HUBLI ELECTRICITY SUPPLY COMPANY LIMITED

Annual Accounts
FY 2024-25

116

M N S & Co.
Chartered Accountants

163, 2nd Floor,
R.V. Road, Near Minerva Circle
Bangalore - 560 004

Phone : 080 - 2657 2290, 2657 3319
E-mail : camnsco@gmail.com

INDEPENDENT AUDITORS' REPORT

To
The Members of HUBLI ELECTRICITY SUPPLY COMPANY LIMITED, HUBBALLI

Report on the Audit of the Standalone Financial Statements

Pursuant to the observations made by the Comptroller and Auditor General of India, under Section 143(6) of the Companies Act 2013, the accounts approved by the Board of Directors on 14.08.2025 have been revised. Accordingly, this report supersedes our earlier report dated 14.08.2025. The report is revised to incorporate the observations made by the Comptroller and Auditor General of India on Standalone Financial Statements. Impact of the revision in the accounts of the Company is stated in Note No.:32-13 of the revised Standalone Financial Statements.

Qualified Opinion:

We have audited the accompanying Standalone financial statements of **HUBLI ELECTRICITY SUPPLY COMPANY LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2025, and the Statement of Profit and Loss and cash flows for the year then ended, and notes to the Standalone financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "Standalone financial statements").

In our opinion, except for the effect on the Standalone financial statements of the matter stated in the Basis for Qualified Opinion paragraph, and to the best of our information and according to the explanations given to us, the aforesaid Standalone financial statements give the information required by the Companies Act, 2013 ('the Act') in the manner so required (except certain non-disclosures under Schedule III viz., (1) Trade Payable ageing schedule with the break-up of dues to MSME and others, disputed MSME dues and disputed dues to others, (2) Trade Receivables ageing schedule with required break-up under undisputed trade receivables considered good, undisputed trade receivables considered doubtful, disputed trade receivables considered good, disputed trade receivables considered doubtful, (3) Capital Work In progress (a) with the ageing schedule (b) works whose completion is overdue or has exceeded fixed cost compared to its original plan) give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2025, and its loss, and its cash flows for the year ended on that date.

Basis for Qualified Opinion:

1. **Note No.15-1 – Other Non-Current Assets include** subsidy receivables from GoK pertaining to Hukkeri Rural Electrical Co-operative Society (HRECS) amounting to Rs.27.02 crore (Previous year Rs.27.02 crore) is outstanding since 2009-10. The recoverability of this amount is not assessed/ not dealt with as on 31.03.2025

2. **Note No 9. Sl No. 3 – Trade Payables** - Pursuant to the proceedings of Government of Karnataka vide Order No: Energy/468/PSR/2023, dated: 30.03.2024 on the subject of interest dues payable to KPCL amounting to Rs.380.12 Crore, out of which Rs 126.71 crore have been provided for the year ended 31-03-2025 (the remaining balance of Rs. 253.41 crore is deferred for the next two financial years) (Government Order No. Energy/468/PSR/2023, dated: 03.09.2024) and interest liability for the period 2020-21 to 2023-24 amounting to Rs.305.77 crore, out of which Rs.101.92 crore has been provided for the year ended 31-03-2025 (the remaining balance of Rs.203.85 is

CONTROLLER (A&R)
HESCOM. HUBLI.

#163, 2nd Floor
R.V. Road, Near Minerva Circle
Bangalore - 560 004
Phone : 080 - 2657 2290, 2657 3319
E-mail : [illegible]

deferred for the next two financial years as per the Government Order No. Energy/468/PSR/2024, dated:28.05.2025)

As a result of this non-accounting, loss has been understated to the extent of ₹457.26 crore.

3. **Note No.21-1-16/3 – Other Current Assets includes** service Tax demand of Rs.11.09 Crore which was paid by the Company on 08.09.2017 towards Supervision Charges collected from the consumers for the period from 01.04.2011 to 30.06.2017 in respect of electrical connections. The outstanding recoverable amount is Rs.6.03 Crore (Previous Year Rs.6.13 Crore). The recoverability of this amount is not assessed/ not dealt with as on 31.03.2025.

4. **Note No. 12-C-1- Capital Work in Progress** - Vide special investigation report dated 21.04.2022, fraud aggregating Rs. 114.64 crore (Irregular works aggregating Rs. 80.60 crore and financial loss of Rs. 34.03 crore) was reported at Athani Division. The company has not fully withdrawn/dealt with irregular works as on 31.03.2025. During the financial year 2023-24, the financial loss of Rs. 34.03 crore is identified to be recovered from respective contractors and accounted as recoverable to the extent of Rs. 31.67 crore and the balance of Rs. 2.36 crore is pending recoverable. As against receivable of Rs. 31.67 crore from the Contractors, an amount of Rs. 8.60 crore has been adjusted to the pending payables to the Contractors up to 09.05.2025. Recoverability for the balance Rs. 25.43 crore is not assessed/ not dealt with as on 31.03.2025

5. A special investigation had been carried out by Internal Audit team pertaining to the transactions in the stores for the period from 10.09.2007 to 31.07.2023, of Hubli Urban Division, and from 01.04.2014 to 31.07.2023, of Hubli Rural Division. The Investigation Team has concluded Investigation and submitted the report dated 27.11.2023. The aggregate loss on account of this fraud is quantified at Rs. 51.69 crore. This loss arising out of the fraud is not accounted for in the accounts.

6. During the year 2022-23, three instances (in the following Divisions -Vijaypur, Ron & Raibag) of fraud aggregating to Rs. 2.84 crore was detected and was under investigation. The fraud occurred due to misappropriation and intentional wrong adjustment of receipts to the receivables. During the year 2024-25 two instances of misappropriation of cash, delay in depositing cash in company accounts and non-issuance of receipts in various cases in following divisions Gadag- Rs 0.005 crore and Indi is Rs. 0.55 crore. For Both the above cases the recoverability of this amount is not assessed/ not dealt with as on 31.03.2025.

7. **Note No.28 - Exceptional items & 18-1 (ii) - Trade Receivables - Sale of Power - LT- Write off of subsidy arrears.**
Pursuant to the Government of Karnataka order no. Energy/123/PSR/2022, Dated 11.03.2022, the company had been advised to write off subsidy arrears of Rs. 2,196.03 crore. The company had written off Rs. 1,098 crore in the financial year 2023-24 and Rs. 658.82 crore in the financial year 2024-25 vide board minute no. 114 note no.5, dated 07.03.2024, and balance to be written off in the next financial year Rs. 439.21 crore. This write-off has been disclosed as an exceptional item in the statement of profit and loss account.

8. **Note No.6-2 – Other Long-Term Liabilities** The ledger balance relating to security deposit from customers is Rs.1,311.76 crore (Previous year Rs. 1,220.22 crore) whereas the balances in the

NOTARY GOVT. OF INDIA MANTUR. A. V. ADVOCATE HUBLI (KARNATAKA) Reg. No: 19840 Date: 06-03-2025 to five years

M.N.S. & Co. Firm Regn. No. 003968S BANGALORE CHARTERED ACCOUNTANTS

CONTROLLER (A&R)
HESCOM, HUBLI

118

163, 2nd Floor,
R V Road, Near Minerva Circle,
Bangalore - 560 004.

Phone : 080 - 2657 2290, 2657 3319
E-mail : camnsco@gmail.com

subsidiary ledgers maintained in the software (Infinite & N-soft) is Rs.1,272.36 crore. (Previous year Rs. 1,167.76 crore). Thus, there is a difference of Rs.39.40 crore (previous year Rs.52.46 crore) in the subsidiary ledger.

We are unable to comment on the correctness of the interest recognized as expense on such deposits.

9. **Accounting Standard - 28-'Impairment of Assets'**: Management has not carried out assessment of impairment of assets during the year. Hence, we are unable to comment on the impact of the same on Standalone financial statements.

10. **Note No.32-3 Dues to MSME** required to be disclosed under section 22 of Micro, Small and Medium Enterprises Development Act, 2006, management is in the process of ascertaining MSME dues and interest is not provided for the year ended 31.03.2025 and hence, we are unable to comment on the impact of the same on Standalone financial statements.

11. **Note No.25-12-1 & 25-12-3 – Employee Benefit Expenses (AS 15)**

    The Company's future obligations, (a)Towards Pension & Gratuity to the employees appointed before 1.04.2006 and, (b) Towards Family pension and Gratuity Scheme to NDCPS employees, are not supported by actuarial valuation as on 31.03.2025.The company has been contributing to the fund at the rates specified by KPTCL/ESCOMs Pension and Gratuity Trust and KPTCL/ESCOMs Family Pension and Gratuity Trust as you go basis. However, in the absence of the Actuarial valuation, we are unable to comment the impact of the same on Standalone financial statements.

12. **Accounting Standard - 22-'Deferred Tax'** - The Company has not computed deferred tax component as on 31.03.2025. We are unable to comment on the impact of the same on Standalone financial statements.

13. Delays have been observed in capitalizing assets currently recorded under capital work in progress, leading to an understatement of Property, Plant, and Equipment, as well as related depreciation for the year. Hence we are unable to ascertain the impact on the Standalone financial statements.

14. **Note No.21-1-17 Balance in Other Current Assets** – Inter Unit accounts - with net debit balance of Rs.54.09 crore as on 31.03.2025 (Previous Year debit Rs.50.17 crore) comprise of old entries also. It is observed that a large portion of the fraud at Hubli Divisions/Stores as commented in our report – Qualification no. 5 above , is accounted under Inter Unit Account. In the absence of reconciliation of the old entries, we are unable to ascertain the impact on the Standalone financial statements.

15. **Note No.21-1-18 Balance in Other Current Assets** - receivable from the GoK towards electrification/service connection (Ganga Kalyan) - includes Rs.121.49 crore (Previous Year Rs. Rs.121.37 crore) receivable from GoK towards electrification/service connection (Ganga Kalyan -old balance). These balances have been accumulated over the years and in the absence of reconciliation. The recoverability of this amount is not assessed/dealt with as on 31.03.2025.

NOTARY GOVT. OF INDIA
MANTUR. A. V.
ADVOCATE
HUBLI (KARNATAKA)
Reg. No: 19840
Date: 08-03-2025
to five years
भारत सरकार

M.S. & Co.
Firm Regn. No. 003968S
BANGALORE
CHARTERED ACCOUNTANTS

CONTROLLER (A&R)
HESCOM. HUBLI

M N S & Co.
Chartered Accountants

163, 2nd Floor,
R.V. Road, Near Minerva Circle,
Bangalore - 560 004

Phone 080 - 2657 2290, 2657 3319
E-mail camnsco@gmail.com

16. **Note No.21-1-20/21 The balance in Other Current Assets** - Tax Deducted at Source and Tax Collection at Source balance as per books of accounts is Rs.2.85 crore and as per Form 26AS Rs.3.04 crore for which reconciliation is not done and hence the impact on the Standalone financial statements is not ascertainable. Further, an amount of Rs.6.86 crore paid/credited to the Company as per Form 26 AS, the quantum of income involved, considering the materiality, as the extent to which the Company has recognized the income (received/receivable) in its books against TDS/TCS of Rs.2.85 crore is also not ascertainable.

17. The operations relating to billing and collection processes from consumers are computerized; however, other financial processes and records are managed partly manually and through MS Excel macros. To ensure accuracy, completeness, and a reliable audit trail, there is a necessity to transition to a Comprehensive Accounting Software system for recording all financial accounting activities with Audit Trail.

18. **Note No.13-1-1 Non- Current Investments - Accounting Standard - 23-'Accounting for Investments in Associates in Consolidated Financial Statements'** The investments in Equity instruments under non- current investments represent non- trade investments in 100 equity shares with face value of Rs. 1,000 each in Power Company of Karnataka Limited (PCKL). The PCKL had issued shares in the following manner to the company

S.No	Name of the Shareholder	Number of Shares (of Rs.1,000 each)	Amount in Rupees
1	Hubli Electricity Supply Company Limited (HESCOM)	98	98,000
2	Additional Chief Secretary for Government of Karnataka, Nominee Shareholder of HESCOM	2	2,000
3	Total	100	100,000
4	Total Share Capital of PCKL		500,000
5	Investment of HESCOM in PCKL		100,000
6	Percentage Holding		20%

As per relevant paragraph of Accounting Standard 23 – Accounting for Investments in Associates in consolidated financial statements, a holding of 20% or more of the voting power is presumed to give rise to significant influence, unless evidence exists to the contrary. Accordingly, the investment in M/s. PCKL is classified as an Associate company. However, the company has not classified as Associate Company and hence consolidated financial statements were also not prepared.

19. The Company is not following Accounting Standard -2 Valuation of Inventory, Cost or Net realizable value whichever is lesser. However, the company is following schedule of Rates as stated in their Accounting Policy. Hence we are unable to comment on the deviation on valuation of Inventories.

CONTROLLER (A&R)
HESCOM, HUBLI.

120

163, 2nd Floor,
R.V. Road, Near Minerva Circle
Bangalore - 560 004

Phone : 080 - 2657 2290, 2657 3310
E-mail : camnsco@gmail.com

20. The company has not placed C&AG comments related to FY 2023-24 in their 22nd Annual General Meeting held on 21/12/2024.

21. The Company has paid commitment advances aggregating Rs.3.03 crore to various Ultra Mega Power Projects (UMPPs), namely M/s Deoghar UMPP, M/s Bihar UMPP and M/s Cheyyur UMPP. However, the closure of the UMPPs has been proposed by the Government of India (GoI) vide OM dated: 02.06.2023. Additionally, while instructions from the Ministry of Power mandate the recovery of project expenditures from procurers, such details were not submitted, and the matter is pending at the GoK level with correspondence underway for refund. In view of the above, these advances have not been treated as doubtful, and no provision has been made in the books of accounts. In our view, absence of potential impairment assessment of advances may materially affect the carrying amount of these assets. As a result, the assets are overstated and accumulated losses are understated.

22. **Note No.4-4 - Reserve for Revaluation of Land Assets** the reserve for revaluation of land assets amounting to Rs.2,326.79 crore was not been carried out by a Registered Valuer as defined under Rule 2 of the Companies (Registered Valuers and Valuation) Rules, 2017. Hence, we are unable to comment on the impact of the same on Standalone financial statements.

The aggregate Financial impact of Sl. no.1 to 7 is Rs.1,010.04 crore. Had the impact under Sl. Nos.: 1 to 7 are effected in the accounts, the loss for the current year 2024-25 would have increased to Rs.2,509.76 crore and Negative Net Worth (reckoning revaluation reserve of Rs.2,326.79 crore) would have increased to Rs.7,648.45 crore as on 31/03/2025. The Financial impact pertaining to SL no.8 to 16 is not reckoned as the same is not quantified / ascertainable.

The qualifications under Sl. Nos.: 1 to 17 was also qualified in the report of the predecessor Auditors on the standalone Financial Statements for the year ended March 31, 2024.

We conducted our audit in accordance with the standards on auditing specified under section 143 (10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the auditor's responsibilities for the audit of the Standalone financial statements section of our report. We are independent of the Company in accordance with the code of ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the Standalone financial statements under the provisions of the Act and the rules there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Matters of Emphasis:

1. The Company is incurring continuous losses from past several years, and its net worth is negative. The Management contends that the company is engaged in distribution of basic utility, wholly owned by Government of Karnataka (GoK) and has adequate support from GoK from time to time by way of subsidies and equity contribution. Hence, the management confirms that the company is a going concern.

2. **Note No.18-5 - Trade Receivables - Sale of Power (Interest)** - Interest dues from Hukkeri Rural Electric Cooperative Society aggregated to Rs. 197.21 crore (Previous Year Rs. 165.43 crore) as on 31.03.2025. There is no collection during the year.

CONTROLLER (A&R)
HESCOM, HUBLI

121

163, 2nd Floor,
R.V. Road, Near Minerva Circle
Bangalore - 560 004

Phone : 080 - 2657 2290, 2657 3319
E-mail : camnsco@gmail.com

3. **Note No.24 – "Purchase of Power" Sl. 5A & 5B & Note No.17-1-2 –** Relating to Renewable Energy and Energy Saving Certificates - Closing Stock Position as on 31.03.2025: - The Company held 10,64,533 (Previous Year 32,83,470) Renewable Energy Certificates (REC's) and 1,084 (Previous Year 1,389) Energy Saving Certificates (ESCert's) as on 31.03.2025. Pending sale of these RE certificates, the company has recognized RE certificates in the books of accounts as Inventories as on 31.03.2025 at the exchange fees of Rs.5.90/unit.

4. **Note No.25-12-3 – Employee Benefit Expenses -** The Company has introduced Family Pension and Gratuity Scheme to NDCPS Employees approved vide G.O. No.: AE 34 PEN 2018 Dated: 23.06.2018. The funds are managed by the KPTCL/ESCOMs Family Pension and Gratuity Trust. The liability of Rs.63.36 crore (Previous Year Rs 63.22 crore) has not been paid by the Company as on 31/03/2025 (Refer Note No.: 10-5-2a). The Actuarial Valuation for the period 2024-25 is yet to be provided by the valuator.

Our opinion is not modified in respect of the matters referred above.

Information Other than the Standalone Financial Statements and Auditor's Report Thereon

The Management and Board of Directors of the Company bear full responsibility for the preparation and integrity of the supplementary information presented. This supplementary information encompasses all content included within the annual report, with the exception of the Standalone Financial Statements and our auditor's report. It is anticipated that this supplementary information will be made available to us after the issuance of this auditor's report.

It is important to note that our audit opinion is confined to the Standalone Financial Statements and does not extend to any other content. Accordingly, we do not convey any form of assurance or conclusion regarding the supplementary information.

Responsibilities of Management and those charged with Governance for the Standalone Financial Statements:

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

In preparing the Standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

MANTUR. A. V.
ADVOCATE
HUBLI (KARNATAKA)
NOTARY GOVT. OF INDIA

M.N.S. & Co.
Firm Regn. No. 003968S
BANGALORE
CHARTERED ACCOUNTANTS

CONTROLLER (A&R)
HESCOM, HUBLI.

122

M N S & Co.
Chartered Accountants

163, 2nd Floor,
R.V. Road, Near Minerva Circle,
Bangalore - 560 004

Phone: 080 - 2657 2290, 2657 0319
E-mail: camnsco@gmail.com

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

Auditor's responsibilities for the audit of the Standalone financial statements

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

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

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are not responsible for expressing our opinion on whether the Company has an adequate internal financial control system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Standalone financial statements, including the disclosures, and whether the Standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

GOVT. OF INDIA NOTARY MANTUR. A. V. ADVOCATE HUBLI (KARNATAKA)

M.N.S. & Co. Firm Regn. No. 003968S BANGALORE CHARTERED ACCOUNTANTS

CONTROLLER (A&R)
HESCOM, HUBLI.

- Materiality is the magnitude of misstatements in the Standalone Financial Statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the Standalone Financial Statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the Standalone Financial Statements.

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

REPORT on other LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the **Annexure "A"**, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2. As required by Section 143(3) of the Act, we report that: -

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

   b) Except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

   c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

   d) No audit of Company's Branch/Division has been conducted under sub section (8) of section 143 by a person other than Company's auditor. Hence, reporting under sub section (8) is not applicable.

   e) Except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above in our opinion, the aforesaid Standalone financial statements comply with the Accounting Standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014.

   f) The matters described in the Basis for Qualified Opinion section above, in our opinion, may not have an adverse effect on the functioning of the Company.

   g) In terms of Notification no. G.S.R. 463 (E) dated 05-06-2015 issued by Ministry of Corporate Affairs, the Provisions of Section 164(2) of the Act, 2013 in respect of disqualification of directors are not applicable to the Company.

NOTARY GOVT. OF INDIA
MANTUR. A. V.
ADVOCATE

M.N.S. & Co.
Firm Regn. No. 003968S
BANGALORE
CHARTERED ACCOUNTANTS

CONTROLLER (A&R)
HESCOM. HUBLI

124

h) (i) There is no effective monitoring system to oversee Inter Unit Transfers for periodical reconciliation and timely accounting to the appropriate heads.

(ii) Other qualification/adverse remarks are dealt with separately in our report.

i) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in **"Annexure B"**.

j) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 as amended, in our opinion and to the best of our information and according to the explanations given to us, as stated below:

i. **Note No.29-1- Contingent Liability and Note No.12A -Property, Plant and Equipment** the Company has disclosed the impact / details of pending litigations on its financial position in its Standalone financial statements except those disclosed under Note No.29-1-1-1-7 towards claims for additional compensation against the land.

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

iii. There is no amount required to be transferred to the Investor Education and Protection Fund by the Company.

iv. a. The Management has represented that, to the best of its knowledge and belief, other than as disclosed in the notes to the accounts, no funds have been advanced or whether invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person or entity, including foreign entity ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediaries shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

b. The Management has represented, that, to the best of its knowledge and belief, other than as disclosed in the notes to the accounts, no funds have been received by the Company from any person or entity, including foreign entity ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

NOTARY GOVT. OF INDIA
MANTUR. A. V.
ADVOCATE
HUBLI (KARNATAKA)
Reg. No: 19640
Date: 08-03-2025
to five years

M.N.S. & Co.
Firm Regn. No. 003968S
BANGALORE
CHARTERED ACCOUNTANTS

CONTROLLER (A&R)
HESCOM. HUBLI

125

163, 2nd Floor
R.V. Road, Near Minerva Circle
Bangalore - 560 004

Phone: 080 - 2657 2290, 2657 3319
E-mail: cammsco@gmail.com

c. Based on such audit procedures performed as considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the management representations under sub-clauses (a) and (b) above contain any material misstatement.

v. Note 32-10 - Audit Trail - The operations relating to revenue collection and related accounting is computerized by installing standalone Infinite and N-Soft software system.
The company does not have comprehensive integrated financial accounting software. The financial transactions are recorded using a combination of manual entries and Microsoft Excel Macros. Due to this methodology, the company lacks a formal audit trail (edit log) facility in its financial accounting records. This absence of a dedicated system means that we cannot assess an audit trail feature for financial transactions, nor can we verify the presence or absence of tampering with such a feature. Therefore, the Company has not complied the rule 11 (g) of the Companies (Audit and Auditors) rules 2014 relating to the Audit Trail.

vi. The Company has not declared or paid any dividend during the year ended 31st March 2025.

k) Since the provisions of Section 197 of the Act do not apply to the Company, reporting requirements under Section 197(16) of the Act is not applicable.

3. On the basis of such checks of the books and records of the Company, as we considered appropriate and according to the information and explanations given to us, we are enclosing our report in terms of Section 143(5) of the Act, on the directions and sub directions issued by the Comptroller and Auditor General of India in **"Annexure C"**.

For MNS & CO
CHARTERED ACCOUNTANTS
Firm Registration No: 003968S

CA MADHAVA MURTHY K S
PARTNER
Membership No: 029946
UDIN: 25029946BMHYLQ3568.
Place: Bengaluru
Date: 27/10/2025.

NOTARY GOVT. OF INDIA
MANTUR. A. V.
ADVOCATE

M.N.S. & Co. Firm Regn. No. 003968S BANGALORE CHARTERED ACCOUNTANTS

CONTROLLER (A&R)
HESCOM, HUBLI.

126

M N S & Co.
Chartered Accountants

163, 2nd Floor,
R.V. Road, Near Minerva Circle,
Bangalore - 560 004

Phone : 080 - 2657 2290, 2657 3319
E-mail : mnsco@gmail.com

Annexure "A" to the Independent Auditor's Report
(Referred to in paragraph 1 under 'Report on other LEGAL AND REGULATORY requirements' section of our report to the members of HUBLI ELECTRICITY SUPPLY COMPANY LIMITED of even date)

(i) (a) (A) According to the information & explanation given to us and on the basis of our examination, the Company has not maintained proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment.

(B) The Company's intangible assets consist of off-shelf purchased software for different applications. As the software is not developed by the Company a separate record has not been maintained.

(b) The Company has not conducted/ documented the physical verification of Property, Plant and Equipment during the year. However, the Company has a system of physically verifying T&P items (stores) as per (ii) (a) below.

(c) The title deeds of all the immovable properties (other than properties where the company is the lessee and the lease agreements are duly executed in favour of the lessee) disclosed in the Standalone financial statements are held in the name of the company, except for the following: -

Description of Property	Gross Carrying Value	Held in name of	Whether Promoter, Director or the relative or employee	Period held - indicate range where appropriate	Reason for not being held in the name of the company
Refer Exhibit No. I to this report					

It is observed that in 30 Properties stated in Exhibit I, large delays exist in getting the ownership title transferred to the name of the Company. There are many properties where either records are not traceable or available.

(d) The company during the year has revalued Dandeli Division Land after resolving the dispute (excluding buildings) by adopting the valuation report amounting to Rs.6.02 crore and it works out to 0.26% of Land assets. Refer -Note No.4-4 and 12-1. However, the revaluation has not been carried by a Registered Valuer as defined under Rule 2 of the Companies (Registered Valuers and Valuation) Rules, 2017.

(e) No proceedings have been initiated during the year or are pending against the Company as at March 31, 2025 for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder.

(ii) (a) As per the systems and procedures prescribed by the company a detailed stock verification is conducted at each store annually during January by following the due process. We are informed that the physical verification of stores is being done as prescribed at all Stores and the discrepancies (shortage /excess) are recorded. It is observed that the

CONTROLLER (A&R)
HESCOM, HUBLI

127

discrepancies have not exceeded 10% in the aggregate of each class of inventory except in Hubli Stores. A detailed investigation has been carried out and the investigating team has submitted the report dated 27.11.2023 identifying the fraud in the stores and related movement of stores/materials aggregating Rs 51.69 crore. The loss in this regard is not dealt with in the books of accounts as on 31.03.2025.(Refer Point no 5 to the Basis for Qualified Opinion Paragraph of our report).

Apart from the above, stock noticed as excess pending for investigation as on 31.03.2025 is Rs. 2.07 crore (Previous Year Rs. 2.02 crore) (Note No.17-1-6) and stock shortage pending investigation as on that date is Rs.1.91 crore (Previous Year Rs. 1.92 crore) (Note No.17-1-7) and these excess/shortages are recorded in the accounts.

(b) The Company has been sanctioned working capital limits of Rs. 300 crores from Banks on the security of receivables of the company and Rs. 100 crore from Karnataka Renewable Energy Development Limited (repayable in 12 instalments) for meeting its immediate fund requirement during the year. The outstanding amount as on 31.03.2025 is Rs. 267.71 crore (Previous Year Rs. 198.85 crore) Refer Note- 8-1-1/2/3/5. The periodical statements submitted to the respective banks are not in conformity with the books of accounts.

(iii) Based on our examination of records and according to the information and explanation given to us, the Company during the year has not made investment, provided any guarantee or granted any loans or advances in the nature of loans, secured or unsecured, to Companies, Firms, Limited Liability Partnerships or any Other Parties. Accordingly, reporting under clause 3(iii)(a) to 3(iii)(f) of the Order is not applicable.

(iv) In our opinion and according to the information and explanations given to us, the Company has not given any loan or made any investments or given any guarantee or security in respect of which the provisions of the sections 185 and 186 of the Act are applicable. Hence, reporting under clause 3(iv) of the Order is not applicable.

(v) According to the information and explanation given to us and on the basis of our examination, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules,2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) We have broadly reviewed the books of accounts made and maintained by the Company pursuant to the rules made by the Central Government for the maintenance of Cost records under section 148(1) of the Act and are of the opinion based on the Cost Accountant Report of previous year that prima facie the prescribed accounts and records have been maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete for the current year.

(vii) In respect of Statutory dues:

(a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, Goods and service tax, cess and other material statutory dues have

CONTROLLER (A&R)
HESCOM, HUBLI

/28

been generally regularly deposited during the year by the Company with the appropriate authorities except the following:

Name of Statute	Nature of Dues	Amount (Rs. in Crores)	Period to which the amount relates	Due date	Date of Payment
Sales Tax	Sales Tax collected	0.04	Various dates	Various dates	Not Paid
Goods and Service Tax	GST	2.58	Various dates	Various dates	Not Paid

(b) According to the information and explanations given to us there were no disputed amounts payable in respect of Provident Fund, Employees State Insurance, Income Tax, Goods and Service Tax, Cess and other material statutory dues in arrears as at 31st March 2025 for a period of more than six months from the date they became payable except the following: -

Name of the Statute	Nature of dues	Amount (Rs. in Crores)	Period to which the amount relates	Due date	Date of Payment
Tax Deducted @ Sources (as per Traces data)	Short Deduction	7.51	Various dates	Various dates	Not provided

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

(ix) (a) According to the information and explanation given to us and on the basis of our examination the Company has not defaulted in repayment of loans or other borrowings or in the payment of interest thereon to any lender.

(b) The Company has not been declared a willful defaulter by any bank or Financial Institution or Government or any Government Authority.

(c) In our opinion and according to the information and explanation given to us, the Company has utilized the money obtained by way of term loans during the year for the purposes for which they were obtained.

(d) On an overall examination of the Standalone financial statements of the Company, no funds raised on short term basis have been used for long-term purposes by the Company.

(e) On an overall examination of the Standalone financial statements of the Company, the Company has not taken any funds during the year from any entity or person on account of or to meet the obligations of its subsidiaries, associates or joint ventures.

NOTARY GOVT. OF INDIA MANTUR. A. V. ADVOCATE HUBLI (KARNATAKA) Reg. No: 19640 Date: 08-03-2025 to five years

M.N.S. & Co. Firm Regn. No. 003968S BANGALORE CHARTERED ACCOUNTANTS

CONTROLLER (A&R)
HESCOM. HUBLI

(f) The Company has not raised loans during the year on the pledge of securities held in its subsidiaries, joint ventures or associate companies. Hence, the requirement to report on clause of the Order is not applicable to the Company.

(x) (a) The Company has not raised money by way of initial public offer or further public offer (including debt instruments). Hence, reporting under clause 3 (x)(a) of the Order is not applicable to the Company.

(b) During the year, the Company has not made any preferential allotment or private placement of shares or convertible debentures (fully or partly or optionally) and hence, reporting under clause 3(x)(b) of the Order is not applicable.

(xi) (a) Yes, as stated in clause 3(ii)(a) above, a fraud has been identified during the year which had been committed by employee/employees on the company. This loss, attributed to fraudulent activities, has not been accounted for in the company's Standalone financial statements for the reporting period. Details of other frauds not accounted in the Standalone financial statements are given in our Basis for Qualified Opinion Paragraph Sl. No. 4 to 6.

(b) No report under sub-section (12) of section 143 of the Act has been filed in Form ADT-4 as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government, during the year and up to the date of this report.

(c) As represented to us by the Management, there were no whistleblower complaints received by the Company during the year and up to the date of the report.

(xii) In our opinion, the Company is not a Nidhi Company. Hence, reporting under clause 3(xii)(a) to 3(xii)(c) of the Order is not applicable.

(xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable, and details of all transactions have been disclosed in the Standalone financial statements as required by the applicable accounting standards (Note 31-1). The company has transactions with various Government Companies which are Government of Karnataka (GOK) undertakings. As per AS 18, no disclosure is required in the Standalone financial statements of state-controlled enterprises and transactions with such enterprises and hence it is not disclosed.

(xiv) (a) According to the information and explanation given to us and on the basis of our examination the Company has in-house internal audit setup and as informed to us all the transactions are subjected to internal audit process, which include Transaction Audit (voucher), Cash Audit, Store Audit, Revenue Audit etc. However, in our opinion and based on our checks, the coverage of the present internal audit system is inadequate and is not commensurate with the size of the Company and nature of its business.

M N S & Co.
Chartered Accountants

163, 2nd Floor
R.V. Road, Near Minerva Circle,
Bangalore - 560 004.

Phone : 080 - 2657 2290, 2657 3318
E-mail : mnsco@gmail.com

(b) Based on our test check we observed that the management is initiating the appropriate actions on the observations noted in the internal auditor's report. However, we are not in a position to comment that all the control deficiencies having financial impact are remediated.

(xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non- cash transactions with directors or persons connected with them. Hence, reporting under clause 3(xv) of the Order is not applicable.

(xvi)(a) According to the information and explanation given to us and on the basis of our examination the provisions of section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934) are not applicable to the Company. Accordingly, the requirement to report on clause (xvi)(a) of the Order is not applicable to the Company.

(b) The Company has not conducted any Non-Banking Financial or Housing Finance activities, hence, reporting under clause (xvi)(b) of the Order is not applicable to the Company.

(c) The Company is not a Core Investment Company as defined in the regulations made by Reserve Bank of India. Accordingly, the requirement to report on clause 3(xvi) (c) of the Order is not applicable to the Company.

(d) There is no Core Investment Company as a part of the group; hence, the requirement to report on clause 3(xvi) (d) of the Order is not applicable to the Company.

(xvii) The Company has made cash loss of Rs.896.92 crore during FY 2024-25 as against cash loss of Rs. Rs.1,718.68 crore during the immediately preceding FY 2023-24.

(xviii) There has been no resignation of the statutory auditors of the Company during the year.

(xix) On the basis of the financial ratios disclosed in the Standalone financial statements, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the Standalone financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, which causes us to believe that any material uncertainty exists as on the date of the audit report that the Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.

(xx) Since the company is incurring losses, it is neither required to incur expenditure towards CSR activities nor transfer unspent amount to specified account in compliance of section 135 of the Act, during the year, hence, reporting under para 3(xx) (a) and (b) is not applicable.

MANTUR. A. V.
ADVOCATE
NOTARY GOVT. OF INDIA

M.N.S. & Co. CHARTERED ACCOUNTANTS
Firm Regn. No. 003968S
BANGALORE

CONTROLLER (A&R)
HESCOM. HUBLI

137

(xxi) The company is a standalone entity. Hence, the reporting under clause 3(xxi) of the order is not applicable

For MNS & CO
CHARTERED ACCOUNTANTS
Firm Registration No: 003968S

CA MADHAVA MURTHY K S
PARTNER
Membership No: 029946
UDIN: 25029946BMHYLQ3568.
Place: Bengaluru
Date: 27/10/2025.

M.N.S. & Co. Firm Regn. No. 003968S BANGALORE CHARTERED ACCOUNTANTS

NOTARY GOVT. OF INDIA MANTUR. A. V. ADVOCATE HUBLI (KARNATAKA)

CONTROLLER (A&R)
HESCOM, HUBLI.

132

M N S & Co.
Chartered Accountants

163, 2nd Floor,
R.V. Road, Near Minerva Circle
Bangalore - 560 004

Phone: 080 - 2657 2290, 2657 3319
E-mail: camnsco@gmail.com

Annexure B to the Independent Auditor's Report of even date on the Standalone Financial Statements of the Company
Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of HUBLI ELECTRICITY SUPPLY COMPANY LIMITED ("the Company") as of 31 March 2025 in conjunction with our audit of the Standalone financial statements of the Company for the year ended on that date.

Responsibilities of Management and those charged with Governance for the Standalone Financial Statements:

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

Auditor's Responsibility:

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by the ICAI and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Standalone financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for qualified our audit opinion on the Company's internal financial controls over financial reporting.

NOTARY GOVT. OF INDIA
MANTUR. A. V.
ADVOCATE
HUBLI (KARNATAKA)
Reg. No: 19840
Date: 06-03-2025
to five years
भारत सरकार

M.N.S. & Co.
Firm Regn. No. 003965S
BANGALORE
CHARTERED ACCOUNTANTS

CONTROLLER (A&R)
HESCOM. HUBLI.

137

M N S & Co.
Chartered Accountants

No. 163, 2nd Floor
RV Road, Near Minerva Circle
Bangalore - 560 004

Phone: 080 - 2657 2290, 2657 3319
E-mail: camnsco@gmail.com

Meaning of Internal Financial Controls over Financial Reporting:
A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Standalone financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that:

a) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets of the Company.

b) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of Standalone financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

c) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the Standalone financial statements.

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

Qualified Opinion:
According to the information and explanation given to us and based on our audit, the following material weaknesses have been identified as at March 31, 2025.

1. The Company has in-house internal audit setup and as informed to us all the transactions are subjected to the internal audit process. We have observed that the Internal audit has noticed revenue leakage, intentional wrong adjustments, excess payments, execution of works without proper approval and misappropriation in cash, stores and materials. This also shows that the internal control system is weak. It is observed that there is time lag in conducting various audits. By 31.03.2025, the Internal Audit team conducted Revenue and Cash Audits upto the year 2023 except for LT1 to LT3 10 Units, LT4 to LT 7 18 Units which are under progress. The audit for the year 2024 is in progress and pending for LT1 to LT3 3 Units, LT4 to LT 7 3 Units and HT 19 Units (till 2024 December) under progress and Stores 1 Unit progress.

   The company has systems and procedures to prevent misappropriation/fraud instances backed up with proper documentation to ensure reliability, efficiency and security. However, at times it is observed that the controls are breached due to laxity in documentation, reconciliation, and lack of segregation of duties. Proper focus is not given to job rotation, specifically in the most vulnerable positions. Besides, the independence of each division is not ensured as a single person is made in-charge for multiple divisions/stores for a long time where scope for manipulation and delay in

GOVT. OF INDIA NOTARY MANTUR. A. V. ADVOCATE HUBLI (KARNATAKA) Reg. No: 19840 Date: 06-03-2025 to five years

M.N.S. & Co. CHARTERED ACCOUNTANTS Firm Regn. No. 003988S BANGALORE

CONTROLLER (A&R)
HESCOM, HUBLI

134

M N S & Co.
Chartered Accountants
163, 2nd Floor,
R.V. Road, Near Minerva Circle,
Bangalore - 560 004
Phone : 080 - 2657 2790, 2657 3319
E-mail : camnsco@gmail.com

identification of irregularities is very high. It appears preventive steps like implementation of transfer of personnel after a specified period of service has not been ensured. Details of frauds occurred and extent upto which it is accounted in the books is listed in our report under Basis of Qualification Paragraph Point Nos 4, 5 and 6.

The Internal Audit Department needs to be backed up with adequate resources to reduce the delays in internal audit and to ensure effective adherence to controls.

Further, in our opinion and based on our checks, the coverage of the present internal audit system is inadequate and is not commensurate with the size of the Company and nature of its business.

2. The company does not have an appropriate control process, such as,
(a) Physical verification of Property, Plant and Equipment and documents thereof. [Refer Clause 3(i)(b) of our Annexure A to the Independent Auditor's Report]
(b) Timely accounting and reconciliation of Inter Unit entries.
(c) Timely review of reconciliations of bank accounts to avoid delays in the identification of unexplained credits and updation of accounts.

3. There was no evaluation of internal financial controls and Risk Management systems by Audit Committee of the Company as required by section 177(4) of Companies act 2013.

4. **Note No.9-Trade Payables & Note 18- Trade Receivables-** The Company does not have the procedure of obtaining confirmation of balances from parties in respect of Trade payable, Trade Receivable, Advances and Receivables. In view of this, we are not in a position to verify the accuracy or otherwise of the balance of Trade Payable, Trade Receivable, Advances and Receivables.

5. The Company does not have the procedure of adequate disclosures in respect of Trade payables, Trade Receivables and Capital Work in progress as required by Schedule III to the Companies Act, 2013.

6. The Company does not have Integrated computerized application system in financial accounting, payroll, expenses, Assets/Liabilities, inventory, Capex and consolidation process of all divisions. There is a high risk of having an inherent financial control weakness and disclosure of financial transactions thereon.

7. The company does not have an appropriate internal control system with regards to Property, Plant and Equipment which is having a significant impact in the Standalone financial statements. The details are as follows,

Accounting Standard 10 "Property, Plant & Equipment" having an effect on depreciation charged and carrying amount of fixed assets in the Standalone financial statements due to:

- **Note No.12C – Capital Work in Progress**- Delays in capitalization of assets put to use included in capital work in progress have been observed. As per the policy of the Company, the inventory under CWIP will be capitalized on receipt of completion certificate. The gross value of CWIP as on 31.03.2025 is Rs.328.73 crore (previous year Rs. 358.78 crore). Some works were continued in CWIP pending completion certificate though the assets are put to

NOTARY GOVT. OF INDIA MANTUR. A. V. ADVOCATE HUBLI (KARNATAKA)

M.N.S. & Co. Firm Regn. No. 003968S BANGALORE CHARTERED ACCOUNTANTS

CONTROLLER (A&R)
HESCOM, HUBLI.

134

No. 163, 2nd Floor, RV Road, Near Minerva Circle, Bangalore - 560 004
Phone : 080 - 2657 2256, 2657 3319
E-mail : camnsco@gmail.com

use or impaired. The Company has identified completed works to be categorized amounting to Rs.82.72 crore as on 31.03.2025.(Rs.66.01 crore as on 31.03.2024)

- **Note No.12C – Capital Work in Progress -**An amount of Rs.0.91 crore works included in CWIP remains to be related to opening balances and no expenditures are incurred during the current financial year on these works nor capitalized as on 31.03.2025.

- **Note No.12A – Property, Plant and Equipment** – Due to delay in securing completion certificate in respect of assets put to use, but continued in CWIP, the charging of depreciation is delayed for the period of delay.

- The Company is capitalizing the reconditioned assets at the carrying cost of the original asset (at which such assets were transferred to current assets) when retired from active use initially. Depreciation is being charged as if it is a new asset put to use. There is a possibility of continuing the useful life of the asset beyond the original useful life.

- Non-compliance of Accounting Standard 28 on Impairment of Asset due to non-assessment at the Balance Sheet date of the existence of impairment of its assets.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim Standalone financial statements will not be prevented or detected on a timely basis.

In our qualified opinion, except for the effects/possible effects of the material weakness/es described in paragraph above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2025, based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India".

We have considered the material weakness identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2025, Standalone financial statements of the Company, and the material weakness has affected our opinion on the Standalone financial statements of the Company, and we have issued a qualified opinion on the Standalone financial statements.

NOTARY GOVT. OF INDIA
MANTUR. A. V.
ADVOCATE

For MNS & CO
CHARTERED ACCOUNTANTS
Firm Registration No: 003968S

CA MADHAVA MURTHY K S
PARTNER
Membership No: 029946
UDIN: 25029946BMHYLQ3568
Place: Bengaluru
Date: 27/10/2025.

M.N.S. & Co. CHARTERED ACCOUNTANTS Firm Regn. No. 003968S BANGALORE

ATTESTED
NOTARY

CONTROLLER (A&R)
HESCOM, HUBLI

136

163, 2nd Floor,
RV Road, Near Minerva Circle
Bangalore - 560 004
Phone : 080 - 2657 2290, 2657 3319
E-mail : camnsco@gmail.com

Annexure -C

Hubli Electricity Supply Company Limited

Report on Directions issued by Comptroller & Auditor General of India under section 143(5) of Companies Act 2013

Sl. No.	Directions	Response
1	Assess the fair valuation of all the investments, both quoted and unquoted, made directly by the Company or through Trusts, for Post-retirement benefits of the employees. This includes verifying valuation methodologies, ensuring consistency with Ind AS and reviewing supporting documentation. The auditor shall provide a brief note on the valuation approach, its reasonability, and compliance with applicable regulations, reporting any material deviations or misstatements.	The company is not making any investments towards the post-retirement benefits of the employees and Ind As is not applicable and hence, it is not applicable.
2	Whether the company has a system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.	The Company does not have an integrated IT system for processing all accounting transactions. Instead, the accounting records are managed using Excel macros and consolidated at the head office. The lack of integrated accounting software with built-in controls increases the risk to the integrity of the accounting records. However, the operations relating to revenue collection and related accounting is computerized by installing standalone software system.
3	Whether funds (grants/subsidy etc.) received/receivable for specific schemes from Central/State Government or its agencies were properly accounted for as per the applicable accounting standards or norms and whether the received funds were utilised as per its terms and conditions? Whether accounting of interest earned on grants received has been done as per terms and conditions of the Grant. List the cases of deviation.	Yes, the funds received or receivable for specific schemes from Central or State agencies have been accounted for and utilized in accordance with their respective terms and conditions. It is observed that the Company does not maintain scheme-wise separate bank accounts for the funds received from Central or State Government. The company does not maintain project wise track in the books of account. The utilization certificates submitted to government authorities therefore cannot be matched item wise in the books of account. The interest earned on such grants cannot be earmarked as there are no scheme wise accounts maintained.
4	Whether the Company has identified the key Risk areas? If yes, whether the Company has formulated	No, there is no evaluation of internal financial controls, Risk Management and data assets

CONTROLLER (A&R)
HESCOM, HUBLI.

137

2nd Floor, R. V. Road, Near Minerva Circle, Bangalore - 560 004
Phone : 080 - 2657 2290, 2657 3319
E-mail : camnsco@gmail.com

	any Risk Management Policy to mitigate these risks? If yes, (a) whether the Risk Management Policy has been formulated considering global best practices? (b) whether the Company has identified its data assets and whether it has been valued appropriately?	identification process designed by the Company.
5	Whether the Company is complying with the Securities and Exchange Board of India (SEBI) (Listing Obligation and Disclosure Requirements) Regulations, 2015, and other applicable rules and regulations of SEBI, Department of Investment and Public Asset Management, Ministry of Corporate Affairs, Department of Public Enterprises, Reserve Bank of India, Telecom regulatory Authority of India, CERT-IN, Ministry of Electronics and Information Technology and National Payments Corporation of India wherever applicable? If not, the cases of deviation may be highlighted.	As the company is not listed and hence, not applicable.

M.N.S. & Co. Firm Regn. No. 003968S BANGALORE CHARTERED ACCOUNTANTS

NOTARY GOVT. OF INDIA MANTUR. A. V. ADVOCATE HUBLI (KARNATAKA)

CONTROLLER (A&R)
HESCOM, HUBLI.

163, 2nd Floor,
R V Road, Near Minerva Circle
Bangalore - 560 004

Phone : 080 - 2657 2290, 2657 3319
E-mail : camnsco@gmail.com

Additional Company Specific Directions:

Sl. No.	Directions	Response
a	All the items with regard to Cash and Bank balances as in Annexure-I shall be verified and the cases of specific non-compliances to be reported.	Yes there are no cases of specific non compliances to be reported.
b	Whether the company has an effective system to deal with misappropriations/fraud cases and whether the losses, if any, where properly accounted for in the books of account.	Yes, the company has systems and procedures to deal with misappropriation/fraud instances backed up with proper documentation to ensure reliability, efficiency and security. However, at times it is observed that the controls are breached due to laxity in documentation, reconciliation, and lack of segregation of duties. Proper focus is not given to job rotation, specifically in the most vulnerable positions. Besides independence of each division is not ensured as single person is made in-charge for multiple divisions/stores for a long time where scope for manipulation and delay in identification of irregularities is very high. It appears preventive steps like implementation of transfer of personnel after a specified period of service has not been ensured. Details of frauds occurred and extent upto which it is accounted in the books is listed in our report under Basis of Qualification Paragraph SL Nos 4, 5 and 6.
	Details of Unexplained balances/ balances operated under suspense head may be examined	The point wise observation is furnished in Annex I. Unidentified receipts are initially accounted under a separate account code till they are matched with RR Numbers. Receipts in Bank Accounts in case of identified revenue collection pending credit to consumers accounts is accounted separately (Serial No.18-10 of Notes to Accounts). The receipts for un-identified revenue collection pending credit to consumers is also accounted separately (Serial No.18-11 of Notes to Accounts).
c	Comment on the confirmation of the balances of receivables and payables and advances and other similar balances and whether an effective mechanism for reconciliation of the same exists. Whether the reconciliation of receivables and payables in respect of KPCL, KPTCL, other ESCOM's and other major parties has been	Periodic reconciliations of Receivables and Payables have not been documented, which limits our ability to comment on their accuracy. Additionally, there is no system in place for obtaining balance confirmations for Receivables and Payables, and discrepancies are identified only when disputes arise. This observation is

CONTROLLER (A&R)
HESCOM, HUBLI

139

Minerva Circle
560 004
2657 2290, 2657 3319
@gmail.com

	completed. The major reasons for the difference, if any, may be indicated	persisting in nature.
d	Whether accounting of tariff subsidy/grants/other dues receivable from Government of Karnataka are in line with KERC orders/Government Orders.	Yes. Based on the explanation and records furnished by the company and on the basis of our test verification, we are of the opinion that the Company has accounted tariff subsidy/grants/other dues as per KERC/Government Orders.
e	Whether the State Electricity Regulatory Commission (SERC) approved Fuel and Power Purchase Adjustment Cost (FPPCA) are in line with KERC orders/ Government Orders.	Yes, based on the explanation and records given by the company and on the basis of our test verification of FPPCA calculation we found the accounting is in line with KERC orders.

M.N.S. & Co. CHARTERED ACCOUNTANTS Firm Regn. No. 003968S BANGALORE

CONTROLLER (A&R) HESCOM. HUBLI

NOTARY GOVT. OF INDIA MANTUR. A. V. ADVOCATE HUBLI (KARNATAKA)

140

M N S & Co.
Chartered Accountants

163, 2nd Floor
R.V. Road, Near Minerva Circle
Bangalore - 560 004

Phone : 080 - 2657 2200, 2657 3319
E-mail : cammsco@gmail.com

Annexure-I

Sl. No	Items in Check list	Remarks
1	Whether all Banks Accounts /Fixed Deposits have been opened with banks/proper authorization and approvals as per the aforesaid delegation of powers?	Yes.
2	Whether there was a periodical system of preparation of Bank reconciliation statement and whether they were produced for verification to audit?	Yes, all accounting units of the Company, including the Divisional Offices (DOs), periodically prepare Bank Reconciliation Statements (BRS), which are reviewed by the Internal Auditor. These BRS were made available for audit verification at both the Head Office and Division levels. For subdivisions, the BRS are relied upon based on certification provided by the Internal Auditors.
3	Whether Bank reconciliation of the Main account and all subsidiary bank accounts were done?	Yes
4	Was the authorization to operate the bank accounts were given to a single signatory?	No, in the Divisions, bank operations are conducted by the Accounts Officer and Assistant Accounts Officer. At the Head Office, the operations are managed by the Deputy Controller of Accounts (DCA) and Accounts Officer (AO).
5	Whether the interest for the entire duration of Fixed Deposits was accounted in the books of accounts?	Yes
6	Whether physical verification of cash has taken place periodically?	Cash is recorded and verified daily at the sub-division level by Assistant Accounts Officers (AAOs). Additionally, the internal audit team conducts periodic physical verification.
7	Whether the cash in hand as shown in the Balance Sheet tallies with the certificate of physical verification of cash?	Yes, the cash in hand as had shown in the Balance Sheet tallies with the certificate of physical verification of cash.
8	Is there a register of Fixed Deposits showing amounts, maturity dates, rates of interest and dates for payment of interest?	Yes, the company maintains a Fixed Deposit register showing all the details.
9	Is there a follow-up system to ensure that interest on Fixed Deposits is received on due dates?	Yes
10.	Is there a follow-up system to ensure that transfer of matured amount of Fixed Deposits is done without any delay?	Yes, The Fixed Deposits are automatically renewed by the banks.
11.	Whether bank confirmation statements are obtained periodically from the banks for all accounts: SB	Yes

GOVT. OF INDIA
MANTUR. A. V.
ADVOCATE
HUBLI (KARNATAKA)
Reg. No: 19840
Date: 06-03-2025
to five years

M.N.S. & Co.
Firm Regn. No. 003968S
BANGALORE
CHARTERED ACCOUNTANTS

CONTROLLER (A&R)
HESCOM, HUBLI.

121

	accounts, Current Accounts and Fixed deposits?	
12.	Whether confirmations of balances in respect of all bank balances tally with the Bank statements?	Yes
13.	Whether Fixed Deposits and interest as per Fixed Deposits Register tally with the confirmation/certificate issued by the bank?	Yes
14.	Whether the confirmation statements received from banks are authenticated and in the letter head by the bank?	Yes
15.	In case of any difference observed in the above check, whether the same was adjusted in the subsequent year?	No
16.	Whether bank balances accounted in the books are in agreement with external confirmations were obtained by the auditors from the Banks.	We have sent request letters to banks the same has not been received by us and hence, we relied the confirmation certificates obtained by the company.
17.	Whether any of the aforesaid lapses were brought out in the Report of the Internal Financial controls by the Statutory Auditor, if not, whether Audit Enquiry was issued?	Yes.

For MNS & CO
CHARTERED ACCOUNTANTS
Firm Registration No: 003968S

CA MADHAVA MURTHY K S
PARTNER
Membership No: 029946
UDIN: 25029946BMHYLQ3568
Place: Bengaluru
Date: 27/10/2025

M.N.S. & Co. Firm Regn. No. 003968S BANGALORE CHARTERED ACCOUNTANTS

CONTROLLER (A&R)
HESCOM, HUBLI

NOTARY GOVT. OF INDIA MANTUR. A. V. ADVOCATE

ATTESTED
NOTARY

M N S & Co.
Chartered Accountants

163, 2nd Floor,
R V Road, Near Minerva Circle,
Bangalore - 560 004

Phone : 080 - 2667 2290, 2657 3319
E-mail : mnsco@gmail.com

Exhibit No. 1 – Title Deeds/Khata not in the name of the Company						
Sl. no	Description of Property	Gross Carrying Value (Revalued) (Rs. In Crore)	Held in name of	Whether Promoter, Director or the relative or employee	Period held -indicate range where appropriate	Reason for not being held in the name of the company
HUBLI DIVISION						
1	33 KV S/S premises, Industrial Estate Gokul Road Hubli	-	Karnataka State Small Industries Development Corpn (Lessor)	No	48 Years	Execution of Sale Deed from KSSIDC as per terms of lease dated 14/08/2008 is pending.
2	Sub-Station Premises Neeralagi	2.61	Records not available	-	21 Years	Records not available
3	33 KV Sub-Station(S/S) Premises, Sheshgiri. (Honkon Gram Panchayath)	0.97	Gifted Land Shivarayappa Karasidhappa Kaboor	No	32 Years	Gifted Land. Mutation is pending.
4	33 KV SS Premises Kuppeluru	0.34	Records not available	-	16 Years	Records not available
5	33 KV SS Premises Masur	3.07	Temple Trust (Kadashiddeshwar)	No	20 Years	Records not available
6	Ambewadi Premises Dandeli	6.04	KPCL	No	7 Years	Possession noted in RTC. Title transfer is pending.
7	33 KV SS Premises Honkon	3.96	Forest Department	No	[illegible] Years	Title transfer is pending.
8	33 KV SS Premises Heble - Bhatkal	13.93	Electricity Department	No	[illegible] Years	Title transfer is pending.
9	33/11 KV Sub Station premises Gudgur	0.87	Records not available	-	-	Records not available
10	33/11 KV Sub Station premises Mudenur	0.65	Not in the name of HESCOM	-		-
11	33/11 KV Sub Station premises Hamsbhavi	9.15	Not in the name of HESCOM	-		-
12	33/11 KV Sub	3.07	Temple Committee	-	-	Title transfer is

M.N.S. & Co. Chartered Accountants Firm Regn. No. 003968S Bangalore

NOTARY GOVT. OF INDIA MANTUR. A. V. ADVOCATE HUBLI

CONTROLLER (A&R)
HESCOM, HUBLI.

147

	Station premises Masur					pending.
13	Office premises Yallapur	26.14	Held in the name of Forest Dept	-	-	Title transfer is pending.
Belagavi Zone						
14	33 Kv Sub Station & Section Office at Balekundri	12.80	The Belgaum Co-operative Cotton Spinning Mill Ltd, Balekundri – Belgaum	No	43 Years	Title transfer is pending.
15	33 Kv Sub Station, Londa	4.75	Kundli Sponge and Iron Ltd	No	17 Years	Title transfer is pending.
16	33/11 kv substation premises at Bailhongal	15.68	Mysore Electricity Board	No	53 Years	Title transfer is pending.
17	33/11 kv substation premises at Udakeri Tq Bailhongal	6.53	Irrigation Department	No	25 Years	Title transfer is pending.
18	Section office premises, Soudatti	10.23	Records not available	-	16 Years	Records not available.
19	33 KV Sub Station premises at Bhutnal	7.62	Government Land	No	26 Years	Title transfer is pending.
20	33 KV Sub Station Malaghan	1.08	Laxman Sheshappa Biradar	No	44 Years	Records not available
21	33 KV Sub Station Dawalagi	-	Records not available	-	17 Years	Records not available
22	33 KV Sub Station Nivaragi	0.52	Sangmashewar Sarvodaya Sangh High School	No	25 Years	Records not available
23	33/11 kv MUSS Sub-station Murugundi, Athani Taluka	0.21	Shri Murasiddeshwar vahivatdar	No	14 Years	Records not available. Trustees expired.
24	33 KV Sub Station premises at RM-I Udayambag Belagaum	30.49	Department of Industry & Commerce (DIC)	No	42 Years	Title transfer is pending.
25	33 KV Sub Station premises & Section office at Kakati Tq-Belgaum	13.43	KIADB	No	30 Years	Records not available
26	33/11 KV Sub Station Premises at mallur Tq-Soundatti	0.60	Forest land	No	41 Years	Title transfer is pending.
27	33 KV S/S	0.32	Govt Land	No	15 Years	Records not

CONTROLLER (A&R) HESCOM, HUBLI

144

163, IInd Floor,
R.V. Road, Near Minerva Circle,
Bangalore - 560 004

Phone: (080) 2657 2290, 2657 3319
Email: mnsnco@gmail.com

	Dandapur cross Tq-Gokak					available.
28	33/11 KV Sub Station premises at Revadikoppa Tq-Ramdurga	0.60	Nigappa meti	No	28 Years	Records not available.
29	33/11 KV Substation at Malaghan Tq-Bijapur	1.08	Bharati Shivangouda Patil	No	48 Years	Records not available.
30	33/11 KV Sub Station at Ghani	0.43	KPTCL	No	24 Years	Title transfer is pending.

Note: The Company was formed in 2002. The period held include the possession held by previous transferors viz MSEB/KEB/KPTCL, etc.

M.N.S. & Co. ★ Firm Regn. No. 003968S BANGALORE ★ CHARTERED ACCOUNTANTS

CONTROLLER (A&R)
HESCOM, HUBLI

NOTARY GOVT. OF INDIA ★ MANTUR. A. V. ADVOCATE HUBLI-DHARWAD (KA) Regn. No. ... Date: 08-03-2025 to five years ★ भारत सरकार

145

M/s. HUBLI ELECTRICITY SUPPLY COMPANY LIMITED
PB ROAD, NAVANAGAR, HUBBALLI - 580 025.
CIN: U31401KA2002SGC030437

Balance Sheet as at 31st March 2025

Rs. in Lakh

Sl. No.	Particulars	Note No.	As at 31st Mar, 2025	As at 31st Mar, 2024
I	**EQUITY AND LIABILITIES:**			
1	**Shareholders funds**			
	(a) Share Capital	3	2,27,941.35	2,17,242.35
	(b) Reserves and Surplus	4	(8,99,988.96)	(7,51,716.10)
			(6,72,047.61)	**(5,34,473.75)**
2	**Share Application money pending allotment**	3A	**8,207.00**	**7,898.00**
3	**Non-Current Liabilities**			
	(a) Long-Term Borrowings	5	10,12,716.28	8,89,401.82
	(b) Other Long-Term Liabilities	6	3,19,015.44	3,15,239.05
	(c) Long-Term Provisions	7	26,611.31	23,798.81
			13,58,343.03	**12,28,439.68**
4	**Current Liabilities**			
	(a) Short-Term Borrowings	8	2,10,535.41	1,43,837.76
	(b) Trade Payables	9	4,72,186.19	7,06,727.82
	(c) Other Current Liabilities	10	1,44,461.75	1,09,740.88
	(d) Short-Term Provisions	11	3,905.57	3,865.56
			8,31,088.92	**9,64,172.02**
	TOTAL		**15,25,591.34**	**16,66,035.94**
II	**ASSETS:**			
1	**Non-Current Assets**			
	(a)Property, Plant and Equipment and Intangible Assets:			
	(i) Property, Plant and Equipment	12A	10,14,601.20	9,75,782.89
	(ii) Intangible Assets	12B	343.71	304.14
	(iii) Capital Work-in-Progress	12C	32,873.31	35,878.95
	(b) Non-Current Investments	13	807.67	847.67
	(c) Deferred Tax Assets (Net)		-	-
	(d) Long-Term Loans and Advances	14	8,536.89	7,332.79
	(e) Other Non-Current Assets	15	4,755.10	4,540.73
			10,61,917.87	**10,24,687.17**
2	**Current Assets**			
	(a) Current Investments	16	40.00	40.00
	(b) Inventories	17	21,720.86	19,569.94
	(c) Trade Receivables	18	2,22,836.70	1,59,975.77
	(d) Cash and Cash Equivalents	19	9,471.28	9,621.51
	(e) Short-Term Loans and Advances	20	996.35	835.36
	(f) Other Current Assets	21	2,08,608.29	4,51,286.20
			4,63,673.48	**6,41,348.77**
	TOTAL		**15,25,591.34**	**16,66,035.94**

See Notes from '1' to '32' forming part of the Financial Statements.

For and on behalf of the Board of Directors

Raghavendra Kotemane	R. N. Sebenad	S. Jagadeesh	Vyshali M.L., IAS
(Company Secretary)	(Chief Financial Officer)	(Director (Technical))	(Managing Director)
FCS: 11736		DIN:10764593	DIN:10734683

As per our Audit Report of even date.

For M N S & Co
CHARTERED ACCOUNTANTS
Firm Reg No.: 003968S

PARTNER: CA MADHAVA MURTHY K S
MEMBERSHIP No.: 029946
UDIN: 25029946BMHYLQ3568

M.N.S. & Co. Firm Regn. No. 003968S BANGALORE CHARTERED ACCOUNTANTS

MANTUR. A. V. ADVOCATE HUBLI (KARNATAKA) Reg. No: 19840 Date: 08-03-2025 in five years NOTARY GOVT. OF INDIA

CONTROLLER (A&R) HESCOM, HUBLI.

Place : Hubballi.
Date : 27/10/2025

M/s. HUBLI ELECTRICITY SUPPLY COMPANY LIMITED

PB ROAD, NAVANAGAR, HUBBALLI - 580 025.

CIN: U31401KA2002SGC030437

Profit and Loss statement for the year ended 31st March 2025

Rs. in Lakh

Sl. No.	Particulars	Note No.	For the ended 31st Mar,2025	For the year ended 31st Mar,2024
I	Revenue from Operations	22	12,55,283.08	13,76,514.40
II	Other Income	23	22,645.93	34,616.00
III	**Total Income (I + II)**		**12,77,929.01**	**14,11,130.40**
IV	**Expenses**			
	(a) Purchase of Power	24	9,50,451.11	11,05,197.44
	(b) Employee Benefits Expense	25	1,47,714.80	1,40,170.60
	(c) Finance Costs	26	1,58,320.94	98,627.27
	(d) Depreciation and Amortization Expense	27i	54,984.00	53,760.64
	(e) Other Expenses	27ii	47,187.46	41,289.24
	Total Expenses (a+b+c+d+e)		**13,58,658.31**	**14,39,045.20**
V	**Profit / (Loss) before exceptional and extraordinary items and tax (III - IV)**		**(80,729.30)**	**(27,914.80)**
VI	Less: Exceptional Items	28	65,882.40	1,16,911.74
	Add: Prior Period Income	28	6,602.63	23,386.52
	Less: Prior Period Expenses	28	9,962.81	8,306.85
VII	**Profit / (Loss) before extraordinary items and tax (V - VI)**		**(1,49,971.88)**	**(1,29,746.86)**
VIII	Add: Regulatory Asset	28a	-	(96,593.43)
IX	**Profit / (Loss) before tax (VII +/- IX)**		**(1,49,971.88)**	**(2,26,340.30)**
X	Add: Deferred tax (Asset)	28b	-	(37,679.91)
XI	**Profit / (Loss) for the year (X +/- XI)**		**(1,49,971.88)**	**(2,64,020.21)**
XII	**Earnings Per Share (of Rs. 10/- each):**			
	Basic & Diluted	30	(6.58)	(12.15)

See Notes from '1' to '32' forming part of the Financial Statements.

For and on behalf of the Board of Directors

Raghavendra Kotemane
(Company Secretary)
FCS: 11736

R. N. Sabarad
(Chief Financial Officer)

S. Jagadeesh
(Director (Technical))
DIN:10764593

Vyshali M.L., IAS
(Managing Director)
DIN:10734683

CONTROLLER, A&R
HESCOM, HUBLI

MANTUR. A. V.
ADVOCATE
GOVT. OF INDIA
NOTARY

As per our Audit Report on even date
For M N S & Co
CHARTERED ACCOUNTANTS
Firm Reg No.: 003968S

PARTNER: CA MADHAVA MURTHY K S
MEMBERSHIP No.: 029946
UDIN: 25029946BMHXLQ3568

M.N.S. & Co.
Firm Regn. No. 003968S
BANGALORE
CHARTERED ACCOUNTANTS

Place: Hubballi.
Date: 27/10/2025.