# Transformers and Electricals Kerala Limited

**(A Joint Venture of Government of Kerala and NTPC Limited)**

## 57th ANNUAL REPORT
## Year Ended 31st March 2020

# TELK



## Statutory Auditors:

M/s. Sasi, Vijayan & Rajan

## Bankers

State Bank of India

South Indian Bank Limited

**Company Secretary**

Dr. Joffy George

**Chief Financial Officer**

Shri. Ajith Kumar V

**Registrar & Share Transfer Agent**

Integrated Registry Management
Services Private Limited
Kences Towers, T Nagar
Chennai – 600 017
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**Registered Office:**

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Pin 683 573
E-mail: edp@telk.com
Website: www.telk.com
CIN: U31102KL1963SGC002043
**Factory:** Angamally

**Shareholders' Helpdesk**
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# BOARD'S REPORT

## Dear members,

The Board of Directors of your Company are pleased to submit the 57th Annual Report on the business and operations of the company along with the audited financial Statements for the Financial Year ended 31st March 2020.

### Business Overview & Performance

Company made a Profit Before Tax of Rs.632 Lakhs during the year 2019-20 as against Rs.505 Lakhs during the FY 2018-19. However, operational revenue decreased from Rs.20,447 Lakhs to Rs.20,313 Lakhs.

## Financial Results

(Rs. In Lakhs)

| Particulars | 2019-20 | 2018-19 |
|---|---|---|
| **Revenue from operations** | 20313 | 20447 |
| Other Income | 356 | 645 |
| **Total Income** | **20669** | **21092** |
| **Expenses:** | | |
| Cost of material consumed | 11420 | 11469 |
| Changes in inventories of finished goods and work in progress | 1391 | 1411 |
| Employee benefits Expense | 5075 | 4922 |
| Finance costs | 559 | 634 |
| Depreciation & amortization expenses | 131 | 132 |
| Other Expenses | 1461 | 2019 |
| **Total Expenses** | **20037** | **20587** |
| **Profit or Loss before Income Tax and Exceptional Items** | **632** | **505** |
| Total Tax expenses | (2) | 120 |
| **Profit / (Loss) for the year** | **634** | **385** |
| Total other comprehensive income / (loss) for the year | (109) | 12 |
| Total comprehensive income / (loss) for the year | 524 | 397 |

### Dividend

Board of Directors do not recommend any dividend for the year under review.

### Directors

The following inductions and retirements took place in the Board of Directors:

Shri. Sital Kumar (DIN 08615850) was appointed as the Managing Director of the Company w.e.f. 30.07.2021. Shri. Shiva Kumar Ram (DIN 09325085) and Shri. Animesh Jain (DIN 09343563) were appointed as Directors in July 2021.

Shri. K.K. Ramachandran (DIN 08016619) resigned from the Board of Directors w.e.f. 01.05.2021. Adv. N.C. Mohanan (DIN 07648523) resigned from the position of Chairman & Director of the Company w.e.f. 26.05.2021. Shri. C.V. Anand (DIN 08087484) ceased to be Director w.e.f. 30.06.2021 on account of superannuation from the service of NTPC Limited. Shri. Prasad B. (DIN 07423849) stepped down from the office of Managing Director on 30.07.2021.

Board of Directors place on record their gratitude and appreciation for the guidance and the valuable services rendered by the Chairman, Managing Director and Directors during their tenure.

### Key Managerial Personnel

In accordance with Section 2(51) and section 203 read with rules made thereunder and other applicable provisions of the Companies

Act, 2013, Shri. Sital Kumar, Managing Director, Dr. Joffy George, Company Secretary and Shri. Ajith Kumar V, Chief Financial Officer are the Key Managerial Personnel of the Company.

**Directors' Responsibility Statement**

The Directors confirm that:

(a) in the preparation of the annual accounts for the Financial Year ended 31st March 2020, the Indian Accounting Standards (Ind AS) have been followed along with proper explanation relating to material departures;

(b) the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;

(c) the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities;

(d) the directors have prepared the annual accounts on a going concern basis; and

(e) the directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

**Transfer to Reserves**

Company has not transferred any amount to reserves in the year 2019-20.

**Fixed Deposits**

We have not accepted any fixed deposits and, as such, no amount of principal or interest was outstanding as of the Balance Sheet date.

**Particulars of loans, guarantees or investments**

During the year under review there were no loans, guarantees or investments falling under the purview of section 186 of the Companies Act, 2013.

**Events occurring after the Balance sheet date**

There were no material changes and commitments affecting the financial position of the company between the end of the financial year of the company to which the financial statements relate and the date of the report.

**Auditors and Auditors' Report**

M/s. Sasi Vijayan & Rajan, Chartered Accountants, Ernakulam were appointed as Statutory Auditors of the Company for the year 2019-20. The Company has received a Certificate from them that their appointment is within the limits and that they are not disqualified for such an appointment under the Companies Act, 2013.

Qualification made by the Statutory Auditors on the Annual Accounts of the Company for the year ended 31st March 2020 and Company's reply is given below:

| **Qualification in the Report of the Statutory Auditors** |
|---|
| 1 (a) During the year 2017-18, Company had availed excess CENVAT Credit of Rs.76.04 lakhs. The Company is yet to reconcile the CENVAT Credit availed with the records [Refer note no.18].<br><br>(b) During the year 2017-18, Company had availed excess IGST Credit of Rs. |

70.67 lakhs, Excess CGST Credit of Rs. 6.06 Lakhs and excess SGST Credit of Rs. 6.16 lakhs. The Company is yet to reconcile the IGST account and the SGST account with the records. [Refer note no.18].

(c) The Company has not yet reconciled the GST accounts relating to 2017-18.

**Company's Reply**

(a) Excess CENVAT CREDIT may be on account of duplication. A show cause notice was received in this regard from the Department. We have attended the hearing and produced documents as demanded by them. But no response was received from Department after that. It will be resolved as insisted by the Department.

(b) Issue relating excess utilization of ITC (Input Tax Credit) was resolved. The Excess ITC was regularized by filing DRC 03 in July 2021.

(c) ITC (Input Tax Credit) reconciliation issues were resolved during GST Audit for the year and differences were regularized by filing DRC 03 as stated above.

2. Inventories *inter alia* includes an item of scrap valued at Rs. 14.20 lakhs since March 2007. We are of the opinion that since the material is scrap and is very old, it should not be valued. Hence Profit before tax is overstated by Rs. 14.20 lakhs and the inventories are overstated by Rs. 14.20 lakhs. [Refer Note no. 10]

**Company's Reply**

Noted for future guidance.

**Report on Internal Financial Controls with reference to Standalone Ind AS Financial Statements under Clause (i) of Sub-Section 3 of Section 143 of the Companies Act, 2013**

1. The Company has not obtained confirmation of balances in respect of Trade receivables, Advances to Suppliers and Contractors, Balances with Government Authorities and Loans as on 31st March 2020.

**Company's Reply**

At the time of finalization, the company had approached customers, suppliers and authorities for obtaining the balance confirmation. Unfortunately, there was no positive response in this regard.

2.a. Physical verification of materials (owned by the Company) lying with fabricators as on 31st March 2020 has not been done. However, confirmation from fabricator is verified for material lying with.

**Company's Reply**

The company is receiving periodical confirmation statements from the fabricators regarding stock of materials lying with them. Materials are reaching the fabricators premises based on the supply of copper by the supplier (like Hindalco) usually against an advance proforma invoice. And after fabrication works the materials are usually coming to the TELK premises. So how much materials supplied by the copper supplier to the fabricator premises may be available from their dispatch details . Also how much materials arrived at the TELK premises after fabrication can be verified.

b. Physical verification of fixed assets has not been done during 2019-20.

**Company's Reply**

FoxPro based software has been used for updating Fixed Assets and Depreciation details. Later, since the FoxPro based software is very old and not user friendly, the company has moved to Microsoft Excel for updating Fixed Asset Register based on the Foxpro data. Because of the limitation of the current software and some disparities in the asset numbering generated from the software and got recorded in excel with that of the actual asset number the physical asset verification got delayed. To overcome this limitation, the company is in the process of arranging a new software solution for Fixed Asset Management and after implementation of the same periodic verification may be possible.

c. Physical verification of the Finished Goods, Work in Progress and Scrap as on 31st March 2020 has not been done.

**Company's Reply**

At the end of every financial year, we have been conducting physical verification of inventory lying with us. However, at the end of financial year 2019-20, due to lock down restriction imposed in relation to Covid 19 Pandemic, physical verification was not done. However, the Raw material stock were verified in July 2020 and back worked for stock as on 31.03.2020 based on the procurements and issues recorded during the meantime. Since Work in progress and finished goods keep on changing based on the production, sales and dispatch schedule - actual Finished goods or work in progress as on 31st March 2020 may or may not be available for physical verification in July 2020.

4. Authentication of vouchers and approval thereon (except for bank vouchers) by the superior officers is not available in almost all cases.

**Company's Reply**

As per TELK practice, Payment Vouchers are usually approved by superior officers. These vouchers contain all relevant documents related to transaction and prepared after passing all relevant entries in the Books. So, there is no need to print the entries made relating to a transaction and sign on it. There is no facility to approve vouchers in Tally. New ERP software is proposed to address such issues.

5. The break up details regarding Earnest Money Deposit from Contractors, Security Deposit from Contractors, Retention Money and Accounts payable are not available and also on EMD paid to customers.

**Company's Reply**

In the Old FoxPro based software only one ledger was provided for recording EMD receipts and its pay back. So, Party wise break up is not available in the Books. As we have migrated to Tally as an interim measure up to the implementation of full-fledged ERP System, from 01.04.2019 individual accounts are being maintained for EMD, Security Deposit, Retention Money and related transactions.

6. In several of the Fixed Assets, Code Nos. are not seen affixed on those assets. The assets Codes are also not incorporated in the Fixed Asset register. Hence the fixed assets cannot be linked to the respective details in the Fixed Assets register.

**Company's Reply**

Please see the reply to item no.2b

7. Company is not maintaining POs, RRs and Invoices together in support of purchases and Accounting all purchases as purchase of raw materials instead of respective account heads.

**Company's Reply**

We are maintaining receipt vouchers (RVs) and Copy of Invoice together and Original Copy of Invoice is attached with payment voucher. PO copies are being maintained separately in the order of PO Number. This practice is being followed since many years and thus continued for the subject year also.

## Internal Control and its Adequacy

M/s. Krishnamoorthy & Krishnamoorthy, Chartered Accountants, Kochi conducted Internal Audit of your Company during the financial year 2019-20. The Company's internal control systems commensurate with the nature of its business and the size and complexity of its operations. These are routinely tested and certified by Statutory as well as Internal Auditors and provide reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use or losses, executing transactions with proper authorization and ensure compliance of corporate policies.

## Number of meetings of the Board

The Board met four times during the financial year 2019-20 viz., 12.06.2019, 25.07.2019, 20.11.2019, 09.01.2020. The maximum interval between two meetings did not exceed 120 days as prescribed in the Companies Act, 2013. The composition and category of the Directors along with their attendance at Board Meetings are given below:

| Name of Director | 12.06.19 | 25.07.19 | 20.11.19 | 09.01.20 |
|---|---|---|---|---|
| Adv. N. C. Mohanan (Non-Executive) | Present | Present | Present | Present |
| Shri. Prasad B (Managing Director) | Present | Present | Present | Present |
| Shri. Shibu A.S. (Non- Executive) | Present | Present | Present | Present |
| Shri. Mammen J. (Non-Executive) | Absent | Present | NA* | NA* |
| Shri. K.K.Ramachandran (Non-Executive) | Present | Present | Absent | Present |
| Smt. P. Vijayakumari (Non-Executive) | Absent | Absent | Absent | Absent |
| Shri. P.K. Mohapatra (Non-Executive)) | Absent | Absent | NA* | NA* |
| Shri. Sital Kumar (Non- Executive) | NA* | NA* | Absent | Absent |
| Shri. D.K. Dubey (Non- Executive) | Absent | Present | NA* | NA* |
| Shri. P.P. Kulkarni (Non- Executive) | NA* | NA* | Present | Absent |
| Shri. Anil Nautiyal (Non- Executive) | NA* | NA* | Present | Present |

**Shri. Anil Nautiyal was appointed as Director in place of Shri. Mammen J. wi.e.f. 04.11.2019.*

** Dr. P.P. Kulkarni was appointed as Director in place of Shri. D.K. Dubey w.e.f. 04.11.2019.*

**Shri. Sital Kumar was appointed as director in place of Shri. P.K. Mohapatra w.e.f. 01.08.2019*

## Committees of Board

Board has two Committees:

Stakeholders Relationship Committee and Corporate Social Responsibility Committee.

## Stakeholders Relationship Committee

Stakeholders Relationship Committee of the

Board oversees redressal of shareholder and investor grievances, and, *inter-alia*, approves sub-division / consolidation / issue of duplicate share certificates, transmission of shares and transfer of shares.

<u>Composition of the Committee (2019-20):</u>

| |
|---|
| Non-Executive Chairman |
| Nominee Director of Government of Kerala |
| Managing Director |

**Corporate Social Responsibility Committee**

Pursuant to Section 135 of the Companies Act, 2013, a Corporate Social Responsibility (CSR) Committee of the Board of Directors of the Company had been constituted comprising of the following Directors of the Company as members:

1. Managing Director

2. Nominee Director of Govt. of Kerala representing Finance Department

The terms of reference of CSR Committee *inter-alia*, include the following:

(i) To formulate and recommend to the Board, a CSR policy which shall indicate the activities to be undertaken by the Company as per the Companies Act, 2013;

(ii) To review and recommend the amount of expenditure to be incurred on the activities to be undertaken by the company;

(iii) To monitor the CSR policy of the Company from time to time;

(iv) Any other matter as may be directed by the Board of Directors from time to time.

**Cost Audit**

The Company with the approval of Central Government had appointed M/s. N.P. Gopalakrishnan & Co., Cost Accountants, Ernakulam to audit the cost accounts related to the company's products for the year ending on 31.03.2020.

**SS Compliance**

The Company has complied with the applicable Secretarial Standards.

**Particulars of Employees**

There were no employees who were in receipt of remuneration within the limits prescribed under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. Hence, the particulars as required to be disclosed under the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are 'NIL'.

**Prevention, Prohibition and Redressal of Sexual Harassment of Women at Workplace**

The Company has in place a Policy on Prevention, Prohibition and Redressal of Sexual Harassment of women at workplace in line with the requirement of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Compliance Committee (ICC) has been set up to redress complaints received regarding sexual harassment. No complaint of sexual harassment was received by the ICC during the year 2019-20.

**Human Resources Management**

Your Company's capabilities are centered on its highly dedicated employees numbering 448 as on 31st March 2020. Our employees rose to the challenges posed by rapidly changing economic landscape, particularly in the electrical manufacturing industry which witnessed one of its worst periods, and aligned themselves with Company's Vision.

### Safety

Your Company places utmost importance on ensuring safety of its employees, visitors to our premises and the communities we operate in. Safety is an overarching area of management, and company has been achieving continuous improvement in safety performance through a combination of systems and processes as well as co-operation and support of all employees. We are taking adequate precautions and care of all our employees and visitors while they are on our premises. Company is providing all suitable personal protection equipment as well as awareness and training to its employees. A committed Safety Committee is functioning in the Company and it deals with all matters concerning Health, Safety and Environment and arrives at practical solutions to problems encountered.

### Corporate Governance

Your company follows the best corporate governance practices founded on the principle of transparency, in the interest of all stakeholders. The Board of Directors of the company is at the core of our corporate governance practice. The Board of Directors of the Company comprises of Chairman, Managing Director, and Directors. Except the Managing Director, all other Directors are non-executive Directors. During the Financial Year 2019-20, there were four Board Meetings. The compliance of all statutory and regulatory requirements has been prompt and up to date. The Company has adequate internal control systems and procedures in place.

### Right to Information Act, 2005

Your Company has put in place an appropriate mechanism to provide information to citizens under the provisions of Right to Information (RTI) Act, 2005 in order to promote transparency and accountability in its working. In line with the implementation of the Right to Information Act, 2005, Company had nominated a Public Information Officer and an Assistant Public Information officer. An Appellate Authority has also been nominated for considering the appeals of information seekers, who may not be satisfied with the response of Public Information Officer.

To assist and facilitate citizens in obtaining information, details have been placed on TELK's website, spelling out the procedure for securing access to information and filing of first appeal under the Act. Instructions have been given to administrative units to ensure compliance to the mandatory requirements of the Act. TELK's journey in adopting RTI as a tool of transparency also helps in improving efficiency of systems and processes. During the year, 27 applications were received. All the aforesaid applications and appeals (6) were disposed off by the authorized authority within the stipulated time frame.

### Risk Management

Keeping in view of the nature of industry in which your Company is engaged, your Company had all along been conscious of the risk associated with the nature of its business. Senior Management personnel carries out risk identification, risk assessment, risk treatment and risk minimization procedures for all functions of the Company, which are periodically reviewed on an ongoing basis and executive management controls risk through means of a properly defined framework. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis.

### Related Party Transactions

All Related Party Transactions entered during the year were in the Ordinary Course of the Business and on Arm's Length basis. No Material Related Party Transactions, i.e., transactions exceeding ten percent of the annual consolidated turnover as per the last audited financial statements, were entered during the year by your Company. Accordingly, the disclosure of Related Party Transactions as required under Section 134 (3) (h) of the Companies Act, 2013 in Form AOC-2 is not applicable.

### Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

The particulars as prescribed under section 134 (3) (m) of the Companies Act, 2013, read with Companies (Accounts) Rules, 2014 is appended as Annexure I to Board's Report.

### Certification

A Certificate duly signed by Shri. Sital Kumar, Managing Director and Shri. Ajith Kumar V., CFO is given as Annexure-II to this Report.

### Investor Education and Protection Fund (IEPF)

Pursuant to the provisions of the Companies Act, 2013, the Company has transferred the unclaimed final dividend for the financial years 2009-10 and 2010-11 before due dates to the Investor Education and Protection Fund (IEPF) established by the Central Government. Unclaimed final dividend for the financial year 2011-12 was transferred to the Investor Education and Protection Fund in October, 2019. In line with the provisions of Section 124(6) and rules made thereunder, 1,30,335 shares of 882 shareholders were transferred to the DEMAT Account of the IEPF Authority opened with NSDL.

### Extract of Annual Return as on 31.03.2020

In accordance with MCA Notification GSR 538 (E) dt. 28.08.2020 and as per proviso to Rule 12(1) of the Companies (Management and Administration) Rules, 2014, web link of Annual Return as prescribed under Section 92 (3) of the Companies Act, 2013 is given below:

https://www.telk.com/UserFiles/telk/file/MGT9%201920.pdf?linkId=178&linkLvl1Id=21

### Corporate Social Responsibility

Your Company considers 'Corporate Social Responsibility' as one of its main purpose. TELK, as a corporate citizen has done all the acts in order to stand guard for the well-being of all stakeholders as well as the general community through preservation of environment, strengthening of backward sections of the society, promotion of communities and so on.

The CSR Policy of your Company have been formulated on 28.02.2017 and the contents of policy is given in Annexure III to Board's Report.

Board of Directors is of the view that there will not be any spending for CSR activities since the Company is continuing in huge losses. Accordingly, the amount of Rs. 12.8 lakhs required to be spent for CSR activities will not be spent for CSR activities for the reason that "the Company is in to serious cash flow issues due to huge losses faced by the Company in 2020-21 and the first half of 2021-22".

### Contribution to Exchequer

Your Company contributed an amount of Rs. 1,689 lakhs in the form of GST, Customs Duty, Income Tax etc. during the year 2019-20.

### Significant and Material orders

There were no significant and material orders passed by the Regulators or Courts or Tribunals, impacting the going concern status and company's operation in future.

### Business Environment & Opportunities

Overall, the National Infrastructure Pipeline (NIP) has estimated a capex of Rs 3,000 Billion each in the T&D Segments between 2020 and 2025. As per the NIP, in Transmission, the State Sector is expected to lead with a capex of Rs 1,900 Billion, followed by POWERGRID (Rs 655 Billion) & Private Sector (Rs 480 Billion) 2025.

Procurement of CRGO steel is one of the major bottlenecks for the Transformers Industry as this material is not produced in India, and the Industry has to depend on imports for its requirement. The transformer industry is facing the scarcity of high-grade CRGO. Worldwide, the production, supply and price of CRGO is dominated by around 14 to 15 mills located in USA, Japan, Germany, South Korea, UK, Russia, Poland, Brazil and China. The global production of CRGO stands at 35 lakh Metric Tons per year whereas India presently requires about 4 lakh Metric Tons. India's demand for CRGO is likely to accelerate to 7.5 lakh Metric Tons per year.

Use of packaged substations with enclosed Switchgears and Transformers using corrugated finned wall tanks and also Dry Type Transformers may increase. GIS substations are also on the cards. Already, some of them have been installed in upcoming smart cities.

The market size of Power Transformer Industry reduced in 2019-20 vis-à-vis that in 2018-19. As per the IEEMA (Indian Electrical and Electronics Manufacturers' Association), the market size of Power Transformers shrank by 12.5% during the period April-December 2019 over the previous year. The decline in size can be attributed to subdued demand from the thermal power sector and muted capex by the Industrial Sector owing to slowdown in manufacturing. However, during 2014-15 to 2019-20, there has been growth in the 400 kV (76%) as well as 220 kV class (39%) in which TELK operates. It is expected that the Indian Power Transformer Industry may grow at a CAGR of 6.69% during the next five years.

2020-21 was an exceptionally difficult year for TELK. FY 2021-22 is going to be a challenging one. With large unutilized capacity in Industry, aggressive pricing practice continuing and highly volatile input material prices, there remains tremendous pressure to achieve break-even level operations. COVID-19 Pandemic has impact on manpower, supply of raw materials, testing, quality inspections, etc.

The way forward is to increase the volumes and thus maintain a healthy profit line.

**Cautionary statement**

Statements in the Annual Report, particularly those which describing the Company's objectives, projections, estimates and expectations, may constitute forward looking statements within the meaning of applicable laws and regulations. Although the expectations are based on reasonable assumptions, the actual results might differ.

**Acknowledgements**

Directors wish to convey their gratitude and appreciation to all Company employees for their tremendous personal efforts as well as their collective dedication and contribution to the Company's performance. Board would also like to thank Workers' Recognized Trade Unions, Officers, shareholders, customers, dealers, suppliers, bankers, Central and State Governments and all other business associates for their continued support extended to the Company and the Management. Directors also thank the Comptroller & Auditor General of India and all well-wishers for their encouragement and support.

Board gratefully acknowledges the valuable and timely advices, guidance and support received from time to time from the Government of Kerala and NTPC Limited. Directors also acknowledge the services of Statutory Auditors, Cost Auditors and Internal Auditors. Directors express their gratitude to various Institutions and Agencies for their continued support.

For and on behalf of
the Board of Directors
of TELK

| Sd/- | Sd/- |
|---|---|
| **(Sital Kumar)** | **(Shibu A.S.)** |
| **Managing Director** | **Director** |

Trivandrum

Dated: 23.11.2021

**Annexure-I**

## CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

[Particulars pursuant to the Companies (Accounts) Rules, 2014]

### (A) Conservation of Energy

During the year 2019-20, there was 20.31% decline in the production MVA compared to the previous year. Total consumption of Electric Power and Furnace Oil decreased by 4.45% and 31.58%, respectively. Total cost of Furnace Oil and Electricity decreased by 0.77%. Average Electricity consumption per MVA increased by 19.89%. Expenses on power & fuel in terms of quantity (MVA) of production was less than that of the previous year. This brought a savings of Rs.72.41 lakhs.

**(i) the steps taken or impact on conservation of energy**

Efforts are on for energy conservation including "Save Energy Drive".

**(ii) the steps taken by the company for utilizing alternate sources of energy**

We are exploring possibilities of using solar energy wherever possible.

**(iii) the capital investment on energy conservation equipment**

No capital investment was made by the Company on energy conservation equipment in 2019-20.

### (B) Technology Absorption

**(i) The efforts made towards technology absorption**

- 100MVA, 220/110kV, 3phase Auto transformer was successfully short circuit tested at CPRI, Bangalore. This is the second largest short circuit tested transformer of TELK.

  12.5 MVA,110/11kV 3 phase Power transformer was successfully short circuit tested at CPRI, Bangalore.
- New method adopted for testing of 160MVA, 220/110/11 kV, 3 phase autotransformer. This transformer is with Oil-Sf6 bushing and factory test with this bushing is not practical at TELK. Instead conventional Oil-Air bushing was used with a new test lead insulation method.
- Introduced 3D modelling in the Design workflow using Creo Parametric software Creo 3) for the preparation of the drawings.

**(ii) The benefits derived like product improvement, cost reduction, product development or import substitution**

- With the above test reports, TELK can give competitive quotes for transformers of similar ratings. Orders bagged for additional quantity of the same type of transformer with the above test report.

- Reduction in production cycle time for preparation of test arrangement. Moreover, this lead for a particular transformer is stored properly, it can be reused for testing of similar transformer.

- This being 3D model based, visualization of the product is easy thereby detecting the points/areas which need modifications and thereby reducing mistake levels. Resulted in reduction of Engineering drawing cycle time as development/corrections in a model of a transformer is possible, as required for another transformer. Resulted in product improvement and submission of drawings to an elevated level of satisfaction of customers. Other tools such as simulations and mechanical analysis are also available which is required for confirming the adequacy of the design/parameters considered and Design Validation. This will effectively helpful in the cost reduction of the transformer.

**(iii) In case of imported technology (imported during the last three years reckoned from the beginning of the financial year):** NIL

(a) the details of technology imported: NA

(b) the year of import: NA

(c) whether the technology been fully absorbed: NA

(d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof: NA

**(iv) The expenditure incurred on Research and Development:** NIL

**(C) Foreign Exchange Earnings and Outgo**

Company has established a separate wing in the Marketing Department to address the needs of Exports. TELK's marketing officers closely monitor opportunities in Export Markets through constant interactions with customers abroad. Steps are also taken to explore new foreign markets in addition to the present export markets.

**Activity in Foreign Currency**

| | 2019-20 (Rs. in lakhs) | 2018-19 (Rs. in lakhs) |
|---|---|---|
| Earnings | 74.24 | 123.54 |
| Expenditure | 98.60 | 213.12 |
| Net foreign exchange earnings(NFE) | -24.36 | -89.59 |
| NFE/Earnings (%) | -32.81 | -72.52 |

Sd/-
**(Sital Kumar)**
**Managing Director**

Sd/-
**(Shibu A.S.)**
**Director**

Trivandrum
Dated: 23.11.2021

**Annexure II**

# CERTIFICATION

To
**The Board of Directors**
**Transformers and Electricals Kerala Limited**

We, Shri. Sital Kumar, Managing Director and Shri. Ajith Kumar V., Chief Financial Officer of Transformers and Electricals Kerala Limited, to the best of our knowledge and belief, certify that:

(a) We have reviewed the financial statements and the cash flow statement for the Financial Year ended 31st March, 2020 and based on our knowledge and belief, we state that:

i. these statements do not contain any materially untrue statement or omit any material fact or contain any statements that might be misleading with respect to the period covered by this report.

ii. these statements and other financial information included in this Report, present a true and fair view of the Company's affairs and are in compliance with the existing Accounting Standards, applicable laws and regulations.

(b) We further state that to the best of our knowledge and belief, there are no transactions entered into by the Company during the year which are fraudulent or illegal.

(c) We are responsible for establishing and maintaining internal controls and for evaluating the effectiveness of the same over the financial reporting of the Company and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

(d) We have disclosed, based on our most recent evaluation of Company's internal control over financial reporting during the year, to the Auditors and Audit Committee:

i. significant changes, if any, in the internal control over financial reporting during the year;
ii. significant changes, if any, in the accounting policies made during the year and that the same has been disclosed in the notes to the financial statements; and
iii. any instances of significant fraud of which we are aware, that involve the management or other employees who have a significant role in the Company's internal control system.

| **Sital Kumar** | **Ajith Kumar V.** |
|---|---|
| **Managing Director** | **Chief Financial Officer** |

Angamally
29.10.2021

Annexure III

# ANNUAL REPORT ON CSR ACTIVITIES

## 1. Brief Outline of TELK's CSR policy

The Corporate Social Responsibility policy of TELK is guided by the vision and philosophy of its Joint Venture partner, NTPC's policy for CSR and Sustainability and is formulated with items specified in the Seventh Schedule of Companies Act, 2013.

A detailed CSR Policy was framed by the Company with approvals of CSR Committee and Board taken on 28.02.2017. The policy inter alia covers the following:

i) Preamble
ii) Commitment for CSR
iii) Guiding Principles
iv) Scope & Coverage
v) Mechanism & Process
   1. Structure
   2. Programme
   3. Fund Allocation & Expenditure
   4. Planning & Implementation
   5. Monitoring, Evaluation & Reporting

CSR Policy is placed on Company's Website:

*http:www.telk.com/UserFiles/telk/file/TELK Policy for CSR.pdf*

## 2. Composition of CSR Committee

The company had constituted Corporate Social Responsibility Committee of the Board pursuant to section 135 of Companies Act, 2013 with the following composition:

1. Managing Director, TELK; and
2. Nominee Director of Govt. of Kerala representing Finance Department

Terms of reference of CSR Committee *inter-alia* included the following:

(i) To formulate and recommend to the Board, a CSR policy which shall indicate the activities to be undertaken by the Company as per the Companies Act, 2013;

(ii) To review and recommend the amount of expenditure to be incurred on the activities to be undertaken by the Company;

(iii) To monitor the CSR Policy of the Company from time to time;

(iv) Any other matter as may be directed by the Board of Directors from time to time.

**3. Average net profit for previous three financial years**

| FY | PBT (Rs. in lakhs) |
|---|---|
| 2016-17 | 670 |
| 2017-18 | 744 |
| 2018-19 | 505 |
| Average Net Profit / (Loss) | 640 |

**4. Prescribed amount to be spend for CSR**

Rs.12.8 lakhs

**5. Reasons for not spending the stipulated amount for CSR activities**

Committee is of the view that there may not be any spending for CSR activities since the Company is continuing in huge losses. Accordingly, the amount of Rs.12.8 lakhs required to be spent for CSR activities will not be spent for CSR activities for the reason that “the Company is in to serious cash flow issues due to huge losses faced by the Company in 2020-21 and in the first half of 2021-22”.

**6. Responsibility Statement, of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and policy of the Company duly signed by the Managing Director and Director (Members of CSR Committee)**

The CSR Committee confirms that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and policy of the Company.

| | |
|---|---|
| Sd/- | Sd/- |
| (Shri. Sital Kumar) | (Shri. Shibu A.S) |
| **Managing Director** | **Director** |

Trivandrum

23.11.2021

# INDEPENDENT AUDITOR'S REPORT

To the Members of Transformers and Electricals Kerala Limited

**Report on the Audit of Standalone Financial Statements**

**Qualified Opinion**

We have audited the accompanying standalone financial statements of Transformers and Electricals Kerala Ltd, ("the Company"), which comprise the Balance Sheet as at March 31st, 2020, the Statement of Profit and Loss (Including other comprehensive income), the Cash Flow statement and the Statement of Changes in Equity for the year ended on that date and the notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information (herein after referred to as "the standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements except for the effects of the matter described in the basis for qualified opinion section of our report, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under Section 133 of the Act read with Companies (Indian Accounting Standards) Rules 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India of the state of affairs of the Company as at March 31st 2020, the profit and total comprehensive income, its cash flows and changes in equity for the year ended on that date.

1. (a) During the year 2017-18, Company had availed excess CENVAT Credit of Rs.76.04 lakhs. The Company is yet to reconcile the CENVAT Credit availed with the records [Refer note no.18].

(b) During the year 2017-18, Company had availed excess IGST Credit of Rs. 70.67 lakhs, Excess CGST Credit of Rs. 6.06 Lakhsand excess SGST Credit of Rs.6.16 lakhs. The Company is yet to reconcile the IGST account and the SGST account with the records. [Refer note no.18].

(c) The Company has not yet reconciled the GST accounts relating to 2017-18.

Hence, the impact of "(a) and (b)" in the Financial Statements as on 31/03/2020 cannot be quantified at this stage.

2. Inventories inter alia includes an item of scrap valued at Rs. 14.20 lakhs since March 2007. We are of the opinion that since the material is scrap and is very old, it should not be valued. Hence Profit before tax is overstated by Rs. 14.20 lakhs and the inventories are overstated by Rs. 14.20 lakhs. Refer Note no. 10.

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those

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

**Emphasis of Matter**

We draw attention to the following matters in the Notes to the Financial Statements.

1. As per para 8 of Ind AS 7 "Cash flow statement", notified under section 133 of the Companies Act "Bank borrowings are generally considered to be financing activities. However, where bank overdrafts which are repayable on demand form an integral part of an entity's cash management, bank overdrafts are included as a component of cash and cash equivalents." The Company has disclosed the bank overdraft under Note 15 "Borrowings "and not under Cash and Cash Equivalents.
2. The Net Profit for the period ended 31st March, 2020 has been affected by prior period expenses and income. We have found from our audit sampling that an amount of Rs. 23.54 (lakhs) has been charged to profit and loss account which are expenses relating to previous years. Similarly, we have observed that prior period income has been charged to current profit and loss account amounting to Rs. 5.30 Crores resulting net increase of Rs. 5.06 crores of profit primarily from price variance invoice raised to customers. We have examined these transactions in detail and these are genuine transactions which has taken time to account into system.
3. Note no.5 regarding the accounting software presently used by the company
4. Not no.3(q) regarding Covid-19 Impact
5. Note no 14 and 27 regarding Provision for Income Tax

Our opinion is not modified in respect of these matters.

**KEY AUDIT MATTERS**

Key Audit Matters are those matters that in our professional judgement where of most significance in our audit of the financial statements for the financial year ended March 31st, 2020. These matters were addressed in the contexts of our audit of financial statements and informing our opinion thereon and we do not provide a separate opinion on these matters. For each matter below our description of how our audit addressed the matters is provided in that contexts. The result of audit procedures performed by us to address the matters below provide the basis of our audit opinion on the accompanying financial statements.

| KEY AUDIT MATTERS | How our Audit Addressed the Key Audit Matters |
|---|---|
| Company has not provided for interest payable to MSME'S for delay in payment as envisaged under the MSME Act 2006. As the details regarding delay in each case are not readily available, the interest amount cannot be quantified at this stage and management does not foresee huge risk in this regard being a Government Company. | Testing the controls over maintaining a separate list of MSME suppliers for the year ended 31st March, 2020.<br>Addressed the objectivity and competence of the management in addressing MSME issues<br>Reviewed Past records to assess any material issues confronted by company<br>Being a government company, we have not noticed any issues in this regard |
| Reversed provisions amounting to Rs. 40.38 Lakhs against salary revision arrears of 2011 and Rs. 1.26 Crores against old supplier credit balances which has an effect of increasing current profit by 1.67 Crores. Refer Note no. 17 to the standalone financial statements for further details. | A walk through of the salary revision proposal of 2011 and old credit balances<br>We have gone through the list of employees entitled and amount dues to both retired/ resigned employees and active employees and list of creditors<br>The payment made during the year under audit as well as subsequent year payment made<br>Verified the amount of provision reversed/ credit balances written off |
| There is change in the method of Valuation of inventories prospectively in order to comply with Ind AS 2 and Ind AS 23 requirements. Closing Stocks for the year under audit are valued including finance cost for the first time. This has resulted in increasing closing stock value by Rs.63.05 Lakhs and profit by Rs.63.05 Lakhs. Refer Note no. 3(C ) for more details.<br>The management has informed that due to COVID-19 pandemic, physical verification of stock was not carried out as on 31-3-2020. It has been carried out by July 2020 and back worked to arrive at the stock value as on 31st March, 2020.<br>Also due to COVID-19 close down towards the end of March, 2020, the Work-In- Progress has been taken at 100% value when actual production was completed and applied the % of completion as on 31st March 2020 to arrive | We have verified various cost comprises of inventory<br>Checked the Valuation Method including the various assumptions and value derived for the stock<br>Checked the overhead and labor absorption rate<br>We have relied on the physical verification stock statement as it is certified by an external service provider.<br>Discussed with the management and verified the working of WIP<br>Assessed the objectivity, Independence and competence of the process used in this regard<br>We have verified the financial implications of these changes and we are confident of these changes. |

| | |
|---|---|
| at cost as on 31st March, 2020.<br>This is due to time tag in recording entries in the system during the lock down and consequent delay. This change of valuation has resulted in increasing WIP value by Rs. 2.26 Crores and net profit by same amount. Refer No. 3 ( C) for more details | |
| Balance confirmations as at 31st March, 2020 pertaining to Trade Receivables and Trade Payables were pending. The company is not regular in getting balance confirmations from its customers and suppliers. The management is of the view that most of the trade receivables are due from government companies and there is little risk of bad debts and company is already providing enough provision under Expected Credit Loss Method.<br>Retention balance receivable are not segregated from Debtor's receivable which is due only after completing commissioning activities which takes considerable amount of time. | We have carried out detailed discussion on all major customers and suppliers with management team. Management insists on low risk of bad debts since majority customers are Government Companies.<br>We have gone through major suppliers and customers account and observed continuous flow of transactions.<br>The provision for doubtful debts is verified and found to be reasonable enough to cover any risk relating to bad debts.<br>We have suggested to write off/write back very old balances which are below Rs. 1,000/- The management is of the view that all existing old balances and its delay in collection/ payments are genuine and with valid reasons. |
| Earnest Money Deposit (EMD) Sales Rs. 59.71 Lakhs, EMD from Contractors Rs. 1.19 Crores and Security Deposits 35 lakhs are subject to confirmation and we have not been provided with a detailed break up of amount with list of suppliers/customers name to it. In the absence of confirmation from various stake holders, we are not in a position to comment on the realization or payment of this amount. | Our audit procedure included and not limited to the following;<br>We have discussed with management in detail.<br>Management is of the view that these are accumulated balances over the last many years and they release genuine claims when lodged with company.<br>Also, all genuine claim for release of EMD is doing carried out regularly<br>We have noticed that company is not moving EMD to security deposits once tender is finalized and we suggest to resort this method of accounting going forward |
| We have observed that internal financial control measures existing are designed and implemented at the start of the company which find it difficult to cope with current activities. Some of the major areas wherein internal control to be strengthened are given below; | Our audit procedure included and not limited to the following;<br>We have carried out verification of underlying documents on test basis and those test checking resulted into the conclusion that more effective and efficient internal control measures need to be exercised. |

| | |
|---|---|
| • Observed Delay in booking Receipt voucher in Tally for accounting of all procurement transactions<br>• The complete set of documents are not available while booking purchase transactions. For Example, POs are not attached with all Receipt Vouchers.<br>• The Accounting process for addition of capital asset is not as per generally accepted accounting procedure. All procurements are first debited to purchase of raw materials irrespective of Fixed Assets and Expenses. Later Asset is debited after a review and hence assets are not capitalized in the first instance.<br>• The various transactions accounted in Tally Software are not kept in record in order. These vouchers are not authorized as per delegation of authority<br>• Since there is no quarterly or half yearly closing of accounts, we have not seen a timescale bound accounting and various process completion.Closing of accounts are one of the catalysts for strengthening the internal control.<br>• The probability of missing transactions is noticed and in one instance wherein company has missed an entry of scrap stock and the delay has resulted in a loss of Rs. 21.23 Lakh due to IGST credit not availed within time. | Assessed the design and evaluation of operative effectiveness of internal controls<br>Management has pointed out that the probability of fraud is minimum and though there is delay in completing some activities and transactions, they carry out the same without any errors and bad intentions.<br>Assessed the objectivity, Independence and competence of the process used in this regard<br>We have verified the details of missing transactions and adequate supporting documents are maintained. However, suggest to have more inter departmental dialogues and seamless flow of documents to avoid this kind of missing transactions |

**Responsibility of Management and Those Charged with Governance for the Standalone Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, cash flows and changes in equity of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone 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, the 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 the Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

a. 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.

b. 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 Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls

c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimate and related disclosure made by management

d. 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.

e. 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.

We also provide those charged with governance with a statement that we have compiled with relevant ethical requirements regarding independence, and to communicate with them all relationship 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,2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure '1' a statement on the matters specified in paragraphs 3 and 4 of the Order to the extent applicable
2. Based on the verification of books of accounts of the Company and according to the information and explanation given to us, we give in the "Annexure II" a report on the directions and sub directions issued by the Comptroller and Auditor General of India in terms of Section 143(5) of the Act.
3. 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 purpose of our audit.
   b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of those books subject to the defects in not maintaining supporting documents properly.
   c) The Balance sheet, the Statement of Profit & Loss including Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity dealt with by this report are in agreement with the books of account
   d) In our opinion, the aforesaid standalone financial statements comply with the India Accounting Standards specified under Section 133 of the Act read with The Companies (Indian Accounting Standards) Rules 2015 as amended.
   e) Being a Government Company the provisions of sub section (2) of section 164 of the Companies Act 2013 is not applicable pursuant to the notification nogs 463(E) dated 5th June 2015 issued by the Ministry of Corporate Affairs, Government of India.
   f) With respect to the adequacy of the Internal Financial Controls over financial reporting of the Company and the operating effectiveness of such control, refer to our separate Report in "Annexure III".
   g) With respect to the other matters to be included in the Auditors Report in accordance with Rule 11 of the Companies (Audit & Auditors) Rules 2014, in our opinion and to the best of our information and according to the explanations given to us:
      1. The Company has disclosed the impact of pending litigations on its Financial Positions in its standalone financial statements. Refer Note no. 28(a) and 18(ii) to the standalone financial statements.

2. The Company did not have any long-term contracts including derivative contracts for which there any material foreseeable losses to be provided for. Refer Note no.28(b) to the standalone financial statements.
3. There has been no delay in transferring amounts required to be transferred to the Investor Education and Protection Fund by the Company. Refer Note no.28 (c) to standalone financial statements.

h) Being a Government Company, the provisions of section 197 of the Act with respect to the matters to be included in the Auditor's Report is not applicable.

**For SASI VIJAYAN & RAJAN**
**Chartered Accountants**
(Firm Reg.No-003629S)

Place: Thrissur
Date:25/03/2021

**CA. Martin George**
Partner
(M No. 111186)

**UDIN NO. 21111186AAAAAC3116**

## ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT

Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our Report of even date to the members of Transformers and Electricals Kerala Limited on the standalone financial statements for the year ended 31st March 2020.

1) a) The Company has generally maintained proper records showing full particulars including quantitative details and situation of Fixed Assets (Property, plant & Equipment).

   b) As per the information and explanations given to us, physical verification of fixed assets (Property, Plant & Equipment) has not been done during the year 2019-20

   c) As per the information and explanations given to us the title deeds of the immovable property are held in the name of the company.

2. We are informed that physical verification of inventory has been conducted at reasonable intervals except for year-end 31st March, 2020 which could not be carried out due to Covid-19 outbreak and consequent lock down.Physical verification for year-end has been carried out during July 2020 and back worked to the stock position as on 31st March, 2020.

3. The company has not granted any loans, secured or unsecured to any Companies, firms, Limited liability partnership or other parties covered in the register maintained under Section 189 of the Act

In view of the above clause 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the order are not applicable

4. According to the information and explanations given to us and on the basis of our examination of books of account, during the year the company has not granted any loans or provided any guarantee or security in respect of any loans to any party covered under Section 185 and 186 of the Act. During the year the company has not made any investment

5. The Company has not accepted deposits from public. As such, the directives issued by the Reserve bank of India, the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed there under are not applicable to the Company.

6. We have broadly reviewed the accounts and records maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under sub section 1 of section 148 of the Act read with Companies (Cost Records and Audit) Rules 2014 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.

7. According to the records of the Company, undisputed statutory dues including Provident Fund, Employees State Insurance, Income Tax, Service Tax, Customs Duty, Excise Duty, CSS, Value Added Tax and Goods and Service Tax to the extent applicable and any other statutory dues have generally been regularly deposited with the appropriate authorities.

8. According to the information and explanations given to us there were no statutory dues as on the last day of the financial year outstanding for a period of more than six months from the date they become payable; except for excess CENVAT Credit availed (during 2017-18) of Rs.76.04 lakhs, excess IGST credit availed(during 2017-18) of Rs70.67 lakhs, excess CGST Credit availed Rs. 6.06 Lakhs and excess SGST credit availed (during 2017-18) of Rs.6.16

lakhs. Since, the Company has not yet reconciled the above accounts with the records as on date; exact amounts cannot be qualified at this stage [Please refer to Note No.18].

(I) The Company has availed the benefit available under Sabkha Vishwas Scheme of the Government of India in respect of the dues relating to Service tax and Exercise Duty. Consequently, substantial number of cases has been disposed of during 2019-20. Considering the provisions of Ind AS 37, Ind AS 8 and Ind AS 10 the disputes settled during 2019-20 have been considered.

(ii) The Company has availed the benefit available under Amnesty scheme of the Government of Kerala in respect of the dues relating to KGST/KVAT/CST. Consequently, substantial number of cases has been disposed of during 2019-20. Considering the provisions of Ind AS 37, Ind AS 8 and Ind AS 10 the disputes settled during 2019-20 have been considered while preparing the financial statements. There is only one remaining disputed due, which is shown below.

| SL. NO | Name of Statute | Nature of Dues | Amount (Rs) | Period to which the amount relates | Forum were the dispute is pending |
|---|---|---|---|---|---|
| 1 | Employee State Insurance Act 1948 | ESI Dues | Rs. 333,918 | 2000-01 | High Court of Kerala |

9. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to any bank or financial institutions or government during the year. The company has not issued any debentures. The Company has not taken any loan from the government during the year.

10. During the year, the Company has not raised any money by way of initial public offer or further public offer (including debt instruments) or any term loans.

11. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company or any fraud on the Company by its officers or employees were noticed or reported during the year, nor have we been informed of any such case by the management.

12. As per Notification Nogs 463(E) dated 5th June 2015 issued by the Ministry of Corporate Affairs, Government of India, Section 197 of the Act is not applicable to the Government Companies. Accordingly, provisions of clause 3(xi) of the order are not applicable to the Company.

13. The Company is not a Nidhi Company. Therefore, the provisions of clause 3(xii) of the Order is not applicable to the Company.

14. The Company has compiled with the provisions of Section 177 and 188 of the Act with respect to transactions with the related parties, wherever applicable. Details of the transactions with the related parties have been disclosed in the standalone financial statements as required

by the applicable Indian Accounting Standards.

15. During the year, the Company has not made any preferential allotments or private placements of shares or fully or partly convertible debentures. Accordingly, provisions of clause 3(xiv) of the order are not applicable to the Company.
16. According to information and explanations given to us, the Company has not entered into any non-cash transactions with the Directors or persons connected with them as covered under Section 192 of the Act.
17. According to information and explanations given to us, the Company is not required to be registered under Section 45-IA of Reserve Bank of India Act, 1934. Accordingly, provisions of clause 3(xvi) of the order is not applicable to the Company.

**For SASI VIJAYAN & RAJAN**
**Chartered Accountants**
(Firm Reg.No-003629S)

Place: Thrissur
Date:25/03/2021

**CA. Martin George**
Partner
(M No. 111186)

**UDIN NO. 21111186AAAAAC3116**

# ANNEXURE II TO THE INDEPENDENT AUDITOR'S REPORT

## M/s Transformers & Electricals Kerala Limited

## FY 2019-20

## Directions under Section143(5) of the Company Act 2013 (as applicable from the financial year 2018-19 and onwards)

1. Whether the Company has 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.

   **According to the information and explanations given to us and based on the examination of the records of the Company, all the accounting transactions of the company are processed through IT system. As explained to us, there is no accounting transaction being processed outside the IT system. However, during 2017-18, the Company migrated from its old in house developed software to a new software for the limited purpose of accounting and book keeping of financial transactions excluding payroll and material accounting which is under fox pro software. Please refer to Note no.5. Company has noproperly integrated IT system with seamless connectivity.**

2. Whether there is any restructuring of an existing loan or cases of waiver/write off of debts/ loan/interest etc.made by a lender to the Company due to the Company's inability to repay the loan? If yes, the financial impact may be stated

   **According to the information and explanations given to us, during the year, there was no restructuring of existing loans of the company or cases of waiver/write off of debts/loans/interest etc. made by a lender to the company due to the company's inability to repay the loan**

3. Whether funds received/receivable for specific schemes from central/state agencies were properly accounted for/utilized as per its term and conditions? List the cases of deviation

   **According to the information and explanations given to us, during the year, the Company has not received any funds, receivable for specific schemes of Central/ State agencies.**

### Sector Specific Sub-directions under Section 143(5) of the Companies Act, 2013 Manufacturing Sectors

1. Whether the Company's pricing policy absorbs all fixed and variable cost of production as well as allocation of overheads?

   **Yes. Allocation of other overheads mainly includes finance cost**

2. Whether the Company has utilized the Government funds for technology upgradation/ moderation of its manufacturing process and timely submitted the utilization certificates.

   **During 2019-20 no such funds were received and hence this clause is not applicable for the year.**

3. Whether the Company has fixed norms for normal losses and a system for evaluation of abnormal losses for remedial action is in existence.

   **No. As per the existing policy of Opening stock+purchases-closing stock =material consumed, so no normal/abnormal losses are identified)**

4. What is the system of valuation of by-products and finished products? List out the cases of

deviation from its declared policy

**Valuation of finished products-Finished goods are valued at cost/net realizable value whichever is lower. The Company does not have by-products.**

**From current year onwards cost of inventories are valued at cost price including finance cost.**

5. Whether the effects of deteriorated stores and spares have been properly accounted for in the books.

   **Yes except for old stores values at Rs.14.2 lakhs. As mentioned in our qualification note. 2**

6. Whether the Company has effective system for physical verification, valuation of stock, treatment of non-moving items and accounting the effect of shortage/ excess noticed during physical verification.

   **Company has a system for physical verification of raw materials, stores and spares lying inside the factory premises.**

7. State the extent of utilization of plant and machinery during the year vis-à-vis installed capacity

   **During financial year 2019-20 utilization was at 82.30 % of installed capacity.**

8. Report on the cases of discounts/commission in regard to debtors and creditors where the Company has deviated from its laid down policy.

**During the course of audit, no such deviations were observed**

**For SASI VIJAYAN & RAJAN**
**Chartered Accountants**
(Firm Reg.No-003629S)

Place: Thrissur
Date:25/03/2021

**CA. Martin George**
Partner
(M No. 111186)

**UDIN NO. 21111186AAAAC3116**

# ANNEXURE "III" TO THE INDEPENDENT AUDITOR'S REPORT

**Referred to in paragraph 3(f) under 'Report on Other Legal and Regulatory Requirements' section of our Report of even date to the members of Transformers and Electricals Kerala Limited on the standalone financial statements for the year ended 31st March 2020**

**Report on the Internal Financial Controls with reference to standalone financial Statements under Clause (i) of Sub-section 3 of section 143 of the Companies Act, 2013("the Act").**

We have audited the internal financial controls with reference to standalone financial statements of Transformers & Electricals Kerala Limited ("the Company") as of 31st March 2020 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

## Management's Responsibility for Internal Financial Controls.

The Company's management is responsible for establishing and maintaining internal financial controls with reference to Standalone Financial Statements based on the internal controls 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 with reference to standalone financial statements 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 issued ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to standalone financial statements 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 system with reference to standalone financial statements and their operating effectiveness. Our audit of internal financial controls with reference to standalone financial statements included obtaining an understanding of internal financial control with reference to Standalone financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Standalone financial statements, whether due to fraud or error

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

**Meaning of Internal Financial Controls with reference to Standalone financial statements:**

A company's internal financial controls with reference to Standalone financial statements 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 with reference to Standalone financial statements includes those policies and procedures that (1) pertain to the maintenance of the records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Standalone financial statements in accordance with generally accepted accounting principles, and that receipts and expenditure of the company are being made only in accordance with authorization of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the standalone financial statements.

**Inherent Limitations of Internal Financial Controls with reference to standalone financial statements**

Because of the inherent limitations of internal financial controls with reference to standalone financial statements, 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 with reference to standalone financial statements to future periods are subject to the risk that the internal financial controls with reference to standalone financial statements 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 explanations given to us, and based on our audit, following material weakness have been identified as at 31st March 2020

1. The Company has not obtained confirmation of balances in respect of Trade receivables, Advances to Suppliers and Contractors, Balances with Government Authorities and Loans as on 31st March 2020.
2. a. physical verification materials (owned by the Company) lying with fabricators as on 31st March 2020 has not been done.However, confirmation from fabricator is verified for material lying with
   b. Physical verification of fixed assets has not been done during 2019-20.
   c. Physical verification of the Finished Goods, Work in Progress and Scrap as on 31st March 2020 has not been done.
4. Authentication of vouchers and approval thereon (except for bank vouchers) by the superior officers is not available in almost all cases
5. The break up details regarding Earnest Money Deposit from Contractors, Security Deposit from Contractors, Retention Money and Accounts payable are not availableand also on EMD paid to customers)
6. In several of the Fixed Assets, Code Nos. are not seen affixed on those assets. The assets Codes are also not incorporated in the Fixed Asset register. Hence the fixed assets cannot be linked to the respective details in the Fixed Assets register.

7. Company is Not maintaining Pos, RRs and Invoices together in support of purchases and Accounting all purchases as purchase of raw materials instead of respective account heads.

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 financial statements will not be prevented or detected on a timely basis.

In our opinion, except for the possible effects of the material weakness described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, an adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March 2020, 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 ICAI

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 31st March 2020 standalone financial statements of the Company and these weakness does not affect significantly our opinion on the standalone financial statements of the Company.

**For SASI VIJAYAN & RAJAN**
**Chartered Accountants**
(Firm Reg.No-003629S)

Place: Thrissur
Date:25/03/2021

**CA. Martin George**
Partner
(M No. 111186)

**UDIN NO. 21111186AAAAAC3116**

**Transformers and Electricals Kerala Limited**
**Angamally South PO, Ernakulam District, Kerala.**
**Rupees(₹) in lakhs, unless otherwise stated**
**Balance Sheet**

| Particulars | Note | As at 31 March 2020 | As at 31 March 2019 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4a | 1,330.93 | 1,416.37 |
| Capital work-in-progress | 4b | 1.15 | 1.15 |
| Other intangible assets | 5 | 8.88 | 9.48 |
| Financial assets | | | |
| (i) Investments | 6 | 0.70 | 0.70 |
| (ii) Loans | 7 | 99.55 | 83.99 |
| (iii) Other financial assets | 8 | 106.40 | 129.47 |
| Deferred tax assets(Net) | 27 | 1,386.96 | 1,517.07 |
| **Total non-current assets** | | **2,934.56** | **3,158.24** |
| **Current assets** | | | |
| Inventories | 10 | 6,339.20 | 7,999.81 |
| Financial assets | | | |
| (i) Trade receivables | 11 | 7,608.86 | 7,399.57 |
| (ii) Cash and cash equivalents | 12.a | 24.80 | 47.26 |
| (iii) Bank balances other than Cash and Cash equivalent | 12.b | 547.26 | 474.60 |
| (v) Loans | 7 | - | 0.56 |
| (iv) Other financial assets | 8 | 0.81 | 0.54 |
| Other current assets | 9 | 389.12 | 354.90 |
| **Total current assets** | | **14,910.05** | **16,277.24** |
| **Total assets** | | **17,844.61** | **19,435.47** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity share capital | 13a | 4,296.96 | 4,296.96 |
| Other equity | 13b | 4,869.01 | 4,344.55 |
| **Total equity** | | **9,165.97** | **8,641.51** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Provisions | 14 | 879.77 | 769.94 |
| **Total non-current liabilities** | | **879.77** | **769.94** |
| **Current liabilities** | | | |
| Financial liabilities | | | |

| | | | |
|---|---|---|---|
| (i) Borrowings | 15 | 1,861.52 | 2,038.72 |
| (ii) Trade payables | 16 | 1,314.93 | 2,249.43 |
| (iii) Other financial liabilities | 17 | 1,402.77 | 1,746.36 |
| Other current liabilities | 18 | 1,025.40 | 2,098.10 |
| Provisions | 14 | 2,194.27 | 1,891.41 |
| **Total current liabilities** | | **7,798.88** | **10,024.02** |
| **Total liabilities** | | **8,678.65** | **10,793.96** |
| **Total equity and liabilities** | | **17,844.61** | **19,435.47** |

Company Overview, Basis of Preparation
& Significant accounting policies 1, 2, 3

The accompanying notes from 1 to 33 are an integral part of these financial statements

| | | |
|---|---|---|
| For and on behalf of the Board of Directors | | As per our report of even date |
| | | For Sasi Vijayan & Rajan, |
| (Prasad Bhaskaran Nair) | (N.C. Mohanan) | Chartered Accountants, |
| Managing Director | Chairman | Firm Regn. No.003629S |
| (Joffy George) | (Ajith Kumar. V) | CA Martin George,B.Com FCA |
| Company Secretary | Chief Financial Officer | Partner (M. No. 111186) |

Place: Angamally

Date: 25.03.2021

**Transformers and Electricals Kerala Limited**
**Angamally South PO, Ernakulam District, Kerala.**
**Rupees(₹) in lakhs, unless otherwise stated**
**Statement of Profit & Loss**

| Particulars | Note | For the period ended 31 March 2020 | 31 March 2019 |
|---|---|---|---|
| **Revenue** | | | |
| Revenue from operations | 19 | 20,313.34 | 20,447.29 |
| Other income | 20 | 356.04 | 644.41 |
| **Total income** | | **20,669.38** | **21,091.70** |
| **Expenses** | | | |
| Cost of Material Consumed | 21 | 11,420.39 | 11,469.40 |
| Changes in inventories of finished goods and work in progress | 22 | 1,391.21 | 1,410.49 |
| Excise duty on sales | 19 | - | |
| Employee benefits expense | 23 | 5,074.51 | 4,922.04 |
| Finance costs | 24 | 559.20 | 634.10 |
| Depreciation and amortization expense | 25 | 130.50 | 131.81 |
| Other expenses | 26 | 1,461.47 | 2,018.82 |
| **Total expenses** | | **20,037.28** | **20,586.67** |
| **Profit/(Loss) before income tax and exceptional items** | | **632.11** | **505.05** |
| Exceptional items | | - | - |
| **Profit/(Loss) before income tax** | | **632.11** | **505.05** |
| **Tax expense** | | | |
| Current tax | 27 | (174.00) | 70.95 |
| Deferred tax | 27 | 172.27 | 49.09 |
| **Total tax expenses** | | **(1.73)** | **120.04** |
| **Profit/(Loss) for the year** | | **633.83** | **385.01** |
| **Other comprehensive income** | | | |
| **Items that will not be reclassified subsequently to profit or loss** | | | |
| Re-measurements of defined benefit liability | 32 | (151.54) | 16.01 |
| Income tax effect | 27 | 42.16 | (4.45) |
| **Total other comprehensive income/(loss) for the year, net of income tax** | | **(109.38)** | **11.56** |
| **Total comprehensive income/( loss) for the year** | | **524.45** | **396.56** |
| **Earnings per share** Basic and diluted earnings per equity share (in INR) | 30 | 1.48 | 0.90 |

Company Overview, Basis of Preparation
Significant accounting policies 1,2,3
The accompanying notes from 1 to 33 are an integral part of these financial statements.

For and on behalf of the Board of Directors

As per our report of even date

For Sasi Vijayan & Rajan,
Chartered Accountants,
Firm Regn. No.003629S

(Prasad Bhaskaran Nair)
Managing Director

(N.C. Mohanan)
Chairman

(Joffy George)
Company Secretary

(Ajith Kumar. V)
Chief Financial Officer

CA Martin George, B.Com FCA
Partner (M. No. 111186)

Place : Angamally
Date: 25.03.2021

**Transformers and Electricals Kerala Limited**
**Angamally South PO, Ernakulam District, Kerala.**
**Rupees(₹) in lakhs, unless otherwise stated**

| **Cash flows statement** | | **As at 31 March 2020** | **As at 31 March 2019** |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit / (Loss) before tax for the year | | 632.11 | 505.03 |
| **Adjustments for:** | | | |
| Depreciation and amortisation | | 130.50 | 131.81 |
| Provision for doubtful trade receivables | | (76.51) | 527.32 |
| Finance cost | | 390.84 | 439.86 |
| Interest income | | (93.18) | (250.37) |
| Dividend income | | (0.11) | (0.11) |
| Impairment value of gold with bank | | - | - |
| **Operating profit before working capital changes** | | **983.65** | **1,353.54** |
| **Changes in working capital** | | | |
| (Increase)/decrease in trade receivables, loans and advances and other assets | | (159.19) | (3,358.50) |
| (Increase)/decrease in inventories | | 1,660.61 | 2,132.71 |
| Increase/(decrease) in trade payables, other payables and provisions | | (2,047.48) | 885.18 |
| (Increase)/decrease in bank balances other than cash & cash Equivalents | | (72.66) | 62.80 |
| **Net change in working capital** | | **(618.73)** | **(277.81)** |
| **Cash generated by operations** | | **364.91** | **1,075.73** |
| Direct taxes (paid)/Refund | | 131.84 | (66.50) |
| **Net cash generated by operating activities** | **A** | **496.75** | **1,009.22** |
| **Cash flows from investing activities** | | | |
| Purchase of PPE and Capital WIP | | (44.46) | (31.09) |
| Interest received | | 93.18 | 250.37 |
| Dividend Income | | 0.11 | 0.11 |
| **Net cash generated by investing activities** | **B** | **48.83** | **219.39** |
| **Cash flows from financing activities** | | | |
| Proceeds/(repayment) from short term borrowings (net) | | (177.20) | (742.64) |
| Interest Paid | | (390.84) | (439.86) |
| **Net cash generated from financing activities** | **C** | **(568.04)** | **(1,182.49)** |
| **Net increase/(decrease) in cash and cash equivalents during the year (A+B+C)** | | **(22.46)** | **46.10** |
| **Cash and cash equivalents at the beginning of the year** | | 47.26 | 1.15 |
| **Cash and cash equivalents at the end of the year Note No.12.a*** | | **24.80** | **47.26** |

* Excludes Margin Money retained by bank against Bank Guarantees & other specific purpose bank balances

The accompanying notes from 1 to 33 are an integral part of these financial statements

As per our report of even date

For and on behalf of the Board of Directors

For Sasi Vijayan & Rajan,
Chartered Accountants,
Firm Regn. No.003629S

(Prasad Bhaskaran Nair)
Managing Director

(N.C. Mohanan)
Chairman

(Joffy George)
Company Secretary

(Ajith Kumar. V)
Chief Financial Officer

CA Martin George, B.Com FCA
Partner (M. No. 111186)

Place : Angamally
Date: 25.03.2021

Transformers and Electricals Kerala Limited
Angamally South PO, Ernakulam District, Kerala.
Rupees(₹) in lakhs, unless otherwise stated
Statement of Changes in Equity

| (A) Equity share capital | For the Period ended 31 March 2020 | | For the Period ended 31 March 2019 | |
|---|---|---|---|---|
| | No. of Shares | Amount | No. of Shares | Amount |
| Balance at the beginning of the period | 429.67 | 4,296.74 | 429.67 | 4,296.74 |
| Forfeited Shares | - | 0.22 | - | 0.22 |
| Total at the beginning of the period | 429.67 | 4,296.96 | 429.67 | 4,296.96 |
| Changes in Equity Share Capital during the period | - | - | - | - |
| Balance at the end of the reporting period | **429.67** | **4,296.96** | **429.67** | **4,296.96** |

**(B) Other equity**

| Particulars | Reserves and surplus | | | Items of other comprehensive income | Total |
|---|---|---|---|---|---|
| | Capital Reserve | General Reserve | Retained Earnings | Remeasure-ments of the net defined benefit plans, net of tax | |
| **Balance at as 31 March 2019** | **1,619.60** | **5,085.00** | **(2,325.27)** | **(34.78)** | **4,344.55** |
| Profit/(Loss) for the year | - | - | 633.83 | - | 633.83 |
| Other comprehensive income/(loss) for the year | - | - | - | (109.38) | (109.38) |
| **Total comprehensive income/(loss) for the year** | - | - | **633.83** | **(109.38)** | **524.45** |
| **Contributions by and distributions to owners** | | | | | |
| Dividend | - | - | - | - | - |
| Dividend distribution Tax | - | - | - | - | - |
| **Total contributions from and distributions to owners** | - | - | - | - | - |
| **Balance as at 31 March 2020** | **1,619.60** | **5,085.00** | **(1,691.44)** | **(144.16)** | **4,869.01** |

For and on behalf of the Board of Directors

As per our report of even date

For Sasi Vijayan & Rajan,
Chartered Accountants,
Firm Regn. No.003629S

(Prasad Bhaskaran Nair)
Managing Director

(N.C. Mohanan)
Chairman

(Joffy George)
Company Secretary

(Ajith Kumar. V)
Chief Financial Officer

CA Martin George, B.Com FCA
Partner (M. No. 111186)

Place: Angamally
Date: 25.03.2021

# TRANSFORMERS & ELECTRICALS KERALA LIMITED

## Angamally South PO, Ernakulam District, Kerala

## Company Information and Significant Accounting Policies

### 1. Company Overview

Transformers and Electricals Kerala Limited ("TELK" or the "Company") is a Company incorporated in 1963 and domiciled in India and limited by shares. The address of the Company's registered office is Angamally South P.O. Ernakulam, Kerala - 683573. The Company is a Joint Venture Company formed between NTPC Limited and Government of Kerala in the year 2007. The Company is involved in the manufacturing and repair of transformer.

### 2. Basis of preparation

#### (a) Statement of Compliance

These stand-alone financial statements are prepared on going concern basis following accrual basis of accounting and comply in all material aspects with the Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 and subsequent amendments thereto, and the Companies Act, 2013 (to the extent notified and applicable). The Company issued its first Ind AS compliant stand-alone financial statements in the year (2016-17) in accordance with Ind AS 101.

These stand-alone financial statements were authorised for issue by the Board of Directors on 25/03/2021.

#### (b) Basis of measurement

These stand-alone financial statements have been prepared on a historical cost convention and on an accrual basis, except for the following material items which have been measured at fair value as required by relevant IND AS;

- Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments), and
- The defined benefit asset/ (liability) are recognised as the present value of defined benefit obligation less fair value of plan assets.

The methods used to measure fair values are discussed further in notes to stand-alone financial statements.

#### (c) Regrouping of Previous year figures

Previous year figures have been regrouped wherever necessary to suit to the current year's requirements.

### (d) Functional and presentation currency

These stand-alone financial statements are presented in Indian Rupees (INR), which is the Company's functional currency. All financial information presented in INR has been rounded to the nearest lakhs (up to two decimals).

### (e) Current and non – current classification

The Company presents assets and liabilities in the balance sheet based on current/non -current classification.

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

Deferred tax assets/liabilities are classified as non -current

### (f) Use of estimates and management judgements

The preparation of stand-alone financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that may impact the application of accounting policies and the reported value of assets, liabilities, income, expenses and related disclosures concerning the items involved as well as contingent assets and liabilities at the balance sheet date. The estimates and management's judgements are based on previous experience and other factors considered reasonable and prudent in the circumstances. They are formulated when the carrying amount of assets and liabilities is not easily determined from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in accordance with the provisions of IND AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, IND AS 10 - Events after the Reporting Period & IND AS 37 - Provisions, Contingent Liabilities and Contingent Assets.

In order to enhance understanding of the stand-alone financial statements, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the stand-alone financial statements is as under:

**i) Revenues**

The Company from year 2017-18 onwards is recognising revenue in respect of FOR destination sale (the price of the goods are inclusive of freight and insurance) of products only after the goods were delivered at the Customer's site in order to comply with IND AS requirements. In case of goods sold on Ex- Factory basis, the revenue is recognised when the goods are loaded onto the truck, or other delivery vehicle, at the factory site of the Company. The Company generally has no further significant contractual performance obligation that would preclude revenue recognition.

Revenue from Sale of goods and services is recognised on the transfer of control to the customer and upon the satisfaction of performance obligations under the contract. Revenue is recognised using input method based on the Cost approach.

**ii) Useful life of property, plant and equipment**

The charge in respect of periodic depreciation is derived after estimating the asset's expected useful life and the expected residual value at the end of its life. The depreciation method, use full lives and residual values of Company's assets are estimated by management at the time the assets are acquired and reviewed during each financial year.

**iii) Provisions and contingencies**

The assessments undertaken in recognising provisions and contingencies have been made in accordance with Ind AS 37, 'Provisions, Contingent Liabilities and Contingent Assets'. The evaluation of the likelihood of the contingent events is ascertained by best judgement by the management regarding the probability of exposure to potential loss. Should circumstances change following unforeseeable developments, this likelihood could alter.

**iv) Post-employment benefit plans**

Employee benefit obligations are measured on the basis of actuarial assumptions which include mortality and withdrawal rates as well as assumptions concerning future developments in discount rates, the rate of salary increases and the inflation rate. The Company considers that the assumptions used to measure its obligations are appropriate and documented. However, any changes in these assumptions may have a material impact on the resulting calculations.

**v) Income taxes**

Significant judgments are involved in determining the provision for income taxes including judgements on whether tax positions are probable of being sustained in tax assessment. A tax assessment can involve complex issues, which can only be resolved over extended time periods.

**vi) Deferred taxes**

Deferred tax is recorded on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted at the reporting date. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax loss carry forwards become deductible. The Company considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. The amount of the deferred tax assets considered realisable, however, could be reduced in the near term if estimates of future taxable income during the carry-forward period are reduced.

**vii) Expected credit losses on financial assets**

The impairment provisions of financial assets are based on assumptions about risk of default and expected timing of collection. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, customer's creditworthiness, existing market conditions as well as forward looking estimates at the end of each reporting period.

## 3. SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the stand-alone financial statements are as given below. These accounting policies have been applied consistently to all periods presented in the stand-alone financial statements.

### (a) Property, plant and equipment

**i) Recognition and measurement**

Property, plant and equipment are measured at cost less accumulated depreciation/, amortisation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for its intended use.

The cost of an item of property, plant and equipment is recognised as an asset, if and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

When parts of an item of property, plant and equipment have different useful lives, they are recognised and depreciated separately.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within 'other income' in the statement of profit or loss.

Expenditure on major inspection and overhauls of production plant is capitalised, when it meets the asset recognition criteria.

Items of spare parts, stand-by equipment and servicing equipment which meet the definition of property, plant and equipment are capitalised and depreciated over the estimated useful lives considering the rates notified under Schedule II to the Companies Act, 2013. Other spare parts are carried as inventory and recognised in the income statement on consumption.

**ii) Subsequent costs**

Subsequent expenditure is recognised as an increase in the carrying amount of the asset when it is probable that future economic benefits deriving from the cost incurred will flow to the enterprise and the cost of the item can be measured reliably.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

**iii) Depreciation**

The Company follows the method of charging depreciation as per the Companies Act, 2013. Depreciation is charged as per the useful life and the residual value prescribed under Schedule II of the Companies Act, 2013 as amended by Notification No. GSR 627 (E) dated 29th August 2014 and all subsequent Notifications / Amendments, for the full year. Depreciation is not recorded on capital work-in-progress until construction and installation are complete and the asset is ready for its intended use. Assets costing up to INR 10000/- are fully depreciated in the year of acquisition. Depreciation on additions to/deductions from fixed assets during the year is charged on pro-rata basis from/up to the month in which the asset is available for use/ disposed. The residual value, estimated useful life and method of depreciation of property, plant and equipment are reviewed at each financial year and adjusted prospectively, if appropriate.

The estimated useful lives of assets are as follows.

**Category of assets Estimated useful life**

Factory buildings 30 Years

Buildings (other than factory buildings – RCC frame structure) 60 Years

Plant & Machinery 15 Years

Electrical Installations and Equipment 10 Years

Office Equipment's 05 Years

General Furniture & Fixtures 10 Years

Canteen & Dormitory Furniture’s 08 Years

Motor Vehicle 08 Years

Air conditioner 05 Years

Water System 15 Years

Computer Hardware and Servers 3-6 Years

**(b) Intangible assets**

**i) Initial recognition**

Intangible assets that are acquired by the Company, which have finite useful lives, are recognised at cost. Subsequent measurement is done at cost less accumulated amortisation and accumulated impairment losses. Cost includes any directly attributable incidental expenses necessary to make the assets ready for use.

**ii) Derecognition**

An intangible asset is derecognised when no future economic benefits are expected from their use or upon their disposal. Gains and losses on disposal of an item of intangible assets are determined by comparing the proceeds from disposal with the carrying amount of intangible assets and are recognised in the statement of profit and loss.

**iii) Amortisation**

Cost of software recognised as intangible asset, is amortised on straight line method over a period of 10 years.

**(c) Inventories**

Inventories are valued at the lower of cost and net realisable value. Cost includes cost of purchase, cost of conversion and other cost incurred in bringing the inventories to their present location. Cost is determined on weighted average basis. Costs of purchased inventories are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated cost necessary to make the sale. Work-in-process is valued at weighted average cost of materials plus proportionate share of labour and manufacturing overheads including depreciation, but excluding financial overheads or the realisable values based on the percentage of completion, whichever is lower.

**Changes in the method of Valuation of Inventories in year 2019-20:**

Till last year the practice of the Company for estimating the material Cost of Work In Progress was to take the actual cost recorded in the system till 31st March 2020. Due to COVID related lockdowns and other restrictions chances are high that posting of entries related to issues of materials to work in progress in the system may get delayed or posted only after the year end 31st March 2020. So in order to find out the reasonable cost as on 31st March 2020 for the valuation of work in progress, the company changed its method accounting estimation of work in progress as follows:

All the materials cost till the month December 2020 (by the month Dec 2020 all items recorded as Work in progress as on 31st March 2020 got converted in to Finished goods) are taken and assigned as 100% cost of materials and then reconverted back to the percentage of completion as recorded as on 31st March 2020 and it has resulted an increase of WIP value by Rs. 225.58 Lakhs and profit by Rs. 225.58/- Lakhs.

Till last year the practice of the Company for estimating the Cost of Work In Progress, Finished Goods and Finished Goods in transit was without including the Financial Cost. However based on the requirements of IND AS 2 & 23 - company seems more appropriate to include a part of the Financial cost apportioned on the basis of ratio of the Cost of Materials plus Direct labour plus production portion of Other expenses divided by the total cost for the financial year in the computation of Cost of Work In Progress, Finished Goods and Finished Goods in transit. In this regards please refer the comments made by C&AG in their supplementary audit report for year 2018-19 in Comments on Disclosure –C (1). It has resulted an increase of Inventory value by Rs. 63.05 Lakhs and profit by Rs. 63.05/-Lakhs.

**Impact of Change in method of valuation of Inventories in the Profit & Loss Statement:**

| Description | Work In Progress (Rs: In Lakhs) | Finished Goods (Rs: In Lakhs) | Finished Goods in Transit (Rs: In Lakhs) | Materials In Shop (Rs: In Lakhs) | Total (Rs: In Lakhs) |
|---|---|---|---|---|---|
| **Following new method of Work In Progress valuation (Actuals recorded till 31st December 2020 and then reconverting to 31st March 2020 Percentage of completion)** | **1442.22** | **504.36** | **1653.16** | **195.36** | **3795.09** |
| **Following old Method (Method Till Last Year) of Work In Progress valuation (Actuals recorded till 31st March 2020** | **1216.63** | **504.36** | **1653.16** | **195.36** | **3569.51** |
| | | | | | |
| **Difference (Increment in profit)** | **225.58** | **0.00** | **0.00** | **0.00** | **225.58** |
| | | | | | |
| **With Financial Charge (New Method)** | **1459.92** | **513.54** | **1682.85** | **201.84** | **3858.14** |
| **Without Financial Charge Old Method(Method Till Last Year)** | **1442.22** | **504.36** | **1653.16** | **195.36** | **3795.09** |
| | | | | | |
| **Difference(Increment in profit)** | **17.70** | **9.18** | **29.69** | **6.48** | **63.05** |
| **Grand Total (Increment In profit) – Amount Rupees in Lakhs** | | | | | **288.63** |

### (d) Cash and Cash equivalents

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

### (e) Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Claims for liquidated damages against the Company are recognised in the stand-alone financial statements based on the management's assessment of the probable outcome with reference to the available information supplemented by experience of similar transactions. Other provisions are recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. However, where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent liabilities are possible obligations that arise from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Company. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

Contingent liabilities are disclosed on the basis of judgment of the management/independent experts. These are reviewed at each balance sheet date and are adjusted to reflect the current management estimate.

### (f) Foreign currency transactions and translation

Transactions in foreign currencies are initially recorded by the company at the functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Exchange differences arising on settlement or translation of monetary items are recognised in profit or loss in the year in which it arises.

### (g) Revenue

Revenue is recognised from Sale of goods and services on the transfer of control to the customer and upon the satisfaction of performance obligations under the contract.

#### (i) Revenue from sale of goods

(ii) The Company from year 2017-18 onwards is recognising revenue in respect of FOR destination sale (the price of the goods are inclusive of freight and insurance) of products only after the goods were delivered at the Customer's site. In case of goods sold on Ex- Factory basis, the revenue is recognised when the goods are loaded onto the truck, or other delivery vehicle, at the factory site of the Company. The Company generally has no further significant contractual performance obligation that would preclude revenue recognition.

(iii) Revenue is recognised using input method based on the Cost approach.

**ii) Rendering of Services.**

Revenue is recognised as and when services are rendered.

**iii) Other Income.**

Dividend income is recognised in profit or loss on the date on which the Company's right to receive payment is established. Interest Income is recognised using effective interest rate method. Claims for export incentives/ duty drawbacks, duty refunds and insurance are accounted for on accrual basis.

**(h) Employee benefits**

**i) Defined contribution plans**

Contribution to Provident fund is in the nature of defined contribution plan and is made to a recognised trust. The Company's contribution to Provident fund is covered under defined contribution plan and is recognised as employee benefit expense in statement of profit or loss in the periods during which services are rendered by employees.

**ii) Defined benefit plans**

Payment of Gratuity to employees is covered under Group Gratuity Cum Assurance Scheme of the LIC of India which is in the nature of defined benefit Scheme. The liability recognised in the balance sheet in respect of these defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, if any. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using an appropriate government bond rate that have terms to maturity approximating to the terms of the related liability. Remeasurements comprising actuarial gains and losses as well as the difference between the return on plan assets and the amounts included in net interest on the net defined benefits liability (asset) are recognised in other comprehensive income, net of income tax. Other expenses related to defined benefit plans are recognised in statement of profit or loss.

### iii) Compensated absences

The Company has a Privilege Leave Policy and Sick Leave Policy which is classified as Other Long Term Employees benefits as per Ind AS 19. This is applicable to various workers and officers. The Company measures the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period. The Company records a liability for accumulated balance based on actuarial valuation determined using projected unit credit method. Remeasurements and other expenses related to long term benefit plans are recognised in statement of profit or loss. Privilege leave policy scheme is funded by the Company and is managed by Life Insurance Corporation of India in accordance with schemes framed by the Corporation. Sick Leave Policy scheme is not separately funded and managed by the Company itself.

### iv) Short-term benefits

All employee benefits falling due wholly within twelve months of rendering the service are classified as short term employee benefits. The benefit like salaries, wages, and the expected cost of bonus is recognised in the period in which the employee renders the related service.

Company have a practice of passing on its employees a specified share of Profit earned on a particular financial year on the basis of the prescribed percentage of Profit Before Tax (PBT) popularly known as PPBIS scheme. For the financial year 2019-20 company provided an adhoc amount of Rs. 30 Lakhs for the said purpose

## (i) Income tax

Income tax expense comprises current and deferred tax. Current tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current income taxes are recognised under "income tax payable" net of payments on account or under "tax receivables" where there is a credit balance.

Deferred tax is recognised using the balance sheet method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### (j) Impairment of non-financial assets

The carrying amounts of the Company’s non-financial assets primarily include property, plant and equipment, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit, or CGU”).

The Company’s corporate assets do not generate separate cash inflows. If there is an indication that corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are reduced from the carrying amounts of the assets of the CGU.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### (k) Segment reporting

The Company primarily engages in manufacture of transformers and electrical equipment’s. The Company does not distinguish revenues, costs and expenses between different businesses in its internal reporting, and reports costs and expenses by nature as a whole. The Board of Directors reviews the results when making decisions about allocating resources and assessing performance of the Company as a whole and hence, the Company has only one reportable segment. The Company operates and manages its business as a single segment mainly through the sale of transformers. As the Company's long-lived assets are all located in India and most of the Company's revenues are derived from India, no geographical information is presented.

### (l) Government Grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses incurred are recognised over the period in which the related costs are incurred and are deducted from the related expenses. Grants that compensate the Company for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the related asset.

The accounting policy adopted by the company for government grants under Pradhan Mantri Rojgar Protsahan Yojana (PMRPY) scheme of Government of India is to recognise it as a grant related to Income. The Company adopted 2nd Method as prescribed in IND AS 20 - ie, deducting from the related PF expenses for recording in the books.

Nature of the grant: PMRPY scheme was started by the Central Government from 1st April 2016 onwards and ended on 31st March 2019. Through this scheme the pension portion of PF contribution shall be met by the Central Government instead of the employer (the company) for the any newly appointed employee (the employee should be in his first 3 years of his employment).

### (m) Earnings per share

Basic earnings per share is computed by dividing the profit/(loss) attributable to ordinary equity holders of the Company by weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing the profit/(loss) attributable to ordinary equity holders of the Company using the weighted-average number of equity shares considered for deriving basic earnings per share and weighted average number of dilutive equivalent shares outstanding during the period, except where the results would be anti-dilutive. Dilutive potential shares are deemed converted at the beginning of the period, unless issued at later date.

### (n) Cash Flow statement

Cash flow statement is prepared in accordance with the indirect method prescribed in Ind AS 7 "Statement of Cash Flows".

### (o) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

## i) Financial assets

### Initial recognition and measurement

All financial assets are recognised initially at fair value plus or minus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition or issue of the financial asset.

### Subsequent measurement

### Debt instruments at amortised cost

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

(a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

(b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss. This category generally applies to trade and other receivables.

### Debt instrument at Fair Value Through OCI (FVTOCI) –

A 'debt instrument' is classified as FVTOCI if both of the following criteria are met:

(a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and

(b) The asset's contractual cash flows represent SPPI

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). However, the company recognises interest income, impairment losses & reversals and foreign exchange gain or loss in the profit and loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to profit and loss. Interest earned while holding FVTOCI debt instrument is reported as interest income using the EIR method.

### Debt instrument at Fair Value through Profit or Loss (FVTPL) –

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL. In addition, the company may elect to classify a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as ‘accounting mismatch’). Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in the P&L.

**Equity investments –**

All equity investments in entities other than subsidiaries and joint ventures are measured at fair value.

Equity instruments which are held for trading are classified as at FVTPL. For all other equity instruments, the Company decides to classify the same either as at FVTOCI or FVTPL. The Company makes such election on an instrument by- instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the P&L.

Equity investments in subsidiaries and joint ventures are measured at cost, as cost represents the appropriate estimate of fair value in case of these investments.

**Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e. removed from the Company’s balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass through’ arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

**Impairment of financial assets –**

The loss allowance in respect of trade receivables are measured at an amount equal to life time expected credit losses. The loss allowance in respect of all other financial assets, which are required to be impaired, are measured at an amount equal to lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. However if at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to 12 months expected credit losses.

### ii) Financial liabilities

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables and Bank overdrafts.

**Subsequent measurement –**

The measurement of financial liabilities depends on their classification, as described below:

**Financial liabilities at fair value through profit or loss –**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Gains or losses on liabilities held for trading are recognised in statement of profit and loss.

**Financial liabilities measured at amortized cost**

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method.

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

### (p) Corporate Social Responsibility

As per Section 135 of the Companies Act 2013, every company having net worth of rupees five hundred crores or more, or turnover of rupees one thousand crores or more or a net profit of rupees five crores or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director. The Corporate Social Responsibility Committee of the Board shall ensure that the company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years.

In compliance with the Companies Act, the company already constituted a Corporate Social Responsibility Committee of the Board. In this regards company already created an adhoc provision based on the 2% of the average PBT for the last three years in the year 2019-2020 for the first time. Because of the earlier year losses, this provision was not applicable to the company till last year.

This may be spent by the company for CSR purpose in the future based on the recommendations of the CSR Committee.

**(q) Covid 19 Impact**

As Covid 19 pandemic have a significant impact on almost all entities in the world and in consonance with Guidance Note issued in this regards by the Institute of Chartered Accountants of India (ICAI), the related risk has been assessed.

These Financial statements are prepared on the assumption that the Company is a going concern and will continue its operation for the foreseeable future. Management of the company is in the process of assessing the impact of COVID-19 and has no doubts in the company's ability to continue as a going concern. Further the Company has no intention to either liquidate or to cease operations in the foreseeable future.

Also please take note of the change in accounting estimates in the valuation of Inventories during 2019-2020 as mentioned in Page 10 of this Financial Statements 2019-20 and also in Page No. 20 Note no: 10.

TRANSFORMERS AND ELECTRICALS KERALA LIMITED,
Angamally South PO, Ernakulam District, Kerala.

Notes to the financial statements for the year ended 31 March 2020
Rupees(₹) in lakhs, unless otherwise stated

**4a Property, plant and equipment**
**Reconciliation of carrying amount**

| Particulars | Land | Land Development | Building | Plant And Machinery | Elect. Installations | Office Equipments | Furniture & Fixtures | Canteen & Dormitory Furniture & Utensils | Water Systems | Air Conditioners | Motor Vehicle | Computer Hardware | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as on 31 March 19** | **5.82** | **26.61** | **875.08** | **750.63** | **4.31** | **13.68** | **19.21** | **7.72** | **19.99** | **92.03** | **1.91** | **34.44** | **1,851.43** |
| Additions | | | | 31.92 | 2.43 | 1.05 | 0.69 | | | 1.09 | | 4.40 | 41.58 |
| Deletions | | | | | | | | | | | | | |
| **Balance as on 31 March 20** | **5.82** | **26.61** | **875.08** | **782.55** | **6.74** | **14.73** | **19.90** | **7.72** | **19.99** | **93.12** | **1.91** | **38.84** | **1,893.01** |
| **Particulars** | **Land** | **Land Development** | **Building** | **Plant And Machinery** | **Elect. Installations** | **Office Equipments** | **Furniture & Fixtures** | **Canteen & Dormitory Furniture & Utensils** | **Water Systems** | **Air Conditioners** | **Motor Vehicle** | **Computer Hardware** | **Total** |
| **Accumulated depreciation** | | | | | | | | | | | | | |
| **Balance as on 31 March 19** | **-** | **1.35** | **104.18** | **232.70** | **0.40** | **4.35** | **10.23** | **6.11** | **5.56** | **52.29** | **0.91** | **17.00** | **435.06** |
| Depreciation for the year | | 0.34 | 25.88 | 70.98 | 0.17 | 0.86 | 2.25 | 0.02 | 1.38 | 16.91 | - | 8.23 | 127.01 |
| Accumulated depreciation on deletions | | | | | | - | | | | | | | |
| **Balance as on 31 March 20** | **-** | **1.69** | **130.06** | **303.68** | **0.57** | **5.21** | **12.48** | **6.13** | **6.94** | **69.20** | **0.91** | **25.23** | **562.07** |
| **Carrying amount, net** | **Land** | **Land Development** | **Building** | **Plant And Machinery** | **Elect. Installations** | **Office Equipments** | **Furniture & Fixtures** | **Canteen & Dormitory Furniture & Utensils** | **Water Systems** | **Air Conditioners** | **Motor Vehicle** | **Computer Hardware** | **Total** |
| As on 31 March 2019 | 5.82 | 25.26 | 770.90 | 517.93 | 3.91 | 9.33 | 8.98 | 1.61 | 14.43 | 39.74 | 1.01 | 17.44 | **1,416.37** |
| As on 31 March 2020 | 5.82 | 24.92 | 745.02 | 478.87 | 6.17 | 9.52 | 7.42 | 1.59 | 13.05 | 23.92 | 1.01 | 13.61 | **1,330.93** |

**Note: Plant and machinery including its machinery spares, tools and accessories and other movable plant and machinery are hypothecated as Security against funded and non funded facilities provided by the Banks.**

Rupees(₹) in lakhs, unless otherwise stated

**4b**

| Capital Work In Progress | Current Year | Previous Year |
|---|---|---|
| As at 31st March 20 | 1.15 | 1.15 |
| As at 31st March 19 | 1.15 | 12.65 |

**5** **Other intangible assets**
**Reconciliation of carrying amount**

| Particulars | Computer Software | Total |
|---|---|---|
| **Balance as on 31 March 2019** | **23.11** | **23.11** |
| Additions | **2.88** | **2.88** |
| **Balance as on 31 March 2020** | **25.99** | **25.99** |

| Particulars | Computer Software | Total |
|---|---|---|
| **Balance as on 31 March 2019** | **13.63** | **13.63** |
| Amortisation for the year | 3.48 | 3.48 |
| **Balance as on 31 March 2020** | **17.11** | **17.11** |

| Carrying amount, net | Computer Software | Total |
|---|---|---|
| As on 31 March 2019 | 12.36 | 9.48 |
| As on 31 March 2020 | 8.88 | 8.88 |

Pending implementation of the new ERP system,in 2017-18 the company migrated from it's old, in-house developed software to a new Software for the limited purpose of accounting & book keeping of Financial transactions excluding Payroll and Material accounting. But the company continues with the old software for performing it's other activities. The Management is in the process of upgrading the softwares / full fledged ERP implementation. Please refer Note No. 3 (b) regarding accounting policy on Intangiable Assets.

**Transformers and Electricals Kerala Limited**
**Angamally South PO, Ernakulam District, Kerala.**
**Notes to the financial statements for the year ended 31 March 2020**
**Rupees(₹) in lakhs, unless otherwise stated**

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| Investments | As at 31 March 2020 | As at 31 March 2019 |
|---|---|---|
| **Non-current - Other Investments** | | |
| **Unquoted (measured at fair value through Profit and Loss)** | | |
| **Cooperative societies** | | |
| **Investment in shares of TELK Employees Multipurpose Co-operative Society Ltd*** | | |
| 450 'B' Class ( PY - 450 'B' class) shares of Rs 100 each fully paid up | 0.45 | 0.45 |
| **Investment in shares of TELK Employees Canteen Co-operative Society Ltd**** | | |
| 250 'B' class (PY - 250 'B' class) shares of Rs 100 each fully paid up | 0.25 | 0.25 |
| **Total** | **0.70** | **0.70** |
| **Aggregate value of unquoted investments** | **0.70** | **0.70** |

* Telk Employees Multipurpose Co-operative Society Ltd is a controlled special purpose entity in whom invesment have been made for 450 "B" Class shares of Rs.100 each for total value of Rs.45000/-. All Shares are fully paidup.
**Telk Employees Canteen Co-operative Society Ltd is a controlled special purpose entity in whom investment have been made for 250 "B" Class shares of Rs.100 each for total value of Rs.25000/-. All Shares are fully paidup

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| Loans | As at 31 March 2020 | As at 31 March 2019 |
|---|---|---|
| **Non - Current - Unsecured considered good** | | |
| Security Deposits and Earnest Money Deposit | 99.55 | 83.99 |
| **Total** | **99.55** | **83.99** |
| **Current - Unsecured considered good** | | |
| Short term Loans & Advances | | |
| Earnest Money Deposit | | 0.56 |
| **Total** | **-** | **0.56** |

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| Other financial assets | As at 31 March 2020 | As at 31 March 2019 |
|---|---|---|
| **Non-current** | | |
| Bank deposits (due to mature after 12 months from the reporting date)** | 94.46 | 117.53 |
| 2.25% Long Term Government Gold Deposit with SBI* | 11.94 | 11.94 |
| **Total** | **106.40** | **129.47** |
| **Current** | | |
| Interest accrued on Gold Deposits with SBI | 0.81 | 0.54 |
| **Total** | **0.81** | **0.54** |

*Earlier TELK had the practice of giving Gold Coins as Memento to employees as token of appreciation for timely achievement of production targets. The balance of those Gold Coins after distribution to eligible employees were kept in safe custody of the company. During 2016-17 company brought to the books this gold by crediting Miscellaneous Income; and the company handed over to State Bank of India 442.6 Grams of Gold in the form of 80 Gold Coins of different weights ranging from 1 Gram to 8 Grams with the intention of depositing the Gold with State Bank of India under R- GDS scheme of Reserve Bank of India. The deposit is a medium term government deposit with interest rate of 2.25% p.a. As per the RBI- Master Direction No. DBR.IBD.No.45/23.67.003/2015-16 the Gold so deposited needs to be treated as item in safe custody by the designated bank till the deposit is made effective. The deposit has been made effective from 1st April 2017 by State Bank of India for Rs.1193506/- and the consequential gain (due to reversal of impairment loss accounted last year) was disclosed under Note No.26 during 2017-18. From 01/04/2017 onwards the company has classified this asset under Non- Current category - "Other Financial Assets" and disclosed under Note 8.

**Bank deposits include restricted bank balances having unelapsed tenure of more than 12 months of INR 94.46 Lakhs (previous year: INR 117.53). The restrictions are primarily on account of bank balances held as lien against bank guarantees.

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| Other assets | As at 31 March 2020 | As at 31 March 2019 |
|---|---|---|
| **Current** | | |
| Advances other than Capital Advances | | |
| Other Advances | | |
| *Employee advances* | 29.39 | 41.64 |
| *Advances to Suppliers and Contractors* | 40.86 | 66.37 |
| *Other advances & Prepaid Expenses* | 50.09 | 77.01 |
| *Balance with government authorities* | 268.78 | 169.88 |
| **Total** | **389.12** | **354.90** |

| 10 Inventories | As at 31 March 2020 | As at 31 March 2019 |
|---|---|---|
| Raw Materials | 2,335.87 | 2,648.88 |
| Raw Materials in Transit | - | 10.89 |
| Work In Progress | 1,661.76 | 1,897.83 |
| Finished Goods | 513.54 | 500.93 |
| Finished Goods in Transit | 1,682.85 | 2,850.59 |
| Scrap | 34.80 | 36.96 |
| Stock of Materials with Fabricators | 110.39 | 53.73 |
| **Total** | **6,339.20** | **7,999.81** |

Write down of Inventories is Nil (previous year - Nil)

In respect of FOR destination Sales, the company from 2017-18 onwards started recognising Revenue only after the goods reached the Customers destination point. So all such Goods which were under transit as on 31st March 2020 from the Company factory gate till the Customer's destination point were recognised as Goods in Transit and classified along with Finished Goods under inventory and valued as Cost / NRV which ever is lower as per IND AS 2.

Company follows a practise of issuance of Stores & Spares to the intended department immediately after the same is received in the Stores.

**Changes in the method of Valuation of Inventories in year 2019-20:** Till last year the practise of the Company for estimating the material Cost of Work In Progress was to take the actual cost recorded in the system till 31st March 2020. Due to COVID related lockdowns and other restrictions chances are high that posting of entries related to issues of materials to work in progress in the system may got delayed or posted only after the year end 31st March 2020. So in order to find out the reasonable cost as on 31st March 2020 for the valuation of work in progress,the company changed it's method accounting estimation of work in progress as follows: All the materials cost till the month December 2020 (by the month Dec 2020 all items recorded as Work in progress as on 31st March 2020 got converted in to Finished goods) are taken and assigned as 100% cost of materials and then reconverted back to the percentage of completion as recorded as on 31st March 2020.

Till last year the practise of the Company for estimating the Cost of Work In Progress, Finished Goods and Finished Goods in transit was without including the Financial Cost . However based on the requirements of IND AS 2 & 23 - company seems more appropriate to include a part of the Financial cost apportioned on the basis of ratio of the Cost of Materials plus Direct labour plus production portion of Other expenses divided by the total cost for the financial year in the computation of Cost of Work In Progress, Finished Goods and Finished Goods in transit. In this regards please refer the comments made by C&AG in their supplementary audit report for year 2018-19 in Comments On Disclosure - C (1).

| Description | Work In Progress (Rs: In Lakhs) | Finished Goods (Rs: In Lakhs) | Finished Goods in Transit (Rs: In Lakhs) | Materials In Shop (Rs: In Lakhs) | Total Impact in Profit & Loss Statement (Rs: In Lakhs) |
|---|---|---|---|---|---|
| Following new method of Work In Progress valuation (Actuals recorded till 31st December 2020 and then reconverting to 31st March 2020 Percentage of completion) | 1442.22 | 504.36 | 1653.16 | 195.36 | 3795.09 |
| Following old Method (Method Till Last Year) of Work In Progress valuation (Actuals recorded till 31st March 2020 | 1216.63 | 504.36 | 1653.16 | 195.36 | 3569.51 |
| Difference (Increment in profit) | 225.58 | 0.00 | 0.00 | 0.00 | 225.58 |
| With Financial Charge (New Method) | 1459.92 | 513.54 | 1682.85 | 201.84 | 3858.14 |
| Without Financial Charge Old Method (Method Till Last Year) | 1442.22 | 504.36 | 1653.16 | 195.36 | 3795.09 |
| Difference (Increment in profit) | 17.70 | 9.18 | 29.69 | 6.48 | 63.05 |

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| Trade receivables | As at 31 March 2020 | As at 31 March 2019 |
|---|---|---|
| Unsecured, | | |
| -Considered good | 7,608.87 | 7,399.57 |
| -Considered doubtful | 834.55 | 911.06 |
| | 8,443.42 | 8,310.63 |
| Less: Provision for Bad & Doubtful Debts | (834.55) | (911.06) |
| **Total** | **7,608.86** | **7,399.57** |

**Allowance for Doubtful trade Recievables**

| Particulars | As at 31.03.2020 | As at 31.03.2019 |
|---|---|---|
| Provision at the Beginning of the Year | 911.06 | 383.74 |
| Provision released during the year | 76.51 | - |
| Provision made durig the year | - | 527.32 |
| Provision at the end of the Year | 834.55 | 911.06 |

Trade receivables outstanding as on 31st March 2020 also consists of Debtors who are supposed to give LC as per their Purchase Order and hence are risk free regarding it's collectivity. Out of those Debtors covered by LC, some debtors need to be categorised as covered under LC as per the terms of Purchase Order but not opened as on 31st March 2020. As per the terms of the Purchase Order issued by the customers, the last installment payment against invoices are payable only at the time of completion of the erection, testing & commissioning which normally will be at a later stage of the project & will takes several months for completion. However there is Nil risk in any of those installments as this is agreed by the customers by signing the purchase order that LCs will be opened as and when the installments will become due for payment after completion of the erection, testing and commissioning.Hence in respect of those debts the company has not made provision for Bad Debts under ECL computation.

12a.

| Cash and cash equivalents | As at 31 March 2020 | As at 31 March 2019 |
|---|---|---|
| **Balances with banks :** | | |
| In current accounts | 1.08 | 0.59 |
| In deposit accounts | 23.72 | 46.67 |
| | **24.80** | **47.26** |

*The deposits with bank comprise time deposits, which can be withdrawn at any time without prior notice and without any penalty on the principal and accordingly considered as cash and cash equivalents for cash flow purposes. Since margin money deposits amounting to INR 637.11Lakhs (March 31, 2019: INR 586.38 Lakhs) given as collateral against the bank guarantees are not readily convertible as Cash so long as Bank Guaratees are live, they are excluded from Cash and Cash equivalents and included in Bank balances other than Cash and Cash equivalents under Note 12.b.

12b.

| Bank balances other than Cash and Cash equivalent | As at 31 March 2020 | As at 31 March 2019 |
|---|---|---|
| **Other bank balances** | | |
| Others-Unclaimed Dividend Account | | 1.13 |
| **Deposits with original maturity of more than 3 months** | | |
| Margin Money Deposits | 637.11 | 586.38 |
| Other Deposits - KIRFB | 4.62 | 4.62 |
| Less: Bank Balances with original maturity of more than 12 months dislclosed under other non- current assets | (94.46) | (117.53) |
| | **547.26** | **474.60** |

*M/s Telk Social Safety Net Programme (SSNP-2004) was introduced at M/s Telk with a view to achieving substantial reduction in the cost of establishment of the company and hence the vacancies arising consequent on the implementation of the scheme shall be abolished. Kerala Industrial Revitalisation Fund Board (KIRFB) was given the responsibility to manage the welfare fund. The balance in the fund as on date is Rs.4.62 Lakhs.

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13a

| | Equity share capital | As at 31 March 2020 | | As at 31 March 2019 | |
|---|---|---|---|---|---|
| | | No. of Shares | Amount | No. of Shares | Amount |
| (A) | **Authorised** | | | | |
| | 125000000 shares of par value of Rs.10/- each (Previous year 125000000 shares of par value of Rs.10/- each) | 1,250.00 | 12,500.00 | 1,250.00 | 12,500.00 |
| (B) | **Issued** | | | | |
| | 42975400 shares of par value of Rs.10/- each (Previous year 42975400 shares of par value of Rs.10/- each) | 429.75 | 4,297.54 | 429.75 | 4,297.54 |
| (C) | **Issued, Subscribed & Fully Paid up Capital** | | | | |
| | 42967350 shares of par value of Rs.10/- each (Previous year 42967350 shares of par value of Rs.10/- each) | 429.67 | 4,296.74 | 429.67 | 4,296.74 |
| (D) | **Forfeited shares** | - | 0.22 | - | 0.22 |
| | **Total (C+D)** | **429.67** | **4,296.96** | **429.67** | **4,296.96** |

(i) **Reconciliation of the number of shares and amount outstanding:**

| Particulars | As at 31 March 2020 | | As at 31 March 2019 | |
|---|---|---|---|---|
| | No. of Shares | Amount | No. of Shares | Amount |
| Equity shares of Rs. 10 each fully paid up | | | | |
| At the beginning of the year | 429.67 | 4,296.74 | 429.67 | 4,296.74 |
| Issued during the year | - | - | - | - |
| **Outstanding at the end of the year** | **429.67** | **4,296.74** | **429.67** | **4,296.74** |

(ii) **Terms and rights attached to equity shares**

The company has only one class of equity share having par value of Rs. 10 per share. Each holder of equity share is entitled to one vote per share. The holders of the equity shares are entitled to receive dividends as declared from time to time. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(iii) The Company has neither issued bonus shares nor has bought back any shares during last 5 years

(iv) **Details of shareholders holding more than 5% shares in the Company**

| Particulars | As at 31 March 2020 | | As at 31 March 2019 | |
|---|---|---|---|---|
| | No. of Shares | % holding | No. of Shares | % holding |
| **Equity shares of Rs. 10 each fully paid up** | | | | |
| Honourable Governor of Kerala | 234.44 | 54.56% | 234.44 | 54.56% |
| NTPC LTD | 191.63 | 44.60% | 191.63 | 44.60% |
| **Total number of shares holding more than 5%** | **426.08** | **99.16%** | **426.08** | **99.16%** |
| Add: Others (Non- Controlling Interest &individually holding less than 5%) | 3.59 | 0.84% | 3.59 | 0.84% |
| **Total equity shares** | **429.67** | **100%** | **429.67** | **100%** |

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**13b**

| Other Equity | As at 31 March 2020 | As at 31 March 2019 |
|---|---|---|
| Capital Reserve | 1,619.60 | 1,619.60 |
| General Reserve | 5,085.00 | 5,085.00 |
| Retained Earnings | (1,691.43) | (2,325.27) |
| Other reserves (Other Comprehensive Income) | (144.16) | (34.78) |
| **Total** | **4,869.01** | **4,344.55** |

| | Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|---|---|---|---|
| (i) | **Capital Reserve** | | |
| | Opening balance | 1,619.60 | 1,619.60 |
| | Less: Adjustment during the year | - | - |
| | Closing balance | 1,619.60 | 1,619.60 |
| (ii) | **General Reserve** | | |
| | Opening balance | 5,085.00 | 5,085.00 |
| | Add: Transfer from retained earnings | - | - |
| | Closing balance | 5,085.00 | 5,085.00 |
| (iii) | **Retained earnings** | | |
| | Opening balance | (2,325.26) | (2,710.26) |
| | Add: Profit/(loss) for the year as per Statement of Profit and Loss | 633.83 | 384.99 |
| | Closing balance | (1,691.43) | (2,325.27) |
| (iv) | **Other Reserves** | | |
| | Opening balance | (34.78) | (46.34) |
| | Remeasurement of post-employment benefit obligation, net of tax | (109.38) | 11.56 |
| | **Closing balance** | **(144.16)** | **(34.78)** |

**Nature and purpose of other equity:**

**Capital Reserve**

Capital Reserve in the company's balance sheet alludes to a fund, that is created to finance long term project or write off capital expenses. The purpose of capital reserves are to meet future capital losses, issue fully paid bonus shares subject to Articles of Association and to strengthen the financial position of the business.This is not created out of Revaluation of assets.

**General Reserve**

Revenue profit earned by the company over the period since it's inception are the source of general reserves. This reserve can be generally utilised for any purpose and is freely available for distribution as dividend.

**Retained earnings**

Retained earnings are the profits that the Company has earned till date, less any transfers to general reserve, dividends or other distributions paid to investors.

**Other Reserves**

The cumulative balances of actuarial gain or loss arising on remeasurements of defined benefit plan is accumulated and recognised. Items included in actuarial gain or loss reserve will not be reclassified subsequently to statement of profit and loss.

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| Provisions | As at 31 March 2020 | As at 31 March 2019 |
|---|---|---|
| **Non-current** | | |
| **Provision for employee benefits:** | | |
| Provsion for Gratuity | 453.39 | 531.56 |
| Provsion for Leave Encashment | 139.76 | (27.23) |
| Provsion for sick leave | 286.62 | 265.61 |
| | 879.77 | 769.94 |
| **Current** | | |
| **Provision for employee benefits:** | | |
| Provision for sick leave | 28.12 | 32.65 |
| **Others** | | |
| Provision for materials to be issued | 180.25 | 98.07 |
| Provision for warranty | 34.23 | 34.23 |
| Provision for Liquidated Damages* | 67.09 | 67.09 |
| Provision for Central Excise Deposit | 3.27 | 3.27 |
| Provision for Income tax** | (156.54) | 191.45 |
| Provision for Wage Revision | 2,022.85 | 1,464.65 |
| Provision for CSR | 15.00 | |
| | **2,194.27** | **1,891.41** |
| **Total** | **3,074.03** | **2,661.35** |

*As per contract, Liquidated Damages (LD) is levied when there is a delay in delivery of the transformers. The balance of the provision for LD as on 31st March 2020 is Rs.67.09 Lakhs. Company is putting all it's efforts to take up the matter at appropriate levels and are hopeful of getting waiver for LDs recovered by the customers. For the financial year 2019-20 the total Liquidated Damages (LD) recovered by various customers is Rs.265.57 lakhs.

| Movement of Provision for Liquidated Damages | As at 31.03.2020 | As at 31.03.2019 |
|---|---|---|
| Opening Balance | 67.09 | 29.75 |
| Add: Additions | - | 37.34 |
| Less: Usage/Write off | - | - |
| Less: Withdrawal /adjustments | - | - |
| Closing Balance | 67.09 | 67.09 |
| **Movement of Provision for Warranty** | **As at 31.03.2020** | **As at 31.03.2019** |
| Opening Balance | 34.23 | 34.23 |
| Add: Additions | - | 26.53 |
| Less: Usage/Write off | - | 26.53 |
| Less: Withdrawal /adjustments | - | - |
| Closing Balance | 34.23 | 34.23 |
| **Movement of Provision for Income Tax** | **As at 31.03.2020** | **As at 31.03.2019** |
| Opening Balance | 191.45 | 321.25 |
| Add: Additions | - | 103.97 |
| Less: Usage/Write off | (174.00) | (200.75) |
| Less: Withdrawal /adjustments | (174.00) | (33.02) |
| Closing Balance | (156.54) | 191.45 |
| **Movement of Provision for Wage Revision** | **As at 31.03.2020** | **As at 31.03.2019** |
| Opening Balance | 1,464.65 | 933.61 |
| Add: Additions | 558.20 | 531.04 |
| Less: Usage/Write off | - | - |
| Less: Withdrawal /adjustments | - | - |
| Closing Balance | 2,022.85 | 1,464.65 |

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| Borrowings | As at 31 March 2020 | As at 31 March 2019 |
|---|---|---|
| **Loans repayable on demand** | | |
| **From bank (secured)** | | |
| Cash Credit | 1,539.44 | 1,375.81 |
| Bill Discounted | 322.08 | 662.91 |
| **Total** | **1,861.52** | **2,038.72** |

i) Cash Credit and Bill discounted from Banks amounting to INR 1861.52 Lakhs (31st March 2019: INR 2038.72 Lakhs) are secured by hypothecation of current assets and plant and machinery including its machinery spares, tools and accessories and other movable plant and machinery.
ii) Cash Credit and bill discounting facility carries interest rate ranging from 8% p.a to 11% p.a. For bill discounting through bank, the repayment period ranges from 90 days to 120 days and cash credit gets renewed yearly.
iii) There are no defaults in repayment of principal or interest to lenders as at the balance sheet date.

16

| Trade Payables | As at 31 March 2020 | As at 31 March 2019 |
|---|---|---|
| Dues to Micro, Small and Medium Enterprises | 151.07 | 122.63 |
| Other payables | 1,163.86 | 2,126.80 |
| **Total** | **1,314.93** | **2,249.43** |

17

| Other Financial liabilities | As at 31 March 2020 | As at 31 March 2019 |
|---|---|---|
| Unclaimed Dividend | | 1.13 |
| Others | | |
| Deposits from Contractors and Others | 194.32 | 185.04 |
| **Other Payables/dues** | | |
| -Employess dues * | 706.92 | 962.68 |
| -Other dues ** | 501.54 | 597.51 |
| **Total** | **1,402.77** | **1,746.36** |

*Provision made for Salary arrears for 2011-16 agreement with workers and pay revision of officers is found to be in excess by Rs. 8076544/-. Out of which 50% (Rs.4038272) was written off during this period. The Balance will be written off in the next year.
** 50% of Old balance (Carry Forwarded from FY 2016-17) in Accounts Payable ledger, Rs.12570583/- was written off during the period. The balance will be written off in the next year.
** Excess Provision available in the books related to PPBIS for year 2018-19 amounting to Rs. 29 Lakhs were reversed in year 2019-20.

18

| Other Current liabilites | As at 31 March 2020 | As at 31 March 2019 |
|---|---|---|
| **Other advances** | | |
| Advances from Customers and Others | 117.35 | 847.87 |
| Others | | |
| Statutory Liabilities | 908.05 | 1,250.23 |
| **Total** | **1,025.40** | **2,098.10** |

(i) Statutory Liabilities includes KVAT liabilities related to pending open cases (2014-15 KVAT) to extent of Rs.2068776
(ii) The company is in the process of reconciliation of the excess GST Input Credits availed (IGST Input - Rs.70,67,310.33 SGST Input - Rs.6,16,179.79 & CGST Input - Rs.606435.53) & excess Cenvat Credit availed of Rs.76,04,255.47 during 2017-18 and targeted to complete the process upon completion of GST Audit 2017-18.

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| Revenue from operations* | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|---|---|---|
| Sale of products **(A)*** | 19,484.36 | 19,299.19 |
| Sale of Services **(B)** | 243.90 | 147.56 |
| Other Operating Income | | |
| Sale of Scrap | 238.60 | 209.97 |
| Freight & Insurance** | 346.49 | 790.55 |
| **Total Other Operating Income (C)** | **585.08** | **1,000.54** |
| **Total revenue from operations (A+B+C)** | **20,313.34** | **20,447.29** |

* Refer additional disclosures related to IND AS 115 in Page 28

** Freight income & expenses shown separately after the implementation of GST.

20

| Other income | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|---|---|---|
| Interest income | 93.18 | 250.37 |
| Dividend income | 0.11 | 0.11 |
| Reversal of estimated indirect taxes provisions* | 195.09 | 334.26 |
| Profit / (Loss) from exchange fluctuations | 10.40 | 6.73 |
| Miscellaneous income** | 57.25 | 52.94 |
| **Total** | **356.04** | **644.41** |

* Refer disclosures under Note 17

** Miscellaneous Income mainly includes Discount received and Liquidated Damages on purchases.

21

| Cost of Material Consumed | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|---|---|---|
| Opening Stock of raw material | 2,750.47 | 3,472.67 |
| Add: Purchases of raw materials | 10,794.58 | 10,494.38 |
| Add: Provision for materials to be issued | 180.25 | 98.07 |
| Add: Stores and Spares Consumed | 176.16 | 154.75 |
| Less: Closing Stock | (2,481.06) | (2,750.47) |
| **Total** | **11,420.39** | **11,469.40** |

22

| Changes in inventories of Finished goods and work in progress | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|---|---|---|
| **Finished Goods*** | | |
| Opening stock | 500.93 | 320.57 |
| In - Transit* | 2,850.59 | 2,698.55 |
| Closing stock | 513.54 | 500.93 |
| In - Transit | 1,682.85 | 2,850.59 |
| **Change in inventory(A)** | **1,155.14** | **(332.40)** |
| **Work in Progress*** | | |
| Opening stock | 1,897.83 | 3,640.72 |
| Closing stock | 1,661.76 | 1,897.83 |
| **Change in inventory(B)** | **236.07** | **1,742.89** |
| **Total(A+B-C)** | **1,391.21** | **1,410.49** |

* Refer details related to Changes in the Method of valuation of Inventories given in Note no: 10 page 20 and also in explanation on Page 10 related to Significant accounting Policies -3(c).

23

| Employee benefits expenses | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|---|---|---|
| Salaries, wages and bonus | 4,022.89 | 3,816.20 |
| Remuneration to MD | 63.42 | 86.42 |
| Contribution to provident fund | 274.41 | 264.10 |
| Contribution to other funds | 12.71 | 18.07 |
| Gratuity | 145.33 | 158.63 |
| Staff welfare expenses | 555.75 | 578.62 |
| **Total** | **5,074.51** | **4,922.04** |

i)The agreement with Workers & proposal for officers pay revision for 2016- 21 (duly approved by the Board of Directors) got approval From Government of Kerala. - GO 69/2020/ID dated 23.07.2020 and GO 54/2021/ID dated 20.02.2021 ii)The Company has provided an estimated adhoc provision of Rs.558.20 Lakhs towards anticipated wage revision for both workers and officers. iii)Remuneration to MD is booked as per information given by NTPC Ltd from time to time.

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*Disclosure - Revenue from contracts with customers - Ind AS - 115

Ministry of Corporate affairs( MCA) has notified new Ind AS - Revenue from contract with customers from 1st April, 2018. The new Ind AS replaces existing revenue recognition standard Ind AS -11 ( Construction Contracts) and Ind AS 18 ( Revenue).

## Disaggregation of revenue from contracts with customers

| Particulars | Within India | Outside India |
|---|---|---|
| **2019-20** | | |
| **Revenue From m Customers** | | |
| **Timing of Revenue Recognition** | | |
| (a) At a point in time ( Product/Sales) | 20313.34 | 74.24 |
| (b) Over time | 0 | 0 |
| **2018-19** | | |
| **Revenue From m Customers** | | |
| **Timing of Revenue Recognition** | | |
| (a) At a point in time ( Product/Sales) | 20323.74 | 123.54 |
| (b) Over time | 0 | 0 |
| **Particulars** | **2019-20** | **2018-20** |
| Megha Engineering & Infrastructure Ltd | 7151.14 | 12042.63 |
| GE T&D Limited | 3685.57 | 29.03 |
| Kerala State Electricity Board Ltd | 3672.65 | 2897.62 |
| Siemens Limited | 2590.00 | 148.55 |
| APTRANSCO | 907.56 | 1514.03 |
| Others | 2380.66 | 3815.43 |

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| **Finance Cost** | **For the year ended 31 March 2020** | **For the year ended 31 March 2019** |
|---|---|---|
| *Interest* | | |
| On Cash Credit | 229.20 | 210.79 |
| On Bill Discounted & Others | 161.64 | 229.08 |
| | 390.84 | 439.87 |
| *Other Borrowing Cost* | | |
| Guarantee commission & Other Charges | 168.35 | 194.23 |
| **Total** | **559.20** | **634.10** |

25

| **Depreciation and amortisation expense** | **For the year ended 31 March 2020** | **For the year ended 31 March 2019** |
|---|---|---|
| Depreciation of property, plant and equipment | 127.02 | 128.37 |
| Amortisation of intangible assets | 3.48 | 3.44 |
| **Total** | **130.50** | **131.81** |

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| **Other Expenses** | **For the year ended 31 March 2020** | **For the year ended 31 March 2019** |
|---|---|---|
| Factory Expenses | 183.34 | 116.53 |
| Power and Fuel | 341.01 | 385.98 |
| Freight Outwards & Weightment Charges* | 375.23 | 309.66 |
| ***Repairs & Maintenance:*** | | |
| Buildings | - | 3.71 |
| Plant and Machinery | 9.40 | 26.31 |
| Others** | 248.32 | 237.26 |
| Rates and Taxes*** | 32.22 | 45.45 |
| Travelling & conveyance | 47.41 | 29.05 |
| Printing and Stationary | 6.57 | 12.40 |
| Postage and Telephones | 10.28 | 10.52 |
| Auditors' Remuneration | 3.40 | 3.40 |
| Directors' Sitting Fee | 0.051 | 0.01 |
| Honararium to Chairman | 2.40 | 2.40 |
| Legal and Professional Charges**** | 103.29 | 69.42 |
| Contribution - Chief Minister's Relief Fund | - | 21.00 |
| Miscellaneous expenses | 15.08 | 18.96 |
| Selling expenses and Commission | 47.20 | 51.53 |
| Liquidated Damages on Sales | - | 37.34 |
| Insurance Charges | 16.06 | 14.96 |
| Erection Expenses of Transformers | 75.51 | 87.79 |
| Advertisement & Publicity | 6.23 | 7.85 |
| Provision for bad and doubtful debts***** | (76.51) | 527.32 |
| Provision for CSR | 15.00 | - |
| **Total** | **1461.47** | **2018.85** |

* Please refer Note 19
** Includes payment towards labour outsourced
*** Please refer Note 18
**** Professional Charges includes Cost Audit Fees & Internal Audit Fees
***** Please refer Note 11

**Auditors' Remuneration**

| **Particular** | **For the year ended 31 March 2020** | **For the year ended 31 March 2019** |
|---|---|---|
| For Statutory Audit | 2.00 | 2.00 |
| For Taxation Matters | 0.40 | 0.40 |
| For Reimbursement of Expenses | 1.00 | 1.00 |
| **Total** | **3.40** | **3.40** |

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**27** **Tax expense**

**A. Amounts recognised in statement of profit and loss**

| | Year ended 31 March 2020 | Year ended 31 March 2019 |
|---|---|---|
| **Current tax (a)** | | |
| Current period | (174.00) | 103.97 |
| Less: Tax Refund (Set off made to the extent of excess provision available in the books)* | - | (33.02) |
| **Deferred tax (b)** | **174.00** | **70.95** |
| *Attributable to -* | | |
| Origination and reversal of temporary differences | 172.27 | 49.09 |
| | 172.27 | 49.09 |
| **Tax expense for the year (a) + (b)** | **(1.73)** | **120.04** |
| **(ii) Amounts recognised in other comprehensive income** | | |
| **Current Income Taxes** | | |
| In respect of the current period | - | - |
| **Deferred Taxes** | | |
| In respect of the current period | (42.16) | 4.45 |
| **Total** | **(43.89)** | **124.49** |

**B. Amounts recognised in other comprehensive income**

| | 31 March 2020 | | |
|---|---|---|---|
| | **Before tax** | **Tax (expense) benefit** | **Net of tax** |
| Remeasurements of the defined benefit plans | (151.54) | 42.16 | (109.38) |
| | **(151.54)** | **42.16** | **(109.38)** |

| | 31 March 2019 | | |
|---|---|---|---|
| | **Before tax** | **Tax (expense) benefit** | **Net of tax** |
| Remeasurements of the defined benefit plans | 16.01 | (4.45) | 11.56 |
| | **16.01** | **(4.45)** | **11.56** |

**C. Reconciliation of the income tax provision to the amount computed by applying the statutory income tax rate to the income before income taxes is summarized below:**

| | 31 March 2020 | 31 March 2019 |
|---|---|---|
| **Profit before tax** | **632.11** | **505.05** |
| Tax using the Company's domestic tax rate | 27.82% | 27.82% |
| | 175.85 | 140.50 |
| Effect of: | | |
| Deferred tax | 130.11 | 53.54 |
| Difference in rate considered for MAT and books | (70.34) | (36.53) |
| Adjustments in MAT not considered in book profit (To Match with available credit as per ITR AY 2020-21) | (279.51) | - |
| Less: Utilization of excess provision / Tax Refund | - | (33.02) |
| **Income tax expense** | **(43.89)** | **124.49** |

*Income tax for the year is provided after adjusting Rs. 33.02 Lakhs available in Provision for Taxation created earlier by crediting Income tax refund received.

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**27 Tax expense (continued)**

**D. Recognised Deferred tax assets and liabilities**
Deferred tax assets and liabilities are attributable as follows

| | Deferred tax assets | Deferred tax (liabilities) | Net deferred tax asset (liabilities) |
|---|---|---|---|
| | 31 March 2020 | 31 March 2020 | 31 March 2020 |
| Property, plant and equipment | (574.80) | - | (574.80) |
| Provisions for gratuity | - | 252.30 | 252.30 |
| Provision for sick leave | - | 101.35 | 101.35 |
| Provision for leave encashment | - | 61.32 | 61.32 |
| PF Payable | - | 15.83 | 15.83 |
| Sales tax provisions | - | 5.76 | 5.76 |
| Service tax provisions | - | (0.00) | (0.00) |
| 40(a)(ia) payments | - | 1.01 | 1.01 |
| Bonus And Festival allowance | - | 35.54 | 35.54 |
| Loss/Depreciation carried forward as per Return | - | 647.05 | 647.05 |
| Provision for Interest payable on Excise Duty for Price Variations in 2015-16 | - | 0.00 | 0.00 |
| Provision for Bad and Doubtful Debts-2015-16 | - | 617.26 | 617.26 |
| Warranty | - | 6.14 | 6.14 |
| MAT Credit | - | 218.20 | 218.20 |
| **Net deferred tax (assets) liabilities** | **(574.80)** | **1,961.76** | **1,386.95** |

| | Deferred tax assets | Deferred tax (liabilities) | Net deferred tax asset (liabilities) |
|---|---|---|---|
| | 31 March 2019 | 31 March 2019 | 31 March 2019 |
| Property, plant and equipment | (463.49) | - | (463.49) |
| Provisions for gratuity | - | 189.73 | 189.73 |
| Provision for sick leave | - | 96.77 | 96.77 |
| Provision for leave encashment | - | 14.86 | 14.86 |
| PF Payable | - | 4.47 | 4.47 |
| Sales tax provisions | - | 10.41 | 10.41 |
| Service tax provisions | - | 9.07 | 9.07 |
| Excise Duty | - | - | - |
| Disallowance on account of 40(a)(ia) payments | - | 1.01 | 1.01 |
| Bonus And Festival allowance | - | 35.82 | 35.82 |
| Loss/Depreciation carried forward as per Return | - | 573.46 | 573.46 |
| Provision for Interest payable on Excise Duty for Price Variations in 2015-16 | - | 8.07 | 8.07 |
| Provision for Bad and Doubtful Debts-2015-16 | - | 638.55 | 638.55 |
| Warranty | - | 6.14 | 6.14 |
| MAT Credit | - | 392.20 | 392.20 |
| Fair value of Investment in gold coins | - | - | - |
| **Net deferred tax (assets) liabilities** | **(463.49)** | **1,980.56** | **1,517.07** |

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**27 Tax expense (continued)**

**E. Movement in temporary differences**

| | Balance as at 1 April 2019 | Recognised in profit or loss during 2019-20 | Recognised in OCI during 2019-20 | Balance as at 31 March 2020 |
|---|---|---|---|---|
| Property, plant and equipment | (463.49) | (111.31) | - | (574.80) |
| Provisions for gratuity | 189.73 | 20.41 | 42.16 | 252.30 |
| Provision for sick leave | 96.77 | 4.58 | - | 101.35 |
| Provision for leave encashment | 14.86 | 46.46 | - | 61.32 |
| PF Payable | 4.47 | 11.36 | - | 15.83 |
| Sales tax provisions | 10.41 | (4.65) | - | 5.76 |
| Service tax provisions | 9.07 | (9.07) | - | (0.00) |
| Disallowance on account of 40(a)(ia) payments | 1.01 | - | - | 1.01 |
| Bonus And Festival allowance | 35.82 | (0.28) | - | 35.54 |
| Loss/Depreciation carried forward | 573.46 | 73.59 | - | 647.05 |
| Provision for Interest payable on Excise Duty for Price Variations in 2015-16 | 8.07 | (8.07) | - | 0.00 |
| Provision for Bad and Doubtful Debts | 638.55 | (21.29) | - | 617.26 |
| Warranty | 6.14 | - | - | 6.14 |
| MAT Credit | 392.20 | (174.00) | - | 218.20 |
| | **1,517.07** | **(172.27)** | **42.16** | **1,386.95** |

| | Balance as at 1 April 2018 | Recognised in profit or loss during 2018-19 | Recognised in OCI during 2018-19 | Balance as at 31 March 2019 |
|---|---|---|---|---|
| Property, plant and equipment | (339.85) | (123.63) | - | (463.49) |
| Provisions for gratuity | 263.23 | (69.05) | (4.45) | 189.73 |
| Provision for sick leave | 101.96 | (5.20) | | 96.77 |
| Provision for leave encashment | 13.91 | 0.94 | - | 14.86 |
| PF Payable | - | 4.47 | - | 4.47 |
| Sales tax provisions | 1.73 | 8.68 | - | 10.41 |
| Service tax provisions | 69.80 | (60.72) | - | 9.07 |
| Excise Duty | 0.10 | (0.10) | - | - |
| Disallowance on account of 40(a)(ia) payments | 1.01 | - | - | 1.01 |
| Bonus And Festival allowance | 43.45 | (7.63) | - | 35.82 |
| Loss/Depreciation carried forward as per Return | 999.10 | (425.64) | - | 573.46 |
| Provision for Interest payable on Excise Duty for Price Variation in 2015-16 | 8.07 | - | - | 8.07 |
| Provision for Bad and Doubtful Debts-2015-16 | 113.69 | 524.86 | - | 638.55 |
| Warranty | 6.18 | (0.04) | - | 6.14 |
| MAT Credit | 288.23 | 103.97 | - | 392.20 |
| | **1,570.61** | **(49.09)** | **(4.45)** | **1,517.07** |

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**28a Contingent liabilities and commitments (to the extent not provided for)**

| Particulars | 31 March 2020 | 31 March 2019 |
|---|---|---|
| **(I) Contingent liabilities:** | | |
| **(i) Claims against the Company not acknowledged as debt:** | | |
| (c) Disputed Service tax liability | - | 14.83 |
| (d) Disputed liability under Employees State Insurance Act. | 3.34 | 3.34 |
| (e) Disputed Income Tax Liability for AY 2018-19 | 203.33 | 203.33 |
| (f) Liquidated Damages on Sales | 1,574.28 | 1,308.71 |
| (ii) Bank Guarantee | 6,523.39 | 5,620.58 |
| (iii) Corporate Guarantee | 2,244.87 | 908.70 |
| **(II) Commitments:** | | |
| (i) Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for | - | 9.85 |
| **Total** | **10,549.21** | **8,069.34** |

**28b** The Company did not have any long term contracts (more than 1 year) including derivative contracts for which there were no material forseeable losses to be provided for..

**28c** During 2019-20 following transfers were made by the company to the Investors Education and Protection fund:

| Date | Amount (in Rs.Lakhs) | Chalan No. | Year to which unclaimed dividend relates to |
|---|---|---|---|
| 12.11.2019 | **1.13** | U55386734 | 2010 - 11 |

**29 Dues to micro and small suppliers**

| Particulars | 31 March 2020 | 31 March 2019 |
|---|---|---|
| The amounts remaining unpaid to micro and small suppliers as at the end of the year | 151.07 | 122.63 |
| **Total** | **151.07** | **122.63** |

| Sl No. | Particulars - MSME Dues | As at 31.03.2020 | As at 31.03.2019 |
|---|---|---|---|
| 1 | Principal Amount remaining unpaid.to MSMES | 151.07 | 122.63 |
| 2 | Interest Due thereon. | - | - |
| 3 | Interest Paid by the Company in terms of Section 16 of Micro, Small and Medium Enterprises Development Act 2006, along with the amount of the payment made to the supplier beyond the appointed day during the year. | - | - |
| 4 | Interest due and payable for the period of delay making payment ( which have been paid but beyond the appointed day during the year ) but without adding the interest specified under Micro, Small and Medium Enterprises Development Act 2006. | - | - |
| 5 | Interest Accrued and remaining unpaid. | - | - |
| 6 | Further Interest remaining due and payable even if in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the Micro, Small and Medium Enterprises Development Act 2006. | - | - |

Rupees(₹) in lakhs, unless otherwise stated

**Earnings per share (EPS)**

**30 Basic earning per share:**

Basic earnings per share is calculated by dividing the profit or loss attributable to equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, excluding equity shares purchased by the Company, if any

**Diluted earning per share:**

Diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of equity shares outstanding during the year, after adjustment for the effects of all dilutive potential equity shares.

The following reflects the profit/(loss) and share data used in computation of basic EPS:
A reconciliation of profit/(loss) for the year and weighted average number of ordinary shares used in the computation of basic and diluted earnings per share is stated below:

| Particulars | As at 31 March 2020 | As at 31 March 2019 |
|---|---|---|
| Profit/(Loss) After Tax attributable to the owners of the equity | 633.83 | 385.01 |
| Weighted average number of ordinary shares outstanding | 429.67 | 429.67 |
| Basic and diluted earnings per share | 1.48 | 0.90 |

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31 **Related party transactions**

**Name of the related parties and description of relationship with the Company**

**Key Management Personnel**

Prasad Bhaskaran Nair (MD) from 09/01/2016
Sivakumar Sadasivan ( CFO) from 12.07.2018 to 29.02.2020
Joffy George, Company Secretary from 11/07/2007

**Directors**

| | |
|---|---|
| Ramachandran Karaingadan Kumaran | Nominee Director |
| Parol Vijayakumari | Nominee Director |
| Nellampurath Chellappan Nair Mohanan | Chairman & Nominee Director |
| Shibu Subaidabeevi Abdul Rasheed | Nominee Director |

**Entities with joint control and significant influnece over the entity**

NTPC Limited
Government of Kerala

**Entities under the control of the same government**

Kerala State Electricity Board Ltd
The Travancore Cochin Chemicals Limited
Malabar Cements Limited
Kerala Minerals and Metals Limited
KELTRON
Kerala Books & Publication Society

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

**Transactions with related parties are as follows:**

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|---|---|---|
| **(i) Entities with joint control and significant influence over the entity (NTPC LTD)** | | |
| - Sale of goods | 34.62 | 1,361.21 |
| - Sale of services | 18.54 | 8.71 |
| - Outstanding balances - Receivable | 317.75 | 727.93 |
| **(ii) Entities under the control of the same government** | | |
| (a) Kerala State Electricity Board Ltd | | |
| - Sale of goods and services | 4,274.65 | 3,316.79 |
| - Electricity Charges | 302.78 | 302.81 |
| (b) The Travancore Cochin Chemicals Limited | | |
| - Purchase of goods | 1.74 | 1.95 |
| (c) Malabar Cements Limited | | |
| - Sale of goods and Services | 0.71 | 0.47 |
| (d) Kerala Minerals and Metals Limited | | |
| - Sale of goods and services | 0.34 | 4.98 |
| - Outstanding balances - Receivable | 0.68 | 1.50 |
| (e) Kerala State Electronics Development Corporation Limited (KELTRON) | | |
| - Purchase of goods | 11.07 | 19.35 |
| (f) Kerala Books & Publication Society | | |
| - Purchase of Services | 0.55 | 0.63 |
| **(iii) Compensation to Key Mangement Personnel** | | |
| - Short term employee benefits | 114.97 | 125.21 |
| - Post employment benefits | 22.40 | 20.14 |
| - Reimbursement of Travelling expenses | 0.35 | 1.88 |
| **(iv) Other payments to Related Parties** | | |
| - Honararium to Chairman | 2.40 | 2.40 |
| - Sitting fees to Nominee Directors | 0.05 | 0.005 |
| - Reimbursement of Travelling expenses | 0.15 | 0.30 |

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## 32 Employee benefit plans

**(i) Defined contribution plans:**

The Company makes contributions, determined as a specified percentage of employee salaries, in respect of qualifying employees towards Provident Fund in compliance with Employees' Provident Funds & Miscellaneous Provisions Act, 1952, which is a defined contribution plans, which is managed by a separate Trust. The Company has no obligations other than to make the specified contributions. The contributions are charged to the Statement of Profit and Loss as they accrue. The amount recognised as an expense towards contribution to Provident Fund for the year aggregated to INR 274.41 Lakhs (Previous year: INR 264.10 Lakhs )

**(ii) Defined benefit plan:**

The Company has a defined benefit gratuity plan as per the Payment of Gratuity Act, 1972 (Gratuity Act). Every employee who has completed 5 years or more of service is eligible for gratuity on separation worked out at 15 days salary (last drawn salary) for each completed year of service. The obligation under the scheme is funded.

The Company has extended defined benefit plans in the form of leave salary to employees. In respect of Previlage leave the scheme is funded by the company.

Based on actuarial valuation the following tables set out the amount recognised in the company financial statements:

| Particulars | For the year ended 31 March 2020 | For the year ended 31 March 2019 |
|---|---|---|
| | Gratuity | Gratuity |
| **Expense recognised in the Statement of Profit and Loss:** | | |
| Service cost | 112.57 | 96.31 |
| Net interest expenses | 127.54 | 150.19 |
| Expected return on plan asset | 94.78 | 87.87 |
| **Component of defined benefit costs recognised in the Statement of Profit and Loss** | **145.33** | **158.63** |
| **Remeasurement on the net defined benefit liability:** | | |
| Actuarial gain arising from change in demographic assumptions | - | - |
| Actuarial loss arising from changes in financial assumptions | 117.86 | 12.78 |
| Actuarial loss arising from changes in experience adjustments | 33.68 | (28.79) |
| **Components of defined benefit costs recognised in Other Comprehensive income** | **151.54** | **(16.01)** |
| **Total** | **296.87** | **142.62** |

The current service cost and the net interest expense for the year are included in the 'Employee benefits expense' line item in the statement of profit and loss. The remeasurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the balance sheet arising from the entity's obligation in respect of its defined benefit plans is as follows:

| Particulars | As at 31 March 2020 | As at 31 March 2019 |
|---|---|---|
| | Gratuity | Gratuity |
| Present value of defined benefit obligation | 453.39 | 531.56 |
| **Net liability arising defined benefit obligations recognised in the Balance Sheet** | **453.39** | **531.56** |

| Reconciliation of present value of the defined benefit obligation | As at 31 March 2020 | As at 31 March 2019 |
|---|---|---|
| | Gratuity | Gratuity |
| Opening defined benefit obligation | 1,771.37 | 2,057.33 |
| Service cost | 112.57 | 96.31 |
| Interest cost | 127.54 | 150.19 |
| Benefits paid | (222.40) | (506.41) |
| **Remeasurement loss (gain):** | - | - |
| Actuarial loss (gain) arising from | - | - |
| Actuarial loss/(gain) arising from change in demographic assumptions | - | - |
| Actuarial loss/(gain) arising from changes in financial assumptions | 117.86 | 12.78 |
| Actuarial loss/(gain) arising from changes in experience adjustments | 22.57 | (38.83) |
| **Closing defined benefit obligation** | **1,929.51** | **1,771.37** |

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| Reconciliation of changes in the fair value of plan assets | As at 31 March 2020 | As at 31 March 2019 |
|---|---|---|
| | Gratuity | Gratuity |
| Opening fair value of plan assets | 1,239.81 | 1,261.56 |
| Expected return on plan assets | 94.78 | 87.87 |
| Contributions from the employer | 375.04 | 406.83 |
| Benefits paid | (222.40) | (506.41) |
| **Remeasurement loss (gain):** | | |
| Return on Plan Assets (excluding amounts incuded in net interest expenses) | (11.11) | (10.04) |
| **Closing fair value of plan assets** | **1,476.12** | **1,239.81** |

Actual return on plan assets is 83.67 lakhs (previous year 77.83 lakhs)

The principal assumptions used for the purpose of actuarial valuations are shown in the table below. The assumptions as at the balance sheet date are used to determine the present value of defined benefit obligation at that date.

| Actuarial assumptions | As at 31 March 2020 | As at 31 March 2019 |
|---|---|---|
| | Gratuity | Gratuity |
| **Financial assumption:** | | |
| Discount rate | 6.40% | 7.20% |
| Salary escalation rate | 9.00% | 9.00% |
| **Demographic assumption:** | | |
| Withdrawal rate | 5.00% | 5.00% |
| Mortality rate | IALM 2012-14 Ult. | IALM 2012-14 Ult. |

**Sensitivity analysis of the defined benefit obligation**

The following table presents the sensitivity analysis to one of the relevant actuarial assumption, holding other assumptions constant, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at reporting date.

| Sensitivity Level | 31 March 2020 | | 31 March 2019 | |
|---|---|---|---|---|
| | Discounting rate | | | |
| | 100 basis point | | 100 basis point | |
| | Increase | Decrease | Increase | Decrease |
| Impact on defined benefit obligation | (136.75) | 157.04 | (113.62) | 130.23 |

Rupees(₹) in lakhs, unless otherwise stated

## 33. Financial instruments

The carrying value and fair value of financial instruments by categories are as follows:

| Particulars | Note | Carrying value | |
|---|---|---|---|
| | | 31 March 2020 | 31 March 2019 |
| **Financial assets** | | | |
| **Measured at amortised cost** | | | |
| Trade receivables | 11 | 7,608.86 | 7,399.57 |
| Cash and cash equivalents | 12.a | 24.80 | 47.26 |
| Bank balances other than Cash and Cash equivalent | 12.b | 547.26 | 474.60 |
| Loans | 7 | 99.55 | 84.56 |
| Other financial assets | 8 | 107.20 | 130.01 |
| **Measured at fair value through profit and loss (FVTPL)** | | | |
| Investment in Shares of Co-operative societies | 6 | 0.70 | 0.70 |
| **Total financial assets** | | **8,388.38** | **8,136.70** |
| **Financial liabilities** | | | |
| **Measured at amortised cost** | | | |
| Borrowings | 15 | 1,861.52 | 2,038.72 |
| Trade payables | 16 | 1,314.93 | 2,249.43 |
| Other financial liabilities | 17 | 1,402.77 | 1,746.36 |
| **Total financial liabilities** | | **4,579.22** | **6,034.51** |

### 33.1 Fair value hierarchy

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The following tables present the fair value measurement hierarchy of financial assets and liabilities measured at fair value on recurring basis as at 31 March 2020, 31 March 2019

**Fair value hierarchy of assets and liabilities measured at fair value as at 31 March 2020:**

| Particulars | Total | Fair value measurement using | | |
|---|---|---|---|---|
| | | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **Financial assets measured at fair value:** | | | | |
| Investment in Shares of Co-operative societies | 0.70 | - | - | 0.70 |
| **Total** | **0.70** | **-** | **-** | **0.70** |

**Fair value hierarchy of assets and liabilities measured at fair value as at 31 March 2019:**

| Particulars | Total | Fair value measurement using | | |
|---|---|---|---|---|
| | | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **Financial assets measured at fair value:** | | | | |
| Investment in Shares of Co-operative societies | 0.70 | - | - | 0.70 |
| Investment in Gold with Bank | - | - | - | |
| **Total** | **0.70** | **-** | **-** | **0.70** |

There have been no transfers among Level 1, Level 2 and Level 3 during the period.

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### 33.2 Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Company's Board of Directors oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The management is assisted in its oversight role by internal audit. Internal audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Board.

### 33.3 Financial Risk Management Objective And Policies

The Company's principal financial liabilities comprise borrowings, trade payables and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include investments, loans, trade and other receivables, cash and short-term deposits
The Company is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

## 33 Financial instruments (continued)

### 33.4 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations resulting in a financial loss to the Company. Credit risk arises principally from the Company's trade receivables, loans and advances, cash & cash equivalents and deposits with banks. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors.

The Company's trade and other receivables are actively monitored to review credit worthiness of the customers to whom credit terms are granted and also avoid significant concentrations of credit risks.

Given below is ageing of trade receivable spread by period of six months.

| Particulars | 31-03-20 | 31-03-19 |
|---|---|---|
| Outstanding for more than 6 months | 2,981.39 | 2,589.00 |
| Others | 5,462.03 | 5,798.04 |
| Total: | **8,443.42** | **8,387.04** |

The Company continuously monitors receivables from customers and other counterparties, identified either individually or by the Company, and incorporates this information into its credit risk controls.

Credit risk on cash and cash equivalents is limited as the Company generally invests in deposits with banks having good credit rating.

### 33.5 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company has an appropriate liquidity risk management framework for the management of short, medium and long term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company's finance department is responsible for managing the short term and long term liquidity requirements of the Company. Short term liquidity situation is reviewed daily by finance department. Long term liquidity position is reviewed on a regular basis by the Board of Directors and appropriate decisions are taken according to the situation.

As of 31 March 2020, the Company had a working capital of INR 7111.17 Lakhs, including cash and cash equivalents of INR 24.80 Lakhs

The table below provides details regarding the contractual maturities of significant financial liabilities as at 31 March 2020 and 31 March 2019.

| Particulars | As at 31 March 2020 | | | |
|---|---|---|---|---|
| | Less than 1 year | 1-2 years | 2 years and above | Total |
| Borrowings | 1,861.52 | - | - | 1,861.52 |
| Trade payables | 1,314.93 | - | - | 1,314.93 |
| Other financial liabilities | 1,402.77 | - | - | 1,402.77 |

## Transformers and Electricals Kerala Limited
## Angamally South PO, Ernakulam District, Kerala.
## Notes to the financial statements for the year ended 31 March 2020
## Rupees(₹) in lakhs, unless otherwise stated

### 33.5 Liquidity risk (continued)

| Particulars | As at 31 March 2019 | | | |
|---|---|---|---|---|
| | Less than 1 year | 1-2 years | 2 years and above | Total |
| Borrowings | 2,038.72 | - | - | 2,038.72 |
| Trade payables | 2,249.27 | - | - | 2,249.27 |
| Other financial liabilities | 1,742.07 | - | - | 1,742.07 |

### 33.6 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates will affect the Company's income.The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Board of Directors is responsible for setting up of policies and procedures to manage market risks of the Company.

**Currency risk**

The Company is exposed to foreign currency risk on certain transactions that are denominated in a currency other than entity's functional currency, hence exposure to exchange rate fluctuations arises. The risk is that the functional currency value of cash flows will vary movements in exchange rates.

| Foreign Currency | As at 31 March 2020 | | As at 31 March 2019 | |
|---|---|---|---|---|
| | Receivable/ (Payable) Rs. in Million | Receivable/ (Payable) USD In Million | Receivable/ (Payable) Rs. in Million | Receivable/ (Payable) USD In Million |
| Suppliers | (0.30) | (0.004) | (9.92) | (0.14) |
| Customers | (2.98) | (0.04) | (1.17) | (0.02) |

### 33.7 Interest rate risk

The Company is exposed to interest rate risk arising mainly from Short term borrowings with floating interest rates. The Company is exposed to interest rate risk because the cash flows associated with the floating rate borrowings will fluctuate with change in interest rates. The Company manages the interest rate risks by entering into different kinds of credit arrangements with varied terms.

| | 31-03-20 | 31-03-19 |
|---|---|---|
| **Fixed-rate instruments** | | |
| Financial assets | | |
| -Margin money deposit | 637.11 | 586.38 |
| **Total** | **637.11** | **586.38** |
| **Variable-rate instruments** | | |
| Financial liabilities | | |
| -Borrowings from bank | 1,861.52 | 2,038.72 |
| **Total** | **1,861.52** | **2,038.72** |

**Cash flow sensitivity analysis for variable-rate instruments**

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2020.

| **Effect** | **Profit or loss** | |
|---|---|---|
| | **100 bp increase** | **100 bp decrease** |
| **31-Mar-20** | | |
| Variable-rate instruments | (14.80) | 14.80 |
| | **(14.80)** | **14.80** |
| **31-Mar-19** | | |
| Variable-rate instruments | (13.72) | 13.72 |
| | **(13.72)** | **13.72** |

**Transformers and Electricals Kerala Limited**
**Angamally South PO, Ernakulam District, Kerala.**
**Notes to the financial statements for the year ended 31 March 2020**
**Rupees(₹) in lakhs, unless otherwise stated**

**33.8 Capital Management**

The Company manages its capital to ensure that Company will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Company monitors capital using gearing ratio which is net debt divided by total equity.

The Company's Gearing Ratio at end of the reporting period is as follows.

| Particulars | 31 March 2020 | 31 March 2019 |
|---|---|---|
| Debt | 1,861.52 | 2,038.72 |
| Less: Cash and cash equivalents | 24.80 | 47.26 |
| Less: Bank balances other than cash and cash equivalent | 547.26 | 474.60 |
| Less: Other non-current financial assets - Bank deposit | 106.40 | 129.47 |
| **Net Debt** | 1,183.06 | 1,387.39 |
| **Total Equity** | 9,165.97 | 8,641.51 |
| **Gearing ratio** | **0.13** | **0.16** |

For and on behalf of the Board ofDirectors

As per our report of even date

For Sasi Vijayan & Rajan,
Chartered Accountants,
Firm Regn. No.003629S

(Prasad Bhaskaran Nair)
Managing Director

(N.C. Mohanan)
Chairman

(Joffy George)
Company Secretary

(Ajith Kumar. V)
Chief Financial Officer

CA Martin George, B.Com FCA
Partner (M. No. 111186)

Place : Angamally
Date : 25.03.2021

सत्यमेव जयते

**OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT-II), KERALA, THIRUVANANTHAPURAM**

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF TRANSFORMERS & ELECTRICALS KERALA LIMITED, ANGAMALI FOR THE YEAR ENDED 31 MARCH 2020**

The preparation of financial statements of **Transformers & Electricals Kerala Limited, Angamali** for the year ended **31 March 2020** in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the Management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 139(5) of the Act is responsible for expressing opinion on the financial statements under Section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under Section 143 (10) of the Act. This is stated to have been done by them vide their Audit Report dated **25 March 2021.**

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of **Transformers & Electricals Kerala Limited, Angamali** for the year ended **31 March 2020** under Section 143(6)(a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditors and Company personnel and a selective examination of some of the accounting records.

Based on my supplementary audit, I would like to highlight the following significant matters under Section 143(6)(b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report:

**A. COMMENTS ON PROFITABILITY**
**Statement of Profit & Loss**
**Revenue from Operations**
**Freight & Insurance ₹346.49 lakh**

1. Profit for the year is overstated by ₹25.48 lakh due to recognition of freight income associated with sale of power transformers in violation of the stated policy of recognition of revenue from Freight

On Road destination sale after goods are delivered at customer's site. This has also resulted in overstatement of 'Trade Receivables' by ₹25.48 lakh.

**Expenses**
**Depreciation and amortization expense ₹130.50 lakh**

2. Profit for the year is overstated due to understatement of depreciation by ₹21.88 lakh due to non-charging of extra shift depreciation as per the Schedule II of the Companies Act 2013 for the third shift operated by the Company in Coil Insulation, Assembly, Core and Testing shops during the year 2019-20. This has also resulted in overstatement of Property, Plant and Equipment by ₹21.88 lakh.

**B. COMMENTS ON FINANCIAL POSITION**
**Balance Sheet as on 31 March 2020**
**Equity and Liabilities**
**Current Liabilities**
**Provision for wage revision ₹2022.85 lakh**

3. This includes ₹40.38 lakh being the provision made for salary arrears of 2011-16 agreement with workers and pay revision of officers which was settled before the finalisation of Financial Statements. Continuation of provision for expenses even after meeting the expenditure within the year has, therefore, resulted in understatement of profit by ₹40.38 lakh.

**Provision for liquidated damages ₹67.09 lakh**

4. This is understated by ₹634.58 lakh due to non-provision for liquidated damages deducted by customers from payables by them over the period 2012-13 to 2019-20, recovery of which is not certain as the contractual right on the same is expired. To this extent Trade Receivables and profit for the year is also overstated.

**C. COMMENTS ON DISCLOSURE**
**Note no. 28 (a) Contingent liabilities and commitments ₹10,549.21 lakh**
**Liquidated damages on Sales – ₹1574.28 lakh**

5. As the customers had already deducted liquidated damages from the amount payable by them no liability on the part of Company is existing. As such classification of liquidated damages on sales under contingent liability was not in order.

**D. COMMENTS ON AUDITOR'S REPORT**

6. The fact of non-adoption of the previous year's financial statements (2018-19) in the AGM was not mentioned in the Statutory Auditors Report.

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

**Sd/-**

**Thiruvananthapuram**
**Dated: 13.09.2021**

**PRINCIPAL ACCOUNTANT GENERAL (AUDIT-II), KERALA**

# Reply to the Comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act 1956, on the Accounts of Transformers and Electricals Kerala Limited, Angamally for the year ended 31st March 2020

| | Comments of C&AG | Company's Reply |
|---|---|---|
| A. | **Comments on Profitability** | |
| | **Statement of P&L** | |
| | **Revenue from operations** | |
| | **Freight & Insurance – Rs.346.49 lakh** | |
| 1 | Profit for the year is overstated by Rs. 25.48 lakh due to recognition of freight income associated with sale of power transformers in violation of the stated policy of recognition of revenue from Freight On Road destination sale after goods are delivered at customer's site. This has also resulted in overstatement of Trade Receivables by Rs.25.48 Lakhs. | Company has incurred freight expenses to the extend of Rs.41.52 Lakhs as mentioned in your draft comments dt. 20.07.2021. We have also accounted the related freight income to justify the Matching concept of accounting. |
| | **Expenses** | |
| | **Depreciation and amortization expenses – Rs. 130.50 lakhs** | |
| 2 | Profit for the year is overstated due to understatement of depreciation by Rs.21.88 lakhs due to non-charging of extra shift depreciation as per the Schedule II of the Companies Act, 2013 for the third shift operated by the Company in Coil Insulation, Assembly, Core and Testing shops during the year 2019-20. This has also resulted in Overstatement of Property, Plant and Equipment by Rs. 21.88 lakh. | Noted for future guidance |
| B | **Comments on Financial Position** | |
| | **Balance Sheet as at March 31, 2020** | |
| | **EQUITY AND LIABILITIES** | |
| | **Current Liabilities** | |
| | **Provisions for Wage Revision – Rs.2022.85 lakhs** | |
| 3 | This includes Rs.40.38 lakh being the provision made for salary arrears of 2011-16 agreement with workers and pay revision of officers which was settled before the finalisation of Financial statements.<br>Continuation of provision for expenses even after meeting the expenditure within the year has, therefore resulted in understatement of profit by Rs. 40.38 lakh. | As a matter of Prudence the company reserved Rs.40.38 lakhs in order to mitigate any unexpected future claims. |

| | | |
|---|---|---|
| | **Provision for Liquidated damages-Rs.67.09 Lakhs** | |
| 4 | This is understated by Rs.634.58 lakhs due to non-provision for Liquidated Damages deducted by Customers from payables by them over the period 2012-13 to 2019-20, recovery of which is not certain as the contractual right on the same is expired. To this extent Trade Receivables and profit for the year is also overstated. | The balance of the Provision for Liquidated damages as on 31st March 2020 is Rs.67.08 lakhs. Also the company's provision for bad and doubtful debts as on 31st March 2020 is Rs. 834.55 Lakhs. The company is of the view that adequate provision for the LD has been kept as per ECL (Expected Credit Loss) Method prescribed by Ind AS. |
| C | **COMMENTS ON DISCLOSURE: Note No. 28 (a) Contingent liabilities and commitments – Rs.10,549.21 lakhs - Liquidated damages on Sales – Rs.1574.28 lakh** | |
| 5 | As the customers had already deducted liquidated damages from the amount payable by them no liability on the part of the Company is existing. As such classification of liquidated damages on sales under contingent liability was not in order. | We are making adequate provision under ECL method against debtors which are certain as per the approved formulae under ECL. However, we are not making any provision against uncertain debtors hence we are disclosing the same as contingent liability and we see the probability of these contingent liability crystalizing is very remote. |
| D | **Comments on Auditor's Report** | |
| 6 | The fact of non-adoption of the previous year's Financial Statements (2018-19) in the AGM was not mentioned in the Statutory Auditor's Report | Noted. |