ARU's. However due to lack of necessary information we are not in a position to comment whether there is any omission of accounting of outstanding expenses of these units.
20. Company has not provided supporting documents for the data disclosed under Segment Reporting.
21. Company has not provided supporting documents for the data disclosed under Contingent liabilities and commitments in the Note forming part of accounts. Further, the following has not been reported and disclosed in the accounts:
- Claims against the Company not acknowledged as debt.
  - Bank Guarantee issued to the Govt. of India.
22. For Investments, provision for diminution in value, if any, is not provided and the current value is also not disclosed.
23. Schedules given for various ledger accounts do not tally with the ledger figure in ARU 341,343. However due to non-availability of information from ARUs not visited by us, we are not able to quantify the impact of the same on the accounts
24. a) Pursuant to Note No. 18 regarding the valuation of Inventories, the treatment of damaged/obsolete and slow moving items and goods are not envisaged and disclosed and therefore the effect of the same in the accounts as on March 31, 2016 is indeterminate. Also valuation in respect of certain Inventories is made at a lower of cost or standard rates instead of valuing at cost as per Accounting Standard 2 on 'Valuation of Inventories', the effect of which is not ascertainable in the absence of details.
- b) The ARUs (ARU 103, ARU 854, ARU 203, ARU 102, ARU 851, and ARU 904) are having differences in the stock value as per their stock report maintained and accounts.
25. Vide Point No.28 of Annexure A to the Audit report for year 2013-14 the Statutory Auditor has qualified that " Debtors on Account of Rentals from Property in two units amounting to ₹61,91,595/- is carried forward from earlier years, for which no provision has been made in the Accounts . Non provision of the same has resulted in understatement of loss to that extent". Since no details are available regarding the same for verification we are unable to comment the status of the same as on 31/03/2016
26. Previous year's (2014-15) accounts have not been adopted in the Annual General Meeting.
27. Note no 23- Revenue from Operations under Miscellaneous Charges from consumers-This includes an amount of ₹89,52,825 (A/c 61.711) being the Compounding Charges levied on consumers for theft of energy under Section 152 of the Electricity Act during the year. The compounding fee collected from consumers has to be credited to the state Govt. This has resulted in overstatement of income and understatement of other current liabilities by ₹ 89,52,825.
28. a) Refund of income tax for the year 2007-08 amounting to ₹18,07,44,920 has been treated as income of the Company which has resulted in overstatement of income and current assets. No supporting documents were available for verification of interest portion of the same. Hence we are not in a position to quantify the same.
- b) Other income includes ₹1,57,80,926 being SRLDC Fees for the period 2009-14 as per the Computation Sheet intimated by POSOCO on 21/05/2015 and ₹29,34,146 being SRLDC Fees for the period 2014-15 as per Computation Sheet intimated by POSOCO on 01/10/2015 .

This has resulted in overstatement of other income with corresponding understatement of prior period income by ₹1,87,15,072/-

29. In some ARUs (ARU 203, ARU 208), the sale proceeds of scrap, tender forms and other miscellaneous items are accounted as advances received. The income has not yet been recognized even on satisfying the income recognizing criteria as required under AS 9. This has resulted in understatement of income and over statement of advance to the extent of ₹11,97,100.

30. As per AS 5- Net profit or Loss for the period, prior period items and changes in Accounting policies, any income or expense which arise in the current period as a result of errors or omission in the preparation of the financial statements of one or more prior periods should be accounted as prior period item and should be disclosed separately in the accounts. In ARU 956 ₹11,32,60,806- Interest on Loan from PFC for RAPDRP scheme was not accounted during the year 2014-15. The interest shortfall during the year 2014-15 was accounted as current year expenditure and no separate disclosure are made in the accounts.

Similarly in some ARUs (ARU 103, ARU 217) the rectification entries made for the year 2014-15 were accounted as current year expenditure.

31. As per Lok Adalath judgment dated 08.08.2014, an amount of ₹207.40 lakh being arrears of pole rent and interest receivable from Asianet Satellite Communications Ltd for the period 2011-12 to 2014-15 is not provided in the accounts. Also, for the year 2015-16, any amount receivable from the said party and other cable operators could not be quantified by us as the required details were not produced for verification.

32. As per the minutes to 28th Board Meeting dated 29-09-2016, the interest for advance to M/s TRACO Cable Company Ltd was waived by the Board. The amount and period of interest on advance for the said party could not be quantified due to lack of proper information.

33. As per the minutes to 29th Board Meeting dated 08-11-2016, Board revised the pension and allied benefits of PTC Pensioners based on the Government Order G.O.(p)No 35/2016/Fin dated 05.03.2016. However, no provision has been made in the accounts for the year 2015-16.

34. Note No. 16. Serial No: 3, Deferred cost ₹93,67,86,784 :- These expenditures are related to feasibility study of proposed projects. Once the project is sanctioned, these expenditures will be capitalized and if the project is not sanctioned, these expenditures will be written off in the statement of Profit & Loss. No supporting documents were furnished for verifying whether the projects were sanctioned or not sanctioned.

35. No adequate supporting documents were produced for journal entry<sup>61</sup> made by the Company in the Net TB. Hence we are not in a position to confirm the effect of the journal entry on various account :- Debit in NLC ₹2234,27,335/-, BSES ₹1169,08,154/-, Power purchase ₹3331,11,200/- and Credit in NTPC ₹ 2220,89,887/- and PGCIL ₹4513,56,802/-

36. NLC issued credit Note for the excess AFC claim on 2/09/2015 and Company adjusted the same in the bill for September. However Company made a provision for power purchase from NLC amounting to ₹85,58,598 /- being unadmitted amount of AFC in respect of TPS II stage II for the month of August 2015. This has resulted in overstatement of power purchase, Trade payable and loss by ₹85,58,598/- .

37. Company has not provided power purchase expense payable to Philips Carbon Black Ltd for the year 2015-16. Since the provisional tariff i.e., ₹2.02 per unit is available from Board Order and draft agreement and meter readings are also available, Company could have made provision on the basis of this provisional tariff. We are not in a position to quantify the amount due to non-availability of method of computation.

38. As per the information available from the Company, a petition was filed before Central Electricity Regulatory Commission regarding hike in power purchase cost on account of pay revision of employees of NLC. CERC order came in favour of NLC admitting the payment of excess power purchase cost on account of pay revision of employees of NLC. However CERC has not issued any directions on the interest payable on wage revision. Company vide letter No. CML-EEI/2015/CE (C&T)/NLC MINES /554 dated 01/08/2015 informed NLC that even though CERC has not issued any directions on the interest payable on wage revision, in accordance with an earlier CERC order dated 11-12-2012, the above claim on the interest on wage revision cannot be admitted. However, Company provided an amount of ₹14,09,83,412 being disputed amount of interest on wage revision along with wage revision arrear. Due to lack of necessary information regarding the present status of the issue we are not in a position to comment on the provision for interest made by the Company.

39. The Company has not provided payables/receivables in respect of following power purchases which has resulted in understatement of power purchases and trade payables and corresponding understatement of loss amounting to ₹1,67,89,72,379/-

Sl.No.	Party	Amount (₹)	Remarks
1	BSES - 41128	-2,55,78,098	FAC for the Tariff period ended 31/10/2015
2	NTPC-41101	1,47,41,23,454	Revision bills
3	Maithon Power Limited-41165	-43,34,167	December 2015-March 15. water charges.
4	NLC-41106 (meeting held on 3/12/2015 decided to pay the FERV)	86,43,233	FERV on guarantee fee for the period 2005-06 to 15-16
5	NPCIL Kaiga-41161	-32,81,452	Credit bill - difference in Tariff due to change in heavy water for the period 07/2005- 03/2008
6	NPCIL Kudankulam-41162	-57,04,662	Credit note for unit adjustment of March,2016
		3,69,36,870	Revised DSM and REA for the period 31/12/14 to 21/06/2015
		4,98,78,822	Return on equity tax difference for the year 15-16
	<b>Total</b>	<b>8,11,11,030</b>	
7	NPCIL MAPS-41105	40,15,217	Nuclear liability fund for the year 2015 as per DAE notification dated 08/12/2015
		25,17,888	Return on equity due to change in tax rate for the year 15-16
	<b>Total</b>	<b>65,33,105</b>	
8	APCPL-41151	-93,89,367	Energy Bill for March 2016

		-6,90,00,307	SFC, Revision of ECR, RLD charges for prior years.
		29,45,401	Revision of AFC and RLDC Charges for 2015-16
	<b>Total</b>	<b>-7,54,44,273</b>	
9	NTECL-41153	2,60,70,647	Capacity charges , energy charges and SFC for prior periods
10	PGCIL	18,41,58,639	Reactive energy charges for the period 5-2-16 to 21-2-16 and POC Bill 4 and 3 for the period jan 16-march 16
11	PTC-41110	69,70,261	Transmission charge for the period Jan 2016 to March 2016

40. During current year a provision has been created in respect of power purchase from PTC amounting to ₹30,44,41,899/- for which no supporting documents were available for our verification.

41. Any income or expense which arise in the current period as a result of errors or omission in the preparation of the financial statements of one or more prior periods should be accounted as prior period item and should be disclosed separately in the accounts. Company has accounted power purchases in respect of following parties as current year expenses for which Company made no provision in previous year. This has resulted in overstatement of power purchase expense and understatement of prior period expenditure and corresponding overstatement of current year's loss amounting to ₹43,74,28,189/-

Sl.No	Party	Amount (₹)
1	BSES	8,94,49,353
2	NTPC	7,83,30,427
3	NLC	4,26,74,485
4	NPCIL Kaiga	11,97,761
5	APCPL	13,77,57,227
6	PGCIL	8,34,82,186
7	PTC	45,36,750

42. Company has adjusted credits/refund/income pertaining to prior years in respect of following parties against power purchase expense of current year which was not accounted by the Company in previous year . Any income or expense which arise in the current period as a result of errors or omission in the preparation of the financial statements of one or more prior periods should be accounted as prior period item and should be disclosed separately in the accounts. This has resulted in understatement of power purchase expense and understatement of prior period income and corresponding understatement of current year's loss amounting to ₹1,26,23,84,505/-



Sl.No	Party	Amount (₹)	Type of item
1	NTPC	1,02,85,42,732	Revision of charges
2	NPCIL Kudankulam	64,73,036	Unit adjustment bill for the month of March 2015
3	NPCIL Kaiga	12,27,419	Refund of RLDC fees and charges from 04/09- 03/14
4	APCPL	16,27,54,803	Refund of transmission charges paid by PGCIL from 07/11/13 to 30/06/2014 and interest thereof and Refund of Energy charges for the period from 2014-15
5	NTECL	2,27,99,264	Revision in Energy and capacity charges
6	PGCIL	4,05,87,251	Credit for April 2014 to December 2014 , STOA and MTOA for March 2015

43.As per the minutes to 30th Board Meeting dated 04/01/2017, Board of Directors of the Company decided to adjust the amount payable to Government towards electricity duty and guarantee commission against the amount receivable from government towards contribution to pension fund and subsidy for the period from 01/11/2013 to 31/03/2016. However adjustment regarding the same was not made in the accounts which has resulted in overstatement of electricity duty amounting to ₹17,94,33,71,731/- Due to lack of necessary information we are not in a position to quantify effect of non adjustment of same in other accounts.

44.The impact for the qualifications made in the Statutory Report for the year 2014-15 and Comments made by the CAG on the financial statements for 2014-15 has not been brought in to accounts by the Company during the year 2015-16.

45.With the available data and information furnished by the Company and based on the ARUs visited by us, the effect of the above qualifications 1 to 44, on the Assets, Liabilities, Income and Expenditure could not be quantified.

### Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for qualified Opinion Paragraph, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India

- (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2016;
- (ii) In the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- (iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### Emphasis of Matter

We draw attention to the following Notes to the financial statements. Our opinion is not qualified in respect of these matters:

Note 39.26 stating non adjustment of value of 45.715 cents of Land transferred to Trivandrum Development Authority in the accounts of the Company.

#### Report on other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Companies Act 2013, we give in Annexure - I a statement on the matters specified in the paragraph 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143 (3) of the Act, we report that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) Except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, **except AS 2 Valuation of Inventories, AS 3 Cash Flow Statement, AS 5 Net Profit or Loss for the period, Prior Period Items and Changes in Accounting Policies, AS 6 Depreciation Accounting, AS 9 Revenue Recognition, AS 10 Accounting of Fixed assets, AS 12 Accounting for Government Grants, AS 13 Accounting for Investments, AS 15 Employee Benefits, AS 16 Borrowing cost and AS 28 Impairment of Assets**
  - e) The matter described in the Basis for Qualified Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.
  - f) As per the Notification No. G.S.R. 829(E) dated 21.10.2003, issued U/s. 620(1) of the Companies Act, 1956 and read with Section 465(2) of Companies Act, 2013, Sub-section (2) of Section 164 of the Companies Act, 2013 is not applicable to Government Companies.
  - g) With respect to the adequacy of internal financial control systems and the operating effectiveness of such controls, we give our Report in Annexure-II.
  - h) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.
  - i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. Since the Company has not furnished the details of pending litigations, we are not in a position to confirm whether there are any litigations pending which would impact its financial position.
    - ii. Since the Company has not furnished the details of long term contracts, we are not in a position to confirm whether it has any long-term contracts including derivative contracts for which there were any material foreseeable losses.
    - iii. The Company has not transferred debentures and interest on debentures amounting to ₹ 708.51 lakhs remained unclaimed and unpaid for a period more than seven years from the date it become due for payment to the Investor Education and Protection Fund.



3. As required by section 143(5) of the Companies Act, 2013, our comments in regard to the directions and sub-directions issued by the Comptroller and Auditor General of India are given in Annexure-III

Place: Thiruvananthapuram

Date: 30/01/2017

For K.Venkatachalam Aiyer  
& Co.

Chartered Accountants

REGN. No.004610 S

For ISAAC & SURESH

Chartered Accountants

(FRN-001150 S)

For ANANTHAN &  
SUNDARAM

Chartered Accountants

FRNo.000148 S

Sd/-

ROOPESH.R ACA

PARTNER

MEMB.No.228891

Sd/-

SOBHA SETHUMADHAVAN FCA

PARTNER

Membership No.225166

Sd/-

CA.HARIKRISHNAN.R.S,  
M.com, DISA, ACA

PARTNER

M.No.230338

## Annexure - I to Independent Auditors' Report

Referred to in Para 1 under the heading "Report on other Legal and Regulatory Requirements" of our report of even date to the financial statements of the Company for the year ended March 31, 2016:

Statement of matters specified in Para 3 & 4 of the order referred to in sub-section (11) of section 143 of Companies Act, 2013.

1. a) As per the information and explanation given to us, **the Company is not maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.**  
b) **As informed to us, fixed assets have not been physically verified by the management at regular intervals.** However Company informed us that major assets comprising of line cable networks, Generating stations etc are periodically verified. **Since inspection reports are not available, discrepancies, if any, could not be ascertained and reported.**  
c) **Title deeds of immovable properties were not produced for our verification.**
2. a) As per the information and explanation given to us, the Company has a system of periodical physical verification of inventory. **However physical verification reports were not furnished for our verification. Hence we are not in a position to comment on whether the physical verification of inventory has been conducted at reasonable intervals by the management.**  
b) **Due to non availability of physical verification reports we are not in a position to comment whether any material discrepancies were noticed on physical verification of inventory and if so, whether the same have been properly dealt with in the books of account.**
3. As per the information and explanation given to us, the Company has not granted any loans, secured or unsecured, to companies, firms, and limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3 (iii) (a) to (C) of the Order are not applicable to the Company and hence not commented upon.
4. As per the information and explanation given to us the Company has not advanced loans, given guarantees or security or made any investment in contravention of section 185 and/ or section 186 of the Companies Act, 2013
5. According to information and explanation given to us, during the year, the Company has not accepted any deposit from the public within the provisions of Sections 73 to 76 of the Companies Act, 2013 and the directives issued by the Reserve Bank of India or any other relevant provisions of the Companies Act, 2013 and rules framed there under.
6. We have been informed by the Management that the Company is in the process of maintaining cost records. Hence we are not in a position to comment on this para.
7. a) As per the information and explanation provided by the Company, the primary books of accounts are maintained at ARU level. **Information regarding depositing of undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues with the appropriate authorities were not available at the Head Office level. Since the Company does not have a centralized system / records for the same, we are not in a position to comment whether the Company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance,**

**income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues with the appropriate authorities. Accordingly, the arrears if any of outstanding statutory dues as on the last day of the financial year concerned for a period of more than six months from the date they became payable could not be ascertained and reported.**

b) As per the information and explanation provided by the Company, the primary books of accounts are maintained at ARU level. **Information regarding the dues of income tax, sales tax, service tax, customs duty and excise duty which have not been deposited on account of any dispute were not available at the Head Office level. Since the Company does not have a centralized system / records, we are not in a position to comment on the dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax or cess which have not been deposited on account of any dispute. Accordingly, the amounts involved and the forum where dispute is pending could not be ascertained and reported.**

8. In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to a financial institution or bank or government. **Debentures and interest on debentures amounting to ₹ 708.51 lakhs has remained unclaimed and unpaid for a period more than seven years from the date it become due for payment.**
9. According to the information and explanations given to us, moneys raised through initial public offer or further public offer (including debt instruments) and term loans were applied for the purposes for which those were raised.
10. We have been informed that a separate department under the Chief Vigilance Officer is regularly investigating frauds and other irregularities involved in the Companies transactions. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud by the Company or any fraud on the Company by its officers or employees has been noticed or reported during the year.
11. In view of exemption given vide Notification F No.1/2/2014-CL.B dated 5th June 2015 issued by ministry of Corporate affairs provisions of Section 197 read with Schedule V of the Act regarding managerial remuneration are not applicable to the company.
12. The Company is not a Nidhi Company and hence the provisions Para 3(xii) of the order referred to in Companies (Auditor's Report) Order, 2016 issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act does not apply to the Company.
13. As per the information and explanation given to us, in our opinion all transactions with the related parties are in compliance with the provision of section 177 and 188 of Companies Act, 2013 wherever applicable and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards.
14. According to the information and explanations provided to us, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review.
15. In our opinion and according to the information and explanation given to us the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of the Companies Act, 2013.

16. In our opinion and according to the information and explanation given to us the Company is not carrying any activities which require registration under section 45-IA of the Reserve Bank of India Act, 1934.

Place: Thiruvananthapuram

Date: 30/01/2017

For K.Venkatachalam Aiyer & Co.

Chartered Accountants

REGN. No.004610 S

For ISAAC & SURESH

Chartered Accountants

(FRN-001150 S)

For ANANTHAN &  
SUNDARAM

Chartered Accountants

FRNo.000148 S

Sd/-

ROOPESH.R ACA

PARTNER

MEMB.No.228891

Sd/-

SOBHA SETHUMADHAVAN  
FCA

PARTNER

Membership No.225166

Sd/-

CA.HARIKRISHNAN.R.S,  
M.com, DISA, ACA

PARTNER

M.No.230338

## **Annexure-II to Independent Auditors' Report**

### **Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013.**

We have audited the internal financial controls over financial reporting of M/s. KERALA STATE ELECTRICITY BOARD LIMITED as of 31st March 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

#### **Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

#### **Meaning of Internal Financial Controls over Financial Reporting**

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding

prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

### **Inherent Limitations of Internal Financial Controls over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Trivandrum

Date:30/01/2017

For K.Venkatachalam Aiyer & Co.  
Chartered Accountants

REGN. No.004610 S

For ISAAC & SURESH  
Chartered  
Accountants

(FRN-001150 S)

For ANANTHAN & SUNDARAM  
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PARTNER

M.No.230338

### Annexure III

The Comptroller and Auditor General of India has issued directions indicating the areas to be examined in terms of Section 143 (5) of the Companies Act, 2013.

As required by Section 143(5) of the Act, we give a statement on the compliance to the Directions issued by the Comptroller and Auditor General of India for the year 2015-16, we report that:-

Directions under section 143(5) of the Companies Act, 2013	Report	Impact in accounts and Financial Statements
If the Company has been selected for disinvestment, a complete status report in terms of valuation of Assets (including intangible assets and land) and Liabilities (including Committed & General Reserves) to be submitted, including the mode and present stage of disinvestment process	No disinvestment made by the Company during the year.	NIL
Details regarding any cases of waiver/write off of debts/loans/ interest etc; if yes, reasons thereof and amount involved.	During the financial year 2015-16 the excess demand made to consumers by the ARUs has been written off to the extent of ₹13,06,46,115.74. The amounts written off by the ARU in the accounts were found not in line to the sanctioning made by the Board.	Due to lack of proper reconciliation with the ARU for the amount written off, we are unable to comment on the impact
Whether proper record are maintained for inventories lying with third parties & assets received as Gift from Government or other authorities.	Though the Company have Supply Chain Management (SCM) software is used for the inventory management, the discrepancies observed by us have been reported under our Independent Auditors Report. With regard to the assets received as Gift from Government or other authorities, as we reported in our audit report, the title deeds of immovable properties were not produced for our verification and no proper fixed asset registers are maintained.	The impact in accounts could not be obtained due to lack of proper documents or explanation

Age wise analysis of pending legal/ arbitration cases, including the reasons of pendency and existence/ effectiveness of a monitoring mechanism for expenditure on all legal cases (foreign and local) may be given.

Age wise analysis of cases pending before various Courts, Forum and Tribunal is shown below

Period	No. of cases/ arbitration
Up to 2010	8578
2011	1352
2012	1459
2013	1548
2014	1447
2015	860
<b>TOTAL</b>	<b>15244</b>

These cases are pending for hearing /disposal at the respective court, forum, and tribunal. The Company has a system for monitoring expenditure on legal cases.

Company has not furnished supporting documents for the cases. Thus the reliably estimated amount involved cannot be obtained and the Company has not provided for the same

**Power Sector**

Adequacy of steps to prevent encroachment of idle land owned by Company may be examined. In case land of the Company is encroached upon, under litigation, not put to use or declared surplus, details may be provided

As per the explanation given by the Company, the custodian of the lands are exercising adequate steps to prevent the encroachment of the lands owned by KSEB Ltd. Separate Land Management Unit is constituted in KSEB Ltd to have proper control over the land owned by KSEB Ltd. The Land Management Unit had informed that the encroachments if any are mainly concentrated in catchments areas of reservoirs. As per the available data with the Land Management Unit (LMU), there is no land to be declared as surplus as the utility has sourced land based on bare minimum requirements. Company informed us that they are in the process of collecting the details regarding the extent of encroachment and details of litigation from the field units. Hence those details will be available in the Company only on receipt of the duly completed Performa circulated among field offices.

Since the Company is in the process of collecting details regarding the extent of encroachment and details of litigation, the impact in accounts could be obtained only on receipt of the duly completed Performa circulated among field offices



	For bringing awareness among the officials Company had published a "Land policy of KSEB Ltd" with special emphasis on prevention of encroachment and maintenance of records of landed properties of KSEB Ltd. The document has been circulated among officers of KSEB Ltd as a ready reckoner.	
Where land acquisition is involved in setting up new projects, report whether settlement of dues were done expeditiously and in a transparent manner in all cases. the cases of deviation may please be detailed	As explained by the Company, being fully owned by Government of Kerala, there is an effective mechanism for land acquisition process. Based on urgency of the project, land acquisition is also being carried out on negotiated purchase route with specific Government Orders. In the negotiated purchase route, separate District Level Purchase Committees are there headed by the District Collector for negotiating with the land owners and for arriving a reasonable price for taking the final decision by the Company and Government of Kerala.	NIL
Whether the Company has any effective system for recovery of revenue as per contractual terms and the revenue is properly accounted for in the books of accounts in compliance with the applicable Accounting Standards	The company has an effective system for accounting the revenue in the books of accounts in compliance with the applicable accounting standards.	NIL
How much cost has been incurred on abandoned projects and out of this how much has been written off?	No information/details has been available for us to verify and report on the cost incurred on abandoned projects. As per the explanation given by the Company, the company has not been abandoned any project during the financial year and hence amount not written off from the books of accounts.	Cost incurred on abandoned projects not available . Hence effect on accounts not ascertainable.

**GENERATION**

<p>In the cases of Thermal Power Projects, compliance with the various Pollution Control Acts and the impact thereof including utilization and disposal of ash and the policy of Company in this regard, may be checked and commented upon.</p>	<p>As explained by the Company, KSEBL owns two thermal stations based on LSHS at Brahmapuram and Kozhikode. As per the direction of the State and Central pollution control Boards, online pollution Monitoring system should be installed at these stations. The company has taken the decision to award the contract for implementing it at BDPP. In the case of KDPP tender for the contract has been finalized and the matter has been placed before the Board of Directors.</p>	<p>NIL</p>
<p>Has the Company entered into revenue sharing agreements with private parties for extraction of coal at pitheads and if so, whether they adequately protect the financial interests of the Company?</p>	<p>No, the Company has not entered into revenue sharing agreements with private parties for extraction of coal at pitheads</p>	<p>NIL</p>
<p>Does the Company have a proper system for reconciliation of quantity/quality of coal ordered and received and whether grade of coal/moisture and demurrage etc., are properly recorded in the books of accounts?</p>	<p>The company has no coal fired thermal power plants.</p>	<p>NIL</p>
<p>How much share of free power was due to the State Government and whether the same was calculated as per the agreed terms and depicted in the accounts as per accepted accounting norms?</p>	<p>These norms are not applicable to the Company.</p>	<p>NIL</p>
<p>In the case of Hydroelectric Projects whether the water discharges is as per policy/guidelines issued by the State Government to maintain biodiversity. Cases of deviation and penalty paid/payable may be reported.</p>	<p>As per the explanation from the Company, in the case of Hydro Electric Power Projects water discharge is as per policy/guidelines issued by the State Government from time to time. No penalty has been imposed by the Government so far for deviating from the Government policies and guidelines.</p>	<p>NIL</p>

**TRANSMISSION**

<p>Is the system of power commensurate with power available for transmission with the generating Company? If not loss, if any, claimed by the generating Company may be commented.</p>	<p>As explained by the Company, the transmission network of KSEBL is capable of transmitting the power generated within the State.</p>	<p>NIL</p>
<p>How much transmission loss in excess of prescribed norms has been incurred during the year and whether the same has been properly accounted for in the books of accounts?</p>	<p>As far as the transmission loss is considered, norms are not in place for bench marking the same. As informed by the Company, the loss figures are considered while filing the ARR for any particular year.</p>	<p>NIL</p>
<p>Whether the assets constructed and completed on behalf of other agencies and handed over to them has been properly accounted for in the financial statements.</p>	<p>As per the observations during our course of audit and explanation from the Company, the asset created on behalf of other agencies and handed over to them on completion of works does not form part of the assets of KSEBL. Hence Company has not capitalized and accounted the same in the financial statements. However the asset created out of contribution and work deposit are capitalized and properly accounted in the financial statements of the KSEBL except for the qualifications made in our audit report.</p>	<p>The impact in accounts could not be obtained due to lack of proper documents or explanation</p>

**DISTRIBUTION**

<p>Has the Company entered into agreements with franchise for distribution of electricity in selected areas and whether the revenue sharing agreements adequately protect the financial interests of the Company?</p>	<p>As informed by the Company, KSEB Ltd is not following franchise mechanism for operating the power distribution in its Licensed Area, the issue of revenue sharing does not arise.</p>	<p>NIL</p>
<p>Report on the efficacy of the system of billing and collection of revenue in the Company.</p>	<p>KSEB Ltd is one of the few Distribution Licensee which have already attained 100% Consumer billing. In general services are disconnected soon after the disconnection date, if the dues are not paid within that time. However considering the social obligation it is always not possible to disconnect the services like Drinking water Supply Schemes, Government Hospitals, High security area ,Police station etc</p>	<p>NIL</p>

<p>Whether tamper proof meters have been installed for all consumers? If not then examine how accuracy of billing is ensured.</p>	<p>KSEB Ltd has approximately 1.17 crore consumers. KSEB has been procuring energy meters as per the prevailing BEE/IS standards. However there have been amendments in metering regulations and standards and those were incorporated in subsequent purchase orders. The old meters in the system are being replaced in a phased manner.</p> <p>As informed by the Company, in order to ensure that the consumers are not resorting to unfair means, surprise inspections are being conducted by the Company especially at high consumption consumer premises</p>	<p>NIL</p>
<p>Whether the Company recovers and accounts, the State Electricity Regulatory Commission (SERC) approved Fuel and Power Purchase Adjustment Cost (FPPCA)?</p>	<p>As informed by the Company, KSEBL recovers and accounts the KSERC approved Fuel and Power purchase adjustment cost in line with the Kerala State Electricity Regulatory Commission (Fuel surcharge formula) Regulations, 2009.</p>	<p>NIL</p>
<p>Whether the reconciliation of receivables and payables between the generation, distribution and transmission companies has been completed. The reasons for difference, if any, may be examined.</p>	<p>KSEB Ltd is functioning as a single utility in the State of Kerala. Generation, transmission and distribution of electricity are being done by the KSEB Ltd. Hence the reconciliation between these segments is not applicable. However, the Company have inter unit transactions between the Generation, transmission and distribution units, which remains unreconciled.</p>	<p>The Company has not reconciled the Inter unit transactions amounting to ` 911.85 lakhs.</p>
<p>Whether the Company is supplying power to franchisees? If so, whether the Company is supplying power to franchisees at below its average cost of purchase?</p>	<p>As informed by the Company, KSEB Ltd is not following franchise mechanism for operating the power distribution in its licensing Area: the issue of supplying power to franchise below average cost of purchase does not arise.</p>	<p>NIL</p>

<p>How much tariff roll back subsidies have been allowed and booked in the accounts during the year? Whether the same is being reimbursed regularly by the State Government? Shortfall, if any, may be commented.</p>	<p>Section 65 of the Electricity Act deals with tariff subsidy. As informed by the Company, KSEB Ltd is accounting the subsidy receivable in accordance with the Section 65 of the Electricity Act. The subsidy is being released by Government of Kerala or is being adjusted with the duties payable to the Government of Kerala.</p>	<p>NIL</p>
<p><b>Service Sector</b></p>		
<p>Whether the Company's pricing policy absorbs all fixed and variable cost of production and the overheads allocated at the time of fixation of price?</p>	<p>As explained by the Company, even though KSEBL is a company registered under the Companies Act, 1956, being a regulated entity as per statute, recovery of cost by way of tariff is decided by the State Electricity Regulatory Commission.</p> <p>The present two part tariff structure comprises of load based fixed charges and consumption based energy charges. Fixed charges like interest, depreciation, Return on equity etc generally constitute approximately 30% of the expenses. This is recovered as Capacity charges/fixed charges and accounts for almost 20% of the revenue from sale of power. Power purchase cost is recovered as energy charges. Thus overall recovery of cost is ensured in a composite manner comprising of CC &amp; EC.</p> <p>Historically, fixed charges were not recovered from Domestic consumers, consuming more than 50% of the energy supplied. The situation has since been changed as the matter had been properly appraised before the Hon'ble KSERC and recovery of fixed charges from domestic consumers was started w.e.f. 01.07.2012. In short, electricity business being a regulated activity, the utilities do not have power to fix a pricing policy for the supply of electricity. Section 43, 45, 61 and 62 of the Electricity Act, 2003 deals with the subject matter.</p>	<p>NIL</p>

Whether the Company recovers Commission for work executed on behalf of Government/other organizations that is properly recorded in the books of accounts? Whether the Company has an efficient system for billing and collection of revenue?	The company is collecting supervision charges for the work executed on behalf of Government/ other organization and a proper mechanism for recording in the books of accounts. The company has an efficient system for billing and collection of revenue.	NIL
Whether the Company regularly monitors timely receipt of subsidy from government and is properly recording them in its books?	As per the explanation by the Company, the receipt of subsidy has been properly monitored. No records/ registers were available for us to verify the capital and revenue subsidies received by the Company during the year under audit. Hence we are not in a position to report whether the recording of the same by the Company is correct or not.	The impact could not be obtained, as the subsidy received have financial impact over many previous years
Whether interest earned on parking of funds received for specific projects from government was properly accounted for?	Yes, interest earned on parking of funds received for specific projects from government was properly accounted.	NIL
Whether the Company has entered into Memorandum of Understanding with its Administrative Ministry, if so, whether the impact thereof has been properly dealt with in the financial statements.	As explained by the Company, the Company has executed tripartite agreement amongst Nodal Agency, State Government & Government of India for undertaking and agreeing the stipulated roles /responsibilities as per provisions of various centrally sponsored schemes. Similarly a Tripartite agreement is there with Government of Kerala, Government of India and RBI for discharging the liabilities of Central Generating Stations and CPSU on supply of power.	NIL
<b>OTHER</b>		
Examine the system of effective utilization of Loans/Grant-in-Aid/ Subsidy. List the cases of diversion of funds.	Details of Grants /subsidies/ contributions received and utilized during this year were not furnished for our verification. Hence we are not in a position to examine and report whether there exists an effective system for the utilization of Loans/Grant-in-Aid/Subsidy.	The impact could not be ascertained as the relevant information is not available

Examine the cost benefit analysis of major capital expenditure/expansion including IRR and payback period.	As explained by the Company, the Cost benefit analyses of major capital expenditure/expansion including the IRR and payback period of projects are carried before the implementation of such projects.	NIL
If the audited entity has computerized its operations or part of its, assess and report, how much of the data in the Company is in electronic format, which of the areas such as accounting, sales personnel information, pay roll, inventory etc. have been computerized and whether the company has evolved proper security policy for data/software/hardware?	As per explanation from the Company, the company is working in the computerized environment. There is a separate department headed by a Chief Engineer to supervise the computerization. ORUMA software is used for revenue billing and its collection. SARAS software is used for the accounting all income and expenditure of the company through the real time accounting. Supply Chain Management (SCM) software is used for the inventory management and HRIS software for the all employee related matters such as payroll, incumbency etc. Now all these software are working in the independent platform. Action is being taken to integrate all these software in a single platform.	NIL

Place: Thiruvananthapuram

Date: 30/01/2017

For K.Venkatachalam Aiyer & Co.  
Chartered Accountants  
REGN. No.004610 S

For ISAAC & SURESH  
Chartered Accountants  
(FRN-001150 S)

For ANANTHAN & SUNDARAM  
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सत्यमेव जयते  
प्रधानमहालेखाकार (आर्थिक एवं राजस्व क्षेत्र लेखापरीक्षा) का कार्यालय केरल,  
तिरुवनंतपुरम

**OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (E&RSA)  
KERALA, THIRUVANANTHAPURAM**

**31 मार्च 2016** को समाप्त वर्ष के लिए केरल राज्य बिजली बोर्ड लिमिटेड, तिरुवनंतपुरम के लेखाओं पर कंपनी अधिनियम **2013** की धारा **143(6)(B)** के अधीन भारत के नियंत्रक महालेखापरीक्षक की मसौदा टिप्पणियां।

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (b) OF THE COMPANIES ACT, 2013 ON THE ACCOUNTS OF KERALA STATE ELECTRICITY BOARD LIMITED, THIRUVANANTHAPURAM FOR THE YEAR ENDED 31 MARCH 2016.

The preparation of financial statements of Kerala State Electricity Board Limited, Thiruvananthapuram for the year ended 31 March 2016 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under section 139(5) of the Act are responsible for expressing opinion on these financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 30 January 2017.

I, on behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under Section 143(6)(a) of the Act of the financial statements of Kerala State Electricity Board Limited, Thiruvananthapuram for the year ended 31 March 2016. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under section 143(6)(a) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report.

## **A. COMMENTS ON PROFITABILITY**

### **Statement of Profit and Loss for the year ended 31 March 2016**

#### **1.1 Expenses-Purchase of power ₹ 633681.62 lakh**

Damodar Valley Corporation raised (July 2016) a differential Credit Note of ₹(-17.66 lakh) due to revision of energy bill for the month of March 2016, considering total number of days for scheduling of power to the Company. This has not been accounted for the year 2015-16 resulting in overstatement of expenses for purchase of power and corresponding overstatement of loss to the extent of ₹17.66 lakh.



## 1.2 Expenses-Repairs and Maintenance (Note 27) ₹ 25975.64 lakh

This does not include ₹51.05 lakh being amount committed on various repairs and maintenance contracts but not accounted for during the year 2015-16. During test check of work bill details of all contracts in respect of 16 ARUs, Audit noticed that in 11 ARUs, bills in respect of works which have been completed/ measured/check measured before 31 March 2016 have not been accounted for during the year 2015-16. Non creation of known liability (bills considered upto October 2016) has therefore resulted in understatement of expenses and loss for the year to the extent of ₹ 51.05 lakh.

## 1.3 Expenses-Administrative and Other Expenses ₹. 32787.59 lakh

As per Regulation 34 of the notification regarding conditions of licence for existing distribution licensees, regulations 2006 of Kerala State Electricity Regulatory Commission (23 February 2006), "the licensee shall pay every year licence fee to the Commission at the rate of 0.03 per cent (subject to revision) of the revenue from sale of power stated in the certified financial statement of the previous year. The short payment/non-provision of licence fee to KSERC has resulted in understatement of prior period expenses to the extent of ₹43.43 lakh (2012-13 to 2014-15) and understatement of current year (2015-16) expenses to the extent of ₹ 17.05 lakh. This has resulted in understatement of loss to the extent of ₹ 60.48 lakh.

## B. COMMENTS ON FINANCIAL POSITION

### Balance Sheet as at 31 March 2016

#### 2.1 Current Liabilities

##### Other Short Term Liabilities (Note 9)

##### Staff related liabilities and provisions ₹ 20116.15 lakh

2.1.1 This includes provision of ₹576 crore, created for revision of pay and allowances of workmen and officers of the Company with effect from July 2013 to March 2016. As per the long term settlement 2016 between the Company and the recognized Trade Unions, the additional financial commitment on account of the revision of pay and allowances was ₹19.83 crore per month. Hence the total liability on account of revision of pay and allowances was ₹654.39 crore (₹19.83x 33 Months). The short provision of ₹78.39 crore resulted in understatement of current liabilities and corresponding understatement of loss.

#### 2.2 Fixed Assets

##### Tangible Assets (Note 11)

##### 2.2.1 Lines, cable, network etc. (10.6 group) – Gross block ₹ 732261.18 lakh

This is overstated by ₹652.61 lakh being the amount wrongly capitalised (ARU 301). Wrong capitalisation was though detected in April 2016, before finalisation of accounts for the year 2015-16, necessary rectification, however, was not carried out in the books for 2015-16. Rectification entry has been passed in 2016-17 through UJE 13 in April 2016 by debiting Capital Work in Progress. Non rectification in the year 2015-16 has therefore resulted in overstatement of tangible asset with corresponding understatement of Capital Work in Progress – APDRP scheme (1487 group) by ₹652.61 lakh. Depreciation charged on the additions amounting to ₹34.50 lakh for previous years and ₹34.50 lakh for the current year has also not been withdrawn resulting in overstatement of loss by ₹68.96 lakh.

##### 2.2.2 Plant & Machinery ₹1295498.14 lakh

As per the Accounting Standard 10- Accounting for Fixed Assets, "Material items retired from active use and held for disposal should be stated at the lower of their net book

value and net realizable value and shown separately in the financial statements and Fixed asset should be eliminated from the financial statements on disposal or when no further benefit is expected from its use and disposal". The Company decided (June 2014) to decommission the 2 DG sets of Brahmapuram Diesel Power Plant (BDPP) as the said asset became unserviceable with effect from November 2011 due to crank pin seizure and breakdown. The technical committee assessed the realizable value of the scrap materials to the extent of ₹275.00 lakh in February 2015 which was again reassessed in July 2015 to ₹387.47 lakh. However, the Company has not disclosed separately these assets/ materials which were retired from active use long back and held for disposal.

### **2.3 Capital Work In Progress (Note 13)**

#### **Capital Work in Progress ₹ 163482.80 lakh**

**2.3.1** Government accorded (4 March 2016) approval for granting price variation for Sengulam Augmentation Scheme and Perumthenaruvi SHEP Scheme with a financial commitment not exceeding ₹441.74 lakh based on the DRIP formula as at 10 March 2015. Board of Directors of KSEBL resolved (26 Meeting dated 17 May 2016) to adopt the said Government directives and accorded sanction to work out the amount of price variation. Necessary liability arising there from, however, has not been provided in the books of accounts. This has resulted in understatement of Capital Work In Progress (14 group) and Liability for Materials/Works (42.100 sub group) to the extent of ₹441.74 lakh.

**2.3.2** This includes ₹4.26 lakh on 'Closed Projects' (14.97). As this expenditure is related to projects which are already closed and are not likely to convert to any qualifying assets needs to be written off. As this has not been done CWIP is overstated to the extent of ₹4.26 lakh with corresponding understatement of loss for the year.

**2.3.3** This does not include ₹639.53 lakh being amount committed on various capital projects but not accounted for during the year 2015-16. During test check of work bill details of all contracts in respect 16 ARUs, Audit noticed that in 7 ARUs, bills in respect of works which have been completed/ measured/check measured before 31 March 2016 have not been accounted for during the year 2015-16. The amount involved in 47 such bills works out to ₹639.53 lakh. Non creation of known liability (bills considered upto October 2016) has therefore resulted in understatement of CWIP to the extent of ₹639.53 lakh.

### **2.4 Long term loans and advances (Note 15) ₹ 8671.86 lakh**

This includes ₹103.20 lakh (Account Code 27.3) being amount receivable from licensees which has been carried forward in the Accounts of the KSEB from 1988-89 onwards or earlier periods for which no details were available with the Company. Suitable provision for these doubtful receivables should have been made in the Accounts. The non- provision of the same has resulted in overstatement of loans and advances and loss for the year by ₹103.20 lakh.

### **2.5 Other non-current assets (Note 16) ₹ 760372.65 lakh**

#### **2.5.1 Deferred cost ₹9367.87 lakh**

This include ₹4978.00 lakh being expenses incurred on survey/ feasibility studies of project not sanctioned (₹2626.43 lakh on Hydel projects under Account code 17.310 and ₹2351.57 lakh on Mini micro projects under Account code 17.320) pending adjustment for more than three years (i.e. closing balance for 2012-13) in respect of ARU 851. In absence of identification of project/ sanction of project the amount pending under this head for more than three years should have been written of through statement of profit and loss for fair presentation of books. As this has not been done the loss for the year is understated with corresponding overstatement of Non-current assets. Also, the Company has neither disclosed its policy regarding treatment of such expenditure nor set a time frame for such deferment.

## C. COMMENTS ON AUDITORS REPORT

### Independent Auditors Report

- 3.1 Reference is invited to Para 4(a) of the Basis of Qualified Opinion in the Independent Auditors' Report, wherein it is stated that, "an amount of ₹64,24,05,617 being Interest bearing loan to Energy Management Centre and as per the information and explanation received from the Company, it has not provided interest on this loan since there is uncertainty in realization of interest.

The statement is incorrect as the loan advanced by the Company to Energy Management Centre is to the extent of ₹5250.00 lakh only and balance amount of ₹1174.06 is the interest claimed by the Company for the period 2010-11 ( ₹476.90 lakh) and 2011-12 (₹697.16 lakh).

- 3.2 Reference is invited Para 32 wherein it was stated as "As per the minutes to 28th Board Meeting dated 29 September 2016, the interest for advance to TRACO Cable Company Limited (TRACO) was waived by the Board. The amount and period of interest on advance for the said party could not be quantified due to lack of proper information".

As the Events such as request for waiver of advance (April 2016), release of advance (June 2016) and decision to waive interest on advance (September 2016) etc were occurred in the financial year 2016-17 for the year 2016-17, the comment mentioned at Para 32 is unwarranted for the year 2015-16.

- 3.3 As per Para 39 "the Company has not provided payables/ receivables in respect of following power purchases which has resulted in understatement of power purchases and trade payables and corresponding understatement of loss amounting to ₹1,67,89,72,379". These includes ₹40,15,217 (Item No.7 NPCIL MAPS) towards non provision of Nuclear Liability Fund for the year 2015-16 as per DAE notification dated 8th December 2015.

It was observed that, the company has already provided ₹20,97,246 against the arrears towards Nuclear Liability Fund from 08 December 2015 to March 2016. Further, the amount of ₹40,15,217 incurred by the Company towards nuclear liability fund for the period from April 2016 to October 2016 is the power purchase expenditure for the period 2016-17, therefore not related to the period 2015-16 . As such the qualification made in the Statutory Audit Report is not correct to this extent.

- 3.4 Reference is invited to Para 45 wherein it was stated that " With the available data and information furnished by the Company and based on the ARUs visited by us, the effect of the above qualifications 1 to 44 on the assets, liabilities, income and expenditure could not be quantified"

Statutory Auditor had raised 44 qualifications under 'Basis for qualified opinion' out of which impact on asset/liability/income/expenditure was explicitly quantified in respect of 9 qualifications viz. Loss understated by ₹18733.21 lakh (net), Current liability understated by ₹15337.25 lakh (net) etc. As there is substantial reportable impact on these heads the reference given at Para 45 is misleading.

- 3.5 As per Standards on Auditing 705 (SA 705), whenever the auditor expresses an opinion that is other than unqualified, a clear description of all the substantive reasons should be included in the Report and, unless impracticable, a quantification of the possible effect(s), individually and in aggregate, on the financial statements should be mentioned in the Auditors Report. The Statutory Auditors included 44 individual qualifications on the Accounts of the KSEBL 2015-16 in their report. However, in the Independent Auditors' Report the aggregate possible effect(s) on Assets, Liabilities, Income and Expenses has not been made.

- 3.6 Statutory auditor's opinion on true and fair view is not sustainable on the following grounds;
- Aggregate impact on the reportable quantified observations of Statutory Auditors is more than 20 per cent of the reported net loss for 2015-16.
  - Non compliance of AS 2, AS 3, AS 5, AS 6, AS 9, AS 10, AS 12, AS 13, AS 15 , AS 16 and AS 28 as reported under 'Report on other legal and regulatory requirements'
  - Instances of non availability of information in respect of certain items as mentioned in 'Basis for qualified opinion'.

#### **D. COMMENTS ON DISCLOSURE**

- 4.1 Government accorded (4 March 2016) approval for granting price variation for Barapole SHEP and Vilangad SHEP Scheme with a financial commitment not exceeding ₹ 541.81 lakh based on the DRIP formula as at 10 March 2015. Board of Directors of KSEBL resolved (26 Meeting dated 17 May 2016) to adopt the said Government directives and accorded sanction to work out the amount of price variation. The final clearance of rate escalation has not been cleared by the cabinet sub- committee of GOK and hence not preferred and disbursed. This has not been disclosed in the accounts.

Thiruvananthapuram  
20 .07.2017

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

Sd/-

**सी.गोपीनाथन**

**C.GOPINATHAN**

**प्रधानमहालेखाकार(आ.एवं.र.क्षे.ले.प)**

**PRINCIPAL ACCOUNTANT GENERAL (E&RSA), KERALA**



GOVERNMENT OF KERALA

No.PU-A2/58/2017/Fin

Finance (PU-A) Department

COMMENTS OF SECRETARY (FINANCE EXPENDITURE) ON THE  
AUDITED ANNUAL ACCOUNTS OF KERALA STATE ELECTRICITY BOARD  
LIMITED FOR THE YEAR ENDED 31.3.2016.

1. Loss of the company decreased to Rs.31,329.46 lakhs compared to previous years loss of Rs.127290.20 lakh, which is a good sign.
2. Registers and documents should be maintained properly.
3. Provision should be made for bad and doubtful debts.
4. The actuarial valuation for gratuity and pension liabilities are not done leading to understatement of loss and liability, which is against AS 15.
5. Inventories should be verified physically.
6. Proper register should be maintained for fixed assets including quantitative details and physical verification of assets should be made regularly.
7. Necessary entries should be made in the accounts for adjusting the electricity duty and guarantee commission against the amount receivable from government.
8. Depreciation of fixed assets as per the Companies Act should be made.
9. Steps should be taken to introduce a centralized system for recording undisputed statutory dues.
10. An adequate internal audit system should be maintained in accordance with nature of its business.
11. Liabilities should be accounted accurately so as to avoid underestimation of net loss.
12. Interest accrued on parking of Government fund should be refunded to Government.
13. Dues of Income tax, Sales tax, Service tax etc., if any should be cleared.

Place : Thiruvananthapuram

Sd/-

Date : 15/10/2017

**DR. SHARMILA MARY JOSEPH IAS**  
 Secretary (Finance Expenditure)



N.C. Nair, FCS., LLB, CAIIB  
Practicing Company Secretary

**FORM NO. MR-3**  
**SECRETARIAL AUDIT REPORT**  
**For the Financial year ended 31st March 2016**

(Issued in pursuance to section 204(1) of the Companies Act 2013 and Rule No.9 of the Companies. (Appointment and Remuneration of Managerial Personnel) Rules 2014 read with modifications as deemed necessary without changing the substance of format given in MR-3)

To  
The Members,  
Kerala State Electricity Board Ltd.  
Vydyuthi Bhavanam, Pattom,  
Trivandrum - 695004

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and adherence to good corporate practices by the KERALA STATE ELECTRICITY BOARD LTD (CIN U 40100 KL 2011 SGCO27424) (hereinafter called "the Company") for the Financial Year ended 31st March 2016. Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conduct/statutory compliances and expressing an opinion thereon.

A. In expressing my opinion it must be noted that:-

- (i) Maintenance of Secretarial record is the responsibility of the management of the Company. My responsibility is to express an opinion based on Audit.
- (ii) I have followed the audit practices and process as were appropriate to obtain reasonable assurances about the correctness of the contents of the Secretarial records. The verification was done on a test basis to ensure that correct facts are reflected in Secretarial records. I believe that, the process and practices I followed provide a reasonable basis for my opinion.
- (iii) I have not verified the correctness and appropriateness of the financial statements of the Company.
- (iv) The Company being a fully owned Government Company under the Administrative control of the Ministry of Power Government of Kerala, the power to appoint Directors (including independent directors) and the terms and condition of such appointment including remuneration and evaluation vests with the Government of Kerala and the personal confidential records of the officials maintained by the Company.

- (v) Wherever required I have obtained management representation pertaining to compliance of laws, rules, regulations, happening of events etc.
  - (vi) The compliance with the provisions of corporate and other laws, rules, regulations, standards is the responsibility of the management. My examination was limited to the verification of procedures on test basis.
  - (vii) The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the Management has conducted the affairs of the company.
- B. Based on my verification of the Company's books, papers, minutes book, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers and agents I hereby report that in my opinion the Company has during the audit period covering the financial year ended on 31 March 2016, complied with the statutory provisions relating to Companies Act 2013 and also the Company has proper Board processes duly evolved and compliance mechanism in place to the extent in the manner and subject to reporting hereunder.
- C. Being a fully Government owned unlisted company the under mentioned Acts, rules, regulations are not applicable to the Company.
- (i) The Securities Contracts (Regulations) Act 1956 and rules made thereunder.
  - (ii) The Depositories Act 1996 and the Regulations, Bye laws framed thereunder.
  - (iii) Foreign Exchange Management Act 1999 and the rules and regulations thereunder.
  - (iv) The following regulations and Guidelines prescribed under Securities and Exchange Board of India (SEBI) Act, 1992.
    - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 2011.
    - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 2015.
    - (c) The Securities and Exchange Board of India (Issue and Listing of Securities) Regulations 2008.
    - (d) The Securities and Exchange Board of India (Registrar to an Issue and Share Transfer Agents) Regulations 1993.
    - (e) The Securities and Exchange Board of India (Issue of capital and Disclosure Requirements) Regulations 2009.
    - (f) The Securities and Exchange Board of India (Sharebased Employee Benefits) Regulations 2014.
    - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations 2009.
    - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations 1998.

The Company has generally complied with the provisions of Electricity Act, 2003 and the regulatory provisions thereunder.

I have also examined the compliance with Secretarial Standards in respect of meetings of Board of Directors (SS-1).

During the period under review the Company has complied with the provisions of the Act and Rules except to the extent noted below.



1. The Company has appointed only one independent Director.
2. The Audit Committee (though not in compliance with the provisions of the Act) has not met at all in 2015-16.
3. The Company did not constitute a Nomination and Remuneration Committee as mandated in Sec. 178(1) of the Act read with rule 6 of the Companies (Meetings of the Board and its Powers) Rules, 2014.
4. The Company has not established a vigil mechanism as mandated in Sec. 177 (7) of the Act read with rule 7 of the Companies (Meetings of the Board and its Powers) Rules, 2014.
5. A CSR Committee has been appointed subsequent to the year under report.

D. I further report that :-

1. The Board of Directors is duly constituted with Six Full Time Functional Directors, Two Senior IAS Officers and one independent Director (including two woman Director). The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act and the Articles of Association of the Company.
2. Generally one week notice is given to all Directors to schedule Board Meetings, agenda and detailed notes on agenda have been sent in advance and a system exists for seeking and obtaining further information and clarifications on agenda items before the meeting and for meaningful participation.
3. The agenda items are discussed in detail and a System exists for recording views/observations and recording dissent where necessary though decisions were generally by consensus.
4. **Section 118 (1) of the Companies Act 2013 mandates that “Every Company shall cause minutes of the proceedings of every general meeting of any class of Shareholders, or creditors and every resolution passed by postal ballot and every meeting of its Board of Directors or of any committee of the Board to be prepared and signed in such manner as may be prescribed .....”. This has to read with rule 3 (12) (c) of the Companies (Meetings of the Board and its Powers) Rules, 2014.**

**Since the matters/agenda for Board Meeting is very exhaustive, the Board as approved in the Board Meeting held on 29/05/2014 appointed a Committee of Full Time Directors to oversee and carry on the day to day functioning of the Company with clearly laid down delegation of powers. The company however has not kept a proper record of meetings of the Committee of Full Time Directors and its proceedings, except perhaps by way of passing references in notes to the Board.**

5. I further report that there are adequate systems and process in the Company commensurate with its size and operations to monitor and ensure compliance with applicable laws rules and guidelines.

Trivandrum  
01/09/2017

Sd/-  
**N.C. NAIR**  
Company Secretary  
FCS 750 C P No. 312  
Unique ID 11981KE006000

NOTE :- Please read this report along with my letter of even date.





**N.C. Nair, FCS., LLB, CAIIB**  
 Practicing Company Secretary

## ANNEXURE - A

The Members,  
 Kerala State Electricity Board Ltd.  
 Vidyuthi Bhavanam,  
 Pattom, Trivandrum – 695004

This letter is Annexure to my report of date

### Management's responsibility

1. It is the responsibility of the management of the Company to maintain Secretarial records, device proper systems and to ensure that the systems are adequate and operate effectively.

### Auditor's Responsibility

2. My responsibility is to express an opinion on these records standards and procedures followed by the Company with respect to Secretarial compliances.
3. I believe that audit evidence and information obtained from the management is adequate and appropriate to provide a basis for my opinion.
4. Wherever required I have obtained the managements representation about compliance of laws rules and regulations and happening of events.
5. I have not verified the correctness and appropriateness of financial records and books of accounts of the Company.
6. The compliance of the provisions of Corporate and other applicable laws, rules regulations standards is the responsibility of the management. My examination was limited to the verification of procedures on test basis.

### Disclaimer

The Secretarial Audit Report is neither an assurance as to the future viability of Company, nor of the effectiveness with which the management has conducted the affairs of the Company.

Trivandrum  
 01/09/2017

Sd/-  
**N.C. NAIR**  
 Company Secretary  
 FCS 750 C P No. 312  
 Unique ID 11981KE006000

MURTHY & CO. LLP  
( A Firm inaugurated Under indian LLP Act, 2008)

## **FORM CRA 3 COST AUDIT REPORT**

We, MURTHY & CO. LLP, Cost Accountants, having been appointed as Cost Auditors under Section 148(3) of the Companies Act, 2013 (18 of 2013) of M/s. KERALA STATE ELECTRICITY BOARD LIMITED having its registered office at VYDYUTHI BHAVANAM, PATTOM, THIRUVANANTHAPURAM-695004 (hereinafter referred to as the company), have audited the Cost Records maintained under section 148 of the said Act, in compliance with the Cost Accounting Standards, in respect of Products- Generation, Transmission and Distribution of Power for the year 2015-16, maintained by the company and report that,

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

(ii) In our opinion, proper cost records, as per rule 5 of the Companies (Cost Records and Audit) Rules, 2014, have been maintained by the company in respect of products/services under reference.

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

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

(v) In our opinion, the company has adequate system of internal audit of cost records which to our opinion is commensurate to its nature and size of its business.

(vi) In our opinion, information, statements in the annexure to this cost audit report gives a true and fair view of the cost of production of products/ services, cost of sales, margin and other information relating to products/ services under reference.

(vii) Detailed unit-wise and product/service wise cost statements and schedules thereto in respect of the products under reference of the company duly audited and certified by us are kept in the company.

2. Observations and suggestions, if any, of the Cost Auditor, relevant to the cost audit.

### **Budgetary Control System**

The company is preparing both Capital Budgets and Revenue Budgets to monitor and control both capital and revenue expenditure. The capital budget is prepared based on approved plan outlay of the company and the revenue budget is prepared based on past figures and trends. The budget estimates are finalized based on aggregate revenue requirement furnished to Kerala State Electricity Regulatory Commission.

## Internal Financial Controls over Financial Reporting

The company has an adequate internal financial control system over financial reporting and such internal financial controls were operating effectively as at 31st March 2016.

## Other observations

Cost accounting records maintained by the company are in accordance with the Generally Accepted Cost Accounting Principles and applicable Cost Accounting Standards issued by the Institute of Cost Accountants of India.

Annexure A4, D3 and D4 of the Cost Audit Report, which are required to be reported "Company as a whole" are based on the Audited Financial Statements.

Figures for reconciliation of indirect taxes (Annexure D6) are based on the monthly/quarterly/half-yearly returns submitted by the company to various authorities. However, we have not carried out the detailed audit of the same.

Previous year's figures are not audited by us.

**FOR MURTHY & CO. LLP  
COST ACCOUNTANTS  
FRN 000648**

Date: 15/11/17  
Place: Bangalore

**Sd/-  
RUPA ACHARYA  
DESIGNATED PARTNER  
FCMA 17805**

Annexure to the Cost Audit Report

PART - A

A1. General Information

1	Corporate identity number or foreign company registration number	U40100KL2011SGC027424
2	Name of company	KERALA STATE ELECTRICITY BOARD LIMITED
3	Address of registered office or of principal place of business in India of company	VYDYUTHI BHAVANAM, PATTOM, THIRUVANANTHAPURAM- 695004
4	Address of corporate office of company	VYDYUTHI BHAVANAM, PATTOM, THIRUVANANTHAPURAM- 695004
5	Email address of company	cmdkseb@kseb.in
6	Date of beginning of reporting Financial Year	01-04-2015
7	Date of end of reporting Financial Year	31-03-2016
8	Date of beginning of previous financial year	01-04-2014
9	Date of end of previous financial year	31-03-2015
10	Level of rounding used in cost statements	IN LAKHS
11	Reporting currency of entity	INR
12	Number of cost auditors for the reporting period	ONE
13	Date of board of directors meeting in which annexure to cost audit report was approved	15/11/2017
14	Whether cost auditors report has been qualified or has any reservations or contains adverse remarks	NO
15	Consolidated qualifications, reservations or adverse remarks of all cost auditors	NIL
16	Consolidated observations or suggestions of all cost auditors	NA
17	Whether company has related party transactions for sale or purchase of goods or services	NO

**A2. General Details of Cost Auditor**

1	Whether cost auditor is lead auditor	Yes
2	Category of cost auditor	LLP FIRM
3	Firm's registration number	000648
4	Name of cost auditor/cost auditor's firm	MURTHY & CO. LLP
5	PAN of cost auditor/cost auditor's firm	AAVFM7050M
6	Address of cost auditor or cost auditor's firm	No 8, I FLOOR, 4TH MAIN, BEHIND RAMESHWARA TEMPLE, CHAMARAJPET, BANGALORE- 560018
7	Email id of cost auditor or cost auditor's firm	murthycollp@yahoo.in
8	Membership number of member signing report	17805
9	Name of member signing report	RUPA ACHARYA
10	Name(s) of product(s) or service(s) with CETA heading	GENERATION OF POWER- 2716 TRANSMISSION OF POWER- NIL DISTRIBUTION OF POWER- NIL
11	SRN number of Form CRA-2	G42562371
12	Number of audit committee meeting attended by cost auditor during year	NIL
13	Date of signing cost audit report and annexure by cost auditor	15/11/2017
14	Place of signing cost audit report and annexure by cost auditor	THIRUVANANTHAPURAM

**A3. Cost Accounting Policy.-**

<p>(1) Briefly describe the cost accounting policy adopted by the Company and its adequacy or otherwise to determine correctly the cost of production/operation, cost of sales, sales realization and margin of the product(s)/service(s) under reference separately for each product(s)/service(s). The policy shall cover, inter alia, the following areas:</p>	<p>The company has three strategic business segments namely Generation of Power, Transmission of Power and Distribution of Power. The generation circles are located at Moolamattom, Kothamangalam, Moozhiyar, Meencut, Thrissuretcgenerating power through hydro, thermal and wind sources etc. The company has also identified region wise transmission units (Transmission North and Transmission South) and region wise distribution units (Distribution North, Distribution Central and Distribution South). The Cost Accounting System adopted by the company for determination of cost of generation, cost of transmission and cost of distribution is on actual basis. The company does not keep separate set of books for cost records. The actual cost records are prepared based on financial accounting records. The company follows process costing system for preparation of cost records. The records maintained by the company are in line with the requirement of Cost Accounting Record Rules applicable to Electricity Industry. The cost records kept is on the basis of generally accepted cost accounting principles and practice followed in the industry and is also in agreement with the applicable cost accounting standards issued by the Institute of Cost Accountants of India from time to time and is also adequate to calculate cost of operation, cost of sales and margin.</p>
<p>(a) Identification of cost centres/cost objects and cost drivers.</p>	<p>The Company has three segments namely generation, transmission and distribution. The company has identified unit wise cost centers and also circle wise cost centers for generation units and region wise cost centers for both transmission and distribution units.</p>
<p>(b) Accounting for material cost including packing materials, stores and spares, employee cost, utilities and other relevant cost components.</p>	<p>Costs of Generation of Power are identified unit wise and all direct costs of generation are directly captured to the generation units. The common expenses are allocated to generating units as per the accepted principles followed. The total cost of power generated is transferred to transmission and distribution lines. Power purchased from outside sources is apportioned to transmission and distribution units. Costs of Transmission of Power &amp; Distribution of Power are identified unit wise and all direct costs of are directly captured to the transmission and distribution units. The common expenses are allocated as per accepted principles followed. Other indirect costs are identified circle wise for generation activity and region wise for transmission and distribution activity.</p>
<p>(c) Accounting, allocation and absorption of overheads. (d) Accounting for depreciation/amortization.</p>	<p>Allocated based on Generally Accepted Cost Accounting Principles and Practices. As the cost centers are identified unit wise all the expenses of that unit are identified to the respective segments. The factory and administration overheads are allocated based on direct conversion cost incurred. The corporate office expenses are allocated to generation, transmission and distribution units based on ratio prescribed PFC consulting limited, a subsidiary of Power Finance Corporation</p>

(d) Accounting for depreciation/amortization.	Depreciation is calculated on straight-line method up to 90% of the original cost of assets at the rates notified by the Central Electricity Regulatory Commission. Asset are depreciated to the extent of 90% of the cost of the asset and 10% is retained as residual value. The remaining depreciable value as on 31st March of the year closing after a period of 12 years from the date of commercial operation shall be spread over the balance useful life of the asset. Claw back of depreciation provided in the accounts on the assets created out of the contribution received from consumers as on 31.03.2014.
(e) Accounting for by-products/joint-products or services, scraps, wastage etc.	There is no by-product/joint-product and scraps etc.
(f) Basis for Inventory Valuation.	Fast moving stores and spares are valued at standard rates, determined by the company, in respect of items for which standard rates are fixed. Other items are valued at actual price. The difference between actual cost and standard rate is debited or credited to Material cost variance as the case may be. The credit balance under this account is transferred to Material cost variance reserve. The debit balance under Material Cost variance is transferred to Profit & Loss Account.
(g) Methodology for valuation of Inter-Unit/Inter Company and Related Party transactions.	There are no inter-unit transactions.
(h) Treatment of abnormal and non-recurring costs including classification of other non-cost items.	The abnormal costs are non-recurring item of expenditure which is excluded from the cost centers and are treated as non-cost items. The same are reconciled with financial profits.
(i) Other relevant cost accounting policy adopted by the Company.	Nil
(2) Briefly specify the changes, if any, made in the cost accounting policy for the product(s)/service(s) under audit during the current financial year as compared to the previous financial year.	No such changes
(3) Observations of the Cost Auditor regarding adequacy or otherwise of the Budgetary Control System, if any, followed by the company.	The company is preparing both Capital Budgets and Revenue Budgets to monitor and control both capital and revenue expenditure. The capital budget is prepared based on approved plan outlay of the company and the revenue budget is prepared based on past figures and trends. The budget estimates are finalized based on aggregate revenue requirement furnished to Kerala State Electricity Regulatory Commission.

**A4. PRODUCT GROUP DETAILS**

Sl. No.	Name of each Product Group	CETA Code	Rs. In Lakhs		Covered under Cost Audit
A	Revenue from the Sale of Power		2015-16	2014-15	
	Sale of Power	-	1091443.61	1011625.98	Yes
	<b>Total (A)</b>		<b>1091443.61</b>	<b>1011625.98</b>	
B	Services Groups				
C	Trading Activities				
D	Other Incomes		33271.33	29661.07	
E	<b>Total income as per Audited Annual Report</b>		<b>1124714.94</b>	<b>1041287.05</b>	

**B1. QUANTITATIVE INFORMATION**

 GENERATION OF POWER  
CETA- 2716

Particulars		Unit	2015-16	2014-15
<b>1. Available Capacity</b>				
	(a) Installed Capacity		2875.15 MW	2875.15 MW
	(b) Capacity enhanced during the year, if any			
	(c) Capacity available through leasing arrangements, if any			
	(d) Capacity available through loan license / third parties			
	<b>(e) Total available Capacity</b>			
<b>2. Actual Production</b>				
	(a) Self Manufactured	UNITS	6790553589	7134114100
	(b) Produced under leasing arrangements			
	(c) Produced on loan license / by third parties on job work			
	<b>(d) Total Production Quantity</b>	<b>UNITS</b>	<b>6790553589</b>	<b>7134114100</b>
<b>3. Production as per Excise Records</b>				
<b>4. Capacity Utilization</b>				
<b>5. Stock Purchased for Trading</b>				
	(a) Domestic Purchase	UNITS		
	(b) Imports			
	<b>(c) Total Purchases</b>	<b>UNITS</b>		



<b>6. Stock &amp; Other Adjustments</b>				
	(a) Power available for Transmission & Distribution	UNITS	6618748710	6646890432
	(b) Self / Captive Consumption	UNITS	36784294	351629000
	(c) Other Adjustments, if any	UNITS	135020585	135594668
	<b>(d) Total Adjustments</b>	<b>UNITS</b>	<b>6790553589</b>	<b>7134114100</b>
<b>7. Total Available Quantity for Sale</b>		<b>UNITS</b>	<b>0</b>	<b>0</b>
<b>8. Actual Sales</b>				
	(a) Domestic Sales			
	(b) Export Sales			
	(c) Total Quantity Sold			

<b>B1. QUANTITATIVE INFORMATION</b>		<b>TRANSMISSION OF POWER CETA - NIL</b>		
<b>Particulars</b>	<b>Unit</b>	<b>2015-16</b>	<b>2014-15</b>	
<b>1. Stock Purchased for Trading</b>				
	(a) Domestic Purchase incl Power Recd from Generating stations	UNITS	22645796123	21605792913
	(b) Imports			
	<b>(c) Total Purchases</b>	<b>UNITS</b>	<b>22645796123</b>	<b>21605792913</b>
<b>2. Stock &amp; Other Adjustments</b>				
	(a) Power available for Distribution	UNITS	21537377427	20774800878
	(b) Self / Captive Consumption			
	(c) Other Adjustments, if any	UNITS	1108418696	830992035
	<b>(d) Total Adjustments</b>	<b>UNITS</b>	<b>22645796123</b>	<b>21605792913</b>
<b>3. Total Available Quantity for Sale</b>		<b>UNITS</b>	<b>0</b>	<b>0</b>
<b>4. Actual Sales</b>				
	(a) Domestic Sales			
	(b) Export Sales			
	<b>(c) Total Quantity Sold</b>			

**B1. QUANTITATIVE INFORMATION**
**DISTRIBUTION OF POWER  
CETA- NIL**

Particulars		Unit	2015-16	2014-15
<b>1. Stock Purchased for Trading</b>				
	(a) Power received from Transmission and Generating stations	UNITS	21537377427	20774800878
	(b) Imports			
	(c) Total Purchases	UNITS	21537377427	20774800878
<b>2. Stock &amp; Other Adjustments</b>				
	(a) Adjustment in stocks			
	(b) Self / Captive Consumption			
	(c) Other Adjustments, if any	UNITS	2023580719	1985978523
	<b>(d) Total Adjustments</b>	UNITS	<b>2023580719</b>	<b>1985978523</b>
<b>3. Total Available Quantity for Sale</b>		<b>UNITS</b>	<b>19513796708</b>	<b>18788822355</b>
<b>4. Actual Sales</b>				
	(a) Domestic Sales	UNITS	19513796708	18788822355
	(b) Export Sales			
	<b>(c) Total Quantity Sold</b>	UNITS	<b>19513796708</b>	<b>18788822355</b>

**B2. ABRIDGED COST STATEMENT**
**GENERATION OF POWER  
(HYDRO,THERMAL ETC)  
CETA- 2716**

Sl. No.	Particulars	2015-16		2014-15	
		Rs. In Lakhs	Avg Rate per unit	Rs. In Lakhs	Avg Rate per unit
1	Raw Material Consumed	10425.53	0.15	20991.20	0.29
2	Process Materials/Chemicals (Specify)				
3	Utilities				
4	Direct Employee Cost	14216.83	0.21	12124.33	0.17
5	Direct Expenses				
6	Consumables Stores & Spares				
7	Repairs & Maintenance	2602.17	0.04	2585.14	0.04
8	Quality Control Expenses				
9	Industry Specific Expenses				
10	Technical Know-how Fee / Royalty, if any				
11	Depreciation/Amortization	12204.91	0.18	11956.25	0.17
12	Other Overheads	6263.85	0.09	9637.99	0.14
<b>13</b>	<b>Total (1to12)</b>	<b>45713.29</b>	<b>0.67</b>	<b>57294.91</b>	<b>0.80</b>

14	Add/Less: Work-in-Progress Adjustments				
15	Less: Credit for Recoveries, if any				
16	Primary Packing Cost				
<b>17</b>	<b>Cost of Production</b>	<b>45713.29</b>	<b>0.67</b>	<b>57294.91</b>	<b>0.80</b>
18	(Increase)/Decrease in Stock of Finished Goods				
19	Less: Self/Captive Consumption	45713.29	0.67	57294.91	0.80
20	Power Purchases Cost				
<b>21</b>	<b>Cost of Goods Sold</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

**B2. ABRIDGED COST STATEMENT****TRANSMISSION OF POWER  
CETA- NIL**

Sl. No.	Particulars	2015-16		2014-15	
		Rs. In Lakhs	Avg Rate per unit	Rs. In Lakhs	Avg Rate per unit
1	Raw Material Consumed				
2	Process Materials/Chemicals (Specify)				
3	Utilities				
4	Direct Employee Cost	29253.58	0.13	24230.65	0.11
5	Direct Expenses				
6	Consumables Stores & Spares				
7	Repairs & Maintenance	4791.31	0.02	5471.12	0.03
8	Quality Control Expenses				
9	Industry Specific Expenses				
10	Technical Know-how Fee / Royalty, if any				
11	Depreciation/Amortization	13303.76	0.06	14134.39	0.07
12	Other Overheads	10004.39	0.04	11664.94	0.05
13	Total (1to12)	57353.04	0.25	55501.10	0.26
14	Add/Less: Work-in-Progress Adjustments				
15	Less: Credit for Recoveries, if any				
16	Primary Packing Cost				
17	Cost of Production	57353.04	0.25	55501.10	0.26
18	(Increase)/Decrease in Stock of Finished Goods				
19	Less: Self/Captive Consumption	57353.04	0.25	55501.10	0.26
20	Power Purchases Cost				
<b>21</b>	<b>Cost of Goods Sold</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

**B2. ABRIDGED COST STATEMENT**
**DISTRIBUTION OF POWER CETA- NIL**

Sl. No.	Particulars	2015-16		2014-15	
		Rs. In Lakhs	Avg Rate per unit	Rs. In Lakhs	Avg Rate per unit
1	Raw Material Consumed				
2	Process Materials/Chemicals (Specify)				
3	Utilities				
4	Direct Employee Cost	266982.84	1.37	235729.07	1.25
5	Direct Expenses	103066.33	0.53	112796.01	0.60
6	Consumables Stores & Spares				
7	Repairs & Maintenance	18582.16	0.10	16387.68	0.09
8	Quality Control Expenses				
9	Industry Specific Expenses				
10	Technical Know-how Fee / Royalty, if any				
11	Depreciation/Amortization	23613.45	0.12	19879.23	0.11
12	Other Overheads				
<b>13</b>	<b>Total (1to12)</b>	<b>412244.78</b>	<b>2.11</b>	<b>384791.99</b>	<b>2.05</b>
14	Add/Less: Work-in-Progress Adjustments				
15	Less: Credit for Recoveries, if any				
16	Primary Packing Cost				
<b>17</b>	<b>Cost of Production</b>	<b>412244.78</b>	<b>2.11</b>	<b>384791.99</b>	<b>2.05</b>
18	(Increase)/Decrease in Stock of Finished Goods				
19	Less: Self/Captive Consumption				
20	Power Purchases Cost	633681.62	3.25	678276.09	3.61
<b>21</b>	<b>Cost of Goods Sold</b>	<b>1045926.40</b>	<b>5.36</b>	<b>1063068.08</b>	<b>5.66</b>
22	Administrative Over heads	26115.18	0.13	17707.11	0.09
23	Secondary Packing Cost				
24	Selling & Distribution Overheads				
25	Interest & Financing Charges	75544.91	0.39	73911.46	0.39
<b>26</b>	<b>Cost of Sales</b>	<b>1147586.49</b>	<b>5.88</b>	<b>1154686.65</b>	<b>6.15</b>
27	Net Sales Realisation	1091443.61	5.59	1011625.98	5.38
<b>28</b>	<b>Margin as per Cost Accounts</b>	<b>-56142.88</b>	<b>-0.29</b>	<b>-143060.67</b>	<b>-0.76</b>

**D1. Product Profitability Analysis**

Rs. In Lakhs

Sl. No.	Particulars	Sales	Cost of Sales	Margin	Sales	Cost of Sales	Margin
		2015-16			2014-15		
1	Distribution of Power	1091443.61	1147586.49	-56142.88	1011625.98	1154686.65	-143060.67
	<b>Total</b>	<b>1091443.61</b>	<b>1147586.49</b>	<b>-56142.88</b>	<b>1011625.98</b>	<b>1154686.65</b>	<b>-143060.67</b>

**D2. PROFIT RECONCILIATION**

Rs. In Lakhs

Sl. No.	Particulars	2015-16	2014-15
1	Profit or Loss as per Cost Accounting Records	-56142.88	-143060.67
2	Add: Incomes not considered in cost accounts		
	Interest	1150.59	6397.63
	Income from Investment	10.79	
	Rebate Received	12355.11	13122.58
	Income from Sale of Scrap	4974.33	4003.29
	Misc Receipts	14780.52	6137.57
	Total Income not considered in Cost Records	33271.34	29661.07
3	Less: Expenses not considered in cost accounts		
	Material Cost Variance	7184.49	6780.75
	Bad & Doubtful Debts	1306.46	7315.63
	Misc Losses & Writeoffs	396.31	495.18
	Others	10.75	32.75
	Total Expenses not considered in Cost Records	8898.01	14624.31
4	Adjustment in Stocks between Finance and Cost Records		
5	Prior Period Income	440.09	733.71
6	Profit/ (Loss) as per Financial Accounts	-31329.46	-127290.20

**D3. VALUE ADDITION AND DISTRIBUTION OF EARNINGS**

Rs. In Lakhs

Sl. No.	Particulars	2015-16	2014-15
	Value Addition:		
1	Gross Sales	1091443.61	1011625.98
2	Less: Excise duty, etc.		
3	Net Sales	1091443.61	1011625.98
4	Add: Export Incentives		
5	Add/Less: Adjustment in Finished Stocks		
6	Less: Cost of bought out inputs		
	(a) Cost of Materials Consumed	10300.17	20835.74
	(b) Process Materials / Chemicals		
	(c) Consumption of Stores & Spares	125.35	155.46
	(d) Utilities	690.57	638.15
	(e) Others, if any	700212.19	743547.79
	Total Cost of bought out inputs	711328.28	765177.14
7	Value Added	380115.33	246448.84
8	Add: Income from any other sources	33271.33	29661.07
9	Earnings available for distribution	413386.66	276109.91
	<b>Distribution of Earnings to:</b>		
1	Employees as salaries & wages etc.	310453.25	272084.04
2	Company as retained funds- Depreciation	49122.12	45969.87
3	Interest	85140.75	85346.20
4	Profit / (Loss) as per Financial Accounts	-31329.46	-127290.20
5	Total distribution of earnings	413386.66	276109.91

#### D4. FINANCIAL POSITION & RATIO ANALYSIS

Sl. No.	Particulars	Rs. In Lakhs	
		2015-16	2014-15
<b>A.</b>	<b>Financial Position</b>		
1	Paid-up Capital	349905.00	349905.00
2	Reserves & Surplus	-78166.02	-80030.91
3	Long Term Borrowings	375350.89	369935.23
4	Gross Fixed Assets	2734649.61	2660805.54
5	Net Fixed Assets	2005523.08	1980801.14
6	(a) Current Assets	221529.72	194903.38
	(b) Less: Current Liabilities & Provisions	624879.08	572819.05
	(c) Net Current Assets	-403349.36	-377915.67
7	Capital Employed	1602173.72	1602885.47
8	Net Worth	271738.98	269874.09
<b>B.</b>	<b>Financial Performance</b>		
1	Net Sales	1091443.61	1011625.98
2	Value Added	380115.33	246448.84
3	Profit before Tax (PBT)- As per Finance	-31329.46	-127290.20
<b>C.</b>	<b>Profitability Ratios</b>		
1	PBT to Capital Employed (%)	-1.96	-7.94
2	PBT to Net Worth (%)	-11.53	-47.17
3	PBT to Net Sales (%)	-2.87	-12.58
4	PBT to Value Added (%)	-8.24	-51.65
<b>D.</b>	<b>Other Financial Ratios</b>		
1	Debt-Equity Ratio	1.38	1.37
2	Current Ratio	0.35	0.34
3	Value Added to Net Sales (%)	34.83	24.36
<b>E.</b>	<b>Working Capital Ratios</b>		
1	Raw Materials Stock (Fuel) to Consumption (Months)	0.68	0.64

## D5. RELATED PARTY TRANSACTIONS

Sl. No.	Name of the Related Party	CIN / PAN	Name of the Product Group	Nature of Transaction	Qty	Rate	Amount	Basis adopted to determined the Transaction Price
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There are no related party transactions with regard to purchases and sales

## D6. INDIRECT TAX RECONCILIATION

Rs. In Lakhs

Particulars	Excise Duty	Service Tax	Cess	VAT
Total Clearances				
Domestic				
Export				
Stock Transfers (Net)				
Others				
Total				
Duties/Taxes Payable		192.68	13.76	170.61
Duties/Taxes Paid				
Cenvat/VAT Credit Utilities - Inputs				
Cenvat/VAT Credit Utilities - Capital Goods				
Cenvat/VAT Credit Utilities - Inputs Services				
Cenvat/VAT Credit Utilities - Others				
Total				
Paid through PLA/Cash		192.68	13.76	170.61
Total Duties/Taxes Paid		192.68	13.76	170.61
Duties/Taxes Recovered		192.68	13.76	170.61
Difference between Duties/Taxes Paid and Recovered				
Interest/Penalty/Fines Paid				

### AUTHENTICATION COVERS FROM ANNEXURES A1 TO D6

**FOR MURTHY & CO. LLP**  
**COST ACCOUNTANTS**  
**FRN 000648**

sd/-

**RUPA ACHARYA**  
 DESIGNATED PARTNER  
 FCMA 17805

**LEKHA G**  
 COMPANY SECRETARY

**BIJU. R FCA**  
 FA & CFO

**N.S. PILLAI IA & AS**  
 DIRECTOR (FINANCE)



## Performance Appraisal Report to the Management

### A. Key Contribution Analysis - Company as a Whole as per Cost Records for 2015-16 as compared with 2014-15 (For Generation, Transmission and Distribution Activity)

Particulars	2015-16		2014-15	
	Rs. In Lakhs	%	Rs. In Lakhs	%
<b>Revenue</b>				
Revenue from Sale of Power	1091443.61	100.00	1011625.98	100.00
<b>Total</b>	<b>1091443.61</b>	<b>100.00</b>	<b>1011625.98</b>	<b>100.00</b>
<b>Variable Costs</b>				
Material Cost	10425.53	0.96	20991.20	2.07
Power Purchase Cost	633681.62	58.06	678276.09	67.05
Direct Employee Costs	124181.30	11.38	108833.62	10.76
Repairs & Maintenance	25975.64	2.38	24443.94	2.42
<b>Total Variable Costs</b>	<b>794264.09</b>	<b>72.77</b>	<b>832544.85</b>	<b>82.30</b>
<b>Contribution</b>	<b>297179.52</b>	<b>27.23</b>	<b>179081.13</b>	<b>17.70</b>
<b>Fixed Costs</b>				
Employee Costs	186271.95	17.07	163250.43	16.14
Depreciation	49122.12	4.50	45969.87	4.54
Administrative Overheads	42383.42	3.88	39010.04	3.86
Interest	75544.91	6.92	73911.46	7.31
<b>Total Fixed Costs</b>	<b>353322.40</b>	<b>32.37</b>	<b>322141.80</b>	<b>31.84</b>
<b>Margin as per Cost Records</b>	<b>-56142.88</b>	<b>-5.14</b>	<b>-143060.67</b>	<b>-14.14</b>
<b>Particulars</b>	<b>2015-16</b>		<b>2014-15</b>	
	<b>Rs. In Lakhs</b>	<b>%</b>	<b>Rs. In Lakhs</b>	<b>%</b>
Add: Income not considered in Cost Records	33711.43		30394.78	
Less: Expenses not considered in Cost Records	8898.01		14624.31	
<b>Profit/ (Loss) as per Financial Accounts</b>	<b>-31329.46</b>		<b>-127290.20</b>	

It can be seen from the above analysis that the net revenue has increased by 7.89% over previous year. The variable cost as a percentage to net revenue has reduced from 82.30% to 72.77% in the current year. The main reason for the same is due to reduction in power purchase cost which has reduced from 67.05% to 58.06%. The average power purchase cost per unit has also reduced from 4.63 per MU to 3.99 per MU in the current year. With the result, the contribution margin as per cost records has increased by 65.95% over previous year.

Fixed cost during the current year has increased by 9.68% over previous year. The major increase can be seen in Employee cost which has increased by 14.10% over previous year. The fixed costs as a percentage to net revenue has increased from 31.84% to 32.37%. With the above effect negative margin as per cost records has reduced from Rs. 143060.67 lakhs in 2014-15 to Rs. 56142.88 lakhs in the current year. With the present costs and selling prices, the breakeven revenue required to be achieved has to increase by 18.89% over present revenue of Rs. 1091443.61 lakhs.

## B. Segment wise analysis as per Cost Records

### Distribution Activity

Particulars	2015-16		2014-15	
	Rs. In Lakhs	%	Rs. In Lakhs	%
Revenue	1091443.61	100.00%	1011625.98	100.00%
Less: Variable Costs	1022312.95	93.67%	1043188.85	103.12%
Contribution	69130.66	6.33%	-31562.87	-3.12%
Less: Fixed Costs	125273.54	11.48%	111497.80	11.02%
Margin as per Cost Records	-56142.88	-5.14%	-143060.67	<b>-14.14%</b>

### Generation Activity

Particulars	2015-16		2014-15	
	Rs. In Lakhs	%	Rs. In Lakhs	%
Variable Costs	27244.53	59.60%	35700.67	62.31%
Fixed Costs	18468.76	40.40%	21594.24	37.69%
Total Cost transferred to Distribution	45713.29	100.00%	57294.91	<b>100.00%</b>

### Transmission Activity

Particulars	2015-16		2014-15	
	Rs. In Lakhs	%	Rs. In Lakhs	%
Variable Costs	34044.89	59.36%	29701.77	53.52%
Fixed Costs	23308.15	40.64%	25799.33	46.48%
Total Cost transferred to Distribution	57353.04	100.00%	55501.10	<b>100.00%</b>

### C. Ratio Analysis

Particulars	Unit	2015-16	2014-15
PBT to Capital Employed	%	-1.96	-7.94
PBT to Net Sales (%)	%	-2.87	-12.58
Value Added to Net Sales	%	34.83	24.36
Debt Equity Ratio	Ratio	1.38	1.37

Debt Equity Ratio has slightly increased from 1.37 to 1.38 in 2015-16, indicating company's dependence on external funds for its operations. There is an increase in value added to net sales from 24.36% to 34.83% in the current year.

### D. Comparison on Budgets and actuals.

Rs. In Crores

Particulars	2015-16		2014-15	
	Budgets	Actuals	Budgets	Actuals
Revenue	10340.84	10914.44	8673.11	10116.26
Power Purchase Cost	6683.62	6336.82	6575.38	6782.76
Generation of Power	208.05	104.26	285.91	209.91
Repairs & Maintenance	283.41	259.76	315.94	244.44
Employee Costs	2228.26	3104.53	2042.25	2720.84
Interest	1027.01	851.41	1359.16	853.46

The total realisation from sale of power is Rs. 10914.44 crores as against the budgeted figure of Rs. 10340.84 crores. During the year 2015-16, the power purchase cost which was estimated at Rs. 6683.62 crores has come down to Rs. 6336.82 crores. The employee cost which was estimated at Rs. 2228.26 crores has increased to Rs. 3104.53 crores i.e. an increase of 39.33% which needs control.

### E. Quantity Analysis

In Million units

Particulars	2015-16	2014-15
Power Generated		
Hydel Energy	6639.02	7134.11
Wind Energy	1.38	1.06
Solar Energy	0.81	-
Thermal Energy	150.63	207.70
<b>Total Power Generated</b>	<b>6791.84</b>	<b>7342.87</b>

<b>Power Purchased</b>		
Thermal Energy	14143.82	12635.43
Nuclear Energy	949.37	1118.99
Other Source	804.57	884.03
<b>Total Power Purchased</b>	<b>15897.76</b>	<b>14638.45</b>
<b>Power Sold</b>		
Domestic	9943.48	9367.26
Commercial	2735.36	2418.28
Industrial	1103.23	1096.93
Agriculture	279.48	291.41
Streetlights	366.62	346.43
Others- HT	5085.63	5268.51
<b>Total Power Sold</b>	<b>19513.80</b>	<b>18788.82</b>

It can be seen from the above analysis that there is a reduction in the quantity of power generated from 7342.87 MU in 2014-15 to 6791.84 MU in the current year. Power purchased from outside source has increased by 8.60% over previous year. There is an increase in the total power sold by 3.86% over previous year.

**FOR MURTHY & CO. LLP**  
**COST ACCOUNTANTS**  
**FRN 000648**

Date:15/11/2017  
Place: Bangalore

Sd/-  
**RUPA ACHARYA**  
**DESIGNATED PARTNER**  
**FCMA 17805**

**REPLIES TO THE INDEPENDENT AUDIT REPORT OF THE STATUTORY  
AUDITORS ON THE ACCOUNTS OF KERALA STATE ELECTRICITY BOARD  
LIMITED, THIRUVANANTHAPURAM FOR THE YEAR ENDED 31ST MARCH 2016**

COMMENTS ON ACCOUNTS	REPLIES OF THE BOARD
<p>1. The figures reported and notified under the opening balance sheet as per G.O (P) No.3/2015/PD dt. 28/01/2015 does not have detailed break-up of items such as Stock, Debtors, Fixed Assets, Creditors, Advances paid, Advances received, remittances in transit, provisions etc. of erstwhile KSEB, and therefore the impact cannot be quantified or assessable.</p>	<p>The opening balance as on 01.11.2013 was notified by the Government on revesting of erstwhile KSE Board into the Company viz. KSEB Ltd. Thereafter two balance sheets were prepared (i.e as on 31.03.2014 and 31.03.2015) and duly audited by the statutory auditors as well as supplementary audit conducted by the C&amp;AG. The company is having an accounting software programme 'SARAS' in which all the ledgers, subsidiary registers and party wise registers are available. The closing balance for 2014-15, which was subjected to statutory audit as well as supplementary audit, is taken as the opening balance for the financial year 2015-16, which is fully verified by the audit team. As all the details are available in the accounting programme, it is immaterial for the current financial year whether the opening balance sheet issued by the Government as on 01.11.2013 contains detailed break up or not.</p>
<p>2. G.P.F balances are subject to reconciliation and confirmation with the subsidiary registers and records in the GPF Section as on March 31, 2016. Also the interest on GPF is being provided on the basis of estimated figures due to the non-availability of actual interest of individual P F accounts of employees of the company and therefore the GPF balances as on March 31, 2016 is subject to the adjustment in respect of the differences between the actual and estimated interest. In the absence of necessary information the impact of this could not be quantified</p>	<p>The recovery made by the ARUs and the payments made from GPF is being accounted by the ARUs in the account head allotted for the same. Similarly the monthly schedules are being forwarded to the GPF section in the head office for maintaining the individual PF ledger accounts. At the time of finalization of the accounts of the year the actual interest calculation of individual PF accounts of employees of the company were not completed. Hence the interest on G.P.F is being provided in the accounts on the basis of estimated interest furnished by the G.P.F Section. When the actual interest calculation of the entire employee is completed, the short fall if any will be provided in the succeeding financial year. This procedure is being regularly followed by the company. The difference if any will be only on account of the difference between the actual interest and the estimated one, which is being rectified in due course and the difference if any will not be material.</p>

<p>3 As per the financial statements of Kerala Power Finance Corporation Limited, number of shares of KSEBL excluding bonus shares is 95,00,000 shares. However, as per accounts of the Company, the investment in Kerala Power Finance Corporation Limited is 95,00,100 shares. On physical verification of Share certificates, share certificates for 100 shares of Rs.10 each in respect of Kerala Power Finance Corporation Limited are not available.</p>	<p>The balance in investment account is being carried out from the previous years. The company has not made any fresh investment during the year. The investment in KPFC was made in the financial year 1999-2000. ₹1,000 may be initial expenditure for acquiring the shares, which is being verified and necessary correction in number of shares will be made. The amount involved is only ₹1,000/- and not material.</p>
<p>4. In Note No.15 Loans and advances - Others includes: -  a) An amount of Rs.64,24,05,617/- being Interest bearing loan to Energy Management Centre. As per the information and explanation received from the Company, it has not provided interest on this loan since there is uncertainty in the realization of interest. As per the terms and condition, the loan is repayable by Energy Management Centre only if the Certified Emission Reduction is available from UNFCC to obtain Carbon credit. As per the information available from the management, Energy Management Centre has not obtained carbon credit as on date. Hence there is uncertainty in the realization of advance. However, no provision has been created for this balance which is doubtful of realization.</p>	<p>The accounts are being prepared by following conservative principles in accounting. As per the Accounting standard 9 if there is any uncertainty in the realization of revenue that amount need not be accounted as revenue. Hence provision for interest is not credited in the accounts.</p> <p>As per the terms and condition, the loan is repayable only if the Certified Emission Reduction (CER) is available from UNFCC (to obtain Carbon Credit). If the CER is not being allotted to EMC, EMC cannot be requested to repay the advance by KSEB and the entire cost will be borne by KSEB from its budgetary resources. Action is being taken to ascertain the possibility of obtain Carbon Credit with the EMC. EMC being a fully owned Government of Kerala undertaking and the company has no doubt about its realization, provision has not been made.</p>
<p>b) In ARU 956  1. <b>Coastal Tamil Nadu Power Limited:</b> As per the confirmation from the party, the total advances owing to KSEBL are Rs.10,26,80,746 (Contribution to Land Rs 6,26,80,746 and Commitment advance Rs 4,00,00,000). In the accounts of KSEBL the total advance is Rs 9,26,80,746/-. The difference of Rs 1,00,00,000 cannot be verified as the Company does not furnish any documents relating to loan advanced.</p>	<p>The advance given was ₹9,26,80,746/- . The difference is due to the omission in accounting the interest on commitment advance at the O/o the Secretary (Administration). The ARU had reported that the actual interest receivable as on 31.03.2016 is ₹2,21, 59,660/- instead of ₹2,20,75,037/- confirmed by the party. The total interest of ₹2.22 crores is accounted in the books of accounts in 3/2015 and 7/2016 vide journal nos. 36 and 28 respectively. The difference is only ₹84,623/-, which had already been taken up with the party for rectification.</p>

<p>2. No interest has been provided in the accounts on Advance given to Coastal Tamil Nadu Power Limited, Ghogarpalli Integrated Power Company Limited and Tatiya Andhra Mega Power Limited for the year 2015-16; we are unable to quantify the Interest amount since the company has not provided loan documents for verification.</p>	<p>The interest payable to KSEB Ltd. as per the confirmation received from the party is ₹85,74,781/-. The ARU had reported that out of ₹85,74,781/-, ₹68.81 lacs is already accounted in the books of accounts vide Jl. No.36 of 3/2015 and the balance ₹16.94 lakhs is accounted vide Jl. No.27 of 07/2016. The amounts have already been accounted and the short provision for the financial year 2015-16 is only ₹16.94 lacs.</p>
<p>5. a) Attention is invited to item No.38.6 (b) and (c) of the Accounting Policy in which it was mentioned that “Asset are depreciated to the extent of 90% of the cost of the asset and 10% is retained as residual value.” and “the remaining depreciable value as on 31st march of the year closing after a period of 12 years from the date of commercial operation shall be spread over the balance useful life of the asset.” However due to lack of necessary information (date purchase of asset, useful life etc.) we are not able to verify the same.</p>	<p>In KSEB, proper bills, vouchers and all supporting documents are available for each and every transaction made during the year. As per the procedure all capital expenditure shall be accounted for through capital work-in-progress accounts. On commissioning of the assets, the expenditure shall be transferred to appropriate fixed asset accounts. When movable asset not requiring erection are purchased, GRN based on the purchase invoice are prepared and initially booked under capital work in progress account (i.e., a/c code. 14XXX). Later the original invoice with proper certificate of receipt and verification along with GRN, CRCS and other relevant documents are submitted to the ARU for passing and payments and accounting. The depreciation is being calculated at the head office on the basis of yearly addition of fixed assets made at the ARUs. Separate classification is there in the chart of accounts for accounting each category of assets. In this connection it may also be noted that depreciation calculation as mentioned in the accounting policy is on the asset addition as a whole during the year. As pro-rata depreciation is not being calculated, the date of addition of the fixed asset is not relevant while calculating the depreciation. The same methodology is being regularly followed by KSEB during past two decades and approved by statutory and C&amp;AG audit during these years.</p>

<p>5. b) Depreciation shall be calculated annually based on straight line method and at rates specified in Appendix III to the CERC regulation for the assets of the generation station and transmission system. The company has been charging depreciation as per rates prescribed by Central Electricity Authority till 2012-13 &amp; as per CERC regulation from 2013-14 onwards. However in many cases, the rates as per CERC regulation and the actual rates applied are different. Furthermore, The Company is charging depreciation on the asset bought before 2012-13 at the rates prescribed in Central Electricity Authority. Cumulatively, this all has resulted in the understatement of depreciation, overstatement of fixed assets and understatement of loss by Rs.5,67,27,780</p>	<p>On becoming the company, the depreciation rates as per CERC norms are being used for calculating the depreciation for tariff as well as accounting purpose and is being regularly followed by KSEBL. Any difference in application of rates will be verified in detail and the short provision if any will be provided in future years. It may also be noted that the difference reported by audit is less than 1.12% of the depreciation provision for the year.</p>
<p>5. c) Depreciation on additions to fixed assets is charged in the year subsequent to the year in which the asset is put to use which is not in conformity with Accounting Standard - 6 "Depreciation Accounting", the effect of which in the financial statements of the company for the year is not ascertainable.</p>	<p>Depreciation is being provided as per the accounting policies prescribed in this regard as per Electricity Supply (Annual Accounts) Rules 1985 saved as per provisions of Electricity Act 2003. This fact is properly disclosed in the notes to accounts.</p>
<p>5. d) The company is following a policy, wherein wrong grouping of assets are reversed in the year in which it is detected and negative depreciation is provided on the assets from thereon on SLM basis. The depreciation on some of the assets is negative as a result of wrong grouping and its subsequent reversal. This has resulted in an understatement of depreciation by Rs 1,88,24,042.</p>	<p>Please refer the reply to para 5(a) above. The addition of fixed assets is being carried out at 140 ARUs spread all over Kerala. The wrong grouping in fixed assets account groups if any, in any of the ARUs will be corrected on detection of the errors. Such corrections may result in additional depreciation in one asset group as well as deduction of depreciation in another group. However it may be noted that the reported corrections is only 0.38% of the total depreciation for the year 2015-16 and will not affect the true and fair view of the statement of accounts. Wherever errors are occurred in booking, which are subsequently detected, the same is corrected in the subsequent accounts to present realistic picture.</p>



<p>5. e) The fixed assets on which depreciation has been charged does not tally with the fixed assets as per financial statements. Hence we are unable to verify whether depreciation has been charged on all the assets.</p>	<p>In KSEB the depreciation is being calculated by taking the asset as on 31.03.1999 as a whole block and the depreciation for each year addition in fixed assets is being calculated separately. Each year addition in fixed assets is correctly tallying with the asset addition as per the statement of fixed assets and the audit can verify the same from the calculation sheets provided. The only difference is in the year of re-vesting (i.e. 2013), where the Government had made certain changes in the fixed assets value. However KSEBL had not provided any depreciation on the change in values made by the Government during 2013. In all the other years including the year of audit, the addition to fixed assets as per depreciation calculation sheets are tallying with the fixed asset schedule.</p>
<p>5. f) In some ARU's visited by us (ARU 307,381,332,341,343,383,325,956,103) some of the assets acquired are booked as revenue expenditure resulting in overstatement of expenses and understatement of fixed assets amounting to Rs. 31,11,874/-. However due to non availability of information from ARUs not visited by us, we are unable to quantify the same.</p>	<p>KSEB Ltd. is having 140 ARUs across Kerala and the primary books of accounts are being maintained. The audit party has visited 29 ARUs during the course of audit. The accounting mistakes noticed are being corrected in due course. The reported misclassification is only .00003% of the total expenditure and is not material. The Board is of the opinion that the audit had generalised some stray cases of misclassification in booking expenditure in some of the ARUs without even considering the materiality.</p>
<p>5. g) In respect of ARUs visited by us, it is noticed that no standard norms are being followed by ARU's with regard to treatment of an item as consumption of material or asset like rain coat, gloves, safety helmets, earth rods etc. Due to non-availability of information from ARUs not visited by us, we are unable to quantify the same.</p>	<p>The above said items are safety equipments given to the workers. As per the existing policy, items valuing up to ₹500/- is to be written off as revenue expenditure. However since the policy was formulated before two decades, this need revision. It may be noted that these safety items are low value items having life period of around one year and is to be charged as expenditure.</p>
<p>5. h) Title deeds of immovable properties were not produced for our verification.</p>	<p>KSEB Ltd. is having land and land rights with book value of ₹1732.06 crore as on 31.03.2016 spread across Kerala. The land is accounted in various ARUs and is under the control of various ARU Officers. Separate Land Management Unit is functioning at the head office where the details of land are being maintained and monitored. Reasonable internal control is being exercised over the landed property.</p>

<p>6. a) Company has accounted deferred income on the additions of depreciable assets created out of Capital Grants and Contribution from consumers amounting to Rs.26,40,62,387.00 as clawing back of fixed assets by crediting other income and debiting Grant. As per Accounting Standard 12 issued by the Institute of Chartered Accountants of India the same need to be shown separately in the profit and loss account as depreciation written back. The wrong grouping of same as other income has resulted in overstatement of other income and understatement of depreciation written back. The computation of the same and list of assets acquired out of contribution from customers and Capital Grants received were not made available for our verification.</p>	<p>The amount equivalent to the depreciation charged on assets created out of contribution/ grants were worked out and transferred to income vide JI. No. J 58 of 2015-16. The amount is credited to other income in the P&amp;L account and there is no understatement/ overstatement of profits in this regard. All the workings are available with the Company.</p>						
<p>6. b) The Company has wrongly accounted sale of fixed assets under the heads either in miscellaneous receipts or in sale of scrap instead of deletion of fixed assets in ARU 102, ARU 208 and ARU 956. Hence, we are unable to quantify the profit or loss on sale of fixed assets. In addition to this, the Gross Block of Assets, WDV of Assets and Depreciation are overstated to that extent. The company has not disclosed the details of deletions during the year in Note.11. However due to lack of necessary information we are not able to quantify the same.</p>	<p>The sale of scrap during the year as reported by the ARUs is as under</p> <table border="0"> <tr> <td>LC 102</td> <td>- ₹80,68,816/-</td> </tr> <tr> <td>LC 208</td> <td>- ₹60,12,737/-</td> </tr> <tr> <td>LC 956</td> <td>- ₹83,531/-</td> </tr> </table> <p>As per the procedure, whenever the assets are decommissioned, the fixed assets are to be withdrawn. The non compliance in the ARU is being looked into. As the total assets of the company is ₹20055.23 crore, the above errors seems to be not material.</p>	LC 102	- ₹80,68,816/-	LC 208	- ₹60,12,737/-	LC 956	- ₹83,531/-
LC 102	- ₹80,68,816/-						
LC 208	- ₹60,12,737/-						
LC 956	- ₹83,531/-						
<p>6. c) We observed that the Location Code 852: Civil Circle, Kothamangalam has capitalized the interest and finance charges, employee cost and admin charges etc at HO, in the account head 10101- Land -Owned under full Title. The accounting treatment was found not in order as per the General Accounting Principles. Amount capitalized under various years totals to Rs.10,37,50,654/- [ Rs 4837184 (2012-13),Rs 9351467(2013-14) Rs 74991667(2014-15) and Rs.1,45,70,336 (2015-16)] in the accounts under the said head.</p> <p>The above amounts should have been accounted under Capital Work in Progress and to be capitalized on the basis of put to use or capitalisation.</p>	<p>Instructions are being issued to Civil Circle, Kothamangalam to rectify the errors at the earliest. The copy of the circular issued in this regard to the ARUs is attached for verification. The ARUs were instructed to apportion the same on the basis of capital expenditure incurred and to capitalise on the basis of capitalisation of the assets created. The head office circular as well as the method of apportionment to ARUs is readily available at the head office. The details of journal entries passed are readily available at the ARUs. The audit is requested to verify the same. The audit is requested to furnish the working papers and to quantify the item reported.</p>						

<p>6. d) The Company follows the procedure of capitalizing the interest, and finance charges and other expenses apportioned and proportionate advertisement charges in the succeeding financial year. But we observed that the ARUs have capitalized the amount without considering the extent the work already completed or put to use. This may have an impact in the depreciation accounting also. The accounting policy followed in capitalizing any directly attributable cost of bringing the asset to the working condition for its intended use is in contrary to the Accounting Standard 10. However due to lack of necessary information we are not able to quantify the same.</p>	<p>Same as above</p>
<p>6. e) Company has not produced any documents for having assessed impairment of assets as required as per Accounting Standard 28.</p>	<p>Noted.</p>
<p>6. f) ARU 102-Total asset capitalized under account code 10535 - Auxiliaries for Hydel Power Plant amounts to ₹ 4,66,50,847. Out of this, an amount of ₹ 61,00,963 should be capitalized under different asset blocks. This was found to be in contrary to the identification of assets as per AS-10, the fixed asset purchased/constructed/installed. Also the accounting treatment may have depreciation impact as applicable.</p>	<p>Dy. Chief Engineer, Generation Circle (Thrissur) reported that the above misclassification in 2015-16 will be rectified in the year 2016-17. As it is the initial year of capitalisation, the depreciation calculation will not be affected as per the depreciation policy followed by the company. It may also be noted that the misclassification reported is only 13% of the said transaction and only 0.45% of the assets of the particular ARU.</p>
<p>6. g) During the year, the ARU 208 has commissioned a project-“1 MW Solar Power Plant”. The total contract value for the Project was Rs 6,99,00,000. The total capitalized value during the year amounts to Rs 5,59,20,000 ie,80% of the contract value. The ARU has thus undercapitalized the asset and liability to the extent of Rs1,39,80,000/- being the remaining 20% of the project</p>	<p>The Deputy Chief Engineer, Transmission Circle, Palakkad reported that though the contract amount is ₹6,99,00,000/- being a turnkey contract which includes cost for operation and maintenance of the plant for next 5 years, the agreement condition is being verified to assess the actual cost to be capitalised.</p>
<p>6. h) In some ARUs (ARU 854), the Company follows the accounting procedure of capitalizing employee cost and other administration and general expenses and other revenue expenditure to the fixed assets on annual basis though the unit doesn't have any qualifying asset capitalized.</p>	<p>Certain offices like Civil circles are formed exclusively for carrying out capital works. Accordingly the entire expenditure incurred in such ARUs are being capitalised and apportioned to the capital works being undertaken by that ARU. This practice is being regularly followed.</p>

<p>6. i) In ARU 956 an amount to ₹1,00,20,088/- is remaining unadjusted under Advances as 100% advance given to M/s Force Motors Limited in connection with purchase of 6 Nos. of Traveller, though the assets are already put to use by the Company.</p>	<p>The amount represents advance given for purchase of vehicles. Deputy Secretary (Administration) reported that the vehicles were allotted to various ARUs and the advance is not adjusted for want of final invoices. Action is being taken for final adjustment.</p>
<p>7. Bank balances includes bank accounts maintained at ARU's and other offices and most of the bank accounts maintained are subject to confirmation and reconciliation.</p>	<p>In ARUs, two types of bank accounts are being maintained. Collection accounts and disbursement accounts. The collection accounts are in the nature of non operative collection accounts, where only remittances are permitted. Collection agreements are there with all the Banks in which collection accounts are being maintained. As per the agreement condition, the entire amounts remitted into the collection accounts will be sweep transferred to the central collection account and then to the operative account maintained at head office. As per the agreement condition, the balance in collection account at the end of a particular day will be zero. As per the procedure in vogue, the reconciliation of collection accounts are being made at the ARUs.</p> <p>The disbursements of the funds are being made through the operative accounts maintained at the head office as well as ARUs. All the disbursement accounts are properly reconciled. The audit is requested to furnish the details of Bank accounts which are not reconciled and the differences in the bank balances with that of the ledger balance in respect of those bank accounts to initiate further action.</p>
<p>8. The Company has not properly adjusted the account "Stale cheques"(Code 46910); thereby long pending cheques issued are remained unadjusted under this account.</p>	<p>The procedure to be followed in treatment of stale cheque is clearly given in Commercial Accounting System Manual Volume V- Finance Part II - Cash and Bank, Chapter III- Disbursement (para 9). The ARUs are following the above procedure. The audit is requested to furnish the details of specific cases where ARUs not adjusted stale cheques for taking further action. The company is of the opinion that except in some stray cases, which are not material, the ARUs are following the above guidelines.</p>

<p>9. Inter Unit balance amounting to Rs.911.85 lakhs (Note No.22.6) is subject to reconciliation and further adjustments the effect of which on the financial results of the Company is not ascertainable.</p>	<p>Inter Unit balance in the accounts consists of balance in the Account group 31 to 39 in the 140 ARUs of KSE Board. These Account group are being used for booking transaction between different Account Rendering Units (ARUs) as well as between ARUs and Head office. The balance of Inter unit transaction is amount booked in the 140 ARUs and it is available in the Trial balance of ARUs. The reconciliation of inter unit balance is a continuous process and the company is in the process of identifying and clearing the inter unit balances. It is true that there is lot of items to be identified and cleared in the inter unit balances. However due to the large number of ARUs and large volume of transactions between the ARUs, the company was not able to clear the balances in full. The company is in the process of identifying and clearing inter unit balances by introducing online accounting system and once the same is introduced, the inter unit reconciliation will be made simple.</p>
<p>10. a) The amounts and balances lying under Long term borrowings, Other long term liabilities, Short term borrowings, Trade payables, Other short term liabilities, Trade receivables, Long term loans and advances, Other non-current assets, Short term loans and advances, Other current assets are subject to confirmation and reconciliation. The effect of the adjustment arising from reconciliation and settlement of old dues and possible loss which may arise on account of non-recovery or partial recovery of such dues is not ascertained. Thus we are unable to comment the impact thereof on the accounts and the loss for the period.</p> <p>However, in specific to ARU 954-“Special Officer Revenue”, the Debt collection Balancing(DCB) report generated by the ARU and the Debtors net balance as per accounts under account code 23 shows a huge difference of 1,34,70,17,776.70 (DCB-Rs 11,12,99,90,885 less net Account Code 23-Rs 9,78,29,73,108.30) remain un reconciled.</p>	<p>The long term borrowings are taken from nationalised/ scheduled banks, Power Finance Corporation, Rural Electrification Corporation and Life Insurance Corporation of India. These balances are fully reconciled and the balance confirmation is available with KSEB Ltd. there is a system of periodical reconciliation of trade payables in respect of power purchase liabilities and the duly signed reconciliation statement is available with KSEB Ltd. In KSEBL, the procedures of balance confirmation from the debtors are not in vogue. Being fully owned government entity, working under regulatory environment and the consumers are being billed at the rate specified by the regulatory commission, the supply invoices are being issued under statutory forms in which the consumer dues are clearly mentioned, the demand cum disconnection notice issued to the consumers itself can be considered as the balance conformation certificate. It may also be noted that the consumer strength of KSEBL is more than 1.10 crore. Hence obtaining any additional balance confirmation is not practically possible. In the case of advance to suppliers/contractors, normally no advance is being given to the contractors. Even if the advance is given in certain cases, the advance is against Bank</p>

	<p>Guarantee/ other corporate guarantees. Strict procedures are there in KSEBL for advance payments as well as its recovery. However KSEBL was ready to collect the balance confirmation certificate from randomly selected parties by the audit.</p> <p>Regarding the difference in DCB reported by the audit, Spl. Officer (Revenue) reported that a functional committee is entrusted to verify and reconcile the difference in DCB and accounts.</p>										
<p>10. b) Sundry Debtors, Advances to employees, EMD, Security Deposits paid are showing credit balance and EMD &amp; Security Deposits payable, Retention money Sundry Creditors are showing debit balances in some of the units verified. (ARU 343,332,341,381) for which no satisfactory explanation were given. Due to non-availability of information from ARUs not visited by us, we are not able to quantify the impact of the same on the accounts.</p>	<p>These balances show unnatural balances as the original advance is given in one ARU and its recovery is effected in other ARU. Till the adjustments of balances between the ARUs are properly adjusted through Inter Unit Transfer Notes (IUTN), the account head in individual ARU may show unnatural balance. However it may be noted that since the debit and credit balances are in the same account code, the items will get automatically rectified on consolidation of accounts.</p>										
<p>10. c) Cash balances in respect of ARUs 437, 397, 411 and 414 shows negative balance for which management offers no explanation.</p>	<p>The credit balance in the ARUs as on 31.03.2016 is as under</p> <table border="1" data-bbox="817 1038 1252 1272"> <thead> <tr> <th>ARU</th> <th>Credit Balance</th> </tr> </thead> <tbody> <tr> <td>397</td> <td>571</td> </tr> <tr> <td>411</td> <td>3,17,781</td> </tr> <tr> <td>414</td> <td>5,86,391</td> </tr> <tr> <td>437</td> <td>12,64,577</td> </tr> </tbody> </table> <p>Out of this ARU 397 and 437 are newly formed divisions and the credit balance may be due to the non receipt of opening IUTN from the parent ARU. In other two ARUs, the credit balance may be due to the wrong journal entries in transferring the amount to bank accounts. Reports have been called for from the ARUs and the internal audit wing is being intimated to verify the items in detail.</p>	ARU	Credit Balance	397	571	411	3,17,781	414	5,86,391	437	12,64,577
ARU	Credit Balance										
397	571										
411	3,17,781										
414	5,86,391										
437	12,64,577										



<p>10. d) The basis of preparation of ageing schedule of sundry debtors and break-up of Secured considered good, unsecured considered good and doubtful are not furnished for our verification.</p>	<p>The lion share of sundry debtors constitutes sundry debtors for sale of power. In respect of customers, adequate security deposit is there with KSEBL for adjusting any dues if any and as per procedure disconnection is to be effected if dues are not paid in time. Hence majority of the sundry debtors are secured and good. However in respect of Kerala Water Authority and certain other government departments, the disconnection procedure is not being effected due to the reasons beyond the control of the Company. Similarly in some cases, the disconnection and recovery of arrears is pending due to court cases. Except these three items, the other debtors are secured and good. It may be noted that out of the total receivables of ₹ 2382.10 crores as on 31.03.2016, a provision to the tune of ₹ 789.31 crore is already created in the previous years (i.e. a total provision of 33.13% of the gross receivable is already created).</p>
<p>10. e) In some of the units verified by us, certain account codes are showing both credit and debit balances. For the purpose of consolidation of final accounts only the net balance is taken, resulting in understatement of Current Assets and Current Liabilities. However due to non availability of information from ARUs not visited by us we are not able to quantify the impact of the same in the accounts.</p>	<p>On analysing the reasons for the debit and credit balances coming in the schedule under the same account code, it is noticed that the same is due to the duplication of the names under the schedule wrongly entered in the software, error in accounting and IUTN pending adjustments. Though occurrence of the same is rare in the normal course of business, it is true that the same is to be eliminated in full. However it may be noted that since the debit and credit balances in the same schedule under the same account code, the majority of the items will get automatically rectified on consolidation of accounts.</p>

<p>10. f) The Company is not properly accounting the work deposits received under account code 47, (ARU 203, ARU 208, ARU 851). No proper adjustment entries are made in these accounts on the completion of work. Huge balances are pending for adjustments for a long period of time. This has resulted in overstatement of deposit and understatement of Contribution, Grants and subsidies towards cost of capital assets. However due to non-availability of information from ARUs not visited by us, we are not able to quantify the impact of the same on the accounts.</p>	<p>The Contribution, Grants and Subsidies towards cost of Capital Assets are being treated in accordance with para 2.33 to 2.36 of part 2 - Accounting policies of Annexure III (Basic Accounting principles and policies) to the Electricity Supply Annual Accounts rules [ESAAR] 1985. Accordingly when work deposit is received, it is credited in account group 47- Deposit for Electrification, Service connection etc. On completion and capitalization of the work, the contribution received in this regard is being transferred from Account Group 47 to Account Group 55- contribution grants.</p> <p>It may be noted that the capital expenditure is being accounted in Account group 14- CWIP and on completion is being transferred to Account group 10 - Fixed Assets. The accounting of CWIP is based on the invoices/ work bills and hence non transferring of amounts from 47 group to 55 group has no impact on the capitalization of assets.</p>
<p>10. g) In ARU 954- the excess demand made to consumers by the ARU has been written off to the extent of Rs 13,06,46,115.74. The amounts written off by the ARU in the accounts were found not in line to the sanctioning made by the Board. Due to lack of proper details with the ARU for the amount written off, we are unable to comment on the impact of the same in the account.</p>	<p>The amount represents excess demand withdrawn from twelve consumers in the O/ o the Special Officer Revenue. Special Officer Revenue reported that all the details including the sanction orders for demand withdrawal are available at the ARU.</p>
<p>10. h) Material stock in respect of ARU 341, ARU 385, ARU 397, ARU 414 and ARU 453 shows negative balance to the extent of Rs.3,70,73,955.</p>	<p>The negative balance in MASA is mainly due to the difference material valuation, Non acceptance of IUTN etc. The ARUs had been intimated to verify the items in detail and to make necessary correction journal entries.</p>



<p>11. Note No 9 Other Short term liabilities include under the head other liabilities and provisions fixed asset value realized pending adjustment account, which was wrongly classified instead of adjusting the same against fixed assets. On Account of Non-adjustment of credit in the Fixed asset value realized pending adjustment account, fixed asset and other short term liabilities are overstated to the extent of Rs.15,96,21,345/-. The amount of depreciation to be reversed, if any, on such fixed assets could not be ascertained for want of details.</p>	<p>Though the value realised are accounted / transferred to account code 46.940, the final adjustment is pending for want of details such as Gross value of Fixed Assets sold, year of acquisition, year of sale etc from the ARUs. Action is being taken to update the fixed assets register. As the Gross fixed assets of the company as 31.03.2016 is ₹ 27,346.48 crores, the above reported amount is only 0.06% of the gross assets.</p>
<p>12. In respect of Contribution &amp; Grants as per Note 3, details of Grants received and utilized during this year were not furnished for our verification.</p>	<p>Contribution and grants received from consumers and other agencies have been booked in the ARUs where the amount received. In the case of consumer contribution this has been booked in the field units and in the case of grants received from both the Central and State Government booked in the Head office Units. At the time of audit the audit parties thoroughly checked the transaction related to the location code 999 and the auditors were explained all types of transaction including the grants and its utilisation. Grants received from the agencies were being utilised in the various schemes and this can be verified from the records of field units. Whenever the grant is received, the same is being accounted in the respective ARUs duly accompanied with all supporting documents.</p>
<p>13. In ARU 208 Govt. of Kerala has sanctioned a grant of Rs 4 Crores specifically for execution of 1MW grid connected Solar Power Plant at Kanjikode, Palakkad. The ARU has accounted the grant under Inter- unit transactions. Thus the ARU has not complied the accounting procedure required as per Accounting Standard 12, Accounting for Government Grants, resulting in the under statement of grant received related to the specific asset and understatement of other current assets.</p>	<p>The wrong accounting in Transmission Circle, Palakkad were rectified in the month of November 2016 vide Jl. No. UJE 25.</p>

<p>14. Company has provided expenditure towards deferred benefit scheme, gratuity and pensions which covers employees who are in the pay roll on the company on the basis of actual expenditure. It has been informed that actuarial valuation for pension and gratuity liabilities as at 31-3-2016 is not done and therefore the incremental liability as on the balance sheet date is unascertainable and accordingly there is an understatement of loss with corresponding understatement of liability to that extent and non-compliance of Accounting Standard 15 issued by The Institute of Chartered Accountants of India regarding "Employee Benefits".</p> <p>Company has adopted cash system for accounting of earned leave encashment to its retiring employees which in our opinion is not in accordance with mandatory Accounting Standard 15 issued by The Institute of Chartered Accountants of India regarding "Employee Benefits". Due to lack of necessary information, we are not in a position to quantify the amount of such liability as at 31st March, 2016.</p>	<p>Actuarial valuation was made only as on 31.03.2013 and no further Actuarial valuation was made by the company. This has been disclosed in the accounts. In the audit committee meeting held on 06.09.2016 it has been decided to take steps for actuarial valuation at the year ended 31.03.2017 to examine the sufficiency of the amount provided.</p>
<p>15. a) Note No.13 includes Capital Work in progress (14) and Advance to suppliers/ Contractors (capital) (25.1 to 25.9) amounting to Rs.1634.83 crores and Rs.105.36 crores respectively for which sub-schedule of various works, Stage of completion of works etc. were not furnished for our verification. Hence, we are not in a position to comment whether the amount includes any works actually completed during the year itself but pending capitalization. Due to lack of necessary information, we are not in a position to quantify the same in absolute terms and the possible impact of it in the accounts as on March 31, 2016.</p>	<p>In the company there is a foolproof mechanism to book the capital expenditure and payment of advance to suppliers and contractors. The capital work is being undertaken at the Account Rendering Units of the company spread all over Kerala. There are 140 ARUs in which the capital work is being carried out. All the details regarding capital works ( i.e from the preparation of estimate itself till the commissioning and capitalisation) is being maintained at the ARUs. The details to be maintained in this regard and procedure to be followed in incurring capital expenditure is detailed in Manual on Commercial Accounting System Volume III - Capital Expenditure and Fixed Assets. This is a general comment made not analysing the details and existing procedures in this regard.</p>
<p>15. b) Projects completed and put to use amounting to Rs. 13,12,13,324 in ARU 310 have not been capitalized in the absence of Completion Report Certificate resulting in understatement of fixed assets and depreciation.</p>	<p>As per the procedure, the amounts are to be transferred to the Fixed assets on completion and commissioning of the project. The matter is being taken up with Dy. Chief Engineer, Electrical Circle, Kozhikkode for necessary action.</p>

<p>15. c) Some of the projects ARU (103,854,851) where Completion Report Certificate has been issued are not capitalized resulting in understatement of fixed assets and depreciation.</p>	<p>The following amounts are reported by the audit as not capitalised.</p> <table border="1" data-bbox="821 308 1412 542"> <thead> <tr> <th>ARU Code</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>103</td> <td>2,85,959</td> </tr> <tr> <td>854</td> <td>1,40,713</td> </tr> <tr> <td>851</td> <td>68,41,258</td> </tr> <tr> <td>Total</td> <td>72,67,930</td> </tr> </tbody> </table> <p>It may please be noted that though non capitalisation/ delayed capitalisation is there, the quantum is immaterial as shown in the following table.</p> <table border="1" data-bbox="821 734 1412 1010"> <thead> <tr> <th>ARU Code</th> <th>Non Capitalisation</th> <th>Total Assets in ARU</th> <th>Impact on the assets of the ARU</th> </tr> </thead> <tbody> <tr> <td>103</td> <td>2,85,959</td> <td>2,44,44,77,791</td> <td>0.012%</td> </tr> <tr> <td>854</td> <td>1,40,713</td> <td>79,14,68,395</td> <td>0.018%</td> </tr> <tr> <td>851</td> <td>68,41,258</td> <td>63,42,54,759</td> <td>1.079%</td> </tr> <tr> <td>Total</td> <td>72,67,930</td> <td>3,87,02,00,945</td> <td>0.188%</td> </tr> </tbody> </table>	ARU Code	Amount	103	2,85,959	854	1,40,713	851	68,41,258	Total	72,67,930	ARU Code	Non Capitalisation	Total Assets in ARU	Impact on the assets of the ARU	103	2,85,959	2,44,44,77,791	0.012%	854	1,40,713	79,14,68,395	0.018%	851	68,41,258	63,42,54,759	1.079%	Total	72,67,930	3,87,02,00,945	0.188%
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<p>15. d) CWIP to the extent of Rs.2,29,672 is showing credit balance in two units ARU 405 and ARU 424.</p>	<p>This is being verified.</p>																														
<p>15. e) In ARU 203, there is huge balance of CWIP representing World Bank project for ₹ 57,26,00,185 pending for capitalization. Though the project has been completed and commissioned, the entire CWIP was not capitalized.</p>	<p>The matter is being verified. Necessary instructions will be issued to the ARU for capitalising the amounts after verification of the details.</p>																														
<p>15. f) In ARU 951, "Report on expenditure incurred by Kerala State Electricity Board (KSEB) on Dam Rehabilitation &amp; Improvement Project", shows total expenditure as on 31/03/2016 Rs 6,77,72,552. But the ledger code 1440 - Dam Rehabilitation and Improvement Project (DRIP) shows the net balance of Rs 6,84,41,579. The difference was not reconciled.</p>	<p>The figures as per accounts are duly supported by bills, vouchers and other supporting documents. The report is being verified to find out the difference.</p>																														
<p>15. g) Wrong entry was passed for capitalization of CWIP to the extent of Rs.1,65,39,124 in Thrissur East Division (ARU-391). This has resulted in understatement of Fixed asset &amp; Depreciation.</p>	<p>The Executive Engineer, Electrical Division Thrissur East reported the error occurred in capitalisation and the same will be rectified in due course.</p>																														

15. h) In ARU 323, 341 & 343 expenses incurred to the extent of ₹ 13,04,937 in connection with CWIP work is charged to revenue expenditure. CWIP value to that extent is understated.

The amount reported by the audit is as follows

ARU Code	Amount
323	6,31,106
341	3,64,220
343	1,30,925
Total	11,26,251

The items were verified in detail at the ARUs and the ARU Officers had reported that the actual wrong classification was only ₹ 7,61,306/- as follows and all the amounts were transferred to capital expenditure group in 11/2016.

ARU Code	Amount
323	3,31,941
341	2,98,440
343	1,30,925
Total	7,61,306

15. i) Various assets acquired by ARU 343 & 307 during the financial year 2015-16 is capitalized only in financial year 2016-17 resulting to understatement of assets and depreciation.

The items reported by audit is as follows

ARU Code	Amount	Capitalised in
307	18,091	Apr-16
343	71,743	Aug-16
Total	89,834	

The audit observation is noted. The Assets of the concerned ARUs and the percentage of the effect of the above wrong classification is as under

ARU Code	Amount	Total Fixed Assets as on 31.03.2016	Percentage of Difference
307	18,091	94,34,22,103	0.002%
343	71,743	81,67,26,420	0.009%
Total	89,834	1,76,01,48,523	0.005%

The capitalisation was done at later stage and the effect of non capitalisation is having least material impact.

16. Attention is invited to ItemNo.38.5 of Accounting Policy in which the allocation of revenue expenditure to capital work in progress is mentioned. Note 13 include revenue expenses pending allocation (15.2). During current year, an amount of Rs. 70,92,80,532/- has been capitalized out of this head. However details such as the basis of capitalization of this amount, under which block the same has been capitalized, depreciation provided on the same etc. were not made available for our verification. Hence we are not in a position to confirm the capitalization of the same and balance amount of revenue expenses pending allocation over capital works amounting to Rs.3,68,97,20,716/-

KSEB Ltd. is following the rules, policies and standards prescribed in Electricity Supply Annual Accounts rules [ESAAR] 1985, saved as per Section 185(2) d of Electricity Act 2003 for capitalisation of expenditure.

The capitalisation of expenditure is specified in following paras of Annexure III- Basic Accounting Policies and Principles in the ESAAR 1985, the relevant part are reproduced for easy reference.

“2.9 All employee costs in respect of the construction units shall be fully charged as cost of capital assets.

2.11 All expenses in respect of construction units shall be fully charged as cost of Capital assets.

2.94 Every year, a portion of the interest payable on the interest bearing borrowings which relate to financing of capital assets at construction stage i.e. till the point of commissioning of assets shall be computed in the manner prescribed in paragraph 1.42 Annexure V, if so directed by Central Government, be capitalized.

2.95 The amount of interest so computed and capitalized shall be reduced from the amount of interest for the year and only the balance amount shall be chargeable to the Revenue Account for the year

Para 1.42 of Annexure V is as follows.

“1.42 In computing the interest on funds utilised during construction stage of capital assets, the following factors shall be taken into consideration:

- (1) The full amount of interest payable for the year would be considered for the purpose.
- (2) Arrears of interest shall not distort the computation of interest on funds utilized in construction as these arrears are required to be debited to a Restructuring Account and then adjusted to surplus/ losses.

(3) In view of the difficulties in identifying a source to its use, no attempt shall be made for source-use identification.

(4) The exercise of computation of capitalisable interest shall be carried out at the head office of the Board.

5. This exercise shall be carried out considering rupees in thousands only”.

Similarly, Para 1.4 & 1.5 of annexure V is as follows.

1.4 Staff costs, material related expenses and other expenses which are chargeable to capital works shall be:

- (1) Identified to specific capital job wherever possible.
- (2) Failing which, identified to a specific group of capital jobs wherever possible (and within the group allocated on an ad-valorem basis).
- (3) Failing which, identified to a project wherever possible (and allocated on an ad-valorem basis over various jobs within the project).
- (4) Failing which, allocated on an ad-valorem basis over various projects and various jobs within each project.

Identification to one or more jobs should be done only if possible to identify without any allocation. In all other cases, ad-valorem allocation shall be adopted.

1.5 By ad- valorem basis is meant allocation of capitalisable expenses as a per cent of the capital expenditure incurred during the period on that job/ project (and not as a per cent of total capital expenditure on that job/ project including the expenditure incurred in the previous periods of allocation.

KSEB Ltd is consistently following the above accounting policies prescribed. Accordingly the expenditure incurred in construction ARUs are being fully capitalised by the ARU itself. In the case of other ARUs, where both

	<p>capital and O&amp;M works are being undertaken, the employee cost &amp; expenditure is being capitalised at a pre set percentage as below.</p> <p>Transmission      25%</p> <p>Distribution        5%</p> <p>Head Office Units      5%</p> <p>Similarly interest and finance charges is being capitalised at the head office as prescribed in the above accounting policies. These amounts are later allocated to the ARUs on the basis of actual capital expenditure incurred during the period for capitalisation in the concerned project/assets. All the workings and details are available with the Company.</p>
<p>17. Borrowings amounting to ₹ 3,753.51 crores includes both current and non current portion . However Company grouped the same as non current liability under Note No.4 -Long term borrowings. Current liability portion of the borrowing has not been segregated and separately disclosed as per the Schedule III requirements of the Companies Act, 2013. In the absence of the exact amount of the current portion of the borrowing, we are unable to quantify the extent of overstatement and understatement of the same under the Long term borrowings and the short term borrowings respectively as on March 31, 2016.</p>	<p>The Company had never defaulted any interest payments or principal repayments of the loans availed. The audit observation is noted for future compliance. However all the loan agreements containing the amount of loan, date of repayment etc. And all details regarding borrowings are readily available with the company.</p>
<p>18. Prepaid portion of insurance policies, Annual maintenance Contract etc. are not accounted by the Company which has resulted in overstatement of expenses and understatement of current assets by same amount. Due to lack of necessary information we are not in a position to quantify the same</p>	<p>The insurance policies in respect of fixed assets of the company are being renewed on the due dates. But prepaid portion is omitted to be brought to the books of accounts of the company. Since an amount of ₹ 25.22 lakhs only is paid during 2015-16 towards renewal of insurance policies, the prepaid portion involved will be negligible. Since the prepaid portion of the same has also not provided during previous years also, non provision during 2014-15 will not have any impact on the net profit/loss of the company.</p>

<p>19. The company has not provided outstanding expenses of 65 ARU's. Due to lack of necessary information we are not in a position to comment whether there is any omission of accounting of outstanding expenses of these units.</p>	<p>All ARUs has been directed to furnish the details of expenditure which are accrued but not accounted during the year for inclusion in the accounts at the time of compilation of accounts. The expenditure reported by the ARUs upto the consolidation of accounts has been provided at the head office. As the audit team had made very detailed audit of ARUs, audit was requested to quantify the omission if any in accounting the expenditure.</p>
<p>20. Company has not provided supporting documents for the data disclosed under Segment Reporting.</p>	<p>All working on the segment reporting are available with the Company.</p>
<p>21. Company has not provided supporting documents for the data disclosed under Contingent liabilities and commitments in the Note forming part of accounts. Further, the following has not been reported and disclosed in the accounts: a) Claims against the company not acknowledged as debt. b) Bank Guarantee issued to the Govt. of India.</p>	<p>The contingent liability in the notes forming part of accounts are disclosed in the financial statement on the basis of details collected from the field units and the collected details has been given to the auditors at the time of audit. (a)&amp; (b) is noted for future compliance.</p>
<p>22. For Investments, provision for diminution in value, if any, is not provided and the current value is also not disclosed.</p>	<p>The company has made investment in Kerala Power Finance Corporation, Baitarani West Coal Company Limited and Renewable Power Corporation of Kerala in earlier years. There is no diminution in value of this investment. Hence no disclosure is required.</p>
<p>23. Schedules given for various ledger accounts do not tally with the ledger figure in ARU 341 and 343. Due to non availability of information from ARUs not visited by us, we are not in a position to quantify the impact of the same on the accounts.</p>	<p>Some of the amounts were omitted to be entered in the subsidiary registers while preparing the subsidiary records. The ARUs and the software development team are being instructed to update the subsidiary registers properly. However this has no impact on the Annual Statement of Accounts of the company.</p>



<p>24. a) Pursuant to Note No. 18 regarding the valuation of Inventories, the treatment of damaged/obsolete and slow moving items and goods are not envisaged and disclosed and therefore the effect of the same in the accounts as on March 31,2016 is indeterminate. Also valuation in respect of certain Inventories is made at a lower of cost or standard rates instead of valuing at cost as per Accounting Standard 2 on 'Valuation of Inventories', the effect of which is not ascertainable in the absence of details.</p>	<p>The company is having a detailed manual on Commercial Accounting System VOLUME II - MATERIAL ACCOUNTING to establish consistent and effective policies and procedure to ensure proper financial management - especially in the area of Material Accounting at all levels in the Company. The policies and procedures contained in the manual will be followed in the Board unless specific exception is given under certain peculiar circumstances and the deviation has been approved in writing by the Financial Adviser.</p> <p>The treatment of obsolete stock is detailed in Section 14 of Chapter 1 Part II of the said manual.</p>
<p>24. b) The ARUs (ARU 103, ARU 854, ARU 203, ARU 102, ARU 851, ARU 904) are having differences in the stock value as per their stock report maintained and accounts.</p>	<p>Please refer reply to the para 24 (a) above. The procedure to be followed is detailed in the manual on material accounting. Any deviation in any of the ARUs will be looked into.</p>
<p>25. Vide Point No.28 of Annexure A to the Audit report for year 2013-14 the Statutory Auditor has qualified that "Debtors on Account of Rentals from Property in two units amounting to Rs.61,91,595/- is carried forward from earlier years, for which no provision has been made in the Accounts. Non provision of the same has resulted in understatement of loss to that extent". Since no details are available regarding the same for verification we are unable to comment the status of the same as on 31/03/2016.</p>	<p>The audit observation regarding the receivable booked under the account code 28.104 nomenclature -Rental from property in the ARU location code 321 and 952. This is a very old balance carrying from previous years. This may be verified and required adjustments if any will be provided during the financial year 2016-17.</p>
<p>26. Previous year's (2014-15) accounts have not been adopted in the Annual General Meeting.</p>	<p>The accounts were initially adopted by the Board for audit on 20.11.2015 and the accounts were given for audit on 18.12.2015. The AGM held on 29.09.2015 for adoption of the accounts was adjourned sine die for want of statutory audit certificate, Supplementary audit report and comments of the Principal Secretary (Finance), Government of Kerala.</p>
<p>27. Note no 23- Revenue from Operations under Miscellaneous Charges from consumers-This includes an amount of Rs.89,52,825 (A/c 61.711) being the Compounding Charges levied on consumers for theft of energy under Section152 of the Electricity Act during the year. The compounding fee collected from consumers has to be credited to the State Govt. This has resulted in overstatement of income and understatement of other current liabilities by Rs.89,52,825.</p>	<p>In the 2nd Audit Committee meeting held on 6th September 2016, it is decided that the compounding charges levied on consumers of theft of energy under section 152 of Electricity Act 2003 cannot be recognised as income in future years and to be recognised as payable to Government of Kerala and treated as adjustment against the dues receivable from Government. The compounding charges will be adjusted against the dues receivable from Government of Kerala in future.</p>

28. a) Refund of income tax for the year 2007-08 amounting to Rs.18,07,44,920 has been treated as income of the Company which has resulted in overstatement of income and current assets. No supporting documents were available for verification of interest portion of the same. Hence we are not in a position to quantify the same.  
 b) Other income includes Rs.1,57,80,926 being SRLDC Fees for the period 2009-14 as per the Computation Sheet intimated by POSOCO on 21/05/2015 and Rs.29,34,146 being SRLDC Fees for the period 2014-15 as per Computation Sheet intimated by POSOCO on 01/10/2015. This has resulted in overstatement of other income with corresponding understatement of prior period income by Rs.1,87,15,072/-

The refund amount received from the Income Tax department amounting to ₹180,744,920 was wrongly accounted as income of the company by the ARU. This may be verified and will be rectified during the financial year 2016-17.  
 Accounting standard 5 –“Net profit or loss for the period, prior period items and changes in accounting policies”, defines the term “prior period items” as income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods. The term does not include other adjustments necessitated by circumstances, which though related to prior periods were determined on the current period. The subject credit notes were issued during the current year based on the truing up orders and hence correctly classified in the current year.

29. In some ARUs ( ARU 203, 208) the sale proceeds of scrap, tender forms and other miscellaneous items are accounted as advances received. The income has not yet been recognized even on satisfying the income recognizing criteria as required under AS 9. This has resulted in understatement of income and over statement of advance to the extent of ₹11,97,100/-

On sale of scrap upon auction, the auctioneer is required to deposit a certain percentage. The sale proceeds is effected on full remittance of the amount on later stage. Till sale proceeds effects, the advance received in this regard is being booked under account code 46.922- . Advance Received for sale of Stores, Scrap, etc. The amount booked by the reported ARUs under account code 46.922 is as under.

ARU Code	Amount
103	-
203	10,36,200
208	1,60,900
801	-
904	-
Total	11,97,100

The total scrap sale of the company during the financial year 2015-16 is ₹ 20,63,39,946/- . Even if misclassification is there, the impact is only 0.58% of the total scrap sale.

<p>30. As per AS 5- Net profit or Loss for the period, prior period items and changes in Accounting policies, any income or expense which arise in the current period as a result of errors or omission in the preparation of the financial statements of one or more prior periods should be accounted as prior period item and should be disclosed separately in the accounts. In ARU 956 ₹11,32,60,806-Interest on Loan from PFC for RAPDRP scheme was not accounted during the year 2014-15. The interest shortfall during the year 2014-15 was accounted as current year expenditure and no separate disclosure are made in the accounts. Similarly in some ARUs (ARU 103, ARU 217) the rectification entries made for the year 2014-15 were accounted as current year expenditure.</p>	<p>The shortage in interest calculation during the year 2014-15 as pointed out by the audit were rectified in the O/o the Secretary (Administration) during the current year.</p> <p>Regarding the rectification in ARU 103 and 217, the amount involved is only ₹1.23 lacs and ₹2.88 lacs and is not material.</p>
<p>31. As per Lok adalath dated 08.08.2014, an amount of Rs.207.40 lakh being arrears of pole rent and interest receivable from Asianet Satellite Communications Ltd for the period 2011-12 to 2014-15 is not provided in the accounts. Also, for the year 2015-16, any amount receivable from the said party and other cable operators could not be quantified by us.</p>	<p>This is being verified in detail.</p>
<p>32. As per the minutes to 28th Board Meeting dated 29-09-2016, the interest for advance to M/s TRACO Cable Company Ltd was waived by the Board. The amount and period of interest on advance for the said party could not be quantified due to lack of proper information.</p>	<p>Considering that M/s Traco Cable company Ltd is PSU under the Government of Kerala, the Board in its meeting held on 29.09.2016, as a special case, has resolved to waive the interest on the amount of ₹ 7.538 crores released after statutory deduction as advance to the turn key contractor M/s TRACO cable company limited as per B.O.(FTD) No.1587/2016 dated 02.06.2016 for the ongoing wok of stringing 203.727 km LT ABC and 69.07 km HT ABC on existing supports included in the RAPDRP schemes Alappuzha, Cherthala Aroor and Kayamkulam. Accordingly the interest was not recovered and not credited to income of the company.</p>
<p>33. As per the minutes to 29th Board Meeting dated 08-11-2016, Board revised the pension and allied benefits of PTC Pensioners based on the Government Order G.O.(P)No 35/2016/Fin dated 05.03.2016. However, no provision has been made in the accounts for the year 2015-16.</p>	<p>The accounts for the year 2015-16 was compiled and placed before the Board on 17.05.2016. The pension revision of PTC pensioners was decided only in November 2016 hence not provided in the accounts. As the number of pensioners in this category is limited and the benefits are on the lower side, the pension revision arrears of PTC pensioners may not have material impact on the accounts of the company.</p>

<p>34. Note No. 16. Serial No: 3, Deferred cost Rs.93,67,86,784:- These expenditures are related to feasibility study of proposed projects. Once the project has sanctioned, these expenditures will be capitalized and if the project has not sanctioned, these expenditures will be written off in the statement of Profit &amp; Loss account. No supporting documents were furnished for verifying whether the projects are sanctioned or not sanctioned.</p>	<p>The deferred cost is the expenditure related to the feasibility study of the projects and the expenditure incurred before the commencement of a project. All records and orders of such projects are available in the concerned Accounting Rendering Units. Any final decision on sanctioning/abandonment has not been taken during the current financial year and hence no adjustment/transfer entry is required.</p>
<p>35. No adequate supporting documents were produced for journal entry<sup>61</sup> made by the Company in the Net TB. Hence we are not in a position to confirm the effect of the journal entry on various account :- Debit in NLC ₹2234,27,335/-, BSES ₹1169,08,154/, Power purchase ₹3331,11,200/- and Credit in NTPC ₹2220,89,887/- and PGCIL ₹4513,56,802/-</p>	<p>At the time of re-vesting process, a mistake was crept in the accounts in respect of purchase of power during the financial year 2013-14. Accordingly there was understatement of power purchase liability to the extent of Rs.33.31 Crore as well as wrong classification of entity wise liability. Hence this correction journal entry was incorporated in the accounts. All the detail are available with the company.</p>
<p>36. NLC issued credit Note for the excess AFC claim on 02/09/2015 and the company adjusted the same in the bill for September. However Company made a provision for power purchase from NLC amounting to Rs.85,58,598 /- being unadmitted amount of excess claim towards AFC in respect of TPS II stage II for the month of August 2015. This has resulted in overstatement of power purchase, Trade payable and loss by ₹85,58,598/-..</p>	<p>In order to avail the maximum rebate of 2% as per Power Purchase Agreement/TPA, KSEBL is liable to release the payment in the next day of the issue of invoice by NLC. NLC has raised the Power Purchase claim for August 2015 on 02/9/2015 and payment was effected on 03/9/2015, including the unadmitted portion of ₹85,58,598/. However the excess paid amount of ₹85,58,598/- has been adjusted from the payment released in October 2015 (relating to Sep. 2015 monthly invoice) and the credit note for the amount has been issued by NLC. Hence there was no understatement or overstatement of Power purchase cost during the year. Though NLC had withdrawn the claim through credit note, a provision of ₹85,58,598/- was erroneously made on closure of accounts causing overstatement of power purchase cost by ₹ 85,58,598/-. Necessary correction entries will be made in the Financial Year 2016-17. It may also be noted that the impact on the above is only 0.16% of the power purchase from NLC and only 0.013% of the total power purchase cost of the company.</p>

<p>37. Company has not provided power purchase expense payable to Philips Carbon Black Ltd for the year 2015-16. Since the provisional tariff i.e., Rs.2.02 per unit is available from Board Order and draft agreement and meter readings are also available, company could have made provision on the basis of this provisional tariff. We are not in a position to quantify the amount due to non-availability of method of computation.</p>	<p>M/s PCBL made an undertaking with KSEBL on 26.03.2011 for evacuating the electrical power generated from their co-generation plant. Provisional Tariff of Rs.2.02 per unit was agreed for the energy evacuated to KSEB grid till finalisation of Tariff petition by Hon'ble KSERC. PCBL had filed petition OP 02/2011 before KSERC for approval of tariff of Rs.4.86/kwh for the energy generated under subsection (1) (a) of section 62 of Electricity Act 2003. On 04.06.2013 PCBL requested before KSERC withdrawal of the above petition for resubmitting the same at appropriate time and permission was granted on 21.06.2013. M/s PCBL did not resubmit any petition for tariff determination till date. Subsequently on 07.04.2014 M/s PCBL applied for open access for contracted capacity of 7mw through the nodal agency and the same was granted w.e.f.15.05.2014 for one month (extended regularly till date) as per KSERC regulation 2013. M/s PCBL started injection of power for sale through IEX w.e.f 18.05.2014.</p> <p>As there is no power purchase from PCBL w.e.f. 18.05.2014, the question of making provision does not arise.</p>
<p>38.As per the information available from the company, a petition was filed before Central Electricity Regulatory Commission regarding hike in power purchase cost on account of pay revision of employees of NLC. CERC order came in favour of NLC admitting the payment of excess power purchase cost on account of pay revision of employees of NLC. However CERC has not issued any directions on the interest payable on wage revision. Company vide letter No.CML-EEI/2015/CE (C&amp;T)/NLC MINES /554 dated 01/08/2015 informed NLC that even though CERC has not issued any directions on the interest payable on wage revision, in accordance with an earlier CERC order dated 11-12-2012, the above claim on the interest on wage revision cannot be admitted. However Company provided an amount of Rs. 14,09,83,412 being disputed amount of interest on wage revision along with wage revision arrear. Due to lack of necessary information regarding the present status of the issue we are not in a position to comment on the provision for interest made by the Company.</p>	<p>The CERC has not yet decided the matter and is pending. As the status quo is being maintained no adjustment entry is required in the books of accounts</p>

39. The Company has not provided payables/receivables in respect of following power purchases which has resulted in understatement of power purchases and trade payables and corresponding understatement of loss amounting to ₹1,67,89,72,379/-

Sl. No.	Party	Amount (Rs)	Remarks
1	BSES - 41128	-2,55,78,098	FAC for the Tariff period ended 31/10/2015
2	NTPC-41101	1474123454	Revision bills
3	Maithon Power Limited-41165	-43,34,167	December 2015-March 15. Water charges.
4	NLC-41106 (meeting held on 3/12/2015 decided to pay the FERV)	86,43,233	FERV on guarantee fee for the period 2005-06 to 15-16
5	NPCIL Kaiga-41161	-32,81,452	Credit bill - difference in Tariff due to change in heavy water for the period 07/2005- 03/2008
6	NPCIL Kudankulam-41162	-57,04,662	Credit note for unit adjustment of March,2016
		3,69,36,870	Revised DSM and REA for the period 31/12/14 to 21/06/2015
		4,98,78,822	Return on equity tax difference for the year 15-16
		<b>Total 8,11,11,030</b>	
7	NPCIL MAPS-41105	40,15,217	Nuclear liability fund for the year 2015 as per DAE notification dated 08/12/2015
		25,17,888	Return on equity due to change in tax rate for the year 15-16
		<b>Total 65,33,105</b>	
8	APCPL-41151	-93,89,367	Energy Bill for March 2016
		-6,90,00,307	SFC, Revision of ECR, RLD charges for prior years.
		29,45,401	Revision of AFC and RLDC Charges for 2015-16
		<b>Total -7,54,44,273</b>	

(1) As observed by the audit, omission had occurred in making provision for ₹2,55,78,098/- related to fuel adjustment charge for the tariff period ended upto 31/10/2015 of M/s. BSES during the Financial Year 2015-16. Necessary correction entry shall be incorporated during the Financial Year 2016-17.

(2) to (11)

Audit may note that provisional accounts for 2015-16 were adopted by the Director Board on 17/5/2016. Though some claims / receivables are seen dated before approval of accounts by Board, they were received at KSEBL only after 17/5/2016 and hence these claims / credits were duly accounted in the Financial Year 2016-17.

It may also be noted that the impact of non accounting of the said items reported is only 0.022% of the power purchase cost of the company and is not a material item affecting the true and fair view of the accounts of the Board.



9	NTECL-41153	2,60,70,647	Capacity charges, energy charges and SFC for prior periods
		18,41,58,639	Reactive energy charges for the period 05.2.2016 to 21.02.16 and POC bill 4 and 3 for the period Jan 16-march 16
11	PTC-41110	69,70,261	Transmission charge for the period Jan 2016 to March 2016

40. During current year a provision has been created in respect of power purchase from PTC amounting to Rs. 30,44,41,899/- for which no supporting documents were available for our verification.

The total provision maintained in respect of M/s. PTC was for ₹31,23,17,564/-. The details of the provision created for ₹31.23 Crore is attached as Annexure-1. The audit observation may be dropped.

41. Any income or expense which arise in the current period as a result of errors or omission in the preparation of the financial statements of one or more prior periods should be accounted as prior period item and should be disclosed separately in the accounts. Company has accounted power purchases in respect of following parties as current year expenses for which Company made no provision in previous year. This has resulted in overstatement of power purchase expense and understatement of prior period expenditure and corresponding overstatement of current year's loss amounting to ₹ 43,74,28,189/-

Accounting standard 5 –“Net profit or loss for the period, prior period items and changes in accounting policies”, defines the term “prior period items” as income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods. The term does not include other adjustments necessitated by circumstances, which though related to prior periods were determined on the current period.

Thought the claims relates to the previous years, the claim was raised during the current financial year due to certain circumstances, which in effect were materialised only during the current financial year.

As these items are not due to any error or omission occurred during the previous financial years, there is no need to classify the above under prior period expenses. Accordingly the amounts were accounted in the current financial year. The observation of audit is not considering the intricacies of power sector.

Sl. No	Party	Amount ₹
1	BSES	8,94,49,353
2	NTPC	7,83,30,427
3	NLC	4,26,74,485
4	NPCIL Kaiga	11,97,761
5	APCPL	13,77,57,227
6	PGCIL	8,34,82,186
7	PTC	45,36,750

42. Company has adjusted credits/refund/ income pertaining to prior years in respect of following parties against power purchase expense of current year which was not accounted by the Company in previous year . Any income or expense which arise in the current period as a result of errors or omission in the preparation of the financial statements of one or more prior periods should be accounted as prior period item and should be disclosed separately in the accounts. This has resulted in understatement of power purchase expense and understatement of prior period income and corresponding understatement of current year's loss amounting to ₹1,26,23,84,505/-

Sl. No	Party	Amount ₹	Type of item
1	NTPC	1,02,85,42,732	Revision of charges
2	NPCIL Kudankulam	64,73,036	Unit adjustment bill for the month of March 2015
3	NPCIL Kaiga	12,27,419	Refund of RLDC fees and charges from 04/09- 03/14
4	APCPL	16,27,54,803	Refund of transmission charges paid by PGCIL from 07/11/13 to 30/06/2014 and interest thereof and Refund of Energy charges for the period from 2014-15
5	NTECL	2,27,99,264	Revision in Energy and capacity charges
6	PGCIL	4,05,87,251	Credit for April 2014 to December 2014 , STOA and MTOA for March 2015

Accounting standard 5 –“Net profit or loss for the period, prior period items and changes in accounting policies”, defines the term “prior period items” as income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods. The term does not include other adjustments necessitated by circumstances, which though related to prior periods were determined on the current period.

Though the claims relates to the previous years, the claim was raised during the current financial year due to certain circumstances, which in effect were materialised only during the current financial year.

As these items are not due to any error or omission occurred during the previous financial years, there is no need to classify the above under prior period expenses. Accordingly the amounts were accounted in the current financial year. The observation of audit is not considering the intricacies of power sector.



<p>43. As per the minutes to 30th Board Meeting dated 04/01/2017, Board of Directors of the Company decided to adjust the amount payable to Government towards electricity duty and guarantee commission against the amount receivable from government towards contribution to pension fund and subsidy for the period from 01/11/2013 to 31/03/2016. However adjustment regarding the same was not made in the accounts which has resulted in overstatement of electricity duty amounting to ₹17,94,33,71,731/- Due to lack of necessary information we are not in a position to quantify effect of non adjustment of same in other accounts</p>	<p>The accounts were compiled and initially approved by the company for audit on 17.05.2016 and the accounts were given for audit on 10.06.2016. The decision to adjust the payables and receivables was taken in the meeting held on 4.01.2017 and hence not incorporated in the company. The decision for netting off was taken with the details of payables and receivables which are accounted in the books of the company duly audited upto 31.03.2015 and subjected to audit in 2015-16. The company is unable to understand how the audit is come to such a conclusion as all the details are readily available with the company.</p>
<p>44. The impact for the qualifications made in the Statutory Report for the year 2014-15 and Comments made by the CAG has not been brought into accounts by the Company during the year 2015-16.</p>	<p>The provisional financial statement of the company for the financial year 2015-16 has been adopted by the company in the board meeting held on 17.05.2016. The audit certificate of the statutory auditors for the financial year 2014-15 certified on 03.10.2016 and the certificate of the supplementary audit of A.G. has not been received yet. Hence the observation of the statutory auditors and the C&amp;AG could not be included in the accounts of the company. Certain observations made by the statutory auditors could be rectified only in a time bound manner.</p>
<p>45. With the available data and information furnished by the Company and based on the ARUs visited by us, the effect of the above qualifications 1 to 54, on the Assets, Liabilities, Income and Expenditure could not be quantified.</p>	<p>The replies furnished on the audit observations made as detailed above may be seen. Most of the audit observations are seen made not considering the materiality concept. The audit was requested to consider the replies of the company and to quantify observations so that the readers of the financial statements can have better understanding.</p>

Sd/-  
**DIRECTOR**  
**(FINANCE)**

**REPLIES TO THE COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) OF THE COMPANIES ACT, 2013 ON THE ACCOUNTS OF KERALA STATE ELECTRICITY BOARD LIMITED, THIRUVANANTHAPURAM FOR THE YEAR ENDED 31ST MARCH 2016**

COMMENTS ON ACCOUNTS	REPLIES OF THE COMPANY
<b>A. COMMENT ON PROFITABILITY</b>	
<b>Statement of Profit and Loss for the year ended 31 march 2016</b>	
<b>1.1 Expenses-Purchase of power ₹ 633681.62 lakh</b>	
<p>Damodar Valley Corporation raised (July 2016) a differential Credit Note of ₹ (-17.66 lakh) due to revision of energy bill for the month of March 2016, considering total number of days for scheduling of power to the Company. This has not been accounted for the year 2015-16 resulting in overstatement of expenses for purchase of power and corresponding overstatement of loss to the extent of ₹17.66 lakh.</p>	<p>The energy bill for 3/2016 was raised for ₹3,70,37,424/- and the whole amount was booked in 3/2016 itself. The energy bill for 4/16 was raised during 5/16 for ₹25,15,94,927/- and the admissibility for the same was received on 11/5/2016 for ₹23,31,20,662/- (after deducting ₹1,67,07,773/- on account of unadmitted capacity charges and ₹17,66,492/- excess capacity charge paid for 3/2016). The revision for 3/16 was made in 7/16 and as per the revision on amount of ₹17,66,492/- was receivable to KSEBL. Hence a credit note for the same amount was issued by DVC vide No. Coml/Export/KSEBL/16-17/1193 dt: 13/7/2016 and admissibility was received vide Note No. CE (C&amp;T)/CMC-EE1-AEE3/DVC Bill/2016-17/407 dated 15/7/2016. Since this amount was already been deducted from the energy bill for 4/2017 and the credit note is adjusted against the same. Thus the credit note was accounted in the financial year 2016-17</p>
<b>1.2 Expenses-Repairs and Maintenance (Note 27) ₹ 25975.64 lakh</b>	
<p>This does not include ₹51.05 lakh being amount committed on various repairs and maintenance contracts but not accounted for during the year 2015-16. During test check of work bill details of all contracts in respect of 16 ARUs, Audit noticed that in 11 ARUs, bills in respect of works which have been completed/ measured/check measured before 31 March 2016 have not been accounted for during the year 2015-16. Non creation of known liability (bills considered upto October 2016) has therefore resulted in understatement of expenses and loss for the year to the extent of ₹ 51.05 lakh.</p>	<p>All ARUs has been directed to furnish the details of expenditure which are accrued but not accounted during the year for inclusion in the accounts at the time of compilation of accounts. The expenditure reported by the ARUs up to the consolidation of accounts has been provided at the head office. During the financial year 2015-16 the accounts were compiled and initially adopted at the board meeting held on 17.05.2016. The provisions reported from the ARUs up to that date were taken into account. KSEB Ltd. is having 140 Account Rendering Units across Kerala, where the bill passing and accounting is being carried out.</p>

Reasonable steps were taken by KSEBL to ensure that the expenditure accrued during a particular financial year is accounted in that financial year itself. The amount reported is not material with respect to the volume of business.

### 1.3 Expenses-Administrative and Other Expenses ₹. 32787.59 lakh

As per Regulation 34 of the notification regarding conditions of licence for existing distribution licensees, regulations 2006 of Kerala State Electricity Regulatory Commission (23 February 2006), "the licensee shall pay every year licence fee to the Commission at the rate of 0.03 per cent (subject to revision) of the revenue from sale of power stated in the certified financial statement of the previous year. The short payment/non-provision of licence fee to KSERC has resulted in understatement of prior period expenses to the extent of ₹43.43 lakh (2012-13 to 2014-15) and understatement of current year (2015-16) expenses to the extent of ₹17.05 lakh. This has resulted in understatement of loss to the extent of ₹60.48 lakh.

The matter of payment of license fee by KSEBL to KSERC as per the regulations of KSERC was under dispute from 2006 onwards as GoK, in exercise of powers conferred under section 108 of the Electricity Act 2003, vide the order dated G.O.(MS)NO.34/06/PD dated 16.12.2016 had issued policy directions to KSERC exempting KSEB from remitting license fee, in public interest. However, in view of the repeated directions of KSERC, company remitted the license fee under protest from the financial year 2011-12 onwards.

Subsequently, vide order G.O.(MS) No.25/15/PD dated 15.07.2015 withdraw the policy directive issued by Government as per clause(V) of G.O.(MS) No.34/2006/PD dated 16.12.2006 exempting the KSEB from remittance of license fee with effect from 15.07.2015. At the same time, vide clause (2) of the said order, GoK has also exempted KSEB from payment of arrear of license fee amounting to Rs.6.43 crore pertaining the period from 2006-07 to 2010-11. GoK has further ordered that license fee of ₹ 7.95 crore remitted by KSEB to KSERC during the period from 2011-12 to 2014-15 shall be adjusted towards the license fee to be remitted by KSEB Ltd in the ensuing years.

The above direction of GoK was subsequently revised on request of KSERC and the Government vide order dated 21.11.2016 issued a final order on license fee as follows:

- a. KSEB/KSEBL is exempted from remittance of license fee for the period from 2006-07 to 2010-11 only
- b. KSEBL is bound to remit license fee for the period from 2011-12 onwards. Hence the license fee remitted by KSEBL from 2011-12 onwards amounting to Rs.7.95 crore will be regularized towards the license fee payable for these years.
- c. KSEBL is not liable to pay interest for any arrears any license fee to KSERC for the above period.

	<p>Thus the dispute on payment of license fee from 2006 onwards had attained finality only on 21.11.2016. It is admitted that there is a difference in the license fee paid as per provisional accounts and license fee payable as per certified financial statements. The non remittance of balance fee as per certified financial statement was due to the fact that matter was under dispute and consideration of GoK. It may also be noted that the KSERC has not raised any demand on the difference license fee amount. In future KSEBL will make the license fee payments as per certified financial statements.</p>
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**B. COMMENTS ON FINANCIAL POSITION**

**Balance sheet as on 31st March 2016**

**2.1 Current Liabilities**

**Other Short Term Liabilities (Note 9)**

**Staff related liabilities and provisions ₹20116.15 lakh**

<p>2.1.1 This includes provision of ₹ 576 crore, created for revision of pay and allowances of workmen and officers of the Company with effect from July 2013 to March 2016. As per the long term settlement 2016 between the Company and the recognized Trade Unions, the additional financial commitment on account of the revision of pay and allowances was ₹19.83 crore per month. Hence the total liability on account of revision of pay and allowances was ₹654.39 crore (₹19.83x 33 Months). The short provision of ₹78.39 crore resulted in understatement of current liabilities and corresponding understatement of loss. .</p>	<p>The provision for pay revision provided during the financial year 2013-14, 2014-15 and 2015-16 were purely on estimated basis and an amount of ₹576 crore provided in the accounts. This has been disclosed in the accounting policy. It is a usual practice that the provision for the pay revision to be provided in the accounts as per the estimated basis on the basis of past data and the short provision of pay revision charged to the current year expenses in the year which the pay revision has been effected. However in the present case, the pay revision methodology and figures were crystallized during the financial year and the pay revision arrears were accurately calculated and provided in the accounts. The monthly commitment will be more during the last months and hence it will not be applicable for the entire period. As the pay revision has been effected during the year 2016-17, short provision, if any, will be charged during the year 2016-17.</p>
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## 2.2 Fixed Assets

### Tangible Assets(Notes 11)

#### 2.2.1 Lines, cable, network etc. (106 group) – Gross block ₹ 732261.18 lakh

This is overstated by ₹652.61 lakh being the amount wrongly capitalised (ARU 301). Wrong capitalisation was though detected in April 2016, before finalisation of accounts for the year 2015-16, necessary rectification, however, was not carried out in the books for 2015-16. Rectification entry has been passed in 2016-17 through UJE 13 in April 2016 by debiting Capital Work in Progress. Non rectification in the year 2015-16 has therefore resulted in overstatement of tangible asset with corresponding understatement of Capital Work in Progress – APDRP scheme (1487 group) by ₹652.61 lakh. Depreciation charged on the additions amounting to ₹34.50 lakh for previous years and ₹34.50 lakh for the current year has also not been withdrawn resulting in overstatement of loss by ₹68.96 lakh.)

APDRP Thiruvananthapuram City Scheme done by IRCON International Limited on turnkey basis was completed on 01.01.2013. Payments had been made through 151 CC bills totalling to ₹1266356387/-. The project was classified and measured in to 76 Rings. Completion Certificate cum Capitalization Sheet for 75 Rings had been prepared and capitalized in Account Head 10612 as detailed below.

(1) Journal No 107/31.03.2013	-	184546595
(2) Journal No 18/31.05.2013	-	85798423
(3) Journal No 71/31.03.2014	-	619218406
(4) Journal No 95/31.03.2015	-	308237882
(5) Journal No 13/30.04.2016	-	65260902
(Cr- rectification)		
(6) Journal No 16/05.07.2016	-	22390518
(7) Journal No 17/05.07.2016	-	95633074

Total Capitalized - 1250563996 value of extra items to be capitalized - Rs 15792391/-  
 Grand Total - Rs 1266356387/-

The over statement of Rs 65290904/- was occurred mainly due to the cancellation of incorrect value shown in CRCS of Ring Nos ER 08 @ Rs 4729844, MR 23 @ Rs 36021782, MR 16 @ Rs 19854137 and SR 23 @ Rs 4655141. This has not been sorted out before finalizing the accounts for the period 2015-16 and hence the correction entries have not been provided.

The depreciation for the period 2015-16 has been provided in the accounts on the basis of asset addition for the year 2014-15. No depreciation is charged for the assets capitalised during the current year and hence the wrong capitalisation reported has no impact on the profitability of the company during the year.

**2.2.2 Plant & Machinery ₹1295498.14 lakh**

As per the Accounting Standard 10-Accounting for Fixed Assets, "Material items retired from active use and held for disposal should be stated at the lower of their net book value and net realizable value and shown separately in the financial statements and Fixed asset should be eliminated from the financial statements on disposal or when no further benefit is expected from its use and disposal". The Company decided (June 2014) to decommission the 2 DG sets of Brahmapuram Diesel Power Plant (BDPP) as the said asset became unserviceable with effect from November 2011 due to crank pin seizure and breakdown. The technical committee assessed the realizable value of the scrap materials to the extent of ₹275.00 lakh in February 2015 which was again reassessed in July 2015 to ₹387.47 lakh. However, the Company has not disclosed separately these assets/ materials which were retired from active use long back and held for disposal.

Noted for future guidance.

**2.3 Capital Work In Progress (Note 13)**

**Capital Work in Progress ₹163482.80 lakh**

2.3.1. Government accorded (4 March 2016) approval for granting price variation for Sengulam Augmentation Scheme and Perumthenaruvi SHEP Scheme with a financial commitment not exceeding ₹441.74 lakh based on the DRIP formula as at 10 March 2015. Board of Directors of KSEBL resolved (26 Meeting dated 17 May 2016) to adopt the said Government directives and accorded sanction to work out the amount of price variation. Necessary liability arising there from, however, has not been provided in the books of accounts. This has resulted in understatement of Capital Work In Progress (14 group) and Liability for Materials/Works (42.100 sub group) to the extent of ₹441.74 lakh.

In the case of Sengulam Augmentation Scheme and Perunthenaruvi SHEP even though the approval for granting price variation is sanctioned the amount of price variation has not been claimed and disbursed as the works relating to the projects are still progressing and not yet completed.

In all the cases including Barapole SHEP and Vilangad SHEP final clearance of rate escalation has not been cleared by the cabinet sub committee of GOK and hence not preferred and disbursed during 2015-16.

<p>2.3.2. This includes ₹4.26 lakh on 'Closed Projects' (14.97). As this expenditure is related to projects which are already closed and are not likely to convert to any qualifying assets needs to be written off. As this has not been done CWIP is overstated to the extent of ₹4.26 lakh with corresponding understatement of loss for the year.</p>	<p>This may be due to wrong accounting and the amount comes under only 3 ARUs. ARUs are being instructed to verify the same in detail. Adjustment if any required will be provided in the subsequent year.</p>
<p>2.3.3. This does not include ₹639.53 lakh being amount committed on various capital projects but not accounted for during the year 2015-16. During test check of work bill details of all contracts in respect 16 ARUs, Audit noticed that in 7 ARUs, bills in respect of works which have been completed/measured/check measured before 31 March 2016 have not been accounted for during the year 2015-16. The amount involved in 47 such bills works out to ₹639.53 lakh. Non creation of known liability (bills considered up to October 2016) has therefore resulted in understatement of CWIP to the extent of ₹ 639.53 lakh.</p>	<p>Specific bill passing and accounting procedure is there in the company for accounting the capital expenditure incurred by it as detailed in the Commercial Accounting System Manual Volume III - Capital Expenditure and Fixed Assets. KSEBL is having 140 ARUs across Kerala through which the capital works are being carried out. There are number of project sites under each ARU. KSEBL is taking earnest efforts to have reasonable assurance that the capital expenditure incurred during a particular financial year are accounted in the same financial year itself. However there may be stray cases as reported by audit. There is no change in the policy regularly followed by the company and hence such non accounting will get compensated by the non accounting during the beginning of the financial year.</p>
<p><b>2.4 Long term loans and advances (Note 15) ₹8671.86 lakh</b></p>	
<p>This includes ₹103.20 lakh (Account Code 27.3) being amount receivable from licensees which has been carried forward in the Accounts of the KSEB from 1988-89 onwards or earlier periods for which no details were available with the Company. Suitable provision for these doubtful receivables should have been made in the Accounts. The non- provision of the same has resulted in overstatement of loans and advances and loss for the year by ₹103.20 lakh.</p>	<p>This is an old balance carried over from previous years. This will be verified and necessary adjustment will be provided during the financial year 2016-17.</p>



2.5. Other non-current assets (Note 16) ₹760372.65 lakh

2.5.1 Deferred cost ₹9367.87 lakh

This include ₹4978.00 lakh being expenses incurred on survey/ feasibility studies of project not sanctioned (₹2626.43 lakh on Hydel projects under Account code 17.310 and ₹2351.57 lakh on Mini micro projects under Account code 17.320) pending adjustment for more than three years (ie closing balance for 2012-13) in respect of ARU 851. In absence of identification of project/ sanction of project the amount pending under this head for more than three years should have been written of through statement of profit and loss for fair presentation of books. As this has not been done the loss for the year is understated with corresponding overstatement of Non-current assets. Also, the Company has neither disclosed its policy regarding treatment of such expenditure nor set a time frame for such deferment.

The policy of the company regarding treatment of expenditure incurred for Survey and Feasibility Studies is detailed in Chapter III of Part I of the Commercial Accounting System Volume -III Capital Expenditure and Fixed Assets. The policy is reproduced below.

*“Expenditure incurred on identification, survey and feasibility studies of a project before the project is considered for sanction or rejection, shall be accumulated in an account provided for this purpose.*

*Later, if the project is rejected, the full amount of expenditure shall be charged to revenue as infructuous capital expenditure in the year in which the project is rejected. If the project is sanctioned, the expenditure shall be charged to capital work in-progress account for that project. Any expenditure incurred on detailed feasibility studies etc., after a project is sanctioned shall also be charged to the capital work-in progress account for that project. The aggregate of the expenditure incurred before and after sanction of a project shall be allocated over the ‘tangible’ assets acquired/constructed under the project, in the same manner as the revenue expenditure chargeable to capital works are to be allocated.”*

In the reported case, any final decision on sanctioning/abandonment has not been taken during the current financial year and hence no adjustment/transfer entry is provided.



## C. COMMENTS ON AUDITORS REPORT

### Independent Auditors Report

Audit Comments	Replies of the Statutory Auditors
<p>3.1. Reference is invited to Para 4(a) of the Basis of Qualified Opinion in the Independent Auditors' Report, wherein it is stated that, "an amount of ₹64,24,05,617 being Interest bearing loan to Energy Management Centre and as per the information and explanation received from the Company, it has not provided interest on this loan since there is uncertainty in realization of interest.</p> <p>The statement is incorrect as the loan advanced by the Company to Energy Management Centre is to the extent of ₹5250.00 lakh only and balance amount of ₹1174.06 is the interest claimed by the Company for the period 2010-11 (₹476.90 lakh) and 2011-12 (₹697.16 lakh).</p>	<p>Attention is invited to the qualification 4(a) of our audit report which is reproduced below "Loans and advances –others – includes an amount of Rs.64,24,05,617/- being Interest bearing loan to Energy Management Centre. As per the information and explanation received from the Company, it has not provided interest on this loan since there is uncertainty in the realization of interest. As per the terms and conditions, the loan is repayable by Energy Management Centre only if the Certified Emission Reduction is available from UNFCC to obtain Carbon credit. As per the information available from the management, Energy Management Centre has not obtained carbon credit as on date. Hence there is uncertainty in the realization of advance. However, no provision has been created for this balance which is doubtful of realization".</p> <p>In the first sentence of qualification we have mentioned the head included under loans advances for identifying the figure by the users of financial statements. The head was exactly same as mentioned by the Company in the books of accounts.</p> <p>As per reply to the draft audit report Company mentioned that there is uncertainty in the realisation of interest. So they have not provided the same.</p> <p>In the second sentence it is clearly mentioned that "As per the information and explanation received from the Company". Here we have only mentioned the information from Company not our opinion.</p> <p>The intention of the qualification is to inform the users of financial statements about the non-provision of doubtful debts amounting to Rs.64,24,05,617.</p>

<p>3.2. Reference is invited Para 32 wherein it was stated as “As per the minutes to 28th Board Meeting dated 29 September 2016, the interest for advance to TRACO Cable Company Limited (TRACO) was waived by the Board. The amount and period of interest on advance for the said party could not be quantified due to lack of proper information”.</p> <p>As the Events such as request for waiver of advance (April 2016), release of advance (June 2016) and decision to waive interest on advance (September 2016) etc were occurred in the financial year 2016-17 for the year 2016-17, the comment mentioned at Para 32 is unwarranted for the year 2015-16.</p>	<p>On our scrutiny of minutes relating to interest for advance to TRACO Cable Company Limited (TRACO) in 28th Board Meeting dated 29 September 2016, no specific amount of advance released and period of interest on advance for the said party could not be identified and also no further details were available for our verification.</p>
<p>3.3.As per Para 39 “the Company has not provided payables/ receivables in respect of following power purchases which has resulted in understatement of power purchases and trade payables and corresponding understatement of loss amounting to ₹1,67,89,72,379”. These includes ₹40,15,217 (Item No.7 NPCIL MAPS) towards non provision of Nuclear Liability Fund for the year 2015-16 as per DAE notification dated 8th December 2015.</p> <p>It was observed that, the company has already provided ₹20,97,246 against the arrears towards Nuclear Liability Fund from 08 December 2015 to March 2016. Further, the amount of ₹40,15,217 incurred by the Company towards nuclear liability fund for the period from April 2016 to October 2016 is the power purchase expenditure for the period 2016-17, therefore not related to the period 2015-16 . As such the qualification made in the Statutory Audit Report is not correct to this extent.</p>	<p>The bill of NPCIL MAPS for the period April 2016 to October 2016 includes an item called “Nuclear Liability fund 2015” the sum of which amounts to Rs. 40,15,2017/- . As per the bill the amount belongs to 2015-16 period. The provision made by Company for the year includes only March bill and outstanding DPC. Therefore Company has not made any provision regarding the same during 2015-16. At the time of audit no other information regarding the same was available for our verification. So we have included the non-provision of same in our power purchase query and draft audit report issued on various dates. As per Company's replies to the draft audit report Company agreed with the non-provision. So we have included the same in our Audit report. Since we have made all effort to obtain all information about the same and the bills clearly states Nuclear liability fund 2015 there was no omission from our part.</p>

<p>3.4.Reference is invited to Para 45 wherein it was stated that “ With the available data and information furnished by the Company and based on the ARUs visited by us, the effect of the above qualifications 1 to 44 on the assets, liabilities, income and expenditure could not be quantified”</p> <p>Statutory Auditor had raised 44 qualifications under ‘Basis for qualified opinion’ out of which impact on asset/liability/income/ expenditure was explicitly quantified in respect of 9 qualifications viz. Loss understated by ₹18733.21 lakh (net), Current liability understated by ₹15337.25 lakh (net) etc. As there is substantial reportable impact on these heads the reference given at Para 45 is misleading.</p>	<p>Noted for future guidance</p>
<p>3.5.As per Standards on Auditing 705 (SA 705), whenever the auditor expresses an opinion that is other than unqualified, a clear description of all the substantive reasons should be included in the Report and, unless impracticable, a quantification of the possible effect(s), individually and in aggregate, on the financial statements should be mentioned in the Auditors Report. The Statutory Auditors included 44 individual qualifications on the Accounts of the KSEBL 2015-16 in their report. However, in the Independent Auditors’ Report the aggregate possible effect(s) on Assets, Liabilities, Income and Expenses has not been made.</p>	<p>In all the items reported, we have given in brief the variance in accounting of certain transaction and also variation in presentation of some of the asset and liabilities.</p> <p>We have reported the above cases based on the ARUs visited by us. Since we could not get similar information from those units not visited by us, we could not quantify the effect.</p> <p>We have furnished clear description of the deviations and could not quantify the effect due to reason stated above.</p>
<p>3.6.Statutory auditor’s opinion on true and fair view is not sustainable on the following grounds;</p> <ul style="list-style-type: none"> <li>• Aggregate impact on the reportable quantified observations of Statutory Auditors is more than 20 per cent of the reported net loss for 2015-16.</li> <li>• Non compliance of AS 2, AS 3, AS 5, AS 6, AS 9, AS 10, AS 12, AS 13, AS 15 , AS 16 and AS 28 as reported under ‘Report on other legal and regulatory requirements’</li> <li>• Instances of non availability of information in respect of certain items as mentioned in ‘Basis for qualified opinion’.</li> </ul>	<p>The company is in the infant stage of incorporation and the compliance to the applicable legal and regulatory requirements are adopted and reviewed based on the observations and comments of CAG and Statutory Auditors.</p> <p>The impact of the qualifications, wherever possible, has been done and its effect on the reported net loss could be inferred. Based on the ARUs audited by us, effect on account of non-availability of information on similar items may not be very significant compared to the volume of business of the company.</p> <p>Major items of non compliance of Accounting Standards as qualified in our report also may not have major impact on the reported net loss.</p>

	<p>Considering the volume of transactions and business of the Company, and also based the explanation given above, we have consciously expressed our opinion.</p>
<p><b>D. COMMENTS ON DISCLOSURE</b></p>	
<p><b>Audit Comments</b></p>	<p><b>Replies of the Company</b></p>
<p>4.1. Government accorded (4 March 2016) approval for granting price variation for Barapole SHEP and Vilangad SHEP Scheme with a financial commitment not exceeding ₹541.81 lakh based on the DRIP formula as at 10 March 2015. Board of Directors of KSEBL resolved (26 Meeting dated 17 May 2016) to adopt the said Government directives and accorded sanction to work out the amount of price variation. The final clearance of rate escalation has not been cleared by the cabinet sub- committee of GOK and hence not preferred and disbursed. This has not been disclosed in the accounts.</p>	<p>In the case of Sengulam Augmentation Scheme and Perunthenaruvi SHEP even though the approval for granting price variation is sanctioned the amount of price variation has not been claimed and disbursed as the works relating to the projects were progressing and not completed.</p> <p>In all the cases including Barapole SHEP and Vilangad SHEP, final clearance of rate escalation has not been cleared by the cabinet sub-committee of GOK and hence not preferred and disbursed during 2016-17 and not disclosed.</p>

Sd/-  
DIRECTOR (FINANCE)

**REPLIES TO THE COMMENTS OF SECRETARY(FINANCE EXPENDITURE) ON THE  
AUDITED ACCOUNTS OF KERALA STATE ELECTRICITY BOARD LIMITED,  
THIRUVANANTHAPURAM FOR THE YEAR ENDED 31ST MARCH 2016**

COMMENTS ON ACCOUNTS	REPLIES OF THE COMPANY
1. Loss of the company decreased to ₹31329.46 lakhs compared to previous years loss of ₹127290.20 lakhs, which is a good sign	During the period income was increased by ₹83427.90 lakhs and the power purchase cost was decreased by ₹44594.47 lakhs compared to the previous year 2014-15 so that the loss of the company could be reduced considerably.
2. Registers and documents should be maintained properly	The registers are properly maintained at the field units. Any shortage in this regard in any of the ARUs will be verified by the Internal Audit and necessary directions will be given to the field units for proper maintenance of records.
3. Provision should be made for bad and doubtful debts.	The lion share of sundry debtors constitutes sundry debtors for sale of power. In respect of customers, adequate security deposit is there with KSEBL for adjusting any dues if any and as per procedure disconnection is to be effected if dues are not paid in time. Hence majority of the sundry debtors are secured and good. However in respect of Kerala Water Authority and certain other government departments, the disconnection procedure is not being effected due to the reasons beyond the control of the Company. Similarly in some cases, the disconnection and recovery of arrears is pending due to court cases. Except these three items, the other debtors are secured and good. It may be noted that out of the total receivables of ₹2382.10 crores as on 31.03.2016, a provision to the tune of ₹789.31 crore is already created in the previous years (i.e. a total provision of 33.13% of the gross receivable is already created).
4. The actuarial valuation for gratuity and pension liabilities are not done leading to understatement of loss and liability which is against Accounting Standards 15.	Actuarial valuation was made only as on 31.10 2013 and no further Actuarial valuation was made by the company. This has been disclosed in the accounts. In the audit committee meeting held on 06.09.2016 it has been decided to take steps for actuarial valuation at the year ended 31.03.2017 to examine the sufficiency of the amount provided.

<p>5. Inventories should be verified physically.</p>	<p>A fool proof mechanism is being followed in the company for accounting the inventory and its verification. The Supply Chain Management software is being implemented to computerise the material related transactions. There is a dedicated wing under Chief Engineer, Supply Chain Management for periodical verification of inventory.</p>
<p>6. Proper register should be maintained for fixed assets including quantitative details and physical verification of assets should be made regularly</p>	<p>All ARUs are directed to maintaining the Register of Assets containing the details of assets, location &amp; custodian of Assets as prescribed in the Manual on Commercial Accounting system. Steps are being taken to update the fixed assets records of the company in proper format.</p>
<p>7. Necessary entries should be made in the accounts for adjusting the electricity duty and guarantee commission against the amount receivable from government.</p>	<p>The electricity duty payable to the Government as on 31.10.2013 was netted off against the amount payable by the Government to KSEBL. As per GO dated 28th January 2015 KSEB is permitted to retain the Electricity Duty of ₹586.1 crore per year towards Government share of terminal liability. The balance duty thereafter is also to be netted off against the subsidy due to KSEB from Government of Kerala U/s 65 of the Electricity Act. After adjusting the dues receivable to KSEB Ltd from Government of Kerala, there is no amount payable as electricity duty. Necessary adjustment entries have been provided in the accounts during the financial year 2016-17.</p>
<p>8. Depreciation of fixed assets as per the Companies Act should be made.</p>	<p>As KSEBL is under regulatory environment, depreciation is being provided in the accounts as per the CERC regulation 2009-14. This has been properly disclosed in the statement of Accounting policy. The depreciation policy will be reviewed on implementing the Ind AS.</p>
<p>9. Steps should be taken to introduce a centralized system for recording undisputed statutory dues.</p>	<p>In KSEB all statutory recoveries and its payments are done from 140 Accounting Rendering Units across Kerala and each unit have separate TAN number in the case of Income Tax. As per TDS rules each TAN holders should recover and remit the TDS in their TAN. As per GST rule single registration is permitted for an entity hence the payments are made from at a single point at Head Office.</p>

<p>10. An adequate internal audit system should be maintained in accordance with nature of its business.</p>	<p>The Company is having Internal Audit System headed by Chief Internal Auditor. Under the Chief Internal Auditor separate audit wings are there for auditing various nature of payments viz.</p> <ol style="list-style-type: none"> <li>1) Resident Concurrent Audit</li> <li>2) Audit Report Interface</li> <li>3) Pay Fixation</li> <li>4) General Provident Fund</li> <li>5) Pension Audit</li> <li>6) GAD</li> <li>7) EAD</li> <li>8) Permanent Audit (SOR)</li> <li>9) WAD</li> </ol> <p>Besides various Regional Audit Offices headed by Regional Audit Officers are working under the control of Chief Internal Auditor and presently Board is having 25 Regional Audit Offices. Besides internal audit by the internal audit team, there are various levels of internal check and verification and having good internal control system in the organisation. From the above it can be seen that the company is having a strong internal audit system commensurate with the size of the entity. However instructions are being issued to further streamline the working of the Internal Audit Wing and for greater coverage of internal audit.</p>
<p>11. Liabilities should be accounted accurately so as to avoid underestimation of net loss.</p>	<p>All transaction related to the company has been done in the 140 Accounting Rendering Units across kerala. The ARUs had already been directed to book the all transactions pertaining to a financial year in that year itself. Adequate provisions are also being provided in the accounts at the head office if any necessity arises.</p>
<p>12. Interest accrued on parking of Government fund should be refunded to Government.</p>	<p>The electricity duty payable to the Government as on 31.10.2013 was netted off against the amount payable by the Government to KSEBL. As per GO dated 28th January 2015 KSEB is permitted to retain the Electricity Duty of ₹586.1 crore per year towards Government share of terminal liability. The balance duty thereafter is also to be netted off against the subsidy due to KSEB from Government of Kerala U/s 65 of</p>

	<p>the Electricity Act. After adjusting the dues receivable to KSEB Ltd from Government of Kerala, there is no amount payable as electricity duty. Hence no interest is payable and hence not provided in the accounts.</p>
13. Dues of Income Tax, Sales Tax, Service Tax etc, if any should be cleared.	<p>All statutory recoveries except GST and its payments has been made from the 140 ARUs across Kerala and in the case of GST centralised payment system followed since the rules permitted it under GST Act. The company always give proper attention to collect and remit the statutory dues as per rules. All ARUs had already been directed to give proper diligence in recovery of statutory recoveries and its remittance as per rules in vogue.</p>

Sd/-  
DIRECTOR (FINANCE)



## ANNEXURE

**REPLIES OF THE MANAGEMENT TO THE OBSERVATIONS  
OF SECRETARIAL AUDITOR**

Sl. No.	Observations in the Secretarial Audit Report	Replies / Comments of the Management
1	The Company has appointed only one independent Director	Kerala State Electricity Board Limited being a company fully owned by Government of Kerala the appointment of Independent Directors are made by Government of Kerala. Hence, the company as per Letter No.CS/ Independence Director / 2015-16 dated 03.05.2016 had requested the Government of Kerala to appoint two independent Directors so as to comply with the provisions of the Companies Act, 2013 and the Government as per G.O. (MS) No.13/2016/Power dated 02.07.2016 appointed Sr. V. Sivadasan as Independent Director. The appointment of the other Independent Director is pending with the Government of Kerala. The matter will be followed up with Government for appointment of one more Independent Director.
2	The Audit Committee (though not in compliance with the provisions of the Act) has not met at all in 2015-16	In the meeting of Board of Directors of the company on 03.07.2014 vide proceedings on Agenda No.19-7/2014, an Audit Committee was constituted with three directors – Adv. Babu Prasad, Sri. M. Muhammed Ali Rawther then Director (Distribution & Generation Electrical), Sri. K. Vikraman Nair then Director (Transmission & System Operation) as committee members. However no meeting of this audit committee was held during the year

		<p>under audit. In the 26th meeting of Board of Directors dated 03.05.2016 vide proceedings on Agenda No.17-05/2016 Audit Committee was reconstituted with Smt. P. Vijayakumari, Director (Transmission &amp; System Operation) as Chairperson and Sri. N.S. Pillai IA &amp; AS, Director (Finance) &amp; Sri. O. Asokan, Director (CP &amp; SCM) as members. Consequent to the appointment of Dr. V. Sivadasan as Independent Director, the already constituted audit committee has been again reconstituted in 27th meeting of Board of Directors dated 29.07.2016, vide proceedings on Agenda No.34-07/2016 with the Independent Director as Chairman, the Director (Finance) and the Director (CP &amp; SCM) as Members. Presently the Audit Committee conducts meetings regularly in compliance with the provisions of the Companies Act, 2013.</p>
<p>3</p>	<p>The Company did not constitute a Nomination and Remuneration Committee as mandated in Section 178 (1) of the Act read with rule 6 of the Companies (Meetings of the Board and its powers) Rules, 2014.</p>	<p>Kerala State Electricity Board Limited being company fully owned by Government of Kerala, the power of appointment of the Directors is vested on the Government of Kerala and for permanent employees at the entry level other than compassionate and sports recruitment are done through Kerala Public Service Commission (KPSC). All rules applicable for State Government employees viz., KSR and KS &amp; SSR etc are made applicable to employees of Kerala State Electricity Board Limited. Promotion to officer cadre are done through Departmental Promotion Committee as prescribed in KS &amp; SSR and for all others promotions are based on seniority. For Workmen category, wages and other conditions of services are decided through wage negotiation between recognized Trade Unions &amp; Management as per Industrial Dispute Act, 1947. In case of officers their salary &amp; Allowances are decided as per the recommendation</p>

		<p>recommendation of management committee after approval from Government. In view of the above, a separate Nomination and Remuneration Committee has not been constituted in the company.</p>
4	<p>The Company has not established a Vigil Mechanism as mandated in Section 177 (7) of the Act read with rule 7 of the Companies (Meetings of the Board and its Powers) Rules 2014.</p>	<p>The draft Vigil/Whistle Blower Policy of Kerala State Electricity Board Limited has been prepared and the matter is being placed for the approval of the Board of Directors.</p>
5	<p>A CSR Committee has been appointed subsequent to the year under report</p>	<p>In the 28th meeting of Board of Directors of the Company on 29.09.2016, vide proceedings on Agenda No.15-9/2016 Kerala State Electricity Board Limited has constituted the Corporate Social Responsibility (CSR) Committee with Director (Finance) as Chairman and Director (CP &amp; SCM) and Independent Director as Members.</p>
6	<p>Section 118 (1) of the Companies Act, 2013 mandates that "Every Company shall cause minutes of the proceeding of every general meeting of any class of Shareholders, or creditors and every resolution passed by postal ballot and every meeting of its Board of Directors or of any committee of the Board to be prepared and signed in such manner as may be prescribed .....". This has to read with rule 3 (12) (c) of the Companies (Meetings of the Board and its Powers) Rules, 2014).</p> <p>Since the matters / agenda for Board Meeting is very exhaustive, the Board as approved in the Board Meeting held on 29.05.2014 appointed a Committee of Full Time Directors to oversee and carry on the day to day functioning of the Company with clearly laid down delegation of powers. The Company however has not kept a proper record of meetings of the Committee of Full Time Directors and its proceedings, except perhaps by way of passing references in notes to the Board.</p>	<p>In erstwhile Kerala State Electricity Board, Full Time Member (FTM) Meetings were held from time to time to manage the day to day and operational matter of the Board. After coporatization of Kerala State Electricity Board, the Board of Directors in its 12th meeting held on 12.12.2013 decided to constitute a committee of Full Time Directors (Similar to the (FTM) of erstwhile KSEB) to ensure the smooth functioning of the day to day and operational matters of the company. The Government as per G.O. (Rt.) No.71/2014/PD TVPM dated 26.02.2014 have ratified the formation of committee of Full Time Directors in accordance with Clause 37 of Articles of Association of KSEBL.</p> <p>The Full Time Directors, being a Committee of Directors though are required to comply with the provisions of Companies Act, procedure of maintaining minutes was not followed due to the administrative convenience</p>

as most of the decisions are to be taken urgently. The practice being followed is that Full Time Directors Meetings are convened by the Committee to discuss day to day matters of the Company without sticking on to any fixed date and time. Notice of the Full Time Directors Meetings is given to the Directors by the Chairman & Managing Director himself. Such meetings are convened in accordance with the urgency of the matter at hand. Minutes of the Full Time Directors meetings are not normally prepared. Generally after elaborate deliberations in the Committee, the decisions of Full Time Directors are communicated in the form of Board Order and hence transparency in this regard is ensured. The necessary steps for compliance with provisions of Companies Act, 2013 with regard to Committee Meetings need to be initiated.

Sd/-  
DIRECTOR (FINANCE)

**KERALA STATE ELECTRICITY BOARD LIMITED**  
**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2016**

	Particulars	Note No	As at 31.03.2016	As at 31.03.2015
			₹ in lakhs	₹ in lakhs
<b>A</b>	<b>EQUITY AND LIABILITIES</b>			
<b>1</b>	<b>Shareholders funds</b>			
	(a)Share Capital	<b>1</b>	3,49,905.00	3,49,905.00
	(b) Reserves and Surplus	<b>2</b>	(1,61,372.18)	(1,30,042.73)
<b>2</b>	<b>Contribution, Grants and other Long term reserve funds</b>	<b>3</b>	83,206.16	50011.82
<b>3</b>	<b>Non Current Liabilities</b>			
	(a)Long term borrowings	<b>4</b>	3,75,350.89	369935.23
	(b)Other long term liabilities	<b>5</b>	2,79,627.89	247906.70
	(c) Long-term provisions	<b>6</b>	16,57,416.11	1608779.03
<b>4</b>	<b>Current liabilities</b>			
	(a) Short term borrowings	<b>7</b>	2,17,193.97	211048.34
	(b) Trade payables	<b>8</b>	52,614.15	60947.55
	(c) Other Short Term liabilities	<b>9</b>	3,52,985.96	298738.16
	(d) Short term provisions	<b>10</b>	2,085.00	2085.00
	<b>TOTAL EQUITY&amp;LIABILITIES</b>		<b>32,09,012.95</b>	<b>30,69,314.10</b>
<b>B</b>	<b>ASSETS</b>			
<b>1</b>	<b>Non-current assets</b>			
	(a)Fixed assets			
	(i) Tangible assets	<b>11</b>	20,05,523.08	1980801.14
	(ii) Intangible asset	<b>12</b>	-	-
	(iii) Capital Work in progress	<b>13</b>	2,10,915.64	160815.84
	(b) Non-current investment	<b>14</b>	2,000.01	1950.01
	(c) Long term loans and advances	<b>15</b>	8,671.86	8449.59
	(d) Other non-current assets	<b>16</b>	7,60,372.65	722394.15
<b>2</b>	<b>Current assets</b>			
	(a) Current investments	<b>17</b>	-	-
	(b) Inventories	<b>18</b>	29,010.86	23990.26
	(c) Trade receivables	<b>19</b>	1,59,279.56	138867.01
	(d) Cash and cash equivalent	<b>20</b>	24,162.91	21460.22

(e) Short-term loans and advances	<b>21</b>	5,090.12	4961.59
(f) Other current assets	<b>22</b>	3,986.27	5624.30
<b>TOTAL ASSETS</b>		<b>32,09,012.95</b>	<b>30,69,314.10</b>
Significant Accounting Policies	<b>38</b>		
Notes to Accounts	<b>39</b>		

Accompanying notes are integral part of financial statements

Sd/-  
DR.K.ELLANGOVA IAS  
CHAIRMAN AND MANAGING DIRECTOR

Sd/-  
N.S.PILLAI IA&AS  
DIRECTOR(FINANCE)

Sd/-  
BIJU.R FCA  
FINANCIAL ADVISER AND  
CHIEF FINANCIAL OFFICER

Sd/-  
LEKHA. G  
COMPANY SECRETARY I/c

SUBJECT TO OUR REPORT OF EVEN DATE

For K.Venkatachalam Aiyer & Co.  
Chartered Accountants  
REGN.No.004610S

For ISAAC & SURESH  
Chartered  
Accountants  
FRN-001150S

For ANANTHAN & SUNDARAM  
Chartered Accountants  
FRN.000148S

Sd/-  
ROOPESH.R. ACA  
PARTNER  
MEMB.No.228891

Sd/-  
SOBHA SETHUMADHAVAN, FCA  
PARTNER  
Membership No.225166

Sd/-  
CA.HARIKRISHNAN.R.S,  
M.COM,DISA,ACA  
PARTNER  
M.No.230338

Place:Thiruvananthapuram  
Date:30.01.2017

**KERALA STATE ELECTRICITY BOARD LIMITED**  
**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016**

	Particulars	Note No	As at 31.03.2016	As at 31.03.2015
			₹ in lakhs	₹ in lakhs
I	Revenue from operations	23	10,91,443.61	10,11,625.98
II	Other Income	24	33,271.34	29,661.07
III	Total Revenue(I+II)		11,24,714.94	10,41,287.05
IV	Expenses			
	(a) Purchase of power	25	6,33,681.62	6,78,276.09
	(b) Generation of power	26	10,425.53	20,991.20
	(c) Repairs and Maintenance	27	25,975.64	24,443.94
	(d) Employee Cost	28	3,10,453.25	2,72,084.04
	(e) Administrative and Other Expenses	29	32,787.59	27,575.31
	(f) Finance Costs	30	85,140.75	85,346.20
	(g) Depreciation and Amortization expenses	31	49,122.12	45,969.87
	(h) Others	32	8,898.01	14,624.31
	Total Expenses		11,56,484.49	11,69,310.96
V	Add/(less):Prior period credits/(charges)	33	440.09	733.71
VI	Profit/(Loss) before exceptional and extra ordinary items and tax(III-IV+V)		(31,329.46)	(1,27,290.20)
VII	Exceptional items	34	-	-
VIII	Profit/(Loss) before extra ordinary items and tax (VI-VII)		(31,329.46)	(1,27,290.20)
IX	Extraordinary items	35	-	-
X	Profit/(Loss) before tax (VIII-IX)		(31,329.46)	(1,27,290.20)
XI	Tax Expenses			
	(i)Current Tax	36	-	-
	(ii) Deferred Tax	37	-	-
XII	Profit/(Loss) for the period from continuing operations(VIII-IX)		(31,329.46)	(1,27,290.20)
XIII	Profit/(Loss) from discontinuing operations		-	-

XIV	Tax Expenses of discontinuing operations		-	-
XV	Profit/(loss) from Discontinuing operations after tax-(XIII-XIV)		-	-
XVI	Profit/(Loss) for the period(XII+XV)		(31,329.46)	(1,27,290.20)
XVII	Earnings per equity share	40		
	(1)Basic		(0.90)	(3.64)
	(ii)Diluted		(0.90)	(3.64)

Accompanying notes are integral part of financial statements

Sd/-  
DR.K.ELLANGO VAN IAS  
CHAIRMAN AND MANAGING DIRECTOR

Sd/-  
N.S.PILLAI IA&AS  
DIRECTOR(FINANCE)

Sd/-  
BIJU.R FCA  
FINANCIAL ADVISER AND  
CHIEF FINANCIAL OFFICER

Sd/-  
LEKHA.G  
COMPANY SECRETARY I/c

SUBJECT TO OUR REPORT OF EVEN DATE

For K.Venkatachalam Aiyer & Co.  
Chartered Accountants  
REGN.No.004610S

For ISAAC & SURESH  
Chartered  
Accountants  
FRN-001150S

For ANANTHAN & SUNDARAM  
Chartered Accountants  
FRN.000148S

Sd/-  
ROOPESH.R. ACA  
PARTNER  
MEMB.No.228891

Sd/-  
SOBHA SETHUMADHAVAN, FCA  
PARTNER  
Membership No.225166

Sd/-  
CA.HARIKRISHNAN.R.S,  
M.COM,DISA,ACA  
PARTNER  
M.No.230338

Place:Thiruvananthapuram  
Date:30.01.2017



**KERALA STATE ELECTRICITY BOARD LIMITED**
**Cash Flow Statement Annexed to the Balance Sheet year ended 31<sup>st</sup> March 2016**

	Particulars	AS AT 31-03-2016	AS AT 31-03-2015
		₹ in lakhs	₹ in lakhs
<b>A</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
	Net profit before tax as per Profit&Loss account	(31,329.46)	(1,27,290.21)
	Adjustments for:		
	Depreciation(net)	49,122.12	45,969.87
	Finance Cost	85,140.75	85,346.20
	Prior period interest and finance charges	1.41	35.07
	Interest Income	(964.80)	(6,217.71)
	Income from Investment	(10.79)	-
	Operating profit before working capital changes	1,01,959.23	(2,156.77)
	Adjustments for:		
	Changes in Inventories	(5,020.60)	3,815.16
	Changes in Sundry Debtors	(20,412.55)	(26,900.26)
	Changes in Loans&Advances	(128.53)	(1,581.06)
	Changes in Other Receivables	1,638.04	(1,444.98)
	Changes in Current Liabilities and Provisions	60,326.17	80,532.95
	Changes in Trade Payable	(8,333.40)	(23,818.93)
	Cash generated from Operations	<b>1,30,028.35</b>	<b>28,446.11</b>
	Income Tax	-	-
	<b>Net cash flow from /(used in) Operating Activities(A)</b>	<b>1,30,028.35</b>	<b>28,446.11</b>

<b>B</b>	<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
	Change in Fixed Asset	(73,844.06)	(1,12,799.15)
	Changes in Capital Work-in Progress	(50,099.80)	(6,249.25)
	Income from Investment	10.79	
	Change in Investments	(50.00)	-
	Interest from Banks	964.80	6,217.71
	Net cash flow from / (used in) Investment Activities(B)	(1,23,018.28)	(1,12,830.69)
<b>C</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
	Changes in Equity Capital	-	-
	Contribution & Grants towards cost of capital assets	33,194.35	32,751.59
	Changes in Long Term Borrowings	5,415.65	74,186.93
	Changes in Other Long Term Liabilities & Provisions	80,358.27	53,944.59
	Change in Long Term Loans& Advances & Other Non Current Assets	(38,200.77)	(41,836.38)
	Interest and Other cost of raising Finance	(85,140.75)	(85,346.20)
	Changes in Other Liabilities for capital supply/works	67.28	352.18
	Prior Period Interest and Finance charges	(1.41)	(35.07)
	<b>Net cash flow from / (used in) Financing Activities(C)</b>	<b>(4,307.38)</b>	<b>34,017.64</b>
	Net change in Cash and Cash Equivalents(A+B+C)	2,702.69	(50,366.94)
	Add: cash and Cash Equivalents at the beginning of the year	21,460.22	71,827.16
	<b>Cash and Cash Equivalents at the end of the year</b>	<b>24,162.91</b>	<b>21,460.22</b>
	<b>Cash and Cash Equivalents at the end of the year</b>		
	Comprises:		
	(a) Cash on hand & Cash Imprest	1,108.16	1,216.24

(b) Balance with Bank/Treasury	1,756.49	1,081.80
(c) Disbursement Bank Account	2,542.05	1,410.91
(d) Drawing Account with Treasury	8,313.58	8,506.85
(e) Short-Term Deposit with Banks	10,262.46	9,244.43
(f) Settlement Bank Accounts	180.17	-
Total Cash and Cash Equivalents at the end of the year	24,162.91	21,460.22
The above cash flow statement has been prepared under the Indirect method set out in the AS-3 issued by the Institute of Chartered Accountants of India		

Sd/-  
 DR.K.ELLANGO VAN IAS  
 CHAIRMAN AND MANAGING DIRECTOR

Sd/-  
 N.S.PILLAI IA&AS  
 DIRECTOR(FINANCE)

Sd/-  
 BIJU.R FCA  
 FINANCIAL ADVISER AND  
 CHIEF FINANCIAL OFFICER

Sd/-  
 LEKHA.G  
 COMPANY SECRETARY I/c

**SUBJECT TO OUR REPORT OF EVEN DATE**

For K.Venkatachalam Aiyer & Co.  
 Chartered Accountants  
 REGN.No.004610S

For ISAAC & SURESH  
 Chartered  
 Accountants  
 FRN-001150S

For ANANTHAN & SUNDARAM  
 Chartered Accountants  
 FRN.000148S

Sd/-  
 ROOPESH.R. ACA  
 PARTNER  
 MEMB.No.228891

Sd/-  
 SOBHA SETHUMADHAVAN, FCA  
 PARTNER  
 Membership No.225166

Sd/-  
 CA.HARIKRISHNAN.R.S,  
 M.COM,DISA,ACA  
 PARTNER  
 M.No.230338

Place:Thiruvananthapuram  
 Date:30.01.2017

## KERALA STATE ELECTRICITY BOARD LIMITED

### Note 1: SHARE CAPITAL

Sl. No	Particulars	Account code	As at 31.03.2016	As at 31.03.2015
			₹ in lakhs	₹ in lakhs
1	Authorised Share Capital 50000 lakh Equity shares of Rs.10/- each		5,00,000.00	5,00,000.00
2	Issued,Subsribed and Paid Up Share Capital	54.510	3,49,905.00	3,49,905.00
	<b>TOTAL</b>		<b>3,49,905.00</b>	<b>3,49,905.00</b>

#### 1.1 Details of Shareholders holding more than 5% of Share Capital

Name of the Share holder	As at 31.03.2016 Nos. of shares in lakhs	% held	As at 31.03.2016 Nos. of shares in lakhs	% held
His Excellency the Honourable Governor of Kerala	34,990.50	100	34,990.50	100

#### 1.2 Reconciliation of the shares at the beginning and at the end of the reporting period:

Particulars	As at 31.03.2016 Nos. of shares in lakhs	As at 31.03.2015 Nos. of shares in lakhs
Equity Shares at the beginning of the year	34,990.50	34,990.50
Add: Shares issued during the year	-	-
Less: Shares cancelled on buy back during the year	-	-
Equity Shares at the end of the year	34,990.50	34,990.50

Share Capital represent equity capital of Government of Kerala on revesting the erstwhile Kerala State Electicity Board to Kerala State Electricity Board Limited through second transfer scheme issued vide G.O.No.(P) No.3/2015/PD dated 28.01.2015.

## KERALA STATE ELECTRICITY BOARD LIMITED

### Note 2: RESERVE AND SURPLUS

Sl. No.	Particulars	Account code	As at 31.03.2015	Additions during the year	Deductions during the year	As at 31.03.2016
			₹ in lakhs	₹ in lakhs	₹ in lakhs	₹ in lakhs
	<b>RESERVE</b>					
1	General Reserve	56.1	-	-	-	-
2	Capital Reserve	56.2	-	-	-	-
3	Other Reserves	56.6	-	-	-	-
4	Surplus/(Deficit) in Statement of P&L	58	(1,30,042.73)	(31,329.46)	-	(1,61,372.18)
	<b>TOTAL</b>	<b>226.90</b>	<b>(1,30,042.73)</b>	<b>(31,329.46)</b>	<b>-</b>	<b>(1,61,372.18)</b>

### Note 3: CONTRIBUTION, GRANTS AND OTHER LONG TERM RESERVE FUNDS

Sl. No.	Particulars	Account Code	As at 31.03.2016	As at 31.03.2015
			₹ in lakhs	₹ in lakhs
	<b>Contribution &amp; Grants</b>			
1	Consumers contribution	55.1	64,605.18	39,903.08
2	Subsidies towards cost of Capital assets	55.2	5,479.74	4,169.01
3	Grants towards cost of Capital Assets	55.3	3,465.62	1,585.19
4	Contribution from Local Bodies/ Govt.	55.4	9,655.62	4,354.54
	<b>TOTAL</b>		<b>83,206.16</b>	<b>50,011.82</b>

## KERALA STATE ELECTRICITY BOARD LIMITED

### Note : 4 LONG TERM BORROWINGS

Sl. No.	Particulars	Account code	Rate of Interest 2015-16	Rate of Interest 2014-15	As at 31.03.2016	As at 31.03.2015
					₹ in lakhs	₹ in lakhs
<b>A</b>	<b>SECURED LOANS TERM LOANS</b>					
	From Banks				-	-
	Other Financial Institutions					
1	LOAN FROM L I C	52&53	9.00%	9.00%	-	-
			9.00%	9.00%	-	-
			9.00%	9.00%	600.00	1,000.00
2	LOAN FROM REC ON VARIOUS SCHEMES		8.50%	8.50%	2,252.43	3,473.00
			9.50%	9.5%-10%	187.28	2,049.39
			10.00%	10.75%	210.95	66.76
			10.75%-12.5%	11.25%	320.43	378.04
			12.75%	12.50%	1,453.93	65.49
			13.00%	12.75%-13.25	2,916.40	6,696.40
3	PROJECT SPECIFIC LOAN FROM REC GENERATION, TRANSMISSION & DISTRIBUTION		11.39%	11.88%	8,662.82	8,662.82
			12.127%	12.127%	4,995.78	4,995.78
			10.40%-11.14%	11.392%	4,816.29	2,213.71
			10.40%-11.14%	11.392%	45,443.13	10,237.64
			11.146%	11.392%	7,467.88	7,467.88
			12.127%-12.372%		5,373.42	-
4	LOAN FROM REC R-APDRP PART-B		10.409%-11.146%	11.392%	31,830.09	20,580.53
5	LOAN FROM R E C - RGGVY		11.00%	11.75%	191.50	404.68
			11.50%	12.00%	155.75	73.42
			11.75%	12.25%	823.55	35.16
			12%-12.5%	12.50%	241.05	916.87

## KERALA STATE ELECTRICITY BOARD LIMITED

6	LOAN FROM REC - Medium Term Loan		12.75%	12.75%	8,333.33	41,666.67
			13.00%	13.00%	5,000.00	15,000.00
7	LOAN FROM PFC		11.40%-12%	12.00%	19,077.65	18,850.78
8	LOAN FROM PFC R-APDRP		9%	9%	25,100.30	25,100.30
9	LOAN FROM SOUTH INDIAN BANK		10%		9,000.00	-
10	LOAN FROM PFC GEL KAKKAYAM		10.50%-11%		896.95	-
	<b>SUB-TOTAL</b>				<b>1,85,350.89</b>	<b>1,69,935.33</b>
<b>B</b>	<b>UNSECURED LOANS TERM LOANS</b>					
	<b>From Banks</b>					
1	State Bank of India	52&53	9.45%-9.5%	10.15%	75,000.00	50,000.00
2	Vijaya Bank		9.65%	10.25%	20,000.00	19,999.91
3	South Indian Bank		10.00%	10.50%	10,000.00	10,000.00
4	Bank of India		9.75%	10.25%-10.5%	45,000.00	35,000.00
5	Syndicate Bank		9.70%	10.25%	10,000.00	10,000.00
6	Tamil Nadu Mercantile Bank		10.40%	10.75%	-	10,000.00
7	Indian Overseas Bank		10.25%	10.25%	-	65,000.00
8	Andhara Bank		9.75%		30,000.00	-
	<b>SUB-TOTAL</b>				<b>1,90,000.00</b>	<b>1,99,999.91</b>
	<b>TOTAL</b>				<b>3,75,350.89</b>	<b>3,69,935.23</b>

1. The Loans from REC/PFC is secured by way of hypothecation of specific assets and escrow account.
2. The loan from LIC is secured by mortgage of Premises
2. There is no continuing default in repayment of any of the above loans or payment of interest as on 31.03.2016

## KERALA STATE ELECTRICITY BOARD LIMITED

### Note 5: Other Long Term Liabilities

Sl. No.	Particulars	Account Code	As at 31.03.2016	As at 31.03.2015
			₹ in lakhs	₹ in lakhs
1	Security deposit from Consumers	48.1	2,28,731.50	1,97,531.07
2	Security deposit from consumers other than cash	48.2	19,170.98	20,074.80
3	Interest payable on consumers deposit	48.3	31,725.40	30,300.83
	<b>TOTAL</b>		<b>2,79,627.89</b>	<b>2,47,906.70</b>

### Note 6: Long Term Provisions

Sl. No.	Particulars	Account Code	As at 31.03.2016	As at 31.03.2015
			₹ in lakhs	₹ in lakhs
	<b>Other Long Term Reserve Funds</b>			
1	Contributory Provident Fund	57.110	3.79	3.79
2	General provident Fund	57.120	1,45,911.98	1,32,024.99
3	Staff Pension Fund	57.140&41	12,42,800.34	12,41,950.24
	<b>Sub Total</b>		<b>13,88,716.11</b>	<b>13,73,979.03</b>
	<b>Long Term Provisions</b>			
1	Provision for Interest on bonds adjustable against Electricity duty	51.201	2,11,000.00	2,11,000.00
2	provision for Pay revision	44.3	49,500.00	15,600.00
3	Provision for pension revision	44.3	8,200.00	8,200.00
	<b>Sub Total</b>		<b>2,68,700.00</b>	<b>2,34,800.00</b>
	<b>TOTAL</b>		<b>16,57,416.11</b>	<b>16,08,779.03</b>

1. Provision for interest on bond adjustable against electricity duty is provided in the accounts as per the second transfer scheme
2. Provision for pay revision and pension revision provided in the accounts since the pay revision is due from August 2013.



## KERALA STATE ELECTRICITY BOARD LIMITED

### Note 7: SHORT TERM BORROWINGS

Sl. No.	Particulars	Account Code	As at 31.03.2016	As at 31.03.2015
			₹ in lakhs	₹ in lakhs
<b>A</b>	<b>Secured Loans</b>			
	Overdraft/ Cash Credit limit from banks	50.2		
1	Union Bank of India	50.2	19,856.84	19,407.04
2	SBI		-	-
	<b>SUB TOTAL</b>		<b>19,856.84</b>	<b>19,407.04</b>
<b>B</b>	<b>Unsecured Loans</b>			
	Overdraft/Cash Credit limit from banks			
1	State Bank of Travancore	50.2	42,036.62	49,173.49
2	Canara Bank		99,196.89	89,357.63
3	Kerala Gramin Bank		8,599.35	-
4	Federal Bank		15,610.95	44,547.43
5	Vijaya bank		31,893.32	8,562.74
	Short Term Loans from banks	50.4	-	-
	Other loans and advances		-	-
	<b>SUB TOTAL</b>		<b>1,97,337.14</b>	<b>1,91,641.29</b>
	<b>TOTAL</b>		<b>2,17,193.97</b>	<b>2,11,048.34</b>

1. The cash credit/ overdraft from Union Bank of India and State Bank of India is secured by... hypothecation of receivables.
2. The cash credit/ overdraft from SBI is availed as WCDL and hence classified separately.
3. There is no continuing default in repayment of any of the above loans or payment of interest as on 31.03.2016

**KERALA STATE ELECTRICITY BOARD LIMITED**
**Note 8: TRADE PAYABLES**

Sl. No.	Particulars	Account Code	As at 31.03.2016	As at 31.03.2015
			₹ in lakhs	₹ in lakhs
<b>A.</b>	<b>Liabilities Sundry Creditors for purchase of power</b>			
1	National Thermal Power Corporation Ltd	41.101	15,763.21	16,872.71
2	NPCIL-MAPS	41.105	299.04	6,262.45
3	Neyveli Lignite Corporation	41.106	11,492.20	14,916.03
4	TNEB	41.107	13.55	15.32
5	Power Grid Corporation of India Ltd.	41.108	285.59	(2,690.60)
6	Power Trading Corporation of India Ltd	41.110	6,132.95	1,255.52
7	Wheeling Charges - PGCIL	41.112	25.94	-
8	KPTCL	41.114	1,067.68	969.37
9	KPTCL-Reactive Energy Charges	41.115	206.48	197.47
10	SRLDC	41.116	16.38	15.42
11	POC	41.119	3,116.82	4,165.07
12	APCC	41.120	35.58	35.58
13	Chattisgarh	41.122	1.04	1.04
14	BSES	41.128	2,175.20	1,171.18
15	Kasargode power Corporation Ltd	41.129	1,061.00	1,061.00
16	Power purchased from GEL	41.130	-	-
17	NTPC Vidyuth Vyapar Nigam Ltd	41.131	1,230.55	5,243.80
18	GMR Energy Trading Company Ltd	41.136	-	0.11
19	JSW Power Trading Company Ltd.	41.137	-	543.62
20	Energy Development Company Limited	41.139	24.45	40.76

## KERALA STATE ELECTRICITY BOARD LIMITED

21	IEX Ltd	41.141	-	20.15
22	Transmission Charges on Power Exchange	41.144	(4.86)	-
23	Viyat Power Limited	41.146	23.05	2.85
24	Aravali Power Co. Ltd.	41.151	166.28	9,297.90
25	NTPC Tamilnadu Energy Co. Ltd.	41.153	460.78	646.05
26	Ayyappa Hydro Power Ltd	41.157	65.51	85.21
27	Deviation charge to POSOCO	41.158	1,247.22	785.78
28	Palakkad Small Hydro Company	41.159	3.60	2.04
29	NPCIL-KAIGA	41.161	2,308.56	-
30	NPCIL-Kudankulam	41.162	3,096.44	-
31	NTPL	41.163	1,617.18	-
32	Maithon Power Limited	41.165	270.96	-
33	Kallar Vattiyar MHEP	41.166	2.71	-
34	Damodar Valley Corporation	41.167	362.97	-
35	Power purchased from Wind Generating Stations	41.5	46.07	31.70
	<b>TOTAL</b>		<b>52,614.15</b>	<b>60,947.55</b>

1. Trade payable includes only the liability towards the power purchased from other entities.

## KERALA STATE ELECTRICITY BOARD LIMITED

### Note 9: OTHER SHORT TERM LIABILITIES

Sl. No.	Particulars	Account Code	As at 31.03.2016	As at 31.03.2015
			₹ in lakhs	₹ in lakhs
1	Fuel related liabilities	40	617.91	530.38
2	Liability for capital supply/works	42.1-42.3	3,502.24	3,434.96
3	Liability for O&M supply/works	43.1-43.3	8,991.49	3,772.45
4	Staff related liabilities and provisions	44.1-44.4	20,116.15	27,419.48
5	Deposit and Retentions from Suppliers/Contractors	28.930-46.18	60,387.34	49,490.83
6	Electricity Duties and Other levies payable to Government	46.3	1,79,433.72	1,46,781.12
7	Liability for Expenses	46.4	2,104.88	1,560.92
8	Amount owing to Licensees	46.6	16.03	16.03
9	Accrued/Unclaimed amount relating to borrowings	46.7	13,103.76	9,736.48
10	Other Liabilities & Provisions	46.9	11,362.43	10,301.52
11	Deposit for Electrification, Service connection etc	47	53,350.01	45,693.98
	<b>TOTAL</b>		<b>3,52,985.96</b>	<b>2,98,738.16</b>

### Note 10: SHORT TERM PROVISIONS

Sl. No.	Particulars	Account Code	As at 31.03.2016	As at 31.03.2015
			₹ in lakhs	₹ in lakhs
1	Provision for Dearness Allowance to Employees	44.3	1,365.00	1,365.00
2	Provision for Dearness Relief to Pensioners	44.3	720.00	720.00
3	Provision for Income Tax		-	-
	<b>TOTAL</b>		<b>2,085.00</b>	<b>2,085.00</b>

## Note 11: TANGIBLE ASSETS

5<sup>th</sup> Annual Report 2015-2016

## FIXED ASSETS AND PROVISION FOR DEPRECIATION AS ON 31.03.2016

Sr. No	Asset Group	Asset Code	GROSS BLOCK			PROVISION FOR DEPRECIATION				NET BLOCK		
			As on 31.03.2015 ₹ in lakhs	Additions ₹ in lakhs	Deductions ₹	Reclassification ₹	As on 31.03.2016 ₹ in lakhs	Depreciation as on 31.03.2015 ₹ in lakhs	Depreciation during the period ₹ in lakhs	Adjustment on deduction ₹	As on 31.03.2016 ₹ in lakhs	As on 31.03.2016 ₹ in lakhs
01.	Land & Land Rights	10.1	1,69,260.62	3,945.45			1,73,206.06	-	-		1,73,206.06	1,69,260.62
02.	Buildings	10.2	66,651.66	1,044.48			67,696.14	26,024.60	1,649.21		40,022.34	40,627.06
03.	Hydraulic Works	10.3	1,16,402.19	637.74			1,17,039.93	40,434.76	4,101.23		72,503.95	75,967.43
04.	Other Civil Works	10.4	48,281.84	2,905.44			51,187.28	12,272.25	1,511.44		37,403.58	36,009.59
05.	Plant & Machinery	10.5	15,62,523.09	15,615.78			15,78,138.87	2,66,913.88	15,726.85		12,95,498.14	12,95,609.21
06.	Lines, Cable, Network etc.	10.6	6,83,691.12	48,570.07			7,32,261.18	3,27,521.15	25,573.06		3,79,166.97	3,56,169.97
07.	Vehicles	10.7	1,897.00	140.05			2,037.04	1,425.08	50.81		561.16	471.92
08.	Furniture & Fixtures	10.8	2,976.30	214.22			3,190.52	1,414.06	116.64		1,659.82	1,562.24
09.	Office Equipments	10.9	9,120.53	770.69			9,891.22	3,998.64	392.88		5,499.71	5,121.89
	Sub Total		26,60,804.33	73,843.92	0	0	27,34,648.24	6,80,004.41	49,122.12	0	20,05,521.72	19,80,799.92
10	Seignorage Value given to forest department	11.11	1.22	0.15			1.36				1.36	1.22
	<b>TOTAL</b>		<b>26,60,805.54</b>	<b>73,844.06</b>	<b>0</b>	<b>0</b>	<b>27,34,649.61</b>	<b>6,80,004.41</b>	<b>49,122.12</b>	<b>0</b>	<b>20,05,523.08</b>	<b>19,80,801.14</b>

**KERALA STATE ELECTRICITY BOARD LIMITED**
**Note 12: INTANGIBLE ASSETS**

Sl. No.	Particulars	Account Code	As at 31.03.2016	As at 31.03.2015
			₹ in lakhs	₹ in lakhs
		18	-	-
	<b>TOTAL</b>		-	-

**Note 13: CAPITAL WORK IN PROGRESS**

Sl. No.	Particulars	Account Code	As at 31.03.2016	As at 31.03.2015
			₹ in lakhs	₹ in lakhs
1	Capital Work in Progress	14	1,63,482.80	1,23,816.88
	Sub Total		1,63,482.80	1,23,816.88
2	Revenue expenses pending allocation over Capital Works	15.2	36,897.21	24,320.51
3	Advance to Suppliers/ Contractors(Capital)	25.1 to 25.9	10,535.63	12,678.44
	Sub Total		47,432.84	36,998.96
	<b>TOTAL</b>		<b>2,10,915.64</b>	<b>1,60,815.84</b>

**Note 14: NON-CURRENT INVESTMENTS**

Sl. No.	Particulars	Account Code	As at 31.03.2016	As at 31.03.2015
			₹ in lakhs	₹ in lakhs
1	Investment other than Fund Investments	20.2	2,000.01	1,950.01
	<b>TOTAL</b>		<b>2,000.01</b>	<b>1,950.01</b>

1. The company has made share contribution of ₹950.01 lakhs in the Kerala Power Finance Corporation.95.001 lakh shares with face value of ₹10 issued in favour of the company.
2. The company has made share contribution of ₹1000 lakh towards the Baitarani West Coal Company Limited a joint venture along with Orissa and Gujarat.1 lakh shares with face value of ₹1000 issued in favour of the company
- 3.The company has made share contribution of ₹50 lakh in Renewable Power Corporation of Kerala

## KERALA STATE ELECTRICITY BOARD LIMITED

### Note 15: LONG TERM LOANS AND ADVANCES

Sl No.	Particulars	Account Code	As at 31.03.2016	As at 31.03.2015
			₹ in lakhs	₹ in lakhs
1	Loans and Advances to Licensees	27.3	103.20	103.20
2	Loans and Advance - Others	27.8	8,568.66	8,346.39
	<b>TOTAL</b>		<b>8,671.86</b>	<b>8,449.59</b>

### Note 16: OTHER NON CURRENT ASSETS

Sl No.	Particulars	Account Code	As at 31.03.2016	As at 31.03.2015
			₹ in lakhs	₹ in lakhs
1	Receivables from Government	28.6	6,97,924.12	6,62,817.73
2	Deposits	28.9	53,080.66	51,215.23
3	Deferred cost	17.3	9,367.87	8,361.18
	<b>TOTAL</b>		<b>7,60,372.65</b>	<b>7,22,394.15</b>

1. As per the Second Transfer scheme an amount of ₹ 631513.00 lakhs is the contribution receivable from the Government of Kerala towards the Terminal Liability to be funded. This amount shown as amount receivable from government.

### Note 17: CURRENT INVESTMENT

Sl. No.	Particulars	As at 31.03.2016	As at 31.03.2015
		₹ in lakhs	₹ in lakhs
1	(a) Investments in Equity Instruments;	-	-
2	(b) Investment in Preference Shares;		
3	(c) Investments in Government or trust securities;		
4	(d) Investments in debentures or bonds;		
5	(e) Investments in Mutual Funds;		
6	(f) Investments in partnership firms;		
7	(g) Other investments (specify nature).		
	<b>TOTAL</b>	-	-

**KERALA STATE ELECTRICITY BOARD LIMITED**
**Note 18: INVENTORIES**

Sl. No.	Particulars		As at 31.03.2016	As at 31.03.2015
			₹ in lakhs	₹ in lakhs
	Fuel Stocks	21.1	583.73	1,115.93
	Heavy Duty Oil	21.105	-	-
	HSD Oil	21.106	-	-
	Lub Oil	21.107	-	-
	Chemicals	21.108	-	-
	Stock of Materials at Construction Stores	22.60&61	7,967.16	6,150.27
	Stock of Materials at other stores	22.62&63	4,922.30	2,168.50
	Material at Site (Cap)	22.64	-	-
	Material at Site (O & M)	22.65	13,296.45	12,347.50
	Other Materials Account	22.7	2,258.75	2,225.41
	Materials stock excess/shortage pending investigation	22.8	(17.54)	(17.36)
	<b>TOTAL</b>		<b>29,010.86</b>	<b>23,990.26</b>

Fast moving stores and stores/spares are valued at standard rate, determined by the company, in respect of items for which standard rate are fixed. Other items are valued at actual price.

**Note 19: TRADE RECEIVABLE**

Sl. No.	Particulars	Account Code	As at 31.03.2016	As at 31.03.2015
			₹ in lakhs	₹ in lakhs
1	Sundry Debtors for Sale of Power	23.1	2,11,852.91	1,95,600.04
2	Sundry Debtors for Inter State Sale of Power	23.6	293.36	307.02
3	Sundry Debtors for Electricity Duty	23.2	13,610.74	11,917.07
4	Sundry Debtors (Miscellaneous)	23.7	12,453.28	9,973.61
	Sub Total		2,38,210.29	2,17,797.74
	Less: Provision for doubtful dues from consumers	23.9	78,930.73	78,930.73
	<b>TOTAL</b>		<b>1,59,279.56</b>	<b>1,38,867.01</b>



## KERALA STATE ELECTRICITY BOARD LIMITED

### Note 20: CASH AND BANK

Sl. No.	Particulars	Account Code	As at 31.03.2016	As at 31.03.2015
			₹ in lakhs	₹ in lakhs
1	Cash on hand	24.1	1,048.76	1,162.58
2	Cash Imprest with Staff	24.2	59.41	53.66
3	Balance with Bank/Treasury	24.3	1,756.49	1,081.80
4	Disbursement Bank Account	24.4	2,542.05	1,410.91
5	Drawing Account with Treasury	24.45	8,313.58	8,506.85
6	Short-Term Deposit with Banks	24.7	10,262.46	9,244.43
7	Settlement Bank Accounts	24.8	180.17	-
	<b>TOTAL</b>		<b>24,162.91</b>	<b>21,460.22</b>

### Note 20.1: DETAILS OF BANK DEPOSIT

Sl. No.	Name of Bank	Amount ₹ in lakhs	Date of Maturity
1	State bank of Travancore	1,555.05	20-05-2016
		750.00	23-04-2016
		1,447.25	17-09-2016
2	Canara Bank	263.07	01-11-2016
		160.51	08-06-2016
		4.77	08-06-2016
		346.61	15-12-2016
		330.17	08-02-2017
		38.21	09-06-2016
		16.92	09-06-2016
		8.38	22-05-2016
		372.46	11-04-2016
		43.34	06-04-2016
		2.17	02-02-2017
		324.86	30-01-2017
		171.05	04-05-2016
		0.10	07-06-2016
		32.55	10-05-2016
		78.95	10-05-2016
25.00	07-10-2016		
70.70	05-11-2016		
32.55	04-12-2016		

## KERALA STATE ELECTRICITY BOARD LIMITED

	Vijaya Bank	332.45	16/12/2016
		988.35	16/12/2016
	State Bank Of India	58.15	29/03/2017
		55.25	29/03/2017
4	Punjab & Sind Bank	2,500.00	09/01/2016
5	South Malabar Granin Bank	253.59	28/03/2017
<b>TOTAL</b>		<b>10,262.46</b>	

The above deposits are made for margin money towards Letter of Credit limit sanctioned to the company

### Note 21: SHORT TERM LOANS AND ADVANCES

Sl.No.	Particulars	Account Code	As at 31.03.2016	As at 31.03.2015
			₹ in lakhs	₹ in lakhs
	Secured Considered good			
1	Advance to Staff-Interest bearing	27.101-106	-	-
	Unsecured Considered Good			
1	Advance Income Tax/Deductions at source	27.4	3,383.35	3,290.97
2	Advances for O&M supplies/works	26.1to26.7	1,030.14	1,077.57
3	Advance to Staff-Interest free	27.201-210	676.63	593.05
	<b>TOTAL</b>		<b>5,090.12</b>	<b>4,961.59</b>

### Note 22: OTHER CURRENT ASSETS

Sl. No.	Particulars	Account Code	As at 31.03.2016	As at 31.03.2015
			₹ in lakhs	₹ in lakhs
1	Sundry Debtors - Trade receivable	28.1	141.19	136.64
2	Income Accrued But Not Due	28.3	2,280.92	2,454.54
3	Amount Recoverable from Employees/ Ex-employees	28.4	364.15	359.09
4	Other claims	28.7	0.18	0.18
5	Other receivables	28.8	287.96	284.16
6	Inter Unit Balances	31 to 39	911.86	2,389.68
	<b>TOTAL</b>		<b>3,986.27</b>	<b>5,624.30</b>

## KERALA STATE ELECTRICITY BOARD LIMITED

### Note 23: REVENUE FROM OPERATIONS

Sl. No.	Particulars	Account Code	This Year 2015-16	Previous Year 2014-15
			₹ in lakhs	₹ in lakhs
1	Interstate	61.1	3.09	61,707.84
2	Domestic	61.21	3,74,410.28	3,17,655.62
3	Commercial	61.22	2,44,849.72	2,17,238.40
4	Public Lighting	61.23	15,636.05	13,781.34
5	Irrigation & Dewatering	61.24	6,561.95	6,044.41
6	Industrial L T	61.27	74,662.81	70,489.06
7	Railway Traction	61.28	12,086.07	11,310.22
8	Bulk Supply	61.29	34,704.21	31,328.50
9	H. T.	61.32	2,26,171.57	2,00,731.22
10	E. H. T.	61.33	55,518.09	57,399.69
11	NVVN/ Others	61.36	4,166.83	248.29
	<b>TOTAL REVENUE</b>		<b>10,48,770.67</b>	<b>9,87,934.59</b>
12	Reactive Energy Charges	61.4	180.28	1,666.81
13	Electricity Duty Recovery	61.501 to 61.519	70,926.13	61,619.59
14	Other State Levies Recovery	61.521 to 61.539	1,330.15	1,240.29
15	Meter Rent/Service Line Rental	61.6	9,013.09	14,381.96
	<b>SUB TOTAL (12 to 15)</b>		<b>81,449.65</b>	<b>78,908.65</b>
16	Wheeling Charges Recoveries	61.8	18.83	60.24
17	Misce. Charges from Consumers	61.7&61.9	33,460.74	7,582.38
	GROSS REVENUE FROM SALE OF POWER ( 1 to 17)		11,63,699.89	10,74,485.86
18	Less: Electricity Duty Payable (Contra )	61.541 to 61.559	70,926.13	61,619.59
19	Other State Levies Payable (Contra )	61.561 to 61.579	1,330.15	1,240.29
	<b>TOTAL</b>		<b>10,91,443.61</b>	<b>10,11,625.98</b>

## KERALA STATE ELECTRICITY BOARD LIMITED

### Note 24: OTHER INCOME

SL. No.	Particulars	Account Code	This Year 2015-16	Previous Year 2014-15
			₹ in lakhs	₹ in lakhs
1	Interest on Staff Loans and Advances	62.210 to 62.219	26.67	22.22
2	Income from Investments	62.220 to 62.239	21.64	21.64
3	Interest on Loans & Advances to Licensees /Joint Venture	62.240	-	-
4	Interest on Advances to Suppliers/ Contractors	62.260	159.13	136.07
5	Interest from Banks	62.270 to 62.272	964.80	6,217.71
6	Rebate Received	62.280 to 62.286	12,355.11	13,122.58
7	Interest Income from Energy Management Centre	62.291		-
8	Income from sale of Scrap/Tender form etc	62.3	4,974.33	4,003.30
9	Income from Staff Welfare Activities	62.6		-
10	Miscellaneous Receipts	62.4,62.6 &62.9	14,769.67	6,137.56
	<b>TOTAL</b>		<b>33,271.34</b>	<b>29,661.07</b>

### Note 25: PURCHASE OF POWER

Sl. No.	Particulars	Account Code	This Year 2015-16	Previous Year 2014-15
			₹ in lakhs	₹ in lakhs
I.	<b>POWER PURCHASED FROM CENTRAL GENERATING STATIONS</b>			
	National Thermal Power Corporation	70.101	1,98,213.68	3,07,200.02
	Madras Atomic Power Project	70.105	1,751.03	31,487.68
	Neyveli Lignite Corporation	70.106	55,051.28	53,243.11
	<b>TOTAL</b>		<b>2,55,015.99</b>	<b>3,91,930.81</b>
II.	<b>POWER PURCHASED FROM OTHERS</b>			
	BSES	70.108	9,021.16	25,494.69
	Power Trading Corporation of India Ltd. (PTC)	70.110	74,105.70	39,796.48
	Kasargode Power Corpn. Ltd	70.129	488.42	-

## KERALA STATE ELECTRICITY BOARD LIMITED

	Power Purchased from GEL	70.130	-	2,019.87
	NTPC Vidyut Vyapar Nigam Limited (NVVN)	70.131	53,472.95	7,353.30
	Tata Power Trading Company Limited	70.132	-	1,798.27
	GMR Energy Trading Limited	70.136	214.31	27.70
	JSW Power Trading Company Ltd.	70.137	4,992.53	36,134.25
	MPS Steel Castings (P) Ltd.	70.138	-	545.80
	Energy Development Company Limited	70.139	445.66	507.35
	IEX Ltd.	70.141	27,462.88	38,401.11
	PXI Ltd.	70.142	1,382.78	486.96
	Other Charges on purchase through Power Exchange	70.143 to 70.145	1,349.60	1,352.67
	Viyat Power Limited	70.146	684.93	639.60
	M/s Philip Carbon Black Limited	70.148	-	70.32
	Mittal Processors Pvt.Limited	70.150	-	669.41
	Aravali Power Co. Ltd.	70.151	85,614.42	66,149.84
	Shree Cement Ltd.	70.152	-	22.55
	NTPC Tamilnadu Energy Co. Ltd.	70.153	8,742.27	7,230.24
	Power purchased from Mangulam Panchayath	70.154	9.26	1.16
	Sesa sterlite Ltd	70.156	-	79.66
	Ayyappa Hydro power Limited	70.157	1,122.70	1,130.22
	Deviation charge POSOCO	70.158	13,988.94	18,302.50
	Palakkad Small Hydro Company	70.159	395.89	61.75
	Thermal Powertech	70.160	1,224.96	4.00
	NPCIL-KAIGA	70.161	18,734.95	-
	NPCIL-Kudankulam	70.162	10,004.17	-
	NTPL	70.163	9,487.41	-
	INDSIL Hydro Power and Management Ltd	70.164	133.30	-
	Maithon Power Limited	70.165	10,874.64	-
	Kallar Vattiyar MHEP	70.166	8.02	-
	Damodar Valley Corporation	70.167	370.37	-
	<b>TOTAL</b>		<b>3,34,332.24</b>	<b>2,48,279.70</b>
III.	Power Purchased from Wind Generating Stations	70.5	1,832.68	2,127.48

**KERALA STATE ELECTRICITY BOARD LIMITED**

	<b>TOTAL OF I &amp; II &amp; III</b>		<b>5,91,180.91</b>	<b>6,42,337.99</b>
IV.	Wheeling Charges (Less - UI charges received)	70.4	42,443.80	35,938.10
V	Other Charges on Sale through Power Exchange	70.6	56.91	-
	<b>GRAND TOTAL</b>		<b>6,33,681.62</b>	<b>6,78,276.09</b>

**Note 26: GENERATION OF POWER**

Sl. No.	Particulars	Account Code	This Year 2015-16	Previous Year 2014-15
			₹ in lakhs	₹ in lakhs
	FUEL CONSUMPTION			
1	Oil	71.120	9,652.85	20,246.01
	HSD Oil	71.121	422.71	348.22
	Lub Oil	71.122	224.61	241.51
2	<b>Sub Total of Fuel Cost</b>		<b>10,300.17</b>	<b>20,835.74</b>
	OPERATING EXPENSES			
3	Lubricants & Consumable Stores	71.6	124.51	155.24
4	Station Supplies	71.7	0.85	0.22
5	<b>Sub Total for Operating Expenses</b>		<b>125.35</b>	<b>155.46</b>
6	Cost of Generation of Power (2+5)		10,425.53	20,991.20
	<b>TOTAL</b>		<b>10,425.53</b>	<b>20,991.20</b>

**Note 27: REPAIRS AND MAINTENANCE**

Sl. No.	Particulars	Account Code	This Year 2015-16	Previous Year 2014-15
			₹ in lakhs	₹ in lakhs
	<b>Repairs and Maintenance to:</b>			
1	Plant and Machinery	74.1	5,423.43	6,256.66
2	Buildings	74.2	810.83	649.57
3	Civil Works	74.3	839.69	876.83
4	Hydraulic Works	74.4	433.84	321.86
5	Lines, Cable Network etc.	74.5	17,873.91	15,772.59
6	Vehicles	74.6	324.05	334.09
7	Furniture and Fixtures	74.7	40.67	31.49
8	Office Equipments	74.8	229.22	200.85
9	Less: Expenses capitalised	74.9	-	-
	<b>TOTAL</b>		<b>25,975.64</b>	<b>24,443.94</b>

## KERALA STATE ELECTRICITY BOARD LIMITED

### Note 28: EMPLOYEE COSTS

Sl. No.	Particulars	Account Code	This Year 2015-16	Previous Year 2014-15
			₹ in lakhs	₹ in lakhs
1	Salaries	75.1	1,15,043.83	95,357.36
2	Over Time/Holiday Wages	75.2	22.54	28.72
3	Dearness Allowance	75.3	93,041.90	79,288.38
4	Other Allowances	75.4	4,159.17	4,170.07
5	Bonus	75.5	825.77	744.54
6	<b>Sub Total</b>		<b>2,13,093.21</b>	<b>1,79,589.07</b>
7	Medical Expenses Reimbursement	75.611	852.88	879.52
8	Earned Leave Encashment	75.617 to 75.619	14,667.76	12,249.54
9	Payment under Workmen's Compensation Act	75.629	8.04	65.67
10	Leave Salary & Pension Contribution paid by the Board to other Departments	75.630	18.07	23.01
12	Funeral Allowance	75.636	3.53	2.70
13	<b>TOTAL OF OTHER STAFF COSTS (7 to 11)</b>		<b>15,550.27</b>	<b>13,220.43</b>
14	Staff Welfare Expenses	75.7	188.52	183.53
15	Terminal Benefits	75.8	1,00,450.37	<b>96,377.39</b>
	<b>TOTAL</b>		<b>3,29,282.37</b>	<b>2,89,370.42</b>
	Less: Expenses Capitalised	75.9	18,829.12	<b>17,286.38</b>
	<b>NET TOTAL</b>		<b>3,10,453.25</b>	<b>2,72,084.04</b>

## KERALA STATE ELECTRICITY BOARD LIMITED

### Note 29: ADMINISTRATION AND GENERAL EXPENSES

Sl. No	Particulars	Account Code	This Year 2015-16	Previous Year 2014-15
			₹ in lakhs	₹ in lakhs
1	Rent	76.101	680.86	716.62
2	Rates and Taxes	76.102	119.41	-
3	Insurance	76.104 to 76.107	25.22	32.36
4	Telephone Charges, Postage, Telegram & Telex charges	76.111 to 76.114 & 76.116	399.67	375.17
5	Up gradation charge of CUG handset	76.117	4.54	0.59
6	Internet charges	76.115	14.34	8.01
7	Legal Charges	76.121	213.03	177.78
8	Audit Fees	76.122	38.39	116.15
9	Consultancy Charges	76.123	9.19	62.14
10	Technical Fees	76.124	49.21	61.70
11	Other Professional Charges	76.125 to 76.128	59.99	98.80
13	Notary fee, License fee, Advocate fee & Other fee in connection with CGRF & ERC	76.129	380.39	663.35
14	Conveyance and Travel	76.131 to 76.141	5,799.87	4,946.79
	<b>Total of Administrative Expenses</b>		<b>7,794.12</b>	<b>7,259.46</b>
15	OTHER EXPENSES			
	Fees and Subscriptions	76.151	55.30	69.16
	Books and Periodicals	76.152	5.36	12.03
	Printing and Stationary	76.153	1,073.67	971.05
	Data Processing Charges	76.154	10.39	10.40
	Advertisements	76.155	65.93	333.14
	Exhibition, Publicity etc	76.156	58.06	18.66
	Contributions	76.157	118.35	117.84
	Electricity Charges	76.158	657.02	608.86



## KERALA STATE ELECTRICITY BOARD LIMITED

	Water Charges	76.160	33.55	29.29
	Sports and Related Activities	76.161	35.77	43.98
	Entertainment	76.162	54.86	45.32
	Study Tour & Training Expenses	76.163	158.19	213.48
	Ele. Duty u/s 3(i) of KED Act	76.165	11,136.74	10,599.25
	Expense in respect of Southern Regional Power Committee	76.166	37.63	41.46
	Expenditure for Vydyuthi adalath	76.167	0.07	0.07
	H&M data collection charge at different locations	76.168	30.10	24.23
	Cash Reward to the Informant	76.170	0.50	-
	Expenses APTS Inspection	76.171	1.00	1.49
	Expenditure towards safety measures	76.173	15.05	8.93
	Operating Expenses	76.174	9,444.21	6,061.67
	Expenses on APDRP advertisement	76.175&179	-	11.83
	Rent of optical fibre cable to PGCIL	76.176	0.83	-
	Expenditure on Referendum	76.177	5.28	-
	Expenditure in connection with distribution of LED	76.179,180&81	1,289.74	-
	Miscellaneous Expenses	76.190	506.67	<b>725.25</b>
	Expenditure on DSM Programme	76.191	0.83	<b>0.21</b>
	Expenditure towards subsidy to patients on life support	76.192	30.74	-
	Total of Other Expenses		<b>24,825.87</b>	<b>19,947.62</b>
16	Freight	76.210 to 76.221	968.49	660.86
17	Other Purchase related Expenses	76.230 to 76.299	820.29	835.67
18	Total Freight and Other Purchase related Expenses	76.2	<b>1,788.78</b>	<b>1,496.53</b>
			<b>34,408.77</b>	<b>28,703.61</b>
	Less: Expenses capitalised	76.9	<b>1,621.18</b>	<b>1,128.30</b>
	<b>TOTAL</b>		<b>32,787.59</b>	<b>27,575.31</b>

## KERALA STATE ELECTRICITY BOARD LIMITED

### Note 30: FINANCE COST

Sl. No.	Particulars	Account Code	This Year 2015-16	Previous Year 2014-15
			₹ in lakhs	₹ in lakhs
1	Interest on State Govt. Loans	78.1	-	-
2	Interest on Bonds	78.2	-	-
3	Interest on other loans/deferred credits	78.5	40,332.97	36,062.15
<b>4</b>	<b>Total Interest on Capital Liabilities</b>		<b>40,332.97</b>	<b>36,062.15</b>
5	Interest to Consumers	78.6	16,790.14	16,250.49
6	Interest on Borrowings for Working Capital	78.7	22,942.64	26,908.46
	OTHER INTEREST AND FINANCE CHARGES			
8	Rebate allowed for prompt payment to NVVN	78.809		
7	Discount to Consumers for timely payment of bills	78.820 to 78.839	161.63	133.12
8	Interest on Contributory Provident Fund	78.851	-	-
9	Interest on General Provident Fund	78.852	10,624.92	10,870.17
10	Other Interest	78.85	15.71	161.82
11	Cost of Raising Finance	78.86	3.97	2.32
12	Premium payment for swapping of Loans	78.869	-	-
13	Other Charges	78.801 & 78.881 to 78.889	42.09	301.83
	<b>TOTAL</b>		<b>90,914.07</b>	<b>90,690.36</b>
	Less: Interest and finance charges capitalised	78.9	5,773.32	5,344.16
	<b>TOTAL</b>		<b>85,140.75</b>	<b>85,346.20</b>

## KERALA STATE ELECTRICITY BOARD LIMITED

### Note 31: DEPRECIATION AND AMORTIZATION

Sl. No.	Particulars	Account Code	This Year 2015-16	Previous Year 2014-15
			₹ in lakhs	₹ in lakhs
1	Depreciation	77.1 & 77.2	49,122.12	45,969.87
2	Asset De-commissioning Costs	77.5		
3	Small and Low Value Items Written Off	77.6		
4	<b>SUB TOTAL</b>		<b>49,122.12</b>	<b>45,969.87</b>
5	Written Down Value of Assets Scrapped	77.710		
6	Write off of deficits of Fixed Assets observed upon Physical Verification	77.720		
7	Loss on Sale of Fixed Assets	77.730		
8	TOTAL OF 5 TO 7		-	-
9	TOTAL DEBITS (4 & 8)		49,122.12	45,969.87
	Less:			
10	Gain on Sale of Assets (including Capital Gain Rs Nil transferred to Capital Reserve)			
<b>11</b>	<b>TOTAL</b>		<b>49,122.12</b>	<b>45,969.87</b>

### Note 32: OTHERS

Sl. No.	Particulars	Account Code	This Year 2015-16	Previous Year 2014-15
			₹ in lakhs	₹ in lakhs
1	Material Cost Variance	79.1	7,184.49	6,780.75
2	Research and Development Expenses	79.2	9.09	30.75
4	Bad and Doubtful Debts Written off / Provided/demand withdrawal of consumers	79.4	1,306.46	7,315.63
5	Miscellaneous Losses and Write Offs	79.5	396.31	495.18
6	Sundry Expenses	79.7	1.65	0.75
7	Loss on account of flood cyclone etc	79.8	-	1.25
	<b>TOTAL</b>		<b>8,898.01</b>	<b>14,624.31</b>

## KERALA STATE ELECTRICITY BOARD LIMITED

### Note 33: NET PRIOR PERIOD CREDITS/CHARGES

Sl. No.	Particulars	Account Code	This Year 2015-16	PreviousYear 2014-15
			₹ in lakhs	₹ in lakhs
1	INCOME RELATING TO PREVIOUS YEARS			
	Receipts from Consumers relating to Prior Periods	65.2	-	-
	Excess Provision for Depreciation in Prior Periods	65.6	-	-
	Interest Income for Prior Periods	65.4	-	-
	Excess Provision for Interest and Finance Charges in Prior Periods	65.7	-	8.97
	Other Excess Provision in Prior Periods	65.8	2.37	3.14
	Other Income relating to Prior Periods	65.9	561.15	1,009.93
	<b>Total of 1</b>		<b>563.52</b>	<b>1,022.04</b>
2	PRIOR PERIOD EXPENSES/LOSSES			
	Short Provision of Power Purchased in previous years	83.1	-	-
	Fuel Related Losses and Expenses relating to Prior Periods	83.2	1.85	-
	Operating Expenses of previous years	83.3	3.16	93.61
	Employee Costs relating to previous years	83.5	-	-
	Depreciation under provided in previous years	83.6	-	-
	Interest and other Financial Charges in previous years	83.7	1.41	35.07
	Other Charges relating to previous years	83.8	117.01	159.65
	<b>Total of 2</b>		<b>123.43</b>	<b>288.33</b>
	<b>NET PRIOR PERIOD CREDITS/(CHARGES)(1-2)</b>		<b>440.09</b>	<b>733.71</b>

## KERALA STATE ELECTRICITY BOARD LIMITED

### Note 34: EXCEPTIONAL ITEMS

Sl. No.	Particulars	Account Code	This Year 2015-16	Previous Year 2014-15
			₹ in lakhs	₹ in lakhs
	TOTAL CREDITS			
1	Extra-ordinary Debits (Loss on account of flood, cyclone, fire etc.)	79.8	-	-
	TOTAL DEBITS			
2	Extra-ordinary items			
	<b>NET DEBIT/(CREDIT)</b>		-	-

### Note 35: EXTRA ORDINARY ITEMS

Sl. No.	Particulars	Account Code	This Year 2015-16	Previous Year 2014-15
			₹ in lakhs	₹ in lakhs
1	Extra-ordinary items		-	-
	<b>NET DEBIT/(CREDIT)</b>		-	-

### Note 36: CURRENT TAX

Sl. No.	Particulars	Account Code	This Year 2015-16	Previous Year 2014-15
			₹ in lakhs	₹ in lakhs
1	Income-tax-current year		-	-
2	Short Provision for Income Tax		-	-
	<b>TOTAL</b>		-	-

### Note 37: DEFERRED TAX

Sr. No.	Particulars	Account Code	This Year 2015-16	Previous Year 2014-15
			₹ in lakhs	₹ in lakhs
1	Deferred Tax		-	-
	<b>TOTAL</b>		-	-

## KERALA STATE ELECTRICITY BOARD LIMITED

### Note 40: EARNING PER SHARE ( EPS )

Sl. No.	Particulars	As at 31.03.2016	As at 31.03.2015
		₹ in lakhs	₹ in lakhs
	Basic		
i.	(A) Net profit for the year	(31,329.46)	(1,27,290.21)
	(B) Weighted average number of equity shares outstanding during the year	34,990.50	34,990.50
	(C) Earning Per Share	(0.90)	(3.64)
	Diluted		
ii.	Net Profit for the year	(31,329.46)	(1,27,290.21)
	(B)Weighted average number of equity shares outstanding during the year	34,990.50	34,990.50
	(C) Earning Per Share	(0.90)	(3.64)

**KERALA STATE ELECTRICITY BOARD LIMITED**

<b>BALANCE SHEET AS AT 31 ST MARCH 2016</b>				<b>Trifurcated Balance sheet</b>			in lakhs
Sl. No	Particulars	Note No	As at 31.03.2016 in lakhs	Generation	Transmission	Distribution	TOTAL
<b>A</b>	<b>EQUITY AND LIABILITIES</b>						
1	Shareholders funds						
	(a) Share Capital	1	3,49,905.00	92,768.84	1,01,595.68	1,55,540.48	3,49,905.00
	(b) Reserves and Surplus	2	(1,61,372.18)	-	-	(1,61,372.18)	(1,61,372.18)
<b>2</b>	<b>Contribution, Grants and other Long term reserve funds</b>		83,206.16	-	1,591.92	81,614.24	83,206.16
3	Non Current Liabilities			-	-	-	-
	(a) Long term borrowings	3	3,75,350.89	92,327.07	1,01,111.88	1,81,911.94	3,75,350.89
	(b) Other long term liabilities	4	2,79,627.89	-	-	2,79,627.89	2,79,627.89
	(c) Long-term provisions	5	16,57,416.11	13,08,375.96	47,810.90	3,01,229.25	16,57,416.11
<b>4</b>	<b>Current liabilities</b>			-	-	-	
	(a) Short term borrowings	6	2,17,193.97	86,877.59	65,158.19	65,158.19	2,17,193.97
	(b) Trade payables	7	52,614.15	-	-	52,614.15	52,614.15
	(c) Other current liabilities	8	3,52,985.96	30,446.78	48,746.32	2,73,792.86	3,52,985.96
	(d) Short term provisions	9	2,085.00	107.30	223.12	1,754.58	2,085.00
	<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>32,09,012.95</b>	<b>16,10,903.54</b>	<b>3,66,238.01</b>	<b>12,31,871.40</b>	<b>32,09,012.95</b>
<b>B</b>	<b>ASSETS</b>						
<b>1</b>	<b>Non-current assets</b>						
	(a) Fixed assets						
	(i) Tangible assets	10	20,05,523.08	14,33,957.24	2,31,172.21	3,40,393.63	20,05,523.08
	(ii) Intangible asset	11	-	-	-	-	-
	(iii) Capital Work in progress	12	2,10,915.64	1,11,209.87	49,569.91	50,135.86	2,10,915.64

	(b) Non-current investment	13	2,000.01	845.95	483.63	670.43	2,000.01
	(c) Long term loans and advances	14	8,671.86	440.96	916.96	7,313.95	8,671.86
	(d) Other non-current assets	15	7,60,372.65	57,871.31	73,589.07	6,28,912.27	7,60,372.65
<b>2</b>	<b>Current assets</b>						-
	(a) Current investments	16	-				-
	(b) Inventories	17	29,010.86	2,615.97	6,596.43	19,798.46	29,010.86
	(c) Trade receivables	18	1,59,279.56	-	-	1,59,279.56	1,59,279.56
	(d) Cash and cash equivalents	19	24,162.91	2,024.79	2,042.84	20,095.29	24,162.91
	(e) Short-term loans and advances	20	5,090.12	983.88	876.20	3,230.04	5,090.12
	(f) Other current assets	21	3,986.27	953.59	990.76	2,041.91	3,986.27
	<b>TOTAL ASSETS</b>			<b>16,10,903.55</b>	<b>3,66,238.00</b>	<b>12,31,871.40</b>	<b>32,09,012.95</b>

**KERALA STATE ELECTRICITY BOARD LIMITED**
**Trifurcated Profit and Loss Statement**
**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2016**

in lakhs

		Note No	As at 31.03.2016 in lakhs	Generation	Transmission	Distribution	TOTAL
I	Revenue from operations	22	10,91,443.61	57354.12	1,12,593.97	10,91,443.60	12,61,391.70
II	Other Income	23	33,271.34	1942.80	3,373.82	27,954.72	33,271.34
<b>III</b>	<b>Total Revenue(I+II)</b>		<b>11,24,714.95</b>	<b>59,296.92</b>	<b>1,15,967.79</b>	<b>11,19,398.32</b>	<b>12,94,663.03</b>
<b>IV</b>	<b>Expenses</b>			<b>0</b>	<b>-</b>	<b>-</b>	
	(a) Purchase of power	24	6,33,681.62	0	43,443.48	7,60,186.23	8,03,629.71
	(b) Generation of power	25	10,425.53	10425.53	-		10,425.53
	(c) Repairs and Maintenance	26	25,975.64	2602.17	4,791.31	18,582.16	25,975.64
	(d) Employee Cost	27	3,10,453.25	14216.83	29,253.58	2,66,982.84	3,10,453.25
	(e) Administrative and Other Expenses	28	32,787.47	1631.49	5,040.92	26,115.07	32,787.47
	(f) Finance Costs	29	85,140.75	4632.36	4,963.47	75,544.91	85,140.75



	(g) Depreciation and Amortization expenses	30	49,122.12	12204.91	13,303.76	23,613.45	49,122.12
	(h) Others	31	8,898.01	224.06	(163.91)	8,837.85	8,898.01
	<b>Total Expenses</b>		<b>11,56,484.39</b>	<b>45,937.35</b>	<b>1,00,632.60</b>	<b>11,79,862.51</b>	<b>13,26,432.48</b>
V	Add/(less): Prior period credits/(charges)	32	440.09	1019.60	412.14	(991.65)	440.09
<b>VI</b>	<b>Profit/(Loss) before exceptional and extra ordinary items and tax(III-IV+V)</b>		<b>(31,329.35)</b>	<b>14,379.16</b>	<b>15,747.33</b>	<b>(61,455.84)</b>	<b>(31,329.35)</b>
VII	Exceptional items	33	-	-	-	-	-
<b>VIII</b>	<b>Profit/(Loss) before extra ordinary items and tax(VI-VII)</b>		<b>(31,329.35)</b>	<b>14,379.16</b>	<b>15,747.33</b>	<b>(61,455.84)</b>	<b>(31,329.35)</b>
IX	Extraordinary items	34	-	-	-	-	-
<b>X</b>	<b>Profit/(Loss) before tax(VIII-IX)</b>		<b>(31,329.35)</b>	<b>14,379.16</b>	<b>15,747.33</b>	<b>(61,455.84)</b>	<b>(31,329.35)</b>
XI	Tax Expenses						
	(i) Current Tax	35	-	-	-	-	-
	(ii) Deferred Tax	36	-	-	-	-	-
<b>XII</b>	<b>Profit/(Loss) for the period from continuing operations(VIII-IX)</b>		<b>(31,329.35)</b>	<b>14,379.16</b>	<b>15,747.33</b>	<b>(61,455.84)</b>	<b>(31,329.35)</b>
XIII	Profit/(Loss) from discontinuing operations		-	-	-	-	-
XIV	Tax Expenses of discontinuing operations		-	-	-	-	-
XV	Profit/(Loss) from Discontinuing operations after tax(XIII-XIV)		-	-	-	-	-
<b>XVI</b>	<b>Profit/(Loss) for the period(XII+XV)</b>		<b>(31,329.35)</b>	<b>14,379.16</b>	<b>15,747.33</b>	<b>(61,455.84)</b>	<b>(31,329.35)</b>

## KERALA STATE ELECTRICITY BOARD LIMITED

### Note 38: STATEMENT OF ACCOUNTING POLICIES

#### 38.1. Corporate information

Kerala State Electricity Board Limited is incorporated under the Companies Act, 2013 and is a Government Company within the meaning of Section 2(45) of the Companies Act, 2013. It is the successor entity of Kerala State Electricity Board which was constituted by the Government of Kerala, as per order no. EL1-6475/56/PW dated 7-3-1957 of the Kerala State Government, under the Electricity (Supply) Act, 1948 for carrying out the business of Generation, Transmission and Distribution of electricity in the State of Kerala.

#### SIGNIFICANT ACCOUNTING POLICIES

#### 38.2. Basis of Accounting and Preparation of Financial statements

The Financial statement of the Company is being prepared on accrual basis under historical cost convention and is in line with the Generally Accepted Accounting Principles in India.

The company is governed by the Electricity Act, 2003. The provisions of the Electricity Act, 2003 read with the rules made there under prevails wherever the same are inconsistent with the provisions of the Companies Act, 2013 to the extent applicable, in terms of Section 174 of the Electricity Act, 2003.

#### 38.3. Use of Estimates

The presentation of financial statements requires certain estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognized in the period in which the results are known/ materialized.

#### 38.4. Fixed Assets

- a. Fixed assets are shown at historical cost comprising of purchase price and any attributable cost of bringing the assets to its working condition for its intended use, less accumulated depreciation/amortization.
- b. The cost of land includes provisional deposits, payments/liabilities towards compensation, rehabilitation and other expenses wherever possession of land is taken.

#### 38.5. Capital Work in Progress

- a) Employee cost and General Administration expenses of various units are allocated to "Revenue expenses pending allocation over capital works" on the basis of following ratio

Units	Employee cost (75)	General Expense (76)
a) Generation	100% of Civil works at units	100% of Civil works at units
b) Transmission	25%	25%
c) Distribution	5%	NIL
d) HO	5%	5%

Advertisement charges relating to capital equipment at Board secretariat and Interest and finance cost related to capital expenditure are also allocated to Revenue expenses pending allocation over capital works.

- b) Cost of material consumed, erection charges and the incidental expenses incurred for the project pending for capitalization are shown as capital work in progress till the capitalization of assets / project.
- c) Deposit works / cost plus contracts are accounted for on the basis of statements of account received from the contractors.

### 38.6. Depreciation

- a. Depreciation is calculated on straight-line method up to 90% of the original cost of assets at the rates notified by the Central Electricity Regulatory Commission.
- b. Asset are depreciated to the extent of 90% of the cost of the asset and 10% is retained as residual value.
- c. The remaining depreciable value as on 31st March of the year closing after a period of 12 years from the date of commercial operation shall be spread over the balance useful life of the asset.
- d. Claw back of depreciation has been provided in the accounts on the assets created out of the contribution received from consumers as on 31st March of last year.

### 38.7. Borrowing cost

Borrowing costs that are attributable to the acquisition or construction of assets are capitalized as part of the cost of asset. The quantum of borrowing cost capitalized being determined on the basis of weighted average cost of the borrowing outstanding during the period.

### 38.8. Accounting for grants

- a) The government grants related to depreciable fixed assets are treated as deferred income which will be recognized in the profit and loss statement on a systematic and rational basis over the useful life of the asset.
- b) Grants related to non- depreciable assets are credited to capital reserve.
- c) Revenue and untied grants are treated as income.

### 38.9. Reserves & Surplus

Work executed/asset created out of contribution received from the third parties vested in the company are incorporated in the books at the gross value without reducing the contribution from the cost of the asset. Such contributions received are shown separately as Reserve Funds.

**38.10. Investments**

Investments are valued at cost determined on an individual investment basis.

**38.11. Inventories**

Fast moving stores and spares are valued at standard rates, determined by the company, in respect of items for which standard rates are fixed. Other items are valued at actual price. The difference between actual cost and standard rate is debited or credited to Material cost variance as the case may be. The credit balance under this account is transferred to Material cost variance reserve. The debit balance under Material Cost variance is transferred to Profit & Loss account.

**38.12. Revenue Recognition**

- a) Revenue from sale of power within the State is recognized on accrual basis at the tariff as notified by the Kerala State Regulatory Commission from time to time.
- b) Revenue from Interstate sale of power is recognized on accrual basis at the tariff as notified by the Central Electricity Regulatory Commission from time to time.
- c) Revenue from other sources is also accounted on accrual basis.
- d) Income from Investment in other Companies is recognized on cash basis.
- e) Surcharge on delay in payment is recognized on cash basis.

**38.13. Employee benefits**

- a) Welfare fund

The KSEB Limited Employees Welfare Fund is an autonomous institution registered under Travancore Cochin Literary Scientific and Charitable Societies Registration Act 1955 under Registration No. T 925 dated 16.10.1996.

KSEB Limited is contributing Rs.30/- per employee per month to the KSEB Limited employee welfare fund

- b) National Pension Scheme

National Pension Scheme (NPS) was implemented in KSEB Limited vide B.O (FB) No.843/2013 (PRC/335/2013) dated 09.04.2013. All employees appointed on or after 01.04.2013 come under the coverage of NPS. The NPS will work on defined contribution basis and will have two tiers Viz., Tier I and Tier II. Contribution to Tier I will be mandatory for all employees appointed on or after 01.04.2013 whereas the Tier II will be optional and at the discretion of Board employees.

In Tier I, the Board Employees shall make a contribution of 10% of (Basic pay + DA) from the salary every month. The company will also make equal matching contribution.

In Tier II contribution depend upon the option of the employee. Company shall not make any contribution to this scheme.

- c) General provident fund

Vide G.O (P) No.14/2015/PD dated 27.04.2015 Government of Kerala notified that General provident fund scheme existed in the KSE Board is applicable to the KSEB Ltd also. This scheme

is applicable for all employee of KSEB Ltd. Minimum contribution to the scheme is fixed as 6% of the basic salary of the employees. There is no contribution by the company in this scheme. Company is providing interest to the deposit in this scheme at the rate of the provident fund scheme of the Kerala Government Employees.

#### d) Gratuity

In KSEB Ltd Gratuity Act 1972 is adopted for the payment of Gratuity of the employees as retirement benefits. At the time of retirement, Gratuity is given for each completed year of service at 15/26 of (Basic pay + DA) on the last month of the salary subject to a maximum of Rs.10 lakhs

### **38.14. Taxes on income**

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India. The tax rates and tax Laws used to compute the amounts are those that are enacted, at the reporting date.

Deferred tax reflects the effect of temporary timing differences between the assets and liabilities recognized for financial reporting purposes and the amount that are recognized for current tax purposes. As a matter of prudence deferred tax assets are recognized and carried forward only to the extent, there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

### **38.15. Provision for doubtful dues from consumers**

Provisions for doubtful dues from consumers are provided by applying a certain % on the dues of consumers depending up on the age wise analysis.

### **38.16. Impairment of asset**

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Statement of Profit and Loss.

### **38.17. Segment reporting**

The Company is primarily having operations for generation, Transmission and Distribution of power, which are regarded as separate reporting segments. The accounting policies adopted for segment reporting are in line with the accounting policies of the Company. Segment revenue, segment assets and segment liabilities have been identified to segments on the basis of their relationship to the operating activities of the segment.

Inter-segment revenue is accounted for on the basis of transfer pricing methodology wherein cost of the segment(Generation & Transmission segment separately) and return on apportioned equity identified to that particular segment is considered as a revenue for it, and cost for other segment (Distribution segment).

### **38.18. Provisions, Contingent Liabilities, Contingent Assets**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.

Contingent liabilities are not recognized but are disclosed in the notes on accounts.

Contingent assets are neither recognized nor disclosed in the financial statements.

### 38.19. Cash Flow statement

Cash flow statement is prepared in accordance with the indirect method prescribed in Accounting Standard (AS) 3 "Cash Flow Statements".

### 38.20. Earnings Per Share (EPS)

Basic earnings per share are computed by dividing the profit/ loss after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit/ loss after tax as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

Sd/-  
Dr. K. ELLANGO VAN IAS  
CHAIRMAN & MANAGING DIRECTOR

Sd/-  
N.S PILLAI IA&AS  
DIRECTOR (FINANCE)

Sd/-  
BIJU.R FCA  
FINANCIAL ADVISER &  
CHIEF FINANCIAL OFFICER

Sd/-  
LEKHA.G  
COMPANY SECRETARY I/c

SUBJECT TO OUR REPORT OF EVEN DATE

For K.Venkatachalam Aiyer & Co.  
Chartered Accountants  
REGN.No.004610S

For ISAAC & SURESH  
Chartered Accountants  
FRN-001150S

For ANANTHAN & SUNDARAM  
Chartered Accountants  
FRN.000148S

Sd/-  
ROOPESH.R. ACA  
  
PARTNER  
MEMB.No.228891

Sd/-  
SOBHA SETHUMADHAVAN, FCA  
  
PARTNER  
Membership No.225166

Sd/-  
CA. HARIKRISHNAN.R.S,  
M.COM,DISA,ACA  
PARTNER  
M.No.230338

Place:Thiruvananthapuram  
Date:30.01.2017

**Note 39 NOTES TO ACCOUNTS****39.1. Contingent liabilities and capital commitments****[Rs. In Lakhs]**

Particulars	2015-16	2014-15
<b>A. Contingent Liabilities not provided for in respect of :</b>		
i. Capital liabilities becoming due for repayment/redemption	3,75,350.89	3,69,935.23
ii. Disputed Income-tax Matters	35,832.26	32,678.95
iii. Claims against Company pending Court Orders	-	-
<b>B. Capital Commitments</b>		
Contracts placed but not executed	20,986.89	161.25

**39.2. Provisioning of Debtors**

Total provision for bad and doubtful debts amounting to Rs.789.31 crores were made up to 2008-09 based on the age wise analysis of debtors at the rates mentioned below. As adequate provision is already there, no further provision for bad and doubtful debts is made during the period. The age wise analysis and corresponding provisions for the period is not incorporated in the accounts.

Age of debtors	Provisioning rate (%)
More than 5 years	75
Between 3 to 5 years	40
Between 1 to 3 years	15
Between 6 months to 1 year	5
Less than 6 months	0

**39.3. Related Party Disclosures****[Rs. In Lakhs]**

Sl. No.	Name	Designation	Gross Salary	Others	Total
1	M.Sivasankar IAS	CMD	18.23	0.26	18.49
2	S.Venugopal	Director	2.61	1.63	4.24
3	M.Muhammed Ali Rawther	Director	3.96	0.69	4.65
4	K.Venugopalan	Director	3.81	0.67	4.48
5	Baburaj. J	Director	3.96	0.64	4.61
6	C.V.Nandan	Director	12.17	2.26	14.43
7	B.Nina	Director	12.03	2.02	14.05
8	P. VijayaKumari	Director	12.03	0.52	12.56
9	O.Asokan	Director	11.73	2.17	13.90
10	N.Sivasankara Pillai IA&AS	Director	10.97	0.10	11.07

### 39.4. Secured and unsecured loans

Securities details of secured loans:

Sl. No.	Name of the lender	Purpose of loan	Nature of security
1	PFC	RAPDRP Part- A(Distribution scheme)	Existing and future assets created from the loans
2	PFC	RAPDRP Part- B(Distribution scheme)	Existing and future assets created from the loans
3	REC	Transmission scheme (Kattakada, Pothencode)	Future assets created from the loans
4	PFC	Pallivasal Extension Scheme(Generation Scheme)	Immovable and movable properties present and future created from the loans
5	REC	Meter Scheme( Distribution)	Future assets created from the loans
6	REC	R-APDRP Part-B Counterpart Funding (Distribution scheme)	Future assets created from the loans
7	REC	8 Nos. Transmission schemes	Future moveable assets created from the loans
8	REC	Distribution Schemes	Future assets created from the loans
9	REC	Thottiyar HEP(Generation scheme)	Future assets created from the loans
10	PFC GEL	Kakkayam SHEP (Generation Scheme)	Immovable and movable properties present and future created from the loans
11	South Indian Bank	BARAPOLE SHEP(Generation)	Hypothecation of movable assets & lodgment of title deed of landed properties
12	LIC	Renovation of Sabarigiri Hydro Electric Project	Government Guarantee
13	REC-RGGVY	Development of rural household	Future assets created from the loans
14	REC-Medium Term loan	Purchase of power	Hypothecation of assets of Transmission circle
15	REC - Various Schemes	System improvement schemes	<b>Future assets created from the loans and Govt.Guarantee.</b>

### 39.5. Interest and finance charges capitalized

Interest and finance charges capitalized @ 10.26%.



### 39.6 Employee Benefits

(i) Pension Trust

As per section 6(8) & 6(9) of the Kerala State Electricity Second Transfer Scheme a Master Trust was registered on 12/02/2015. This Trust was formed to disburse the pension of pensioners of erstwhile KSE Board and future pensioners of KSEB Ltd. As per the transfer scheme the Trust should be operationalised during the financial year 2014-15 and the pension to be disbursed through this Trust. Though the Master Trust was registered the procedural formalities for full operationalization of trust is not yet completed and hence trust could not be functioned as per the scheme notified in the Second Transfer Scheme. Hence the pension disbursed to the pensioners from the cash flow of the company. However the company started distributing pension through the Master Trust with effect from 01.01.2016.

(ii) Expenditure towards defined benefit scheme Gratuity and pension which covers employees who are in the pay roll of the company provided in the accounts on the basis of actual expenditure. No actuarial valuation done during the period hence actuarial gains or losses are not recognized in the Profit and Loss Account.

(iii) The employees who are recruited on or after 1st April 2013 are included in the new national pension scheme and do not come under the regular pension scheme. The company has no further obligation beyond the monthly contributions.

(iv) The Company's contribution to NPS in respect of employees recruited after 1st April 2013 is not provided in the books of accounts.

(v) The contribution made by the employees for general Provident Fund is credited to General Provident Fund Account maintained by Kerala State Electricity Board Ltd.

(vi) Leave travel concession benefit not made available to KSEB Ltd.

### 39.7 Transactions Foreign currency

(i). Expenditure in foreign currency (on accrual basis)

Particular	March 31, 2016	March 31, 2015
Travelling	NIL	NIL
Professional & Consultation fee	NIL	NIL
Interest	NIL	NIL
Others	NIL	NIL
Total	NIL	NIL

(ii). CIF Value of Imports

Particular	March 31, 2016	March 31, 2015
Raw materials	NIL	NIL
Capital goods	NIL	NIL
Components & Spares	NIL	NIL
Total	NIL	NIL

### 39.8 Segment Reporting

#### Primary Segment

#### Disclosure under Accounting Standard -17 Segment reporting

Particulars	For the year ended 31 March, 2016				
	Business segments			Inter Segment Eliminations	Total
	Generation	Transmission	Distribution		
	Rs. in lakhs	Rs. in lakhs	Rs. in lakhs	Rs. in lakhs	
<b>Segment Revenue</b>					
Sale of energy & Meter rent	57,354.12	1,12,593.97	10,91,443.60	-	12,61,391.70
Inter-segment revenue	-	-	-	-	-
<b>Total</b>	57,354.12	1,12,593.97	10,91,443.60	-	12,61,391.70
<b>Segment result</b>	12,436.36	12,373.51	-89,410.56	-	-64,600.69
Unallocable expenses (net)	-	-	-		-
Operating income					-64,600.69
<b>Other income (net)</b>	1,942.80	3,373.82	27,954.72	-	33,271.34
Profit before taxes					-31,329.35
Tax expense					-
<b>Net profit for the year</b>					-31,329.35

Particulars	For the year ended 31 March, 2015				
	Business segments			Inter Segment Eliminations	Total
	Generation	Transmission	Distribution		
	Rs. in lakhs	Rs. in lakhs	Rs. in lakhs	Rs. in lakhs	
<b>Segment Revenue</b>					
Sale of energy & Meter rent	73,755.84	113,366.13	1,011,625.97	-	1,198,747.94
Inter-segment revenue	-	-	-	-	-
<b>Total</b>	73,755.84	113,366.13	1,011,625.97	-	1,198,747.94
<b>Segment result</b>	14,335.11	14,871.48	-186,157.86	-	-156,951.27
Unallocable expenses (net)	-	-	-		-
Operating income					-156,951.27
<b>Other income (net)</b>	645.13	987.81	28,028.13	-	29,661.07
Profit before taxes					-127,290.20
Tax expense					-
<b>Net profit for the year</b>					-127,290.20

Particulars	For the year ended 31 March, 2016			
	Business segments			Total
	Generation	Transmission	Distribution	
	Rs. in lakhs	Rs. in lakhs	Rs. in lakhs	Rs. in lakhs
<b>Segment assets</b>	14,99,693.68	3,16,668.09	11,81,735.54	29,98,097.31
Unallocable assets	-	-	-	-
Total assets				29,98,097.31
<b>Segment liabilities</b>	16,10,903.54	3,66,238.01	12,31,871.40	32,09,012.95
Unallocable liabilities	-	-	-	-
Total liabilities				32,09,012.95
<b>Other information</b>				
Capital expenditure	1,11,209.87	49,569.91	50,135.86	2,10,915.64
Capital expenditure (unallocable)	-	-	-	-
Depreciation and amortisation (allocable)	12,204.91	13,303.76	23,613.45	49,122.12
Depreciation and amortisation (unallocable)	-	-	-	-
Other significant non-cash expenses	-	-	-	-

Particulars	For the year ended 31 March, 2015			
	Business segments			Total
	Generation	Transmission	Distribution	
	Rs. in lakhs	Rs. in lakhs	Rs. in lakhs	Rs. in lakhs
<b>Segment assets</b>	1,453,826.24	278,886.93	1,175,785.08	2,908,498.25
Unallocable assets	-	-	-	-
Total assets				2,908,498.25
<b>Segment liabilities</b>	1,543,766.46	317,460.46	1,208,087.18	3,069,314.10
Unallocable liabilities	-	-	-	-
Total liabilities				3,069,314.10
<b>Other information</b>				
Capital expenditure	89,940.22	38,573.53	32,302.10	160,815.85
Capital expenditure (unallocable)	-	-	-	-
Depreciation and amortisation (allocable)	11,956.25	14,134.39	19,879.23	45,969.87
Depreciation and amortisation (unallocable)	-	-	-	-
Other significant non-cash expenses	-	-	-	-

### Secondary Segment

The operations of the Company are mainly carried out within the State of Kerala and therefore, geographical segments are not applicable.

### 39.9 Earnings per Share

Earnings per share are calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. Numbers used for calculating diluted earnings per equity share includes the amount of Equity Share Application Money. The details as follows:

Sl. No.	Particulars	2015-16	2014-15
1	Earnings Available to Equity Share Holders (Rs. in lakhs)	(31329.35)	(127290.20)
2	Number of weighted equity shares	3499050000	3499050000
3	Face value per share (Rs.)	10	10
4	Earnings per Share (Basic)	(0.90)	(3.64)
5	Earnings per Share (Diluted)	(0.90)	(3.64)

### 39.10 Taxation

The company reported loss during the period and provision for current tax or deferred tax not provided in the accounts.

### 39.11 Micro, Small and Medium Enterprises

The company has not received any information from its supplier regarding their status under the Micro, Small and Medium Enterprises Development Act 2006 which came into effect from 2nd October 2006 and hence disclosure, if any, relating to amounts unpaid as on 31st March 2016 together with interest paid/ payable as required under the Act, have not been given.

### 39.12 Statutory Auditors' Remuneration

[Rs.in Lakhs]

Particulars	For the year ended March 31,2016	For the year ended March 31,2015
Statutory Audit Fees	36.65	32.01
Total	36.65	32.01

### 39.13 Generation, Purchase and Sale of Power (in Million Units) :

	Current Year (2015-16)			Previous Year (2014-15)		
	Unit Generated	Auxiliary con sumption	Net	Unit Generated	Auxiliary con sumption	Net
Hydel	6639.02	33.35	6605.67	7134.11	35.16	7098.95
Wind	1.38	0.00	1.38	1.06	0.10	0.96
Solar	0.81	0.00	0.81	0.00	0.00	0.00
<b>Sub Total</b>	<b>6641.21</b>	<b>33.35</b>	<b>6607.86</b>	<b>7135.17</b>	<b>35.26</b>	<b>7099.91</b>
Thermal	150.63	5.11	145.52	207.7	6.61	201.09
Purchase	16448.36	0.00	16448.36	15031.45	0.00	15031.45
<b>Total</b>	<b>23240.20</b>	<b>38.46</b>	<b>23201.74</b>	<b>22374.32</b>	<b>41.87</b>	<b>22332.45</b>
Less: Auxiliary consumption	0.00	14.14	14.14	0.00	14.10	14.10
<b>Total</b>	<b>23240.20</b>	<b>52.60</b>	<b>23187.60</b>	<b>22374.32</b>	<b>55.97</b>	<b>22318.35</b>
Energy injected by Private IPPs sale outside state through open access			40.44			26.41

Energy purchased by consumers through open access at Kerala periphery			142.00			4.66
Total Generation and power purchased			<b>23370.04</b>			<b>22349.42</b>
Energy sale outside the state by KSEBL at Kerala periphery			53.48			358.09
Sale outside the state by Private IPPs through open access			38.63			25.43
External PGCIL loss			550.60			393.00
Net energy available in Kerala Grid for consumption with in state			<b>22727.33</b>			<b>21572.90</b>
Energy sale within the state by KSEBL alone			19325.07			18426.27
Energy consumed by open access consumers			135.25			4.46
Energy consumption within the state			<b>19460.32</b>			<b>18430.73</b>
Loss in KSEBL system			<b>3267.01</b>			<b>3142.17</b>
Loss % in KSEBL system			<b>14.37%</b>			<b>14.57%</b>

### 39.14 Generating Stations:

#### A. Plants in operation since the beginning of the year.

Sl. No.	LOCATION	Unit Capacity (in MW)	Installed Capacity (MW)
1	Pallivasal	3X5+3X7.5	37.50
2	Poringalkuthu	4X8	32.00
3	Sengulam	4X12	48.00
4	Neriamangalam	3X17.5	52.50
5	Panniyar	2X16	32.00
6	Sholayar	3X18	54.00
7	Sabarigiri	4X55+2X60	340.00
8	Kuttiyadi	3X25	75.00
9	Idukki	6X130	780.00
10	Idamalayar	2X37.5	75.00
11	Kallada	2X7.5	15.00
12	Kanjikode (Wind Farm)	9X0.225	2.03
13	Peppara	1X3	3.00
14	Lower Periyar	3X60	180.00
15	Madupetty	1X2	2.00
16	Brahmanapuram (Diesel)	5X21.32	106.60
17	Poringalkuthu Left Bank	1X16	16.00
18	Kozhikode (Diesel)	8X16	128.00
19	Kakkad	2X25	50.00
20	Malampuzha	1X2.5	2.5
21	Kuttiadi Extension	1X50	50.00
22	Chembukadavu I	3X0.90	2.70
23	Chembukadavu II	3X1.25	3.75
24	Urumi I&II	3X1.25+3X0.8	6.15
25	MSHEP Malankara	3X3.5	10.50
26	Lower Meenmutty	2X1.5+1X0.5	3.50
27	Neriamangalam Extn Scheme	1X25	25.00
28	Kuttiadi Tail Race	3X1.25	3.75
29	Kuttiadi Addl. Extn. Scheme	2X50	100
30	Poozhithodu	3X1.6	4.80
31	Ranni- Perunadu	2X2	4.00
32	Peechi- HEP	1X1.25	1.25
33	Vilangad HEP	3X2.5	7.5
	<b>Total</b>		<b>2254.03</b>

**B. Projects commissioned during the Year :**

Sl. No.	LOCATION	Unit Capacity (in MW)	Installed Capacity (MW)
1	Chimmony SHEP	1X2.5	2.5
2	Adyanpara SHEP	2X1.5+05	3.5
3	Barapole	3X5	15.0
4	PoringalKuthu Micro SHEP	0.011X1	0.011
	<b>Total</b>		<b>21.011</b>

**C. Other Private Captive & IPPs (in MW)**

Hydro			
1	Maniyar	3X4	12.00
2	Kuthungal	3X7	21.00
IPP			
1	NTPC Kayamkulam	2X116.6+1X126.38	359.58
2	KPCL Kasargode	3X7.31	21.93
3	BSES Kochi	3X40.5+1X35.5	157.00
4	Ramakalmedu (Wind IPP)	19 X 0.750	14.25
5	Agali (Wind IPP)	31X0.60	18.60
6	Ullumkal (IPP Hydro)	2X3.50	7.00
7	MPS Steel (IPP-Co-Gen)	1X10	10.00
8	PCBL	1X10	10.00
9	Iruttukanam	3X1.50	4.50
	<b>Total</b>		<b>635.86</b>

**39.15.** Vide G.O(P) No.46/2013/PD dated 31 October 2013 published in Kerala Gazette dated 31st October 2013, the Government of Kerala re-vested all the Assets and liabilities of the erstwhile KSE Board in the new company Kerala State Electricity Board limited. Then the Government of Kerala issued the final transfer scheme vide G.O.(P) No.3/2015/PD dated 28.01.2015 by issuing a new opening Balance Sheet for the company as on 01.11.2013. This statement of accounts has been prepared based on the value of Assets & Liabilities notified by the Government of Kerala vide notification dated 28.01.2015.

**39.16.** The financial statements have been prepared on accrual basis under the historical cost convention and in accordance with the Generally Accepted Accounting Principles in India and the provisions of the Companies Act, 1956 and/or Companies Act, 2013 as amended from time to time. However, where there is any deviation from the provisions of the Companies Act, 1956 and/or Companies Act 2013 in preparation of these accounts, the corresponding provisions of The Electricity Act, 2003 have been adopted. For preparation of the Financial Statements, the value of asset and liabilities notified under the re-vesting second Transfer (Amendment) Scheme (Re-vesting) 2015, have been duly adopted



### 39.17. Purchase of Power

- a) In the case of power purchased related expenditure from Central Utilities, the utilities are raising invoices on the basis of provisional tariff order/relevant notification of the concerned authorities, which are subject to final orders for the relevant tariff period. Accordingly, out of the total power purchase related expenditure, the following amounts claimed for the financial year 2015-16 has been provided in the accounts though the claims are not fully admitted by the board.

(Rs. in lakhs)

SL No.	Supplier	Amount
1	NLC	94.97
2	PGCIL	310.68
3	MAITHON	21.46
4	BSES	477.72
5	APCPL	54.36
6	PTC	3044.42
7	KPTCL	107.32

**39.18** Note 22 –Inter Unit balances amount to Rs.911.85. Lakhs (Previous year Rs.2, 389.67Lakhs) has been considered as Sundry Receivables pending complete reconciliation of such balances.

**39.19** Expenditure incurred on Silent Valley Scheme Rs.329.93.lakhsand Kuriarkutty Scheme Rs.145.08. lakhs are remaining in the Accounts since final decision of the Government as to the write off of the amount or reimbursements to the Board have not been received.

**39.20.** For preparation of the Financial statements, the value of asset and liabilities notified under the re-vesting second Transfer (Amendment) Scheme (Re-vesting) 2015, have been duly adopted.The fixed asset of erstwhile KSE Board revested to KSEB Ltd. is taken at the value notified vide Government notification G.O.(P).No.3/2015/PD dated 28.01.2015

**39.21.** For monthly as well as bi-monthly billed consumers under various tariff categories, an estimated amount of Rs.589.62crores is recognized as unbilled revenue as on 31.03.2016 (Previous year Rs.516.05crores) and the amount is debited to sundry debtors for sale of power.

**39.22.** The Kerala Power Finance Corporation has issued 1319440 Nos. of Equity Shares of Rs.10/- each as Bonus Share to the erstwhile KSE Board during the Year 2004-05.

**39.23.** The Board along with Orissa and Gujarat has taken steps to sets up a 1000 MW Power Plant at Orissa. In this connection a company has been formed under the name Baitarani West Coal Company Limited. The Board has made share contribution of Rs. 10 Crores. The following share certificates have been issued by the company.

Folio No.	Share Certificate No.	Face Value	Amount [Rs. In Lakhs]
00	004	Rs.1000 /-	29
00	005	Rs.1000/-	1
00	009	Rs.1000/-	970

The Share certificates are kept in safe custody.

Further the Board has deposited Rs. 25 Crores on 01.09.2012 with Punjab & Sind Bank, Thiruvananthapuram for enabling Punjab & Sind Bank, Bhubaneswar to issue Bank Guarantee to Government of India Favoring the company.

**39.24.** On 10.12.2012 Ministry of Coal, Government of India de- allocated the Baitarani West Coal Block citing delay in developing the coal block. KSEB has filed appeal to the Ministry of Coal to revoke the decision of de- allocation. The matter has also been taken up with the Union Government through letters written by the Chief Minister to the Prime Minister and the Union Coal Minister. A petition has also been filed by the allocates before the High Court of Odisha challenging the decision of Union Government on de-allocating the Baitarani coal block. The case is yet to be finally heard by the Court.

**39.25.** Government of Kerala vide order G.O (M.S) No.13/07/PD dated 05.07.2007 has ordered to transfer 100 acres of land originally acquired by KSEB for the Brahmapuram Diesel Power Plant at Kochi to the Revenue Department in Government subject to the conditions that

- (i) The value of Land will be determined and paid by Government to KSEB later.
- (ii) Additional compensation ordered to be paid by Government in Revenue Department.

The Government had fixed the compensation for acquisition at Rs.7.57 crores and the Board had requested the Government to enhance the compensation and for giving value of land at current market rate. No amount has been received till date and physical transfer of land has not taken place. Hence Accounting adjustments were also not made.

**39.26.** 45.715 cents of Land belonging to the company in Trivandrum was transferred to Trivandrum Development Authority for widening the road as per the decision of the Government of Kerala. Since the value of the land is not yet received from the Government, necessary adjustments is yet to be made in the Books of Accounts.

Sd/-  
 Dr. K.ELLANGO VAN IAS  
 CHAIRMAN & MANAGING DIRECTOR

Sd/-  
 N.S PILLAI IA&AS  
 DIRECTOR (FINANCE)

Sd/-  
 BIJU.R FCA  
 FINANCIAL ADVISER &  
 CHIEF FINANCIAL OFFICER

Sd/-  
 LEKHA.G  
 COMPANY SECRETARY I/c

SUBJECT TO OUR REPORT OF EVEN DATE

For K.Venkatachalam Aiyer & Co.  
 Chartered Accountants  
 REGN.No.004610S

For ISAAC & SURESH  
 Chartered Accountants  
 FRN-001150S

For ANANTHAN & SUNDARAM  
 Chartered Accountants  
 FRN.000148S

Sd/-  
 ROOPESH.R. ACA  
 PARTNER  
 MEMB.No.228891

Sd/-  
 SOBHA SETHUMADHAVAN, FCA

PARTNER  
 Membership No.225166

Sd/-  
 CA.HARIKRISHNAN.R.S,  
 M.COM,DISA,ACA  
 PARTNER  
 M.No.230338

Place:Thiruvananthapuram  
 Date:30.01.2017

