

32.1 Introductory:

Pursuant to the enactment of the Electricity Act, 2003 and the Gujarat Electricity Industry (Reorganization and Regulation) Act, 2003, GoG has issued various notifications, resolutions and Transfer Schemes for vesting of the assets, liabilities, proceedings and personnel from erstwhile GEB to the GoG and then to re-vest the same into initially six companies i.e. one Generation Company, one Transmission Company and four Distribution Companies (Thereinafter referred to as Successor companies). Paschim Gujarat Vij Company Limited is one of these four Distribution Companies, registered under the provisions of Companies Act, 1956. (Herein after referred to as Successor Company.)

On reorganization of GEB by the Government of Gujarat, the shares issued to and allotted in the name of GEB were transmitted w.e.f 1st April, 2005, by operation of law, in the name of Gujarat Urja Vikas Nigam Limited (GUVNL), a company promoted by Government of Gujarat to carry out the residual functions of erstwhile GEB.

Consequent on such transmission and transfer of shares to GUVNL and its nominees, the entire share capital of the Company is held by GUVNL and the Company has become the wholly owned subsidiary of GUVNL, a Government Company within the meaning of Section 617 of the Companies Act, 1956.

GoG issued notification No. : GHU-2006-91-GUV-1106-590-K dated 3rd October, 2006 notifying the final opening balance sheet of the Company as on 1-4-2005 containing the value of the assets and liabilities of the distribution activities which stand transferred from erstwhile GEB to the Company as specified in Annexure-F appended to the notification.

32.2 Financial Restructuring Plan:

- (1) The GoG vide notification No.GEB-1105-1749-K dated 31-3-2005 had declared 1-4-2005 as the final date for transfer of the undertaking as per Schedule- F to the Transfer Schemes notified by the GoG. The GoG has notified the Final opening balance sheet of the Company comprising of the Company's own assets and liabilities as on 1-4-2005 vide notification No.GHU-2006-91-GUV-1106-590-K dated 3-10-2006 as per the Financial Restructuring Plan (FRP) approved by Govt. of Gujarat.
- (2) In accordance with the above notification aggregate values as on 1-4-2005 of the residual blocks of fixed assets (gross values, accumulated depreciation and net value), investments, current assets, long term and short term loans and current liabilities of erstwhile GEB transferred to the Company and that of existing undertaking of the Company as on 31-3-2005 have been duly incorporated in the books of accounts of the Company. The Notification dtd. 3-10-06 issued by GoG has not specified the values of individual items of assets and liabilities. The Management has therefore adopted following procedure for assigning value to individual items.
 - a) The individual items of Fixed Assets as per the fixed assets registers maintained at the Circle Offices of the PASCHIM Distribution Zone of the erstwhile GEB have been assigned the gross values (cost of acquisition), accumulated depreciation and the net values as provided under Government Notification dtd. 3-10-2006 referred to above, in accordance with the exercise carried out and the report submitted by Chartered Accountants.

- b) Long term borrowings which are directly identifiable with the distribution undertaking of the **Western Distribution** Zone of the erstwhile GEB have been transferred to the Company as such. However, the borrowings of erstwhile GEB that were common for generation, transmission and distribution functions and not identifiable with any of these specific activities have been apportioned by the GoG and the total amounts of long term and short term loans including the identifiable loans have been transferred to the Company at aggregate values respectively vide the Government notification dtd. 3-10-2006 referred to above.
- c) The aggregate values of current assets and current liabilities as per notification dtd. 3-10-2006 have been divided and allocated to individual items of current assets and current liabilities by the management on the basis of their respective values (balances) on 31-3-2005 as appearing in the books of accounts at Circle Offices of the Paschim Distribution Zone of erstwhile GEB.
- d) The consideration specified in FRP notification dtd. 3-10-2006 for the transfer of undertaking comprising of the values of assets and liabilities and the proceeding relating to distribution activities of erstwhile GEB as specified in the transfer schemes has been discharged by PGVCL in the form of equity shares of Rs.10/- each to GUVNL, as directed by the GoG under notification of Energy & Petrochemicals Department dated 12th December,2008.

32.3 Contingency Liabilities:

Claims against company not acknowledged as debt: Rs. 3657.57 lacs(PY Rs 3180.47 lacs)

32.4 Commitment:

- (1) Estimated amount of Contracts remaining to be executed on Capital Account and not provided for (net of advances) Rs.7065.10 lacs (P.Y. Rs 11130.07 lacs)
- (2) Other commitments Rs. 1672.22 lacs (P.Y Rs. 557.12 lacs).

32.5 Current Assets and Current Liabilities:

- (1) Balances in the accounts of parties under the group sundry creditors, loans and advances (debit / credit) are subject to independent confirmation and reconciliation.

32.6 The company is engaged in the business of distribution of power. Accordingly additional information pursuant to provision of paragraph 3,4C, 4D of the Part-II of Schedule VI to the Companies Act, 1956 is given here under to the extent applicable.

(1) **Transmission and Distribution Losses:**

Particulars	Units (Mu's) 2011-12	Units (Mu's) 2010-11
Power Purchase from GUVNL	25041	22625
Power Purchase from Others (Windfarm and Solar Power)	100	68
Unscheduled Interchange (UI)-Import	550	138
Less: Sale Under Short Term Open Access (STOA)	2263	1580
Less: Unscheduled Interchanged (UI) Export	355	368
Net Purchase	23073	20883
Less: Units sold to consumers	16332	14698
Transmission and Distribution Losses	6741	6185
T&D Losses %	29.22	29.62

(2) C.I.F value of direct import during the year is Rs. Nil (previous year Rs. Nil)

(3) Expenditure in foreign currency, Earning in foreign currency and Remittance in foreign currency is Rs. Nil (previous year Rs. Nil)

32.7 Segment Information

The company is principally engaged in the business of distribution of electricity. Accordingly there are no reportable segments as per Accounting Standards (AS) 17, "Segment Reporting".

32.8 Related Party Disclosures

The Company being subsidiary of a Government Company is a state controlled enterprise. No disclosure is required as per para 9 of Accounting Standard (AS) 18, on "Related Parties Disclosure" as regards related party relationships with other state controlled enterprises and transactions with such enterprise. However other information is given hereunder.

(1) Key Management Personnel.

Shri S. B Raval (IAS) –Managing Director

(2) Particulars of remuneration paid to them are given below.

(Amount Rs. in lacs)

Particulars	2011-12	2010-11
Salary and other allowances	8.39	14.03

32.9 Deferred Tax Adjustment:

- (1) The timing differences giving rise to Deferred Tax Liabilities are lesser in value than the items giving rise to Deferred Tax Assets. As per AS-22, deferred tax assets are recognized only to the extent that there is a reasonable certainty (and in case of recognition of deferred tax assets against unabsorbed losses / depreciation, a virtual certainty) that future taxable income will be available against which such deferred tax assets can be realized. Hence, following the concept of prudence, and considering the lack of certainty, deferred tax assets are considered only to the extent of deferred tax liabilities and there will be no effect on the reserves. The components of deferred Tax assets and liabilities as on 31st March, 2012 are as under:

(Amount Rs. in lacs)

Particulars	Deferred Tax Assets	Deferred Tax Liability
Difference in Depreciation for the year		3759.79
Provision for Leave Encashment / Gratuity/ Unabsorbed Business Loss / Unabsorbed Depreciation	30774.00	
Net Deferred Tax Assets after setting off with Deferred Tax Liability	27014.21	
Net Effect of Deferred Tax for the year 2011-12		0.00

- 32.10** The company has taken various premises under operating lease or leave and license agreement. The lease term in respect of such premises are on the basis of individual agreements entered into with the respective land lords. The lease payments are recognised in the Profit and Loss Account under 'Rent' in Note 28.

As per our report annexed of even date

**For R.S. Patel & Co.
Chartered Accountants**

Firm Registration No. 107758W

**(Rajan B Shah)
Partner
Membership No.101998**

Place: Ahmedabad
Date: 29th September 2012

For and on behalf of the Board of Directors of
Paschim Gujarat Vij Company Limited

(V S Gadhvi, IAS) **(Girish Shah, IAS)**
Chairman Managing Director

(Kintu Malkan) **(Sudhir Bhatt)**
GM (F&A) Company Secretary

Place: Ahmedabad
Date: 29th September 2012