



16th

Annual Report

2022-23

POWER COMPANY OF KARNATAKA LTD
(Government of Karnataka undertaking)

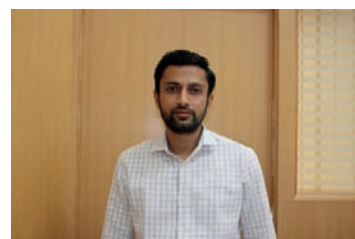
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Sri. Gaurav Gupta IAS
Additional Chief Secretary, Gokand
Chairman, PCKL



Sri. Pankaj Kumar Pandey IAS
Managing Director, KPTCL&, Director, PCKL



Sri. Nitish.K.IAS,
Director,PCKL



Sri. Mahentesh Bilagi, IAS
Director, PCKL



Sri .V.Krishnappa
Managing Director,PCKL

LIST OF DIRECTORS

(As on the date of AGM)

| Sl. No. | Name of Directors Shriyuths/Smt | Designation |
|----------------|--|--------------------|
| 1. | Gaurav Gupta, IAS, Additional Chief Secretary to Govt., Energy Department, GoK | Chairman |
| 2. | V. Krishnappa, | Managing Director |
| 3. | Pankaj Kumar Pandey, IAS, Managing Director, KPTCL | Director |
| 4. | Mahantesh Bilagi, IAS, Managing Director, BESCOM | Director |
| 5. | K.Nitish, IAS, Deputy Secretary (B&R), Finance Department, GoK | Director |

**RAMYA K, FCS,
Authorized Signatory,
PCKL**

**STATUTORY AUDITORS
M/s. Sharma & Pagaria,
Chartered Accountants,
Bengaluru**

POWER COMPANY OF KARNATAKA LIMITED

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CHAIRMAN's MESSAGE



It gives me immense pleasure to share with you that Company has made formidable progress in terms of sales during the fiscal year 2022-23.

This growth has been driven by India's economic success and the rising power demand in the country. Various steps have been taken by Government of Karnataka to increase the generation in the State, as a result State is having surplus power.

The Renewable energy generation capacity of the State by long term power agreement is highest in the Country. This has helped the State in meeting the State's energy demand despite the coal supply shortage for thermal plants.

Power Company of Karnataka Limited (PCKL) has sold 4385.57 MUs of surplus power to other utilities through energy exchanges during the year 2022-23 and purchased the power of 589.14 Mus. PCKL utilized the newly introduced Green Term ahead Market in RE energy exchange to effectively manage the renewable energy integration in the State without effecting RE power curtailment. PCKL also sold Renewable Energy Certificates and ESCerts certificates in the exchanges on behalf of ESCOMs.

To meet the State demand, Banking / swapping of power arrangement made with the Punjab and Uttar Pradesh from 15.01.2023 to 31.03.2023. The quantum supplied shall be returned at 105% from 01.06.2023 to 30.09.2023.

PCKL also co-ordinates with other States and Central Government Agencies on power related issues as well as through the Forum of Southern Regional Power Committee (SRPC).

PCKL is utilising the best avenues, market opportunities throughout the Nation for optimum utilization of the generation source including Renewable energy and minimizing the power purchase cost to the consumer in the state

I am thankful to officials and employees of the company for their continuous support.

With Warm Regards

-Sd-
(G. Gaurav Gupta, IAS)
Chairman

DIRECTORS' REPORT

Dear Members,

The Board of Directors have immense pleasure in presenting the 16th Annual Report on the state of affairs of Power Company of Karnataka Limited (PCKL), together with the Audited statement of Accounts and the Statutory Auditors' Report for the year ended 31st March, 2023.

About us

Government of Karnataka has accorded approval in April, 2007 for setting up of a Special Purpose Vehicle (SPV) viz., Power Company of Karnataka Limited (PCKL) to supplement the efforts of KPCL in capacity addition. PCKL was incorporated on 20th August, 2007 under the Companies Act, 1956 with an initial Authorized Capital of Rs. 5 crore (Rupees Five Crore) and commenced its business operations with effect from 16th October, 2007.

PCKL is responsible for capacity addition by way of establishing new power projects through bidding process under Case-I & Case-II bidding guidelines issued by Ministry of Power, GOI. Company has trading power through power exchanges in different market segments on behalf of the ESCOMs and co-ordinates with other States and Central Government agencies on power related issues as well as through the forum of SRPC. PCKL is also handling all the common issues related to DISCOMs in relation to power procurement, common cases before various forums relating to Tariffs and other issues etc.

1.0 Share Capital

The Paid up Share capital as at 31st March 2023 is Rs.5.00 Lakh (Rupees Five lakhs) in the form of 500 shares of Rs.1000 each with the following shareholders;

| Sl. No | Shareholders Name and Addresses | No. of Equity Shares held @ Rs. 1000/- each | Value of Shares in Rs. |
|--------|--|---|------------------------|
| 1 | Bangalore Electricity Supply Company Limited | 98 | 98000 |
| 2 | Hubli Electricity Supply Company Limited, | 98 | 98000 |
| 3 | Gulbarga Electricity Supply Company Limited | 98 | 98000 |
| 4 | Mangalore Electricity Supply Company Limited | 98 | 98000 |

| | | | |
|--------------|---|------------|---|
| 5 | Chamundeshwari Electricity Supply Corporation Limited | 98 | 98000 |
| 6 | Additional Chief Secretary to Govt., Energy Department, GoK -Nominee shareholder of BESCOM (2 shares) & HESCOM (2 shares) of Rs.1000/- each | 4 | 4000 |
| 7 | Sri Pankaj Kumar Pandey, IAS., Managing Director, KPTCL, -Nominee shareholder of MESCOM (2 shares) & GESCOM (2 shares) of Rs.1000/- each | 4 | 4000 |
| 8 | Sri. V. Krishnappa Managing Director, PCKL -Nominee shareholder of CESC holding 2 equity shares of Rs. 1000/- each | 2 | 2000 |
| Total | | 500 | 5,00,000 (Rs. Five Lakhs Only/-) |

1.1 Financial results:

The financial results of the company for the Financial Year 2022-23 as compared to the previous Financial Year 2021-22 are highlighted as below (in IND- AS format)

(Amount in Crores)

| Sl. No | Particulars | For the Financial Year ended 31.03.2022 | For the Financial Year ended 31.03.2023 | Difference |
|--------|--|---|---|------------|
| | | A | B | C=B-A |
| i | Income | 1.92 | 18.45 | 16.53 |
| ii | Expenditure | 1.99 | 16.26 | 14.27 |
| iii | Profit/Loss before exceptional and extra ordinary items and tax (i-ii) | -0.07 | 2.19 | 2.26 |
| iv | Profit before Tax | -0.07 | 2.19 | 2.26 |
| v | Tax | 0.01 | 0.61 | 0.6 |
| vi | Net profit / loss after taxation | -0.07 | 1.58 | 1.65 |

2. Procurement / Sale of Power on Short Term basis:

During the year 2022-23, State continued to witness Surplus Power and was offered for sale in the Energy Exchange.

To oversee the trading activities and to fix the price for sale of power, GOK vide order dated 03.10.2019 has constituted the Power trading Committee. Subsequently GoK vide orders dated 15.05.2020 revised by including MDs of all ESCOMs and further revised on 23.08.2021 for inclusion of D(F), KPCL as Member. Trading Committee is reviewing the rates periodically and in the emergent situations, discussions were held among the trading committee members through meetings and what's app group.

At present, PCKL is trading the power in three exchanges, namely;

- a) Indian Energy Exchange (IEX)
- b) Power Exchange India Limited (PXIL)
- c) Hindustan Power Exchange Ltd (HPX)

2.1 Purchase of power through Energy Exchanges:

During 2022-23, 589.14 MU Power was purchased amounting to Rs.476.64 Cr and average rate Rs.8.09/unit during morning, evening peak requirement including the day & night hours as per the instructions of SLDC to meet the State Demand and deficit during Exigency was procured through Energy Exchanges to maintain the grid discipline as per KEGC / IEGC grid code, to avoid penalty as per prevailing DSM regulations and for economical grid operation as per Electricity Act, 2003.

| PURCHASE DETAILS | | | | |
|------------------|------------------|------------------------|-----------------------------|----------------------|
| Month | Energy Bid in MU | Energy Purchased in MU | Amount Incurred in RsCrores | Average Rate Rs/unit |
| Apr-22 | 155.43 | 119.60 | 121.78 | 10.18 |
| May-22 | 11.33 | 8.55 | 4.22 | 4.94 |
| Jun-22 | 1.63 | 1.44 | 0.88 | 6.07 |
| Jul-22 | 33.10 | 24.38 | 18.13 | 7.44 |
| Aug-22 | 7.00 | 4.89 | 3.55 | 7.27 |
| Sep-22 | 27.95 | 25.16 | 15.74 | 6.26 |
| Oct-22 | 15.13 | 14.57 | 12.89 | 8.85 |

| | | | | |
|--------------|---------------|---------------|---------------|-------------|
| Nov-22 | 26.51 | 25.53 | 17.69 | 6.93 |
| Dec-22 | 122.75 | 119.75 | 91.86 | 7.67 |
| Jan-23 | 42.63 | 38.77 | 30.76 | 7.93 |
| Feb-23 | 140.94 | 129.29 | 107.90 | 8.35 |
| Mar-23 | 78.74 | 77.20 | 51.24 | 6.64 |
| Total | 663.12 | 589.14 | 476.64 | 8.09 |

2.2 Sale of Power through Energy Exchanges: Day wise Surplus Quantum furnished by SLDC was traded (Sold) through Energy Exchanges, as per the rates decided by Trading Committee. During 2022-23, 4,385.57 MU was cleared against the bid quantum of 4,548.04 MU furnished by SLDC. The average rate/unit realized for the year FY-23 was Rs.5.77/unit.

| Sale Details | | | | |
|---------------------|-------------------------|--------------------------|------------------------------------|--|
| Month | Energy Bid in MU | Energy Sold in MU | Amount Realized in RsCrores | Average Realized Energy Rate in Rs/unit |
| Apr-22 | 253.13 | 247.58 | 297.25 | 12.01 |
| May-22 | 1292.41 | 1198.59 | 829.07 | 6.92 |
| Jun-22 | 834.77 | 816.48 | 566.25 | 6.94 |
| Jul-22 | 477.61 | 468.02 | 182.42 | 3.90 |
| Aug-22 | 508.89 | 487.87 | 169.27 | 3.47 |
| Sep-22 | 615.63 | 610.09 | 290.36 | 4.76 |
| Oct-22 | 350.36 | 348.80 | 101.48 | 2.91 |
| Nov-22 | 94.33 | 93.85 | 40.29 | 4.29 |
| Dec-22 | 50.18 | 49.19 | 19.33 | 3.93 |
| Jan-23 | 7.23 | 7.22 | 6.06 | 8.39 |
| Feb-23 | 11.98 | 11.36 | 9.12 | 8.03 |
| Mar-23 | 51.54 | 46.51 | 21.07 | 4.53 |
| Total | 4548.04 | 4385.57 | 2531.98 | 5.77 |

2.2.1 Segment wise Sale details FY -2023

| Market Segments | Energy Bid in MU | Energy Cleared in MU | Amount Realized in Rs. Crores | Average Realized Rate in Rs/unit |
|-----------------|------------------|----------------------|-------------------------------|----------------------------------|
| DAM | 1748.86 | 1614.74 | 755.06 | 4.68 |
| GDAM | 50.56 | 50.56 | 21.53 | 4.26 |
| TAM | 1235.77 | 1235.77 | 830.30 | 6.72 |
| RTM | 965.93 | 937.57 | 550.03 | 5.87 |
| GTAM | 546.94 | 546.94 | 375.07 | 6.86 |
| TOTAL | 4548.04 | 4385.57 | 2531.98 | 5.77 |

2.2.2 Segment wise Purchase details FY -2023

| Market Segments | Energy Bid in MU | Energy Cleared in MU | Amount Incurred in Rs. Crores | Rate in Rs/unit |
|-----------------|------------------|----------------------|-------------------------------|-----------------|
| DAM | 189.27 | 165.07 | 132.10 | 8.00 |
| TAM | 246.44 | 246.44 | 212.49 | 8.62 |
| RTM | 227.41 | 177.63 | 132.05 | 7.43 |
| TOTAL | 663.12 | 589.14 | 476.64 | 8.09 |

2.2.3 Sale of Energy Savings Certificates (ESCerts):

Energy Saving Certificates (ESCerts) are issued to those entities that have saved energy over their targets. Those entities which are unable to meet the targets by themselves or through purchase of ESCerts are liable to financial penalty under the Energy Conservation Act, 2001.

One of the most important initiatives under National Mission on Enhanced Energy Efficiency (NMEEE) is Perform, Achieve & Trade (PAT) mechanism, launched by Bureau of Energy Efficiency (BEE) under Ministry of Power on 4th July, 2012 at New Delhi.

ESCCerts trading was resumed in the Energy Exchange from 14.02.2023. 1,121 No. of ESCerts were traded through Energy Exchanges pertaining to HESCOM and CESC Mysore and amount realized is Rs.20.16 Lakhs.

| ESCOMs | No. of ESCerts Issued | No. of ESCerts Sold | Amount Realized in Lakhs |
|--|-----------------------|---------------------|--------------------------|
| HESCOM | 3614 | 1050 | 18.88 |
| CESC | 3716 | 71 | 1.28 |
| TOTAL | 7330 | 1121 | 20.16 |
| <i>Note: Trading of ESCerts resumed from 14.02.2023.</i> | | | |

2.2.4 Sale of Renewable Energy Certificates (RECs) for FY 2022-23:

Central Electricity Regulatory Commission introduced REC mechanism to ease the purchase of renewable energy by the state utilities and obligated entities, including the states which are not well endowed with RE sources.

Renewable Energy Certificates (RECs) are a market-based instrument that certifies the bearer owns one megawatt-hour (MWh) of electricity generated from a renewable energy resource.

The State has fulfilled the RPO target fixed by Karnataka Electricity Regulatory Commission, Over and above the RPO quantum, DISCOMs are able to get RE certificates from NLDC based on the recommendation by the State Commission. As such, DISCOMs have obtained RE certificates for the FY 2019-20 & 2020-21.

ESCOMS have started REC Trade from June 2022 onwards Total 51,66,391 No. of RECs (Solar - 29,34,996 & Non Solar - 22,31,395) were traded through Energy Exchanges pertaining to BESCOM, HESCOM, GESCOM & MESCOM and amount realized is **Rs.511.79 Cr.**

| ESCOMs | Total No. of RECs Issued | | Total No. of RECs Traded | | Amount Realized in Cr. |
|-------------------|--------------------------|------------------|--------------------------|------------------|------------------------|
| | Solar | Non Solar | Solar | Non Solar | |
| BESCOM | 5,400,865 | 1,157,716 | 1,708,826 | 451,259 | 221.26 |
| HESCOM | 1,876,656 | 3,901,542 | 437,992 | 575,935 | 97.99 |
| GESCOM | 1,429,998 | 2,711,770 | 669,316 | 1,127,037 | 173.60 |
| MESCOM | 422,187 | 204,535 | 118,862 | 77,164 | 18.94 |
| TOTAL | 9,129,706 | 7,975,563 | 2,934,996 | 2,231,395 | 511.79 |
| TOTAL RECs | 1,71,05,269 | | 51,66,391 | | |

NOTE:

- ESCOMS have started REC Trade from June 2022 through Energy Exchanges.
- As per Delhi High Court Stay Order (W.P.(C) 15477/2022 & CM APPL 48145/2022) trading of RECs issued before 31.10.2022 suspended. Since BESCOM & HESCOM RECs were issued prior to 31.10.2022, the same could not be traded from Dec-22 onwards. As such, only RECs of GESCOM & MESCOM were traded during December-2022 to March-2023.

3. BANKING OF POWER

To meet the state demand Banking of Power arrangement was made with Punjab (PSPCL) and Uttar Pradesh (UPPCL). Power imported from PSPCL and UPPCL from 15.01.2023 to 31.03.2023. The quantum supplied shall be return @105% from 01.06.2023 to 30.09.2023. As on 31.03.2023, 802.938 MU of energy received from PSPCL & UPPCL.

| Month | Energy Supplied by PSPCL in MU (supplied from 15.01.2023) | Energy Supplied by UPPCL in MU (supplied from 24.02.2023) | Total Energy Supplied in MU |
|--------------|--|--|------------------------------------|
| Jan-23 | 81.60 | - | 81.600 |
| Feb-23 | 138.00 | 52.500 | 190.500 |
| Mar-23 | 280.163 | 250.675 | 530.838 |
| TOTAL | 499.763 | 303.175 | 802.938 |

4. Monitoring the common case pertaining to ESCOMs.

GoK vide letter dated 26.04.2018 & 03.02.2021 directed PCKL to handle all common cases of general, policy, regulatory affairs, tariff, PPAs relating matters of ESCOMs in coordination with all ESCOMs.

Legal Cell is handling all the common cases of ESCOMs in coordination with ESCOMs. The functionality of Legal Cell, PCKL are described as below:

- To entrust Advocate/Sr. Advocate based on the merit of the case to represent all ESCOMs commonly before various forums.
- To follow up status of common cases before various forums.
- To file uniform replies for the common cases.

- To discharge liability of ESCOMs in common cases towards legal charges of the Advocate and to apportion the amount to respective ESCOMs.

5. Development of Projects:

5.1 Kaiga Unit 5 & 6- Additional 2X700 MW Nuclear Power Plant:

The NPCIL has proposed to establish 2x700 MWe units at Kaiga Site adjacent to existing four units of Kaiga Generating Station.

As per the minutes of 39th meetings of TCC (03.12.2021) & SRPC (06.12.2021), CTU had stated that it was technically agreed for replacement of conductor of 230 kV lines of KPTCL. NPCIL had stated that they would obtain necessary clearances from Forest Department for carrying out the work of re-conductoring of the transmission line for enabling evacuation of power from Kaiga APP (2x700 MWe), as the establishment of Kaiga U 5,6 (2x700 MW) would not be possible without re-conductoring of the transmission line.

As per MoM of 53rd Commercial sub-committee meeting dated 19.10.2022, excavation of Kaiga 5&6 project had commenced in the month of April 2022. NPCIL had informed vide email dated 03.12.2022. The Commissioning of Plant is expected by year 2028 and approximate Tariff is Rs.3.8/unit.

5.2 Development of projects by NHPC

NHPC has offered power from its upcoming hydro projects i.e. 500 MW (SECI 1100 MW) Teesta-VI, 500 MW Dugar, 2880 MW Dibang MPP, 1000 MW Pakaldul, 540 MW Kwar and 500 MW Kiru.

PCKL on behalf of ESCOMs communicated acceptance for offtaking power from the above projects.

5.3 Upcoming New projects by DVC

ESCOMs of Karnataka / PCKL willing to purchase RTC power of 300 MW from upcoming DVC project of KTPS Ph-II (800X2) subject to approval of the concurrence of procurement of power is only provisional subject to approval of the Karnataka Electricity Regulatory Commission.

PCKL / ESCOMs shall review the tariff once in five years, in case tariff is not in align with the market rate, ESCOMs / PCKL has a liberty to exit from the PPA.

5.4 Establishment of solar park at Gulbarga

GoK vide orders dated 12.01.2009 (Rs.10 crores) 16.6.2010 (Rs.126.44 Crores) and 29.3.2011 (Rs.5.68 Crores) has released total grants of

Rs.142.12 Crores for acquisition of land to an extent of 1601.13 acres for establishing 1320 MW Coal based thermal power project at Gulbarga. In the order dated 16.06.2010, GoK authorized PCKL to collect the said amount from the successful bidder and thereafter pay it back to the Government / utilities as decided by the government by 31.03.2011.

GoK vide letter dated 03.12.2014 directed to transfer land to an extent of 50 acres to KPTCL for construction of 400 KV station out of 1601.13 acres acquired by PCKL. Accordingly, land was handed over to Transmission Zone, KPTCL, Kalaburgi on 15.12.2014. However, settlement towards the land cost yet to be decided.

As per the GoK order dated 03.08.2022, 1000 acres land has to be transferred to Textile Department with a condition of payment of Rs.99.21Crores or the additional cost as per present market value for the 1000Acres to PCKL.

The balance acres of land is used for development of solar park by KREDL

6. Securitization of Gram Panchayath Electricity dues outstanding as on 31.03.2015 and settlement of Power Purchase dues of KPCL on behalf of ESCOMs:

GoK has appointed PCKL as Nodal Agency for implementing the securitization of Gram Panchayaths dues, for entering into agreement for borrowings and documentations, releasing of the borrowed fund to KPCL on behalf of ESCOMs.

GoK in its letter dated 19.05.2017 has accorded approval to ESCOMs for transfer of receivables of Rs.3766.81 Crores outstanding as on 31.03.2015. PCKL has availed the financial assistance from the banks. The details of Term loan availed is below:

(Rs. in Crores)

| Name of the Bank | Amount of loan availed | Date of sanction | Initial Rate of Interest | Present Rate of Interest | Loan outstanding as on 31.03.2023 |
|----------------------|------------------------|------------------|--------------------------|--------------------------|-----------------------------------|
| Punjab National Bank | 500.00 | 09.10.2017 | 8.15% | 7.65% | 264.84 |
| State Bank of India | 1800.00 | 29.12.2017 | 8.15% | 8.50% | 1067.05 |
| Bank of India | 1466.80 | 07.08.2018 | 8.50% | 7.95% | 961.38 |
| TOTAL | 3766.80 | | | | 2293.27 |

7. Right to Information Act (RTI):

PCKL has taken steps towards the compliance of the Right to Information Act, 2005. Public Information Officers and First Appellate Authorities have been nominated as contemplated under the Act. Suo-moto disclosure of information on the activities of the company as per the Sections 4(1)(a) & 4(1)(b) of RTI Act, 2005 Suo-Motu disclosures is made available on website: pckl.karnataka.gov.in. During the FY 2022-23, 9 No of applications were received and 9 No of applications were disposed.

8. Statutory Auditors:

The C & AG of India vide Ref. No.CAV/COY/KARNATAKA,PCKL(1)/895 dated 06/09/2022 have appointed M/s. Sharma&Pagaria, Chartered Accountants, Bengaluru as Statutory Auditors under Section 139 of the Companies Act, 2013 for auditing the Accounts of PCKL for the Financial Year 2022-23.

9. Manpower:

The working strength of PCKL as on 31.03.2023 is as below:

| Category | Working Strength |
|-----------------|-------------------------|
| A | 22 |
| B | 11 |
| C | 08 |
| D | 00 |
| Total | 41 |

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

10. CORPORATE GOVERNANCE

PCKL believes in transparency, accountability and fairness in all aspects of its operations.

Board of PCKL believes and supports Corporate Governance Practices ensuring observance of best practices in all its dealings.

The Governance process in the company includes an effective post-meeting follow-up, review and reporting process for Action Taken/pending on decisions of the Board & Board Sub-committees.

As on 31st March 2023, the Board of Directors comprised of 6 members. All the Directors took active part in the proceedings of Board and Sub- Committee meetings which add value to the decision making process.

Following are the Board of Directors during the period from 1st April 2022 to till the date of this Report.

| Sl No | Name of Directors Shriyuths/Smt | Designation | DIN/PAN | Period | |
|-------|---|--------------------------|----------|------------|------------|
| | | | | From | To |
| 1 | Gaurav Gupta, IAS, Additional Chief Secretary to Govt., Energy Dept., GoK | Chairman | 02184763 | 05/06/2023 | - |
| 2 | Kapil Mohan, IAS, Principal Secretary to Govt., Energy Department | Chairman | 03627128 | 20/02/2023 | 05/06/2023 |
| 3 | G. Kumar Naik, IAS, Additional Chief Secretary to Govt., Energy Dept., GoK | Chairman | 01918435 | 07/04/2021 | 20/02/2023 |
| 4 | Kapil Mohan, IAS, Principal Secretary to Govt., Energy Department | Chairman | 03627128 | 18/11/2020 | 07/04/2021 |
| 5 | Pankaj Kumar Pandey, IAS, | Director | 03376149 | 01/06/2023 | - |
| 6 | Dr. N Manjula, IAS | Director | 07508345 | 04/09/2019 | 01/06/2023 |
| 7 | V. Krishnappa | Managing Director | 09197047 | 11/06/2021 | - |
| 8 | Mahanthesh Bilagi IAS, | Director | 08556955 | 25/07/2022 | - |
| 9 | P. Rajendra Cholan, IAS, | Director | 06395219 | 13/08/2021 | 25/07/2022 |
| 10 | Nitish K, IAS, | Director | 08890701 | 13/06/2022 | - |
| 11 | Chandrashekhar L. Nayak, IAS | Director | 08215036 | 05/09/2020 | 13/06/2022 |
| 12 | M.S. Shobha | Director (Commercial) | 09520398 | 07/02/2022 | 06/11/2023 |

11. Meetings of the Board:

During 2022-23, Three (3) meetings were held as below:

| Meeting No. | Held on |
|--------------------------|------------|
| 69 th Meeting | 09/06/2022 |
| 70 th Meeting | 29/09/2022 |
| 71 st Meeting | 15/12/2022 |

11.1 Attendance details:

| Board Meeting No | 69 th | 70 th | 71 st |
|--|------------------|------------------|------------------|
| Board Meeting Date | 09/06/2022 | 29/09/2022 | 15/12/2022 |
| Name (Shri / Smt / Ms) | | | |
| G. Kumar Naik, IAS, Additional Chief Secretary to Govt., Energy Dept., GoK, Chairman PCKL | Present | Present | Present |
| Dr. N. Manjula, IAS, Managing Director, KPTCL, Director, PCKL | Absent | Absent | Present |
| RajendraCholan P. IAS, Managing Director, BESCO, Director,PCKL | Present | NA | NA |
| MahanteshBilagi, IAS., Managing Director, BESCO, Director,PCKL | NA | Present | Present |
| K.Nitish, IAS, Deputy Secretary (B&R), Finance Dept., GoK, Director,PCKL | NA | Present | Present |
| V.Krishnappa, Managing Director, PCKL | Present | Present | Present |
| M.S. Shobha, Director(Commercial),PCKL | Present | Present | Present |

11.2 Audit Committee:

i. The Board of Directors of PCKL constituted Audit Committee in accordance with the provisions of Companies Act.

The composition of Audit Committee is as below:

| Sl. No. | Name of the Members | Designation |
|---------|---|-------------|
| 1 | Managing Director, KPTCL | Chairman |
| 2 | Managing Director, BESCOM | Member |
| 3 | Deputy Secretary (Budget & resources), Finance department | Member |
| | Authorised Signatory, PCKL | Convener |

Note: Membership is co-terminus with their Directorship on the Board of PCKL.

During the Year under report, the Audit Committee held its meetings as below:

| Meeting No. | Held on |
|--------------------------|------------|
| 13 th Meeting | 26/09/2023 |

ii. Terms of Reference:

- Recommendation for remuneration of Auditors of the company;
- Review and Monitor the Auditor's Independence and Performance, and Effectiveness of Audit Process;
- Examination of the Financial Statement and the Auditors' Report thereon;
- Approval or any subsequent modification of transactions of the Company with Related Parties;
- Scrutiny of Inter-Corporate Loans and Investments;
- Valuation of Undertakings or Assets of the company, wherever it is necessary;
- Evaluation of Internal Financial Controls and risk management systems;

- h) Monitoring the end use of funds raised through Public offers and related matters.

During the year under report, the Audit Committee held its meeting on 26th September 2023.

11.3 Borrowings Sub-Committee of PCKL:

Board of Directors of PCKL at its 48th meeting held on 31/03/2017 constituted Borrowings Sub-Committee of PCKL for the purpose of Borrowing Long Term Loans from Banks/Financial Institutions on behalf of the Board upto the limit fixed by the shareholders at the General Meeting from time to time.

The Sub-Committee consists of the following members:

| Sl. No. | Members Shriyuths/Smt | Designation |
|---------|---|-------------|
| 1 | Gaurav Gupta IAS, | Chairman |
| 2 | Pankaj Kumar Pandey, IAS, | Member |
| 3 | V. Krishnappa | Member |
| 4 | M.S. Shobha | Member |
| | Ramya K, FCS, Authorised Signatory, PCKL | Convener |

Note: Membership is co-terminus with their Directorship on the Board of PCKL.

11.4 Annual General body Meeting were held as below:

During the year under Report, General Meetings were held as below:

| Meeting No. & Date | Resolutions |
|-----------------------------------|---|
| 15 th AGM - 15/12/2022 | <p>Ordinary Resolutions</p> <p>i) Adoption of Directors Report for FY 2021-22</p> <p>ii) Audited Annual Accounts for FY 2021-22</p> <p>iii) Statutory Auditors Report</p> <p>iv) C & AG's Certificate</p> |

12. KEY MANAGERIAL PERSONNEL:

Presently, the provisions of Section 203 of Companies Act, 2012 vis-à-vis appointment of Key Managerial Personnel is not applicable to PCKL.

13. Pursuant to provisions of Section 134(3) of the Act, the following information is provided:

(a) ANNUAL RETURN:

The extract of Annual Return (MGT-9) pursuant to the provisions of Section 92 is annexed (Annexure-1).

(b) Number of meetings of the Board;

During the year 2022-23, three (3) meetings were held as indicated at para 11.1 ante.

(c) Directors' Responsibility Statement;

Pursuant to the requirement under Section 134(5)) of the Companies Act, 2013 the Directors, state that;

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) Directors have selected such accounting policies and applied them consistently and made judgments and estimates 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 and loss of the company for that period;
- (iii) Directors have taken proper and sufficient care 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 fraud and other irregularities;
- (iv) Directors have prepared the annual accounts on a going concern basis; and
- (v) Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

(d) Explanations or Comments by the Board on every Qualification, Reservation or Adverse Remark or Disclaimer made by:

- (i) Statutory Auditor in their report; enclosed as Annexure-2.
- (ii) Company Secretary in Practice in his Secretarial Audit Report- Not Applicable.

(e) Particulars of Loans, Guarantees or Investments under Section 186:

Government of Karnataka has provided Guarantee for the Term Loan availed from the following Nationalized Banks on securitization of Gram Panchayath Dues:

| Sl. No. | Name of the Bank | Term Loan (Rs. in Crs.) | Reference of GoK Guarantee |
|---------|----------------------|----------------------------|----------------------------------|
| 1 | Punjab National Bank | 500.00 | EN 3 PSR 2016 dated 03/10/2017 |
| 2 | State Bank of India | 1800.00 | EN 3 PSR 2016 dated 28/12/2017 |
| 3 | Bank of India | 1466.80 | EN 121 PSR 2018 dated 07/08/2018 |

(f) Particulars of Contracts or Arrangements with Related Parties referred to in Sub-Section (1) of Section 188

NIL

(g) The state of the Company's Affairs; indicated ante-

NIL

(h) The amounts, if any, which it proposes to carry to any Reserves-

NIL

(i) The amount, if any, which it recommends should be paid by way of dividend;

NIL

(j) Material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report.

14. Change of method for recognition of Revenue Stream of PCKL:

(A) Method of Revenue Stream recognition upto 31.03.2022

- i) The expenditure of corporate office of PCKL shall be met from the interest earned on the deposit of surplus funds of PCKL including power purchase amount or any other income earned from business operation. In case the interest so earned is not sufficient to meet expenditure of PCKL in any year, the same will be met from the seed money provided by ESCOMs.
- ii) Revenue expenditure of PCKL, other than depreciation, expenditure was allocated to ESCOMs as per MoU proportion and will be met out of Seed Money contributed by ESCOMs.
- iii) PCKL upto 31.03.2022 have not shown any profit / loss during the financial year, except depreciation or non-cash expenditures, until the accounting policy was modified or amended wef 01.04.2022.
- iv) Prior period amount due to PCKL shall be accounted on actual cash received basis during the year that results in cash flow to the PCKL since PCKL is dependent on the ESCOMs contribution towards seed money to meet day to day expenditure.
- v) The seed money shall be replenished by ESCOMs to PCKL wherever short fall arises.

(B) Revenue Stream of PCKL wef 01.04.2022 as per GoK order dated 15.06.2023

- (i) In order to raise the revenue stream of PCKL, the subject regarding fixing of percentage on the total sales / proceeds as income of PCKL on monthly basis was placed before 70th Board of Directors meeting held on 29.9.2022. The Board felt that the sale proceeds made in exchanges / different segments or through Deep-e-portal are not uniform year on year and as such suggested to bring suitable proposal considering all possibilities of sales charging fixed amount of fees from ESCOMs.
- (ii) The subject issue of requirement of source of income for carrying out its day-to-day activities and banking operations, was placed and discussed before the 71st PCKL Board of Director's Meeting held on 15.12.2022, wherein it was resolved as follows:
 - a) To seek approval from Government for charging ESCOMs a fixed rate per unit as revenue to PCKL based on the volume of energy

transacted during the year varying from 80 paise/unit to 3 paise/unit subject to maximum amount of Rs.20 Crore.

- b) After obtaining approval from GoK, action may be taken for obtaining concurrence from ESCOMs and for entering into necessary MoU with ESCOMs for the same.
- c) To follow the procedure of recognizing the revenue stream of PCKL as said above with effect from 01.04.2022.

15. The conservation of energy, technology absorption, foreign exchange earnings and outgo:

As the Company's operations do not involve any manufacturing or processing activities, the particulars as per the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, regarding conservation of energy and technology absorption, are not applicable. During the year under review, there is no foreign exchange earnings and outgo.

16. Statement Concerning Development and Implementation of Risk Management Policy of the Company:

Not formulated.

17. Details of Policy Developed and Implemented by the Company on its Corporate Social Responsibility Initiatives:

As of now, the provisions of Section 135 (1) of the Companies Act, 2013 for constitution of Corporate Social Responsibility Committee of the Board is not applicable to PCKL.

18. Vigil Mechanism (Whistle Blower) Policy:

Pursuant to requirement under Section 177(9) of the Companies Act, 2013, the Company has established Vigil Mechanism (Whistle Blower) Policy. The same is displayed in the website of the Company.

19. Comments of the Comptroller and Auditor General (C&AG) of India:

Office of the Comptroller & Auditor General of India have conducted a Supplementary Audit under Section 143(6)(b) of the Companies Act, 2013. The Principal Accountant General (Audit-II), O/o C&AG have communicated the Nil comments Certificate dated 04.12.2023.

20. Statutory Auditors:

C & AG of India have appointed M/s. Sharma &Pagaria LLP, Bengaluru as Statutory Auditors for Auditing the Accounts of PCKL for the Financial Year 2022-23.

21. Acknowledgements:

Board of Directors would like to place on record their appreciation for all the assistance and guidance extended by the Government of Karnataka, Ministry of Power, GoI, Chairman and Member of Karnataka Electricity Regulatory Commission, Appellate Tribunal for Electricity, Central Electricity Regulatory Commission, Karnataka Power Transmission Corporation Limited, ESCOMs of Karnataka, Comptroller & Auditor General of India, Statutory Auditors and others for the co-operation and active support rendered to PCKL in its endeavours. Board of Directors would also like to place on record their appreciation of the dedication and commitment displayed by the officers and staff of the Company during the year.

For and on behalf of Board of Directors

-Sd-

(GAVRAV GUPTA, IAS.,)

CHAIRMAN, PCKL

Form No.MGT-9

EXTRACT OF ANNUAL RETURNS ON THE FINANCIAL YEAR ENDED
ON 31st MARCH 2023

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

| | | |
|-------------|---|---|
| i. | CIN | U40101KA2007SGC043640 |
| ii. | Registration Date | 20-08-2007 |
| iii. | Name of the Company | POWER COMPANY OF KARNATAKA LIMITED |
| iv. | Category/Sub-Category of the Company | Government Company |
| v. | Address of the Registered office and contact details | Kaveri Bhavan, K.G. Road Bengaluru, Karnataka INDIA 560009 |
| vi. | Whether listed company | No |
| vii. | Name, Address and Contact details of Registrar and Transfer Agent ,if any | Not applicable |

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:-

| Sr.No. | Name and Description of main products/ services | NIC Code of the Product/ service | % to total turnover of the company |
|---------------|--|---|---|
| 1 | Electricity Capacity Addition & Trading | | 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 |
|---------|---------------------------------|---------|--------------------------------|-----------------|--------------------|
| 1. | NIL | | | | |

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

i. Category-wise Share Holding

| Category of Shareholders | No. of Shares held at the beginning of the year | | | | No. of Shares held at the end of the year | | | | % Change during the year |
|--|---|----------|-------|-------------------|---|----------|-------|-------------------|--------------------------|
| | Dem at | Physical | Total | % of Total Shares | Dem at | Physical | Total | % of Total Shares | |
| A. Promoter | | | | | | | | | |
| 1) Indian | | | | | | | | | |
| a) Individual/ HUF | | | | | | | | | |
| b) Central Govt | | | | | | | | | |
| c) State Govt COMPANIES | - | 500 | 500 | 100% | - | 500 | 500 | 100% | |
| d) Bodies Corp | | | | | | | | | |
| e) Banks / FI | | | | | | | | | |
| f) Any Other | | | | | | | | | |
| Sub-total(A)(1):- | - | 500 | 500 | 100% | - | 500 | 500 | 100% | |
| 2) Foreign | | | | | | | | | |
| g) NRIs-Individuals | | | | | | | | | |
| h) Other-Individuals | | | | | | | | | |
| i) Bodies Corp. | | | | | | | | | |
| j) Banks / FI | | | | | | | | | |
| k) Any Other.... | | | | | | | | | |
| Sub-total(A)(2):- | - | - | - | - | - | - | - | - | -- |
| Total Promoter Shareholding (A)=(A)(1)+ (A)(2) | - | 500 | 500 | 100% | - | 500 | 500 | 100% | |
| B. Public Shareholding | | | | | | | | | |
| 1. Institutions | | | | | | | | | |
| a) Mutual Funds | | | | | | | | | |
| b) Banks / FI | | | | | | | | | |
| c) Central Govt | | | | | | | | | |
| d) State Govt(s) | | | | | | | | | |
| e) Venture Capital Funds | | | | | | | | | |

| | | | | | | | | | |
|--|---|-----|-----|------|---|-----|-----|------|----|
| f) Insurance Companies | | | | | | | | | |
| g) FIIs | | | | | | | | | |
| h) Foreign Venture Capital Funds | | | | | | | | | |
| i) Others (specify) | | | | | | | | | |
| Sub-total(B)(1) | - | - | - | -- | - | - | - | - | - |
| 2. Non Institutions | | | | | | | | | |
| a) Bodies Corp. (i) Indian (ii) Overseas | | | | | | | | | |
| b) Individuals (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) | | | | | | | | | |
| Sub-total(B)(2) | - | - | - | - | - | | - | - | -- |
| Total Public Shareholding (B)=(B)(1)+ (B)(2) | - | - | - | - | - | - | - | - | - |
| C. Shares held by Custodian for GDRs & ADRs | - | - | - | - | - | - | - | - | - |
| Grand Total (A+B+C) | - | 500 | 500 | 100% | - | 500 | 500 | 100% | |

ii. Share holding of Promoters

| SL No | Shareholder's Name | Shareholding at the beginning of the year | | | Shareholding at the end of the year | | | |
|-------|---|---|----------------------------------|---|-------------------------------------|----------------------------------|--|-------|
| | | No. of Shares | % of total Shares of the company | %of Shares Pledged /encumbe red to total shares | No. of Shares | % of total Shares of the company | %of Shares Pledged / encumbe red to total shares | |
| 1. | Gaurav Gupta, IAS, ACS to Govt., Energy Department, GoK | 0 | 0.8 | 0 | 4 | 0.8 | 0 | +100% |

| | | | | | | | | |
|-----|--|----|------------|---|------------|------------|---|-------|
| 2. | Kapil Mohan, IAS, ACS to Govt., Energy Department, GoK | 4 | 0 | 0 | 0 | 0 | 0 | -100% |
| 3. | Pankaj Kumar Pandey, IAS, MD, KPTCL | 4 | 0.8 | 0 | 4 | 0.8 | 0 | 0 |
| 4. | Dr.N.Manjula, IAS MD, KPTCL | 0 | 0 | 0 | 4 | 0 | 0 | 0 |
| 5. | B.K.Udayakumar MD, PCKL | 2 | 0.4 | 0 | 0 | 0.0 | 0 | -100% |
| 6. | V.Krishnappa, MD, PCKL | 0 | 0.0 | 0 | 2 | 0.4 | 0 | +100% |
| 7. | BESCOM | 98 | 19.6 | 0 | 98 | 19.6 | 0 | 0 |
| 8. | HESCOM | 98 | 19.6 | 0 | 98 | 19.6 | 0 | 0 |
| 9. | MESCOM | 98 | 19.6 | 0 | 98 | 19.6 | 0 | 0 |
| 10. | GESCOM | 98 | 19.6 | 0 | 98 | 19.6 | 0 | 0 |
| 11. | CESC | 98 | 19.6 | 0 | 98 | 19.6 | 0 | 0 |
| | Total | | 100 | | 500 | 100 | | |

iii. Change in Promoters' Shareholding (please specify, if there is no change)

| Sr. no | | 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 | At the beginning of the year | 500 | 100 | 500 | 100 |
| 2 | Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc): | Nil | Nil | Nil | nil |
| 3 | At the End of the year | 500 | 100 | 500 | 100 |

V.INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

| | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|---|--|--------------------|------------|------------------------------|
| Indebtedness at the beginning of the financial year | | | | |
| i) Principal Amount | Rs.2764.81 Crores | Nil | Nil | Rs.2764.81 Crores |
| ii) Interest due but not paid | Nil | Nil | | Nil |
| iii) Interest accrued but not | Nil | Nil | | Nil |
| Total(i+ii+iii) | Rs.2764.81 Crores | - | - | Rs.2764.81 Crores |
| Change in Indebtedness during the financial year | | Nil | Nil | |
| - Addition | Nil | | | |
| - Reduction | Rs.473.84 Crores | | | |
| Net Change | -Rs.473.84 Crores | | | |
| Indebtedness at the end of the financial year | | Nil | Nil | |
| i) Principal Amount | Rs.2290.97 Crores | | | |
| ii) Interest due but not paid | | | | |
| iii) Interest accrued but not due | Nil | | | |
| Total (i+ii+iii) | Rs.2290.97 Crores | Nil | Nil | Rs.2290.97 Crores |

VI. REMUNERATION OF DIRECTORS AND KEYMANAGERIAL PERSONNEL

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

| Sl. No. | Particulars of Remuneration | Name of MD/WTD/ Manager | Total Amount |
|------------|--|--|-----------------|
| 1. | Gross salary FY 2022-23 (a)Salary as per provisions contained in section17(1) of the Income-tax Act, 1961 (b)Value of perquisites u/s 17(2) Income-tax Act, 1961 | Sri V.Krishnappa Managing Director (01.04.2022 to 31.03.2023) | Rs.34,88,639/- |

| | | | |
|-----------|--|---|-----------------|
| | (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961 | | |
| 2. | FY 2022-23 (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (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 | Smt. M.S. Shobha Director (Commercial) (01.04.2022 to 31.03.2023) | Rs. 32,70,010/- |
| 3. | Stock Option | 0 | 0 |
| 4. | Sweat Equity | 0 | 0 |
| 5. | Commission - as % of profit - others, specify... | 0 | 0 |
| 6. | Others, please specify | 0 | 0 |
| 7. | Total(A) | | Rs. 67,58,649/- |
| | Ceiling as per the Act | | |

B. Remuneration to other Directors:

| Sl. No. | Particulars of Remuneration | Name of Directors Sriyuths/Smt. | Sitting fees in Rs. | Total Amount in Rs. |
|----------|--|---|-------------------------------|---------------------|
| 1 | <u>Independent Directors</u> • Fee for attending Board /Committee meetings • Commission • Others, please specify | G. Kumar Naik Nitish K | 6,000/- 4,000/- | |
| | Total(1) | | | 10,000/- |
| 2 | <u>Other Non-Executive Directors</u> • Fee for attending board committee meetings • Commission • Others, please specify | Dr. N Manjula P. Rajendra Cholan Mahantesh Bilagi | 2,000/- 2,000/- 4,000/- | |
| | Total(2) | | | 8,000/- |
| | Total(B)=(1+2) | | | 18,000/- |
| | Total Managerial Remuneration (A+B) | | | 67,76,649/- |
| | Overall Ceiling as per the Act | | | |

C. Remuneration to Key Managerial Personnel Otherthan Managing Director/ Manager / Wholetime Director

NIL

| Sl. no. | Particulars of Remuneration | Key Managerial Personnel | | | |
|---------|---|--------------------------|-------------------|-----|-------|
| | | CEO | Company Secretary | CFO | Total |
| 1. | Gross salary (a)Salary as per provisions contained in section17(1)of the Income-tax Act,1961 (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 | - | - | - | - |
| 6. | Total | - | - | - | - |

VII. PENALTIES/PUNISHMENT/COMPOUNDINGOFFENCES:

| 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) |
|------------------------------|------------------------------|-------------------|--|---------------------------|-----------------------------------|
| A.Company | | | | | |
| Penalty | | NIL | | | |
| Punishment | | | | | |
| Compounding | | | | | |
| B.Directors | | | | | |
| Penalty | | NIL | | | |
| Punishment | | | | | |
| Compounding | | | | | |
| C. Other Officers in default | | | | | |
| Penalty | | NIL | | | |
| Punishment | | | | | |
| Compounding | | | | | |

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (b) OF THE COMPANIES ACT, 2013 ON THE ACCOUNTS OF POWER COMPANY OF KARNATAKA LIMITED, BENGALURU FOR THE YEAR ENDED 31 MARCH 2023.

The preparation of financial statements of **Power Company of Karnataka Limited, Bengaluru** for the year ended **31 March 2023** 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 auditor appointed by the Comptroller and Auditor General of India under section 139(5) of the Act is responsible for expressing opinion on the 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 Revised Audit Report dated **15 November 2023** which supersedes their earlier Audit Report dated **30 September 2023**.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of **Power Company of Karnataka Limited, Bengaluru** for the year ended **31 March 2023** under section 143(6)(a) of the Act. 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 revision made in the Statutory Auditors' Report, to give effect to some of my audit observations raised during supplementary audit, I have no further comments to offer upon or supplement to the statutory auditors' report under section 143(6)(b) of the Act.

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



**(VIMALENDRA ANAND PATWARDHAN)
PRINCIPAL ACCOUNTANT GENERAL (AUDIT II)
KARNATAKA, BENGALURU**

BENGALURU

Date: 4 December 2023

Sharma & Pagaria

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INDEPENDENT AUDITOR'S REPORT

To,
The Members
Power Company of Karnataka Limited

Report on the Audit of Standalone Financial Statements

Qualified Opinions

On completion of our audit of accounts of Power Company of Karnataka Limited for the year ended 31st March 2023, we have rendered our audit report on 30th September 2023. Subsequent to our audit report, in the light of observation arising from the audit by Comptroller and Audit General of India, the said report has been revised under Section 143(5) of the Companies Act. This audit report supersedes our earlier audit report.

We have audited the accompanying standalone financial statements of **Power Company of Karnataka Limited** (hereinafter referred as "the Company") , which comprise the Balance sheet as on **March 31st 2023**, the statement of Profit and Loss (including Other comprehensive Income), the Statement of Changes in Equity and Statement of Cash Flow for the year ended, and notes to financial statements, including summary of significant accounting policies and other explanatory information (hereinafter referred to as "the standalone financial statements")

In our opinion and to the best of our information and according to the explanation given to us, except for the effects for the matter described in the 'Basis of Qualified Opinion' section of our report, the aforesaid standalone financial statements give the information required as per Companies Act, 2013(hereinafter referred as "the Act") in the manner so required and give a true and fair view in conformity with Indian Accounting Standards prescribed under section 133 of the Act read with Companies (Indian Accounting Standards) Rules 2015, as amended, (hereinafter referred as "IND AS") and other accounting principles generally accepted in India, regarding the state of affairs of the Company as on 31st March 2023, the profit and total comprehensive income , changes in equity and its cash flows for the year ended on that date.

Basis for Qualified Opinions

- i) As per the disclosure requirement under IND As – 19 (Employee Benefits), an entity shall disclose information and explain the characteristics of its defined benefit plans including-
 - a) The nature of benefits provided by the plan (for example: Final Salary defined benefit plan or contribution-based plan with guarantee)
 - b) A description of regulatory framework in which the plan operates, for example: the level of any minimum funding requirements, and any effect of regulatory framework on the plan such as asset ceiling.



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- c) A description of any other entity's responsibilities for the governance of the plan, for example: the responsibilities of trustees or board members of the plan.

The above disclosure has not been made by the Company which is contrary to IND AS-19. The Company has not obtained **Actuarial Valuation Report** by a certified actuary with respect to Family benefits fund, Pension and gratuity and compensated absences as required by IND AS-19. The liability has not been quantified and accordingly, the impact of the same on the financial statements is not ascertained.

- ii) **Balance Confirmation** – The Company has not yet received/obtained confirmation and not yet reconciled the balances as on 31-03-2023 with respect to other receivable/payable to / from ESCOMS and other parties. The impact of this, if any, has not been ascertained and hence we are unable to comment on the same. The particulars of the unconfirmed balance as appearing in the Financials are as follows:

a) Other Current Assets - ESCOMS:

| Sl.No. | Particulars | Amount(INR) |
|--------|---|-----------------|
| 1 | Amount receivable from ESCOMs towards legal charges | 2,94,22,821.89 |
| 2 | Receivable through PP through HPXL - ESCOMs | -2,22,25,581.08 |
| 3 | Receivable from ESCOMs REC Trade IEX | 73,54,73,980.00 |
| 4 | Receivable from ESCOMs REC Trade PXIL | 9,26,14,423.00 |
| 5 | Receivable through REC - HPXL - ESCOMs | -8,11,932.00 |
| 6 | Receivable from BESCOM towards charging fixed percentage on energy transacted by PCKL | -77,54,519.74 |
| 7 | Receivable from MESCOM towards charging fixed percentage on energy transacted by PCKL | -1,06,35,246.22 |
| 8 | Receivable from CESC towards charging fixed percentage on energy transacted by PCKL | 17,14,970.08 |
| 9 | Receivable from HESCOM towards charging fixed percentage on energy transacted by PCKL | 1,79,20,899.64 |
| 10 | Receivable from GESCOM towards charging fixed percentage on energy transacted by PCKL | 35,76,642.22 |

b) Other Current Liabilities – ESCOMS

| Sl.No. | Particulars | Amount(INR) |
|--------|---|-----------------|
| 1 | Payable to ESCOMs towards SCED scheme | 13,17,08,438.00 |
| 2 | Payable to ESCOMS towards POWER Purchase (IEX), Reactive energy Charges and payable to POSOCO towards SRLDC charges and other | 70,79,65,111.62 |



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| | | |
|----|--|----------------|
| | payables | |
| 3 | Payable to ESCOMs- RRAS dues and from sale of power to HPSEBL | 2,70,48,034.00 |
| 4 | Payable to ESCOMs for sale of power through PXIL | 41,91,166.00 |
| 5 | Others - Seed money received from ESCOMs | -94,53,209.41 |
| 6 | Payable to ESCOMs towards the interest on sale of power - IEX | 6,00,108.00 |
| 7 | TDS deducted by POSOCO, payable to ESCOMs after receiving refund | 2,10,563.00 |
| 8 | Payable to ESCOMs - REC HPXL trading activities | 8,21,547.00 |
| 9 | Payable to ESCOMs REC IEX Trading activities | 2,62,51,429.00 |
| 10 | Payable to ESCOMs REC PXIL Trading activities | 59,76,885.00 |
| 11 | Amount payable to ESCOMs towards Banking of Power | 1,98,000.00 |

c) Other Accounts:

| Sl.No. | Particulars | Amount(INR) |
|--------|--|-----------------|
| 1 | Amount receivable from HPSEBL | 1,23,924.00 |
| 2 | Amount receivable from IEX towards sale of power and Interest as on 31.03.2023 | 2,81,80,744.63 |
| 3 | Reactive energy charges-Telangana | 97,949.00 |
| 4 | Reactive Energy charges - APTRANSCO | 1,76,97,157.00 |
| 5 | Reactive energy charges-KSEB | 30,35,682.00 |
| 6 | POSOCO-SRLDC charges receivable from VJNL & Others | 58,79,12,492.64 |
| 7 | Amount receivable from TRANSANSCO | 4,69,890.00 |
| 8 | Receivable from other states towards Banking of Power on behalf of ESCOMs | 1,98,000.00 |

- iii) The amount in the financials are not rounded off to the nearest Hundreds, Thousands, Lakhs or Millions and decimals there of as required by the revised Schedule III of the Companies Act, 2013 (as applicable to entities with Total Income less than INR 100 Crores):



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- iv) **Internal Audit:** Non-compliance with the requirements of section 138 of the Companies Act 2013 with respect to Internal Audit. Section 138 of the Companies Act requires the appointment of an internal auditor with a pre-decided scope of work decided by the Audit Committee and the presentation of the Internal Audit Report by the Internal Auditor to the Audit Committee every year. The scope of the audit and the internal audit report were not available for our verification
- v) Other current liabilities include Earnest Money Deposits amounting to INR. 1,12,95,158/-, and the documents in this regard were not provided during the course of the audit. Hence, we were not able to verify the documents of these EMD's
- vi) **Legal Charges:** "Legal charges incurred on behalf of ESCOMs" is included in Trade Payables being receivable from ESCOMS, the ageing for the same is not disclosed as required by revised Schedule III of the Companies Act, 2013.
- vii) **Bank Transactions:** Bank transactions are not recorded in books for each transaction separately (for PXIL, IEX, HPX, RRAS bank accounts) and are entered once in a month from the summary of receipts and payments prepared from the pass sheet provided by the Bankers, hence we are unable to ascertain the amount received / paid to IEX/ PXIL/ HPX/ RRAS for the sale or purchase of power and the amount paid to ESCOMs at individual transactional level. Hence, in our opinion proper control and day to day book keeping of transaction is missing.
- viii) **Capitalization of Maintenance Cost:** Out of 1601.325 acres of land acquired as per GOK order dated 16th June 2010, 551.13 acres have been classified as Investment property in financial statements (Note-4) and remaining 1050 acres of land has been classified as asset held for sale in financial statements (Note-10) as per GOK order dated 3rd August 2022. The proportionate cost of maintenance over the period of holding the land is capitalized to the extent of INR 74,23,507/- in asset held for sale and INR 38,97,872 in investments. Maintenance cost cannot be capitalized under IND AS 40.

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules made there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis of our opinion.



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Information other than the Standalone Financial Statements and Auditor's Report thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Director's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements:

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone IND AS Financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (IND AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules 2015 as amended.

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 implementation and maintenance 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 standalone IND AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting



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unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Standalone Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Standalone IND AS Financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Standalone Financial Statements, including the disclosures, and whether the Standalone Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.



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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements:

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure-A, a statement on the matters specified in 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) 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 and proper returns adequate for the purposes of our audit except for the matters described in the "Basis for Qualified Opinion" paragraph above.
 - c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive income, the Statement of Cash Flows and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the aforesaid Standalone IND AS Financial Statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules 2021 amended, except for the matters described in the "Basis for Qualified Opinion" paragraph above.
 - e) This being a Government company, provisions of section 164 (2) of the Companies Act 2013 is not applicable as per MCA Notification G.S.R. 463(E) dated 05-06-2015.
 - f) With respect to the adequacy of the Internal Financial Controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B"



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- g) In our opinion and according to the information and explanations given to us, the company is a Government company and accordingly the provision of section 197 read with Schedule V to the Act is not applicable to the company.
- h) 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, 2021 amended, in our opinion and to the best of our information and according to the explanations given to us:
- i) The Company has disclosed the impact of pending litigations as at 31 March 2023 on its financial position in its standalone financial statements - Refer to Note 25 to the standalone financial statements.
- ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
- iii) there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
- iv) a) The management has represented that, to the best of its knowledge and belief, other than as disclosed in the notes to the accounts, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
- b) The management has represented, that, to the best of its knowledge and belief, other than as disclosed in the notes to the accounts, no funds have been received by the company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and



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- c) Based on such audit procedures as considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (h)(iv)(a) and (h)(iv)(b) contain any material misstatement.
- v) The Company has not declared any dividend during the year and does not attract provisions of section 123 of the Companies Act, 2013.
- vi) Proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 for maintaining books of account using accounting software which has a feature of recording audit trail (edit log) facility is applicable to the Company with effect from April 1, 2023, and accordingly, reporting under Rule 11(g) of Companies (Audit and Auditors) Rules, 2014 is not applicable for the financial year ended March 31, 2023
3. As per the directions issued by the Comptroller and Auditor General of India under Section 143(5) of the Act, we report that:
- a. The company has an IT system to process all the transactions in Tally Prime ERP. Following transactions are maintained outside the Tally ERP and grouped together before entering into Tally Prime ERP
- Cash Imprest Expense: Entries are maintained in the cashbook. Net Entries for monthly Expenses and Imprest reimbursement are shown as an expense paid through the bank, instead of showing Cash Payment against expenses.
 - Bank entries in SBI: IEX and PXIL: Bank entries are grouped at the end of the year before entering into Tally ERP.

Implication on Integrity: There is no approval system post entering into Tally. The edit logs of each and every transaction cannot be traced provided the flexibility of the Tally Accounting Software to edit transactions anytime without an audit trail. However, we have not observed any cases of integrity issues having financial implications during our audit.

- b. The company has availed financial assistance of Rs. 3,766.8 Crores by way of long-term borrowings from public sector banks during the FY 2017-18 and FY 2018-19 by securitizing of charge-free receivables of ESCOMS against the guarantee provided by the Government of Karnataka through its order dated 31.03.2017. However, there were no cases of restructuring of existing loans or cases of the waiver/write-off of debts/loans/interest etc. made by the lender to the company due to the company's inability to repay the loan.



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- c. The government of Karnataka released grants to enable the discharge of liability of the term loans availed by securitization. There were no deviations observed in the accounting and utilization of the funds received from the Government of Karnataka in this regard during the year.
- d. As per the Additional Company specific Directions issued by the Comptroller and Auditor General of India under section 143(5) of the Act, we give in the "Annexure C", a checklist of items with regard to Cash and Bank balances and report on the cases of specific non-compliances, to the extent applicable to the company. There were no unexplained balances/balances operated under the suspense head other than those reported in the Annexure.



For Sharma and Pagaria
Chartered Accountants
FRN 008217S

Pawan Pagaria
Partner
Membership No. 201781
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33rd cross, Jayanagar 4th block
Bangalore- 560011
UDIN: 23201781BGUZR89125

Date: 15/11/2023
Place: Bangalore



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ANNEXURE - A to the Independent Auditors' Report

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Power Company of Karnataka Limited of even date)

i) In Respect of Companies Property Plant and Equipment:

- a) According to the information and explanation given to us, the Company has maintained proper records showing full particulars, including quantitative details and situation of its Property, Plant and Equipment. The company doesn't have any Intangible Assets.
- b) According to the information and explanation given to us, the company generally follows a regular program of physical verification of its Property, Plant and Equipment by which all the Property, Plant and Equipment were verified at reasonable intervals. In our opinion, this periodicity of physical verification is adequate having regard to the size of the Company and the nature of its assets.
- c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, immovable properties and the title deeds of these immovable properties are in the name of the company.
- d) According to the information and explanations given to us the company has not revalued its Property, Plant and Equipment. Consequently, comment on clause (i)(d) of the order is not applicable.
- e) According to the information and explanations given to us, no proceedings have been initiated or are pending against the company for holding any Benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and the rules made thereunder. Consequently, comment on clause (i)(e) of the order is not applicable.

ii) In Respect of Inventories: The Company doesn't have any Inventory in the current year as well as in the previous year. Hence reporting under the clause does not apply to the company. Consequently, comment on clause 3(ii)(a) and (ii)(b) of the Order is not applicable (Regarding Discrepancies in Inventory and OCC on Inventory)

iii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, during the year the Company has neither made investments in, nor granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, paragraph 3(iii)(a), 3(iii)(b), 3(iii)(c), 3(iii)(d), 3(iii)(e) and 3(iii)(f) of the Order is not applicable.

iv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not given any loans, investments, guarantees, and security covered by provisions of Section 185 and 186 of the Act. Consequently, comment on clause (iv) of the Order is not applicable.



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- v) According to the information and explanations given to us and on the basis of our examination of the books of the Company, the Company has not accepted any deposits from the public within the meaning of directives issued by Reserve bank of India, provisions of 73 to 76 of the Companies Act, 2013, any other relevant provisions of the Act and Rules framed there under. Consequently, comment on clause (v) of the order is not applicable
- vi) The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the services rendered by the Company. Consequently comment on clause (vi) of the order is not applicable.
- vii) **In response to Statutory Dues:** According to the information given to us and on the basis of the examination of the records of the Company-
- a) The Company has generally been regular in depositing material undisputed statutory dues including provident fund, employee state insurance, income-tax, goods and service tax, cess and other statutory dues, during the year with the appropriate authorities, except for the following:

| Nature of the Statute | Nature of Dues | Amount (INR in Lakhs) | Period of which Amount Relates (Financial Year) |
|-----------------------|----------------|--------------------------|---|
| Income Tax Act, 1961 | Income Tax | 20.58 * | 2010-11 |
| Income Tax Act, 1961 | Income Tax | 00.03 | 2021-22 |

*In the intimation u/s 143(1) received for AY 2010-11, the brought forward loss of Rs. 9,26,347/- adjusted against the income of that year in the return of income filed by the company, has not been considered while processing the return under that section. This resulted in a demand of Rs. 3,92,486/-.

Further the company paid taxes of Rs. 6,01,791 under the TAN number instead of the PAN which resulted in no credit for this amount. The cumulative demand of both the issues is Rs. 20,58,071 (Tax Rs. 9,94,277 plus interest Rs. 10,63,794).

The Company has made requests to the Assessing Officer to rectify the above mistakes on record.

- b) There are no statutory dues including provident fund, employee state insurance, income tax, goods and service tax, or cess which have not been deposited with the appropriate authorities on account of any dispute.



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viii) According to the information and explanations given to us, There were no transactions relating to previously unrecorded income that have been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (43 of 1961).

ix) **In Respect of Loans and Borrowings:**

- a) According to the information and explanation given to us, the Company has not defaulted in repayment of any loans or borrowing from any financial institution, bank, Government or debenture holders or interest there of during the year
- b) According to the information and explanations given to us, the company has not been declared a willful defaulter by any bank or financial institution or other lenders.
- c) According to the information and explanations given to us, the company has not obtained any new term loan during the year.
- d) According to the information and explanations given to us, the company has not raised any funds on a short-term basis.
- e) According to the information and explanations given to us, the company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries, associates or joint ventures.
- f) According to the information and explanations given to us, during the year the company has not raised loans on the pledge of securities held in its subsidiaries, joint ventures or associate companies.

- x)
- a) According to the information and explanations given to us and based on our examination of the records of the Company, Company has not raised any money by way of an initial public offer or further public offer (including debt instruments) and term loans during the year. Consequently comment on para 3(x)(a) of the Order is not applicable.
 - b) According to the information and explanation given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or convertible debentures (fully, partially or optionally convertible) during the year and hence reporting under para 3(x)(b) of the Order is not applicable.

- xi)
- a) According to the information and explanation given to us and based on our examination of the records of the Company, no material fraud by the Company or on the company by its officers or employees has been noticed or reported during the course of our audit.
 - b) According to the information and explanations given to us and based on our examination of the records of the Company, no report under sub-section (12) of section 143 of the Companies Act has been filed by the auditors in Form ADT-4 as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government



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- c) According to the information and explanations given to us, the company has not received any whistle-blower complaints during the year hence reporting under para 3(xi)(c) of the Order is not applicable.
- xii) According to the information and explanations given to us and based on our examination of the records of the Company, the Company is not a Nidhi company. Consequently, comment on clause (xii) of the Order is not applicable.
- xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties comply with sections 177 and 188 of the Act, where applicable, and details of such transactions have been disclosed in the Standalone Financial Statements (Note no. 27) as required by the applicable Indian accounting standards.
- xiv) **Internal Audit under Section 138 of the Act:**
- a) In our opinion and based on our examination, though the company is required to have an Internal audit system under section 138 of the Act, it does not have the same established for the year
- b) The company did not have any Internal Audit system for the period under audit.
- xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him and hence reporting on para 3(xv) of the Order is not applicable.
- xvi) a) In our opinion, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Hence, reporting under clause 3(xvi)(a), (b) and (c) of the Order is not applicable.
- b) In our opinion, there is no core investment company within the Group (as defined in the Core Investment Companies (Reserve Bank) Directions, 2016) and accordingly reporting under clause 3(xvi)(d) of the Order is not applicable.
- xvii) The Company has not incurred cash losses during the financial year covered by our audit and not required the immediately preceding financial year and hence reporting under para 3(xvii) of the Order is not applicable.
- xviii) There has been no resignation of statutory auditors during the year. However as per section 139(5) of Companies Act, 2013 we are appointed as Statutory auditors for the F.Y. 2022-23 by Comptroller and Auditor General of India.
- xix) On the basis of the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements, and our knowledge of the Board of Directors and management plans, we are of the opinion that no material uncertainty exists as on the date of the audit report that company is capable of meeting its liabilities existing at the date of the balance sheet as and when they fall due within a period of one year from the balance sheet date.



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- xx) According to the information and explanations given to us and based on our examination of the records of the Company, the Company does not attract the provision u/s 135 in relation to the applicability of CSR. Consequently, comment on clause (xx)(a) & (xx)(b) of the Order is not applicable.
- xxi) According to the information and explanations given to us, the Company is not required to prepare consolidated financial statements. Consequently, comment on clause {xi} of the Order is not applicable.



For Sharma and Pagaria
Chartered Accountants
FRN 008217S

Pawan Pagaria
Partner
Membership No. 201781
No.52, Bhagawathi Towers, 3rd
floor
33rd cross, Jayanagar 4th block
Bangalore- 560011
UDIN: 23201781BGUZR89125

Date: 15/11/2023
Place: Bangalore



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ANNEXURE B – To The Independent Auditors Report Of Even Date On the Standalone Financial Statements Of Power Company Of Karnataka Limited

(Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Power Company of Karnataka Limited of even date)

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

We have audited the internal financial controls over financial reporting of Power Company of Karnataka Limited ("the Company") as of **March 31, 2023**, in conjunction with our audit of Standalone IND AS 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 then 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 ('ICAI'). 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 the 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 for Internal Financial Controls

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 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 were 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



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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 standalone 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 qualified audit opinion on the Company's internal financial controls system over financial reporting with reference to these standalone financial statements.

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 authorizations of management and directors of the Company.
- 3) Provide reasonable assurance regarding prevention or timely detection of unauthorized 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.

Disclaimer of Opinion:

According to the information and explanation given to us, the Company is in the process of establishing and documenting its internal financial control over financial reporting on criteria based on or considering the essential components of internal control as stated in the



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Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

Because of this reason, we are unable to obtain sufficient appropriate audit evidence to provide a basis for our opinion on whether the Company had adequate internal financial controls over financial reporting and whether such internal financial controls were operating effectively as on March 31, 2023.

We have considered the disclaimer reported above in determining the nature, timing, and extent of audit tests applied in our audit of the financial statements of the Company, and the disclaimer does not affect our opinion on the financial statements of the Company.



For Sharma and Pagaria
Chartered Accountants
FRN 008217S

Pawan Pagaria
Partner
Membership No. 201781
No.52, Bhagawathi Towers, 3rd
floor
33rd cross, Jayanagar 4th block
Bangalore- 560011
UDIN: 23201781BGUZR89125

Date: 15/11/2023
Place: Bangalore



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ANNEXURE C to Independent Auditors' Report

(Referred to in paragraph 3 (d) of our report, as per the Additional Company Specific directions issued by the Comptroller and Auditor General of India under Section 143(5) of the Act, a checklist of items with regard to Cash and Bank Balances and report on the cases of specific non compliances:

| S.N. | Item in check list | Remarks |
|------|---|---|
| 1 | Whether all Banks Accounts/Fixed Deposit have been opened with banks/proper authorization and approval as per the aforesaid delegation of powers? | Yes, as per the specified guidelines. |
| 2 | Whether there was a periodical system of preparation of bank reconciliation statement and whether they were produced for verification to audit/ | Yes, except for RRAS, IEX, HPX and PXIL Bank Accounts with SBI Bank. Since the entries are aggregated and passed at the end of the Financial year, monthly BRS is not possible. |
| 3 | Whether Bank reconciliation of the main account and all subsidiary bank accounts were done? | Yes, except for RRAS, IEX, HPX and PXIL Bank Accounts with SBI Bank. Since the entries are aggregated and passed at the end of the Financial year, monthly BRS is not possible. |
| 4 | Was the authorization to operate the bank account were given to a single signatory? | No, requires Joint signatories as per guidelines. |
| 5 | Whether the interest for the entire duration of Fixed Deposits was accounted in the books of accounts? | Yes. Interest earned and accrued during the financial year were accounted in the books of accounts. |
| 6 | Whether physical verification of cash has taken place periodically? | There are 3 Imprest cash balances maintained in the Head office of PCKL and one Imprest maintained with DC, Gulbarga. The company conducts physical verification on regular intervals. |



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| | | |
|----|---|--|
| 7 | Whether the cash in hand as shown in the Balance Sheet tallies with the certificate of physical verification of cash? | Yes, except for Imprest Cash of IN 20,000 maintained with DC, Gulbarga which could not be confirmed. |
| 8 | Is there a register of Fixed Deposit showing amount, maturity dates, rates of interest and dates for payment of interest? | Yes. Except for Sweep FDs. |
| 9 | Is there a follow-up system to ensure that interest of Fixed Deposit is received on due dates? | Yes |
| 10 | Is there a follow-up system to ensure that transfer of matured amount of Fixed Deposit is done without any delay? | Yes |
| 11 | Whether bank confirmation statement are obtained periodically from the banks for all accounts. SB accounts, Current accounts and Fixed deposit? | Yes |
| 12 | Whether confirmation of balances in respect of all banks balance tally with the bank statement? | Yes. After considering the Bank Reconciliation statements prepared by the Company. |
| 13 | Whether Fixed Deposit and interest as per Fixed Deposit Register tally with the confirmation/certificate issued by the bank? | Yes. After considering the Reconciliation statements prepared by the Company. |
| 14 | Whether the confirmation statement received from banks are authenticated and in the letter head by the bank? | Yes |
| 15 | In case of any difference observed in the above check, whether the same was adjusted in the subsequent year? | Not applicable |



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| | | |
|----|--|-------------------------|
| 16 | Details of external confirmation obtained from banks in the test checked cases, if so details thereof with. | No. |
| 17 | Whether any of the aforesaid lapses were brought out in the Report of the Internal Financial control by the Statutory Auditor, if not, whether Audit Enquiry was issued? | As per the audit report |



For Sharma and Pagaria
Chartered Accountants
FRN 008217S

Pawan Pagaria
Partner
Membership No: 201781
No.52, Bhagawathi Towers, 3rd
floor
33rd cross, Jayanagar 4th block
Bangalore- 560011
UDIN: 23201781BGUZR89125

Date: 15/11/2023
Place: Bangalore



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Replies to Basis for Qualified Opinion of Statutory Auditors FY 2022-23 :

| Sl No. | Auditor's Query | Management reply |
|--------|--|---|
| i | <p>i) As per the disclosure requirement under IND As – 19 (Employee Benefits), an entity that shall disclose information and explain the characteristics of its defined benefit plans including-</p> <p>a) The nature of benefits provided by the plan (for example: Final Salary defined benefit plan or contribution-based plan with guarantee)</p> <p>b) A description of regulatory framework in which the plan operates, for example: the level of any minimum funding requirements, and any effect of regulatory framework on the plan such as asset ceiling.</p> <p>c) A description of any other entity's responsibilities for the governance of the plan, for example: the responsibilities of trustees or board members of the plan.</p> <p>The above disclosure has not been made by the Company which is contrary to IND AS-19. The Company has not obtained Actuarial Valuation Report by a certified actuary with respect to Family benefits fund, Pension and gratuity and compensated absences as required by IND AS-19. The liability has not been quantified and accordingly, the impact of the same on the financial statements is not ascertained.</p> | <p>PCKL has considered the Defined Benefit Obligation in respect of Leave encashment and Family Benefit Fund based on the actual payments made during the year not on the basis of actuarial valuation as per AS19, since all the employees of PCKL are on deputation from KPTCL and transfer has been taking place among the ESCOMs and KPTCL. The same was approved by PCKL in its 66th Board Meeting held on 07.09.2021. The ascertaining the actuarial liability as per IND AS 19 is not practicable to the company causing huge variation between actual Pay-outs and the provisions.</p> <p>Committee suggested to find out solution on the accounting of Actuarial Valuation in respect of encashment of earned leave and family benefits.</p> |

| SI No. | | Auditor's Query | | Management reply | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--------|---|--|--|---|----|-------------|-------------|---|---|----------------|---|---|-----------------|---|--------------------------------------|-----------------|---|---------------------------------------|----------------|---|--|--------------|---|---|---------------|---|---|-----------------|---|---|--------------|---|---|----------------|----|---|--------------|
| ii | | <p>ii) Balance confirmation - The Company has not yet received/obtained confirmation and reconciled the balances as on 31-03-2023 with respect to other receivable/payable to from ESCOMS and other parties. The impact of this, if any, has not been ascertained and hence we are unable to comment the same. The particulars of the unconfirmed balance as appearing in the Financials are as follows:</p> <p>a) Other Current Assets - ESCOMS:</p> | | ESCOMs were requested on 08.09.2023 to confirm the balances held in IEX, PXIL, SCED & legal charges. The reconciliation of accounts will be taken up with ESCOMS for confirmation of balance immediately. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | <table><tr><th>Sl</th><th>Particulars</th><th>Amount(INR)</th></tr><tr><td>1</td><td>Amount receivable from ESCOMS towards legal charges</td><td>2,94,22,821.89</td></tr><tr><td>2</td><td>Receivable through PP through HPXL - ESCOMS</td><td>-2,22,25,581.08</td></tr><tr><td>3</td><td>Receivable from ESCOMS REC Trade IEX</td><td>73,54,73,980.00</td></tr><tr><td>4</td><td>Receivable from ESCOMS REC Trade PXIL</td><td>9,26,14,423.00</td></tr><tr><td>5</td><td>Receivable through REC - HPXL - ESCOMS</td><td>-8,11,932.00</td></tr><tr><td>6</td><td>Receivable from BESCOM towards charging fixed percentage on energy transacted by PCKL</td><td>-77,54,519.74</td></tr><tr><td>7</td><td>Receivable from MESCOM towards charging fixed percentage on energy transacted by PCKL</td><td>-1,06,35,246.22</td></tr><tr><td>8</td><td>Receivable from CESC towards charging fixed percentage on energy transacted by PCKL</td><td>17,14,970.08</td></tr><tr><td>9</td><td>Receivable from HESCOM towards charging fixed percentage on energy transacted by PCKL</td><td>1,79,20,899.64</td></tr><tr><td>10</td><td>Receivable from GESCOM towards charging fixed percentage on energy transacted by PCKL</td><td>35,76,642.22</td></tr></table> | | | Sl | Particulars | Amount(INR) | 1 | Amount receivable from ESCOMS towards legal charges | 2,94,22,821.89 | 2 | Receivable through PP through HPXL - ESCOMS | -2,22,25,581.08 | 3 | Receivable from ESCOMS REC Trade IEX | 73,54,73,980.00 | 4 | Receivable from ESCOMS REC Trade PXIL | 9,26,14,423.00 | 5 | Receivable through REC - HPXL - ESCOMS | -8,11,932.00 | 6 | Receivable from BESCOM towards charging fixed percentage on energy transacted by PCKL | -77,54,519.74 | 7 | Receivable from MESCOM towards charging fixed percentage on energy transacted by PCKL | -1,06,35,246.22 | 8 | Receivable from CESC towards charging fixed percentage on energy transacted by PCKL | 17,14,970.08 | 9 | Receivable from HESCOM towards charging fixed percentage on energy transacted by PCKL | 1,79,20,899.64 | 10 | Receivable from GESCOM towards charging fixed percentage on energy transacted by PCKL | 35,76,642.22 |
| Sl | Particulars | Amount(INR) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1 | Amount receivable from ESCOMS towards legal charges | 2,94,22,821.89 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2 | Receivable through PP through HPXL - ESCOMS | -2,22,25,581.08 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3 | Receivable from ESCOMS REC Trade IEX | 73,54,73,980.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4 | Receivable from ESCOMS REC Trade PXIL | 9,26,14,423.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5 | Receivable through REC - HPXL - ESCOMS | -8,11,932.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6 | Receivable from BESCOM towards charging fixed percentage on energy transacted by PCKL | -77,54,519.74 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7 | Receivable from MESCOM towards charging fixed percentage on energy transacted by PCKL | -1,06,35,246.22 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 8 | Receivable from CESC towards charging fixed percentage on energy transacted by PCKL | 17,14,970.08 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 9 | Receivable from HESCOM towards charging fixed percentage on energy transacted by PCKL | 1,79,20,899.64 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10 | Receivable from GESCOM towards charging fixed percentage on energy transacted by PCKL | 35,76,642.22 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Sl No. | Auditor's Query | Management reply |
|--------|--|------------------|
| | Other Current Liabilities | |
| Sl.No. | Particulars | Amount(INR) |
| 1 | Payable to ESCOMs towards SCED scheme | 13,17,08,438.00 |
| 2 | Payable to ESCOMS towards POWER Purchase (IEX), Reactive energy Charges and payable to POSOCO towards SRLDC charges and other payables | 70,79,65,111.62 |
| 3 | Payable to ESCOMs- RRAS dues and from sale of power to HPSEBL | 2,70,48,034.00 |
| 4 | Payable to ESCOMs for sale of power through PXIL | 41,91,166.00 |
| 5 | Others - Seed money received from ESCOMS | -94,53,209.41 |
| 6 | Payable to ESCOMs towards the interest on sale of power - IEX | 6,00,108.00 |
| 7 | TDS deducted by POSOCO, payable to ESCOMs after receiving refund | 2,10,563.00 |
| 8 | Payable to ESCOMs - REC HPXL trading activities | 8,21,547.00 |
| 9 | Payable to ESCOMs REC IEX Trading activities | 2,62,51,429.00 |
| 10 | Payable to ESCOMs REC PXIL Trading activities | 59,76,885.00 |
| 11 | Amount payable to ESCOMs towards Banking of Power | 1,98,000.00 |

| Sl No. | Auditor's Query | | | Management reply | | | | | | |
|--------|---|--|---------------------------|--|------|-------------|--------|------|----------------------------|-----------|
| | Balance confirmations- others | | | PCKL vide letter dated 14.06.2023 has requested Telangana, Andhra Pradesh, Tamil Nadu & Kerala for confirmation of balances held in Reactive energy charges account. Letter will be addressed once again for confirmation of balance. | | | | | | |
| | Sl.no | Particulars | Amount: Debit/(Credit) | | | | | | | |
| | 1 | Amount Receivable from HPSEBL | 1,23,924.0 | | | | | | | |
| | 2 | Amount receivable from IEX towards sale of power and interest as on 31.03.2022 | 2,81,80,744.6 | | | | | | | |
| | 3 | Reactive Energy charges from Telangana | 97,949.0 | | | | | | | |
| | 4 | Reactive energy charges-APTRANSCO | 1,76,97,157.0 | | | | | | | |
| | 5. | Reactive energy charges - KSEB | 30,35,682.0 | | | | | | | |
| | 6. | Amount receivable from VJNL | 58,79,12,492.6 | | | | | | | |
| | 7. | Amount receivable from TANTRANSCO | 4,69,89.0 | | | | | | | |
| | 8. | Receivable from other State towards Banking of power on behalf of ESCOMs | 1,98,000.0 | | | | | | | |
| iii | The amount in the financials are not rounded off to the nearest Hundreds, Thousands, Lakhs or Millions or decimals there of as required by the revised Schedule III of the Companies Act, 2013 (as applicable to entities with Total Income less than INR 100 Crores) | | | The rounding off nearest hundreds / thousands / lakhs / millions or decimals will be implemented for the FY 2023-24 as for the year 2021-22 the income of PCKL was less than the Rs. 1 Crores, hence comparison of the FY 2021-22 & 2022-23 is very difficult. | | | | | | |
| iv | Internal Audit: Non-compliance with the requirements of section 138 of the Companies Act 2013 with respect to Internal Audit. Section 138 of the Companies Act requires the appointment of an internal auditor with a pre-decided scope of work decided by the Audit Committee and the presentation of the Internal Audit Report by the Internal Auditor to the Audit Committee every year. The scope of the audit and the internal audit report were not available for our verification | | | The Company is having the Internal Audit under the control of Managing Director. Hence, proposal of appointment of internal auditor under section 138 of the Companies Act 2013 may not be requires. | | | | | | |
| V | Other current liabilities include Earnest Money Deposits amounting to INR. 1,12,95,158/- .The same could include amounts that would need to be classified as income to the extent of | | | <table><tr><th>Year</th><th>Particulars</th><th>Amount</th></tr><tr><td>2007</td><td>Feed back Ventures Pvt Ltd</td><td>100000.00</td></tr></table> | Year | Particulars | Amount | 2007 | Feed back Ventures Pvt Ltd | 100000.00 |
| Year | Particulars | Amount | | | | | | | | |
| 2007 | Feed back Ventures Pvt Ltd | 100000.00 | | | | | | | | |

| S1 No. | Auditor's Query | Management reply | | | |
|-----------|--|--|---|--------------------|--|
| | forfeiture. The details were not provided for audit. | 2008 | Feed back Ventures Pvt Ltd | 17355.00 | |
| | | 2007 | Feed back Ventures Pvt Ltd | 26032.00 | |
| | | 2007 | Feed back Ventures Pvt Ltd | 17355.00 | |
| | | 2007 | Feed back Ventures Pvt Ltd | 80100.00 | |
| | | 2008 | Vision Lab Institute Hyd | 61200.00 | |
| | | 2000 | Somat Infrastructure India Pvt Ltd | 57908.00 | |
| | | 2010 | CED's Exemember K/ADB | -10000.00 | |
| | | 2011 | Vision Lab Institute Hyd | 89300.00 | |
| | | 2011 | Hassan Thermal Power plant | 10000000.00 | |
| | | 2012 | Somat Infrastructure India Pvt Ltd | 220372.00 | |
| | | 2013 | VL Travels | 5000.00 | |
| | | 2013 | Vision Lab Institute Hyd | 1851.00 | |
| | | 2013 | VL Travels | 5000.00 | |
| | | 2013 | Ravikiran Power projects Pvt Ltd | 159000.00 | |
| | | 2014 | Zegago Technology, B'lore | 4000.00 | |
| | | 2015 | BhalKeshwar | 375033.00 | |
| | | 2015 | Venkateshwara Travels | 5000.00 | |
| | | 2017 | Risha Tours & Travels | 5000.00 | |
| | | 2015 | Adhani Enterprises Ltd | 50000.00 | |
| | | 2016 | Adhani Enterprises Ltd | 1.00 | |
| | | 2018 | Risha Tours & Travels | 5000.00 | |
| | | 2021 | C-Step (Karnataka Power Sector Road Map 2030) | 11222.00 | |
| | | 2022 | GangadharGowda Civil Contractors | 9429.00 | |
| | | | TOTAL | 11295158.00 | |
| vi | Legal Charges: "Legal charges incurred on behalf of ESCOMSs" under Trade Payables being receivable from ESCOMS and ageing for the same is not disclosed as required by revised Schedule III of the Companies Act, 2013. | The payment made by PCKL on behalf of ESCOMS towards legal charges are paid by ESCOMS or adjusted against the amount laying in exchanges. Hence, ageing of the same is not required. | | | |

| Sl No. | Auditor's Query | Management reply |
|--------|--|---|
| vii | <p>Bank Transactions: Bank transaction-wise accounting entry is not maintained in the books (for PXIL, IEX , HPX, RRAS bank accounts) and once in a month or so these entries are passed in a cluster hence we are unable to ascertain the amount received / paid to IEX/ PXIL/ HPX/ RRAS for the sale or purchase of power and the amount paid to ESCOMs. Hence, we are not able to comment on the same.</p> | Accounting of PXIL, IEX, HPX, RRAS Bank accounts will be made on monthly basis for the FY 2023-24 |
| viii | <p>Capitalization of Maintenance Cost : Out of 1601.325 acres of land acquired as per GoK order dated 16th June 2010, 551.325 acres have been classified as Investment property in financial statements (Note-4) and remaining 1050 acres of land has been classified as asset held for sale in financial statements (Note-10) as per GoK order dated 3rd August 2022.</p> <p>The proportionate cost of maintenance over the period of holding the land is capitalized to the extent of INR 74,23,507/- in asset held for sale and INR 38,97,872/- in investments.</p> <p>Maintenance cost cannot be capitalized under IND AS 40.</p> | PCKL has not accounted any expenditure against the Gulbarga project for the FY 2022-23 onwards. PCKL has followed the method of accounting of expenditure as per IND AS 40. |

For and on behalf of Board of Directors

Sd/-

(V. Krishnappa)
Managing Director, PCKL.

POWER COMPANY OF KARNATAKA LIMITED
BALANCE SHEET AS AT MARCH 31, 2023

| | | Amount in Rs. | |
|--|-----------------|----------------------------|----------------------------|
| ASSETS | Note no. | As at 31 March 2023 | As at 31 March 2022 |
| Non-current assets | | | |
| Property, plant and equipment | 3 | 52,03,918 | 42,22,726 |
| Investment property | 4 | 54,76,70,674 | 54,74,46,246 |
| Financial assets | | | |
| - Long-term loans and advances | 5 | 18,26,16,36,401 | 22,97,34,20,529 |
| Deferred tax assets (Net) | 6 | 55,700 | 64,774 |
| Other non-current assets | 4B | - | 6,51,850 |
| Current assets | | | |
| Financial assets: | | | |
| - Cash and cash equivalents | 7 | 29,33,98,112.19 | 1,77,74,87,487 |
| - Short term loans and advances | 8 | 4,77,13,82,304 | 4,73,10,89,194 |
| Other current assets | 9 | 1,48,04,16,179 | 6,10,52,956 |
| Non-current assets classified as held for sale | 10 | 1,04,30,40,325 | 1,04,26,12,903 |
| TOTAL | | 26,40,28,03,614 | 31,13,80,48,665 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Equity Share capital | 11 | 5,00,000 | 5,00,000 |
| Other equity | | | |
| - Reserves & Surplus | 12 | 4,13,05,296 | 2,55,40,392 |
| Share application money pending allotment | | - | - |
| Total Equity | | 4,18,05,296 | 2,60,40,392 |
| Non-current liabilities | | | |
| Financial liabilities | | | |
| - Long term borrowings | 13 | 18,22,42,39,051 | 22,93,96,43,079 |
| Long term provisions | 17 | - | - |
| Other non-current liabilities | 14 | 1,57,93,89,619 | 1,57,93,89,619 |
| Current liabilities | | | |
| Financial liabilities | | | |
| - Short term borrowings | 15 | 4,70,85,04,168 | 4,70,85,04,168 |
| Other current liabilities | 16 | 95,43,95,536 | 1,87,38,25,629 |
| Trade and other payables | 16A | 88,83,90,253 | 1,06,45,777 |
| Short-term provisions | 17 | 60,79,690 | - |
| Liabilities associated with group(s) of assets held for disposal | | - | - |
| TOTAL | | 26,40,28,03,614 | 31,13,80,48,665 |
| The accompanying notes form an integral part of the standalone financial statements | | 1 to 28 | |

As per our report of even date attached
For **Sharma & Pagaria**
Chartered Accountants,
FRN: 008217S
Sd/-
Pawan Pagaria
Partner
Membership No: 201781
UDIN: 23201781BGUZNK4178
Place: Bangalore
Date: 16.12.2023

For and on behalf of the Board of Directors
Power Company of Karnataka Limited

| | |
|---|---|
| Sd/- Pankaj Kumar Pandey Director DIN: 03376149 | Sd/- V Krishnappa Managing Director DIN: 09197047 |
| Place: Bangalore Date: 16.12.2023 | Place: Bangalore Date: 16.12.2023 |

POWER COMPANY OF KARNATAKA LIMITED
Standalone Statement of Profit and Loss for the period ended March 31, 2023

| | | Amount in Rs. | |
|--|----------|----------------------------------|----------------------------------|
| Particulars | Note no. | For the year ended 31 March 2023 | For the year ended 31 March 2022 |
| i) Sale of services | 18 | 14,92,41,141 | - |
| ii) Other income | 19 | 3,52,50,437 | 1,92,07,181 |
| iii) Total Income | | 18,44,91,578 | 1,92,07,181 |
| Expenses | | | |
| iv) Employee benefit expense | 20 | 13,38,50,226 | - |
| vii) Finance cost | 21 | - | - |
| v) Depreciation and amortisation expense | 22 | 9,55,458 | 6,80,460 |
| vi) Other expense | 23 | 2,78,32,226 | 1,92,07,181 |
| vii) Total expenses | | 16,26,37,911 | 1,98,87,641 |
| viii) Profit/ (loss) before exceptional items and tax | | 2,18,53,667 | -6,80,460 |
| ix) Exceptional items | | - | - |
| x) Profit/ (loss) before tax | | 2,18,53,667 | -6,80,460 |
| xi) Tax expense | | | |
| a) Current tax | | 60,79,690 | - |
| b) Deferred tax | 6 | 9,074 | 59,774 |
| xii) Profit/ (loss) for the period from continuing operations | | 1,57,64,903 | -7,40,234 |
| xiii) Profit/ (loss) from discontinued operations | | - | - |
| xiv) Tax expense of discontinued operations | | - | - |
| xv) Profit/ (loss) from discounting operations (after tax) | | - | - |
| xvi) Profit/ (loss) for the period | | 1,57,64,903 | -7,40,234 |
| xvii) Other comprehensive income (OCI) | | - | - |
| xviii) Profit/ (Loss) including other comprehensive income | | 1,57,64,903 | -7,40,234 |
| xix) Earnings per Equity Share | | 1,57,64,903 | -7,40,234 |
| Equity Shares of Per Value Rs. 1,000 each | | | |
| a) Basic | 24 | 31,530 | -1,480 |
| b) Diluted | 24 | 31,530 | -1,480 |
| xx) Equity Shares used in computing earnings per equity share | | | |
| Basic & Diluted | | 500 | 500 |

As per our report of even date attached
For **Sharma & Pagaria**
Chartered Accountants,
FRN: 008217S

Sd/-
Pawan Pagaria
Partner
Membership No: 201781
UDIN: 23201781BGUZNK4178
Place: Bangalore
Date: 16.12.2023

For and on behalf of the Board of Directors
Power Company of Karnataka Limited

Sd/-
Pankaj Kumar Pandey
Director
DIN: 03376149

Place: Bangalore
Date: 16.12.2023

Sd/-
V Krishnappa
Managing Director
DIN: 09197047

Place: Bangalore
Date: 16.12.2023

POWER COMPANY OF KARNATAKA LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2023

| Particulars | MARCH 31, 2023 | | MARCH 31, 2022 | |
|--|-----------------|------------------------|-----------------|-----------------------|
| | Rs. | Rs. | Rs. | Rs. |
| a) Cash flows from operating activities | | | | |
| Profit before taxation & Extraordinary Items | | 2,18,53,667 | | -6,80,460 |
| Adjustments for: | | | | |
| Decrease in Reserves | | | | |
| Depreciation and amortization expense | 9,55,458 | | 3,20,593 | |
| Interest received | -3,52,50,437 | | -67,86,672 | |
| Interest expenses | - | -3,42,94,979 | - | -64,66,079 |
| | | -1,24,41,311 | | -71,46,539 |
| (Increase)/ decrease in Loans & Advances (Asset) | -4,02,93,110 | | 45,59,132 | |
| (Increase)/ decrease in Other Current Assets (Asset) | -1,41,93,63,223 | | 10,74,12,002 | |
| Increase/ (decrease) in trade payables & Current Liabilities | -3,56,05,928 | -1,49,52,62,261 | 13,65,86,214 | 24,85,57,348 |
| | | -1,50,77,03,572 | | 24,14,10,809 |
| Income taxes paid | | -60,79,690 | | - |
| Cash flow from extraordinary Items | | - | | - |
| Net cash from operating activities | | -1,51,37,83,263 | | 24,14,10,809 |
| b) Cash flows from investing activities | | | | |
| Purchase of Fixed Assets | 19,36,650 | | -29,89,396 | |
| Increase / Decrease in Deposits | -36,19,900 | | - | |
| Increase / Decrease in investments | -2,24,427 | | -2,05,853 | |
| Interest received | 3,52,50,437 | | - | |
| Net cash from investing activities | | 3,33,42,759 | | -31,95,249 |
| c) Cash flows from financing activities | | | | |
| Grant Received | 6,60,14,21,900 | | 7,00,80,79,111 | |
| Repayment of borrowings (Term Loans) | -4,71,54,04,027 | | -4,25,02,25,274 | |
| Interest paid | -1,88,60,17,872 | | -2,76,32,07,418 | |
| Long Term Provisions | - | | -2,25,45,568 | - |
| Net cash from financing activities | | - | | -2,78,99,149 |
| Net increase/(decrease) in cash and cash equivalents (a+b+c) | | -1,48,04,40,503 | | 21,03,16,411 |
| Cash and cash equivalents at beginning of reporting period | | 1,77,74,87,487 | | 10,89,88,809 |
| Cash and cash equivalents at end of reporting period | | 29,70,46,984 | | 31,93,05,220 |
| Cash & Cash equivalents: | | | | |
| Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments. Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the balance sheet: | | | | |
| Cash on hand and bank balances | | 29,33,98,112 | | 1,77,74,87,487 |
| Short term investments | | - | | - |
| Cash and cash equivalents as reported | | 29,33,98,112 | | 1,77,74,87,487 |
| Effect on exchange rate changes | | - | | - |
| Cash and cash equivalents as restated | | 29,33,98,112 | | 1,77,74,87,487 |

As per our report of even date attached

For **Sharma & Pagaria**
Chartered Accountants,
FRN: 008217S

For and on behalf of the Board
Power Company of Karnataka Limited

Sd/-
Pawan Pagaria
Partner
Membership No: 201781
UDIN: 23201781BGUZNK4178
Place: Bangalore
Date: 16.12.2023

Sd/-
Pankaj Kumar Pandey
Director
DIN: 03376149
Place: Bangalore
Date: 16.12.2023

Sd/-
V Krishnappa
Managing Director
DIN: 09197047
Place: Bangalore
Date: 16.12.2023



POWER COMPANY OF KARNATAKA LIMITED

Statement of changes in equity for the period ended March 31, 2023

| <u>Equity share capital</u> | Opening balance as at 01/04/2021 | Changes in equity share capital during the year 2021-22 | Opening Balance as at 01/04/2022 | Changes in equity share capital during the year 2022-23 | Closing balance as at 31/03/2023 |
|---------------------------------|--|--|--|--|-------------------------------------|
| Equity shares of Rs. 1,000 each | 500 | - | 500 | - | 500 |
| | 500 | - | 500 | - | 500 |

**Other Equity
Particulars**

| | Retained Earnings in Rs. | Increase or decrease in share capital reserves | Revaluation Reserve | Other reserves | Money received against share warrants |
|---|-----------------------------|--|------------------------|----------------|--|
| Opening balance as at 1 Apr 2022 | 2,55,40,393 | - | - | - | - |
| Dividends | - | - | - | - | - |
| Total Profit / (loss) for the period from continuing operation | 1,57,64,903 | - | - | - | - |
| Any other change | - | - | - | - | - |
| Closing balance as at 31 Mar 2023 | 4,13,05,296 | - | - | - | - |

As per our report of even date attached
For **Sharma & Pagaria**
Chartered Accountants,
FRN: 008217S

For and on behalf of the Board of Directors
Power Company of Karnataka Limited

Sd/-
Pawan Pagaria
Partner
Membership No: 201781
UDIN: 23201781BGUZNK4178
Place: Bangalore
Date: 16.12.2023

Sd/-
Pankaj Kumar Pandey
Director
DIN: 03376149
Place: Bangalore
Date: 16.12.2023

Sd/-
V Krishnappa
Managing Director
DIN: 09197047
Place: Bangalore
Date: 16.12.2023

POWER COMPANY OF KARNATAKA LTD

CIN No:

**Corporate office, 5th Floor, KPTCL Building, Kaveri Bhavan, KG Road,
Bengaluru – 560009.**

Note No. 1

Corporate information:

The Power Company of Karnataka Limited (Company) is a Government company domiciled in India and is incorporated under the provisions of the Companies Act. PCKL was incorporated on 20th August 2007 under the Companies Act, 1956 and commenced its business operations with effect from 16th October, 2007. The registered office of the company is located at KPTCL Building, Kaveri Bhavan, Bangalore.

The Company is principally responsible for capacity addition by way of setting up of new power projects through bidding process, under Design Build Finance Operate & Transfer (DBFOT) i.e. Case-II bidding guidelines issued by Ministry of Power (MoP), GOI and long term procurement of Power under and long term/Medium term e-procurement of power under Design Build Finance Own & Operate (DBFOO)/ Finance Own & Operate (FOO)/Case-I bidding guidelines of MoP, GOI. In order to bridge the short term demand and supply gap, The Company has been procuring power on behalf of the ESCOMs from various sources including purchase of power through Energy Exchanges, Banking (SWAP) as well as bilateral transactions. The company has also co-ordinates with other states and Central Government agencies on power related issues as well as through the forum of Southern Regional Power Committee (SRPC).

Note No. 2 Significant accounting policies:

2.1 Statement of compliance:

The Financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015.

For all periods up to and including the year ended March 31, 2016, the Company prepared its financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP). These financial statements for the year ended March 31, 2023 are the 7th time the Company has prepared in accordance with Ind AS.

The Financial statements have been prepared on a historical cost basis, except otherwise indicated which have been measured at fair value or revalued amount.

The Financial statements are presented in INR and all values are rounded to the nearest rupee, except when otherwise indicated.

The previous year figures have been re-grouped, where necessary to confirm current years' classification.

The Financial Statements are approved for issue by the company's Board of Directors board meeting held on 27th September, 2023.

2.2 Basis of preparation of Financial statement – 19:

The financial statements are prepared on accrual basis of accounting under historical cost convention except as otherwise provided in the policy and in accordance with Indian Accounting Standard (Ind-AS) as notified by Ministry of Corporate Affairs under the Companies (Indian Accounting Standards) Rules, 2015 and subsequent amendments thereof as well as with the requirements applicable to financial statements as set forth in the Companies Act, 2013 and the provisions of the Electricity Act, 2003 to the extent applicable.

All items having a material bearing on the financial statement are recognised on accrual basis except the following:

- Grants and subsidies from Government in respect of capital assets, which are accounted on actual receipt basis; and
- Penalties & Damages recovering from contractors and vendors are recognized as Income as and when recovered

2.3 Use of estimates and Judgment

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

Key source of judgments, assumptions and estimation uncertainty in the preparation of the financial statements which may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are in respect of useful lives of property, plant and equipment,

employee benefit obligations, provisions for income tax, Regulatory Deferral Account balance and measurement of deferred tax.

2.4 Property plant and equipment (PPE)

The Fair Value of the Property, Plant and Equipment on the date of adoption of Ind AS is deemed to be the cost on the date of transition as per GAAP Financial Statement.

Capital work in progress, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognized in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred directly to retained earnings.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.5 Depreciation

Depreciation on the fixed assets is provided under Straight Line Method over the useful life of the assets estimated by the management. The management estimates the useful lives for the fixed assets are as detailed below:

| Assets | Estimated life | Rate of depreciation |
|---------------------------|----------------|----------------------|
| Mobile Phones | 3 years | 31.67% |
| Computers & Software's | 3 years | 31.67% |
| Refrigerator | 5 years | 19.00% |
| Miscellaneous equipment's | 5 years | 19.00% |
| Duplicator | 10 years | 9.50% |
| Furniture & Fixtures | 8 years | 11.88% |
| Vehicles | | |

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

2.6 Intangible assets

Intangible assets are recorded at the consideration paid for acquisition of such assets. Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line-basis over their estimated useful lives i.e. period of agreement or license term and in the absence of license (Software) the cost is amortized in 3 years period. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses, if any.

2.7 Non-current assets held for sale

Non-current assets held for sale are measured at the lower of their carrying amount and the fair value less costs to sell/ distribute. Assets and liabilities classified as held for sale are presented separately in the balance sheet.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

2.8 Revenue recognition:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government.

Other income

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

2.9 Current versus non-current classification:

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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

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

2.10 Fair value measurement

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

External valuers are involved for valuation of significant assets, such as properties and unquoted financial assets, and significant liabilities, such as contingent consideration.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability.

2.11 Current Income Tax

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

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

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.12 Government Grants:

Grants from the Government are recognized at their fair value where there is a reasonable assurance that the grant will be received and will comply with attached conditions. Government Grants relating to income are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented within other income.

Government Grants relating to the purchase of Property, Plant and equipment's are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets and presented within other income.

2.13 Investment properties:

Since there is no change in the functional currency, the Company has elected to continue with the carrying value for all of its investment property as recognized in its Indian GAAP financial statements as deemed cost at the transition date, Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss, if any.

2.14 Impairment of non-financial assets:

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

When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2.15 Provisions:

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

2.16 Retirement and other employee benefits:

PCKL has considered the Defined Benefit Obligation in respect of Leave encashment and Family Benefit Fund based on the actual payments made during the year not on the basis of actuarial valuation as per IND AS19, since all the employees of PCKL are on deputation from KPTCL and transfer has been taking place among the ESCOMs and KPTCL . which was approved by Board of Directors of PCKL in its 66th Board Meeting held on 07.09.2021. The ascertaining the actuarial liability as per IND AS 19 is not practicable to the company causing huge variation between actual Pay-outs and the provisions.

All expenses excluding re-measurements of the net defined benefit liability (asset), in respect of defined benefit plans are recognized in the statement of profit and loss as incurred.

2.17 Financial Assets:

All financial Assets are recognized initially at cost and, in the case of deposits, advances and receivables, net of directly attributable transaction costs. The Company's financial assets include trade and other receivables, deposits and advances

2.18 Cash and cash equivalents:

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

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

2.19 Chart of Accounts:-

In order to maintain the various transactions of PCKL in consistent with the accounting principles/policies brought in the above para, the chart of accounts are drawn as per Electricity Supply Annual Accounts rules 1985, Government of India.

For **Sharma & Pagaria**
Chartered Accountants,
FRN: 008217S

Sd/-
Pawan Pagaria

Partner

Membership No: 201781

Place: Bangalore
Date: 16.12.2023

For **and on behalf of the Board of Directors**
Power Company of Karnataka

Sd/-
V Krishnappa

Managing Director

DIN: 09197047

Place: Bangalore
Date: 16.12.2023

| NOTES TO FINANCIAL STATEMENTS - 3 - Property, Plant & Equipments | | | | | | | | | |
|--|---|------------------------|-----------|---|---|-----------------|-----------|---|------------------|
| Particulars | GROSS BLOCK (Cost or valuation) | | | | | DEPRECIATION | | | |
| | As at the beginning of current reporting period | Additions for the year | Deletions | As at the end of current reporting period | As at the beginning of current reporting period | For the year | Deletions | As at the end of current reporting period | NET BLOCK |
| | April 1, 2022 | | | March 31, 2023 | April 1, 2022 | | | March 31, 2023 | March 31, 2022 |
| Tangible Assets | | | | | | | | | |
| Own assets | | | | | | | | | |
| Communication equipments | 65,500 | - | - | 65,500 | 60,902 | 1,742 | - | 62,644 | 2,856 |
| Mobile Phones | 7,17,322 | - | - | 7,17,322 | 6,39,848 | 25,928 | - | 6,65,776 | 51,546 |
| Computers & Softwares | 35,11,525 | 6,33,562 | - | 41,45,087 | 27,98,118 | 2,80,687 | - | 30,78,805 | 10,66,282 |
| Refrigerator | 17,991 | 73,752 | - | 91,743 | 17,091 | 12,247 | - | 29,338 | 62,405 |
| Miscellaneous equipments | 16,905 | - | - | 16,905 | 16,060 | - | - | 16,060 | 845 |
| TOTAL | 43,29,243 | 7,07,314 | - | 50,36,557 | 35,32,019 | 3,20,603 | - | 38,52,622 | 11,83,935 |
| Furniture & Fixtures | 17,95,980 | 2,51,536 | - | 20,47,516 | 10,02,396 | 1,35,672 | - | 11,38,068 | 9,09,448 |
| Duplicator | 11,23,905 | 9,77,800 | - | 21,01,705 | 10,43,093 | 1,48,265 | - | 11,91,358 | 9,10,347 |
| Vehicles | 29,55,093 | - | - | 29,55,093 | 4,03,987 | 3,50,917 | - | 7,54,905 | 22,00,188 |
| | - | - | - | - | - | - | - | - | - |
| TOTAL | 58,74,978 | 12,29,336 | - | 71,04,314 | 24,49,476 | 6,34,855 | - | 30,84,331 | 40,19,983 |
| GRAND TOTAL | 1,02,04,221 | 19,36,650 | - | 1,21,40,871 | 59,81,495 | 9,55,458 | - | 69,36,953 | 52,03,918 |
| FY 2021-22 Total | 92,72,397 | 9,31,824 | - | 1,02,04,221 | 53,01,035 | 6,80,460 | - | 59,81,495 | 42,22,726 |
| | | | | | | | | | 39,71,362 |

Additional Information:

- i) The assets revalued during the year - NIL
 ii) The borrowing cost capitalised during the year - NIL
 iii) Depreciation on the fixed assets is provided under Straight Line Method over the useful life of the assets estimated by the management. The management estimates the useful lives for the fixed assets are as detailed below:

| Asset | Estimated Life in Years | Rate of Depreciation |
|--------------------------|-------------------------|----------------------|
| Communication equipments | | |
| Mobile Phones | 3 years | 31.67% |
| Computers & Softwares | 3 years | 31.67% |
| Refrigerator | 5 years | 19.00% |
| Miscellaneous equipments | 5 years | 19.00% |
| Duplicator | 5 years | 19.00% |
| Furniture & Fixtures | 10 years | 9.50% |
| Vehicles | 8 years | 11.88% |

- iv) For these classes of assets based on internal assessment, the management believes that the useful lives as given above best represent the period over which the management expects to use these assets. Hence the useful lives of these assets is different from the useful lives as prescribed under part C of schedule II of the Companies Act 2013.

NOTES TO FINANCIAL STATEMENTS

4 INVESTMENT PROPERTY

| Particulars | Amount In Rs. | |
|--|---------------------|---------------------|
| | 31-Mar-2023 | 31-Mar-2022 |
| <i>Gulbarga Project</i> | | |
| <i>Controlled special purpose entities -</i> | | |
| - Case II Power Projects | 54,76,70,674 | 54,74,46,246 |
| UPCL | - | |
| TOTAL | 54,76,70,674 | 54,74,46,246 |

The Company has acquired land for thermal project at Gulbarga through DC Gulbarga. The Land value and the costs related to the same incurred by the Company are shown under the Investment Property – Controlled Special Purpose entity (being GOK) as Principal and PCKL as Agency has to collect this amount from the successful bidder and thereafter pay it back to the Government/Utilities as decided by the Government as per GO EN 126 PPC 2008 dated 16th June 2010.

In the meeting held on 8.1.2021 under the Chairmanship of Additional Chief Secretary, Energy Department, Gok, it was decided to develop solar park at Fizozabad in Kalaburgi Taluk, Kalaburgi District through private developers for sale of energy instead of coal based 1320 MW thermal project proposed earlier for which PCKL has acquired the land.

However in the budget proposal for FY 2021-22 dated 26.3.2021 vide subject No 222, Government of Karnataka announced development of solar park by KREDL on the land held by PCKL on lease/rent basis. Miscellaneous expenditure incurred towards the project debited to the project head to have a clear depiction of total expenditure towards the project.

Based on the approval through letter dated 03.12.2014 "EN 107 EEB, 2014" of Energy Department, Govt. of Karnataka; 50 acres of land was transferred to KPTCL for establishing 400 KV sub-station at Ferozabad, Gulbarga for evacuation of energy from the proposed project. The title deeds of 50 acres is yet to be transferred to KPTCL name. The proportionate cost has been disclosed as Assets held for sale. (Refer Note 10)

Gok in the order dated 03.08.2022 directed to transfer 1000 acre land to Textile Department for development of Textile Park whose proportionate cost is categorised as assets held for sale in Note 10.

And balance land of 551.13 Acres will be used for developing solar park by KREDL which is categorised as Investment property in the note above.

4B OTHER NON CURRENT ASSETS

| Particulars | Amount in Rs. | |
|------------------------------------|---------------|-----------------|
| | 31-Mar-2023 | 31-Mar-2022 |
| Others Deposits - Gulbarga project | - | 6,51,850 |
| TOTAL | - | 6,51,850 |

NOTES TO FINANCIAL STATEMENTS

| | | Amount In Rs. | |
|----------|--|------------------------|------------------------|
| | Particulars | 31-Mar-2023 | 31-Mar-2022 |
| 5 | LONG TERM LOANS & ADVANCES | | |
| a) | Capital advances | - | - |
| b) | Security Deposits (Unsecured considered good) | | |
| | Deposits- with IEX | 25,00,000 | 25,00,000 |
| | Margin money-IEX | 2,15,00,240 | 3,06,01,450 |
| | Deposits- PXIL | 6,35,000 | 6,35,000 |
| | Margin money-HPX | 1,02,21,110 | - |
| | Deposits- with HPX | 25,00,000 | |
| | Deposits- Others | 41,000 | 41,000 |
| | TOTAL | 3,73,97,350 | 3,37,77,450 |
| c) | Receivable from GoK towards Securitization of Gram Panchayath Dues | 18,22,42,39,051 | 22,93,96,43,079 |
| | | 18,26,16,36,401 | 22,97,34,20,529 |

| | | Amount In Rs. | |
|----------|---|------------------|---------------|
| | Particulars | 31-Mar-2023 | 31-Mar-2022 |
| 6 | CURRENT TAX AND DEFERRED TAX (NET) | | |
| | Current Income Tax: | | |
| | Current income tax charge | 60,79,690 | - |
| | Adjustments in respect of current income tax of previous year | - | - |
| | Closing Balance | 60,79,690 | - |
| | Deferred Tax (Asset) / Liabilities: | | |
| | Opening Balance | 64,774 | 1,24,548 |
| | Relating to origination and reversal of temporary differences | -9,074 | -59,774 |
| | Closing Balance | 55,700 | 64,774 |
| | Total | 61,35,390 | 64,774 |
| | Deffered tax expense reported in the statement of profit or loss | 9,074 | 59,774 |

NOTES TO FINANCIAL STATEMENTS

| | | Amount In Rs. | |
|----------|---|---------------------|-----------------------|
| | Particulars | 31-Mar-2023 | 31-03-2022 |
| 7 | CASH AND CASH EQUIVALENTS | | |
| | a) Balances with banks | | |
| | -in Current Account with banks* | 26,28,23,112 | 1,74,68,87,328 |
| | b) Cheques, drafts on hand | - | - |
| | c) Cash on hand | 75,000 | 70,000 |
| | d) Fixed deposits with maturity less than 12 months | 3,05,00,000 | 3,05,30,159 |
| | TOTAL | 29,33,98,112 | 1,77,74,87,487 |

* Current Account balances includes Sweep FDs

Financial Assets - Others

| Details of Fixed Deposits of PCKL held in various Banks | | | |
|---|-------------------------------|--------------------|--------------------|
| SL. No | Name of the Bank | 31-Mar-2023 | 31-03-2022 |
| 1 | Fixed Deposits (KGB, SBI) | 3,05,00,000 | 3,00,00,000 |
| 2 | Bank of India (Share Capital) | - | 5,30,159 |
| | TOTAL | 3,05,00,000 | 3,05,30,159 |

| SL No. | Details of Bank Accounts as on 31/03/2022 | 31-Mar-2023 | 31-03-2022 |
|--------|---|---------------------|-----------------------|
| 1 | Disbursement bank operative account -SBI | 32,10,517 | 1,40,74,212 |
| 2 | Disbursement bank operative account -PNB | 2,132 | 45,930 |
| 3 | Disbursement bank operative account -SBI, Incube | 53,116 | 31,606 |
| 4 | Disbursement bank operative account -BOI | 10,345 | 10,51,056 |
| 5 | Operative bank account for RRAS amt received from | 16,06,17,145 | 3,07,54,713 |
| 6 | SBI Bank Account(PXIL) | 1,02,01,825 | 1,07,22,31,707 |
| 7 | SBI Bank Account(IEX) | 7,53,49,345 | 62,84,88,665 |
| 8 | SBM Family Benefit Fund Account | 2,29,315 | 2,09,439 |
| 9 | SBI HPX | 1,31,49,372 | - |
| | TOTAL | 26,28,23,112 | 1,74,68,87,328 |

| | | Amount In Rs. | |
|----------|--|-----------------------|-----------------------|
| | Particulars | 31-Mar-2023 | 31-03-2022 |
| 8 | SHORT TERM LOANS & ADVANCES: | | |
| a) | Loans and advances to related parties | - | - |
| b) | Receivable from GoK towards Securitization of Gram Panchayath Dues (payable in next 12 months) | 4,70,85,04,168 | 4,70,85,04,168 |
| c) | Others: | | |
| i) | Interest free Advances to Staff | 1,79,800 | 3,03,730 |
| ii) | Income Tax refund receivable | 91,26,445 | 53,17,864 |
| iii) | Amount paid towards demand raised by Income tax department (refer note 16) | 1,69,63,432 | 1,69,63,432 |
| iv) | ITC receivable from GST department | 3,66,08,459 | |
| v) | Income tax paid in advance - TDS | | |
| | | 4,77,13,82,304 | 4,73,10,89,194 |
| | Less: Provision for doubtful advances | - | - |
| | TOTAL | 4,77,13,82,304 | 4,73,10,89,194 |
| | | Amount In Rs. | |
| | Particulars | 31-Mar-2023 | 31-03-2022 |
| 9 | OTHER CURRENT ASSETS | | |
| a) | Income Accrued & Due on FD | 33,55,712 | 29,15,015 |
| b) | Amount receivable from RRAS | 1,23,924 | 3,08,39,691 |
| c) | Amount receivable from ESCOMs towards legal charges | 2,94,22,822 | 56,28,447 |
| d) | Amount receivable from IEX towards sale of power and Interest as on 31.03.2022 | 2,81,80,745 | 1,17,17,511 |
| e) | Interest receivable towards Reactive energy charges receivable from other Southern states | - | 1,75,494 |
| f) | Reactive energy charges-Telangana | 97,949 | 4,663 |
| g) | Reactive Energy charges - APTRANSCO | 1,76,97,157 | 76,50,144 |
| h) | Reactive energy charges-KSEB | 30,35,682 | 17,74,885 |
| i) | Amount receivable from VJNL & Others | 58,79,12,493 | 2,743 |
| j) | Amount receivable from TRANSANSCO | 4,69,890 | 3,44,363 |
| k) | Reactive energy charges received from GOA | - | |
| l) | Receivable through PP through HPXL - ESCOMs | (2,22,25,581) | |
| m) | Receivable from ESCOMs REC Trade IEX | 73,54,73,980 | |
| n) | Receivable from ESCOMs REC Trade PXIL | 9,26,14,423 | |
| o) | Receivable through REC - HPXL - ESCOMs | (8,11,932) | |
| p) | Receivable from BESCO towards charging fixed percentage on energy transacted by PCKL | (77,54,520) | |
| q) | Receivable from MESCOM towards charging fixed percentage on energy transacted by PCKL | (1,06,35,246) | |
| r) | Receivable from CESC towards charging fixed percentage on energy transacted by PCKL | 17,14,970 | |
| s) | Receivable from HESCO towards charging fixed percentage on energy transacted by PCKL | 1,79,20,900 | |
| t) | Receivable from GESCOM towards charging fixed percentage on energy transacted by PCKL | 35,76,642 | |
| u) | Receivable from other states towards Banking of Power on behalf of ESCOMs | 1,98,000 | |
| | Amount Receivable from ESCOMs towards Banking of Power | - | |
| v) | Prepaid Expenses | 48,170 | - |
| | Total | 1,48,04,16,179 | 6,10,52,956 |

Note No 9 : Income-tax refundable - Rs. 91,26,445/-. Out of this amount Rs.1366634/- pertains to AY 2009-10 & Rs.601791/- pertains to AY 2011-12 having disputes before Commissioner of Income Tax DCIT circle, Koramangala towards change of TAN to PAN of PCKL.

| | Amount In Rs. | |
|--------------------------------|-----------------------|-----------------------|
| | 31-Mar-2023 | 31-03-2022 |
| 10 ASSETS HELD FOR SALE | | |
| a) Gulbarga Land | 1,04,30,40,325 | 1,04,26,12,903 |
| Total | 1,04,30,40,325 | 1,04,26,12,903 |

Refer Note 4: Assets which is expected to be realised from sale rather than its continuing use. Is categorised here. The amount represents proportionate cost for 1050 Acres out of 1601.13 acres held previously as Investment property.

NOTES TO FINANCIAL STATEMENTS

| 11 SHARE CAPITAL: | | Amount In Rs. | |
|--|--|--|-----------------|
| Particulars | As at the end of current reporting period 31-03-2023 | As at the end of current reporting period 31-03-2022 | |
| | Number | Amount | Number |
| Authorized Equity Share Capital: | | | |
| At the beginning of the reporting period | 2,10,000 | 21,00,00,000 | 2,10,000 |
| Increase/Decrease during the year | - | - | - |
| At the close of the reporting period | 2,10,000 | 21,00,00,000 | 2,10,000 |
| Issued, subscribed and fully paid up: | | | |
| <i>Equity shares of Rs. 1000/- each</i> | | | |
| At the beginning of the reporting period | 500 | 5,00,000 | 500 |
| Issued during the reporting period | - | - | - |
| Bought back during the reporting period | - | - | - |
| At the close of the reporting period | 500 | 5,00,000 | 500 |
| Issued, subscribed but not fully paid up: | | | |
| | - | - | - |
| Total | 500 | 5,00,000 | 500 |

Share holding pattern and details

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

| | | | | | |
|--|------------|-----------------|---|------------|-----------------|
| a. Additional Chief Secretary, Energy Department | 4 | 4,000 | - | 4 | 4,000 |
| b. Managing Director, KPTCL | 4 | 4,000 | - | 4 | 4,000 |
| c. Managing Director, PCKL | 2 | 2,000 | - | 2 | 2,000 |
| d. Managing Director, BESCOM | 98 | 98,000 | | 98 | 98,000 |
| e. Managing Director, MESCOM | 98 | 98,000 | | 98 | 98,000 |
| f. Managing Director, CESC | 98 | 98,000 | | 98 | 98,000 |
| g. Managing Director, HESCOM | 98 | 98,000 | | 98 | 98,000 |
| h. Managing Director, GESCOM | 98 | 98,000 | | 98 | 98,000 |
| | 500 | 5,00,000 | | 500 | 5,00,000 |

| Shares held by promoters | As at the end of current reporting period 31-03-2023 | | | As at the end of current reporting period 31-03-2022 | | |
|---|--|-------------------|--------------------------|--|-------------------|--------------------------|
| | No. of Shares | % of total shares | % Change during the year | No. of Shares | % of total shares | % Change during the year |
| Additional Chief Secretary, Energy Department | 4 | 1% | - | 4 | 1% | - |
| Managing Director, KPTCL | 4 | 1% | - | 4 | 1% | - |
| Managing Director, PCKL | 2 | 0% | - | 2 | 0% | - |
| Managing Director, BESCOM | 98 | 20% | - | 98 | 20% | - |
| Managing Director, MESCOM | 98 | 20% | - | 98 | 20% | - |
| Managing Director, CESC | 98 | 20% | - | 98 | 20% | - |
| Managing Director, HESCOM | 98 | 20% | - | 98 | 20% | - |
| Managing Director, GESCOM | 98 | 20% | - | 98 | 20% | - |
| Total | 500 | 100% | - | 500 | 100% | - |

NOTES TO FINANCIAL STATEMENTS

12 Reserves and Surplus:

| Amount In Rs. | | | | | | | |
|----------------------------------|--|---|-------------------------------------|---|-----------|------------------|-----------------------------------|
| Particulars | At the beginning of the reporting period | Changes in accounting policy/ prior period errors | Restated balance as at 1 April 2022 | Total comprehensive income for the year | Dividends | Any other change | Closing balance as at 31 Mar 2023 |
| Capital Reserve | - | - | - | - | - | - | - |
| Capital redemption reserve | - | - | - | - | - | - | - |
| Securities Premium Reserve | - | - | - | - | - | - | - |
| Debenture Redemption Reserve | - | - | - | - | - | - | - |
| Revaluation Reserve | - | - | - | - | - | - | - |
| Share option outstanding account | - | - | - | - | - | - | - |
| Other reserves | - | - | - | - | - | - | - |
| Retained Earnings | 2,55,40,393 | - | 2,55,40,393 | 1,57,64,903 | - | - | 4,13,05,296 |

NOTES TO FINANCIAL STATEMENTS

13 LONG TERM BORROWINGS

| Amount In Rs | | | | |
|--|-------------------------|----------------|------------------------|------------------------|
| Particulars | Effective Interest Rate | Period of Loan | As at the end of | As at the end of |
| | % | | 31-Mar-2023 | 31-03-2022 |
| i) Secured : | | | | |
| a. Bonds & Debentures | - | - | - | - |
| b. Term Loans | | | | |
| - from Banks | | | | |
| 1) Punjab National Bank | 7.65% | 10 years | 2,64,84,33,515 | 3,27,49,32,051 |
| 2) State Bank of India | 8.50% | 10 years | 10,67,05,19,378 | 12,92,44,51,674 |
| 3) Bank of India | 7.95% | 10 years | 9,61,37,90,327 | 11,44,87,63,522 |
| - from Others | - | - | - | - |
| Deferred Payment | | | | |
| c. Liabilities | - | - | - | - |
| d. Deposits | - | - | - | - |
| Loans and advances | | | | |
| e. from related parties | - | - | - | - |
| f. Long term maturities of finance lease obligations | - | - | - | - |
| g. Other loans and advances | - | - | - | - |
| TOTAL Borrowings | | | 22,93,27,43,219 | 27,64,81,47,247 |
| Less: | | | | |
| Current Maturities of Long Term Borrowings included above | | | -4,70,85,04,168 | -4,70,85,04,168 |
| Total | | | 18,22,42,39,051 | 22,93,96,43,079 |
| Note: Loans are secured against book debts of Grampanchayat dues receivable to PCKL. | | | | |
| ii) Unsecured : | | | | |
| Total | | | - | - |
| iii) Non Current borrowings (i+ii) | | | 18,22,42,39,051 | 22,93,96,43,079 |

15 SHORT TERM BORROWINGS

| Particulars | Effective Interest Rate | Period of Loan | As at the end of | As at the end of |
|---|-------------------------|----------------|-----------------------|-----------------------|
| | % | | 31-Mar-2023 | 31-03-2022 |
| i) Secured : | | | | |
| Current Maturities of Long term borrowings | | | | |
| 1) Punjab National Bank | | | 62,50,00,000 | 62,50,00,000 |
| 2) State Bank of India | | | 2,25,00,00,000 | 2,25,00,00,000 |
| 3) Bank of India | | | 1,83,35,04,168 | 1,83,35,04,168 |
| Total | | | 4,70,85,04,168 | 4,70,85,04,168 |
| ii) Unsecured : | | | | |
| Total | | | - | - |
| iii) Current borrowings (i+ii) | | | 4,70,85,04,168 | 4,70,85,04,168 |

Borrowings:

Government of Karnataka has authorized PCKL vide order dated 31.03.2017 to 31.03.2023 undertake securitisation of charge free receivables of Gram Panchayaths of ESCOMs to the tune of Rs. 3766.81 Crores. As such the Guarantee Commission of 1% payable to GoK has been accounted in the books of ESCOMs as per GO Order No. EN3 PSR 2016 / P3 dated 31.03.2017 . Accordingly, Orders have been issued by Government on yearly basis for adjustment.

The details of Term loan availed is below:

(Amount in Rs.)

| Name of the Bank | Loan availed Amount | Date of Sanction | Initial Rate of Interest | Present Rate of Interest | Loan outstanding as on 31.3.2023 |
|----------------------|------------------------|------------------|--------------------------|--------------------------|----------------------------------|
| Punjab National Bank | 5,00,00,00,000 | 09-10-2017 | 8.15% | 7.65% | 2,64,84,33,515 |
| State Bank of India | 18,00,00,00,000 | 29-12-2017 | 8.15% | 8.50% | 10,67,05,19,378 |
| Bank of India | 14,66,80,33,356 | 07-08-2018 | 8.50% | 7.95% | 9,61,37,90,327 |
| TOTAL | 37,66,80,33,356 | | | | 22,93,27,43,219 |

GoK Grant:

Details of grants released from GoK to PCKL for the FY 2022-23 to enable discharge of liability of principal & interest on Term Loan availed by securitization of Gram Panchayat dues of ESCOMs, and utilisation of grants is as follows:

Amount In Rs.

| Month | A Opening Balance | B Grants Received | C Loan discharged | D Interest discharged | E Interest savings for early payment adjusted against Principle amount | F Closing Balance (A+B-C-D) |
|--|----------------------|-----------------------|-----------------------|--------------------------|---|--------------------------------|
| Apr-22 | 24,78,305.66 | 72,62,00,000 | 56,25,00,000 | 16,10,35,899.00 | | 51,42,406.66 |
| May-22 | 51,42,406.66 | 16,16,80,000 | | 16,31,71,625.00 | | 36,50,781.66 |
| Jun-22 | 36,50,781.66 | 77,70,00,000 | 61,46,26,042 | 16,23,85,962.00 | | 36,38,777.66 |
| Jul-22 | 36,38,777.66 | 72,62,00,000 | 56,25,00,000 | 16,29,38,576.00 | | 44,00,201.66 |
| Aug-22 | 44,00,201.66 | 16,07,80,000 | | 16,22,58,526.00 | | 29,21,675.66 |
| Sep-22 | 29,21,675.66 | 77,38,50,000 | 61,46,26,042 | 15,91,12,258.42 | | 30,33,375.24 |
| Oct-22 | 30,33,375.24 | 71,97,00,000 | 56,25,00,000 | 15,73,25,574.00 | | 29,07,801.24 |
| Nov-22 | 29,07,801.24 | 15,36,00,000 | | 15,31,31,465.00 | | 33,76,336.24 |
| Dec-22 | 33,76,336.24 | 76,61,90,000 | 61,46,26,042 | 15,86,94,366.00 | | (37,54,071.76) |
| Jan-23 | (37,54,071.76) | 73,70,00,000 | 56,25,00,000 | 16,73,19,065.00 | | 34,26,863.24 |
| Feb-23 | 34,26,863.24 | 15,01,00,000 | | 14,96,62,569.00 | | 38,64,294.24 |
| Mar-23 | 38,64,294.24 | 77,17,00,000 | 61,46,26,042 | 15,88,88,654.00 | 68,99,679.32 | 20,49,598.24 |
| Mar-23 interest due / Grant Receivable | 20,49,598.24 | 17,00,000 | | | | 37,49,598.24 |
| TOTAL | 24,78,305.66 | 6,62,57,00,000 | 4,70,85,04,168 | 1,91,59,24,539.42 | 68,99,679.32 | 37,49,598.24 |
| Provision of Interest for BOI | 37,49,598.24 | | | 41,87,926.00 | | (4,38,327.76) |
| TOTAL | | 6,62,57,00,000 | 4,70,85,04,168 | 1,92,01,12,465.42 | 68,99,679.32 | (4,38,327.76) |

Note:

Interest savings for early payment adjust against Principle amount PNB : Rs.14,98,356/- , SBI : Rs.39,32,296/- & BOI : Rs.14,69,027.32 shown in Column- E above.

NOTES TO FINANCIAL STATEMENTS

OTHER LIABILITIES

| 14 Other Non current liabilities | 31-Mar-2023 | 31-Mar-2022 |
|--|-----------------------|-----------------------|
| a) Security Deposit | - | - |
| b) Advance from Govt of karnataka | 1,42,12,00,000 | 1,42,12,00,000 |
| c) Amount payable to DC, Gulbarga towards land acquisition of Gulbarga power project | 15,81,89,619 | 15,81,89,619 |
| | 1,57,93,89,619 | 1,57,93,89,619 |
| 16 Other Current liabilities: | 31-Mar-2023 | 31-Mar-2022 |
| a) Interest accrued but not due on borrowings | - | 45,48,140 |
| b) Payable to ESCOMs towards SCED scheme | 13,17,08,438 | 34,43,537 |
| c) Grant released from GoK towards securization of Gram Panchayath dues | (10,24,425) | 24,78,306 |
| d) Other payables : | | |
| i) Family Benefit Fund | 2,29,715 | 2,09,439 |
| ii) Unpaid Exgratia (on hold) | 10,500 | 10,500 |
| iii) Ex-gratia Payable | 2,94,000 | 2,10,000 |
| iv) Salary Payable | - | - |
| v) Unclaimed Creditor-cheque | - | 20,328 |
| vi) NDCPS | 1,03,461 | |
| vii) IT payable other than salary | 22,500 | |
| viii) IT payable salary | 20,000 | |
| ix) Payable to other Dept recovered from Employ | 62,540 | |
| x) GST payable | 2,68,63,405 | |
| xi) Payable to ESCOMs towards POWER Purchase (IEX), Reactive energy Charges and payable to POSOCO towards SRLDC charges and other payables (refer Note-27) | 70,79,65,112 | 66,70,26,669 |
| xii) Payable to ESCOMs- RRAS dues and from sale of power to HPSEBL | 2,70,48,034 | 5,70,92,326 |
| xiii) Payable to ESCOMs for sale of power through PXIL (Refer note 27) | 41,91,166 | 1071990696 |
| xiv) Payable to ESCOMs for sale of power through SCED scheme | | |
| xv) Pension & Gratuity contribution in respect of employees on deputation from KPTCL & payable to P & G Trust | - | - |
| xvi) Pension & Gratuity contribution in respect of NDCPS employees payable to P & G Trust | 40,37,177 | |
| xvii) Demand raised by Income Tax department (refer note below) | 1,69,63,432 | 1,69,63,432 |
| xviii) Demand raised by GST department | - | |
| xix) Others - Seed money received from ESCOMs | (94,53,209.41) | 3,76,64,657 |
| xx) Payable to ESCOMs towards the interest on sale of power - IEX | 6,00,108 | 6,00,108 |
| xxi) TDS deducted by POSOCO, payable to ESCOMs after receiving refund | 2,10,563 | 2,10,563 |
| xxii) Earnest Money deposit | 1,12,95,158 | 1,13,56,929 |
| xxiii) Payable to ESCOMs - REC HPXL trading activities | 8,21,547 | - |
| xxiv) Payable to ESCOMs REC IEX Trading activities | 2,62,51,429 | - |
| xxv) Payable to ESCOMs REC PXIL Trading activities | 59,76,885 | - |
| Payable to other states towards Banking of Power xxvi) on behalf of ESCOMs | - | |
| xxvii) Amount payable to ESCOMs towards Banking of Power | 1,98,000 | |
| TOTAL | 95,43,95,536 | 1,87,38,25,629 |

Note : Demand raised by Income Tax department for FY 2011-12 for an amount of Rs.14654272/-. PCKL made payment of Rs.14654272/- under protest and filed appeal before the ITAT on 7.9.2017. Subsequently, PCKL has opted the scheme of Vivad se Vishwas and file application accordingly. ITAT vide order dated 1.2.2021 has accepted the application for withdrawal of the petition and issues a order . As per the Form 3 generated has shown the refund of Rs.6267648/- . PCKL yet to receive the amount from the income tax department . Hence,the actual balance will be accounted after the receipt of the amount from Income tax department.

Demand raised by Income Tax department for FY 2013-14 for an amount of Rs.8753434/-. PCKL has made payment of Rs.7682203/- under the self assessment tax and Rs.2301120/- was paid under protest and filed a appeal before ITAT. ITAT vide order dated 8.2.2021 partially allowe the appeal . Based on the findings, PCKL will receive the amount , which is not ascertained as of now. The same will be accounted after receipt of the amount from the Income tax department.

GST - The Commisison charges Rs. 3,27,60,824/- allowed by Indian Energy Exchange for sale of RE certificate pertains to ESCOMs. These certificates are in the name of Distribution licensee, hence PCKL has not taken into consideration of commission charges in the books of PCKL.

TRADE & OTHER PAYABLES

| | | Amount In Rs. | |
|-------------|--|----------------------|--------------------|
| 16 A | iv)Liability for Expenses and bills payable on behalf of ESCOMS | 31-Mar-2023 | 31-Mar-2022 |
| | 1. Less than One year | 88,74,22,220 | 86,57,961 |
| | 2. 1 year to 2 year | Nil | |
| | 3. 2 Year to 3 year | Nil | |
| | 4. Above 3 Years | Nil | |
| | TOTAL | 88,74,22,220 | 86,57,961 |
| | xiii) Amount Payable towards Legal Charges (On behalf of ESCOMS) | 9,68,033 | 19,87,816 |
| | TOTAL | 88,83,90,253 | 1,06,45,777 |

NOTES TO FINANCIAL STATEMENTS

| | | Amount In Rs. | | | | |
|--|--------------------|----------------------|------------------|--------------------|----------------|--------------|
| Particulars | 31-Mar-2023 | | | 31-03-2022 | | |
| | Non-Current | Current | Total | Non-Current | Current | Total |
| 17 PROVISIONS | | | | | | |
| a) Provision for Income Tax | - | 60,79,690 | 60,79,690 | - | - | - |
| b) Provisions for employee benefits - Leave Obligations | - | - | - | - | - | - |
| c) Provisions for employee benefits (Current-ESCOMS) | - | - | - | - | - | - |
| d) Provisions for employee benefits (Non-Current-ESCOMS) | - | - | - | - | - | - |
| | - | 60,79,690 | 60,79,690 | - | - | - |

Encashment of Earned leave and Family Benefit Fund

PCKL has considered the Defined Benefit Obligation in respect of Leave encashment and Family Benefit Fund based on the actual payments made during the year not on the basis of actuarial valuation as per AS19, since all the employees of PCKL are on deputation from KPTCL and transfer has been taking place among the ESCOMS and KPTCL . which was approved by Board of Directors of PCKL in its 66th Board Meeting held on 07.09.2021. The ascertaining the actuarial liability as per IND AS 19 is not practicable to the company causing huge variation between actual Pay-outs and the provisions.

All expenses excluding re-measurements of the net defined benefit liability (asset), in respect of defined benefit plans are recognized in the statement of profit and loss as incurred.

NOTES TO FINANCIAL STATEMENTS

| | | Amount In Rs. | |
|------------------------------------|--------------------------|-------------------------------|-------------------------------|
| Particulars | | For the year ended 31-03-2023 | For the year ended 31-03-2022 |
| 18 REVENUE FROM OPERATIONS: | | | |
| a) | Sale of products | - | - |
| b) | Other operating revenues | - | - |
| c) | Sale of services | 14,92,41,141 | - |
| | | 14,92,41,141 | - |
| | | | - |
| TOTAL | | 14,92,41,141 | - |

| | | | |
|-------------------------|-----------------|--------------------|--------------------|
| 19 OTHER INCOME: | | | |
| a) | Interest Income | 3,50,63,319 | 1,92,05,587 |
| b) | Other receipts | 1,87,118 | 1,594 |
| TOTAL | | 3,52,50,437 | 1,92,07,181 |

| | | Amount In Rs. | |
|-------------|--|-------------------------------|-------------------------------|
| Particulars | | For the year ended 31-03-2023 | For the year ended 31-03-2022 |

20 EMPLOYEE BENEFIT EXPENSES

| | | |
|---|---------------------|--------------------|
| Salaries- Regular Employees on deputation | 4,00,76,249 | 2,74,18,872 |
| Dearness Pay-Regular Employees on deputation | 1,35,78,094 | 1,24,07,034 |
| Dearness Allowances-Regular Employees on dep | 1,72,09,270 | 88,21,099 |
| Other Allowances-Regular Employees on deputat | 10,66,332 | 15,85,048 |
| HRA-Regular Employees on deputation | 1,28,77,037 | 95,58,211 |
| CCA-Regular Employees on deputation | 2,50,094 | 2,27,492 |
| Exgratia to employees on deputation | 3,10,359 | 2,10,000 |
| Honorarium paid | 14,82,643 | 76,737 |
| Fees for Staff Training Course by Outsiders | 1,06,082 | 18,880 |
| Medical Expenses Reimbursement to employees on deputation | 1,60,335 | 6,32,078 |
| Earned Leave Encashment to employees on deputation | 56,72,406 | 26,32,076 |
| Labour welfare fund | 360 | 300 |
| Other Welfare Expenses | 100 | 13,000 |
| Board Contribution under CPS | 41,99,664 | 25,73,561 |
| Pension & Gratuity contribution in respect of employees of KPTCL on deputation & payable to P & G Trust | 3,28,24,024 | 2,16,84,846 |
| Pension & Gratuity contribution in respect of NDCPS employees payable to P & G Trust | 40,37,177 | |
| Total | 13,38,50,226 | 8,78,59,234 |
| Less: Received from seed money account | | 8,78,59,234 |
| Total | 13,38,50,226 | - |

Refer Note 27 for Director's Remuneration

NOTES TO FINANCIAL STATEMENTS

| Particulars | For the year ended 31-03-2023 | For the year ended 31-03-2022 |
|---|--|--|
| 21 FINANCE COST | | |
| Interest expenses | 1,90,90,24,860 | 2,15,74,99,689 |
| Less: Grants received / Refund of Earlier excess interest. | (1,90,90,24,860) | -2,15,74,99,689 |
| Bank Charges and others | - | - |
| Net (gain)/loss on foreign currency transaction and translation | - | - |
| Total | - | - |

| Particulars | For the year ended 31-03-2023 | For the year ended 31-03-2022 |
|---|--|--|
| 22 DEPRECIATION AND AMORTIZATION | | |
| Depreciation | 9,55,458 | 6,80,460 |
| Total | 9,55,458 | 6,80,460 |

| Particulars | For the year ended 31-03-2023 | For the year ended 31-03-2022 |
|--------------------------|--|--|
| 23 OTHER EXPENSES | | |

| | | |
|---|-----------|-----------|
| Telephone Charges | 88,609 | 71,564 |
| Postal Charges | 1,04,277 | 95,081 |
| Mobile Charges | 1,43,388 | 2,08,226 |
| Courier Charges | 14,260 | 6,000 |
| Legal Charges | 4,175 | 4,595 |
| Statutory Audit Fees* | 6,40,740 | 6,71,700 |
| Consultancy Charges | 48,02,333 | 26,70,331 |
| Other Professional Charges | 6,39,500 | 36,87,714 |
| Remuneration Paid to Contract Agencies | 60,31,361 | 36,20,748 |
| Travelling Allowance to Employees | 8,31,993 | 39,891 |
| Vehicle Running Exp Other Than Store Vehicle | 2,82,594 | 1,51,795 |
| Vehicle Hiring Expenses | 56,03,816 | 52,45,642 |
| Vehicle Insurance Innova | 39,663 | 42,054 |
| Fees & Subscription | 3,45,500 | 61,950 |
| Books, Periodical and Diaries | 12,940 | 31,755 |
| Printing and Stationary | 3,79,453 | 2,23,080 |
| Advertisement Expenses | 2,24,431 | 2,82,299 |
| Computer, Stationary & Memory Storage Mediums | 2,33,591 | 1,37,249 |
| Board Meeting Expenses | 41,009 | 7,03,711 |
| Miscellaneous Expenses | 36,78,560 | 9,57,534 |
| Company Professional Tax Paid to Commercial | 2,500 | 2,500 |
| Annual Expenditure of Southern Regional Pwr | 10,74,324 | 13,13,832 |
| Conveyance charges | 1,506 | - |
| Rent paid to KPTCL | 15,13,049 | 13,86,000 |
| PRDC Report charges | - | 16,99,200 |
| Court fee paid | - | - |
| Repair & maintenance expenses | 2,56,044 | 1,20,810 |
| NOAR fees | 8,26,579 | - |
| Projectwise expenditure | 13,380 | - |
| Bank charges | 2,651 | - |

| | | |
|---|--------------------|--------------------|
| TOTAL | 2,78,32,226 | 2,34,35,261 |
| Balance expenditure adjusted against the seed money | | 42,28,080 |
| TOTAL | 2,78,32,226 | 1,92,07,181 |

| | |
|------------------|-----------|
| Provision for IT | 60,79,690 |
|------------------|-----------|

| Payment to Auditors | Current year | Previous year |
|----------------------------|---------------------|----------------------|
|----------------------------|---------------------|----------------------|

| | | |
|---|-----------------|-----------------|
| * Statutory Audit Fee amount indicated as per approval by the Board | 6,40,740 | 6,71,700 |
| | 6,40,740 | 6,71,700 |

NOTES TO FINANCIAL STATEMENTS

(Amt. in Rs.)

| Particulars | For the Year ended | |
|---|--------------------|------------------|
| | 31-03-2023 | 31-03-2022 |
| 24 Earnings per equity share: | | |
| Profit/ (Loss) including other comprehensive income as per P&L Statement | 1,57,64,903 | -7,40,234 |
| Add / Less: Adjustements | - | - |
| The amounts used as the numerators in calculating basic and diluted earnings per share | 1,57,64,903 | -7,40,234 |
| Ordinary equity shares (number) | 500 | 500 |
| Instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future but were not included in the calculation of diluted earnings per share because they are antidilutive for the period(s) presented. | Nil | Nil |
| Earnings per equity share (for continuing operations) | | |
| a) Basic | 31,530 | -753 |
| b) Diluted | 31,530 | -753 |
| Earnings per equity share (for discontinued operations) | | |
| a) Basic | - | - |
| b) Diluted | - | - |
| Earnings per equity share (for discontinued & continuing operations) | | |
| a) Basic | 31,530 | -753 |
| b) Diluted | 31,530 | -753 |

NOTES TO FINANCIAL STATEMENTS

| Amount in Rs. | | |
|---|----------------------------|----------------------------|
| Particulars | As at end of 31-03-2023 | As at end of 31-03-2022 |
| 25 CONTINGENT LIABILITIES AND COMMITMENTS | | |
| (to the extent not provided for) | | |
| a) Contingent Liabilities: | | |
| i) Claims against the Company not acknowledged as debts | - | - |
| ii) Guarantees | - | - |
| iii) Letters of credit | - | - |
| iv) Tax demands under disputes | 20,60,778 | 31,79,354 |
| v) Other monies for which company is contingently liable | - | - |
| b) Commitments | | |
| i) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) | - | - |
| ii) Uncalled liability on shares and investments partly paid | - | - |
| iii) Other Commitments (Specify nature) | - | - |
| c) Arrears of fixed cumulative dividends on preference shares (including tax thereon) | - | - |
| | <u>20,60,778</u> | <u>31,79,354</u> |

1 The management believes, based on internal assessment and / or legal advice, that the probability of an ultimate adverse decision and outflow of resources of the Company is not probable and accordingly, no provision for the same is considered necessary.

2 PCKL is party to several cases filed against ESCOMs. The Legal cases pending against PCKL is only due to virtue of participation of the company while inviting bid documents for power purchase agreement between ESCOMs and power generators. Any liability arising on conclusion of the cases will be payable by ESCOMs being the purchaser of power and direct beneficiary of the contracts entered with. Therefore the company need not recognise any Liability or contingent liability as on 31.03.2022

POWER COMPANY OF KARNATAKA LIMITED**Notes to financial statements for the year ended March 31, 2023**

(All amounts Indian Rupees , except otherwise stated)

26. KEY RATIOS

| Particulars | For the year ended 31 March, 2023 | For the year ended 31 March, 2022 | Variance (in%) | Reasons for Variance |
|--|--------------------------------------|--------------------------------------|-------------------|---|
| | Rs. | Rs. | | |
| (a) Current Ratio | 1.00 | 1.00 | 0% | |
| (b) Debt Equity Ratio | 1061:1 | 1061:1 | -48% | |
| (c) Debt Service Coverage Ratio | 1.00 | 1.00 | 0% | |
| (d) Return on Equity Ratio | 3153% | -148% | -2230% | Due to Profit being recognised present year |
| - Net Profits after taxes – Preference Dividend (if any) | 1,57,64,903 | -7,40,234 | | |
| - Average Shareholder's Equity | 5,00,000 | 5,00,000 | | |
| (e) Inventory turnover ratio | NA | NA | NA | |
| (f) Trade Receivables turnover ratio | NA | NA | NA | |
| (g) Trade payables turnover ratio | NA | NA | NA | |
| (h) Net capital turnover ratio | NA | NA | NA | |
| (i) Net profit ratio | NA | NA | NA | |
| (j) Return on Capital employed | NA | NA | NA | |
| (k) Return on investment | NA | NA | NA | |

Explanation is provided for any change in the ratio by more than 25% as compared to the preceding year.

POWER COMPANY OF KARNATAKA LIMITED

27. EXPLANATORY NOTES

BACKGROUND

Government of Karnataka accorded approval in April 2007 for setting up of a Special Purpose Vehicle (SPV) viz., Power Company of Karnataka Ltd (PCKL) to supplement the efforts of KPCL in capacity addition. PCKL was incorporated on 20th August 2007 under the Companies Act, 1956 and commenced its business operations with effect from 16th October, 2007. The head office is situated at Kaveri Bhavan, Bangalore.

PCKL is responsible for capacity addition by way of establishing new power projects through bidding process, under Design Build Finance Operate & Transfer (DBFOT) i.e., Case-II bidding guidelines issued by Ministry of Power, GOI and long term/Medium term e-procurement of power under Design Build Finance Own & Operate (DBFOO)/ Finance Own & Operate (FOO)/ Case-I bidding guidelines of Ministry of Power, GoI.

PCKL was procuring power on behalf of the ESCOMs to meet Shortages. However, at present due to the surplus power scenario, PCKL has sold Power to other utilities. PCKL also co-ordinates with other States and Central Government agencies on power related issues as well as through the forum of SRPC.

OTHER NON-CURRENT LIABILITIES -

(Refer Note No- 14 of the Financial Statement)

Advance from Government of Karnataka (Unsecured Loan):

Government of Karnataka vide order No.EN 126 PPC 2008, Bangalore, dated 12.01.2009/16.6.2012 sanctioned Rs.142.12 Crore as loan for land acquisition of 1320 MWs Gulbarga Coal based Thermal power project and no interest/ finance charges applied thereon. The interest earned on deposit with DC, Gulbarga to an extent of Rs. 97,93,431/- utilised for land acquisition. In the Govt. Orders GoK authorised PCKL as Agency to collect this amount from the successful bidder and thereafter pay it back to the Government/Utilities as decided by the Government.

Company is in possession of 1601.13 acres of land required for the Gulbarga project acquired through District Commissioner, Gulbarga. The Bidding will be initiated as per the new bid document i.e., DBFOT basis after the allotment of Coal Block. Based on the approval of Energy Department, Govt. of Karnataka 50 acres of land was transferred to KPTCL for establishing 400 KV sub-station at Ferozabad, Gulbarga for evacuation of energy from the proposed project. The title deeds of 50 acres is yet to be transferred to KPTCL name.

In the meeting held on 8.1.2021 under the Chairmanship of Additional Chief Secretary, Energy Department, Gok, it was decided to develop solar park at Ferozabad in Kalaburgi Taluk, Kalaburgi District through private developers for sale of energy instead of coal based 1320 MW thermal project proposed earlier for which PCKL has acquired the land.

In the budget proposal for FY 2021-22 dated 26.3.2021 vide subject No 222, Government of Karnataka announced development of solar park by KREDL on the land held by PCKL on lease/rent basis. Miscellaneous expenditure incurred towards the project debited to the project head to have a clear depiction of total expenditure towards the project.

Gok in the order dated 03.08.2022 directed to transfer 1000 acre land to Textile Department for development of Textile Park and balance land used for developing solar park by KREDL

| (Amount in Rs.) | | |
|---|----------------------|----------------------|
| Particulars | 31-Mar-2023 | 31-Mar-2022 |
| Amount received from Govt. towards Land Acquisition - Gulbarga (Jewargi) | 142 12 00 000 | 142 12 00 000 |
| Amount payable to DC, Gulbarga towards land acquisition of Gulbarga power project | 15 81 89 619 | 15 81 89 619 |
| TOTAL | 157 93 89 619 | 157 93 89 619 |

INVESTMENT PROPERTY - (Controlled Special Purpose Entity)
(Refer Note No-4 and 4B, of the Financial Statement)

(Amount in Rs.)

| Particulars | Case II Project Expenditure as on 31-03-2023 | Case II Project Expenditure as on 31-03-2022 |
|---|--|--|
| Gulbarga Coal based thermal Power Projects | 54 76 70 674 | 54 74 46 246 |
| Gas based power projects - Belgaum | 0 | 0 |
| Gas based power projects - Gadag | 0 | 0 |
| TOTAL - A | 54 76 70 674 | 54 74 46 246 |
| Interest Free Advances to Contractors | 0 | 6 51 850 |
| TOTAL - B | 0 | 6 51 850 |
| TOTAL - A+B | 54 76 70 674 | 54 80 98 096 |

Belgaum & Gadag Gas based Projects - As per GoK order dated 14.03.2017 the proposed Gas based project to be set up at Belgaum, Gadag and Davanagere, the

same has been decided to cancel during the year. Hence the expenditure incurred towards these projects has been transferred to seed money.

All the indirect expenditure related to the above projects are recognised to the projects only except salary of project managers. The Employees on deputation cost will be recovered in the form of supervision charges from the successful bidder.

(Refer Note No-16, of the Financial Statement)

Others – Seed money from ESCOMS

Based on GoK order dated 15.06.2023 the seed money required from ESCOMS to discharge the payment of POSOCO-SRLDC charges and Legal charges.

The balances in seed money as on 31.03.2023 reflected in the books of accounts are as follows:

(Amount in Rs.)

| Particulars | 31-Mar-2023 | 31-Mar-2022 | Allocation Ratio as per MoU |
|--|--------------------|--------------------|--------------------------------|
| Seed Money received From ESCOMS | | | |
| - BESCOM | - 14 60 728 | 2 14 04 309 | 50% |
| - MESCOM | 0 | 71 31 496 | 15% |
| - CESC | 0 | 56 01 832 | 15% |
| - HESCOM | - 46 61 391 | 19 48 769 | 10% |
| - GESCOM | - 33 31 090 | 15 78 251 | 10% |
| TOTAL | - 94 53 209 | 3 76 64 657 | 10% |

During the year, the seed money balances of BESCOM, HESCOM and GESCOM is showing negative balance because of transfer of TDS. The Company is pursuing the Escoms to replenish the negative balance.

INCOME

As per GoK order No: Energy/83/PSR/2023 dtd 15.06.2023 Government has accorded approval for charging ESCOMs, fixed rate per unit as revenue for PCKL based on the volume of energy transacted during the year varying from 3 paise /unit to 80 paise/unit subject to maximum amount of Rs.20 crores per annum and to adopt the new accounting policy for recognizing the revenue stream of PCKL from 01.04.2022.

As per the above order revenue streams from ESCOMs is Rs.14,92,41,141/- for FY 2022-23.

Interest income from fixed deposits are as below:

| Particulars | 2022-23 | | | 2021-22 | | |
|--|--------------------|--------------------------------------|------------------------------------|--------------------|--------------------------------------|------------------------------------|
| | Total Income | Allocated to ESCOMs as on 31-03-2023 | Allocated to PCKL as on 31-03-2023 | Total Income | Allocated to ESCOMs as on 31-03-2022 | Allocated to PCKL as on 31-03-2022 |
| Interest on Deposits | 27 99 609 | 0 | 27,99,609.00 | 30 73 583 | 30 73 583 | 0 |
| Interest on Deposits (POSOCO) | - | 0 | - | 6,053 | 6,053 | - |
| Interest on Deposits-Power purchase | 2 90 15 834 | 0 | 2,90,15,834.00 | 1 54 17 037 | 1 54 17 037 | - |
| Interest on Deposits-Sweep of IEX | 32 47 876 | 0 | 32,47,876.00 | 4 65 669 | 4 65 669 | - |
| Interest on Deposits-Reactive Energy Charges | 0 | 0 | - | 0 | 0 | - |
| Miscellaneous receipts | 1 87 118 | 0 | 1,87,118.00 | 1 594 | 1 594 | - |
| Interest income for prior periods | 0 | 0 | - | 2 43 245 | 2 43 245 | - |
| TOTAL | 3 52 50 437 | 0 | 3 52 50 437 | 1 89 63 936 | 1 89 63 936 | 0 |

EMPLOYEE COST (on deputation)

(Amount in Rs.)

| Particulars | 2022-23 | | | 2021-22 | | |
|---|-------------------------------------|--------------------------------------|------------------------------------|-------------------------------------|--------------------------------------|------------------------------------|
| | Total Employee Cost (on deputation) | Allocated to ESCOMs as on 31-03-2023 | Allocated to PCKL as on 31-03-2023 | Total Employee Cost (on deputation) | Allocated to ESCOMs as on 31-03-2022 | Allocated to PCKL as on 31-03-2022 |
| Salaries - Regular Employees | 4 00 76 249 | 0 | 4 00 76 249 | 2 74 18 872 | 2 74 18 872 | 0 |
| Dearness Pay - Regular Employees | 1 35 78 094 | 0 | 1 35 78 094 | 1 24 07 034 | 1 24 07 034 | 0 |
| Dearness Allowances - Regular Employees | 1 72 09 270 | 0 | 1 72 09 270 | 88 21 099 | 88 21 099 | 0 |
| Other Allowances - Regular Employees | 10 66 332 | 0 | 10 66 332 | 15 85 048 | 15 85 048 | 0 |
| HRA - Regular Employees | 1 28 77 037 | 0 | 1 28 77 037 | 95 58 211 | 95 58 211 | 0 |
| CCA - Regular Employees | 2 50 094 | 0 | 2 50 094 | 2 27 492 | 2 27 492 | 0 |
| Exgratia | 3 10 359 | 0 | 3 10 359 | 2 10 000 | 2 10 000 | 0 |
| Medical expenses reimbursement | 1 60 335 | 0 | 1 60 335 | 6 32 078 | 6 32 078 | 0 |
| Earned Leave Encashment | 56 72 406 | 0 | 56 72 406 | 26 32 076 | 26 32 076 | 0 |
| Honorarium paid | 14 82 643 | 0 | 14 82 643 | 76 737 | 76 737 | 0 |
| Fees for staff training courses held by outsiders | 1 06 082 | 0 | 1 06 082 | 18 880 | 18 880 | 0 |
| Labour Welfare Fund | 360 | 0 | 360 | 300 | 300 | 0 |
| Other Welfare Expenses | 100 | 0 | 100 | 13 000 | 13 000 | 0 |
| Board Contribution under CPS | 41 99 664 | 0 | 41 99 664 | 25 73 561 | 25 73 561 | 0 |
| Pension & Gratuity contribution in respect of employees of KPTCL on deputation & payable to P&G trust | 3 28 24 024 | 0 | 3 28 24 024 | 2 16 84 846 | 2 16 84 846 | 0 |
| Pension & Gratuity contribution in respect of NDCPS employees | 40 37 177 | 0 | 40 37 177 | 0 | 0 | 0 |
| TOTAL | 13 38 50 226 | 0 | 13 38 50 226 | 8 78 59 234 | 8 78 59 234 | 0 |

ADMINISTRATIVE AND GENERAL EXPENSES

(Amount in Rs.)

| Particulars | 2022-23 | | | 2021-22 | | |
|--|--------------------|--------------------------------------|------------------------------------|--------------------|--------------------------------------|------------------------------------|
| | Total Expenditure | Allocated to ESCOMs as on 31-03-2023 | Allocated to PCKL as on 31-03-2023 | Total Expenditure | Allocated to ESCOMs as on 31-03-2022 | Allocated to PCKL as on 31-03-2022 |
| Repair & maintenance expenses | 2 56 044 | 0 | 2 56 044 | 1 20 810 | 1 20 810 | 0 |
| Rent payable to KPTCL | 15 13 049 | 0 | 15 13 049 | 13 86 000 | 13 86 000 | 0 |
| Telephone charges | 88 609 | 0 | 88 609 | 71 564 | 71 564 | 0 |
| Postal charges | 1 04 277 | 0 | 1 04 277 | 95 081 | 95 081 | 0 |
| Mobile charges | 1 43 388 | 0 | 1 43 388 | 2 08 226 | 2 08 226 | 0 |
| Courier Charges | 14 260 | 0 | 14 260 | 6 000 | 6 000 | 0 |
| Legal charges | 4 175 | 0 | 4 175 | 4 595 | 4 595 | 0 |
| Audit Fees | 6 40 740 | 0 | 6 40 740 | 6 71 700 | 6 71 700 | 0 |
| Consultancy Charges | 48 02 333 | 0 | 48 02 333 | 26 70 331 | 26 70 331 | 0 |
| PRDC report charges | | 0 | 0 | 16 99 200 | 16 99 200 | 0 |
| Other Professional Charges | 6 39 500 | 0 | 6 39 500 | 36 87 714 | 36 87 714 | 0 |
| Coal analysis charges | | 0 | 0 | 0 | 0 | 0 |
| Remuneration paid to contract agencies/services obtained | 60 31 361 | 0 | 60 31 361 | 36 20 748 | 36 20 748 | 0 |
| Payment made towards court fee | 0 | 0 | 0 | 0 | 0 | 0 |
| Conveyance charges | 1 506 | 0 | 1 506 | 0 | 0 | 0 |
| Travelling allowance to Employees | 8 31 993 | 0 | 8 31 993 | 39 891 | 39 891 | 0 |
| Vehicle Insurance Innova | 39 663 | 0 | 39 663 | 42 054 | 42 054 | 0 |
| Vehicle running expenses | 2 82 594 | 0 | 2 82 594 | 1 51 795 | 1 51 795 | 0 |
| Vehicle hiring expenses | 56 03 816 | 0 | 56 03 816 | 52 45 642 | 52 45 642 | 0 |
| Fees & subscriptions | 3 45 500 | 0 | 3 45 500 | 61 950 | 61 950 | 0 |
| Books, periodicals & dories | 12 940 | 0 | 12 940 | 31 755 | 31 755 | 0 |
| Printing & stationery | 3 79 453 | 0 | 3 79 453 | 2 23 080 | 2 23 080 | 0 |
| Advertisement Expenses | 2 24 431 | 0 | 2 24 431 | 2 82 299 | 2 82 299 | 0 |
| Computers Stationery and Memory storage mediums | 2 33 591 | 0 | 2 33 591 | 1 37 249 | 1 37 249 | 0 |
| Board meeting expenses | 41 009 | 0 | 41 009 | 7 03 711 | 7 03 711 | 0 |
| Miscellaneous expenses | 36 78 560 | 0 | 36 78 560 | 9 57 534 | 9 57 534 | 0 |
| Company professional tax paid to Commercial tax office | 2 500 | 0 | 2 500 | 2 500 | 2 500 | 0 |
| Annual expenditure of Southern Regional Power Committee | 10 74 324 | 0 | 10 74 324 | 13 13 832 | 13 13 832 | 0 |
| NOAR fees | 8 26 579 | 0 | 8 26 579 | | | |
| Projectwise expenditure | 13 380 | 0 | 13 380 | 0 | 0 | 0 |
| Bank charges | 2 651 | 0 | 2 651 | | | |
| TOTAL | 2 78 32 226 | 0 | 2 78 32 226 | 2 34 35 261 | 2 34 35 261 | 0 |

(Refer Note No-16, of the Financial Statement)

(a) Following table indicate position of advances received from ESCOMs towards purchase of the energy through Power Exchange of India Ltd. (PXIL) and Indian Energy Exchange (IEX) as on 31.03.2023

(b) Government of Karnataka in its Order No.EAN 56 PSR 2011 dated:22.11.2011 has directed PCKL to make payment towards Power System Operation Corporation (POSOCO) charges on behalf of all ESCOMs as per CERC Regulations 2011 and to collect these charges from concerned ESCOMs. Further PCKL has been arranging payment out of Seed money from ESCOMs. ESCOM wise balances reflected in the books of PCKL are as follows:-

| (Amount in Rs.) | | |
|---|----------------------|----------------------|
| (Debit , -Credit balances) | | |
| Particulars | 31-Mar-2023 | 31-Mar-2022 |
| Advance amount received for Power Purchase-BESCOM (IEX) | -93 04 06 061 | -169 27 57 561 |
| Advance amount received for Power Purchase-MESCOM (IEX) | -36 46 99 293 | -27 94 93 991 |
| Advance amount received for Power Purchase-CESC (IEX) | 5 89 59 031 | 16 69 38 972 |
| Advance amount received for Power Purchase-HESCOM (IEX) | 77 10 41 495 | 81 31 81 120 |
| Advance amount received for Power Purchase-GESCOM (IEX) | 35 68 87 062 | 33 59 32 875 |
| TOTAL -A | -10 82 17 766 | -65 61 98 585 |
| Advance amount received from ESCOMs towards SRLDC Charges | | |
| - BESCOM | 1 10 38 888 | 11 85 903 |
| - GESCOM | 27 35 722 | - 3 26 367 |
| - HESCOM | 47 95 925 | - 3 88 897 |
| - MESCOM | 16 87 414 | - 7 73 754 |
| - CESC | 21 38 135 | - 2 72 181 |
| TOTAL - B | 2 23 96 084 | - 5 75 296 |
| TDS (POSOCO) | - 3 310 | - 3 308 |
| Reactive Energy Charges Payable to ESCOMs | -62 21 39 118 | - 99 49 549 |
| Service tax payable to Central Govt. | 0 | |
| GST Deducted Payable to Central Govt. | -2 68 63 405 | 0 |
| Interest payable tot other southern states towards Reactive charges | 0 | - 2 98 929 |
| Amount Under Suspense Payable Towards Pp-IEX | - 1 002 | - 1 002 |
| TOTAL - C | -64 90 06 835 | -1 02 52 788 |

| | | |
|---|----------------------|-----------------------|
| Receivable / Payable towards power purchase through PXIL-BESCOM | 27 92 47 750 | -25 62 68 242 |
| Receivable / Payable towards power purchase through PXIL-MESCOM | -1 19 34 609 | -3 64 54 293 |
| Receivable / Payable towards power purchase through PXIL-CESC | 25 79 19 071 | - 27 17 094 |
| Receivable / Payable towards power purchase through PXIL-HESCOM | -26 62 51 058 | -50 28 97 692 |
| Receivable / Payable towards power purchase through PXIL-GESCOM | -26 31 72 320 | -27 23 10 420 |
| Unadjusted amount received from PXIL | 0 | - 13 42 955 |
| TOTAL - D | - 41 91 166 | -107 19 90 696 |
| TOTAL - A+B+C+D | -73 90 19 683 | -173 90 17 365 |

Disclosure regarding Related Party Transactions:-

| | | |
|--|---------------------------------|---------------------------------|
| Name of Related Party | V Krishnappa | Shobha MS |
| Nature of Relationship | Managing Director | Director (Commercial) |
| Details of Transactions | 01.04.2022 to 31.03.2023 | 01.04.2022 to 31.03.2023 |
| DA arrears, Exgratia & others | 52,797 | 33,186 |
| Post Employment Benefits - EL Encashments | 1,52,665 | 1,30,763 |
| Long term Benefits | - | - |
| Salaries | 32,83,177 | 31,06,061 |
| TOTAL | 34,88,639 | 32,70,010 |

Disclosure regarding Micro, Small and Medium Enterprises Development Act:-

Based on the information received from the enterprises from which the company has procured goods and services, there are no enterprises in the company's books which have registered or qualified to be registered under Micro, Small and Medium Enterprises Act, 2006 (MSME Act). Hence no disclosure in respect of accounts payable to such enterprises has been made in the financial statements as at 31st March 2023. Interest, if any, payable in accordance with the said Act, is not exempted the materials.

The company has not received any claims from the suppliers under the said Act.

Contingent Liability:

Contingent Liabilities not provided for in the accounts.

(Amount in Rs.)

| Assessment Year | Section | Demand Amount | Remarks |
|---|-----------|------------------|---|
| 2021-22 | 154 | 2,704 | Receipt of notice from DCIT, circle12(2), Bengaluru, regarding some discrepancies in the self assessment tax of respective years. Correspondence is being made with concerned Income Tax Authorities to rectify the mistakes. |
| 2011-12 (including accrued interest of Rs.10,63,794/-) | 143(1)(a) | 20,58,074 | |
| GRAND TOTAL | | 20,60,778 | Previous Year (2021-22) Rs.31,79,754/- |

For **Sharma & Pagaria**

Chartered Accountants,

FRN: 008217S

For and on behalf of the Board of Directors

Power Company of Karnataka

Sd/-

Pawan Pagaria

Partner

Membership No: 201781

UDIN: 23201781BGUZNK4178

Place: Bangalore

Date: 16.12.2023

Sd/-

Pankaj Kumar Pandey

Director

DIN: 03376149

Place: Bangalore

Date: 16.12.2023

Sd/-

V Krishnappa

Managing Director

DIN: 09197047

Place: Bangalore

Date: 16.12.2023

Note No. 28

Change of method for recognition of Revenue Stream of PCKL.

(A) Method of Revenue Stream recognition upto 31.03.2022

- i) The expenditure of corporate office of PCKL shall be met from the interest earned on the deposit of surplus funds of PCKL including power purchase amount or any other income earned from business operation. In case the interest so earned is not sufficient to meet expenditure of PCKL in any year, the same will be met from the seed money provided by ESCOMs.
- ii) Revenue expenditure of PCKL, other than depreciation, expenditure was allocated to ESCOMs as per MoU proportion and will be met out of Seed Money contributed by ESCOMs.
- iii) PCKL upto 31.03.2022 have not shown any profit / loss during the financial year, except depreciation or non-cash expenditures, until the accounting policy was modified or amended wef 01.04.2022.
- iv) Prior period amount due to PCKL shall be accounted on actual cash received basis during the year that results in cash flow to the PCKL since PCKL is dependent on the ESCOMs contribution towards seed money to meet day to day expenditure.
- v) The seed money shall be replenished by ESCOMs to PCKL wherever short fall arises.

(B) Revenue Stream of PCKLwef 01.04.2022 as per GoK order dated 15.06.2023

- (i) In order to raise the revenue stream of PCKL, the subject regarding fixing of percentage on the total sales / proceeds as income of PCKL on monthly basis was placed before 70th Board of Directors meeting held on 29.9.2022. The Board felt that the sale proceeds made in exchanges / different segments or through Deep-e-portal are not uniform year on year and as such suggested to bring suitable proposal considering all possibilities of sales charging fixed amount of fees from ESCOMs.
- (ii) The subject issue of requirement of source of income for carrying out its day-to-day activities and banking operations, was placed and discussed before the 71st PCKL Board of Director's Meeting held on 15.12.2022, wherein it was resolved as follows:
 - a) To seek approval from Government for charging ESCOMs a fixed rate per unit as revenue to PCKL based on the volume of energy transacted during the year varying from 80 paise/unit to 3 paise/unit subject to maximum amount of Rs.20 Crore.

- b) After obtaining approval from GoK, action may be taken for obtaining concurrence from ESCOMs and for entering into necessary MoU with ESCOMs for the same.
- c) To follow the procedure of recognizing the revenue stream of PCKL as said above with effect from 01.04.2022.
- (iii) Based on the decision taken by Board of Directors, PCKL in its letter dated 04.02.2023 requested the Government to accord approval for charging ESCOMs a fixed rate per unit as revenue to PCKL subject to a maximum of Rs.20 Crs per annum. After examining the proposal.
- (iv) GoK vide order dated 15.06.2023 accorded approval for charging ESCOMs a fixed rate per unit as revenue to PCKL based on the volume of energy transacted during the year varying from 3 paise / unit to 80 paise I unit subject to a maximum amount of. Rs.20 Crore per annum and to adopt the new accounting policy for recognizing the revenue stream of PCKL from 01.04.2022.

For **Sharma & Pagaria**
Chartered Accountants,
FRN: 008217S

For **and on behalf of the Board of Directors**
Power Company of Karnataka

Sd/-
Pawan Pagaria
Partner

Sd/-
V Krishnappa
Managing Director

Membership No: 201781
UDIN: 23201781BGUZNK4178

DIN: 09197047

Place: Bangalore
Date: 16.12.2023

Place: Bangalore
Date: 16.12.2023