

KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM

Present: Shri. R. Preman Dinaraj
Adv. A. J. Wilson

OP. No. 38/2021, 39/2021 & 04/2021

In the matter of : Petitions for the Truing up of accounts for the year 2016-17, 2017-18 & 2018-19 of Smartcity (Kochi) Infrastructure Pvt Ltd

Petitioner (s) : M/s Smartcity (Kochi) Infrastructure Pvt Ltd, Kochi

Petitioner (s) represented by : 1. Sri. Jinu Jacob, Company Secretary & Director (Finance), Smartcity
2. Sri. Renjith Lal, Senior Manager, Asset & Infrastructure, Smartcity
3. Smt. Sini P.S, Director, Project

Date of Hearing : 10.09.2021 (first hearing)

Daily Order dated 14-09-2021

1. M/s Smartcity (Kochi) Infrastructure Pvt Ltd (*hereinafter referred to as Smartcity or the licensee or the petitioner*) filed the petition for the truing up of accounts for the financial year 2018-19 on 04-12-2020. While scrutinizing the petition for the year 2018-19, it was noticed that, the licensee had not filed any Truing up petitions for the year 2016-17 & 2017-18 even though the licensee has started commercial operation in the year 2016-17. Hence, the Commission vide letter dated 04-05-2021 had directed the licensee to file the pending Truing up petitions. Accordingly, Truing up petitions for the year 2016-17 & 2017-18 were filed on 02-08-2021.
2. A combined public hearing was conducted through Video Conference mode on 10-09-2021 at 11.00 A.M. on all the three petitions for the Truing up of accounts for the financial years 2016-17, 2017-18 & 2018-19. Sri. Jino Jacob, Company Secretary & Director (Finance) and other officers of Smartcity represented the petitioner and responded to the queries of the Commission.
3. The public hearing was commenced with a remark of the Commission that the petitions filed by the licensee is devoid of required information and the licensee shall take efforts to maintain their regulatory accounts as per the regulations issued by the Commission. In reply to the Commission's query regarding the

approval for incurring capital expenditure, Sri. Jino Jacob submitted that the licensee has not obtained the approval of the Commission for the capital expenditure and the petition for the approval of the Capital Investment will be filed shortly.

4. The Commission also pointed out that there are inconsistencies in the data regarding amount claimed towards security arrangements and employee expenditure as huge deviations are noticed in the claims. The Commission further pointed out that the licensee has incurred only Rs.3.77 lakhs and Rs.4.90 lakhs as expenses towards security arrangements for the years 2016-17 and 2017-18 respectively, but claimed Rs.14.47 lakhs in 2018-19 and no proper justification has been given in the petition for the huge increase. Similarly, in employee expenses, the amount during the initial stage was as high as Rs. 32.89 lakhs, whereas it was Rs.18.74 lakh and Rs.19.57 respectively in 2017-18 and 2018-19, a drastic reduction is noticed in 2017-18 and 2018-19 when compared to 2016-17.
5. The licensee submitted that, they have deployed only 2 security persons at each location, on round the clock basis and the increase in cost in the year 2018-19 is due to the hike in the minimum wage notified by the Government. Regarding the employee cost, the licensee submitted that the employee expense was high due to the engagement of experts/ experienced people during the initial stage of the project.
6. The Commission further pointed out that the licensee has shown Rs.16.91 lakhs as head office accounts under shareholders' funds and also enquired whether any approval such as Board Resolution, if any, exists for such allocation.
7. Sri. Renjithlal, Senior Manager, Asset & Infrastructure, Smartcity submitted that the distribution system of the licensee is now undergoing technical up-gradation. Till 2018-19, the distribution was through 11 kV systems and the licensee has decided to convert the distribution system to 33 kV in the coming years. The licensee also assured that they will submit all the required details and also file the petition for approval of Capital Investments made. The licensee further submitted that they have also decided to conduct an Energy Audit in the distribution area of the licensee. With regard to the query of the Commission on the prepaid metering system, the licensee submitted that the building of Smartcity is having prepaid metering system and the introduction of prepaid metering system in rest of the areas is in progress.
8. Smt. Santhi, & Jyothish Kumar, M/s Sands Infiniti, Smt Jeethy George & Sri Dileep SA, M/s Mariapps Marine Solutions (I) Ltd, Sri. Gopakumar, Gems International School, Sri. Kandaswamy, M/s IBS Software Solutions also

participated in the hearing from the consumers side and submitted that they are satisfied with the services rendered by the licensee.

9. The Commission after hearing the licensee and others participated in the hearing, directed the licensee to
 - a) file a proper petition for the approval of Capital investment without any delay.
 - b) furnish the details of fixed assets viz. Name of the asset, date of acquisition/capitalization, original cost, useful life and the detailed calculation of depreciation.
 - c) furnish along with copy of Board approval, the item-wise details of Capital work in progress of Rs. 816.04 lakh in 2016-17, Rs1068.15 lakh in 2017-18 and Rs. 1273.43 lakh in 2018-19.
 - d) furnish the details of complete list of workers/staffs engaged for various activities, their qualifications, place of deployment, category, salaries/wages and other all allowance paid, etc
 - e) submit the details of security staffs, place of deployment, working hours, wages paid etc. in order to assess the reasonableness of the expenditure. The licensee shall also file details (including cost) of security arrangements made in the Park.
10. The licensee is also directed to submit the following additional information/clarifications on or before 24-08-2021
 - a) In the year 2016-17, Rs.16.91 lakhs is shown as head office accounts under Shareholders' fund. However there is no mention of creation of such fund either in the notes to the accounts of the company or in the audited accounts of the distribution business.
 - b) On examination of the financial statements of 2016-17, it is observed that, for the preparation of the financial statements, the opening balances of the previous periods are considered. In this context, the licensee may intimate the actual date of commercial operations of the distribution business.
 - c) Rs.146.33 lakh in the year 2016-17, Rs.137.48 lakh in 2017-18 and Rs.122.46 lakh in the year 2019-20 is shown as long term borrowings in the financial statements. Details such as source of funding, nature of funding, rate of interest, purpose, etc., to be furnished.
 - d) Long term provision of Rs.1.10 lakhs in 2016-17, Rs. 1.38 lakh in 2017-18 and Rs.1.88 lakhs for 2018-19 is created towards the provisions for gratuity. However the notes to accounts are silent about the methodology for the creation of provision and mode/ method for actual payment of

gratuity when liability for payment arises.

- e) Rs.12.07 lakhs in 2016-17, Rs.17.93 lakhs in 2017-18 and Rs.24.65 lakhs in 2018-19 is shown as trade payables. Please confirm whether this amount includes any amount other than the amount payable to KSEB Ltd towards power purchase.
- f) Rs.2938/- is shown as advance from customers in the year 2017-18 & Rs.24.26 lakhs in the year 2018-19. Details to be provided.
- g) An amount of Rs.60 lakhs is booked as fixed deposit for the years 2016-17, 2017-18 & 2018-19 respectively. Details to be furnished.
- h) An amount of Rs.30 lakhs is shown as security deposit in the balance sheet for the years 2016-17, 2017-18 & 2018-19. Details to be furnished.
- i) For the years 2016-17 & 2017-18, Rs.2.53 lakhs and Rs.0.73 lakhs respectively shown as Advance recoverable in cash or kind. Details to be furnished.
- j) Rs.2.45 lakhs, Rs.1.00 lakhs & Rs.0.25 lakhs is shown under 'Conveyance' in A & G Expenses for the years 2016-17, 2017-18 & 2018-19 respectively. Detailed justification to be furnished to substantiate the reasonableness of the expense.
- k) Rs.1.10 lakhs, Rs.1.44 lakhs & Rs.1.98 lakhs is shown under 'outsourcing of metering and billing system' in A & G Expenses for the years 2016-17, 2017-18 & 2018-19 respectively. Explain the nature of expenses with details.
- l) Rs.0.78 lakhs, Rs.0.74 lakhs & Rs.0.84 lakhs shown under 'Electricity charges' in A & G Expenses for the years 2016-17, 2017-18 & 2018-19 respectively. Explain the nature of expenses with details.
- m) Details of individual consumers with category and tariff applicable for the years 2016-17, 2017-18 and 2018-19.

Sd/-

Adv. A J Wilson
Member (Law)

Sd/-

Preman Dinaraj
Chairman

Approved for issue

Sd/-
Secretary (i/c)