10th Annual Report

2011 - 2012

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BESCOM

Bangalore Electricity Supply Company Limited

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DIRECTORS' REPORT

Dear Members,

The Board of Directors of Bangalore Electricity Supply Company Limited (BESCOM) have pleasure in presenting the ''Tenth''Annual Report for the year 2011-12 and the Audited Accounts of the Company for the year ended March 31, 2012.

Bangalore Electricity Supply Company Limited was incorporated on 30th April 2002 under the Companies Act, 1956 and commenced its operations with effect from 1st June 2002.

The Company has successfully completed ten years in the distribution of electricity. The Company having its headquarters at Bangalore city has its jurisdiction comprising the districts of Bangalore Urban, Bangalore Rural, Kolar, Ramanagara, Chikkaballapura, Tumkur, Davanagere and Chitradurga.

During the year 2011-12, the Company took various initiatives for rendering better services in line with the Government objectives and policies. The Company had set its agenda for quality service in distribution of electricity to its consumers by strengthening the network system and improved efficiency measures in the field of Information Technology.

BESCOM continued its pursuit of higher goals in the direction of increased metered Sales, increased revenue collection, meaningful energy audit at 11 KV and below, increased customer care activities using Information Technology by reducing human intervention etc. All these have been ably supported by the employees and the result is reflected in present improved position of the Company.

BESCOM aspires to be number one on consumer satisfaction in South Asia in power distribution in the coming years. The progress of the Company on different counts is enumerated hereunder.

I. STRATEGY AND VISION OF THE COMPANY

The vision of BESCOM is to become number one in consumer satisfaction in South Asia in power distribution. In order to achieve this vision, the Company has drawn up a strategy with focus on customer satisfaction, Regulatory compliance and meeting stakeholder expectations etc.

II. MISSION

The Mission of BESCOM is to ensure absolute consumer satisfaction and continuous profit in business by

a) Ensuring total employee satisfaction.

b) By developing infrastructure commensurate with growth, thus ensuring reliable and quality power supply.

c) By using best technology in communication and best practices in power sector.

III. PERSPECTIVE

BESCOM covers a contiguous area of 41,092 Sq. Kms with a population of 207 lakhs and serves more than 79.65 lakhs customers. The total asset is worth Rs.8596.07 Crores as on 31st March 2012.

Area	41,092 Sq.Kms
District	8
Population	20.7 Million
Consumers	7.96 Million
No of DTCs	161905
HT Line length	75074 Ckt.Kms
LT line length	150105 Ckt.Kms
Employee Strength	
Sanctioned	16902
Working	10574
Total Assets	**Rs. 8596.07Crores**

a) Consumer Population

Consumer population served by BESCOM is steadily increasing and recorded an increase of 4.39% in FY-12 over previous year. The number of consumers existing as on 31-03-12 stands at 79,65,450.

Category wise consumers are furnished below .

Sl.No.	Category	As on 31-03-2011	As on 31-03-2012	% of Increase
1	Bhagya Jyothi	**7,00,912**	**7,11,389**	**1.49**
2	Domestic Lighting and AEH	**52,18,900**	**54,35,709**	**4.15**
3	Commercial Lighting	**6,96,410**	**7,35,130**	**5.56**
4	LT Power	**1,46,293**	**1,53,225**	**4.74**
5	HT Power	**7,979**	**8,726**	**9.36**
6	Irrigation Pump sets	**6,03,005**	**6,28,192**	**4.18**
7	Street Light & Others	**87,818**	**92,939**	**5.83**
8	Temporary Power	**1,17,147**	**1,49,658**	**27.75**
9	Defunt IP Installations	**52,333**	**50,482**	**-3.54**
	TOTAL	**76,30,797**	**79,65,450**	**4.39**

b) Tariff wise number of consumers and its proportion to the total as on 31-03-11

Tariff	LT1	LT2	LT3	LT4	LT5	LT6	LT7	Defunt
Number of Customers	700912	5218900	696410	603005	146293	87818	117147	52333
% to Total	9.19	68.39	9.12	7.90	1.92	1.15	1.54	0.69

Tariff	HT1	HT2A	HT2B	HT3	HT4	Total
Number of Customers	120	3932	3731	20	176	76,30,797
% to Total	0.10					100.00%

c) Tariff wise number of consumers and its proportion to the total as on 31-03-12

Tariff	LT1	LT2	LT3	LT4	LT5	LT6	LT7	Defunt
Number of Customers	711389	5435709	735130	628192	153225	92939	149658	50482
% to Total	8.93	68.24	9.23	7.89	1.92	1.17	1.88	0.63

Tariff	HT1	HT2A	HT2B	HT3	HT4	Total
Number of Customers	133	4283	4094	25	191	79,65,450
% to Total	0.11					100.00%

IV. FINANCIALS :

The financial performance of the Company during the Financial Year 2011-12 is highlighted as below:

Sl. No.	Particulars	For the year ended 31 March, 2012	For the year ended 31 March, 2011
1	Revenue from Operations	9405 38 14 428	8155 93 74 054
2	Other Income	265 07 34 341	293 37 87 154
	TOTAL REVENUE	**9670 45 48 769**	**8449 31 61 208**
3	**Expenses**		
	Purchase of Power	8559 74 78 386	7503 00 56 195
	Other operating expenses	45 13 13 388	37 46 71 152
	Employee Benefits expenses	649 89 18 008	542 17 21 014
	Other expenses	221 19 34 021	197 38 64 117
	Finance costs	130 56 84 594	83 40 27 268
	TOTAL EXPENSES	**9606 53 28 397**	**8363 43 39 746**
4	**Profits before Depreciation , Prior period items, exceptional items, extraordinary items, Income Tax (1+2-3)**	**63 92 20 372**	**85 88 21 462**
5	Depreciation	198 38 96 832	214 79 47 208
6	**Profit / (Loss) before Prior period items, exceptional and extraordinary items and Income Tax (4-5)**	**-134 46 76 460**	**-128 91 25 746**
7	Exceptional items	-50 49 04 787	64 03 63 447
8	**Profit / (Loss) before Prior period items, extraordinary items and Tax (6-7)**	-83 97 71 673	**-192 94 89 193**
9	Prior period Expenses (+) / Income (-)	102 17 81 280	155 24 83 025
10	Extraordinary & Prior period items	105 99 98 889	39 91 00 000
11	**Profit / (Loss) before Tax (8-9)**	**124 20 08 496**	**2 20 93 832**

Sl. No.	Particulars	For the year ended 31 March, 2012	For the year ended 31 March, 2011
12	**Income Tax Expense:**		
	(a) Current tax expense	-	37 44 905
	(b) Less: MAT credit		
	(c) Deferred tax		
	(d) Tax expenses relating to prior years	6 05 99 565	1 63 12 913
13	**Profit / (Loss) from continuing operations (10-11)**	**118 14 08 931**	**20 36 014**
14	**Profit / (Loss) from discontinuing operations**		
15	**Profit / (Loss) for the year (12+13)**	**118 14 08 931**	**20 36 014**
16	**Earnings per equity share of Rs. 10 each.**		
	(1) Basic	5.61	0.01
	(2) Diluted	5.61	0.01
	General note (Note No.30) form an integral part of these financial statements		

V. SUB STATIONS:

BESCOM is receiving energy through the following Transmission Network & Electrical Sub stations.

Voltage Class of Stations	No. of Sub Stations
400 Kv	3
220 Kv	38
110 Kv	21
66 Kv	348
Total	**410**

VI. POWER PURCHASE:

1. BESCOM is purchasing power from power generators as per Government of Karnataka Order No. EN 131 PSR 2003 dated 10.5.2005 w.e.f., 10.6.2005. The purchase of power from various sources such as Hydel, Thermal, Diesel, Biomass, Co-generation, Wind etc., is allocated by the Government of Karnataka vide its order dated 12.10.2011.

The power is procured from:

(a) Central generating stations like NPTC, NLC, Kaiga and MAPs.

(b) State owned generating stations of KPCL Hydel, Thermal, DG Plant, Solar and Wind.

(c) Independent power producers like Tata, Rayalaseema and Udupi Power.

(d) Independent power producers Non-conventional energy sources like Wind, Biomass, Co-generation and Minihydel.

The firm capacity available from various sources is as below.

Sources	**Capacity in MW.**
Hydel	1513.47
Thermal	2252.94
Atomic	143.49
Non-Conventional Projects	1351.00
Total	**5260.90**

2. The share of allocation for various power projects as per Government of Karnataka Notifications and average power purchase cost per Kwh are as follows.

Sl. No.	Source	Share of allocation	Av. Power Purchase Cost in paise/Kwh.
1 (a)	**KPCL Hydel:**		
i	Sharavathy	41.58%	51.00
ii	Other Stations	41.58%	
(b)	**KPCL Thermal:**		

Sl. No.	Source	Share of allocation	Av. Power Purchase Cost in paise/Kwh.
	RTPS 1 to 7	49.62%	304.30
(c)	KPC Diesel Plant	100%	1229.51
2.	**Central Generating Stations:**		
(a)	NTPC	49.62%	287.94
(b)	NLC	49.62%	251.51
(c)	PGCIL	49.62%	299.68
3.	**Major IPPS**		
	Tata Power	81.5768%	1324.5
	RayalaseemaAlkalies	81.5768%	1498.55
	Udupi Power	49.62%	312.7
4.	**Minor IPPS (NCE Projects)**		
	Co-Generation	100%	385.12
	Biomass	100%	511.72
	Mini Hydel	100%	311.49
	Wind	100%	354.66
	UI	49.62%	188.04
	Short Term	49.62%	473.69
	Sec 11	49.62%	535.07

3. Transmission Charges:

BESCOM is making payment of transmission charges to KPTCL and PGCIL. The transmission charges being paid to KPTCL is on MW basis and for PGCIL based on the cost of lines / stations as approved by KERC.

4. Energy Charges:

(a) The total energy purchased at generation point, energy drawn at IF point and cost thereon, are as follows.

Total Energy purchased in MUs	Total Energy drawn at IF points in MU	Power Purchase cost in Rs. Crore	Average Power Purchase cost in Rs /unit	
			At Gen. point	At I.P. IF.
25657.71	24584.20	8559.74	3.34	3.48

(b) Comparison of Source-wise power purchase cost during 2011-12 and 2010-11

Sl. No.	SOURCE	2011-12		2010-11	
		ENERGY PURCHASED IN MUS	AMOUNT IN CRORES	CONSUMPTION IN MUS	AMOUNT IN CRORES
1	Hydel Power	6484.82	450.31	4170.65	630.14
2	Thermal Power	11636.60	3630.48	9894.19	2779.49
3	Lignite Power	1380.59	342.21	1401.78	410.45
4	Atomic Energy	741.49	223.88	577.84	188.02
5	Major IPPS	175.46	236.51	335.47	325.81
6	Non-conventional Energy	473.51	234.79	423.10	209.71
7	Wind Mill Energy	2396.37	849.14	1979.53	733.23
8	Diesel Generating	375.72	461.96	495.47	458.55
9	Unscheduled Inter Change Charges	70.04	13.24	342.18	70.67
10	Short Term Purchase	3165.33	1499.39	3776.38	1951.43
11	Tr. Charges (KPTCL/{GCIL)	-	970.22	-	-
12	POSOCO Charges	-	1.39	-	-
13	SLDC O&M Expenses	-	7.78	-	-
14	Cost of Banked Energy	-	1.85	-	-
15	Miscellaneous	-	0.02	-	-
16	PCKL Rev. Expenses	-	1.01	-	-
17	Energy Balancing	-1242.22	-430.89	-	-
18	Others	-	66.44	-	-
	TOTAL	**25657.71**	**8559.74**	**23396.59**	**7757.50**

(c) Statement showing the details of power purchased, power purchase cost and cost per unit from various sources and transmission charges and other charges for the year 2011-12.

Sl. No.	NAME OF THE COMPANY	CONS IN MUs	AMOUNT BILLED (Rs./crores)	P.P COST (Rs./Kwh)
1	**Central projects**			
	CGS	5588.23	1435.69	2.57
	UI CHARGES	70.04	13.24	1.89

Sl. No.	NAME OF THE COMPANY	CONS IN MUs	AMOUNT BILLED (Rs./crores)	P.P COST (Rs./Kwh)
2	**Short term purchases**			
	M/S LEUL Open access	199.45	89.88	4.51
	M/s JSW	2195.34	1040.10	4.74
	M/s IEX & PEX	125.38	57.38	4.58
	M/s.NTPC-VVNL	65.10	37.84	5.81
	M/s.PTCIL	422.07	196.00	4.64
	M/s TATA Power	66.96	37.54	5.61
	M/s BMM Ispat	48.20	17.63	3.66
	M/s Harekrishna	18.22	9.96	5.47
	M/s NSL Tungabhadra	24.60	13.03	5.30
	SEC-11	295.84	158.29	4.51
3	**State Projects**			
	KPCL-VVNL HYDEL	287.28	25.84	0.90
	KPCL-DG	375.72	461.96	12.30
	KPCL-HYDEL	5564.85	232.14	0.42
	KPCL-THERMAL	6601.69	2029.34	3.07
	KPCL-WIND	13.23	4.28	3.24
	KPCL-SOLAR	3.94	2.36	5.99
4	**Private Producers**			
	Rayalaseema	23.56	35.30	14.98
	Tata Power	151.91	201.20	13.24
	UPCL	1586.03	732.38	4.62
5	**NCE Projects**			
	Co-Generation	96.96	37.34	3.85
	Bio-Mass	63.53	32.51	5.12
	Mini-Hydel	615.42	191.46	3.11
	Wind	2396.38	849.17	3.54
	SUB-TOTAL(I)	**26899.93**	**7941.92**	2.95
6	**Transmission Charges**			
	PGCIL Tr.Charges		218.91	
	KPTCL Tr. Charges		751.31	
	SUB-TOTAL(II)	**0.00**	**970.22**	**0.00**
7	**Other Charges**			
	INTER ESCOM-GESCOM		0.00	
	INTER ESCOM-HESCOM		0.00	
	Cost of Banked Energy		1.85	

Sl. No.	NAME OF THE COMPANY	CONS IN MUs	AMOUNT BILLED (Rs./crores)	P.P COST (Rs./Kwh)
	SLDC O&M EXP		7.78	
	POSOCO charges		1.39	
	Miscellaneous		0.02	
	PCKL Rev. Expenses		1.01	
	Energy Balancing-CESC	-188.99	-77.59	
	Energy Balancing-GESCOM	-163.24	-54.76	
	Energy Balancing-HESCOM	-889.99	-298.54	
	Others		66.44	
	SUB-TOTAL(III)	-1242.22	-352.40	0.00
	GRAND TOTAL	**25657.71**	**8559.74**	**3.34**

(d) There was shortage of power during peak months of this year i.e., from September-2011 to March-2012. BESCOM has drawn power from various short term/medium term customers such as M/s JSW, M/s PTCIL, Indian Energy Exchange, Power Exchange and NTPC, VVNL. Sec 11 of Electricity Act 2003 was invoked by GoK during the months from Feb-2012 to May-2012 for maximizing generation from co-generation, biomass plants and Captive plants of non-PPA holders. The quantum of energy purchased and amount paid for short term contracts is brought as below:

Statement showing the details of energy purchased and amount paid for short term contracts in 2011-12			
	ENERGY (in MU)	**Rate (Rs./unit)**	**AMOUNT (Rs./crore)**
M/S LEUL Open access	199.45	4.51	89.88
M/s JSW	2195.35	4.74	1040.14
M/s IEX & PEX	125.38	4.58	57.38
M/s.NTPC-VVNL	65.10	5.81	37.84
M/s.PTCIL	422.07	4.64	196.00
M/s TATA Power	66.96	5.61	37.54
M/s BMM Ispat	48.20	3.66	17.63
M/s Harekrishna	18.22	5.47	9.96
M/s NSL Tungabhadra	24.60	5.30	13.03
SEC-11	295.84	5.35	158.29
TOTAL	**3461.17**	**4.70**	**1657.69**

(e) The following number of Power Purchase Agreements have been signed by BESCOM which were approved by KERC during 2011-12.

1. Wind Mills-4 27.25 MW

2. Mini Hydel-2 30.75 MW

5. Peak Load:-

The details of peak load, wheeled energy and energy input of BESCOM for year 2011-12 is furnished below:

Month	Maximum BESCOM (in MW)	Minimum BESCOM (in MW)	Wheeled Energy in MU	Input Energy of BESCOM in MU
Apr-11	3702	2554	23.8	2063.40
May-11	3645	2665	22.2	2020.70
Jun-11	3509	2625	44.5	1869.30
Jul-11	3559	2682	45.8	1941.80
Aug-11	3571	2620	44.2	1915.70
Sep-11	3596	2941	44.9	1954.90
Oct-11	3311	2651	30.6	1874.40
Nov-11	3649	2623	37.5	1911.50
Dec-11	3804	3047	39.1	2141.80
Jan-12	3804	2554	35.9	2224.00
Feb-12	3919	3357	37.1	2214.80
Mar-12	3953	3342	43.3	2451.90
Total	**44022**	**33661**	**448.9**	**24584.20**

6. Energy at IF points:-

The total energy drawn at IF points 24584.20 MU. The energy drawn at IF point during previous years, percentage of increase in each year, energy sales, percentage of increase in each year and distribution loss are as follows.

Sl. No.	Year	Energy MU at IF points	% increase over previous year	Energy available for sale(MU)	% increase over previous year	Distribution Loss(%)	AT & C Loss
1	FY 2006	15321	4.55	11613.69	5.15	24.20	34.25
2	FY 2007	18522	20.89	14126.45	21.64	23.73	26.55
3	FY 2008	18665	0.77	14933.57	5.71	19.99	26.15
4	FY 2009	19566	4.83	16310.48	9.22	16.64	17.42

Sl. No.	Year	Energy MU at IF points	% increase over previous year	Energy available for sale(MU)	% increase over previous year	Distribution Loss(%)	AT & C Loss
5	FY 2010	20329	3.9	17251.6	5.77	15.14	17.54
6	FY 2011	21909	7.77	18736.12	8.6	14.48	18.54
7	FY 2012	24584	10.88	21029.95	12.24	14.46	19.50

VII. METERED CONSUMPTION:

Year	Energy Input (MU)	Consumption by Metered Category	% Increase over previous year
FY-06	15321	8307.06	15.58
FY-07	18522	9717.36	16.98
FY-08	18665	11283.82	16.12
FY-09	19566	12205.78	8.07
FY-10	20329	12940.32	6.02
FY-11	21909	14263.20	10.23
FY-12	24584	15675.92	9.90

VIII. SALE OF ENERGY:

During FY-12, 21029.95 MUs were sold to various categories of consumers, out of which 15675.92 MUs (Including Inter Escoms) were under metered category and the balance of 5354.03 MUs was accounted under un metered category. The distribution loss for the year is assessed at 14.46 %.

a) Metered Energy Sales:

Sl. No.	Category	In Mus
1	Bhagya Jyothi	114.84
2	Domestic Lighting. incl. AEH	4558.27
3	Commercial Lighting	1333.28
4	IP set (Metered)	10.51
5	L.T. Power	1044.08
6	H.T.	7626.45
7	Water Works / Public Lighting	861.86
8	Temporary installations	126.63
9	Inter ESCOM sales	0
	TOTAL	**15675.92**

b) Un-Metered Energy Sales:

Sl. No.	Category	In MUs
1	Irrigation Pump Sets	5352.67
2	BJ/KJ	1.36
	TOTAL	**5354.03**

c) Category wise energy sold 2011-12:

Tariff	LT1a	LT2	LT3	LT4	LT5	LT6	LT7	HT		TOTAL
Category	BJ	Domestic Lighting & Heating	Comml	IP Set	Indus-tries	Water Works & Street Light	Temp		Inter ESCOM	
Energy Sold in MUs	116.20	4558.27	1333.28	5363.18	1044.08	861.86	126.63	7626.45	0	21029.95

d) Break up of HT sales:

HT1	HT2A	HT2B	HT3	HT4	TOTAL
Water Supply	Industrial	Commercial	Lift Irrigation	Residential Apartments	
491.36	4363.47	2647.03	6.37	118.22	7626.45

IX. REVENUE DEMAND AND COLLECTION:

a) Revenue Demand

The revenue demand consequent to the growth in consumers and tariff has increased over the years as follows:

- Demand FY 07: Rs. 4951 Cr.
- Demand FY08:Rs.5807 Cr.
- Demand FY 09: Rs. 6190 Cr.
- Demand FY 10 :Rs. 6792 Cr.
- Demand FY 11: Rs. 8246 Cr.
- Demand FY 12: Rs. 9405 Cr.

b) Revenue Collection

The revenue collections have also increased over the years as follows:

- Collection FY 07 : Rs.4768 Cr.
- Collection FY 08 : Rs.5360 Cr.

- Collection FY 09 : Rs.6132 Cr.
- Collection FY 10 : Rs.6600 Cr.
- Collection FY 11 : Rs.7855 Cr.
- Collection FY 12 : Rs.8851 Cr.

(c) Revenue from the consumers is being collected through the following systems.

Sl. No.	Name of the Bank	Sl. No.	Name of the Bank
1	BESCOM Cash Counters	7	Electronic Clearing System
2	Any Time/Anywhere Payment - KIOSKS	8	Payment through SBI ATMs
3	Cheque Drop Boxes	9	Bill Junction and Bill Desk
4	Bangalore One	10	Easy Bill
5	Tumkur One	11	Micro Feeder Franchise
6	Davanagere One	12	Online payment through Debit/Credit cards.

X. DEMAND SIDE MANAGEMENT (DSM) MEASURES

The following DSM measures have been initiated in BESCOM during the year 2011-12.

a) Time of the Day Tariff

TOD tariff is made mandatory to all HT installations of 500KVA and above under HT2(a) and HT2(b) tariff w.e.f. 01-09-2012. This is optional in respect of consumers under LT5 Industrial category (where trivector meter is fixed).

b) Observation of Earth Hour

BESCOM is propagating to observe Earth Hour since 2010. The Earth Hour was observed on the 31st of March 2012 between 8.30pm to 9.30pm. The Energy savings from Earth hour is about 60MW Peak.

c) Implementation of HVDS

In order to reduce distribution losses of the BESCOM, a pilot project has been taken up, one of the feeders namely Kodambally feeder (F3) in Ramanagar Division which has

159 Nos. of DTCs has been selected and it is proposed to install 869 Nos. of DTCs at an estimated cost of Rs. 700 lakhs. The project will be taken up for execution in FY-13.

d) Conservation of energy in irrigation

1. BESCOM has successfully implemented WENEXA project.
2. Now, supported by GoI initiative on such projects, BESCOM is planning to take up similar projects in the rest 3 circles. The taluks are identified as below.
   1) Harihara
   2) Tumkur
   3) Devanahalli

XI. IMPORTANT PROJECTS

A) BANGALORE DISTRIBUTION UPGRADATION (DAS) PROJECTS

BESCOM has embarked upon Bangalore Distribution Up-gradation (DAS) projects to automate the Distribution network for monitoring, control and operation of the 11 KV network in the Bangalore City at an project cost of Rs. 563.70 crores, out of which Rs. 416.65 crores financed by JICA, Japan.

The reliability of power supply at 11KV feeder level in Bangalore City is 99.98%. The reliability in terms of actual interruption per consumer is 86.22 hours per annum. This is much more compared with world-class cities which is in the range of few minutes. This is due to the fact that the distribution system in Bangalore city is operated manually and substantial amount of time is lost for fault location and restoration.

The implementation of Distribution Automation in the Bangalore City will enhance the reliability and quality of power supply. The revenue realization will improve due to the reduction in the down time and the quick restoration achieved through the Distribution Automation which is first of its kind in the entire country.

The objective is to be achieved by upgrading and replacing existing overhead lines and underground cables, constructing additional feeder segments, and deploying SCADA-ready switches in the form of Line Reclosers (LRCs), Load Break Switches (LBSs), and Ring Main Units (RMUs), including both new and retro-fitted RMUs, that will be monitored and controlled from a Distribution Automation System (DAS). The DAS and the

Communications System and Remote Terminal Units (RTUs) that will enable the DAS to interoperate with the switches are also a part of the project.

Project implementation is based on the following separate, but interrelated construction packages.

1. Package I: Distribution Automation System (DAS) Master Stations, Communications System, and Control Centre Facilities.
2. Package II: Remote Terminal and Units for Existing and New Ring Main Units.
3. Package III: Line Reclosers and Load Break Switches.
4. Package IV: New Ring Main Units.
5. Package V: Retro-Fitting of Existing Ring Main Units.
6. Package VI: Construction of Overhead Lines.
7. Package VII: Construction of Underground Cables.

B) STRENGHTENING OF THE NETWORK SYSTEM

(a) The strengthening of the distribution Network is a continuous process. During the year, HT and LT lines as follows were added to the system.

Particulars	OH (KMs)	UG (KMs)	Total added during Year 2011-12 (in KMs)	As on 31-03-12		Total(in KMs)
				OH (KMs)	UG (KMs)	
HT line	2695.73	153.99	2849.72	71834.26	3240.04	75074.30
LT line	1317.78	71.49	1389.27	148739.44	1366.11	150105.55

(b) The number of Distribution Transformers added during the year and the cumulative number available in the system.

Particulars	25 KVA	50/63 KVA	63 to 100 KVA	160 to 250 KVA	300 to 1000 KVA	Compact Sub - Stations			Total
						500 KVA	750 KVA	990 KVA	
Added during FY-11-12	4572	1742	1521	585	136	-	-	-	**8556**
Existing in the system as at the end of 31-03-2012	58519	43226	40063	16394	3513	6	61	123	**161095**

(c) GoK sponsored programme:

i) Drinking water supply electrified	:	3380 Installations.
ii) Ganga Kalyana electrified	:	2867 Installations.
iii) I P Energized	:	35517 Nos.

(C) Restructured Accelerated Power Development and Reforms Programme (R-APDRP) in Karnataka

The Govt. of India proposed to continue R-APDRP during the XI Plan with revised terms and conditions as a Central Sector Scheme.

Part – A Physical progress and milestones completed.

- M/s. RIL were appointed as a common IT Consultant for all the ESCOMs of Karnataka on 29th June 2009 at a total cost of Rs. 2.5 crores.
- M/s. Infosys Technologies Ltd., was appointed as a common IT Implementation Agency by all the ESCOMS of Karnataka at a total cost of Rs. 386.68 crores in December 2009.
- Co-hosted the Data centre at Bangalore – M/s. SIFY Technologies on 23.10.2010 at a total cost of Rs. 4.13 crores to be shared between ESCOMs.
- Co-hosted the Disaster Recovery Centre at Chennai- M/s. Bharathi Airtel on 04.06.211 at a total cost of Rs.3.09 crores to be shared between ESCOMs.
- Establishment of Customer Call Centre at each of the ESCOMs completed.
- The implementation of the project and the establishment of an IT enabled system across all the identified towns is under progress.

ESCOM	No. of Towns	Total Project Cost(DPR)	Loan Sanctioned(Convertible toGrant)	PFC Disbursement Details(till date)	Expenditure incurred (ITC & ITIA payments)
BESCOM	25	282.7	261.36	78.17	53.18

Part-B Includes regular distribution strengthening projects for reduction of AT & C losses less than15%.

BESCOM has prepared DPRs for 24 towns amounting to Rs. 290.28 crores(sanctioned by M/s. PFC, New Delhi) Tenders were invited in 7 packages(District wise) on Total Turnkey basis as per the directions of Steering committee, MOP and the total amount put to tender is Rs. 243.15 crores.

UTILITY	No. of eligible Towns (Part-B)	DPR Approved Cost (Rs in Crores)	Loan sanctioned from M/s PFC/GOI (Rs in Crores)	Loan released from M/s PFC/GOI (Rs. In Crores)
BESCOM	24	290.28	72.57	43.542

(D) Niranthara Jyothi Scheme

Bifurcation of Agricultural loads from existing 11KV feeders

BESCOM has taken up Niranthara Jyothi scheme for segregating agricultural loads from the existing 11kV feeders, a scheme to provide 24X7 uninterrupted power supply to non-agricultural loads in rural areas in 2 phases as follows:

Sl. No.	Details	I Phase	II Phase
a	No. of Taluks covered	20	20
b	No. of Villages covered	4750	4204
c	Cost in Rs. Crores	382	353
d	Number of Feeders	292	248

During the year in Phase-I works in respect of 257 feeders have completed and 144 feeders are commissioned.

(E) Important Consumer Oriented Initiatives taken during the year

- SMS based Complaint Management System through which Consumers can register their complaint. SMS number is 9243150000.

  Ex: BESCOM <Sub-division code >< Nature of complaint > Ex: BESCOM N2 No power supply since one hour.

- 24x7 helpline for readressal of consumers' grievances, which will be pursued till finality. 120 numbers of Customer Support Executives including Team Leaders, Team Managers with supporting staff are functioning in the Customer Care Centre to facilitate readressal of consumers' grievances.

- Customer Interaction Meeting will be held once in a month at all Sub divisions for better servicing consumers.

XII. CORPORATE GOVERNANCE

The Board of BESCOM believes and supports Corporate Governance practices of a high standard ensuring observance of these principles in all its dealings. All the Directors take active part in the proceedings of Board and Sub-Committee meetings which add value in the decision making process. The non-functional directors receive sitting fees for Board/Sub-committee meetings attended by them.

(a) Board of Directors

Following are the Directors of BESCOM as on the date of AGM:

1	D.N.Narasimha Raju, I.A.S	Chairman
2	P.Manivannan, I.A.S	Managing Director
3	S. Selva Kumar, I.A.S	Director
4	M.Maheshwar Rao, I.A.S	Director
5	Manoj Kumar Meena, I.A.S	Director
6	P.K.Garg, I.P.S	Director
7	K.N. Ramesh, K.A.S.	Director
8	Dr. W.M Sivakumar	Director (Technical)
9	Dr. Manoj Kumar H Poojar	Director
10	S.Shivamallu	Director
11	Venkatasiva Reddy	Director
12	M.Nagaraju	Director

During 2011-12 four Board meeting took place as detailed below.

Sl.No.	Meeting No.	Held on
1	48th	30.06.2011
2	49th	29.09.2011
3	50th	29.12.2011
4	51st	26.03.2012

(b) Board Sub-Committees

The Sub-Committees of the Board were constituted to give more focused attention on important issues.

1. Central Purchases Sub Committee

Central Purchases Committee formed to consider and approve procurement of materials and award of works, beyond the powers of the field officers consists of the following members.

1. Managing Director, BESCOM	: Chairman
2. Director (Technical), BESCOM	: Member
3. Dr. Manoj Kumar H Poojar, Director,BESCOM	: Member

During 2011-12, the CPC met on the following dates.

Sl.No.	Meeting No.	Held on
1	59th	25.04.2011
2	60th	28.06.2011
3	61st	02.09.2011

2. Borrowing Sub Committee

The Borrowings Sub-Committee has been delegated with specific powers to borrow Long Term Loans from Banks/financial institutions on behalf of the Board from time to time subject to ceiling approved by the Share holder at the General Meeting.

The sub-committee consists of the following members:

1	Managing Director, BESCOM	Chairman
2	Director (Technical), BESCOM	Member
3	Nominee from Dept. of Public Enterprises, GoK	Member

3. Audit Committee

An audit Committee was formed on 21st April 2005 in accordance with the provisions of the companies Act.

The composition of the Audit Committee as on date of AGM is as below:

1	Sri. P.Selva Kumar, I.A.S.,	Chairman
2	Sri. S.Shivamallu	Member
3	Director(Technical)	Member

The Audit Committee considers and recommends the Financial results to the Board. Statutory Auditors & Cost Auditors are invited to attend the meeting. The committee also invites the Chief General Manager(F&C) and General Manager(I/A) to be present at the meeting.

The Audit Committee has adequate powers and Terms of Reference to play effective role as mandated by Companies Act,1956 which includes:

1. Discussions with the Auditors periodically about Internal Control and the scope of audit including observations of the Auditors.
2. Review of the Annual Financial statements before submission to the Board.
3. Ensure compliance of inter control systems..
4. Investigation into any of the matters as may be referred to by the Board.
5. Financial and Risk Management Policies and Fraud and Fraudulent Risks.
6. Review of annual capital, revenue and store budgets being placed before the Board and approval.
7. Review programmes of finalization of annual accounts for time completion of audit and approvals.
8 Review of adequacy of internal controls to review reports on inventory, completion reports of capital works, standards and specifications wherever applicable.
9. Review of Internal Audit paras.
10. Review of AG Audit paras.
11. Review of disciplinary cases.
12. Review of Vigilance activities, MRT, TAQC Wings and write offs.
13. Review of power purchase cost.
14. Review of borrowings.
15. Discussions with Statutory Auditors and Cost Auditors regarding their reports.
16. Any other matter as may be referred to by the Board.

During 2011-12 the Audit Committee met twice below:

Sl.No.	Meeting No.	Held on
1	16th	04.08.2011
2	17th	17.09.2011

XIV. STATUTORY AUDITORS

M/s. MSSV & Company were appointed by C&AG of India, New Delhi as Statutory Auditors of BESCOM for the year 2011-12.

XV. COST AUDITORS

The Ministry of Corporate Affairs, Government of India have appointed M/s.GNV& Associates, Bangalore as Cost Auditors for auditing the Cost Accounting records of BESCOM for the Financial Year 2011-12.

XVI. PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A)

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

XVII. DIRECTORS' RESPONSIBILITY STATEMENT

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

a) In preparation of the Annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.

b) Accounting policies have been selected and applied consistently and judgements and estimates are made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the period.

c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities and annual accounts have been prepared on a going concern basis.

XVIII. GENERAL

The Board would like to place on record its appreciation for all the assistance and guidance extended by the Government of India, Government of Karnataka, Karnataka Power Transmission Corporation Limited, CERC, KERC, Ministry of Company Affairs, Registrar of Companies, Karnataka and Consumers of BESCOM for their Co-operation and support to BESCOM in its endeavor to serve the public. The Board would also like to place on record its appreciation for the dedicated and committed service rendered by the employees of the company and co-operation extended by the Union and Associations.

For & on behalf of the Board of Directors

Sd/-
CHAIRMAN

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF BANGALORE ELECTICITY SUPPLY COMPANY LIMITED, BANGALORE, FOR THE YEAR ENDED 31 MARCH 2012.

The preparation of financial statements of **Bangalore Electricity Supply Company Limited, Bangalore** for the year ended **31 March 2012** in accordance with the financial reporting framework prescribed under Companies Act, 1956 is the responsibility of the management of the Company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standard prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 16th October 2012.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit, under section 619(3) (b) of the Companies Act, 1956, of the financial statements of **Bangalore Electricity supply Company Limited, Bangalore** for the year ended **31 March 2012.** This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. In view of the revisions made in the financial statement by the management, as a result of my audit observations highlighted during supplementary audit as indicated in the **Note no. 30.25** forming part of accounts, I have no further comments to offer upon or supplement to the statutory Auditor's report under Section 619(4) of the Companies Act,1956.

For and on behalf of the
Comptroller & Auditor General of India

Sd/-
ANITA PATTANAYAK
PR. ACCOUNTANT GENERAL
(ECONOMIC & REVENUE SECTOR AUDIT)
KARNATAKA, BANGALORE

BANGALROE
DATED: 22nd October 2012.

AUDITORS' REPORT

To the Members of
BANGALORE ELECTRICITY SUPPLY COMPANY LIMITED

Pursuant to the observations made by Comptroller & Auditor General of India under section 619(4) of the Companies Act, 1956, the accounts approved by the Board of Directors on 31st August 2012 have been revised. This report supersedes our earlier Report dated 31st August 2012. The report is revised to incorporate the observations made by the Comptroller & Auditor General of India on the financial statements and books of account of the company. The impact of the revision in the accounts of the company is stated in Note No. 30.25.

1. We have audited the attached Balance Sheet of **M/s Bangalore Electricity Supply Company Limited, Bangalore (herein after referred to as 'BESCOM' or 'the company')**, as at March 31, 2012 and also the Statement of Profit and Loss and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidences supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order 2003 (as amended), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose, in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said order.

4. Without qualifying our report, we draw attention to:

4.1 Note no. 30.2.1 regarding certain loans availed by KPTCL transferred to BESCOM and reflected as loans in the books of the company.

4.2 Note no. 30.3.5 regarding non-provisioning of expenses relating to transfer of titles of certain assets transferred by KPTCL.

4.3 Note no. 30.4.1 regarding transfer of provision for bad and doubtful debts from KPTCL to the extent of Rs 254.21 crore, for which no details are available, carried since inception and Rs 34.30 crore (towards permanently disconnected consumers) carried since financial year 2004-05.

4.4 Note no. 30.3.7 regarding ad-hoc provision of 20 percent on the written-down value of dismantled assets (Assets not-in-use).

4.5 Note no. 30.5.2 regarding accounting of excesses and shortages found on physical verification of inventories pending final investigation.

4.6 Note no. 30.16 regarding non-disclosure of payables to SMEs, if any.

4.7 Cheques issued by the company but have not been presented by the payee to the bank for a period exceeding six months; accounted as stale cheques amounting to Rs 59.28 lac [See note no.8 under other current liabilities (PY Rs 95.78 lac)] instead of reversing it to the respective accounts.

5. QUALIFICATIONS

5.1 Accrual System:

Significant Accounting Policy No. 2 states that the company accounts transactions pertaining to grants and subsidies from the Government in respect of capital assets, true up additional subsidy and insurance claims on receipt basis, which is contrary to the accrual system of accounting as required under section 209 of the Companies Act, 1956. As a result of such deviation, the impact on the financial statements are stated in para 5.2 and 5.8.2.3.

5.2 Government Grants:

Significant Accounting Policy No. 2 states that grants and subsidies from the government in respect of capital assets are recognized on receipt basis. However, during the financial year under audit, the company has accounted

a sum of Rs. 107 crore as receivable from KPTCL (which is a nodal agency for distribution of grants from the GoK) as Grants even though such sum is actually not received as at the end of the year. This is against the accounting policy of the company. The impact of such deviation is that the capital reserves and other current assets are overstated to the extent of Rs. 107 crore.

5.3 Inter Unit Accounts (IUAs):

The company is carrying a sum of Rs. 425.91 lac under other current assets [see note no.18 (P.Y. Rs. 712.84 lac under other current liabilities vide Note No. 8)] which represents the un-reconciled balances among its units. The impact of the above mentioned un-reconciled inter-unit balances on the financial statement is an overstatement of other current assets to the extent of Rs. 425.91 lac and its contra effect is not readily ascertainable.

5.4 Excess Credit under reconciliation with bank:

The company is carrying a sum of Rs. 105.70 lac credit under other current liabilities [See Note No. 8 (P.Y. Rs. 87.59 lac)]. The impact of such excess credit on the financial statement is an overstatement of other current liabilities to the extent of Rs 105.70 lac and its contra effect is not readily ascertainable.

5.5 Bank Accounts:

The company had closed two bank accounts, namely one pertaining to Additional South Division – Rs. 18.48 lac and HSR Layout Division – Rs. 0.20 lac, in the financial year 2008-09. However, the company continues to carry such balances in its books of account under cash and cash equivalents (See Note No. 16). The bank balances has been overstated to the extent of Rs. 18.68 lac and its contra effect is not readily ascertainable.

5.6 Remittances and transfers to/from head office:

The company is carrying a sum of Rs 50.86 lac (net debit) as Remittances and transfers to/from head office under other current assets (See Note No.

18) (P.Y. Rs 34.30 lac net debit). The impact of such un-reconciled balances on the financial statement is an overstatement of other current assets to the extent of Rs. 50.86 lac and its contra effect is not readily ascertainable.

5.7 Balance Confirmation:

The company has not obtained confirmation and reconciled the balances as on 31.03.2012 from/to other ESCOMS, KPTCL, KPCL, PCKL, sundry debtors, sundry creditors, advances, deposits from/to suppliers/ contractors/ government authorities/consumers/employees, loans and other receivables from various parties.

5.8 Deviations from Accounting Standards prescribed under the Companies Act, 1956:

5.8.1 Disclosure Deviations:

5.8.1.1 The company has disclosed land rights at its written-down value. This is not in accordance with Accounting Standard – 10 Accounting for Fixed Assets and Accounting Standard – 6 Depreciation Accounting which require the company to disclose the original cost, accumulated depreciation and the unamortized depreciation amount. However, there is no impact on the financial statement of the company.

5.8.1.2 Accounting Standard – 19 regarding Leases, wherein the company is unable to quantify with regard to the minimum lease rentals, their present value, etc as required by the said accounting standard.

5.8.2 Recognition Deviations:

5.8.2.1 Accounting Standard – 2 regarding Valuation of Inventory wherein the company is required to value inventories at lower of cost or net realizable value. However, the company values its inventories at standard rates. The company does not consider the net realizable value of its inventories. The impact *of such deviation from the accounting standard is not ascertainable.*

5.8.2.2 Significant Accounting Policy no. 8.4 regarding provision of depreciation whenever there is a change in the rate, is not in accordance with Accounting Standard – 6 Depreciation Accounting. In our opinion, based on the revised rates, the remaining useful life of the asset should be re-determined and the depreciation should be charged accordingly. The impact of such erroneous charging of depreciation by the company on its financial statement is not readily ascertainable.

5.8.2.3 The Accounting Policy No. 2 with regard to Government Grants in respect of capital assets and true up subsidy are not in accordance with Accounting Standard – 12 - Accounting for Government Grants(AS-12). AS – 12 requires that such grant should be accounted when there a reasonable assurance that the company will comply with the conditions attached to them and grants will be received. The company has accounted as income only to the extent of Rs. 145.91 crore (Rs. 39.91 crore in the financial year 2010-11 and Rs. 106 crore in the financial year 2011-12) as income as compared to Rs. 726.65 crore being receivable from the GoK in the financial year 2009-10; thereby leading to an overstatement of carry forward losses/understatement of free reserves of income to the extent of Rs 580.74 crore in the books of account of the company.

5.8.2.4 Accounting Policy No. 11 regarding retirement benefits being provided on the rates mentioned in the actuarial valuation made on 31.03.2009 and leave encashment on accrual basis is contrary to Accounting Standard – 15 - Employee Benefits, which requires the actuarial valuation to be made every year. The impact of the above deviation from the accounting standard is not readily ascertainable.

5.8.2.5 Accounting Standard – 22 regarding Accounting for Taxes on Income, the company has not provided for deferred tax asset/liability. The company has neither provided for deferred tax asset/liability on account of timing differences which would reverse after the expiry of tax holiday period. The impact of such non-provisioning of the timing differences mentioned above on the financial statement of the company is not ascertainable.

5.9 Cumulative effect of the above mentioned qualifications (to the extent quantifiable) on the financial statements of the company are as follows:

(Amount in lac of Rs)

Category	*Overstated*	*Understated*
A. Assets		
- Current Assets	***11195.45***	
B. Liabilities		
- Reserves and Surplus		
- Capital Reserve	***10700.00***	
- b/f loss as at 31.03.2011	***58074.00***	
- c/f loss as at 31.03.2012		***58074.00***
- Current liabilities	***105.70***	

6. Further to our comments, we report that:

6.1 We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of audit;

6.2 In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;

6.3 The Balance Sheet, Statement of Profit and Loss and the Cash Flow statement dealt with by this report are in agreement with the books of accounts;

6.4 In our opinion the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the mandatory accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, ***except the deviations stated in para 5.8 above;***

6.5 Section 274 (1) (g) of the Companies Act, 1956 is not applicable to a Government Company. Hence, reporting on any Director being disqualified to be appointed as a Director u/s 274 (1) (g) of the Companies Act, 1956 does not arise.

7. Further to ***comments in paragraph 3 and subject to observations in paragraph 5*** above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the significant accounting policies and notes on accounts give the information as required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the Accounting Principles generally accepted in India;

a) in so far as it relates to the Balance Sheet, of the state of affairs of the company as at March 31, 2012;

b) in so far it relates to the Statement of Profit and Loss, of the ***profit*** of the company for the year ended on that date; and

c) in so far as it relates to the Cash Flow Statement, of the cash flows of the company for the year ended on that date.

for MSSV & Co.,
Chartered Accountants
FRN: 001987S

Sd/-
D R Venkatesh
Partner
Membership No: 25087

Place: Bangalore
Date: 16-10-2012

ANNEXURE TO THE AUDITORS' REPORT

Annexure to the Auditor's Report to the members of
M/s Bangalore Electricity Supply Company Limited
for the year ended March 31, 2012

Referred to in paragraph 3 of our report of even date

Based upon the information and explanations furnished to us and the books and records examined by us in the normal course of audit and to the best of our knowledge and belief, we report that:

(i) In respect of Fixed Assets:

a) The company ***has maintained records, but full particulars of all the fixed assets are not maintained*.**

b) As explained to us, the company has physically verified items falling under category of Office Equipments, T&P materials (Almairhas, Chairs, Tables etc), Computer and Peripherals, Vehicles, Buildings and Civil works at regular intervals. Based on the information and explanations given to us by the company, they have not noticed any material discrepancies on such verification as compared with the limited records available.

However, the company has not conducted a physical verification in respect of plant & machinery and lines & cables during the year. Hence we are unable to comment on the adequacy or otherwise of the regularity of physical verification of such assets.

c) The company has not disposed off substantial part of fixed assets during the year and hence commenting on the going concern assumption in this regard does not arise.

(ii) In respect of its inventories:

a) As explained to us, inventories lying in the stores of the company have been physically verified by the management during the year. In our opinion, frequency of verification is reasonable.

b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

c) The Company is maintaining proper records of inventory situated at company's premises. As explained to us, there was no material discrepancies noticed on physical verification of inventories as compared to the book records. However, the minor discrepancies of inventories are accounted for in the books of account (Excess stock of Rs 3.15 crore and a shortfall of Rs 2.44 crore – net being excess Rs 0.71 crore).

(iii) As informed to us, there are no transactions coming within the preview of Section 297 or 299 and required to be entered in the register maintained under section 301 of the Companies Act, 1956. Hence commenting on Paragraph 3(a) to 3(g) of Companies (Auditors Report) Order 2003 (as amended) does not arise.

(iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and rendering of services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

(v) The company has no transactions covered under section 301 of the Companies Act, 1956. Hence commenting on the entry in the register maintained under section 301 and its prices being reasonable having regard to prevailing market prices at the relevant time does not arise.

(vi) **According to information and explanation given to us, the company has not accepted any deposits under the provisions of Section 58A and 58AA or any other relevant provisions of the Act and the rules framed there under.**

(vii) The company has its in-house internal audit department which is concurrent and it submits its reports on regular/need basis. ***In our opinion, the scope of internal audit is inadequate compared to the size and operations of the company. The scope should cover areas like inter unit reconciliation, bank reconciliation, statutory compliance, etc and its functions need to be strengthened.***

(viii) Based on the information and explanations provided to us, maintenance of cost records has been prescribed by the Central Government for the company. We have broadly reviewed the books of account maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima-facie, the prescribed accounts and records have been made and maintained.

(ix) In respect of statutory dues:

a) According to the records of the Company, undisputed statutory dues including Provident Fund, Income Tax, Sales Tax, Service Tax, Excise Duty, Cess, and other statutory dues have been generally regularly deposited with the appropriate authorities. ***However, there are some delays in remitting the tax deducted at source to the concerned authorities.***

Further, since the Central Government has not till date prescribed the amount of cess payable under section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.

b) ***According to the information and explanations given to us, the company has an undisputed outstanding demand of electricity tax to the extent of Rs 9.63 crore (the quantum is disputed) at the year-end which is due for a period more than six months (i.e. since June 2010)***.

c) According to the information and explanations given to us, the company has not deposited the following statutory dues on account of disputes:

Name of the Statute	***Nature of the dues***	***Amount of tax involved (in crore Rs)***	***Period to which the amount relates***	***Forum of dispute***
Income tax Act, 1961	*Income tax*	*-* *(7.52 c/f loss)*	*AY 2009-10*	*CIT, Appeals (I), Bangalore*
Karnataka Electricity (Taxation on Consumption) Act 1959	*Electricity tax*	*9.63*	*2008-09*	*Chief Electrical Inspector to Government (CEIG), Bangalore*

(x) ***The company's accumulated losses at the end of the financial year (without giving effect to the qualifications as stated in our report) exceed 50 percent of its net worth. The company has not incurred cash losses in the financial year under audit or the immediately preceding financial year.***

(xi) Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institution or banks.

(xii) According to the information and explanations given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund/society. Therefore the provisions of Paragraph 4 (xiii) of the Companies (Auditors Report) Order, 2003 (as amended) are not applicable to the Company.

(xiv) The company is not dealing in or trading in shares, securities or other investments. Hence commenting on Paragraph 4(xiv) of the Companies (Auditor's Report) Order 2003 (as amended) does not arise.

(xv) According to information and explanation given to us, the company has not given the guarantee for the loans taken by others from banks or financial institutions.

(xvi) According to information and explanation given to us, during the financial year covered by our audit, the term loans availed by the company have been applied for the purposes for which such loans are availed.

(xvii) According to the information and explanations given to us and overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.

(xviii) During the year, the Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under section 301 of the Companies Act, 1956.

Hence commenting on the prejudicial of issue price to the interest of the company does not arise.

(xix) During the year, the Company has not issued any Debentures. Hence commenting on the creation of security does not arise.

(xx) The Company has not raised any money by way of public issue during the year. Hence verification of the end use of the same does not arise.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanation given by the management, we report that no major fraud on or by the company has been noticed during the year. However, there are cases of fraud noticed in the earlier years and are in the process of investigation/inquiry.

for **MSSV & Co.,**
Chartered Accountants
FRN: 001987S

Sd/-
D R Venkatesh
Partner
Membership No: 25087

Place : Bangalore
Date : 16-10-2012

Addendum to Directors' Report
for the year ended 31st March 2012

Replies offered on the observation/comments of the Statutory Auditors on the accounts of the company for the year 2011-12 are as follows.

Sl. No	SA No.	Observations of the Statutory Auditors	Management's Reply
1	4.1	Note no. 30.2.1 regarding certain loans availed by KPTCL transferred to BESCOM and reflected as loans in the books of the company.	Loans availed by KPTCL have been shared with all Escoms and KPTCL at the time of formation of Escoms. Payments are being made on back to back arrangements. The loans allotted to BESCOM are being depicted in the books of accounts of BESCOM. Documents have not been transferred as the Financial institutions have not agreed to have multipartite agreements with KPTCL and Escoms.
2	4.2	Note no. 30.3.5 regarding non-provisioning of expenses relating to transfer of titles of certain assets transferred by KPTCL.	In certain areas where approvals, details and concurrence are to be provided by an external parties, the Company intend to procure the required documents and titles to carry a clean title of its assets. However, there are certain things that are clearly outside the control of the Company. The Company has been doing its efforts in procuring details like the survey no, period of lease, etc. Hence, the provision for expenses for transfer of assets may not arise.

Sl. No	SA No.	Observations of the Statutory Auditors	Management's Reply
3	4.3	Note no. 30.4.1 regarding transfer of provision for bad and doubtful debts from KPTCL to the extent of Rs 254.21 crore, for which no details are available, carried since inception and Rs 34.30 crore (towards permanently disconnected consumers) carried since financial year 2004-05.	The provision for bad and doubtful debts of Rs 254.21 crore is the transfer of opening balance at the time of formation which has been kept as it is in the books of Accounts of BESCOM for adjustments against any deferred tax liabilities/assets which may arise in future. Regarding Rs. 34.30 crores towards permanentaly disconnected consumers carried since financial year 2004-05, the Company is in the process of identifying the quantum & details of long disconnected installations considered doubtful of realization in full. Appropriate provision for bad and doubtful debts will be made/reversed thereon.
4	4.4	Note no. 30.3.7 regarding ad-hoc provision of 20 percent on the written-down value of dismantled assets (Assets not-in-use).	The Company has provided 20 % on WDV as erosion in the value as per the prudent practice being done in earlier years. In respect of dismantled Assets which are exposed to weathering and after dismantling, they get depreciated due to rust, obsolescence etc., and as such a provision of 20% is being made. The Company will undertake measures to charge value of erosion at the rate equivalent to percentage (%) notified for the class of assets it belongs as depreciation charges from next financial year .

Sl. No	SA No.	Observations of the Statutory Auditors	Management's Reply
5	4.5	Note no. 30.5.2 regarding accounting of excesses and shortages found on physical verification of inventories pending final investigation.	The annual counting of store is done for physical verification of all items stocked in the Store House. Materials lying inhouse and in open yard counted in relation to Bin balance maintained in the books prescribed for the purpose is also cross verified thoroughly. Receipt Voucher Register, Issue Invoice, Return Invoice, Gate Pass & Stock ledger are verified by the Officers nominated for store counting The Company, as per consistant practice, will value the excesses or shortages and booked against the errant personnel and on detailed enquiry, based on its outcome, suitable accounting treatment will be given in the books as per set proceedure laid down.
6	4.6	Note no. 30.16 regarding non-disclosure of payables to SMEs, if any.	Amount due to Small and Medium Enterprises as required under the Micro, Small and Medium Enterprises Development Act, 2006 are not ascertained due to lack of information. The Company has not received any confirmation from the registered suppliers as on date, in respect of which disclosures are required to be made under the said Act. The Company will make arrangements to obtain the information for effecting suitable disclosures of payables to Small and Medium Enterprises if any.

Sl. No	SA No.	Observations of the Statutory Auditors	Management's Reply
7	4.7	Cheques issued by the company but have not been presented by the payee to the bank for a period exceeding six months; accounted as stale cheques amounting to Rs 59.28 lac [See note no.8 under other current liabilities (PY Rs 95.78 lac)] instead of reversing it to the respective accounts.	As per the prudent practice, the Company accounts the returned cheques which are issued but not presented by the payee to the Bank for a period exceeding six months under an exclusive account maintained for the purpose. The cheques that are not presented due to various unknown reasons which is not under the control of Company are returned. Hence, it is kept under distinct account code to enable the Company to reissue the cheque as and when demanded instead of reversing it to the respective accounts.
	5.	QUALIFICATIONS	
8	5.1	**Accrual System:** Significant Accounting Policy no. 2 states that the company accounts transactions pertaining to grants and subsidies from the Government in respect of capital assets, true up additional subsidy and insurance claims on receipt basis, which is contrary to the accrual system of accounting as required under section 209 of the Companies Act, 1956. As a result of such deviation, the impact on the financial statements are stated in para 5.2 and 5.8.2.3.	As per the policy and consistent practice, Company since inception accounting the Captial Grant and Additional True up Subsidy on receipt basis only. As accounting of Capital grant in the books is based on the notification of release of grants by Goverment on ad-hoc basis, accrual of such instances may not arise. Hence, it is on receipt basis only. As on date, the Company is not having tieup with any of the Insurance agency, accrual of insurance claim will not arise. With regard to True up Subsidy, please refer to the reply given to Auditor's observation at para 5.8.2.3 in Sl.No. 18.

Sl. No	SA No.	Observations of the Statutory Auditors	Management's Reply
9	5.2	**Government Grants:** Significant Accounting Policy No. 2 states that grants and subsidies from the government in respect of capital assets are recognized on receipt basis. However, during the financial year under audit, the company has accounted a sum of Rs 107 crore as receivable from KPTCL (which is a nodal agency for distribution of grants from the GoK) as Grants even though such sum is actually not received as at the end of the year. This is against the accounting policy of the company. The impact of such deviation is that the capital reserves and other current assets are overstated to the extent of Rs 107 crore.	KPTCL is one of the central nodal agency for all Escoms. Government releases grants on belhalf of all Escoms to KPTCL for administrative control, and consequently KPTCL will transfer the amount to respective Escoms. Hence, the Company is in consistent practice of accoutning such items in its books for cross reconciliation and confirmation of all amounts for current financial year between BESCOM and Government of Karntataka.
10	5.3	**Inter unit Acconts:** The company is carrying a sum of Rs 425.91 lakh under other current assests (see note no.18 (P.Y Rs 712.84 lakh under other current liabilities vide Note No.8) which represents the un-reconciled balances among its units. The impact of the above mentioned un-reconciled inter-unit balances on the financial statement is an overstatement of	Inter Unit Accounting transactions represents the intra Office transaction arising out the following: 1) Store housed in a jurisdiction of particular division will also cater to one or more adjoining divisions on regular basis and store transfer across the Accounting Units of the Company will take place on occasional basis. 2) Inter transfer of Personnel: Inter Unit transfer of Accounting of pay and allowance, advances to staff

Sl. No	SA No.	Observations of the Statutory Auditors	Management's Reply
		other current assests to the extent of Rs 425.91 lac and its contra effect is not readily ascertainable.	against expenses, Medical reimbursement, etc., are paid/deducted in a particular division to another Accounting Unit consequent to transfer of personnel. 3) Transfer of any other Assets or liability of the nature arising out of some of the Centralised Activity Centres like Cable & Works Division (Master Plan Division), Bescom Store Division, Establishment & Services Section catering to deduction of FBF, Contributory Pension Schemes, PF payments, payment to other departments etc. All the above transactions are dynamic and continuous in nature. The Company has a robust system of accounting of such transaction through Advice of transfer (ATs) from one division to another division. On issue of Advice of transfer, Accounting Unit sending the AT will account under a control account based on the nature. Accounting Unit receiving the AT will account under specific control account and send Acceptance to the parent Unit for neutralizing the transaction. As the process is laborious for accounting this type of transactions , un- reconciled balance remains for transit status of either Advice of transfer or acceptance is in the process of non completion due to administrative delay .

Sl. No	SA No.	Observations of the Statutory Auditors	Management's Reply
			Based on the nature of transaction, control account is placed under respective notes in Balance Sheet side of the Accounts giving suitable treatment i.e., debit or credit in the Balance Sheet. The impact of such un-reconciled accounts on the profit and loss account is not ascertainable but it is negligible and disclosure is made in general notes. Suitable reconciliation and monitoring mechanism will be initiated at circle level/Head office level for clearance of the same and will be adhered to keep this account at bearest minimum level.
11	5.4	**Excess Credit under reconciliation with bank:** The company is carrying a sum of Rs 105.70 lac credit under other current liabilities [See note no. 8 (P.Y. Rs 87.59 lac)]. The impact of such excess credit on the financial statement is an overstatement of other current liabilities to the extent of Rs 105.70 lac and its contra effect is not readily ascertainable.	Factual - Communication is sent to the concerned Accounting Units which in turn have made correspondence with respective banks for confirmation of transaction and its nature. On ascertaining the fact, appropriate accounting treatment will be given in the next financial year.

Sl. No	SA No.	Observations of the Statutory Auditors	Management's Reply
12	5.5	**Bank Accounts:** The company had closed two bank accounts, namely one pertaining to Additional South Division – Rs 18.48 lac and HSR Layout Division – Rs 0.20 lac, in the financial year 2008-09. However, the Company continues to carry such balances in its books of account under cash and cash equivalents (see note no. 16). The bank balances has been overstated to the extent of Rs 18.68 lac and its contra effect is not readily ascertainable.	Factual - HSR Division is carved out of Additional South Division and correspondence is made with respective banks for reconciliaion of balances. Appropriate action will be initiated in the financial year 2012-13 .
13	5.6	Remittances and transfers to/from head office: The Company is carrying a sum of Rs. 50.86 lac (net debit) as Remittances and transfers to/from head office under other current assets (see not no. 18) (P.Y> Rs.34.30 lac net debit). The impact of such un-reconciled balances on the financial statement is an overstatement of other current assets to the extent of Rs. 50.86 lac and its contra effect is not readily ascertainable.	Factual - The Company will look into the matter in detail for unreconciled balance. On confirmation of correctness of transaction and its nature, appropriate accounting treatment will be given in the next financial year.

Sl. No	SA No.	Observations of the Statutory Auditors	Management's Reply
14	5.7	***Balance Confirmation:*** The company has not obtained confirmation and reconciled the balances as on 31.03.2012 from/to other ESCOMES, KPTCL, KPCL, PCKL, sundry debtors, sundry creditors, advances, deposits from/to suppliers / contractors / government authorities / consumers / employees, loans and other receivable from various parties.	Company as a prudent practice, transactions pertaining to ESCOMS, KPTCL, PCKL are taken to the books of the Company based on notifications, orders and letters from notified authorities for the purpose. Obtaining of confirmation for all the transactions involves certain things that are clearly outside the control of the Company. The Company is making consistent effort to obtain the confirmation. As far as confirmation of Sundry Debtors is concerned, acceptence of bills preferred and served as per tariff order in force is construed as confirmation. In relation to others i.e., sundry creditors, advances, deposits from/to suppliers/contractors/government authorities/consumers/employees, loans and other receivables from various parties, transactions are taken to books based on orders, awards, notification for which correctness is authenticated, checked and counter checked by all the compitent authorities. Also it may not be physically possible to obtain the confirmation for such transaction, as it involves largeness in volume of transactions.

Sl. No	SA No.	Observations of the Statutory Auditors	Management's Reply
15	5.8	***Deviations from Accounting Stand***ards prescribed under the Companies Act, 1956:	
	5.8.1	***<u>Disclosure Deviations</u>:***	
	5.8.1.1	The company has disclosed land rights at its written-down value. This is not in accordance with Accounting Standard – 10 Accounting for Fixed Assets and Accounting Standard – 6 Depreciation Accounting which require the company to disclose the original cost, accumulated depreciation and the unamortized depreciation amount. However, there is no impact on the financial statement of the company.	Factual - As per AS 10, the Company has retained the Orginal Value of land rights and shown the amortized amount separately for the Current FY-11-12. The Company will identify the original value for prior periods (from the year of inception 2002-03) and restore the amortized amount and depict as per the AS12 from the next financial year by giving appropriate accounting treatment in the books.
	5.8.1.2	Accounting Standard – 19 regarding Leases, wherein the company is unable to quantify with regard to the minimum lease rentals, their present value, etc., as required by the said accounting standard.	Factual - The Company has certain Leases which were takenover from KPTCL. Relevent records are not transferred but only in possession of Land/Building physically. In the absence of information and non availability of details of lease period, lease rentals etc., from either KPTCL or concerned civil authorities, it is not possible to ascertain or quantify. It also involves external agency of KPTCL and various civil authorities who have to provide us with information. The Company has taken up correspondence with KPTCL and other Revenue authorities in this