

	DAKSHIN GUJARAT VIJ CO. LTD.		
	CIN U40102GJ2003SGC042909		
	"URJA SADAN" REGD. & CORPORATE OFFICE		
	Kapodra Char Rasta, Nana Varachha Road, Surat 395006		
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CERTIFIED TRUE COPY OF THE RESOLUTION OF NINTY SEVENTH MEETING OF THE BOARD OF DIRECTORS OF DAKSHIN GUJARAT VIJ COMPANY LIMITED HELD ON THURSDAY, 20TH SEPTEMBER, 2018 AT VADODARA.

BM.No.97.05/1317: To consider Write-off of dues of M/s. Essar Steel India Limited (ESIL) as irrecoverable bad debts.

The Board was apprised in detail various issues pending at various forums in the matter of dues recoverable from M/s. ESIL.

It was further stated that DGVCL had filed its claim towards outstanding dues of M/s. Essar Steel before the Resolution Professional in terms of order dated 02.08.2017 of National Company Law Tribunal (NCLT) in the pending insolvency Resolution initiated by the Lender Banks. In this matter, the Resolution Professional had admitted only notional amount of Rupees 1 against claim of Rs. 5882.28 crores and clarified that remaining amount is not admissible because of pending disputes with respect to the claim before various authorities.

Though the claim is made for an amount of Rs.5882.28 crores (including interest component of Rs.2204.06 crores) for period up to 01.08.2017 based on the bills served to the consumer as per provisions of Electricity Act, GERC Tariff orders, etc which have not been paid by the consumer and is pending at various forums, however, as recognition of such revenue in the Annual Accounts of DGVCL is subject to various Accounting Standards and Principles issued by the Institute of Chartered Accountants of India, the Company has, while finalizing Annual Accounts of the respective Financial Years, followed the prevailing Accounting Standards relating to Revenue Recognition and hence, the amount recognized in Annual Accounts towards such outstanding is Rs.457.79 crores as on March 2017 as tabulated below:

(Rs.in crores)		
Sr. No.	Particulars	Amount recognized in Annual Accounts.
1	Electricity duty on demand charges	17.39
2	Outstanding Cross subsidy	366.59
3	Outstanding cross subsidy on CPP Mahan (till July 2014)	34.45
4	Delayed Payment Charges	39.36
Total		457.79

The Statutory Auditor while auditing Annual Accounts of DGVCL for F.Y 2016-17 has indicated in the Independent

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Auditors Report that DGVCL has opted not to make provision in respect of expected Credit Loss towards outstanding dues from M/s. Essar Steel.

Considering above, the matter was taken up with GUVNL for reviewing the accounting treatment being done in respect of outstanding dues of M/s. ESIL. G.M (Commerce), GUVNL, vide letter no. GUVNL/COM/Misc/DGVCL/704 dated 06.07.2018 has also taken up the above matter with Learned Advocate, Shri M G Ramachandran, New Delhi requesting his valuable opinion on the issues raised.

GM (F&A) GUVNL vide letter no. ACCTTS/GM (F&A)/518 dated 04.08.2018 has forwarded opinion of Shri M.G. Ramachandran. The Board took note of the major points narrated hereunder:-

- a) The Additional Surcharge has been held as not payable by the Hon'ble APTEL. Moreover, since Hon'ble Supreme Court has not decided on the matter, it is not necessary to recognize the same at present.
- b) It has been further opined that though the Resolution Professional (RP) has admitted DGVCL's claim for a notional amount of Rupees 1, DGVCL can still pursue its claim for the entire outstanding amount of Rs. 5882.28 crores.
- c) As regards Cross Subsidy Surcharge, he has opined that DGVCL can decide not to recognize further revenue in the Books of Accounts. However, DGVCL can give suitable disclosure in its Accounts.
- d) Regarding past dues, according to him, DGVCL can proceed to consider the amount due to be declared as bad and doubtful debt because DGVCL's claim is unsecured in nature and it is unlikely that Unsecured Creditors will recover their dues.
- e) Further, he has categorically mentioned that recognizing dues from M/s. ESIL as bad and doubtful does not extinguish M/s. ESIL's liabilities to DGVCL and accordingly, DGVCL may pursue other remedies for recovery of the same.

Considering above, it has been directed by GUVNL to pass suitable accounting entries in books of DGVCL in consultation with GUVNL F&A department and also approach Consultant M/s. K C Mehta & Co, Chartered Accountants to draft suitable disclosures to be included in the Annual Accounts of F.Y 2017-18.

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In above connection, our Statutory Auditor viz. M/s. SNK & Co, Chartered Accountants, Surat have, vide their letter dated 14.08.2018 submitted their detailed analysis and opinion on the review of accounting treatment in respect of amount receivable from M/s. Essar Steel India Limited. They are also of the opinion that the amount receivable by DGVCL from ESIL is unsecured and considering the long pending litigations, total debt of the company and current financial situation of ESIL, the risk of lifetime expected credit loss to the company has increased significantly. It was also opined that even if the claim of DGVCL is accepted (in part or full), the probability of recovery of the receivable recognized in the books of DGVCL would be much less since as per the procedure, the amount received by ESIL would be first repaid to the secured creditors and employees and the amount left, if any after the repayment to secured creditors and employees would be first adjusted in the hierarchy stipulated in that procedure. Considering this, the Statutory Auditors were of the view that a provision of lifetime expected credit loss should be made considering provisions of IND AS - 109.

Accordingly, in line with the opinion of Shri M G Ramachandran and GUVNL letter the outstanding amount recognized in books of DGVCL till March 2017 is proposed to be written off as irrecoverable bad debts in Annual Accounts of F.Y 2017-18. Further, for period of F.Y 2017-18 and onwards, no revenue on account of bills raised on M/s. ESIL will be recognized. Out of the amount of Rs. 457.79 crores already recognized in the books of accounts, Rs. 17.39 crores pertains to outstanding electricity duty dues which are Government dues and not a part of revenue of the Company. The remaining Rs. 440.40 crores pertains to Revenue recognized in earlier years which will be charged to Other Debits as bad and doubtful debts written off.

It was deliberated and noted by the Board that as opined by the Sr Advocate, Shri M G Ramachandran, recognizing dues from M/s. ESIL as bad and doubtful does not extinguish M/s. ESIL's liabilities to DGVCL and accordingly, DGVCL may pursue other remedies for recovery of the same. Further, at this stage, it was also clarified to the Board that the dues, as proposed above to be written off, will be effected only in the Annual Accounts of the Company. In the Consumer General Ledger of the PDC consumer i.e. M/s. Essar Steel India Limited, the outstanding dues shall be continued to be reflected as outstanding as per prevalent practice. Also, the monthly bills pertaining to Cross Subsidy and Additional Surcharge shall be continued to be served on the consumer

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and same will also be reflected in the Consumer General Ledger. Thus, in order to sustain our claim, the bills presently being raised on M/s. ESIL towards Additional Surcharge and Cross subsidy Surcharge will be continued as per existing practice.

As also opined by the Advocate, DGVCL can in the Balance Sheet give a note that the Cross Subsidy Surcharge of a specified amount with recurring liability is due from M/s. ESIL to DGVCL. The Board was informed that a detailed disclosure was made in the books of accounts in respect of dues of M/s. Essar Steel India Limited in consultation with M/s K.C. Mehta & Company, Chartered Accountant, Baroda. The Board took note of proposed note 46 regarding outstanding dues of M/s. Essar Steel India Limited.

After due deliberations, the Board passed the following resolutions:

"RESOLVED THAT the Board of Directors accords approval to write off dues of Rs. 440.40 Crores of M/s. Essar Steel India Limited as irrevocable bad debts in the Annual Accounts for the F.Y. 2017-18 considering opinion obtained from Senior Advocate, Shri M.G.Ramchandran by GUVNL and also endorsed by GUVNL vide their letter dated 04.08.2018 and as advised by GUVNL for passing of necessary accounting entries in the books of Accounts.

"RESOLVED FURTHER THAT the Board also took note of Disclosure proposed to be made in the books of accounts in the Annual Accounts of F.Y. 2017-18 regarding outstanding dues of M/s. Essar Steel India Limited as proposed to be shown under Note no. 46 of the Annual Accounts.

FOR DAKSHIN GUJARAT VIJ COMPANY LIMITED

Date: 03.10.2018

Place: Surat


COMPANY SECRETARY