

MAHAVITARAN

**MAHARASHTRA STATE
ELECTRICITY DISTRIBUTION CO. LTD.**

**1ST ANNUAL REPORT
2005 - 2006**



MAHAVITARAN

MAHARASHTRA STATE ELECTRICITY DISTRIBUTION CO. LTD.

1st Annual Report for the period 2005 - 2006

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MAHAVITARAN

BOARD OF DIRECTORS

Shri Asoke Basak, IAS (Retd.)

Chairman

Dr. A. B.P. Pandey, IAS

Managing Director

Shri Jayant Kawale, IAS

Shri Subrat Ratho, IAS

Shri Vinayak Rao, IAS

Director (Finance)

Shri A. D. Palamwar

Director (Operations)

COMPANY SECRETARY

Shri S. M. Mandke

BANKERS

Canara Bank

Bank of Maharashtra

Bank of India

AUDITORS

1. Ummed Jain & co.

Chartered Accountants

2. Khandelwal Jain & Associates

Chartered Accountants, Pune

3. Jodh Joshi & Co.

Chartered Accountants, Nagpur.

REGISTERED OFFICE :

Plot No. G-9, Prakashgad. Prof. Anant Kanekar Marg,
Bandra (East), Mumbai-400 051.



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MAHARASHTRA STATE ELECTRICITY DISTRIBUTION CO. LTD.

Registered Office :

Plot No. G-9, Prakashgad, Prof. Anant Kanekar Marg, Bandra (East)
Mumbai - 400 051.

NOTICE

Notice is hereby given that adjourned 1st Annual General Meeting of Maharashtra State Electricity Distribution Company Ltd., will be held on Friday, 17th August, 2007 at 12.30 p.m. at HSBC Bank Building, 3rd floor, M. G. Road, Mumbai - 400 001, to transact the following Ordinary business.

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet as at 31.03.2006, the Audited Profit and Loss Account for the period ended on that date, together with Auditors' Report, Directors' Report, replies on reservation/qualifications in Auditors' report, comments of the Comptroller and Auditor General of India and Management reply.

MSDCL

By order of the Board of Directors

For Maharashtra State Electricity Distribution Co. Ltd.

(S. M. Mandke)

Company Secretary

Place : Mumbai

Date : 17/08/2006

Regd. Office :

Plot No. G-9, Prakashgad, Prof. Anant Kanekar Marg,
Bandra (E), Mumbai - 400 051.



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Mumbai - 400 051.

NOTES :

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM DULY COMPLETED AND SIGNED MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.**
2. The 1st Annual General Meeting of Company was held on 28th November 2006 and was adjourned sine die on account of obtaining of comments from the Comptroller and Auditor General of India (CAG) u/s 619(3)(b) of the Companies Act, 1956. Now CAG has submitted his comments on the audited Accounts for the period ended 31st March 2006.
3. All documents referred to in the Notice are open for inspection at the Registered Office of the Company during office hours till the date of this Annual General Meeting.



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PROXY FORM

I _____ being a Member of Maharashtra State Electricity Distribution Company Ltd., do hereby appoint _____ of (or failing him) _____ of _____ as my proxy to attend and vote for me and on my behalf at the adjourned 1st Annual General Meeting of the Company to be held on Friday, 17th August 2007, at 12.30 p.m. at HSBC Bank Building, 3rd floor, M.G. Road, Mumbai - 400 001 and at any adjournment thereof.

As witness my hand this _____ day of _____ 2007.

Revenue
Stamp

Signature

Notes :

1. The proxy need not be a member.
2. The proxy form must be deposited at the Registered office of the Company not less than 48 hours before the time fixed for holding the meeting.



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Mumbai - 400 051.

NOTICE

Notice is hereby given that the 1st Annual General Meeting of Maharashtra State Electricity Distribution Company Ltd. will be held on Tuesday, 28th November, 2006, at 4.00 p.m. at HSBC Bank Building, 3rd floor, M. G. Road, Mumbai-400 001, to transact the following Ordinary and Special business.

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet as at 31.03.2006, the Audited Profit and Loss Account for the period ended on that date, together with Auditors' Report and the Directors' Report.
2. To appoint a Director in place of Shri Vinayak Rao who retires by rotation, but being eligible, offers himself for reappointment.
3. To consider and if deemed fit to pass with or without modification the following as an Ordinary Resolution.

"RESOLVED THAT pursuant to the provisions of Section 224(8)(aa) read with section 619(2) and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby fix Rs. 20 lakhs as total auditors remuneration, subject to Income tax and Service tax, in addition to reimbursement of out of pocket expenses upto a total limit of Rs. 3 lakhs, payable to the Statutory Auditor/Statutory Auditors of the Company appointed by the Comptroller and Auditor General of India, u/s 619(2) of the Companies Act, 1956, in respect of Company's financial year commencing from 1st April, 2006 to 31st March, 2007.

FURTHER RESOLVED THAT Managing Director of the Company be and is hereby authorized to do all acts, deeds and things for giving effect to this resolution."

SPECIAL BUSINESS :

4. Appointment of Dr. A.B.P. Pandey as Director.

To appoint a Director in place of Dr. A. B. P. Pandey who holds office upto the date of this Annual General Meeting in terms of section 260 of the Companies Act, 1956, read with Article 82 of the Articles of Association of the Company and being eligible offers himself for appointment.



MAHAVITARAN

5. Appointment of Shri Asoke Basak as Director.

To appoint a Director in place of Shri Asoke Basak who holds office upto the date of this Annual General Meeting in terms of section 260 of the Companies Act, 1956, read with Article 82 of the Articles of Association of the Company and being eligible offers himself for appointment.

6. Appointment of Shri Jayant Kawale as Director.

To appoint a Director in place of Shri Jayant Kawale who holds office upto the date of this Annual General Meeting in terms of section 260 of the Companies Act, 1956, read with Article 82 of the Articles of Association of the Company and being eligible offers himself for appointment.

7. Appointment of Shri Subrat Ratho as Director.

To appoint a Director in place of Shri. Subrat Ratho who holds office upto the date of this Annual General Meeting in terms of section 260 of the Companies Act, 1956, read with Article 82 of the Articles of Association of the Company and being eligible offers himself for appointment.

8. Appointment of Shri A. D. Palamwar as Director.

To appoint a Director in place of Shri. A. D. Palamwar who holds office upto the date of this Annual General Meeting in terms of section 260 of the Companies Act, 1956, read with Article 82 of the Articles of Association of the Company and being eligible offers himself for appointment.

By order of the Board of Directors

For Maharashtra State Electricity Distribution Co. Ltd.

(S. M. Mandke)

Company Secretary

Place : Mumbai

Date : 18/11/2006

Regd. Office :

Plot No. G-9, Prakashgad, Prof. Anant Kanekar Marg,
Bandra (E), Mumbai - 400 051.



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Mumbai - 400 051.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM DULY COMPLETED AND SIGNED MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. Explanatory statement pursuant to section 173 (2) of the Companies Act, 1956 in respect of item Nos. 4 to 8 of special business is annexed hereto.
3. The Companies Act, 1956, provides that in case of a Government Company, the Comptroller and Auditor General of India (CAG) shall appoint/reappoint the Statutory Auditors of the Company u/s 619 (2) of the Companies Act, 1956. Further the remuneration of the Statutory Auditors of a Government Company will be fixed by the Members in General Meeting or in such manner as the General Meeting may determine. The CAG has re-appointed M/s Ummed Jain & co., Chartered Accountants, Mumbai, Khandelwal Jain & Associates, Chartered Accountants, Pune and Jodh Joshi & Co., Chartered Accountants, Nagpur, as Joint Statutory Auditors of the Company for the year 2006-07, vide their letter no. CA.V/COY/MAHARASHTRA, MSEDCL(3)/688 dated 17/7/2006

In pursuance of the above and as per section 224 (8) (aa) read with section 619 (2) of the Companies Act, 1956 the Members are requested to fix auditors' remuneration of Rs. 20 lakhs (total), subject to tax and service tax, payable to the Statutory Auditor / Statutory Auditors of the Company, in respect of Company's financial year, commencing from 1st April 2006 to 31st March 2007. Further, out of pocket expenses upto a total limit of Rs. 3 lakhs, will be reimbursed to the Statutory Auditor / Statutory Auditors which will be in addition to the above remuneration, as set out in the Ordinary Resolution. The proposed remuneration and reimbursement of out of pocket expenses are same as per the previous year 2005-06.
4. All documents referred to in the Notice are open for inspection at the Registered Office of the Company during office hours till the date of this Annual General Meeting.



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Mumbai - 400 051.

EXPLANATORY STATEMENT PURSUANT TO SECTION

173 (2) OF THE COMPANIES ACT, 1956.

Item No. 4,

Dr. A. B. P. Pandey, I.A.S., nominee of Government of Maharashtra was appointed as an additional Director and Managing Director of the Company on 27th October, 2006. Dr. Pandey is B.E. (I.I.T Kanpur) and M.S. Phd. (USA) Dr. Pandey is a member of Indian Administrative Service. In terms of the provisions of Section 260 of the Companies 1956, read with Article 82 of the Articles of Association of the Company. Dr. Pandey holds office upto the date of the forthcoming Annual General Meeting of the Company.

Except Dr. Pandey and other nominee Directors of Government of Maharashtra, no other Director is concerned or interested in this Resolution.

Your Directors recommend this Ordinary Resolution for your approval.

Item No. 5

Shri Asoke Basak, IAS (Retd), was appointed as an additional Director of the Company on 12th July, 2005 and elected as Non-Executive Chairman. Shri Basak retired as Chairman of erstwhile Maharashtra State Electricity Board, In terms of the provisions of Section 260 of the Companies Act 1956, read with Article 82 of the Articles of Association of the Company, Shri Asoke Basak holds office upto the date of the forthcoming Annual General Meeting of the Company.

Except Shri Asoke Basak no other Director is concerned or interested in this Resolution.

Your Directors recommend this Ordinary Resolution for your approval.

Item No. 6

Shri Jayant Kawale, I.A.S. Principal Secretary (Energy), Government of Maharashtra, a nominee of Government of Maharashtra was appointed as an additional Director of the Company on 27th October, 2006. Shri. Kawale was a Chairman of erstwhile Maharashtra State Electricity Board and was Managing Director of MSEB Holding Company Ltd. and Maharashtra State Electricity Transmission Company Ltd. and Director in the Company and Maharashtra State Power Generation Company Ltd. He is a senior member of Indian Administrative Service. In terms of the provisions of Section 260 of the Companies Act.



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EXPLANATORY STATEMENT PURSUANT TO SECTION

173 (2) OF THE COMPANIES ACT, 1956.

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Dr. A. B. P. Pandey, I.A.S., nominee of Government of Maharashtra was appointed as an additional Director and Managing Director of the Company on 27th October, 2006. Dr. Pandey is B.E. (I.I.T Kanpur) and M.S. Phd. (USA) Dr. Pandey is a member of Indian Administrative Service. In terms of the provisions of Section 260 of the Companies 1956, read with Article 82 of the Articles of Association of the Company. Dr. Pandey holds office upto the date of the forthcoming Annual General Meeting of the Company.

Except Dr. Pandey and other nominee Directors of Government of Maharashtra, no other Director is concerned or interested in this Resolution.

Your Directors recommend this Ordinary Resolution for your approval.

Item No. 5

Shri Asoke Basak, IAS (Retd), was appointed as an additional Director of the Company on 12th July, 2005 and elected as Non-Executive Chairman. Shri Basak retired as Chairman of erstwhile Maharashtra State Electricity Board, In terms of the provisions of Section 260 of the Companies Act 1956, read with Article 82 of the Articles of Association of the Company, Shri Asoke Basak holds office upto the date of the forthcoming Annual General Meeting of the Company.

Except Shri Asoke Basak no other Director is concerned or interested in this Resolution.

Your Directors recommend this Ordinary Resolution for your approval.

Item No. 6

Shri Jayant Kawale, I.A.S. Principal Secretary (Energy), Government of Maharashtra, a nominee of Government of Maharashtra was appointed as an additional Director of the Company on 27th October, 2006. Shri. Kawale was a Chairman of erstwhile Maharashtra State Electricity Board and was Managing Director of MSEB Holding Company Ltd. and Maharashtra State Electricity Transmission Company Ltd. and Director in the Company and Maharashtra State Power Generation Company Ltd. He is a senior member of Indian Administrative Service. In terms of the provisions of Section 260 of the Companies Act.



1956, read with Article 82 of the Articles of Association of the Company. Shri Kawale holds office upto the date of the forthcoming Annual General Meeting of the Company.

Except Shri Kawale and other nominee Directors of Government of Maharashtra, no other Director is concerned or interested in this Resolution.

Your Directors recommend this Ordinary Resolution for your approval.

Item No. 7

Shri Subart Ratho, nominee of Government of Maharashtra was appointed as an additional Director of the Company on 7th July 2006 Shri Ratho is a member of Indian Administrative service. In terms of the provisions of Section 260 of the Companies Act 1956 read with Article 82 of the Articles of Association of the Company. Shri. Ratho holds office upto the date forthcoming Annual General Meeting of Company.

Except Shri Ratho and other nominee Directors of Government of Maharashtra no other Director is concerned or interested in this Resolution.

Your Directors recommend this Ordinary Resolution for your approval.

Item No. 8

Shri A. D. Palamwar was appointed as an additional Director of the Company effective from 10th June, 2005 and designated as Director (Operations) from 10th June, 2005. Shri. Palamwar is B.E. and D.B.M. He has 35 years experience in electricity industry. In terms of the provisions of Section 260 of the Companies Act, 1956 read with Article 82 of the Articles of Association of the Company, Shri Palamwar holds office upto the date of the forthcoming Annual General Meeting of the Company.

Except Shri Palamwar no other Director is concerned or interested in this Resolution.

Your Directors recommend this Ordinary Resolution for your approval.

By order of the Board of Directors

For Maharashtra State Electricity Distribution Co. Ltd.

(S. M. Mandke)

Company Secretary

Place : Mumbai

Date : 18/11/2006



DIRECTORS' REPORT

TO

The Shareholders,

Your Directors present the First Annual Report of your Company alongwith the Audited Statement of Accounts and the Auditors' Report for the financial period commencing from 6th June, 2005 to 31st March, 2006. The Supplementary Audit report/Test Audit report will be circulated to the Members when received from the Comptroller and Auditor General of India.

Financial Results :

The Financial Results for the period under review being the 1st year, is as under :

(Rs. in Lakhs)

Particulars	2005-06
Total Revenue	1425135
Profit before Depreciation, Interest, Finance Charges & Taxes	61153
Depreciation	41607
Interest & Finance Charges	33911
Less : Expenses Capitalised	-----
Interest & Finance Charges	1969
Other Expenses	10806
Other Debits	28740
Extraordinary Items	11
Profit/(Loss) before Tax	(30341)
Provision for Tax	0
Profit/(Loss) after Tax	(30341)

Dividend :

Your Company has not earned profit during the period under review. Therefore, your Directors express their inability to declare any dividend.

The Electricity Act, 2003 and Transfer Scheme :

As per the decision taken by Government of Maharashtra (GoM) pursuant to the provisions of section 131,133 and 134 of part XIII of Electricity Act, 2003, (Act), relating to Reorganisation of Board, GoM had notified the Maharashtra Electricity Reforms Transfer Scheme, 2005 (Transfer Scheme), vide Notification No. Reform 1005/CR-9061(2)/Energy5 dated 4th June, 2005, thereby restructured



erstwhile Maharashtra State Electricity Board (MSEB) into 4 companies viz, Maharashtra State Electricity Distribution Company Ltd., (MSEDCL), Maharashtra State Power Generation Company Ltd., (MSPGCL), Maharashtra State Electricity Transmission Company Ltd. (MSETCL) and MSEB Holding Company Ltd., (MSEBHCL), w.e.f. 6th June, 2005. GoM holds all shares in your company through its nominees.

The Transfer scheme provides for vesting of all functions, business and undertakings forming part of Distribution Undertaking as set out in Schedule 'C' of the Transfer Scheme in your Company with effect from 6th June, 2005. The Transfer Scheme provides that it shall be provisional for a period of one year w.e.f. 6th June, 2005 and on expiry of one year period it shall become final, subject to any directions given by GoM. GoM had issued directions on 2nd June 2006, extending the Transfer Scheme beyond 5th June, 2006 till final order.

Change of Name :

During the year, your Company had changed its name from Maharashtra State Distribution Company Ltd. to Maharashtra State Electricity Distribution Company Ltd., w.e.f. 29/12/2005, vide fresh Certificate of Incorporation consequent on Change of Name, issued by the Registrar of Companies, Maharashtra, Mumbai, so as to reflect the main activity of the Company.

Operational Performance :

During the 1st year of operation, the Company had sold 40554 MUs of energy of all categories of consumers, fetching revenue of Rs. 1362804 Lakhs and earned a profit before Depreciation, Interest, Finance charges & Taxes of Rs. 61153 lacs. However, after providing for Depreciation, Interest, Finance charges, Other debits and Extraordinary Items, the Loss Before & After Tax was Rs. 30341 lacs, which was mainly attributable to high AT & C losses, purchase of high cost power partly disallowed by MERC in pass through and increase in costs across the boards. In view of loss, your Directors have not recommended dividend. The distribution losses for the FY 2005-06 were 31.78%. In order to reduce losses and improve collection efficiency, your Board has taken number of initiatives including a proposed Distribution Franchisee model, as a pilot project. In furtherance, your Board has approved in principle appointment of M/s Torrent Power Ltd., as Distribution Franchisee for Bhiwandi Circle. A formal contract has been signed on 20-12-2006. The Company has undertaken drives to detect theft of power and initiated prosecutions in number of cases. The State government of Maharashtra has recently established special police stations to detect and curb power theft, which is threatening the very survival of DISCOMS.



Highlights

Your Company continued its efforts to strengthen its distribution system and has established new sub-stations, augmented existing sub-stations and released connections, during the period under review, as listed below :-

Sr. No.	Particulars	Unit	2005-06
1	33 KV Sub-station (New)	No./MVA	64/418.90
2	33 KV Substation Augmentation	No./MVA	41/149.75
3	33 KV Line	Ckt - Km	917-55
4	22 KV Line	Ckt - Km	303-51
5	11 KV Line	Ckt. - Km	4074-96
6	Harijan Basties	Nos.	NIL
7	Kutir Jyoti connections	Nos.	10064
8	Ag. Connections released	Nos.	79466

Tariff :

The MERC tariff order dated 1/12/2003 was applicable for the year 2005-06. The Company had submitted tariff revision proposal during the FY 2006-07. In accordance with Electricity Act, 2003, MERC fixed the tariff for 2006-07 and issued tariff order on 29/9/2006, which is effective from 1/10/2006 to 31/3/2007. MERC has directed the Company to submit Multi year Tariff (MyT) proposal for next 3 years (2007-08 to 2009-10) before 30th November 2006.

APDRP Schemes :

APDRP Schemes were launched by MoP, Govt. of India in the financial year 2001-02. The scheme is focused on strengthening the existing electric network and improvement of consumer's satisfaction in urban area. This scheme covers work related to creation of new Substation with 33 & 11 kV Line, Distribution Transformers, installation of HT/LT capacitor, re-conductoring of existing feeders for enhancing their capacity, R & M of 33 KV S/S, Renovation of DTC, Enhanced SCADA etc.

Under above scheme 25% cost of scheme is a subsidy from Govt. of India and balance 75% counter part funding is required to be arranged by DISCOM from its own resources or loan assistance from financial institutions.

At present, 20 nos. of APDRP Schemes for an amount of Rs. 1136.54 Crores are under execution and works, except replacement of meters are almost complete. Further, Enhanced SCADA for 10 Towns under APDRP is also under execution, amounting to Rs. 28.65 Crores. The total expenditure upto March 2006 against these 20 Schemes is Rs. 533.2 Crores.



Further, in respect of 11 Schemes, the Tenders on turn-key are invited and orders are under process. The cost of these 11 Schemes is Rs. 359.58 Crores.

Also 22 Schemes are submitted to Govt. of India for sanction under APDRP. The cost of these 22 schemes is Rs. 272.27 Crores.

Measures for Reduction of AT & C Losses :

Theft of electricity continue to be main cause of concern for the Company. The T & D losses both technical and non technical are the single largest cause for the huge losses incurred by the power sector. High T & D losses, particularly due to theft of electricity weaken the financial condition of Discoms to a great extent. In order to deal with the situation, your Company has taken several important steps, some of them are stated as under :

- 1) At present there are 36 flying squads working under Directorate of Vigilance and Security. In addition to this, about 120 Special Squads at O & M Divisional Level have been established.
- 2) Govt. of Maharashtra vide its CR No. POS/3603/12/PK/Pol-3 dt. 31/01/2006 has recently created six dedicated police stations at Kalyan, Pune, Nasik, Jalna, Latur and Nagpur in theft prone areas to deal with the investigation of theft of energy cases.

All these Police Stations have started functioning since September 2006. Regular and special drives were organized for checking the consumers installations during the year 2005-2006. About 3633 theft cases were detected by Flying Squads under Director of Vigilance & Security and total 27145 theft cases were detected by O & M Divisions of the Company.

- 3) To encourage the flow of information regarding illegal and unauthorized use of electricity and theft of energy, the sources of network have been created. As an incentive to them 5% of the recovered amount from the assessed amount towards theft of energy is paid to them.
- 4) Special checking during night hours were organized to detect theft of energy.
- 5) Organized special drives for checking of Highway Dhabas, large commercial complexes, showrooms, petrol pumps, ice factories, poultry farms etc.
- 6) EDP data sheet, MRI, Energy Audit are studied and analysis are carried out to find out the suspected consumer, who are indulging in theft of energy.
- 7) Check meter in series are installed for suspected consumer and kept under observations to find out whether the consumer indulge in theft of energy or otherwise.
- 8) Appeal to general public regarding providing information about illegal and unauthorized use of electricity and theft of energy.
- 9) Replacement of electro-mechanical, stopped meter and burnt meter by electronic meter.
- 10) LT less system being implemented in rural area by installing Transformers.



Future Plans :

During the financial year under review, your Company has decided to upgrade and strengthen its distribution network infrastructure and prepared a 5 year mega Infrastructure Plan 2006-2007 to 2010-2011, which is being undertaken in a phased manner. In furtherance of the Infrastructure Plan, your Company has decided to invest about Rs. 14,524 crores in the current year and 2007-2008 and has tied up financial assistance by way of term loans from Term Lending Institutions. Your Company strongly believes that the aforesaid Infrastructure Plan on implementation at the end of 5th year in 2010-2011 would considerably enhance the profitability of the Company, provide a reliable and efficient service to the esteemed consumers and remain competitive in an open access regime.

IT related activities and Initiatives :

Level of IT in the Company

Following Computerized Systems have been implemented in the Company :-

a)	HT Billing System	12,522 Consumers
b)	LT Billing System	1,40,66,409 Consumers
c)	Financial Accounting System	129 Divisional Offices
d)	Payroll	129 Divisional Offices
e)	CPF	71,886 Employees
f)	Board's Accounts	H.O.
g)	Store Management System	11 Stores
h)	Spot Billing System	20 Lakh Consumers
i)	Loan Accounting System	H.O.
j)	E-Tendering	H.O.

A Consumer Monitoring System (CMS) has been developed for managing the metering -billing-payment collection cycle at the subdivisional level. It also helps in Energy Auditing at the Distribution Transformer level. So far, an energy audit is being carried out for 55080 distribution transformers. There is a Financial Energy Management System (FEMS) for energy accounting at the feeder level for calculating losses. Currently, energy accounting carried out for 6019 feeders.

IT Initiatives

As part of its IT initiative, your Company is implementing Integrated MIS. This system has got six modules in the 1st phase.

- System Architecture
- Consumer System
- Energy Accounting
- Scheme Planning and Budgetary Control
- Stores / CPA / Stores Billing
- Finance & Loan Accounting



1st Phase of MIS is in the stage of User Acceptance Test. Out of these, Consumer System and Energy Accounting System are now ready for deployment.

The 2nd Phase consists of following modules :-

- Human Resources Development
- Payroll
- Contributory Provident Fund System
- Asset Management System
- Vigilance
- Legal
- Estate Management
- Pole Factory
- Materials Management
- Labour & Industrial Relations

SCADA :

Your Company is implementing SCADA to provide an integrated solution in distribution system in urban areas in 10 towns.

AMR :

It is planning to capture automated meter reading (AMR) of all HT Consumers, high value LT Consumers and distribution transformers.

Call Centers :

It has brought in various IT initiatives to improve its performance and be more consumer oriented. It has 10 call centers and another 5 are ready to start operation.

CFC :

It is establishing Consumer Facilitation Centers (CFC) at 50 Sub-Divisional Offices. These will provide necessary services to solve the billing complaints, fuse call complaints, release new service connections etc. In 2006-07, your Company proposes to implement these services at remaining 501 sub-divisional offices.

ATP :

It has also installed 50 "Any time" Payment machines, tender has been issued for another 67 machines.

Spot Billing :

Using intelligent hand-held terminals Spot Billing is introduced in Urban areas for Residential and Commercial consumers to issue bills on the spot after taking the meter readings for early revenue realization. So far 20 Lakh Consumers have been covered.

**Data Center :**

To implement and integrate above systems, Data Center is being established with Communication Backbone. The tender for Data Center is under process. To establish the Communication Backbone. LOI has been placed with M/s. BSNL. Nearly 700 offices will be connected within next 6 months.

Consumer Services :

Your Company's website-www.mahadiscom.in-extends many services to consumers. For example, bill information and its payment is possible, as well as application forms for new connections are available on the site. Different kinds of electronic payment options are available. Consumers no longer need to stand in the queue; instead, they can pay via internet through HDFC Bank, ICICI Bank and other Banks.

Bills can also be paid through dotcom companies such as billdesk.com or billjunction.com and through Company's website by credit card and net banking from banks including ABN Amro, Bank of India, IDBI Bank, Indusland, Punjab National Bank, State Bank of India, Union Bank of India and UTI Bank.

Consumer Grievance Redressal :

The Company has established Consumer Grievance Redressal forums (CGRF) at 11 Zonal Headquarters for redressal of grievances. the CGRF have been established as per directives of MERC.

The Company has established 15 call centers, and 8 customer facilities centers (CFC) at urban sub-divisions. The call centers solves fuse off call complaints. The CFC are also solving other complaints (e.g. billing, new connections etc.)

Grievance Redressal & Welfare of Employees :

The Directors are happy to state that the industrial relations between the Company and its employees remained cordial throughout the year. The revision of pay scales of employees to erstwhile MSEB was due from April 1st 2003, but the actual revision has been taken place after an agreement with the erstwhile M.S.E.B. and the Employees Unions on 2nd June 2005. As per agreement, the payment of first installment of arrears against revision of pay scales have been paid in October 2005 and July 2006. These arrears have been paid, as per the directives of M.E.R.C. by increase in the efficiency of the employees of the Company. The payment of second installment is due in April 2007. Here also the parameters of efficiency have been implemented i.e. reduction in line losses by 3% and increase in collection efficiency by 2% in the financial year 2006-07 over the corresponding figures of the year 2005-06.

During the year under review several steps have been taken for grievance redressal and welfare of the employees. Some important steps are as under :

All the Field Officers are directed from time to time to conduct the grievance meetings with the major Unions at Division, Circle and Zonal levels. The minor Unions / any employee can approach the officers of Labour and Industrial Relations Department and get redressed their grievances. During the grievance meetings, the grievances i.e. the issues arising out of day to day workings, fixation of pay, seniority, promotion, posting, higher graded benefit, unsettled/pending monetary claims, etc. are



discussed and settled. This machinery has been found very effective in not only settling grievances of the employees, but also is indicated as important measure in establishing the harmonious industrial relations between the working class and their superiors. This has resulted in increase in collection of revenue and also reduction in line losses over the corresponding year.

The sports and drama competitions are also conducted in which all the employees of the Company can take part and shown their caliber. As a result of this, some of our sportsmen have shown their calibers at National/International level in some of the events and also some of the artists have proved their caliber with their work in the several serials shown on Televisions and also some of them are regularly working in pictures as well.

Other Welfare Measures to improve efficiency and productivity :

- 1) The facility of reimbursement of Mobile Phone charges have been extended to some of the Officers and Engineers working in the field as well as in the Corporate Office with certain annual ceiling according to their nature of duties, by issuing various Administrative Circulars.
- 2) Engineers and Officers working in the field who have to perform the journey frequently in their jurisdiction have been provided with the facility of hiring vehicle upto certain limits with the approval of the Chief Engineer concerned. (Letter No. GAD/O&M/F.No.674/2161 dt. 15/9/2005).
- 3) The Esst. Officers and Dy. Esst. Officer of the Zone have been provided with independent P.C. (Adm. Circular No. 11 dt. 29/11/2005).
- 4) Rain Suit have been provided instead of Rain Coat to the eligible staff. (Adm. Circular No. 15 dt. 9/01/2006)
- 5) Grant of advance for purchase of PC/Laptop. (Adm. Circular No. 18 dt. 7/2/2006).
- 6) Grant of additional increment on acquiring higher post graduate qualification while in service under S.R. 103 to employees in Publicity cadre. (Adm. Circular No. 25 dt. 7/3/2006).
- 7) Lifted embargo put on Competent Authorities regarding non-refusal of leave applied alongwith encashment. (Adm. Circular No. 32 dt. 31/3/2006)
- 8) Delegated financial power to the Officer in Publicity cadre to incur expenditure on entertainment, photographs and hired vehicles (Adm. Circular No. 29 dt. 29/03/2006)
- 9) Extended the facility of I.T.I. Training to the non qualified dependents of the deceased employees for appointment to the post of Jr. technician (Line Helper), Cost of Training is initially incurred by the Company. (C.S.No. 1 dt. 22/3/2005 to G.O. 159 (P) dt. 30/6/2004)
- 10) Voluntary Retirement Scheme for Line staff and appointment to their wards as "Veej Sevak" on contract basis. (G.O.No. 162 (P) dt. 15/3/2005).
- 11) Extended facility of category wise classification for accommodation in the Hospital for taking treatment. (Adm. Circular No. 31 dt. 29/3/2006).



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Auditors :

Pursuant to the provisions of Section 619 of the Companies Act 1956, the Comptroller & Auditor General of India, New Delhi had appointed M/s. Ummed Jain & Co., Chartered Accountants, Mumbai, M/s. Khandelwal Jain & Associates, Chartered Accountants, Pune, and M/s. Jodh Joshi & Co., Chartered Accountants, Nagpur, as the Statutory Auditors of the Company for the year 2005-2006. The report of the Statutory Auditors is appended to the Balance Sheet and Profit & Loss Account. The Auditors have expressed their reservations and qualifications mainly on account of non-adherence to Schedule VI and applicable Accounting Standards under the Companies Act, 1956. Your Company was a part of Distribution Undertaking of erstwhile Maharashtra State Electricity Board (MSEB) and had come into existence pursuant to the provisions of Electricity Act, 2003 (Act), and Transfer Scheme notified by Government of Maharashtra effective from 6th June 2005. MSEB was State Electricity Board (SEB) formed under the Electricity (Supply) Act 1948, (ESA). The Act had repealed the ESA, however, the Act has saved the provisions relating to Accounts subordinated under section 69(I) of the ESA, i.e. rules framed under the said section viz Electricity (Supply) Annual Accounts Rules, 1985, (ESSAR) governing accounts of SEBs, till they are rescinded or modified. As these provisions have not yet rescinded or modified, your company has followed ESSAR in preparing its Accounts under review. Your Board has considered the same and appropriate disclosures have been made in the Notes to Balance Sheet as at 31st March, 2006. The replies of the Board to the reservations and qualifications of the Statutory Auditors are enclosed as an Annexure 'A' to the Directors' Report.

The Supplementary / Test Audit Report of Comptroller & Auditor General of India (CAG) will be circulated to the Members along with replies of the Management, as and when received from CAG.

In pursuance of the provisions of the Companies Act 1956, Central Government has re-appointed M/s. Ummed Jain & Co., Chartered Accountants, Mumbai, M/s. Khandelwal Jain & Associates, Chartered Accountants, Pune and M/s. Jodh Joshi & Co., Chartered Accountants, Nagpur, as the Statutory Auditors of the Company for the year 2006-07.

Cost Audit :

During the year, Central Government had ordered cost audit in respect of distribution and retail supply of electricity for the financial year ending 31/03/2006 and also for every financial year thereafter. In pursuance of Cost Audit Order, the Board of Directors of the Company had appointed M/s. Y. R. Doshi & Co. Cost Accountants, to conduct the Cost Audit for the year 2005-2006, subject to the approval of the Central Government. The Central Government had accorded its approval. The Cost Audit Report for the year 2005-06 is yet to be received from M/s. Y. R. Doshi & Co., Cost Accountants. As per the continuous requirement of Cost Audit, your Board of Directors has appointed M/s. Kedia & Company, Cost Accounts and M/s. M.R. Pandit & Co., Cost Accountant, as Cost Auditors for the year 2006-07, subject to the approval of Central Government, which has been since received.



Directors :

Shri. Asoke Basak, IAS (Retd.) had been appointed as an Additional Director of the Company w.e.f. 12/07/2005. Shri. Basak was elected as Non-Executive Chairman w.e.f. 12/07/2005, consequent upon the resignation of Shri B. P. Pandey, IAS, as Chairman of the Company.

Shri B. P. Pandey, IAS resigned as Director of the Company w.e.f. 24/01/2006.

Shri Jayant Kawale, IAS resigned as Director of the Company w.e.f. 29/06/2006.

Shri Subrat Ratho, IAS was appointed as an Additional Director of the Company w.e.f. 07/07/2006.

Shri A. D. Palamwar was appointed as an Additional Director of the Company w.e.f. 10/06/2005 and designated as Director (Operations) of the Company.

Dr. Bhagwan Sahai, IAS, Secretary (Energy), Government of Maharashtra was appointed as an Additional Director of the Company w.e.f. 7/02/2006. Dr. Sahai resigned as a Director of the Company w.e.f. 31/10/2006, consequent upon his transfer, by GoM.

Shri Jayant Kawale, IAS was appointed as an Additional Director of the Company w.e.f. 27th October 2006, consequent to his appointment as Principal Secretary (Energy), Industries, Energy & Labour Department, Govt. of Maharashtra.

Shri Sanjay Bhatia, IAS was nominated as Managing Director of the Company w.e.f. 17/06/2005, by Government of Maharashtra (GoM). Shri. Bhatia was appointed as an Additional Director and Managing Director of the Company w.e.f. 17/06/2005. Shri. Bhatia resigned as Director and Managing Director of the Company w.e.f. 27/10/2006, consequent upon his transfer, by GoM.

Dr. Ajay Bhushan Prasad Pandey, IAS was appointed as an Additional Director and Managing Director w.e.f. 27th October 2006, consequent to his nomination by Govt. of Maharashtra, as Director and Managing Director of the Company.

In accordance with Article No. 78 (H), of the Articles of Association of the Company, Shri. Vinayak Rao, Director (Finance) retire by rotation at the 1st Annual General Meeting of the Company and being eligible, offer himself for re-appointment.

Directors' Responsibility Statement :

As required under Senction 217 (2AA) of the Companies Act, 1956, your Directors confirm that:

- I. In the preparation of the annual accounts, the applicable accounting standards have been followed by the Company along with proper explanation relating to material departures.
- II. The 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 as at the end of the financial year 2005-06 and the loss of the company for that period;

- III. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- IV. The Directors have prepared the annual accounts on a going concern basis.

Conservation of Energy, Technical Absorption and Foreign Exchange Earnings and Outgo :

As required under Section 217 (I) (e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, information regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings & Outgo is given in the Annexure 'B' to this report.

Particulars of Employees :

None of the employees of the Company was in receipt of remuneration falling under the purview of the provisions of the Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended. Hence the information be treated as NIL.

Acknowledgements :

The Directors express their sincere thanks and gratitude to the Government of Maharashtra, Ministry of Power, New Delhi, Maharashtra Electricity Regulatory Commission, Rural Electrification Corporation Ltd., Power Finance Corporation Ltd., Banks, Auditors, Consumers, Suppliers and other Business Associates for their continued co-operation, support and patronage. The Board also place on record its appreciation for the understanding and support extended by the employees at all levels.

For and on behalf of the Board

Managing Director

Chairman

Place : Mumbai.

Date : 26/12/2006



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Annexure - A

Replies to Auditors' Report for the period 06-6-05 to 31-3-06 dtd. 18/11/2006

AUDITORS' COMMENTS	MANAGEMENT REPLIES
1. We have audited the attached Balance Sheet of MAHARASHTRA STATE ELECTRICITY DISTRIBUTION COMPANY LIMITED, as at 31 st March, 2006 and the Revenue Account for the period from 6/06/2005 to 31/03/2006 annexed thereto.	Factual
2. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.	Factual
3. The annual accounts have been prepared in the format prescribed under Electricity (Supply) (Annual Accounts) Rules, 1985, (hereinafter referred as ESAAR) as notified by the Central Government in electricity Supply Act, 1948 read with the provisions of section 185 (2) (d) of the Electricity Act, 2003.	Factual
4. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (amendment) Order 2004, issued by the Government of India in terms of Sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks as we considered appropriate, and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable to the company.	The replies to relevant paras in the annexure are separately given.



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5. We have to invite your specific attention to the followings :-

(i) The Company was incorporated on 31-05-2005, but the accounts have been drawn from 06-06-2005 which is in violation of the provisions of Section 210 of the Companies Act. Transactions, if any, during 31-05-2005 to 05-06-2005 have not been produced for our verification.

MSEDCL has been incorporated under the Companies Act, 1956 on 31st May 2005. However, as per Clause-2 (d) of The Maharashtra Electricity Reforms Transfer Scheme 2005 notified by GoM on 4th Jun. 05, the "Date of Transfer" is the respective date notified by GoM for effecting transfer of properties, interest, rights & liabilities, proceedings or personnel as the case may be to the relevant Transferee. As per Clause-5(3) of the said transfer scheme, the functions, business and undertakings forming a part of MSEDCL shall stand transferred to and vest in MSEDCL on and from 6th June 2005. The Accounts have, therefore, been drawn from 6/6/2005. There are no such transactions effected during 31/05/05 to 05/06/05. The said fact has been disclosed by way of a note at Sr.No.2 to the Balance Sheet.

(ii) The Assets and liabilities of the Company as 06-6-2005 contain balances transferred under the transfer scheme by The Maharashtra Electricity Reforms Transfer Scheme 2005. These balances of fixed Assets, Current Assets and Liabilities are stated to be adopted as approved by MSEB Holding Company Ltd. Final transfer scheme is yet to be notified by the Govt. of Maharashtra. Changes in these figures if any, made at the time of notification may have an impact on Revenue and Balance Sheet items.

Factual.

The said fact has been disclosed by way of a note at Sr. No. 3 to the balance Sheet.

(iii) No provision for contingency reserve @ 0.25% of Fixed Assets as required by Electricity (Supply) Act 1948 has been made. This has resulted in understatement of the loss and Reserve to that extent.

MSEDCL, in its Tariff proposal submitted to MERC have proposed a contribution to contingency reserve at Rs. 45 Crores. during the year 2005-06 on the basis of MERC Tariff Regulations 2005. However, the Commission has not considered the said contribution to contingency reserve and hence no provision for contingency reserve has been made during the year.



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(iv) No provision has been made for embezzlement of Rs. 3.81 Crores included in the head "Other Debtors". Refer Note No. 17 of Notes to balance Sheet.

(v) Balances of Sundry Debtors, Sundry Creditors, Loans and Advances and various other debit/credit balances including holding company and other subsidiary companies of holding company are subject to confirmations and adjustments necessary upon reconciliation. The effect of the adjustment arising from reconciliation and settlement of old dues and possible loss that may arise on account of non recovery or partial recovery of such dues is not ascertained. We are unable to express an opinion about the impact thereof on the accounts and the loss for the period.

(vi) In our opinion provision for doubtful debts on Sundry Debtors against supply of Power is inadequate.

(vii) Cash in transit being in the nature of Remittance to H.O. includes amount which is outstanding prior to date of incorporation of company. The exact amount thereof can not be stated in absence of complete

The said fact has been disclosed by way of a note at Sr.No. 16 to Balance Sheet. In view of the facts mentioned in the said note, no provision is felt necessary in this period.

In case of sundry debtors, the energy bills are served to all the consumers periodically and this serves the purpose of sufficient communication of the amounts receivable from them. In case of any disagreement, the consumers are approaching to the respective offices or making complaints at various local levels. These complaints are attended by field offices and any wrong billing if noticed after scrutiny, is rectified accordingly. Hence, considering the volume of about 1.39 Crs. consumers, it will not be practicable to obtain confirmation from each consumer. In respect of sundry creditors, loans & advances etc, the balances are being reconciled.

A provision for doubtful debts of sundry debtors against supply of power is made @ 1.5% of the revenue from sale of power during the period. MERC, in its last 2 Tariff Orders has allowed a provision @ 1.5% of revenue from sale of power during the year/period. Further, an amount of Rs. 6077 Crores as old sundry debtors of erstwhile MSEB has been transferred to MSEB Holding Co. Ltd. as per the opening balance sheet. In view of this, the provision made is adequate.

Cash in transit at the year end are the common transactions which include the remittances to Head Office by the field offices and viceversa not credited by the banks on and up to 31st March at the



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details. In our opinion, all the remittances which are not cleared within one month need to be investigated.

- (viii) Expenses/Income relating to the erstwhile Maharashtra State Electricity Board are debited / credited to respective account heads instead of extraordinary items due to which working for the period under audit is not properly disclosed.

- (ix) Stock of materials as on 31/03/2006 does not include value of scrap lying with the company. Value of the same is not ascertained by the Company.

- (x) The Company has not followed the depreciation rates prescribed in Schedule XIV of Companies Act, 1956 but has followed the rates notified under Electricity (Supply) (Annual Accounts) Rules, 1985, as notified under the Electricity Supply Act, 1948. The effect of such deviations has not been quantified.

- (xi) Adjustments have not been carried out in the assets on account of loss to fixed assets (Deferred cost Schedule 23) pending investigation and liabilities on account of provision for loss pending investigation resulting in overstatement of assets and liabilities.

receiving end. However, the necessary instructions have been issued to all the concerned to clear the old outstanding balances if any.

As per the Transfer Scheme dt. 4th June 2005 notified by GoM, functions, business & undertakings forming part of MSEDCL are transferred to and vested in MSEDCL on and from 6th June, 2005. Therefore, there is no prior period for the MSEDCL. In view of this, the expenses / income relating to erstwhile MSEB are debited/credited to respective Account Heads and the fact is disclosed by way of a note to Balance Sheet at Sr. No. 15.

As per the policy adopted and constantly followed by the erstwhile MSEB and its successor company i.e. MSEDCL, the quantity of scrap is included in inventory / stock at nil value. The consistency in the accounting of the same has been followed during this period also.

As provided under section-185 (2) (d) of Electricity Act, 2003, the rules made under Section-69 (i) of Electricity (Supply) Act, 1948 shall continue to have effect until such rules are rescinded or modified as the case may be. MSEDCL has, therefore, followed the Electricity (Supply) (Annual Account) Rules, 1985 and accordingly has applied the rates notified under Electricity (Supply) Act, 1948. Since, the depreciation as per the rates prescribed under Schedule-XIV of Companies Act, 1956 has not been calculated its effect cannot be quantified at this stage.

As per Clause-8 of Chapter-II of ESAAR 1985, MSEDCL has adhered to the prescribed accounting policies as per ESAAR 1985 and the departures, if any made thereunder, are disclosed under Statement-4 i.e. Statement of Accounting policies, Separately in the Statement of



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(xii) Some accounting units of the company has provided depreciation under straight line method on the gross block as a whole instead of providing depreciation to the extent of 90% of the value of each individual asset. This has resulted in charging depreciation up to 100% value of the asset and excess depreciation on other assets when the individual asset is depreciated in full. Quantum of such excess depreciation is not ascertained and disclosed.

(xiii) In absence of proper details of Capital Work in Progress, we are unable to comment on its impact on fixed asset & projects discarded, if any, which continues to be included in Capital Work in Progress.

(xiv) Reconciliation in respect of some branches of the bank as well as of collecting post offices of the accounting units has not been made to arrive at the correct balances. In some cases reconciliation is pending for the whole period under audit & in some cases reconciliation statement have entries which are outstanding for more than three years.

(xv) Non-reconciliation of consumer ledger with Sundry Debtors for energy sold as per books of accounts.

Accounts. The deviation in respect of accounting of losses in the year of its approval has been disclosed in the said statement at (f).

The necessary instructions have been issued to all the accounting units to provide the depreciation to the extent of 90% of the value of each individual asset and to rectify the accounting of excess depreciation charged, if any.

Execution of various works/schemes is an ongoing & continuous process and certain works will always remain under capital work-in-progress. The instructions have been issued to all the offices to disclose all the details in Construction Ledger.

The necessary instructions have been issued to all the accounting units to complete the work of Bank Reconciliations and the reconciliation with collecting post offices and also to pass the necessary accounting entries appearing in the reconciliation statements at the earliest.

Since reconciliation of consumer ledger with sundry debtors as per Books of Accounts is a continues process, the work of reconciliation is in progress and the fact has been disclosed by way of a note at Sr.No.10 to the Balance Sheet.



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(xvi) Non-reconciliation of Security Deposits from Consumers as per consumer's ledger with Security Deposits from Consumers as per Books of Account.

Since the billing has been computerized from 1985 onwards in all the offices in phased manner, the work of updating the opening balances of Security Deposit from consumers from manual registers is in progress.

(xvii) Audit fees includes Rs. 10.05 lacs being payments to persons other than statutory Auditors.

Audit fee shown in Schedule 10 is as per the format of 'Administration & General Expenses' prescribed under ESAAR 1985 and it includes Cost Audit Fee, Tax Audit Fee, Statutory Audit Fee etc.

(xviii) Fringe benefit Tax have been wrongly clubbed under the head Rent, rates & taxes, whereas the same should have been shown along with Provision for taxation in Statement no. 1.

As per the format of Statement-1 i.e. Revenue Account, prescribed under ESAAR 1985, provision for Income Tax only is to be shown separately. Provision for Income Tax is NIL for MSEDCL as there is no taxable income during the period. Fringe Benefit Tax being an expenditure of administrative nature, has been clubbed under the head, rent, rates & taxes under Schedule -10 of Administration & General Expenses.

(xix) The amount of electricity duty assessed but not collected is not shown separately as per the provisions of Para 2.129 of ESAAR, 1985.

Since the breakup of Electricity Duty collected & not collected is not ascertainable, no separate disclosure is made.

(xx) Deferred revenue expenditure (Schedule no 23) of Rs. 2.75 crore written off has been debited to natural heads of expenditure.

Deferred revenue expenditure has been written off by debiting to natural head of expenditure in advertently. However, it will have no impact on deficit during the period.

(xxi) Land and land Rights have not been bifurcated into Freehold and Leasehold Property. Amortization of Lease Hold land if any has not been done.

No bifurcation of land and land rights is required under ESAAR 1985.



The effect of the above observations on the financial statements is not ascertainable.

6. Further to our observations in the annexure referred to in Para 4 and 5 above, we report that :

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

Factual

b) In our opinion, proper books of accounts as required by law have been kept by the Company in so far as it appears from our examination of such books.

Factual

c) The Balance Sheet and Revenue Account referred to in this report are in agreement with the books of accounts.

Factual

d) In our opinion the Balance Sheet and the Revenue account, comply with the Accounting Standards referred in sub-section 3C of Section 211 of the Companies Act, 1956 except in the case of following Accounting Standards issued by the Institute of Chartered Accountants of India.

(i) AS-1 : Non disclosure of Significant Accounting Policies adopted in the preparation and presentation of financial statements. Instead of disclosing standard accounting practices, the company has disclosed deviations from basic accounting principles & accounting policies as permitted under Electricity (Supply) (Annual Accounts) Rules 1985.

As provided under Section 185 (2) (d) of Electricity Act, 2003, all the rules made under Section-69 (i) of Electricity (Supply) Act, 1948 (54 of 1948) shall continue to have effect until such rules are rescinded or modified as the case may be, MSEDCL has, therefore, followed the Electricity (Supply) (Annual Accounts) Rules, 1985 (ESAAR 1985). As per Clause-8 of Chapter-II of ESAAR 1985, MSEDCL is adhering to the prescribed accounting policies as per ESAAR 1985 and hence the departures, if any, made thereunder are disclosed under Statement - 4 i.e. Statement of accounting policies separately in the statement of accounts.



- (ii) AS-3 : Cash flow statement has not been drawn up by the company as required by Accounting Standard 3.

As already mentioned in (i) above, MSEDCL has followed ESAAR 1985 for compilation of its accounts. A statement of sources & uses of funds as prescribed under ESAAR 1985 in Statement 7 has been enclosed to the statement of accounts. Drawing up of cash flow statement is not the requirement of ESAAR 1985.

- (iii) AS-4 : Claims against the company not acknowledged as debts in the nature of Contingent Liabilities are not fully quantified and disclosed in the notes to accounts, as per Accounting Standard 4, "Contingencies and Events Occuring after the Balance Sheet Date".

As prescribed under ESAAR 1985. Item 5 under Statement 5 of Statement of Accounts, the contingent liabilities which are in excess of Rs. 1 Cr. each in value are disclosed.

- (iv) AS-6 : No depreciation has been provided on the additions made during the year to fixed assets, in contravention of Accounting Standard-6, "Accounting for Depreciation".

Since ESAAR 1985 has been followed for compilation of the accounts depreciation is provided as per the rules prescribed under clause 2.60 of Annexure III to ESAAR 1985.

- (v) AS-9 : Recognition of revenue even when there is uncertainty of recovery of income, in cases of temporary disconnection, interest on over due bills & delayed payment charges are not in accordance with Accounting Standard-9, 'Revenue Recognition'. The amount involved on a/c of such revenue recognition though not quantified is substantial & has material impact on the financial statement for the year.

A provision for doubtful dues from consumers as prescribed under Clause 4.2 of Annexure - V to ESAAR 1985 has been made at a fixed percentage of 1.5% of its revenue from sale of power during the period. This provision based on normative basis takes care of uncertainty of income recoverable in case of temporary disconnections, interest, delayed payment charges etc. Further, disclosure of revenue recognition is not the requirement of ESAAR 1985.

- (vi) AS-10 : a) Treatment of consumer's contribution has to be deducted from the fixed assets and b) Addition of

The accounting of consumers' contribution and fixed assets etc. has been done as prescribed under Clause-



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employee cost & head office cost to the fixed assets was on an adhoc basis which are in contravention of Accounting Standard - 10, "Accounting for Fixed Assets"

2.33 to 2.36 of Annexure-III to ESAAR 1985. Further, capitalization of expenditure has also been done in terms of Clause - 1.3 to 1.5 of Annexure - V to ESAAR 1985.

- (vii) AS-12 : The amount of grant/subsidy received from State Government was taken to Reserve Account and not deducted from the cost of the related asset which is in contravention of Accounting Standard - 12, "Accounting for Government Grants".

As prescribed under Clause-2.35 of Annexure-III to ESAAR 1985, the consumers' contribution, subsidies and grants towards cost of capital assets shall not be treated as a reduction in the cost but as a capital receipt to be credited to capital reserve account. No deviation to the said rule under ESAAR 1985 has been made and the proper accounting as per ESAAR 1985 has been ensured.

- (viii) AS-15 : Leave salary encashment has not been provided as per actuarial valuation, in accordance with the Accounting Standard 15, "Accounting for Retirement Benefits in Financial Statements of Employers"

As per Para 1.11 to Annexure-III of ESAAR 1985, cash basis of accounting shall not be adopted except in specific cases where cash basis is prescribed under the rules. MSEDCL has adopted 'calendar year' for the Leave matters whereas accounts are compiled on financial year basis. The Leave Salary Encashment, therefore, could not be quantified at the end of the year and hence it is accounted for on cash basis in the books of accounts. The said deviation is disclosed under Item (h) of Statement-4 i.e. Statement of Accounting Policies.

- (ix) AS-16 : The method followed in capitalization of borrowing costs is not in accordance with Accounting standard-16, "Borrowing Costs".

The capitalization of borrowing cost has been done as prescribed under Clause 1.42 & 1.43 of ESAAR 1985.

- (x) AS-18 : Non disclosure of transactions with related parties as required

No such disclosure is required under ESAAR 1985.



by Accounting Standard-18, "Related Party disclosures."

- (xi) AS-22 : Accounting for taxes on Income relating to deferred taxes has not been done which is contravention of Accounting Standard-22 "Accounting for Taxes on Income".

The deferred tax assets are not recognized in the accounts due to absence of virtual certainty support by convincing evidence that sufficient future taxable income will be available for realization of these assets.

- (xii) AS-28 : Non provision in respect of impairment of assets, as required by Accounting Standard-28, "Impairment of Assets".

The provision in respect of impairment of assets is not prescribed under ESAAR 1985.

The effect of the above on the financial statements is not ascertainable.

- (e) Being a Government Company, pursuant to the notification number GSR 829 (E) dated 17-07-2003 issued by the Government of India, the provisions of Sec 274 (1) (g) of the Companies Act, 1956 are not applicable to the company.

Factual

- (f) Subject to our qualifications in paras above, the impact of which on financial statement can not be quantified, in our opinion and to best of our information and according to the explanations given to us, the said accounts read with notes to Balance Sheet, Notes to Accounts (Statement 5) and the Accounting policies forming part of the accounts, gives the information required by the companies Act, 1956, in the manner so required and give a true and fair view in conformity with the Accounting Principles generally accepted in India.

The necessary replies to the qualifications have been shown in the relevant paras of Audit Reports.

- (i) In the case of Balance Sheet, of the state of affairs of the company as at 31st March, 2006 and
- (ii) In the case of Revenue Account, the deficit for the period ended on that date.



**ANNEXURE TO THE AUDITORS' REPORT
REFERRED TO IN PARAGRAPH 4 OF OUR RE-
PORT OF EVEN DATE OF MAHARASHTRA STATE
ELECTRICITY DISTRIBUTION COMPANY LIMITED
FOR THE PERIOD ENDED ON 31-03-2006**

MSEDCL's REPLIES

- | | |
|---|---|
| 1. a) The company's fixed assets record showing particulars, including quantitative details and situation, of fixed assets are not updated and can not be reconciled with financial ledgers as assets records are not maintained properly. | The necessary instructions have been issued to the concerned accounting units where the records are to be properly maintained. |
| b) We have not been furnished any data to enable us to conclude that the company has either a programme for physical verification of assets or that they have been actually verified during the period. In the absence of such record and verification we are unable to state whether there are any material discrepancies. | As per the Transfer Scheme dt. 4th June 05 notified by GoM, the verification & revaluation of the assets is being carried out at all the offices of MSEDCL by MSEB Holding Co. Ltd. |
| c) There has been no sale of substantial part of the fixed assets to affect the going concern aspect. | Factual |
| 2. a) We are informed that inventory have been physically verified by the Management periodically. | Factual |
| b) In our opinion, the procedure of physical verification of inventory followed by the management is adequate in relation to size of the company and the nature of its business. | Factual |
| c) On the basis of our examination of records of inventory, in our opinion, the company has maintained proper records of inventory. The discrepancies noticed on such physical verification of stocks as compared to book records were not material in relation to the operations of the company. | Factual |



3. As per the information furnished, the company has neither taken nor granted any loans to/from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 hence reporting under the clause (iii) (a) to (g) of the order is not applicable to the company.

Factual

4. In our opinion and according to the information and explanations given to us, except in respect of sale of power, there are adequate internal control procedures, commensurate with the size of the company and nature of its business with regard to purchase of inventory and fixed assets and sale of goods & services. We have observed weaknesses in internal controls in maintenance of proper books of accounts, compiling & maintaining the party-wise details of various liabilities and assets.

In regard to sale of power, all the billing activities are computerized and various computer reports are generated through computerized system e.g. billing efficiency, consumers liable for disconnection, zero consumption consumers, door locked consumers, inaccessible consumers, newly connected consumers and consumers not connected etc. These reports are monitored for carrying out necessary corrective actions at various levels i.e. Section Office, Sub Division, Division Office etc. In order to have a control on collection of revenue etc, field offices are not allowed to utilize the funds collected by them. These funds are credited to non-operative account in the banks and remittances of which are directly made by these Banks to MSEDCL's, WM Section at corporate office level. The funds requirement of field offices are met from corporate office only after scrutinizing indents, utilization of funds etc. In case of H.T. consumers, their bills are checked 100% before issue. The consumer's bill is compared with the previous consumption pattern and the necessary actions are taken by the concerned. Independent flying squad units are carrying out the surprise checks and verify the installations of consumers. This indicates that procedures established for ensuring the internal control on sale of Power are adequate.



5. a) According to the information and explanations given to us, during the period under audit, there have been no contracts or arrangements, which need to be entered in the register maintained under section 301 of the Companies Act, 1956.

Factual

b) In view of clause 5 (a) above, this clause is not applicable.

Factual

6. According to the information and explanations given to us, the company has not accepted deposits from the public within the meaning of the provisions of section 58 A of the Companies Act, 1956 and rules framed there under.

Factual

7. In our opinion, the company does not have an internal audit system, commensurate with the size and nature of its business. During the period under audit, only payment aspect of the store bills section was covered by the internal Audit.

There is a separate internal inspection department at corporate office headed by C.G.M. (Int. Audit) having 28 independent inspection units at field offices. These units consist of one Accounts Officer, one Divisional Accountant and one UDC (A/c). These units carry out the inspection and post audit of field offices on sample basis after the accounting year is over. Certain reviews are also taken by these internal inspection teams like revenue leakage, review of fictitious arrears, ORC schemes etc.

The reports of these inspection teams are monitored from corporate level. The necessary corrective actions are ensured from the field offices. On the observations of internal inspection teams, the necessary instructions to all the offices are issued to ensure necessary controls in respect of any irregularities noticed. However, the work of inspection wing begins after the financial year is over. Hence, only internal audit of stores bills



section for the period ending 31.3.2006 was over till the statutory Audit. However, balance work in other field offices is also being attended by the internal inspection units.

MSEDCL, in each of its disbursing office has an independent local internal audit wing for which necessary delegation of powers are prescribed. Accordingly every payment is preaudited by these independent internal audit wing and control on revenue and capital expenditure is kept. Expenditure vouchers are sanctioned only after exercising due diligence & financial prudence. Revenue and capital budget are also prepared and expenditure at local offices are monitored though the approved budget provisions. These internal audit wings are working independently and consist of Asstt. Auditor, Divisional Auditor and Accounts officer.

MSEDCL has also revised its Delegation of Powers of all the concerned offices with effect from 1st August 2006. These delegation of powers consist supply and services (Stores) works, Cash imprest and miscellaneous matters and legal matters separately and the same are strictly followed at all the levels of MSEDCL. Any irregularities noticed in this behalf are viewed seriously at the management level. In view of above, it can be concluded that MSEDCL is having an internal audit system and internal control system commensurate with size & nature of its business.



8. In our opinion and according to the information and explanation given to us, prima facie the Company has made & maintained the basic records as prescribed by the Central Government under U/S. 209 (1) (d) of the Companies Act, 1956. Factual
9. a) According to the information & explanation given to us and according to the books & records the company is generally regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, cess and any other statutory dues with the appropriate authorities, except electricity duty payable, the total amount outstanding as at 31-3-2006 is Rs. 232.92 Crores. Electricity duty payable to GoM is adjusted against the amounts receivable from GoM towards concessions granted to AG and power loom consumers, PWW consumers of Grampanchayats, street light, water supply schemes etc.
- b) According to the information and explanation given & representation made to us, there are no dues of income-tax, wealth tax, sales tax, service tax, custom duty, excise duty and cess which have not been deposited on account of any dispute. Factual
10. The company being incorporated on 31-5-2005, clause (x) of the order is not applicable. Factual
11. In our opinion and according to the information and explanation given to us, the company has not defaulted in repayment of dues to the banks, financial institutions and debenture holders during the period. Factual
12. According to the information and explanation given to us, the company has not granted any loans or Factual



advances against pledge of shares, debentures or other securities.

13. Clause (xiii) of the order is not applicable to the company as the company is not a Chit fund company or Nidhi / Mutual Benefit Fund / Society.

Factual

14. In our opinion and according to the information and explanation given to us, the company is not dealer or trader in securities.

Factual

15. According to the information and explanation given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions, the terms and conditions whereof are prejudicial to the interest of the company.

Factual

16. In our opinion and according to the information and explanation given to us, and on overall examination of the Balance sheet of the company the term loan raised during the period have prima facie been applied for the purpose for which they were raised, except for Rs. 1,200 crores, which have been deployed in Fixed Deposits.

In order to meet the liability of costly power purchase. MSEDCL has opted for transitional finance through REC. Accordingly REC sanctioned an amount of Rs. 1200 crores to MSEDCL as a short term loan for a tenure of 3 years in the month of Feb. 2006. This amount was received in the month of March 2006. Since it was not possible to spend this amount within a short period as the burden of costly power purchase was expected to take place from March 2006 onwards. This amount was therefore kept in fixed deposit with ICICI Bank so as to ensure the payment in phased manner as per the requirements in this respect & to avoid the funds keeping idle.

17. According to the information and explanation given to us and on overall examination of the balance

Factual



sheet of the company, in our opinion there are no funds raised on short term basis which have been used for long term investments.

18. The company has not made any preferential allotment of shares during the period ended on 31-03-2006.

Factual

19. Since the company does not have any debentures. The question of creation of securities for debentures does not arise.

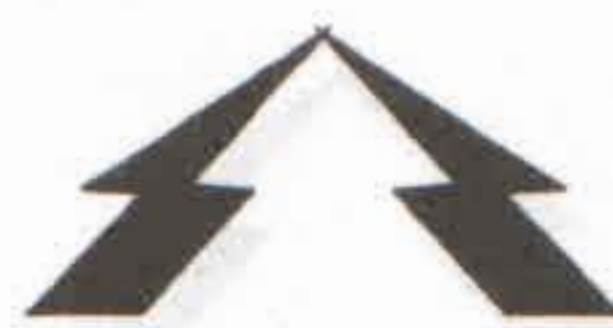
Factual

20. The company has not raised any money by public issues during the period covered by our report.

Factual

21. According to the information and explanation given to us, no frauds on or by the company have been noticed or reported during the period.

Factual



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ANNEXURE - B TO DIRECTORS' REPORT

PARTICULARS UNDER COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988.

A. CONSERVATION OF ENERGY

(a) Energy Conservation Measures Taken :

(i) Efficient Lighting Program

- Replacement of 40 or 60 Watt Incandescent Lamp by 15 or 20 Watt Compact Fluorescent Lamp (CFL).
- Scheme implemented on pilot basis in Nashik City.
- 3.79 Lakhs CFL already penetrated by identified agencies.
- The Company acted as Prime Facilitator.

Impact of the Measure :

1. By replacing incandescent bulb with CFL saving of power is around 60%.
2. Peak demand relief 8 MW.

(ii) Demand Side Management Measures (Reactive Power Compensation)

- Installation of Capacitors on 9046 Nos. Agriculture Pumps.
- Pilot Scheme implemented in Dindori (District Nashik).
- Estimated Cost of the Project is Rs. 26.5 Lakhs.

Impact of the Measure :

1. By installing capacitors, the Power Factor, Voltage Profile improved and Line Loss reduced.
2. Demand relief 7 MVA.



ADDITIONAL SCHEMES BEING IMPLEMENTAED :

(i) Gram Urja Bachat Yojana :

- Focusing on Energy Conservation in Water Pumping Station and Street Lighting.
- Scheme to be implemented for 819 Grampanchayat in Aurangabad and 632 Grampanchayat in Osmanabad.
- Letter of Award issued to Maharashtra Energy Development Agency (MEDA) for implementation of Scheme in Feb.'06.
- Financial Support provided by the Company and Work shall be executed by MEDA.
- Estimated Cost of the Scheme is Rs. 1.65 Crore.
- Scheme shall be completed in one year.

Demand Side Management Measures (Reactive Power Compensation)

i) Installation of Capacitors on Ag. Pumps

- Installation of Capacitors on 117937 Nos. Agriculture Pumps.
- Pilot Scheme being implemented in Sangli District.
- MSEDCL to act as Prime Facilitator.
- Estimated cost of the scheme is Rs. 3.91 Crores.
- Letter of Award issued in May'06.
- Scheme shall be completed in one year.

ii) Fixed Compensation Scheme

- Installatin of 25kV Ar & 30kV Ar Capacitor Fixed (Total 19900 Nos.) on LT side of 63 kVA & 100 kVA Distribution Transformer.
- To be implemented in 8 Disctricts of the State.
- Estimated cost of the Scheme is 19.8 Crores.
- Tendering work in process.
- Scheme shall be completed in six month.

B. TECHNOLOGY ABSORPTION

N.A.

C. EXPENDITURE ON R & D

NIL

D. FOREIGN EXCHANGE EARNINGS & OUTGO

NIL



MAHAVITARAN

AUDITORS' REPORT

TO

THE MEMBERS OF

MAHARASHTRA STATE ELECTRICITY DISTRIBUTION COMPANY LIMITED

1. We have audited the attached Balance Sheet of MAHARASHTRA STATE ELECTRICITY DISTRIBUTION COMPANY LIMITED, as at 31st March, 2006 and the Revenue Account for the period from 06-06-2005 to 31-03-2006 annexed thereto.
2. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The annual accounts have been prepared in the format prescribed under Electricity (Supply) (Annual Accounts) Rules, 1985, (hereinafter referred as ESAAR) as notified by the Central Government in Electricity Supply Act, 1948 read with the provisions of section 185(2) (d) of the Electricity Act, 2003.
4. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (amendment) Order 2004, issued by the Government of India in terms of Sub-section (4A) of Section 227 of the Companies Act 1956, and on the basis of such checks as we considered appropriate, and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable to the company.
5. We have to invite your specific attention to the followings :
 - (i) The Company was incorporated on 31-05-2005, but the accounts have been drawn from 06-06-2005 which is in violation of the provisions of section 210 of the Companies Act. Transactions, if any, during 31-05-2005 to 05-06-2005 have not been produced for our verification.
 - (ii) The Assets and liabilities of the company as on 31-03-2006 contain balances transferred under the transfer scheme by The Maharashtra Electricity Reforms Transfer Scheme 2005. These balances of fixed assets, Current Assets and Liabilities are stated to be



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adopted as approved by MSEB Holding Company Ltd. Final transfer scheme is yet to be notified by the Govt. of Maharashtra. Changes in these figures if any, made at the time of notification may have an impact on Revenue and Balance Sheet items.

- (iii) No provision for contingency reserve @ 0.25% of Fixed Assets as required by Electricity (Supply) Act 1948 has been made. This has resulted in understatement of the loss and Reserve to that extent.
- (iv) No provision has been made for embezzlement of Rs. 3.81 Crores included in the head "Other Debtors". Refer Note No. 17 of Notes to balance Sheet.
- (v) Balances of Sundry Debtors, Sundry Creditors, Loans and Advances and various other debit/credit balances including holding company and other subsidiary companies of holding company are subject to confirmations and adjustments necessary upon reconciliation. The effect of the adjustment arising from reconciliation and settlement of old dues and possible loss that may arise on account of non recovery or partial recovery of such dues is not ascertained. We are unable to express an opinion about the impact thereof on the accounts and the loss for the period.
- (vi) In our opinion provision for doubtful debts on Sundry Debtors against supply of Power is inadequate.
- (vii) Cash in transit being in the nature of Remittance to H. O. includes amount which is outstanding prior to date of incorporation of company. The exact amount thereof can not be stated in absence of complete details. In our opinion, all the remittances which are not cleared within one month need to be investigated.
- (viii) Expenses/income relating to the erstwhile Maharashtra State Electricity Board are debited / credited to respective account heads instead of extraordinary items due to which working for the period under audit is not properly disclosed.
- (ix) Stock of materials as on 31-03-2006 does not includes value of scrap laying with the company. Value of the same is not ascertained by the company.
- (x) The Company has not followed the depreciation rates prescribed in Schedule XIV of Companies Act, 1956 but has followed the rates notified under Electricity (Supply) Annual Accounts Rules, 1985, as notified under the Electricity Supply Act, 1948. The effect of such deviations has not been quantified.
- (xi) Adjustments have not been carried out in the assets on account of loss to fixed assets (Deferred cost Schedule 23) pending investigations and liabilities on account of provision for loss pending investigation resulting in overstatement of assets and liabilities.



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- (xii) Some accounting units of the company has provided depreciation under straight line method on the gross block as a whole instead of providing depreciation to the extent of 90% of the value of each individual asset. This has resulted in charging depreciation up to 100% value of the asset and excess depreciation on other assets when the individual asset is depreciated in full. Quantum of such excess depreciation is not ascertained and disclosed.
- (xiii) In absence of proper details of Capital Work in Progress, we are unable to comment on its impact on fixed asset & projects discarded, if any, which continues to be included in Capital Work in Progress.
- (xiv) Reconciliation in respect of some branches of the bank as well as of collecting post offices of the accounting units has not been made to arrive at the correct balances. In some cases reconciliation is pending for the whole period under audit & in some cases reconciliation statement have entries which are outstanding for more than three years.
- (xv) Non-reconciliation of consumer ledger with Sundry Debtors for energy sold as per books of accounts.
- (xvi) Non - reconciliation of Security Deposits from Consumers as per consumer's ledger with Security Deposits from Consumers as per Books of Account.
- (xvii) Audit fees includes Rs. 10.05 lacs being payments to persons other than statutory Auditors.
- (xviii) Fringe benefit Tax have been wrongly clubbed under the head Rent, rates & taxes, whereas the same should have been shown along with Provision for taxation in Statement no.1.
- (xix) The amount of electricity duty assessed but not collected is not shown separately as per the provisions of Para 2.129 of ESAAR, 1985.
- (xx) Deferred revenue expenditure (Schedule no 23) of Rs. 2.75 crore written off has been debited to natural heads of expenditure.
- (xxi) Land and land Rights have not been bifurcated into Freehold and leasehold property. Amortization of Lease Hold land if any has not been done.

The effect of the above observations on the financial statement is not ascertainable.

6. Further to our observations in the annexure referred to in Para 4 and 5 above, we report that:

- a) we have obtained all information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.



- b) In our opinion, proper books of accounts as required by law have been kept by the Company in so far as it appears from our examination of such books.
- c) The Balance Sheet and Revenue Account referred to in this report are in agreement with the books of accounts.
- d) In our opinion the Balance Sheet and the Revenue account, comply with the Accounting Standards referred in sub-section 3C of Section 211 of the Companies Act, 1956 except in the case of following Accounting Standards issued by the Institute of Chartered Accountants of India.
- (i) AS-1 : Non disclosure of Significant Accounting Policies adopted in the preparation and presentation of financial statements. Instead of disclosing standard accounting practices, the company has disclosed deviations from basic accounting principles & accounting policies as permitted under Electricity (Supply) (Annual Accounts) Rules 1985.
 - (ii) AS-3 : Cash flow statement has not been drawn up by the company as required by Accounting Standard 3.
 - (iii) AS-4 : Claims against the company not acknowledged as debts in the nature of Contingent Liabilities are not fully quantified and disclosed in the notes to accounts, as per Accounting Standard 4, "Contingencies and Events Occurring after the Balance Sheet Date".
 - (iv) AS-6 : No depreciation has been provided on the additions made during the year to fixed assets, in contravention of Accounting Standard-6, "Accounting for Depreciation".
 - (v) AS-9 : Recognition of revenue even when there is uncertainty of recovery of income, in cases of temporary disconnection, interest on over due bills & delayed payment charges are not in accordance with Accounting Standard - 9, "Revenue Recognition". The amount involved on account of such revenue recognition though not quantified is substantial & has material impact on the financial statements for the year.
 - (vi) AS-10 : a) Treatment of consumer's contribution has to be deducted from the fixed assets and b) Addition of employee cost & head office cost to the fixed assets was on an adhoc basis which are in contravention of Accounting Standard - 10, "Accounting for Fixed Assets".
 - (vii) AS-12 : The amount of grant/subsidy received from State Government was taken to Reserve Account and not deducted from the cost of the related asset which is in contravention of Accounting Standard-12, "Accounting for Government Grants".
 - (viii) AS-15 : Leave salary encashment has not been provided as per actuarial valuation, in accordance with the Accounting Standard-15, "Accounting for Retirement Benefits in Financial Statements of Employers".



- (ix) AS-16 : The method followed in capitalization of borrowing costs is not in accordance with Accounting standard -16, "Borrowing Costs".
- (x) AS-18 : Non disclosure of transactions with related parties as required by Accounting Standard - 18, "Related Party disclosures".
- (xi) AS-22 : Accounting for taxes on Income relating to deferred taxes has not been done which is contravention of Accounting Standard - 22 "Accounting for Taxes on Income".
- (xii) AS-28 : Non provision in respect of impairment of assets, as required by Accounting Standard - 28, "Impairment of Assets".

The Effect of the above on the financial statements is not ascertainable.

- e) Being a Government Company, pursuant to the notification number GSR 829 (E) dated 17-07-2003 issued by the Government of India, the provisions of Sec. 274 (1) (g) of the Companies Act, 1956 are not applicable to the company.
- f) Subject to our qualifications in paras above, the impact of which on financial statements can not be quantified, in our opinion and to best of our information and according to the explanations given to us, the said accounts read with notes to Balance Sheet, Notes to Accounts (Statement 5) and the Accounting policies forming part of the accounts, gives the information required by the companies Act, 1956, in the manner so required and give a true and fair view in conformity with the Accounting Principles generally accepted in India.
 - (i) In the case of Balance Sheet, of the state of affairs of the company as at 31st March, 2006 and
 - (ii) In the case of Revenue Account, the deficit for the period ended on that date.

For KHANDELWAL JAIN & ASSOCIATES
Chartered Accountants

For JODH JOSHI & CO.
Chartered Accountants

For UMMED JAIN & CO.
Chartered Accountants

S. S. Khandelwal
Partner
M.No.33435

R. R. Khandelwal
Partner
M.No.35555

U. M.Jain
Partner
M.No. 70863

Place : Mumbai
Date : 18/11/2006



MAHAVITARAN

ANNEXURE TO THE AUDITORS' REPORT REFERRED TO IN PARAGRAPH 4 OF OUR REPORT OF EVEN DATE OF MAHARASHTRA STATE ELECTRICITY DISTRIBUTION COMPANY LIMITED FOR THE PERIOD ENDED ON 31-03-2006

1. a) The company's fixed assets record showing particulars, including quantitative details and situation, of fixed assets are not updated and can not be reconciled with financial ledgers as assets records are not maintained properly.
b) We have not been furnished any data to enable us to conclude that the company has either a programme for physical verification of assets or that they have been actually verified during the period. In the absence of such record and verification we are unable to state whether there are any material discrepancies.
c) There has been no sale of substantial part of the fixed assets to affect the going concern aspect.
2. a) we are informed that inventory have been physically verified by the Management periodically.
b) In our opinion, the procedure of physical verification of inventory followed by the management is adequate in relation to size of the company and the nature of its business.
c) On the basis of our examination of records of Inventory, in our opinion, the company has maintained proper records of inventory. The discrepancies noticed on such physical verification of stocks as compared to book records were not material in relation to the operations of the company.
3. As per the information furnished, the company has neither taken nor granted any loans to/from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 hence reporting under the clause (iii) (a) to (g) of the order is not applicable to the company.
4. In our opinion and according to the information and explanations given to us, except in respect of sale of power, there are adequate internal control procedures, commensurate with the size of the company and nature of its business with regard to purchase of inventory and fixed assets and sale of goods & services. We have observed weaknesses in internal controls in maintenance of proper books of accounts, compiling & maintaining the party-wise details of various liabilities and assets.
5. a) According to the information and explanations given to us, during the period under audit, there have been no contracts or arrangements, which need to be entered in the register maintained under section 301 of the Companies Act, 1956.
b) In view of clause 5 (a) above, this clause is not applicable.



6. According to the information and explanations given to us, the company has not accepted deposits from the public within the meaning of the provisions of section 58 A of the Companies Act, 1956 and rules framed there under.
7. In our opinion, the company does not have an internal audit system, commensurate with the size and nature of its business. During the period under audit, only payment aspect of the store bills section was covered by the Internal Audit.
8. In our opinion and according to the information and explanation given to us, prima facie the Company has made & maintained the basic records as prescribed by the Central Government under U/S. 209 (1) (d) of the Companies Act, 1956.
9.
 - a) According to the information & explanation given to us and according to the books & records the company is generally regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Investor Education and Protection Fund, Income tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, cess and any other statutory dues with the appropriate authorities, except electricity duty payable, the total amount outstanding as at 31-03-2006 is Rs. 232.92 Crores.
 - b) According to the information and explanation given & representation made to us, there are no dues of income-tax, wealth-tax, sales tax, service tax, custom duty, excise duty and cess which have not been deposited on account of any dispute.
- 10) The company being incorporated on 31-5-2005, clause (x) of the order is not applicable.
- 11) In our opinion and according to the information and explanation given to us, the company has not defaulted in repayment of dues to the banks, financial institutions and debenture holders during the period.
- 12) According to the information and explanation given to us, the company has not granted any loans or advances against pledge of shares, debentures or other securities.
- 13) Clause (xiii) of the order is not applicable to the company as the company is not a Chit fund company or Nidhi/Mutual Benefit Fund/Society.
- 14) In our opinion and according to the information and explanation given to us, the company is not dealer or trader in securities.
- 15) According to the information and explanation given to us, the company has not given any guarantee for loans taken by others from bank or financial insitutions, the terms and conditions whereof are prejudicial to the interest of the company.



- 16) In our opinion and according to the information and explanation given to us, and on overall examination of the Balance Sheet of the company the term loan raised during the period have prima facie been applied for the purpose for which they were raised, except for Rs. 1,200 crores, which have been deployed in Fixed Deposits.
- 17) According to the information and explanation given to us and on overall examination of the balance sheet of the company, in our opinion there are no funds raised on short term basis which have been used for long term investments.
- 18) The company has not made any preferential allotment of shares during the period ended on 31st March, 2006.
- 19) Since, the company does not have any debentures, the question of creation of securities for debentures does not arise.
- 20) The company has not raised any money by public issues during the period covered by our report.
- 21) According to the information and explanation given to us, no frauds on or by the company have been noticed or reported during the period.

For KHANDELWAL JAIN & ASSOCIATES
Chartered Accountants

S. S. Khandelwal
Partner
M.No.33435

Place. : Mumbai
Date : 18/11/2006

For JODH JOSHI & CO.
Chartered Accountants

R. R. Khandelwal
Partner
M.No.35555

For UMMED JAIN & CO.
Chartered Accountants

U. M. Jain
Partner
M.No. 70863



MAHARASHTRA STATE ELECTRICITY DISTRIBUTION CO. LTD.

REVENUE ACCOUNT

**STATEMENT - 1
(RS. IN LAKHS)**

SCH. NO.		06/06/2005 to 31/3/2006
	UNITS SOLD (IN MILLIONS)	40554
	INCOME	
*1	Revenue from Sale of Power	1362804
4	Revenue Subsidies and Grants	33
5	Other Income	62298
	TOTAL	1425135
	EXPENDITURE	
6	Purchase of Power	1194993
7	Generation of Power	0
8	Repairs and Maintenance	21496
9	Employee Costs	134409
10	Administration and General Expenses	13084
11	Depreciation & Related debits (Net)	41607
12	Interest and Finance Charges	33911
	TOTAL	1439500
	Less : Expenses Capitalised	
13	Int. & Finance Charges Capitalised	1969
14	Other Expenses Capitalised	10806
	TOTAL	12775
15	Other Debits	28740
16	Extraordinary Items.	11
		1455476
	PROFIT / (LOSS) BEFORE TAX	-30341
17	Provision for Income Tax	0
	Profit/(loss) after Tax	-30341
18	Net Prior Period Credits / (Charges)	0
	SURPLUS/(DEFICIT)	-30341
	Surplus as a Percentage of the value of Fixed Assets of the Company in service at the beginning of the period Minimum specified as per Electricity (Supply) Act, 1948	4.50%
	ACTUAL (Minimum surplus specified as per Electricity (Supply) Act, 1948 is 4.5%)	-8.46%

* Schedules 2 and 3 relate to Elementwise Analysis of Revenue and
Average Realisation from Sale of Power respectively

GENERAL MANAGER (C.A.)

CHIEF GENERAL MANAGER (F & A)



MAHAVITARAN

MAHARASHTRA STATE ELECTRICITY DISTRIBUTION CO. LTD.

S. M. Bhoyar
General Manager (C.A.)

R. N. Sonar
Chief General Manager (F & A)

S. M. Mandke
Company Secretary

Vinayak Rao
Director (Finance)

Dr. A.B.P. Pandey
Managing Director

Asoke Basak
Chairman

As per our Report of even date attached hereto

For Ummed Jain & Co.
Chartered Accountants

For Khandelwal Jain & Associates
Chartered Accountants

For Jodh Joshi & Co.
Chartered Accountants

(U. M. Jain)
Partner
M. No. 70863

(S.S.Khandelwal)
Partner
M. No. 33435

(R. R. Khandelwal)
Partner
M. No. 35555



MAHARASHTRA STATE ELECTRICITY DISTRIBUTION CO. LTD.

NET REVENUE AND APPROPRIATION ACCOUNT

STATEMENT - 2
(RS. IN LAKHS)

Sr. No.	Particulars	As at 31/3/2006
		Rs.
1	Balance brought forward from last year	0
2	Surplus / (Deficit) from Revenue Account	-30341
3	CREDITS Transfer from General Reserve	
4	APPROPRIATIONS Contributions to Reserves & Reserve Funds i) Sinking Fund for Repayment of Borrowings ii) General Reserve	
	BALANCE CARRIED FORWARD	-30341

GENERAL MANAGER (C.A.)

CHIEF GENERAL MANAGER (F & A)



MAHARASHTRA STATE ELECTRICITY DISTRIBUTION CO. LTD.

BALANCE SHEET

**STATEMENT - 3
(RS. IN LAKHS)**

Sch. No.	Particulars	As at 31/3/2006	
		Rs.	Rs.
	NET ASSETS		
19 *	Net Fixed Assets		
	Gross Block	950801	
	Less : Accumulated Depreciation	580257	
	Net Fixed Assets		370544
21	Capital Expenditure in Progress		100284
22	Assets not in use		28
23	Deferred Costs		5372
24	Intangible Assets		185
25	Investments		123696
	SUB TOTAL		600109
	NET CURRENT ASSETS		
26	Total Current Assets	591213	
	Less :-		
27	Security Deposits from Consumers	217384	
28	Other Current Liabilities	268986	
	Total Current Liabilities	486370	
	Net Current Assets		104843
29	Subsidy Receivable from Government		0
	NET ASSETS		704952
	FINANCED BY		
30	Borrowings for Working Capital		3574
31 (a)	Payment due on Capital Liabilities		27
(b)	Interest accrued but not due on Government Loan		0
32	Capital Liabilities		326930
33	Funds from State Government		40140
33 (a)	Equity Capital		5
(b)	Contribution from GoM/ MSEB Hoding Co. Ltd. (Opening Balance Sheet approved by MSEB Holding Co.)		308393
34	Contributions, Grants & Subsidies towards Costs of Capital Assets		56224
35	Reserves and Reserve Funds		0
	Surplus/Deficit		-30341
	TOTAL FUNDS		704952

* Schedule 20 relates to the functionwise breakup to Fixed Assets.

GENERAL MANAGER (C.A.)

CHIEF GENERAL MANAGER (F & A)



MAHAVITARAN

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General Manager (C.A.)

R. N. Sonar
Chief General Manager (F & A)

S. M. Mandke
Company Secretary

Vinayak Rao
Director (Finance)

Dr. A.B.P. Pandey
Managing Director

Asoke Basak
Chairman

As per our Report of even date attached hereto

For Ummed Jain & Co.
Chartered Accountants

For Khandelwal Jain & Associates
Chartered Accountants

For Jodh Joshi & Co.
Chartered Accountants

(U. M. Jain)
Partner
M. No. 70863

(S.S.Khandelwal)
Partner
M. No. 33435

(R. R. Khandelwal)
Partner
M. No. 35555



MAHARASHTRA STATE ELECTRICITY DISTRIBUTION CO. LTD.

NOTES TO BALANCE SHEET AS AT 31st MARCH, 2006

1. MSEDCL, in terms of Section 185 (2) (d) of Electricity Act, 2003 has complied its Annual Statement of Accounts in accordance with the provisions of the Electricity (Supply) Act, 1948 and the rules made thereunder i.e. The Electricity (Supply) (Annual Accounts) Rules, 1985. As per Section 616 of the Companies Act, 1956, the provisions set out in ESAAR 1985 will, therefore, prevail over the Companies Act provisions in case of any conflict between the provisions of ESAAR and those of Companies Act.
2. MSEDCL has been incorporated under the Companies Act, 1956 (No. 1 of 1956) on 31st May 2005 with Assistant Registrar of Companies, Mumbai, Maharashtra. However, as per clause-2(d) of The Maharashtra Electricity Reforms Transfer Scheme 2005 notified by GoM on 4th June 2005, the "Date of the transfer" is the respective date notified by the GoM for effecting transfer of properties, interest, rights & liabilities, proceedings or personnel, as the case may be to the relevant Transferee. As per Clause-5 (3) of the said transfer scheme, the functions, business and undertakings forming part of MSEDCL shall stand transferred to and vest in MSEDCL on and from 6th June 2005. The accounts of MSEDCL have, therefore, been complied w.e.f. 06-06-2005.
3. The Opening Balance Sheet of MSEDCL as on 6-6-2005 has been approved by MSEDCL Holding Co. Ltd. in its meeting held on 26-09-2006. The approved Final Transfer Scheme is yet to be notified by the Govt. of Maharashtra.
4. No rent of buildings belonging to the company occupied by the successor companies of erstwhile MSEDCL and vice versa, is accounted for i.e. neither income nor expenditure has been booked during the year.
5. No provision for Income Tax has been made in the accounts in view of 'Deficit' of current year and also brought forward losses and unabsorbed depreciation allowable under Income Tax Act, 1961. The matter of allocation or otherwise of the brought forward losses and unabsorbed depreciation of erstwhile MSEDCL has been taken up with the CBDT.
6. Since MSEDCL has commenced its business from 6-6-2005, previous year figures are not shown.
7. Amounts receivable as shown under the head Sundry Debtors, Loans & Advances and other Assets & amounts payable as shown under the head, Current Liabilities are subject to reconciliation/confirmation. Further, in view of multiplicity and difficulty in identification of accounts relating to Small-Scale Industrial Undertakings, information for determining the particulars relating to current indebtedness to such undertakings is not disclosed.
8. No commission has been paid/payable to the Directors (including Managing Director) by way of percentage of profits. Hence, the computation of net profit in accordance with Section 349 of the Companies Act, 1956 is not required to be shown.
9. An arrangement for working capital facilities (fund based) including cash credit facility & working capital Demand Loan totalling to Rs. 119.10 Crores has been made with the Consortium Banks, secured by hypothecation of book debts.



MAHARASHTRA STATE ELECTRICITY DISTRIBUTION CO. LTD.

10. Reconciliation of the balances amounting to Rs. 778.98 Crores in respect of certain units under 'Receivable against supply of power' appearing in the Financial Ledger and those appearing under the Consumers General Ledger is in progress.
11. Cost of Land at Wagale Estate, Thane taken from MIDC by erstwhile MSEB and accounted for at Rs. 8.85 Lakhs is provisional, as the final valuation is still to be received from the State Government.
12. The value of the stock held by the company is as per the Book Value.
13. A loss of properties to the extent of Rs. 5.23 Lakhs has been incurred due to storm, theft, accident & fire etc. which is yet to be accounted for, for want of formal approval.
14. As a result of following the Standard Cost procedure for 98 items of Stores for accounting of receipts and issue of material, material cost variance (debit) has been accounted for at Rs. 66.90 Crores.
15. In view of the commencement of business by MSEDCL w.e.f. 6-6-2005, no prior period income/ expenditure has been accounted for separately.
16. In respect of the embezzlement for Rs. 3.81 Crores by bill collection agency and the employee of the company noticed in Washi Circle in 2004-05, the Criminal Case is filed against the defaulter (s). The Civil Suit No. 510 dtd. 29-10-2005 for Rs. 5.43 Crores has also been filed in the Court of Law including the interest on the amount embezzled. Further, due to initiating the departmental disciplinary actions against the defaulter(s), withholding a balance of security deposit collected from bill collection agency, pending remuneration bills of agency and withholding the dues of defaulting employees, the MSEDCL has not provided for the amount embezzled, as the matter is subjudiced.
17. There is only one segment and one geographical segment, therefore further disclosure as per the Accounting Standard-17 regarding Segment Reporting is not required.
18. Earnings Per Share.

The elements considered for calculation of Earning Per Share (Basic and Diluted) are as under :-

	For the period 6-6-05 to 31-3-06
Net profit after tax used as numerator (Rs. in lakhs)	(-) 30341.37596
Weighted average number of equity shares used as denominator	50,000
Earning per share (Rupees) Basic and Diluted	(-) 60,683
Face value per share (Rupees)	10

19. Statement-1 to Statement-9 and Schedule-1 to Schedule-35 are forming part of Financial Statements of Accounts for the period ended on 31st March, 2006.



MAHAVITARAN

MAHARASHTRA STATE ELECTRICITY DISTRIBUTION CO. LTD.

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General Manager (C.A.)

S. M. Mandke
Company Secretary

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Chief General Manager (F & A)

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Director (Finance)

Dr. A.B.P. Pandey
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As per our Report of even date attached hereto

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(U. M. Jain)
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(S.S.Khandelwal)
Partner
M. No. 33435

(R. R. Khandelwal)
Partner
M. No. 35555

REVENUE FROM SALE OF POWER

**SCHEDULE - 1
(RS. IN LAKHS)**

Sr. No.	Particulars	Account Code	For the period 06-06-05 to 31-03-06
1	Inter State	61.10	18.72745
2	Domestic or Residential	61.21	212090.62947
3	Commercial	61.22	85670.53011
4	Industrial Low & Medium Voltage	61.23	120663.78240
5	Industrial High Voltage	61.24	568197.71408
6	Public Lighting	61.25	16172.58653
7	Traction	61.26	37141.87625
8	Irrigation & Agricultural H. T.	61.27	6618.80357
9	Irrigation & Agricultural L. T.	61.28	164058.87812
10	Public Water Work & Sewerage Pumping H. T.	61.29	27696.87169
11	Public Water Works & Sewerage Pumping L. T.	61.30	5939.08292
12	Tata	61.32	87074.14051
13	Mula Pravara Co-operative Society	61.33	12293.11556
14	Military L. T.	61.36	0.32545
15	Military H. T.	61.37	7503.18052
16	Supplies in bulk to others	61.38	188.97535
17	TOTAL REVENUE		1351329.21998
18	Electricity Duty	61.501	
	Recovery	to 61.519	59178.06698
19	Meter Rent / Service Line Rental	61.6	99.85813
20	Recoveries from Theft of Power / Malpractice	61.7	3114.23910
21	SUB TOTAL		62392.16421
22	Wheeling Charges Recoveries	61.8	1212.68763
23	Miscellaneous Charges from Consumers	61.9	7047.33583
24	GROSS REVENUE FROM SALE OF POWER		1421981.40765
25	Less : Electricity Duty payable (Contra)	61.541 to 61.559	59178.06698
26	Other State Levies payable (Contra)	61.561 to 61.579	
27	TOTAL		1362803.34067
28	Less : Revenue during Trial Stage	61.990	
29	TOTAL		1362803.34067



MAHAVITARAN

ELEMENTWISE ANALYSIS OF REVENUE

SCHEDULE - 2
(RS. IN LAKHS)

Sr. No.	Particulars	Account Code	For the period 06-06-05 to 31-03-06
	REVENUE		
1	Demand Charges	61.XXX	175076.71531
2	Energy Charges	61.XXX	861638.24823
3	Fuel Cost Adjustment Charges.	61.XXX	162947.28246
4	Adjustment to Past Billing	61.XXX	636.35908
5	Penal Charges	61.XXX	2910.50585
6	T & D Loss Charges	61.XXX	0.00000
7	Fixed Charges	61.XXX	60927.87343
8	Power Factor Incentive	61.XXX	-16986.15019
9	Regulatory Liability Charges	61.XXX	93675.14056
10	Flat Rate Tariff Charges	61.XXX	10503.24525
11	TOTAL		1351329.21998
	ELECTRICITY DUTY & OTHER STATE LEVIES		
12	Electricity Duty Recovery	61.501	59178.06698
13	Other State Levies Recovery	61.521 to 61.539	0.00000
14	TOTAL		59178.06698
15	Meter Rent/Service Line Rental	61.600	99.85813
16	Recoveries from theft of Power/Malpractices	61.700	3114.23910
17	Wheeling Charges Recoveries	61.800	1212.68763
18	MISCELLANEOUS RECOVERIES		
	i. Fuse Charges	61.901	0.80869
	ii. Reconnection Fees	61.902	255.01643
	iii. Public Lighting Maintenance Charges.	61.903	9.63998
	iv. Revenue from Minimum Bills to Unconnected Consumers	61.906	10.56333
	v. Meter Box Charges	61.914	89.10442
	vii. Other Charges from Consumers	61.919	6682.20298
19	TOTAL MISCELLANEOUS RECOVERY	61.9	11474.12069
20	Gross Revenue from sale of power		1421981.40765
21	Less : Electricity duty payable (Contra)	61.541 to 61.559	59178.06698
22	Other State Levies Payable (Contra)	61.561 to 61.579	
23	TOTAL		1362803.34067



MAHAVITARAN

AVERAGE REALISATION FROM SALE OF POWER

SCHEDULE - 3

This Year 2005-06

Sr. No.	Consumer Category	No. of Consumers	Units MKWH	% of Total Units Sold	Average Realisation in Paise Per unit
1	2	3	4	5	6
1	Inter State	4	1	0.01	237
2	Domestic or Residential	10088250	6716	16.56	316
3	Commercial	1045600	1700	4.19	504
4	Industrial Low & Medium Voltage	306360	3237	7.98	373
5	Industrial High Voltage	15269	15269	37.65	377
6	Public Lighting	67668	454	1.12	356
7	Traction	50	910	2.24	408
8	Irrigation & Agricultural H. T.	2366150	8829	21.77	193
9	Irrigation & Agricultural L. T.				
10	Public Water Works & Sewerage Pumping H. T.				
11	Public Water Works & Sewerage Pumping L. T.	43091	1232	3.04	273
* 12	Controlled Stations given bulk supply	2	2206	5.44	451
13	Bulk Supplies to others				
14	Military H. T.				
	Military L. T.				
		13917175	40554	100.00	333

Average realisation from each category of Consumers is computed as follows :
Total Revenue from Sale of Power to the Consumer Category.
divided by the number of units sold to that Category.

* The unit sold to M/s. Tata considered on gross basis.

REVENUE SUBSIDIES AND GRANTS

**SCHEDULE - 4
(RS. IN LAKHS)**

Sr. No.	Particulars	Account Code	For the period 06-06-05 to 31-03-06
1	Grants for Research and Development Expenses	63.120	33.02937
2	TOTAL		33.02937

OTHER INCOME

**SCHEDULE - 5
(RS. IN LAKHS)**

Sr. No.	Particulars	Account Code	For the period 06-06-05 to 31-03-06
1	Interest on Staff Loans and Advances	62.210	514.74563
2	Income from Investments in Bank Deposits	62.220	446.84384
3	Interest on Other Investments	62.290	266.60162
4	Delayed Payment Charges from Consumers	62.250	6430.05134
5	Interest from Consumers	62.251	45881.03207
6	Interest from Banks (other than on Fixed Deposits)	62.270	0.57624
7	Income from Trading	62.300	140.96186
8	Miscellaneous Receipts	62.900	8617.42009
9	TOTAL		62298.23269

PURCHASE OF POWER

SCHEDULE - 6 (RS. IN LAKHS)

Sr. No.	Particulars	Account Code	For the period 06-06-05 to 31-03-06
1	Power Purchased		
i.	Power Purchased from MSPGCL	70.144	562666.65060
ii.	Tata Electric Power Company	70.103	64428.92204
iii.	Tarapur Atomic Power Station	70.105	24432.62862
iv.	Oil & Natural Gas Corporation	70.117	2660.67085
v.	National Thermal Power Corporation	70.119	226703.14259
vi.	Kakrapar Atomic Power Station	70.121	12472.12478
vii.	Sugar Factories	70.123	1437.65372
viii.	Wind Mills	70.127	7470.26003
ix.	Power Purchased from Goa	70.132	4.30873
x.	Power Purchased from Bhandardara (and others sardar sarovar) etc.	70.136	22767.88828
xi.	Power Purchased from WREB, Payment as per "Availability Based Tariff" Unscheduled Interchange Charges WRLDC	70.137	46071.19074
xii.	Power Purchased from WREB, Payment as per "Availability Based Tariff" Reactive Energy Charges WRLDC	70.138	-91.67045
xiii.	Power Purchased from Power Trading Corporation of India	70.139	78695.95513
xiv.	Captive Power Purchased	70.143	2082.29773
	Total Power Purchased		1051802.02339
2.	i. Wheeling Charges	70.400	1181.87392
	ii. Wheeling Charges MSETCL	70.402	142008.90665
3	Total		1194992.80396

GENERATION OF POWER

SCHEDULE - 7 (RS. IN LAKHS)

Sr. No.	Particulars	Account Code	For the period 06-06-05 to 31-03-06
1	Fuel Consumption	71.1	0.00000
	Grand Total		0.00000

REPAIRS AND MAINTENANCE

SCHEDULE - 8 (RS. IN LAKHS)

Sr. No.	Particulars	Account Code	For the period 06-06-05 to 31-03-06
	REPAIRS AND MAINTENANCE TO,		
1	Plant and Machinery	74.1	4582.48506
2	Building	74.2	303.38511
3	Civil Works	74.3	1724.34388
4	Hydraulic Works	74.4	0.71073
5	Lines, Cable Network etc.	74.5	14534.32369
6	Vehicles	74.6	144.19158
7	Furniture and Fixtures	74.7	17.00468
8	Office Equipments	74.8	190.09607
9	GRAND TOTAL		21496.54080

EMPLOYEE COSTS

SCHEDULE - 9 (RS. IN LAKHS)

Sr. No.	Particulars	Account Code	For the period 06-06-05 to 31-03-06
1	Salaries	75.1	49555.38337
2	Overtime	75.2	1225.07221
3	Dearness Allowance	75.3	33286.24682
4	Other Allowance	75.4	9724.28614
	SUB TOTAL		93790.98854
5	Medical Expenses Reimbursement	75.611	335.88058
6	Leave Travel Assistance	75.612	139.29335
7	Earned Leave Encashment	75.617	1016.07355
8	Honorarium	75.620	15.00888
9	Expenditure on paper setting etc.	75.621	78.00096
10	Payment under Workmen's Compensation Act	75.629	76.20603
11	Company's Contribution under Welfare Act.	75.640	35.82813
12	Administration Charges (Employees Deposit Linked Insurance Scheme)	75.645	1.34562
13	Company's Contribution to ESI Fund	75.650	3.67613
14	Medical Expenses Reimbursement (Others)	75.683	7.32896
	TOTAL OTHER STAFF COSTS (5 TO 14)		1708.64219
15	Staff Welfare Expenses	75.7	677.49884
16	Terminal Benefits	75.8	38231.91252
17	TOTAL		134409.04209

**MAHAVITARAN****ADMINISTRATION AND GENERAL EXPENSES****SCHEDULE - 10
(RS. IN LAKHS)**

Sr. No.	Particulars	Account Code	For the period 06-06-05 to 31-03-06
1	Rent, Rates and Taxes		
i)	Rent (Including Lease Rent)	76.101	418.00100
ii)	Rates and Taxes	76.102	1092.62473
2	Insurance		
i)	Insurance on Fixed Assets	76.104	5.89426
ii)	Insurance on Stocks	76.105	0.24574
iii)	Insurance on Assets under Construction	76.106	0.00238
3	Telephone Charges, Postage, Telegrams and Telex Charges	76.111 to 76.113	970.15700
4	Legal Charges	76.121	397.74190
5	Audit Fees	76.122	32.45000
6	Consultancy Charges	76.123	179.88473
7	Technical Fees	76.124	14.63612
8	Other Professional Charges	76.125	39.25873
9	Remuneration to Chairperson / Member (Consumer Grievance Redressal Forum)	76.126	30.86028
10	Conveyance and Travel		
i)	Conveyance Expenses	76.131	16.18205
ii)	Travelling Expenses	76.132	706.99443
iii)	Travelling Expenses for foreign tour	76.134	18.06658
iv)	Vehicle running Expenses Petrol & Oil (Other than for trucks/delivery vans)	76.136	614.35967
v)	Vehicles Licence and Registration Fees	76.138	21.25768
vi)	Expenses on hire of Taxi	76.139	977.99643
11	Other Expenses		
i)	Fees and Subscriptions	76.151	737.26929
ii)	Books and Periodicals	76.152	12.76692
iii)	Printing and Stationery	76.153	905.92885
iv)	Advertisement Expenses	76.155	401.16651
v)	Contributions	76.157	5.35301
vi)	Electricity Charges	76.158	774.79524
vii)	Water Charges	76.160	284.41671
viii)	Entertainment	76.162	28.17334
ix)	Expenditure on Meetings, Conferences etc.	76.165	29.67607

ADMINISTRATION AND GENERAL EXPENSES

**SCHEDULE - 10
(RS. IN LAKHS)**

Sr. No.	Particulars	Account Code	For the period 06-06-05 to 31-03-06
x)	Up-keep of office	76.166	367.59109
xi)	Expenditure on Computer Billing & EDP Charges	76.167	854.88622
xii)	Expenditure on Consumers billing	76.168	1042.19907
xiii)	Security Measures for Safety & protection contract basis	76.170	694.72539
xiv)	Remuneration to Recovery Officer / Inspector	76.171	26.20210
xv)	Miscellaneous Expenses	76.190	0.97363
xvi)	Government Inspection fees for Board's Installations	76.192	528.34480
Total of Other Expenses			12231.08195
12	Freight	76.220	16.50948
13	Other Purchase Related Expenses		
i)	Transit Insurance	76.230	6.78651
ii)	Vehicles running Expenses, Trucks and Delivery Van	76.240	398.24983
iii)	Octroi	76.250	185.02013
iv)	Advertisements of Tenders, Notices	76.260	123.71854
v)	Incidental Stores Expenses	76.270	61.91622
vi)	Other Material Related Expenses	76.279	54.49771
vii)	Fabrication Charges	76.281	5.80095
Total of other Purchase Related Expenses			835.98989
14	Total Freight and other Purchase Related Expenses (12 + 13)		852.49937
15	TOTAL		13083.58132

DEPRECIATION AND RELATED DEBITS (NET)

SCHEDULE - 11
(RS. IN LAKHS)

Sr. No.	Particulars	Account Code	For the period 06-06-05 to 31-03-06
1	Depreciation	77.1 & 77.2	41599.27596
2	Small & Low value items Written - off	77.6	7.40577
3	SUB TOTAL 1 TO 2		41606.68173

MSDCL

INTEREST AND FINANCE CHARGES

SCHEDULE - 12 (RS. IN LAKHS)

Sr. No.	Particulars	Account Code	For the period 06-06-05 to 31-03-06
1	Interest on State Govt. Loans	78.100	0.00000
2	Interest on Debentures	78.300	0.00000
3	Interest on other Loans/Deferred Credits	78.5	
(i)	Interest on Loans from REC	78.510	11332.42636
(ii)	Interest on Loans from IDBI	78.518	1259.52163
(iii)	Interest on Loans from Power Finance Corporation	78.533	1051.61533
(iv)	Interest on other Loans	78.580	1345.98822
4	Penal Interest in respect of Capital Liabilities	78.590	0.28254
5	Interest to Consumers	78.6	0.15205
6	Total Interest on Capital Liabilities		14989.98613
7	Interest on Borrowings for Working Capital	78.700	131.29542
8	Discount to Consumers for Timely Payment of Bills	78.820	4507.74955
9 A)	Interest to Suppliers / Contractors (Capital)	78.841	18.49429
B)	Interest to Supplier / Contractors (O & M)	78.842	48.45908
10	Interest on Consumers Security Deposits	78.850	8075.26514
11	Cost of Raising Finance		
i)	Stamp Duty	78.861	48.57751
ii)	Service Fee	78.864	0.48079
12	Other Charges		
i)	Bank Charges for Remittances between Board's Office	78.881	430.32845
ii)	Bank Commission for Collections from Consumers	78.882	1753.42252
iii)	Other Bank Charges	78.883	1138.48750
iv)	Guarantee Charges	78.884	2768.84213
13	Total		33911.38851



MAHAVITARAN

INTEREST CAPITALISATION FOR THE PERIOD

06-06-2005 to 31-03-2006

SCHEDULE - 13A(1)
(Rs. IN LAKHS)

Sch. Ref.	Sr. No.	A/C. Code No.	ESAAR 1985 Ref.	Particulars	Rs.	Rs.	Rs.
21	1	14.1	1 (a)	Assets at Construction Stage (ACS)			
	5	15.1		Capital work in progress	94252.28197		
	7	15.2		Contracts in progress	874.89924		
	8	15.5		Rev. exp. pending alloc. over capital works Prov. for compl. Works	262.53102		
				Assets at Construction Stage (ACS)		95389.71223	
19			1 (b)	Balance Net Assets (BNA)			
22				Net Fixed Assets		370544.22021	
23				Assets not in use		27.46660	
24				Deferred Costs		5371.79987	
25				Intangible Assets		184.99574	
				Investments		123695.61657	
26				Net Current Assets			
				Total Current Assets	591212.5337		
				Less			
27				Security Deposits	217383.99		
28				Other Current Liabilities	268985.501		
29				Subsidy Receivable	0	104843.04281	
21	3	22.64		Capital Stores & Adv. for Capital supply/work		0.0000	
	4	22.601 to 619		Material at sites (Direct Debit)	0.0000		
	13	22.64		Material at const stores (Direct Debit)	0.0000		
	14	22.601 to 619		Material at sites (capital) other than direct debit	283.59549		
	2	25.1 to 25.5		Material at const stores	0.51633		
	11	25.1 to 25.9		Adv. to Suppliers (Capital) (Direct Debit)	2641.14874		
				Adv. to Suppliers & Contractors		2925.26056	
				Balance Net Assets (BNA)		607592.40236	
							702982.11459
			2	Excess of Liability for cap. supply/works over Capital stores & Adv. for capital supply/works if any to be reduced from ACS			



MAHAVITARAN

SCHEDULE - 13A(2) (Rs. IN LAKHS)

Sch. Ref.	Sr. No.	A/C. Code No.	ESAAR 1985 Ref.	Particulars	Rs.	Rs.	Rs.
28	6	42.1 to 42.7		ACS at 1 (a) above	1996.33483	95389.71223	
21				Liability for capital supply/works	0.0000		
				Capital stores & Adv. for capital supply/works		1996.33483	93393.37740
				ACS		607592.40236	
				BNA to be increased by that amount		1996.33483	
				add excess liability of capital Supply/work			609588.73719
			3	BNA			
				BNA shall be derived after balance			
				current assets are metted off current liab			
				already done			609588.73719
				BNA			702982.11459
30				Total Funds as per B/S will be classified			
31(a)			4	Borrowing for working capital			3574.00000
31(b)			(a)	Payment due on capital liabilities		0	
			(b)	Payment due on capital liabilities		0.00000	
				Int. accrued but not due on Govt. Loans			0.00000
32	16	53.612	(c)	Loans having initial period of int. holiday			
	17	53.620		Dep.collected to be refunded after 8 yrs.		138.67558	
	18	53.621		Financial participation by consumers		582.84685	
				Int. free loan from MIDC for elec. works.		1027.3579	
34			(d)	Other int. free liabilities			1748.88033
				Contr., grants & subsidies towards cost			
				of capital assets			56223.87369
35				Reserve Fund			0
				Reserve & Surplus			
				Surplus of Rev. A/C before int capitalisation		-32310.46011	
				Surplus of previous year		0.00000	
33(a)				Equity Capital		308398.20920	276087.74909



MAHAVITARAN

SCHEDULE - 13A (3) (Rs. IN LAKHS)

Sch. Ref.	Sr. No.	A/C. Code No.	ESAAAR 1985 Ref.	Particulars	Rs.	Rs.	Rs.
32			(g)	Interest bearing capital liabilities Capital liabilities Less Items 4(c) above	326930.39583 1748.88033 325181.51550		
33				Add Funds from State Govt.	40139.60670	365321.12220	
							702955.62531
			5(a)	Borrowing for work cap. & payment due on cap. Liab. shall be deemed to finance BNA & therefore deducted from BNA	609588.73719		
				Less	3574.00000		
				Borrowing for working capital	0.00000		
				Payment due on capital liabilities		606014.73719	
			5(b)	Capital loans int. free shall be fully appor. against the ACS			
				ACS at (2) above	93393.37740		
				Less	1748.88033		
				Loans having initial period of int. holiday		91644.49707	
			5(c)	Int. free cap. liab. proportionately divided over ACS & BNA			
					Total	ACS	BNA
					697659.23426	91644.49707	606014.73719
					56223.87369	7385.56644	48838.30725
					641435.36057	84258.93063	557176.42994
35			5(d)	Reserve Fund shall be set off against Investments made against Funds			
25	1	20.1		Reserve Fund	0		
				Less			
				Investment against Funds	0.00000		0



MAHAVITARAN

SCHEDULE - 13A (4)
(Rs. IN LAKHS)

Sch. Ref.	Sr. No.	A/C. Code No.	ESAAAR 1985 Ref.	Particulars	Rs.	Rs.	Rs.	Rs.
			5(e)	Reserve, surplus & the excess of Reserve Fund over its investment shall be added up to determine 'own Funds' Reserve & Surplus Reserve Fund		276087.749090		
				Own Funds		276087.74909		
				Own Funds shall be divided proportionately over ACS & BNA	Total		ACS	BNA
					641435.36057		84258.93063	557176.42994
					276087.74909		36266.87883	239820.8703
					365347.61148		47992.05180	317355.55968
			5(f)	Where 'own funds' are negative - no adjust of own funds shall be made			N.A.	
			6	Interest bearing ACS & BNA Aggregate of these should be equal to Interest bearing Capital Liabilities	365347.61148 365321.12220	47992.05180		317355.55968
			7.	Interest bearing ACS & BNA at the beginning of the year & at the end of the year shall be used to determine 'Average' Interest bearing ACS & Interest bearing BNA	Total		ACS	BNA
					365347.61148	47992.05180		317355.55968
				Total	14989.98613	1969.08415		13020.90198
				Average ACS & BNA				
			8	Interest for period 06-06-05 to 31-03-06 appointed over ACS & BNA	14989.98613	1969.08415		13020.90198
				Interest to be capitalised during the period		1969.08415		

OTHER EXPENSES CAPITALISED

SCHEDULE - 14
(RS. IN LAKHS)

Sr. No.	Particulars	Account Code	For the period 06-06-05 to 31-03-06
1	Repairs and Maintenance Charged to works	74.900	2.52790
2	Employees costs charged to Capital Works	75.900	7168.04805
3	Administration & General Expenses charged to Capital Works	76.900	3634.94094
4	Depreciation and related costs charged to Capital Works	77.900	0.48782
5	Total		10806.00471

MSDCL

OTHER DEBITS

SCHEDULE - 15
(RS. IN LAKHS)

Sr. No.	Particulars	Account Code	For the period 06-06-05 to 31-03-06
1	Materials Cost Variance	79.1	
	i) Materials Cost Vairance Capital	79.110	23.91425
	ii) Materials Cost Variance O & M	79.120	37.21165
	iii) Materials Cost Variance A/Cs	79.130	6690.48393
2	Bad & Doubtful Debts written Off/provided for	79.4	
	i) Bad Debts Written off- Dues from consumers	79.410	10.52888
	ii) 50% B. P. Interest out of arrears 01.04.03 Agri Cons w/o under Krishisanjivani	79.411	390.44610
	iii) D.P.C. out of arrears 01.04.03 Agri Cons w/o under Krishisanjivani	79.412	0.17657
	iv) 50% balance portion of interest out of arrears due as on 30.06.04 in respect of 'Public Water Supply Scheme' to be written off under 'Public Water Supply Scheme Sanjivani Yojana'	79.416	893.00288
	v) Entire Portion of Delayed Payment Charges out of arrears due as on 30.06.04 in respect of 'Public Water Supply Scheme' to be written off under 'Public Water Supply Scheme Sanjivani Yojana'	79.417	1.81937
	vi) Bad Debts Written off- Others	79.430	0.19112
	vii) Bad & Doubtful Debts Provided for dues from Consumers	79.460	20442.00000
3	Miscellaneous Losses & Write-off	79.5	
	i) Shortages on Physical Verification of Stocks	79.510	0.26768
	ii) Loss of Materials by pilferage etc.	79.511	16.11519
	iii) Compensation for injuries, death and damages to staff	79.530	66.39932
	iv) Compensation for injuries, death and damages to outsiders	79.531	109.43588
4	SUB TOTALS OF 3		28681.99282
5	Sundry Expenses		
	i) Intangible Assets Written off	79.710	46.28996
	ii) Write-off of Deferred Revenue Expenditure	79.721	11.68248
	iii) Difference due to rounding off to nearest Rupees	79.725	-0.02097
6	SUB TOTAL OF 5		57.95147
7	TOTAL (4+6)		28739.94429

EXTRAORDINARY ITEMS

**SCHEDULE - 16
(RS. IN LAKHS)**

Sr. No.	Particulars	Account Code	For the period 06-06-05 to 31-03-06
1.	Extraordinary Credits		
	TOTAL CREDITS		
2.	Extraordinary Debits		
	i) Loss to Fixed Assets on account of Flood, Cyclone, Fire etc.	79.881	11.08485
	TOTAL DEBITS		11.08485
3	EXTRAORDINARY ITEMS (NET)		11.08485

PROVISION FOR INCOME TAX

**SCHEDULE - 17
(RS. IN LAKHS)**

Sr. No.	Particulars	Account Code	For the period 06-06-05 to 31-03-06
1	Provision for Income Tax	46.8	0.00000
2	TOTAL		0.00000

NET PRIOR PERIOD CREDITS/CHARGES

**SCHEDULE - 18
(RS. IN LAKHS)**

Sr. No.	Particulars	Account Code	For the period 06-06-05 to 31-03-06
1.	Income relating to Previous Year		0.00000
2.	Prior Periods Expenses/Losses		0.00000
3	NET PRIOR PERIOD CREDITS / (CHARGES)		0.00000

Note : Please refer para No. 15 of Notes to the Balance Sheet.



FIXED ASSETS AND PROVISION FOR DEPRECIATION

SCHEDULE - 19
(RS. IN LAKHS)

GROSS BLOCK			PROVISION FOR DEPRECIATION								Net Block	
Sr. No.	Assets Group	Account Code	Transferred on 06-06-2005	Additions During the period 06-06-05 to 31-03-2006	Deductions During the period 06-06-05 to 31-03-2006	Balance As at 31-03-2006	Transferred on 06-06-05		Depreciation for the period 06-06-05 to 31-03-2006		Depreciation As at 31-03-2006	As at 31-03-2006
							Rs.	Rs.	Rs.	Rs.		
1	2	3	4	5	6	7	8	9	10	11	12	
1	Land & Land Rights	10.1	4097.85112	0.00000	0.00000	4097.85112	61.18071	15.08424	0.00000	76.26495	4021.58617	
2	Buildings	10.2	26359.12475	0.00000	0.00000	26359.12475	11068.912010	901.31379	0.00000	11970.22580	14388.89895	
3	Hydraulic Works	10.3	601.83636	0.00000	0.00000	601.83636	199.39786	19.98430	0.00000	219.38216	382.45420	
4	Other Civil Works	10.4	7267.91547	200.82435	0.00000	7468.73982	2100.20471	179.62549	-12.97060	2266.85960	5201.88022	
5	Plant & Machinery	10.5	241644.52985	17122.27668	50.16701	258716.63952	143308.24351	11936.66987	-2587.36739	152657.54599	106059.09353	
6	Lines & Cable Networks	10.6	612075.99281	30837.72758	2.32310	642911.39729	379713.66876	28049.89145	-2628.60567	405134.95454	237776.44275	
7	Vehicles	10.7	2341.81091	3.88961	27.89331	2317.80721	2081.17528	11.02821	-25.14642	2067.05707	250.75014	
8	Furniture & Fixtures	10.8	2487.35973	0.00000	0.00000	2487.35973	1785.61955	148.65835	0.00000	1934.27790	553.08183	
9	Office Equipment	10.9	5623.64614	62.19281	0.00000	5685.83895	3508.82012	332.76800	-27.92102	3813.66710	1872.17185	
SUB TOTAL This Year			902500.06714	48226.91103	80.38342	950646.59475	543827.22251	41595.02370	-5282.01110	580140.23511	370506.35964	
10	Capital Expenditure resulting in Assets not belonging to the Board	11.1	10.00000	0.00000	0.00000	10.00000	6.39939	0.60462	0.00000	7.00401	2.99599	
11	Assets Taken over from Licensees Pending final valuation	11.5	144.29643	0.00000	0.00000	144.29643	105.78421	3.64764		109.43185	34.86458	
TOTAL This year			902654.36357	48226.91103	80.38342	950800.89118	543939.40611	41599.27596	-5282.01110	580256.67097	370544.22621	

Note :

- Gross Block does not include value of small & low value assets each costing below Rs. 500 charged to revenue account in the year in which they are first put to use.

Total upto 31-03-2006

Rs. 740577

**MAHAVITARAN****FUNCTIONWISE BREAK-UP OF FIXED ASSETS****SCHEDULE - 20
(RS. IN LAKHS)**

GROSS BLOCK			PROVISION FOR DEPRECIATION				NET BLOCK		
Sr. No.	Functions	At The End of The period 05-06-2005	Additions/ Deductions During the Year 2005-06	At the End of The Year 31-03-2006	At the End of The period Year 05-06-2005	Depreciation For the Year Adjustments/ deductions 2005-06	At the End of The Year 31-03-2006	At the End of the previous Year 05-06-2005	
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	2	3	4	5	6	7	8	9	10
1	Distribution								
	i) Distribution HV	271802.7177	14246.92607	286049.64376	157435.78619	10220.37862	167656.16481	118393.47895	115499.35761
	ii) Distribution LV	518106.4333	25297.50228	543403.93557	322229.49903	20930.78991	343160.28894	200243.64663	196218.5706
	iii) Consumer's Servicing	74777.18729	6679.28055	81456.46784	46948.94636	4047.11616	50996.06252	30460.40532	29830.54542
	iv) Others	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
2	CIVIL MAINTENANCE	17689.22136	957.40497	18646.62633	6457.18364	425.78914	6882.97278	11763.65355	11333.41015
3	STORES	2911.22317	137.54231	3048.76548	1323.43378	84.04028	1407.47406	1641.29142	1587.78939
4	ADMINISTRATION OFFICES	17367.58077	827.87143	18195.45220	9544.55711	609.15075	10153.70786	8041.74434	7827.15086
5	TOTAL	902654.36357	48146.52761	950800.89118	543939.40611	36317.26486	580256.67097	370544.22021	362296.82405

CAPITAL EXPENDITURE IN PROGRESS

**SCHEDULE - 21
(RS. IN LAKHS)**

Sr. No.	Particulars	Account Code	For the period 06-06-05 to 31-03-06
1	Capital Work-in-Progress	14.1	94252.28197
2	Advances to Suppliers (Capital) (Direct Debits)	25.1 & 25.5 to 22.619	0.51633
3	Contracts-in-Progress	15.1	874.89924
4	SUB-TOTAL (1 TO 3)		95127.69754
5	Provision for Completed Works	15.5	262.53102
6	Interest Charges Capitalised		1969.08415
7	ASSETS AT CONST. STAGE (4 TO 6)		97359.31271
8	Advances to Suppliers/Contractors (Capital)	25.1 to 25.9	2641.14874
9	SUB-TOTAL		100000.46145
10	Material at Construction Stores	22.601 to 22.619	283.59549
11	TOTAL		100284.05694



MAHAVITARAN

ASSETS NOT IN USE

**SCHEDULE - 22
(RS. IN LAKHS)**

Sr. No.	Asset Group	Account Code	Transferred on 06-06-2005	Additions During the period 06-06-05 to 31-03-2006 Rs.	Deductions During the period 06-06-05 to 31-03-2006 Rs.	As at 31-03-2006 Rs.
1	2	3	4	5	6	7
	Written down value of Obsolete/Scrapped Assets					
1	Other Civil Works	16.13	0.16400	0.00000	0.00000	0.16400
2	Plants & Machinery	16.14	15.79690	4.93273	4.16558	16.56405
3	Lines & Cable Networks	16.15	8.51582	0.33396	0.33396	8.51582
4	Vehicles	16.16	1.61307	1.24399	0.65963	2.19743
5	Furniture & Fixtures	16.17	0.02421	0.00000	0.00000	0.02421
6	Office Equipments	16.18	0.00109	0.00000	0.00000	0.00109
	TOTAL		26.11509	6.51068	5.15917	27.46660



MAHAVITARAN

DEFERRED COSTS

SCHEDULE - 23
(RS. IN LAKHS)

Particulars	Account Code	Transferred on 06-06-2005	Cost deferred During the period 06-06-05 to 31-03-2006	Cost Charged to Revenue During the period 06-06-05 to 31-03-2006	As at 31-03-2006
			Rs.	Rs.	Rs.
1	2	3	4	5	6
DEFERRED REVENUE EXPENDITURE	17.2				
Fixed Assets Pending Investigation	17.250	3058.17962	897.52630	11.97748	3943.72844
Other Deferred Revenue Expenditure	17.299	1689.26265	0.00000	263.94122	1425.32143
Total Deferred Revenue					
Expenditure		4747.44227	897.52630	275.91870	5369.04987
Expenditure On Survey/ Feasibility Studies of Project Not yet Sanctioned	17.300	2.75000	0.00000	0.00000	2.75000
Total Deferred Cost		4750.19227	897.52630	275.91870	5371.79987



MAHAVITARAN

INTANGIBLE ASSETS

SCHEDULE - 24
(RS. IN LAKHS)

Particulars	Account Code	Transferred on 06-06-2005	Cost deferred During the period 06-06-05 to 31-03-2006	Cost Charged to Revenue During the period 06-06-05 to 31-03-2006	As at 31-03-2006
			Rs.	Rs.	Rs.
1	2	3	4	5	6
Payments To Acquire Right To Receive Power From Other Bodies					
a) Payments towards Oracle Product	18.110	1.69234	229.59336	46.28996	184.99574
TOTAL		1.69234	229.59336	46.28996	184.99574



MAHAVITARAN

INVESTMENTS

SCHEDULE - 25
(RS. IN LAKHS)

Sr. No.	Investments	Account Code	Transferred on 06-06-2005	Further Investments during the period 06-06-05 to 31-03-2006	Investments realised during the period 06-06-05 to 31-03-2006	As at 31-3-2006	Details of investment certificates etc pledged or given as security deposit
1	2	3	4	5	6	7	8
1	Investments against Funds	20.1					
2	Investments other than Fund Investments	20.2					
	(i) Investment in the form of Fixed Deposits with Banks, Companies etc.	20.280	0.00000	120000.00000	0.00000	120000.00000	
	(ii) Other Investments	20.290	5352.01657	0.00000	1656.40000	3695.61657	
	TOTAL		5352.01657	120000	1656.4	123695.6166	
3	Investments in Subsidiaries	20.3					
	(i) Investment of equity shares in subsidiaries (MPDC Ltd.)	20.311	0.00000	1.67165	1.67165	0.00000	
	TOTAL		5352.01657	120001.67165	1658.07165	123695.61657	

TOTAL CURRENT ASSETS

**SCHEDULE - 26
(RS. IN LAKHS)**

Sr. No.	Current Assets	Schedule No.	As at 31-03-06
1	Stocks	26(a)	11681.06489
2	Receivable against Supply of Power	26(b)	524953.12809
3	Cash and Bank Balances	26(c)	17322.05332
4	Loans and Advances	26(d)	6954.76053
5	Sundry Receivables	26(e)	30301.52689
TOTAL			591212.53372

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STOCKS

SCHEDULE - 26(a)
(RS. IN LAKHS)

Sr. No.	Particulars	Account Code	As at 31-03-2006
			Rs.
1	Stock of Materials at Other Stores	22.621 to 22.639	10432.37280
2	Materials pending Inspection	22.660 & 22.670	896.00310
3	Other Materials accounts	22.7	239.97265
4	Materials Stock Excess/ Shortage-Pending Investigation	22.8	112.71634
TOTAL			11681.06489



MAHAVITARAN

RECEIVABLES AGAINST SUPPLY OF POWER

SCHEDULE-26 (b)
(RS. IN LAKHS)

Sr. No.	Particulars	Account Code	As at 31-03-2006
			Rs.
1	2	3	4
1	Sundry Debtors for sale of Power	23.1	251516.40847
2	Sundry Debtors for Inter state Sale of Power	23.6	16672.90128
3	Provision for Unbilled Revenue	23.4	243443.81526 @
4	Sundry Debtors Miscellaneous Receipts from Consumers	23.7	2558.58338
5	Receivable from Govt. Towards Agr. and Powerloom Consumers	23.8	31206.56664
	SUB TOTAL		545398.27503
6	Less:		
	i) Sundry Debtors Collections A/c and Unposted Receipts	23.3	3.14694
	ii) Provision for Doubtful Dues from Consumers	23.9	20442.00000
7	TOTAL		524953.12809

@ Rs. 131414.83 Lakhs pertains to March 2006 billed in April 2006

CASH AND BANK BALANCES

SCHEDULE-26 (c)
(Rs. IN LAKHS)

Sr. No.	Particulars	Account Code	As at 31-03-2006
			Rs.
1	2	3	4
1	Cash in hand	24.1	2053.38044
2	Cash Imprest with Staff	24.2	8.85775
3	Balances with Banks	24.3	
		& 24.4	9990.94113
4	Cash in Transit	24.5	
		& 24.6	5268.82400
5	Deposit with Govt. Treasury	24.7	0.05000
	TOTAL		17322.05332



MAHAVITARAN

LOANS AND ADVANCES

SCHEDULE - 26 (d)
(RS. IN LAKHS)

Sr. No.	Particulars	Account Code	As at 31-03-2006
			Rs.
1	2	3	4
1	Advances for O & M Supplies / Works	26.1 to 26.7	2496.57788
2	Loans & Advances to Staff	27.1 & 27.2	4181.56931
3	Loans & Advances to Licensees	27.3	31.34392
4	Advance Income Tax/ Deductions at source	27.4	63.70063
5	Loans & Advances-Others	27.8	190.69723
6	TOTAL 1 to 5		6963.88897
7	Less : Provision for Doubtful Loans & Advances	27.9	9.12844
	TOTAL (6-7)		6954.76053

SUNDRY RECEIVABLES

SCHEDULE - 26 (e)
(RS. IN LAKHS)

Sr. No.	Particulars	Account Code	As at 31-03-2006
			Rs.
1	2	3	4
1	Sundry Debtors-Trading Account	28.1	1322.80138
2	Income accrued and due on Investment	28.210 to 28.240	
	Other Income	28.250 to 28.290	17.21861
3	Income accrued but not due	28.300	1271.98868
4	Amount recoverable from Employees/ Ex-Employees etc.	28.400	98.83288
5	Other Claims & Receivables	28.700 & 28.800	21912.13968
6	Deposits	28.900	5678.56674
7	Inter Unit Accounts		-0.02108
	TOTAL		30301.52689



MAHAVITARAN

SECURITY DEPOSITS FROM CONSUMERS

SCHEDULE -27 (RS. IN LAKHS)

Sr. No.	Particulars	Account Code	As at 31-03-2006 Rs.
1	Security Deposits from Consumers (In Cash)	48.100	197908.99813
2	Security Deposits from Consumers (Other than in Cash)	48.200	4676.69786
3	Interest payable on Consumers Deposits	48.300	14798.29396
	Total		217383.98995

OTHER CURRENT LIABILITIES

SCHEDULE - 28 (RS. IN LAKHS)

Sr. No.	Particulars	Account Code	As at 31-03-2006 Rs.	Rs.
1	2	3	4	5
1	Liability for purchase of Power	41.100 to 41.3		16142.40697
2	Liability for Capital Supplies/ Works	42.100 to 42.7		1996.33483
3	Liability for O & M Supplies/ Works	43.100 to 43.5		14019.43948
4	Staff related Liabilities & Provisions			
	i) Provision for Gratuity	44.110		99392.00000
	ii) Other Liabilities and Provision	44.120 to 44.4		645.98399
5	Deposits and Retentions from Suppliers and Contractors	46.100	12399.03731	
	Less : (Net of Deposits received in form of investments etc.)	28.930	367.34414	12031.69317
6	Electricity Duty and Other Levies payable to Government	46.300		23291.59139
7	Liability for Expenses	46.400		29762.26510
8	Amount owing to Licensees	46.600		435.09683
9	Accrued/Unclaimed amounts relating to Borrowings	46.700		1577.72367
10	Other Liabilities and Provisions	46.900		60071.00839
11	Sub Total (1 to 11)			259365.54382
12	Deposits for Electrification, Service Connection etc.	47.100 to 47.800		9619.95714
	TOTAL			268985.50096



SUBSIDY RECEIVABLE FROM GOVERNMENT

SCHEDULE -29
(RS. IN LAKHS)

Sr. No.	Particulars	Account Code	As at 31-03-2006 Rs.
1	2	3	4
1	Capital Subsidy/Grant Receivable	28.610	0.00000
2	Revenue Subsidy/Grant Receivable	28.620	0.00000
TOTAL			0.00000

BORROWINGS FOR WORKING CAPITAL

SCHEDULE -30
(RS. IN LAKHS)

Sr. No.	Particulars	Account Code	As at 31-03-2006 Rs.
1	2	3	4
1	Cash Credit from Banks	50.100	3574.00000
2	Bank Overdrafts	50.200	0.00000
3	Temporary Overdrafts from Banks	50.300	0.00000
4	Temporary Advances from Governments	50.400	0.00000
TOTAL			3574.00000



MAHAVITARAN

PAYMENTS DUE ON CAPITAL LIABILITIES

**SCHEDULE - 31 (a)
(RS. IN LAKHS)**

Particulars	Account Code	Transferred on 06-06-2005	Becoming Due During the period 06-06-05 to 31-03-2006	Payment Made During the period 06-06-05 to 31-03-2006	As at 31-03-2006
1	2	3	4	5	6
I. REPAYMENTS DUE					
1) State Govt. Loans					
2) Loans from R.E.C.	51.104	33.46139	22659.47889	22692.94028	0.00000
3) Loans from I.D.B.I.	51.113	0.00000	9376.97976	9376.97976	0.00000
4) Repayments due-Loans from Central Govt. & others	51.117	0.00000	8125.00000	8125.00000	0.00000
5) Capital Cost Deposits	51.125	1.33310	0.00000	0.00000	1.33310
6) Financial participation by Consumers Interest free	51.126	1.51338	0.66639	0.66639	1.51338
Total Repayments Due (1 to 6)		36.30787	40162.12504	40195.58643	2.84648
II. INTEREST ACCRUED AND DUE ON					
1) Loan from R.E.C.	51.205	28.15615	12714.19960	12742.35575	0.00000
2) Interest accrued and due on IDBI	51.240	0.00000	1259.52163	1259.52163	0.00000
3) Loan from P.F.C.	51.247	0.00000	754.48086	754.48086	0.00000
4) Financial participation by consumers	51.265	23.64280	0.00000	0.00000	23.64280
5) Loan from Staff Welfare Fund	51.270	0.00000	22.49538	22.49538	0.00000
6) Loan from Others	51.290	0.00000	54.65753	54.65753	0.00000
i) Raigad District Central Co-op. Bank		0.00000	869.74043	869.74043	0.00000
ii) Canara Bank		0.00000	28.42247	28.42247	0.00000
iii) Punjab National Bank		0.00000	279.45204	279.45204	0.00000
iv) UCO Bank		0.00000	67.89041	67.89041	0.00000
v) Indian Overseas Bank		0.00000			
II) TOTAL INTEREST ACCRUED AND DUE (1 TO 6)	51.200	51.79895	16050.86035	16079.01650	23.64280
TOTAL (I + II)		88.10682	56212.98539	56274.60293	26.48928

INTEREST ACCRUED BUT NOT DUE ON GOVT. LOAN

**SCHEDULE - 31 (b)
(RS. IN LAKHS)**

Particulars	Account Code	Transferred on 06-06-2005	Becoming Due During the period 06-06-05 to 31-03-2006	Payments Made During the period 06-06-05 to 31-03-2006	As at 31-03-2006
1	2	3	4	5	6
1	46.716	0.00000	0.00000	0.00000	0.00000
Total Interest accrued out not due on Govt. Loans		0.00000	0.00000	0.00000	0.00000



MAHAVITARAN

CAPITAL LIABILITIES

SCHEDULE 32
(RS. IN LAKHS)

Sr. No.	Particulars	Details of Interest Rate, Moratorium and Rate applicable at the end of the year	Account Code	Transferred on 06-06-2005	Amount received during the period 06-06-05 to 31-03-2006	Repayments During the period 06-06-05 to 31-03-2006	As at 31-3-2006
1	2	3	4	5	6	7	8
1.	Loan from REC	8.00% to 15.00%	53.300	122577.23420	166353.03639	22692.94028	266237.33031
2.	Financial Participation by Consumers (Interest Bearing)	12.50% to 14.00 %	53.610	13.48499	0.90210	0.00000	14.38709
3.	Refundable Capital Cost Deposits	5.00% to 10.25%	53.611	32.52261	0.95365	0.66639	32.80987
4.	Deposits collected to be refunded after eight years (without interest)		53.612	138.36054	3.74000	3.42496	138.67558
5.	Financial Participation by consumers (Interest Free)		53.620	503.19283	79.65402	0.00000	582.84685
6.	Interest free Loan from MIDC for Elect. Work		53.621	1027.3579	0	0.00000	1027.35790
	Sub Total (1 to 6)			124292.1531	166438.2862	22697.03163	268033.4076
7.	LOAN FROM OTHERS						
	Loans from Others I.D.B.I. (Under rediscounting scheme)		53.702	22303.42804	0.00000	9376.97976	12926.44828
	Less :- Interest	20.52%	53.701	1630.65202	0.00000	0.00000	1630.65202
	NET			20672.77602	0.00000	9376.97976	11295.79626
8.	Loans from Others						
	i) UCO Bank	8.50%	53.704	4000.00000	0.00000	2000.00000	2000.00000
	ii) Raigad DCC Bank	9.50%	53.704	0.00000	21000.00000	0.00000	21000.00000
	iii) Canara Bank	8.00%	53.704	15000.00000	0.00000	5000.00000	10000.00000
	iv) Punjab National Bank	8.75%	53.704	750.00000	0.00000	750.00000	0.00000
	v) INDIAN OVERSEAS BANK	8.00%	53.704	1000.00000	0.00000	375.00000	625.00000
9.	Power Finance Corporation	4.5% TO 11.50%	53.708	12885.77041	3269.46184	2179.04028	13976.19197
10.	SUB-TOTAL			54308.54643	24269.46184	19681.02004	58896.98823
11.	TOTAL			178600.69950	190707.74800	42378.05167	326930.39583

NOTE NO.1 -

MSEDCL has availed loans from Financial Institutions like Rural Electrification Corporation Ltd., Power Finance Corporation and Banks by offering security coverage of GoM Guarantee, future assets & Escrow.

NOTE NO.2 - BORROWING POWERS FOR THE PERIOD

Maximum borrowing power under section 293 (1) (D) of the companies Act, 1956.

Less : Borrowing power exercised upto The end of the period.

Balance of exercisable borrowing powers as at the end of the period.

Rs. 5000.00 crores

Rs. 3150.08 crores

Rs. 1849.92 crores



MAHAVITARAN

FUNDS FROM STATE GOVERNMENT

SCHEDULE - 33
(RS IN LAKHS)

Sr. No.	Particulars	Details of Interest Rate, Moratorium and Rate applicable at the end of the year	Account Code	Transferred on 06-06-2005	Amount received during the period 06-06-05 to 31-03-2006	Repayments During the period 06-06-05 to 31-03-2006	As at 31-3-2006
				Rs.	Rs.	Rs.	Rs.
1	2	3	4	5	6	7	8
1.	State Govt. Loans		54.200	0.00000	46098.36000	5958.75330	40139.60670
				0.00000	46098.36000	5958.75330	40139.60670

EQUITY CAPITAL

SCHEDULE - 33 (a)
(RS IN LAKHS)

Sr. No.	Particulars	Details of Interest Rate, Moratorium and Rate applicable at the end of the year	Account Code	Transferred on 06-06-2005	Amount received during the period 06-06-05 to 31-03-2006	Repayments During the period 06-06-05 to 31-03-2006	As at 31-3-2006
				Rs.	Rs.	Rs.	Rs.
1	2	3	4	5	6	7	7
1.	Authorised Capital (250,00,00,000 Shares of Rs. 10 each)						250000.00000
2.	Paid up Capital (50,000 Shares of Rs. 10 each)		54.510	0.00000	5.00000	0.00000	5.00000
3.	Total			0.00000	5.00000	0.00000	5.00000

CONTRIBUTION FROM GOM/MSEB HOLDING CO. LTD.

SCHEDULE - 33 (b)
(RS IN LAKHS)

Sr. No.	Particulars	Details of Interest Rate, Moratorium and Rate applicable at the end of the year	Account Code	Transferred on 06-06-2005	Amount received during the period 06-06-05 to 31-03-2006	Repayments During the period 06-06-05 to 31-03-2006	As at 31-3-2006
				Rs.	Rs.	Rs.	Rs.
1	2	3	4	5	6	7	7
1.	Contribution from GoM/MSEB Holding Co. Ltd. (As per Opening Balance Sheet approved by MSEB Holding Co. Ltd.)		54.510	308393.20920	0.00000	0.00000	308393.20920
3.	Total			308393.20920	0.00000	0.00000	308393.20920



MAHAVITARAN

CONTRIBUTION, GRANTS AND SUBSIDIES TOWARDS COST OF CAPITAL ASSETS

SCHEDULE -34
(RS. IN LAKHS)

Sr. No.	Particulars	Account Code	Transferred on	Addition During the period	As at
1	2	3	4	06-06-2005 to 31-03-2006	31-03-2006
1)	Consumer's Contribution towards cost of Capital Assets (CRA) (Service Connection)	55.100	0.00000	16918.69983	16918.69983
2)	Consumer's Contribution towards cost of Capital Assets (CRB)	55.101	0.00000	1320.34440	1320.34440
3)	Consumer's Contribution towards cost of Capital Assets (Outright Contribution)				
i)	For L.T. Consumers	55.102	0.00000	10919.91829	10919.91829
ii)	For H.T. Consumers	55.103	0.00000	6330.41487	6330.41487
4)	Consumer's Contribution towards cost of Capital Assets (TESCO)	55.105	0.00000	0.23210	0.23210
5)	Consumer's Contribution towards cost of Pole under Krishisanjivani	55.106	0.00000	490.49923	490.49923
6)	Total Consumer's Contribution		0.00000	35980.10872	35980.10872
7)	Subsidies towards cost of Capital Assets	55.200	0.00000	0.36497	0.36497
8)	Grants towards cost of Capital Assets	55.300	0.00000	20243.40000	20243.40000
	TOTAL		0.00000	56223.87369	56223.87369

RESERVE AND RESERVE FUNDS

**SCHEDULE - 35
(RS. IN LAKHS)**

Sr. No.	Particulars	Account Code	Transferred on 06-06-2005	Addition During the period 06-06-05 to 31-03-2006	Deduction During the period 06-06-05 to 31-03-2006	As at 31-03-2006
1	2	3	4	5	6	7
1.	Reserves And Reserve Funds	56.100 & 57.100	0.00000	0.00000	0.00000	0.00000
	TOTAL		0.00000	0.00000	0.00000	0.00000

Consequent upon the restructuring of the erstwhile Maharashtra State Electricity Board, Maharashtra State electricity Distribution Company Ltd, has come into existence with effect from 6-6-2005. The necessary steps to appoint Consultants to examine and revise the existing Accounts Codes and for formation of Accounting Policies based on Accounting Standards of ICAI have been initiated. Further, Section 185(2) (d) of Electricity Act, 2003 states that "all rules made under sub section (I) of Section 69 of the Electricity (Supply) Act, 1948 (54 of 1948) shall continue to have effect until such rules are rescinded or modified, as the case may be."

Taking above into view, the MSEDCL has maintained its accounts and compiled its Annual Statement in accordance with the related provisions of the Electricity (Supply) Act, 1948 and the rules (i.e. The Electricity (Supply) (Annual Accounts) Rules 1985) made thereunder :-

The following departures from the Basic Accounting principles and Accounting Policies (as permitted under the Rules) have been made for the reasons stated there against.

(a) Capitalisation of the Expenditure of Construction-cum O & M Units.

As per Rule 2.10 of Annexure III – Basic Accounting Principles and Policies of the Rules, the employee costs excluding terminal benefits, bonus and ex-gratia of the staff who are deployed exclusively or largely on capital schemes only will be capitalized and the rest of the staff costs would be charged to revenue. No part of the general establishment charges of the offices looking after both Const. O & M actually would however be capitalised.

Further, as per Rules 2.9 of Annexure III, the procedure laid down by the Electricity (Supply) (Annual Accounts) Rules 1985, the employee costs of purely construction units could only be capitalised which was done hitherto before also. However, it is difficult to identify whether the common staff looking after both the Const. and O & M activity is largely deployed in Capital Works etc. and in the absence of such identification, these costs would have to be charged to revenue. Rightly, some share of the common staff costs is chargeable to capital expenditure. Similarly, some portion of the general establishment charges such as telephone, stationery, rent, taxes, vehicle expenditure etc. also is rightly allocable to capital expenditure. Consequently, if the procedure as per the electricity (Supply) (Annual Accounts) Rules 1985 is followed, a large portion of Const. Cum O & M Division and Sub-Divisional Expenditure (Employee Costs and General Estt. Charges) including Civil Const. Cum Maint. Division would now be required to be charged to revenue.

In the case of Corporate Office which is also a supervisory office looking after both the Const. and O & M activity, the expenditure has been allocated between capital and revenue on pre-set percentage basis. Perhaps the employee costs of the staff deployed exclusively or largely on capital jobs as prescribed in the rules may mean that this is pertaining to only the direct employee costs and the rules presumably do not apply to the supervisory offices staff costs. The existing procedure of capitalisation of portion of employee costs as well as general estt. charges of the units supervising both capital and O & M works on the existing basis i.e. based on the predetermined percentages has therefore been continued.

(b) Service units/spares units.

As per para 2.59 / 2.88 of Annexure III-Basic Accounting Principles and Policies of Electricity (Supply) (Annual Accounts) Rules 1985, the cost of equipment such as distribution transformer for O & M purposes is now required to be capitalised at the time of procurement and held under capital block, "Service units/Spares units" Regular depreciation is also required to be provided thereon from next financial year from the date of purchase.

The distribution transformers required for replacement are presently purchased out of O & M budget. No separate funds are made available under capital budget for purchase of such spares transformers.

Moreover, the rate of replacement of the transformers is also very fast and as such hardly there is a question of stocking of such transformers as spare units.

The procedure of accounting as per the Electricity (Supply) (Annual Accounts) Rules 1985, cannot be followed. The present procedure of charging the distribution transformers issued for replacements to O & M expenditure has been followed.

(c) Construction facility.

As per para 2.67 of Annexure III-Basic Accounting Principles and policies of the Electricity (Supply) (Annual Accounts) Rule 1985, assets which are purchased and which could be utilised as a common construction facility for number of projects are required to be booked under a separate capital block "Construction facility". The depreciation provided during the year on such asset is required to be added to the cost of the project on which the same are utilised.

As no separate funds are made available under capital budget for purchase of such common construction facility, the construction facility Account is not operated.

(d) Material Accounting

As per the Schedule 21 of the Electricity (Supply) (Annual Accounts) Rules 1985, all advances to suppliers/contractors whether covered under direct debit procedure or not would be grouped with the capital expenditure in progress.

The Material received in stores under direct debit procedure is now required to be exhibited as "Current Assets" under stock, capital stores. The material at site for materials covered under both Direct Debit procedure as well as other than Direct Debit procedure would now be required to be exhibited under "Current Assets" as material at site as a part of stock account.

The exhibition of the capital expenditure, capital stock and material at site account explained above would lead to anomalous exhibition of "Capital Expenditure in Progress" but when the material is received there against, the capital expenditure in progress gets reduced as the same would be covered under current assets "Stock of Materials". Similarly, the material at site which is a part and parcel of capital expenditure in progress will not be exhibited as such but would be covered under Current Assets "Stock of materials."

To avoid incorrect exhibition as explained above, the existing procedure about exhibition of the "Capital expenditure in Progress" has been followed. The same will include the stock of material received under Direct Debit to works, procedure as well as materials at site (Capital).

(e) Freight in F.O.R. Destination Purchases.

According to para 2.20 (6) to Annexure V to Electricity (Supply) (Annual Accounts) Rules 1985, freight on materials purchased (whether incurred and billed by supplier or incurred by the Company) shall not be treated as materials cost and shall be recorded in a separate account provided for this purpose.

The Company has, however, been placing orders on F.O.R. destination basis including cost, freight, insurance, duties and taxes etc. The element of freight included in F.O.R. destination price of materials is inseparable part of cost of materials and percentage of freight, insurance and packing forwarding charges indicated in the purchase orders is only estimated and the same is indicated in the orders in order to avoid payment of Excise Duty on freight, insurance etc. Further, the accounting of freight included in F.O.R. cost of material as cost of materials will only give true and fair view of the MSEDCL and of true surplus/deficit of the Company. The MSEDCL has therefore continued the existing procedure of accounting freight included in F.O.R. destination price as cost of materials.

(f) Accounting of Losses in the Year of its Approval.

According to Para 2.125 to Annexure III to Electricity (Supply) (Annual Accounts), Rules 1985, loss on account of fire, cyclone, flood, etc. shall be treated as loss for the year in which the loss was incurred.



However, the Company is persistently following the procedure of booking the loss on account of flood, fire cyclone, etc. in the year in which the said loss is approved for write off. This is because before submitting the case for write off, necessary investigations and scrutiny along with the reasons, amount of loss etc. is required to be done and then only the amount of loss to be written off can be correctly arrived at. By the time investigation and scrutiny is complete, the Accounts for the year during which loss occurred are closed. Further, accounting of loss in the year in which the same is approved for write off after detailed investigation will correctly reveal the surplus/deficit of the Company. The same also holds good for losses on account of shortages vide Rule 2.20(12) to Annexure V ibid. As such the MSEDCL has continued its practice of booking the loss in the year in which the same is approved for write off.

(g) Treatment of Excess/Shortage on physical verification of stocks.

According to Para 2.18 to Annexure-V to the Electricity (Supply) (Annual Accounts) Rules, 1985, material stocks at the year end shall be physically verified.

However, the Company is persistently following the procedure of carrying out the physical inventory of materials in the custody of Major Stores, Stores Centers through out the State in the month of September / October of the year. This is because at the end of financial year there is always rush of works and since no. of targets are to be completed. Similarly, for carrying out physical inventory large no. of Accounts staff and Technical staff is required to be drawn. As such this is possible in the month of September/October in the year, since the activities are comparatively less during this period and also monsoon is over.

The Company has therefore followed present practice of the physical verification of stocks alongwith other Stores which is done in September / October every year. The same has been continued for the reasons given above.

(h) Earned leave encashment & Leave encashment

According to Para 1.11 to Annexure III to Electricity (Supply) (Annual Accounts) Rules, 1985, the cash basis of accounting shall not be adopted by the Company except in the specific cases where cash basis is prescribed in the rules.

However, since the Earned Leave encashment & Leave encashment provision could not be quantified at the end of the year, it is accounted for on cash basis in the books of accounts of every year.



NOTES TO ACCOUNTS

STATEMENT - 5

As on 31-03-06
Rs.

1. Commitments for Capital Expenditure :

Contracts placed but not executed and not provided for	Not ascertainable
Works Authorised but not contracted	
2. Aggregate amount of Capital Liabilities
falling due for Repayment / Redemption next year 484.9300000
(* Except IDBI Loan and other Loans)

3. Unconditional obligations for Purchase of Power

3 (A) N.T.P.C.

A Bulk Power Supply Agreement (BPSA) has been executed with NTPC on 12-01-94. This BPSA is effective from 1-11-92 to 31-10-97 and it is to be continued till renewed, extended or replaced finally. A new PPA has been executed with NTPC on 20-02-2003 for purchase of power from Vindhyachal STPS Stage II and is valid for 5 years from date of execution of agreement. A BPTA is also signed with POWEGRID for transmission of power from C.S. Station to MSEB/MSEDCL and payment of transmission charges. Energy transactions between Central Sector Stations and constituents of Western Region are governed by CERC directives on ABT. Highlights are as below.

1. The BPSA is a multilateral agreement signed jointly by all the constituents of Western region i.e. NTPC, MSES/ MSEDCL, MPESB, GES, GOA, D&D & DNH.
2. The NTPC power supplied from its Power Station at Korba Vindhyachal, Kawas, Gandhar of NTPC and KAPP of NPCL would be accounted on regional basis and on the basis of the directions and guidelines of CERC on Availability Based Traiff (ABT).
3. MSEB / MSEDCL & GEB to arrange to transmit power over its system for delivery to GOA and D.D. DNH respectively. The wheeling charges have been agreed to be pooled & shared by all the constituents.
4. The capacity charges and transmission charges are to be paid for entitlement of the beneficiaries in the Central Sector Stations. Energy charges are payable for the energy schedule including losses Unscheduled Interchange Charges are payable for the variation in the actual drawal over the schedule.

3 (B) (i) Tarapur Atomic Power Station.

All the power generated at Tarapur 1 & 2 is being shared equally by Gujrat and Maharashtra.

Payment is to be made to NPC within 30 days from the presentation of the bill failing which interest shall be payable at 1.5% per month or part thereof in case of the bill remaining unpaid for a period of 30 days from the presentation of the bill.

(ii) Tarapur 3 & 4 (2 x 540 MW) P.P.A. was executed on 04-06-05 unit 3 was commissioned in July 05.

(iii) Kakrapar Atomic Power Station

KKPP is a power station in WR commissioned by Nuclear Power Corporation, MSEB / MSEDCL's share in this Power Station is of 167.51 MW (MOP allocation dated 09-12-04). The tariff for energy drawn from KAPP (as decided in regional energy account) is notified by Central Govt. on 3-3-1995 for purchase of power from Kakrapar Atomic Power Station.

3 (C) Power Purchase from Bhandardara Hydro Electric Power House-I

The Power Purchases Agreement (PPA) has been signed between MSEB / MSEDCL, M/s. Dodson Lindblom Hydro Power Pvt. Ltd. and Irrigation Dept., GoM on 21st Jan. 1999. The following has been agreed in the PPA.

- a) M/s. Dodson would rehabilitate, design, construct, operate and maintain hydro electric project of 12 MW at Bhandardara.
- b) M/s. Dodson would enter into an Agreement with Irrigation Dept. GoM, to lease the power station under Lease Deed Agreement. The Power Station would be transferred to M/s. Dodson on lease basis and after the term of the Agreement, same would be transferred back to Irrigation Dept.
- c) The project was commissioned in July 2001 and the export of energy to MSEB / MSEDCL started. The tariff payable by MSEB / MSEDCL for the purchase of energy will be as per Schedule-VII of the PPA.

3 (D) In order to overcome the critical power shortage during the year, M/s. PTC, M/s. AEL, M/s. NVVN, M/s. TPTCL, M/s. RETL have been ordered to supply power of around 400 MW to 600 MW. The cost of purchases varies depending upon the rate quoted and quantum of power supply by each of the supplier.

3 (E) To meet the shortfall in power, MSEDCL requisitions for supply of power from TATA.

3 (F) Sardar Sarovar Project (SSP)

There are two power houses viz. River bed power house & canal head power house with an installed capacity of 1200 MW & 250 MW respectively. The power would be shared by three states-Madhya Pradesh - 57% Maharashtra - 27% & Gujrat 16%. The 1st unit of SSP has been commissioned on 1/2/2005, second unit on 30/4/2005, third unit on 30/08/05, forth unit on 13/10/05 & fifth unit on 7/3/2006. So far MSEDCL has not made any payments against SSP Power. GoM has indicated the rate at Rs. 4.18/KWH to be paid to them. The issue regarding Tariff is not finalized yet.

4. Unconditional Right of Sale of Power.

Due to acute shortage of power, MSEDCL has not sold power to any neighbouring States during the period.

5. Contingent Liabilities which are in excess of Rs. One crore each in value.

- i) Some H.T. Consumers under Bhandup Circle have challenged the Tariff applied by the MSEB / MSEDCL for the period 1-7-80 to 30-6-81 in the court of Law. Approximate total amount of Contingent Liability works out to Rs. 9 Crores.
- ii) Contingent liability of Rs. 1.45 crores being charges for Water used by Company (Rs. 0.99 crores), cost of land & building (Rs.0.46 crores) as levied by M/s. Mayur Kukkut Palan Sahakari Sanstha, Rethere, Satara.
- iii) Liability to the tune of Rs. 1.93 crs. on account of interest claimed by the Maharashtra Conductors Association, Mumbai vide Petition No. 29/2005 towards delayed payments.

6. Lein on Company's Assets.

NIL

7. Conditions if any, remaining unfulfilled as on the date of the Balance Sheet for Government Grants etc. though the Grant is received.

NIL

8. Company's Assets whether adequately insured or not.

NIL



MAHAVITARAN

9. Accumulated losses and unabsorbed Depreciation and Investment Allowance as at the Assessment year 2004-2005 Accounting year 2003-2004 in the Income Tax proceedings.

In pursuance to GoM's G.R. dated 4th June, 2005, M.S.E. Board have been restructured and four new companies have been formed Maharashtra State Electricity Distribution Co. Ltd. is one of the newly formed company which has come into existence due to restructuring of the M.S.E.B. and accordingly an application for getting dispensation / concession under Section 72A(4), Section 80-I A, Section 115IB and Section 32 of the Income Tax Act, 1961 has been made to CBDT through Secretary (Ministry of Power).

10. Coal Receipts - Consumption - Stock N.A.

11. Amount of liability for customs duty on capital equipment spares and other materials in Bonded warehouse which is not provided for.

NIL

12. Classification of Expenditure :

" All expenses are reflected in Revenue account under natural heads. Accordingly expenses shown under Purchase of Power, or Repairs and Maintenance do not include any employee costs, depreciation, administration and general expenses and interest and finance charges which are disclosed separately".

13. Revenue Account includes the following costs and revenue at trial stage in respect of the undermentioned generating station incurred after the capitalisable period.

N.A.

14. Revenue Account includes the following continuing expenses relating to the undermentioned closed Power Station.

N.A.

15. Note regarding reasons for extremely abnormal increase/decrease in the value of item in Annual Accounts as compared to those in the previous year.

NIL

16. Details as per Statement I and II below :

STATEMENT - I

Details of Licensees for whom no provision has been made for payment of purchase price, finally payable to the following licensees due to the reasons stated there against.

- | | |
|--------------------------------------|--|
| 1. Pune Electric Supply Co. | Balance amount due & payable to the licensee Rs. 9.312 lakhs deposited in Bombay High Court. |
| 2. Nasik-Deolali Electric Supply Co. | The matter is under arbitration. |
| 3. Nagpur Electric Supply Co. | The matter is in the court. |



MAHAVITARAN

4. Matheran Electric Supply Co. The suit filed by Board for recovery of arrears amounts has been decreed by the High court in favour of the Board. Execution of decree is being followed up.
5. M.I.D.C. Wagle Estate The valuation of land is to be settled by mutual agreement. Our proposal has already been forwarded to M.I.D.C. which is not acceptable to them. Hence, matter has been reported to Govt. and it has been requested to intervene in the matter. The decision of Govt. is awaited
6. Karjat
7. Vita
8. Tasgaon
9. Bassein
10. Lasalgaon } The final value is not determined by the Government.
11. Sawantwadi
12. Panvel
13. Sangli
14. Aurangabad Cantonment Board
15. Miraj } The Final Statement of Account & Audit Report thereon are awaited.



MAHAVITARAN

STATEMENT - II

Details of Assets and Liabilities taken over, mortgaged etc. of the assets not released upto the Balance Sheet date, compensation paid/payable & disputes, if any, raised by the Licensee regarding take over compensation or other matter.

NAME OF THE LICENSEE

1. Pune Electric Supply Company :

REMARKS

As per the High Court judgment additional amount of Rs. 62.20 lakhs subject to certain deductions as per the agreement is to be paid. Considering various statutory deductions, only an amount of Rs. 9.312 lakhs is payable at this stage. The said amount has been deposited in Bombay High Court.

2. Nasik-Deolali :

Amount of Rs. 43 lakhs has been paid to the licensee. The matter is under arbitration. The licensee is not coming forward for arbitration.

3. Karjat :

Purchase value is to be determined by the Government. So far Government has not intimated the value payable to the Licensee. However, Rs. 93,970 paid to the Govt. towards Electricity Duty arrears of Karjat Grampanchayat on behalf of Licensee from the purchase price of Undertaking. The matter is therefore, pending at Govt. level.

4. M.I.D.C. (Wagle Estate) Thane :

Valuation of land is to be settled by mutual agreement. Hence, amount payable cannot be worked out. No payment is effected. Board's proposal has been submitted long back to MIDC and the matter is reported to the Govt. The issue was further discussed during the joint meeting convened by government and a fresh proposal was given. However, no communication from MIDC has been received. The decision of Govt. is awaited.

5. Sawantwadi :

Final Statement of Accounts as per Sch. VIth and audit report is yet to be received, hence value payable cannot be worked out. We have paid Rs. 2.62 lakhs as on account payment.

6. Thane :

Only the sale deed for effecting the transfer of titles of immovable assets in Boards name remains to be executed. Final draft of sale deed already forwarded to the licensee. Till that time, an amount of Rs. 1.35 lakhs is to be withheld.

7. Nagpur :

The special leave petitions filed by M/s. NELP, as well as filed by the Board before Supreme Court has finally been decided by the Supreme Court. Accordingly, we have to



pay only depreciated book value to M/s. NELP. The Board has already paid an excess amount to licensee and a recovery suit filed before Civil Judge, Nagpur is at final stage of hearing.

8. Sangli :

Paid Rs. 10,00,000. The Statement of Accounts as per Schedule VI are not submitted by Ex. Licensee, so far, Hence, the purchase price can not be worked out.

9. Miraj :

Provisional purchase price payable Rs. 38,07,474 adjusted against Board's dues. The Final Statement of Account & Audit Report are not received. Hence, final value payable can not be worked out.

10. Lasalgaon :

Provisional purchase price payable works out to Rs. 2,10,130 and this amount is adjusted towards Board's dues recoverable from licensee. Hence, no payment is effected. Final Statement of Accounts and Audit Reports are received. However, amount payable is to be determined by Govt.

11. Panvel :

Provisional Book value of movable assets is worked out to Rs. 3,93,913 and above amount is adjusted against Board's dues payable by the licensee. The Final Statement of Accounts & Audit Report thereon are yet to be received.

12. Tasgaon :

Provisional purchase price payable for movable assets is Rs. 7,71,995 and the above amount is adjusted towards Board's dues payable by the licensee. The purchase price is to be decided by the Govt. and Govt. has not informed the purchase price.

13. Vita :

Provisional purchase price payable for movable assets is Rs. 7,05,000 out of which Rs. 5,14,909 adjusted towards Board's dues. The purchase price payable to licensee is to be decided by Govt. and Govt. not conveyed the same.

14. Purchase and Sale of Power (in Million Units)

06-06-05 to 31-03-06

Purchase	58526.800
Sale	40554.000
T & D Losses	31.78%

The transmission and distribution losses have been worked-out considering the total energy received in and sent out through Maharashtra System.

15. Generating Stations

N.A.

16. Purchase, Issues and Stock of Materials

(Value recorded in Account heads 22.2 to 22.6 disclosed here)

Particulars	Account Code	For the Period 06-06-05 to 31-03-06	
A. Opening Stock			
Capital	22.60 & 22.61		
O & M	22.62 & 22.63	1265565072	
	Total		1265565072
B. Purchases			
Capital	22.20 & 22.21		
O & M	22.22 & 22.23	4987074384	
	Total		4987074384
C. Opening Stock + Purchase (A + B)			6252639456
D. Issue for Consumption			
Capital	22.30 & 22.31		
O & M	22.32 & 22.33	5215915357	
	Total		5215915357
E. Issue to Contractor			
Issues	22.34 & 22.35		
Returns	22.36 & 22.37		
	Total		
F. Total Issues (D + E)			5215915357
G. Closing Stock			
Capital	22.60 & 22.61		
O & M	22.62 & 22.63	1036724099	
	Total		1036724099

17. Reconciliation of Receivable

Particulars	Account Code	For the Period 06-06-05 to 31-03-06	
		Rs.	Rs.
A. Opening Balance			
Sundry Drs. for Sale			
Of power (All consumers)	23.100	21223571955	
Unbilled Revenue	23.400	11226083755	
Inter-State	23.600	1689968759	
Misc. Receipts	23.700	230388239	
Receivable from GoM towards Ag. & Powerloom Consumers	23.800	8289584969	
Total			42659597677
B. Revenue from Sale of Power			
Inter State	61.100	1872745	
Other Consumers	61.200	123831167222	
P.W.S./Control. Stn. etc.	61.300	11299882031	
Meter Rent//Service Line Rental	61.600	9985813	
Theft of Power	61.700	311423910	
Misc. Charges from consumers	61.900	704733583	
C. Total Electricity Duty & Other State Levies			
Charged (61.501/61.521)	61.500	5917806698	
D. Delayed Payment Charges	62.250	643005134	
E. Total Debits (B to D)			142719877136
F. Total (A + E)			185379474813
G. Collections from Consumers	23.3	128344672355	
G1 Compensation received from GoM			
H. Discount to Consumers for timely Payment of Bills	78.820		
	To		
	78.839	450774955	
I. Bad Debts written off	79.410	2044200000	
	79.722		
J. Security Deposits from Permanently Disconnected Consumers adjusted.			
K. Total Credits (G to J)			130839647310
L. Closing Balance (F-K)			54539827503
M. Breakup of Closing Balance			
Sundry Drs. for Sale of Power (All Consumers)	23.100	25151640847	
Unbilled Revenue	23.400	24344381526	
Inter State	23.600	1667290128	
Misc. Receipts	23.700	255858338	
Receivable from GoM towards Ag. & Powerloom consumers	23.800	3120656664	
Total			54539827503
N. Increase / (-) Decrease in Receivables			11880229826



MAHAVITARAN

MAHARASHTRA STATE ELECTRICITY DISTRIBUTION CO. LTD.

S. M. Bhoyar
General Manager (C.A.)

R. N. Sonar
Chief General Manager (F & A)

S. M. Mandke
Company Secretary

Vinayak Rao
Director (Finance)

Dr. A.B.P. Pandey
Managing Director

Asoke Basak
Chairman

As per our Report of even date attached hereto

For Ummed Jain & Co.
Chartered Accountants

For Khandelwal Jain & Associates
Chartered Accountants

For Jodh Joshi & Co.
Chartered Accountants

(U. M. Jain)
Partner
M. No. 70863

(S.S.Khandelwal)
Partner
M. No. 33435

(R. R. Khandelwal)
Partner
M. No. 35555



MAHAVITARAN

STATEMENT - 6 (RS. IN LAKHS)

FUNCTIONWISE BREAK-UP OF REVENUE AND EXPENDITURE

Sr. No.	Particulars	As at 31-03-2006				As at 31-03-2006				As at 31-03-2006			
		TRANSMISSION AND DISTRIBUTION				TRANSMISSION AND DISTRIBUTION				TRANSMISSION AND DISTRIBUTION			
		Trans. 66 KV and above	Trans. 33KV to 66 KV	Dist HV	Dist LV	Consumers Servicing	TOTAL	Civil Maintenance	Stores	Administration & Management	GRAND TOTAL		
1	2	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
		3	4	5	6	7	8	9	10	11	12		
	REVENUE												
1	Revenue from Sale of Power	0.00000	0.00000	642660.54859	619826.50786	77845.50057	1340332.55702	5449.64518	0.00000	17021.13847	1362803.34067		
2	Rev. Subsidies & Grants	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	33.02937	33.02937		
3	Other Income	0.00000	0.00000	21042.70404	31507.92565	4728.28994	57278.91963	125.73502	159.03280	4734.54524	62298.23269		
4	TOTAL INCOME	0.00000	0.00000	663703.25263	651334.43351	82573.79051	1397611.47665	5575.38020	159.03280	21788.71308	1425134.60273		
	EXPENSES												
1	Purchase of Power	0.00000	0.00000	565947.55418	545547.30536	68516.59705	1180011.45659	0.00000	0.00000	14981.34737	1194992.80396		
2	Generation of Power												
	i) Fuel Consumption												
	ii) Other Fuel related costs												
	iii) Operating Expenses												
	Sub Total (i to iii)	0	0	0	0	0	0	0	0	0	0		
3	Fuel related losses												
A	TOTAL OF (1 TO 3)												
4	Repairs & Maintenance	0.00000	0.00000	7080.03577	8900.92839	2465.24817	18446.21233	2099.89098	13.04717	937.39032	21496.54080		
5	Employee Costs	0.00000	0.00000	34802.92755	61580.64601	13977.66257	110361.23612	3402.74987	1320.08042	19324.97568	134409.04209		
6	Adm. & Gen. Expenses	0.00000	0.00000	2774.11863	4746.42554	1156.58478	8677.12895	486.16726	323.84016	3596.44495	13083.58132		
7	Dep. & Related Debit	0.00000	0.00000	14008.92193	20141.46384	4899.34708	39049.73285	639.66622	46.98866	1870.29401	41606.68173		
8	Int. & Finance Charges	0.00000	0.00000	3988.6949	7010.07755	2298.73374	13297.50619	73.91342	1.07377	20538.89513	33911.38851		
9	Other Debits	0.00000	0.00000	11658.60926	11244.39713	1412.21086	24315.21725	98.86371	-1.86834	4327.73167	28739.94429		
10	Extra Ordinary items	0.00000	0.00000	5.22731	5.04159	0.63318	10.90208	0.04432	0.00000	0.13845	11.08485		
11	Net Prior Period Cr./Dr.	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000		
B	TOTAL OF (4 TO 11)												
				74318.53535	113628.98005	26210.42038	214157.93577	6801.29578	1703.16183	50595.87021	273258.26359		
C	TOTAL OF A + B												
				640266.08953	659176.28541	94727.01743	1394169.39236	6801.29578	1703.16183	65577.21758	1468251.06755		
	LESS												
12	Expenses Capitalised			1638.29035	2641.68599	50.85600	4330.83234	304.43584	0.13751	6170.59902	10806.00471		
13	Expenses reallocated									1969.08415	1969.08415		
14	Interest Capitalised												
D	TOTAL OF 12 TO 14												
				1638.29035	2641.68599	50.85600	4330.83234	304.43584	0.13751	8139.68317	12775.08886		
E	Net Expenses (C - D)												
				638627.79918	656534.59942	94676.16143	1389838.56002	6496.85994	1703.02432	57437.53441	1455475.97869		

SOURCES AND USES OF FUNDS

STATEMENT - 7
(RS. IN LAKHS)

Particulars	For the Period 06-06-05 to 31-03-06	
	Rs.	Rs.
FUNDS PROVIDED BY		
Profit before Tax (excluding (Revenue Subsidies & Grants)	-30374.40533	
Less : Tax payments during the year	0.00000	
		-30374.40533
Add : Debits to Revenue Account not requiring Cash Outlay		
Depreciation	36317.26486	
Amortisation of Deferred Costs	275.91870	
Amortisation of Intangible Assets	46.28996	
		36639.47352
Less : Credit to Revenue Account not involving Cash Receipt	0.00000	
		0.00000
Net Funds from Earnings		6265.06819
Add : Receipts of Revenue Subsidies & Grants	33.02937	
Contributions, Grants & Subsidies towards cost of Capital Assets	56223.87369	56256.90306
Proceeds from disposal of Fixed Assets		
FUNDS FROM OPERATIONS (A)		62521.97125
INCREASE/(DECREASE) IN WORKING CAPITAL		
Stock	-1787.56811	
Receivable against Supply of Power	98539.10569	
Loans & Advances		
Sundry Receivables	13376.46516	
Subsidy Receivable from Govt.		
Sub-Total		110128.00274
Less :		
Security Deposit from Consumers	26252.62673	
Current & Accrued Liabilities	11072.26542	
Sub-Total		37324.89215
Net Increase / (Decrease) in Working Capital		72803.11059

SOURCES AND USES OF FUNDS

**STATEMENT - 7
(RS. IN LAKHS)**

Add :- Increase / (Decrease) in Cash & Bank Balances	-3332.32018
Less : Increase / (Decrease) in Borrowing for Working Capital	1697.27807
Funds Utilised / (Provided for) on Working Capital (B)	67773.51234
Net Funds from Operations (C) = (A) - (B)	-5251.54109
FUNDS UTILISED ON CAPITAL EXPENDITURE	
Fixed Assets including Capital Work-in-Progress	65448.05078
Intangible Assets	7.33176
Assets not in Use	0.57265
Deferred Costs	563.97661
Total Capital Expenditure (D)	66019.93180
Shortfall in Capital Funds met from External Sources (E) = (D)-(C)	71271.47289
Net Increase / (Decrease) in Capital Liabilities	
Fresh Borrowings State Loans	46098.36000
Foreign Currency Loans/Credits	0.00000
Others Borrowings	191910.13540
	238008.49540
Less : Repayments State Loans Foreign Currency Loans/Credit Other Borrowings	5958.75330 0.00000 42378.05167
	48336.80497

SOURCES AND USES OF FUNDS

**STATEMENT - 7
(RS. IN LAKHS)**

Net Increase / (Decrease) in Capital Liabilities	189671.69043
Add:-	
Increase/(Decrease) in "Payments due on Capital Liabilities"	-61.61754
Increase in Equity Capital	5.00000
Increase/(Decrease) in Reserves and Reserve Funds	0.00000 -56.61754
Net Increase/(Decrease) in Capital Liabilities	189615.07289
Add :	
Net (Increase)/Decrease in investments	118343.60000
Net Capital Funds from External Sources (F) = (E)	71271.47289
Net Funds from Operations as a percentage of Total Capital Expenditure (C) / (D)	-7.95 %

STATEMENT OF CAPITAL BASE AND SURPLUS
(Under Section 59 of the Electricity (Supply) Act 1948)

STATEMENT - 8
(RS. IN LAKHS)

Sr. No.	Particulars	Schedule	Transferred on 06-06-2005 Rs.
1	Original Cost of Fixed Assets	19	902654
2	Less : Accumulated Depreciation	19	543939
3	Net Block (1-2)		358715
4	Consumer's Contribution	34	0
5	Capital base (3-4)		358715
6	Surplus (Under Section - 59)		16142
7	Surplus as % of Capital Base (Under Section-59)		4.50%
8	Actual Surplus		-30341
9	Actual Surplus as % of Capital Base		-8.46%



STATEMENT OF TECHNICAL PARTICULARS

STATEMENT - 9

Sr. No.	Particulars	For the Period 06-06-2005 to 31-03-2006	
		No. of Consumers	Connected load in MW
1	Power Purchased (in Million KWH) Sources		
	i) MSPGCL		38050.830
	ii) Tata		1923.800
	iii) Central Sector (NTPC, NPC, ONGC etc)		14801.050
	iv) B.H.E.P. (Dodson)		46.040
	v) PTC and Traders		2696.160
	vi) Others		1008.920
2	Total (i to vi)		58526.800
3	Power available for Sale (in Million KWH)		58526.800
4	Power Sold (in Million KWH)		40554.000
5	Distribution Losses (in Million KWH) (3-4) As a % of total power available for sale		17972.800 31.78%
6	Sale of Power (Consumer Category)		
	i) Domestic	10088250	8974
	ii) Commercial	1045600	1784
	iii) Public Lighting	67668	318
	iv) Irrigation and Watering	2366150	7428
	v) Public Water Works	43091	530
	vi) Industrial (LT/HT) (Power-Intensive Special)	306360	12064
	vii) Railway Traction (Non-Traction)	50	517
	viii) Bulk Supply (Licensees)	2	34
	ix) Outside Supplies	4	
	x) Miscellaneous (Military)		
	TOTAL	13917175	31649



MAHAVITARAN

MAHARASHTRA STATE ELECTRICITY DISTRIBUTION CO. LTD.

Opening Balance Sheet of MSEDCL as on 05-06-2005

(Approved by MSEB Holding Co. Ltd.)

(RS. IN CRORES)

Sch. No.	Particulars	Amount	Amount
	NET ASSETS		
19	Net Fixed Assets		
	Gross Block	9026	
	Less : Accumulated Depreciation	5441	
	Net Fixed Assets		3585
21	Capital Expenditure in Progress		832
22	Assets not in use		0
23	Deferred Costs		51
24	Intangible Assets		2
25	Investments		53
	SUB TOTAL		4523
	NET CURRENT ASSETS		
26	Total Current Assets	4845	
	Less :-		
27	Security Deposits from Consumers	1911	
28	Other Current Liabilities	2579	
	Total Current Liabilities	4490	
	Net Current Assets		355
29	Subsidy Receivable from Government		0
	NET ASSETS		4878
	FINANCED BY		
30	Borrowings for Working Capital		19
31	(a) Payment due on Capital Liabilities		1
	(b) Interest accrued but not due on Government Loan		0
32	Capital Liabilities		1774
33	Funds from State Government		0
33	(a) Equity		3084
34	Contributions, Grants & Subsidies towards		
	Costs of Capital Assets		0
35	Reserves and Reserve Funds		0
	TOTAL FUNDS		4878



MAHAVITARAN

MAHARASHTRA STATE ELECTRICITY DISTRIBUTION CO. LTD.

Registered Office : Plot No. G-9, Prakashgad, Prof. Anant Kanekar Marg, Bandra (East)
Mumbai - 400 051.

PROXY FORM

I _____ being a Member of Maharashtra State Electricity Distribution Company Ltd., do hereby appoint _____ of (or failing him) _____ of _____ as my proxy to attend and vote for me and on my behalf at the adjourned 1st Annual General Meeting of the Company to be held on Thursday, the 28th November, 2006, at 4.00 p.m. at HSBC Bank Building, 3rd floor, M.G. Road, Mumbai - 400 001 and at any adjournment thereof.

As witness my hand this _____ day of _____ 2006.

Revenue
Stamp
of Re. 1

Signature

Notes :

1. The proxy need not be a member.
2. The proxy form must be deposited at the Registered office of the Company not less than 48 hours before the time fixed for holding the meeting.



MAHAVITARAN

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF 'MAHARASHTRA STATE ELECTRICITY DISTRIBUTION COMPANY LIMITED' FOR THE PERIOD FROM 6 JUNE 2005 TO 31 MARCH 2006.

The preparation of financial statements of 'Maharashtra State Electricity Distribution Company Limited' for the period from 6 June 2005 to 31 March 2006 in accordance with financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory auditors appointed by the Comptroller and Auditor General of India under Section 619 (2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 18 November 2006.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3) (b) of the Companies Act 1956 of the Financial statements of 'Maharashtra State Electricity Distribution Company Limited' for the period from 6 June 2005 to 31 March 2006. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under Section 619 (4) of Companies Act, 1956 which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statement and the related Audit Report.

Revenue Account (Statement -1)

Income :

Revenue from sale of power (Schedule-1) : Rs. 13,628.03 crore

1. For finalisation of Accounts, the Company decided (February 2006) not have any prior period items and the expenses/income pertaining to MSEB (i.e. prior to 06.06.2005) should be accounted for in the books of the Company if the accounts of MSEB was closed after Government Audit. The Accounts of MSEB had been closed on 29th July 2006. Contrary to the above decision, the Company transferred one item of revenue i.e. Fuel and Other Cost Adjustment (FOCA) of

Rs. 569.51 crore of past period to MSEB in September 2006 by re-opening the closed accounts. The other items were booked to the natural heads of the new Company. This has resulted in overstatement of deficit by Rs. 569.51 crore.

2. Maharashtra Electricity Regulatory Commission (MERC) allowed the company to recover Rs. 1410.52 crore toward FOCA (for January-2006 Rs. 316.68 crore, February 2006 Rs. 384.34 crore, March 2006- Rs. 244.26 crore and earlier arrears Rs. 465.24 crore). However, the company provided for Rs. 1063.95 crore only towards FOCA. This resulted in understatement of revenue and consequential overstatement of deficit as well as understatement of current assets by Rs. 346.57 crore (HO).

Miscellaneous Charges from consumers (Account Code 61-9) Rs. 70.47 crore

3. This is overstated by Rs. 1.68 crore due to accountal of cost of meters recovered from consumers for new connections (Vasai O&M Circle Rs. 85.34 lakh and Thane Urban Circle Rs. 0.99 lakh) as also amount received on replacement of metering equipments of Rs. 81.99 lakh (Rasthapeth Urban Circle.)

The cost of meters for new connections should have been credited to "Contribution, Grants and Subsidies towards cost of Capital assets" (Schedule 34) and cost of replacement of equipments should have been booked under Account Code 74.506.

This has resulted in overstatement of income by Rs. 1.68 crore, understatement of capital receipts (Rs. 86.33 lakh) and overstatement of expenditure by (Rs. 81.99 lakh).

Purchase of power (Schedule 6)

Total power purchased : Rs. 10,518.02 Crore

4. As per the initial understanding between Maharashtra State Power Generation Company Ltd. (MSPGCL) and the Company, power bills for the period 06.06.2005 to 31.03.2006 were billed at notional / provisional rates. Rate for purchase/sale of power between MSPGCL and the Company for the year 2005-06 was issued by MERC (Commission) in September 2006. The accounts of the Company were finalised on 18th November 2006. The fact of reduction of rate compared to notional rate at which purchase was booked was known to the company before finalisation of accounts. Accordingly, MSPGCL withdrew Rs. 320.72 crore being the difference between the

rates approved by the Commission and notional rates charged by MSPGCL. However, the Company has not adjusted this amount in the accounts by reducing the purchase cost nor disclosed the fact by way of notes to the accounts. This has resulted in overstatement of 'Purchase of Power' and 'deficit' by Rs. 320.72 crore each.

Repair and Maintenance (Schedule - 8)

Line, Cable Network, etc: Rs. 145.34 crore

5. The Company has not declared in its Accounting Policies / Notes to Accounts items / transactions which have been treated as "Capital receipts." It was seen that Rs. 3.76 crore recovered from consumers towards cost of meters for new connections was shown as reduction in Revenue Expenditure. This should have been credited to "Contribution, Grants, and Subsidies towards cost of capital assets" (Schedule - 34) resulting in understatement of deficit and liabilities (Schedule 34) by Rs. 3.76 crore.
6. This is understated by Rs. 5.04 lakh due to withdrawal of wrong provision and wrong capitalization of revenue expenditure by HO & two divisions (Rasthapeth, Khopoli). This has resulted in understatement of expenditure and deficit by Rs. 5.04 lakh.

Administration and General Expenses (Schedule-10) : Rs. 130.84 crore

7. The above was understated by Rs. 36.21 lakh due to short-provisions towards payment of overtime (Rs. 5.36 lakh) at palghar Division and HO : towards property tax at Vashi Circle (Rs. 11.94 lakh), Taxi charges at Vashi and Thane Circle (Rs. 6.89 lakh) and electricity charges at panvel and vashi Division (Rs. 12.02 lakh) The deficit was also understated to that extent.

Depreciation and related debits (Net) (Schedule 11) : Rs. 416.07 crore

8. This does not include Rs. 22.27 lakh being the amount of depreciation on the assets capitalised during 2005-06 but commissioned during 2004-05 (Rs.12.33 lakh Ganeshkind Urban Circle, Rs. 4.49 lakh-Pen O & M Circle and Rs. 3.87 lakh- Bhiwandi Division - I), Rs. 1.58 lakh - due to incorrect rate of depreciation by Katol Division. This has resulted in understatement of deficit and overstatement of fixed assets by Rs. 22.27 lakh.



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Interest and other finance charges (Schedule-12) : Rs. 339.11 crore

9. There was excess provision of interest of Rs. 12.29 lakh on PFC loan, Rs. 58.85 lakh excess provision of interest on Consumer security deposit. Similarly, there was short provision of Rs. 9.77 lakh on REC loan and short provision of commission of Rs. 8.58 lakh at Vasai and Vashi Circle. This has resulted in overstatement of 'Interest and other Finance Charges' and 'deficit' net by Rs. 52.79 lakh each.

Net Fixed Assets (Schedule 19)

Gross Block : Rs. 9508.01 crore

Less: Accumulated depreciation : Rs. 5802.57 crore

- 10 (i) The Company charges depreciation on the assets capitalised from the subsequent year of Capitalisation. The fixed assets include Rs. 9.43 crore being the assets commissioned prior to 2005-06 but capitalized during the year and depreciation of Rs. 33.96 lakh was not provided on these assets. Similarly, the capital works of Rs. 11.81 crore were completed before March 2006 but were capitalised after 2006 and the assets were kept under capital work-in-progress. This has resulted in understatement of assets and overstatement of capital work in progress to that extent.
- (ii) Due to non capitalisation of interest of Rs. 39.23 lakh on assets capitalised during the year, there was understatement of fixed assets by Rs. 39.23 lakh. Similarly, due to excess capitalization of material of Rs. 37.52 lakh there was overstatement of assets by Rs. 37.52 lakh.
11. Non accountal of Rs. 37.02 lakh on Out Right Contribution (ORC) works commissioned before 31st March 2006 has resulted in understatement of fixed assets and capital contribution by consumers to that extent (Vashi O &M Circle)

Capital Expenditure in progress (Schedule : 21)

(Account Code : 14.1) : Rs. 942.52 crore

12. Capital work-in-progress is overstated by Rs. 57.75 crore due non-capitalisation of completed works Rs. 55.35 crore by different Circles, inclusion of materials lying at store Rs. 2.17 crore by Nagpur Division II and non transfer of completed work pertaining to MSETCL- Rs. 23.45 lakh by Ganeshkhind Urban Circle. This has resulted in understatement of fixed assets by Rs. 55.35 crore, materials at store Rs. 2.17 crore and amount recoverable from MSETCL Rs. 23.45 lakh.



Total Current Assets : (Schedule - 26)

Receivable against supply of Power (Schedule 26-b) : Rs. 5249.53 crore.

13. An amount of Rs. 58.43 crore refundable to the consumers who were entitled for the concession as per the Government orders but paid the amount of bills to the Company was required to be shown as current liabilities. However, the Company has adjusted the said amount by accounting the revenue against the energy bills raised at net amount receivable. This has resulted in understatement of current assets and current liabilities by Rs. 58.43 crore (Vasai O&M Circle).

This includes Rs. 70.20 crore (Rs. 15.04 crore - Vasai O&M Circle, Rs. 34.75 crore - Rasthapath Urban Circle and Rs. 20.41 crore - Ganeshkhid Urban Circle) which are fictitious arrears of old periods but not withdrawn due to records not being traceable. This has resulted in overstatement of receivable and understatement of deficit by Rs. 70.20 crore.

Provision for unbilled revenue (Account code : 23-4) : Rs. 2434.44 crore

14. This includes excess provision of Rs. 18.59 crore in four Circles and two Divisions which resulted in overstatement of current assets and understatement of deficit by Rs. 18.59 crore. Similarly, this does not include Rs. 3.14 crore. (O & M Rural Circle Nashik Rs. 17.32 lakh, Rasthapeth Urban Circle Rs. 7.45 lakh and Kolhapur O & M Circle Rs. 2.89 crore) being the amount of first bill due for issue but not issued. This has resulted in understatement of current assets and overstatement of deficit by Rs. 3.14 crore.

Cash and Bank balances (Schedule 26-C) : Rs. 173.22 crore

15. There was difference of Rs. 3.63 crore between cash book and bank statement in three Divisions and also includes stale cheques of Rs. 4.43 lakh at Thane Urban Circle. Cash and Bank balance was overstated by Rs. 34.69 lakh due to non-adjustment of cheques received from consumers but dishonoured on presentation. (Palghar Division Rs. 24.87 lakh and Nerul Division Rs. 9.82 lakh). This has resulted in overstatement of Cash and Bank balances and understatement of receivable by Rs. 34.69 lakh.



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Cash in transit (Account Code : 24-5 and 6) : Rs. 52.69 crore

16. The age wise analysis/reconciliation of Rs. 7.24 crore (Rs.7.22 crore-W. M. Section and Rs.1.82 lakh- Nagpur O&M Rural Circle) was not available with the Company. The cash in transit includes Rs. 77.22 lakh being the amount of excess credit given by State Bank of India which should have been shown as a current liability. This has resulted of overstatement of cash and bank balance and understatement of current liabilities to that extent (W.M. Section).

Loans and advances (Schedule 26d) Others (Account Code 27-8) : Rs. 1.91 crore

17. This includes Rs. 1.05 crore which is neither any loan nor advance but the net amount of rectifications carried out to cash and bank balances and transferred to this Account Code instead of transferring to the concerned Account codes. Details of rectifications were not made available to audit (W M Section).

Sundry Receivables (Schedule 26-e) : Rs. 303.02 crore.

18. This is overstated by Rs. 71.50 crore due to double accounting of receivable from MSPGCL. This has resulted in overstatement of receivable and understatement of current liabilities to that extent (W M Section).

Security Deposit from Consumers (Schedule 27)

Interest payable on consumers' deposits (Account Code 48.300) : Rs. 147.98 crore.

19. This is understated by Rs. 10.41 lakh due to short provision of interest payable by Nagar Road Division resulting in understatement of deficit and current liabilities to that extent.

Other Current Liabilities (Schedule 28) : Rs. 2689.86 crore

20. The above does not include Rs. 1.03 crore (Nagpur O&M Rural Circle) being the amount of bills for capital works done by the contractors before 31st March 2006. This has correspondingly resulted in understatement of liability by Rs. 1.03 crore.



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Liability for Expenses (Account Code : 46-400) : Rs. 297.62 crore

- 21 (i) This is overstated by Rs. 11.98 crore due to excess provision for guarantee fee payable to Government of Maharashtra and understated by Rs. 13.51 lakh due to short provision for rent by Thane Urban Circle (Rs. 2.70 lakh) and for Octroi by major store Kalyan (Rs. 10.81 lakh). This has resulted in overstatement of deficit net by Rs. 11.84 crore.
- (ii) Similarly, the Company paid the donation of Rs. 44.86 lakh to the Chief Minister Relief fund on behalf of employees. The amount was to be recovered from MSPGCL & MSETCL Instead of showing the amount recoverable, the amount has been adjusted as a negative balance under the above head.
22. This is overstated by Rs. 7.64 crore due to non accounting of payment made before 31st March 2006 (W M Section). Similarly, this includes Rs. 3.62 lakh (Rastapeth Urban Circle) being the amount of deposits received for temporary service connections between, 1997-98 & 1999-2000. There are no corresponding dues recoverable for temporary service connections. This amount should have been transferred to Miscellaneous Income Account. This has resulted in overstatement of current liabilities and deficit by Rs. 7.68 crore.

Funds from State Government (Schedule-33)

State Government loans (Account Code : 54-200) Rs. 401.40 crore

23. This is overstated by Rs. 25.81 crore due to accountal of the loan pertaining to MSEDCL Holding Company. This has resulted in overstatement of loans from the State Government and understatement of amount payable to MSEDCL Holding Company to that extent (W M Section).

Comments on Disclosure

24. In respect of four bill collection centres, agents committed fraud for which the Company has filed suit/complaints with Court, police for recover of Rs. 32.97 lakh. This has not been disclosed by way of a Note to the Balance Sheet. (Thane)



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General

25. The business of the erstwhile Maharashtra State Electricity Board was trifurcated and three Companies were formed under Companies Act, 1956 for Generation, Transmission and Distribution of electricity. The Company's business is distribution of electricity to the various consumers through its own distribution network. The Company has not prepared its accounts in the form set out in the Part-I of Schedule-VI as provided by the section 211 of the Companies Act, 1956. The Company in its meeting held on 26.04.2007 assured to follow the Companies Act, 1956 for preparation of final accounts from 2008-09.
26. The Company follows standard cost system for valuation and issue of 98 specified items of the material procured. Difference between the standard cost and actual cost is charged to the above account code. Many of the above items are used for both - Revenue and Capital works. However, the Company charges entire cost variance to Revenue Account. This leads to under capitalisation of cost of materials.
27. The Company has not declared in Notes/Accounting Policies the transactions / items which have been treated as capital receipts / expenditure.



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MAHARASHTRA STATE ELECTRICITY DISTRIBUTION COMPANY LTD.

REPLIES TO THE COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 FOR THE PERIOD FROM 6 JUNE 2005 TO 31 MARCH 2006.

Sr. No.	Comments of Comptroller & Auditor General of India	Management Reply
	Revenue Account (Statement - 1)	
	Income :	
	Revenue from sale of power (Schedule 1)	
	: Rs. 13,628.03 crore	
1.	For finalisation of Accounts, the Company decided (February 2006) not have any prior period items and the expenses/income pertaining to MSEB (i.e. prior to 06-06-2005) should be accounted for in the books of the Company if the accounts of MSEB was closed after Government Audit. The accounts of MSEB had been closed on 29 th July 2006. Contrary to the above decision, the Company transferred one item of revenue i.e. Fuel and Other Cost Adjustments (FOCA) of Rs. 569.51 crore of past period to MSEB in September 2006 by re-opening the closed accounts. The other items were booked to the natural heads of the new Company. This has resulted in overstatement of deficit by Rs. 569.51 crore.	FOCA income for 13 months was initially accounted for in the books of MSEDCL instead of 10 months FOCA. Hence FOCA income related to MSEB period was transferred to MSEB books by reopening MSEB books. Hence this procedure adopted is according to the accrual basis of accounting and proper.
2.	Maharashtra Electricity Regulatory Commission (MERC) allowed the Company to recover Rs. 1410.52 crore towards FOCA (for January 2006-Rs.316.68 crore, February 2006 - Rs. 384.34 crores, March 2006 - Rs. 244.26 crore and earlier arrears Rs. 465.24 crore). However, the company provided for Rs. 1063.95 crore only towards FOCA. This resulted in understatement of revenue and consequential overstatement of deficit as well as understatement of current assets by Rs. 346.57 crore (HO).	Provision was wrongly made on the basis of actual recovery instead of on the basis of apporved amount by the Commission. The correct provision has been made during the year 2006-07.



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Miscellaneous Charges from Consumers (Account Code 61-9) Rs. 70.47 crore

3. This is overstated by Rs. 1.68 crore due to accountal of cost of meters recovered from consumers for new connections (Vasai O & M Circle Rs. 85.34 lakhs and Thane Urban Circle Rs. 0.99 lakh) as also amount received on replacement of metering equipments of Rs. 81.99 lakhs (Rastapeth Urban Circle).

Necessary rectification entries have been passed in the books during the financial year 2006-07. Further, necessary instructions have been issued to the concerned so that these types of mistakes should not recur in future.

The cost of meters for new connection should have been credited to "Contribution Grants and Subsidies towards cost of Capital Assets" (Schedule 34) and cost of replacement of equipment should have booked under Account Code 74.506.

This has resulted in overstatement of income by Rs. 1.68 crore. Understatement of capital receipts (Rs. 86.33 lakhs) and overstatement of expenditure by (Rs. 81.99 lakh).

Purchase of power (Schedule 6) Total power purchased : Rs. 10,518.02 crore

4. As per the initial understanding between Maharashtra State Power Generation Company Ltd. (MSPGCL) and the Company, power bills for the period 06-06-2005 to 31-03-2006 were billed at notional/provisional rates. Rate for purchase/sale of power between MSPGCL and the Company for the year 2005-06 was issued by MERC (commission) in September 2006. The accounts of the Company were finalised on 18th November 2006. The fact of reduction of rate compared to notional rate at which purchase was booked was known to the Company before finalisation of accounts. Accordingly, MSPGCL withdrew Rs. 320.72 crore being the difference between the rates approved by the commission and notional rates

Account of MSEDCL were finalised based on notional rates. Account was reconciled with the provisional figures of MSPGCL. Differential amount has been accounted for during the year 2006-07.



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charged by MSPGCL. However, the Company has not adjusted this amount in the accounts by reducing the purchase cost nor disclosed the fact by way of notes to the accounts. This has resulted in overstatement of 'Purchase of Power' and 'deficit' by Rs. 320.72 crore each.

Repair and Maintenance (Schedule - 8) Line, Cable, Network, etc.: Rs. 145.34 crore

5. The Company has not declared in its Accounting Policies/Notes to Accounts items/transactions which have been treated as 'capital receipt'. It was seen that Rs. 3.76 crore recovered from consumers towards cost of meters for new connection was shown as reduction in Revenue Expenditure. This should have been credited to 'Contribution Grants and Subsidies towards cost of capital assets' (Schedule 34) resulting in understatement of deficit and liabilities (Schedule 34) by Rs. 3.76 crore.

The Company have prepared the accounts as per The Electricity (Supply) (Annual Accounts) Rules, 1985 and accordingly the capital receipts/expenditure have been treated. However, at some circles wrong accounting has taken place and the same is rectified during 2006-07.

6. This is understated by Rs. 5.04 lakh due to withdrawal of wrong provision and wrong capitalization of revenue expenditure by HO & two divisions (Rasthapeth, Khopoli). This has resulted in understatement of expenditure and deficit by Rs. 5.04 lakh.

Necessary rectification entries have been passed in the books during the financial year 2006-07. Further, necessary instructions have been issued to the concerned so that these types of mistakes should not recur in future.

Administration and General Expenses (Schedule - 10): Rs. 130.84 crore

7. The above was understated by Rs. 36.21 lakh due to short provisions towards payment of overtime (Rs. 5.36 lakh) at Palghar Division and HO : towards property tax at Vashi Circle (Rs. 11.94 lakh), Taxi charge at Vashi and Thane Circle (Rs. 6.89 lakh) and electricity charges at Panvel and Vashi Division (Rs. 12.02 lakh). The deficit was also understated to that extent.

Necessary rectification entries have been passed in the books during the financial year 2006-07. Further, necessary instructions have been issued to the concerned so that these types of mistakes should not recur in future.



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Depreciation and related debits (Net) (Schedule 11) : Rs. 416.07 crore

8. This does not include Rs. 22.27 lakh being the amount of depreciation on the assets capitalised during 2005-06 but commissioned during 2004-05 (Rs. 12.33 lakh Ganeshkind Urban Circle, Rs. 4.49 lakh-Pen O & M Circle. and Rs. 3.87 lakh-Bhiwandi Division I), Rs. 1.58 lakh - due to incorrect rate of depreciation by Katol Division. This has resulted in understatement of deficit and overstatement of fixed assets by Rs. 22.27 lakh.

Necessary rectification entries have been passed in the books during the financial year 2006-07. Further, necessary instructions have been issued to the concerned so that these types of mistakes should not recur in future.

Interest and other finance charges (Schedule-12) : Rs. 339.11 crore

9. There was excess provision of interest of Rs. 12.29 lakh on PFC Loan, Rs. 58.85 lakh excess provision of interest on Consumer security deposit. Similarly, there was short provision of Rs. 9.77 lakh on REC loan and short provision of commission of Rs. 8.58 lakh at Vasai and Vashi Circles. This has resulted in overstatement of 'Interest and other Finance Charges' and 'deficit' net by Rs. 52.79 lakh each.

Necessary rectification entries have been passed in the books during the financial year 2006-07. Further, necessary instructions have been issued to the concerned so that these types of mistakes should not recur in future.

Net Fixed Assets (Schedule 19) Gross Block Rs. 9508.01 crore Less : Accumulated depreciation Rs. 5802.57 crore

10. (i) The Company charges depreciation on the assets capitalised from the subsequent year of capitalisation. The fixed assets include Rs. 9.43 crore being the assets commissioned prior to 2005-06 but capitalized during the year and depreciation of Rs. 33.96 lakh was not provided on these assets. Similarly, the capital works of Rs. 11.81 crore were completed before March 2006 but were capitalised after 2006 and the assets were

Necessary rectification entries have been passed in the books during the financial year 2006-07. Further, necessary instructions have been issued to the concerned so that these types of mistakes should not recur in future.



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kept under capital work-in-progress. This has resulted in understatement of assets and overstatement of capital work in progress to that extent.

(ii) Due to non capitalisation of interest of Rs. 39.23 lakh on assets capitalised during the year, there was understatement of fixed assets by Rs. 39.23 lakh. Similarly, due to excess capitalization of material of Rs. 37.52 lakh, there was overstatement of assets by Rs. 37.52 lakh.

11. Non accountal of Rs. 37.02 lakh on Out Right Contribution (ORC) works commissioned before 31st March 2006 has resulted in understatement of fixed assets and capital contribution by consumers to that extent (Vashi O & M Circle).

Necessary rectification entries have been carried out in the books during the financial year 2006-07. The necessary instructions have been issued to the concerned so that these types of mistakes should not recur in future.

Capital Expenditure in progress (Schedule : 21) (Account Code : 14.1) : Rs. 942.52 Crore

12. Capital work-in-progress is overstated by Rs. 57.75 crore due to non capitalisation of completed works Rs. 55.35 crore by different Circles, inclusion of materials lying at store Rs. 2.17 crore by Nagpur Division II and non transfer of completed work pertaining to MSETCL - Rs. 23.45 lakh by Ganeshkind Urban Circle. This has resulted in understatement of fixed assets by Rs. 55.35 crore, materials at store Rs. 2.17 crore and amount recoverable from MSETCL Rs. 23.45 lakh.

Necessary rectification entries have been passed in the books during the financial year 2006-07. Further, necessary instructions have been issued to the concerned so that these types of mistakes should not recur in future.

Total Current Assets : (Schedule - 26) Receivables against supply of power (Schedule 26-b) : Rs. 5249.53 crore

13. An amount of Rs. 58.43 crore refundable to the consumers who were entitled for the concession as per the Government orders but

Necessary rectification entries have been passed in the books during the financial



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paid the amount of bills to the Company was required to be shown as current liabilities. However, the Company has adjusted the said amount by accounting the revenue against the energy bills raised at net amount receivable. This has resulted in understatement of current assets and current liabilities by Rs. 58.43 crore (Vasai O & M Circle).

This includes Rs. 70.20 crore (Rs. 15.04 crore - Vasai O & M Circle, Rs. 34.75 crore - Rasthapeth Urban Circle and Rs. 20.41 crore - Ganeshkhind Urban Circle) which are fictitious arrears of old periods but not withdrawn due to records not being traceable. This has resulted in overstatement of receivable and understatement of deficit by Rs. 70.20 crore.

Provision for unbilled revenue (Account Code : 23-4) : Rs. 2434.44 crore

14. This includes excess provision of Rs. 18.59 crore in four Circles and two Divisions which resulted in overstatement of current assets and understatement of deficit by Rs. 18.59 crore. Similarly, this does not include Rs. 3.14 crore (O & M Rural Circle Nashik Rs. 17.32 lakh, Rasthapeth Urban Circle Rs. 7.45 lakh and Kolhapur O & M Circle Rs. 2.89 crore) being the amount of first bill due for issue but not issued. This has resulted in understatement of current assets and overstatement of deficit by Rs. 3.14 crore.

Cash and Bank balances (Schedule 26-C): Rs. 173.22 crore

- 15 There was a difference of Rs. 3.63 crore between cash book and bank statement in three Divisions and also includes stale cheques of Rs. 4.43 lakh at Thane Urban Circle. Cash and Bank balance was overstated by Rs. 34.69

year 2006-07. Further, necessary instructions have been issued to the concerned so that these types of mistakes should not recur in future.

Based on accrual method of accounting, unbilled revenue was taken on wrong presumption by taking more days in meter reading as compared to actual unread days of the meter.

Necessary work is taken in hand and efforts are being made to complete the work at the earliest. The necessary instructions have been issued to the concerned so that these types of mistakes



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lakh due to non-adjustment of cheques received from consumers but dishonoured on presentation. (Palghar Division Rs. 24.87 lakh and Nerul Division Rs. 9.82 lakh). This has resulted in overstatement of Cash and Bank balances and understatement of receivables by Rs. 34.69 lakh.

Cash in transit (Account Code : 24-5 and 6) : Rs. 52.69 crore

16. The age wise analysis/reconciliation of Rs. 7.24 crore (Rs. 77.22 crore W.M.Section and Rs.1.82 lakh Nagpur O & M Rural Circle) was not available with the company. The cash in transit includes Rs. 77.22 lakh being the amount of excess credit given by State Bank of India which should have been shown as a current liability. This has resulted in overstatement of cash and bank balance and understatement of current liabilities to that extent (W M Section).

Necessary rectification entries have been passed in the books during the financial year 2006-07. Further, necessary instructions have been issued to the concerned so that these types of mistakes should not recur in future. Balanced work is taken in hand and efforts are being made to complete the work at the earliest.

Loans and advances (Schedule 26-d) - others (Account Code 27-8) : Rs. 1.91 crore.

17. This includes Rs. 1.05 crore which is neither any loan nor advance but the net amount of rectifications carried out to cash and bank balances and transferred to this Account Code instead of transferring to the concerned Account codes. Details of rectifications were not made available to audit (W M Section).

This account is operated to record interim transactions waiting rectifications for disputed items etc. It includes the old balances since 1986-87. These balances are being reconciled after verification of the old records.

Sundry Receivables (Schedule 26-e) : Rs. 303.02 crore

18. This is overstated by Rs. 71.50 crore due to double accounting of receivables from MSPGCL. This has resulted in overstatement of receivables and understatement of current liabilities to that extent (W M Section).

Necessary rectification entries have been passed in the books during the financial year 2006-07. Further, necessary instructions have been issued to the concerned so that these types of mistakes should not recur in future.



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Security Deposits from Consumers (Schedule 27)

Interest payable on consumers' deposits
(Account Code 48.300) : Rs. 147.98 crore

19. This is understated by Rs. 10.41 lakh due to short provision of interest payable by Nagar Road Division resulting in understatement of deficit and current liabilities to that extent.

Necessary rectification entries have been passed in the books during the financial year 2006-07. Further, necessary instructions have been issued to the concerned so that these types of mistakes should not recur in future.

Other Current Liabilities (Schedule 28) : Rs. 2689.86 crore

20. The above does not include Rs. 1.03 crore (Nagpur O & M Rural Circle) being the amount of bills for capital works done by the contractors before 31st March 2006. This has correspondingly resulted in understatement of liability by Rs. 1.03 crore.

Payment of bills of contractors has been effected during FY 2006-07 and amount has been booked to WIP. The instructions have been issued to the concerned to avoid these types of mistakes.

Liability for Expenses (Account Code : 46-400) : Rs. : 297.62 Crore

21. (i) This is overstated by Rs. 11.98 crore due to excess provision for guarantee fee payable to Government of Maharashtra and understated by Rs. 13.51 lakh due to short provision for rent by Thane Urban Circle (Rs. 2.70 lakh) and for octroi by major stores Kalyan (Rs.10.81 lakh). This has resulted in overstatement of deficit net by Rs. 11.84 crore.

(i) The ratio to be applied in restructuring plan for distribution of Government Loans/Liabilities and Guarantee Fee is yet to be finalised and therefore the distribution of the guarantee fee is on provisional basis.

- (ii) Similarly, the Company paid the donation of Rs. 44.86 lakh to the Chief Minister Relief Fund on behalf of employees. The amount was to be recovered from MSPGCL & MSETCL. Instead of showing the amount receivable, the amount has been adjusted as a negative balance under the above head.

(ii) IBA for Rs.7862435 towards CMRF contribution has already been received from MSPGCL during the period 2006-07. Further, IBA which was awaited from MSETCL has been received and accounted for during the year 2006-07.

22. This is overstated by Rs. 7.64 crore due to accounting of payment made before 31st March 2006 (W M Section). Similarly, this includes Rs.3.62 lakh (Rastapeth Urban Circle) being the amount of deposits received for temporary service connections between 1997-98 & 1999-2000. There are no corresponding dues recoverable for temporary service connections. This amount should have been transferred to Miscellaneous Income Account. This has resulted in overstatement of current liabilities and deficit by Rs.7.68 crore.

Necessary rectification entries have been passed in the books during the financial year 2006-07. Further, necessary instructions have been issued to the concerned so that these types of mistakes should not recur in future.

**Funds from State Government
(Schdule-33)**

**State Government loans (Account Code :
54-200) Rs. 401.40 crores)**

23. This is overstated by Rs. 25.81 crore due to accountal of the loan pertaining to MSEB Holding Company. This has resulted in overstatement of loans from the State Government and understatement of amount payable to MSEB Holding Company to that extent (W M Section)

Necessary rectification entries have been passed in the books during the financial year 2006-07. Further, necessary instructions have been issued to the concerned so that these types of mistakes should not recur in future.

Comments on Disclosure

24. In respect of four bill collection centres, agents committed fraud for which the Company has filed suit/complaints with court, police for recover of Rs. 32.97 lakh. This has not been disclosed by way of a Note to the Balance Sheet. (Thane)

Investigations by the Company with its internal resources as well as by police authorities is in process. The amount of fraud determined is debited to personal accounts of the Agency. The SD collected from such agencies and commission payable have been adjusted against the recoverable amount from the agency.

General

25. The business of the erstwhile Maharashtra State Electricity Board was trifurcated and three Companies were formed under Companines Act, 1956 for Generation, Transmission and Distribution of electricity.

No Comments.



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The Company's business is distribution of electricity to the various consumers through its own distribution network. The Company has not prepared its accounts in the form set out in the Part-I of Schedule -VI as provided by the section 211 of the Companies Act, 1956. The Company in its meeting held on 26.04.2007 assured to follow the Companies Act, 1956 for preparation of final accounts from 2008-09.

26. The Company follows standard cost system for valuation and issue of 98 specified items of the material procured. Difference between the standard cost and actual cost is charged to the above account code. Many of the above items are used for both - Revenue and Capital works. However, the Company charges entire cost variance to revenue account. This leads to under capitalisation of cost of materials.

As per clause No. 2.21 and 2.22 of Annexure - V (Page 81) of The Electricity (Supply) (Annual Accounts) Rules 1985, the following procedure has been laid down for accounting of material cost variance account. Treatment of Material Cost Variance :- 2.21 :- Under the standard rate system referred to above material cost variance if any in respect of receipts at construction locations or at O&M locations shall not be charged to revenue account or to capital works. 2.22:- The balance in the material cost variance account at the year end shall be treated as follows : -
1) Credit balance shall be credited to reserve called 'Reserve for Material Cost Variance'. 2) Debit balance shall be debited to the 'Reserve for Material Cost Variance' if as a result of such debit the net balance in this reserve account is a debit balance, the amount of debit balance shall be charged to revenue account for the year. The accounting as per the said clauses has been ensured.

27. The Company has not declared in Notes/ Accounting Policies the transactions/items which have been treated as capital receipts/ expenditure.

The Company have prepared the accounts as per The Electricity (Supply) (Annual Accounts) Rules, 1985 and accordingly the capital receipts/expenditure have been treated. Whenever any deviation is taken the same has been indicated in the statement of accounting policies as per requirement of ESAAR, 1985. Decision for adoption of Accounts as per Companies Act, 1956 is yet to be taken.

The Company's business is distribution of electricity to the various consumers through its own distribution network. The Company has not generated its accounts in the form set out in the Part of Schedule VI as provided by the section 211 of the Companies Act, 1956. The Company is the member of ES&AR, 1985 as required to follow the Companies Act, 1956 for preparation of final accounts from 2008-09.

26. The Company follows standard cost system for valuation and issue of 58 specified items of the material procured. Difference between the standard cost and actual cost is charged to the above account code. Many of the above items are used for both - Revenue and Capital works. However, the Company charges entire cost variance to revenue account. This leads to better capitalization of cost of materials.



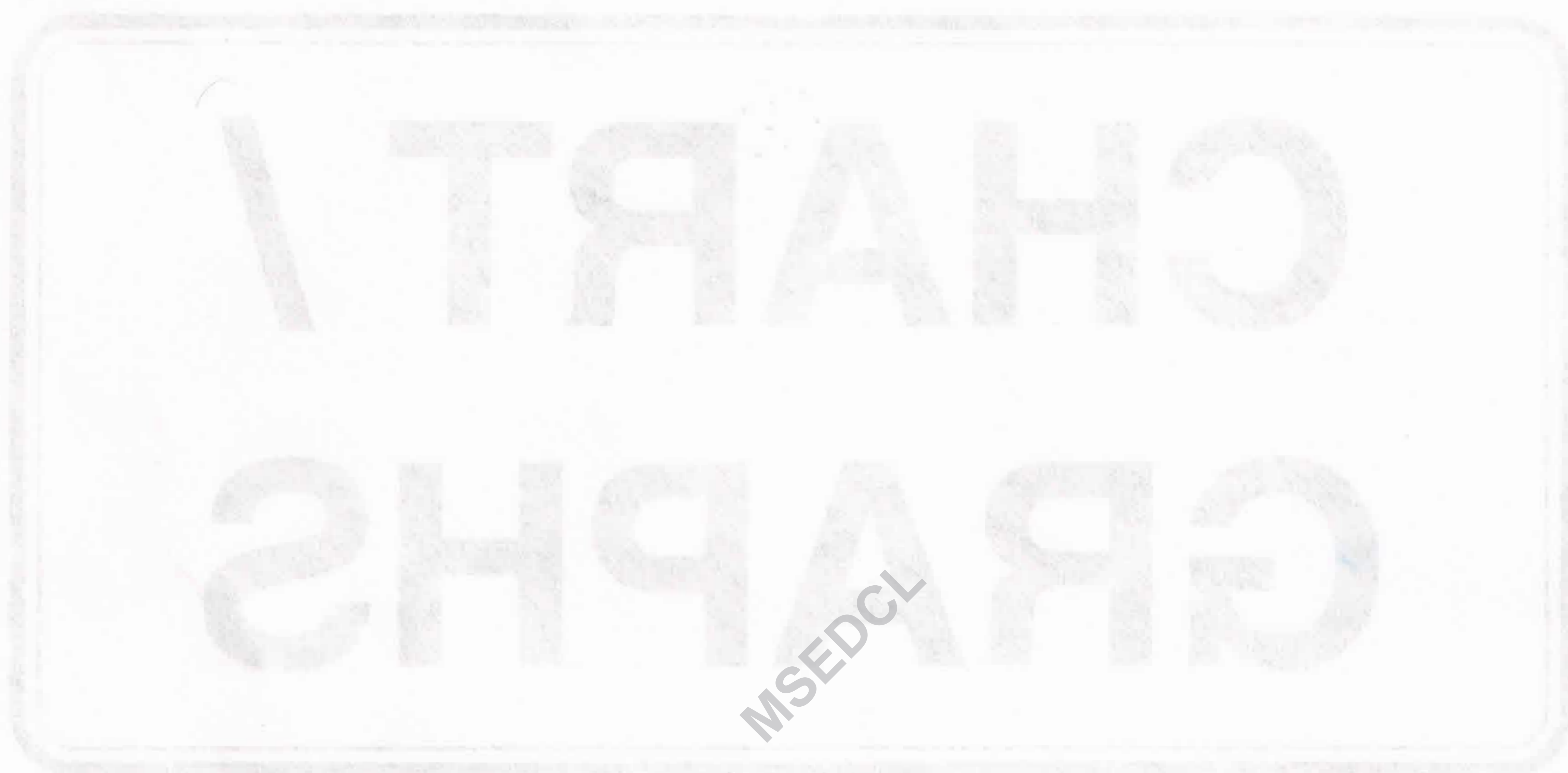
MAHAVITARAN

As per clause No. 2.21 and 2.22 of Accounts - V (Page 81) of The Electricity (Supply) (Annual Accounts) Rules, 1985, the following procedure has been laid down for accounting of material cost variance account. Treatment of Material Cost Variance - 2.21 - Under the standard cost system referred to above material cost variance if any in respect of receipts at construction locations or at O&M locations shall not be charged to revenue account or to capital works - 2.22 - The balance in material cost variance account at the year end shall be treated as follows : - (1) Credit balance shall be credited to reserve called Reserve for Material Cost Variance. (2) Debit balance shall be debited to the Reserve for Material Cost Variance. If as a result of such debit the net balance in the reserve account is a debit balance, the amount of debit balance shall be charged to revenue account for the year. The accounting as per the said clauses has been ensured.

The Company have prepared the accounts as per The Electricity (Supply) (Annual Accounts) Rules, 1985 and accordingly the capital receipts/expenditure have been treated. Whenever any deviation is taken the same has been indicated in the statement of accounting policies as per requirement of ES&AR, 1985. Decision for adoption of Accounts as per Companies Act, 1956 is yet to be taken.

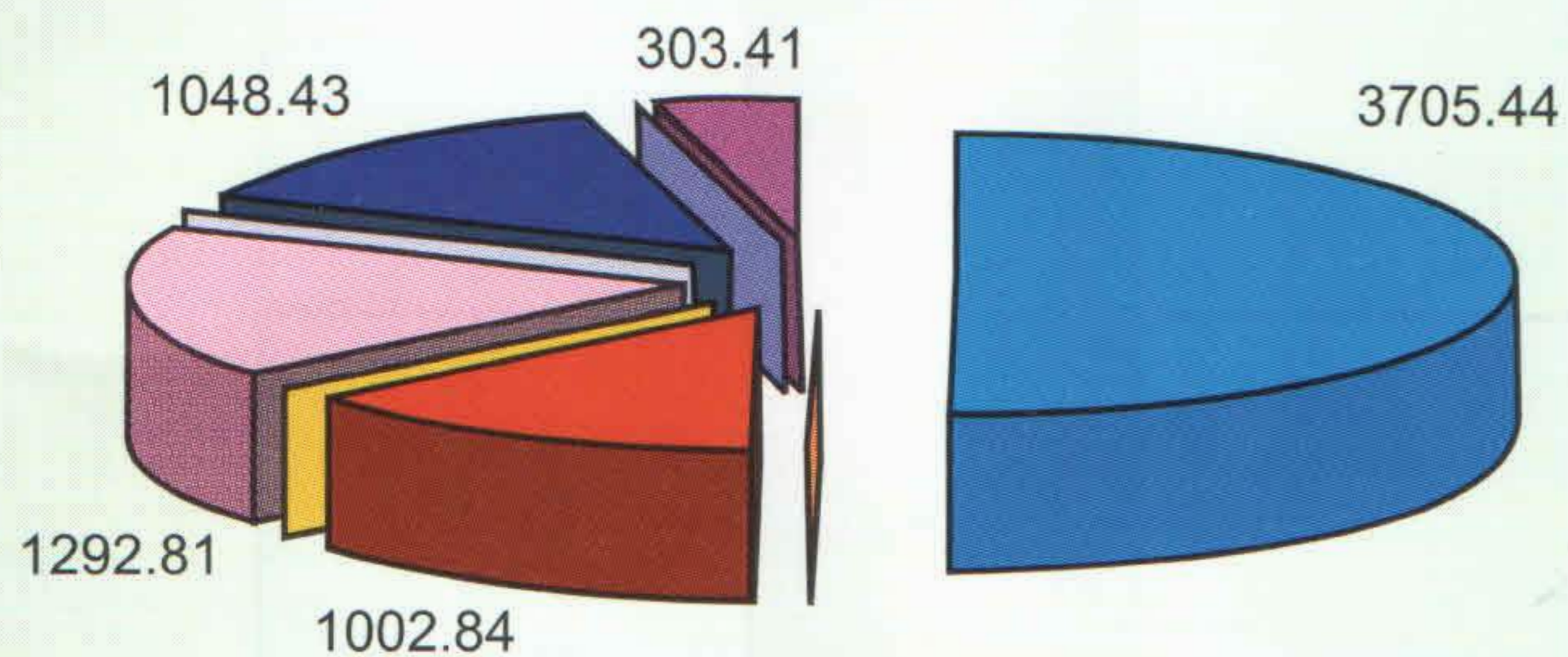
27. The Company has not declared in Notes Accounting Policies the transactions/items which have been treated as capital receipts/expenditure.

CHART / GRAPHS



BALANCE SHEET

As on 06-06-2005 to 31-03-2006



TOTAL ASSETS

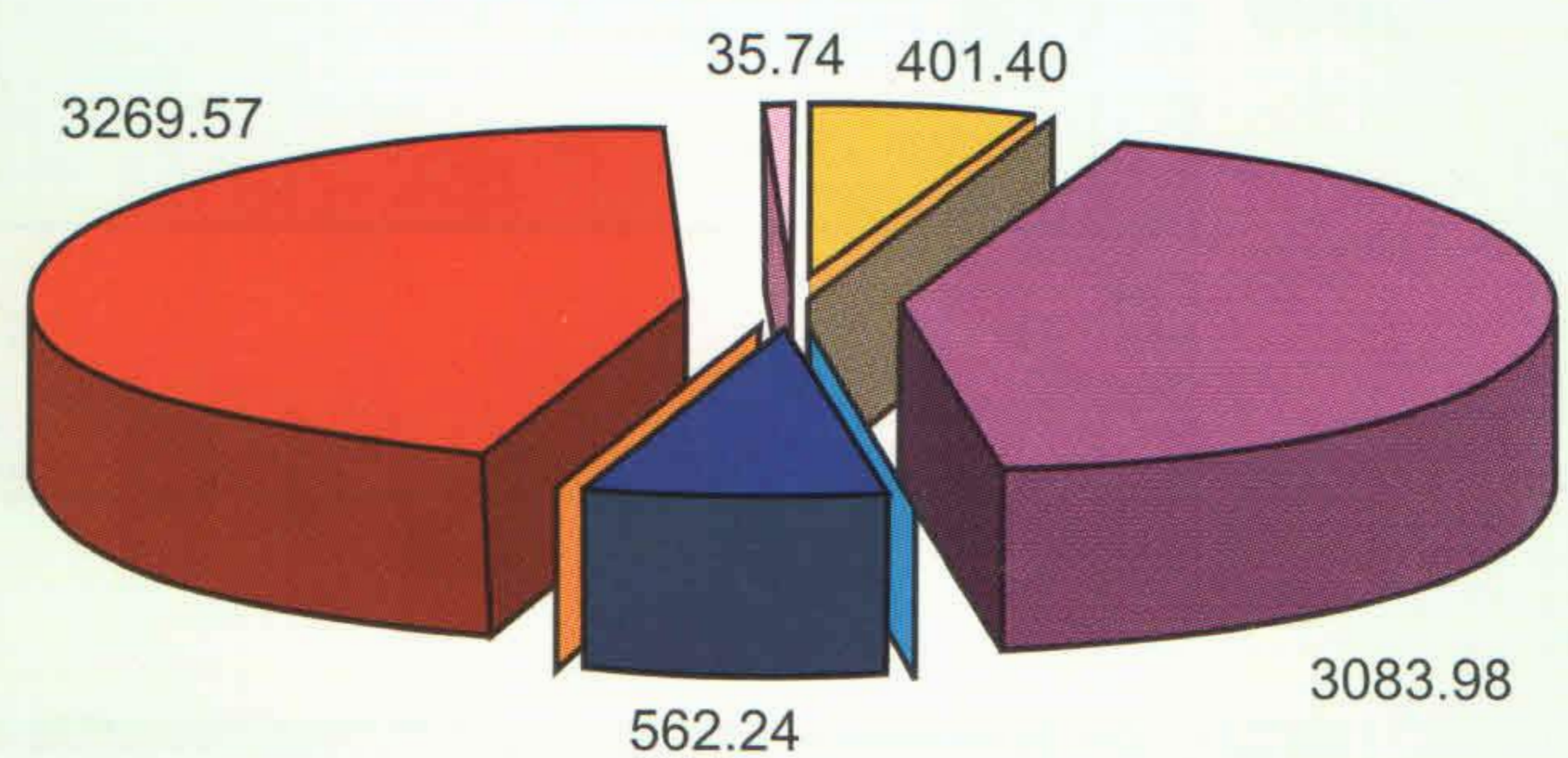
(RS. IN CRORES)

NET FIXED ASSETS	3705.44
CAPITAL EXPENDITURE IN PROGRESS	1002.84
OTHER ASSETS (INCLUDING INVESTMENTS AND SUBSIDY RECEIVABLE ETC.)	1292.81
NET CURRENT ASSETS	1048.43
DEFICIT	303.41
TOTAL ASSETS	7352.93

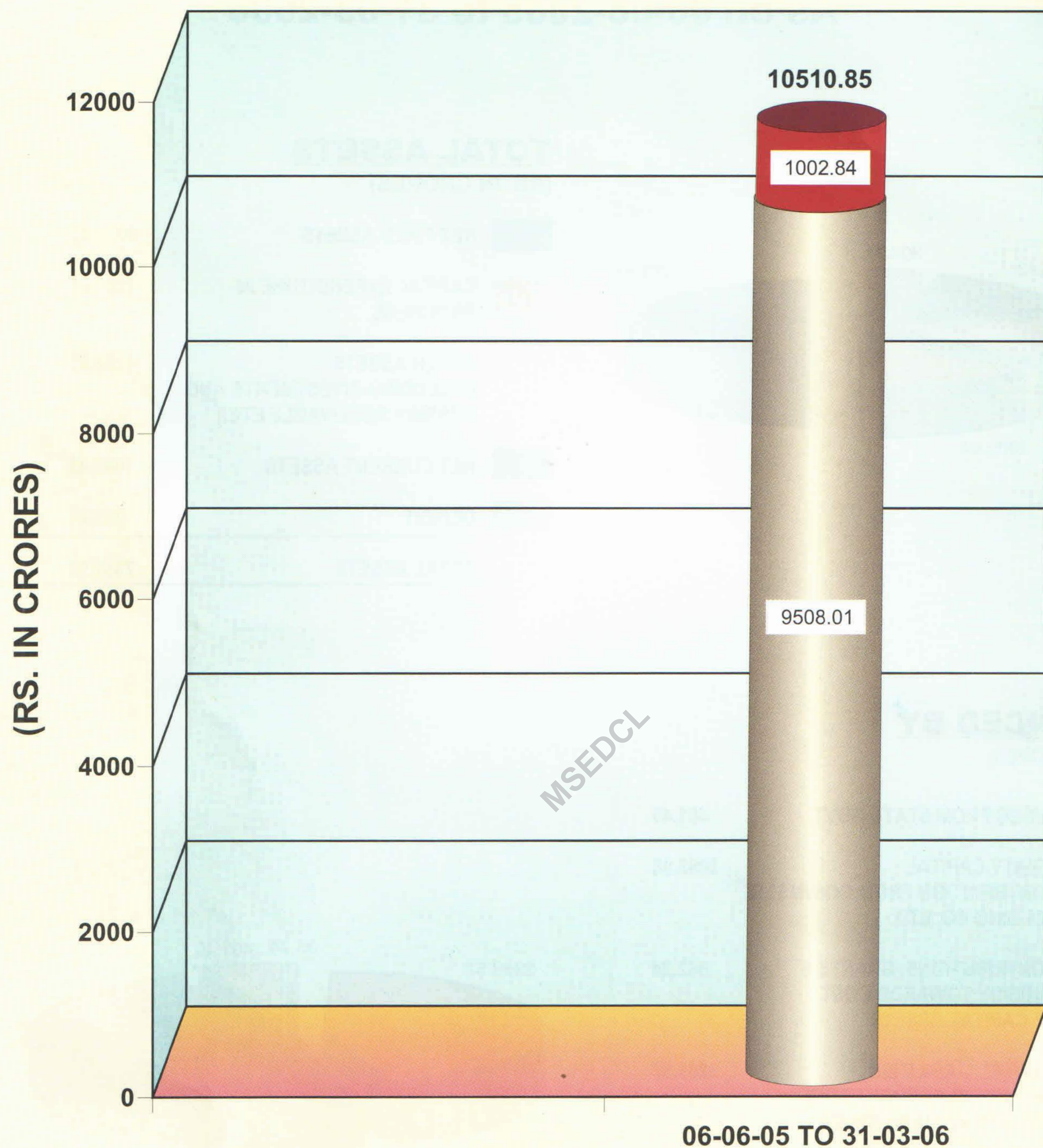
FINANCED BY

(RS. IN CRORES)

FUNDS FROM STATE GOVT.	401.40
EQUITY CAPITAL CONTRIBUTION FROM GOM/MSEB HOLDING CO. LTD.	3083.98
CONTRIBUTIONS, GRANTS & SUBSIDY TOWARDS COST OF CAPITAL ASSETS	562.24
CAPITAL LIABILITIES (INCLUDING PAYMENTS DUE ON CAPITAL LIABILITIES)	3269.57
BORROWING FOR WORKING CAPITAL	35.74
TOTAL FUNDS	7352.93

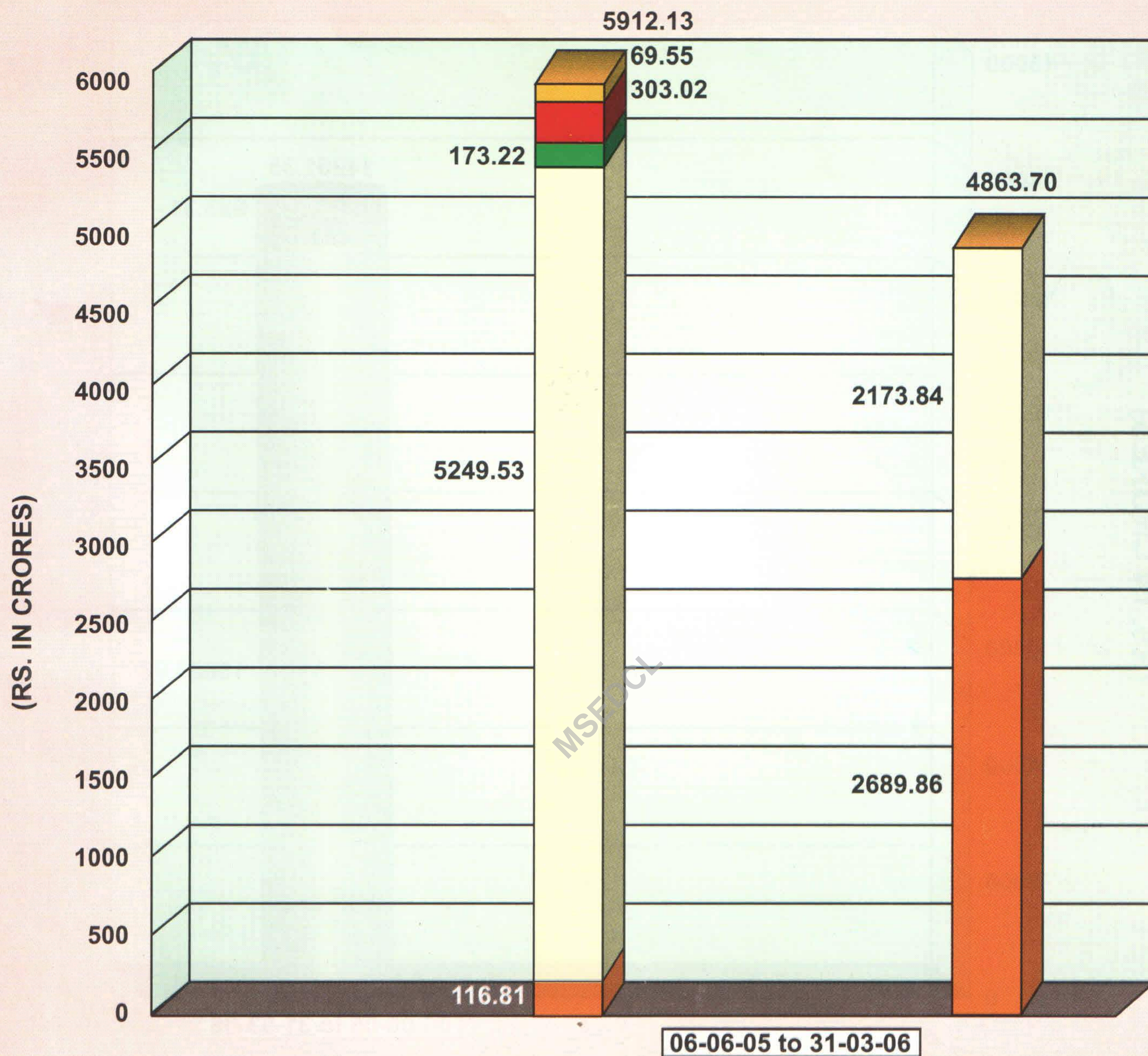



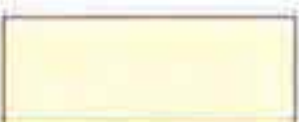



GROSS FIXED ASSETS & WORK IN PROGRESS



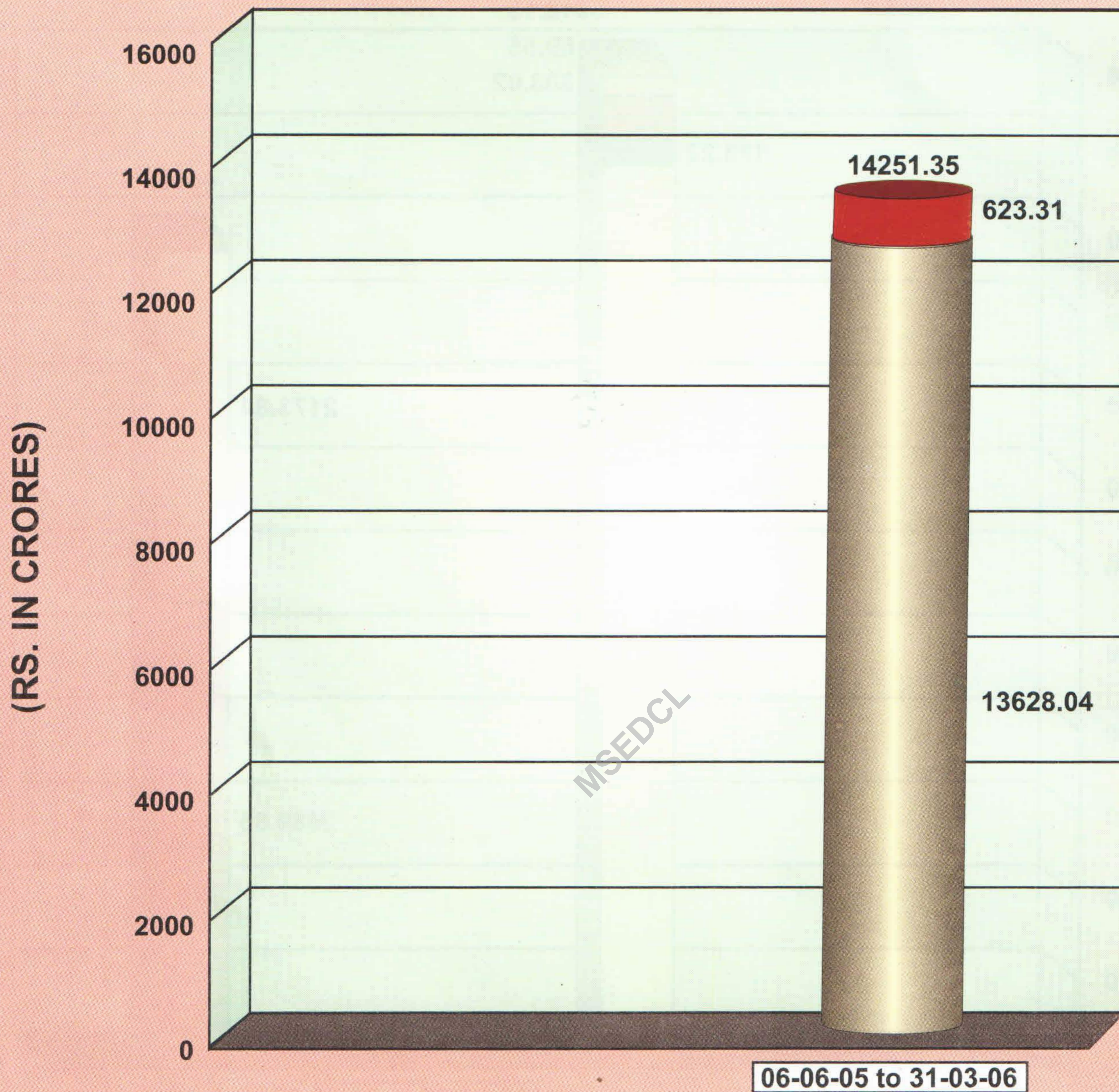
■ GROSS FIXED ASSETS ■ WORK IN PROGRESS

CURRENT ASSETS/CURRENT LIABILITIES



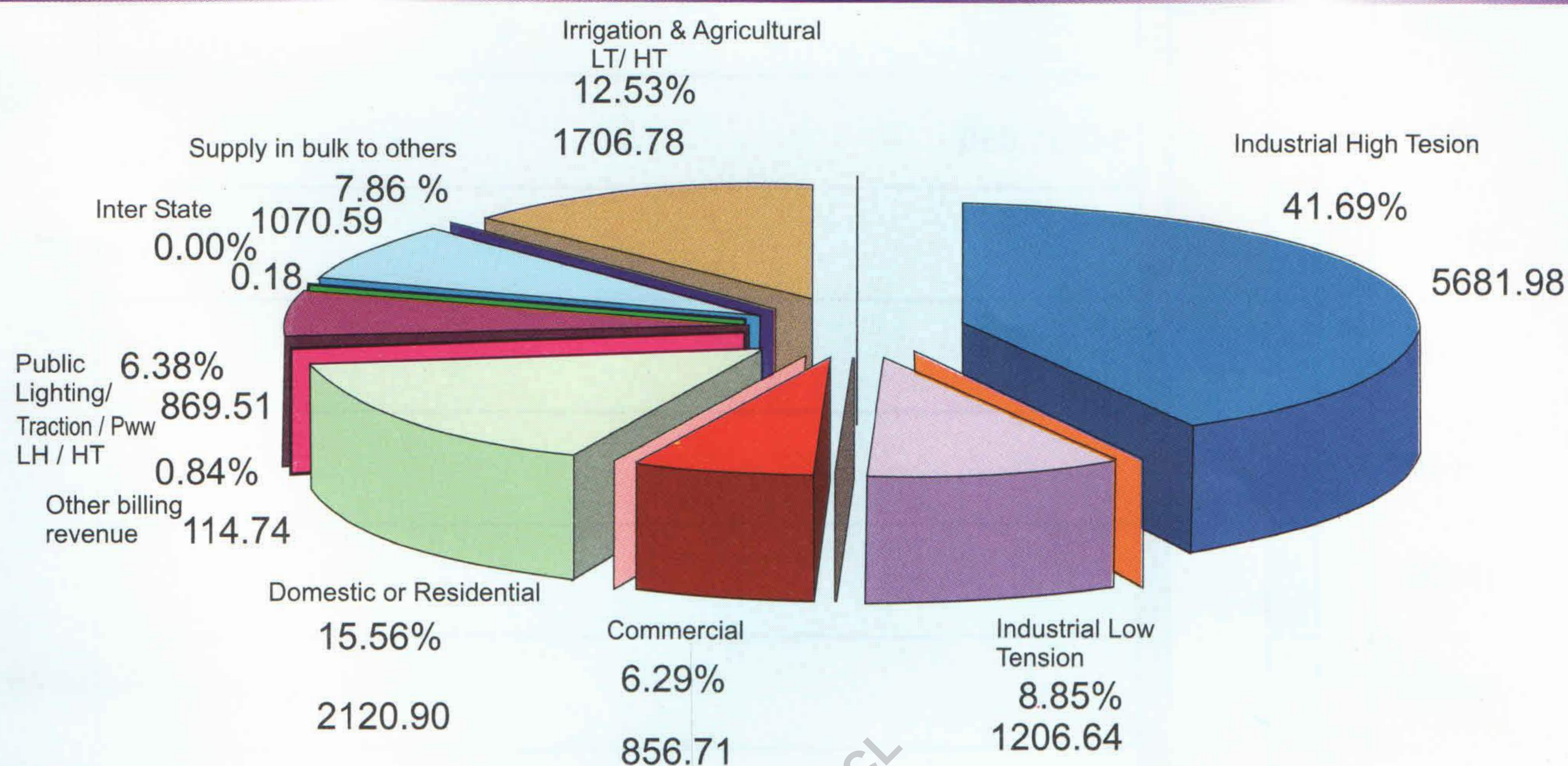
06-06-2005 to 31-03-2006				
	CURRENT ASSETS	AMOUNT	CURRENT LIABILITIES	AMOUNT
	Stock	116.81	Other Current Lia.	2689.86
	Receivable against Supply of Power	5249.53	Security Deposit from Consumers	2173.84
	Cash and Bank Balance	173.22		
	Sundry Receivable	303.02		
	Loans and Advance	69.55		
	Total	5912.13	Total	4863.70

REVENUE FROM SALE OF POWER & OTHER INCOME



Years	Revenue from sale of power	Other Income	TOTAL
06-06-05 TO 31-03-06	13628.04	623.31	14251.35

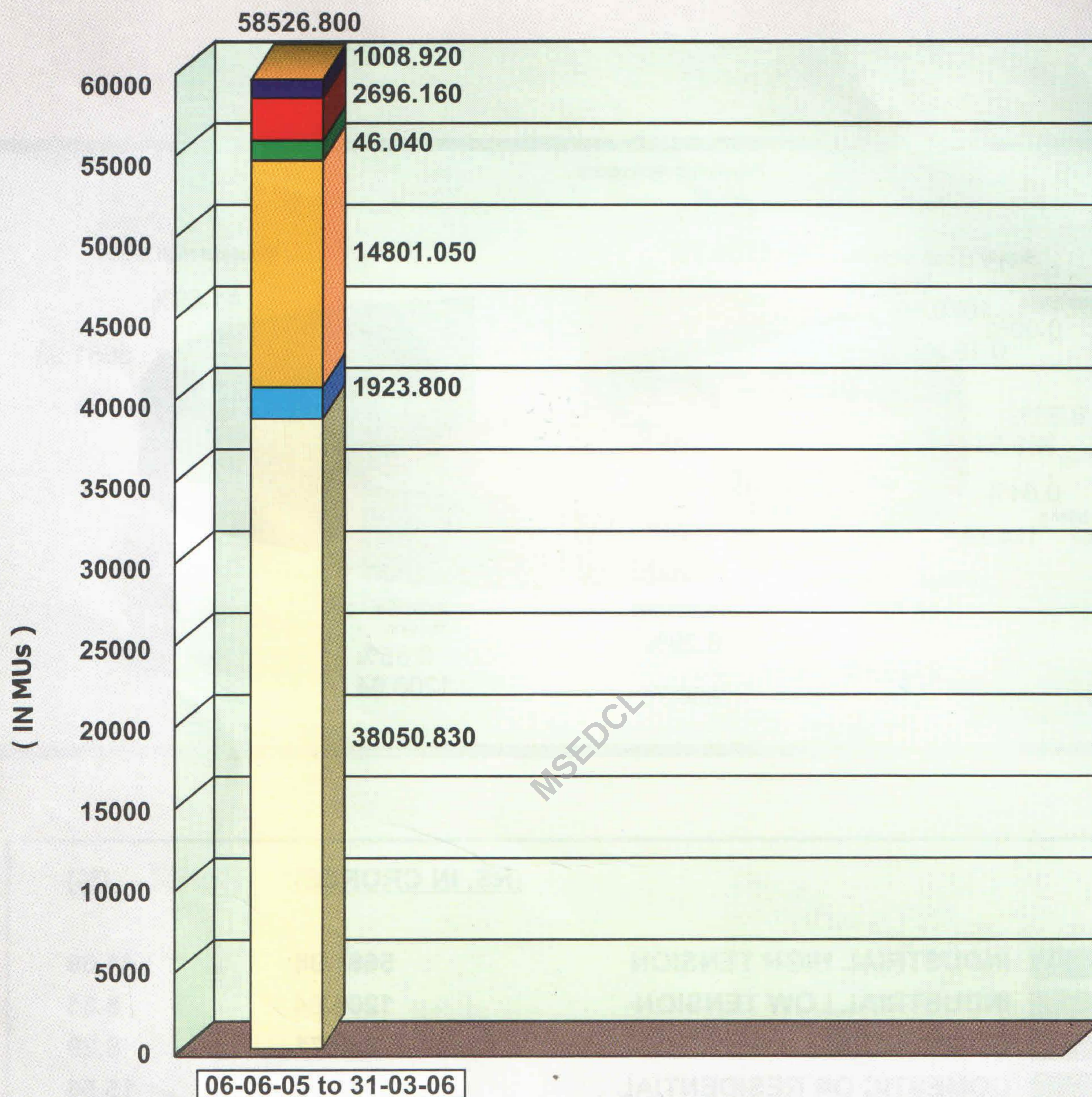
SALE OF ENERGY - YEAR 06-06-05 to 31-03-06 (RS. IN CRORES)



	(RS. IN CRORES)	(%)
INDUSTRIAL HIGH TENSION	5681.98	41.69
INDUSTRIAL LOW TENSION	1206.64	8.85
COMMERCIAL	856.71	6.29
DOMESTIC OR RESIDENTIAL	2120.90	15.56
OTHER BILLING REVENUE	114.74	0.84
PUBLIC LIGHTING/TRACTION/PWW LT./HT.	869.51	6.38
INTER STATE	0.18	0.00
SUPPLY IN BULK TO OTHERS	1070.59	7.86
IRRIGATION & AGRICULTURAL LT. / HT.	1706.78	12.53
TOTAL	13628.03	100.00

PURCHASE OF POWER (IN - MUs)

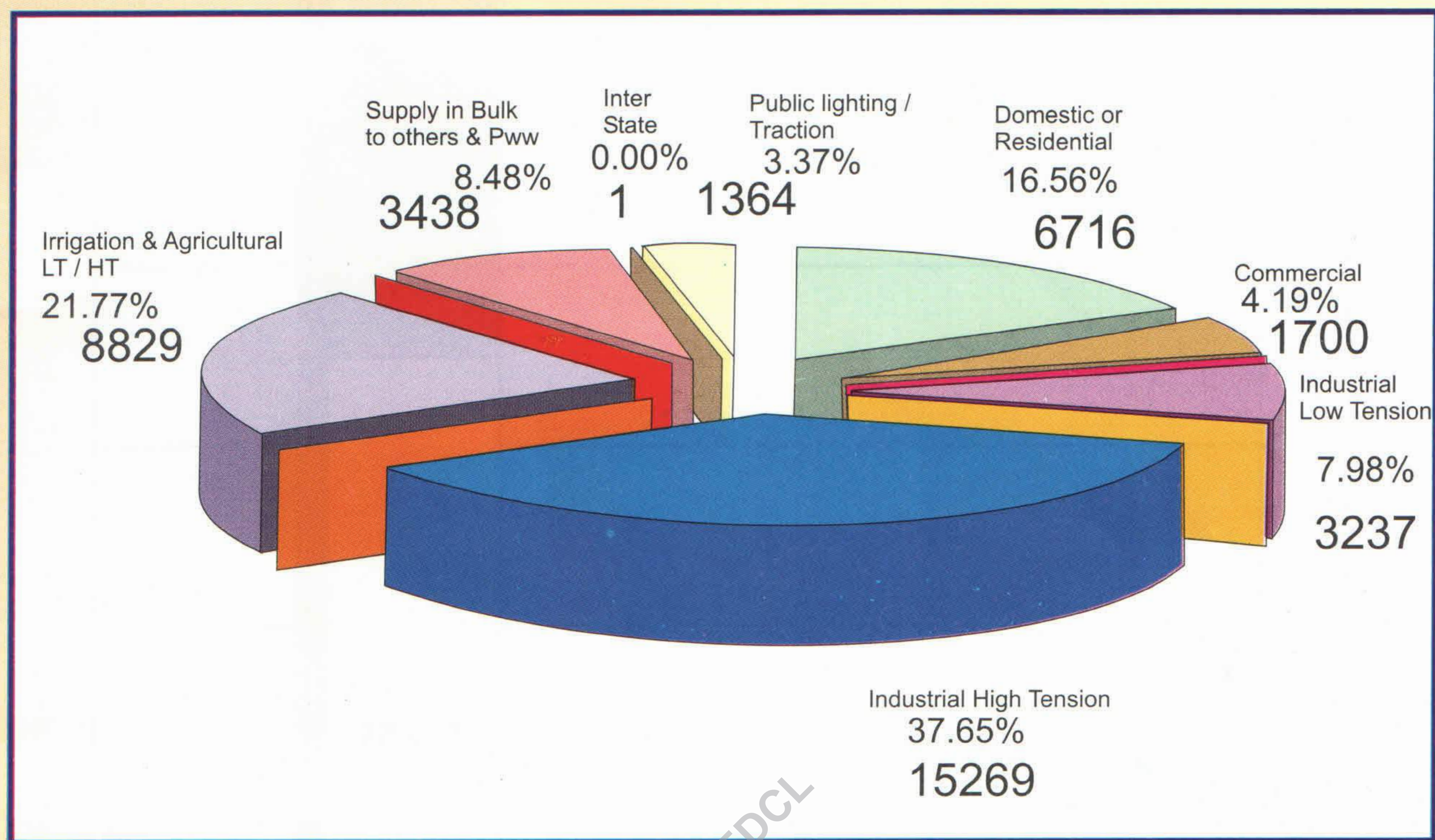
06-06-2005 to 31-03-2006


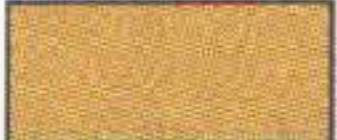





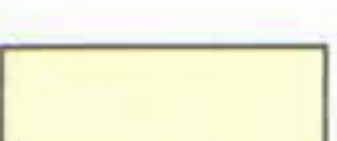


MSPGCL	TATA	Central Sector (NTPC, NPC, ONGC etc.)	BHEP (Dodson)	PTC and Traders	Others	Total
38050.830	1923.800	14801.050	46.040	2696.160	1008.920	58526.800

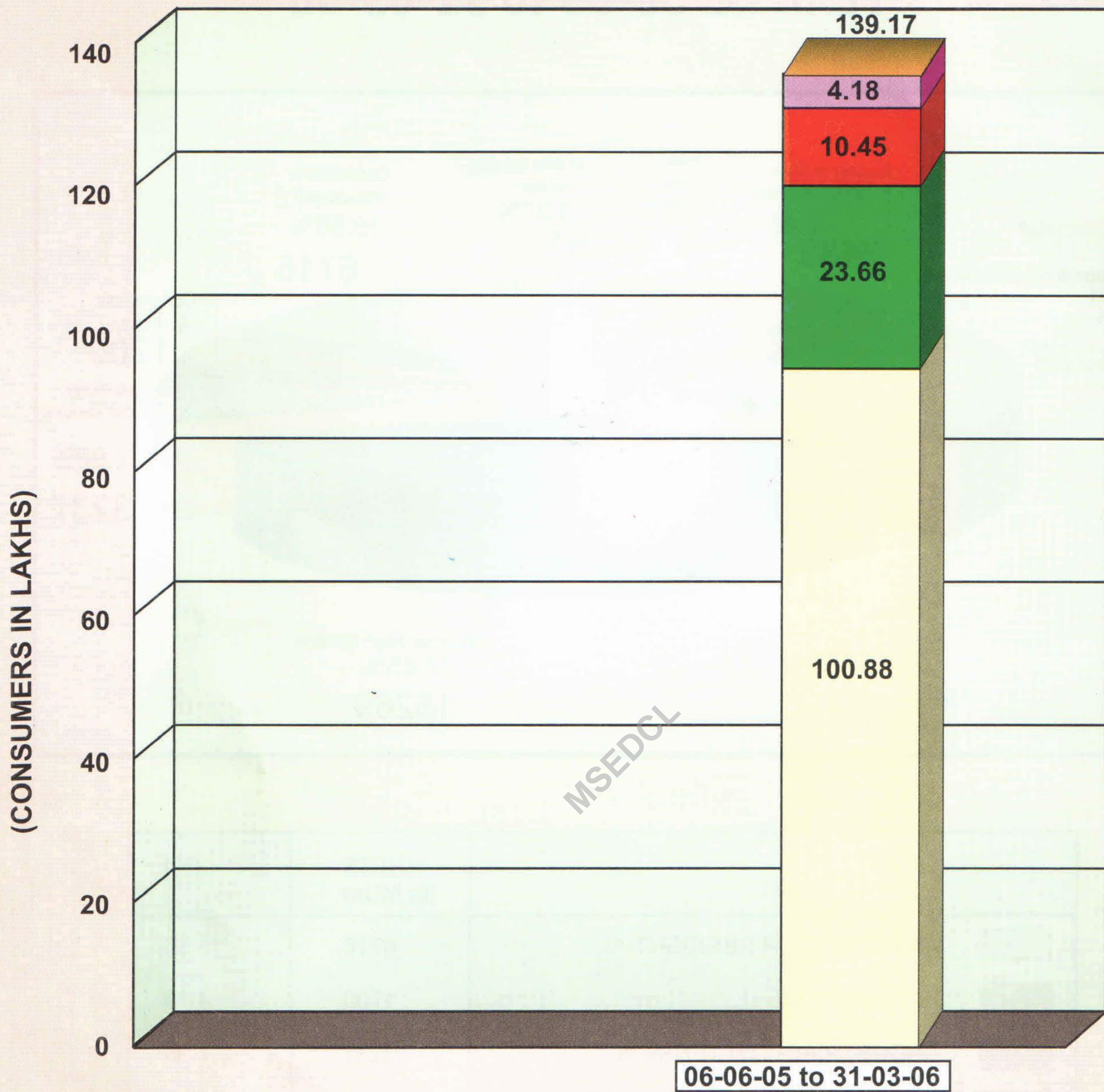
CATEGORYWISE SALE (IN MUs)

YEAR 06-06-05 to 31-03-06



		UNITS (In MUs)	(%)
	DOMESTIC OR RESIDENTIAL	6716	16.56
	COMMERCIAL	1700	4.19
	INDUSTRIAL LOW TENSION	3237	7.98
	INDUSTRIAL HIGH TENSION	15269	37.65
	IRRIGATION & AGRICULTURAL LT. / HT.	8829	21.77
	SUPPLY IN BULK TO OTHERS & PWW	3438	8.48
	INTER STATE	1	0.00
	PUBLIC LIGHTING\TRACTION	1364	3.37
TOTAL		40554	100.00

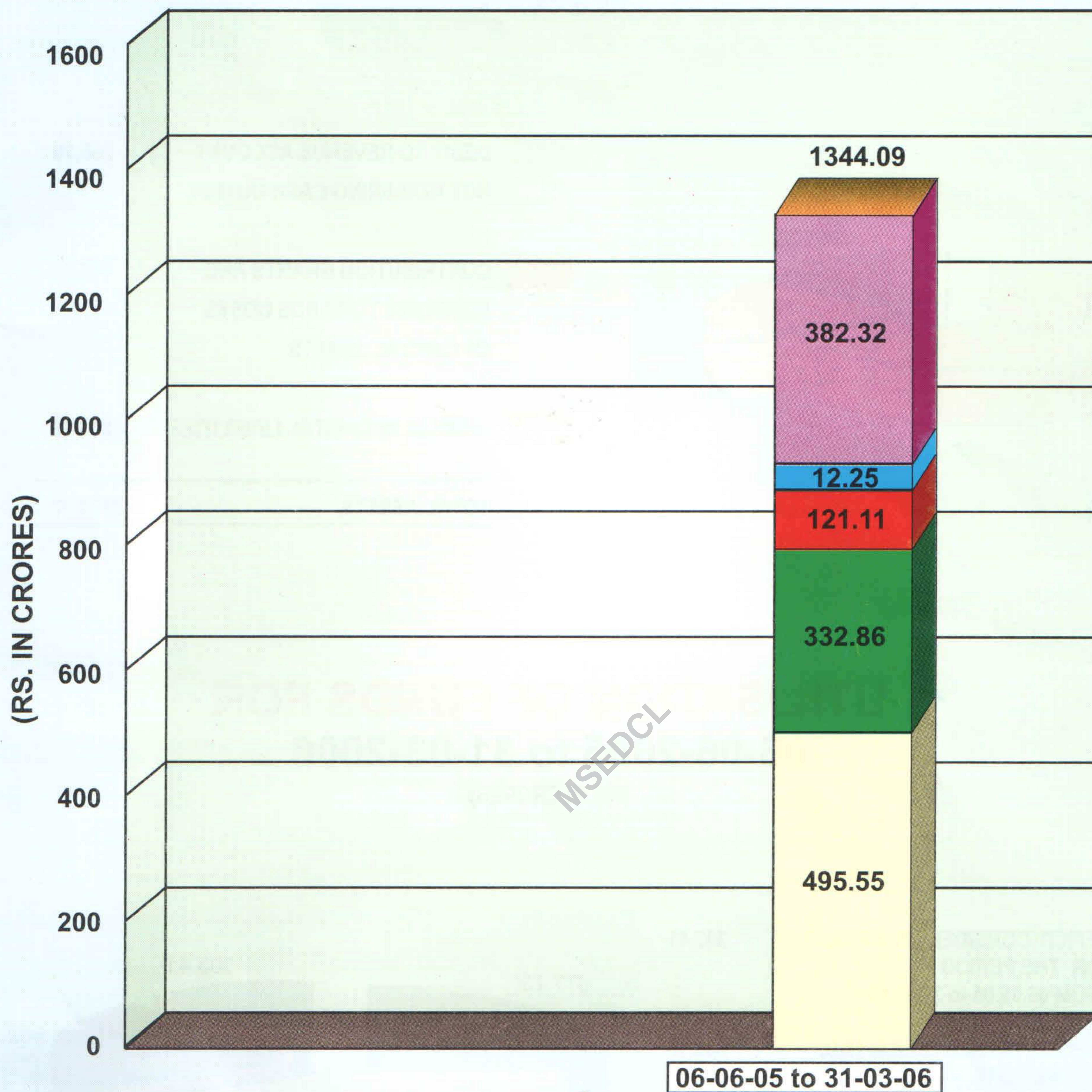
NUMBER OF CONSUMERS



YEAR 06-06-2005 to 31-03-2006

DOMESTIC/ RESIDENTIAL	IRRIGATION & DEWATERING	COMMERCIAL	OTHERS	TOTAL
100.88	23.66	10.45	4.18	139.17

EXPENDITURE ON EMPLOYEES

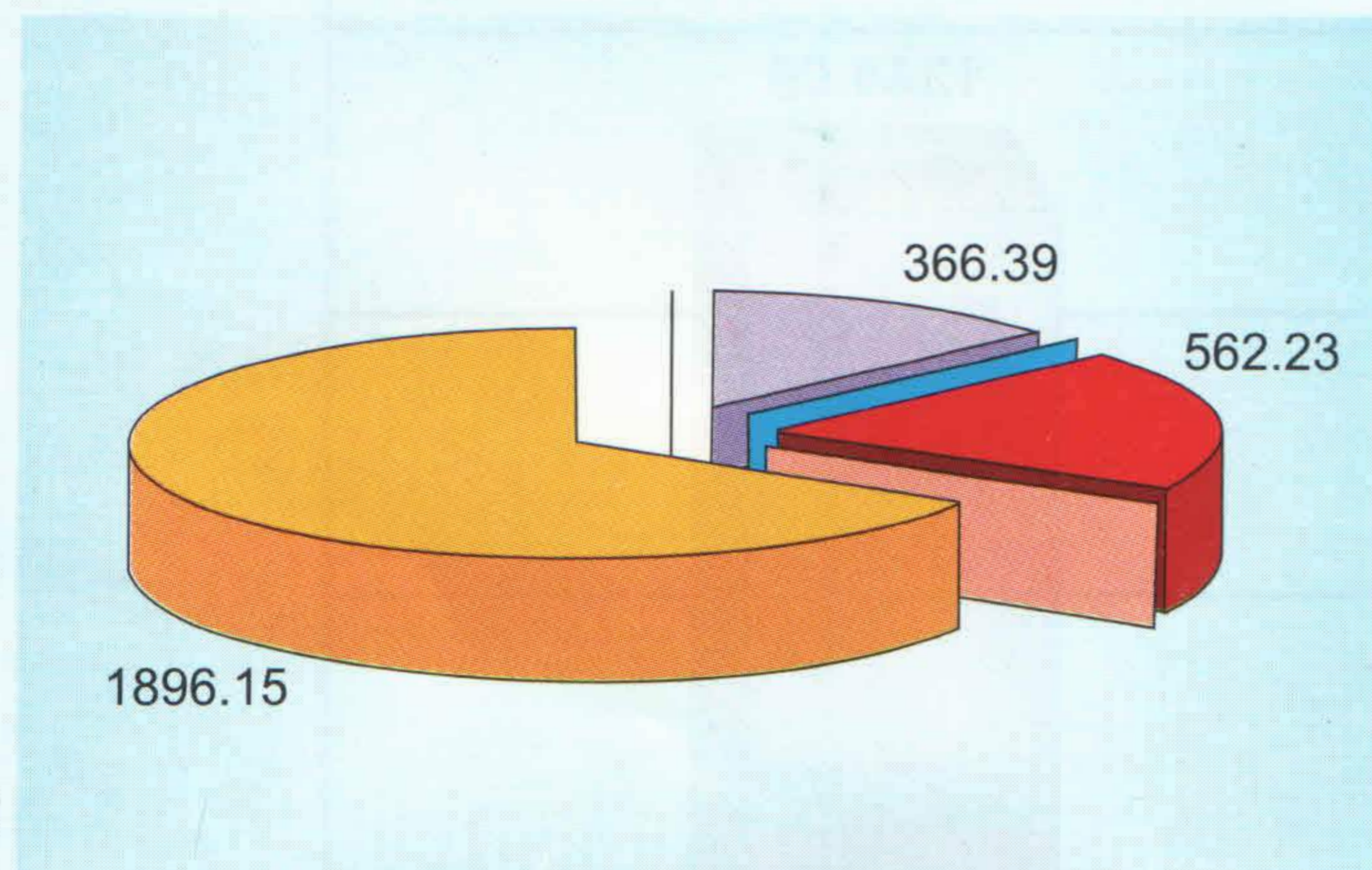


YEAR 06-06-2005 to 31-03-2006

SALARIES	DEARNESS ALLOWANCE	OTHER ALLOWANCE	OVERTIME	TERMINAL BENEFITS	TOTAL
495.55	332.86	121.11	12.25	382.32	1344.09

SOURCES OF FUNDS FOR 06-06-2005 to 31-03-2006

(RS. IN CRORES)



DEBIT TO REVENUE ACCOUNT NOT REQUIRING CASH OUTLET	366.39
CONTRIBUTION GRANTS AND SUBSIDIES TOWARDS COSTS OF CAPITAL ASSETS	562.23
INCREASE IN CAPITAL LIABILITIES	1896.15
TOTAL ASSETS	2824.77

UTILISATION OF FUNDS FOR 06-06-2005 to 31-03-2006

(RS. IN CRORES)

DEFICIT CONSIDERING GRANTS FOR THE PERIOD FROM 06.06.05 to 31.03.06	303.41
FUNDS UTILISED ON CAPITAL EXPENDITURE	660.19
INCREASE IN INVESTMENT	1183.44
DECREASE IN WORKING CAPITAL	677.73
TOTAL	2824.77

