HIMACHAL PRADESH
POWER CORPORATION LTD.

ANNUAL REPORT

2017-2018

Approach Tunnel to GOC (HRT End)-Excavation in progress,
Integrated Kashang HEP Stage-II & III (130 MW)

Service Bay Concreting in Progress, Shongtong Karcham HEP (450 MW)

ANNUAL REPORT 2017-2018

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Auditors :
M/s Anil Karol & Company
Chartered Accountants,
Head Office : First Floor, 77, Lower Bazar, Shimla - 171001, H.P.
Tel : 0177-2657882, Mob. : 9418152278, 9805194077
Email : akcoshimla@gmail.com
Branch Office : 13/20, Second Floor, East Patel Nagar, New Delhi
Tel. : 011-25864141, 25863755
Email : dmbhatia@akcindia.com

Bankers :
Punjab National Bank, New Shimla
State Bank of Patiala, Shimla
UCO Bank, The Mall, Shimla
HDFC Bank, The Mall, Shimla

Regd. Office :
Himfed Building, BCS, New Shimla-171009, H.P., India.
Tel : +91-177-2670716

HIMACHAL PRADESH POWER CORPORATION LIMITED

(A State Govt. Undertaking)

Registered Office : Himfed Building, BCS, New Shimla, Himachal Pradesh - 171009
CIN : U40101HP2006SGC030591
Phone Number : 0177-2670716
Website : www.hppcl.in, Email : cs_hpjvvn@yahoo.com

Notice of 12th Adjourned Annual General Meeting of the HPPC LTD.

"Notice is hereby given that the 12th Adjourned Annual General Meeting of the Shareholders of the Himachal Pradesh Power Corporation Limited, Shimla will be held on **19.11.2020 at 11:30 AM at CS Committee Room, H.P. Govt. Secretariat, Shimla-171002** to transact the following business:

ORDINARY BUSINESS:

- To receive, consider and adopt the Financial Statements (Annual Accounts) of the Company for the year ended 31st March, 2018, consisting of Statement of Incidental Expenditure during construction, Statement of Profit & Loss Account and the Balance Sheet as on that date alongwith Board's Report, Auditors' Report and the Comments of the Comptroller & Auditor General of India and replies thereto.

Place: Shimla

By order of the Board of Directors

Dated: 19.11.2020

Sd/-
Sudershan K. Sharma
Company Secretary - cum - AGM

Note:

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member- proxy form attached.
2. Memorandum for Shareholders is attached.

PROXY FORM

I/We member (s) of the Himachal Pradesh Power Corporation Limited (HPPCL), Shimla, 171009 do hereby appoint ____ of Himachal Pradesh Power Corporation Limited as **my proxy** to attend and vote for me the 12th Adjourned Annual General Meeting of the HPPCL on 19th November, 2020 at 11:30 AM and/or at any adjournment thereof.

Signed this on .... Signatures

Affix Rs.5/-
Revenue Stamp

Memorandum for Shareholders

The Shareholders are informed that pending finalization of Financial Statements (Annual Accounts) for the year ended 31.03.2018, an extension of time to hold the 12th Annual General Meeting (AGM) was obtained from the Registrar of Companies upto 30.12.2018 with the prior approval of Board. Since, an extension was granted only for three months, the Corporation held the AGM on 28.11.2018 and apprised the factual position of pendency of annual accounts to the Shareholders.

It is further informed that initially, the Financial Statements (Standalone Annual Accounts) of the Company for the financial year ended 31st March, 2018 were prepared and thereafter approved by the Board of Directors in 68th meeting held on 24th April, 2019. During audit, the Statutory Auditors had suggested some changes in accounts, which were undertaken and accordingly revised Financial Statements (Annual Accounts) Standalone & Consolidated were prepared and placed before the Board in its 70th meeting held on 3rd December, 2019 for approval, which were approved.

These revised Financial Statements (Annual Accounts) Standalone & Consolidated were submitted to the Statutory Auditors for conducting audit and the report of the Statutory Auditors was received. Thereafter, these accounts were submitted to the Accountant General, Himachal Pradesh to have the comments of the Comptroller and Auditor General of India (CAG) under the provisions of the Act. The comments of CAG of India on these accounts have also now been received. The Report of the Statutory Auditors, replies thereto and Comments of CAG of India and replies thereto are also annexed to the Annual Accounts. Also, the Board Report for the FY 2017-18 has been prepared and annexed to the Annual Accounts.

The Shareholders are requested to kindly receive, consider and adopt the Financial Statements (Annual Accounts) of the Company for the year ended 31st March, 2018, consisting of Statement of Incidental Expenditure during construction, Statement of Profit & Loss Account and the Balance Sheet as on that date alongwith Board's Report, Auditors' Report and the Comments of the Comptroller & Auditor General of India and replies thereto.

Place: Shimla
Dated: 19.11.2020

Sd/-
Director (Finance)

BOARD OF DIRECTORS

Sh. Anil Kumar Khachi, IAS
Chairman
Chief Secretary,
Govt. of Himachal Pradesh

Sh. Ram Subhag Singh
Addl. Chief Secretary
(MPP & Power)
Govt. of H.P.
& Chairman, HPSEBL

Sh. Prabodh Saxena, IAS
Director
Addl. Chief Secretary
(Finance)
Govt. of H.P.

BOARD OF DIRECTORS

Sh. Amit Kashyap, IAS
Managing Director

Sh. Manmohan Sharma, IAS
Director
Director (Personnel & Finance)

Er. Shashikant Joshi
Director
Director (Electrical)

Er. Dharam Singh Thakur
Director
Director (Civil)

HIMACHAL PRADESH POWER CORPORATION LIMITED

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Phone Number : 0177-2670716
Website : www.hppcl.in, Email : cs_hpjvvn@yahoo.com

BOARD'S REPORT

Dear Members,

Your Directors are pleased to present the 12th Annual Report of the Company for the year ended 31st March, 2018 along with the Financial Statements (Annual Accounts), Report of Auditors and Comments of the Comptroller and Auditor General of India.

1. GENESIS

Himachal Pradesh Power Corporation Limited (HPPCL) was incorporated on 18th December, 2006 under the Companies Act, 1956 with the objective to plan, promote and organize the development of all aspects of hydroelectric power by the Government of Himachal Pradesh (GoHP) and erstwhile Himachal Pradesh State Electricity Board now Himachal Pradesh State Electricity Board Limited (HPSEBL). Later the objects of the Corporation also included Thermal Power, Solar Power, Wind Power etc within and outside State of Himachal Pradesh and outside Country/Overseas.

The Equity Share Capital in the Company is presently being contributed by the Government of Himachal Pradesh, H. P. Infrastructure Development Board (HPIDB) and Himachal Pradesh State Electricity Board Limited (HPSEBL).

HPPCL is a fast upcoming power generating utility with the technical and organizational capabilities at par with other CPSU/PSUs like NTPC, SJVNL, NHPC etc. Efforts are afoot to further strengthen the respective wings with professionals of proven credentials and qualified technical manpower.

2. MISSION, AIM AND TARGETS

- **Mission:** To bring prosperity in Himachal Pradesh through development of power.
- **Aim:** To come up as a major power generating Company of India with good managerial and technical capabilities.
- **Targets:** To develop 944 MW power generating capacity by 2024.

3. IN-HAND PROJECTS AT A GLANCE

The Govt. of Himachal Pradesh has allotted 22 Hydro/Solar Electric Projects to Himachal Pradesh Power Corporation Ltd. (HPPCL) with aggregate installed capacity of 2961 MW, for development under state sector. One Thermal Power Plant (2x250 MW) at Raniganj, West Bengal, was also allocated to HPPCL, however, coal block has been deallocated. One Solar Power Project of 5 MW capacity has been commissioned on 04.01.2019 near Sri Naina Devi Ji in District Bilaspur of HP. One Multipurpose Project (660 MW) is also being developed by the Govt. of H.P. in joint venture with Govt. of Uttarakhand. These projects are in various stages of implementation. The execution of projects is being monitored strictly. All efforts for effective management and efficient organization of works are being made. HPPCL is committed to achieve the targeted schedule. Brief status of the progress of works and ADB loan utilization is as under.

A) PROJECTS UNDER OPERATION (170MW)

HPPCL has put under commercial operation Unit-II of Integrated Kashang Hydro Electric Project Stage-I (65 MW) on 01.09.2016. Also, Units III & I of Integrated Kashang HEP(195 MW) have been commissioned on 03.03.2017 & 31.03.2017. The project has Generated 573.63 MU up to 15.06.2020 and Rs.121.35 Crore of revenue has been earned. HPPCL has also commissioned Sainj HEP(100 MW) on 04.09.2017 and generated 978.54 MU upto 15.06.2020. Revenue of Rs. 284.94 Crore has been realized.

Berra Dol Solar Power Project of 5 MW capacity commissioned on 04.01.2019 has generated 12.01 MU till 14.06.2020 and Rs. 5.77 crore of revenue has been generated.

B) PROJECTS UNDER EXECUTION (691MW)

S. No.	Name of Project(s)	Capacity (MW)	Physical Progress (%) ending 31.03.2016	Commissioning Date	
				Scheduled	Revised
1.	Sawra Kuddu HEP	111	Civil & HM Works - 100% E & M Works - 99.6%	Apr. 2014	Aug. 2020-Oct. 2020
2.	Kashang HEP Stage-II & III	130	Civil & HM Works - 23%	Nov. 2014	Jul, 2023
3.	Shongtong-Karcham HEP	450	Civil & HM Works - 30% E & M Works Supply- 52.08% done	Jan, 2020	Dec, 2024

The above cited Projects were financed by ADB under different tranches (Tranche-I to IV) except HRT of Sawra Kuddu HEP and E&M works of Shongtong Karcham HEP, which were financed by PFC/Govt. of H.P. and KfW respectively. After closing of ADB loan on 22.10.2018 and KfW loan on 30.12.2019, funding proposal for Shongtong Karcham HEP has been approved by DEA for further submission to MDB/BA in 106th Screening Committee meeting dated 20.05.2020. The works for Sawra Kuddu and Shongtong Karcham HEP are in full swing.

The financial achievements i.e. disbursement of ADB funds w.e.f. 2009 upto 2018 are tabulated as below :

S.No.	Name of Tranche	Allocation	Achievement
1.	2461-IND Tranche-1: - Civil & Electro Mechanical of Sawra Kuddu & Civil package of Kashang Stage-I.	150 MUS$	141.98 MUS$
2.	2596-IND Tranche-2: - Barrage Package of Sawra Kuddu HEP	56.1 MUS$	50.84 MUS$
3.	2687-IND Tranche-3: - Electro Mechanical Package of Kashang Stage-I, II & III, Civil Works of Kashang Stage-II & Civil & Electro Mechanical Works of Sainj.	208 MUS$	177.85 MUS$
4.	2914-IND Tranche-4: - Civil & HM works of Shongtong Karcham HEP.	257 MUS$	50.70 MUS$

- From the above figures, it can be seen that HPPCL has been achieving the ADB loan targets consistently right from the beginning. In case of Tranche-IV (Shongtong Karcham HEP), various reasons such as restrictions by nearby Ammunition Depot, agitation by labourers, poor cash flow of contractor, concerns regarding Right Bank slope stability of Barrage area have been responsible for delay of the Shongtong Karcham HEP.
- For electro-mechanical works of Shongtong Karcham HEP (450MW), loan amounting to Euro 150 million was sanctioned by KfW and agreement with KfW was signed on 21.12.2012. The loan has closed on 30.12.2019.

Despite best efforts, the progress of works gets affected adversely due to unforeseen problems and other bottlenecks (detailed below). However, all possible remedial measures are being taken to make up for slippages in the progress.

Difficulties/Bottlenecks: -

- Encountering of very poor geology in Head Race Tunnel of Sawra Kuddu HEP.
- Continuous agitation by the Lippa Villagers not allowing the Civil works of Kashang Stage II & III HEP from intake side.
- Frequent stoppage of work by locals & labour strikes by trade unions in projects under construction.
- Delay in obtaining statutory clearances from MoEF, CWC, CEA, GoI etc.
- Poor financial condition of most of the Civil Wok contractors working in the field of Hydropower.

C) PROJECTS IN PRE-CONSTRUCTION CLEARANCE STAGE (118 MW)

1.	Renukaji Dam Project	40 MW
2.	Chanju-III HEP	48 MW
3.	Deothal Chanju HEP	30 MW

Techno-economic Clearance (TEC) by the Directorate of Energy (DoE), GoHP for Chanju-III HEP (48 MW) & Deothal Chanju HEP (30 MW) have been accorded on dated 14.07.2015 and 22.07.2015 respectively. Environment Clearance for both the projects accorded on 29.09.2017. Forest clearances of both projects have been obtained from MoEF & CC, Govt. of India on 22.10.2019 The contract documents of both projects have been submitted to AFD for vetting. After vetting of Contract documents, HPPCL will start the tendering process which will be concluded in six months. Construction of projects is expected to start by April, 2021.

Agence Française de Développement (AFD) agreed to provide an amount of Euro 80 million (Rs. 640 crore) for funding of Chanju-III HEP (48 MW) & Deothal Chanju HEP (30 MW). Credit Facility Agreement between GoI & AFD has been signed on 04.07.2017. The Project agreement and On Lending agreement between HPPCL, GoHP and AFD were signed on 02.02.2018 and 11.07.2018 respectively.

Renukaji Dam Project being a "National Project" will be financed by Govt. of India and other beneficiary states.

D) PROJECTS WITH APPROVED DPR (118 MW)

1.	Surgani Sundla HEP	48 MW
2.	Dhamwari Sunda HEP	70 MW

E) PROJECTS UNDER INVESTIGATION

(a) DPRs in Advanced Stages (1081 MW)

1.	Thana-Plaun HEP	191 MW
2.	Nakthan HEP	460 MW
3.	Chirgaon-Majhgaon HEP	52 MW
4.	Kashang HEP - Stage IV	48 MW
5.	Kishau Multipurpose Project	660 MW (330 MW HP Govt. Share)

(b) DPRs in Intermediate/Initial Stages (433 MW)

1.	Gyspa Dam Project	300 MW
2.	Bara Khamba HEP	45 MW
3.	Triveni Mahadev HEP	78 MW
4.	Aghlor Solar Power Project	10 MW

DPRs of Thana Plaun HEP (191MW) and Nakthan HEP (460MW) are under final stages of appraisal in CWC/CEA, Govt. of India. DPRs of Kashang Stage-IV HEP (48MW) and Chirgaon Majhgaon HEP(52 MW) are under advanced stages of appraisal with DoE, GoHP. DPR of Kishau MPP is being pursued with CEA/CWC for its time bound clearance.

DPRs of Triveni Mahadev HEP(78MW) and Bara Khamba HEP(45MW) have been taken up for preparation in house in tie up with HPSEBL. DPR of Aghlor SPP is under preparation.

F) PROJECTS UNDER PRE-FEASIBILITY STAGE (350 MW)

1.	Lujai HEP	45 MW
2.	Khab HEP	305 MW

G) PROJECTS TO BE DROPPED AS PER MoEF & CC DIRECTIONS (201 MW)

1.	Chiroti Saichu HEP	26 MW
2.	Saichu HEP	58 MW
3.	Saichu Sach Khas HEP	117 MW

H) PROJECTS OF NATIONAL IMPORTANCE (340 MW)

Following 2 number Projects of National Importance are under implementation by HPPCL:-

(i) RENUKAJI DAM PROJECT (40 MW):

The acquisition process for 1988.27 ha land proposed to be acquired/diverted for construction of Renukaji Dam Project is in progress. The awards for Private land measuring 954.27 ha was announced and a sum of Rs.146.04 crore was disbursed to the landowners for acquiring 389.47 ha land before October, 2016. Further, Director (CADWM), MoWR, GOI vide letter dated 03-10-2016 released an amount of Rs.446.96 crore to the State Govt, for the land acquisition. All the money has been totally exhausted and additional liability has arisen on HPPCL on account of enhanced compensation due to the verdicts delivered by the various courts.

Therefore, HPPCL requested additional Rs. 316.02 Crore from GoI on urgent basis. GoI denied the request on the grounds that funds cannot be released without settling all the clearances.

Environment Clearance accorded on 23-10-2009. The validity of EC is for 10 years i.e upto 23.10.2019. In a recent meeting held on 20.08.2019, MoEFF & CC has agreed to extend the Environment Clearance (EC) for further 3 years.

Forest Clearance accorded on 15.02.2015. The validity of FC is for 5 years. i.e upto 15.02.2020. Now, it has been extended by 2 years by MoEF & CC.

CWC has finalized revised cost estimate of the project on Oct, 2018 Price Level for a total amount of Rs.6946.99 Crore. (Earlier it was approved on March, 2015 Price Level for total amount of Rs.4596.76 Crore.) TAC has also accepted the revised cost estimate in its 143rd meeting on 9.12.2019. However, the LADF amount i.e Rs.104.20 Crore has not been included in the total cost of the project. HPPCL is pursuing the matter with GoI through GoHP.

Cost Apportionment into two components i.e Water Supply Component (Rs.6647.46 Crore and Power Component Rs.299.53 Crore) has been worked out by CWC.

For Forest Clearance (Stage-II), Rs.577.62 Crore is required to be deposited in state CAMPA account. GoI will bear this cost once investment clearance to the project is accorded and consequent approval from Cabinet Committee on Economic Affairs (CCEA) is granted. Investment Clearance proposal has been submitted to CWC on 01.01.2020 and CWC has further recommended it to MoJS on 11.03.2020 for approval.

Interstate Agreement has been signed by all the beneficiary states on 11.01.2019.

Benefit Cost Ratio (2.82:1) & Power Tariff (Rs. 3.51/KwH) has been approved by CWC.

After Investment Clearance the project proposal shall be put up before Cabinet Committee on Economic Affairs (CCEA) for approval. The central grant of funds will start thereafter.

(ii) GYSPA DAM PROJECT (300 MW):

Project was declared as "National Project" by MoWR, GoI on 26.02.09. MoU was signed between CWC & HPPCL on 23.03.12 for funding cost of DPR preparation including survey, investigation works from Central Assistance Scheme. MoWR released Rs.5.00 Crore out of total agreed amount of Rs.12.50 Crore. Revised MoU was signed on 15.07.14 for extending the validity of same.

Contract for investigation of project & DPR preparation was awarded to M/s Scot Wilson India Ltd for total amount of Rs. 9.423 Crore on 09.09.10. HPPCL had posted DGM level officer with adequate staff for carrying out investigation works. However, no activities were allowed by local people. Efforts were also made to carry out investigation under police protection; however, local people in huge numbers did not allow same. HPPCL has incurred an expenditure of Rs. 10.62 Crore on works, however, due to such impasse, office was closed on 30.09.2016.

After dam construction, 74 families with total population of 365 are likely to get displaced. Local people are opposing project on the grounds of relocation & their fear that entire ecology of Chenab Valley will be harmed.

MD, HPPCL have visited project site on two occasions and held meetings with district administration & local people including elected representatives. The last visit was made from 17.07.17 to 19.07.17; however, no headway could be made. In order to allay the fear/apprehensions of the local populace on the environmental concerns, the Addl. Chief Secretary (MPP & Power), GoHP, vide D.O Note dated 2nd August, 2017 took up the matter with the Secretary, Ministry of Environment, Forest & Climate Change, GoI for carrying out a comprehensive Cumulative Environment Impact Assessment Study (CEIA) for the Chenab Basin. The study has been carried out by MoEF & CC. The consultancy agency i.e. Scott Wilson has been notified regarding termination of the contract.

As per the decision taken in the meeting dated 17.10.2019, chaired by the worthy Chief Secretary, GoHP with Deputy Commissioner and SP Lahaul Spiti, it has been decided that HPPCL will start the work and seek help of District Administration whenever required. HPPCL is in the process of awarding tenders of the investigation works.

I) SOLAR POWER DEVELOPMENT

Berra Dol Solar Power Project:

- H.P. Power Corporation Ltd. envisaged setting up of 5 MWac Solar PV (Photo Voltaic) Grid Interactive Power Plant at Berra Dol, Near Sri Naina Devi Ji Shrine, District Bilaspur, Himachal Pradesh.
- In its 45th meeting, BoD of HPPCL approved to execute Berra Dol Solar Power Project (5 MW) in single stage.
- Approval under Forest Conservation Act. for diversion of 12.86 hectare forest land for Berra Dol Solar Project, Bilaspur (H.P) was obtained from MoEF & CC, Govt. of India. Also, Defence Clearance for the project was obtained from Ministry of Defence.
- Power Purchase agreement was signed with HPSEBL on 31.03.2017.
- Project was successfully synchronized with HPSEBL's 33/11 kV Network on 07.12.2018.
- The COD of the project has been declared w.e.f. 04.01.2019 and the energy generated from the project is being sold to HPSEBL at Rs. 4.31 per unit.

Aghlor Solar Power Project:

- Himachal Pradesh Power Corporation also intends to set up a ±10 MW Solar Power Plant at Aghlor in Distt. Una.
- Detailed Project Report for Aghlor SPP has been prepared.
- However, as per communication received from DC, Una; General Manager (Industries) has signed MoU with M/s Suvidha Solar Park over the same land.
- Matter regarding the Status of Land is being pursued with Industries Department.

J) THERMAL PROJECT (500 MW)

Himachal EMTA Power Limited (HEPL), 50:50 joint venture Company of Himachal Pradesh Power Corporation Ltd. (HPPCL) was incorporated on 9th January, 2007 to set up a coal based Pit head Thermal Power Plant (2X250MW) at Raniganj, Distt. Burdwan, West Bengal. Ministry of Coal, Govt. of India, vide its letter dated 10.07.2009 allocated Gourangdih ABC Coal Block for captive use jointly to HEPL and JSW Steel Ltd. on equal sharing basis (50:50), resulting into the formation of another joint venture company, named Gourangdih Coal Limited (Joint Venture of HEPL and JSW Steel Ltd.).

However, as per the recommendations of Inter Ministerial Group, the Ministry of Coal, Government of India, de-allocated the Gourangdih ABC coal Block. Subsequently, Hon'ble Supreme Court on 24.09.2014 ordered that the allotment of Coal blocks made by the Screening Committee of the Government of India through the Government dispensation route are arbitrary and illegal, resulting in de-allocation of Gourangdih ABC Coal Block allotted jointly to M/s HEPL and M/s JSW Steel Ltd.

JSW Steel Limited filed writ petition at Delhi High Court challenging the show cause notice served by the Ministry of

Coal regarding revoking of Rs. 6.67 Crore from the Bank Guarantee (BG) of Rs.17.08 Crore, submitted by Gourangdih Coal Limited (GCL) as per the terms of coal block allocation letter, and requested to reduce the amount of BG to Rs.6.67 Crore from Rs.17.08 Crore, till the final verdict is pronounced. In this regard, Hon'ble Court directed GCL to submit a revised BG of Rs.6.67 Crore to Ministry of Coal. On submission of the revised BG, GCL will be discharged from the liability under the earlier furnished BG of Rs.17.08 Crore. The pending matters/ issues of M/s HEPL and M/s GCL are summarized as under:

a) **CBI Court Case related matter:** On reference of Central Vigilance Commission, CBI registered the case on 07.08.2014 against officials of Ministry of Coal, Private Companies, M/s HEPL, Promoter/ Directors of M/s HEPL, Members of the 35th Screening Committee and other unknown persons. HEPL vide Board Resolution no. 02/2016 dated 02.03.2016 authorized Sh. Bikash Mukherjee, Director, HEPL, to present the case before the Hon'ble Court. Further, in accordance with the decisions taken in the meeting held under the chairmanship of Pr. Secretary (MPP & Power) on 11.06.2019 and in BoD meeting of HPPCL dated 03.12.2019, the issue of appointment of Advocate to safeguard the interest of the State Govt./ HPPCL and its officers has been referred to the State Govt. on 04.03.2020.

b) **Income tax related matter:** Income Tax (IT) Department vide Assessment Order dated 24.08.2017, determined a sum of Rs. 2,52,780/- payable by HEPL for AY 2015-16. HEPL filed appeal against the said order in CIT on 12.10.2017 and submitted 20% of the demand amount i.e. Rs. 50,556/- with the IT Department. However, Income Tax Commissioner vide order dated 29.03.2019 dismissed the appeal of HEPL and upheld the assessment order dated 24.08.2017. HEPL vide letter dated 15.05.2019 opined to deposit the demand amount with the Income Tax Department, as the amount involved is less and HEPL has made losses with no income tax liability in FY 2015-16, 2016-17 & 2017-18. Accordingly, HEPL sought 50% contribution (towards 50 % share) from HPPCL. As per opinion of HEPL and its balance sheet (as on 31.03.2018, Rs. 12,41,076/- and Rs. 1,33,780/- in the fixed deposit bank account and current account, respectively), HPPCL requested HEPL to deposit the same from its Bank accounts only. However, HEPL intimated that its Fixed deposit and Current Account Balance have been attached by Enforcement Directorate vide their Provisional Attachment Order No. 03/2017 dated 29.12.2017 and the matter is pending in Hon'ble Supreme Court. In this regard, HPPCL's Finance wing opined that HEPL may write/ apprise the IT Authorities regarding attachment of its accounts. HEPL vide letter dated 27.01.2020 apprised the matter to IT Authorities and requested to not take any action to recover the demand till the decision of the court. Response from IT Authorities is awaited.

c) **Encashment of HEPL's BG by PGCIL:** For evacuation of power from its Thermal Power Plant, HEPL vide application dated 4th July, 2011 requested PGCIL for grant of connectivity & Long Term Access and submitted a Bank Guarantee (BG) amounting to Rs. 50 Lakhs. In view of de-allocation, HEPL vide letter dated 18.06.2015 informed PGCIL about its decision to abandon the project and requested to release the BG. However, PGCIL encashed the said BG. In this regard, Adv. Lalit Kumar Sharma opined HPPCL; to file petition U/s 79 (1) (c) of Electricity Act before CERC, New Delhi. The said opinion of Advocate was intimated to HEPL vide letter dated 07.02.2020 with a request to place the same before the BoD of HEPL for directions on the future course of action. HEPL vide letter dated 06.03.2020 confirmed to place the same before BoD of HEPL in its next meeting and proposed to again request PGCIL to reconsider its decision and submitted a draft letter, in this regard, for vetting. HPPCL vide letter dated 29.05.2020 accepted the said proposal of HEPL and forwarded the vetted draft letter to HEPL for further necessary action.

d) **Compensation received from Ministry of Coal (MOC):** Ministry of Coal (MoC), Govt. of India, vide letter dated 28.03.2017 approved the Compensation of Rs. 4,78,81,951/- (out of the total claimed amount of Rs. 4,90,21,071/-) in favour of M/s Gourangdih Coal Limited (GCL), in the capacity of joint prior allottee, for the expenditure incurred towards cost of Geological Report. However, in the said letter the expenditure incurred towards cost of consents, amounting to Rs. 11,39,120/-, was considered as 'Nil'. Necessary clarification, in this regard, has been sought from MoC and reply on the same is still awaited. The above amount of Rs.4,78,81,951/- has been received to M/s GCL, out of which an amount of Rs. 1,19,70,488/- (i.e. 25% of the total amount) is payable to HPPCL in proportion to its equity participation. In this regard, Board of Directors of M/s GCL in its meeting dated 24.07.2017 has observed that: *"... all the financial needs of the company had been met by the co-promoters i.e. HEPL and JSW in equal proportion, including the aforesaid expenses towards procurement of Geological Report of Gourangdih ABC Coal block and Cost of Consents for operationalisation of the said coal block. Barring a small amount, all such funding had* *been in the nature of 'Contribution towards Equity Shares', therefore, the compensation amount cannot be utilised by the Company for paying back the funding of co-promoters except in case of winding up of the Company, in accordance with the statute"*

K) URNI TUNNEL

- Detailed Project Report of road tunnel under Urni Dhank in Kinnaur District, H.P prepared in-house by HPPCL and submitted to the Addl. Chief Secretary (MPP & Power), GoHP & Addl. Chief Secretary (PW), GoHP vide letter dated 12.12.2016. The work of preparation of Detailed Project Report was entrusted to HPPCL as per the meeting held under the chairmanship of the Chief Secretary, GoHP regarding Urni Dhank Land slide on dated 2nd July, 2016. Construction of Urni Dhank traffic tunnel will provide permanent solution for the smooth and uninterrupted movement of traffic throughout the year on NH-5. A meeting was held in the chamber of the Special Secretary (Power) to Govt. of Himachal Pradesh, on 22nd March 2017, for discussing the issues relating to the proposal for construction of Traffic Tunnel under Urni Dhank. It was emphasized to engage blasting experts from CIMFR, Dhanbad or NIRM to assess the suitability of the proposed layout of Traffic Tunnel vis-à-vis existing structures i.e. Silt Flushing Tunnel (SFT) and Head Race Tunnel (HRT) of Karchham Wangtoo HEP (1000 MW).
- It was decided that HPPCL shall take up the matter regarding engaging the blasting expert from CIMFR, Dhanbad or NIRM for the proposed study and the charges on this account shall be borne by HPPWD. Engineer-in-Chief cum Chief Engineer (NH) HPPWD informed that the DPR of Traffic Tunnel under Urni Dhank Slide needs to be submitted to the Ministry of Surface Transport.
- Accordingly, mater was taken up with CIMFR, Dhanbad and probable expenditure incurred for Rs.48,64,500 was sent to HPPWD for approval vide letter dated 06-05-2017. The Superintending Engineer (NH) HPPWD, Shimla-4 intimated that the amount will be provided to HPPCL when actual execution will take place and after approval of DPR from MoRT&H.
- In response to above, HPPCL vide letter dated 30-12-2017 again explained to HPPWD that at the first instance, the blasting expert needs to be engaged to assess the suitability of the proposed layout vis-à-vis existing structures before starting execution of the traffic tunnel and all possible precautions/ measures required for safety of existing structures as suggested by blasting expert shall accordingly be incorporated in tender document. Therefore, the above said required amount may be deposited in two phases i.e. Rs.828000/- in the first phase as required by CIMFR, Dhanbad and the remaining amount later in the second phase. HPPWD is yet to reply on the matter.

4. HUMAN RESOURCES:

A) HUMAN RESOURCES:

Your company has adopted CPSU based improved organizational structure with the three broad categories of staff, like Executives, Supervisors and Workmen in different level and cluster.

The total manpower on the rolls (Direct recruits and Absorbed employees) is indicated in table below. The strength of HPSEBL/HP Govt. employees on deputation/secondment as on date is 337, 271 and 237 respectively, which is in addition to these figures for year 2017-18, 2018-19 and 2019-2020 respectively.

i) Number of Employees and representation of Women Employees:-

Date & Year	Employees as on 31.03.2017	No. of Women Employees	Percentage of over-all staff strength
31.03.2018	309	42	13.60%
31.03.2019	310	42	13.50%
31.03.2020	335	42	12.50%

Welfare Measures for Female Employees:-

Steps taken for the welfare of Female employees

a) Maternity leave are provide to female employees as per the provisions of Maternity Benefit act ,1961.

b) Internal Complaints committee has been constituted to handle the grievances/complaints related to sexual harassment reported by female employees.

c) Women employees have the option to declare their parents/Parents in law as their dependents for availing the benefit of Company Medical Benefit rules.

ii) Representation of Persons with Disability is as under:-

Date & Year	Employees as on 31.03.2017	No. of Physically Challenged Employees	Percentage of over-all staff strength
31.03.2018	309	07	2%
31.03.2019	310	07	2%
31.03.2020	335	07	2%

Welfare Measures for persons with disabilities:-

Steps taken for the welfare of persons with disabilities

a) Grievance Redressal Officers has been nominated to handle the grievances of PwD's.

b) HPPCL is providing reservation to these categories as per the Polcy prevailing in the State of H.P.

iii) Representation of SC/ST/OBC Employees is as under:-

Date & Year	Employees as on 31.03.2017	Representation					
		SC	SC%	ST	ST%	OBC	OBC%
31.03.2018	309	54	17%	17	6%	43	14%
31.03.2019	310	53	17%	17	6%	38	12%
31.03.2020	335	59	18%	18	5%	39	12%

HPPCL is taking care of socio economic development of weaker section of the society which includes SC,ST and OBC's. HPPCL is providing reservation to these categories as per the Policy prevailing in the state of HP. This policy is also applicable for SC/ST/OBC candidates while considering there candidature for promotion. Representation of SC/ST/OBC member in committee constituted for promotion of employees.

iv) Recruitment

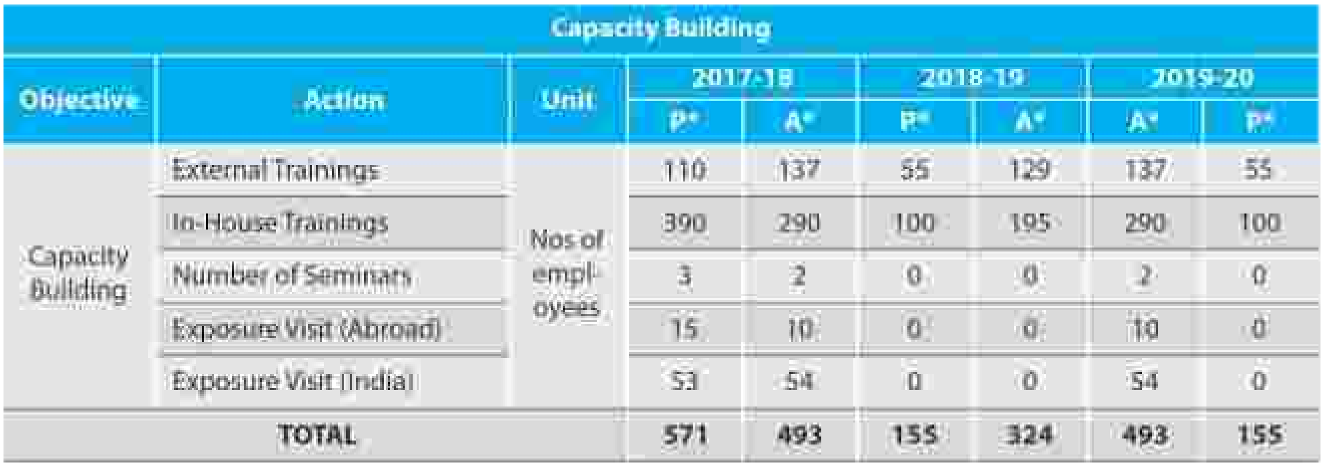
With reference to achieve the tasks and targets as laid down by the Corporation for each division, the manpower requirement for the financial year both in qualitative and quantitative terms was met by initiating the process to fill up the various posts of different categories through secondment from HPSEBL/ other HP PSUs. Also direct recruitment from HP Public Service Commission, Shimla and HP Staff Selection Commission, Hamirpur alongwith other agencies viz. HP Ex-servicemen Cell/Department of Social Justice and Department of Youth & Sports. Accordingly, out of the requisitioned vacancies, the following categories of posts stand filled up:

S.No.	Post	Filled in 2017-18	Filled in 2018-19	Filled in 2019-20
1	Assistant Engineer (Electrical)	-	-	19
2	Assistant Engineer (Civil)	-	-	7
3	Assistant Officer (Finance)	-	-	1
4	Assistant Officer (R&R)	-	-	-
5	Junior Engineer (Electrical)	1	-	-
6	Junior Officer (P&A)	-	3	-
7	Electrician	-	-	2
	TOTAL	1	3	29

B) TRAINING:

HPPCL is a technical and professional organization, undergoing a rapid transformation due to technological and managerial advancements/practices. To be abreast with the pace, HPPCL as per the requirement has formulated its own 'Training Policy' for its employees. The training provided to employees keeps them motivated and upgrades their skills timely. HPPCL training program includes in-house trainings, seminars, conventions, workshops, symposiums, presentations, exposure visits, training/certificate courses or any other structured learning or developmental programme based on organizational needs. As per this policy, efforts are afoot that all categories of employees are being trained in one or the other way every year, irrespective of their level.

During the year, the figures tabulated below shows at a glance the number of personnel sponsored/are to be sponsored by the HPPCL to undergo trainings and participate in various conferences/ workshops and seminars:-



Capacity Building

Objective	Action	Unit	2017-18		2018-19		2019-20	
			P*	A*	P*	A*	A*	P*
Capacity Building	External Trainings	Nos of employees	110	137	55	129	137	55
	In-House Trainings		390	290	100	195	290	100
	Number of Seminars		3	2	0	0	2	0
	Exposure Visit (Abroad)		15	10	0	0	10	0
	Exposure Visit (India)		53	54	0	0	54	0
TOTAL			571	493	155	324	493	155

P*-Proposed, A*-Achieved

Apart from this, HPPCL also understands its social role in the society. Keeping this in view, a specific number of technical/management students from different universities/colleges/institutes are allowed to undergo Industrial Training in the organization for 2-6 months free of cost. The detail of total students allowed to take vocational training during 2017-18, 2018-19 & 2019-20 at various offices and Projects sites of HPPCL.

C) INDUSTRIAL RELATIONS

HPPCL's Management strives hard to address the industrial relation issues, well in time. In order to accomplish goals and objectives of organization and to maintain healthy Industrial relations, HPPCL is adhering to all relevant Central, State Acts and Rules framed there-under, particularly, relating to industrial & labour legislations applicable to all its HEPs. HPPCL also issues general instructions, time to time, to all its privately engaged Company Contractors and Outsourced Manpower's Contractors to abide by these laws and to keep the labour unrest at bay. HPPCL strives hard to ensure that, out of its total manpower whether on rolls of its own or on the rolls of its Contractors, must constitute at least 80% of Himachali people in it as per Prevalent Policy in State of Himachal Pradesh.

D) EMPLOYEE WELFARE

The Recreational, Cultural and Sports functions on different occasions were also organized and as a result in a better cordial relations between management and employees. The Corporation also takes care of its employees' medical attendance. HPPCL has a policy in place for empanelment of private medical doctors for routine checkup of its employees. Medical camps are organized on various occasions to check the employees health. Further Raising Day is organized on 18th December every year with great fervor and joy and employees and their family members are felicitated during the event.

5. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES TAKEN DURING THE YEAR

As per the provision envisaged in the Companies Act, 2013, HPPCL has formulated Corporate Social Responsibility (CSR) Policy. In accordance with the said Act, CSR Committee has also been constituted. The Committee in its meeting held on 9th August, 2018 decided and recommended that the Company is not required to spend any fund towards CSR as the earnings of HPPCL are not to the extent of falling within the ambit of CSR obligations. Since, there are no profits during preceding three years, so the provisions of the Act are not applicable.

The above recommendations of the CSR Committee were approved by the Board of Directors with the directions to incorporate these recommendations in the Board Report for the financial year 2017-18. Therefore, the policy would be implemented as per the requirement of the Act.

The requisite Performa in respect of Corporate Social Responsibility is attached as **Annexure-A**.

6. ENVIRONMENT

Environmental Safeguards for protecting Environment are always given top priority by H.P. Power Corporation Ltd. in its working. HPPCL always ensure proper/adequate compliance towards the stipulations provisioned under Environment Clearance (EC) and Forest Clearance (FC) accorded by Ministry of Environment and Forest & Climate Change (MoEF & CC). Simultaneously HPPCL also take care of Environment, Health & Safety issues in consonance to the parameters of International Funding Agency. Adherence to various regulations/stipulations and orders on environmental safeguarding is the norm in the organizational culture of HPPCL.

Environment Impact Assessment (EIA) Reports are being prepared in each project to assess the impact of the project. Environment Management Plans are implemented diligently. Precautionary principles are applied right in the planning and inception stages of various projects and areas with high bio-diversity or forming parts of protected areas (national park, wild life sanctuary and biosphere reserve) are avoided even at the cost of foregoing power generation potential. If inevitable, HPPCL goes beyond the statutory requirements to compensate the loss.

HPPCL also complies with the safeguarding guidelines of International Funding Agency. HPPCL Projects are designed to align with Environmental Safety, Resource efficiency, Pollution Prevention & Management, Biodiversity Conservation and Sustainable Management of Living Natural Resources & Community Health & Safety etc. By incorporating binding conditions, HPPCL makes its Contractors also compliant with environmental safeguards and environment management actions. HPPCL has recruited, trained and placed well qualified dedicated staff for environment management

HPPCL has been able to get two of its hydroelectric projects [Integrated Kashang HEP Stage-I, II & III (195 MW) and Sawra Kuddu HEP (111MW)] registered with UNFCCC under CDM initiatives. Both the projects have also been validated as WCD compliant by TUV Rheinland (China) Limited.

7. REHABILITATION AND RESETTLEMENT

Continuing with its commitment to improve the lives of affected people compared to pre-project scenario, HPPCL has guided its standard Resettlement and Rehabilitation (R&R) Plan which incorporate entitlements of Project Affected Families and RR Packages with the aim to provide clarity, focus and ease of implementation. The standard RR Plan of HPPCL is a model for the sector in the State.

To supplement the measures of RR Plan, HPPCL has formulated and is implementing number of R&R Schemes, which are being implemented in consultation with affected communities in Project Affected Areas. These schemes involve local youth, promote sports and encourage entrepreneurship. HPPCL is assisting in skills development through providing the vocational training to the local youth in various Industrial Training Institutes and helping in education of the wards of affected families by providing scholarships to the meritorious students.

As per HP Government policy and guidelines, contribution towards Local Area Development Fund (LADF) is being done regularly in the concerned districts while carrying out a number of works over and above the provisions of LADF. HPPCL would remain committed to contribute 1% of its power revenue to LADF during operation phase of its projects, which is to be distributed to local communities in Project Affected Area as their personal income thus making them long term stakeholder in the project. Further, in the commissioned projects, HPPCL is also providing 100 units of electricity (free) per month to the Project Affected Families.

HPPCL is not only implementing measures under its R&R Plan, but also compiling with the social standards of international funding agencies. The Corporation is proud to be in the forefront of improved R&R measures and is able to accomplish with the dedicated R&R staff recruited and trained.

8. ACCOUNTS

Most of the Power projects of the Corporation are in construction, survey & investigation and prefeasibility stages. One of the Projects i.e. Integrated Kashang Stage-I (65 MW), was commissioned on 1st September 2016. During the year another Project i.e. Sainj Hydro Electric Project (100MW) was also commissioned on 4th September 2017.

Further Berradol Solar Power Project (5MW), was commissioned on 4th January 2019. Accordingly, commercial operations / generation of electricity to the extent of Rs.83.36 Crore, was sold upto 31.03.2018. The PPA agreement with HPSEBL in case of Kashang HEP, for sale of power was initially made till 31st March 2017 and later extended up to 6th May 2018. After that the Company has made arrangements to sell the power in the Indian Energy Exchange, through Power Trader PTC India Limited.

Similarly, for Sainj HEP, the arrangement has been made to sell the power in the Indian Energy Exchange, through Tata Power Trading Corporation Limited, with effect from 4th September 2017.

PPA has been signed with HPSEB Ltd. to sell the power being generated by Berradol, Solar Power Plant (5MW) @ of Rs. 4.31/Unit, for 25 years.

Expenditure of projects, which is related to construction of projects or incidental thereto, incurred during the period prior to commencement of commercial operations are classified as "Capital Work in Progress which also includes Expenditure during construction".

Administrative and other general overhead expenses of Corporate Office and Design Wing are apportioned to all the Projects at specified ratios. Further all such expenses of Projects under construction/survey investigation stages, attributable to construction of fixed assets are identified and allocated on systematic basis on main (Civil & Electro-mechanical assets), on commissioning of projects.

9. INTERNAL CONTROL SYSTEMS

The Company has adequate internal control systems and the transactions/processes are guided by delegation of powers, documented policies, guidelines and manuals. The Organizational Structure is well defined in terms of the structured authority/responsibility involved at a particular hierarchy level.

In order to ensure that all checks and balances are in place and internal control systems are in order, regular internal audit is conducted by the firms of Chartered Accountants in close coordination with Company's Accounts Wing.

10. DIVIDEND

Since the Company has not earned any profit during the Financial Year 2017-18, therefore, the information is nil.

11. RESERVES

The Renukaji Dam Hydro Electric project and Gyspa Dam project are being implemented by HPPCL as National Projects and are fully funded by the Government of India and Governments of beneficiary States. The contributions received for Renukaji Dam project from Delhi Jal Board and Haryana Government aggregating is Rs. 68680.00 Lakh and for Gyspa Dam project from CWC Rs. 500.00 Lakh. The total amount received, has been treated as Capital Reserve (Net of depreciation) i.e. Rs. 69542.00 Lakh. In case of Gyspa HEP, the expenditure incurred by HPPCL (Net of Depreciation) has also been treated as Capital Reserve, over and above Rs. 500.00 Lakh, received from CWC.

12. CHANGE IN THE NATURE OF BUSINESS, IF ANY.

The information is NIL please.

13. MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR OF THE COMPANY TO WHICH THE FINANCIAL STATEMENTS RELATE AND THE DATE OF THE REPORT:

Integrated Kashang Hydro Electric Project Stage-I (Unit-II - 65 MW) was commissioned on 01.09.2016. Also, Units III & I of Integrated Kashang HEP (195 MW) were commissioned on 03.03.2017 & 31.03.2017. The power of Kashang HEP was initially sold to HPSEBL till 06.05.2018 and thereafter it is being sold on Indian Energy Exchange through power traders and accordingly the project has generated 573.63 MU up to 15.06.2020 and Rs. 121.35 Crore till 15.06.2020 of revenue has been generated.

Sainj HEP (100MW-Unit I & II) was commissioned on 04.09.2017. The power of Sainj HEP was sold on Indian energy exchange through power traders and accordingly has generated 978.54 MU upto 15.06.2020. Revenue of Rs. 284.94 Crore has been generated.

Further Berradol Solar Power Project (5MW), was commissioned on 4th January, 2019 and has generated 12.01 MU till 14.06.2020 and Rs. 5.77 crore of revenue has been earned.

14. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY'S OPERATIONS

1. **Renuka Ji Dam Project:** Judgment for 7 Nos. Land reference cases was awarded by the Ld. District Judge at Nahan during the year 2016-17. These cases are further appealed before the Hon'ble High Court. A sum of Rs.165.95 Crore has been deposited in the registry of the Hon'ble High Court on account of enhanced amount of compensation awarded by the reference court in respect of Renuka Ji Dam Project from 01-04-2016 to date. A sum of Rs.64.54 Crore is yet to be deposited in the Hon'ble High Court of H.P.
2. **Swara Kuddu HEP:** A sum of Rs. 121.25 Crore has been deposited in the Registry of Hon'ble High Court on account of enhanced amount of compensation awarded by the reference court in respect of Sawra Kuddu HEP from 01-04-2016 to date. A sum of Rs.2.64 Crore is yet to be deposited in the Hon'ble High Court of H.P.
3. The detail of order passed by respective Courts & Status of cases pending before respective Hon'ble Courts/Tribunal/Arbitration in respect of Sawra Kuddu HEP(11 1MW) & Shongtong Karcham HEP is placed as **Annexure- B**.
4. A sum of Rs.36.18 Lakh has been deposited in the registry of Hon'ble High Court on account of enhanced amount of compensation awarded by the reference Court in respect of Sainj HEP from 01-04-2016 to date. A sum of Rs.5.00 Lakh approx. is yet to be deposited in the Hon'ble High Court of H.P.

15. SUBSIDIARY/JOINT VENTURES/ASSOCIATE COMPANIES

The Company has a Joint Venture Company named Himachal EMTA Power Limited with 50:50 partnership with Emta Coal Limited (HEPL) and has made an investment of Rs.398.00 Lacs in its equity, for setting up (2x250 MW) thermal power plant at Raniganj, West Bengal. Further, Himachal EMTA Power Limited has also incorporated a Company named Gourandgih Coal Limited with 50:50 partnership with JSW Limited.

16. PERFORMANCE AND FINANCIAL POSITION OF EACH OF THE SUBSIDIARIES, ASSOCIATES & JOINT VENTURE COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENT.

The Corporation has made an investment in Himachal EMTA Power Limited of Rs. 3.98 Crore (Rs. 3.38 Crore Equity Shares & 0.60 Crore Share application money pending allotment). Further the Annual Accounts of Himachal EMTA Power Limited have been consolidated with the Annual Accounts of HPPCL. The consolidated Annual Accounts alongwith the Auditors' Report are annexed for the financial year 2017-18.

17. DEPOSITS

The Company has not accepted deposits. Hence the information is nil.

18. AUDITORS' REPORT AND COMMENTS OF CAG OF INDIA

M/S Anil Karol & Company, Chartered Accountants were appointed as the Statutory Auditors of the Company for the financial year ended on 31st March, 2018 by the Comptroller & Auditor General of India. The Auditors have audited the accounts and submitted their report on 07.02.2020, which is annexed to the Annual Accounts.

Also, the A.G., H.P. has conducted audit of the Annual accounts for the FY 2017-18 and the comments of CAG of India have been received on 21.09.2020, which are also annexed. The replies to the comments of CAG of India are also annexed to the Annual accounts.

19. SHARE CAPITAL

The Authorized Share Capital (ASC) of the Corpration as on 31.03.2018 was Rs. 2000.00 Crore (Two thousand crore only). However the same was increased to Rs. 2500 crore during the F.Y. 2018-19 i.e. on 28.11.2018. The issued, subscribed & paid up capital of the Company as on 31.03.2018 was Rs. 1845.56 Crore and Share Application money pending allotment/allocation was Rs. 10.00 Crore. As on date, the Paid Share Capital of the Corporation is Rs. 2182.76 Crore.

20. EXTRACT OF THE ANNUAL RETURN

The information pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014 is appended hereunder in Form MGT-9 as **Annexure-C**.

21. THE CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO AS PER RULE 8 OF THE COMPANIES (ACCOUNTS) RULES, 2014

a) Conservation of Energy

The Company does not consume renewable energy in its projects or offices except for energy generated from small Hydro Electric Projects having capacity upto 5MW.

b) Foreign Exchange Earning and Out-Go

Payments in foreign currency are made to the Contractors against their bills. These are recorded on rates prevailing on date of payment.

Foreign Exchange Payment during 2017-18:

Lahmeyer International (STK HEP)	EURO INR	395153.30 31320494.73
Andritz Hydro (IK HEP)	EURO INR	97883.00 7907435.00
	CHF INR	30578.00 2135231.00

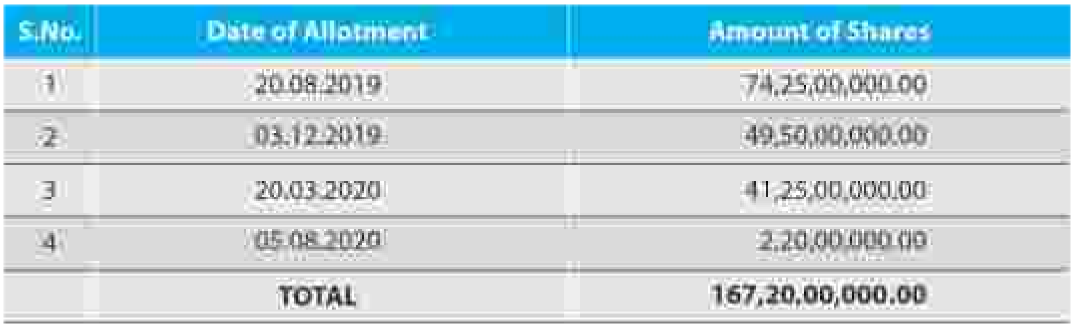
c) Technology Absorption

This information can be treated as Nil

22. DISCLOSURE:

A. Disclosures under Ind. As 10, "Events After Reporting Period": i.e. after the F.Y. 2017-18:

1. The Paid-up Share Capital of the Company as on 31st March, 2018 was Rs. 1845.56 crore. The Govt. of Himachal Pradesh had released funds for a sum of Rs. 10.00 crore (Rs. Ten crore) only on 29.03.2018 and for a sum of Rs. 20.00 crore (Rs. Twenty crore) only on 09.05.2018 on account of equity contribution in the Corporation. The Shares worth Rs. 10 crore could not be issued in the financial year 2017-18 as the Board meeting was held only on 30.06.2018. As the Board approval for issue of Shares is mandatory, the Shares for worth Rs. 30 crore were allotted in the 65th Meeting of BoD held on 30th June, 2018 in favour of the Governor of H.P. It is, also submitted that pending approval, adoption and filing of Annual Accounts for the FY 2017-18 and 2018-19, the Form-INC-22(A) could not be filed and the Corporation has become "Active Non-Compliant" w.e.f. 16th June 2019, and till such time the Corporation becomes Compliant, the Return of Allotment of Shares is not being accepted by the MCA system. The Authorized Share Capital of the Company as on 31.03.2018 was Rs. 2000 crore, which was enhanced to a sum of Rs. 2500 crore with the prior approval of the State Government and subsequently by the Shareholders in the Annual General Meeting held on 28.11.2018. Since the Company had become 'Non Compliant', the Return of Allotment of Shares worth Rs. 167.20 lakh could not be filed with the Registrar of Companies, Ministry of Corporate Affairs. However, the Shares were issued to the Governor of Himachal Pradesh through ACS/Pr. Secretary (MPP & Power) to GoHP, for the funds received from the State Government against Equity as per details given below:



S.No.	Date of Allotment	Amount of Shares
1	20.08.2019	74,25,00,000.00
2	03.12.2019	49,50,00,000.00
3	20.03.2020	41,25,00,000.00
4	05.08.2020	2,20,00,000.00
	TOTAL	167,20,00,000.00

Hence the Paid Share Capital of the Corporation as on date is Rs. 2182,76,33,000.00.

2. The Civil and Hydro-Mechanical Works of Shangtong-Karchham HEP (450 MW) were awarded to M/S Patel Engineering Ltd as on 30.06.2012 for INR 1019,57,39,926/- and USD 2802999.68. But later on the issue of dumping of muck arised and a new site about 19 KM from project was finalized. Financial implication of cost of dumping was estimated to be Rs. 37,97,57,130/- +GST. Accordingly the cost of contract was increased by Rs. 37.97 crore in June 2018.

3. In case of Renukaji HEP, Corporation had requested the Government of India for additional amount of Rs. 31,602 lacs, to be deposited with the Courts on urgent basis. The GoI has denied the request, with the condition that funds can only be granted after settling of all the clearances. However it is brought out here that the Investment Clearance to the project has been obtained on 07th August 2020. Now only the CCEA approval is the only approval left, which is expected by December, 2020. Further UYRB has also directed all the participating states to deposit their respective share money with HPPCL, but till date no contribution has been received.

4. The Company has granted Extension of Time (EOT) of the Shongtong HEP for Civil Works till 31st March 2024, with no delay Damages in the 68th Board Meeting held on 24th April 2019. This being Interim / Provisional Extension of Time, hence no delay damages have yet been determined and levied, However, while considering the final EoT, Liquidated Damages, if any, shall be levied.

B. Other Disclosures

1. Compliance to Indian Accounting Standard (Ind. AS) 107: Financial Instruments Disclosure
As the borrowings of the Corporation are on fixed rate basis, hence are not subjected to Interest Rate Risk. Therefore, the requirement of compliance to Ind. AS 107 does not arise.

2. Compliance to Indian Accounting Standard (Ind. AS) 37: Provisions, Contingent Liabilities and Contingent Assets:
The provisions related to contingent liabilities and contingent assets upto the date when the accounts were placed in the BoD Meeting has been made in the Notes to Accounts. No Disclosures of Provisions of Contingent Liabilities and Contingent Assets, after the accounts were approved by the BOD and till the date of finalisation of Audit Report by the Auditor has been given in the Financial Statements, as the amount involved was not ascertainable.

3. The Corporation, being 'Non Compliant' due to pending approval, adoption and filing of Annual Accounts for the FY 2017-18 and 2018-19, the appointments of Directors other than the Managing Director after 16th June, 2019 could not be filed with the Ministry of Corporate Affairs, Govt. of India as have been notified by the State Govt. from time to time. Hence the Company Master Data indicating the details of Directors is incomplete and the name(s) of Sh. Anil Kumar Khachi, IAS, Chief Secretary to Govt. of Himachal Pradesh as Chairperson, Sh. Ram Subhag Singh, IAS, ACS (MPP & Power) to GoHP as Nominee Director and Er. Shashi Kant Joshi as Director (Electrical) are not appearing on the Company Master Data. The updation of Directors shall immediately be carried out after the Company becomes Compliant.

4. The approved borrowing limit of the Company as on date is Rs.3500 crore and the amount raised as loans/CC limit including interest has crossed the borrowing limit. The case for enhancement of borrowing limit from Rs. 3500 crore to Rs. 5000 crore was referred to the State Govt. worth the prior approval of the Board of Directors, but the State Government have asked to maintain the status –quo.

23. DIRECTORS:

(A) The Board of Directors

1.1 Size of the Board

HPPCL is a Government Company within the meaning of the Companies Act. The present Share-holding is being contributed by the Government of Himachal Pradesh, H.P. Infrastructure Development Board (HPIDB) and Himachal Pradesh State Electricity Board Limited (HPSEBL). The power to appoint the Directors vests with the Government of H.P. The approved strength of the Board of Directors is maximum 9 and minimum 3 . These numbers include Whole-Time (Functional), Part-Time (Nominee) Directors and the Managing Director.

1.2 Composition & Tenure of the Board

As on 31.03.2018, the Board was comprised of seven (7) Members, consisting of four (4) Whole-Time (Functional)

Directors including Managing Director and three (3) Part-Time (Nominee) Directors representing the Govt. of Himachal Pradesh.

1.3 Board Meetings

The Board Meetings are held at Shimla to facilitate full participation of Directors. During the FY 2017-18, five (5) Board Meetings have been held and most of the Directors have attended these meetings. These meetings have been held on 4th May, 2017, 26th August, 2017, 28th September, 2017, 15th December, 2017 and 20th March, 2018.

1.4 Corporate Governance

HPPCL continuously strive to bring the best practices expected from us by all the stakeholders in the conduct of our business. The Company is a Private Limited and unlisted Company and it is our endeavour to adhere to the Govt. policies, guidelines etc. and the applicable provisions of the Companies Act, 2013.

PARTICULARS OF THE PERSONS WHO ARE/WERE DIRECTORS/SECRETARY OF THE COMPANY AS ON THE CLOSURE OF FINANCIAL YEAR (2017-18)

S. No.	Name	Usual Address	Date of Birth	Date of Appointment	Date of Cessation (after closure of FY, if any)
1.	Sh. Vineet Chawdhry, IAS	House No. 02, Old Brockhurst, Opposite Kalra Regency, Shimla-171002 HP	23.09.1958	30.12.2017	In position as Chairman (Ceased on 30.09.2018)
2.	Dr. Shrikant Baldi, IAS	House No.17, Type-6, Govt. Officers' Colony, Mehli, Kasumpti, Shimla-171009 HP	12.12.1959	25.07.2011	In position as Nominee Director (Ceased on 14.05.2018)
3.	Sh. Ram Dass Dhiman, IAS	House No. 3, Type-VI, Officers Colony, Kasumpti, Shimla-171009 HP	05.12.1962	29.12.2017	In position as Nominee Director (Ceased on 14.05.2018)
4.	Sh. Devesh Kumar, IAS	Set No-18, Type-6, Kasumpti, Shimla Urban(T), Shimla-171009 HP	01.07.1974	21.04.2017	In position as Managing Director
5.	Sh. Mahesh Sirkek	C-5, Friends Apartments, Annadale, Shimla-171003 HP	28.01.1960	19.04.2017	In position as Whole Time Director
6.	Sh. Dharam Singh Thakur	126, P.O. Sundernagar-1, Tehsil Sundernagar, Thalla, Mandi-174401 HP	11.06.1961	09.03.2018	In position as Whole Time Director
7.	Sh. Neeraj Kumar, HAS	4, Swarkar Apartments, 39, IP Extn, New Delhi-110092	01.06.1971	26.10.2015	In position as Whole Time Director
8.	Sh. Sudershan Kumar Sharma	A-495, Sector-IV, Phase-II, New Shimla, Shimla-171009, HP	01.05.1964	07.08.2008	In position as Company Secretary

PARTICULARS OF CHANGE IN THE PERSONS WHO ARE/WERE DIRECTORS/SECRETARY OF THE COMPANY DURING THE FINANCIAL YEAR (2017-18)

S. No.	Name	Usual Address	Date of Birth	Date of Appointment	Details of Appointment/ Cessation
1.	Sh. Vidya Chander Pharka, IAS	House Number 1, Type VI, Officers Colony, Kasumpti Shimla-171009 HP	15.10.1959	01.06.2016	Ceased as Chairperson w.e.f. 30.12.2017
2.	Sh. Tarun Shridhar, IAS	Abey File Cottage, Lakkar Bazar, Shimla-171001 HP	13.07.1959	01.10.2015	Ceased as Nominee Director w.e.f. 29.12.2017
3.	Sh. Devendra Kumar Sharma	House No.- 472/04, Sector-IV, Near DAV School, New Shimla, Shimla-171009 HP	18.07.1960	13.09.2012	Ceased as Managing Director w.e.f. 20.04.2017
4.	Sh. Mohinder Singh Rana	Village Ladhi, Post Office Jalag, Tehsil Jaisinghpur, District Kangra-176094 HP	02.04.1957	14.08.2012	Ceased as Whole Time Director w.e.f. 01.04.2017
5.	Sh. Ajay Kumar Gupta	3, Kelston Estate, Bharari Road, Shimla-171001 HP	17.01.1960	17.06.2013	Ceased as Whole Time Director w.e.f. 31.01.2018
6.	Sh. Vineet Chawdhry, IAS	House No. 02, Old Brockhurst, Opposite Kalra Regency, Shimla-171002 HP	23.09.1958	30.12.2017	Appointment as Chairman w.e.f. 30.12.2017
7.	Sh. Ram Dass Dhiman, IAS	House No. 3, Type-VI, Officers Colony, Kasumpti, Shimla-171009 HP	05.12.1962	29.12.2017	Appointment as Nominee Director w.e.f. 29.12.2017
8.	Sh. Devesh Kumar, IAS	Set No-18, Type-6, Kasumpti, Shimla Urban(T), Shimla-171009 HP	01.07.1974	21.04.2017	Appointment as Managing Director w.e.f. 21.04.2017
9.	Sh. Mahesh Sirkek	C-5, Friends Apartments, Annadale, Shimla-171003 HP	28.01.1960	19.04.2017	Appointment as Whole Time Director w.e.f. 19.04.2017
10.	Sh. Dharam Singh Thakur	126, P.O. Sundernagar-1, Tehsil Sundernagar, Thalla, Mandi-174401 HP	11.06.1961	09.03.2018	Appointment as Whole Time Director w.e.f. 09.03.2018

The Board noted the contributions made by the Chairman/Directors during their tenure and placed on record its appreciation for their services.

PARTICULARS OF DIRECTORS/SECRETARY AS ON DATE

Sh. Anil Kumar Khachi, IAS, Chief Secretary to Govt. of Himachal Pradesh - **Chairperson**
Sh. Ram Subhag Singh, IAS, Additional Chief Secretary (MPP & Power) to GoHP - **Director**
Sh. Prabodh Saxena, IAS, Additional Chief Secretary (Finance) to GoHP - **Director**
Sh. Amit Kashyap, IAS - Managing Director
Sh. Manmohan Sharma, IAS, Director (Personnel & Finance) - **Director**
Er. Dharam Singh Thakur, Director (Civil) - **Director**
Er. Shashi Kant Joshi, Director (Electrical) - **Director**
Sh. Sudershan Kumar Sharma - **Company Secretary**

(B) Declaration by Independent Director(s) and re-appointment, if any

Since the Company does not have Independent Directors, therefore, the information is nil.

(C) Formal annual evaluation of the Board & its performance

No such formal evaluation has been done. However, all intricate issues are discussed and settled after consultation among the Directors and sometimes in Board meetings.

24. AUDIT COMMITTEE

Although, the provisions of the Companies Act, 2013 are not applicable, yet in order to have good corporate practices, an Audit Committee was constituted on 30.04.2008 and the meetings of the Audit Committee are being held.

25. DETAILS OF ESTABLISHMENT OF VIGIL MECHANISM FOR DIRECTORS AND EMPLOYEES.

The Vigil Mechanism Committee has been established with the approval of the Board in its 55th meeting. However, no complaint or any issue has been raised by any one to the Committee.

26. NOMINATION AND REMUNERATION COMMITTEE

Not Applicable.

27. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION- 186

The information is nil please.

28. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

The PPA agreement with HPSEBL in case of Kashang HEP, for sale of power was initially made till 31st March 2017 @ Rs. 2.92 per unit and later extended up to 6th May 2018. After that the Company has made arrangements to sell the power in Energy Exchange through Power Trader PTC India Limited.

In case of Sainj HEP, the arrangement has been made to sell the power in Energy Exchange through Tata Power Trading Corporation with effect from 4th September 2017.

For sale of power, in case of Berradol SPP, Power Purchase Agreement was signed with HPSEBL on 31.03.2017, @ Rs. 4.31 per unit.

29. SECRETARIAL AUDIT REPORT

Since Himachal Pradesh Power Corporation Limited is a Private Limited Company, the provisions of Secretarial Audit are not applicable in the FY 2017-18.

30. EXPLANATIONS OR COMMENTS BY THE BOARD ON EVERY QUALIFICATION, RESERVATION OR ADVERSE REMARK OR DISCLAIMER MADE -

(I) By the Auditor in his report:

The Statutory Auditors have given their qualified opinion stating that the Financial Statements give information required by the Act., in the manner so required and give a true and fair view, in conformity with the Accounting

Principles Generally Accepted in India, including the Ind. AS, of the state of affairs (Financial Position) of the Company as at 31st March, 2018 and its profit/Loss (financial performance including other comprehensive income) and its cash Flows and Changes in Equity for the year ended on that date.

Replies to the Statutory Auditors' Report have been given in the Annexures to the Financial Statements (Annual Accounts) for the FY 2017-18.

(II) By the Secretarial Auditor in his report: -

HPPCL, being a Private Limited Company, the provisions of Secretarial Audit are not applicable.

31. RISK MANAGEMENT POLICY

The information is nil please.

32. DIRECTORS' RESPONSIBILITIES STATEMENT

In accordance with the provisions of Section 134(5) of the Companies Act, 2013, the Board hereby submit its responsibility Statement:-

(a) In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(b) the Directors had 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 had 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 fraud and other irregularities;

(d) the Directors had prepared the annual accounts on a going concern basis; and

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

33. COMPANY'S POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION INCLUDING CRITERIA FOR DETERMINING QUALIFICATIONS, POSITIVE ATTRIBUTES, INDEPENDENCE OF A DIRECTOR AND OTHER MATTERS PROVIDED UNDER SUB-SECTION (3) OF SECTION 178.

Since being Company, HPPCL entirely owned by the State Govt./Entities of the State Govt., the subject matter is regulated as per Govt. notifications issued from time to time.

34. PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 217 (2A) OF THE COMPANIES ACT, 1956 AND NOW AS PER THE COMPANIES ACT, 2013.

The information is NIL. However, the remuneration to the Whole-time Directors and Company Secretary paid during the FY 2017-18 is being given in the Form MGT-9 enclosed to the report.

35. OTHER INFORMATION- INDUSTRY OVERVIEW

Electricity is one of the key enablers for achieving socio-economic development of the country. Amongst various modes adopted for meeting the ever increasing demand of power to achieve the targeted growth rate, Generation capacity augmentation is the most vital component. The economic growth leads to growth in demand of power. To meet this demand, in view of the limited available fuel resources for generation, capacity addition has to be planned very optimally.

During the 12th Plan (2012-17), a capacity addition of 99,209 MW was commissioned against target of 88,537 MW from conventional sources. It is for the first time in the history of the Indian power sector that such a large capacity addition during a single plan period was achieved which is 112 % of the target. During 11th plan the achievement in capacity addition was 69.84% of the target. As per the 13th Five Year Plan, India is targeting to increase renewable capacity to 175GW by 2022.

As regards hydro potential, total Hydro Electric Power potential in the country was assessed by CEA as 84,044 MW (at 60% load factor) from a total of 845 number of identified Hydro Electric Schemes, which when fully developed would result in an installed capacity of about 1,48,701 MW on the basis of probable average load factor. The total energy potential is assessed as 600 billion units per year. Hydropower is used to its maximum potential for meeting peak loads and all new projects must be designed with this objective in mind. Hydro Power brings a strong contribution to flexibility in the power system today filling the gap between supply and demand that has been induced by the non-dispatchable variability of Renewable Energy Sources (to counter variability of RES, as sun does not always shine and wind does not blow constantly). Hydro Power plants with reservoirs reduce the dependency on the variability of the natural inflow and enable adjustments of power generation to the variability in demand. However, the full development of India's hydro-electric potential, while technically feasible, faces various issues including issues of water rights, resettlement of project affected people and environmental concerns etc. and all these issues need to be resolved to exploit full potential. As in April 2020, the installed capacity of hydroelectric power plants in the country is 45,699 MW which is 12.4% of the total installed capacity of the country.

The above Industry scenario signifies that there is an ample opportunity for consistent growth in the business of power sector in the times to come. All efforts are being made and we hope that HPPCL will certainly be one of the major producers of power in Himachal Pradesh.

ACKNOWLEDGEMENTS:

Your Directors gratefully acknowledge the continuous support and assistance provided by the various Departments of the State Govt., such as Department of Power, Directorate of Energy, Department of Finance, Department of Forests, Department of Revenue, HPSEBL, HPIDB, Pollution Control Board etc. The Board of Directors also acknowledge with thanks the guidance and help extended by various Ministries/Departments of the Government of India, particularly, Ministry of Power, Ministry of Finance, MOEF, Central Electricity Authority, Central Water Commission, Geological Survey of India and Financial Institutions, such as ADB, KfW, AFD, PFC, REC and Banks etc.

The Board conveys its gratitude to the outgoing Directors for their dedicated services rendered during their tenure. The Directors further place on record, its gratitude to the officers/officials of HPSEBL, HPIDB and other agencies for their institutional support. The Directors would also like to thank the Internal Auditors, Statutory Auditors, office of A.G. H.P. and C.A.G. of India, who have made efforts in conducting and finalizing the audit of the Company.

Last but not the least, the Board commends the hard work and dedicated efforts put in by the employees of the Corporation at all levels.

Thanking you

For and on behalf of the Board of Directors

---Sd---
Manmohan Sharma, HAS
Director (Finance & Personnel)

---Sd---
Amit Kashyap, IAS
Managing Director

Place: Shimla

Date: 04.11.2020

Annexure-A

CORPORATE SOCIAL RESPONSIBILITY (CSR)

S. No.	Question	Reply
1.	A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the Web- link to the CSR policy and projects or programs	HPPCL has framed its CSR Policy in the year 2014 and is committed to the concerns of its stakeholders and strives to maintain good standards of corporate social responsibility (CSR) in its business activities. Working with commitment to make socially, culturally and economically the lives of affected people better than what it was before starting project activities. HPPCL believes in long term harmonious relationship with local communities in the project area going beyond legal provisions and remains committed to provide good compensation, adequate grant and greater relief to the affected families, so as to set standard for the hydro power sector in the State. HPPCL aims to minimize involuntary resettlement and other inconveniences to the communities. HPPCL believes in making the communities a stake holder in its projects. HPPCL will make conscious efforts to enhance the quality of the life through its CSR programmes. **As per the CSR Policy 2014, Projects or programs to be undertaken are as follow:** **ERADICATION OF HUNGER AND POVERTY:** HPPCL will endeavor to eradicate hunger in its project area by creating employment opportunities in the project area as well as in the state of Himachal Pradesh. HPPCL will also organize camps to make the communities aware of the latest and beneficial practices/ techniques; and also help them to adopt the same into practices with demonstration and training so that they can improve their livelihoods. In each camp one or more experts from the relevant field would be invited to present and demonstrate latest and/or best practices suited to the areas for the benefits of farmers and other rural communities, which may include agriculture, horticulture, harvesting techniques& practices, post –harvest operations, first- stage / primary or even secondary processing, food preservation, Non-Timber Forest Produce (NTFP) including medical plants cultivation& processing, poultry, beekeeping (apiculture), fish rearing, animal husbandry, rural artisan, handicraft, sanitation, health& hygiene including local health tradition, career counseling, Investment Counseling and skill up gradation activities. **Eradication of hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water.** **HEALTH CARE:** HPPCL propose to support health institutions / centers facilitating health care to people in the project affected areas as well as in the state of Himachal Pradesh. It will also collaborate with School Health Programme. Free medical Camps will also be organized by HPPCL in the Villages/ Towns. HPPCL also proposes to give assistance for such medical treatment that is not possible in medical camps and may provide free Medicine. HPPCL may also provide early child hood nutrition and care, immunization and child health programme,

S. No.	Question	Reply
		assistance for treatment by specialist (s) of for critical diseases of referral cases. HPPCL will also support research and development in health care and information, education and communication (IEC) preventive and promotive health. **EDUCATION:** HPPCL proposes to support educational institutions by creating/augmenting infrastructure facilities. The other activities will be vocational training to the youth, partnership with industrial training institutes, girl, child education, adult education etc. it will also support research and development in education sector. **Promoting education including special education and employment, enhancing vocational skills especially among children, women, elderly and differently abled and livelihood enhancement projects.** **ENVIRONMENT SUSTAINABILITY:** HPPCL will extend help in promoting organic farming, vermin composting, social forestry and silviculture practices. It will support work for rain water harvesting, soil conservation and reduction of environmental pollution. It will also support Research and Development in Environmental sector. HPPCL will also support to promote activity under"Swachh Bharat" Mission. **PROTECTION OF NATIONAL HERITAGE & CULTURE:** HPPCL will also support protection of National Heritage and provide financial assistance for cultural and public places etc. financial assistance may also be provided for organizing Local, National or International fares etc. HPPCL will also support institutions, artists and artisans engaged in the promotion of culture and heritage. **Protection of nation heritage, art and culture including restoration of buildings and sites of historic importance and works of art.** **HPPCL will also support the measure for the benefit of armed forces veterans, war widows and their dependents.** **HPPCL will also support training to promote rural sports and nationally recognized sports, Paralympic Sports and Olympic sport.** **INFRASTRUCTURAL DEVELOPMENT & COMMUNITY DEVELOPMENT:** HPPCL will support creation of community assets, institutions in the project area. **CONTRIBUTION TO THE RELIEF FUND:** HPPCL will make contribution to the Prime Minister's National Relief Fund/Chief Minister's Relief Fund and any other fund setup by Central Government for socio economic development and relief a welfare of the Schedule Castes, Scheduled Tribes other backward classes, minorities and women. **HPPCL will also support rural development projects.** **Contributions or funds provided to technology incubators located with academic institutions which are approved by the Central Govt.**

S. No.	Question	Reply
2.	The composition of the CSR Committee	The composition of the CSR Committee is as follows: 1. The Addl. Chief Secretary, (MPP & P) to the GoHP Chairman 2. Managing Director, HPPCL Member 3. Director (Personnel), HPPCL Member 4. Director (Finance), HPPCL Member 5. Chief Environment Specialist / Chief Social & RR Specialist Member Secretary
3.	Average net profit of the company for last three financial years	Nil
4.	Prescribed CSR expenditure	CSR expenditure shall include all expenditure including contribution to corpus for project or programmes relating to CSR activities approved by the Board on the recommendation of its CSR committee
5.	Details of CSR spent during the financial year	Himachal Pradesh Power Corporation Limited (HPPCL) has started commercial operation in September, 2016 only. Since, the earnings of the Corporation are less than the ceiling of mandatory requirement during this period, as such; spending 2% of its net profit is not required. Hence, following questions are not applicable.
	(1) Total amount to be spent for the financial year	NA
	(2) Amount unspent, if any	NA
	(3) Manner in which the amount spent during the financial year is detailed below	NA
6.	In case the company has failed to spent the two percent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board Report	NA
7.	A responsibility statement of the CSR Committee that the implementation &monitoring of CSR Policy is objective and policy of the company	Whenever the implementation of CSR Policy would be started in HPPCL, the same shall be implemented in compliance with CSR objective and policy of the company

S. No.	CSR Projects or activity identified	Sector in which the project is covered	Projects or Programmes 1. Local area or other 2. Specify the date and district where projects or programmes was undertaken	Amount outlay (budget) project or programmes wise	Amount spent on the projects or programme Sub Head: 1. Direct expenditure on projects or programmes Overheads	Cumulative expenditure up to the reporting period	Amount spent : Direct or through implementing agency
1.	Eradication of hunger, poverty	NA	NA	NA	NA	NA	NA
2.	Health care						
3.	Education						
4.	Environment Sustainability						
5.	Protection of National Heritage & Culture						
6.	Support measure for the benefits of armed forces veterans, war widows & their dependents						
7.	Support for training to promote rural sports, nationally recognized sports, Paralympics sports and Olympic sports						
8.	Infrastructural Development & Community Development						
9.	Contribution to relief fund						
10.	Support rural development projects						

(ANNEXURE-B)

SHONGTONG KARCHAM HEP (450 MW)

List of cases pending before the Hon'ble Courts/Arbitration/DAB in respect of Shongtong Karcham Hydro Electric Project, HPPCL, Reckong Peo, District Kinnaur (H.P.)

S. No.	Case No./ Nature of Case	Title of Case	Award passed by	Date of Award	Amount
1	Arb. 99 of 2018/2 of 2019	Sh. Bhim Sain Negi Vs HPPCL & Ors.	Sh. B.L. Soni, sole Arbitrator	19.12.2019	26,88,000/-
2	Re-imbursement of additional cost towards Running " of Diesel Generators due to non availability of Grid Power.	M/s Patel Engineering Ltd. Vs HPPCL.	DAB: - i) Er. K.K. Gupta, ii) Er. K.K. Malhotra iii) Er. S.C. Gupta	06.03.2020	4,70,62,403/-

SAWRA-KUDDU HEP (111 MW)

Detail of order passed by respective courts & status of Cases pending before respective Courts in respect of SKHEP.

S. No.	Case No & Title	Amount	Package Name	Application Title	Name of Advocate	Latest Status	Award
1	OMP No. 70 of 2018 - HPPCL Vs. M/s Patel Engineering Ltd. In matter of Arbitral Award In respect of Contract Agreement No. SK/C-III dated 10.02.2009 (Claims in respect of Power House, SKHEP)	Rs. 4,97,44,453 /- Amount deposited by HPPCL in High Court Shimla.	Power House package		Sh. J.S Bhogal (Sr. Advocate) High Court of H.P Mob. No. 9816137369	Awarded amount deposited in favour of PEL in High Court of HP record of Arbitration submitted in High Court	Award made by Hon'ble Arbitrator in Favour of Contractor amounting to Rs. 4,97,44,453/-

S. No.	Case No & Title	Amount	Package Name	Application Title	Name of Advocate	Latest Status	Award
2	Arb. Case No 87 of 2017 - HPPCL VS M/S Coastal Project Pvt. Ltd. In In matter of Arbitral Award In r/o Contract Agreement No. SK-HEP-8/2010 Dated 19.03.2011	Rs. 1,13,24,093/-	HRT Packages Face- 0	Application under Section 34 of the Arbitration and Conciliation Act, 1996 as amended up to date against the award dated 17-07-2017 pased bySh. Labh Singh, Sole Arbitrator, with prayer to set aside the impugned award and dismiss the claims of the respondent.	Sh. J.S Bhogal (Sr. Advocate) High Court of H.P Mob. No. 9816137369	Cases adjourned for 2 months due to Liquidation process in matter of Insolvency. Record of Arbitration submitted in High Court. At the request of vice counsel of respondent on 29.07.2019 list next week. Matter list on 07.08.2019 on that date the time prayed for filing rejoinder and allowed within 3 weeks. List thereafter.	Award made by Hon'ble Arbitrator in Favour of Contractor amounting to Rs. 1,13,24,093/-
3	Ex. P. no 17/2017 - HPPCL VS M/S Coastal Project Pvt. Ltd. In matter of Arbitral Award In r/o Contract Agreement No. SK/C-I I dated 23.07.2007	Rs. 405,67,17,108/-	Main HRT	Application under order XXI Rule 11 of the code of civil procedure read with section 36 of the Arbitration and conciliation Act, 1996 as amended up to date for execution of the Award dated 14-07-2017		Rejoinder to be filed on dated 30.05.2019 three weeks time given to file.	Award made by Hon'ble Arbitrator in Favour of HPPCL amounting to Rs. 3,11,76,93,462.00 + interest
4	OMP . No. 49/2017 - M/S Kirloskar Coastal Joint Venture In matter of Arbitral Award In r/o Contract Agreement No. SK/C-I I dated 23.07.2007		Main HRT	Application under provision section 34 (3) of the Arbitration & Counciliation Act, 1996 for condonation of delay read with section of the Limitation Act.		Cases suspended till the decision of Liquidator in matter of Insolvency. Rejoinder to be filed on dated 21.03.2018 , delay of 28 days in filing the main petition u/s 34 of the Act is condened. Hence the application is allowed and the same is disposed of.	

S. No.	Case No & Title	Amount	Package Name	Application Title	Name of Advocate	Latest Status	Award
5	Arb. Case No 4040 of 2017 - HPPCL VS M/S KSR Infrastructure Pvt. Ltd. In matter of Arbitral Award In r/o Contract Agreement No. SK-HEP-51/2007 Dated 28.03.2008 for the construction of Main AccessTunnel (MAT) size 7.50M (finished) D Shaped 172M Long for undergroung Power House at snail in r/o SKHEP.	Rs. 41,13,725/-	Power House	Application under Section 34 of the Arbitration and Conciliation Act, 1996 for setting aside the award dated 09-07-2013 as corrected on 14-08-2013, made by the learned Arbitral Tribunal comprising of Er. Labh Singh, Former Chief Engineering, HPSEBL, 646, Phase 2 (Sector 54), Mohali 160055.	Sh. J.S Bhogal (Sr. Advocate) High Court of HP Mob. No. 9816137369	Learned counsel for the petitioner that the matter has come up for hearing after a long time, therefore, they need time to ascertain the status of the parties as well as to prepare the brief prayed allowed. List after three weeks, as prayed for hearing on dated 18/10/2019. At the request of learned council appearing on behalf of the parties, list after winter vacation. Hearing on dated 27/12/2019.	The Arbitral Tribunal decides and Awards the total amount of Rs. 41,13,725 /- in favour of the Claimant (KSR) Towards Claim No -5 of their SOC. Arbitral Tribunal also Award a simple interest @ 12% per annum from 90 days after receipt of ward by the Respondent (HPPCL) till the actual date of payment.
Cases before National Company Law Tribunal Kolkata							
1	HPPCL Vs. M/S Coastal Project Ltd.- Resolution of Coastal Projects Ltd. Intiated by Hon'ble NCLT Kolkata Bench. In matter of Arbitral Award In respect of Contract Agreement No. SK/C-I I dated 23.07.2007 & SK-HEP-8/2010 Dated 19.03.2011	Rs. 405,67,17,108/-	HRT Packages	National Company Law Tribunal Kolkata	Sh. Manish Kumar Supreme Court of India , S-138 LGF Greater Kailash -I New Delhi. 8287004046 manishk791@ gmail.com	Acknowledgement for receipt of Claim have been received by returned e-mail on dated 13.06.2019 subjected to verification of the claim as per the provisions of insolvency and Bankruptcy Code, 2016.	Submitted claim of Rs. 405,67,17,108/- to liquidator on 13.06.2019 and same is pending before Hon'ble High Court Shimla mentioned Sr. No -3 & 4 .

Note :- Record of enhance amount awarded by respective courts in respect of Land reference Cases are with Land Acquisition Officer, HPPCL Shimla.

SAWRA-KUDDU HEP (111 MW)

Detail of order passed by respective courts & status of Cases pending before respective Courts in respect of SKHEP.

CASES BEFORE ARBITRAL TRIBUNAL

S. No.	Case No & Title	Amount	Arbitral Tribunal Name	Name of Advocate	Latest Status	Award
1	Claim No-1 - HPPCL Vs. M/s Patel Engineering Ltd. In matter of Arbitral Award In respect of Contract Agreement No. SK/C-I dated 09.09.2009 "Payment of Executed Quantity of Admixture"	Rs. 36,45,42,837+ interest @ 18% per annum	Sh. V.K. Tyagi, Sh. S.C. Gupta & Sh. R.N. Sharma	Sh. J.S. Bhogal, Sr. Advocate & Instructing Counsel Sh. Suneet Goel, Advocate, Mob. 9816137369 Dr. Lalit Kumar Sharma (Advocate) & Sh. Aanad Parkash (Advocate) Mob. No. 9816060531 Mob. No. 8851801293	Statement of Defence (SOD) filed on 31.07.2019. Affidavit in support with admission/denial filed on 30.09.19. As per proceeding the Arbitration Tribunal held at Delhi on 19/11/2019, the formal proof of the documents denied by the claimant has been submitted on 18/12/2019. This office had filed the proof of document denied by the climent on dated 18/01/2020 & the formal proof with regard to other document will be filed with in a period of one month.	Claim Awarded in favour of M/s PEL by Dispute Board & now challenged by HPPCL before Arbitral Tribunal.
2	Claim No-2 -HPPCL Vs. M/s Patel Engineering Ltd. In matter of Arbitration In respect of Contract Agreement No. SK/C-I dated 09.09.2009 "Payment of Executed Additional Work / Changed work Viz, PK.Weir & Collection Chamber"	Rs. 46,49,53,940 + interest @ 18% per annum			Statement of Defence (SOD) filed on 31.07.2019 Affidavit in support with admission/denial filed on 30.09.19. As per proceeding the Arbitration Tribunal held at Delhi on 19/11/2019, the formal proof of the documents denied by the claimant has been submitted on 18/12/2019. This office had filed the proof of document denied by the climent on dated 18/01/2020 & the formal proof with regard to other document will be filed with in a period of one month.	Claim Awarded in favour of HPPCL by Dispute Board & now challanged by M/s PEL before Arbitral Tribunal.

S. No.	Case No & Title	Amount	Arbitral Tribunal Name	Name of Advocate	Latest Status	Award
3	Claim No-3 -HPPCL Vs. M/s Patel Engineering Ltd. In matter of Arbitral Award In respect of Contract Agreement No. SK/C-I dated 09.09.2009 "Adjustment of contract price due to change in legislation relating to the payment of Minimum wages to labourers"	Rs. 19,55,84,354 + interest @ 18% per annum	Sh. V.K. Tyagi, Sh. S.C. Gupta & Sh. R.N. Sharma	Sh. J.S. Bhogal, Sr. Advocate & Instructing Counsel Sh. Suneet Goel, Advocate, Mob. 9816137369 Dr. Lalit Kumar Sharma (Advocate) & Sh. Aanad Parkash (Advocate) Mob. No. 9816060531 Mob. No. 8851801293	Statement of Defence (SOD) filed on 31.07.2019 Affidavit in support with admission/denial filed on 30.09.19. As per proceeding the Arbitration Tribunal held at Delhi on 19/11/2019, the formal proof of the documents denied by the claimant has been submitted on 18/12/2019. This office had filed the proof of document denied by the climent on dated 18/01/2020 & the formal proof with regard to other document will be filed with in a period of one month.	Claim Awarded in favour of HPPCL by Dispute Board & now challanged by M/s PEL before Arbitral Tribunal.
4	Claim No-4 - HPPCL Vs. M/s Patel Engineering Ltd. In matter of Arbitration Award In respect of Contract Agreement No. SK/C-I dated 09.09.2009 "Extension of time as a consequence of employer's , prohibition order against unjustified unilateral recoveries of cost initiated by HPPCL "	Rs. 83,58,666 + interest @ 18% per annum			Statement of Defence (SOD) filed on 31.07.2019.Affidavit in support with admission/denial filed on 30.09.19. Rejoinder on behalf of the respondent to the reply filed by the claimant to the counter claims of the respondent filed on 30.09.2019. As per proceeding the Arbitration Tribunal held at Delhi on 19/11/2019, the formal proof of the documents denied by the claimant has been submitted on 18/12/2019. This office had filed the proof of document denied by the climent on dated 18/01/2020 & the formal proof with regard to other document will be filed with in a period of one month.	Claim Awarded in favour of M/s PEL by Dispute Board & now challenged by HPPCL before Arbitral Tribunal.

(ANNEXURE-C)

ANNEXURE C TO THE DIRECTORS' REPORT

Form No. MGT-9

EXTRACT OF ANNUAL RETURN AS ON THE FINANCIAL YEAR ENDED ON 31st MARCH, 2018

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

i.	CIN	U40101HP2006SGC030591
ii.	Registration Date	18.12.2006
iii.	Name of the Company	HIMACHAL PRADESH POWER CORPORATION LIMITED
iv.	Category / Sub-Category of the Company	Company Limited by shares State Govt. Company
v.	Address of the Registered office and contact details	Himfed Building, BCS, New Shimla Shimla, Himachal Pradesh-171009
vi.	Whether listed company	No
vii.	Name, Address and Contact details of Registrar and Transfer Agent, If any	Nil

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Sr. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1.	Electricity, gas, steam and air condition supply	40101	100 %

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. No.	Name and Address of The Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1.	HIMACHAL EMTA POWER LIMITED	U40102HP2007PLC030601	Joint Venture	50	2(46)

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i. Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year(+-)
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoter									
1. Indian	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-**
a. Individual/ HUF	0	0	0	0	0	0	0	0	-
b. Central Govt	0	0	0	0	0	0	0	0	-
c. State Govt(s)	3,529,750			21.12	5,276,345			28.59	7.47
d. Bodies Corp/Govt. companies	1,307,731			7.83	1,307,731			7.09	-0.74
e. Banks / FI	0	0	0	0	0	0	0	0	-
f. Any Other (Shares in the name of Himachal Pradesh Infrastructure Development Board (Board of Govt. of H.P.) & 50 Shares in the name of 3 Sr. Officers of the State Govt. i.e. 30 Shares of State Govt. Nominees and 20 Shares of HPSEBL Nominees).	11,871,527			71.05	11,871,557			64.32	-6.73
Sub-total(A)(1):-	16,709,008			100	18,455,633			100	-
2. Foreign	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-**
g. NRIs-Individuals	0	0	0	0	0	0	0	0	-
h. Other-Individuals									
i. Bodies Corp.	0	0	0	0	0	0	0	0	-
j. Banks / FI	0	0	0	0	0	0	0	0	-
k. Any Other….	0	0	0	0	0	0	0	0	-
Sub-total (A)(2):-	16,709,008			100	18,455,633			100	-
B. Public Shareholding									
1. Institutions									
a. Mutual Funds	0	0	0	0	0	0	0	0	-
b. Banks / FI	0	0	0	0	0	0	0	0	-
c. Central Govt	0	0	0	0	0	0	0	0	-

d. State Govt(s)	0	0	0	0	0	0	0	0	-
e. Venture Capital Funds	0	0	0	0	0	0	0	0	-
f. Insurance Companies	0	0	0	0	0	0	0	0	-
g. FIIs	0	0	0	0	0	0	0	0	-
h. Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	-
i. Others (specify)	0	0	0	0	0	0	0	0	-
Sub-total (B)(1)	0	0	0	0	0	0	0	0	-
2. Non Institutions									
a. Bodies Corp. (i) Indian (ii) Overseas	0	0	0	0	0	0	0	0	-
b. Individuals (i) Individual shareholders holding nominal share capital upto Rs. 1 lakh (ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	0	0	0	0	0	0	0	0	-
c. Others (specify)	0	0	0	0	0	0	0	0	-
Sub-total (B)(2)	0	0	0	0	0	0	0	0	-
Total Public Shareholding (B)= (B)(1)+ (B)(2)	0	0	0	0	0	0	0	0	-
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	-
Grand Total (A+B+C)	**16,709,008**			**100**	**18,455,633**			**100**	-

ii. Shareholding of Promoters

S. No.	**Shareholder's Name**	**Shareholding at the beginning of the year**			**Shareholding at the end of the year**			**% change in share holding during the year (+-)**
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encum-bered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/ encum-bered to total shares	
1.	Governor of Himachal Pradesh	3,529,750	21.12	-	5,276,345	28.59	-	7.47
2.	Himachal Pradesh State Electricity Board Limited	1,307,731	7.83	-	1,307,731	7.09	-	-0.74

3.	Himachal Pradesh Infra-structure Development Board (was not Promoter at the time of incorporation of Company)	11,871,477	71.05	-	11,871,507	64.32	-	-6.73
4.	Sh. Tarun Shridhar, IAS (as Ex- officio member)	30	0.00	-	-	0.00	-	0.00
5.	Dr. Shrikant Baldi, IAS (as Ex- officio member)	10	0.00	-	10	0.00	-	0.00
6.	Sh. Vidya Chander Pharka, IAS	10	0.00	-	-	0.00	-	0.00
7.	Sh. Vineet Chawdhry, IAS	-	0.00	-	10	0.00	-	0.00
8.	Sh. Ram Dass Dhiman, IAS	-	0.00	-	30	0.00	-	0.00
	Total	**16,709,008**	**100**		**18,455,633**	**100**		

iii. Change in Promoters' Shareholding:

S. No.		**Shareholding at the beginning of the year**		**Cumulative Shareholding during the year**	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
	At the beginning of the year	16,709,008	100	1,746,625	100
	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	-	-	-	-
	ALLOTMENT	**DATE**	**NO. OF SHARES**	**TO WHOM ISSUED**	**REASON**
		04/05/2017	2,92,095	The Governor of H. P. through ACS/Pr. Secretary (Power) to the Govt. of H.P.	Allotment to existing Shareholders
		04/05/2017	30	H.P. Infrastructure Development Board (HPIDB)	-do-
		26/08/2017	6,68,600	The Governor of H. P. through ACS/Pr. Secretary (Power) to the Govt. of H.P.	-do-
		15/12/2017	2,28,100	-do-	-do-
		20/03/2018	5,57,800	-do-	-do-

	TRANSFER	DATE	NO. OF SHARES	Transferor's & Transferee's Name	REASON
		20/03/2018	10	Sh. Vidya Chander Pharka, IAS **To** Sh. Vineet Chawdhry, IAS	As per Orders of State Government & subsequent approval of BOD
		20/03/2018	30	Sh. Tarun Shridhar, IAS **To** Sh. Ram Dass Dhiman, IAS	
	At the end of the year	**18,455,633**	**100**	**18,455,633**	**100**

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment:

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year (2017-18)				
i) Principal Amount	147,116,435	23,622,261,833	0	23,769,378,268
ii) Interest due but not paid	0	7,526,083,234	0	7,526,083,234
iii) Interest accrued but not due	4,111,937	0	0	4,111,937
Total (i+ii+iii)	151,228,372	31,148,345,067	0	31,299,573,439
Change in Indebtedness during the financial year				
- Addition	0	3,833,022,730	0	3,833,022,730
- Reduction	(474,668)	0	0	(474,668)
Net Change	(474,668)	3,833,022,730	0	3,832,548,062
Indebtedness at the end of the financial year (2017-18)				
i) Principal Amount	1,471,164,35	25,086,173,833	0	25,233,290,268
ii) Interest due but not paid	0	9,895,193,964	0	9,895,193,964
iii) Interest accrued but not due	3,637,269	0	0	3,637,269
Total (i+ii+iii)	150,753,704	34,981,367,797	0	35,132,121,501

VI.REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager

S. No.	Particulars of Remuneration	Designation	Total Amount (in Rs.)
1.	**Name of MD/WTD/Manager:** **1) Sh. Devender Kumar Sharma** Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act,1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	**(Managing Director)** **(01.04.2017 to 20.04.2017)**	10,19,081 16,676 -
	Name of MD/WTD/Manager: **1) Sh. Devesh Kumar** Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act,1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	**(Managing Director)** **(21.04.2017 to 31.03.2018)**	1,401,828 - -
	3) Er. Mohinder Singh Rana Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act,1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	**(Whole Time Director)** **(01.04.2017 to 01.04.2017)**	30,995 - -
	4) Er. Mahesh Sirkek Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act,1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	**(Whole Time Director)** **(19.04.2017 to 31.03.2018)**	18,67,406 1,65,000 -
	5) Er. Ajay Kumar Gupta Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act,1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	**(Whole Time Director)** **(01.04.2017 to 31.01.2018)**	21,00,270 1,50,000 -

	6) Er. Dharam Singh Thakur Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act,1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	**(Whole Time Director)** **(09.03.2018 to 31.03.2018)**	1,23,524 - -
	7) Sh. Neeraj Kumar Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act,1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	**(Whole Time Director)** **(01.04.2017 to 31.03.2018)**	17,72,537 - -
2.	Stock Option	-	-
3.	Sweat Equity	-	-
4.	Commission - as % of profit - others, specify…	-	-
5.	Others, please specify	-	-
	Total (A)	-	86,47,317
	Ceiling as per the Act	-	-

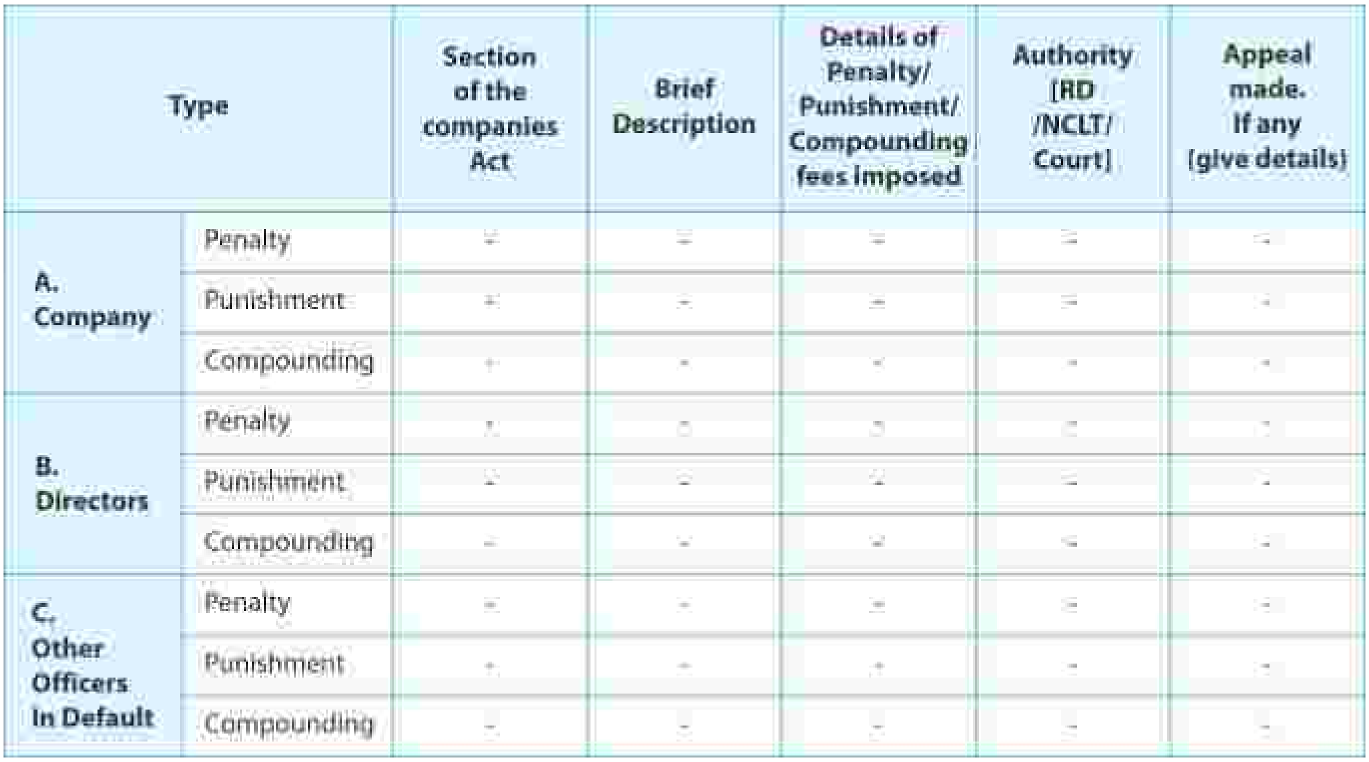
B. Remuneration to other directors:

S. No.	Particulars of Remuneration	Name of MD/WTD/Manager	Total Amount (In Rs.)
	Independent Directors -Fee for attending board committee meetings -Commission -Others, please specify	-	-
	Total (1)		-
	Other Non-Executive Directors -Fee for attending board committee meetings -Commission -Others, please specify	-	-
	Total (2)		-
	Total (B)=(1+2)		-
	Total Managerial Remuneration		-
	Overall Ceiling as per the Act		

C. Remuneration to Key Managerial Personnel other than MD / Manager / WTD

S.No.	Particulars of Remuneration	Key Managerial Personnel			
	(Name)	CEO	Company Secretary	CFO	Total
	1) Sh. Sudershan Kumar Sharma Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act,1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	19,64,962 NIL -	-	19,64,962
2.	Stock Option	-	-	-	
3.	Sweat Equity	-	-	-	
4.	Commission - as % of profit - others, specify…	-	-	-	
5.	Others, please specify	-	-	-	
	Total		**19,64,962**		**19,64,962**

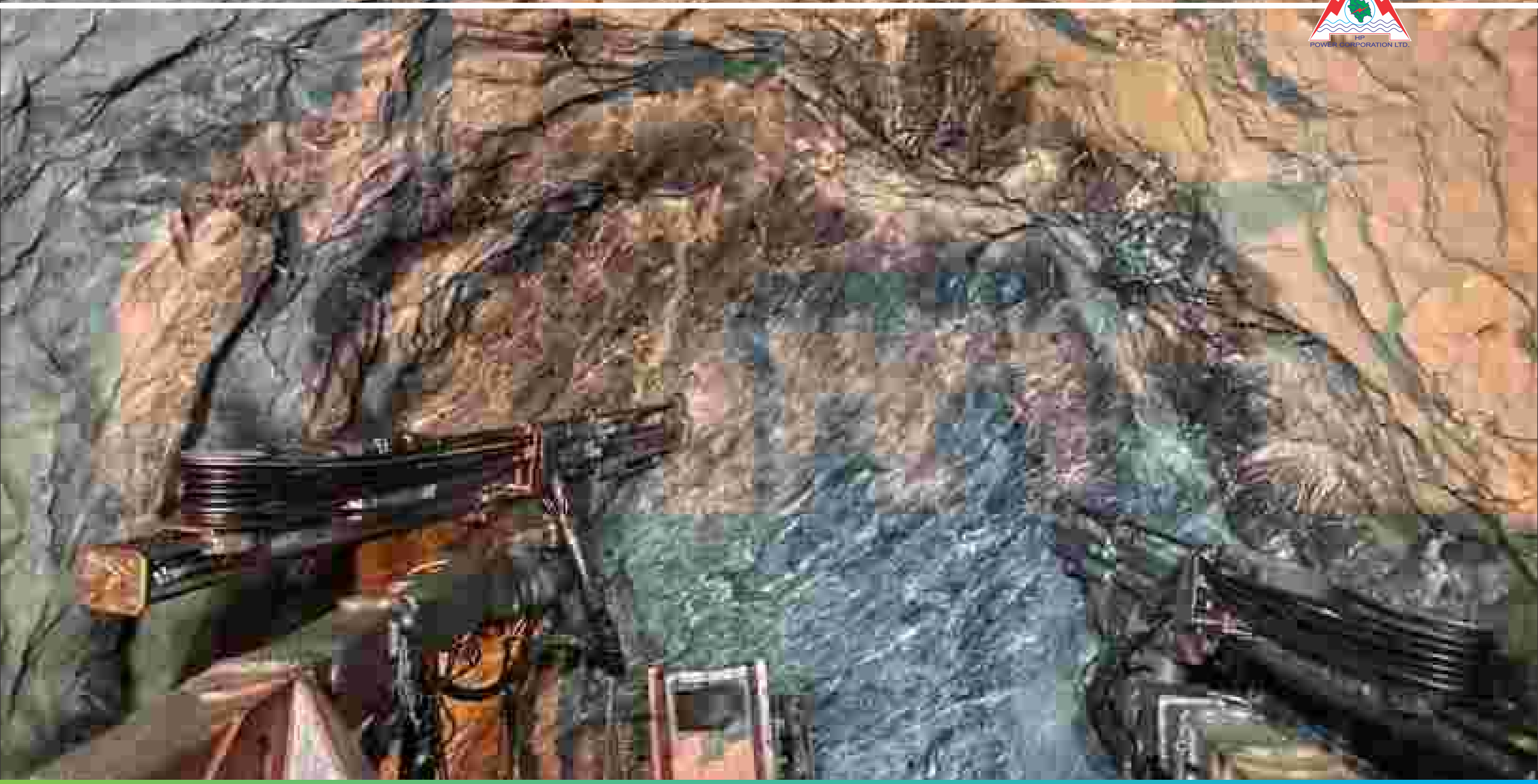
VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:



Type		Section of the companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority [RD /NCLT/ Court]	Appeal made. If any (give details)
A. Company	Penalty	-	-	-	-	-
	Punishment	-	-	-	-	-
	Compounding	-	-	-	-	-
B. Directors	Penalty	-	-	-	-	-
	Punishment	-	-	-	-	-
	Compounding	-	-	-	-	-
C. Other Officers In Default	Penalty	-	-	-	-	-
	Punishment	-	-	-	-	-
	Compounding	-	-	-	-	-

Sd/-
Director (Finance & Personnel)

Sd/-
Managing Director



Adit to SFT Excavation in Progress, Shongtong Karcham HEP (450 MW)

Main Inlet Valve, Sawra Kuddu HEP (111 MW) PH Package

Control Room, Sawra Kuddu HEP (111 MW) PH Package

Pot Head Yard, Sawra Kuddu HEP (111 MW) PH Package

Balance Sheet as at 31st March 2018

(Rs. in Lacs)

Particulars	Note No.	as at March 31,2018		as at March 31,2017	
ASSETS					
Non-Current Assets:					
Property, Plant and Equipment	**2.1**		**2,94,419**		**1,56,131**
Capital Work-in-Progress	**2.2**		**2,71,679**		**3,55,762**
Other Intangible Assets	**2.3**		**1**		**0**
Intangible assets under development	**2.4**		**0**		**0**
Financial Assets					
- Investments	2.5	0		0	
- Loans	2.6	148		146	
- Others	2.7	0		13,069	
			148		**13,215**
Deferred Tax Assets	**2.8**		**0**		**0**
Regulatory Deferral Account Debit Balance	**2.9**		**0**		**0**
Other Non Current Assets	2.10		34,444		29,297
Current Assets					
Inventories	2.11		34		31
Financial Assets					
- Trade Receivables	2.12	1,617		1,543	
- Cash and Cash Equivalents	2.13	32,517		36,518	
- Bank Balance other than above	2.14	2,818		5,699	
- Loans	2.15	12		3	
- Other Assets	2.16	3,489		3,132	
			40,453		**46,894**
Current Tax Assets	**2.17**		**0**		**0**
Other Current Assets	**2.18**		**278**		**4,133**
Total Assets			**6,41,455**		**6,05,463**
EQUITY AND LIABILITIES					
Equity					
Equity Share Capital	2.19		1,84,556		1,67,090
Other Equity	2.20		-11,600		-3,687
Liabilities					
Non-Current Liabilities:					
Financial Liabilities					
- Borrowings	2.21	1,18,172		1,92,407	
- Other Financial Liabilities	2.22	1,13,577		1,20,900	
			2,31,749		**3,13,307**
Provisions	**2.23**		**5,008**		**4,258**
Other Non Current Liabilities	**2.24**		**69,542**		**69,530**
Current Liabilities:					
- Trade Payables	2.25	0		0	
- Other Financial Liabilities	2.26	1,62,191		54,956	
Other Current Liabilities			**1,62,191**		**54,956**
Provisions	**2.27**		**9**		**9**
Total Equity and Liability			**6,41,455**		**6,05,463**

Significant Accounting Policies 1

The accompanying notes form an integral part of these financial statements.

For and on behalf of the Board of Directors

Sd/-	Sd/-	Sd/-	Sd/-
(B.L. Verma)	(Sudershan K. Sharma)	(Manmohan Sharma)	(Devesh Kumar)
D.G.M. (Finance)	Company Secretary	Director (Finance)	Managing Director
		DIN 08480582	**DIN 00329576**

This is the Balance Sheet referred to our report of even date.

For Anil Karol and Company
Chartered Accountants, FRN No. 4816N
Sd/-
(CA Walia Umesh)
Partner, Membership No. 098287

Place: Shimla
Date: 07-02-2020

Statement of Profit and Loss for the year ended 31st March 2018

(Rs. in Lacs)

Particulars	Note No.	For the year ended on March 31, 2018	For the year ended on March 31, 2017
Income			
Revenue From Operations	2.28	8,336	1,471
Other Income	2.29	5,029	3,745
Total Income		**13,365**	**5,216**
Expenses			
Employee Benefit Expenses	2.30	1,385	1,261
Finance Cost	2.31	9,623	3,511
Depreciation And Amortization Expenses	2.32	8,095	2,138
Other Expenses	2.33	2,156	1,478
Total Expenses		**21,258**	**8,387**
Profit/Loss before net movement in regulatory deferral account balance		**-7,893**	**-3,171**
Net movement in regulatory deferral Account Balance	0		
		-7,893	**-3,171**
Share of Net profit of Joint Ventures accounted for using the Equity Method			
Profit Before Tax			
Extra Ordinary Items			
Loss of Fixed/CWIP Assets			
Kashang HEP		-20	-1
Sawra Kuddu HEP		0	0
Profit/Loss Before Tax		**-7,912**	**-3172**
Income Tax			
Current Tax		0	0
Deferred Tax		0	0
Profit/Loss for the year		**-7,912**	**-3172**
Other Comprehensive Income			
Items that will not be reclassified subsequently to profit & loss account		0	0
Total			
Total Comprehensive Income for the period		**-7,912**	**-3172**
Earnings per Equity share			
(before net movement in regulatory deferral account Balance			
Basic and Diluted	2.34	-45	-21
Earnings per Equity share			
(after net movement in regulatory deferral account Balance			
Basic and Diluted	2.34	-45	-21

Significant Accounting Policies 1

The accompanying notes form an integral part of these financial statements.

For and on behalf of the Board of Directors

Sd/-	Sd/-	Sd/-	Sd/-
(B.L. Verma)	(Sudershan K. Sharma)	(Manmohan Sharma)	(Devesh Kumar)
D.G.M. (Finance)	Company Secretary	Director (Finance)	Managing Director
		DIN 08480582	**DIN 00329576**

This is the Statement of Profit and Loss referred to our report of even date

For Anil Karol and Company
Chartered Accountants
FRN No. 4816N
Sd/-
(CA Walia Umesh)
Partner
Membership No. 098287

Place: Shimla
Date: 07-02-2020

Statement of Change in Equity

(Rs. in Lacs)

Particulars	Equity Share Capital	Other Equity		Total Other Equity	Total
		Reserve & Surplus	Other Comprehensive Income		
		Retained Earnings	Remeasurement of the Net Defined Benefit Assets/Liability (net of Tax)		
Changes in equity for the year ended on March 2018	0				
Opening Balance as on 1st April 2017	1,67,090	-3,687	0	-3,687	1,63,403
Equity Shares issued during the year	17,466			0	17,466
Other Comprehensive Income for the period				0	0
Profit/ Loss for the Period		-7,912		-7,912	-7,912
Dividend				0	0
Dividend Tax				0	0
Opening Adjustment in Retained Earnings				0	0
Closing Balance as at March 31, 2018	**1,84,556**	**-11,600**	**0**	**-11,600**	**1,72,957**

For and on behalf of the Board of Directors

Sd/- (B.L. Verma) D.G.M. (Finance)	Sd/- (Sudershan K. Sharma) Company Secretary	Sd/- (Manmohan Sharma) Director (Finance) **DIN 08480582**	Sd/- (Devesh Kumar) Managing Director **DIN 00329576**

This is the Statement of Change in Equity referred to our report of even date

For Anil Karol and Company
Chartered Accountants
FRN No. 4816N

Sd/-
(CA Walia Umesh)
Partner
Membership No. 098287

Place: Shimla
Date: 07-02-2020

Cash Flow Statement for the year ended 31st March 2018

(Rs. in Lacs)

CASH FLOW FROM OPERATING ACTIVITIES				
Profit/ Loss Before Tax		(7,912)		(3,172)
Adjustment for				
Loss of Fixed/CWIP Assets	20		1	
Depreciation	8,095		2,138	
Interest Income on term deposits	(37)		(513)	
Provision for Investments	0		336	
Finance/Interest Cost	9,623		3,511	
		17,701		**5,474**
Adjustment for Assets and Liabilities				
Inventories	(3)		(9)	
Trade Receivables and Unbilled Revenue	(74)		(1,543)	
Loans Other Financial assets and Other Assets	11,412		19,788	
Other Financial Liabilities and other Liabilities	(9,663)		6,138	
Provisions	750		932	
		2,422		**25,306**
Cash Generated from Operating activities		**12,211**		**27,608**
Less: Income Tax Paid		-		-
Net Cash generated from Operating activities		**12,211**		**27,608**
CASH FLOW FROM INVESTING ACTIVITIES				
Net Expenditure on Property Plant and equipment and CWIP and EDC	(54,358)		(53,501)	
Term Deposit with Banks (having maturity more than 3 months)	2,877		(1,773)	
Interest on term deposit/sweep deposits	3,184		2,071	
Investment in Subsidiaries and Joint Venture	0		-	
Depreciation on CWIP	-		-	
CWIP from Deficit Account	-		-	
Less: Loss of Fixed/CWIP assets from torrential rain & flood	(20)		(1)	
Net Cash used in Investing activities		**(48,317)**		**(53,203)**
CASH FLOW FROM FINANCING ACTIVITIES				
Share Capital	17,466		16,031	
Long Term Borrowings -Proceeds	14,639		22,060	
Long Term Borrowings -Repayment	0		(300)	
Finance Charges	0		(221)	
Net Cash used for Financing activity		**32,105**		**37,570**
Net Increase in Cash and Cash Equivalents		(4,000)		11,974
Opening Balance Cash and Equivalents		36,518		24,545
Closing Balance Cash and Equivalents		**32,518**		**36,518**
		32,518		**36,518**

Restricted Cash Balance		-		-
Margin Money for BG/ Letter of Credit and Pledged Deposits		2,326		2,330
		2,326		**2,330**

For and on behalf of the Board of Directors

Sd/-	Sd/-	Sd/-	Sd/-
(B.L. Verma)	(Sudershan K. Sharma)	(Manmohan Sharma)	(Devesh Kumar)
D.G.M. (Finance)	Company Secretary	Director (Finance)	Managing Director
		DIN 08480582	**DIN 00329576**

This is the Cash Flow Statement referred to our report of even date

For Anil Karol and Company
Chartered Accountants
FRN No. 4816N

Sd/-
(CA Walia Umesh)
Partner
Membership No. 098287

Place: Shimla
Date: 07-02-2020

HIMACHAL PRADESH POWER CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2018

1. COMPANY INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES:

A. REPORTING ENTITY

Himachal Pradesh Power Corporation Ltd. (the "Company") is a Company domiciled in India and limited by shares (CIN: U40101HP2006SGC030591). The address of the Company's Registered Office is Himfed Building, BCS, New Shimla (H.P.)-171009, India. Electricity generation is the principal business activity of the Company.

B. SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

The preparation of the financial statements requires management to make 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. Actual results could vary from these estimates. The estimates and management's judgements are based on previous experience and other factors considered reasonable and prudent in the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future years.

1.2 BASIS OF MEASUREMENT

The financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities (including derivative instruments) that are measured at fair value (refer accounting policy regarding financial instruments). The methods used to measure fair values are discussed further in notes to financial statements.

1.3 FUNCTIONAL AND PRESENTATION CURRENCY

These 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 Lacs.

1.4 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 realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized 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.

1.5 PROPERTY, PLANT AND EQUIPMENT (PPE)

a) An item of PPE is recognized as an asset 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.

b) PPE are initially measured at cost of acquisition/construction including decommissioning or restoration cost wherever required. The cost includes expenditure that is directly attributable to the acquisition/construction of the asset. Where final settlement of bills with contractors is pending/underdispute, capitalization is done on estimated/provisional basis subject to necessary adjustment in the year of final settlement.

c) After initial recognition, Property, Plant & Equipment is carried at cost less accumulated depreciation/ amortisation and accumulated impairment losses, if any.

d) Deposits, Payments/ liabilities made provisionally towards compensation, rehabilitation and other expenses relatable to land in possession are treated as cost of land.

e) Asset created on land not belonging to the company, where the company is having control over the use and access of such asset are included under Property, Plant and Equipment.

f) Items of spare parts, stand-by equipment and servicing equipment which meet the definition of property, plant and equipment are capitalized. 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 to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised when no future economic benefits are expected from its use or upon disposal. The costs of the day-to-day servicing of property, plant and equipment are recognised in statement of profit and loss as and when incurred. Other spares are treated as "Stores & Spares" forming part of the inventory and expensed when used/ consumed.

g) Subsequent expenditure is recognized 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 company and the cost of the item can be measured reliably.

h) Property, plant and equipment is derecognized when no future economic benefits are expected from its use or upon its disposal. Gains and losses on disposal of an item of property; plant and equipment is recognized in the statement of profit and loss.

1.6 CAPITAL WORK-IN-PROGRESS

a) Expenditure incurred on assets under construction (including a project) is carried at cost under Capital Work-in-progress (CWIP). Such cost comprises of purchase price of asset including other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the intended manner.

b) Cost directly attributable to projects under construction include costs of employee benefits, expenditure in relation to survey and investigation activities of the projects, depreciation on assets used in construction of projects, interest during construction and other costs if attributable to construction of projects. Such costs are accumulated under "Expenditure Attributable to Construction (EAC)" and subsequently allocated on systematic basis over major immovable assets, other than land and infrastructure facilities on commissioning of projects.

c) Capital Expenditure incurred for creation of facilities, over which the Company does not have control but the creation of which is essential for construction of the project is carried under "Capital Work-in-progress" and subsequently allocated on systematic basis over major immovable assets, other than land and infrastructure facilities on commissioning of projects. Expenditure of such nature incurred after completion of the project, is charged to Statement of Profit and Loss.

d) Expenditure on Survey and Investigation of the project is carried as Capital Work-in-progress and capitalized as cost of project on completion of construction of the project or the same is expensed in the year in which it is decided to abandon such project.

e) Expenditure against "Deposit Works" is accounted for on the basis of statement of account received from the concerned agency and acceptance by the company. However, provision is made wherever considered necessary.

f) Claims for price variation/ exchange rate variation in case of contracts are accounted for on acceptance.

g) The Expenditure of Corporate office and Sunder Nagar Design Office is allocated to different accounting units on systematic basis.

1.7 INVESTMENT PROPERTY

a) Land or a building or part of building or both held by company to earn rentals or for capital appreciation or both is classified as Investment property other than for:

i) Use in the production or supply of goods or services or for administrative purpose; or

ii) Sale in the ordinary course of business.

b) Investment property is recognised as an asset when and only when:

i) It is probable that the future economic benefits that are associated with the investment property will flow to the entity; and

ii) The cost of the investment property can be measured reliably.

c) Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation and accumulated impairment loss, if any.

d) Investment properties are derecognised either when they have been disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of profit and loss in the period of de-recognition.

e) Transfers to or from investment property is made when and only when there is a change in use.

1.8 INTANGIBLE ASSETS

a) Intangible assets are identifiable non-monetary asset without physical substance. Intangible assets are recognised if:

i) It is probable that the expected future economic benefit that are attributable to the asset will flow to the entity; and

ii) The cost of the asset can be measured reliably

b) Intangible assets acquired separately are measured on initial recognition at cost. After initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

c) Software (not being an integral part of the related hardware)acquired for internal use, is stated at cost of acquisition less accumulated amortisation and impairment losses, if any.

d) An item of Intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is derecognised.

1.9 REGULATORY DEFERRAL ACCOUNTS

a) Expenses / income recognized in the Statement of Profit & Loss to the extent recoverable from or payable to the beneficiaries in subsequent periods as per HPERC Tariff Regulations are recognized as 'Regulatory deferral account balances' as per Ind AS-114.

b) Regulatory deferral account balances are adjusted from the year in which the same become recoverable from or payable to the beneficiaries.

1.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

a) The carrying amounts of the Company's non-financial assets primarily include property, plant and equipment, which 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. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU's) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of the Company. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The resulting impairment loss is recognised in the Statement of Profit and Loss.

b) 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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

c) Impairment losses recognized in earlier period are assessed at each reporting date for any indication that 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 recognized.

1.11 INVENTORIES

a) Inventories mainly comprise stores and spare parts to be used for maintenance of Property, Plant and Equipment.

b) Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average basis.

c) Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

d) The diminution in the value of obsolete, unserviceable and surplus stores & spares is ascertained on review and provided for. Scrap is accounted for as and when sold.

1.12 FOREIGN CURRENCY TRANSACTIONS

a) Functional and Presentation Currency:

Financial statements have been presented in Indian Rupees (₹), which is the Company's functional and presentation currency.

b) Transactions and Balances:

Transactions in foreign currency are initially recorded at exchange rate prevailing on the date of transaction. At each Balance Sheet date, monetary items denominated in foreign currency are translated at the exchange rates prevailing on that date. Non-monetary items denominated in foreign currency are reported at the exchange rate prevailing at the date of transaction.

1.13 FINANCIAL INSTRUMENTS – INITIAL RECOGNITION, SUBSEQUENT MEASUREMENT AND IMPAIRMENT

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.

A) Financial Assets

A financial asset includes inter-alia any asset that is cash, equity instrument of another entity or contractual obligation to receive cash or another financial assets or to exchange financial asset or financial liability under condition that are potentially favourable to the Company. A financial asset is recognized when and only when the Company becomes party to the contractual provisions of the instrument. Financial assets of the Company comprise cash and cash equivalents, Bank Balances, Advances to employees/ contractors, security deposit, claims recoverable etc.

Measurement:

The company measures the trade receivables at their transaction price if the trade receivables do not contain a significant financing component. A receivable is classified as a 'trade receivable' if it is in respect to the amount due from customers on account of goods sold or services rendered in the ordinary course of business.

De-recognition:

Financial asset is derecognised when all the cash flows associated with the financial asset has been realised or such rights have expired.

B) Financial Liabilities:

Financial liabilities of the Company are contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company. The Company's financial liabilities include loans & borrowings, trade and other payables etc.

Measurement:

a) Financial liabilities are measured at amortised cost using the EIR method. Gains and losses are recognised in Statement of Profit and Loss or in the "Expenditure Attributable to Construction" if another standard permits inclusion of such cost in the carrying amount of an asset, when the liabilities are derecognised as well as through the EIR amortisation process.

b) Amortised cost is calculated by taking into account any discount tor premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Profit and Loss.

De-recognition:

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

1.14 INVESTMENT IN JOINT VENTURES AND ASSOCIATES

a) A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

b) An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control over those policies.

c) The investment in joint ventures and associates are carried at cost. The cost comprises price paid to acquire investment and directly attributable cost.

1.15 LEASES

The determination of whether an arrangement is (or contains)a lease is based on the substance of the arrangement at the inception of the lease. Appendix C, Ind AS 17 deals with the identification of contracts that do not take the legal form of a lease but conveys right to customers/ suppliers to use an asset in return for a payment or series of payment.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. An operating lease is a lease other than a finance lease.

Power Purchase Agreements (PPAs) in the nature of embedded lease with a single beneficiary where the minimum lease term is for the major part of the plant's economic life and the minimum lease payments amount to substantially all the fair value of the plant are considered as a Finance Lease. Other embedded leases are considered as Operating Lease.

Operating Lease:

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. In the case of operating leases or embedded operating leases, the lease income from the operating lease is recognised in revenue on the basis of generation from such Plant. The respective leased assets are included in the balance sheet based on their nature.

1.16 GOVERNMENT GRANTS

a) Government grants with a condition to purchase, construct or otherwise acquire long-term assets are initially measured based on grant receivable under the scheme. Such grants are recognised in the Statement of Profit and Loss on a systematic basis over the useful life of the asset. Amount of benefits receivable in excess of grant income accrued based on usage of the assets is accounted as Government grant received in advance. Changes in estimates are recognised prospectively over the remaining life of the assets.

b) Government revenue grants relating to costs are deferred and recognised in the Statement of Profit and Loss over the period necessary to match them with the costs that they are intended to compensate.

1.17 BORROWING COSTS

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs. Borrowing costs directly attributable to the acquisition, construction/erectionor production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying assets for their intended uses are complete. All other borrowing costs are expensed in the period in which they occur.

1.18 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

a) A provision is recognised when:

i) the Company has present legal or constructive obligation as result of past event;

ii) it is probable that an outflow of economic benefits will be required to settle the obligation; and

iii) a reliable estimate can be made of the amount of the obligation.

b) If the effect of the time value of money is material, provision is 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 recognized as finance cost.

c) The amount recognised as provision is the best estimate of consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

d) When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

e) 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. These are reviewed at each balance sheet date and are adjusted to reflect the current management estimate.

f) Contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company. Contingent assets are disclosed in the financial statements when inflow of economic benefits is probable on the basis of judgement of management. These are reviewed at each balance sheet date and are adjusted to reflect the current management estimate.

1.19 REVENUE RECOGNITION AND OTHER INCOME

Revenue from sale of energy is accounted for at rates as per the PPA signed between HPPC Ltd. and HPSEB Ltd./Tata Power Trading Company Ltd. (TPTCL)/ Power Trading Corporation India Ltd.

1.20 EMPLOYEE BENEFITS

Employee benefits consist of wages, salaries, benefits in kind, provident fund, pension, gratuity, post-retirement medical facilities, leave benefits and other terminal benefits etc.

a) Short-term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed in the period in which the service is provided.

b) Terminal Benefits

Expenses incurred on terminal benefits in the form of ex-gratia payments and notice pay on voluntary retirement schemes, if any, are charged to the profit and loss in the year of incurrence of such expenses.

1.21 DEPRECIATION AND AMORTIZATION

I) Depreciation on Property, Plant & Equipment of Operating Units of the Company is charged to the Statement of Profit & Losson straight-line method following the rates and methodology as notified by HPERC for the fixation of tariff in accordance with Schedule-II of the Companies Act 2013, except for the assets specified below:

  a) Depreciation is charged on Straight Line method following the rate & methodology notified by the H.P State Electricity Regulatory Commission (HPERC) for the purpose of fixation of tariff as amended from time to time, except in case of:

  b) Mobile Phones are depreciated fully @ 25% P.A. in 4 years.

  c) Kitchen items and small office items are depreciated over the period of 3 years, keeping10% residual value.

  d) Assets costing Rs. 5000/- or less are depreciated fully in the year of procurement.

  e) Expenditure on software is recognised as "Intangible Asset" and amortised fully over three years on SLM or over a period of its legal rights to use, whichever is less.

  f) Infrastructural development construction power depreciated @5.28% SLM under the head any other assets not covered in the HPERC Schedule.

  g) Depreciation is provided on pro-rata basis from the month in which the asset becomes obsolete is provided till the end of the month in which such declaration is made.

ii) Expenditure on catchment area treatment (CAT) Plan during construction is capitalised along with Dam/Civil works. Such expenditure during O & M stage is charged to revenue in the year of incurrence of such expenditure

iii) Where the cost of depreciable assets has undergone a change during the year due to increase/decrease in long term liabilities on account of exchange fluctuation, change in duties or similar factors, the revised un-amortised balance of such assets is depreciated prospectively over the residual life.

iv) Depreciation on increase/decrease in the value of existing assets on account of settlement of disputes is charged retrospectively.

v) Depreciation on assets till start of commercial production has been shown under 'Incidental Expenditure during construction" under capital work in progress.

vi) Depreciation on addition/deduction from fixed assets during the year is charged on pro-rata basis from/up to the date, when the asset is available for use/disposal.

vii) Leasehold land is amortized pro-rata through depreciation over the period of lease or 40 years, whichever is lower.

viii) Depreciation on assets till start of commercial production has been shown under 'Incidental Expenditure during construction" under capital work in progress.

ix) Depreciation on addition/deduction from fixed assets during the year is charged on pro-rata basis from/up to the date, when the asset is available for use/disposal.

x) Leasehold land is amortized pro-rata through depreciation over the period of lease or 40 years, whichever is lower.

xi) Tangible Assets created on lease hold land are depreciated to the extent of 90% of original cost over the balance available lease period of respective land from the date such asset is available for use or at the applicable depreciation rates & methodology notified by HPERC tariff regulations for such assets, whichever is higher.

xii) Where the cost of depreciable assets has under gone a change during the year due to increase/decrease in long term liabilities on account of exchange fluctuation, price adjustment, settlement of arbitration/court cases, change in duties or similar factors, the unamortized balance of such assets is depreciated prospectively over the residual life of such asset determined following the applicable accounting policies relating to depreciation/ amortization.

xiii) Where the life and / or efficiency of an asset is increased due to renovation and modernization, the expenditure thereon along with its unamortized depreciable amount is charged prospectively over the revised / remaining useful life determined by technical assessment.

xiv) Spare parts procured along with the Plant & Machinery or subsequently which are capitalized and added in the carrying amount of such item are depreciated over the residual useful life of the related plant and machinery at the rates and methodology notified by the HPERC.

1.22 INCOME TAXES

Income tax expense comprises current tax and deferred tax.

Current Tax is recognised in the Statement of Profit and Loss, except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case the tax is also recognised directly in equity or in other comprehensive income.

a) Current Income Tax

Current tax is expected tax payable on taxable profit for the year, using tax rates enacted or substantively enacted at the balance sheet date and any adjustments to tax payable in respect of previous years.

b) Deferred Tax

Deferred tax is recognised using the balance sheet method, providing for temporary differences 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 the statement of profit and 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.

1.23 EARNINGS PER SHARE

Basic earning equity share is computed by dividing the net profit or loss attributable to equity shareholders of the Company by the weighted average number of equity shares outstanding during the financial year.

1.24 STATEMENT OF CASH FLOWS

a) Cash and cash equivalents includes cash/drafts/cheques on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

b) Statement of cash flows is prepared in accordance with the indirect method (whereby profit or loss is adjusted for effects of non-cash transactions) prescribed in Ind AS-7 “Statement of Cash Flows”.

1.25 MATERIAL PRIOR PERIOD ERRORS

Material prior period errors are corrected retrospectively by restating the comparative amounts for the prior periods presented in which error occurred. If the error occurred before the earliest period presented, opening balances of assets, liabilities and equity for the earliest period presented, are restated.

2 NOTES ON ACCOUNTS

The amounts in Financial Statements are presented in Indian Rupees and all figures have been rounded off to the nearest rupees lakh except when otherwise stated. The previous year figures have also been reclassified/ regrouped/ rearranged wherever necessary to conform to this year's classification

(Rs. in Lacs)

Particulars	Sub Note	Amount as at March 31,2018	Amount as at March 31,2017
2.1 Property Plant and Equipment	2.1.1	2,94,419	1,56,131
2.2 Capital Work In progress	2.2.1	2,71,679	3,55,762
2.3 Intangible Assets	2.3.1	1	0
TOTAL		**5,66,099**	**5,11,893**
2.4 Intangible assets under development		-	-
TOTAL		-	-

2.5 FINANCIAL ASSETS - INVESTMENTS

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Investment in Equity Instruments Non Trade - Unquoted (at Cost) *Joint Ventures Companies* *3375000 (PY:3375000) Equity Shares of Rs. 10/- each in Himachal Emta Power Limited*	338	338
Less Provision for doubtful investments	(338)	(338)
TOTAL	-	-

The company has made an investment of Rs. 337.50 Lacs in the equity of Himachal EMTA Power Ltd. (HEPL), which has been established as company's joint venture with EMTA for setting up (2*250 MW) thermal power plant at Raniganj, West Bengal. The company has 50% equity participation in HEPL. The objective of joint venture is investment in coal block for ensuring the uninterrupted fuel supply thereto.

However Hon'ble "Supreme Court of India" has cancelled all allotments of coal blocks and termed all captive coal block allocations since 1993, as illegal. The Joint Venture company of Himachal EMTA has filed claim to the Ministry of Coal for expenditure incurred on the project and has not received the claim from the Ministry of Coals as yet. Provision for doubtful investments has been made in books till final share from the Himachal EMTA is received by the company.

2.6 FINANCIAL ASSETS - LOANS

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Security Deposits		
- Secured Considered Good	-	-
- Unsecured Considered Good	148	146
- Doubtful	-	-
TOTAL	**148**	**146**

2.7 FINANCIAL ASSETS - OTHERS

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Fixed Deposits with Banks having Maturity for more than 12 months	-	13,069
TOTAL	-	**13,069**

2.8 Defered Tax Assests	-	-
TOTAL	-	-
2.9 Regulatory Deferral Account Debit Balance	-	-
TOTAL	-	-

2.10 OTHER NON CURRENT ASSETS

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Capital Advances:		
Secured by Hypothecation of Equipment and / Material	-	-
Unsecured Considered Good	-	-
Covered by Bank Guarantee	5,682	6,684
Others	4,499	3,806
Loans and advances to Related Parties		
Loans and Advances to Joint Ventures		
Secured Considered Good	-	-
Unsecured Considered Good	61	61
Less Provision for doubtful advance	(61)	(61)
Advances to Others		
Others - Secured Considered Good	5	5
Others - Unsecured Considered Good	1,272	1,757
Deposit with Judicial Authorities	-	-
Capital Stores At Cost (as certified by the management)		
Steel	0	11
Cement	-	-
Others (Capital Stores)	0	1
Material at site	-	-
Other Items	2	5
Recoverable Contractors	13,620	8,556
Others Recoverable	231	233
Less Provision for doubtful recoverable	(63)	(23)
Recoverable from Staff	1	1
Deposits With Income Tax Authorities	8,673	7,774
Grant Receivable Non Current	522	488
TOTAL	**34,444**	**29,297**

2.11 INVENTORIES

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Loose Tools	0	0
Stores and Spares	34	31
Less Provision for Shortage and Obsolescence	-	-
TOTAL	**34**	**31**

2.12 FINANCIAL ASSETS - TRADE RECEIVABLES

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Secured considered good		
Unsecured considered good		
Power	1,593	1,543
Lab Charges	24	-
Doubtful	-	-
TOTAL	**1,617**	**1,543**

Related Party Nil (PY Nil)

2.13 FINANCIAL ASSETS - CASH AND CASH EQUIVALENTS

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Cash and Bank Balances		
Cash in hand (including Imprest)	1	0
Stamps in hand	0	0
Balances with Banks		
(i) Current Deposits	24,125	36,313
(ii) Term Deposits with maturity period up to 3 months	8,391	204
Cheques and Drafts in hand	0	0
TOTAL	**32,517**	**36,518**

2.14 FINANCIAL ASSETS - BANK BALANCE OTHER THAN ABOVE

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Other Bank Balances		
Margin Money for Pledged Deposits	1,201	1,205
Margin Money for BG/ Letter of Credit	1,125	1,125
Other Term Deposits having maturity period for more than 3 months	492	3,369
TOTAL	**2,818**	**5,699**

2.15 FINANCIAL ASSETS - LOANS

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Loans and Advances to Related Parties		
Loans and Advances to Directors		
Secured Considered Good	-	-
Unsecured Considered Good	-	-
Advances to Employees (Unsecured Considered Good)	11	2
Recoverable from Staff	1	1
TOTAL	**12**	**3**

2.16 FINANCIAL ASSETS - OTHER ASSETS

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Interest Accrued but not due on Deposits with Banks	177	400
Amount Recoverable from Contractors	3,085	1,221
Income Tax Refund	-	1,067
Recoverable from Staff	-	-
Interest Recoverable	227	444
Other Current Assets	0	0
TOTAL	**3,489**	**3,132**

2.17 CURRENT TAX ASSETS

2.17 CURRENT TAX ASSETS	-	-
TOTAL	**-**	**-**

2.18 OTHER CURRENT ASSETS

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Advances to Contractors & Suppliers		
Secured Considered Good	-	-
Unsecured Considered Good	187	3,632
Considered Doubtful	-	-
Less Provision for Doubtful Advances	-	-
Advances Others		
Secured Considered Good	-	-
Unsecured Considered Good	41	-
TDS Recoverable	-	85
Prepaid Expenses	50	415
Grant Receivable	-	-
TOTAL	**278**	**4,133**

2.19 EQUITY SHARE CAPITAL

Particulars	as at March 31,2018		as at March 31,2017	
	No. of Shares	Amount (Rs. in Lacs)	No. of Shares	Amount (Rs. in Lacs)
AUTHORISED Equity Shares of par Value of Rs 1,000/- each	2,00,00,000	2,00,000	2,00,00,000	2,00,000
ISSUED, SUBSCRIBED AND FULLY PAID UP Equity Shares of par Value of Rs 1,000/- each fully paid up	1,84,55,633	1,84,556	1,67,09,008	1,67,090
TOTAL		**1,84,556**		**1,67,090**

2.19.1 DETAIL OF SHAREHOLDING HOLDING MORE THAN 5% SHARES IN THE COMPANY

Particulars	as at March 31,2018		as at March 31,2017	
	No. of Shares	%age	No. of Shares	%age
Government of Himachal Pradesh	52,76,345	29	3,529,750	21
Himachal Pradesh Infrastructure Development Board	1,18,71,507	64	11,871,477	71
Himachal Pradesh Electricity Board Limited (13,07,731 Equity Shares Issued in kind)	13,07,731	7	1,307,731	8
TOTAL	**1,84,55,583**	**100.00**	**16,708,958**	**100.00**

2.19.2 RECONCILIATION OF SHARES OUTSTANDING IS SET OUT BELOW:

Particulars	as at March 31,2018		as at March 31,2017	
	No. of Shares	Amount (Rs. in Lacs)	No. of Shares	Amount (Rs. in Lacs)
No of shares at the beginning	1,67,09,008	1,67,090.08	1,51,05,958	1,51,060
No of shares issued during the year	17,46,625	17,466.25	16,03,050	16,031
No of shares at the end	1,84,55,633	1,84,556.33	1,67,09,008	1,67,090

2.20 OTHER EQUITY

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Retained Earnings		
Opening Balance	(3,687)	(515)
Less Previous years adjustment	-	-
Add: Profit/Loss for the year as per Statement of Profit and Loss	(7,912)	(3,172)
Closing Balance	**(11,600)**	**(3,687)**

2.21 LONG TERM BORROWINGS

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Long Term Loans **From Other Parties** **Secured** *(hypothecation against assets of HEP)*		
Power Finance Corporation for Sawara Kuddu HEP *(Rate of Interest 12.75% payable in Quarterly instalments from Jul 2018 to Oct 2044)*	1,471	1,471
Power Finance Corporation for Kashang HEP *(Rate of Interest 9.75% payable in Quarterly instalments up to October 2017)*	0	0
	1,471	**1,471**
Unsecured		
Government of Himachal Pradesh Loan for Shongtong HEP *(Rate of Interest 3.83% pa payable in half yearly Instalments from Jul 2018 to Jan 2028)*	7,215	5,622
Government of Himachal Pradesh Loan for Shongtong HEP *(Rate of Interest 0.75 % pa payable in half yearly Instalments from Jul 2023 to Jan 2053)*	4,838	2,311
Government of Himachal Pradesh Loan (Trench I) *(Rate of Interest 10 % payable in yearly instalments of principal with interest from Apr 2018 to Jan 2023)*	3,890	45,507

Government of Himachal Pradesh Loan (Trench II) *(Rate of Interest 10 % payable in yearly instalments of principal and interest from Apr 2018 up to Jan 2025)*	41,073	45,458
Government of Himachal Pradesh Loan (Trench III) *(Rate of Interest 10 % payable in yearly instalments of principal and interest from Apr 2018 up to Jan 2026)*	32,316	55,540
Government of Himachal Pradesh Loan (Trench IV) *(Rate of Interest 10 % payable in yearly instalments of principal and interest from 15 Jan 2018 up to Jan 2027)*	27,370	36,498
	1,16,701	**1,90,936**
TOTAL	**1,18,172**	**1,92,407**

The company has been regular in repayment of the loans or interest thereon during the year.

The Government of HP has allowed deferment of loan and interest till FY 2018-19, which has been approved by the GoHP on 09/01/2018.

2.22 OTHER FINANCIAL LIABILITIES

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Deferred Repayment of Interest of Govt. of Himachal Pradesh Loan	69,660	75,261
Deferred Repayment of Principal of Govt. of Himachal Pradesh Loan	41,135	41,135
Deposits Retention Money from contractors and others	2,793	4,521
Less Investment held as Security	(11)	(17)
TOTAL	**1,13,577**	**1,20,900**

The Government of HP has allowed deferment of loan and interest till FY 2018-19, which has been approved by the GoHP on 09/01/2018.

2.23 PROVISIONS NON CURRENT

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Unfunded Employees Benefit		
Provision for Pension Contribution	1,630	1,363
Provision for Gratuity	801	645
Provision for Leave Encashment	2,577	2,250
TOTAL	**5,008**	**4,258**

(Rs. in Lacs)

	As at 1/04/2017	For The Year			As At 31/03/2018
		Additions	Write Back	Utilization	
Unfunded Employees Benefit					
Pension Contribution	1,363	267	-	0	1,630
Gratuity Provision	645	686	527	2	801
Leave Encashment	2,250	1,089	665	98	2,577
Others	-	-	-	-	-
TOTAL	**4,258**	**2,042**	**1,192**	**100**	**5,008**

2.24 OTHER NON CURRENT LIABILITIES

Capital Grant Government of India

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
A) Utilised Grant		
Renuka		
Opening Balance	68,680	68,680
Addition during the year	-	-
Less Accumulated Depreciation on Fixed Assets	(153)	(131)
Closing Balance	68,527	68,549
Gyspa		
Opening Balance	988	942
Addition during the year	35	46
Less Accumulated Depreciation on Fixed Assets	(7)	(6)
Closing Balance	1,015	981
Total Utilised Grants	**69,542**	**69,530**

The Renukaji Dam Hydro Electric project and Gyspa Dam project is being implemented by HPPCL as a National project and is fully funded by the Govt. of India and Govts. of beneficiary states. The contributions received for Renukaji Dam project from the Centre Govt., Delhi Jal Board & the Haryana Govt. aggregating Rs. 68,680 Lacs and for Gyspa Dam project from CWC Rs. 500.00 Lacs have been treated as Capital Reserve (Net of depreciation) in compliance with AS-12.

2.25 TRADE PAYABLES

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Trade Payables	-	-
TOTAL	**-**	**-**

2.26 OTHER CURRENT LIABILITIES

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Liabilities for Employee's remuneration and benefits	116	110
Liabilities for Contractors & Suppliers	4,141	3,683
Liabilities for Government Departments	847	277
Interest accrued and due on Unsecured Loans	29,292	-
Interest accrued and due on Secured Loans	36	41
Current portion of Power Finance Corporation Loan payable	-	150
Current portion of Govt of Himachal Pradesh Loan	93,026	4,152
Provision for Expenses	31,625	35,490
Deposits Retention Money from Contractors and Others	1,971	6,113
Advance for Deposit Work	14	13
Taxes and Duties payable	122	174
Bank Overdrawn due to Bank Reconciliation	-	-
Share Application Money Pending Allotment	1,000	4,753
TOTAL	**1,62,191**	**54,956**

2.27 PROVISIONS CURRENT

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
A) Unfunded Employee Benefits		
Gratuity Payable	9	4
Leave Encashment Payable	-	5
Pension Payable	-	-
Others	-	-
TOTAL	**9**	**9**

(Rs. in Lacs)

	As at 1/04/2017	For The Year			As At 31/03/2018
		Additions	Write Back	Utilization	
Unfunded Employees Benefit					
Pension Contribution	-	-	-	-	-
Gratuity Provision	4	18.81	-	14	9
Leave Encashment	5	54.06	-	59	-
Others	-	-	-	-	-
TOTAL	**9**	**72.87**	**-**	**73**	**9**

Inter Unit Transfers		
IUT	0	(0)
TOTAL	**0**	**(0)**

2.28 REVENUE FROM OPERATIONS

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Sale of Energy	8,315	1,437
Sale of Services		
Rent of Land	-	-
Rent from Property	21	34
TOTAL	**8,336**	**1,471**

2.25 MISCELLANEOUS INCOME

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Interest on Bank Deposits/FDR's	37	513
Interest from Banks	2	14
Income from Providing Design Works/Lab Receipts	3	2
Adjustment of Depreciation on Capital Grants	-	-
Late Payment Surcharge	30	73
Prior Period Income	502	-
Other	4,455	3,143
TOTAL	**5,029**	**3,745**

2.30 EMPLOYEE BENEFITS EXPENSES

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Salaries, Wages, Allowances and Benefits	1,231	1,033
Contribution to Provident and Other Funds	52	11
Leave Salary and Pension Contribution	85	203
Welfare Expenses	16	14
TOTAL	**1,385**	**1,261**

2.31 FINANCE COST

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Interest on Term Loans	9,623	3,510
Bank Charges/LC Charges	-	1
TOTAL	**9,623**	**3,511**

2.32 DEPRECIATION EXPENSES

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Depreciation for the year	8,095	2,138
TOTAL	**8,095**	**2,138**

2.33 OFFICE AND ADMINISTRATIVE EXPENDITURE

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Repairs and Maintenance Vehicle	1	2
Repairs and Maintenance Office Furniture & Equipment's	1	4
Repairs and Maintenance Plant and Machinery	128	19
Repairs and Maintenance Buildings	144	13
Repairs and Maintenance Others	15	-
Free Power	28	187
Energy Charges	-	12
Office Expenses	1	1
Hospitality and Entertainment Expenses	2	2
Meeting Expenses	1	2
Misc. Expenses	348	49
Provision for Doubtful Investments	-	398
Provision for Doubtful Advances	49	23
Communication Expenses	10	22
Rent, Rates and Taxes	25	49
Consultancy Fees	1	7
Annual Technical Support-SAP	491	313
Vehicle Running Charges & Insurance Charges	1	4

Training Expenses	1	3
Fees & Subscription	6	1
Electricity & Water Expenses	98	21
Printing & Stationery	8	7
Books, Periodicals & Newspapers	2	2
Freight & Labour Charges	-	2
Raising Day Expenses	10	8
Legal & Professional Charges	119	51
Postage & Telegram Expenses	-	-
Publicity & Advertisement Expenditure	3	5
Expenditure on Transit Camps/Guest House	-	1
Business Promotion Expenses	-	-
Insurance-Other Assets	29	-
Statutory Audit Fees (Including Out of pocket Expenses)	9	12
Travelling and Conveyance	5	6
Hiring of Vehicles	97	64
Bank Guarantee Encashed	-	21
Expenses in relation to Sale of Power	173	-
Prior Period Expenses	348	167
TOTAL	**2,156**	**1,478**

2.34 EARNING PER SHARE BASIC AND DILUTED

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Net Profit after Tax	(7,912)	(3,172)
Weighted Average Number of Shares	1,75,82,271	1,51,07,433
Face Value of Share	1,000	1,000
EPS	(45)	(20)

Sub Note No. 2.1.1

SCHEDULE OF PROPERTY PLANT AND EQUIPMENT

(Rs. in Lacs)

Particulars	GROSS BLOCK				DEPRECIATION						NET BLOCK	
	As at 01.04.2017	Addition during the year	Deductions/ Adjustments	As at 31.03.2018	As at 01.04.2017	Addition during the year	Deduction/ Adjustments	Previous Year Deletion	Previous Year Addition	As at 31.03.2018	As at 31.03.2018	As at 31.03.2017
Land - Lease Hold	28	0	0	28	4	0	0	0	0	4	24	24
Land - Free Hold	55,536	33,789	12,451	76,873	0	1	0	0	0	1	76,873	55,536
Residential Buildings	2,382	75	0	2,457	56	106	0	0	0	162	2,294	2,326
Non-Residential Buildings	1,351	172	0	1,528	51	49	0	0	0	100	1,428	1,300
Temporary Sheds / Erections	2	0	0	22	3	0	0	0	0	3	0	6
Project Civil Works	61,373	93,393	311	1,54,456	1,697	5,573	21	0	0	7,249	1,47,206	59,676
Roads, Bridges & Traffic Tunnels	0	0	0	0	0	0	0	0	0	0	0	0
Project Electro Mechanical Works	30,849	31,740	700	61,889	342	2,366	53	0	0	2,655	59,235	30,507
Plant (currently for Water Treatment)	1	0	0	1	(2)	0	0	0	0	(1)	2	3
Office Machinery (like lab, fire, safety)	82	4	18	68	(38)	7	3	0	0	(33)	101	120
Electronics & Electrical Items	174	32	5	206	(120)	25	2	0	0	(97)	303	294
Furnitures & Fixtures	161	19	8	172	(98)	26	3	0	0	(75)	247	258
Computers & Data Processing Machines	54	30	0	84	(38)	25	0	0	0	(12)	96	91
Vehicles	39	47	5	81	(18)	14	4	0	0	(1)	82	56
Kitchen Items	2	0	0	1	1	1	0	0	0	2	1	1
Fire Fight Equipment	0	0	0	0	0	0	0	0	0	0	0	0
Small Office Items	0	0	0	0	0	0	0	0	0	0	0	0
Helipad	11	0	0	11	(9)	1	0	0	0	(8)	19	20
Bridges & Culverts	508	0	0	508	(2)	19				16	492	510
Server and Networks	402	0	0	402	(152)	201				49	353	554
Roads	1,721	375	122	1,974	(2,349)	170	0			(2,179)	4,153	4,070
Assets not owned by Company (Roads)	0	0	0	0	0	0	0	0	0	0	0	0
Assets not owned by Company (Others)	0	0	0	0	0	0	0	0	0	0	0	0
Infrastructure Dev. Construction Power	831	984	0	1,815	39	264	0	0	0	303	1,512	792
Total (A)	**1,55,508**	**1,60,670**	**13,620**	**3,02,558**	**(623)**	**8,848**	**87**	**0**	**0**	**8,138**	**2,94,419**	**1,56,131**
Previous Year's Total	**45,187**	**1,14,195**	**3,875**	**1,55,508**	**990**	**2,664**		**0**	**0**	**(1,613)**	**1,36,131**	**44,197**

Note No. 2.2.1
CAPITAL WORK-IN-PROGRESS

(Rs. in Lacs)

Particulars	Note No.	Amount As at 31.03.2017	Addition during FY 2017-18	Deletion during FY 2017-18	Net Adj. during FY 2017-18	Amount As at 31.03.2018
Residential Buildings	2.2.1.1	68	62	107	(45)	23
Non Residential Buildings	2.2.1.1	127	83	108	(25)	102
Roads, Bridges & Culverts	2.2.1.1	64	431	407	24	88
Civil Works	2.2.1.1	1,37,924	21,092	61,901	(40,809)	97,115
Electro-Mechanical Works	2.2.1.1	49,375	11,295	22,494	(11,1999)	38,176
Construction Power	2.2.1.1	222	28	41	(13)	209
Land Submerged Area	2.2.1.1	31,911	-	12,347	(12,347)	19,564
Investigation & Survey	2.2.1.1	8	20	16	4	12
Environment and R&R Expenses	2.2.1.1	121	65	2	63	184
G.Total		**2,19,820**	**33,076**	**97,423**	**(64,347)**	**1,55,473**
Expenditure During Construction	2.2.2	1,35,942	23,360	43,096	(19,736)	1,16,206
Total Carried forward to Balance Sheet		**3,55,762**	**56,437**	**1,40,519**	**(84,083)**	**2,71,679**

Note No. 2.2.1.1
CAPITAL WORK IN PROGRESS (PROJECT WISE)

(Rs. in Lacs)

Particulars	Residential Buildings as at 31.03.2018	Non Residential Buildings as at 31.03.2018	Roads, Bridges & Culverts as at 31.03.2018	Civil Works as at 31.03.2018	Electro-Mechanical Works as at 31.03.2018	Construction Power as at 31.03.2018	Land Submerged Area as at 31.03.2018	Investigation & Survey as at 31.03.2018	Environment Expenses as at 31.03.2018
Sundernagar	1	-	-	-	-	-	-	-	-
Sawra Kuddu HEP	14	-	0	64,160	23,464	58	-	-	-
Kashang HEP Stage-I	-	-	-	28	-	-	-	-	-
Sainj HEP	-	3	80	-	3	-	-	-	-
Renukaji Dam Project	-	-	-	-	-	-	19,564	-	-
Shongtong HEP	-	-	-	22,640	12,553	38	-	-	-
Triveni HEP	-	-	-	-	-	-	-	-	-
Thana Plaun HEP	-	-	-	-	-	-	-	12	47
Gyspa HEP	8	99	8	-	-	-	-	-	-
Surgani Sundla HEP	-	-	-	-	-	-	-	-	-
Deothal Chanju	-	-	-	-	-	-	-	-	43
Chanju-III	-	-	-	-	-	-	-	-	28
Berra-Dol Solar Power Project	-	-	0	228	2,156	113	-	-	66
Kashang HEP Stage-II & III	-	-	-	10,059	-	-	-	-	-
G.Total	**23**	**102**	**88**	**97,115**	**38,176**	**209**	**19,564**	**12**	**184**

Note No. 2.2.2 EXPENDITURE DURING CONSTRUCTION

(Rs. in Lacs)

Particulars	Note No.	Amount As at 31.03.2017	Addition During FY 2017-18	Deletion During FY 2017-18	Net Adj. During FY 2017-18	Amount As at 31.03.2018
EXPENSES (A):						
Employees' Benefits Expenses	2.2.2.1	45,212	5,896	(7,570)	(1,674)	43,538
Finance/Interest Cost	2.2.2.2	55,684	11,092	(22,158)	(11,066)	44,618
Depreciation Expenses	2.2.2.3	2,439	625	(640)	(15)	2,424
Office and Administrative Expenses	2.2.2.4	38,415	8,350	(12,729)	(4,379)	34,036
TOTAL (A)		**141,750**	**25,962**	**(43,097)**	**(17,135)**	**1,24,615**
Less: Miscellaneous Income	2.2.2.5	(5,808)	(2,602)	0.98	(2,601)	(8,409)
Less: Renukaji & Gyspa Project Depreciation adjusted against Capital Reserve		-	-	-	-	-
NET EXPENDITURE (B) (Carried forward to CWIP)		**135,942**	**23,360**	**(43,096)**	**(19,736)**	**1,16,207**

Note No. 2.2.2.1 EMPLOYEE BENEFITS EXPENSES (Expenditure During Construction)

(Rs. in Lacs)

Particulars	Amount As at 31.03.2018	Addition During FY 2017-18	Deletion During FY 2017-18	Net During FY 2017-18	Amount As at 31.03.2017
Salaries, Wages, Allowances and Benefits	38,654	5,428	(6,776)	(1,348)	40,002
Contribution to Provident and Other Funds	801	85	(141)	(56)	857
Leave Salary and Pension Contribution	2,917	242	(455)	(213)	3,130
Travelling Exp.	349	45	(38)	7	342
Medical Exp.	425	47	(90)	(43)	468
Welfare Expenses	392	49	(71)	(21)	413
TOTAL	**43,538**	**5,896**	**(7,570)**	**(1,674)**	**45,212**

Note No. 2.2.2.2 FINANCE/INTEREST COST (Expenditure During Construction)

(Rs. in Lacs)

Particulars	Amount As at 31.03.2018	Addition During FY 2017-18	Deletion During FY 2017-18	Net During FY 2017-18	Amount As at 31.03.2017
Interest on Term Loans	44,564	11,091	(22,156)	(11,065)	55,629
Bank Charges/LC Charges	35	1	(1)	1	35
Others-FBT/Service Tax Interest	19	0	(2)	(2)	21
TOTAL	**44,618**	**11,092**	**(22,158)**	**(11,066)**	**55,684**

Note No. 2.2.2.3 DEPRECIATION EXPENSES

(Rs. in Lacs)

Particulars	Addition During FY 2017-18	Deletion During FY 2017-18	Net Adj. During FY 2017-18	Amount During FY 2016-17
Depreciation for the year (Transferred to Profit & Loss Account)	-	-	-	-
Depreciation for the year (Transferred to Expenditure During Construction)	625	(640)	(15)	1,026
TOTAL	**625**	**(640)**	**(15)**	**1,026**
Depreciation written off from Capital Reserve	-	-	-	-

Note No. 2.2.2.4 OFFICE AND ADMINISTRATIVE EXPENDITURE (Projects Incidental Expenditure)

(Rs. in Lacs)

Particulars	Amount As at 31.03.2018	Addition During FY 2017-18	Deletion During FY 2017-18	Net During FY 2017-18	Amount As at 31.03.2017
Repairs and Maintenance Vehicle	78	14	(14)	(1)	79
Repairs and Maintenance Office Furniture & Equipment's	66	34	(9)	25	41
Repairs and Maintenance Plant and Machinery	91	1	(0)	0	91
Repairs and Maintenance Buildings	534	187	(45)	142	392
Repairs and Maintenance Others	43	2	(33)	(31)	74
Office & Administration Expenses	537	1	-	1	536
Hospitality and Entertainment Expenses	132	9	(21)	(11)	143
Meeting Expenses	53	6	(6)	(0)	53
Misc. Expenses	140	0	(11)	(11)	151
Communication Expenses	521	83	(48)	35	486
Rent, Rates and Taxes	1,277	236	(82)	154	1,123
Consultancy Fees	851	24	(11)	13	838
Annual Technical Support-SAP/ AMC	1,023	314	(2)	311	712
Vehicle Running Charges & Insurance Charges	205	38	(36)	2	203
Hired Vehicle Expenses	1,608	231	(553)	(322)	1,930
Training & Seminar	265	14	(11)	3	262
Fees & Subscription	29	9	(18)	(9)	38
Electricity & Water Expenses	339	43	(99)	(57)	396
Printing & Stationery	239	27	(40)	(13)	252
Books, Periodicals & Newspapers	60	8	(7)	1	59
Freight & Labour Charges	33	3	(1)	3	30
Insurance	21	4	(10)	(6)	27
Raising Day Expense	34	-	(1)	(1)	35
Legal & Professional Charges	329	51	(36)	15	314
Postage & Telegram Expenses	25	2	(3)	(1)	26
Publicity & Advertisement Expenditure	215	13	(26)	(12)	227
Expenditure on Transit Camps/Guest House	39	4	(2)	2	37
Business Promotion Expenses	165	0	-	0	165
Dismantling and Removal expenditure	-	-	-	-	-
Foreign Exchange Variation Cost	56	71	-	71	(15)
Land Acquisition Expenses	7	2	-	2	5
LADA	5,019	1,862	(1,070)	792	4,227
Relief and Rehabilitation Costs	5,415	708	(462)	246	5,169
Environmental and Ecology exp.	4,727	14	(59)	(45)	4,772
Expenditure on Enabling Assets	461	6	(615)	(609)	1,070
CAT Plan	4,684	0	(2,250)	(2,250)	6,934
Study and Research	43	0	-	0	43
Survey & Investigation	8,914	253	(448)	(196)	9,110
Construction Power HPSEBL 1-8-1	46	46	-	46	-
Environment Management Plan	1,232	45	-	45	1,187

Fuel expenses Data Centre	5	2	-	2	3
Gift & Presentation A/c (Pending Allocation)	4	-	(1)	(1)	5
Honorarium & Stipend	(0)	4	(34)	(29)	29
Incidental expenses-Power Water & parks	45	-	-	-	45
Outsource Manpower Expenses (Pending Allocation)	2,540	505	(1,110)	(604)	3,144
Reatain earning Adjustment unto FY 2014	2,410	885	-	885	1,525
Safety Related Expenses	(0)	-	(1)	(1)	1
Winter Heating Exp. (Pending Allocation)	59	4	(1)	2	57
Wages (Daily paid staff) (PROJECT)	7	1	-	1	6
Remuneration to Auditors (PROJECT)	14	(1)	2	1	13
Consumables Stores	83	6	(4)	2	81
Transmission lines	12	-	(2)	(2)	14
Common Cost (HO & SNR)	(2,544)	2,579	(5,547)	(2,968)	424
Incidental exp after COD(proportio)Stage-1 2017-18	(1)	-	-	-	(1)
Incidental exp Before COD Stage-1	(8,153)	-	-	-	(8,153)
TOTAL	**34,036**	**8,350**	**(12,729)**	**(4,379)**	**38,415**

Note No. 2.2.2.5 MISCELLANEOUS INCOME TRANSFERRED TO EXPENDITURE DURING CONSTRUCTION

(Rs. in Lacs)

Particulars	Amount As at 31.03.2018	Addition During FY 2017-18	Deletion During FY 2017-18	Net Adj. During FY 2017-18	Amount As at 31.03.2017
Interest from Banks Deposits/FDR's	(4,644)	(0)	0.98	0.98	(4,645)
Income from Providing design work/Lab Receipts	(40)	-	-	-	(4)
Interest from Employees	-	-	-	-	-
House Rent Collection from employees/Other recovery	(15)	-	-	-	(15)
Interest from Govt Departments	-	-	-	-	-
Interest on Tax Refunds	(320)	-	-	-	(320)
Income from Sale of Tender Forms	(3)	-	-	-	(3)
Income from Contractors	(56)	-	-	-	(56)
Income from Transit Camp/Guest House	(1)	-	-	-	(1)
Gain on sale of Assets	(12)	(0)	-	(0)	(1)
Miscellaneous Receipts	(3,365)	(2,602)	-	(2,602)	(763)
TOTAL	**(8,409)**	**(2,602)**	**0.98**	**(2,601)**	**(5,808)**

Note No. 2.3.1 OTHER INTANGIBLE ASSETS

(Rs. in Lacs)

Particulars	GROSS BLOCK				DEPRECIATION					NET BLOCK	
	As at 01.04.17	Addition during the year	Deductions/ Adjustments	As at 31.03.18	As at 01.04.17	For the Year	Previous Year		As at 31.03.18	As at 31.03.18	As at 31.03.17
							Deletion	Addition			
Software	92	1	0	93	92	0	0	0	92	1	0
Total (A)	**92**	**1**	**0**	**93**	**92**	**0**	**0**	**0**	**92**	**1**	**0**
Previous Year's Total	**92**	**0**	**0**	**93**	**0**	**0**			**46**	**0**	**46**

2.35 DISCLOSURE ON FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

i) Fair Value Measurement

a) Financial Instruments by Category

(Rs. in Lacs)

Particulars	Note No.	As at March 31, 2018	As at March 31, 2017
		Amortised Cost	Amortised Cost
Financial Assets			
Non Current Financial Assets			
(i) Investments	2.5	-	-
(ii) Loans	2.6	148	146
(iii) Others	2.7	-	13,069
Bank Deposits with more than 12 Months Maturity			
Current Financial Assets			
(i) Trade Receivables	2.12	1,617	1,543
(ii) Cash and Cash Equivalents	2.13	32,517	36,518
(iii) Bank Balance other than above	2.14	2,818	5,699
(iv) Loans	2.15	12	3
(v) Other Assets			
Interest Accrued	2.16	177	400
Other Recoverable	2.16	3,312	2,732
Total Financial Assets		**40,601**	**60,110**
Financial Liabilities			
(i) Long Term Borrowings			
a) Term Loans Financial Institutions	2.21	1,471	1,471
b) Term Loans from Others	2.21 & 2.22	2,27,496	3,07,332
(ii) Deposits / retention non current	2.22	2,793	4,521
Current Financial Liabilities			
(iii) Other Financial Liabilities			
a) Current Maturity of Term Loans Financial Institutions	2.26	36	191
b) Current Maturity of Term Loans other	2.26	1,22,318	4,152
c) Deposit/ retention Money	2.26	1,971	6,113
d) Liability against Capital Works	2.26	4,141	3,683
e) Other Payables	2.26	33,724	40,817
Total Financial Liabilities		**3,93,951**	**3,68,280**

Note :- The Company does not classify any financial Assets/ Financial Liabilities at fair value through profit and Loss and other comprehensive Income

B) FAIR VALUATION MEASUREMENT

(i) Fair Value Hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair value are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the company has to classify its financial instruments into the three levels prescribed under the accounting standards.

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices. This includes listed equity instruments and traded bonds that have quoted price. The fair value of all equity instruments including bonds which are traded in the recognised Stock Exchange and money markets are valued using the closing prices as at the reporting date. The company has no financial instruments that are listed and traded in recognised Stock exchanges.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. This includes security deposits/ retention money and loans at below market rates of interest.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(a) Financial Assets/ Liabilities Measured at Fair Value- recurring Fair Value Measurement

(Rs. in Lacs)

Particulars	Note No.	As at March 31, 2018			As at March 31, 2017		
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Assets at FVTOCI							
(i) Investments							
- In equity Instrument quoted		-	-	-	-	-	-
- In government Securities		-	-	-	-	-	-
- In public sector undertakings/ Public Financial Institution and Corporate Bonds		-	-	-	-	-	-
TOTAL		-	-	-	-	-	-

(b) Financial Assets/ Liabilities measured at amortised cost for which fair value are not disclosed

(Rs. in Lacs)

Particulars	Note No.	As at March 31, 2018			As at March 31, 2017		
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Assets							
(I) Loans to employees & Others	2.6 & 2.15		160		-	149	
(ii) Other		-	-	-	-	-	-
Bank deposits with more than 12 months maturity	2.7	-	-	-	13,069	-	-
Total Assets		**-**	**160**	**-**	**13,069**	**149**	**-**
Financial Liabilities							
(I) Long term Borrowings (incl. current Maturity & Interest)	2.21 & 2.26		3,51,321		-	3,13,146	
(ii) Deposit / Retention Money (Including Current)	2.21 & 2.26	-	4,764	-	-	10,633	-
Total Liabilities		**-**	**3,56,086**	**-**	**-**	**3,23,779**	**-**
Total		**-**		**-**	**-**		**-**

Valuation techniques and process used to determine fair values

The Company values financial assets or financial liabilities using the best and most relevant data available. Specific valuation techniques used to determine fair value of financial instruments includes:

- Use of Quoted market price or dealer quotes for similar instruments.
- Fair value of remaining financial instruments is determined using discounted cash flow analysis.

The company has a team that performs the valuation of financial assets and liabilities required for financial reporting purpose

(iii) Fair Value of financial assets and Liabilities measures at carrying cost

(Rs. in Lacs)

Particulars	Note No.	As at March 31, 2018		As at March 31, 2017	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets					
(I) Loans to employees & Others	2.6 & 2.15	160	160	149	149
(ii) Other		-	-	-	-
Bank deposits with more than 12 months maturity	2.7	-	-	13,069	13,069
Total Assets		**160**	**160**	**13,218**	**13,218**
Financial Liabilities					
(I) Long term Borrowings (incl. current Maturity & Interest)	2.21 & 2.26	3,51,321	3,51,321	3,13,146	3,13,146
(ii) Deposit / Retention Money (Including Current)	2.21 & 2.26	4,764	4,764	10,633	10,633
Total Liabilities		**3,56,086**	**3,56,086**	**3,23,779**	**3,23,779**

Significant Estimates:

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Deposits/ Retention money are fair valued using the domestic borrowing rate applicable to the company at the year end .

(ii) Financial Risk Management

Financial risk factors:

The Company's principal financial liabilities comprise borrowings, trade and other payables. The main purpose of these financial liabilities is to manage finances for the Company's operations. The Company has advances and other receivables, trade and other receivables, investments and cash and short-term deposits that arise directly from its operations. The Company's activities expose it to a variety of financial risks:

a) Credit risk:

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities including deposits with banks and financial institutions.

Risk	Exposure arising From	Measurement	Management
Credit Risk	Cash & Cash equivalents, Trade receivables and financial assets measured at amortised cost	Aging analysis	Diversification of bank deposits, credit limits and letter of credit
Liquidity Risk	Borrowings and other facilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities
Market Risk-Interest rate	Long term borrowings at Fixed rates	Sensitivity analysis	Interest rate swaps/ change of financer

b) Liquidity risk:

Liquidity risk is the risk that the Company may not be able to meet its present and future cash and collateral obligations without incurring unacceptable losses.

c) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risks: currency rate risk, interest rate risk and other price risks. Financial instruments affected by market risk include loans and borrowings, deposits, investments. Foreign currency risk is the risk that the fair value or future cash flows of financial instrument/advances/retention money will fluctuate because of changes in foreign exchange rates. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. This is based on the financial assets and financial liabilities held as at 31st March, 2018 and 31st March, 2017. The company's risk management is carried out as per policies approved by Board of Directors from time to time.

(A) Credit Risk:

The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and other financial instruments.

a) Trade Receivables:

The Company extends credit to customers in normal course of business. The Company monitors the payment track record of the customers. Outstanding customer receivables are regularly monitored. The Company evaluates the concentration of risk with respect to trade receivables as low; as its customers are mainly State Discoms to whom late payment surcharge is as per the HPERC regulation. Further, the fact that beneficiaries are primarily State Discoms and considering the historical credit loss experience for trade receivables, the Company does not envisage either impairment in the value of receivables from beneficiaries or loss due to time value of money, due to delay in realization of trade receivables.

b) Financial assets at carrying cost:

The advances to contractors and other recoverable are shown at carrying cost. Management has assessed the past data and does not envisage any probability of default on these loans.

c) Financial instruments and cash deposits:

The Company considers factors such as track record, size/net worth of the institution/bank, market reputation and service standards and limits and policies as approved by the board of directors to select the banks with which balances and deposits are maintained. The Company invests surplus cash in short term deposits with scheduled Banks.

(B) Liquidity Risk:

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. The Company's objective is to maintain an optimum level of liquidity at all times to meet its cash and collateral requirements. The Company relies on a mix of borrowings, capital infusion and excess operating cash flows to meet its need for funds. The current committed lines of credit are sufficient to meet its short to medium term expansion needs. The Company monitors rolling forecasts of its liquidity requirements to ensure that it has sufficient cash to meet capital expenditure and operational needs while maintaining sufficient head room on its undrawn committed borrowing facilities at all times, so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

Maturities of Financial Liabilities:

The table below provides undiscounted cash flows towards company's financial liabilities into relevant maturity based on the remaining period at the Balance Sheet date to the contractual maturity date. Balance due within 1 year is equal to their carrying balances as the impact of discounting is not significant.(refer note 2.21,2.22 & 2.26)

(Rs. in Lacs)

As at 31st March, 2018

Contractual maturities of financial liabilities	Note No.	Outstanding Debt on 31.3.2018	Within one Year	More than 1 year & less than 3 Years	More than 3 year & less than 5 Years	More than 5 Years
1. Borrowings (including interest accrued but not due)	2.21, 2.22 & 2.26	3,82,911	-	2,94,012	40,754	48,146
2. Other financial liabilities	2.22 & 2.26	11,029	-	10,056	973	-

(Rs. in Lacs)

As at 31st March, 2017

Contractual maturities of financial liabilities	Note No.	Outstanding Debt on 31.3.2017	Within one Year	More than 1 year & less than 3 Years	More than 3 year & less than 5 Years	More than 5 Years
1. Borrowings (including interest accrued but not due)	2.21, 2.22 & 2.26	3,13,146	-	1,78,564	55,513	79,068
2. Other financial liabilities	2.22 & 2.26	55,117	-	55,117	-	-

(c) Market Risk:

The sensitivity analysis excludes the impact of movements in market variables on the carrying value of post-employment benefit obligations provisions and on the non-financial assets and liabilities. The sensitivity of the relevant Statement of Profit and Loss item is the effect of the assumed changes in the respective market risks. The Company's activities expose it to a variety of financial risks, including the effects of changes in interest rates.

(i) Interest rate risk and sensitivity:

The company has taken borrowings from state government and PFC, only at fixed rate of interest which is not subjected to risks of changes in market interest rates and the same has been shown at carrying value.

(Rs. in Lacs)

Particulars	As At 31st March 2018	As At 31st March 2017
Fixed Rate Borrowings	2,52,369	2,37,844

ii) Price Risk:

Exposure:

The company has no exposure to price risk as there is no investment in equity shares which are listed in recognised stock exchange and are publicly traded in the stock exchanges.

iii) Foreign Currency Risk

Foreign Currency Risk Exposure:

The company's exposure to foreign currency risk at the end of the reporting period expressed in INR (in lacs.) are as follows:

Particulars	As At 31st March 2018			As At 31st March 2017		
Foreign Currency	USD	Euro	CHF	USD	Euro	CHF
Financial Assets						
Net Exposure to foreign currency risk (asset)	0.7			7.93	1.5	0
Financial Liabilities						
Retention Money	0			14.65	3	0
Other Payables	0	1.38	0.41	50.54	12.34	0
Net Exposure to foreign currency risk (Liabilities)	0.7	-1.38	-0.41	-57.26	-13.84	0

The above foreign currency risk is only for the foreign currency advances and other liability on account supplier dues and retention money payable to contractors. As per accounting policy of the company, transactions in foreign currency are initially recorded at exchange rate prevailing on the date of transaction. At each Balance Sheet date, monetary items denominated in foreign currency are translated at the exchange rates prevailing on that date. Non-monetary items denominated in foreign currency are reported at the exchange rate prevailing at the date of transaction.

Exchange differences arising on translation or settlement of monetary items are recognised in the statement of profit and loss, in the year in which it arises.

(iii) Capital Management

(a) Capital Risk Management:

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The primary objective of the Company's capital management is to maximize the shareholder value. The Company's primary objective when managing capital is to ensure that it maintains an efficient capital structure and healthy capital ratios and safeguard the Company's ability to continue as a going concern, in order to support its business and provide maximum returns for shareholders. The Company also proposes to maintain an optimal capital structure to reduce the cost of capital. No changes were made in the objectives, policies or processes during the year ended 31st March, 2018.

The Company monitors capital using gearing ratio, which is net debt divided by total of Capital and Net Debt. The gearing ratios are as follows:

(Rs. in Lacs)

Particulars	As At 31st March 2018	As At 31st March 2017
a) Loans and Borrowings	2,52,333.00	2,37,843.78
b) Trade and Other Payables	2,16,166.00	2,04,215.88
b) Less: Cash and Cash Equivalents	32,517.00	36,518.23
c) Net Debt	4,35,982.00	4,05,541.44
d) Total Capital	1,72,956.00	1,63,403.08
e) Capital and Net Debt	6,08,938.00	5,68,944.52
f) Gearing Ratio	71.60	71.28

Note: For the purpose of the Company's capital management, capital includes issued capital, and all other equity reserves. Net debt includes, interest bearing loans and borrowings, trade and other payables less cash and short term deposits.

(b) Loan Covenants:

Under the terms of the major borrowing facilities, the company is required to comply with the following financial covenants:-

There is requirement to maintain Debt Equity ratio of 70:30 by the ADB, which is funding agency to the State Government.

(c) Dividends:

The Company started commercial operation during the year 2016-17 and total cumulative loss as on 31.03.2018 is Rs.11601 Lakhs, thus no dividend has been declared by the company.

Other Explanatory Notes to Accounts:

2.36 CONTINGENT LIABILITIES

(a) Claims against the Company not acknowledged as debts in respect of:

(Rs. in Lacs)

Particulars	As At 31st March 2018	As At 31st March 2017
Capital Works	67,052.24	33,526.00
Land Compensation	16,123.89	33,132.00
Entry Tax	0	1,088.98
Others	335.25	318.00
TOTAL	**83,511.38**	**68,064.98**

(i) Capital works:

Contractors have lodged claims aggregating to Rs.67052.24 Lakh (previous year Rs.33526.00 Lakh), against the Company on account of rate & quantity deviation, cost relating to extension of time and idling charges due to stoppage of work/delays in handing over the site etc. These claims are being contested by the company as being not admissible in terms of provisions of the respective contracts or are lying at arbitration tribunal/other forums/other Courts. As the amounts recommended by the Dispute Boards (DBs) are much less than the amounts claimed by the contractors, the claims on account of further interest and escalation, if any, have not been considered.

(ii) Land Compensation cases:

In respect of land acquired for the projects, some of the land losers have filed claims for higher compensation amounting to Rs.16123.89 Lakh before various authorities/courts. Company has shown the same as contingent liability as the matter is subjudice.

(iii) Others:

Claims on account of other matters amounting to Rs.335.25 lakhs mainly on account of claims for damage to property due to construction activity at Sainj HEP.

The above is summarized as at 31.03.2018 below:

(Rs. in Lacs)

Particulars	Claims as on 31.3.2018	Provision Against the Claims	Contingent Liability as on 31.3.2018	Contingent Liability as on 31.3.2017	Addition of Contigent Liability for the period
Capital Works	67,052.24	0	67,052.24	33,526.00	33,526.00
Land Compensation	16,123.89	0	16,123.89	33,132.00	33,132.00
Entry Tax	-	0	-	1,088.98	1,088.98
Others	335.25	0	335.25	317.92	17.33

The above is summarized as at 31.03.2017 below

(Rs. in Lacs)

Particulars	Claims as on 31.3.2017	Provision Against the Claims	Contingent Liability as on 31.3.2017	Contingent Liability as on 31.3.2016	Addition of Contigent Liability for the period
Capital Works	33,526.00	0	33,526.00	5,228.30	28,297.70
Land Compensation	33,132.00	0	33,132.00	-	33,312.00
Entry Tax	1,088.98	0	1,088.98	1,088.98	-
Others	317.92	0	317.92	-	317.62

(b) The above contingent liabilities do not include contingent liabilities on account of pending cases in respect of service matters & others where the amount cannot be quantified.

(c) It is not practicable to ascertain and disclose the uncertainties relating to outflow in respect of contingent liabilities.

(d) The company's management does not expect that the above claims/obligations (including under litigation), when ultimately concluded and determined, will have a material and adverse effect on the company's results of operations or financial condition.

2.37 DETAIL OF CONTINGENT ASSETS

(Rs. in Lacs)

Particulars	As At 31st March 2018	As At 31st March 2017
Civil Work	38,948.00	33,499.00

2.38 ESTIMATED AMOUNT OF COMMITMENTS NOT PROVIDED FOR IS AS UNDER:

(In Lacs)

Particulars		As At 31st March 2018	As At 31st March 2017
Estimated amount of contracts remaining to be executed on capital account and not provided for	INR	1,21,674.16	1,30,741.39
	Euro	12.56	9.99
	US$	54.15	88.28
	CHF	0.00	0.00
	SWF	0.00	0.62

2.39 Balances of trade receivables, advances, deposits, trade payables, are reconciled periodically and are subject to confirmation and consequential adjustments.

2.40 THE EFFECT OF FOREIGN EXCHANGE FLUCTUATION DURING THE YEAR IS AS UNDER:

(Rs. in Lacs)

S.No.	Particulars	Year ended 31.3.2018	Year ended 31.3.2017
(i)	Amount Charged to Statement of Profit and Loss Account excluding depreciation	6.56 (Net)	125.66 (Net)
(ii)	Amount Charged to Expenditure attributable to construction	20.85	3.42
(iii)	Amount adjusted by addition to the carrying amount of fixed Assets	Nil	Nil

2.41 DISCLOSURE UNDER THE PROVISIONS OF IND-AS-19 'EMPLOYEE BENEFITS'

General description of various defined employee benefits are as under:

a) Defined Contribution plans:

Pension:

The Company employees are not covered under any Government pension scheme. However, the employees of the

HPSEBL who are on secondment basis with the company the pension contribution is payable to the HPSEBL as per the formula devised by them.

b) Defined benefit plans:

(I) Employers contribution to Provident Fund:

The employees of the company are covered under EPF Scheme with Regional Provident Commissioner and the contribution is being paid on monthly basis to the authorities.

(ii) Gratuity:

The Company has a defined benefit Gratuity Plan, for its employees, which is regulated as per the provisions of Payment of Gratuity Act, 1972. However the employees of the HPSEBL who are on secondment basis with the company the gratuity contribution is payable to the HPSEBL as per the formula devised by them.

(iii) Leave encashment:

The Company has a defined benefit leave encashment plan for its Employees. Under this plan they are entitled to encashment of earned leaves and medical leaves subject to limits and other conditions specified for the same. However the employees of the HPSEBL who are on secondment basis with the company, the leave salary contribution is payable to the HPSEBL as per the formula devised by them.

2.42 SEGMENT INFORMATION:

a) Operating Segments are defined as components of an enterprise for which financial information is available that is evaluated regularly by the Management in deciding how to allocate resources and assessing performance.

b) Electricity generation is the principal business activity of the Company. Other operations viz., Lab Testing do not form a reportable segment as per the Ind AS 108 on 'Segment Reporting'.

c) The Company is having a single geographical segment as all its Power Stations are located within the Country.

d) Information about major customers:

(Rs. in Lacs)

S.No.	Name of Customer	Revenue from Customers		Revenue from Customers as percentage of revenue	
		2017-18	2016-17	2017-18	2016-17
1.	HPSEB Limited	3720.42	14.71	44.74%	100%
2.	TPTCL	4594.70	Nil	55.26%	Nil

2.43 INFORMATION ON 'RELATED PARTY DISCLOSURES' AS PER IND AS 24 IS AS UNDER :

(a) List of Related Parties

(i) Directors & Key Management Personnel:

Name	Designation
Sh. Ajay Sharma, IAS	Managing Director (w.e.f. 23/02/2019 to 02/07/2019)
Sh. Devesh Kumar, IAS	Managing Director (w. e. f. 21/04/2017 to 18/02/2019 and 02/07/2019 to till date)
Er. Devendra K. Sharma	Managing Director (w. e. f. 13/09/2012 to 20/04/2017)
Sh. Neeraj Kumar, HAS	Director (Personnel & Finance), (w.e.f. 26/10/2015 to 10/06/2019)
Er. M.S. Rana	Director (Electrical) (w. e. f. 14/08/2012 to 01/04/2017)
Er. Ajay Kumar Gupta	Director (Civil) (w.e.f. 17/06/2013 to 13/06/2016 and 17/06/2016 to 31/01/2018)
Er. Mahesh Sirkek	Director (Electrical) (w. e. f. 19/04/2017 to till date)
Er. Dharam Singh Thakur	Director (Civil) (w.e.f. 09/03/2018 to till date)
Sh. Manmohan Sharma, HAS	Director (Finance & Personnel) (w.e.f. 10.06.2019 till date)
Sh. Sudarshan Sharma	Company Secretary

(ii) Joint Ventures:

Name of Entity	Principal Place of operation	Principal Activities	Percentage of Shareholding/ voting Power	
			As At 31st March 2018	As At 31st March 2017
Himachal EMTA Power Limited	Kolkata	Thermal Power Generation	50%	50%

Transactions with the related parties are as follows:

(Rs. in Lacs)

Particulars	Joint Venture Companies	
Transactions During the Year	2017-18	2016-17
Investment in Share Capital	-	-
Share Application Money	-	-
Amount Recoverable	-	0.16

2.44 REMUNERATION TO DIRECTORS & KEY MANAGERIAL PERSONNEL

(Rs. in Lacs)

Particulars	Year ended on 2017-18	Year ended on 2016-17
i) Short Term Employee Benefits	156.30	120.15
ii) Post Employment Benefits	Nil	Nil
iii) Other Long Term Benefits	Nil	Nil
iv) Termination Benefits	Nil	Nil
TOTAL	**156.30**	**120.15**

Whole Time Directors are allowed to the use of staff cars including private journeys on payment in accordance with company rules.

2.45 INTEREST IN OTHER ENTITIES

(i) Interest in joint ventures:

The company's interest in joint ventures as at 31st March, 2018 are set out below, which in the opinion of the management, are material to the company. The entities listed below have share capital consisting solely of equity shares, which are held directly by the company. The country of in Company or registration is also their principal place of business and the proportion of ownership interest is the same as the proportion of voting rights held:

(Rs. in Lacs)

Name of Entity & place of Business	% of ownership Interest	Relation ship	Accounting Method	Quoted Fair value		Carrying Amount	
				31st March 2018	31st March 2017	31st March 2018	31st March 2017
Himachal EMTA Power Limited	50	Joint Venture	Equity Method	*	*	**338	338

- *Unlisted Entity- no quoted Price available
- **The Company has made provision of doubtful investments amounting to Rs 338 lakhs during the year.
- The Company has 50 % interest in Himachal EMTA Power Limited, which is a Joint Venture with EMTA Limited for setting up (2*250 MW) thermal power Plant at Rani Ganj West Bengal. However the Hon'ble Supreme Court of India has cancelled all allotment of coal Blocks and termed all captive coal Blocks as illegal.

Summarised balance sheet as at 31 March 2018 using the Equity Method:

Himachal EMTA Power Limited

(Rs. in Lacs)

Particulars	As At 31st March 2018	As At 31st March 2017
Current Assets		
Cash and Cash Equivalents	1.34	1.36
Other Assets	0.45	0.36
Total Current Assets	**1.79**	**1.72**
Total Non Current Assets	**252.00**	**257.02**
Current Liabilities		
Other Liabilities	1.28	0.69
Total Current Liabilities	**1.28**	**0.69**
Non Current Liabilities		
Financial Liabilities	121.00	121.00
Other Liabilities	22.83	23.48
Total Non Current Liabilities	**143.83**	**144.48**
Net Assets	**108.68**	**113.57**

Summarised statement of Profit and Loss using Equity Method:

(Rs. in Lacs)

Particulars	As At 31st March 2018	As At 31st March 2017
Revenue	0.00	0.00
Interest Income	1.00	1.00
Other Expenses	1.16	126.64
Depreciation and Amortisation	1.00	1.57
Profit Before Tax	-1.34	-127.21
Total Comprehensive Income for the Year	**-1.34**	**-127.21**

2.46 IMPAIRMENT OF ASSETS

Ind AS 36, in the opinion of the management there is no indication of any significant impairment of assets during the year.

2.47 FAIR VALUATION OF ASSETS AND LIABILITIES

The company had adopted the carrying cost / value of all liabilities and assets as on 1st April 2015 and also on 1st April 2018, as the fair value of the assets and liabilities cannot be measured accurately due to the uncertainty involved in the estimating the exact date of commissioning of the projects, which is dependent on various external factors and which have impact on the payments to be made to the contractors and the amount to be recovered from them.

2.48 OTHER DISCLOSURES AS PER SCHEDULE-III OF THE COMPANIES ACT, 2013 ARE AS UNDER:

(Rs. in Lacs)

	Particulars	Year ended on 2017-18	Year ended on 2016-17
A	Expenditure in Foreign Currency	9.60	Nil
B	Earnings in Foreign Currency	Nil	Nil
C	Value of Import Calculated on CIF basis	Nil	Nil
i)	Capital Goods	Nil	Nil
ii)	Spare Parts	Nil	Nil

D	Value of Component, Stores and Spare Parts Consumed	Nil	Nil
i)	Imported	Nil	Nil
ii)	Indigenous	Nil	Nil

2.49 QUANTITATIVE DETAILS IN RESPECT OF ENERGY GENERATED & SOLD

Hydro Power :

S.No.	Particulars	Year ended on 2017-18	Year ended on 2016-17
1)	Licensed Capacity	165 MW	65 MW
2)	Installed Capacity	165 MW	65 MW
3)	Actual Generation (million Units)	327.18 MUs	51.11 MUs

2.50 PAYMENT TO AUDITORS INCLUDES:

(Rs. in Lacs)

Particulars	Year ended on 2017-18	Year ended on 2016-17
As Auditors		
Statutory Auditors (includes revision of fee from the F.Y. 2015-16)	5.62	8.89
Tax Audit	1.00	1.00
Other services (Certification fee)	0.70	0.00
Reimbursement of Expenses	1.51	0.00
Reimbursement of Service Tax	1.46	1.78
TOTAL	**10.29**	**11.67**

2.51 DISCLOSURE RELATED TO CORPORATE SOCIAL RESPONSIBILITY (CSR) AS PER THE COMPANIES ACT, 2013:

The company has started commercial operations from the year 2016-17 and has not generated any profits during the year hence CSR rules are not applicable.

2.52 INFORMATION IN RESPECT OF MICRO AND SMALL ENTERPRISES AS AT 31ST MARCH 2017 AS REQUIRED BY MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006:

(Rs. in Lacs)

Particulars	Year ended on 2017-18	Year ended on 2016-17
a) Amount remaining unpaid to any supplier:	Nil	Nil
Principal amount	Nil	Nil
Interest due thereon	Nil	Nil
b) Amount of interest paid in terms of section 16 of the MSMED Act along with the amount paid to the suppliers beyond the appointed day	Nil	Nil
c) Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act	Nil	Nil
d) Amount of interest accrued and remaining unpaid	Nil	Nil
e) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises, for the purpose of disallowances as a deductible expenditure under section 23 of MSMED Act.	Nil	Nil

2.53 Opening balances/corresponding figures for previous year/period have been re-grouped/re-arranged, wherever necessary.

2.54 STATUS OF PENDING INCOME TAX CASES AS ON DATE

i) For the F.Y. 2007-08 & 2008-09, the cases are pending before Hon'ble High Court of H.P. against the tax liabilities imposed by the Ld. ITAT Chandigarh, whereas, the Corporation has filed an appeal before Hon'ble High Court for full Tax exemption u/s 260A of Income Tax Act, 1961.

ii) For the F.Y. 2009-10, 2010-11, 2011-12, 2012-13 & 2013-14, the cases are pending before Hon'ble High Court of H.P. against the partial relief allowed by the Ld. ITAT Chandigarh, however, the Corporation has filed an appeal before Hon'ble High Court for full Tax exemption u/s 260A of Income Tax Act, 1961.

iii) FY 2014-15, the case is pending before Hon'ble ITAT, Chandigarh, against the demand raised by the Assessing Officer Income Tax department, Shimla circle.

iv) For the FY 2015-16, an amount of Rs. 11,05,28,339/- has been deposited as Advance tax (including TDS & TCS) and Rs. 29,25,700/- as statutory deposit @20%, against the total demand raised by the AO, Shimla Circle for Rs. 1,46,28,230/-.Corporation has preferred to appeal before CIT (Appeal) Camp at Solan, against the demand raised by the Assessing Officer. The Appeal is yet to be decided by the CIT (Appeal), Camp at Solan.

v) For the FY 2016-17, an amount of Rs. 6,55,52,279/- has been deposited as Advance tax (including TDS & TCS). The assessment proceeding is pending with the Assessing Officer of Income Tax authorities.

vi) For the FY 2017-18, an amount of Rs. 7,55,44,244/- has been deposited as Advance tax (including TDS and TCS) with Income Tax authorities. The assessment proceedings are pending with the Assessing Officer of Income Tax authorities.

vii) For the FY 2018-19, an amount of Rs. 1,71,74,529/-, (Rs. 62,96,381+ Rs. 1,08,74,148) has been deposited as Advance tax, TDS & TCS. Assessment proceedings by AO are under process.

2.55 ENTRY TAX

The H.P. Excise and taxation department imposed penalty and interest for default in payment of Entry Tax on material supplied by various contractors. The matter is sub-judice under Appellate Authority-cum-Additional Excise and Taxation Commissioner, Shimla. The status of which is as given below. However provision for recovery of same from respective contractors has been created in Books of Accounts in the F.Y. 2017-18 :

(Rs. in Lacs)

Power Project	Interest	Penalty	Total (Interest & Penalty)	Latest Status
Kashang HEP	126.34	251.32	377.66	Decision pending with Appellate Authority cum AETC
Sawra Kuddu HEP	205.00	455.00	660.00	-Do-
Sainj HEP	6.36	44.96	51.32	Decision pending with Hon'ble High Court of H.P.
Total	**337.70**	**751.28**	**1,088.98**	

2.56 The Company has in possession forest land at, Sainj HEP, Shongtong HEP, Kashang HEP, Sawra Kudu HEP and Beradole SPP. The Company has not accounted for the cost of the lease hold land in accordance of Govt. of H.P notification No.Rev.-D(G) 6-69/2011-II dated 23.01.2016, as the lease deeds with the revenue department in respect of above project's end are under process and the exact amount of cost involved is not yet known.

2.57 CHANGE IN ACCOUNTING POLICY

a) In order to have uniformity across the Company's Projects and to follow a realistic method of apportionment of common expenses, where a common GM Office is superintending the activities of more than one projects, Company has changed the method of apportionment of such common expenses, from charging the expenses on the basis of power generation capacity to charging the expenses on actual expenditure of the each project as on close of financial year basis. Effect of same has been taken in the books of Accounts for the F.Y. 2017-18.

b) During the F.Y. 2017-18, the power was sold in energy exchange. As the portion of free power @13%, is not remitted to Corporation, the amount booked under sale of energy is net of above free power, which is in variance with the previous financial year, where in the sale of energy was booked at Gross value i.e. inclusive of 13% free power.

c) Apportionment of expenditure of Corporate Office and DW Sunder Nagar:

Pre COD

The Company has apportioned the expenditure net of income of corporate office and Design Wing Sunder Nagar up to 31st August 2016 since incorporation of the company in the following proportions :-

- 15% of the total expenditure to Renuka ji project.
- Rest is apportioned to the remaining projects on the basis of ratio of the capital expenditure incurred on various projects up to 31st August 2016

Post COD

(I) Expenditure :

The Company has apportioned the expenditure of corporate office and Sunder Nagar (Design Wing) from 01 September 2016 to 31st March 2018 in the following proportions :-

- 15% of the total expenditure to Renukaji project.
- In case of Commissioned projects the apportionment has been done in the ratio of Sales (Gross Sales-13% free power) to Capital outlay.
- Rest is apportioned to the projects which are under construction stage/ Investigation Stage on the basis of ratio of the capital expenditure incurred by these projects.

(ii) Income Portion:

The Company has apportioned the income of corporate office and Design Wing Sunder Nagar from 01 September 2016 to 31st March 2018 in the following proportions:-

- 15% of the total income to Renuka ji project.
- In case of Commissioned projects the apportionment has been done in the ratio of Sales (Gross Sales-13% free power) to Capital outlay.
- Rest is apportioned to the projects which are under construction stage/ Investigation Stage on the basis of ratio of the capital expenditure incurred by these projects.

During the year expenditure of Head Office and DW Sunder Nagar, has been apportioned in the ratio of days of the financial year 209:156 i.e. from 01st April 2017 to 03rd September 2017 and 4th September 2017 to 31st March 2018.

2.58 The HPSEB has retained Rs. 13.69 crores from the amount due on account of sale proceeds of power to the company against the amount payable on account of Leave salary and pension contribution of their employees deployed on secondment basis with Company. Company has made required provision for liability on account of Leave salary and pension contribution of their employees in its books of accounts as on 31.03.2018, However, settlement of payable & receiveable amounts claimed by both the parties is being reconciled and shall be settled accordingly.

2.59 STATE GOVERNMENT LOAN FOR SHONGTONG KARCHAM HEP 450 MW):

The Shongtong Karcham HEP (450MW) being financed by State Government of Himachal Pradesh, through funds received from ADB and KFW. ADB funding to the project has expired in October 2018. KFW which was funding the E & M Package, initially temporarily stopped the funding to the State Government, on the basis of the report of their consultant regarding safety of the barrage structure and now has not renewed the agreement, which expired in December 2019. Corporation has explored funding of remaining works of the project from the Commercial Banks.

2.60 DEMAND BY THE PF AUTHORITIES:

The Regional Provident Commissioner, Shimla has raised demand for the period August 2008 to June 2011 amounting to Rs. 1.89 Crore on the payment made to the contractors at various units of the company. The Company has filed an appeal against the order with Central Government Industrial Tribunal Chandigarh. The company has shown the liability as contingent and no accounting entry has been passed in the books of accounts.

2.61 INCREASE IN AUTHORIZED CAPITAL

The Company has increased the authorized share capital of the company from Rs. 2,000 crores to Rs. 2,500 crores in its Annual General Meeting held on 28th November 2018.(Refer Note 2.18)

2.62 A sum of Rs. 103.24 lacs (excluding Interest) has been shown as recoverable from Gammon India, through Directorate of Energy, Govt. of H.P. The Amount is still recoverable. Keeping in view that Gammon India / Directorate of Energy has not yet denied to refund/re-imbursement the same, hence provision for doubtful debt has not been made in Books of Accounts.

2.63 SURVEY AND INVESTIGATION OF KHAB HYDRO ELECTRIC PROJECT

No Provision for expenditure of survey and Investigation of Khab Hydro Electric project done by the SJVN which was allotted to the SJVN earlier by Department of Energy. The Company has communicated to the DoE, GoHP vide letter dated 22.07.2017 that as PFR prepared by SJVNL is of no use to Company and fresh planning of Khab HEP has to be carried out by Company as it was observed that the Khab Dam HEP, as proposed by SJVN, encroaches the domain of both the upstream and downstream projects, already allotted to other IPP. DoE vide letter dated 31.07.2017 allowed company to carryout fresh planning of Khab HEP, with domain elevations ranging between El. ±2538m to El. ±2325m, after considering the requirement of MoEF guidelines. Accordingly vide HPPCL letter dated 16.05.2018, informed SJVNL that the PFR of Khab HEP prepared by SJVNL encroaches the domain of other allotted projects, hence HPPCL has to prepare fresh PFR and therefore, it is not in a position to take into account the expenditure incurred by SJVNL. Response is awaited from SJVNL side.

2.64 GRANT RECEIVABLE

The company has shown Rs 5.22 crore as grant receivable from Central Water Commission, Government of India. The Central Water Commission has sanctioned Rs 12.50 crore to the company for field survey and investigation and preparation of Detailed Project report of the Gyspa HEP(300MW). The Central Water Commission has released Rs 5.00 crore to the company for the above work on 31 March 2012 with the condition that next installment will be paid on the submission of the DPR of the project. The award for conducting the DPR was allotted and the same was started by the consultant for preparation of DPR, but could not be completed due to sustained opposition and hindrance by local people. The Company has incurred expenditure in excess of the amount released by the authorities and the same has been shown as grant receivable from the Central Water Commission. The Gyspa HEP has been declared strategically important project and has been declared as "National Project" by Ministry of Water Resources, Government of India in the year 2009 and the same is covered under Indus Water Treaty 1960. The Central Water Commission vide their letter dated 12th October 2018, has directed the Principal Secretary (MPP& Power), Government of Himachal Pradesh, to direct the concerned officials to take appropriate action for resolving the concern of project affected families so that the survey and investigation work HEP may be completed and the DPR could be prepared at the earliest. Further in a renewed effort, a Meeting, through Video Conference was held on 17.10.2019, under the Chairmanship of Chief Secretary to the GoHP. In view of above developments the excess expenditure over the amount received is being treated as grant receivable from the concerned authorities. It was decided that the investigation work must be resumed immediately. Towards this end Dy. Commissioner, Lahaul Spiti, will talk directly to the affected people and address their concerned. Concerned HPPCL officers shall also meet DC & SP; Lahaul & Spiti who shall extend due help in starting the work.

2.65 The Company is in possession of Land and Buildings at Sarabhai, Thalot and Largi of HPSEB Ltd. (Erstwhile HPSEB Board) at Sainj HEP. The Joint Committee constituted by both Companies has assessed the value of the said properties at Rs.45.99 Crores in the Meeting held in the month of August 2012. The properties are in the possession of the Company; no final decision and sale deed has been executed by both the parties so far. Hence no provision for the liability in the Books of Accounts has been made.

However, it is mentioned here that out of the total land under consideration, permission by Revenue Dept. has been granted to lease out the proposed land in favour of AFCONS Infrastructure Ltd., as per provision of Rule-8 of H.P. Lease Rules 2013 and Lease (Amendment) Rules, 2016 by HPPCL through executing of a lease agreement / deed between the parties for the purpose of installation of Stone Crusher on the land, comprised in various Khasra Numbers to the extent of 36-12-11 Bighas land situated in Village/Mohal Panjam, Tehsil: Balichouki Dist. Mandi H.P., for a period of 4 years. Deed has been executed. As the cost of land transferred to HPPCL is not yet determined, hence the same has not been accounted for.

2.66 LOCAL AREA DEVELOPMENT FUND

Provision of amount payable to LADA fund (as booked in the books of accounts) on account of increase in cost of the Projects on its commissioning, has been made, however determination of final revised cost of these projects is under process.

2.67 The Kashang Stage I and II work was hampered since 2006 as the local people had filed case with the NGT. The NGT has given the final judgement on 23rd October 2017 with directions to the State Government to consider the claims of the claimants of the Lippa Village under FRA -2006. The Locals has again filed a petition for stay of transfer of forest land to the project with the Hon'ble High court of Himachal Pradesh .However the Hon'ble High court has declined the grant of interim stay on in the month of January 2019.

2.68 No provision of income tax has been made by the company, as the company has brought forward losses and unabsorbed depreciation under income tax Act and during the year also the company has incurred losses.

2.69 Amount recoverable from contractors includes a sum of ₹ 79.43 crores recoverable from Coastal Projects on account of works being executed on their risk and cost awarded to M/s HCC Limited. The Lender Banks of the Contractor have filed liquidation proceedings with NCLT and the company has filed claim of Rs 334.99 crores against the contractor. No provision for amount doubtful for recovery has been made, as the matter is pending with NCLT.

2.70 STATUS OF THE NAKTHAN HEP

Nakthan HEP (460MW) was allotted to the company by the Government of Himachal Pradesh on 22 September 2009 as a Run-of-the- River project on Tosh Nala / Parbati River. The DPR of the project has been approved by the CWC/CEA/GSI .The CSMRS approval is pending. M/s Sai Engineering Foundation (IPP) to whom Tosh Mini Hydro Project was allotted has filed application with Hon'ble High Court to appoint an arbitrator for stay of Diversion of Tosh Water to Nakthan HEP. The Arbitral Tribunal of Ld. Justice Kuldeep Singh has stayed the diversion of water for Nakthan HEP vide order dated 24th July 2015.The Govt has filed objection petition before Hon'ble High Court of Himachal Pradesh on 06th November 2015. Supplementary objection petition before Hon'ble High Court of Himachal Pradesh has also been filed by Company on 26th February 2018. The latest hearing held on 22.05.2019 and rejoinder has been filed in the month of July 2019.

2.71 POWER SALE ARRANGEMENTS

In case of Kashang HEP Stage-I, the PPA agreement was in force with HPSEB and expired on 06th May 2018. After that the Company has made arrangement to sell the power in Energy Exchange through Power Trader, M/s PTC India Limited.

In case of Sainj HEP the arrangement has been made to sell the power in Energy Exchange through Tata Power Trading Corporation with effect from 04th September 2017 (i.e. the date of Commissioning of the Project).

Similarly PPA has been signed with HPSEB Ltd., to sell the power being generated by Beradole Solar Power Plant (5MW) commissioned on 04.01.2019, @ of Rs. 4.31/Unit, for 25 Years.

2.72 An amount of Rs. 5 Crores has been received as seed money against Kishau Corporation Ltd., from Govt. of HP, as promoters share during the F.Y 2017-18. The amount shall be disbursed to the Kishau Corporation Ltd. after receiving proper instructions from Govt. of H.P.

2.73 The Govt. of H.P. has allowed deferment of repayment of Loan and Interest till F.Y 2018-19 vide letter No. MPP-C(7)-1/2017 dated 09.01.2018. However, request has been submitted to GoHP, to further defer the repayment of loan and interest due as on date and also of the principal amount of loan and interest, which shall become subsequently due till C.Y. 2024, till the construction of Shongtong Karchham HEP, vide letter No. HPPCL/F&A/deferment/2019-9668-270 dated 31.08.2019.

2.74 In case of Renuka Ji Dam Project (RDP), interstate agreement has been signed by all the beneficiary states on 11.01.2019, in New Delhi. Revised cost estimate of Renuka Ji Dam Project (RDP) on October 2018 (PI), has been approved by CWC for Rs.6946.99 Crores on 20.02.2019. The matter is pending before Technical Advisory Committee and shall be further submitted for approval of Central Cabinet Committee of Economic Affairs, GoI. Once the approval is accorded, funds shall start flowing to the project and shortfall of the expenditure shall be recovered.

Matter of release of funds for ongoing land acquisition process was taken with GoI. It was intimated that the funds can be released only after cabinet approval of the project. However no such restriction is there for beneficiary states. Accordingly, the matter was taken–up with Secretary Upper Yamuna River Board vide letter dated 13.09.2019. The Secretary UYRB has further requested all beneficiary states to provide the funds vide letter dated 24.09.2019.

2.75 Advances given to HPSEB Ltd., HPPTCL, I&PH, HPPWD, Fisheries Dept. etc. given against works to be executed on deposit work basis, could not be settled/capitalized, due to pending utilization Certificates to be received from these Depts. /Corporations.

2.76 Disclosure of Major Changes in existing Contracts/Agreements during the period: 1) Geological Investigation on the right bank slop on Shongtong Karchham HEP with No variation in contract amount, 2) Enhancement in contract amount by EURO 59016.79 due to inclusion of withholding Tax 3) Continuation of consultancy services of Accompanying the investigations on the Barrage Right bank Slop of Shontong Karchham HEP with no variation in contract amount 4) Basic concept for protection of barrage against sliding right bank slop with no variation in contract amount.

2.77 The Enforcement Directorate vide Provisional Attachment Order 03/2017 dated 29/12/2017 (F No. ECIR/ 02/ 54520/2 014/07 / 7537) dated 29/12/2017, has attached the assets of the Himachal Emta Private Limited (a Joint Venture Company) , amounting to Rs. 2.59 crores. At present the case is pending in the Hon'ble Supreme Court of India.

2.78 As per Hydro Generation Tariff Regulation 20, on Depreciation (given in the Appendix of Depreciation Schedule), of HPERC Notification No. HPERC/Gen/479 dated1st April 2011, investment in land, cost of clearing the site and land for reservoir in case of Hydro Generation Station of Land under lease is to be capitalized and depreciation @3.34%. Land under full ownership is not required to be depreciated. In case of this Corporation, Reservoir/Dam, is being constructed in Renuka ji HEP only and the land so far acquired is under the full ownership of the Corporation, hence the depreciation has not been provided on the cost of land nor the trees and structures on such free hold land.

2.79 Shares to GoHP, against the share application money received on 29.03.2018, could not be issued immediately i.e. till 31.03.2018, but the same were issued in the next financial year when the BoD Meeting was held. Further shares were also issued to GoHP for Rs. 74.25 Crores and Rs. 49.50 Crores on dated 20.08.2019 and 03.12.2019, respectively. However return with respect to same could not be filed with RoC, due to tagging of Company as “ACTIVE Non-compliant”, pursuant to the Companies (Incorporation) Amendment Rules 2019.

2.80 The Company has changed the accounting policy in respect of Charging of expenditure of Corporate office and Sunder Nagar Design wing during the year review:-

New Policy: Apportionment of common expenditure of Corporate Office and Sunder Nagar for projects which are commissioned in the ratio of sales to the Capital Outlay of the Project.

Old Policy: Apportionment of common expenditure of Corporate Office and Sunder Nagar for projects which are commissioned in the ratio of Total expenditure incurred to Fixed assets cost except cost of land. The effect of such changes has been taken in the books of accounts.

2.81 While operating the sluice valves in Silt flushing drift at BR-I on 25.07.2018, due to the high velocity of water from the outlet of SFT, some portion of SFT, and land/property of forest department was damaged. The DFO, Kinnaur vide letter no. 6134 dated 11.09.2018 and No. 6479 dated 03.10.2018, submitted the claim of damage to the tune of Rs. 1,56,41,559/- and Rs. 16,27,26,778/-, respectively on account of damages of deodar/chilgoza trees and catchment area of forest land.

HPPCL management during the meeting held with DFO, Kinnaur on 11.07.2019, has agreed to take up the matter of restoration of damages in phased manner after completing all formalities, such as, designing, estimation & statutory clearances from all quarter concerned. The case for diversion of said forest land was initiated by the HPPCL under FCA, hence, the provision of above amount was also not kept during the FY 2018-19, as the case shall be regulated under the FCA, for which cost of land under diversion shall be intimated by the forest department later on. Further, during the meeting under the chairmanship of Chief Secretary to GoHP, with District administration and forest department on 17.10.2019, it was agreed by the forest department to withdraw the claim of 19.00 cr. as HPPCL will restore the damages at their own.

For and on behalf of the Board of Directors

Sd/- (B.L. Verma) D.G.M. (Finance)	Sd/- (Sudershan K. Sharma) Company Secretary	Sd/- (Manmohan Sharma) Director (Finance) **DIN 08480582**	Sd/- (Devesh Kumar) Managing Director **DIN 00329576**

For Anil Karol and Company
Chartered Accountants
FRN No. 4816N

Sd/-
(CA Walia Umesh)
Partner
Membership No. 098287

Place: Shimla
Date: 07-02-2020

Anil Karol and Company
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

To

The Members of HIMACHAL PRADESH POWER CORPORATION Limited

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of **HIMACHAL PRADESH POWER CORPORATION LIMITED** ('the Company"), which comprise the Balance Sheet as at 31st March 2018, the Statement of Profit and Loss(including other Comprehensive Income), the Statement of Cash Flows, the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information(hereinafter referred to as"the standalone Ind AS financial statements").

Management's Responsibility for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134 (5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the affairs(financial position), profit or loss (financial performance including other comprehensive income), cash flows and statement of change in equity of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards (Ind AS) specified under Section 133 of the Act read with relevant rules issued there under,

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true & fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the standalone financial statements.

Basis for Qualified Opinion

1. Property Plant and Equipment Note 2.1

i) We invite attention to Note No 2.56 wherein its stated that the Company has possession of forest land at, Sainj HEP, Shongtong HEP, Kashang HEP and Sawra Kuddu and no provision has been made as the amount of lease has not been ascertained. In the absence of information, we are unable to comment on the same.

ii) We Invite attention to Note no 2.65 where in the company has not accounted for the cost of the Land and Buildings of HPSEB Limited amounting to Rs. 4,599 lakhs. In our Opinion the Property Plant and Equipment are understated to the extent of above and correspondingly the other Current Financial Liabilities are also understated to the extent of above.

iii) The Shongtong Unit has not bifurcated the cost of free hold land the details of the which is as under:-

		Amount
1.	Land	2,20,28,726.00
2.	Trees	51,82,644.00
3.	Structure	1,06,23,413.00
	Total	**3,78,34,783.00**

The Company should show the costs other then land separately so that they can be depreciated separately on the commissioning of the project on the basis of the useful life of the main assets.

iv) The Renukaji HEP has accounted for Rs. 31,911 Lacs on account of compensation paid for the land. The Himachal Pradesh Electricity Regulatory Commission Hydro Generation Tariff Regulation Depreciation @ 3.34% is leviable on submerged Land. The HP CAG issued comment on the same in the Supplementary audit for the year 2016-17.

The Company has shown Rs. 19,564 Lacs under the Capital work in progress which has to be shown under Free hold Land. In our opinion the Free hold land is understated and CWIP Submerged land is overstated to that extant. The Company has not Charged the depreciation as per the comment issued by the CAG. Thus the company has not charged depreciation for the 2016-17 and 2017-18 amounting to Rs. 2,200 lakhs during the year under review. In our opinion the Property Plant and Equipment is overstated and Capital work in Progress in understated to that extant.

v) The Renukaji HEP has paid Rs. 5,364 Lakhs on account of compensation paid for trees and Structures. The CAG in their supplementary audit report for the year 2016-17 has commented that Rs. 785 Lacs has been less charged on the above and the Property Plant and Equipment is overstated to the extant of above and Capital Work in progress is understated to that extent. The Company has not accounted for the same in the financial statements and no further details has been provided in respect of depreciation to be charged on the above.

The Qualification of the CAG for the year 2016-17 has been considered in this report

vi) The Sainj HEP while capitalising the Interest paid on State Government Loans at the time of COD has apportioned Rs. 4,202 lacs to Electrical Equipment's instead of Rs. 7,298 lacs. Thus cost of Electrical Mechanical works is under stated to the extant of Rs. 3,097 lacs.

vii) The Company is showing the opening Depreciation of certain assets at negative value for which no information and explanations has been provided to us. The following are the details of the same.

	Depreciation as on 01-04-2017
Plant (currently for Water Treatment)	-1.53
Office Machinery (like Lab, Fire, Safety)	-37.72
Electronics & Electrical Items	-119.85

Furniture & Fixtures	-97.63
Computers & Data Processing Machines	-37.72
Vehicles	-10.54
Helipad	-8.70
Bridges & Culverts	-2.30
Server and Networks	-151.84
Roads	-2,349.25

In the absence of information we are unable to comment on the same.

2. Capital Work in Progress 2.2

I) The Company has started using the following assets at the project sites but the following has not been put to use for want of completion certificate from the concerned departments of the company.

(Amount in Lacs)

Project Unit	Residential Building	Non Residential Building	Roads, Bridges & Culverts	Project Civil Works	Construction Power	Total
Sundernagar	1	-	-	-	-	**1**
Sawra Kuddu HEP	14	-	-	-	58	**72**
Kashang HEP	-	-	-	28	-	**28**
Sainj HEP	-	2	-	-	-	**2**
Renukaji Dam Project	-	-	-	-	-	**-**
Shongtong HEP	-	-	-	-	39	**39**
Gyspa HEP	8	99	6	-	-	**114**
Beradol	-	-	-	-	113	**113**
Total	**23**	**102**	**6**	**28**	**210**	**369**

In our opinion the Capital Work in Progress are overstated to the extent above and the Property Plant and Equipment are understated to the extent of above. The Impact of the depreciation on the above cannot be quantified in the absence of the information.

ii) The Company has adopted for exemption under IND AS regarding deemed cost for Property, Plant and Equipment and adjusted the accumulated depreciation as on 1st April 2015 with the cost as on that date. It has been observed that the company has reinstated the depreciation of the assets by changing the Accounting Policy up to 31st March 2016 as per GAAP and while applying the exemption under IND AS the depreciation charged up to 1st April 2015 i.e., the depreciation as per previous Accounting Policy has to be adjusted. In our opinion the Accumulated Depreciation up to 1st April 2015 should have been adjusted with the Revised Accounting Policy of the Company i.e. on the basis of the HPREC depreciation Rate. No Information is respect of the same has been provided to us. In the absence of the information we are unable to comment on the same.

iii) We Invite attention to Note No. 2.70 where in it is stated that the Court case has been filed by the Toss Mini Hydel Project in the Hon'ble High Court of Himachal Pradesh against the Government of Himachal Pradesh. The matter is still under litigation and may have impact on the Development of the Project.

iv) The Shongtong unit project work was hampered by the labour strike of the M/s Patel Engineering from 14th March 2016 to 20th December 2016 during the year 2016-17. During the year under review the work was hampered during the period 18th Apirl 2017 to 3rd August 2017. The following are the details of the same:-

S.No.	Date	Date	Days	Particulars
1.	18-04-2017	17-05-2017	29.00	Worker Strike
2.	18-05-2017	20-07-2017	63.00	Lay Off
3.	21-07-2017	03-08-2017	13.00	Labour not available
Total			**105.00**	

The Unit has charged the interest on loan during the period to Capital Work in progress which has to be charged to the Profit and loss account. No Information in respect of the interest debited to the capital work in progress during the strike period has been provided by the unit to us. In the absence of the information we are unable to comment on the same.

v) The Shongtong unit has charged the progressive payments made to AHIPL to the capital work in progress account whereas the supplier is raising the invoices afterwards by adjusting the progressive payments in there invoices proportionately. The following are the details of the progressive payments made to the party: -

		INR	Euro	US $	Total
1st Progressive payment	07-04-2016	15,06,05,000.00	56,58,000.00	2,39,53,000.00	**18,02,16,000.00**
2nd Progressive payment	13-05-2016	15,06,05,000.00	57,04,000.00	2,40,87,000.00	**18,03,96,000.00**
3rd Progressive payment	31-03-2017	15,06,05,000.00	46,74,000.00	2,43,64,000.00	**17,96,43,000.00**
Total		**45,18,15,000.00**	**1,60,36,000.00**	**7,24,04,000.00**	**54,02,55,000.00**

The progressive payments made are in nature of the advance paid to the party on the basis of the value of the contract and has to be adjusted with the invoices to be raised by the supplier in future. In our Opinion the Advance to the Supplier is understated and the Capital work in Progress is overstated to that extent.

We invite attention to the Note 1.11 regarding accounting policy in respect of treatment of foreign currency transactions which has not been followed by the company. The Advance also includes foreign exchange components for which no adjustments has been made in the books as per the requirements of the Ind AS 21 The Effects on change in foreign exchange Rates applicable to the company. In the absence of the information we are unable to comment on the same.

vi) The Sainj Unit has paid Entry Tax amounting to Rs. 544 lakhs from September 2010 to December 2016 to HCC Limited. As per the Himachal Pradesh Entry Act 2010 the dealer paying the entry tax is entitled to take the credit of the entry tax and adjust the same with the Vat Liability of the Dealer which the dealer has claimed in the Vat return filed by the contractor to the concerned Assessing Authorities. Thus, the dealer was not entitled to claim the entry tax which was adjusted by dealer towards its Vat Liability. Thus CWIP Project Electro Mechanical works is overstated to the extent of Rs. 544 lakhs and other current assets are understated to that extent.

vii) The Kashang Unit has charged interest paid on PFC loan of Rs. 3,000lakhs transferred from HPSEB at the time of transfer of assets and liabilities from the HPSEB of the Kashang Unit to the Expenditure under Construction. It has been observed that at the time of transfer of assets from Kashang Unit from HPSEB a sum of Rs. 1,392 lakhs has been used for construction of Transmission Lines at Kashang HEP. During the year 2010-11 the Kashang unit has transferred all cost of the Transmission Lines amounting to Rs. 6,585 lakhs back to the HPSEB Limited. Further It has been observed that at the time of transfer of transmission lines the loan component of the PFC utilised on the construction of Transmission lines has not been transferred to the HPSEB Limited and further a sum of Rs. 871 lakhs has been paid as interest on the above loan by the company till 31st March 2017 to the PFC. Thus, a sum of Rs. 871 Lakhs is recoverable from HPSEB Limited on account interest paid to PFC on transmission lines transferred back to HPSEB. In our opinion Property Plant and Equipment are overstated to the extent of Rs. 871 Lakhs and the other current assets are understated to the extent of above.

viii) The work at Kashang II and III (K K Link Line) was stopped by the contractor since 30.09.2014 and the interest paid on loan has been charged to the expenditure under construction. Further the unit has paid interest free mobilisation advance to the contractor amounting to Rs. 945 Lakhsfor which the recovery has not been started as the 30% work has not been completed. The Interest component of the loan payable to state govt loan should be charged to Profit and Loss Account as per the requirements of the Ind AS 23 Borrowing Cost No Information in respect of the interest to be charged to Profit and Loss account has been provided to us. In the absence of information, we are unable to comment on the same.

ix) The Sainj HEP has capitalised the cost of employees till the date of Synchronisation i.e. 30th June 2017 and after that the employee cost has been charged to Profit and Loss Account. The water availability for both the units was available since 15/04/2017 and the Mechanical Spinning was done for the Unit I on 25/04/2017 thus the construction of the project was completed on 15th April 2017. Thus Employee cost up to 15th April 2017 has to be capitalised and after that the same has to be charged to the Profit and Loss Account. The Sainj HEP has capitalised Rs. 151 lacs as employee cost till 30th June 2017 . The cost has to be capitalised till 15thApirl 2017 when the project was complete which comes to Rs. 26 lacs. Thus expenditure to the tune of Rs. 125 lacs is understated.

x) The Company has granted EOT of the Shongtong HEP for civil works till 31st March 2024 with no delay Damages in the 68th Board Meeting on 24th April 2019 No disclosure for the same has been made in the notes to accounts.

xi) **Stoppage of work at Kashang 2 and 3**

We Invite attention to Note No. 2.67 where in its stated that the work at Kashang Stage 2 and 3 has been pending in the NGT and the final outcome may have an impact on the Construction of the Kashang Stage 2 and 3 .Till the final decision of the NGT we are unable to comment on the same

xii) **Stoppage of work at Sawra Kuddu**

The Adit Work allotted to Patel Engineering was stopped by the contractor and the advance given to the contractor was interest bearing. The Contractor has not paid the interest component on the advance.

xiii) **Apportionment of Corporate and Sunder Nagar (Design Wing) Expenses to Renukaji Project**

The Company has apportioned 15% of the total expenditure of Corporate Office and Sunder Nagar design office to Renukaji Project vide Managing Directors Office Order Note dated 10/11/2017 during the year under 2016-17. It has been observed that during previous year for Renukaji HEP where only expenditure of 3% of the total cost of the Fixed Assets and CWIP has been incurred by the company till 31st August 2016 on the project ,15 % of the total expenditure of Corporate Office and Sunder Nagar (Design Wing Expenses) since incorporation of the company has been apportioned to the unit and rest has been allocated to the other units in the proportion of capital expenditure incurred by the remaining units. The above apportionment ratio has not been approved by the Board of Directors of the company. The allocation percentage and ratio adopted by the company is also not in compliance to accounting policy of the company mentioned at Note no 1.6 (g) The Company has provided no justification for approving the percentage of 15% for allocation of corporate office and Sunder Nagar expenditure to Renukaji HEP. In our opinion the apportionment of expenditure to Renukaji @ 15% is not justifiable and thus Rs. 1,948 Lakhs has been excess allocated during the year 2016-2017 to the Renukaji and same has been less allocated to other units. This has resulted in less apportionment of the expenditure to the generating unit i.e. Kashang Stage I and Sainj HEP and may affect the depreciation charged during the year by the Kashang Stage I and Sainj HEP. In the absence of the information we are not able to comment on the less amount of depreciation charged after COD period by the Kashang Stage I and Sainj HEP

Fixed Assests Cost up to 31st August 2016

(Amount in Lacs)

Name of the Power Project	CWIP plus Fixed Assests less land cost	Percentage of total Cost	Cost to be Allocated	Cost Allocated	Variance
Sawra Kuddu	113,082	29.39	4,840	4,249	591
Kashang I	73,532	19.11	3,147	2,763	384
Kashang II	32,532	8.46	1,392	1,222	170
Kashang III	-	-	-	-	-
Sainj	102,681	26.69	4,395	3,858	537

Renukaji	12,206	3.17	522	2,470	-1,948
Shongtong	43,343	11.27	1,855	1,629	227
Chirgaon Majhgaon	969	0.25	41	36	5
Triveni Mahadev	598	0.16	26	22	3
Thana Plaun	1,483	0.39	63	56	8
Nakhtan	1,781	0.46	76	67	9
Gyspa Dam	919	0.24	39	35	5
Surgani Sundla	992	0.26	42	37	5
Deothal Chanju	137	0.04	6	5	1
Chanju III	362	0.09	15	14	2
Berra Dol	107	0.03	5	4	1
Sunni Dam	-	-	-	-	-
Sub Total	**384,723**	**100.00**	**16,466**	**16,466**	**-0**

The Company during the year under review has also adopted the same method of apportionment and the following are the details of appropriations made during the year:-

Appropriations made up to 03rd September 2017

Fixed Assets Cost up to 31st March 2017

(Amount in Lacs)

Name of the Power Project	CWIP plus Fixed Assests less land cost	Percentage of total Cost	Cost to be Allocated	Cost Allocated	Variance
Sawra Kuddu	1,30,911	38	300	264	36
Sainj	1,20,446	35	276	243	33
Renukaji	13,815	4	32	122	-90
Shongtong	55,749	16	128	113	15
Chirgaon Majhgaon	1,030	0	2	2	0
Triveni Mahadev	644	0	1	1	0
Thana Plaun	1,866	1	4	4	1
Nakhtan	1,985	1	5	4	1
Gyspa Dam	1,846	1	4	4	1
Surgani Sundla	1,101	0	3	2	0
Deothal Chanju	360	0	1	1	0
Chanju III	610	0	1	1	0
Berra Dol	306	0	1	1	0
Kashang II	14,379	4	33	29	4
Sub Total	**3,45,049**	**100.00**	**791**	**791**	**-0**

Appropriations made after 03rd September 2017

Fixed Assets Cost up to 03/09/2017

(Amount in Lacs)

Name of the Power Project	CWIP plus Fixed Assests less land cost	Percentage of total Cost	Cost to be Allocated	Cost Allocated	Variance
Sawra Kuddu	1,41,342	56	601	539	61
Renukaji	13,846	5	59	163	-104
Shongtong	69,074	27	294	264	30
Chirgaon Majhgaon	1,053	0	4	4	0
Triveni Mahadev	646	0	3	2	0
Thana Plaun	2,120	1	9	8	1
Nakhtan	2,063	1	9	8	1
Gyspa Dam	1,019	0	4	4	0
Surgani Sundla	1,287	1	5	5	1
Deothal Chanju	372	0	2	1	0
Chanju III	733	0	3	3	0
Berra Dol	2,784	1	12	11	1
Kashang II	17,666	7	75	67	8
Sub Total	**2,54,004**	**100**	**1,080**	**1,080**	**-0**

In our opinion the apportionment of expenditure to renukaji @ 15% is not justifiable and thus Rs. 194 Lakhs has been excess allocated during the year 2017-2018 to the renukaji and same has been less allocated to other units. This has resulted in less apportionment of the expenditure to the generating unit i.e. Kashang Stage I and Sainj HEP and may affect the depreciation charged during the year by the Kashang Stage I and Sainj HEP. In the absence of the information we are not able to comment on the less amount of depreciation charged after COD period by the Kashang Stage I and Sainj HEP

We Would further like to submit that no confirmations from the participating states and the central government has been provided to us for the inclusion of above expenditure towards the cost of the Project. In the absence of confirmations we are unable comment on the recoverability of the expenditure from the participating states and central government.

3 Non-Current Investment Note 2.5

I) We invite attention to Note No.2.43(I), the Company has made an investment of Rs. 337.50 Lac (previous year Rs. 337.50 Lakhs) in the equity of Himachal EMTA Power Limited (HEPL) which has been established as Company's joint venture with EMTA for setting up a (2*250 MW) thermal power plant. The Company has 50% equity participation in HEPL. The Government of India has allotted coal block to Himachal EMTA Power Limited and JSW Steal Limited for which another Joint Venture has been made in the Name of Gourangdih Coal Limited.

"The Hon'ble Supreme Court of India (SC) on 25/08/2014 and 24/09/2014 ordered that the allotment of the coal block made by the screening committee of the Government of India through the government dispensation route are arbitrary and illegal thus the Gouragdih Coal Block allotted to Himachal EMTA Power Limited and JSW Steel Limited has been cancelled."

ii) The Company has made provision for doubtful investments amounting to Rs. 337.50 lakhs during the year under review.

iii) The company Independent auditors of Gourangdih Coal Limited raised concern in respect of preparing the

Financial Statements on the basis of Going Concern Concept and under Historical Cost Convention due to deallocation of the Coal Blocks by the decision of the Supreme Court during the year under review.

iv) We invite attention to note 2.77 where in the Enforcement Directorate has attached the assets of the Himachal Emta Private Limited amounting to Rs. 259 Lacs.

4 Other Non-Current Financial Assets Note 2.10

i) The Chirgaon Unit is showing a sum of Rs. 5 Lakhs as amount paid to LAO for purchase of land. The accounting unit was transferred from erstwhile Board (HPSEB). The payment was made by the LAO of the HPSEB and the land is in the name of HPSEB. The unit was transferred from the erstwhile HPSEB and the advance account of the LAO is being carried forward by the unit as advance and the land is in the possession of the Corporation. The Unit has not changed the name of the ownership of the corporation in the revenue records nor has adjusted the advance account. In our opinion the company is entitled for title of the land once the award has been ordered by the LAO and land legally vests with the company. Thus, Other Non-Current Financial Assets are overstated to the extent of above and correspondingly the Property Plant and Equipment is understated to the extent of above.

ii) The Shongtong HEP, has paid Rs. 45.31 Lakhs (previous year Rs. 44 Lakhs) to land owners for acquisition of land measuring 0.1702 hectare, for the project, at the time of mutation it is found that the same land was already acquired by HPPWD. The amount is doubtful for recovery as the amount has not been recovered from the land owners and a provision for the same is required. In our opinion Other Non-Current Financial Assets is overstated to the extent of above and consequently the expenditure is understated to the extent of above.

iii) We invite attention to Note No 2.69 where in it is stated that the amount recoverable from contractors includes a sum of Rs. 7,943 lakhs (previous year Rs. 5,451 lakhs) recoverable from Coastal Projects on account of risk and cost. The contract with the contractor was terminated in the year 2013 and the same was awarded to M/s HCC Limited The amount paid to HCC Limited on account extra cost has been shown as recoverable from Coastal Projects. The amount is doubtful of recovery from the Coastal Projects as there is no agreement with the party to recover the money as the contract with the party has already been terminated since 2013. The Company has gone into liquidation as the lender banks of the contractor has filed liquidation petition with NCLT and the amount is doubtful of recovery.

In our opinion the amount should be charged to Capital Work in progress as part of the cost. Thus, Other Non-Current Financial Assets are overstated to the extent of above and Capital Work in progress is understated to the extent of above.

The non charging of the above cost to the CWIP will result in under apportionment of the common cost of the Corporate Office and Sundernagar Design wing. No Information in respect of the same has been provide to us. In the absence of information we are unable to comment on the same.

Further the Company has filed a claim of Rs. 33,499 Lakhs with the NCLT against the Coastal Projects Limited as the company has gone into liquidation. No Details in respect of the same has been provided to us. In the absence of the information we are unable to comment on the same.

iv) We invite attention to Note No 2.62 where in it is stated that the company has not made a provision for Rs. 103 lakhs (Previous Year Rs.103 Lakhs) recoverable from Gammon India since 2013 through Directorate of Energy. The amount has to be recovered along with interest of 10% per annum. The amount has not been recovered till the date of audit and the same is doubtful of recovery hence provision for doubtful advance is required. In our opinion the Non-Current Financial Assets are overstated to the extent of above and Expenditure are understated to the extent of above.

v) The Renukaji HEP has deposited Rs. 186.42 lacs with HPSEB for deposit work. The HPSEB has fully utilised the advance and given the Utilisation certificate to the company. However the company has not capitalised the assets. In our opinion the other Non-Current Financial Assets are overstated to the extent of above and Capital work in progress is understated to the extent of above.

vi) The Capital Work in Progress of includes excise duty reimbursed to the contractors by the company which is exempted as per the notification No. 108/95-CE, dated 28.08.1995, which provides that the goods supplied to projects, financed by the World Bank, Asian Development Bank or any International Organisation, and approved by the Govt of India, shall be exempted from the whole of the excise duty / additional excise duty leviable thereon.

The Company has accounted for the expenditure in capital Work in progress by way of the reimbursement of the same to the contractor amounting to Rs. 609 lakhs. The Company has shown the above amount as recoverable from the Contractor during the year under review. The Company has recovered only Rs. 476 lakhs (previous year Rs. 306 Lakhs) from the contractor till the close of the financial year of the audit.

vii) **Grant Receivable**

We invite attention to Note No 2.64 where in it is stated that company is showing Rs. 488 lakhs(previous year Rs. 442 lakhs) as recoverable grant from the Central Government on account DPR and Investigation Expenses. The Government of India has approved Rs. 1,250 Lakhs for survey and investigation of the project and paid Rs. 500 Lakhs as advance and the rest of the amount is to be paid on the submission of the DPR. The work of the DPR is not completed since 2012 due to sustained opposition to the project by local people. The Central Government has stayed the further payment of the grant until the submission of the DPR. The grant recoverable shown is not as per para 7 and 8 of the Indian Accounting Standard (Ind as) 20 **Accounting for Government Grants and Disclosures thereof** which states that:-

"7 Government grants, including non-monetary grants at fair value, shall not be recognised until there is reasonable assurance that:

(a) the entity will comply with the conditions attaching to them; and

(b) the grants will be received.

8 A government grant is not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the entity will comply with conditions attaching to it, and that the grant will be received. Receipt of a grant does not of itself provide conclusive evidence that the conditions attaching to the grant have been or will be fulfilled."

The grant recoverable is not as per the applicable IND as 20 and the contention of the company is that as the project is of National importance and the concerned ministry is continuously pursuing the matter with the State Government and directing the company to take appropriate action to resolve the issue with the affected families so that the survey investigation work may be completed at the earliest. In our opinion the continuous monitoring of the project by the ministry and the Central Government and further directions to resolve the issue with effected families at the earliest is a sufficient compliance for the condition attached to the grant as per the requirement of IND as 20.

viii) The Shongtong unit is showing following advances to the contractors the recoverability of the same is dependent on the completion of the project and the same has not been discounted and shown as per the fair value as required by IND AS 113. In the absence of information, we are unable to comment on the same (Please also refer Note 2.47). The following are details of the advances

(Amount in Lacs)

	Contractor	Current Year Amount	Previous Year Amount
1.	Patel Engineering	5,143.00	5,236.97
2.	Andtriz Hydro	3,155.00	3,708.74
	Total	**8,298.00**	**8,945.71**

ix) The Shongtong unit has given advance of Rs. 100 lacs (Previous Year Rs. 50 lakhs) to IPH Khwangi for irrigation scheme and the same has not been charged to expenditure during construction. In our opinion the Non-Current Financial Assets are overstated to the extent of above and CWIP are understated to the extent of above.

x) The Shongtong unit has given advance of Rs. 10 lakhs and Rs. 25 lakhs to HPPWD on 04th October 2013 and 07th December 2016 and the same has not been charged to expenditure during construction as the as the work has been completed before the finalisation of the Balance sheet. In our opinion the Non-Current Financial Assets are overstated to the extent of Rs. 35 lakhs and CWIP are understated to the extent of above.

xi) The Shongtong unit is showing advance of Rs. 154 lacs(Previous YearRs. 200 lakhs) to HPSEB as on 31st March 2018. As the advance will not be recovered from the agencies and assets are being used by the corporation the same should be capitalised. In our opinion the Non-Current Financial Assets are overstated to the extent of Rs. 154 lakhs and CWIP are understated to the extent of above.

xii) The Sawra Kuddu HEP is showing a sum of Rs. 714 lakhs (Rs. 1,186 lakhs) as Deposit Work Paid which has not been capitalised for want of utilisation certificates from the executing agencies. As the advance will not be recovered from the agencies and assets are being used by the corporation the same should be capitalised. In our opinion the Non-Current Financial Assets are overstated to the extent of Rs. 714 lakhs and CWIP are understated to the extent of above.

xiii) The Beradol Unit has not capitalised the Advance amounting to Rs. 15 Lacs during the year under review as the advance is of non recoverable nature. Thus the Other Non Current Assets are overstated to the extant of above.

xiv) The Chanju III has not capitalised the advance to HPPTCL for design and survey work amounting to Rs. 17 lakhs. Thus the Other Non Current Assets are overstated to the extant of above.

xv) The Deothal Chanju has not capitalised the advance to HPPTCL for design and survey work amounting to Rs. 13.00 lakhs. Thus the Other Non Current Assets are overstated to the extant of above.

xvi) The Sainj Unit has not capitalised the advance to HPPTCL Rs. 500 lakhs. Thus the Other Non Current Assets are overstated to the extant of above. The Consequential Depreciation on the above asset is understated to the extant of Rs.15 Lacs during the year under review.

xvii) The Sainj unit has given advance against the retention money to HCC limited amounting to Rs. 450 Lacs. The Contractor has not paid the Advance and the interest due on the same. Thus advance to Contractor and Retention money is overstated to the extant of above.

xviii) The Sainj unit has paid Rs. 50 Lacs to HP Fisheries Department but the expenditure has not been booked. The Advance is not of recoverable nature and should have been capitalised. Thus the Other Non Current Assets are overstated to the extant of above.

xix) The Sainj unit has paid Rs.10 Lacs to State Pollution Department but the expenditure has not been booked. The Advance is not of recoverable nature and should have been capitalised. Thus the Other Non Current Assets are overstated to the extant of above.

xx) The Sainj unit has shown Rs. 9 Lacs as recoverable from DOE on account of LADF charges paid on Infirm Power. The amount is not recovered till date and provision for the same is required. Thus the Other Non Current Assets are overstated to the extant of above and expenditure is understated to that extant.

xxi) The Sainj unit has shown Rs. 71 Lacs as interest recoverable from HCC on account of advance given against retention money. The Party has not repaid the amount of advance and nor the interest on the same has been paid back hence provision for the same is required. Thus the Other Non Current Assets are overstated to the extant of above and expenditure is understated to that extant.

xxii) The Kashang unit has not capitalised the Advance given to HPPWD amounting to Rs. 15 lacs. Thus the Other Non Current Assets are overstated to that extant.

(xxiii) The Sawra Kuddu Unit has debited Rs. 41 lakhs to Patel Engineering on account of Risk and award cost of the work done. The contractor has not paid the amount till date. Thus Provision for non recoverability of amount is required. Thus Other Non Current Assets are overstated to that extant.

(xxiv) The Sawra Kuddu Unit has shown a Sum of Rs. 665.00 Lacs as amount recoverable on account interest and penalty on entry Tax. The contractor has not paid the amount till date. Thus Other Non Current Assets are overstated to that extant.

(xxv) We invite attention to note no 2.62(b) where no provision has been made as the proposal has been sent to the BOD for writing off the amount.

5 Trade Receivables Note 2.12

I) The Kashang Unit is showing Rs. 103 lakhs(previous year Rs. 73 lakhs) as amount recoverable from HPSEB Limited on account of Late payment surcharge which has not been accepted by the party and the same amount has not been paid by the customer till date and only sale of power is being paid by the party. In our opinion the amount recoverable is overstated and a provision for amount doubtful for recovery is required. Thus, Trade receivable is overstated to the extent of above and the expenditure is understated to the extent of above.

ii) We invite attention to Note No 2.58 wherein it is stated that HPSEB Limited has retained Rs. 1369 Lakhs (Previous Year Rs. 1,369 lakhs) as amount due on account of Leave salary and pension contribution of employees appointed on secondment basis with the company. In our opinion the trade receivables are overstated to the extent of above and also the liabilities are overstated to that extant.

6 Other Current Assets Note 2.18

i) The Sawra Kuddu unit has not shown the amount recoverable from Patel Engineering on account of recovery of concrete cutting amounting to Rs. 84 lakhs. In our opinion the other Current Assets are understated to the extent of above and CWIP is overstated to the extent of above.

7 Non-Current Other Financial Liabilities Note 2.21

i) **Long Term Borrowings**

The Company has taken loan from the State Government for construction of Hydro projects. The Company has not paid the Instalment and interest on the State Government loans. The State Government has provided deferment of loan and interest for the amount accrued up to January 2017 till FY 2018-19. The instalment interest due after January 2017 till the close of the has not been paid by the company to the state Government. We Invite attention to Note 2.73 where in the Company has made the request for the deferment of Instalment and loan to State Government however no confirmation from the State Government has been received till finalisation of the report. In our opinion the Company has defaulted in payment of instalments and interest to the state government holding 29% of the equity. However there is no other default in payment of loan and interest to any other Financial institutions/Banks.

ii) The Long-term Liabilities includes EMD, Retention Money and Security Deposits pending since inception of projects and the same has not been paid till the close of the year. The Internal control in respect of them is very weak and should be strengthened and the liabilities should be assessed at fresh and should be charged to revenue in appropriate cases.

8 Non-Current Liabilities Provisions Note 2.23

i) **For Company Employees**

We invite attention to note 1.20 and 2.41 where in the policy adopted for employees benefit and accounting in respect of the same has been disclosed. The Above policy is not in compliance with the Ind AS 19 Employees Cost in relation to Post Employment defined Benefits plan in the matter of its recognition and measurement. In the absence of Information, we are unable to comment on the same of its impact in the balance sheet and profit and Loss Account.

ii) **For HPSEB Employees**

The provision for leave encashment liability, gratuity liability and pension Liability of HPSEB employees has been calculated based on formula adopted by HPSEB Limited. The Liability provided for is subject to the confirmation from HPSEB Limited.

In the absence of information and confirmation from HPSEB Limited we are unable to comment on the effect of the same on the financial statements at the close of the year.

iii) The Company has shown Gratuity Liability at the close of the year in excess by Rs. 19 lacs. Thus Provisions Non Current is overstated to the extant of above.

iv) The Company has shown Leave Contribution Liability at the close of the year in excess by Rs. 46 lacs. Thus Provisions Non Current is overstated to the extant of above.

9 Other Non-CurrentLiabilities Note 2.24

a) **Utilised Grant Renuka ji**

i) The Company has incurred following expenditure on the Renukaji project till 31st March 2017.

(Amount in Lacs)

Particulars	as on 31st March 2018	as on 31st March 2017
Tangible Assets	42,095	29,722
Capital Work in progress	32,014	43,405
Advances	199	259

	74,308	**73,387**
Grant Received	68,549	68,549
	68,549	**68,549**
Shortfall	5,759	4,838

There is a shortfall of expenditure to the tune of Rs. 5,759 Lakhs (Previous year Rs. 4,838 Lakhs) which has to be borne by the participating states. No information about the share of the expenditure of the participating states and confirmation from them has been provided to us for verification. In absence of information we are not able to comment on the same. The Renukaji unit has not made any provision for the amount recoverable from the participating states and the central government. In our opinion the other current assets are under stated to the extent of above similarly the other non-current liabilities are understated to the extent of above.

ii) The Company has requested the Government of India for additional amount of Rs. 31,602 lacs to be deposited with the courts on urgent basis. The GOI has denied the request and with the condition that funds can only be granted after settling of all the clearances. UYRB has also directed all the participating states to deposit there respective share money with HPPCL but till date no contribution has been received and no disclosure of the same has been made in the notes of accounts.

iii) We invite attention to para 2 (xiv) of our audit report regarding allocation of expenses to Renukaji HEP wherein its stated that the allocation of expenditure of Corporate office and Sunder Nagar Design office to the unit has not been confirmed/approved by the participating states and the central government. In the absence of confirmation and approvals we are unable to comment on the apportionment of expenditure charged to the Renukaji HEP. The company has allocated Rs. 2111 lakhs (previous year Rs. 1,826 lakhs) as share of corporate office and design wing expenses to the Renukaji HEP till 31st March 2017. In our opinion the amount recoverable from participating states will be reduced by Rs. 2111 lakhs (previous year Rs. 1,826 lakhs) given in above para.

iv) The Company is earning interest on the surplus funds of renukaji at Corporate Office by investing the same in short term Fixed Deposits. The Interest earned on the same has not been shown as addition to the Grant nor the same has been reduced from the incidental expenditure during construction period of the unit. The above practice is not in line with the significant accounting policy adopted by the company (refer Note 1.16). In the absence of information, we are unable to comment of the effect of the same on the Financial Statements.

10 Current Liabilities Other Financial Liabilities Note 2.26

i) The Liability on account of Retention Money, Security Deposit and dues payable to Contractors and suppliers are subject to Confirmation. In the absence of Information, we are unable to comment on its effect on assets and liabilities.

ii) The different units of the company are showing separately the amount payable and recoverable from HPSEB Limited. No Confirmation from the HPSEB Limited has been provided to us for the amount payable and recoverable. In our opinion only one account of the HSPEB Limited should be maintained and net balance of recoverable or payable should be shown in the Financial Statements.

iii) The Other Current Liabilities includes EMD, Retention Money and Security Deposits pending since inception of projects and the same has not been paid till the close of the year. The Internal control in respect of them is very weak and should be strengthened and the liabilities should be assessed at fresh and should be charged to revenue in appropriate cases.

iv) The Other Financial Current Liabilities includes Rs. 72 lakhs (Previous Year Rs. 62 lakhs) as unclaimed money on account of payables, retention, security and other payables to the contractors. The amount has been shown under this head because the persons to whom amount is payable is not traceable. In our opinion the other current financial liabilities are overstated to the extent of above and necessary provision for amount written back should be provided.

v) The Sawra Kuddu unit has made a provision for CAT Plan Expenses on 04thJanuary 2016 amounting to Rs. 69 lakhs. The Unit has informed us that the amount has not been paid as the previous utilisation certificates has not been provided by the Forest Department. In our opinion the amount is of the nature of withheld amount and should be shown under the head Non-Current Financial Liabilities. Thus, current Liabilities are overstated to the extent of above.

vi) The Corporate Office has not made the provision for demand raised by the PF Commissioner for the period 09/2008 to 06/2011 on account of PF contributions of Unregistered Contractors amounting to Rs. 189Lakhs on 02nd August 2018 (refer Note 2.60). The Liability was known to the management before the approval of the Financials by the BOD i.e. 28th November 2018. Thus, current liabilities are understated to the extent of above.

vii) **Local Area Development Fund: -**

We Invite attention to Note 2.66 where in the company has not made any provision of amount payable to LADA fund on account increase in cost of the Projects. The following are the details of the Projects and understatement of Liability on account of additional amount payable to LADA Fund.

HEP	Expenditure Incurred in Crore	Lada Fund @1.5%	Expenses Booked	Deficit
Kashang II and III	184.60	2.77	0.77	2.00
Sainj	1,270.93	19.06	17.97	1.09
Sawra Kuddu	1,672.19	25.08	24.50	0.58
Total	**3,127.71**	**46.92**	**43.24**	**3.68**

In our opinion the Capital work in progress is understated to the extent of Rs. 368 lakhs and correspondingly Current Liabilities are also understated to that extant.

viii) **Survey and Investigation of Khab Hydro Electric Project**

We Invite attention to Note 2.63 wherein it is stated that the Company has not accounted for Rs. 1,273 lakhs(previous year Rs. 1,273 lakhs) on account of survey and investigation work done by SJVN. Thus, Current Liabilities are understated to the extent of above and similarly the Capital Work in Progress are understated to the extent of above.

ix) The Corporate Office has booked the IUT to Sainj Unit amounting to Rs. 2.93 lacs during the year on the basis of letter to bank to pay the payment through NEFT to HCC limited. The NEFT was actually issued by the bank in the month of April 2018. Thus Current liabilities as well as Bank Balance are understated to that extant.

x) The Sainj Unit has not charged GST on the Liquidation Charges amounting to Rs. 775.80 lakhs on Rs. 4310.00 Lacs charged from HCC during the year under review. The Company has not shown the Liability under GST returns filed during the year under review nor the same has been charged to the contractor. Thus the current liabilities and understated to that extant and other non current assets is also understated to that extant.

xi) The Kashang Unit has not Charged GST on the Liquidation Charges amounting to Rs. 534.42 lakhs on Rs. 2969 Lacs charged from HCC. The Company has not shown the Liability under GST returns filed during the year under review nor the same has been charged to the contractor. Thus the current liabilities and understated to that extant and other non current assets is also understated to that extant.

xii) The Corporate Office has shown bills payable amounting to Rs. 4 lacs for which no details are available. Thus current Liabilities are overstated to the extant of above.

xiii) The Corporate Office has shown Rs. 35 lakhs as amount payable to Director cum Member Secretary and also the amount has been shown as advance to the Government department and the advance paid has not been adjusted at the close of the year. Thus Current Liabilities and advance to government department is overstated to the extant of above.

xiv) The Corporate Office has shown Rs. 23 lakhs as amount payable to Anand Toyota and also the amount has been shown as advance to the Anand Toyota and the advance paid has not been adjusted at the close of the year. Thus Current Liabilities and advance to government department is overstated to the extant of above.

xv) We invite attention to note 2.72 where the Corporate Office has shown Rs. 500 lacs as amount payable to the Kisahau Corporation Limited on account Equity Contribution of the State Government for the seed Money. No confirmation from the Kisahu Corporation Limited and directions from the State Government to keep the money with company has been provided to us for verification. In the absence of information we are unable to comment on the same.

11 Other Income Note 2.25

The Shongtong unit has not accounted for the Foreign Exchange fluctuations amounting to Rs. 18.07 lakhs. Thus the income is understated to the extant of above.

12 Sale of Power

I) The Kashang and Sainj HEP has booked the Sale of Power in the books of accounts on net realisation value of the Company Share. No Accounting entry for the Free Power to State Government, LADA Share and auxiliary power has been made in the books which is not in lines with the previous year accounting policy adopted by the company. We Invite attention to note 2.57 (b) where in the change in accounting policy has been indicated by the company. The following are the details in respect of the same and comparative figures of the previous year.

(Amount in Lacs)

	Particulars	Current Year	Previous Year
3000002	Sale of Energy	1,366.00	198.89
		1,366.00	198.89
4000750	Free Power to State Govt (Royalty)	1,129.00	172.45
4000751	Free Power to State Govt (LADF)	94.00	14.37
4000752	Generation/Auxiliary Energy Expenses	143.00	12.07
	Total	**1,366.00**	**198.89**

The company has not disclosed the impact of the same and as result the figures of current and previous year are not comparable. The non accounting of the same will have impact on the apportionment of expenditure of corporate office and Sundernagar to various units during the year under review. The impact of the same cannot be quantified hence we are unable to comment on the same.

13 Apportionment of expenditure and Income of Corporate Office and Sunder Nagar

i) **Expenditure of Corporate Office and Sunder Nagar**

It has been observed that at the time of apportionment of expenditure of Corporate office and Design Office the net expenditure incurred during the year has been apportioned in the ratio of 156:209 from 01st April 2017 to 3rd September 2017 and 4th September 2017 to 31st March 2018. (refer Significant Accounting Policy no 1.6 g and Note no 2.57(c)). The above apportionment is not in line with the accounting policy referred in note 1.6 g which states that the *"The Expenditure of Corporate office and Sunder Nagar design office is allocated to different accounting units on systematic basis."*

In our opinion the expenditure and income should have been apportioned separately on actual basis between the pre and post cod period to different units. The Adoption of wrong method of apportionment may effect the allocation of cost to different units and the effect on its depreciation after commissioning of the projects. In the absence of information we are unable to comment on the same.

ii) **Income of Corporate Office and Sunder Nagar**

It has been observed that the income of the corporate office mainly consists of the interest earned on Fixed deposits by making short term investments of the following funds: -

- Funds received for Equity
- Funds for Renukaji Project
- Imp rest Funds for ADB Funded Projects State Govt Loan
- Interest on Funds With LAO

The Company has received the following interest on Fixed Deposits and on different type of funds during the year:

S.No.	Particulars	Current Year Amount	Previous Year Amount	To be apportioned to
1.	Equity Funds	5,26,73,054.00	4,48,74,572.00	All the Units
2.	Renuka Funds	16,88,61,940.00	13,66,17,713.00	To Renuka Funds

3.	Trench 1 State Govt Loan	-	6,38,102.00	Sawra Kuddu & Kashang
4.	Trench 2 State Govt Loan	-	19,32,856.00	Sawra Kuddu
5.	Trench 3 State Govt Loan	-	1,92,56,416.00	Kashang and Sainj
6.	Trench 4 State Govt Loan	-	1,51,16,776.00	Shongtong
		22,15,34,994.00	**21,84,36,435.00**	
7.	Interest on Funds with LAO	1,55,69,369.00	58,97,174.00	Renuka ji
		23,71,04,363.00	**22,43,33,609.00**	

The Company has allocated income to various projects on the basis of allocation of expenditure to different units as per accounting policy of the company during the year under review. The following are the details of the allocation:-

Unit	01/04/2017 to 03/09/2016	04/09/2017 to 31/03/2018	Total
Sawra Kuddu	3,29,87,549	6,73,28,108	10,03,15,657
Kashang I	26,70,216	5,36,229	32,06,445
Kashang II	36,23,378	84,15,016	1,20,38,394
Sainj	3,03,50,630	4,67,774	3,08,18,404
Renukaji	1,52,00,470	2,03,65,183	3,55,65,653
Shongtong	1,40,47,853	3,29,03,088	4,69,50,941
Chirgaon Majhgaon	2,59,437	5,01,605	7,61,042
Triveni Mahadev	1,62,369	3,07,712	4,70,081
Thana Plaun	4,70,086	10,09,796	14,79,882
Nakhtan	5,00,306	9,82,545	14,82,851
Gyspa Dam	4,65,096	4,85,333	9,50,429
Surgani Sundla	2,77,391	6,12,947	8,90,338
Deothal Chanju	90,830	1,77,178	2,68,008
Chanju III	1,53,629	3,49,170	5,02,799
Berra Dol	77,227	13,26,201	14,03,428
Total	**10,13,36,467**	**13,57,67,885**	**23,71,04,352**

The allocation of income of the corporate office to the units is not on the basis of the actual receipt of the interest on different type of funds. The above basis is also used in the allocating the income up to 31st March 2018 by the company. No Adjustment has been made for the allocation of income for the year 2016-17 already reported in previous year report. The apportionment of the income on the basis of the funds kept by the corporation may have impact on the incidental expenditure which has to be allocated to the individual assets of the unit at the time of the commissioning of the project. In the absence of the information we are unable to comment on the same and its impact on the cost of the individual units under the head Capital work in progress and Property Plant and equipment.

The Kashang Unit Stage I has booked Rs. 32 lakhs and Sainj unit has booked Rs. 5 Lakhs as income from interest on Fixed Deposits and Bank Deposits after COD Period as share of Income of Corporate Office. The above apportionment of the income to the unit has no relevance as projects was under operations and no funds of Equity and Imp rest fund from State Govt (ADB funds) is at the disposal of the Unit. Thus, the Income on account of

Interest on Fixed deposit and Bank Interest is excess shown by the unit as proportion of income to the unit which has to be adjusted with the Incidental expenditure of the projects under construction as per accounting policy of the company. Thus, the income during the year is overstated to the extent of Rs. 37 lakhs and capital work in progress in overstated to that extent.

ii) We invite attention to Note number 2.80 where the company has changed the accounting policy in respect of charging of expenditure of corporate office and Sundernagar Design Wing during the year under review.

iii) The Company has not taken the Infirm Sales of Power and Free sale of power and auxiliary use of power while calculating the Ratio of apportionment of the expenditure of Corporate Office and Sunder Nagar Design wing in the case of the commissioned projects. The following are the details of the infirm power sale Free sale of power and auxiliary use of power not taken into consideration by the company:-

(Amount in Lacs)

S.No.	Particulars		2017-18	2016-2017
1	Kashang Stage 1	Infirm Sale		267.50
2	Sainj	Infirm Sale	832.09	43,405
			832.09	267.50
3	Free Sale of Power to state Govt		1,129.00	
4	Free Power LADF		94.00	
5	Auxillary Energy		143.00	
			1,366.00	
	Total		**2,198.09**	**267.50**

Non considering the above may have impact on the apportionment cost on the commissioned and non commissioned project. We are unable to comment on the impact of the same.

iv) The expenditure of the Sundernagar Design Wing has been transferred to Different units during the year review. The following are the details of the same.

Name of Power Project	01/04/2017 to 03/09/2017	04/09/2017 to 31/3/2018	Total
Sawra Kuddu	1,92,81,500	3,93,52,976	5,86,34,477
Sainj	1,77,40,199	2,73,412	1,80,13,611
Renukaji	88,84,803	1,19,03,358	2,07,88,161
Kashang I	15,60,764	3,13,424	18,74,187
Shongtong	82,11,088	1,92,31,707	2,74,42,795
Chirgaon Majhgaon	1,51,644	2,93,186	4,44,830
Triveni Mahadev	94,906	1,79,857	2,74,763
Thana Plaun	2,74,769	5,90,221	8,64,991
Nakhtan	2,92,433	5,74,294	8,66,727
Gyspa Dam	2,71,853	2,83,675	5,55,528
Surgani Sundla	1,62,138	3,58,265	5,20,402
Deothal Chanju	53,091	1,03,560	1,56,651
Chanju III	89,797	2,04,088	2,93,886
Berra Dol	45,140	7,75,159	8,20,299
Kashang II	21,17,895	49,18,539	70,36,434
Total	**5,92,32,021**	**7,93,55,720**	**13,85,87,740**

The Design wing has not provided to us details regarding expenditure incurred on various projects and no job cards has been kept by the design wing to substantiate the expenditure incurred on various projects. In the absence of information we are unable to comment on the same.

14 Provision for Income Tax

We invite attention to Note No 2.68 where in no provision has been made by the company for income tax..

We also invite attention to note 2.54 where in the cases for earlier years are pending with different authorities and the outcome of which are uncertain and may affect the amount shown as Deposits with Income Tax authorities Rs. 9,195 lakhs (Previous Year Rs. 7,774 lakhs (refer note 2.10), and Income Tax Refund due Rs. nil (previous year Rs. 1,066 (refer note 216). In view of the uncertainly involved and the matter is subjudice we are unable to comment on the recoverability of the above amount and its effect on the Financial Statements.

15 Goods and Service Tax

The company has not complied with all the provision of the Goods and Service Tax Act while preparing the monthly returns and the annual returns for the year under review.

We have checked some instances and we have observed that the Goods and Service tax has not been deposited on following expenditures and Income:-

1. Tender Income
2. Liquidation Charges
3. Rent Income
4. Transit Camp Income
5. Late Payment Surcharge
6. Payments Made to Government Departments and Government Bodies under Reverse Charge.
7. Reimbursement of Expenses from Contractors
8. Sale of scrap.
9. Arbitrators fees under reverse charge

The Company has appointed GST auditor to conduct the GST audit under the GST Act. However the GST report has not been submitted till the date of the finalisation of this report. In the absence of the report we are unable to comment on the final liability of GST along with interest and penalty.

16 Quantitative Details in respect of energy generated and sold

We invite attention to Note2.49 where in the Company has stated that it has installed capacity of 165 MW as on 31st March 2018. The company has capacity 65 MW *3 i.e. 195 MW and all the three turbines was in operation and was used alternatively by the Kashang HEP during the year under review and the installed capacity of the Sainj HEP is 100 MW which is being commission during the year under review. Thus total Installed capacity is 295 MW instead of 165MW. In our opinion the installed capacity is understated to the extent of 135 MW.

17 Allocation of expenses of Kashang 1, 2 and 3

i) The method adopted for allocation of expenses by the Kashang Unit to Stage 1, 2 and 3 is not systematic and nor consistently followed,

	2017-18	2016-17
Stage 1	84%	70%
Stage 2 and 3	16%	30%
Total	**100%**	**100%**

ii) The Kashang Unit has not taken the correct cost while making the ratio of apportionment for common expenses to stage 2 and 3. The following is the variance:

Gross Block	Cost Taken	As per Books	Variance
Capitalized Assets	8,18,47,566.00	8,18,47,566.00	-
CWIP-AUC	1,85,51,87,478.00	1,39,15,89,435.00	46,35,98,043.00
Total Block	**1,93,70,35,044.00**	**1,47,34,37,001.00**	**46,35,98,043.00**

Thus the Unit has taken excess cost of CWIP- AUC while calculating the ratio for the apportionment of expenses which will have effect of the ratio of the apportionment of expenses. The Revised ratio of appropriation of expenses will be as under :-

Gross Block	Stage-I (Rs.)	Stage-II&III (Rs.)	Total (Rs.)
Capitalized Assets	10,03,02,89,729.20	8,18,47,566.00	10,11,21,37,295.20
CWIP-AUC	52,85,587.30	1,39,15,89,435.00	1,39,68,75,022.30
Total Block	**10,03,55,75,316.50**	**1,47,34,37,001.00**	**11,50,90,12,317.50**
Ratio for apportionment	87%	13%	100%
Ratio Applied	84%	16%	100%
Variance	**3%**	**-3%**	**0%**

The Kashang Stage 1 has charged less expenditure to the tune of Rs. 25 lacs to the profit and loss Account and similarly the CWIP of Kashang 2 and 3 is overstated by the above amount.

18 Profit and Loss Account

i) Environmental Management Expenses

The Kashang unit charged Rs. 261.00 lacs as environmental management expenses in the profit and loss account during the year under review. The above expenditure is of Capital Nature and should have been capitalised and depreciation on the same has to be charged on the use life of the assets. Thus expenditure is overstated to the extant of Rs. 261 lacs. Similarly depreciation is understated to the extant of Rs. 6.25 lacs.

ii) Lease rent Others

The Kashang Unit has charged the lease rent paid to the staff of employees of Stage 2 and 3 amounting to Rs. 17 lacs to the Profit and loss account which has to be capitalised to the CWIP works. Thus Expenditure is overstated to the extant of above.

iii) O and M Plant Consumable Items

The Kashang Unit has not shown the inventory of turbine oil in hand as on 31st March 2018 as inventory amounting to Rs. 2.59 lacs. Thus Expenditure is overstated to the extant of above and inventory is understated to that extant.

iv) O and M EI Works

The Kashang Unit has charged the cost of providing the electric installations amounting to Rs. 6.84 lacs to the Profit and loss account which has to be capitalised and depreciation has to be provided on the same. Thus Expenditure is overstated to the extant of above and Property plant and equipment is understated to that extant. Similarly the depreciation is understated to the extant of Rs. 1 lacs.

v) Appropriation of Employees cost for Kashang Stage I, 2 and 3

The Kashang Unit has not provided to us the salary cost of the employees posted to the Stage 1, 2 and 3. The Unit does not have the salary cost of employees posted on different stages. In the absence of information we are unable to comment on the apportionment of salary expenses to different stages. The following is the details of salary booked under different stages.

Stage 1	634.00
Stage 2 and 3	120.00
Total	**754.00**

19 Reversal of Leave Encashment provision for earlier Years

The Kashang unit stage I has shown the Leave encashment expenses as credit Balance amounting to Rs. 4.92 lacs. No information and explanations for the same has been provided to us. In the absence of information we are unable to comment on the same.

20 Income Tax Appeals with the High court in respect of Chargeability of Income Tax on Interest on Fixed Deposits kept as short-term Investments.

The company has filed an Appeal with the High Court of Himachal Pradesh that the interest on the short-term investment of the funds in Fixed Deposits with bank from the Equity received from the Government is an addition to the equity and not an income of the company and on same the income tax is not payable. Similarly, the Income earned on Renukaji Funds is also an additional grant from the Agencies and the same is also not an income of the company and the same will be utilised on the project expenses and is part of the Grant.

The Company has not shown the interest earned on equity fund till the close of the year as an addition to the Equity and similarly the interest earned on Renukaji HEP funds till the close of the year has not been shown as additional grant from the Agencies.

No information in respect of the same has been provided to us by the company till the close of the year. In the absence of the information we are unable to comment on the effect of the same on the Balance Sheet.

21 Non-Compliance of Indian Accounting Standard (Ind AS)

The Company has not complied with the following Ind AS while preparing the financial statements: -

(i) Indian Accounting Standard (Ind AS) 20 Accounting for Government Grants and Disclosure of Government Assistance.

The Company has been granted the deferment of repayment of principal payment and payment of interest till FY 2018-19 refer Note 2.21. The company must account for the interest payable on such deferment till the close of the year at market rate as grant from the government and has to be accounted for as the addition to cost and the same has also to be shown as addition of grant. No such interest has been accounted for by the company till the close of the year as per para 10 A of the IND AS. In the absence of the information we are unable to comment on same.

(ii) Indian Accounting Standard (Ind AS) 19 Employees Benefits

The para 55 to 62 of the Indian accounting standard is applicable to the company in respect of the **Post Employment Benefit: Defined Benefit Plans** which requires that actuarial valuation of the liability of employees defined benefit plan has to be made at the end of the year and same has to be accounted for on in the books of accounts. The Company has not accounted for the liability on the basis of the actuarial valuation and only actual liability has been provided. In the absence of the information we are unable to comment on the impact of the same on the Balance Sheet at the close of the year.

(iii) Indian Accounting Standard (Ind AS) 23 Borrowing Costs

The Para 20 of the Indian accounting standard is applicable to the company which states that *"an entity shall suspend capitalisation of borrowing costs during extended periods in which it suspends active development of as qualifying asset"*. The Company has not excluded the borrowing cost during suspension of activities by the employees of the contractor and by the contractor for non-starting of the work at site. In the absence of the information we are unable to comment on the impact of the same on the Balance Sheet at the close of the year.

(iv) Indian Accounting Standard (Ind AS) 37 Provisions, Contingent Liabilities and Contingent Assets:

The Company has disclosed the provisions contingent liabilities and contingent assets only up to the date when the accounts has been approved by the BOD. No Disclosures of Provisions, contingent liabilities and contingent Assets after the accounts approved by the BOD and till the date of finalisation of this report is considered in these financial statements.

(v) Indian Accounting Standard (Ind AS) 10 Events After the Reporting Period

The financial Statements are provided to us on 4th December 2019 which was approved by the BOD on 3rd December 2019. The financial statements are not adjusted for the events occurred between the Balance sheet date both favourable and unfavourable till date of the finalisation of this report.

(vi) Indian Accounting Standard (Ind AS) 113 Fair Value Measurement

The Company has not made Fair Value of the assets and Liabilities as on 31st March 2018, on 31st March

2017(**Refer** Note No 2.47). The same is not in line with the IND as113 Fair Value Measurement which is mandatory applicable to the company.

(vii) Indian Accounting Standard (Ind AS) 109 Financial Instruments

The Company has not applied the Ind As 109 while disclosing the Government Loan in the financial statements below market rate interest and its impact on the profit and loss and Balance sheet has not been disclosed in the financial statements.

(viii) Indian Accounting Standard (Ind AS) 12 Income Tax

The Company has not followed the IND as in respect of Income tax for calculating the deferred tax assets and Liabilities and its accounting in the books of accounts. The same is also not in line with note no. 1.21 of the significant accounting policies adopted by the company. No information in respect of the same has been provided to us. In the absence of the information we are unable to comment on the impact of the same on the Balance Sheet at the close of the year.

(ix) Indian Accounting Standard (Ind AS) 107 Financial Instruments Disclosure

The Company has fixed interest rate borrowings and is subjected to interest rate risk as defined in Ind As 107. No disclosure of the same and its impact on the balance has been disclosed.

The effect of the said qualifications where ascertainable the loss of current year will be Rs. 8,261 lakhs against reported loss of Rs. 7,912 lakhs. The Other Equity will be Rs. 11,948 lakhs instead of Rs. 11,600 lakhs. The Other Financial Liabilities will be of Rs. 1,12,208 lakhs instead of Rs. 1,13,577 lakhs. The Provisions non current will be of Rs. 4,943 lakhs instead of Rs. 5,008 lakhs. The other non Current Liabilities will be Rs. 69611 lakhs instead of Rs. 69,542 lakhs. The Other Current Financial Liabilities will be Rs. 1,69,280 lakhs instead of Rs. 1,62,191 lakhs. The Property Plant and Equipment will be Rs. 3,15,721 lakhs instead of Rs. 2,94,419 lakhs. The Capital Work in Progress will be Rs. 260,258 lakhs instead of Rs. 2,71,679 lakhs. The Other Noncurrent Assets will be Rs. 30,014 lakhs instead of Rs. 34,444 lakhs. The inventories will be Rs. 36 lakhs instead of Rs. 34 lacs. The Trade Receivable will be Rs. 145 lakhs instead of Rs. 1,617 lakhs. The Bank Balance will be Rs. 2,821 instead of Rs. 2,818 lakhs. The other current assets will be Rs. 1,441 lakhs instead of Rs. 278 lakhs.

The Sale of energy is understated to the extant of Rs. 1,366 lakhs and correspondingly free power to state govt Rs. 1,129 lakhs, Free power to LADF Rs. 94 lakhs and Auxiliary Expenses Rs. 143 lakhs is understated to that extant.

Qualified Opinion

In our opinion , and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, the aforesaid standalone Ind AS financial statements give information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs(financial position) of the Company as at 31st March 2018, and its profit/loss(financial performance including other comprehensive income) and its cash flows and changes in equity for the year ended on that date:-

Emphasis of Matter

1 No reasonable effort has been made to remove the qualification raised in earlier year audit reports and the same has been considered in this year report also.

2 We further draw attention to the following matters in the Notes to the stand alone Ind AS Financial statements: -

(i) Note No. 2.39 to the standalone Ind AS financial statements regarding the various balances which are subject to reconciliation/ confirmation and respective consequential adjustments.

(ii) Note No. 2.59 to the standalone Ind AS financial statements regarding statement on State Government loan for Shontong Karcham HEP (450MW) where the ADB funding to state government has expired and stopping of funding by the KFW to the project.

(iii) Note No. 2.67 to the standalone Ind AS financial statements regarding stay of Forest land to Kashang Stage II and III project pending with Hon'ble High court of Himachal Pradesh the fate of which is dependent on the outcome of the case.

(iv) Note No. 2.70 to the standalone Ind AS financial statements regarding statement on Nakhtan project pending with Hon'ble High court of Himachal Pradesh the fate of which is dependent on the outcome of the case.

Our Opinion is not modified in respect of these matters

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure-I, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. We are enclosing our report in terms of Section 143 (5) of the Act, on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, in the Annexure-2 on the directions issued by Comptroller and Auditor General of India.
3. As required by section143(3) of the Act, we report that:
   a) We have sought and except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph above, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
   b) Except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph above, in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   c) The Balance Sheet, Statement of Profit and Loss and statement of Cash Flows and Statement of changes in equity dealt with by this report are in agreement with the books of account;
   d) Except for the effects of the matter described in the Basis of Qualified Opinion paragraph above, in our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act,
   e) The Matter described in the Basis for Qualified Opinion paragraph above, in our opinion may have adverse effect on the functioning of the company.
   f) In view of the exemptions given vide Notification No. G.S.R. 463 (E) dated 5th June 2015 issued by the Ministry of Corporate Affairs, the provisions of Section 164 (2) of the Companies Act, 2013 regarding disqualification of directors, are not applicable to the company.
   g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.
   h) With respect to adequacy of Internal Financial Controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure-3" in our opinion the internal financial controls system is adequate but the operating effectiveness of such controls need be improved.
   I) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
   i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements- Refer Note 2.33 to the standalone Ind AS financial statements.
   ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
   iii. There were no amounts as at 31.03.2018 which were required to be transferred to the Investor Education and Protection Fund by the Company.

For Anil Karol and Company
Chartered Accountants
Firm Regn. No. 004816N

Sd/-
(CA Walia Umesh)
Partner
M No. 098287

Place: Shimla
Date: 07.02.2020
UDIN 20098287AAAAAP9359

Anil Karol and Company
Chartered Accountants

ANNEXURE 1 TO THE AUDITORS' REPORT

Annexure referred to in our report of even date to the members of HIMACHAL PRADESH POWER CORPORATION LIMITED on the accounts for the year ended 31st March 2018.

(I) (a) The company has generally maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.

(b) As explained to us all the assets were got physically verified by the management during the year under review. We were informed that no material discrepancies were noticed on such verification.

(c) Title deed of immovable properties are in the name of the company except in cases of Renukaji HEP, Sainj HEP Shongtong HEP and Chirgaon HEP where the land has not been transferred in the name of the Company.

(ii) The inventory of the company consisting of Capital Stores, stores, spare parts and other Items. We were informed that these have been physically verified by the management during the year under review.

(iii) According to the information and explanations given to us, the company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013. In view of above, the clauses 3(iii)(a) and 3(iii)(b) of the Order are not applicable.

(iv) The Company has not given any loan, made investments and issued guarantees under section 185 and 186 of the Companies Act,2013.

(v) The company has not accepted any deposits from the public in terms of section 73 to 76 or any provisions of the Companies Act, 2013 and rules there under.

(vi) The Maintenance of cost records has been specified by the Central Government under sub section (1) of section 148 of the Companies Act 2013, however the same is not applicable to the company as the threshold limit of turnover has not been achieved.

(vii) (a) The company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, value added tax, cess and other statutory dues applicable to it, and there are no undisputed dues outstanding as on 31st March 2018 for a period of more than six months from the date they became payable. However the Liability on account of Goods and Service Tax can not be quantified as GST audit is under progress till the finalisation of this report. We are informed that the provisions of Employees' State Insurance Act are not applicable to the company.

(b) According to the information and explanations given to us, dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty, value added tax, cess and other material statutory dues that have not been deposited on account of any dispute are given below:

S.No.	Statue / Act	Nature Due	Amount in lacs	Period	Forum Which Pending
1.	Entry Tax	Interest	337.70	2010-15	Addl. Excise & Taxation Commissioner -cum- Applellate Authority
2.	Entry Tax	Penalty	751.28	2010-15	Addl. Excise & Taxation Commissioner -cum- Applellate Authority
3.	Provident Fund	PF Dues	189.26	2008-11	Central Government Industrial Tribunal Chandigarh
	TOTAL		**1,278.24**		

(viii) The Company has not defaulted any repayment of loans or borrowing to any financial institution or bank or Government or dues to debenture holders. However, the Government of Himachal Pradesh has given the sanction to the deferment of repayment Loan and interest up to Jan 2017. No Deferment has been given by the State Govt after that and the request for the same has been given by the company for further deferment. and company has not paid the amount of instalment of loan and interest after January 2017.

(ix) No money was raised by way of initial public offer or further public offer during the year. The amount raised by the term loans from the Government of Himachal Pradesh has been utilised for the purpose it was raised during the year under review.

(x) As per information provided to us no fraud by the company or any fraud by officers and employees of the company has been noticed/ reported during the year except in the year2015 at Renukaji HEP and the same is pending with State Vigilance.

(xi) This being a government company Section 197 of the Act is not applicable.

(xii) Company is not a Nidhi Company.

(xiii) As per information available to us all transactions with related parties are in compliance with Section 177 & 188 of the Companies act 2013, wherever applicable and the details have been disclosed in the Financial Statements etc. as required by the applicable Accounting Standards.

(xiv) As informed by the management, the company has not made any preferential allotment to private placement of shares or fully convertible debentures during the year under review.

(xv) As informed to us the company has not entered in to any non-cash transaction with directors or persons connected with him.

(xvi) Section 45-IA of the Reserve Bank of India Act, 1934 is not applicable to the company.

For Anil Karol and Company
Chartered Accountants
Firm Regn. No. 004816N

Sd/-
(CA Walia Umesh)
Partner
M No. 098287

Place: Shimla
Date: 07.02.2020

Anil Karol and Company
Chartered Accountants

ANNEXURE 2 TO THE AUDITORS' REPORT

Annexure referred to in our report of even date to the members of Himachal Pradesh Power Corporation Limited on the accounts for the year ended 31st March 2018

S.No.	Directions	Action Taken	Impact on Financial Statement
1.	Whether the company has clear title / lease deeds for freehold and leasehold respectively? If not please state the area of freehold and leasehold land for which title/lease deed are not available.	**i) Renukaji HEP** The Company does have clear title of land of 915.64 hectares of land which is in the possession of land owners R and R Plan is under process. **ii) Shongtong HEP** The Company does not have lease title of 17.02 hectares and the application for lease title has been given to DC Kinnuar. Further acquired land measuring 0.59.32 hectares is in dispute with Defence authorities for security clearances. **iii) Sainj HPESB Land** The company has possession of land at Sarabhai 39.99 bighas, Thalot 19.11.04 bighas but the title deed is not with the company as payment has not been paid to the HPSEB amounting to Rs. 34.35 crores. **(iv) Chirgaon Majgoan** The Land in possession at Chirgaon is with corporation, however the land is in the name of HPSEB amounting to Rs. 5.00 lakhs. **(v) Berra Dol** The Lease deed for govt diverted land of approx. 12.86 hectares is pending. **(vi) Kashang** The Lease deed in respect of Forest Land Diverted 13.47.52 hectares is under process with revenue department **(vii) Sunder Nagar** The Lease deed with MPP Power in respect of GM Civil Designs measuring 5311 square meters in under process with MPP Power.	The Amount paid to land owners and deposited with court has been capitalized
2.	Whether there are any cases of waiver off of debts/loan/ interest etc. if yes, the reason there for and the amount involved.	No such case found during the audit.	NIL

<table>
<tr><td>3.</td><td>Whether proper records are maintained for inventories laying with third parties & assets received as gift from Government or other authorities.</td><td>Forest land diverted from Government of Himachal Pradesh has not been accounted as the execution of lease deed are in process.</td><td>NIL</td></tr>
<tr><td>4.</td><td>State the cases where wastages/ defectives are beyond the norms fixed for it. expeditiously and in transparent manner.</td><td>The wastages are with in the norms fixed</td><td></td></tr>
<tr><td>5.</td><td>What is the system of valuation of by products and Finished products? List out the cases of the deviation from the declared Policy.</td><td>Valuation of the Power Generation has been done on the basis of PPA Agreement signed with the HPSEB in case of Kashang HEP.
In case of Sainj HEP the power was sold in the Power Exchange though Trader at prevailing market rates.</td><td>Nil</td></tr>
<tr><td>6.</td><td>State the extent of utilization of Plant and machinery during the year vis-a-vis installed capacity.</td><td><table>
<tr><th>HEP</th><th>Installed Capacity</th><th>PLF</th><th>PAF</th><th>AUX</th></tr>
<tr><td>Sainj</td><td>100 MW</td><td>27%</td><td>51.52%</td><td>1.47%</td></tr>
<tr><td>Kashang</td><td>65 MW</td><td>35%</td><td>77.58%</td><td>1.34%</td></tr>
</table>
Refer Note 2.49 to the notes to accounts where in the quantitative details has been given for only one Turbine of
65 MW whereas the Kashang stage I Unit is using Three turbine of 65 MW each alternatively. Thus, the company has understated the installed capacity and the utilised Capacity which should be 65MW X 3 i.e.195 MW of Kashang and 100 MW of Sainj, and Total of 295 MW instead of 165 MW</td><td>Nil</td></tr>
<tr><td>7.</td><td>Report on the cases of Discount/ Commission in regard to debtors and creditors where the company has deviated from its laid down policy.</td><td>The Company has given Trading Margin to Tata Power Trading Corporation Limited as per the agreement executed with them.</td><td></td></tr>
</table>

Anil Karol and Company
Chartered Accountants

ANNEXURE 3

Report on the Internal Financial Controls under Clause (i) of Subsection 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **HIMACHAL PRADESH POWER CORPORATION LIMITED** ("the Company") as of 31 March 2018 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 based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of 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 financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2018, except in the areas given below based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

However, company needs to further strengthen the in the control system in the following areas:

- Implementation and Compliance of Indian AS at unit level to ensure the compliance of the Indian AS on the company as a whole.
- Classification of account heads in SAP according to the disclosure and classification requirements of the Schedule II of the companies act 2013 and requirements of the Ind AS
- Harmonisation in creation of account heads at Corporate Level in relation to advances, liabilities and vendors according to the nature of expenditure so that no duplication of account code exits and only single account code is allotted to individual vendors in the company as a whole.
- Payment to contractors strictly on the basis of authorisation of the BOD.
- Option of marking of clearing entries in the SAP should be followed by all the accounting units in respect of current as well as old accounting entries.
- Scrutiny of old Earnest Money Deposits, security deposits, Retention money and other payables to contractors.
- Capitalisation of Capital Work in Progress in timely and efficient manner.
- Reconciliation of retro entries in SAP for CPT Module.
- Payment to Contractors of Additional Advance/ Advance against Retention Money and its accounting treatment.
- Recovery of delay damages from the contractors and accounting thereof
- Provision of Expenses should be made on realistic basis and the payment in subsequent financial year should be adjusted from the provision only.
- Long Term Advances and Deposit Work should be regularly reviewed and accounted for where the significant work has been completed.
- Accounting of Provision is respect of doubtful advances and other recoverable.
- Review of Negative Balances in liabilities and assets heads.
- Accounting of EMD in the nature of FDR in the books of accounts.
- Recording of financial entries in foreign exchange also where the advances, retention money and suppliers dues are payable in other currency also.
- Investing of idle funds at HEP in SWEAP Bank accounts to earn bank interest.
- Accounting of Inventories in hand at project site at the close of the year.
- Liability on account of GST should be as per the requirements of the Goods and Service Tax Act.

We have considered the areas of improvement identified which needs further strengthening as reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2018 standalone financial statements of the Company. However, these areas of improvement do not affect our opinion on the standalone financial statements of the Company.

For Anil Karol and Company
Chartered Accountants
Firm Regn. No. 004816N

Sd/-
(CA Walia Umesh)
Partner
M No. 098287

Place: Shimla
Date: 07.02.2020

Replies to the Auditor's Report on the Standalone Ind. AS Financial Statements (Annual Accounts) for the financial year ended on 31st March 2018.

S. No.	Auditor's Report	Reply
1.	**Report on the Standalone Ind. AS Financial Statements** We have audited the accompanying standalone Ind. AS financial statements of **HIMACHAL PRADESH POWER CORPORATION LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March 2018, the Statement of Profit and Loss(including other Comprehensive Income), the Statement of Cash Flows, the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the standalone Ind AS financial statements").	Statement of facts requires no comments.
2.	**Management's Responsibility for the Ind. AS Standalone Financial Statements:** The Company's Board of Directors is responsible for the matters stated in Section 134 (5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and statement of change in equity of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards (Ind AS) specified under Section 133 of the Act read with relevant rules issued there under. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the 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.	Statement of facts requires no comments.
3.	**Auditor's Responsibility** Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under. We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind	Statement of facts requires no comments.

<table>
<tr>
<td></td>
<td>AS financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind. AS financial statements that give a true & fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the standalone financial statements.</td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Basis of Qualified Opinion
Property Plant and Equipment Note 2.1
(I) We invite attention to Note No 2.56 wherein its stated that the Company has possession of forest land at Sainj HEP, Shongtong HEP, Kashang HEP and Sawra Kuddu and no provision has been made as the amount of lease has not been ascertained. In the absence of information, we are unable to comment on the same.</td>
<td>Lease deeds are under execution.</td>
</tr>
<tr>
<td></td>
<td>(ii) We Invite attention to Note no 2.65 where in the company has not accounted for the cost of the Land and Buildings of HPSEB Limited amounting to Rs. 4,599 lakhs. In our Opinion the Property Plant and Equipment are understated to the extent of above and correspondingly the other Current Financial Liabilities are also understated to the extent of above.</td>
<td>The properties are in the possession of the Company by default. No final decision and sale deed has been executed by both the parties so far. Hence no provision for the liability in the Books of Accounts has been made.
However, land measuring 36-12-11 Bighas, situated in Village/Mohal Panjam, Tehsil: Balichouki Distt.: Mandi, H.P., has been transferred to HPPCL, but the cost of the land transferred to HPPCL is not yet determined, hence the same has not been accounted for.</td>
</tr>
<tr>
<td></td>
<td>(iii) The Shongtong Unit has not bifurcated the cost of free hold land the details of the which is as under:-
<table>
<tr><th></th><th></th><th>Amount</th></tr>
<tr><td>1.</td><td>Land</td><td>2,20,28,726.00</td></tr>
<tr><td>2.</td><td>Trees</td><td>51,82,644.00</td></tr>
<tr><td>3.</td><td>Structure</td><td>1,06,23,413.00</td></tr>
<tr><td></td><td>Total</td><td>3,78,34,783.00</td></tr>
</table>
The Company should show the costs other then land separately so that they can be depreciated separately on the commissioning of the project on the basis of the useful life of the main assets.</td>
<td>Project is still under construction stage. Depreciation shall be chargeable from the date of commissioning of the project, as suggested by the Auditor also.</td>
</tr>
</table>

	(iv) The Renukaji HEP has accounted for Rs. 31,911 Lacs on account of compensation paid for the land. The Himachal Pradesh Electricity Regulatory Commission Hydro Generation Tariff Regulation Depreciation @ 3.34% is leviable on submerged Land. The HP CAG issued comment on the same in the Supplementary audit for the year 2016-17. The Company has shown Rs. 19,564 Lacs under the Capital work in progress which has to be shown under Free hold Land. In our opinion the Free hold land is understated and CWIP Submerged land is overstated to that extant. The Company has not Charged the depreciation as per the comment issued by the CAG. Thus the company has not charged depreciation for the 2016-17 and 2017-18 amounting to Rs. 2,200 lakhs during the year under review. In our opinion the Property Plant and Equipment is overstated and Capital work in Progress in understated to that extant.	As per H.P. Electricity Regulatory Commission's Guiding Principles, in case of hydro generating Stations, depreciation is chargeable on Land under lease and land for reservoir only. The land acquired by RenukaJi Hydro Electric Project is under full ownership of the Corporation and not under lease. Hence charging of the depreciation is not required.
	(v) The Renukaji HEP has paid Rs. 5,364 Lakhs on account of compensation paid for trees and Structures. The CAG in their supplementary audit report for the year 2016-17 has commented that Rs. 785 Lacs has been less charged on the above and the Property Plant and Equipment is overstated to the extent of above and Capital Work in progress is understated to that extent. The Company has not accounted for the same in the financial statements and no further details has been provided in respect of depreciation to be charged on the above. The Qualification of the CAG for the year 2016-17 has been considered in this report.	As per H.P. Electricity Regulatory Commission's Guiding Principles, in case of hydro generating Stations, depreciation is chargeable on Land under lease and land for reservoir only. The land acquired by RenukaJi Hydro Electric Project is under full ownership of the Corporation and not under lease. Hence charging of the depreciation is not required.
	(vi) The Sainj HEP while capitalising the Interest paid on State Government Loans at the time of COD has apportioned Rs. 4,202 lacs to Electrical Equipment's instead of Rs. 7,298 lacs. Thus cost of Electrical Mechanical works is under stated to the extant of Rs. 3,097 lacs.	The total interest on State Govt Loan for the FY 2017-18 amounts to Rs. 7374.67 Lacs. Out of this amount Rs. 3151.91 Lacs pertain to pre-CoD period and the same has been capitalized and balance amount of interest amounting to Rs. 4222. 75 Lacs, pertaining to post-CoD period has been charges to P&L Account in accordance with the provision of Ind. AS 23. Further the cumulative Interest during the entire construction period (IDC) upto 31st March 2017 was Rs. 22155.50 Lacs and IDC for FY 2017-18 (Pre-CoD period i.e. 01.04.2017 to 03.09.2017) was Rs. 3151.91 Lacs. Hence total Interest during Construction period amounts to Rs 25307.42 Lacs. This amount of total IDC was further capitalized to Main Civil & Electro-Mechanical Assets as per actual loan availed for respective components.
	(vii) The Company is showing the opening Depreciation of certain assets at negative value for which no information and explanations has been provided to us. The Following are the details of the same.	This is due to different carrying costs of the assets as on 01.04.2015 taken for calculation of deprecation. The

	Depreciation as on 01-04-2017
Plant (currently for Water Treatment)	-1.53
Office Machinery (like Lab, Fire, Safety)	-37.72
Electronics & Electrical Items	-119.85
Furniture & Fixtures	-97.63
Computers & Data Processing Machines	-37.72
Vehicles	-10.54
Helipad	-8.70
Bridges & Culverts	-2.30
Server and Networks	-151.84
Roads	-2,349.25

In the absence of information we are unable to comment on the same.

carrying Cost of assets as on 01.04.2015 was based on the calculations of depreciation on such assets as per Companies Act. 2013. Whereas w.e.f. 01.04.2016 Corporation had switched over to depreciation to be charged as per the guidelines of H.P. Electricity Regulatory Commission, retrospectively. Therefore, due to different carrying cost of assets, difference cropped up in depreciation charged in Books of accounts. The same has been now rectified in the F.Y. 2018-19.

2.

Capital Work in Progress 2.2

(I) The Company has started using the following assets at the project sites but the following has not been put to use for want of completion certificate from the concerned departments of the company.

(Amount in Lacs)

Project Unit	Residential Building	Non Residential Building	Roads, Bridges & Culverts	Project Civil Works	Construction Power	Total
Sundernagar	1	-	-	-	-	**1**
Sawra Kuddu HEP	14	-	-	-	58	**72**
Kashang HEP	-	-	-	28	-	**28**
Sainj HEP	-	2	-	-	-	**2**
Renukaji Dam Project	-	-	-	-	-	**-**
Shongtong HEP	-	-	-	-	39	**39**
Gyspa HEP	8	99	6	-	-	**114**
Beradol	-	-	-	-	113	**113**
Total	**23**	**102**	**6**	**28**	**210**	**369**

In our opinion the Capital Work in Progress are overstated to the extent above and the Property Plant and Equipment are understated to the extent of above. The Impact of the depreciation on the above cannot be quantified in the absence of the information.

The works which were already completed and were pending for capitalisation have been now capitalised in the subsequent financial years i.e. F.Y. 2018-19 & 2019-20 from the date of their completion / put to use date.

(ii) The Company has adopted for exemption under IND AS regarding deemed cost for Property, Plant and Equipment and adjusted the accumulated depreciation as on 1stApril 2015 with the cost as on that date. It has been observed that the company has reinstated the depreciation of the assets by changing the Accounting Policy up to 31st March 2016 as per GAAP and while applying the exemption under IND AS the depreciation charged up to 1st April 2015i.e., the depreciation as per previous Accounting Policy has to be adjusted .In our opinion the Accumulated Depreciation up to 1st April 2015 should have been adjusted with the Revised Accounting Policy of the Company i.e., on the basis of the HPREC depreciation Rate. No Information is respect of the same has been provided to us. In the absence of the information we are unable to comment on the same.

Required rectification has now been made in books of accounts in the F.Y 2018-19.

(iii) We Invite attention to Note No 2.70 where in it is stated that the Court case has been filed by the Toss Mini Hydal Project in the Hon'ble High Court of Himachal Pradesh against the Government of Himachal Pradesh. The matter is still under litigation and may have impact on the Development of the Project.

Statement of facts, requires no comments

(iv) The Shongtong unit project work was hampered by the labour strike of the M/s Patel Engineering from 14th March 2016 to 20th December 2016 during the year 2016-17. During the year under review the work was hampered during the period 18th April 2017 to 3rd August 2017. The Following are the details of the same:-

S.No.	Date	Date	Days	Particulars
1.	18-04-2017	17-05-2017	29.00	Worker Strike
2.	18-05-2017	20-07-2017	63.00	Lay Off
3.	21-07-2017	03-08-2017	13.00	Labour not available
Total			**105.00**	

The Unit has charged the interest on loan during the period to Capital Work in progress which has to be charged to the Profit and loss account. No Information in respect of the interest debited to the capital work in progress during the strike period has been provided by the unit to us. In the absence of the information we are unable to comment on the same.

The amount of "Finance Cost" i.e. interest on borrowings of hindrance period, caused by workers' strike in the F.Y. 2017-18, has been now calculated and necessary effect in Books of Accounts have been taken in the F.Y. 2018-19.

(v) The Shongtong unit has charged the progressive payments made to AHIPL to the capital work in progress account whereas the supplier is raising the invoices afterwards by adjusting the progressive payments in there invoices proportionately. The following are the details of the progressive payments made to the party:-

		INR	Euro	US $	Total
1st Progressive payment	07-04-2016	15,06,05,000.00	56,58,000.00	2,39,53,000.00	**18,02,16,000.00**
2nd Progressive payment	13-05-2016	15,06,05,000.00	57,04,000.00	2,40,87,000.00	**18,03,96,000.00**
3rd Progressive payment	31-03-2017	15,06,05,000.00	46,74,000.00	2,43,64,000.00	**17,96,43,000.00**
Total		**45,18,15,000.00**	**1,60,36,000.00**	**7,24,04,000.00**	**54,02,55,000.00**

The progressive payments made are in nature of the advance paid to the party on the basis of the value of the contract and has to be adjusted with the invoices to be raised by the supplier in future. In our Opinion the Advance to the Supplier is understated and the Capital work in Progress is overstated to that extent.

We invite attention to the Note 1.11 regarding accounting policy in respect of treatment of foreign currency transactions which has not been followed by the company. The Advance also includes foreign exchange components for which no adjustments has been made in the books as per the requirements of the Ind AS 21 The Effects on change in foreign exchange Rates applicable to the company. In the absence of the information we are unable to comment on the same.

Required clarifications were submitted to audit, but still the point has not been settled. No Currency fluctuation issue is involved in this case as the settlement of progressive payments made earlier in foreign currency is being done in same foreign currency rates. Further the amount of progressive payments paid is not recoverable in nature, as it an amount paid against work already completed on or before payment dates. It is brought out here that, the progressive payments made to M/s AHPL are not in the nature of advance as these payments were released to AHPL against completion of different milestone/activities as per provisions detailed in EPC contract clause 5(a), 5(b) and 5(c), which are related to overall project. Once these milestones /services are completed, work completion certificate is issued by the HPPCL's Design Wing to the contractor for claiming the payments. Therefore, it is evident that the progressive payment is made only on completion of certain activities, duly verified by HPPCL authorities.

(vi) The Sainj Unit has paid Entry Tax amounting to Rs. 544 lakhs from September 2010 to December 2016 to HCC Limited. As per the Himachal Pradesh Entry Act 2010 the dealer paying the entry tax is entitled to take the credit of the entry tax and adjust the same with the Vat Liability of the Dealer which the dealer has claimed in the Vat return filed by the contractor to the concerned Assessing Authorities. Thus, the dealer was not entitled to claim the entry tax which was adjusted by dealer towards its Vat Liability. Thus CWIP

The matter being settled. Recovery of the amount from the contractor shall be made.

	Project Electro Mechanical works is overstated to the extent of Rs. 544 lakhs and other current assets are understated to that extent.	
	(vii) The Kashang Unit has charged interest paid on PFC loan of Rs. 3,000lakhs transferred from HPSEB at the time of transfer of assets and liabilities from the HPSEB of the Kashang Unit to the Expenditure Under Construction. It has been observed that at the time of transfer of assets from Kashang Unit from HPSEB a sum of Rs. 1,392 lakhs has been used for construction of Transmission Lines at Kashang HEP. During the year 2010-11 the Kashang unit has transferred all cost of the Transmission Lines amounting to Rs. 6,585lakhs back to the HPSEB Limited. Further It has been observed that at the time of transfer of transmission lines the loan component of the PFC utilised on the construction of Transmission lines has not been transferred to the HPSEB Limited and further a sum of Rs. 871lakhs has been paid as interest on the above loan by the company till 31st March 2017 to the PFC. Thus, a sum of Rs. 871Lakhs is recoverable from HPSEB Limited on account interest paid to PFC on transmission lines transferred back to HPSEB. In our opinion Property Plant and Equipment are overstated to the extent of Rs. 871 Lakhs and the other current assets are understated to the extent of above.	The matter has been taken-up with HPSEB Ltd. Their reply / acceptability is awaited. Hence has not been accounted for in books of accounts.
	(viii) The work at Kashang II and III (K K Link Line) was stopped by the contractor since 30.09.2014 and the interest paid on loan has been charged to the expenditure under construction. Further the unit has paid interest free mobilisation advance to the contractor amounting to Rs. 945Lakhsfor which the recovery has not been started as the 30% work has not been completed. The Interest component of the loan payable to state govt loan should be charged to Profit and Loss Account as per the requirements of the Ind. AS 23 Borrowing Cost No Information in respect of the interest to be charged to Profit and Loss account has been provided to us. In the absence of information, we are unable to comment on the same.	The amount of "Finance Cost" i.e. interest on borrowings for the period during which the work was stopped due to public agitation etc. has been now accounted for in Books of Accounts in the F.Y. 2018-19.
	(ix) The Sainj HEP has capitalised the cost of employees till the date of Synchronisation ie 30th June 2017 and after that the employee cost has been charged to Profit and Loss Account. The water availability for both the units was available since 15/04/2017 and the Mechanical Spinning was done for the Unit I on 25/04/2017 thus the construction of the project was completed on 15th April 2017. Thus Employee cost up to 15th April 2017 has to be capitalised and after that the same has to be charged to the Profit and Loss Account. The Sainj HEP has capitalised Rs. 151 lacs as employee cost till 30th June 2017. The cost has to be capitalised till 15th April 2017 when the project was complete which comes to Rs. 26 lacs. Thus expenditure to the tune of Rs. 125 lacs is understated.	Necessary rectification has been carried out and effect has been taken in the books of accounts in the F.Y. 2018-19.
	(x)The Company has granted EOT of the Shongtong HEP for civil works till 31st March 2024 with no delay Damages in the 68th Board Meeting on 24th April 2019. No disclosure for the same has been made in the notes to accounts.	This being interim/provisional Extension of Time, hence no delay damages has yet been determined and levied, However while considering the final EoT, Liquidated Damages, if any, shall be levied. Disclosure to this

		effect has been made in the Directors' Report for the F.Y. 2017-18.
	(xi) **Stoppage of work at Kashang 2 and 3** We Invite attention to Note No 2.67 where in its stated that the work at Kashang Stage 2 and 3 has been pending in the NGT and the final outcome may have an impact on the Construction of the Kashang Stage 2 and 3. Till the final decision of the NGT we are unable to comment on the same.	The work of Kashang Stage 2 & 3 was started in the year 2010-11; the excavation work of Bbalancing Reservoir-III has been completed. However the work from Kerang-Kashang link tunnel was started from downstream end but was stopped due to the agitation by the people of Lippa Village. Further, the Intake works and KK Link Tunnel works from upstream side could not be taken up by the Contractor as the site could not be handed over by HPPCL, since the Environment & Forest Clearances of the project were challenged by the people of Lippa village in the Hon'ble National Green Tribunal, New Delhi. Now the issue has been settled and the construction of approach road from Lipa Asrang road to Kerang Intake & Link tunnel site required for executing the main works of Stage-II & III, has been started and 362m road out of 800m has been completed. The amount of "Finance Cost" i.e. interest on borrowings for the period during which the work was stopped has been accounted for in Books of Accounts in the F.Y. 2018-19.
	(xii) **Stoppage of work at Sawra Kuddu** The Adit Work allotted to Patel Engineering was stopped by the contractor and the advance given to the contractor was interest bearing. The Contractor has not paid the interest component on the advance.	The amount of interest on advance has been now recovered in the F.Y. 2018-19
	xiii) **Apportionment of Corporate and Sunder Nagar (Design Wing) Expenses to Renukaji Project** The Company has apportioned 15% of the total expenditure of Corporate Office and Sunder Nagar Design Office to Renukaji Project vide Managing Directors Office Order Note dated 10/11/2017 during the year under 2016-17. It has been observed that during previous year for Renukaji HEP where only expenditure of 3% of the total cost of the Fixed Assets and CWIP has been incurred by the company till 31st August 2016 on the project, 15% of the total expenditure of Corporate Office and Sunder Nagar (Design Wing Expenses) since incorporation of the company has been apportioned to the unit and rest has been allocated to the other units in the proportion of capital expenditure incurred by the remaining units. The above apportionment ratio has not been approved by the Board of Directors of the company. The allocation percentage and ratio adopted by the company is also not in compliance to accounting policy of the company mentioned at	This has been done as per the decision of the management.

Note no 1.6 (g) The Company has provided no justification for approving the percentage of 15% for allocation of corporate office and Sunder Nagar expenditure to Renukaji HEP. In our opinion the apportionment of expenditure to Renukaji @ 15% is not justifiable and thus Rs. 1,948 Lakhs has been excess allocated during the year 2016-2017 to the Renukaji and same has been less allocated to other units. This has resulted in less apportionment of the expenditure to the generating unit i.e. Kashang Stage I and Sainj HEP and may affect the depreciation charged during the year by the Kashang Stage I and Sainj HEP. In the absence of the information we are not able to comment on the fewer amounts of depreciation charged after COD period by the Kashang Stage I and Sainj HEP.

Fixed Assests Cost up to 31st August 2016

(Amount in Lacs)

Name of the Power Project	CWIP plus Fixed Assests less land cost	Percentage of total Cost	Cost to be Allocated	Cost Allocated	Variance
Sawra Kuddu	113,082	29.39	4,840	4,249	591
Kashang I	73,532	19.11	3,147	2,763	384
Kashang II	32,532	8.46	1,392	1,222	170
Kashang III	-	-	-	-	-
Sainj	102,681	26.69	4,395	3,858	537
Renukaji	12,206	3.17	522	2,470	-1,948
Shongtong	43,343	11.27	1,855	1,629	227
Chirgaon Majhgaon	969	0.25	41	36	5
Triveni Mahadev	598	0.16	26	22	3
Thana Plaun	1,483	0.39	63	56	8
Nakhtan	1,781	0.46	76	67	9
Gyspa Dam	919	0.24	39	35	5
Surgani Sundla	992	0.26	42	37	5
Deothal Chanju	137	0.04	6	5	1
Chanju III	362	0.09	15	14	2
Berra Dol	107	0.03	5	4	1
Sunni Dam	-	-	-	-	-
Sub Total	**384,723**	**100.00**	**16,466**	**16,466**	**-0**

The Company during the year under review has also adopted the same method of apportionment and the following are the details of appropriations made during the year:-

Appropriations made up to 03rd September 2017

Fixed Assets Cost up to 31st March 2017

(Amount in Lacs)

Name of the Power Project	CWIP plus Fixed Assests less land cost	Percentage of total Cost	Cost to be Allocated	Cost Allocated	Variance
Sawra Kuddu	1,30,911	38	300	264	36
Sainj	1,20,446	35	276	243	33
Renukaji	13,815	4	32	122	-90
Shongtong	55,749	16	128	113	15
Chirgaon Majhgaon	1,030	0	2	2	0
Triveni Mahadev	644	0	1	1	0
Thana Plaun	1,866	1	4	4	1
Nakhtan	1,985	1	5	4	1
Gyspa Dam	1,846	1	4	4	1
Surgani Sundla	1,101	0	3	2	0
Deothal Chanju	360	0	1	1	0
Chanju III	610	0	1	1	0
Berra Dol	306	0	1	1	0
Kashang II	14,379	4	33	29	4
Sub Total	**3,45,049**	**100.00**	**791**	**791**	**-0**

Appropriations made after 03rd September 2017

Fixed Assets Cost up to 03/09/2017

(Amount in Lacs)

Name of the Power Project	CWIP plus Fixed Assests less land cost	Percentage of total Cost	Cost to be Allocated	Cost Allocated	Variance
Sawra Kuddu	1,41,342	56	601	539	61
Renukaji	13,846	5	59	163	-104
Shongtong	69,074	27	294	264	30
Chirgaon Majhgaon	1,053	0	4	4	0
Triveni Mahadev	646	0	3	2	0
Thana Plaun	2,120	1	9	8	1
Nakhtan	2,063	1	9	8	1
Gyspa Dam	1,019	0	4	4	0
Surgani Sundla	1,287	1	5	5	1
Deothal Chanju	372	0	2	1	0
Chanju III	733	0	3	3	0
Berra Dol	2,784	1	12	11	1
Kashang II	17,666	7	75	67	8
Sub Total	**2,54,004**	**100**	**1,080**	**1,080**	**-0**

In our opinion the apportionment of expenditure to Renukaji @ 15% is not justifiable and thus Rs. 194 Lakhs has been excess allocated during the year 2017-2018 to the Renukaji and same has been less allocated to other units. This has resulted in less apportionment of the expenditure to the generating unit i.e. Kashang Stage I and Sainj HEP and may affect the depreciation charged during the year by the Kashang Stage I and Sainj HEP. In the absence of the information we are not able to comment on the less amount of depreciation charged after COD period by the Kashang Stage I and Sainj HEP.

We would further like to submit that no confirmations from the participating states and the central government have been provided to us for the inclusion of above expenditure towards the cost of the Project. In the absence of confirmations we are unable comment on the recoverability of the expenditure from the participating states and central government.

3.

Non-Current Investment Note 2.5

(I) We invite attention to Note No.2.43(i)., the Company has made an investment of Rs. 337.50 Lac (previous year Rs. 337.50 Lakhs) in the equity of Himachal EMTA Power Limited (HEPL) which has been established as Company's joint venture with EMTA for setting up a (2*250 MW) thermal power plant. The Company has 50% equity participation in HEPL. The Government of India has allotted coal block to Himachal EMTA Power Limited and JSW Steal Limited for which another Joint Venture has been made in the Name of Gourangdih Coal Limited.

"The Hon'ble Supreme Court of Ind.ia (SC) on 25/08/2014 and 24/09/2014 ordered that the allotment of the coal block made by the screening committee of the Government of India through the government dispensation route are arbitrary and illegal thus the Gouragdih Coal Block allotted to Himachal EMTA Power Limited and JSW Steel Limited has been cancelled."

Statement of Facts requires no comments.

(ii) The Company has made provision for doubtful investments amounting to Rs. 337.50 lakhs during the year under review.

Statement of Facts requires no comments.

(iii) The company Independent auditors of Gourangdih Coal

Statement of Facts requires no

	Limited raised concern in respect of preparing the Financial Statements on the basis of Going Concern Concept and under Historical Cost Convention due to deallocation of the Coal Blocks by the decision of the Supreme Court during the year under review.	comments.
	(iv) We invite attention to note 2.77 where in the Enforcement Directorate has attached the assets of the Himachal Emta Private Limited amounting to Rs. 259 Lacs.	Statement of Facts requires no comments.
4.	**Other Non-Current Financial Assets Note 210** (I) The Chirgaon Unit is showing a sum of Rs. 5 Lakhs as amount paid to LAO for purchase of land. The accounting unit was transferred from erstwhile Board (HPSEB). The payment was made by the LAO of the HPSEB and the land is in the name of HPSEB. The unit was transferred from the erstwhile HPSEB and the advance account of the LAO is being carried forward by the unit as advance and the land is in the possession of the Corporation. The Unit has not changed the name of the ownership of the corporation in the revenue records nor has adjusted the advance account. In our opinion the company is entitled for title of the land once the award has been ordered by the LAO and land legally vests with the company. Thus, Other Non-Current Financial Assets are overstated to the extent of above and correspondingly the Property Plant and Eqiupment is understated to the extent of above.	Transfer of title of the land is under process.
	(ii) The Shongtong HEP, has paid Rs. 45.31 Lakhs (previous year Rs. 44 Lakhs) to land owners for acquisition of land measuring 0.1702 hectare, for the project, at the time of mutation it is found that the same land was already acquired by HPPWD. The amount is doubtful for recovery as the amount has not been recovered from the land owners and a provision for the same is required. In our opinion Other Non-Current Financial Assets is overstated to the extent of above and consequently the expenditure is understated to the extent of above.	The amount paid is being recovered from the welfare grants and R&R benefits accruing to land holders against the Welfare and R&R Schemes. An amount of Rs. 2,97,565/- has been already recovered/adjusted against the welfare grants payable to the land owners. An amount of Rs. 9,32,700/- will be recovered/adjusted from the welfare grant already due to be given to these land holders. Further, an amount of Rs. 8,67,600/- shall be recovered from the R&R benefits i.e. free sand and aggregate as per requisition of land owners.
	(iii) We invite attention to Note No 2.69 where in it is stated that the amount recoverable from contractors includes a sum of Rs. 7,943 lakhs (previous year Rs. 5,451 lakhs) recoverable from Coastal Projects on account of risk and cost. The contract with the contractor was terminated in the year 2013 and the same was awarded to M/s HCC Limited The amount paid to HCC Limited on account extra cost has been shown as recoverable from Coastal Projects. The amount is doubtful of recovery from the Coastal Projects as there is no agreement with the party to recover the money as the contract with the party has already been terminated since 2013. The Company has gone into liquidation as the lender banks of the contractor has filed liquidation petition with NCLT and the amount is doubtful of recovery. In our opinion the amount should be charged to Capital Work in progress as part of the cost. Thus, Other Non-Current Financial	The recoverable amount is covered under the claim raised by HPPCL of Rs. 33499 Lacs and till the final decision of the NCLT, the amount shown as recoverable can't be shown as doubtful for recovery.

	Assets are overstated to the extent of above and Capital Work in progress is understated to the extent of above. The non-charging of the above cost to the CWIP will result in under apportionment of the common cost of the Corporate Office and Sundernagar Design wing. No Information in respect of the same has been provided to us. In the absence of information we are unable to comment on the same. Further the Company has filed a claim of Rs. 33,499 Lakhs with the NCLT against the Coastal Projects Limited as the company has gone into liquidation. No Details in respect of the same has been provided to us. In the absence of the information we are unable to comment on the same.	
	(iv) We invite attention to Note No 2.62 where in it is stated that the company has not made a provision for Rs. 103 lakhs (Previous Year Rs. 103 Lakhs) recoverable from Gammon India since 2013 through Directorate of Energy. The amount has to be recovered along with interest of 10 % per annum. The amount has not been recovered till the date of audit and the same is doubtful of recovery hence provision for doubtful advance is required. In our opinion the Non-Current Financial Assets are overstated to the extent of above and Expenditure are understated to the extent of above.	The amount shown as recoverable can't be declared as doubtful till the Directorate of Energy refuses to re-imburse the amount involved.
	(v) The Renukaji HEP has deposited Rs. 186.42 lacs with HPSEBL for deposit work. The HPSEB has fully utilised the advance and given the Utilisation certificate to the company. However the company has not capitalised the assets. In our opinion the other Non-Current Financial Assets are overstated to the extent of above and Capital work in progress is understated to the extent of above.	Against the total advance of Rs. 186.42 Lacs (given in two instalments) to HPSEBL for laying construction power and transmission lines has been fully utilised by the HPSEBL for various works assigned to them, as per the Utilisation Certificate to that effect, submitted by HPSEBL and the advance amounts are adjustable against the expenditure incurred. Adjustment is pending in Books of Accounts due to works executed as intimated vide UC, are being verified by project authorities.
	(vi) The Capital Work in Progress of includes excise duty reimbursed to the contractors by the company which is exempted as per the notification No.108/95-CE, dated 28.08.1995, which provides that the goods supplied to projects, financed by the World Bank, Asian Development Bank or any International Organisation, and approved by the Govt of India, shall be exempted from the whole of the excise duty/additional excise duty leviable thereon. The Company has accounted for the expenditure in capital Work in progress by way of the reimbursement of the same to the contractor amounting to Rs. 609 lakhs. The Company has shown the above amount as recoverable from the Contractor during the year under review. The Company has recovered only Rs. 476 Lakhs (previous year Rs. 306 Lakhs) from the contractor till the close of the financial year of the audit.	The amount has been fully recovered as on 31.03.2019.
	(vii) **Grant Receivable** We invite attention to Note No 2.64 where in it is stated that company is showing Rs. 488 lakhs (previous year Rs. 442 lakhs) as	Statement of facts requires no comments.

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<td>recoverable grant from the Central Government on account DPR and Investigation Expenses. The Government of India has approved Rs. 1,250 Lakhs for survey and investigation of the project and paid Rs. 500 Lakhs as advance and the rest of the amount is to be paid on the submission of the DPR. The work of the DPR is not completed since 2012 due to sustained opposition to the project by local people. The Central Government has stayed the further payment of the grant until the submission of the DPR. The grant recoverable shown is not as per para 7 and 8 of the Indian Accounting Standard (Ind as) 20 Accounting for Government Grants and Disclosures thereof which states that:-
“7 Government grants, including non-monetary grants at fair value, shall not be recognised until there is reasonable assurance that:
(a) the entity will comply with the conditions attaching to them; and
(b) the grants will be received.
8 A government grant is not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the entity will comply with conditions attaching to it , and that the grant will be received .Receipt of a grant does not of itself provide conclusive evidence that the conditions attaching to the grant have been or will be fulfilled.”
The grant recoverable is not as per the applicable IND AS 20 and the contention of the company is that as the project is of National importance and the concerned ministry is continuously pursuing the matter with the State Government and directing the company to take appropriate action to resolve the issue with the affected families so that the survey investigation work may be completed at the earliest. In our opinion the continuous monitoring of the project by the ministry and the Central Government and further directions to resolve the issue with effected families at the earliest is a sufficient compliance for the condition attached to the grant as per the requirement of IND as 20.</td>
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<td>(viii) The Shongtong unit is showing following advances to the contractors the recoverability of the same is dependent on the completion of the project and the same has not been discounted and shown as per the fair value as required by IND AS 113. In the absence of information, we are unable to comment on the same (Please also refer Note 2.47). The following are details of the advances
(Amount in Lacs)
<table>
<tr><th></th><th>Contractor</th><th>Current Year Amount</th><th>Previous Year Amount</th></tr>
<tr><td>1.</td><td>Patel Engineering</td><td>5,143.00</td><td>5,236.97</td></tr>
<tr><td>2.</td><td>Andtriz Hydro</td><td>3,155.00</td><td>3,708.74</td></tr>
<tr><td></td><td>Total</td><td>8,298.00</td><td>8,945.71</td></tr>
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</td>
<td>The recovery of mobilization advance has now started. An amount of 284.00 lacs on account of mobilization advance has been recovered from M/s PEL till 31.03.2020.
An amount of 1637.38 lacs against mobilization advance has been recovered from M/s AHPL upto 31.03.2020.
Further, as the completion date of the project is uncertain, hence discounting can't be done at this stage. Hence Ind. AS 113 can't be complied with.</td>
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<tr>
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<td>(ix) The Shongtong unit has given advance of 100 lacs (Previous Year Rs. 50 lakhs) to IPH Khwangi for irrigation scheme and the same has not been charged to expenditure during construction. In our opinion the Non-Current Financial Assets are overstated to the extent of above and CWIP are understated to the extent of above.</td>
<td>Out of the amount of advance given to “IPH” Rs. 80 lakh has been is adjusted till 31.03.2020. Efforts are being made to obtain the utilization certificate of the balance amount of Rs. 20 lakh.</td>
</tr>
</table>

	(x) The Shongtong unit has given advance of Rs. 10 lakhs and Rs 25 lakhs to HPPWD on 04th October 2013 and 07th December 2016 andthe same has not been charged to expenditure during construction as the as the work has been completed before the finalisation of the Balance sheet. In our opinion the Non-Current Financial Assets are overstated to the extent of Rs. 35 lakhs and CWIP are understated to the extent of above.	The advances have been fully adjusted as on 31.03.2018.
	(xi) The Shongtong unit is showing advance of Rs. 154 lacs (Previous Year Rs. 200 lakhs) to HPSEB as on 31st March 2018 and. As the advance will not be recovered from the agencies and assets are being used by the corporation the same should be capitalised. In our opinion the Non-Current Financial Assets are overstated to the extent of Rs. 154 lakhs and CWIP are understated to the extent of above.	As on date only Rs. 35.49 lakh is remaining to be adjusted as on 31.03.2020, from advance given to HPSEBL and assets for the utilised amount has been booked. Efforts are being made to obtain the utilization certificate against the above amount and accordingly advance shall be adjusted.
	(xii) The Sawra Kuddu HEP is showing a sum of Rs. 714 lakhs (Rs. 1,186 lakhs) as Deposit Work Paid which has not been capitalised for want of utilisation certificates from the executing agencies. As the advance will not be recovered from the agencies and assets are being used by the corporation the same should be capitalised. In our opinion the Non-Current Financial Assets are overstated to the extent of ₹714 lakhs and CWIP are understated to the extent of above.	Rs. 485 Lacs against advance given is pending for adjustment as on 31.03.2020. Regular correspondence regarding submission of Utilisation Certificate by HPSEB Ltd. is being done and the remaining advance amount shall be settled/recovered accordingly.
	(xiii) The Beradol Unit has not capitalised the Advance amounting to Rs. 15 Lacs during the year under review as the advance is of non recoverable nature. Thus the Other Non Current Assets are overstated to the extent of above.	Has been settled/capitalised in the F.Y.2018-19.
	(xiv) The Chanju III has not capitalised the advance to HPPTCL for design and survey work amounting to Rs. 17 lakhs. Thus the Other Non Current Assets are overstated to the extent of above. (xv) The Deothal Chanju has not capitalised the advance to HPPTCL for design and survey work amounting to Rs. 13.00 lakhs. Thus the Other Non Current Assets are overstated to the extent of above.	Advances amounting to Rs. 17,32,900/- and Rs. 12,60,300/- has been issued to HPTCL as on 18.07.2016, for carrying out detailed survey of transmission line in respect of DEOTHAL-CHANJU and CHANJU-III HEPs, alongwith the preparation of forest clearance and other PTCC cases. HPTCL has finished survey work and obtaining of forest clearance is in process. Final bill will be submitted on the completion of work and accordingly advance will be adjusted.
	(xvi) The Sainj Unit has not capitalised the advance to HPPTCL Rs. 500 lakhs. Thus the Other Non Current Assets are overstated to the extent of above. The Consequential Depreciation the above assets is understated to the extent of Rs. 15 Lacs during the year under review.	The amount has been adjusted / Capitalized on receipt of Utilisation Certificate on 11.09.2018.
	(xvii) The Sainj unit has given advance against the retention money to HCC limited amounting to Rs. 450 Lacs. The Contractor has not paid the Advance and the interest due on the same. Thus advance to Contractor and Retention money is overstated to the extent of above.	As per Supplementary Agreement SA-12, the loan of Rs. 4.50 Crores with interest has been issued to HCC against Bank Guarantee of amount Rs. 5.18 Cr., which cannot be encashed

		being stayed by Hon'ble Arbitral Tribunal in reference –III. A revised claim amount of Rs 6.18 Crore has been raised by HPPCL as counter claim.
	(xviii) The Sainj unit has paid Rs. 50 Lacs to HP Fisheries Department but the expenditure has not been booked. The Advance is not of recoverable nature and should have been capitalised. Thus the Other Non Current Assets are overstated to the extent of above.	The Director–cum-Warden of fisheries has been requested to supply the Utilization certificate.
	(xix) The Sainj unit has paid Rs. 10 Lacs to State Pollution Department but the expenditure has not been booked. The Advance is not of recoverable nature and should have been capitalised. Thus the Other Non Current Assets are overstated to the extent of above.	A Utilization certificate has been received from H.P. State Pollution Control Board wherein it has been certified that an Amount of Rs. 1,06,048/- has been utilized during 2017-18 against the advance amount of Rs. 9,87,388/-.
	(xx) The Sainj unit has shown Rs. 9 Lacs as recoverable from DOE on account of LADF charges paid on Infirm Power. The amount is not recovered till date and provision for the same is required. Thus the Other Non Current Assets are overstated to the extent of above and expenditure is understated to that extant.	Necessary correspondence in this respect is being done with Directorate of Energy. The amount shall be settled accordingly.
	(xxi) The Sainj unit has shown Rs. 71 Lacs as interest recoverable from HCC on account of advance given against retention money. The Party has not repaid the amount of advance & nor the interest on the same has been paid back hence provision for the same is required. Thus the Other Non Current Assets are overstated to the extant of above and expenditure is understated to that extant.	The amount is still recoverable form the contractor. However if it is not repaid shall be recovered from the retention money of the contractor.
	(xxii) The Kashang unit has not capitalised the Advance given to HPPWD amounting to Rs. 15 lacs. Thus the Other non-current assets are overstated to that extant.	Advance has been adjusted in the F.Y. 2018-19.
	(xxiii The Sawra Kuddu Unit has debited Rs. 41 lakhs to Patel Engineering on account of Risk and award cost of the work done. The contractor has not paid the amount till date. Thus Provision for non recoverability of amount is required. Thus other non-current Assets are overstated to that extant.	The said amount was withheld / recovered, but later on was released due to the decision of Dispute Board in favuor of the Contractor. Now the said case of recovery is under arbitration, hence can't be shown as doubtful at this stage.
	(xxiv The Sawara Kuddu Unit has shown a Sum of Rs. 665.00 Lacs as amount recoverable on account interest and penalty on entry Tax. The contractor has not paid the amount till date. Thus Other non current Assets are overstated to that extant.	Provision has been made, but the recovery can't be affected till the final decision of case by Appellate Tribunal.
	(xxv) We invite attention to note no 2.62 (b) where no provision has been made as the proposal has been sent to the BOD for writing off the amount.	The Board of Directors in its 70th Meeting held on 3rd December 2019, has decided to forego the expenditure incurred by HPPCL on Suni Dam HEP (now allotted to SJVNL) against the goodwill extended by SJVNL, by remission of expenditure on renovation of Himfed Building, hired by HPPCL. Accordingly the amount has

		been written-off in the F.Y. 2018-19.
5.	**Trade Receivables Note 2.12** (I) The Kasanag Unit is showing Rs. 103lakhs(previous year Rs. 73 lakhs) as amount recoverable from HPSEB Limited on account of Late payment surcharge which has not been accepted by the party and the same amount has not been paid by the customer till date and only sale of power is being paid by the party. In our opinion the amount recoverable is overstated and a provision for amount doubtful for recovery is required. Thus, Trade receivable is overstated to the extent of above and the expenditure is understated to the extent of above.	The same has been recovered/settled in the F.Y. 2019-20.
	(ii) We invite attention to Note No 2.58 wherein it is stated that HPSEB Limited has retained Rs. 1369 Lakhs (Previous Year Rs. 1,369 lakhs) as amount due on account of Leave salary and pension contribution of employees appointed on secondment basis with the company. In our opinion the trade receivables are overstated to the extent of above and also the liabilities are overstated to that extant.	The same has been settled in the F.Y. 2019-20.
6.	**Other Current Assets Note 2.18** (I) The Sawra Kuddu unit has not shown the amount recoverable from Patel Engineering on account of recovery of concrete cutting amounting to Rs. 84lakhs. In our opinion the other Current Assets are understated to the extent of above and CWIP is overstated to the extent of above.	Currently the case is under arbitration / subjudice, hence has not been shown as recoverable.
7.	**Non-Current Other Financial Liabilities Note 2.21** (i) **Long Term Borrowings** The Company has taken loan from the State Government for construction of Hydro projects. The Company has not paid the Instalment and interest on the State Government loans. The State Government has provided deferment of loan and interest for the amount accrued up to January 2017 till FY 2018-19. The instalment interest due after January 2017 till the close of the year has not been paid by the company to the state Government. We Invite attention to Note 2.73 where in the Company has made the request for the deferment of Instalment and loan to State Government however no confirmation from the State Government has been received till finalisation of the report. In our opinion the Company has defaulted in payment of instalments and interest to the state government holding 29% of the equity. However there is no other default in payment of loan and interest to any other Financial institutions / Banks.	The case of deferment of loan dues is under active consideration of Govt. of Himachal Pradesh and formal letter in this regard is awaited.
	(ii) The Long-term Liabilities includes EMD, Retention Money and Security Deposits pending since inception of projects and the same has not been paid till the close of the year. The Internal control in respect of them is very weak and should be strengthened and the liabilities should be assessed at fresh and should be charged to revenue in appropriate cases.	EMD, Retention Money and Security Deposits etc. are being released to the contractors, whenever, claims are being submitted by the contractors.
8.	**Non-Current Liabilities Provisions Note 2.23** **(I) For Company Employees**	Adequate provisions have been created as per the defined Gratuity and

<table>
<tr><td></td><td>We invite attention to note 1.20 and 2.41 where in the policy adopted for employees benefit and accounting in respect of the same has been disclosed. The Above policy is not in compliance with the Ind AS 19 Employees Cost in relation to Post Employment defined Benefits plan in the matter of its recognition and measurement. In the absence of Information, we are unable to comment on the same of its impact in the balance sheet and profit and Loss Account.</td><td>Leave Encashment Plans, adopted by the Corporation. Note No. 2.41, refers.</td></tr>
<tr><td></td><td>(ii) For HPSEB Employees
The provision for leave encashment liability, gratuity liability and pension Liability of HPSEB employees has been calculated based on formula adopted by HPSEB Limited. The Liability provided for is subject to the confirmation from HPSEB Limited.
In the absence of information and confirmation from HPSEB Limited we are unable to comment on the effect of the same on the financial statements at the close of the year.</td><td>Calculation of liabilities is based on the methodology devised by State / Central Govt. and on terms & conditions accepted by both the parties.</td></tr>
<tr><td></td><td>(iii) The Company has shown Gratuity Liability at the close of the year in excess by Rs. 19 lacs. Thus Provisions non-current is overstated to the extant of above.</td><td>Has been rectified in the in the F.Y. 2018-19.</td></tr>
<tr><td></td><td>(iv) The Company has shown Leave Contribution Liability at the close of the year in excess by Rs. 46 lacs. Thus Provisions non-current is overstated to the extant of above.</td><td>Has been rectified in the in the F.Y. 2018-19.</td></tr>
<tr><td>9.</td><td>Other Non-Current Liabilities Note 2.24
a) Utilised Grant Renuka ji
(i) The Company has incurred following expenditure on the Renukaji project till 31st March 2018.
(Amount in Lacs)
<table>
<tr><th>Particulars</th><th>as on 31st March 2018</th><th>as on 31st March 2017</th></tr>
<tr><td>Tangible Assets</td><td>42,095</td><td>29,722</td></tr>
<tr><td>Capital Work in progress</td><td>32,014</td><td>43,405</td></tr>
<tr><td>Advances</td><td>199</td><td>259</td></tr>
<tr><td></td><td>74,308</td><td>73,387</td></tr>
<tr><td>Grant Received</td><td>68,549</td><td>68,549</td></tr>
<tr><td></td><td>68,549</td><td>68,549</td></tr>
<tr><td>Shortfall</td><td>5,759</td><td>4,838</td></tr>
</table>
There is a shortfall of expenditure to the tune of Rs. 5,759 Lakhs (Previous year Rs. 4,838) Lakhs which has to be borne by the participating states. No information about the share of the expenditure of the participating states and confirmation from them has been provided to us for verification. In absence of information we are not able to comment on the same. The Renukaji unit has not made any provision for the amount recoverable from the participating states and the central government. In our opinion the other current assets are under stated to the extent of above similarly the other non-current liabilities are understated to the extent of above.</td><td>The same shall be shown as recoverable once the ratio of contribution by each participating states is finalised.</td></tr>
<tr><td></td><td>(ii) The Company has requested the Government of India for additional amount of Rs. 31,602 lacs to be deposited with the courts on urgent basis. The GOI has denied the request and with the condition that funds can only be granted after settling of all the clearances. UYRB has also directed all the participating states to deposit their respective share money with HPPCL but till date no contribution has been received and no disclosure of the same has</td><td>Disclosure to this effect has been given in the Directors' Report. However it is brought out here that the Investment Clearance to the project has been obtained on 07th August 2020. Now only the CCEA approval is the only approval left, which is expected by</td></tr>
</table>

	been made in the notes of accounts.	December, 2020.
	(iii) We invite attention to para 2 (xiv) of our audit report regarding allocation of expenses to Renukaji HEP wherein its stated that the allocation of expenditure of Corporate office and Sunder Nagar Design Wing to the unit has not been confirmed / approved by the participating states and the central government. In the absence of confirmation and approvals we are unable to comment on the apportionment of expenditure charged to the Renukaji HEP. The company has allocated Rs. 2111 (previous year Rs. 1,826 lakhs) as share of corporate office and design wing expenses to the Renukaji HEP till 31st March 2017. In our opinion the amount recoverable from participating states will be reduced by Rs. 2111 (previous year Rs. 1,826 lakhs) given in above para.	The proportionate expenditure of Corporate office and Design Office has been allocated on the basis of expenditure being incurred by HPPCL on Renukaji HEP. Further, prior approval of beneficiary States for such allocation may not be required, keeping in view that a major portion of the funds required for construction of Dam, shall come from Central Govt. and only 10% of the funds required shall be contributed by beneficiary states.
	(iv) The Company is earning interest on the surplus funds of Renukaji at Corporate Office by investing the same in short term Fixed Deposits. The Interest earned on the same has not been shown as addition to the Grant nor has the same been reduced from the incidental expenditure during construction period of the unit. The above practice is not in line with the significant accounting policy adopted by the company (refer Note 1.16). In the absence of information, we are unable to comment of the effect of the same on the Financial Statements.	This has been done as per the decision of the management.
10.	**Current Liabilities Other Financial Liabilities Note 2.26** (i) The Liability on account of Retention Money, Security Deposit and dues payable to Contractors and suppliers are subject to Confirmation. In the absence of Information, we are unable to comment on its effect on assets and liabilities.	Confirmations of Balance payable as on 31st March 2018, were sought from respective Contractors/ Govt. Departments. Based on the confirmations received/not received, the liabilities have been shown in Books of Accounts.
	(ii) The different units of the company are showing separately the amount payable and recoverable from HPSEB Limited. No Confirmation from the HPSEB Limited has been provided to us for the amount payable and recoverable. In our opinion only one account of the HSPEB Limited should be maintained and net balance of recoverable or payable should be shown in the financial Statements.	Most of the amounts under Payable and Receivable heads, pertaining to HPSEBL have been settled. In case of remaining pending entries necessary reconciliation is being done and the accounts shall be settled accordingly.
	(iii) The Other Current Liabilities includes EMD, Retention Money and Security Deposits pending since inception of projects and the same has not been paid till the close of the year. The Internal control in respect of them is very weak and should be strengthened and the liabilities should be assessed at fresh and should be charged to revenue in appropriate cases.	The liabilities against EMD, Retention Money, Security Deposit and dues payable to Contractors are released on the basis of verifications of claims by EIC concerned, as and when claims are submitted by Contractors.
	(iv) The Other Financial Current Liabilities includes Rs. 72 lakhs (Previous Year Rs. 62 lakhs) as unclaimed money on account of payables, retention, security and other payables to the contractors. The amount has been shown under this head because the persons to whom amount is payable is not traceable. In our opinion the other current financial liabilities are overstated to the extent of above and necessary provision for amount written back should be provided.	Decision in this regard is under consideration.

<table>
<tr><td></td><td>(v) The Sawra Kuddu unit has made a provision for CAT Plan Expenses on 04thJanuary 2016 amounting to Rs. 69 lakhs. The Unit has informed us that the amount has not been paid as the previous utilisation certificates have not been provided by the Forest Department. In our opinion the amount is of the nature of withheld amount and should be shown under the head Non-Current Financial Liabilities. Thus, current Liabilities are overstated to the extent of above.</td><td>The amount is withheld for want of Utilisation Certificate.</td></tr>
<tr><td></td><td>(vi) The Corporate Office has not made the provision for demand raised by the PF Commissioner for the period 09/2008 to 06/2011 on account of PF contributions of Unregistered Contractors amounting to Rs. 189 Lakhs on 02nd August 2018 (refer Note 2.60). The Liability was known to the management before the approval of the Financials by the BOD i.e. 28th November 2018. Thus, current liabilities are understated to the extent of above.</td><td>Matter being subjudice, has been shown under contingent liabilities under Notes on Accounts No.2.60</td></tr>
<tr><td></td><td>(vii) **Local Area Development Fund: -**
We Invite attention to Note 2.66 where in the company has not made any provision of amount payable to LADA fund on account increase in cost of the Projects. The following are the details of the Projects and understatement of Liability on account of additional amount payable to LADA Fund.
<table>
<tr><th>HEP</th><th>Expenditure Incurred in Crore</th><th>Lada Fund @1.5%</th><th>Expenses Booked</th><th>Deficit</th></tr>
<tr><td>Kashang II and III</td><td>184.60</td><td>2.77</td><td>0.77</td><td>2.00</td></tr>
<tr><td>Sainj</td><td>1,270.93</td><td>19.06</td><td>17.97</td><td>1.09</td></tr>
<tr><td>Sawra Kuddu</td><td>1,672.19</td><td>25.08</td><td>24.50</td><td>0.58</td></tr>
<tr><td>**Total**</td><td>**3,127.71**</td><td>**46.92**</td><td>**43.24**</td><td>**3.68**</td></tr>
</table>
In our opinion the Capital work in progress is understated to the extent of Rs. 368 lakhs and correspondingly. Current Liabilities are also understated to that extant.</td><td>Amount payable against LADF have been deposited regularly. Due to ongoing works at project ends the project cost is not yet finalised. Hence the exact amount of final instalment is not determinable at this stage. The marginal amount remaining to be deposited is subject to further adjustments and shall be accordingly provided. In respect of Kashang Stage-II & III, the amount of LADF couldn't be deposited as the work execution was stopped by the Local people for long period.</td></tr>
<tr><td></td><td>(viii) **Survey and Investigation of Khab Hydro Electric Project**
We Invite attention to Note 2.63 wherein it is stated that the Company has not accounted for Rs. 1,273 lakhs (previous year Rs. 1,273 lakhs) on account of survey and investigation work done by SJVN. Thus, Current Liabilities are understated to the extent of above and similarly the Capital Work in Progress is understated to the extent of above.</td><td>HPPCL has reiterated its position to SJVNL that due to encroachment of domain by up-stream and downstream projects, the investigation and survey works carried out by SJVNL is of no use to HPPCL and therefore, it is not in a position to take into account the expenditure incurred by SJVNL. After such correspondence, SJVNL has stopped pressing its claim further.</td></tr>
<tr><td></td><td>(ix) The Corporate Office has booked the IUT to Sainj Unit amounting to Rs. 2.93 lacs during the year on the basis of letter to bank to pay the payment through NEFT to HCC limited. The NEFT was actually issued by the bank in the month of April 2018. Thus Current liabilities as well as Bank Balance are understated to that extant.</td><td>Due care shall be taken in future.</td></tr>
<tr><td></td><td>(x) The Sainj Unit has not Charged GST on the Liquidation Charges amounting to Rs. 775.80 lakhs on Rs. 4310.00 Lacs charged from HCC during the year under review. The Company has not shown the Liability under GST returns filed during the year under review nor the same has been charged to the contractor .Thus the current</td><td>As the Liquidation Charges pertain to pre GST regime, hence GST has not been levied on LD Charges.</td></tr>
</table>

	liabilities and understated to that extant and other non-current assets is also understated to that extant.	
	(xi) The Kashang Unit has not Charged GST on the Liquidation Charges amounting to Rs. 534.42 lakhs on Rs. 2969 Lacs charged from HCC. The Company has not shown the Liability under GST returns filed during the year under review nor has the same been charged to the contractor. Thus the current liabilities and understated to that extant and other non current assets is also understated to that extant.	As the Liquidation Charges pertain to pre GST regime, hence GST has not been levied on LD Charges.
	(xii) The Corporate Office has shown bills payable amounting to Rs. 4 lacs for which no details are available. Thus current Liabilities are overstated to the extant of above.	Has been settled in the F.Y. 2018-19.
	(xiii) The Corporate Office has shown Rs. 35 lakhs as amount payable to Director cum Member Secretary and also the amount has been shown as advance to the Government department and the advance paid has not been adjusted at the close of the year. Thus Current Liabilities and advance to government department is overstated to the extant of above.	Has been settled in the F.Y. 2018-19.
	(xiv) The Corporate Office has shown Rs.23 lakhs as amount payable to Anand Toyota and also the amount has been shown as advance to the Anand Toyota and the advance paid has not been adjusted at the close of the year. Thus Current Liabilities and advance to government department is overstated to the extant of above.	Has been settled in the F.Y. 2018-19.
	(xv) We invite attention to note 2.72 where the Corporate Office has shown Rs. 500 lacs as amount payable to the Kisahau Corporation Limited on account Equity Contribution of the State Government for the seed Money. No Confirmation from the Kisahu Corporation Limited and directions from the State Government to keep the money with company has been provided to us for verification. In the absence of information we are unable to comment on the same.	The amount Shall be disbursed to Kishau Corporation Ltd. on receipt of instruction from GoHP and requisition from Kishau Corporation Ltd.
11.	**Other Income Note 2.25** The Shongtong unit has not accounted for the Foreign Exchange fluctuations amounting to Rs. 18.07 lakhs. Thus the income is understated to the extant of above.	Rectification of the same has been done in next F.Y. 2018-19.
12.	**Sale of Power** (I) The Kashang and Sainj HEP have booked the Sale of Power in the books of accounts on net realisation value of the Company Share. No Accounting entry for the Free Power to State Government, LADA Share and auxiliary power has been made in the books which are not in lines with the previous year accounting policy adopted by the company. We Invite attention to note 2.57 (b) where in the change in accounting policy has been indicated by the company. The following are the details in respect of the same and comparative figures of the previous year.	During the F.Y. 2017-18, the power generated was sold in energy exchange directly. As the portion of free power @13% was not remitted to Corporation and non-availability of exact figure of free power given to State Govt. and to LADF, the amount booked under sale of power is net of such free power. Disclosure under Note Para 2.57(b), refers.

(Amount in Lacs)

	Particulars	Current Year	Previous Year
3000002	Sale of Energy	1,366.00	198.89
		1,366.00	198.89
4000750	Free Power to State Govt (Royalty)	1,129.00	172.45
4000751	Free Power to State Govt (LADF)	94.00	14.37
4000752	Generation/Auxiliary Energy Expenses	143.00	12.07
	Total	**1,366.00**	**198.89**

The company has not disclosed the impact of the same and as result the figures of current and previous year are not comparable. The non accounting of the same will have impact on the apportionment of expenditure of corporate office and DW Sunder Nagar to various units during the year under review. The impact of the same cannot be quantified hence we are unable to comment on the same.

13.

Apportionment of expenditure and Income of Corporate Office and Sunder Nagar

(i) **Expenditure of Corporate Office and DW Sunder Nagar**

It has been observed that at the time of apportionment of expenditure of Corporate office and Design Office the net expenditure incurred during the year has been apportioned in the ratio of 156:209 from 01st April 2017 to 3rd September 2017 and 4th September 2017 to 31st March 2018. (refer Significant Accounting Policy no 1.6 g and Note no 2.57(c)). The above apportionment is not in line with the accounting policy referred in note 1.6 g which states that the *"The Expenditure of Corporate office and Sunder Nagar design office is allocated to different accounting units on systematic basis."*

In our opinion the expenditure and income should have been apportioned separately on actual basis between the pre and post cod period to different units. The Adoption of wrong method of apportionment may effect the allocation of cost to different units and the effect on its depreciation after commissioning of the projects. In the absence of information we are unable to comment on the same.

Keeping in view practicability, the allocation has been done. The methodology has been disclosed in the Notes on Accounts No. 2.57(c).

(ii) **Income of Corporate Office and DW Sunder Nagar**

It has been observed that the income of the corporate office mainly consists of the interest earned on Fixed deposits by making short term investments of the following funds: -

- Funds received for Equity
- Funds for Renukaji Project
- Imprest Funds for ADB Funded Projects State Govt Loan
- Interest on Funds With LAO

The Company has received the following interest on Fixed Deposits and on different type of funds during the year: -

S.No.	Particulars	Current Year Amount	Previous Year Amount	To be apportioned to
1.	Equity Funds	5,26,73,054.00	4,48,74,572.00	All the Units
2.	Renuka Funds	16,88,61,940.00	13,66,17,713.00	To Renuka Funds
3.	Trench 1 State Govt Loan	-	6,38,102.00	Sawra Kuddu & Kashang
4.	Trench 2 State Govt Loan	-	19,32,856.00	Sawra Kuddu
5.	Trench 3 State Govt Loan	-	1,92,56,416.00	Kashang and Sainj
6.	Trench 4 State Govt Loan	-	1,51,16,776.00	Shongtong
		22,15,34,994.00	**21,84,36,435.00**	
7.	Interest on Funds with LAO	1,55,69,369.00	58,97,174.00	Renuka ji
		23,71,04,363.00	**22,43,33,609.00**	

The Company has allocated income to various projects on the basis of allocation of expenditure to different units as per accounting policy of the company during the year under review. The following are the details of the allocation: -

The allocation of interest earned on short term bank deposits, made out of idle funds, have been allocated on the basis of the practice being followed since earlier years and also as per the decision of the management.

Further necessary adjustment in respect of Kashang Unit stage-I, for Rs. 32 Lacs and Sainj unit Rs. 5 Lacs has been done in the next F.Y. i.e. F.Y. 2018-19.

Unit	01/04/2017 to 03/09/2016	04/09/2017 to 31/03/2018	Total
Sawra Kuddu	3,29,87,549	6,73,28,108	10,03,15,657
Kashang I	26,70,216	5,36,229	32,06,445
Kashang II	36,23,378	84,15,016	1,20,38,394
Sainj	3,03,50,630	4,67,774	3,08,18,404
Renukaji	1,52,00,470	2,03,65,183	3,55,65,653
Shongtong	1,40,47,853	3,29,03,088	4,69,50,941
Chirgaon Majhgaon	2,59,437	5,01,605	7,61,042
Triveni Mahadev	1,62,369	3,07,712	4,70,081
Thana Plaun	4,70,086	10,09,796	14,79,882
Nakhtan	5,00,306	9,82,545	14,82,851
Gyspa Dam	4,65,096	4,85,333	9,50,429
Surgani Sundla	2,77,391	6,12,947	8,90,338
Deothal Chanju	90,830	1,77,178	2,68,008
Chanju III	1,53,629	3,49,170	5,02,799
Berra Dol	77,227	13,26,201	14,03,428
Total	**10,13,36,467**	**13,57,67,885**	**23,71,04,352**

The allocation of income of the corporate office to the units is not on the basis of the actual receipt of the interest on different type of funds. The above basis is also used in the allocating the income up to 31stMarch 2018 by the company. No Adjustment has been made for the allocation of income for the year 2016-17 already reported in previous year report. The apportionment of the income on the basis of the funds kept by the corporation may have impact on the incidental expenditure which has to be allocated to the individual assets of the unit at the time of the commissioning of the project. In the absence of the information we are unable to comment on the same and its impact on the cost of the individual units under the head Capital work in progress and Property Plant and equipment.

The Kashang Unit stage I has booked Rs. 32 lakhs and Sainj unit has booked Rs. 5 Lakhs as income from interest on Fixed Deposits and Bank Deposits after COD Period as share of Income of Corporate Office. The above apportionment of the income to the unit has no relevance as projects was under operations and no funds of Equity and Imp rest fund from State Govt (ADB funds) is at the disposal of the Unit. Thus, the Income on account of Interest on Fixed deposit and Bank Interest is excess shown by the unit as proportion of income to the unit which has to be adjusted with the Incidental expenditure of the projects under construction as per accounting policy of the company. Thus, the income during the year is overstated to the extent of Rs. 37 lakhs and capital work in progress in overstated to that extent. We invite attention to Note number 2.80 where the company has changed the accounting policy in respect of charging of expenditure of corporate office and sundernagar Design Wing during the year under review.

	(iii) We invite attention to Note number 2.80 where the company has changed the accounting policy in respect of charging of expenditure of corporate office and Sundernagar Design Wing during the year under review.	The observation has been overruled vide supplementary audit report of the C&AG.
	(iv) The Company has not taken the Infirm Sales of Power and Free sale of power and auxiliary use of power while calculating the Ratio of apportionment of the expenditure of Corporate Office and Sunder Nagar Design wing in the case of the commissioned projects. The following are the details of the infirm power sale Free	The observation has been overruled vide supplementary audit report of the C&AG.

sale of power and auxiliary use of power not taken into consideration by the company:-

(Amount in Lacs)

S.No.	Particulars		2017-18	2016-2017
1	Kashang Stage 1	Infirm Sale		267.50
2	Sainj	Infirm Sale	832.09	43,405
			832.09	267.50
3	Free Sale of Power to state Govt		1,129.00	
4	Free Power LADF		94.00	
5	Auxillary Energy		143.00	
			1,366.00	
	Total		**2,198.09**	**267.50**

Non considering the above may have impact on the apportionment cost on the commissioned and non commissioned project. We are unable to comment on the impact of the same.

(v) The expenditure of the Sundernagar Design Wing has been transferred to Different units during the year review. The following are the details of the same.

Name of Power Project	01/04/2017 to 03/09/2017	04/09/2017 to 31/3/2018	Total
Sawra Kuddu	1,92,81,500	3,93,52,976	5,86,34,477
Sainj	1,77,40,199	2,73,412	1,80,13,611
Renukaji	88,84,803	1,19,03,358	2,07,88,161
Kashang I	15,60,764	3,13,424	18,74,187
Shongtong	82,11,088	1,92,31,707	2,74,42,795
Chirgaon Majhgaon	1,51,644	2,93,186	4,44,830
Triveni Mahadev	94,906	1,79,857	2,74,763
Thana Plaun	2,74,769	5,90,221	8,64,991
Nakhtan	2,92,433	5,74,294	8,66,727
Gyspa Dam	2,71,853	2,83,675	5,55,528
Surgani Sundla	1,62,138	3,58,265	5,20,402
Deothal Chanju	53,091	1,03,560	1,56,651
Chanju III	89,797	2,04,088	2,93,886
Berra Dol	45,140	7,75,159	8,20,299
Kashang II	21,17,895	49,18,539	70,36,434
Total	**5,92,32,021**	**7,93,55,720**	**13,85,87,740**

The Design wing has not provided to us details regarding expenditure incurred on various projects and no job cards has been kept by the design wing to substantiate the expenditure incurred on various projects. In the absence of information we are unable to comment on the same.

Statement of facts requires no comments.

14.

Provision for Income Tax

We invite attention to Note No 2.68 where in no provision has been made by the company for income tax.

We also invite attention to note 2.54 where in the cases for earlier years are pending with different authorities and the outcome of which are uncertain and may affect the amount shown as Deposits with Income Tax authorities Rs. 9,195 lakhs (Previous Year Rs. 7,774 lakhs (refer note 2.10), and Income Tax Refund due Rs. nil (previous year Rs. 1,066 (refer note 216). In view of the uncertainly involved and the matter is subjudice we are unable to comment on the recoverability of the above amount and its effect on the Financial Statements.

Matter is still subjudice.

15.

Goods and Service Tax

The company has not complied with all the provision of the Goods and Service Tax Act while preparing the monthly returns and the

Compliance to GST Act. has been ensured. Further GST Audit has been completed and most of actions with

<table>
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<td>annual returns for the year under review.
We have checked some instances and we have observed that the Goods and Service tax has not been deposited on following expenditures and Income:-
1. Tender Income
2. Liquidation Charges
3. Rent Income
4. Transit Camp Income
5. Late Payment Surcharge
6. Payments Made to Government Departments and Government Bodies under Reverse Charge.
7. Reimbursement of Expenses from Contractors
8. Sale of scrap.
9. Arbitrators fees under reverse charge
The Company has appointed GST auditor to conduct the GST audit under the GST Act .However the GST report has not been submitted till the date of the finalisation of this report. In the absence of the report we are unable to comment on the final liability of GST along with interest and penalty.</td>
<td>respect to the points suggested in the Audit report has been taken.</td>
</tr>
<tr>
<td>16.</td>
<td>Quantitative Details in respect of energy generated and sold
We invite attention to Note2.49 where in the Company has stated that it has installed capacity of 165 MW as on 31st March 2018. The company has capacity 65 MW *3 i.e. 195 MW and all the three turbines was in operation and was used alternatively by the Kashang HEP during the year under review and the installed capacity of the Sainj HEP is 100 MW which is being commission during the year under review. Thus total Installed capacity is 295 MW instead of 165MV In our opinion the installed capacity is understated to the extent of 135 MW.</td>
<td>In case of Kashang HEP Stage-I (65 MW), even though all the three Units of 65 MW each have been commissioned, but only single machine/unit can be operated at a time, because water availability, provisioned so far is only for operating single machine of 65 MW, as the KK Link Line in case of Kashang Stage II & III, is not yet constructed. However, all the machines are being run on alternate basis by project offices. Therefore, the installed capacity of this Kashang Stage-I is (65 MW) only, owing to non-linking of required water resource from Kashang II and III (K K Link Line) to operate all the three Units at a time.</td>
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<td>17.</td>
<td>Allocation of expenses of Kashang 1, 2 and 3
(I) The method adopted for allocation of expenses by the Kashang Unit to Stage 1, 2 and 3 is not systematic and nor consistently followed,
<table>
<tr><th></th><th>2017-18</th><th>2016-17</th></tr>
<tr><td>Stage 1</td><td>84%</td><td>70%</td></tr>
<tr><td>Stage 2 and 3</td><td>16%</td><td>30%</td></tr>
<tr><td>Total</td><td>100%</td><td>100%</td></tr>
</table>
The Kashang Unit has not taken the correct cost while making the ratio of apportionment for common expenses to stage 2 and 3. The following is the variance:
<table>
<tr><th>Gross Block</th><th>Cost Taken</th><th>As per Books</th><th>Variance</th></tr>
<tr><td>Capitalized Assets</td><td>8,18,47,566.00</td><td>8,18,47,566.00</td><td>-</td></tr>
<tr><td>CWIP-AUC</td><td>1,85,51,87,478.00</td><td>1,39,15,89,435.00</td><td>46,35,98,043.00</td></tr>
<tr><td>Total Block</td><td>1,93,70,35,044.00</td><td>1,47,34,37,001.00</td><td>46,35,98,043.00</td></tr>
</table>
Thus the Unit has taken excess cost of CWIP- AUC while calculating</td>
<td>Project cost at the end of the year is being taken as base for charging the common expenditure of the project to different stages. Expenditure which is specifically identifiable to the stages is charged on actual basis. Therefore, expenditure for the FY 2017-18 has been apportioned on the basis of project cost arrived at as on 31.03.2018 with the prior approval from management at higher level.

Allocation has been done on the same pattern as followed in FY 2016-17. Hence the consistency concept is not deviated.</td>
</tr>
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<td>the ratio for the apportionment of expenses which will have effect of the ratio of the apportionment of expenses. The Revised ratio of appropriation of expenses will be as under :-
<table>
<tr><th>Gross Block</th><th>Stage-I (Rs.)</th><th>Stage-II&III (Rs.)</th><th>Total (Rs.)</th></tr>
<tr><td>Capitalized Assets</td><td>10,03,02,89,729.20</td><td>8,18,47,566.00</td><td>10,11,21,37,295.20</td></tr>
<tr><td>CWIP-AUC</td><td>52,85,587.30</td><td>1,39,15,89,435.00</td><td>1,39,68,75,022.30</td></tr>
<tr><td>Total Block</td><td>10,03,55,75,316.50</td><td>1,47,34,37,001.00</td><td>11,50,90,12,317.50</td></tr>
<tr><td>Ratio for apportionment</td><td>87%</td><td>13%</td><td>100%</td></tr>
<tr><td>Ratio Applied</td><td>84%</td><td>16%</td><td>100%</td></tr>
<tr><td>Variance</td><td>3%</td><td>-3%</td><td>0%</td></tr>
</table>
The Kashang Stage 1 has charged less expenditure to the tune of Rs. 25 lacs to the profit and loss Account and similarly the CWIP of Kashang 2 and 3 is overstated by the above amount.</td>
<td></td>
</tr>
<tr>
<td>18.</td>
<td>Profit and Loss Account
(i) Environmental Management Expenses
The Kashang unit charged Rs. 261.00 lacs as environmental management expenses in the profit and loss account during the year under review. The above expenditure is of Capital Nature and should have been capitalised and depreciation on the same has to be charged on the use life of the assets. Thus expenditure is overstated to the extent of Rs. 261 lacs. Similarly depreciation is understated to the extent of Rs. 6.25 lacs.</td>
<td>The same has been rectified in the subsequent F.Y. 2018-19.</td>
</tr>
<tr>
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<td>(ii) Lease rent Others
The Kashang Unit has charged the lease rent paid to the staff of employees of Stage 2 and 3 amounting to Rs. 17 lacs to the Profit and loss account which has to be capitalised to the CWIP works. Thus Expenditure is overstated to the extant of above.</td>
<td>Rent has been apportioned on actual occupancy basis to Kashang Stage-I and Stage-II & III.</td>
</tr>
<tr>
<td></td>
<td>(iii) O and M Plant Consumable Items
The Kashang Unit has not shown the inventory of turbine oil in hand as on 31st March 2018 as inventory amounting to Rs. 2.59 lacs. Thus Expenditure is overstated to the extant of above and inventory is understated to that extant.</td>
<td>O&M material could not be routed through stock during the FY 2017-18 due to non-availability of material type, material heads and codes for O&M stage, which were later created by the SAP consultants in the month of July 2018. Therefore, inventory was directly charged to the expenditure. However physically the inventory was maintained/available and were utilised in the subsequent year.</td>
</tr>
<tr>
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<td>(iv) O and M El Works
The Kashang Unit has charged the cost of providing the electric installations amounting to Rs. 6.84 lacs to the Profit & loss account which has to be capitalised & depreciation has to be provided on the same Thus Expenditure is overstated to the extant of above and Property plant and equipment is understated to that extant. Similarly the depreciation is understated to the extant of Rs. 1 lacs.</td>
<td>The expenditure is O&M natured only.</td>
</tr>
<tr>
<td></td>
<td>(v) Appropriation of Employees cost for Kashang Stage I, 2 & 3
The Kashang Unit has not provided to us the salary cost of the employees posted to the Stage 1, 2 and 3. The Unit does not have the salary cost of employees posted on different stages. In the absence of information we are unable to comment on the</td>
<td>This is being now followed from subsequent year onwards</td>
</tr>
</table>

<table>
<tr><td></td><td>apportionment of salary expenses to different stages. The following is the details of salary booked under different stages
<table><tr><td>Stage 1</td><td>634.00</td></tr><tr><td>Stage 2 and 3</td><td>120.00</td></tr><tr><td>**Total**</td><td>**754.00**</td></tr></table></td><td></td></tr>
<tr><td>**19.**</td><td>**Reversal of Leave Encashment provision for earlier Years**
The Kashang unit stage I has shown the Leave encashment expenses as credit Balance amounting to Rs. 4.92 lacs. No information and explanations for the same has been provided to us. In the absence of information we are unable to comment on the same.</td><td>This is a running account, the balance of which is carried forward to next financial year. The yearly figure is net amount of leave due to and availed by the employees of a particular project in a financial year.</td></tr>
<tr><td>**20.**</td><td>**Income Tax Appeals with the High court in respect of Chargeability of Income Tax on Interest on Fixed Deposits kept as short-term Investments.**
The company has filed an Appeal with the High Court of Himachal Pradesh that the interest on the short-term investment of the funds in Fixed Deposits with bank from the Equity received from the Government is an addition to the equity and not an income of the company and on same the income tax is not payable. Similarly, the Income earned on Renukaji Funds is also an additional grant from the Agencies and the same is also not an income of the company and the same will be utilised on the project expenses and is part of the Grant.
The Company has not shown the interest earned on equity fund till the close of the year as an addition to the Equity and similarly the interest earned on Renukaji HEP funds till the close of the year has not been shown as additional grant from the Agencies.
No information in respect of the same has been provided to us by the company till the close of the year. In the absence of the information we are unable to comment on the effect of the same on the Balance Sheet.</td><td>This is as per the approved policy of the management. However this interest income is to compensate the corresponding escalation cost, borrowing cost etc. of the period for which the funds remained idle, due to obstruction of awarded work, for reasons attributable to the Corporation.</td></tr>
<tr><td>**21.**</td><td>**Non-Compliance of Indian Accounting Standard (Ind As)**
The Company has not complied with the following Indian Accounting Standards while preparing the financial statements:
(i) **Indian Accounting Standard (Ind AS) 20 Accounting for Government Grants and Disclosure of Government Assistance.**
The Company has been granted the deferment of repayment of principal payment and payment of interest till FY 2018-19 refer Note 2.21. The company must account for the interest payable on such deferment till the close of the year at market rate as grant from the government and has to be accounted for as the addition to cost and the same has also to be shown as addition of grant. No such interest has been accounted for by the company till the close of the year as per para 10A of the IND AS. In the absence of the information we are unable to comment on same.</td><td>Shall be complied with in future.</td></tr>
<tr><td></td><td>(ii) **Indian Accounting Standard (Ind AS) 19 Employees Benefits**
The para 55 to 62 of the Indian accounting standard is applicable to the company in respect of the Post Employment Benefit: Defined Benefit Plans which requires that actuarial valuation of the liability of employees defined benefit plan has to be made at the end of the year and same has to be accounted for on in the books of accounts.</td><td>Shall be complied with in future.</td></tr>
</table>

	The Company has not accounted for the liability on the basis of the actuarial valuation and only actual liability has been provided. In the absence of the information we are unable to comment on the impact of the same on the Balance Sheet at the close of the year.	
	(iii) **Indian Accounting Standard (Ind AS) 23 Borrowing Costs** The Para 20 of the Indian accounting standard is applicable to the company which states that "an entity shall suspend capitalisation of borrowing costs during extended periods in which it suspends active development of as qualifying asset." The Company has not excluded the borrowing cost during suspension of activities by the employees of the contractor and by the contractor for non-starting of the work at site. In the absence of the information we are unable to comment on the impact of the same on the Balance Sheet at the close of the year.	This is being now followed in subsequent years onwards.
	(iv) **Indian Accounting Standard (Ind AS) 37 Provisions, Contingent Liabilities and Contingent Assets:** The Company has disclosed the provisions contingent liabilities and contingent assets only up to the date when the accounts have been approved by the BOD. No Disclosures of Provisions, contingent liabilities and contingent Assets after the accounts approved by the BOD and till the date of finalisation of this report is considered in these financial statements.	Statement of facts shall be complied with in future. Disclosure to this effect has been given in the Directors' Report for the F.Y. 2017-18.
	(v) **Indian Accounting Standard (Ind AS) 10 Events After the Reporting Period** The financial Statements are provided to us on 4rd December 2019 which was approved by the BOD on 3rdDecember 2019. The financial statements are not adjusted for the events occurred between the Balance sheet date both favourable and unfavourable till date of the finalisation of this report.	Statement of facts shall be complied with in future.
	(vi) **Indian Accounting Standard (Ind AS) 113 Fair Value Measurement** The Company has not made Fair Value of the assets and Liabilities as on 31st March 2018, on 31st March 2017 (Refer Note No 2.47). The same is not in line with the IND as113 Fair Value Measurement which is mandatory applicable to the company.	The reasons to this effect has been disclosed/explained in Note on Accounts vide Note No. 2.47.
	(vii) **Indian Accounting Standard (Ind AS) 109 Financial Instruments** The Company has not applied the Ind As 109 while disclosing the Government Loan in the financial statements below market rate interest and its impact on the profit and loss and Balance sheet has not been disclosed in the financial statements.	Ind. AS not applicable.
	(viii) **Indian Accounting Standard (Ind AS) 12 Income Tax** The Company has not followed the IND as in respect of Income tax for calculating the deferred tax assets and Liabilities and its accounting in the books of accounts. The same is also not in line with note no 1.21 of the significant accounting policies adopted by the company. No information in respect of the same has been provided to us. In the absence of the information we are unable to comment on the impact of the same on the Balance Sheet at the close of the year.	Ind. AS not applicable.

	(ix) **Indian Accounting Standard (Ind. AS) 107 Financial Instruments Disclosure** The Company has fixed interest rate borrowings and is subjected to interest rate risk as defined in Ind As 107. No disclosure of the same and its impact on the balance has been disclosed. **The effect of the said qualifications where ascertainable the loss of current year will be Rs. 8,261 lakhs against reported loss of Rs. 7,912 lakhs. The Other Equity will be Rs. 11,948 lakhs instead of ₹11,600 lakhs. The Other Financial Liabilities will be of ₹1,12,208 lakhs instead of Rs. 1,13,577 lakhs. The Provisions non-current will be of Rs. 4,943 lakhs instead of ₹5,008 lakhs. The other non-Current Liabilities will be Rs. 69611 lakhs instead of Rs. 69,542 lakhs. The Other Current Financial Liabilities will be ₹1,69,280 lakhs instead of ₹1,62,191 lakhs. The Property Plant and Equipment will be Rs. 3,15,721 lakhs instead of Rs. 2,94,419 lakhs. The Capital Work in Progress will be ₹260,258 lakhs instead of Rs. 2,71,679 lakhs. The Other Noncurrent Assets will be Rs. 30,014 lakhs instead of ₹34,444 lakhs. The inventories will be Rs. 36 lakhs instead of ₹34 lacs. The Trade Receivable will be Rs. 145 lakhs instead of ₹1,617 lakhs. The Bank Balance will be Rs. 2,821 Lakhs instead of ₹2,818 lakhs. The other current assets will be ₹1,441 lakhs instead of Rs. 278 lakhs.** **The Sale of energy is understated to the extant of Rs. 1,366 lakhs and correspondingly free power to state govt Rs. 1,129 lakhs, Free power to LADF Rs. 94 lakhs and Auxiliary Expenses ₹143 lakhs is understated to that extant.**	As the borrowing are on fixed rate basis, hence not subjected to interest rate Risk. Therefore, applicability of Ind. AS 107 does not arise. Disclosure to this effect has been given in the Directors' Report for the F.Y. 2017-18. The overall impact on profitability, Assets and Liabilities of all these quantifications is within the acceptable limits.
	Qualified Opinion In our opinion , and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, the aforesaid standalone Ind AS financial statements give information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs(financial position) of the Company as at 31st March 2018, and its profit/loss (financial performance including other comprehensive income) and its cash flows and changes in equity for the year ended on that date:-	Statement of facts, comments not required
	Emphasis of Matter 1) No reasonable effort has been made to remove the qualification raised in earlier year audit reports and the same has been considered in this year report also.	Most of the observations of the previous financial years have been settled.
	2) We further draw attention to the following matters in the Notes to the stand alone Ind As Financial statements: - (I) Note No. 2.39 to the standalone Ind AS financial statements regarding the various balances which are subject to reconciliation/ confirmation and respective consequential adjustments.	Has been disclosed /explained in Note on Accounts vide Note No. 2.39.
	(ii) Note No 2.59 to the standalone Ind AS financial statements regarding statement on State Government loan for Shontong	Has been disclosed/explained in Note on Accounts vide Note No. 2.59.

	Karchham HEP (450MW) where the ADB funding to state government has expired and stopping of funding by the KFW to the project.	
	(iii) Note No. 2.67 to the standalone Ind AS financial statements regarding stay of Forest land to Kashang Stage II and III project pending with Hon'ble High court of Himachal Pradesh the fate of which is dependent on the outcome of the case.	Has been disclosed/explained in Note on Accounts vide Note No. 2.67.
	(iv) Note No. 2.70 to the standalone Ind AS financial statements regarding statement on Nakhtan project pending with Hon'ble High court of Himachal Pradesh the fate of which is dependent on the outcome of the case. Our Opinion is not modified in respect of these matters.	Has been disclosed/explained in Note on Accounts vide Note No. 2.70.
	Report on Other Legal and Regulatory Requirements 1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure-I, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable. 2. We are enclosing our report in terms of Section 143 (5) of the Act, on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, in the Annexure-2 on the directions issued by Comptroller and Auditor General of India. 3. As required by section143(3) of the Act, we report that: a) We have sought and except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph above, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit; b) Except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph above, in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books; c) The Balance Sheet, Statement of Profit and Loss and statement of Cash Flows and Statement of changes in equity dealt with by this report are in agreement with the books of account; d) Except for the effects of the matter described in the Basis of Qualified Opinion paragraph above, in our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, e) The Matter described in the Basis for Qualified Opinion paragraph above, in our opinion may have adverse effect on the functioning of the company. f) In view of the exemptions given vide Notification No. G.S.R. 463 (E) dated 5th June 2015 issued by the Ministry of Corporate Affairs, the provisions of Section 164 (2) of the Companies Act, 2013 regarding disqualification of directors, are not applicable to the company. g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.	Comments not required

	h) With respect to adequacy of Internal Financial Controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure-3" in our opinion the internal financial controls system is adequate but the operating effectiveness of such controls need be improved. I) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us: I. The Company has disclosed the impact of pending litigations on its financial position in its financial statements- Refer Note 2.33 to the standalone Ind. AS financial statements. ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; iii. There were no amounts as at 31.03.2018 which were required to be transferred to the Investor Education and Protection Fund by the Company.	

ANNEXURE 1 TO THE AUDITORS' REPORT

Annexure referred to in our report of even date to the members of HIMACHAL PRADESH POWER CORPORATION LIMITED on the accounts for the year ended 31st March 2018.

S. No.	Auditor's Report	Reply
i.	(a) The company has generally maintained proper records showing full particulars, including quantitative details and situation of its fixed assets. (b) As explained to us all the assets were got physically verified by the management during the year under review. We were informed that no material discrepancies were noticed on such verification. © Title deed of immovable properties are in the name of the company except in cases of Renukaji HEP, SainjHEP, Shongtong HEP and Chirgaon HEP where the land has not been transferred in the name of the Company.	a) Statement of facts, comments not required. b) Statement of facts, comments not required. c) Action for the transfer of title in the name of the Company has been initiate.
ii.	The inventory of the company consisting of Capital Stores, stores, spare parts and other Items. We were informed that these have been physically verified by the management during the year under review.	Statement of facts, comments not required.
iii.	According to the information and explanations given to us, the company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013. In view of above, the clauses 3(iii)(a) and 3(iii)(b) of the Order are not applicable.	Statement of facts, comments not required.
iv.	The Company has not given any loan, made investments and issued guarantees under section 185 and 186 of the Companies Act, 2013.	Statement of facts, comments not required.
v.	The Company has not accepted any deposits from the public in terms of section 73 to 76 or any provisions of the Companies Act, 2013 and rules there under.	Statement of facts, comments not required.
vi.	The Maintenance of cost records has been specified by the Central Government under sub section (1) of section 148 of the Companies Act 2013, however the same is not applicable to the company as the threshold limit of turnover has not been achieved.	Statement of facts, comments not required.
vi.	(a) The company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, value added tax, cess and other statutory dues applicable to it, and there are no undisputed dues outstanding as on 31st March 2018 for a period of more than six months from the date they became payable. However the Liability on account of Goods and Service Tax can't be quantified as GST audit is under progress till the finalisation of this report. We are informed that the provisions of Employees' State Insurance Act are not applicable to the company.	Statement of facts, comments not required

<table>
<tr><td></td><td>(b) According to the information and explanations given to us, dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty, value added tax, cess and other material statutory dues that have not been deposited on account of any dispute are given below:
<table>
<tr><th>S.No.</th><th>Statue / Act</th><th>Nature Due</th><th>Amount in lacs</th><th>Period</th><th>Forum Which Pending</th></tr>
<tr><td>1.</td><td>Entry Tax</td><td>Interest</td><td>337.70</td><td>2010-15</td><td>Addl. Excise & Taxation Commissioner -cum- Applellate Authority</td></tr>
<tr><td>2.</td><td>Entry Tax</td><td>Penalty</td><td>751.28</td><td>2010-15</td><td>Addl. Excise & Taxation Commissioner -cum- Applellate Authority</td></tr>
<tr><td>3.</td><td>Provident Fund</td><td>PF Dues</td><td>189.26</td><td>2008-11</td><td>Central Government Industrial Tribunal Chandigarh</td></tr>
<tr><td></td><td>TOTAL</td><td></td><td>1,278.24</td><td></td><td></td></tr>
</table></td><td>The matter is subjudice.</td></tr>
<tr><td>viii.</td><td>The Company has not defaulted any repayment of loans or borrowing to any financial institution or bank or Government or dues to debenture holders. However, the Government of Himachal Pradesh has given the sanction to the deferment of repayment Loan and interest up to Jan 2017. No Deferment has been given by the State Govt after that and the request for the same has been given by the company for further deferment. and company has not paid the amount of instalment of loan and interest after January 2017.</td><td>Statement of facts, comments not required.</td></tr>
<tr><td>ix.</td><td>No money was raised by way of initial public offer or further public offer during the year. The amount raised by the term loans from the Government of Himachal Pradesh has been utilised for the purpose it was raised during the year under review.</td><td>Statement of facts, comments not required.</td></tr>
<tr><td>x.</td><td>As per information provided to us no fraud by the company or any fraud by officers and employees of the company has been noticed/ reported during the year except in the year2015 at Renukaji HEP and the same is pending with State Vigilance.</td><td>Statement of facts, comments not required.</td></tr>
<tr><td>xi.</td><td>This being a government company Section 197 of the Act is not applicable.</td><td>Statement of facts, comments not required.</td></tr>
<tr><td>xii.</td><td>Company is not a Nidhi Company.</td><td>Statement of facts, comments not required.</td></tr>
<tr><td>xiii.</td><td>As per information available to us all transactions with related parties are in compliance with Section 177 & 188 of the Companies act 2013, wherever applicable and the details have been disclosed in the Financial Statements etc. as required by the applicable Accounting Standards.</td><td>Statement of facts, comments not required.</td></tr>
<tr><td>xiv.</td><td>As informed by the management, the company has not made any preferential allotment to private placement of shares or fully convertible debentures during the year under review.</td><td>Statement of facts, comments not required.</td></tr>
<tr><td>xv.</td><td>As informed to us the company has not entered in to any non-cash transaction with directors or persons connected with him</td><td>Statement of facts, comments not required.</td></tr>
<tr><td>xvi.</td><td>Section 45-IA of the Reserve Bank of India Act, 1934 is not applicable to the company.</td><td>Statement of facts, comments not required.</td></tr>
</table>

ANNEXURE 2 TO THE AUDITORS' REPORT

Annexure referred to in our report of even date to the members of HIMACHAL PRADESH POWER CORPORATION LIMITED on the accounts for the year ended 31st March 2018

S No.	Directions	Action Taken	Impact on Financial Statement
1.	Whether the company has clear title / lease deeds for freehold and leasehold respectively? If not please state the area of freehold and leasehold land for which title / lease deed are not available.	**i) Renukaji HEP** The Company does have clear title of land of 915.64hectares of land which is in the possession of land owners R and R Plan is under process. **ii) Shongtong HEP** The Company does not have lease title of 17.02 hectares and the application for lease title has been given to DC Kinnuar. Further acquired land measuring 0.59.32 hectares is in dispute with Defence authorities for security clearances. **iii) Sainj HPSEB Land** The company has possession of land at Sarabhai 39.99 bighas, thalot 19.11.04 bighas but the title deed is not with the company as payment has not been paid to the HPSEB amounting to Rs. 34.35 crores. **(iv) Chirgaon Majgoan** The Land in possession at Chiragon is with corporation, however the land is in the name of HPSEB amounting to Rs. 5.00 lakhs. **(v) Beradol** The Lease deed for govt diverted land of aprox 12.86 hectares is pending. **(vi) Kashang HEP** The Lease deed in respect of Forest Land Diverted 13.47.52 hectares is under process with revenue department. **(vii) DW Sunder Nagar** The Lease deed with MPP Power in respect of GM Civil Designs measuring 5311 square meters in under process with MPP Power.	The Amount paid to land owners and deposited with court has been capitalized
2.	Whether there are any cases of waiver off of debts/loan/ interest etc. if yes, the reason there for and the amount involved.	No such case found during the audit.	Nil
3.	Whether proper records are maintained for inventories laying with third parties & assets received as gift from Government or other authorities.	Forest land diverted from Government of Himachal Pradesh has not been accounted as the execution of lease deed are in process.	Nil
4.	State the cases where wastages/ defectives are beyond the norms fixed for it expeditiously and in transparent manner.	The wastages are within the norms fixed	Nil

<table>
<tr><th></th><th></th><th></th><th></th></tr>
<tr><td>5.</td><td>What is the system of valuation of by products and Finished products? List out the cases of the deviation from the declared Policy.</td><td>Valuation of the Power Generation has been done on the basis of PPA Agreement signed with the HPSEB in case of Kashang HEP.
In case of Sainj HEP the power was sold in the Power Exchange though Trader at prevailing market rates.</td><td>Nil</td></tr>
<tr><td>6.</td><td>State the extent of utilization of Plant and machinery during the year vis-a-vs installed capacity.</td><td><table><tr><th>HEP</th><th>Installed Capacity</th><th>PLF</th><th>PAF</th><th>AUX</th></tr><tr><td>Sainj</td><td>100 MW</td><td>27%</td><td>51.52%</td><td>1.47%</td></tr><tr><td>Kashang</td><td>65 MW</td><td>35%</td><td>77.58%</td><td>1.34%</td></tr></table>Refer Note 2.49 to the notes to accounts where in the quantitative details has been given for only one Turbine of 65 MW whereas the Kashang stage I Unit is using Three turbine of 65 MW each alternatively. Thus, the company has understated the installed capacity and the utilised Capacity which should be 65MW X 3 i.e.195 MW of Kashang and 100 MW of Sainj, and Total of 295 MW instead of 165 MW.</td><td>Nil</td></tr>
<tr><td>7.</td><td>Report on the cases of Discount/ Commission in regard to debtors and creditors where the company has deviated from its laid down policy.</td><td>The Company has given Trading Margin to Tata Power Trading Corporation Limited as per the agreement executed with them.</td><td></td></tr>
</table>

ANNEXURE 3 TO THE AUDITORS' REPORT

Report on the Internal Financial Controls under Clause (i) of Subsection 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **HIMACHAL PRADESH POWER CORPORATION LIMITED** ("the Company") as of 31 March 2018 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

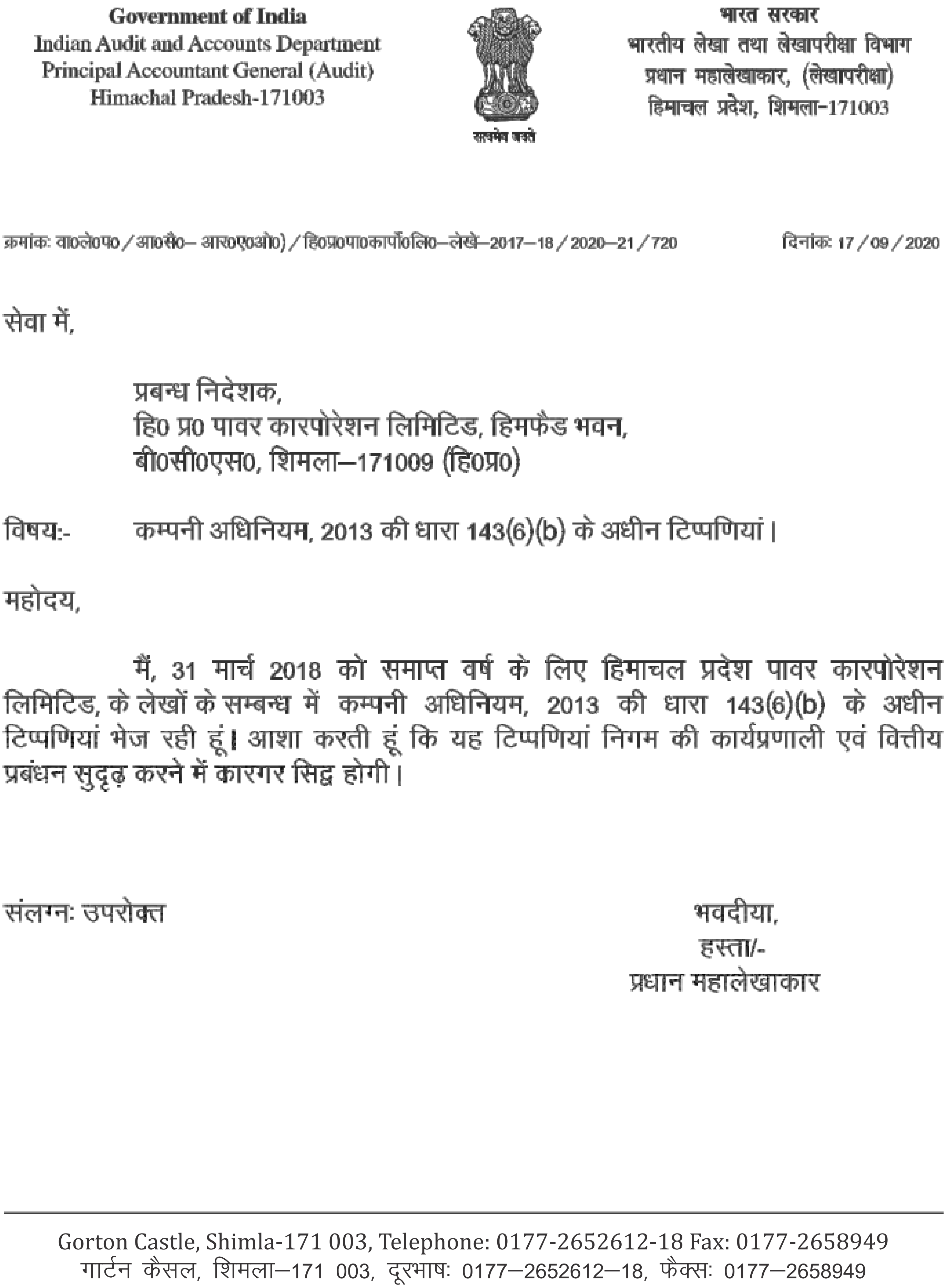
S. No.	Auditor's Report	Reply
1.	**Management's Responsibility for Internal Financial Controls** The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.	No comments.
2.	**Auditors' Responsibility** Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 audit opinion on the Company's internal financial controls system over financial reporting.	No comments.
	Meaning of Internal Financial Controls over Financial Reporting A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and	Statement of facts, comments not required.

	dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.	
	Inherent Limitations of Internal Financial Controls over Financial Reporting Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.	Statement of facts, comments not required.
	Opinion In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2018, except in the areas given below based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. However, company needs to further strengthen the in the control system in the following areas: - Implementation and Compliance of Ind. AS at unit level to ensure the compliance of the Indian AS on the company as a whole. - Classification of account heads in SAP according to the disclosure and classification requirements of the Schedule II of the companies act 2013 and requirements of the Ind AS - Harmonisation in creation of account heads at Corporate Level in relation to advances, liabilities and vendors according to the nature of expenditure so that no duplication of account code exits and only single account code is allotted to individual vendors in the company as a whole. - Payment to contractors strictly on the basis of authorisation of the BOD. - Option of marking of clearing entries in the SAP should be followed by all the accounting units in respect of current as well as old accounting entries. - Scrutiny of old Earnest Money Deposits, security deposits, Retention money and other payables to contractors. - Capitalisation of Capital Work in Progress in timely and efficient manner. - Reconciliation of retro entries in SAP for CPT Module. - Payment to Contractors of Additional Advance/ Advance against Retention Money and its accounting treatment. - Recovery of delay damages from the contractors and accounting thereof - Provision of Expenses should be made on realistic basis and the payment in subsequent financial year should be adjusted from the provision only. - Long Term Advances and Deposit Work should be regularly reviewed and accounted for where the significant work has been completed. - Accounting of Provision is respect of doubtful advances and other recoverable. - Review of Negative Balances in liabilities and assets heads. - Accounting of EMD in the nature of FDR in the books of accounts. - Recording of financial entries in foreign exchange also where the advances, retention	Suggestions related to strengthening of internal control system have been noted for future compliance.

money and suppliers dues are payable in other currency also.

- Investing of idle funds at HEP in SWEAP Bank accounts to earn bank interest.
- Reversing the Cheques/ Neft Entries for which the Limitation period is over.
- Accounting of Inventories in hand at project site at the close of the year.
- Liability on account of GST should be as per the requirements of the Goods and Service Tax Act.

We have considered the areas of improvement identified which needs further strengthening as reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2018 standalone financial statements of the Company. However, these areas of improvement do not affect our opinion on the standalone financial statements of the Company.



Government of India
Indian Audit and Accounts Department
Principal Accountant General (Audit)
Himachal Pradesh-171003

भारत सरकार
भारतीय लेखा तथा लेखापरीक्षा विभाग
प्रधान महालेखाकार, (लेखापरीक्षा)
हिमाचल प्रदेश, शिमला-171003

क्रमांकः वा0ले0प0/आ0सै0– आर0ए0ओ0)/हि0प्र0पा0कार्पो0लि0–लेखे–2017–18/2020–21/720 दिनांकः 17/09/2020

सेवा में,

प्रबन्ध निदेशक,
हि0 प्र0 पावर कारपोरेशन लिमिटिड, हिमफैड भवन,
बी0सी0एस0, शिमला–171009 (हि0प्र0)

विषयः- कम्पनी अधिनियम, 2013 की धारा 143(6)(b) के अधीन टिप्पणियां।

महोदय,

मैं, 31 मार्च 2018 को समाप्त वर्ष के लिए हिमाचल प्रदेश पावर कारपोरेशन लिमिटिड, के लेखों के सम्बन्ध में कम्पनी अधिनियम, 2013 की धारा 143(6)(b) के अधीन टिप्पणियां भेज रही हूं। आशा करती हूं कि यह टिप्पणियां निगम की कार्यप्रणाली एवं वित्तीय प्रबंधन सुदृढ़ करने में कारगर सिद्व होगी।

संलग्नः उपरोक्त

भवदीया,
हस्ता/-
प्रधान महालेखाकार

Gorton Castle, Shimla-171 003, Telephone: 0177-2652612-18 Fax: 0177-2658949
गार्टन कैसल, शिमला–171 003, दूरभाषः 0177–2652612–18, फैक्सः 0177–2658949

Comments of the Comptroller and Auditor General of India under Section 143(6) (b) of the Companies Act, 2013 on the Standalone Financial Statements of Himachal Pradesh Power Corporation Limited for the year ended 31 March, 2018.

The preparation of Financial Statements of Himachal Pradesh Power Corporation Limited for the year ended 31 March, 2018 in accordance with 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 are responsible for expressing opinion on the financial statements under Section 143 read with Section 129 (4) 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 7th February, 2020.

I, on behalf of the comptroller and Auditor General of India (CAG), have conducted a supplementary audit of the financial statements of Himachal Pradesh Power Corporation Limited for the year ended 31 March, 2018 under Sections 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.

1. Profit & Loss Account

Finance Costs (Note No 2.31) Rs.96.23 Crores

In terms of Ind. AS 23 issued by "Institute of Chartered Accountant of India" on interest on borrowings during hindrance period of work (due to labour unrest, public hindrances etc.) shall be charged to Profit and Loss Account. In Shongtong Hydel Electric Project during 2017-18, there was 105 days of hindrance due to workers strike. Thus interest for the period amounting to Rs. 10.41 Crore was to be accounted as "Finance Cost" under "Profit & Loss Account" but the same was not done and expenditure was capitalised. Thus "Finance cost" as well as "Loss" is understated by Rs. 10.41 Crore, further "Capital Work-in-Progress" is also overstated by same extent.

2. Balance Sheet

Current Liabilities

Other Financial Liabilities (Note No. 2.26) Rs. 1,62,1.91 Crore.

(i) Above does not include amount of Rs 2.82 Crore on account of (Revised) excavation bill of Civil Works of Shongtong Karchham Hydel Electric Project. This has resulted in understatement of "Other Financial Liabilities" as well as "Capital-Work-in–Progress" to the extent of Rs. 2.82 Crore.

(ii) In terms of Government of Himachal Pradesh Notification dated 5th October 2011, 1.5% of the final cost of hydel projects of above 5MW capacity shall be contributed to Local Area Development Fund (LADF). Integrated Kashang Hydel Electric Project (IKHEP) was commissioned on 01.09.2016 and total cost of project was Rs.1007.04 Crore, as on 31.03.2018. But necessary provision for the LADF has been kept short by 38.42 Lacs.. Thus "Other Financial Liabilities" as well as "Property, Plant and Equipment" both are understated by Rs. 38.42 lakh.

3. Balance Sheet

Other explanatory Notes to Accounts

On 30th June 2018, Shares worth Rs. 30.00 Crore were issued in favour of Governor of the State of Himachal Pradesh. After issue of these shares, the paid up share capital of company increased to Rs. 1875.56 Crore from Rs.1845.56 Crore. This material fact has not been disclosed in the Notes to Accounts.

4. Independent Auditor's Report

As per Himachal Pradesh Electricity Regularity Commission (terms and condition for determination of Hydro Generation Tariff) Regulation 2011, the revenue earned by the Generating Company from the sale of infirm power shall be applied for reduction in capital cost. Accordingly, Company had reduced Rs 2.67 Crore from Capital Cost of Kashang Hydro Electric Project in 2016-17 and Rs. 8.32 Crore from Sainj Hydel Electric Project in 2017-18. Independent Auditors Report at observation No 13 (iii) stated that the company had not taken the infirm sale of power and free sale of power and auxiliary use of power while calculating the ratio of apportionment of the of the expenditure of corporate office and Sundernagar Design Wing of the commissioned projects. Thus the Independent Auditor's report is deficient to that extent.

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

Place: Shimla
Date: 17-09-2020

Sd/-
Principal Accountant General (Audit)
Himachal Pradesh, Shimla

Reply to the Comments of the Comptroller and Auditor General of India under Section 143(6)(b) read with Section 129(4) of the Companies Act 2013, on the Standalone Financial Statements of Himachal Pradesh Power Corporation limited, for the year ended 31 March 2018

	Comments of C&AG	Reply by HPPCL Management
1.	**Profit & Loss Account** **Finance Costs (Note No 2.31) Rs.96.23 Crores** In terms of Ind. AS 23 issued by "Institute of Chartered Accountant of India" on interest on borrowings during hindrance period of work (due to labour unrest, public hindrances etc.) shall be charged to Profit and Loss Account. In Shongtong Hydel Electric Project during 2017-18, there was 105 days of hindrance due to workers strike. Thus interest for the period amounting to Rs.10.41 Crore was to be accounted as "Finance Cost" under "Profit & Loss Account" but the same was not done and expenditure was capitalised. Thus "Finance cost" as well as "Loss" is understated by Rs. 10.41 Crore, further "Capital Work-in-Progress" is also overstated by same extent.	The amount of "Finance Cost" i.e. interest on borrowings of hindrance period caused by workers' strike in the F.Y. 2017-18, has been now calculated and necessary effect in Books of Accounts have been taken in the F.Y. 2018-19.
2.	**Balance Sheet** **Current Liabilities** **Other Financial Liabilities (Note No. 2.26) Rs. 1,62,1.91 Crore.** Above does not include amount of Rs 2.82 Crore on account of (Revised) excavation bill of Civil Works of Shongtong Karchham Hydel Electric Project. This has resulted in understatement of "Other Financial Liabilities" as well as "Capital-Work-in–Progress" to the extent of Rs. 2.82 Crore.	The said work although was completed on 24.03.2018, but the defined milestone was not achieved, hence the work as per Payment Schedule was not completed during this period. Breakup of above mentioned Payment Schedule was proposed and finally approved on 18.12.2018. Accordingly Supplementary Agreement No.-3 was executed. Thereafter, the effect of the same was taken in the financial year 2018-19.
	In terms of Government of Himachal Pradesh Notification dated 5th October 2011, 1.5% of the final cost of hydel projects of above 5MW capacity shall be contributed to Local Area Development Fund (LADF). Integrated Kashang Hydel Electric Project (IKHEP) was commissioned on 01.09.2016 and total cost of project was Rs.1007.04 Crore, as on 31.03.2018. But necessary provision for the LADF has been kept short by 38.42 Lacs.. Thus "Other Financial Liabilities" as well as "Property, Plant and Equipment" both are understated by Rs. 38.42 lakh.	In this context, it is submitted that earlier the total project cost of Stage-I, (65 MW) was capitalized by the amount of Rs. 1003.23 Crore, which also includes LADF, CAT Plan, and Wild Life Expenses. After deducting the above expenses the the project cost on which the LADF amount is to be paid works out to be Rs.973.72 Crore. The amount of LADF contribution on this amount comes to Rs. 14.61 Crores. Against which LADF amounting to Rs. 7.06 crores was deposited and balance amount of Rs. 7.55 crores kept in liabilities. Subsequently, during the FY 2017-18, some allied works were executed, as a result of which cost of

	C&AG Comments	Reply to comments of C&AG
		project got increased, accordingly the LADF contribution also increased by an amount of Rs. 38.42 Lacs. The LADF provision for this amount was omitted inadvertently during FY 2017-18. However, now the same has been taken into account in the F.Y. 2018-19.
3.	**Balance Sheet** **Other explanatory Notes to Accounts** On 30th June 2018, Shares worth Rs. 30.00 Crore were issued in favour of Governor of the State of Himachal Pradesh. After issue of these shares, the paid up share capital of company increased to Rs. 1875.56 Crore from Rs.1845.56 Crore. This material fact has not been disclosed in the Notes to Accounts.	The required disclosure has been given in the Directors' Report of this financial year i.e. F.Y. 2017-18.
4.	**Independent Auditor's Report** As per Himachal Pradesh Electricity Regularity Commission (terms and condition for determination of Hydro Generation Tariff) Regulation 2011, the revenue earned by the Generating Company from the sale of infirm power shall be applied for reduction in capital cost. Accordingly, Company had reduced Rs 2.67 Crore from Capital Cost of Kashang Hydro Electric Project in 2016-17 and Rs 8.32 Crore from Sainj Hydel Electric Project in 2017-18. Independent Auditors Report at observation No 13 (iii) stated that the company had not taken the infirm sale of power and free sale of power and auxiliary use of power while calculating the ratio of apportionment of the of the expenditure of corporate office and Sundernagar Design Wing of the commissioned projects. Thus the Independent Auditor's report is deficient to that extent.	Comments not required.

Face-II, Shongtong Karcham HEP (450 MW)

Face-III, Shongtong Karcham HEP (450 MW)

Face-IV Benching, Shongtong Karcham HEP (450 MW)

Face-V Kerb Concreting, Shongtong Karcham HEP (450 MW)

Consolidated Balance Sheet as at 31st March 2018

(Rs. in Lacs)

Particulars	Note No.	as at March 31,2018		as at March 31,2017	
ASSETS					
Non-Current Assets:					
Property, Plant and Equipment	**2.1**		**2,94,419**		**1,56,131**
Capital Work-in-Progress	**2.2**		**2,71,679**		**3,55,762**
Other Intangible Assets	**2.3**		**1**		**0**
Intangible assets under development	**2.4**		**0**		**0**
Financial Assets					
- Investments	2.5	0		0	
- Loans	2.6	148		146	
- Others	2.7	0		13,069	
			148		**13,216**
Deferred Tax Assets	**2.8**		**0**		**0**
Regulatory Deferral Account Debit Balance	**2.9**		**0**		**0**
Other Non Current Assets	2.10		34,444		29,297
Current Assets					
Inventories	2.11		34		31
Financial Assets					
- Trade Receivables	2.12	1,617		1,543	
- Cash and Cash Equivalents	2.13	32,517		36,518	
- Bank Balance other than above	2.14	2,818		5,699	
- Loans	2.15	12		3	
- Other Assets	2.16	3,489		3,132	
			40,453		**46,894**
Current Tax Assets	**2.17**		**0**		**0**
Other Current Assets	**2.18**		**278**		**4,133**
Inter Unit Transfer			0		(0)
Total Assets			**6,41,455**		**6,05,463**
EQUITY AND LIABILITIES					
Equity					
Equity Share Capital	2.19		1,84,556		1,87,090
Other Equity	2.20		(11,601)		(3,687)
Liabilities					
Non-Current Liabilities:					
Financial Liabilities					
- Borrowings	2.21	1,18,172		1,92,407	
- Other Financial Liabilities	2.22	1,42,869		1,20,900	
			2,61,041		**3,13,307**
Provisions	**2.23**		**5,008**		**4,258**
Other Non Current Liabilities	**2.24**		**69,542**		**69,530**
Current Liabilities:					
- Trade Payables	2.25	0		0	
- Other Financial Liabilities	2.26	1,32,900		54,956	
Other Current Liabilities			**1,32,900**		**54,956**
Provisions	**2.27**		**9**		**9**
Total Equity and Liability			**6,41,455**		**6,05,463**

Significant Accounting Policies **1**

The accompanying notes form an integral part of these financial statements.

For and on behalf of the Board of Directors

Sd/-
(B.L. Verma)
D.G.M. (Finance)

Sd/-
(Sudershan K. Sharma)
Company Secretary

Sd/-
(Manmohan Sharma)
Director (Finance)
DIN 08480582

Sd/-
(Devesh Kumar)
Managing Director
DIN 00329576

This is the Balance Sheet referred to our report of even date.

For Anil Karol and Company
Chartered Accountants FRN No. 4816N
Sd/-
(CA Walia Umesh)
Partner, Membership No. 098287

Place: Shimla
Date: 07-02-2020

Consolidated Statement of Profit and Loss for the year ended 31st March 2018

(Rs. in Lacs)

Particulars	Note No.	For the year ended on March 31, 2018	For the year ended on March 31, 2017
Income			
Revenue From Operations	2.28	8,336	1,471
Other Income	2.29	5,029	3,745
Total Income		**13,365**	**5,216**
Expenses			
Employee Benefit Expenses	2.30	1,385	1,261
Finance Cost	2.31	9,623	3,511
Depreciation And Amortization Expenses	2.32	8,095	2,138
Other Expenses	2.33	2,156	1,478
Total Expenses		**21,258**	**8,387**
Profit/Loss before net movement in regulatory deferral account balance		**(7,893)**	**(3,171)**
Net movement in regulatory deferral Account Balance		**(1)**	**(64)**
		(7,894)	**(3,235)**
Share of Net profit of Joint Ventures accounted for using the Equity Method			
Profit Before Tax			
Extra Ordinary Items			
Loss of Fixed/CWIP Assets			
Kashang HEP		(20)	(1)
Sawra Kuddu HEP		0	0
Profit/Loss Before Tax		**(7,913)**	**(3,236)**
Income Tax			
Current Tax		0	0
Deferred Tax		0	0
Profit/Loss for the year		**(7,913)**	**(3,236)**
Other Comprehensive Income			
Items that will not be reclassified subsequently to profit & loss account		0	0
Remeasurement of the net defined benefit liability/ assets			
Income tax on above item			
Total			
Total Comprehensive Income for the period		**(7,913)**	**(3,236)**
Earnings per Equity share			
(before net movement in regulatory deferral account Balance			
Basic and Diluted	2.34	(45)	(21)
Earnings per Equity share			
(after net movement in regulatory deferral account Balance			
Basic and Diluted	2.34	(45)	(21)

Significant Accounting Policies 1

The accompanying notes form an integral part of these financial statements.

For and on behalf of the Board of Directors

Sd/-	Sd/-	Sd/-	Sd/-
(B.L. Verma)	(Sudershan K. Sharma)	(Manmohan Sharma)	(Devesh Kumar)
D.G.M. (Finance)	Company Secretary	Director (Finance)	Managing Director
		DIN 08480582	**DIN 00329576**

This is the Statement of Profit and Loss referred to our report of even date

For Anil Karol and Company
Chartered Accountants, FRN No. 4816N
Sd/-
(CA Walia Umesh)
Partner,
Membership No. 098287

Place: Shimla
Date: 07-02-2020

Statement of Change in Equity

(Rs. in Lacs)

Particulars	Equity Share Capital	Other Equity		Total Other Equity	Total
		Reserve & Surplus	Other Comprehensive Income		
		Retained Earnings	Remeasurement of the Net Defined Benefit Assets/Liability (net of Tax)		
Changes in equity for the year ended on March 2018	0				
Opening Balance as on 1st April 2017	1,67,090	-3,687	0	-3,687	1,63,403
Equity Shares issued during the year	17,466			0	17,466
Other Comprehensive Income for the period		0		0	0
Profit/ Loss for the Period		-7,913		-7,913	-7,913
Dividend				0	0
Dividend Tax				0	0
Opening Adjustment in Retained Earnings		0		0	0
Closing Balance as at March 31,2018	**1,84,556**	**-11,601**	**0**	**-11,601**	**1,72,956**

For and on behalf of the Board of Directors

Sd/-	Sd/-	Sd/-	Sd/-
(B.L. Verma)	(Sudershan K. Sharma)	(Manmohan Sharma)	(Devesh Kumar)
D.G.M. (Finance)	Company Secretary	Director (Finance)	Managing Director
		DIN 08480582	**DIN 00329576**

This is the Statement of Change in Equity referred to our report of even date

For Anil Karol and Company
Chartered Accountants
FRN No. 4816N

Sd/-
(CA Walia Umesh)
Partner
Membership No. 098287

Place: Shimla
Date: 07-02-2020

Consolidated Cash Flow Statement for the year ended 31st March 2018

(Rs. in Lacs)

Particulars	For the year ended on March 31, 2018		For the year ended on March 31, 2017	
CASH FLOW FROM OPERATING ACTIVITIES				
Profit/ Loss Before Tax		(7,913)		(3,236)
Adjustment for				
Loss of Fixed/CWIP Assets	20		1	
Depreciation	8,095		2,138	
Interest Income on term deposits	(37)		(513)	
Provision for Investments	0		338	
Share of Loss in Joint Venture	1		64	
Finance/Interest Cost	9,623		3,511	
		17,702		5,539
Adjustment for Assets and Liabilities				
Inventories	(3)		(9)	
Trade Receivables and Unbilled Revenue	(74)		(1,543)	
Loans Other Financial assets and Other Assets	11,412		19,788	
Other Financial Liabilities and other Liabilities	(9,663)		6,138	
Provisions	750		932	
		2,422		25,306
Cash Generated from Operating activities		12,211		27,608
Less: Income Tax Paid		-		-
Net Cash generated from Operating activities		12,211		27,608
CASH FLOW FROM INVESTING ACTIVITIES				
Net Expenditure on Property Plant and equipment and CWIP and EDC	(54,358)		(53,501)	
Term Deposit with Banks (having maturity more than 3 months)	2,877		(1,773)	
Interest on term deposit/sweep deposits	3,184		2,071	
Investment in Subsidiaries and Joint Venture	0		(0)	
Depreciation on CWIP	-		-	
CWIP from Deficit Account	-		-	
Less: Loss of Fixed/CWIP assets from torrential rain & flood	(20)		(1)	
Net Cash used in Investing activities		(48,317)		(53,203)
CASH FLOW FROM FINANCING ACTIVITIES				
Share Capital	17,466		16,031	
Long Term Borrowings -Proceeds	14,639		22,060	
Long Term Borrowings -Repayment	-		(300)	
Finance Charges	-		(221)	
Net Cash used for Financing activity		32,105		37,570
Net Increase in Cash and Cash Equivalents		(4,000)		11,974
Opening Balance Cash and Equivalents		36,518		24,545
Closing Balance Cash and Equivalents		32,518		36,519
		32,518		36,519

Restricted Cash Balance		-		-
Margin Money for BG/ Letter of Credit and Pledged Deposits		2,326		2,330
		2,326		**2,330**

For and on behalf of the Board of Directors

Sd/-	Sd/-	Sd/-	Sd/-
(B.L. Verma)	(Sudershan K. Sharma)	(Manmohan Sharma)	(Devesh Kumar)
D.G.M. (Finance)	Company Secretary	Director (Finance)	Managing Director
		DIN 08480582	**DIN 00329576**

This is the Cash Flow Statement referred to our report of even date

For Anil Karol and Company
Chartered Accountants
FRN No. 4816N

Sd/-
(CA Walia Umesh)
Partner
Membership No. 098287

Place: Shimla
Date: 07-02-2020

HIMACHAL PRADESH POWER CORPORATION LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2018

1. GROUP INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES:

A. REPORTING ENTITY

Himachal Pradesh Power Corporation Ltd. (the "Group") is a Group domiciled in India and limited by shares (CIN: U40101HP2006SGC030591). The address of the Group's Registered Office is Himfed Building, BCS, New Shimla (H.P.)-171009, India. Electricity generation is the principal business activity of the "Group". HPPCL together with its joint venture is hereinafter referred to as the "Group".

B. SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

The preparation of the financial statements requires management to make 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. Actual results could vary from these estimates. The estimates and management's judgements are based on previous experience and other factors considered reasonable and prudent in the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future years.

1.2 BASIS OF MEASUREMENT

The financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities (including derivative instruments) that are measured at fair value (refer accounting policy regarding financial instruments). The methods used to measure fair values are discussed further in notes to financial statements.

1.3 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Indian Rupees (INR), which is the Group's functional currency. All financial information presented in INR has been rounded to the nearest Lacs.

1.4 CURRENT AND NON-CURRENT CLASSIFICATION

The Group presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized 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.

1.5 PROPERTY, PLANT AND EQUIPMENT (PPE)

a) An item of PPE is recognized as an asset if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

b) PPE are initially measured at cost of acquisition/construction including decommissioning or restoration cost wherever required. The cost includes expenditure that is directly attributable to the acquisition/construction of the asset. Where final settlement of bills with contractors is pending/under dispute, capitalization is done on estimated/provisional basis subject to necessary adjustment in the year of final settlement.

c) After initial recognition, Property, Plant & Equipment is carried at cost less accumulated depreciation/ amortisation and accumulated impairment losses, if any.

d) Deposits, Payments/ liabilities made provisionally towards compensation, rehabilitation and other expenses relatable to land in possession are treated as cost of land.

e) Asset created on land not belonging to the Group, where the Group is having control over the use and access of such asset are included under Property, Plant and Equipment.

f) Items of spare parts, stand-by equipment and servicing equipment which meet the definition of property, plant and equipment are capitalized. 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 to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised when no future economic benefits are expected from its use or upon disposal. The costs of the day-to-day servicing of property, plant and equipment are recognised in statement of profit and loss as and when incurred. Other spares are treated as "Stores & Spares" forming part of the inventory and expensed when used/ consumed.

g) Subsequent expenditure is recognized 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 Group and the cost of the item can be measured reliably.

h) Property, plant and equipment is derecognized when no future economic benefits are expected from its use or upon its disposal. Gains and losses on disposal of an item of property; plant and equipment is recognized in the statement of profit and loss.

1.6 CAPITAL WORK-IN-PROGRESS

a) Expenditure incurred on assets under construction (including a project) is carried at cost under Capital Work-in-progress (CWIP). Such cost comprises of purchase price of asset including other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the intended manner.

b) Cost directly attributable to projects under construction include costs of employee benefits, expenditure in relation to survey and investigation activities of the projects, depreciation on assets used in construction of projects, interest during construction and other costs if attributable to construction of projects. Such costs are accumulated under "Expenditure Attributable to Construction (EAC)" and subsequently allocated on systematic basis over major immovable assets, other than land and infrastructure facilities on commissioning of projects.

c) Capital Expenditure incurred for creation of facilities, over which the Group does not have control but the creation of which is essential for construction of the project is carried under "Capital Work-in-progress" and subsequently allocated on systematic basis over major immovable assets, other than land and infrastructure facilities on commissioning of projects. Expenditure of such nature incurred after completion of the project, is charged to Statement of Profit and Loss.

d) Expenditure on Survey and Investigation of the project is carried as Capital Work-in-progress and capitalized as cost of project on completion of construction of the project or the same is expensed in the year in which it is decided to abandon such project.

e) Expenditure against "Deposit Works" is accounted for on the basis of statement of account received from the concerned agency and acceptance by the group. However, provision is made wherever considered necessary.

f) Claims for price variation/ exchange rate variation in case of contracts are accounted for on acceptance.

g) The Expenditure of Corporate office and Sunder Nagar Design Office is allocated to different accounting units on systematic basis.

1.7 INVESTMENT PROPERTY

a) Land or a building or part of building or both held by group to earn rentals or for capital appreciation or both is classified as Investment property other than for:

i) Use in the production or supply of goods or services or for administrative purpose; or

ii) Sale in the ordinary course of business.

b) Investment property is recognised as an asset when and only when:

i) It is probable that the future economic benefits that are associated with the investment property will flow to the entity; and

ii) The cost of the investment property can be measured reliably.

c) Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation and accumulated impairment loss, if any.

d) Investment properties are derecognised either when they have been disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of profit and loss in the period of de-recognition.

e) Transfers to or from investment property is made when and only when there is a change in use.

1.8 INTANGIBLE ASSETS

a) Intangible assets are identifiable non-monetary asset without physical substance. Intangible assets are recognised if:

i) It is probable that the expected future economic benefit that are attributable to the asset will flow to the entity; and

ii) The cost of the asset can be measured reliably

b) Intangible assets acquired separately are measured on initial recognition at cost. After initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

c) Software (not being an integral part of the related hardware)acquired for internal use, is stated at cost of acquisition less accumulated amortisation and impairment losses, if any.

e) An item of Intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is derecognised.

1.9 REGULATORY DEFERRAL ACCOUNTS

a) Expenses / income recognized in the Statement of Profit & Loss to the extent recoverable from or payable to the beneficiaries in subsequent periods as per HPERC Tariff Regulations are recognized as 'Regulatory deferral account balances' as per Ind AS-114.

b) Regulatory deferral account balances are adjusted from the year in which the same become recoverable from or payable to the beneficiaries.

1.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

a) The carrying amounts of the Group's non-financial assets primarily include property, plant and equipment, which 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. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU's) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of the Group. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The resulting impairment loss is recognised in the Statement of Profit and Loss.

b) 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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

c) Impairment losses recognized in earlier period are assessed at each reporting date for any indication that 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 recognized.

1.11 INVENTORIES

a) Inventories mainly comprise stores and spare parts to be used for maintenance of Property, Plant and Equipment.

b) Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average basis.

c) Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

d) The diminution in the value of obsolete, unserviceable and surplus stores & spares is ascertained on review and provided for. Scrap is accounted for as and when sold.

1.12 FOREIGN CURRENCY TRANSACTIONS

a) Functional and Presentation Currency:

Financial statements have been presented in Indian Rupees (₹), which is the Group's functional and presentation currency.

b) Transactions and Balances:

Transactions in foreign currency are initially recorded at exchange rate prevailing on the date of transaction. At each Balance Sheet date, monetary items denominated in foreign currency are translated at the exchange rates prevailing on that date. Non-monetary items denominated in foreign currency are reported at the exchange rate prevailing at the date of transaction.

1.13 FINANCIAL INSTRUMENTS – INITIAL RECOGNITION, SUBSEQUENT MEASUREMENT AND IMPAIRMENT

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.

A) Financial Assets

A financial asset includes inter-alia any asset that is cash, equity instrument of another entity or contractual obligation to receive cash or another financial assets or to exchange financial asset or financial liability under condition that are potentially favourable to the Group. A financial asset is recognized when and only when the Group becomes party to the contractual provisions of the instrument. Financial assets of the Group comprise cash and cash equivalents, Bank Balances, Advances to employees/ contractors, security deposit, claims recoverable etc.

Measurement:

The Group measures the trade receivables at their transaction price if the trade receivables do not contain a significant financing component. A receivable is classified as a 'trade receivable' if it is in respect to the amount due from customers on account of goods sold or services rendered in the ordinary course of business.

De-recognition:

Financial asset is derecognised when all the cash flows associated with the financial asset has been realised or such rights have expired.

B) Financial Liabilities:

Financial liabilities of the Group are contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group. The Group's financial liabilities include loans & borrowings, trade and other payables etc.

Measurement:

a) Financial liabilities are measured at amortised cost using the EIR method. Gains and losses are recognised in Statement of Profit and Loss or in the "Expenditure Attributable to Construction" if another standard permits inclusion of such cost in the carrying amount of an asset, when the liabilities are derecognised as well as through the EIR amortisation process.

b) Amortised cost is calculated by taking into account any discount tor premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Profit and Loss.

De-recognition:

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

1.14 INVESTMENT IN JOINT VENTURES AND ASSOCIATES

a) A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

b) An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control over those policies.

c) The investment in joint ventures and associates are carried at cost. The cost comprises price paid to acquire investment and directly attributable cost.

1.15 LEASES

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. Appendix C, Ind AS 17 deals with the identification of contracts that do not take the legal form of a lease but conveys right to customers/ suppliers to use an asset in return for a payment or series of payment.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. An operating lease is a lease other than a finance lease.

Power Purchase Agreements (PPAs) in the nature of embedded lease with a single beneficiary where the minimum lease term is for the major part of the plant's economic life and the minimum lease payments amount to substantially all the fair value of the plant are considered as a Finance Lease. Other embedded leases are considered as Operating Lease.

Operating Lease:

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. In the case of operating leases or embedded operating leases, the lease income from the operating lease is recognised in revenue on the basis of generation from such Plant. The respective leased assets are included in the balance sheet based on their nature.

1.16 GOVERNMENT GRANTS

a) Government grants with a condition to purchase, construct or otherwise acquire long-term assets are initially measured based on grant receivable under the scheme. Such grants are recognised in the Statement of Profit and Loss on a systematic basis over the useful life of the asset. Amount of benefits receivable in excess of grant income accrued based on usage of the assets is accounted as Government grant received in advance. Changes in estimates are recognised prospectively over the remaining life of the assets.

b) Government revenue grants relating to costs are deferred and recognised in the Statement of Profit and Loss over the period necessary to match them with the costs that they are intended to compensate.

1.17 BORROWING COSTS

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs. Borrowing costs directly attributable to the acquisition, construction/erectionor production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying assets for their intended uses are complete. All other borrowing costs are expensed in the period in which they occur.

1.18 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

a) A provision is recognised when:

  i) the Group has present legal or constructive obligation as result of past event;

  ii) it is probable that an outflow of economic benefits will be required to settle the obligation; and

  iii) a reliable estimate can be made of the amount of the obligation.

  b) If the effect of the time value of money is material, provision is 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 recognized as finance cost.

  c) The amount recognised as provision is the best estimate of consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

  d) When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

  e) 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 Group. 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. These are reviewed at each balance sheet date and are adjusted to reflect the current management estimate.

  f) Contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are disclosed in the financial statements when inflow of economic benefits is probable on the basis of judgement of management. These are reviewed at each balance sheet date and are adjusted to reflect the current management estimate.

1.19 REVENUE RECOGNITION AND OTHER INCOME

Revenue from sale of energy is accounted for at rates as per the PPA signed between HPPC Ltd. and HPSEB Ltd./Tata Power Trading Company Ltd. (TPTCL)/ Power Trading Corporation India Ltd.

1.20 EMPLOYEE BENEFITS

Employee benefits consist of wages, salaries, benefits in kind, provident fund, pension, gratuity, post-retirement medical facilities, leave benefits and other terminal benefits etc.

a) Short-term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed in the period in which the service is provided.

b) Terminal Benefits

Expenses incurred on terminal benefits in the form of ex-gratia payments and notice pay on voluntary retirement schemes, if any, are charged to the profit and loss in the year of incurrence of such expenses.

1.21 DEPRECIATION AND AMORTIZATION

I) Depreciation on Property, Plant & Equipment of Operating Units of the Group is charged to the Statement of Profit & Losson straight-line method following the rates and methodology as notified by HPERC for the fixation of tariff in accordance with Schedule-II of the Companies Act 2013, except for the assets specified below:

a) Depreciation is charged on Straight Line method following the rate & methodology notified by the H.P State Electricity Regulatory Commission (HPERC) for the purpose of fixation of tariff as amended from time to time, **except in case of**:

b) Mobile Phones are depreciated fully @ 25% P.A. in 4 years.

c) Kitchen items and small office items are depreciated over the period of 3 years, keeping10% residual value.

d) Assets costing Rs. 5000/- or less are depreciated fully in the year of procurement.

e) Expenditure on software is recognised as "Intangible Asset" and amortised fully over three years on SLM or over a period of its legal rights to use, whichever is less.

f) Infrastructural development construction power depreciated @5.28% SLM under the head any other assets not covered in the HPERC Schedule.

g) Depreciation is provided on pro-rata basis from the month in which the asset becomes obsolete is provided till the end of the month in which such declaration is made.

ii) Expenditure on catchment area treatment (CAT) Plan during construction is capitalised along with Dam/Civil works. Such expenditure during O & M stage is charged to revenue in the year of incurrence of such expenditure

iii) Where the cost of depreciable assets has undergone a change during the year due to increase/decrease in long term liabilities on account of exchange fluctuation, change in duties or similar factors, the revised un-amortised balance of such assets is depreciated prospectively over the residual life.

iv) Depreciation on increase/decrease in the value of existing assets on account of settlement of disputes is charged retrospectively.

v) Depreciation on assets till start of commercial production has been shown under 'Incidental Expenditure during construction" under capital work in progress.

vi) Depreciation on addition/deduction from fixed assets during the year is charged on pro-rata basis from/up to the date, when the asset is available for use/disposal.

vii) Leasehold land is amortized pro-rata through depreciation over the period of lease or 40 years, whichever is lower.

viii) Depreciation on assets till start of commercial production has been shown under 'Incidental Expenditure during construction" under capital work in progress.

ix) Depreciation on addition/deduction from fixed assets during the year is charged on pro-rata basis from/up to the date, when the asset is available for use/disposal.

x) Leasehold land is amortized pro-rata through depreciation over the period of lease or 40 years, whichever is lower.

xi) Tangible Assets created on lease hold land are depreciated to the extent of 90% of original cost over the balance available lease period of respective land from the date such asset is available for use or at the applicable depreciation rates & methodology notified by HPERC tariff regulations for such assets, whichever is higher.

xii) Where the cost of depreciable assets has under gone a change during the year due to increase/decrease in long term liabilities on account of exchange fluctuation, price adjustment, settlement of arbitration/court cases, change in duties or similar factors, the unamortized balance of such assets is depreciated prospectively over the residual life of such asset determined following the applicable accounting policies relating to depreciation/ amortization.

xiii) Where the life and / or efficiency of an asset is increased due to renovation and modernization, the expenditure thereon along with its unamortized depreciable amount is charged prospectively over the revised / remaining useful life determined by technical assessment.

xiv) Spare parts procured along with the Plant & Machinery or subsequently which are capitalized and added in the carrying amount of such item are depreciated over the residual useful life of the related plant and machinery at the rates and methodology notified by the HPERC.

1.22 INCOME TAXES

Income tax expense comprises current tax and deferred tax.

Current Tax is recognised in the Statement of Profit and Loss, except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case the tax is also recognised directly in equity or in other comprehensive income.

a) Current Income Tax

Current tax is expected tax payable on taxable profit for the year, using tax rates enacted or substantively enacted at the balance sheet date and any adjustments to tax payable in respect of previous years.

b) Deferred Tax

Deferred tax is recognised using the balance sheet method, providing for temporary differences 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 the statement of profit and 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.

1.23 EARNINGS PER SHARE

Basic earning equity share is computed by dividing the net profit or loss attributable to equity shareholders of the Group by the weighted average number of equity shares outstanding during the financial year.

1.24 STATEMENT OF CASH FLOWS

a) Cash and cash equivalents includes cash/drafts/cheques on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

b) Statement of cash flows is prepared in accordance with the indirect method (whereby profit or loss is adjusted for effects of non-cash transactions) prescribed in Ind AS-7 "Statement of Cash Flows".

1.25 MATERIAL PRIOR PERIOD ERRORS

Material prior period errors are corrected retrospectively by restating the comparative amounts for the prior periods presented in which error occurred. If the error occurred before the earliest period presented, opening balances of assets, liabilities and equity for the earliest period presented, are restated.

2 NOTES ON ACCOUNTS

The amounts in Financial Statements are presented in Indian Rupees and all figures have been rounded off to the nearest rupees lakh except when otherwise stated. The previous year figures have also been reclassified/ regrouped/ rearranged wherever necessary to conform to this year's classification

(Rs. in Lacs)

Particulars	Sub Note	Amount as at March 31,2018	Amount as at March 31,2017
2.1 Property Plant and Equipment	2.1.1	2,94,419	1,56,131
2.2 Capital Work In progress	2.2.1	2,71,679	3,55,762
2.3 Intangible Assets	2.3.1	1	0
TOTAL		**5,66,099**	**5,11,893**
2.4 Intangible assets under development		-	-
TOTAL			

2.5 FINANCIAL ASSETS - INVESTMENTS

Note 2.5.1

Investment Accounted for Using Equity Method

Non Trade- Unquoted (at Cost)

a) Interest in Joint Ventures Companies

The entities listed below have share capital consisting solely of equity shares, which are held directly by the group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held

(Rs. in Lacs)

	Place of Business	Accounting Method	Amount as at March 31, 2018	Amount as at March 31, 2017
			Ownership Interest	
Himachal EMTA Power Limited	India	Equity Method	50%	50%
			Carrying Amount	
Himachal EMTA Power Limited			57	57
			57	**57**
Less Provision for doubtful investments			338	338
Reclassification of Carrying amount adjusted in retained earnings			(281)	(281)
TOTAL			**(0)**	**(0)**

The company has made an investment of Rs. 337.50 Lacs in the equity of Himachal EMTA Power Ltd. (HEPL), which has been established as company's joint venture with EMTA for setting up (2*250 MW) thermal power plant at Raniganj, West Bengal. The company has 50% equity participation in HEPL. The objective of joint venture is investment in coal block for ensuring the uninterrupted fuel supply thereto. However Hon'ble "Supreme Court of India" has cancelled all allotments of coal blocks and termed all captive coal block allocations since 1993, as illegal. The Joint Venture company of Himachal EMTA has filed claim to the Ministry of Coal for expenditure incurred on the project and has not received the claim from the Ministry of Coals as yet. Provision for doubtful investments has been made in books till final share from the Himachal EMTA is recived by the company.

Note 2.5.2

Share of Profit of Joint ventures accounted for Using Equity Method

(Rs. in Lacs)

Particulars	Amount as at March 31, 2018	Amount as at March 31, 2017
Himachal EMTA Power Limited	(1)	(64)
TOTAL	**(1)**	**(64)**

Explanatory Note

SUMMARISED FINANCIAL INFORMATION FOR JOINT VENTURES

The tables below provide summarised financial information for joint ventures of the group. The information disclosed reflects the amounts presented in the financial statements of the joint ventures. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments made at the time of acquisition and modifications for differences in accounting policies.

Summarised Balance Sheet

(Rs. in Lacs)

Particulars	Amount as at March 31, 2018	Amount as at March 31, 2017
ASSETS		
Non Current Assets	252	257
Current Assets	2	2
Total Assets	**254**	**259**
LIABILITIES		
Non Current Liabilities	144	144
Current Liabilities	1	1
Total Liabilities	**145**	**145**
Net Assets	**109**	**114**

Note 2.5.3

Reconciliation of Carrying Amount

(Rs. in Lacs)

Particulars	Amount as at March 31, 2018	Amount as at March 31, 2017
Opening Net Assets	114	246
Profit / Loss during the year	(1)	(127)
Other Comprehensive Income	-	-
Reclassification Adjustment	-	(5)
	113	**114**
Group Share in Percentage	50%	50%
Group Share in Rupees	**57**	**57**

Summarised Statement of Profit and Loss Account

(Rs. in Lacs)

Particulars	Amount as at March 31, 2018	Amount as at March 31, 2017
Other Income	1	1
Other Expenses	1	127
Depriciation and Amortisation	1	2
Income Tax	-	-
Net Loss	(1)	(128)
Group Share in Rupees	(1)	(64)

2.6 FINANCIAL ASSETS - LOANS

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Security Deposits		
- Secured Considered Good	-	-
- Unsecured Considered Good	148	146
- Doubtful	-	-
TOTAL	**148**	**146**

2.7 FINANCIAL ASSETS - OTHERS

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Fixed Deposits with Banks having Maturity for more than 12 months	-	13,069
TOTAL	**-**	**13,069**
2.8 Defered Tax Assests	-	-
TOTAL	**-**	**-**
2.9 Regulatory Deferral Account Debit Balance	-	-
TOTAL	**-**	**-**

2.10 OTHER NON CURRENT ASSETS

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Capital Advances:		
Secured by Hypothecation of Equipment and / Material	-	-
Unsecured Considered Good	-	-
Covered by Bank Guarantee	5,682	6,684
Others	4,499	3,806
Loans and advances to Related Parties		
Loans and Advances to Joint Ventures		
Secured Considered Good	-	-
Unsecured Considered Good	61	61
Less Provision for doubtful advance	(61)	(61)
Advances to Others		
Others - Secured Considered Good	5	5
Others - Unsecured Considered Good	1,272	1,757
Deposit with Judicial Authorities	-	-
Capital Stores At Cost (as certified by the management)		
Steel	0	11
Cement	-	-
Others (Capital Stores)	0	1
Material at site	-	-
Other items	2	5
Recoverable Contractors	13,620	8,556

Others Recoverable	231	233
Less Provision for doubtful recoverable	(63)	(23)
Recoverable from Staff	1	1
Deposits With Income Tax Authorities	8,673	7,774
Grant Receivable Non Current	522	488
TOTAL	**34,444**	**29,297**

2.11 INVENTORIES

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Loose Tools	0	0
Stores and Spares	34	31
Less Provision for Shortage and Obsolescence	-	-
TOTAL	**34**	**31**

2.12 FINANCIAL ASSETS - TRADE RECEIVABLES

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Secured considered good		
Unsecured considered good		
Power	1,593	1,543
Lab Charges	24	-
Doubtful	-	-
TOTAL	**1,617**	**1,543**

Related Party Nil (PY Nil)

2.13 FINANCIAL ASSETS - CASH AND CASH EQUIVALENTS

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Cash and Bank Balances		
Cash in hand (including Imprest)	1	0
Stamps in hand	0	0
Balances with Banks		
(i) Current Deposits	24,125	36,313
(ii) Term Deposits with maturity period up to 3 months	8,391	204
Cheques and Drafts in hand	0	0
TOTAL	**32,517**	**36,518**

2.14 FINANCIAL ASSETS - BANK BALANCE OTHER THAN ABOVE

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Other Bank Balances		
Margin Money for Pledged Deposits	1,201	1,205
Margin Money for BG/ Letter of Credit	1,125	1,125

Other Term Deposits having maturity period for more than 3 months	492	3,369
TOTAL	**2,818**	**5,699**

2.15 FINANCIAL ASSETS - LOANS

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Loans and Advances to Related Parties		
Loans and Advances to Directors		
Secured Considered Good	-	-
Unsecured Considered Good	-	-
Advances to Employees (Unsecured Considered Good)	11	2
Recoverable from Staff	1	1
TOTAL	**12**	**3**

2.16 FINANCIAL ASSETS - OTHER ASSETS

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Interest Accrued but not due on Deposits with Banks	177	400
Amount Recoverable from Contractors	3,085	1,221
Income Tax Refund	-	1,067
Recoverable from Staff	-	-
Interest Recoverable	227	444
Other Current Assets	0	0
TOTAL	**3,489**	**3,132**

2.17 CURRENT TAX ASSETS	-	-
TOTAL	**-**	**-**

2.18 OTHER CURRENT ASSETS

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Advances to Contractors & Suppliers		
Secured Considered Good	-	-
Unsecured Considered Good	187	3,632
Considered Doubtful	-	-
Less Provision for Doubtful Advances	-	-
Advances Others		
Secured Considered Good	-	-
Unsecured Considered Good	41	-
TDS Recoverable	-	85
Prepaid Expenses	50	415
Grant Receivable	-	-
TOTAL	**278**	**4,133**

2.19 EQUITY SHARE CAPITAL

Particulars	as at March 31,2018		as at March 31,2017	
	No. of Shares	Amount (Rs. in Lacs)	No. of Shares	Amount (Rs. in Lacs)
AUTHORISED Equity Shares of par Value of Rs 1,000/- each	2,00,00,000	2,00,000	2,00,00,000	2,00,000
ISSUED, SUBSCRIBED AND FULLY PAID UP Equity Shares of par Value of Rs 1,000/- each fully paid up	1,84,55,633	1,84,556	1,67,09,008	1,67,090
TOTAL		**1,84,556**		**1,67,090**

2.19.1 DETAIL OF SHAREHOLDING HOLDING MORE THAN 5% SHARES IN THE COMPANY

Particulars	as at March 31,2018		as at March 31,2017	
	No. of Shares	%age	No. of Shares	%age
Government of Himachal Pradesh	52,76,345	29	3,529,750	21
Himachal Pradesh Infrastructure Development Board	1,18,71,507	64	11,871,477	71
Himachal Pradesh Electricity Board Limited (13,07,731 Equity Shares Issued in kind)	13,07,731	7	1,307,731	8
TOTAL	**1,84,55,583**	**100.00**	**16,708,958**	**100.00**

2.19.2 RECONCILIATION OF SHARES OUTSTANDING IS SET OUT BELOW:

Particulars	as at March 31,2018		as at March 31,2017	
	No. of Shares	Amount (Rs. in Lacs)	No. of Shares	Amount (Rs. in Lacs)
No of shares at the beginning	1,67,09,008	1,67,090.08	1,51,05,958	1,51,060
No of shares issued during the year	17,46,625	17,466.25	16,03,050	16,031
No of shares at the end	1,84,55,633	1,84,556.33	1,67,09,008	1,67,090

2.20 OTHER EQUITY

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Retained Earnings		
Opening Balance	(3,687)	(515)
Less Previous years adjustment	-	-
Add: Profit/Loss for the year as per Statement of Profit and Loss	(7,913)	(3,172)
Closing Balance	**(11,600)**	**(3,687)**

2.21 LONG TERM BORROWINGS

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Long Term Loans **From Other Parties** **Secured** *(hypothecation against assets of HEP)*		
Power Finance Corporation for Sawara Kuddu HEP *(Rate of Interest 12.75% payable in Quarterly instalments from Jul 2018 to Oct 2044)*	1,471	1,471

Power Finance Corporation for Kashang HEP *(Rate of Interest 9.75% payable in Quarterly instalments up to October 2017)*	0	0
	1,471	**1,471**
Unsecured		
Government of Himachal Pradesh Loan for Shongtong HEP *(Rate of Interest 3.83% pa payable in half yearly Instalments from Jul 2018 to Jan 2028)*	7,215	5,622
Government of Himachal Pradesh Loan for Shongtong HEP *(Rate of Interest 0.75 % pa payable in half yearly Instalments from Jul 2023 to Jan 2053)*	4,838	2,311
Government of Himachal Pradesh Loan (Trench I) *(Rate of Interest 10 % payable in yearly instalments of principal with interest from Apr 2018 to Jan 2023)*	3,890	45,507
Government of Himachal Pradesh Loan (Trench II) *(Rate of Interest 10 % payable in yearly instalments of principal and interest from Apr 2018 up to Jan 2025)*	41,073	45,458
Government of Himachal Pradesh Loan (Trench III) *(Rate of Interest 10 % payable in yearly instalments of principal and interest from Apr 2018 up to Jan 2026)*	32,316	55,540
Government of Himachal Pradesh Loan (Trench IV) *(Rate of Interest 10 % payable in yearly instalments of principal and interest from 15 Jan 2018 up to Jan 2027)*	27,370	36,498
	1,16,701	**1,90,936**
TOTAL	**1,18,172**	**1,92,407**

The Group has been regular in repayment of the loans or interest thereon during the year.

The Government of HP has allowed deferment of loan and interest till FY 2018-19, which has been approved by the GoHP on 09/01/2018.

2.22 OTHER FINANCIAL LIABILITIES

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Deferred Repayment of Interest of Govt. of Himachal Pradesh Loan	98,952	75,261
Deferred Repayment of Principal of Govt. of Himachal Pradesh Loan	41,135	41,135
Deposits Retention Money from contractors and others	2,793	4,521
Less Investment held as Security	(11)	(17)
TOTAL	**1,42,869**	**1,20,900**

The Government of HP has allowed deferment of loan and interest till FY 2018-19, which has been approved by the GoHP on 09/01/2018.

2.23 PROVISIONS NON CURRENT

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Unfunded Employees Benefit		
Provision for Pension Contribution	1,630	1,363
Provision for Gratuity	801	645
Provision for Leave Encashment	2,577	2,250
TOTAL	**5,008**	**4,258**

(Rs. in Lacs)

	As at 1/04/2017	For The Year			As At 31/03/2018
		Additions	Write Back	Utilization	
Unfunded Employees Benefit					
Pension Contribution	1,363	267	-	0	1,630
Gratuity Provision	645	686	527	2	801
Leave Encashment	2,250	1,089	665	98	2,577
Others	-	-	-	-	-
TOTAL	**4,258**	**2,042**	**1,192**	**100**	**5,008**

2.24 OTHER NON CURRENT LIABILITIES

Capital Grant Government of India

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
A) Utilised Grant		
Renuka		
Opening Balance	68,680	68,680
Addition during the year	-	-
Less Accumulated Depreciation on Fixed Assets	(153)	(131)
Closing Balance	68,527	68,549
Gyspa		
Opening Balance	988	942
Addition during the year	35	46
Less Accumulated Depreciation on Fixed Assets	(7)	(6)
Closing Balance	1,015	981
Total Utilised Grants	**69,542**	**69,530**

The Renukaji Dam Hydro Electric project and Gyspa Dam project is being implemented by HPPCL as a National project & is fully funded by the Government of India & Governments of beneficiary states. The contributions received for Renukaji Dam project from the Delhi Jal Board & the Haryana Government aggregating Rs. 23,983.80 Lacs & for Gyspa Dam project from CWC Rs. 500.00 Lacs have been treated as Capital Reserve (Net of depreciation) in compliance with AS-12.

2.25 TRADE PAYABLES

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Trade Payables	-	-
TOTAL	**-**	**-**

2.26 OTHER CURRENT LIABILITIES

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Liabilities for Employee's remuneration and benefits	116	110
Liabilities for Contractors & Suppliers	4,141	3,683
Liabilities for Government Departments	847	277
Interest accrued and due on Unsecured Loans	-	-

Interest accrued and due on Secured Loans	36	41
Current portion of Power Finance Corporation Loan payable	-	150
Current portion of Govt of Himachal Pradesh Loan	93,026	4,152
Provision for Expenses	31,625	35,490
Deposits Retention Money from Contractors and Others	1,971	6,113
Advance for Deposit Work	14	13
Taxes and Duties payable	122	174
Bank Overdrawn due to Bank Reconciliation	-	-
Share Application Money Pending Allotment	1,000	4,753
TOTAL	**1,32,899**	**54,956**

2.27 PROVISIONS CURRENT

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
A) Unfunded Employee Benefits		
Gratuity Payable	9	4
Leave Encashment Payable	-	5
Pension Payable	-	-
Others	-	-
TOTAL	**9**	**9**

(Rs. in Lacs)

	As at 1/04/2017	For The Year			As At 31/03/2018
		Additions	Write Back	Utilization	
Unfunded Employees Benefit					
Pension Contribution	-	-	-	-	-
Gratuity Provision	4	18.81	-	73	4
Leave Encashment	5	54.06	-	-	5
Others	-	-	-	-	-
TOTAL	**9**	**72.87**	**-**	**73**	**9**

Inter Unit Transfers		
IUT	0	(0)
TOTAL	**0**	**(0)**

2.28 REVENUE FROM OPERATIONS

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Sale of Energy	8,315	1,437
Sale of Services		
Rent of Land	-	-
Rent from Property	21	34
TOTAL	**8,336**	**1,471**

2.25 MISCELLANEOUS INCOME

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Interest on Bank Deposits/FDR's	37	513
Interest from Banks	2	14
Income from Providing Design Works/Lab Receipts	3	2
Adjustment of Depreciation on Capital Grants	-	-
Late Payment Surcharge	30	73
Prior Period Income	502	-
Other	4,455	3,143
TOTAL	**5,029**	**3,745**

2.30 EMPLOYEE BENEFITS EXPENSES

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Salaries, Wages, Allowances and Benefits	1,231	1,033
Contribution to Provident and Other Funds	52	11
Leave Salary and Pension Contribution	85	203
Welfare Expenses	16	14
TOTAL	**1,385**	**1,261**

2.31 FINANCE COST

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Interest on Term Loans	9,623	3,510
Bank Charges/LC Charges	-	1
TOTAL	**9,623**	**3,511**

2.32 DEPRECIATION EXPENSES

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Depreciation for the year	8,095	2,138
TOTAL	**8,095**	**2,138**

2.33 OFFICE AND ADMINISTRATIVE EXPENDITURE

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Repairs and Maintenance Vehicle	1	2
Repairs and Maintenance Office Furniture & Equipment's	1	4
Repairs and Maintenance Plant and Machinery	128	19
Repairs and Maintenance Buildings	144	13
Repairs and Maintenance Others	15	-
Free Power	28	187

Energy Charges	-	12
Office Expenses	1	1
Hospitality and Entertainment Expenses	2	2
Meeting Expenses	1	2
Misc. Expenses	348	49
Provision for Doubtful Investments	-	398
Provision for Doubtful Advances	49	23
Communication Expenses	10	22
Rent, Rates and Taxes	25	49
Consultancy Fees	1	7
Annual Technical Support-SAP	491	313
Vehicle Running Charges & Insurance Charges	1	4
Training Expenses	1	3
Fees & Subscription	6	1
Electricity & Water Expenses	98	21
Printing & Stationery	8	7
Books, Periodicals & Newspapers	2	2
Freight & Labour Charges	-	2
Raising Day Expenses	10	8
Legal & Professional Charges	119	51
Postage & Telegram Expenses	-	-
Publicity & Advertisement Expenditure	3	5
Expenditure on Transit Camps/Guest House	-	1
Business Promotion Expenses	-	-
Insurance-Other Assets	29	-
Statutory Audit Fees (Including Out of pocket Expenses)	9	12
Travelling and Conveyance	5	6
Hiring of Vehicles	97	64
Bank Guarantee Encashed	-	21
Expenses in relation to Sale of Power	173	-
Prior Period Expenses	348	167
TOTAL	**2,156**	**1,478**

2.34 EARNING PER SHARE BASIC AND DILUTED

(Rs. in Lacs)

Particulars	Amount as at March 31,2018	Amount as at March 31,2017
Net Profit after Tax	(7,913)	(3,236)
Weighted Average Number of Shares	1,75,82,271	1,51,07,433
Face Value of Share	1,000	1,000
EPS	(45)	(21)

Sub Note No. 2.1.1

SCHEDULE OF PROPERTY PLANT AND EQUIPMENT

(Rs. in Lacs)

Particulars	GROSS BLOCK				DEPRECIATION						NET BLOCK	
	As at 01.04.2017	Addition during the year	Deduction/ Adjustments	As at 31.03.2018	As at 01.04.2017	Addition during the year	Deduction/ Adjustment	Previous Year		As at 31.03.2018	As at 31.03.2018	As at 31.03.2017
								Deletion	Addition			
Land - Lease Hold	28	0	0	28	4	0	0	0	0	4	24	24
Land - Free Hold	55,536	33,789	12,451	76,873	0	1	0	0	0	1	76,873	55,536
Residential Buildings	2,382	75	0	2,457	56	106	0	0	0	162	2,294	2,326
Non-Residential Buildings	1,351	172	6	1,528	51	49	0	0	0	100	1,428	1,300
Temporary Sheds / Erections	2	0	0	22	3	0	0	0	0	3	0	0
Project Civil Works	61,373	93,393	311	1,54,456	1,697	5,573	21	0	0	7,249	1,47,206	59,676
Roads, Bridges & Traffic Tunnels	0	0	0	0	0	0	0	0	0	0	0	0
Project Electro Mechanical Works	30,849	31,740	700	61,889	342	2,366	53	0	0	2,655	59,235	30,507
Plant (currently for Water Treatment)	1	0	0	1	(2)	0	0	0	0	(1)	2	3
Office Machinery (like lab, fire, safety)	82	4	18	68	(38)	7	3	0	0	(33)	101	120
Electronics & Electrical Items	174	37	5	206	(120)	25	2	0	0	(97)	303	294
Furnitures & Fixtures	161	19	8	172	(98)	26	3	0	0	(75)	247	259
Computers & Data Processing Machines	54	30	0	84	(38)	25	0	0	0	(12)	96	93
Vehicles	39	47	5	81	(18)	14	4	0	0	(1)	82	50
Kitchen Items	2	0	0	3	1	1	0	0	0	2	1	1
Fire Fight Equipment	0	0	0	0	0	0	0	0	0	0	0	0
Small Office Items	0	0	0	0	0	0	0	0	0	0	0	0
Helipad	11	0	0	11	(9)	1	0	0	0	(8)	19	20
Bridges & Culverts	508	0	0	508	(2)	19				16	492	510
Server and Networks	402	0	0	402	(152)	201				49	353	554
Roads	1,721	375	122	1,974	(2,349)	170	0			(2,179)	4,153	4,070
Assets not owned by Group (Roads)	0	0	0	0	0	0	0	0	0	0	0	0
Assets not owned by Group (Others)	0	0	0	0	0	0	0	0	0	0	0	0
Infrastructure Dev. Construction Power	831	984	0	1,815	39	264	0	0	0	303	1,512	792
Total (A)	**1,55,508**	**1,60,670**	**13,620**	**3,02,558**	**(623)**	**8,848**	**87**	**0**	**0**	**8,138**	**2,94,419**	**1,56,131**
Previous Year's Total	**45,187**	**1,14,195**	**3,875**	**1,55,508**	**990**	**2,664**		**0**	**0**	**(1,613)**	**1,56,131**	**44,197**

Note No. 2.2.1

CAPITAL WORK-IN-PROGRESS

(Rs. in Lacs)

Particulars	Note No.	Amount As at 31.03.2017	Addition during FY 2017-18	Deletion during FY 2017-18	Net Adj. during FY 2017-18	Amount As at 31.03.2018
Residential Buildings	2.2.1.1	68	62	107	(45)	23
Non Residential Buildings	2.2.1.1	127	83	108	(25)	102
Roads, Bridges & Culverts	2.2.1.1	64	431	407	24	88
Civil Works	2.2.1.1	1,37,924	21,092	61,901	(40,809)	97,115
Electro-Mechanical Works	2.2.1.1	49,375	11,295	22,494	(11,1999)	38,176
Construction Power	2.2.1.1	222	28	41	(13)	209
Land Submerged Area	2.2.1.1	31,911	-	12,347	(12,347)	19,564
Investigation & Survey	2.2.1.1	8	20	16	4	12
Environment and R&R Expenses	2.2.1.1	121	65	2	63	184
G.Total		**2,19,820**	**33,076**	**97,423**	**(64,347)**	**1,55,473**
Expenditure During Construction	2.2.2	1,35,942	23,360	43,096	(19,736)	1,16,206
Total Carried forward to Balance Sheet		**3,55,762**	**56,437**	**1,40,519**	**(84,083)**	**2,71,679**

Note No. 2.2.1.1

CAPITAL WORK IN PROGRESS (PROJECT WISE)

(Rs. in Lacs)

Particulars	Residential Buildings as at 31.03.2018	Non Residential Buildings as at 31.03.2018	Roads, Bridges & Culverts as at 31.03.2018	Civil Works as at 31.03.2018	Electro-Mechanical Works as at 31.03.2018	Construction Power as at 31.03.2018	Land Submerged Area as at 31.03.2018	Investigation & Survey as at 31.03.2018	Environment Expenses as at 31.03.2018
Sundernagar	1	-	-	-	-	-	-	-	-
Sawra Kuddu HEP	14	-	0	64,160	23,464	58	-	-	-
Kashang HEP Stage-I	-	-	-	28	-	-	-	-	-
Sainj HEP	-	3	80	-	3	-	-	-	-
Renukaji Dam Project	-	-	-	-	-	-	19,564	-	-
Shongtong HEP	-	-	-	22,640	12,553	38	-	-	-
Triveni HEP	-	-	-	-	-	-	-	-	-
Thana Plaun HEP	-	-	-	-	-	-	-	12	47
Gyspa HEP	8	99	8	-	-	-	-	-	-
Surgani Sundla HEP	-	-	-	-	-	-	-	-	-
Deothal Chanju	-	-	-	-	-	-	-	-	43
Chanju-III	-	-	-	-	-	-	-	-	28
Berra-Dol Solar Power Project	-	-	0	228	2,156	113	-	-	66
Kashang HEP Stage-II & III	-	-	-	10,059	-	-	-	-	-
G.Total	**23**	**102**	**88**	**97,115**	**38,176**	**209**	**19,564**	**12**	**184**

Note No. 2.2.2 EXPENDITURE DURING CONSTRUCTION

(Rs. in Lacs)

Particulars	Note No.	Amount As at 31.03.2017	Addition During FY 2017-18	Deletion During FY 2017-18	Net Adj. During FY 2017-18	Amount As at 31.03.2018
EXPENSES (A):						
Employees' Benefits Expenses	2.2.2.1	45,212	5,896	(7,570)	(1,674)	43,538
Finance/Interest Cost	2.2.2.2	55,684	11,092	(22,158)	(11,066)	44,618
Depreciation Expenses	2.2.2.3	2,439	625	(640)	(15)	2,424
Office and Administrative Expenses	2.2.2.4	38,415	8,350	(12,729)	(4,379)	34,036
TOTAL (A)		**1,41,750**	**25,962**	**(43,097)**	**(17,135)**	**1,24,615**
Less: Miscellaneous Income	2.2.2.5	(5,808)	(2,602)	0.98	(2,601)	(8,409)
Less: Renukaji & Gyspa Project Depreciation adjusted against Capital Reserve		-	-	-	-	-
NET EXPENDITURE (B) (Carried forward to CWIP)		**1,35,942**	**23,360**	**(43,096)**	**(19,736)**	**1,16,207**

Note No. 2.2.2.1 EMPLOYEE BENEFITS EXPENSES (Expenditure During Construction)

(Rs. in Lacs)

Particulars	Amount As at 31.03.2018	Addition During FY 2017-18	Deletion During FY 2017-18	Net During FY 2017-18	Amount As at 31.03.2017
Salaries, Wages, Allowances and Benefits	38,654	5,428	(6,776)	(1,348)	40,002
Contribution to Provident and Other Funds	801	85	(141)	(56)	857
Leave Salary and Pension Contribution	2,917	242	(455)	(213)	3,130
Travelling Exp.	349	45	(38)	7	342
Medical Exp.	425	47	(90)	(43)	468
Welfare Expenses	392	49	(71)	(21)	413
TOTAL	**43,538**	**5,896**	**(7,570)**	**(1,674)**	**45,212**

Note No. 2.2.2.2 FINANCE/INTEREST COST (Expenditure During Construction)

(Rs. in Lacs)

Particulars	Amount As at 31.03.2018	Addition During FY 2017-18	Deletion During FY 2017-18	Net During FY 2017-18	Amount As at 31.03.2017
Interest on Term Loans	44,564	11,091	(22,156)	(11,065)	55,629
Bank Charges/LC Charges	35	1	(1)	1	35
Others-FBT/Service Tax Interest	19	0	(2)	(2)	21
TOTAL	**44,618**	**11,092**	**(22,158)**	**(11,066)**	**55,684**

Note No. 2.2.2.3 DEPRECIATION EXPENSES

(Rs. in Lacs)

Particulars	Addition During FY 2017-18	Deletion During FY 2017-18	Net Adj. During FY 2017-18	Amount During FY 2016-17
Depreciation for the year (Transferred to Profit & Loss Account)	-	-	-	-
Depreciation for the year (Transferred to Expenditure During Construction)	625	(640)	(15)	1,026
TOTAL	**625**	**(640)**	**(15)**	**1,026**
Depreciation written off from Capital Reserve	-	-	-	-

Note No. 2.2.2.4 OFFICE AND ADMINISTRATIVE EXPENDITURE (Projects Incidental Expenditure)

(Rs. in Lacs)

Particulars	Amount As at 31.03.2018	Addition During FY 2017-18	Deletion During FY 2017-18	Net During FY 2017-18	Amount As at 31.03.2017
Repairs and Maintenance Vehicle	78	14	(14)	(1)	79
Repairs and Maintenance Office Furniture & Equipment's	66	34	(9)	25	41
Repairs and Maintenance Plant and Machinery	91	1	(0)	0	91
Repairs and Maintenance Buildings	534	187	(45)	142	392
Repairs and Maintenance Others	43	2	(33)	(31)	74
Office & Administration Expenses	537	1	-	1	536
Hospitality and Entertainment Expenses	132	9	(21)	(11)	143
Meeting Expenses	53	6	(6)	(0)	53
Misc. Expenses	140	0	(11)	(11)	151
Communication Expenses	521	83	(48)	35	486
Rent, Rates and Taxes	1,277	236	(82)	154	1,123
Consultancy Fees	851	24	(11)	13	838
Annual Technical Support-SAP/ AMC	1,023	314	(2)	311	712
Vehicle Running Charges & Insurance Charges	205	38	(36)	2	203
Hired Vehicle Expenses	1,608	231	(553)	(322)	1,930
Training & Seminar	265	14	(11)	3	262
Fees & Subscription	29	9	(18)	(9)	38
Electricity & Water Expenses	339	43	(99)	(57)	396
Printing & Stationery	239	27	(40)	(13)	252
Books, Periodicals & Newspapers	60	8	(7)	1	59
Freight & Labour Charges	33	3	(1)	3	30
Insurance	21	4	(10)	(6)	27
Raising Day Expense	34	-	(1)	(1)	35
Legal & Professional Charges	329	51	(36)	15	314
Postage & Telegram Expenses	25	2	(3)	(1)	26
Publicity & Advertisement Expenditure	215	13	(26)	(12)	227
Expenditure on Transit Camps/Guest House	39	4	(2)	2	37
Business Promotion Expenses	165	0	-	0	165
Dismantling and Removal expenditure	-	-	-	-	-
Foreign Exchange Variation Cost	56	71	-	71	(15)
Land Acquisition Expenses	7	2	-	2	5
LADA	5,019	1,862	(1,070)	792	4,227
Relief and Rehabilitation Costs	5,415	708	(462)	246	5,169
Environmental and Ecology exp.	4,727	14	(59)	(45)	4,772
Expenditure on Enabling Assets	461	6	(615)	(609)	1,070
CAT Plan	4,684	0	(2,250)	(2,250)	6,934
Study and Research	43	0	-	0	43
Survey & Investigation	8,914	253	(448)	(196)	9,110
Construction Power HPSEBL 1-8-1	46	46	-	46	-
Environment Management Plan	1,232	45	-	45	1,187

Fuel expenses Data Centre	5	2	-	2	3
Gift & Presentation A/c (Pending Allocation)	4	-	(1)	(1)	5
Honorarium & Stipend	(0)	4	(34)	(29)	29
Incidental expenses-Power Water & parks	45	-	-	-	45
Outsource Manpower Expenses (Pending Allocation)	2,540	505	(1,110)	(604)	3,144
Reatain earning Adjustment unto FY 2014	2,410	885	-	885	1,525
Safety Related Expenses	(0)	-	(1)	(1)	1
Winter Heating Exp. (Pending Allocation)	59	4	(1)	2	57
Wages (Daily paid staff) (PROJECT)	7	1	-	1	6
Remuneration to Auditors (PROJECT)	14	(1)	2	1	13
Consumables Stores	83	6	(4)	2	81
Transmission lines	12	-	(2)	(2)	14
Common Cost (HO & SNR)	(2,544)	2,579	(5,547)	(2,968)	424
Incidental exp after COD(proportio)Stage-1 2017-18	(1)	-	-	-	(1)
Incidental exp Before COD Stage-1	(8,153)	-	-	-	(8,153)
TOTAL	**34,036**	**8,350**	**(12,729)**	**(4,379)**	**38,415**

Note No. 2.2.2.5 MISCELLANEOUS INCOME TRANSFERRED TO EXPENDITURE DURING CONSTRUCTION

(Rs. in Lacs)

Particulars	Amount As at 31.03.2018	Addition During FY 2017-18	Deletion During FY 2017-18	Net Adj. During FY 2017-18	Amount As at 31.03.2017
Interest from Banks Deposits/FDR's	(4,644)	(0)	1	1	(4,645)
Income from Providing design work/Lab Receipts	(40)	-	-	-	(4)
Interest from Employees	-	-	-	-	-
House Rent Collection from employees/Other recovery	(15)	-	-	-	(15)
Interest from Govt Departments	-	-	-	-	-
Interest on Tax Refunds	(320)	-	-	-	(320)
Income from Sale of Tender Forms	(3)	-	-	-	(3)
Income from Contractors	(56)	-	-	-	(56)
Income from Transit Camp/Guest House	(1)	-	-	-	(1)
Gain on sale of Assets	(12)	(0)	-	(0)	(1)
Miscellaneous Receipts	(3,365)	(2,602)	-	(2,602)	(763)
TOTAL	**(8,409)**	**(2,602)**	**1**	**(2,601)**	**(5,808)**

Note No. 2.3.1 OTHER INTANGIBLE ASSETS

(Rs. in Lacs)

Particulars	GROSS BLOCK				DEPRECIATION					NET BLOCK	
	As at 01.04.17	Addition during the year	Deductions/ Adjustments	As at 31.03.18	As at 01.04.17	For the Year	Previous Year		As at 31.03.18	As at 31.03.18	As at 31.03.17
							Deletion	Addition			
Software	92	1	0	93	92	0	0	0	92	1	0
Total (A)	**92**	**1**	**0**	**93**	**92**	**0**	**0**	**0**	**92**	**1**	**0**
Previous Year's Total	**92**	**0**	**0**	**92**	**0**	**0**			**46**	**0**	**46**

2.35 DISCLOSURE ON FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

i) Fair Value Measurement

a) Financial Instruments by Category

(Rs. in Lacs)

Particulars	Note No.	As at March 31, 2018	As at March 31, 2017
		Amortised Cost	Amortised Cost
Financial Assets			
Non Current Financial Assets			
(i) Investments	2.5	-	-
(ii) Loans	2.6	148	146
(iii) Others	2.7	-	13,069
Bank Deposits with more than 12 Months Maturity			
Current Financial Assets			
(i) Trade Receivables	2.12	1,617	1,543
(ii) Cash and Cash Equivalents	2.13	32,517	36,518
(iii) Bank Balance other than above	2.14	2,818	5,699
(iv) Loans	2.15	12	3
(v) Other Assets			
Interest Accrued	2.16	177	400
Other Recoverable	2.16	3,312	2,732
Total Financial Assets		**40,601**	**60,110**
Financial Liabilities			
(i) Long Term Borrowings			
a) Term Loans Financial Institutions	2.21	1,471	1,471
b) Term Loans from Others	2.21 & 2.22	2,27,496	3,07,332
(ii) Deposits / retention non current	2.22	2,793	4,521
Current Financial Liabilities			
(iii) Other Financial Liabilities			
a) Current Maturity of Term Loans Financial Institutions	2.26	36	191
b) Current Maturity of Term Loans other	2.26	1,22,318	4,152
c) Deposit/ retention Money	2.26	1,971	6,113
d) Liability against Capital Works	2.26	4,141	3,683
e) Other Payables	2.26	33,724	40,817
Total Financial Liabilities		**3,93,951**	**3,68,280**

Note :- The Group does not classify any financial Assets/ Financial Liabilities at fair value through profit and Loss and other comprehensive Income

B) FAIR VALUATION MEASUREMENT

(i) Fair Value Hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair value are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has to classify its financial instruments into the three levels prescribed under the accounting standards.

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices. This includes listed equity instruments and traded bonds that have quoted price. The fair value of all equity instruments including bonds which are traded in the recognised Stock Exchange and money markets are valued using the closing prices as at the reporting date. The Group has no financial instruments that are listed and traded in recognised Stock exchanges.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. This includes security deposits/ retention money and loans at below market rates of interest.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(a) Financial Assets/ Liabilities Measured at Fair Value- recurring Fair Value Measurement

(Rs. in Lacs)

Particulars	Note No.	As at March 31, 2018			As at March 31, 2017		
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Assets at FVTOCI							
(i) Investments							
- In equity Instrument quoted		-	-	-	-	-	-
- In government Securities		-	-	-	-	-	-
- In public sector undertakings/ Public Financial Institution and Corporate Bonds		-	-	-	-	-	-
TOTAL		-	-	-	-	-	-

(b) Financial Assets/ Liabilities measured at amortised cost for which fair value are not disclosed

(Rs. in Lacs)

Particulars	Note No.	As at March 31, 2018			As at March 31, 2017		
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Assets							
(I) Loans to employees & Others	2.6 & 2.15		160		-	149	
(ii) Other		-	-	-	-	-	-
Bank deposits with more than 12 months maturity	2.7	-	-	-	13,069	-	-
Total Assets		**-**	**160**	**-**	**13,069**	**149**	**-**
Financial Liabilities							
(I) Long term Borrowings (incl. current Maturity & Interest)	2.21 & 2.26		3,51,321		-	3,13,146	
(ii) Deposit / Retention Money (Including Current)	2.21 & 2.26	-	4,764	-	-	10,633	-
Total Liabilities		**-**	**3,56,086**	**-**	**-**	**3,23,779**	**-**
Total		**-**		**-**	**-**		**-**

Valuation techniques and process used to determine fair values
The Group values financial assets or financial liabilities using the best and most relevant data available. Specific valuation techniques used to determine fair value of financial instruments includes:
- Use of Quoted market price or dealer quotes for similar instruments.
- Fair value of remaining financial instruments is determined using discounted cash flow analysis.

The Group has a team that performs the valuation of financial assets and liabilities required for financial reporting purpose.

(iii) Fair Value of Financial Assets and Liabilities measures at carrying cost

(Rs. in Lacs)

Particulars	Note No.	As at March 31, 2018		As at March 31, 2017	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets					
(I) Loans to employees & Others	2.6 & 2.15	160	160	149	149
(ii) Other		-	-	-	-
Bank deposits with more than 12 months maturity	2.7	-	-	13,069	13,069
Total Assets		**160**	**160**	**13,218**	**13,218**
Financial Liabilities					
(I) Long term Borrowings (incl. current Maturity & Interest)	2.21 & 2.26	3,51,321	3,51,321	3,13,146	3,13,146
(ii) Deposit / Retention Money (Including Current)	2.21 & 2.26	4,764	4,764	10,633	10,633
Total Liabilities		**3,56,086**	**3,56,086**	**3,23,779**	**3,23,779**

Significant Estimates:

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Deposits/ Retention money are fair valued using the domestic borrowing rate applicable to the Group at the year end .

(ii) Financial Risk Management

Financial risk factors:

The Group's principal financial liabilities comprise borrowings, trade and other payables. The main purpose of these financial liabilities is to manage finances for the Group's operations. The Group has advances and other receivables, trade and other receivables, investments and cash and short-term deposits that arise directly from its operations. The Group's activities expose it to a variety of financial risks:

a) Credit risk:

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities including deposits with banks and financial institutions.

Risk	Exposure arising From	Measurement	Management
Credit Risk	Cash & Cash equivalents, Trade receivables and financial assets measured at amortised cost	Aging analysis	Diversification of bank deposits, credit limits and letter of credit
Liquidity Risk	Borrowings and other facilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities
Market Risk-Interest rate	Long term borrowings at Fixed rates	Sensitivity analysis	Interest rate swaps/ change of financer

b) Liquidity risk:

Liquidity risk is the risk that the Group may not be able to meet its present and future cash and collateral obligations without incurring unacceptable losses.

c) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risks: currency rate risk, interest rate risk and other price risks. Financial instruments affected by market risk include loans and borrowings, deposits, investments. Foreign currency risk is the risk that the fair value or future cash flows of financial instrument/advances/retention money will fluctuate because of changes in foreign exchange rates. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. This is based on the financial assets and financial liabilities held as at 31st March, 2018 and 31st March, 2017. The Group's risk management is carried out as per policies approved by Board of Directors from time to time.

(A) Credit Risk:

The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and other financial instruments.

a) Trade Receivables:

The Group extends credit to customers in normal course of business. The Group monitors the payment track record of the customers. Outstanding customer receivables are regularly monitored. The Group evaluates the concentration of risk with respect to trade receivables as low; as its customers are mainly State Discoms to whom late payment surcharge is as per the HPERC regulation. Further, the fact that beneficiaries are primarily State Discoms and considering the historical credit loss experience for trade receivables, the Group does not envisage either impairment in the value of receivables from beneficiaries or loss due to time value of money, due to delay in realization of trade receivables.

b) Financial assets at carrying cost:

The advances to contractors and other recoverable are shown at carrying cost. Management has assessed the past data and does not envisage any probability of default on these loans.

c) Financial instruments and cash deposits:

The Group considers factors such as track record, size/net worth of the institution/bank, market reputation and service standards and limits and policies as approved by the board of directors to select the banks with which balances and deposits are maintained. The Group invests surplus cash in short term deposits with scheduled Banks.

(B) Liquidity Risk:

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. The Group's objective is to maintain an optimum level of liquidity at all times to meet its cash and collateral requirements. The Group relies on a mix of borrowings, capital infusion and excess operating cash flows to meet its need for funds. The current committed lines of credit are sufficient to meet its short to medium term expansion needs. The Group monitors rolling forecasts of its liquidity requirements to ensure that it has sufficient cash to meet capital expenditure and operational needs while maintaining sufficient head room on its undrawn committed borrowing facilities at all times, so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

Maturities of Financial Liabilities:

The table below provides undiscounted cash flows towards Group's financial liabilities into relevant maturity based on the remaining period at the Balance Sheet date to the contractual maturity date. Balance due within 1 year is equal to their carrying balances as the impact of discounting is not significant.(refer note 2.21,2.22 & 2.26)

(Rs. in Lacs)

As at 31st March, 2018						
Contractual maturities of financial liabilities	Note No.	Outstanding Debt on 31.3.2018	Within one Year	More than 1 year & less than 3 Years	More than 3 year & less than 5 Years	More than 5 Years
1. Borrowings (including interest accrued but not due)	2.21, 2.22 & 2.26	3,82,911	-	2,94,012	40,754	48,146
2. Other financial liabilities	2.22 & 2.26	11,029	-	10,056	973	-

(Rs. in Lacs)

As at 31st March, 2017						
Contractual maturities of financial liabilities	Note No.	Outstanding Debt on 31.3.2017	Within one Year	More than 1 year & less than 3 Years	More than 3 year & less than 5 Years	More than 5 Years
1. Borrowings (including interest accrued but not due)	2.21, 2.22 & 2.26	3,13,146	-	1,78,564	55,513	79,068
2. Other financial liabilities	2.22 & 2.26	55,117	-	55,117	-	-

(c) Market Risk:

The sensitivity analysis excludes the impact of movements in market variables on the carrying value of post-employment benefit obligations provisions and on the non-financial assets and liabilities. The sensitivity of the relevant Statement of Profit and Loss item is the effect of the assumed changes in the respective market risks. The Group's activities expose it to a variety of financial risks, including the effects of changes in interest rates.

(i) Interest rate risk and sensitivity:

The Group has taken borrowings from state government and PFC, only at fixed rate of interest which is not subjected to risks of changes in market interest rates and the same has been shown at carrying value.

(Rs. in Lacs)

Particulars	As At 31st March 2018	As At 31st March 2017
Fixed Rate Borrowings	2,52,369	2,37,844

ii) Price Risk:

Exposure:

The Group has no exposure to price risk as there is no investment in equity shares which are listed in recognised stock exchange and are publicly traded in the stock exchanges.

iii) Foreign Currency Risk

Foreign Currency Risk Exposure:

The Group's exposure to foreign currency risk at the end of the reporting period expressed in INR (in lacs.) are as follows:

Particulars	As At 31st March 2018			As At 31st March 2017		
Foreign Currency	**USD**	**Euro**	**CHF**	**USD**	**Euro**	**CHF**
Financial Assets						
Net Exposure to foreign currency risk (asset)	0.7			7.93	1.5	0
Financial Liabilities						
Retention Money	0			14.65	3	0
Other Payables	0	1.38	0.41	50.54	12.34	0
Net Exposure to foreign currency risk (Liabilities)	0.7	-1.38	-0.41	-57.26	-13.84	0

The above foreign currency risk is only for the foreign currency advances and other liability on account supplier dues and retention money payable to contractors. As per accounting policy of the Group, transactions in foreign currency are initially recorded at exchange rate prevailing on the date of transaction. At each Balance Sheet date, monetary items denominated in foreign currency are translated at the exchange rates prevailing on that date. Non-monetary items denominated in foreign currency are reported at the exchange rate prevailing at the date of transaction.

Exchange differences arising on translation or settlement of monetary items are recognised in the statement of profit and loss, in the year in which it arises.

(iii) Capital Management

(a) Capital Risk Management:

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The primary objective of the Group's capital management is to maximize the shareholder value. The Group's primary objective when managing capital is to ensure that it maintains an efficient capital structure and healthy capital ratios and safeguard the Group's ability to continue as a going concern, in order to support its business and provide maximum returns for shareholders. The Group also proposes to maintain an optimal capital structure to reduce the cost of capital. No changes were made in the objectives, policies or processes during the year ended 31st March, 2018.

The Group monitors capital using gearing ratio, which is net debt divided by total of Capital and Net Debt. The gearing ratios are as follows:

(Rs. in Lacs)

Particulars	As At 31st March 2018	As At 31st March 2017
a) Loans and Borrowings	2,52,333.00	2,37,843.78
b) Trade and Other Payables	2,16,166.00	2,04,215.88
b) Less: Cash and Cash Equivalents	32,517.00	36,518.23
c) Net Debt	4,35,982.00	4,05,541.44
d) Total Capital	1,72,956.00	1,63,403.08
e) Capital and Net Debt	6,08,938.00	5,68,944.52
f) Gearing Ratio	71.60	71.28

Note: For the purpose of the Group's capital management, capital includes issued capital, and all other equity reserves. Net debt includes, interest bearing loans and borrowings, trade and other payables less cash and short term deposits.

(b) Loan Covenants:

Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants:-

There is requirement to maintain Debt Equity ratio of 70:30 by the ADB, which is funding agency to the State Government.

(c) Dividends:

The Group started commercial operation during the year 2016-17 and total cumulative loss as on 31.03.2018 is Rs.11601 Lakhs, thus no dividend has been declared by the Group.

Other Explanatory Notes to Accounts:

2.36 CONTINGENT LIABILITIES

(a) Claims against the Group not acknowledged as debts in respect of:

(Rs. in Lacs)

Particulars	As At 31st March 2018	As At 31st March 2017
Capital Works	67,052.24	33,526.00
Land Compensation	16,123.89	33,132.00
Entry Tax	0	1,088.98
Others	335.25	318.00
TOTAL	**83,511.38**	**68,064.98**

(i) Capital works:

Contractors have lodged claims aggregating to Rs.67052.24 Lakh (previous year Rs.33526.00 Lakh), against the Group on account of rate & quantity deviation, cost relating to extension of time and idling charges due to stoppage of work/delays in handing over the site etc. These claims are being contested by the Group as being not admissible in terms of provisions of the respective contracts or are lying at arbitration tribunal/other forums/other Courts. As the amounts recommended by the Dispute Boards (DBs) are much less than the amounts claimed by the contractors, the claims on account of further interest and escalation, if any, have not been considered.

(ii) Land Compensation cases:

In respect of land acquired for the projects, some of the land losers have filed claims for higher compensation amounting to Rs.16123.89 Lakh before various authorities/courts. Group has shown the same as contingent liability as the matter is subjudice.

(iii) Others:

Claims on account of other matters amounting to Rs.335.25 lakhs mainly on account of claims for damage to property due to construction activity at Sainj HEP.

The above is summarized as at 31.03.2018 below:

(Rs. in Lacs)

Particulars	Claims as on 31.3.2018	Provision Against the Claims	Contingent Liability as on 31.3.2018	Contingent Liability as on 31.3.2017	Addition of Contigent Liability for the period
Capital Works	67,052.24	0	67,052.24	33,526.00	33,526.00
Land Compensation	16,123.89	0	16,123.89	33,132.00	33,132.00
Entry Tax	-	0	-	1,088.98	1,088.98
Others	335.25	0	335.25	317.92	17.33

The above is summarized as at 31.03.2017 below

(Rs. in Lacs)

Particulars	Claims as on 31.3.2017	Provision Against the Claims	Contingent Liability as on 31.3.2017	Contingent Liability as on 31.3.2016	Addition of Contigent Liability for the period
Capital Works	33,526.00	0	33,526.00	5,228.30	28,297.70
Land Compensation	33,132.00	0	33,132.00	-	33,312.00
Entry Tax	1,088.98	0	1,088.98	1,088.98	-
Others	317.92	0	317.92	-	317.62

(b) The above contingent liabilities do not include contingent liabilities on account of pending cases in respect of service matters & others where the amount cannot be quantified.

(c) It is not practicable to ascertain and disclose the uncertainties relating to outflow in respect of contingent liabilities.

(d) The Group's management does not expect that the above claims/obligations (including under litigation), when ultimately concluded and determined, will have a material and adverse effect on the Group's results of operations or financial condition.

2.37 DETAIL OF CONTINGENT ASSETS

(Rs. in Lacs)

Particulars	As At 31st March 2018	As At 31st March 2017
Civil Work	38,948.00	33,499.00

2.38 ESTIMATED AMOUNT OF COMMITMENTS NOT PROVIDED FOR IS AS UNDER:

(In Lacs)

Particulars		As At 31st March 2018	As At 31st March 2017
Estimated amount of contracts remaining to be executed on capital account and not provided for	INR	1,21,674.16	1,30,741.39
	Euro	12.56	9.99
	US$	54.15	88.28
	CHF	0.00	0.00
	SWF	0.00	0.62

2.39 Balances of trade receivables, advances, deposits, trade payables, are reconciled periodically and are subject to confirmation and consequential adjustments.

2.40 THE EFFECT OF FOREIGN EXCHANGE FLUCTUATION DURING THE YEAR IS AS UNDER:

(Rs. in Lacs)

S.No.	Particulars	Year ended 31.3.2018	Year ended 31.3.2017
(i)	Amount Charged to Statement of Profit and Loss Account excluding depreciation	6.56 (Net)	125.66 (Net)
(ii)	Amount Charged to Expenditure attributable to construction	20.85	3.42
(iii)	Amount adjusted by addition to the carrying amount of fixed Assets	Nil	Nil

2.41 DISCLOSURE UNDER THE PROVISIONS OF IND-AS-19 'EMPLOYEE BENEFITS'

General description of various defined employee benefits are as under:

a) Defined Contribution plans:

Pension:

The Group employees are not covered under any Government pension scheme. However, the employees of the HPSEBL who are on secondment basis with the Group the pension contribution is payable to the HPSEBL as per the formula devised by them.

b) Defined benefit plans:

(I) Employers contribution to Provident Fund:

The employees of the Group are covered under EPF Scheme with Regional Provident Commissioner and the contribution is being paid on monthly basis to the authorities.

(ii) Gratuity:

The Group has a defined benefit Gratuity Plan, for its employees, which is regulated as per the provisions of Payment of Gratuity Act, 1972. However the employees of the HPSEBL who are on secondment basis with the Group the gratuity contribution is payable to the HPSEBL as per the formula devised by them.

(iii) Leave encashment:

The Group has a defined benefit leave encashment plan for its Employees. Under this plan they are entitled to encashment of earned leaves and medical leaves subject to limits and other conditions specified for the same. However the employees of the HPSEBL who are on secondment basis with the Group, the leave salary contribution is payable to the HPSEBL as per the formula devised by them.

2.42 SEGMENT INFORMATION:

a) Operating Segments are defined as components of an enterprise for which financial information is available that is evaluated regularly by the Management in deciding how to allocate resources and assessing performance.

b) Electricity generation is the principal business activity of the Group. Other operations viz., Lab Testing do not form a reportable segment as per the Ind AS 108 on 'Segment Reporting'.

c) The Group is having a single geographical segment as all its Power Stations are located within the Country.

d) Information about major customers:

(Rs. in Lacs)

S.No.	Name of Customer	Revenue from Customers		Revenue from Customers as percentage of revenue	
		2017-18	2016-17	2017-18	2016-17
1.	HPSEB Limited	3720.42	14.71	44.74%	100%
2.	TPTCL	4594.70	Nil	55.26%	Nil

2.43 INFORMATION ON 'RELATED PARTY DISCLOSURES' AS PER IND AS 24 IS AS UNDER :

(a) List of Related Parties

(i) Directors & Key Management Personnel:

Name	Designation
Sh. Ajay Sharma, IAS	Managing Director (w.e.f. 23/02/2019 to 02/07/2019)
Sh. Devesh Kumar, IAS	Managing Director (w. e. f. 21/04/2017 to 18/02/2019 and 02/07/2019 to till date)
Er. Devendra K. Sharma	Managing Director (w. e. f. 13/09/2012 to 20/04/2017)
Sh. Neeraj Kumar, HAS	Director (Personnel & Finance), (w.e.f. 26/10/2015 to 10/06/2019)
Er. M.S. Rana	Director (Electrical) (w. e. f. 14/08/2012 to 01/04/2017)
Er. Ajay Kumar Gupta	Director (Civil) (w.e.f. 17/06/2013 to 13/06/2016 and 17/06/2016 to 31/01/2018)
Er. Mahesh Sirkek	Director (Electrical) (w. e. f. 19/04/2017 to till date)
Er. Dharam Singh Thakur	Director (Civil) (w.e.f. 09/03/2018 to till date)
Sh. Manmohan Sharma, HAS	Director (Finance & Personnel) (w.e.f. 10.06.2019 till date)
Sh. Sudarshan Sharma	Company Secretary

(ii) Joint Ventures:

Name of Entity	Principal Place of operation	Principal Activities	Percentage of Shareholding/ voting Power	
			As At 31st March 2018	As At 31st March 2017
Himachal EMTA Power Limited	Kolkata	Thermal Power Generation	50%	50%

Transactions with the related parties are as follows:

(Rs. in Lacs)

Particulars	Joint Venture Companies	
Transactions During the Year	2017-18	2016-17
Investment in Share Capital	-	-
Share Application Money	-	-
Amount Recoverable	-	0.16

2.44 REMUNERATION TO DIRECTORS & KEY MANAGERIAL PERSONNEL

(Rs. in Lacs)

Particulars	Year ended on 2017-18	Year ended on 2016-17
i) Short Term Employee Benefits	156.30	120.15
ii) Post Employment Benefits	Nil	Nil
iii) Other Long Term Benefits	Nil	Nil
iv) Termination Benefits	Nil	Nil
TOTAL	**156.30**	**120.15**

Whole Time Directors are allowed to the use of staff cars including private journeys on payment in accordance with Group rules.

2.45 INTEREST IN OTHER ENTITIES

(i) Interest in joint ventures:

The Group's interest in joint ventures as at 31st March, 2018 are set out below, which in the opinion of the management, are material to the Group. The entities listed below have share capital consisting solely of equity shares, which are held directly by the Group. The country of in Group or registration is also their principal place of business and the proportion of ownership interest is the same as the proportion of voting rights held:

(Rs. in Lacs)

Name of Entity & place of Business	% of ownership Interest	Relation ship	Accounting Method	Quoted Fair value		Carrying Amount	
				31st March 2018	31st March 2017	31st March 2018	31st March 2017
Himachal EMTA Power Limited	50	Joint Venture	Equity Method	*	*	**338	338

- *Unlisted Entity- no quoted Price available
- **The Group has made provision of doubtful investments amounting to Rs 338 lakhs during the year.
- The Group has 50 % interest in Himachal EMTA Power Limited, which is a Joint Venture with EMTA Limited for setting up (2*250 MW) thermal power Plant at Rani Ganj West Bengal. However the Hon'ble Supreme Court of India has cancelled all allotment of coal Blocks and termed all captive coal Blocks as illegal.

Summarised balance sheet as at 31 March 2017 using the Equity Method:

Himachal EMTA Power Limited

(Rs. in Lacs)

Particulars	As At 31st March 2018	As At 31st March 2017
Current Assets		
Cash and Cash Equivalents	1.34	1.36
Other Assets	0.45	0.36
Total Current Assets	**1.79**	**1.72**
Total Non Current Assets	**252.00**	**257.02**
Current Liabilities		
Other Liabilities	1.28	0.69
Total Current Liabilities	**1.28**	**0.69**
Non Current Liabilities		
Financial Liabilities	121.00	121.00
Other Liabilities	22.83	23.48
Total Non Current Liabilities	**143.83**	**144.48**
Net Assets	**108.68**	**113.57**

Summarised statement of Profit and Loss using Equity Method:

(Rs. in Lacs)

Particulars	As At 31st March 2018	As At 31st March 2017
Revenue	0.00	0.00
Interest Income	1.00	1.00
Other Expenses	1.16	126.64
Depreciation and Amortisation	1.00	1.57
Profit Before Tax	-1.34	-127.21
Total Comprehensive Income for the Year	**-1.34**	**-127.21**

2.46 IMPAIRMENT OF ASSETS

Ind AS 36, in the opinion of the management there is no indication of any significant impairment of assets during the year.

2.47 FAIR VALUATION OF ASSETS AND LIABILITIES

The Group had adopted the carrying cost / value of all liabilities and assets as on 1st April 2015 and also on 1st April 2018, as the fair value of the assets and liabilities cannot be measured accurately due to the uncertainty involved in the estimating the exact date of commissioning of the projects, which is dependent on various external factors and which have impact on the payments to be made to the contractors and the amount to be recovered from them.

2.48 OTHER DISCLOSURES AS PER SCHEDULE-III OF THE COMPANIES ACT, 2013 ARE AS UNDER:

(Rs. in Lacs)

	Particulars	Year ended on 2017-18	Year ended on 2016-17
A	Expenditure in Foreign Currency	9.60	Nil
B	Earnings in Foreign Currency	Nil	Nil
C	Value of Import Calculated on CIF basis	Nil	Nil
i)	Capital Goods	Nil	Nil
ii)	Spare Parts	Nil	Nil

D	Value of Component, Stores and Spare Parts Consumed	Nil	Nil
i)	Imported	Nil	Nil
ii)	Indigenous	Nil	Nil

2.49 QUANTITATIVE DETAILS IN RESPECT OF ENERGY GENERATED & SOLD

Hydro Power :

S.No.	Particulars	Year ended on 2017-18	Year ended on 2016-17
1)	Licensed Capacity	165 MW	65 MW
2)	Installed Capacity	165 MW	65 MW
3)	Actual Generation (million Units)	327.18 MUs	51.11 MUs

2.50 PAYMENT TO AUDITORS INCLUDES:

(Rs. in Lacs)

Particulars	Year ended on 2017-18	Year ended on 2016-17
As Auditors		
Statutory Auditors (includes revision of fee from the F.Y. 2015-16)	5.62	8.89
Tax Audit	1.00	1.00
Other services (Certification fee)	0.70	0.00
Reimbursement of Expenses	1.51	0.00
Reimbursement of Service Tax	1.46	1.78
TOTAL	**10.29**	**11.67**

2.51 DISCLOSURE RELATED TO CORPORATE SOCIAL RESPONSIBILITY (CSR) AS PER THE COMPANIES ACT, 2013:

The Group has started commercial operations from the year 2016-17 and has not generated any profits during the year hence CSR rules are not applicable.

2.52 INFORMATION IN RESPECT OF MICRO AND SMALL ENTERPRISES AS AT 31ST MARCH 2017 AS REQUIRED BY MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006:

(Rs. in Lacs)

Particulars	Year ended on 2017-18	Year ended on 2016-17
a) Amount remaining unpaid to any supplier:	Nil	Nil
Principal amount	Nil	Nil
Interest due thereon	Nil	Nil
b) Amount of interest paid in terms of section 16 of the MSMED Act along with the amount paid to the suppliers beyond the appointed day	Nil	Nil
c) Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act	Nil	Nil
d) Amount of interest accrued and remaining unpaid	Nil	Nil
e) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises, for the purpose of disallowances as a deductible expenditure under section 23 of MSMED Act.	Nil	Nil

2.53 Opening balances/corresponding figures for previous year/period have been re-grouped/re-arranged, wherever necessary.

2.54 STATUS OF PENDING INCOME TAX CASES AS ON DATE

i) For the F.Y. 2007-08 & 2008-09, the cases are pending before Hon'ble High Court of H.P. against the tax liabilities imposed by the Ld. ITAT Chandigarh, whereas, the Corporation has filed an appeal before Hon'ble High Court for full Tax exemption u/s 260A of Income Tax Act, 1961.

ii) For the F.Y. 2009-10, 2010-11, 2011-12, 2012-13 & 2013-14, the cases are pending before Hon'ble High Court of H.P. against the partial relief allowed by the Ld. ITAT Chandigarh, however, the Corporation has filed an appeal before Hon'ble High Court for full Tax exemption u/s 260A of Income Tax Act, 1961.

iii) FY 2014-15, the case is pending before Hon'ble ITAT, Chandigarh, against the demand raised by the Assessing Officer Income Tax department, Shimla circle.

iv) For the FY 2015-16, an amount of Rs. 11,05,28,339/- has been deposited as Advance tax (including TDS & TCS) and Rs. 29,25,700/- as statutory deposit @20%, against the total demand raised by the AO, Shimla Circle for Rs. 1,46,28,230/-.Corporation has preferred to appeal before CIT (Appeal) Camp at Solan, against the demand raised by the Assessing Officer. The Appeal is yet to be decided by the CIT (Appeal), Camp at Solan.

v) For the FY 2016-17, an amount of Rs. 6,55,52,279/- has been deposited as Advance tax (including TDS & TCS). The assessment proceeding is pending with the Assessing Officer of Income Tax authorities.

vi) For the FY 2017-18, an amount of Rs. 7,55,44,244/- has been deposited as Advance tax (including TDS and TCS) with Income Tax authorities. The assessment proceedings are pending with the Assessing Officer of Income Tax authorities.

vii) For the FY 2018-19, an amount of Rs. 1,71,74,529/-, (Rs. 62,96,381+ Rs. 1,08,74,148) has been deposited as Advance tax, TDS & TCS. Assessment proceedings by AO are under process.

2.55 ENTRY TAX

The H.P. Excise and taxation department imposed penalty and interest for default in payment of Entry Tax on material supplied by various contractors. The matter is sub-judice under Appellate Authority-cum-Additional Excise and Taxation Commissioner, Shimla. The status of which is as given below. However provision for recovery of same from respective contractors has been created in Books of Accounts in the F.Y. 2017-18 :

(Rs. in Lacs)

Power Project	Interest	Penalty	Total (Interest & Penalty)	Latest Status
Kashang HEP	126.34	251.32	377.66	Decision pending with Appellate Authority cum AETC
Sawra Kuddu HEP	205.00	455.00	660.00	-Do-
Sainj HEP	6.36	44.96	51.32	Decision pending with Hon'ble High Court of H.P.
Total	**337.70**	**751.28**	**1,088.98**	

2.56 The Group has in possession forest land at, Sainj HEP, Shongtong HEP, Kashang HEP, Sawra Kudu HEP and Berra Dol SPP. The Group has not accounted for the cost of the lease hold land in accordance of Govt. of H.P notification No.Rev.-D(G) 6-69/2011-II dated 23.01.2016, as the lease deeds with the revenue department in respect of above project's end are under process and the exact amount of cost involved is not yet known.

2.57 CHANGE IN ACCOUNTING POLICY

a) In order to have uniformity across the Group's Projects and to follow a realistic method of apportionment of common expenses, where a common GM Office is superintending the activities of more than one projects, Group has changed the method of apportionment of such common expenses, from charging the expenses on the basis of power generation capacity to charging the expenses on actual expenditure of the each project as on close of financial year basis. Effect of same has been taken in the books of Accounts for the F.Y. 2017-18.

b) During the F.Y. 2017-18, the power was sold in energy exchange. As the portion of free power @13%, is not remitted to Corporation, the amount booked under sale of energy is net of above free power, which is in variance with the previous financial year, where in the sale of energy was booked at Gross value i.e. inclusive of 13% free power.

c) Apportionment of expenditure of Corporate Office and DW Sunder Nagar:

Pre COD

The Group has apportioned the expenditure net of income of corporate office and Design Wing Sunder Nagar up to 31st August 2016 since incorporation of the Group in the following proportions :-

- 15% of the total expenditure to Renuka ji project.
- Rest is apportioned to the remaining projects on the basis of ratio of the capital expenditure incurred on various projects up to 31st August 2016.

Post COD

(I) Expenditure :

The Group has apportioned the expenditure of corporate office and Sunder Nagar (Design Wing) from 1st September 2016 to 31st March 2018 in the following proportions :-

- 15% of the total expenditure to Renuka ji project.
- In case of Commissioned projects the apportionment has been done in the ratio of Sales (Gross Sales-13% free power) to Capital outlay.
- Rest is apportioned to the projects which are under construction stage/ Investigation Stage on the basis of ratio of the capital expenditure incurred by these projects.

(ii) Income Portion:

The Group has apportioned the income of corporate office and Design Wing Sunder Nagar from 01 September 2016 to 31st March 2018 in the following proportions:-

- 15% of the total income to Renuka ji project.
- In case of Commissioned projects the apportionment has been done in the ratio of Sales (Gross Sales-13% free power) to Capital outlay
- Rest is apportioned to the projects which are under construction stage/ Investigation Stage on the basis of ratio of the capital expenditure incurred by these projects.

During the year expenditure of Head Office and DW Sunder Nagar, has been apportioned in the ratio of days of the financial year 209:156 i.e. from 01st April 2017 to 03rd September 2017 and 4th September 2017 to 31st March 2018.

2.58 The HPSEB has retained Rs. 13.69 crores from the amount due on account of sale proceeds of power to the Group against the amount payable on account of Leave salary and pension contribution of their employees deployed on secondment basis with Group. Group has made required provision for liability on account of Leave salary and pension contribution of their employees in its books of accounts as on 31.03.2018, However, settlement of payable & receiveable amounts claimed by both the parties is being reconciled and shall be settled accordingly.

2.59 STATE GOVERNMENT LOAN FOR SHONGTONG KARCHAM HEP 450 MW):

The Shongtong Karcham HEP (450MW) being financed by State Government of Himachal Pradesh, through funds received from ADB and KFW. ADB funding to the project has expired in October 2018. KFW which was funding the E & M Package, initially temporarily stopped the funding to the State Government, on the basis of the report of their consultant regarding safety of the barrage structure and now has not renewed the agreement, which expired in December 2019. Corporation has explored funding of remaining works of the project from the Commercial Banks.

2.60 DEMAND BY THE PF AUTHORITIES:

The Regional Provident Commissioner, Shimla has raised demand for the period August 2008 to June 2011 amounting to Rs 1.89 Crore on the payment made to the contractors at various units of the Group. The Group has filed an appeal against the order with Central Government Industrial Tribunal Chandigarh. The Group has shown the liability as contingent and no accounting entry has been passed in the books of accounts.

2.61 INCREASE IN AUTHORIZED CAPITAL

The Group has increased the authorized share capital of the Group from Rs 2,000 crores to Rs 2,500 crores in its Annual General Meeting held on 28th November 2018.(Refer Note 2.18)

2.62 A sum of Rs. 103.24 lacs (excluding Interest) has been shown as recoverable from Gammon India, through Directorate of Energy, Govt. of H.P. The Amount is still recoverable. Keeping in view that Gammon India / Directorate of Energy has not yet denied to refund/re-imbursement the same, hence provision for doubtful debt has not been made in Books of Accounts.

2.63 SURVEY AND INVESTIGATION OF KHAB HYDRO ELECTRIC PROJECT

No Provision for expenditure of survey and Investigation of Khab Hydro Electric project done by the SJVN which was allotted to the SJVN earlier by Department of Energy. The Group has communicated to the DoE, GoHP vide letter dated 22.07.2017 that as PFR prepared by SJVNL is of no use to Group and fresh planning of Khab HEP has to be carried out by Group as it was observed that the Khab Dam HEP, as proposed by SJVN, encroaches the domain of both the upstream and downstream projects, already allotted to other IPP. DoE vide letter dated 31.07.2017 allowed Group to carryout fresh planning of Khab HEP, with domain elevations ranging between El. ±2538m to El. ±2325m, after considering the requirement of MoEF guidelines. Accordingly vide HPPCL letter dated 16.05.2018, informed SJVNL that the PFR of Khab HEP prepared by SJVNL encroaches the domain of other allotted projects, hence HPPCL has to prepare fresh PFR and therefore, it is not in a position to take into account the expenditure incurred by SJVNL. Response is awaited from SJVNL side.

2.64 GRANT RECEIVABLE

The Group has shown Rs 5.22 crore as grant receivable from Central Water Commission, Government of India. The Central Water Commission has sanctioned Rs 12.50 crore to the Group for field survey and investigation and preparation of Detailed Project report of the Gyspa HEP(300MW). The Central Water Commission has released Rs 5.00 crore to the Group for the above work on 31 March 2012 with the condition that next installment will be paid on the submission of the DPR of the project. The award for conducting the DPR was allotted and the same was started by the consultant for preparation of DPR, but could not be completed due to sustained opposition and hindrance by local people. The Group has incurred expenditure in excess of the amount released by the authorities and the same has been shown as grant receivable from the Central Water Commission. The Gyspa HEP has been declared strategically important project and has been declared as "National Project" by Ministry of Water Resources, Government of India in the year 2009 and the same is covered under Indus Water Treaty 1960. The Central Water Commission vide their letter dated 12th October 2018, has directed the Principal Secretary (MPP& Power), Government of Himachal Pradesh, to direct the concerned officials to take appropriate action for resolving the concern of project affected families so that the survey and investigation work HEP may be completed and the DPR could be prepared at the earliest. Further in a renewed effort, a Meeting, through Video Conference was held on 17.10.2019, under the Chairmanship of Chief Secretary to the GoHP. In view of above developments the excess expenditure over the amount received is being treated as grant receivable from the concerned authorities. It was decided that the investigation work must be resumed immediately. Towards this end Dy. Commissioner, Lahaul Spiti, will talk directly to the affected people and address their concerned. Concerned HPPCL officers shall also meet DC & SP; Lahaul & Spiti who shall extend due help in starting the work.

2.65 The Group is in possession of Land and Buildings at Sarabhai, Thalot and Largi of HPSEB Ltd. (Erstwhile HPSEB Board) at Sainj HEP. The Joint Committee constituted by both Companies has assessed the value of the said properties at Rs.45.99 Crores in the Meeting held in the month of August 2012. The properties are in the possession of the Group; no final decision and sale deed has been executed by both the parties so far. Hence no provision for the liability in the Books of Accounts has been made.

However, it is mentioned here that out of the total land under consideration, permission by Revenue Dept. has been granted to lease out the proposed land in favour of AFCONS Infrastructure Ltd., as per provision of Rule-8 of H.P. Lease Rules 2013 and Lease (Amendment) Rules, 2016 by HPPCL through executing of a lease agreement / deed between the parties for the purpose of installation of Stone Crusher on the land, comprised in various Khasra Numbers to the extent of 36-12-11 Bighas land situated in Village/Mohal Panjam, Tehsil: Balichouki Dist. Mandi H.P., for a period of 4 years. Deed has been executed. As the cost of land transferred to HPPCL is not yet determined, hence the same has not been accounted for.

2.66 LOCAL AREA DEVELOPMENT FUND

Provision of amount payable to LADA fund (as booked in the books of accounts) on account of increase in cost of the Projects on its commissioning, has been made, however determination of final revised cost of these projects is under process.

2.67 The Kashang Stage I and II work was hampered since 2006 as the local people had filed case with the NGT. The NGT has given the final judgement on 23rd October 2017 with directions to the State Government to consider the claims of the claimants of the Lippa Village under FRA -2006. The Locals has again filed a petition for stay of transfer of forest land to the project with the Hon'ble High court of Himachal Pradesh .However the Hon'ble High court has declined the grant of interim stay on in the month of January 2019.

2.68 No provision of income tax has been made by the Group, as the Group has brought forward losses and unabsorbed depreciation under income tax Act and during the year also the Group has incurred losses.

2.69 Amount recoverable from contractors includes a sum of ₹ 79.43 crores recoverable from Coastal Projects on account of works being executed on their risk and cost awarded to M/s HCC Limited. The Lender Banks of the Contractor have filed liquidation proceedings with NCLT and the Group has filed claim of Rs 334.99 crores against the contractor. No provision for amount doubtful for recovery has been made, as the matter is pending with NCLT.

2.70 STATUS OF THE NAKTHAN HEP

Nakthan HEP (460MW) was allotted to the Group by the Government of Himachal Pradesh on 22 September 2009 as a Run-of-the- River project on Tosh Nala / Parbati River. The DPR of the project has been approved by the CWC/CEA/GSI .The CSMRS approval is pending. M/s Sai Engineering Foundation (IPP) to whom Tosh Mini Hydro Project was allotted has filed application with Hon'ble High Court to appoint an arbitrator for stay of Diversion of Tosh Water to Nakthan HEP. The Arbitral Tribunal of Ld. Justice Kuldeep Singh has stayed the diversion of water for Nakthan HEP vide order dated 24th July 2015.The Govt has filed objection petition before Hon'ble High Court of Himachal Pradesh on 06th November 2015. Supplementary objection petition before Hon'ble High Court of Himachal Pradesh has also been filed by Group on 26th February 2018. The latest hearing held on 22.05.2019 and rejoinder has been filed in the month of July 2019.

2.71 POWER SALE ARRANGEMENTS

In case of Kashang HEP Stage-I, the PPA agreement was in force with HPSEB and expired on 06th May 2018. After that the Group has made arrangement to sell the power in Energy Exchange through Power Trader, M/s PTC India Limited.

In case of Sainj HEP the arrangement has been made to sell the power in Energy Exchange through Tata Power Trading Corporation with effect from 04th September 2017 (i.e. the date of Commissioning of the Project).

Similarly PPA has been signed with HPSEB Ltd., to sell the power being generated by Beradole Solar Power Plant (5MW) commissioned on 04.01.2019, @ of Rs. 4.31/Unit, for 25 Years.

2.72 An amount of Rs. 5 Crores has been received as seed money against Kishau Corporation Ltd., from Govt. of HP, as promoters share during the F.Y 2017-18. The amount shall be disbursed to the Kishau Corporation Ltd. after receiving proper instructions from Govt. of H.P.

2.73 The Govt. of H.P. has allowed deferment of repayment of Loan and Interest till F.Y 2018-19 vide letter No. MPP-C(7)-1/2017 dated 09.01.2018. However, request has been submitted to GoHP, to further defer the repayment of loan and interest due as on date and also of the principal amount of loan and interest, which shall become subsequently due till C.Y. 2024, till the construction of Shongtong Karchham HEP, vide letter No. HPPCL/F&A/deferment/2019-9668-270 dated 31.08.2019.

2.74 In case of Renuka Ji Dam Project (RDP), interstate agreement has been signed by all the beneficiary states on 11.01.2019, in New Delhi. Revised cost estimate of Renuka Ji Dam Project (RDP) on October 2018 (PI), has been approved by CWC for Rs.6946.99 Crores on 20.02.2019. The matter is pending before Technical Advisory Committee and shall be further submitted for approval of Central Cabinet Committee of Economic Affairs, GoI. Once the approval is accorded, funds shall start flowing to the project and shortfall of the expenditure shall be recovered.

Matter of release of funds for ongoing land acquisition process was taken with GoI. It was intimated that the funds can be released only after cabinet approval of the project. However no such restriction is there for beneficiary states. Accordingly, the matter was taken–up with Secretary Upper Yamuna River Board vide letter dated 13.09.2019. The Secretary UYRB has further requested all beneficiary states to provide the funds vide letter dated 24.09.2019.

2.75 Advances given to HPSEB Ltd., HPPTCL, I&PH, HPPWD, Fisheries Dept. etc. given against works to be executed on deposit work basis, could not be settled/capitalized, due to pending utilization Certificates to be received from these Depts. /Corporations.

2.76 Disclosure of Major Changes in existing Contracts/Agreements during the period: 1) Geological Investigation on the right bank slop on Shongtong Karchham HEP with No variation in contract amount, 2) Enhancement in contract amount by EURO 59016.79 due to inclusion of withholding Tax 3) Continuation of consultancy services of Accompanying the investigations on the Barrage Right bank Slop of Shontong Karchham HEP with no variation in contract amount 4) Basic concept for protection of barrage against sliding right bank slop with no variation in contract amount.

2.77 The Enforcement Directorate vide Provisional Attachment Order 03/2017 dated 29/12/2017 (F No ECIR/ 02/ 54520/2 014/07 / 7537) dated 29/12/2017, has attached the assets of the Himachal Emta Private Limited (a Joint Venture Group) , amounting to Rs. 2.59 crores. At present the case is pending in the Hon'ble Supreme Court of India.

2.78 As per Hydro Generation Tariff Regulation 20, on Depreciation (given in the Appendix of Depreciation Schedule), of HPERC Notification No. HPERC/Gen/479 dated1st April 2011, investment in land, cost of clearing the site and land for reservoir in case of Hydro Generation Station of Land under lease is to be capitalized and depreciation @3.34%. Land under full ownership is not required to be depreciated. In case of this Corporation, Reservoir/Dam, is being constructed in Renukaji HEP only and the land so far acquired is under the full ownership of the Corporation, hence the depreciation has not been provided on the cost of land nor the trees and structures on such free hold land.

2.79 Shares to GoHP, against the share application money received on 29.03.2018, could not be issued immediately i.e. till 31.03.2018, but the same were issued in the next financial year when the BoD Meeting was held. Further shares were also issued to GoHP for Rs. 74.25 Crores and Rs. 49.50 Crores on dated 20.08.2019 and 03.12.2019, respectively. However return with respect to same could not be filed with RoC, due to tagging of Group as "ACTIVE Non-compliant", pursuant to the Companies (Incorporation) Amendment Rules 2019.

2.80 The Group has changed the accounting policy in respect of Charging of expenditure of Corporate office and Sunder Nagar Design wing during the year review:-

New Policy: Apportionment of common expenditure of Corporate Office and Sunder Nagar for projects which are commissioned in the ratio of sales to the Capital Outlay of the Project.

Old Policy: Apportionment of common expenditure of Corporate Office and Sunder Nagar for projects which are commissioned in the ratio of Total expenditure incurred to Fixed assets cost except cost of land. The effect of such changes has been taken in the books of accounts.

2.81 While operating the sluice valves in Silt flushing drift at BR-I on 25.07.2018, due to the high velocity of water from the outlet of SFT, some portion of SFT, and land/property of forest department was damaged. The DFO, Kinnaur vide letter no. 6134 dated 11.09.2018 and No. 6479 dated 03.10.2018, submitted the claim of damage to the tune of Rs. 1,56,41,559/- and Rs. 16,27,26,778/-, respectively on account of damages of deodar/chilgoza trees and catchment area of forest land.

HPPCL management during the meeting held with DFO, Kinnaur on 11.07.2019, has agreed to take up the matter of restoration of damages in phased manner after completing all formalities, such as, designing, estimation & statutory clearances from all quarter concerned. The case for diversion of said forest land was initiated by the HPPCL under FCA, hence, the provision of above amount was also not kept during the FY 2018-19, as the case shall be regulated under the FCA, for which cost of land under diversion shall be intimated by the forest department later on. Further, during the meeting under the chairmanship of Chief Secretary to GoHP, with District administration and forest department on 17.10.2019, it was agreed by the forest department to withdraw the claim of 19.00 cr. as HPPCL will restore the damages at their own.

For and on behalf of the Board of Directors

Sd/-
(B.L. Verma)
D.G.M. (Finance)

Sd/-
(Sudershan K. Sharma)
Company Secretary

Sd/-
(Manmohan Sharma)
Director (Finance)
DIN 08480582

Sd/-
(Devesh Kumar)
Managing Director
DIN 00329576

For Anil Karol and Company
Chartered Accountants
FRN No. 4816N

Sd/-
(CA Walia Umesh)
Partner
Membership No. 098287

Place: Shimla
Date: 07-02-2020

Anil Karol and Company
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

To

The Members of HIMACHAL PRADESH POWER CORPORATION Limited

Report on the Consolidated Ind AS Financial Statements

We have audited the accompanying Consolidated Ind. AS financial statements of **HIMACHAL PRADESH POWER CORPORATION LIMITED** ('the Holding Company'), and its jointly controlled entities (the Company and its joint ventures are together referred to as "the Group") which comprise the Consolidated Balance Sheet as at 31st March 2018, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated statement Cash Flow and Consolidated Statement of changes in Equity for the year then ended, and a summary of consolidated significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Ind AS Financial Statements")

Management's Responsibility for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the matters stated in Section 134 (5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income and consolidated cash flows and consolidated statement of changes in equity of the Group and jointly controlled entities in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Group Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Group Company's preparation of the consolidated Ind AS financial statements that give a true & fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Holding Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Directors, as well as evaluating the overall presentation of the consolidated Ind AS financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion the Consolidated Ind AS financial statements.

Basis for Qualified Opinion

1. Property Plant and Equipment Note 2.1

i) We invite attention to Note No 2.56 wherein its stated that the Group has possession of forest land at, Sainj HEP, Shongtong HEP, Kashang HEP and Sawra Kuddu and no provision has been made as the amount of lease has not been ascertained. In the absence of information, we are unable to comment on the same.

ii) We Invite attention to Note no 2.65 where in the Group has not accounted for the cost of the Land and Buildings of HPSEB Limited amounting to Rs. 4,599 lakhs. In our Opinion the Property Plant and Equipment are understated to the extent of above and correspondingly the other Current Financial Liabilities are also understated to the extent of above.

iii) The Shongtong Unit has not bifurcated the cost of free hold land the details of the which is as under:-

		Amount
1.	Land	2,20,28,726.00
2.	Trees	51,82,644.00
3.	Structure	1,06,23,413.00
	Total	**3,78,34,783.00**

The Group should show the costs other then land separately so that they can be depreciated separately on the commissioning of the project on the basis of the useful life of the main assets.

iv) The Renukaji HEP has accounted for Rs. 31,911 Lacs on account of compensation paid for the land. The Himachal Pradesh Electricity Regulatory Commission Hydro Generation Tariff Regulation Depreciation @ 3.34% is leviable on submerged Land. The HP CAG issued comment on the same in the Supplementary audit for the year 2016-17.

The Group has shown Rs. 19,564 Lacs under the Capital work in progress which has to be shown under Free hold Land. In our opinion the Free hold land is understated and CWIP Submerged land is overstated to that extant. The Group has not charged the depreciation as per the comment issued by the CAG. Thus the Group has not charged depreciation for the 2016-17 and 2017-18 amounting to Rs. 2,200 lakhs during the year under review. In our opinion the Property Plant and Equipment is overstated and Capital work in Progress in understated to that extant.

v) The Renukaji HEP has paid Rs. 5,364 Lakhs on account of compensation paid for trees and Structures. The CAG in their supplementary audit report for the year 2016-17 has commented that Rs. 785 Lacs has been less charged on the above and the Property Plant and Equipment is overstated to the extant of above and Capital Work in progress is understated to that extent. The Group has not accounted for the same in the financial statements and no further details has been provided in respect of depreciation to be charged on the above.

The Qualification of the CAG for the year 2016-17 has been considered in this report

vi) The Sainj HEP while capitalising the Interest paid on State Government Loans at the time of COD has apportioned Rs. 4,202 lacs to Electrical Equipment's instead of Rs. 7,298 lacs. Thus cost of Electrical Mechanical works is under stated to the extant of Rs. 3,097 lacs.

vii) The Group is showing the opening Depreciation of certain assets at negative value for which no information and explanations has been provided to us. The following are the details of the same.

	Depreciation as on 01-04-2017
Plant (currently for Water Treatment)	-1.53

Office Machinery (like Lab, Fire, Safety)	-37.72
Electronics & Electrical Items	-119.85
Furniture & Fixtures	-97.63
Computers & Data Processing Machines	-37.72
Vehicles	-10.54
Helipad	-8.70
Bridges & Culverts	-2.30
Server and Networks	-151.84
Roads	-2,349.25

In the absence of information we are unable to comment on the same.

2. Capital Work in Progress 2.2

I) The Group has started using the following assets at the project sites but the following has not been put to use for want of completion certificate from the concerned departments of the Group.

(Amount in Lacs)

Project Unit	Residential Building	Non Residential Building	Roads, Bridges & Culverts	Project Civil Works	Construction Power	Total
Sundernagar	1	-	-	-	-	**1**
Sawra Kuddu HEP	14	-	-	-	58	**72**
Kashang HEP	-	-	-	28	-	**28**
Sainj HEP	-	2	-	-	-	**2**
Renukaji Dam Project	-	-	-	-	-	**-**
Shongtong HEP	-	-	-	-	39	**39**
Gyspa HEP	8	99	6	-	-	**114**
Beradol	-	-	-	-	113	**113**
Total	**23**	**102**	**6**	**28**	**210**	**369**

In our opinion the Capital Work in Progress are overstated to the extent above and the Property Plant and Equipment are understated to the extent of above. The Impact of the depreciation on the above cannot be quantified in the absence of the information.

ii) The Group has adopted for exemption under IND AS regarding deemed cost for Property, Plant and Equipment and adjusted the accumulated depreciation as on 1st April 2015 with the cost as on that date. It has been observed that the Group has reinstated the depreciation of the assets by changing the Accounting Policy up to 31st March 2016 as per GAAP and while applying the exemption under IND AS the depreciation charged up to 1st April 2015 i.e., the depreciation as per previous Accounting Policy has to be adjusted. In our opinion the Accumulated Depreciation up to 1st April 2015 should have been adjusted with the Revised Accounting Policy of the Group i.e. on the basis of the HPREC depreciation Rate. No Information is respect of the same has been provided to us. In the absence of the information we are unable to comment on the same.

iii) We Invite attention to Note No. 2.70 where in it is stated that the Court case has been filed by the Toss Mini Hydel Project in the Hon'ble High Court of Himachal Pradesh against the Government of Himachal Pradesh. The matter is still under litigation and may have impact on the Development of the Project.

iv) The Shongtong unit project work was hampered by the labour strike of the M/s Patel Engineering from 14th March 2016 to 20th December 2016 during the year 2016-17. During the year under review the work was hampered during the period 18th Apirl 2017 to 3rd August 2017. The following are the details of the same:-

S.No.	Date	Date	Days	Particulars
1.	18-04-2017	17-05-2017	29.00	Worker Strike
2.	18-05-2017	20-07-2017	63.00	Lay Off
3.	21-07-2017	03-08-2017	13.00	Labour not available
Total			**105.00**	

The Unit has charged the interest on loan during the period to Capital Work in progress which has to be charged to the Profit and loss account. No Information in respect of the interest debited to the capital work in progress during the strike period has been provided by the unit to us. In the absence of the information we are unable to comment on the same.

v) The Shongtong unit has charged the progressive payments made to AHIPL to the capital work in progress account whereas the supplier is raising the invoices afterwards by adjusting the progressive payments in there invoices proportionately. The following are the details of the progressive payments made to the party: -

		INR	Euro	US $	Total
1st Progressive payment	07-04-2016	15,06,05,000.00	56,58,000.00	2,39,53,000.00	**18,02,16,000.00**
2nd Progressive payment	13-05-2016	15,06,05,000.00	57,04,000.00	2,40,87,000.00	**18,03,96,000.00**
3rd Progressive payment	31-03-2017	15,06,05,000.00	46,74,000.00	2,43,64,000.00	**17,96,43,000.00**
Total		**45,18,15,000.00**	**1,60,36,000.00**	**7,24,04,000.00**	**54,02,55,000.00**

The progressive payments made are in nature of the advance paid to the party on the basis of the value of the contract and has to be adjusted with the invoices to be raised by the supplier in future. In our Opinion the Advance to the Supplier is understated and the Capital work in Progress is overstated to that extent.

We invite attention to the Note 1.11 regarding accounting policy in respect of treatment of foreign currency transactions which has not been followed by the Group. The Advance also includes foreign exchange components for which no adjustments has been made in the books as per the requirements of the Ind AS 21 The Effects on change in foreign exchange Rates applicable to the Group. In the absence of the information we are unable to comment on the same.

vi) The Sainj Unit has paid Entry Tax amounting to Rs. 544 lakhs from September 2010 to December 2016 to HCC Limited. As per the Himachal Pradesh Entry Act 2010 the dealer paying the entry tax is entitled to take the credit of the entry tax and adjust the same with the Vat Liability of the Dealer which the dealer has claimed in the Vat return filed by the contractor to the concerned Assessing Authorities. Thus, the dealer was not entitled to claim the entry tax which was adjusted by dealer towards its Vat Liability. Thus CWIP Project Electro Mechanical works is overstated to the extent of Rs. 544 lakhs and other current assets are understated to that extent.

vii) The Kashang Unit has charged interest paid on PFC loan of Rs. 3,000 lakhs transferred from HPSEB at the time of transfer of assets and liabilities from the HPSEB of the Kashang Unit to the Expenditure under Construction. It has been observed that at the time of transfer of assets from Kashang Unit from HPSEB a sum of Rs. 1,392 lakhs has been used for construction of Transmission Lines at Kashang HEP. During the year 2010-11 the Kashang unit has transferred all cost of the Transmission Lines amounting to Rs. 6,585 lakhs back to the HPSEB Limited. Further It has been observed that at the time of transfer of transmission lines the loan component of the PFC utilised on the construction of Transmission lines has not been transferred to the HPSEB Limited and further a sum of Rs. 871 lakhs has been paid as interest on the above loan by the Group till 31st March 2017 to the PFC. Thus, a sum of Rs. 871 Lakhs is recoverable from HPSEB Limited on account interest paid to PFC on transmission lines transferred back to HPSEB. In our opinion Property Plant and Equipment are overstated to the extent of Rs. 871 Lakhs and the other current assets are understated to the extent of above.

viii) The work at Kashang II and III (K K Link Line) was stopped by the contractor since 30.09.2014 and the interest paid on loan has been charged to the expenditure under construction. Further the unit has paid interest free mobilisation advance to the contractor amounting to Rs. 945 Lakhsfor which the recovery has not been started as the 30% work has not been completed. The Interest component of the loan payable to state govt loan should be charged to Profit and Loss Account as per the requirements of the Ind AS 23 Borrowing Cost No Information in respect of the interest to be charged to Profit and Loss account has been provided to us. In the absence of information, we are unable to comment on the same.

ix) The Sainj HEP has capitalised the cost of employees till the date of Synchronisation i.e. 30th June 2017 and after that the employee cost has been charged to Profit and Loss Account. The water availability for both the units was available since 15/04/2017 and the Mechanical Spinning was done for the Unit I on 25/04/2017 thus the construction of the project was completed on 15th April 2017. Thus Employee cost up to 15th April 2017 has to be capitalised and after that the same has to be charged to the Profit and Loss Account. The Sainj HEP has capitalised Rs. 151 lacs as employee cost till 30th June 2017 . The cost has to be capitalised till 15thApirl 2017 when the project was complete which comes to Rs. 26 lacs. Thus expenditure to the tune of Rs. 125 lacs is understated.

x) The Group has granted EOT of the Shongtong HEP for civil works till 31st March 2024 with no delay Damages in the 68th Board Meeting on 24th April 2019 No disclosure for the same has been made in the notes to accounts.

xi) **Stoppage of work at Kashang 2 and 3**

We Invite attention to Note No. 2.67 where in its stated that the work at Kashang Stage 2 and 3 has been pending in the NGT and the final outcome may have an impact on the Construction of the Kashang Stage 2 and 3 .Till the final decision of the NGT we are unable to comment on the same

xii) **Stoppage of work at Sawra Kuddu**

The Adit Work allotted to Patel Engineering was stopped by the contractor and the advance given to the contractor was interest bearing. The Contractor has not paid the interest component on the advance.

xiii) **Apportionment of Corporate and Sunder Nagar (Design Wing) Expenses to Renukaji Project**

The Group has apportioned 15% of the total expenditure of Corporate Office and Sunder Nagar Design Office to Renukaji Project vide Managing Directors Office Order Note dated 10/11/2017 during the year under 2016-17. It has been observed that during previous year for Renukaji HEP where only expenditure of 3% of the total cost of the Fixed Assets and CWIP has been incurred by the Group till 31st August 2016 on the project ,15 % of the total expenditure of Corporate Office and Sunder Nagar (Design Wing Expenses) since incorporation of the Group has been apportioned to the unit and rest has been allocated to the other units in the proportion of capital expenditure incurred by the remaining units. The above apportionment ratio has not been approved by the Board of Directors of the Group. The allocation percentage and ratio adopted by the Group is also not in compliance to accounting policy of the Group mentioned at Note no 1.6 (g) The Group has provided no justification for approving the percentage of 15% for allocation of corporate office and Sunder Nagar expenditure to Renukaji HEP. In our opinion the apportionment of expenditure to Renukaji @ 15% is not justifiable and thus Rs. 1,948 Lakhs has been excess allocated during the year 2016-2017 to the Renukaji and same has been less allocated to other units. This has resulted in less apportionment of the expenditure to the generating unit i.e. Kashang Stage I and Sainj HEP and may affect the depreciation charged during the year by the Kashang Stage I and Sainj HEP. In the absence of the information we are not able to comment on the less amount of depreciation charged after COD period by the Kashang Stage I and Sainj HEP

Fixed Assests Cost up to 31st August 2016

(Amount in Lacs)

Name of the Power Project	CWIP plus Fixed Assests less land cost	Percentage of total Cost	Cost to be Allocated	Cost Allocated	Variance
Sawra Kuddu	113,082	29.39	4,840	4,249	591
Kashang I	73,532	19.11	3,147	2,763	384
Kashang II	32,532	8.46	1,392	1,222	170

Kashang III	-	-	-	-	-
Sainj	102,681	26.69	4,395	3,858	537
Renukaji	12,206	3.17	522	2,470	-1,948
Shongtong	43,343	11.27	1,855	1,629	227
Chirgaon Majhgaon	969	0.25	41	36	5
Triveni Mahadev	598	0.16	26	22	3
Thana Plaun	1,483	0.39	63	56	8
Nakhtan	1,781	0.46	76	67	9
Gyspa Dam	919	0.24	39	35	5
Surgani Sundla	992	0.26	42	37	5
Deothal Chanju	137	0.04	6	5	1
Chanju III	362	0.09	15	14	2
Berra Dol	107	0.03	5	4	1
Sunni Dam	-	-	-	-	-
Sub Total	**384,723**	**100.00**	**16,466**	**16,466**	**-0**

The Group during the year under review has also adopted the same method of apportionment and the following are the details of appropriations made during the year:-

Appropriations made up to 03rd September 2017

Fixed Assets Cost up to 31st March 2017

(Amount in Lacs)

Name of the Power Project	CWIP plus Fixed Assests less land cost	Percentage of total Cost	Cost to be Allocated	Cost Allocated	Variance
Sawra Kuddu	1,30,911	38	300	264	36
Sainj	1,20,446	35	276	243	33
Renukaji	13,815	4	32	122	-90
Shongtong	55,749	16	128	113	15
Chirgaon Majhgaon	1,030	0	2	2	0
Triveni Mahadev	644	0	1	1	0
Thana Plaun	1,866	1	4	4	1
Nakhtan	1,985	1	5	4	1
Gyspa Dam	1,846	1	4	4	1
Surgani Sundla	1,101	0	3	2	0
Deothal Chanju	360	0	1	1	0
Chanju III	610	0	1	1	0
Berra Dol	306	0	1	1	0
Kashang II	14,379	4	33	29	4
Sub Total	**3,45,049**	**100.00**	**791**	**791**	**-0**

Appropriations made after 03rd September 2017

Fixed Assets Cost up to 03/09/2017

(Amount in Lacs)

Name of the Power Project	CWIP plus Fixed Assests less land cost	Percentage of total Cost	Cost to be Allocated	Cost Allocated	Variance
Sawra Kuddu	1,41,342	56	601	539	61
Renukaji	13,846	5	59	163	-104
Shongtong	69,074	27	294	264	30
Chirgaon Majhgaon	1,053	0	4	4	0
Triveni Mahadev	646	0	3	2	0
Thana Plaun	2,120	1	9	8	1
Nakhtan	2,063	1	9	8	1
Gyspa Dam	1,019	0	4	4	0
Surgani Sundla	1,287	1	5	5	1
Deothal Chanju	372	0	2	1	0
Chanju III	733	0	3	3	0
Berra Dol	2,784	1	12	11	1
Kashang II	17,666	7	75	67	8
Sub Total	**2,54,004**	**100**	**1,080**	**1,080**	**-0**

In our opinion the apportionment of expenditure to renukaji @ 15% is not justifiable and thus Rs. 194 Lakhs has been excess allocated during the year 2017-2018 to the renukaji and same has been less allocated to other units. This has resulted in less apportionment of the expenditure to the generating unit i.e. Kashang Stage I and Sainj HEP and may affect the depreciation charged during the year by the Kashang Stage I and Sainj HEP. In the absence of the information we are not able to comment on the less amount of depreciation charged after COD period by the Kashang Stage I and Sainj HEP.

We Would further like to submit that no confirmations from the participating states and the central government has been provided to us for the inclusion of above expenditure towards the cost of the Project. In the absence of confirmations we are unable comment on the recoverability of the expenditure from the participating states and central government.

3 Non-Current Investment Note 2.5

I) We invite attention to Note No.2.43(i), the Group has made an investment of Rs. 337.50 Lac (previous year Rs. 337.50 Lakhs) in the equity of Himachal EMTA Power Limited (HEPL) which has been established as Group's joint venture with EMTA for setting up a (2*250 MW) thermal power plant. The Group has 50% equity participation in HEPL. The Government of India has allotted coal block to Himachal EMTA Power Limited and JSW Steal Limited for which another Joint Venture has been made in the Name of Gourangdih Coal Limited.

"The Hon'ble Supreme Court of India (SC) on 25/08/2014 and 24/09/2014 ordered that the allotment of the coal block made by the screening committee of the Government of India through the government dispensation route are arbitrary and illegal thus the Gouragdih Coal Block allotted to Himachal EMTA Power Limited and JSW Steel Limited has been cancelled."

ii) The Group has made provision for doubtful investments amounting to Rs. 337.50 lakhs during the year under review.

iii) The Group Independent auditors of Gourangdih Coal Limited raised concern in respect of preparing the Financial

Statements on the basis of Going Concern Concept and under Historical Cost Convention due to deallocation of the Coal Blocks by the decision of the Supreme Court during the year under review.

iv) We invite attention to note 2.77 where in the Enforcement Directorate has attached the assets of the Himachal Emta Private Limited amounting to Rs. 259 Lacs.

4 Other Non-Current Financial Assets Note 2.10

i) The Chirgaon Unit is showing a sum of Rs. 5 Lakhs as amount paid to LAO for purchase of land. The accounting unit was transferred from erstwhile Board (HPSEB). The payment was made by the LAO of the HPSEB and the land is in the name of HPSEB. The unit was transferred from the erstwhile HPSEB and the advance account of the LAO is being carried forward by the unit as advance and the land is in the possession of the Corporation. The Unit has not changed the name of the ownership of the corporation in the revenue records nor has adjusted the advance account. In our opinion the Group is entitled for title of the land once the award has been ordered by the LAO and land legally vests with the Group. Thus, Other Non-Current Financial Assets are overstated to the extent of above and correspondingly the Property Plant and Equipment is understated to the extent of above.

ii) The Shongtong HEP, has paid Rs. 45.31 Lakhs (previous year Rs. 44 Lakhs) to land owners for acquisition of land measuring 0.1702 hectare, for the project, at the time of mutation it is found that the same land was already acquired by HPPWD. The amount is doubtful for recovery as the amount has not been recovered from the land owners and a provision for the same is required. In our opinion Other Non-Current Financial Assets is overstated to the extent of above and consequently the expenditure is understated to the extent of above.

iii) We invite attention to Note No 2.69 where in it is stated that the amount recoverable from contractors includes a sum of Rs. 7,943 lakhs (previous year Rs. 5,451 lakhs) recoverable from Coastal Projects on account of risk and cost. The contract with the contractor was terminated in the year 2013 and the same was awarded to M/s HCC Limited The amount paid to HCC Limited on account extra cost has been shown as recoverable from Coastal Projects. The amount is doubtful of recovery from the Coastal Projects as there is no agreement with the party to recover the money as the contract with the party has already been terminated since 2013. The Group has gone into liquidation as the lender banks of the contractor has filed liquidation petition with NCLT and the amount is doubtful of recovery.

In our opinion the amount should be charged to Capital Work in progress as part of the cost. Thus, Other Non-Current Financial Assets are overstated to the extent of above and Capital Work in progress is understated to the extent of above.

The non charging of the above cost to the CWIP will result in under apportionment of the common cost of the Corporate Office and Sundernagar Design wing. No Information in respect of the same has been provide to us. In the absence of information we are unable to comment on the same.

Further the Group has filed a claim of Rs. 33,499 Lakhs with the NCLT against the Coastal Projects Limited as the Group has gone into liquidation. No Details in respect of the same has been provided to us. In the absence of the information we are unable to comment on the same.

iv) We invite attention to Note No 2.62 where in it is stated that the Group has not made a provision for Rs. 103 lakhs (Previous Year Rs.103 Lakhs) recoverable from Gammon India since 2013 through Directorate of Energy. The amount has to be recovered along with interest of 10% per annum. The amount has not been recovered till the date of audit and the same is doubtful of recovery hence provision for doubtful advance is required. In our opinion the Non-Current Financial Assets are overstated to the extent of above and Expenditure are understated to the extent of above.

v) The Renukaji HEP has deposited Rs. 186.42 lacs with HPSEB for deposit work. The HPSEB has fully utilised the advance and given the Utilisation certificate to the Group. However the Group has not capitalised the assets. In our opinion the other Non-Current Financial Assets are overstated to the extent of above and Capital work in progress is understated to the extent of above.

vi) The Capital Work in Progress of includes excise duty reimbursed to the contractors by the Group which is exempted as per the notification No. 108/95-CE, dated 28.08.1995, which provides that the goods supplied to projects, financed by the World Bank, Asian Development Bank or any International Organisation, and approved by the Govt of India, shall be exempted from the whole of the excise duty / additional excise duty leviable thereon.

The Group has accounted for the expenditure in capital Work in progress by way of the reimbursement of the same to the contractor amounting to Rs. 609 lakhs. The Group has shown the above amount as recoverable from the Contractor during the year under review. The Group has recovered only Rs. 476 lakhs (previous year Rs. 306 Lakhs) from the contractor till the close of the financial year of the audit.

vii) **Grant Receivable**

We invite attention to Note No 2.64 where in it is stated that Group is showing Rs. 488 lakhs(previous year Rs. 442 lakhs) as recoverable grant from the Central Government on account DPR and Investigation Expenses. The Government of India has approved Rs. 1,250 Lakhs for survey and investigation of the project and paid Rs. 500 Lakhs as advance and the rest of the amount is to be paid on the submission of the DPR. The work of the DPR is not completed since 2012 due to sustained opposition to the project by local people. The Central Government has stayed the further payment of the grant until the submission of the DPR. The grant recoverable shown is not as per para 7 and 8 of the Indian Accounting Standard (Ind as) 20 **Accounting for Government Grants and Disclosures thereof** which states that:-

"7 Government grants, including non-monetary grants at fair value, shall not be recognised until there is reasonable assurance that:

(a) the entity will comply with the conditions attaching to them; and

(b) the grants will be received.

8 A government grant is not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the entity will comply with conditions attaching to it, and that the grant will be received. Receipt of a grant does not of itself provide conclusive evidence that the conditions attaching to the grant have been or will be fulfilled."

The grant recoverable is not as per the applicable IND as 20 and the contention of the Group is that as the project is of National importance and the concerned ministry is continuously pursuing the matter with the State Government and directing the Group to take appropriate action to resolve the issue with the affected families so that the survey investigation work may be completed at the earliest. In our opinion the continuous monitoring of the project by the ministry and the Central Government and further directions to resolve the issue with effected families at the earliest is a sufficient compliance for the condition attached to the grant as per the requirement of IND as 20.

viii) The Shongtong unit is showing following advances to the contractors the recoverability of the same is dependent on the completion of the project and the same has not been discounted and shown as per the fair value as required by IND AS 113. In the absence of information, we are unable to comment on the same (Please also refer Note 2.47). The following are details of the advances

(Amount in Lacs)

	Contractor	Current Year Amount	Previous Year Amount
1.	Patel Engineering	5,143.00	5,236.97
2.	Andtriz Hydro	3,155.00	3,708.74
	Total	**8,298.00**	**8,945.71**

ix) The Shongtong unit has given advance of Rs. 100 lacs (Previous Year Rs. 50 lakhs) to IPH Khwangi for irrigation scheme and the same has not been charged to expenditure during construction. In our opinion the Non-Current Financial Assets are overstated to the extent of above and CWIP are understated to the extent of above.

x) The Shongtong unit has given advance of Rs. 10 lakhs and Rs. 25 lakhs to HPPWD on 04th October 2013 and 07th December 2016 and the same has not been charged to expenditure during construction as the as the work has been completed before the finalisation of the Balance sheet. In our opinion the Non-Current Financial Assets are overstated to the extent of Rs. 35 lakhs and CWIP are understated to the extent of above.

xi) The Shongtong unit is showing advance of Rs. 154 lacs(Previous YearRs. 200 lakhs) to HPSEB as on 31st March 2018. As the advance will not be recovered from the agencies and assets are being used by the corporation the same should be capitalised. In our opinion the Non-Current Financial Assets are overstated to the extent of Rs. 154 lakhs and CWIP are understated to the extent of above.

xii) The Sawra Kuddu HEP is showing a sum of Rs. 714 lakhs (Rs. 1,186 lakhs) as Deposit Work Paid which has not been capitalised for want of utilisation certificates from the executing agencies. As the advance will not be recovered from the agencies and assets are being used by the corporation the same should be capitalised. In our opinion the Non-Current Financial Assets are overstated to the extent of Rs. 714 lakhs and CWIP are understated to the extent of above.

xiii) The Beradol Unit has not capitalised the Advance amounting to Rs. 15 Lacs during the year under review as the advance is of non recoverable nature. Thus the Other Non Current Assets are overstated to the extant of above.

xiv) The Chanju III has not capitalised the advance to HPPTCL for design and survey work amounting to Rs. 17 lakhs. Thus the Other Non Current Assets are overstated to the extant of above.

xv) The Deothal Chanju has not capitalised the advance to HPPTCL for design and survey work amounting to Rs. 13.00 lakhs. Thus the Other Non Current Assets are overstated to the extant of above.

xvi) The Sainj Unit has not capitalised the advance to HPPTCL Rs. 500 lakhs. Thus the Other Non Current Assets are overstated to the extant of above. The Consequential Depreciation on the above asset is understated to the extant of Rs.15 Lacs during the year under review.

xvii) The Sainj unit has given advance against the retention money to HCC limited amounting to Rs. 450 Lacs. The Contractor has not paid the Advance and the interest due on the same. Thus advance to Contractor and Retention money is overstated to the extant of above.

xviii) The Sainj unit has paid Rs. 50 Lacs to HP Fisheries Department but the expenditure has not been booked. The Advance is not of recoverable nature and should have been capitalised. Thus the Other Non Current Assets are overstated to the extant of above.

xix) The Sainj unit has paid Rs.10 Lacs to State Pollution Department but the expenditure has not been booked. The Advance is not of recoverable nature and should have been capitalised. Thus the Other Non Current Assets are overstated to the extant of above.

xx) The Sainj unit has shown Rs. 9 Lacs as recoverable from DOE on account of LADF charges paid on Infirm Power. The amount is not recovered till date and provision for the same is required. Thus the Other Non Current Assets are overstated to the extant of above and expenditure is understated to that extant.

xxi) The Sainj unit has shown Rs. 71 Lacs as interest recoverable from HCC on account of advance given against retention money. The Party has not repaid the amount of advance and nor the interest on the same has been paid back hence provision for the same is required. Thus the Other Non Current Assets are overstated to the extant of above and expenditure is understated to that extant.

xxii) The Kashang unit has not capitalised the Advance given to HPPWD amounting to Rs. 15 lacs. Thus the Other Non Current Assets are overstated to that extant.

(xxiii) The Sawra Kuddu Unit has debited Rs. 41 lakhs to Patel Engineering on account of Risk and award cost of the work done. The contractor has not paid the amount till date. Thus Provision for non recoverability of amount is required. Thus Other Non Current Assets are overstated to that extant.

(xxiv) The Sawra Kuddu Unit has shown a Sum of Rs. 665.00 Lacs as amount recoverable on account interest and penalty on entry Tax. The contractor has not paid the amount till date. Thus Other Non Current Assets are overstated to that extant.

(xxv) We invite attention to note no 2.62(b) where no provision has been made as the proposal has been sent to the BOD for writing off the amount.

5 Trade Receivables Note 2.12

I) The Kashang Unit is showing Rs. 103 lakhs(previous year Rs. 73 lakhs) as amount recoverable from HPSEB Limited on account of Late payment surcharge which has not been accepted by the party and the same amount has not been paid by the customer till date and only sale of power is being paid by the party. In our opinion the amount recoverable is overstated and a provision for amount doubtful for recovery is required. Thus, Trade receivable is overstated to the extent of above and the expenditure is understated to the extent of above.

ii) We invite attention to Note No 2.58 wherein it is stated that HPSEB Limited has retained Rs. 1369 Lakhs (Previous Year Rs. 1,369 lakhs) as amount due on account of Leave salary and pension contribution of employees appointed on secondment basis with the Group. In our opinion the trade receivables are overstated to the extent of above and also the liabilities are overstated to that extant.

6 Other Current Assets Note 2.18

i) The Sawra Kuddu unit has not shown the amount recoverable from Patel Engineering on account of recovery of concrete cutting amounting to Rs. 84 lakhs. In our opinion the other Current Assets are understated to the extent of above and CWIP is overstated to the extent of above.

7 Non-Current Other Financial Liabilities Note 2.21

i) **Long Term Borrowings**

The Group has taken loan from the State Government for construction of Hydro projects. The Group has not paid the Instalment and interest on the State Government loans. The State Government has provided deferment of loan and interest for the amount accrued up to January 2017 till FY 2018-19. The instalment interest due after January 2017 till the close of the has not been paid by the Group to the state Government. We Invite attention to Note 2.73 where in the Group has made the request for the deferment of Instalment and loan to State Government however no confirmation from the State Government has been received till finalisation of the report. In our opinion the Group has defaulted in payment of instalments and interest to the state government holding 29% of the equity. However there is no other default in payment of loan and interest to any other Financial institutions/Banks.

ii) The Long-term Liabilities includes EMD, Retention Money and Security Deposits pending since inception of projects and the same has not been paid till the close of the year. The Internal control in respect of them is very weak and should be strengthened and the liabilities should be assessed at fresh and should be charged to revenue in appropriate cases.

8 Non-Current Liabilities Provisions Note 2.23

i) **For Group Employees**

We invite attention to note 1.20 and 2.41 where in the policy adopted for employees benefit and accounting in respect of the same has been disclosed. The Above policy is not in compliance with the Ind AS 19 Employees Cost in relation to Post Employment defined Benefits plan in the matter of its recognition and measurement. In the absence of Information, we are unable to comment on the same of its impact in the balance sheet and profit and Loss Account.

ii) **For HPSEB Employees**

The provision for leave encashment liability, gratuity liability and pension Liability of HPSEB employees has been calculated based on formula adopted by HPSEB Limited. The Liability provided for is subject to the confirmation from HPSEB Limited.

In the absence of information and confirmation from HPSEB Limited we are unable to comment on the effect of the same on the financial statements at the close of the year.

iii) The Group has shown Gratuity Liability at the close of the year in excess by Rs. 19 lacs. Thus Provisions Non Current is overstated to the extant of above.

iv) The Group has shown Leave Contribution Liability at the close of the year in excess by Rs. 46 lacs. Thus Provisions Non Current is overstated to the extant of above.

9 Other Non-CurrentLiabilities Note 2.24

a) Utilised Grant Renuka ji

i) The Group has incurred following expenditure on the Renukaji project till 31st March 2017.

(Amount in Lacs)

Particulars	as on 31st March 2018	as on 31st March 2017
Tangible Assets	42,095	29,722
Capital Work in progress	32,014	43,405
Advances	199	259

	74,308	**73,387**
Grant Received	68,549	68,549
	68,549	**68,549**
Shortfall	5,759	4,838

There is a shortfall of expenditure to the tune of Rs. 5,759 Lakhs (Previous year Rs. 4,838 Lakhs) which has to be borne by the participating states. No information about the share of the expenditure of the participating states and confirmation from them has been provided to us for verification. In absence of information we are not able to comment on the same. The Renukaji unit has not made any provision for the amount recoverable from the participating states and the central government. In our opinion the other current assets are under stated to the extent of above similarly the other non-current liabilities are understated to the extent of above.

ii) The Group has requested the Government of India for additional amount of Rs. 31,602 lacs to be deposited with the courts on urgent basis. The GOI has denied the request and with the condition that funds can only be granted after settling of all the clearances. UYRB has also directed all the participating states to deposit there respective share money with HPPCL but till date no contribution has been received and no disclosure of the same has been made in the notes of accounts.

iii) We invite attention to para 2 (xiv) of our audit report regarding allocation of expenses to Renukaji HEP wherein its stated that the allocation of expenditure of Corporate office and Sunder Nagar Design office to the unit has not been confirmed/approved by the participating states and the central government. In the absence of confirmation and approvals we are unable to comment on the apportionment of expenditure charged to the Renukaji HEP. The Group has allocated Rs. 2111 lakhs (previous year Rs. 1,826 lakhs) as share of corporate office and design wing expenses to the Renukaji HEP till 31st March 2017. In our opinion the amount recoverable from participating states will be reduced by Rs. 2111 lakhs (previous year Rs. 1,826 lakhs) given in above para.

iv) The Group is earning interest on the surplus funds of renukaji at Corporate Office by investing the same in short term Fixed Deposits. The Interest earned on the same has not been shown as addition to the Grant nor the same has been reduced from the incidental expenditure during construction period of the unit. The above practice is not in line with the significant accounting policy adopted by the Group (refer Note 1.16). In the absence of information, we are unable to comment of the effect of the same on the Financial Statements.

10 Current Liabilities Other Financial Liabilities Note 2.26

i) The Liability on account of Retention Money, Security Deposit and dues payable to Contractors and suppliers are subject to Confirmation. In the absence of Information, we are unable to comment on its effect on assets and liabilities.

ii) The different units of the Group are showing separately the amount payable and recoverable from HPSEB Limited. No Confirmation from the HPSEB Limited has been provided to us for the amount payable and recoverable. In our opinion only one account of the HSPEB Limited should be maintained and net balance of recoverable or payable should be shown in the financial Statements.

iii) The Other Current Liabilities includes EMD, Retention Money and Security Deposits pending since inception of projects and the same has not been paid till the close of the year. The Internal control in respect of them is very weak and should be strengthened and the liabilities should be assessed at fresh and should be charged to revenue in appropriate cases.

iv) The Other Financial Current Liabilities includes Rs. 72 lakhs (Previous Year Rs. 62 lakhs) as unclaimed money on account of payables, retention, security and other payables to the contractors. The amount has been shown under this head because the persons to whom amount is payable is not traceable. In our opinion the other current financial liabilities are overstated to the extent of above and necessary provision for amount written back should be provided.

v) The Sawra Kuddu unit has made a provision for CAT Plan Expenses on 04thJanuary 2016 amounting to Rs. 69 lakhs. The Unit has informed us that the amount has not been paid as the previous utilisation certificates has not been provided by the Forest Department. In our opinion the amount is of the nature of withheld amount and should be shown under the head Non-Current Financial Liabilities. Thus, current Liabilities are overstated to the extent of above.

vi) The Corporate Office has not made the provision for demand raised by the PF Commissioner for the period 09/2008 to 06/2011 on account of PF contributions of Unregistered Contractors amounting to Rs. 189Lakhs on 02nd August 2018 (refer Note 2.60). The Liability was known to the management before the approval of the Financials by the BOD i.e. 28th November 2018. Thus, current liabilities are understated to the extent of above.

vii) **Local Area Development Fund: -**

We Invite attention to Note 2.66 where in the Group has not made any provision of amount payable to LADA fund on account increase in cost of the Projects. The following are the details of the Projects and understatement of Liability on account of additional amount payable to LADA Fund.

HEP	Expenditure Incurred in Crore	Lada Fund @1.5%	Expenses Booked	Deficit
Kashang II and III	184.60	2.77	0.77	2.00
Sainj	1,270.93	19.06	17.97	1.09
Sawra Kuddu	1,672.19	25.08	24.50	0.58
Total	**3,127.71**	**46.92**	**43.24**	**3.68**

In our opinion the Capital work in progress is understated to the extent of Rs. 368 lakhs and correspondingly Current Liabilities are also understated to that extant.

viii) **Survey and Investigation of Khab Hydro Electric Project**

We Invite attention to Note 2.63 wherein it is stated that the Group has not accounted for Rs. 1,273 lakhs(previous year Rs. 1,273 lakhs) on account of survey and investigation work done by SJVN. Thus, Current Liabilities are understated to the extent of above and similarly the Capital Work in Progress are understated to the extent of above.

ix) The Corporate Office has booked the IUT to Sainj Unit amounting to Rs. 2.93 lacs during the year on the basis of letter to bank to pay the payment through NEFT to HCC limited. The NEFT was actually issued by the bank in the month of April 2018. Thus Current liabilities as well as Bank Balance are understated to that extant.

x) The Sainj Unit has not charged GST on the Liquidation Charges amounting to Rs. 775.80 lakhs on Rs. 4310.00 Lacs charged from HCC during the year under review. The Group has not shown the Liability under GST returns filed during the year under review nor the same has been charged to the contractor. Thus the current liabilities and understated to that extant and other non current assets is also understated to that extant.

xi) The Kashang Unit has not Charged GST on the Liquidation Charges amounting to Rs. 534.42 lakhs on Rs. 2969 Lacs charged from HCC. The Group has not shown the Liability under GST returns filed during the year under review nor the same has been charged to the contractor . Thus the current liabilities and understated to that extant and other non current assets is also understated to that extant.

xii) The Corporate Office has shown bills payable amounting to Rs. 4 lacs for which no details are available. Thus current Liabilities are overstated to the extant of above.

xiii) The Corporate Office has shown Rs. 35 lakhs as amount payable to Director cum Member Secretary and also the amount has been shown as advance to the Government department and the advance paid has not been adjusted at the close of the year. Thus Current Liabilities and advance to government department is overstated to the extant of above.

xiv) The Corporate Office has shown Rs. 23 lakhs as amount payable to Anand Toyota and also the amount has been shown as advance to the Anand Toyota and the advance paid has not been adjusted at the close of the year. Thus Current Liabilities and advance to government department is overstated to the extant of above.

xv) We invite attention to note 2.72 where the Corporate Office has shown Rs. 500 lacs as amount payable to the Kisahau Corporation Limited on account Equity Contribution of the State Government for the seed Money. No confirmation from the Kisahu Corporation Limited and directions from the State Government to keep the money with Group has been provided to us for verification. In the absence of information we are unable to comment on the same.

xvi) In Consolidated balance sheet the Current Other Financial Liabilities is understated by Rs. 29,291 and Non Current Financial Liabilities is overstated to the same extant.

11 Other Income Note 2.25

The Shongtong unit has not accounted for the Foreign Exchange fluctuations amounting to Rs. 18.07 lakhs. Thus the income is understated to the extant of above.

12 Sale of Power

i) The Kashang and Sainj HEP has booked the Sale of Power in the books of accounts on net realisation value of the Group Share. No Accounting entry for the Free Power to State Government, LADA Share and auxiliary power has been made in the books which is not in lines with the previous year accounting policy adopted by the Group. We Invite attention to note 2.57 (b) where in the change in accounting policy has been indicated by the Group. The following are the details in respect of the same and comparative figures of the previous year.

(Amount in Lacs)

Ledger Code	Particulars	Current Year	Previous Year
3000002	Sale of Energy	1,366.00	198.89
		1,366.00	198.89
4000750	Free Power to State Govt (Royalty)	1,129.00	172.45
4000751	Free Power to State Govt (LADF)	94.00	14.37
4000752	Generation/Auxiliary Energy Expenses	143.00	12.07
	Total	**1,366.00**	**198.89**

The Group has not disclosed the impact of the same and as result the figures of current and previous year are not comparable. The non accounting of the same will have impact on the apportionment of expenditure of corporate office and Sunder Nagar to various units during the year under review. The impact of the same cannot be quantified hence we are unable to comment on the same.

13 Apportionment of expenditure and Income of Corporate Office and Sunder Nagar

i) **Expenditure of Corporate Office and Sunder Nagar**

It has been observed that at the time of apportionment of expenditure of Corporate Office and Design Office the net expenditure incurred during the year has been apportioned in the ratio of 156:209 from 01st April 2017 to 3rd September 2017 and 4th September 2017 to 31st March 2018. (refer Significant Accounting Policy no 1.6 g and Note no 2.57(c)). The above apportionment is not in line with the accounting policy referred in note 1.6 g which states that the *"The Expenditure of Corporate office and Sunder Nagar Design Office is allocated to different accounting units on systematic basis."*

In our opinion the expenditure and income should have been apportioned separately on actual basis between the pre and post cod period to different units. The Adoption of wrong method of apportionment may effect the allocation of cost to different units and the effect on its depreciation after commissioning of the projects. In the absence of information we are unable to comment on the same.

ii) **Income of Corporate Office and Sunder Nagar**

It has been observed that the income of the corporate office mainly consists of the interest earned on Fixed deposits by making short term investments of the following funds: -

- Funds received for Equity
- Funds for Renukaji Project
- Imp rest Funds for ADB Funded Projects State Govt Loan
- Interest on Funds With LAO

The Group has received the following interest on Fixed Deposits and on different type of funds during the year:

S.No.	Particulars	Current Year Amount	Previous Year Amount	To be apportioned to
1.	Equity Funds	5,26,73,054.00	4,48,74,572.00	All the Units
2.	Renuka Funds	16,88,61,940.00	13,66,17,713.00	To Renuka Funds
3.	Trench 1 State Govt Loan	-	6,38,102.00	Sawra Kuddu & Kashang
4.	Trench 2 State Govt Loan	-	19,32,856.00	Sawra Kuddu
5.	Trench 3 State Govt Loan	-	1,92,56,416.00	Kashang and Sainj
6.	Trench 4 State Govt Loan	-	1,51,16,776.00	Shongtong
		22,15,34,994.00	**21,84,36,435.00**	
7.	Interest on Funds with LAO	1,55,69,369.00	58,97,174.00	Renuka ji
		23,71,04,363.00	**22,43,33,609.00**	

The Group has allocated income to various projects on the basis of allocation of expenditure to different units as per accounting policy of the Group during the year under review. The following are the details of the allocation:-

Unit	01/04/2017 to 03/09/2016	04/09/2017 to 31/03/2018	Total
Sawra Kuddu	3,29,87,549	6,73,28,108	10,03,15,657
Kashang I	26,70,216	5,36,229	32,06,445
Kashang II	36,23,378	84,15,016	1,20,38,394
Sainj	3,03,50,630	4,67,774	3,08,18,404
Renukaji	1,52,00,470	2,03,65,183	3,55,65,653
Shongtong	1,40,47,853	3,29,03,088	4,69,50,941
Chirgaon Majhgaon	2,59,437	5,01,605	7,61,042
Triveni Mahadev	1,62,369	3,07,712	4,70,081
Thana Plaun	4,70,086	10,09,796	14,79,882
Nakhtan	5,00,306	9,82,545	14,82,851
Gyspa Dam	4,65,096	4,85,333	9,50,429
Surgani Sundla	2,77,391	6,12,947	8,90,338
Deothal Chanju	90,830	1,77,178	2,68,008
Chanju III	1,53,629	3,49,170	5,02,799
Berra Dol	77,227	13,26,201	14,03,428
Total	**10,13,36,467**	**13,57,67,885**	**23,71,04,352**

The allocation of income of the corporate office to the units is not on the basis of the actual receipt of the interest on different type of funds. The above basis is also used in the allocating the income up to 31st March 2018 by the Group. No Adjustment has been made for the allocation of income for the year 2016-17 already reported in previous year report. The apportionment of the income on the basis of the funds kept by the corporation may have impact on the incidental expenditure which has to be allocated to the individual assets of the unit at the time of the commissioning of the project. In the absence of the information we are unable to comment on the same and its impact on the cost of the individual units under the head Capital work in progress and Property Plant and equipment.

The Kashang Unit Stage I has booked Rs. 32 lakhs and Sainj unit has booked Rs. 5 Lakhs as income from interest on Fixed Deposits and Bank Deposits after COD Period as share of Income of Corporate Office. The above apportionment of the income to the unit has no relevance as projects was under operations and no funds of Equity and Imp rest fund from State Govt (ADB funds) is at the disposal of the Unit. Thus, the Income on account of Interest on Fixed deposit and Bank Interest is excess shown by the unit as proportion of income to the unit which has to be adjusted with the Incidental expenditure of the projects under construction as per accounting policy of the Group. Thus, the income during the year is overstated to the extent of Rs. 37 lakhs and capital work in progress in overstated to that extent.

ii) We invite attention to Note number 2.80 where the Group has changed the accounting policy in respect of charging of expenditure of corporate office and Sunder Nagar Design Wing during the year under review.

iii) The Group has not taken the Infirm Sales of Power and Free sale of power and auxiliary use of power while calculating the Ratio of apportionment of the expenditure of Corporate Office and Sunder Nagar Design wing in the case of the commissioned projects. The following are the details of the infirm power sale Free sale of power and auxiliary use of power not taken into consideration by the Group:-

(Amount in Lacs)

S.No.	Particulars		2017-18	2016-2017
1	Kashang Stage 1	Infirm Sale		267.50
2	Sainj	Infirm Sale	832.09	43,405
			832.09	267.50
3	Free Sale of Power to state Govt		1,129.00	
4	Free Power LADF		94.00	
5	Auxillary Energy		143.00	
			1,366.00	
	Total		**2,198.09**	**267.50**

Non considering the above may have impact on the apportionment cost on the commissioned and non commissioned project. We are unable to comment on the impact of the same.

iv) The expenditure of the Sundernagar Design Wing has been transferred to Different units during the year review. The following are the details of the same.

Name of Power Project	01/04/2017 to 03/09/2017	04/09/2017 to 31/3/2018	Total
Sawra Kuddu	1,92,81,500	3,93,52,976	5,86,34,477
Sainj	1,77,40,199	2,73,412	1,80,13,611
Renukaji	88,84,803	1,19,03,358	2,07,88,161
Kashang I	15,60,764	3,13,424	18,74,187
Shongtong	82,11,088	1,92,31,707	2,74,42,795
Chirgaon Majhgaon	1,51,644	2,93,186	4,44,830
Triveni Mahadev	94,906	1,79,857	2,74,763
Thana Plaun	2,74,769	5,90,221	8,64,991
Nakhtan	2,92,433	5,74,294	8,66,727
Gyspa Dam	2,71,853	2,83,675	5,55,528

Surgani Sundla	1,62,138	3,58,265	5,20,402
Deothal Chanju	53,091	1,03,560	1,56,651
Chanju III	89,797	2,04,088	2,93,886
Berra Dol	45,140	7,75,159	8,20,299
Kashang II	21,17,895	49,18,539	70,36,434
Total	**5,92,32,021**	**7,93,55,720**	**13,85,87,740**

The Design wing has not provided to us details regarding expenditure incurred on various projects and no job cards has been kept by the design wing to substantiate the expenditure incurred on various projects. In the absence of information we are unable to comment on the same.

14 Provision for Income Tax

We invite attention to Note No 2.68 where in no provision has been made by the Group for income tax..

We also invite attention to note 2.54 where in the cases for earlier years are pending with different authorities and the outcome of which are uncertain and may affect the amount shown as Deposits with Income Tax authorities Rs. 9,195 lakhs (Previous Year Rs. 7,774 lakhs (refer note 2.10), and Income Tax Refund due Rs. nil (previous year Rs. 1,066 (refer note 216). In view of the uncertainly involved and the matter is subjudice we are unable to comment on the recoverability of the above amount and its effect on the Financial Statements.

15 Goods and Service Tax

The Group has not complied with all the provision of the Goods and Service Tax Act while preparing the monthly returns and the annual returns for the year under review.

We have checked some instances and we have observed that the Goods and Service tax has not been deposited on following expenditures and Income:-

1. Tender Income
2. Liquidation Charges
3. Rent Income
4. Transit Camp Income
5. Late Payment Surcharge
6. Payments Made to Government Departments and Government Bodies under Reverse Charge.
7. Reimbursement of Expenses from Contractors
8. Sale of scrap.
9. Arbitrators fees under reverse charge

The Group has appointed GST auditor to conduct the GST audit under the GST Act. However the GST report has not been submitted till the date of the finalisation of this report. In the absence of the report we are unable to comment on the final liability of GST along with interest and penalty.

16 Quantitative Details in respect of energy generated and sold

We invite attention to Note2.49 where in the Group has stated that it has installed capacity of 165 MW as on 31st March 2018. The Group has capacity 65 MW *3 i.e. 195 MW and all the three turbines was in operation and was used alternatively by the Kashang HEP during the year under review and the installed capacity of the Sainj HEP is 100 MW which is being commission during the year under review. Thus total Installed capacity is 295 MW instead of 165MW. In our opinion the installed capacity is understated to the extent of 135 MW.

17 Allocation of expenses of Kashang 1, 2 and 3

i) The method adopted for allocation of expenses by the Kashang Unit to Stage 1, 2 and 3 is not systematic and nor consistently followed,

	2017-18	2016-17
Stage 1	84%	70%
Stage 2 and 3	16%	30%
Total	**100%**	**100%**

ii) The Kashang Unit has not taken the correct cost while making the ratio of apportionment for common expenses to stage 2 and 3. The following is the variance:

Gross Block	Cost Taken	As per Books	Variance
Capitalized Assets	8,18,47,566.00	8,18,47,566.00	-
CWIP-AUC	1,85,51,87,478.00	1,39,15,89,435.00	46,35,98,043.00
Total Block	**1,93,70,35,044.00**	**1,47,34,37,001.00**	**46,35,98,043.00**

Thus the Unit has taken excess cost of CWIP- AUC while calculating the ratio for the apportionment of expenses which will have effect of the ratio of the apportionment of expenses. The Revised ratio of appropriation of expenses will be as under :-

Gross Block	Stage-I (Rs.)	Stage-II&III (Rs.)	Total (Rs.)
Capitalized Assets	10,03,02,89,729.20	8,18,47,566.00	10,11,21,37,295.20
CWIP-AUC	52,85,587.30	1,39,15,89,435.00	1,39,68,75,022.30
Total Block	**10,03,55,75,316.50**	**1,47,34,37,001.00**	**11,50,90,12,317.50**
Ratio for apportionment	87%	13%	100%
Ratio Applied	84%	16%	100%
Variance	**3%**	**-3%**	**0%**

The Kashang Stage 1 has charged less expenditure to the tune of Rs. 25 lacs to the profit and loss Account and similarly the CWIP of Kashang 2 and 3 is overstated by the above amount.

18 Profit and Loss Account

i) Environmental Management Expenses

The Kashang unit charged Rs. 261.00 lacs as environmental management expenses in the profit and loss account during the year under review. The above expenditure is of Capital Nature and should have been capitalised and depreciation on the same has to be charged on the use life of the assets. Thus expenditure is overstated to the extant of Rs. 261 lacs. Similarly depreciation is understated to the extant of Rs. 6.25 lacs.

ii) Lease rent Others

The Kashang Unit has charged the lease rent paid to the staff of employees of Stage 2 and 3 amounting to Rs. 17 lacs to the Profit and loss account which has to be capitalised to the CWIP works. Thus Expenditure is overstated to the extant of above.

iii) O and M Plant Consumable Items

The Kashang Unit has not shown the inventory of turbine oil in hand as on 31st March 2018 as inventory amounting to Rs. 2.59 lacs. Thus Expenditure is overstated to the extant of above and inventory is understated to that extant.

iv) O and M EI Works

The Kashang Unit has charged the cost of providing the electric installations amounting to Rs. 6.84 lacs to the Profit and loss account which has to be capitalised and depreciation has to be provided on the same. Thus Expenditure is overstated to the extant of above and Property plant and equipment is understated to that extant.

Similarly the depreciation is understated to the extant of Rs. 1 lacs.

v) Appropriation of Employees cost for Kashang Stage I, 2 and 3

The Kashang Unit has not provided to us the salary cost of the employees posted to the Stage 1, 2 and 3. The Unit does not have the salary cost of employees posted on different stages. In the absence of information we are unable to comment on the apportionment of salary expenses to different stages. The following is the details of salary booked under different stages.

Stage 1	634.00
Stage 2 and 3	120.00
Total	**754.00**

19 Reversal of Leave Encashment provision for earlier Years

The Kashang unit stage I has shown the Leave encashment expenses as credit Balance amounting to Rs. 4.92 lacs. No information and explanations for the same has been provided to us. In the absence of information we are unable to comment on the same.

20 Income Tax Appeals with the High court in respect of Chargeability of Income Tax on Interest on Fixed Deposits kept as short-term Investments.

The Group has filed an Appeal with the High Court of Himachal Pradesh that the interest on the short-term investment of the funds in Fixed Deposits with bank from the Equity received from the Government is an addition to the equity and not an income of the Group and on same the income tax is not payable. Similarly, the Income earned on Renukaji Funds is also an additional grant from the Agencies and the same is also not an income of the Group and the same will be utilised on the project expenses and is part of the Grant.

The Group has not shown the interest earned on equity fund till the close of the year as an addition to the Equity and similarly the interest earned on Renukaji HEP funds till the close of the year has not been shown as additional grant from the Agencies.

No information in respect of the same has been provided to us by the Group till the close of the year. In the absence of the information we are unable to comment on the effect of the same on the Balance Sheet.

21 Non-Compliance of Indian Accounting Standard (Ind AS)

The Group has not complied with the following Ind AS while preparing the financial statements:-

(i) Indian Accounting Standard (Ind AS) 20 Accounting for Government Grants and Disclosure of Government Assistance.

The Group has been granted the deferment of repayment of principal payment and payment of interest till FY 2018-19 refer Note 2.21. The Group must account for the interest payable on such deferment till the close of the year at market rate as grant from the government and has to be accounted for as the addition to cost and the same has also to be shown as addition of grant. No such interest has been accounted for by the Group till the close of the year as per para 10 A of the IND AS. In the absence of the information we are unable to comment on same.

(ii) Indian Accounting Standard (Ind AS) 19 Employees Benefits

The para 55 to 62 of the Indian accounting standard is applicable to the Group in respect of the **Post Employment Benefit: Defined Benefit Plans** which requires that actuarial valuation of the liability of employees defined benefit plan has to be made at the end of the year and same has to be accounted for on in the books of accounts. The Group has not accounted for the liability on the basis of the actuarial valuation and only actual liability has been provided. In the absence of the information we are unable to comment on the impact of the same on the Balance Sheet at the close of the year.

(iii) Indian Accounting Standard (Ind AS) 23 Borrowing Costs

The Para 20 of the Indian accounting standard is applicable to the Group which states that *"an entity shall suspend capitalisation of borrowing costs during extended periods in which it suspends active development of as qualifying asset"*. The Group has not excluded the borrowing cost during suspension of activities by the employees of the contractor and by the contractor for non-starting of the work at site. In the absence of the information we are unable to comment on the impact of the same on the Balance Sheet at the close of the year.

(iv) Indian Accounting Standard (Ind AS) 37 Provisions, Contingent Liabilities and Contingent Assets:

The Group has disclosed the provisions contingent liabilities and contingent assets only up to the date when the accounts has been approved by the BOD. No Disclosures of Provisions, contingent liabilities and contingent Assets after the accounts approved by the BOD and till the date of finalisation of this report is considered in these financial statements.

(v) Indian Accounting Standard (Ind AS) 10 Events After the Reporting Period

The financial Statements are provided to us on 4th December 2019 which was approved by the BOD on 3rd December 2019. The financial statements are not adjusted for the events occurred between the Balance sheet date both favourable and unfavourable till date of the finalisation of this report.

(vi) Indian Accounting Standard (Ind AS) 113 Fair Value Measurement

The Group has not made Fair Value of the assets and Liabilities as on 31st March 2018, on 31st March 2017(**Refer** Note No 2.47). The same is not in line with the IND as113 Fair Value Measurement which is mandatory applicable to the Group.

(vii) Indian Accounting Standard (Ind AS) 109 Financial Instruments

The Group has not applied the Ind As 109 while disclosing the Government Loan in the financial statements below market rate interest and its impact on the profit and loss and Balance sheet has not been disclosed in the financial statements.

(viii) Indian Accounting Standard (Ind AS) 12 Income Tax

The Group has not followed the IND as in respect of Income tax for calculating the deferred tax assets and Liabilities and its accounting in the books of accounts. The same is also not in line with note no. 1.21 of the significant accounting policies adopted by the Group. No information in respect of the same has been provided to us. In the absence of the information we are unable to comment on the impact of the same on the Balance Sheet at the close of the year.

(ix) Indian Accounting Standard (Ind AS) 107 Financial Instruments Disclosure

The Group has fixed interest rate borrowings and is subjected to interest rate risk as defined in Ind As 107. No disclosure of the same and its impact on the balance has been disclosed.

The effect of the said qualifications where ascertainable the loss of current year will be Rs. 8,261 lakhs against reported loss of Rs. 7,912 lakhs. The Other Equity will be Rs. 11,948 lakhs instead of Rs. 11,600 lakhs. The Other Financial Liabilities will be of Rs. 1,12,208 lakhs instead of Rs. 1,13,577 lakhs. The Provisions non current will be of Rs. 4,943 lakhs instead of Rs. 5,008 lakhs. The other non Current Liabilities will be Rs. 69611 lakhs instead of Rs. 69,542 lakhs. The Other Current Financial Liabilities will be Rs. 1,69,280 lakhs instead of Rs. 1,62,191 lakhs. The Property Plant and Equipment will be Rs. 3,15,721 lakhs instead of Rs. 2,94,419 lakhs. The Capital Work in Progress will be Rs. 260,258 lakhs instead of Rs. 2,71,679 lakhs. The Other Noncurrent Assets will be Rs. 30,014 lakhs instead of Rs. 34,444 lakhs. The inventories will be Rs. 36 lakhs instead of Rs. 34 lacs. The Trade Receivable will be Rs. 145 lakhs instead of Rs. 1,617 lakhs. The Bank Balance will be Rs. 2,821 instead of Rs. 2,818 lakhs. The other current assets will be Rs. 1,441 lakhs instead of Rs. 278 lakhs.

The Sale of energy is understated to the extant of Rs. 1,366 lakhs and correspondingly free power to state govt Rs. 1,129 lakhs, Free power to LADF Rs. 94 lakhs and Auxiliary Expenses Rs. 143 lakhs is understated to that extant.

Qualified Opinion

In our opinion , and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, the aforesaid consolidated Ind AS financial statements give information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs(financial position) of the Group as at 31st March 2018, and its profit/loss(financial performance including other comprehensive income) and its cash flows and changes in equity for the year ended on that date:-

Emphasis of Matter

1 No reasonable effort has been made to remove the qualification raised in earlier year audit reports and the same has been considered in this year report also.

2 We further draw attention to the following matters in the Notes to the consolidated Ind As Financial statements: -

(i) Note No. 2.39 to the consolidated Ind AS financial statements regarding the various balances which are subject to reconciliation/ confirmation and respective consequential adjustments.

(ii) Note No 2.59 to the consolidated Ind AS financial statements regarding statement on State Government loan for Shontong Karcham HEP (450MW) where the ADB funding to state government has expired and stopping of funding by the KFW to the project.

(iii) Note No2.67 to the consolidated Ind AS financial statements regarding stay of Forest land to Kashang Stage II and III project pending with Hon'ble High court of Himachal Pradesh the fate of which is dependent on the outcome of the case.

(iv) Note No2.70 to the consolidated Ind AS financial statements regarding statement on Nakhtan project pending with Hon'ble High court of Himachal Pradesh the fate of which is dependent on the outcome of the case.

Our Opinion is not modified in respect of these matters

Other Matters

We did not audit the financial statements/financial information of the following joint venture company whose financial statements/financial information reflect the details given below of assets as at 31st March 2018, total revenues and net cash flows for the year ended on that date to the extent to which they are reflected in the consolidated Ind AS financial statements

Name of the Joint Venture Company	Assets	Revenues	Net Cash Flows
Himachal Emta Power Limited	57	-1	0
	57	**-1**	**0**

These financial statements/financial information are audited by other auditors whose report has been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, and our report in terms of sub-section (3) of section 143 of the Act in so far as its relates to the jointly controlled companies, is based solely on the reports of the other auditors after considering the requirement of standard on Auditing (SA 600) on "using the Work of another Auditor" including its materiality.

The company Independent auditors of Gourangdih Coal Limited raised concern in respect of preparing the Financial Statements on the basis of **Going Concern Concept and under Historical Cost Convention** due to deallocation of the Coal Blocks by the decision of the Supreme Court during the year under review and the same concern has been raised by the Independent Auditors of the **Himachal Emta Power Limited** (Joint Venture company).

Our opinion on the Consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure-I, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. We are enclosing our report in terms of Section 143 (5) of the Act, on the basis of such checks of the books and records of the Group as we considered appropriate and according to the information and explanations given to us, in the Annexure-2 on the directions issued by Comptroller and Auditor General of India.
3. As required by section143(3) of the Act, we report that:
   a) We have sought and except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph above, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
   b) Except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph above, in our

opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated statements have been kept by the group so far as appears from our examination of those books and the report of the other auditors;

c) Except for the possible effects of the matter described in the Basis of Qualified Opinion above, the reports on the accounts jointly controlled companies incorporated in India, audited under Section 143 (8) of the Act by the other auditors, as applicable, and have been properly dealt with in preparing this report.

d) The Consolidated Balance Sheet, Consolidated Statement of Profit and Loss and consolidated Cash Flow Statement and Consolidated changes in equity dealt with by this report are in agreement with the books of account maintained for the purpose of preparation of the consolidated financial Statements;

e) Except for the effects of the matter described in the Basis of Qualified Opinion paragraph above, in our opinion, the aforesaid consolidated Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act,

f) The Matter described in the Basis for Qualified Opinion paragraph above, in our opinion may have adverse effect on the functioning of the group.

g) This being government Group, Section 164 (2) of the Act is not applicable.

h) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.

i) With respect to adequacy of Internal Financial Controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate report in "Annexure-3" in our opinion the internal financial controls system is adequate but the operating effectiveness of such controls need be improved.

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

i. The Group has disclosed the impact of pending litigations on its financial position in its financial statements- Refer Note 2.33 to the standalone Ind AS financial statements.

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

iii. There were no amounts as at 31.03.2018 which were required to be transferred to the Investor Education and Protection Fund by the Group.

For Anil Karol and Company
Chartered Accountants
Firm Regn. No. 004816N

Sd/-
(CA Walia Umesh)
Partner
M No. 098287

Place: Shimla
Date: 07.02.2020
UDIN 20098287AAAAAP9359

Anil Karol and Company
Chartered Accountants

ANNEXURE 1 TO THE AUDITORS' REPORT

Annexure referred to in our report of even date to the members of HIMACHAL PRADESH POWER CORPORATION LIMITED on the accounts for the year ended 31st March 2018.

(I) (a) The Group has generally maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.

(b) As explained to us all the assets were got physically verified by the management during the year under review. We were informed that no material discrepancies were noticed on such verification.

(c) Title deed of immovable properties are in the name of the Group except in cases of Renukaji HEP, Sainj HEP Shongtong HEP and Chirgaon HEP where the land has not been transferred in the name of the Group.

(ii) The inventory of the Group consisting of Capital Stores, stores, spare parts and other Items. We were informed that these have been physically verified by the management during the year under review.

(iii) According to the information and explanations given to us, the Group has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013. In view of above, the clauses 3(iii)(a) and 3(iii)(b) of the Order are not applicable.

(iv) The Group has not given any loan, made investments and issued guarantees under section 185 and 186 of the Companies Act,2013.

(v) The Group has not accepted any deposits from the public in terms of section 73 to 76 or any provisions of the Companies Act, 2013 and rules there under.

(vi) The Maintenance of cost records has been specified by the Central Government under sub section (1) of section 148 of the Companies Act 2013, however the same is not applicable to the Group as the threshold limit of turnover has not been achieved.

(vii) (a) The Group is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, value added tax, cess and other statutory dues applicable to it, and there are no undisputed dues outstanding as on 31st March 2018 for a period of more than six months from the date they became payable. However the Liability on account of Goods and Service Tax can not be quantified as GST audit is under progress till the finalisation of this report. We are informed that the provisions of Employees' State Insurance Act are not applicable to the Group.

(b) According to the information and explanations given to us, dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty, value added tax, cess and other material statutory dues that have not been deposited on account of any dispute are given below:

S.No.	Statue / Act	Nature Due	Amount in lacs	Period	Forum Which Pending
1.	Entry Tax	Interest	337.70	2010-15	Addl. Excise & Taxation Commissioner -cum- Applellate Authority
2.	Entry Tax	Penalty	751.28	2010-15	Addl. Excise & Taxation Commissioner -cum- Applellate Authority
3.	Provident Fund	PF Dues	189.26	2008-11	Central Government Industrial Tribunal Chandigarh
	TOTAL		**1,278.24**		

(viii) The Group has not defaulted any repayment of loans or borrowing to any financial institution or bank or Government or dues to debenture holders. However, the Government of Himachal Pradesh has given the sanction to the deferment of repayment Loan and interest till April 2018.

(ix) No money was raised by way of initial public offer or further public offer during the year. The amount raised by the term loans from the Government of Himachal Pradesh has been utilised for the purpose it was raised during the year under review.

(x) As per information provided to us no fraud by the Group or any fraud by officers and employees of the Group has been noticed/ reported during the year except in the year2015 at Renukaji HEP and the same is pending with State Vigilance.

(xi) This being a government Group Section 197 of the Act is not applicable.

(xii) Group is not a Nidhi Company.

(xiii) As per information available to us all transactions with related parties are in compliance with Section 177 & 188 of the Companies act 2013, wherever applicable and the details have been disclosed in the Financial Statements etc. as required by the applicable Accounting Standards.

(xiv) As informed by the management, the Group has not made any preferential allotment to private placement of shares or fully convertible debentures during the year under review.

(xv) As informed to us the Group has not entered in to any non-cash transaction with directors or persons connected with him.

(xvi) Section 45-IA of the Reserve Bank of India Act, 1934 is not applicable to the Group.

For Anil Karol and Company
Chartered Accountants
Firm Regn. No. 004816N

Sd/-
(CA Walia Umesh)
Partner
M No. 098287

Place: Shimla
Date: 07.02.2020

Anil Karol and Company
Chartered Accountants

ANNEXURE 2 TO THE AUDITORS' REPORT

Annexure referred to in our report of even date to the members of Himachal Pradesh Power Corporation Limited on the accounts for the year ended 31st March 2018

S.No.	Directions	Action Taken	Impact on Financial Statement
1.	Whether the Group has clear title / lease deeds for freehold and leasehold respectively? If not please state the area of freehold and leasehold land for which title/lease deed are not available.	**i) Renukaji HEP** The Group does have clear title of land of 915.64 hectares of land which is in the possession of land owners R and R Plan is under process. **ii) Shongtong HEP** The Group does not have lease title of 17.02 hectares and the application for lease title has been given to DC Kinnuar. Further acquired land measuring 0.59.32 hectares is in dispute with Defence authorities for security clearances. **iii) Sainj HPESB Land** The Group has possession of land at Sarabhai 39.99 bighas, thalot 19.11.04 bighas but the title deed is not with the Group as payment has not been paid to the HPSEB amounting to Rs. 34.35 crores. **(iv) Chirgaon Majgoan** The Land in possession at Chiragon is with corporation, however the land is in the name of HPSEB amounting to Rs 5.00 lakhs. **(v) Berra Dol** The Lease deed for govt diverted land of approx. 12.86 hectares is pending. **(vi) Kashang** The Lease deed in respect of Forest Land Diverted 13.47.52 hectares is under process with revenue department **(vii) Sunder Nagar** The Lease deed with MPP Power in respect of GM Civil Designs measuring 5311 square meters in under process with MPP Power.	The Amount paid to land owners and deposited with court has been capitalized
2.	Whether there are any cases of waiver off of debts/loan/ interest etc. if yes, the reason there for and the amount involved.	No such case found during the audit.	NIL

<table>
<tr><td>3.</td><td>Whether proper records are maintained for inventories laying with third parties & assets received as gift from Government or other authorities.</td><td>Forest land diverted from Government of Himachal Pradesh has not been accounted as the execution of lease deed are in process.</td><td>NIL</td></tr>
<tr><td>4.</td><td>State the cases where wastages/ defectives are beyond the norms fixed for it. expeditiously and in transparent manner.</td><td>The wastages are with in the norms fixed</td><td></td></tr>
<tr><td>5.</td><td>What is the system of valuation of by products and Finished products? List out the cases of the deviation from the declared Policy.</td><td>Valuation of the Power Generation has been done on the basis of PPA Agreement signed with the HPSEB in case of Kashang HEP.
In case of Sainj HEP the power was sold in the Power Exchange though Trader at prevailing market rates.</td><td>Nil</td></tr>
<tr><td>6.</td><td>State the extent of utilization of Plant and machinery during the year vis-a-vis installed capacity.</td><td><table><tr><th>HEP</th><th>Installed Capacity</th><th>PLF</th><th>PAF</th><th>AUX</th></tr><tr><td>Sainj</td><td>100 MW</td><td>27%</td><td>51.52%</td><td>1.47%</td></tr><tr><td>Kashang</td><td>65 MW</td><td>35%</td><td>77.58%</td><td>1.34%</td></tr></table>Refer Note 2.49 to the notes to accounts where in the quantitative details has been given for only one Turbine of
65 MW whereas the Kashang stage I Unit is using Three turbine of 65 MW each alternatively.Thus, the Group has understated the installed capacity and theutilised Capacity which should be 65MW X 3 i.e.195 MW of Kashang and 100 MW of Sainj, and Total of 295 MW instead of 165 MW</td><td>Nil</td></tr>
<tr><td>7.</td><td>Report on the cases of Discount/ Commission in regard to debtors and creditors where the Group has deviated from its laid down policy.</td><td>The Group has given Trading Margin to Tata Power Trading Corporation Limited as per the agreement executed with them.</td><td></td></tr>
</table>

Anil Karol and Company
Chartered Accountants

ANNEXURE 3

Report on the Internal Financial Controls under Clause (i) of Subsection 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **HIMACHAL PRADESH POWER CORPORATION LIMITED** ("the Holding Company") & its jointly controlled companies as of 31 March 2018 in conjunction with our audit of the Consolidated Ind AS financial statements of the Group for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Group, its joint venture are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Group 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 the respective Group'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 Companies Act, 2013

Auditors' Responsibility

Our responsibility is to express an opinion on the Group's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

Meaning of Internal Financial Controls over Financial Reporting

A Group's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Group's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Group; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Group are being made only in accordance with authorisations of management and directors of the Group; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Group's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Opinion

In our opinion, the Holding Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2018, except in the areas given below based on the internal control over financial reporting criteria established by the Group 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.

However, Group needs to further strengthen the in the control system in the following areas:

- Implementation and Compliance of Indian AS at unit level to ensure the compliance of the Indian AS on the Group as a whole.
- Classification of account heads in SAP according to the disclosure and classification requirements of the Schedule II of the companies act 2013 and requirements of the Ind AS
- Harmonisation in creation of account heads at Corporate Level in relation to advances, liabilities and vendors according to the nature of expenditure so that no duplication of account code exits and only single account code is allotted to individual vendors in the Group as a whole.
- Payment to contractors strictly on the basis of authorisation of the BOD.
- Option of marking of clearing entries in the SAP should be followed by all the accounting units in respect of current as well as old accounting entries.
- Scrutiny of old Earnest Money Deposits, security deposits, Retention money and other payables to contractors.
- Capitalisation of Capital Work in Progress in timely and efficient manner.
- Reconciliation of retro entries in SAP for CPT Module.
- Payment to Contractors of Additional Advance/ Advance against Retention Money and its accounting treatment.
- Recovery of delay damages from the contractors and accounting thereof
- Provision of Expenses should be made on realistic basis and the payment in subsequent financial year should be adjusted from the provision only.
- Long Term Advances and Deposit Work should be regularly reviewed and accounted for where the significant work has been completed.
- Accounting of Provision is respect of doubtful advances and other recoverable.
- Review of Negative Balances in liabilities and assets heads.
- Accounting of EMD in the nature of FDR in the books of accounts.
- Recording of financial entries in foreign exchange also where the advances, retention money and suppliers dues are payable in other currency also.
- Investing of idle funds at HEP in SWEAP Bank accounts to earn bank interest.
- Reversing the Cheques/ NEFT Entries for which the Limitation period is over.
- Accounting of Inventories in hand at project site at the close of the year.
- Liability on account of GST should be as per the requirements of the Goods and Service Tax Act.

We have considered the areas of improvement identified which needs further strengthening as reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2018 Consolidated financial statements of the Group. However, these areas of improvement do not affect our opinion on the Consolidated financial statements of the Group.

Other Matters

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to joint venture which are companies incorporated in India, is based on the corresponding report of the auditor of such Group incorporated in India.

For Anil Karol and Company
Chartered Accountants, Firm Regn. No. 004816N
Sd/-
(CA Walia Umesh)
Partner
M No. 098287

Place: Shimla
Date: 07.02.2020

Form AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

HIMACHAL PRADESH POWER CORPORATION LIMITED FOR THE YEAR ENDED ON 31ST MARCH 2018

Part "A": Subsidiaries

(Information in respect of each subsidiary to be presented with amounts in Rs.)

S. No.	Particulars	Details
1.	Name of the subsidiary	Not applicable
2.	Reporting period for the subsidiary concerned, if different from the holding Group's reporting period	NA
3.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	
4.	Share Capital	
5.	Reserves & Surplus	
6.	Total Assets	
7.	Total Liabilities	
8.	Investments	
9.	Turnover	
10.	Profit before taxation	
11.	Provision for taxation	
12.	Profit after taxation	
13.	Proposed Dividend	
14.	% of shareholding	

Notes: The following information shall be furnished at the end of the statement:

1. Names of subsidiaries which are yet to commence operations
2. Names of subsidiaries which have been liquidated or sold during the year.

Part "B": Associates and Joint Ventures

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

1.	**Name of associates/Joint Ventures**	Himachal Emta Power Limited U40102HP2007PLC030601
2.	**Shares of Associate/Joint Ventures held by the Group on the year end**	
	Number:	33,75,000
	Amount of Investment in Associates/Joint Venture	3,37,50,000
	Extend of Holding%	50%
3.	**Description of how there is significant influence**	Control 50 % of the voting power and shareholding in the Group
4.	**Reason why the associate/joint venture is not consolidated**	NA
5.	**Net worth attributable to shareholding as per latest audited Balance Sheet**	57.00 Lakhs before Provision Nil after Provision
6.	**Profit/Loss for the year**	
	Considered in Consolidation	Loss of Rs. 1.00 Lakhs
	Not Considered in Consolidation	

1. Names of associates or joint ventures which are yet to commence operations.
2. Names of associates or joint ventures which have been liquidated or sold during the year.

For and on behalf of the Board of Directors

Sd/- (B.L. Verma) D.G.M. (Finance)	Sd/- (Sudershan K. Sharma) Company Secretary	Sd/- (Manmohan Sharma) Director (Finance) **DIN 08480582**	Sd/- (Devesh Kumar) Managing Director **DIN 00329576**

For Anil Karol and Company
Chartered Accountants
FRN No. 4816N

Sd/-
(CA Walia Umesh)
Partner
Membership No. 098287

Replies to the Auditor's Report on the Consolidated Ind AS Financial Statements (Annual Accounts) for the financial year ended on 31st March 2018.

S. No.	Auditor's Report	Reply
1.	**Report on the Consolidated Ind AS Financial Statements** We have audited the accompanying Consolidated Ind AS financial statements of **HIMACHAL PRADESH POWER CORPORATION LIMITED** ('the Holding Company') and its jointly controlled entities (the Company and its joint ventures are together referred to as "the Group") which comprise the Consolidated Balance Sheet as at 31st March 2018, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated statement Cash Flow and Consolidated Statement of changes in Equity for the year then ended, and a summary of consolidated significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Ind AS financial Statements")	Statement of facts requires no comments.
2.	**Management's Responsibility for the Consolidated Ind. AS Financial Statements** The Holding Company's Board of Directors is responsible for the matters stated in Section 134 (5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income and consolidated cash flows and consolidated statement of changes in equity of the Group and jointly controlled entities in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind. AS) specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind. AS financial statements by the Directors of the Group Company, as aforesaid.	Statement of facts requires no comments.
3.	**Auditor's Responsibility** Our responsibility is to express an opinion on these Consolidated Ind. AS financial statements based on our audit. We have taken into account the provisions of the Act, the	Statement of facts requires no comments.

	accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated Ind. AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated Ind. AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Group Company's preparation of the consolidated Ind. AS financial statements that give a true & fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Holding Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Directors, as well as evaluating the overall presentation of the consolidated Ind. AS financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion the Consolidated Ind. AS financial statements and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Group's Directors, as well as evaluating the overall presentation of the consolidated Ind AS financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the consolidated financial statements.	
1.	**Basis of Qualified Opinion** **Property Plant and Equipment Note 2.1** (I) We invite attention to Note No 2.56 wherein its stated that the Group has possession of forest land at Sainj HEP, Shongtong HEP, Kashang HEP and Sawra Kuddu and no provision has been made as the amount of lease has not been ascertained. In the absence of information, we are unable to comment on the same.	Lease deeds are under execution.
	(ii) We Invite attention to Note no 2.65 where in the Group has not accounted for the cost of the Land and Buildings of HPSEB Limited amounting to Rs. 4,599 lakhs. In our Opinion the Property Plant and Equipment are understated to the extent of above and correspondingly the other Current Financial Liabilities are also understated to the extent of above.	The properties are in the possession of the Group by default. No final decision and sale deed has been executed by both the parties so far. Hence no provision for the liability in the Books of Accounts has been made. However, land measuring 36-12-11 Bighas, situated in Village/Mohal

<table>
<tr><td></td><td></td><td>Panjam, Tehsil: Balichouki Distt.: Mandi, H.P., has been transferred to HPPCL, but the cost of the land transferred to HPPCL is not yet determined, hence the same has not been accounted for.</td></tr>
<tr><td></td><td>(iii) The Shongtong Unit has not bifurcated the cost of free hold land the details of the which is as under:-
<table><tr><th></th><th></th><th>Amount</th></tr><tr><td>1.</td><td>Land</td><td>2,20,28,726.00</td></tr><tr><td>2.</td><td>Trees</td><td>51,82,644.00</td></tr><tr><td>3.</td><td>Structure</td><td>1,06,23,413.00</td></tr><tr><td></td><td>Total</td><td>3,78,34,783.00</td></tr></table>The Group should show the costs other then land separately so that they can be depreciated separately on the commissioning of the project on the basis of the useful life of the main assets.</td><td>Project is still under construction stage. Depreciation shall be chargeable from the date of commissioning of the project, as suggested by the Auditor also.</td></tr>
<tr><td></td><td>(iv) The Renukaji HEP has accounted for Rs. 31,911 Lacs on account of compensation paid for the land. The Himachal Pradesh Electricity Regulatory Commission Hydro Generation Tariff Regulation Depreciation @ 3.34% is leviable on submerged Land. The HP CAG issued comment on the same in the Supplementary audit for the year 2016-17. The Group has shown Rs. 19,564 Lacs under the Capital work in progress which has to be shown under Free hold Land. In our opinion the Free hold land is understated and CWIP Submerged land is overstated to that extant. The Group has not Charged the depreciation as per the comment issued by the CAG. Thus the Group has not charged depreciation for the 2016-17 and 2017-18 amounting to Rs. 2,200 lakhs during the year under review. In our opinion the Property Plant and Equipment is overstated and Capital work in Progress in understated to that extant.</td><td>As per H.P. Electricity Regulatory Commission's Guiding Principles, in case of hydro generating Stations, depreciation is chargeable on Land under lease and land for reservoir only. The land acquired by RenukaJi Hydro Electric Project is under full ownership of the Corporation and not under lease. Hence charging of the depreciation is not required.</td></tr>
<tr><td></td><td>(v) The Renukaji HEP has paid Rs. 5,364 Lakhs on account of compensation paid for trees and Structures. The CAG in their supplementary audit report for the year 2016-17 has commented that Rs. 785 Lacs has been less charged on the above and the Property Plant and Equipment is overstated to the extent of above and Capital Work in progress is understated to that extent. The Group has not accounted for the same in the financial statements and no further details has been provided in respect of depreciation to be charged on the above.
The Qualification of the CAG for the year 2016-17 has been considered in this report.</td><td>As per H.P. Electricity Regulatory Commission's Guiding Principles, in case of hydro generating Stations, depreciation is chargeable on Land under lease and land for reservoir only. The land acquired by RenukaJi Hydro Electric Project is under full ownership of the Corporation and not under lease. Hence charging of the depreciation is not required.</td></tr>
<tr><td></td><td>(vi) The Sainj HEP while capitalising the Interest paid on State Government Loans at the time of COD has apportioned Rs. 4,202 lacs to Electrical Equipment's instead of Rs. 7,298 lacs. Thus cost of Electrical Mechanical works is under stated to the extant of Rs. 3,097 lacs.</td><td>The total interest on State Govt Loan for the FY 2017-18 amounts to Rs. 7374.67 Lacs. Out of this amount Rs. 3151.91 Lacs pertain to pre-CoD period and the same has been capitalized and balance amount of interest amounting to Rs. 4222. 75 Lacs, pertaining to post-CoD period has been charges to P&L Account in</td></tr>
</table>

accordance with the provision of Ind. AS 23. Further the cumulative Interest during the entire construction period (IDC) upto 31st March 2017 was Rs. 22155.50 Lacs and IDC for FY 2017-18 (Pre-CoD period i.e. 01.04.2017 to 03.09.2017) was Rs. 3151.91 Lacs. Hence total Interest during Construction period amounts to Rs 25307.42 Lacs. This amount of total IDC was further capitalized to Main Civil & Electro-Mechanical Assets as per actual loan availed for respective components.

(vii) The Group is showing the opening Depreciation of certain assets at negative value for which no information and explanations has been provided to us. The Following are the details of the same.

	Depreciation as on 01-04-2017
Plant (currently for Water Treatment)	-1.53
Office Machinery (like Lab, Fire, Safety)	-37.72
Electronics & Electrical Items	-119.85
Furniture & Fixtures	-97.63
Computers & Data Processing Machines	-37.72
Vehicles	-10.54
Helipad	-8.70
Bridges & Culverts	-2.30
Server and Networks	-151.84
Roads	-2,349.25

This is due to different carrying costs of the assets as on 01.04.2015 taken for calculation of deprecation. The carrying Cost of assets as on 01.04.2015 was based on the calculations of depreciation on such assets as per Companies Act. 2013. Whereas w.e.f. 01.04.2016 Corporation had switched over to depreciation to be charged as per the guidelines of H.P. Electricity Regulatory Commission, retrospectively. Therefore, due to different carrying cost of assets, difference cropped up in depreciation charged in Books of accounts. The same has been now rectified in the F.Y. 2018-19.

2.

Capital Work in Progress 2.2

(I) The Group has started using the following assets at the project sites but the following has not been put to use for want of completion certificate from the concerned departments of the Group.

(Amount in Lacs)

Project Unit	Residential Building	Non Residential Building	Roads, Bridges & Culverts	Project Civil Works	Construction Power	Total
Sundernagar	1	-	-	-	-	**1**
Sawra Kuddu HEP	14	-	-	-	58	**72**
Kashang HEP	-	-	-	28	-	**28**
Sainj HEP	-	2	-	-	-	**2**
Renukaji Dam Project	-	-	-	-	-	**-**
Shongtong HEP	-	-	-	-	39	**39**
Gyspa HEP	8	99	6	-	-	**114**
Beradol	-	-	-	-	113	**113**
Total	**23**	**102**	**6**	**28**	**210**	**369**

In our opinion the Capital Work in Progress are overstated to the extent above and the Property Plant and Equipment are understated to the extent of above. The Impact of the depreciation on the above cannot be quantified in the absence of the information.

The works which were already completed and were pending for capitalisation have been now capitalised in the subsequent financial years i.e. F.Y. 2018-19 & 2019-20 from the date of their completion / put to use date.

<table>
<tr>
<td></td>
<td>(ii) The Group has adopted for exemption under IND AS regarding deemed cost for Property, Plant and Equipment and adjusted the accumulated depreciation as on 1stApril 2015 with the cost as on that date. It has been observed that the Group has reinstated the depreciation of the assets by changing the Accounting Policy up to 31st March 2016 as per GAAP and while applying the exemption under IND AS the depreciation charged up to 1st April 2015i.e., the depreciation as per previous Accounting Policy has to be adjusted .In our opinion the Accumulated Depreciation up to 1st April 2015 should have been adjusted with the Revised Accounting Policy of the Group i.e., on the basis of the HPREC depreciation Rate. No Information is respect of the same has been provided to us. In the absence of the information we are unable to comment on the same.</td>
<td>Required rectification has now been made in books of accounts in the F.Y 2018-19.</td>
</tr>
<tr>
<td></td>
<td>(iii) We Invite attention to Note No 2.70 where in it is stated that the Court case has been filed by the Toss Mini Hydal Project in the Hon'ble High Court of Himachal Pradesh against the Government of Himachal Pradesh. The matter is still under litigation and may have impact on the Development of the Project.</td>
<td>Statement of facts, requires no comments</td>
</tr>
<tr>
<td></td>
<td>(iv) The Shongtong unit project work was hampered by the labour strike of the M/s Patel Engineering from 14th March 2016 to 20th December 2016 during the year 2016-17. During the year under review the work was hampered during the period 18th April 2017 to 3rd August 2017. The Following are the details of the same:-
<table>
<tr><th>S.No.</th><th>Date</th><th>Date</th><th>Days</th><th>Particulars</th></tr>
<tr><td>1.</td><td>18-04-2017</td><td>17-05-2017</td><td>29.00</td><td>Worker Strike</td></tr>
<tr><td>2.</td><td>18-05-2017</td><td>20-07-2017</td><td>63.00</td><td>Lay Off</td></tr>
<tr><td>3.</td><td>21-07-2017</td><td>03-08-2017</td><td>13.00</td><td>Labour not available</td></tr>
<tr><td colspan="3">Total</td><td>105.00</td><td></td></tr>
</table>
The Unit has charged the interest on loan during the period to Capital Work in progress which has to be charged to the Profit and loss account. No Information in respect of the interest debited to the capital work in progress during the strike period has been provided by the unit to us. In the absence of the information we are unable to comment on the same.</td>
<td>The amount of “Finance Cost” i.e. interest on borrowings of hindrance period, caused by workers' strike in the F.Y. 2017-18, has been now calculated and necessary effect in Books of Accounts have been taken in the F.Y. 2018-19.</td>
</tr>
<tr>
<td></td>
<td>(v) The Shongtong unit has charged the progressive payments made to AHIPL to the capital work in progress account whereas the supplier is raising the invoices afterwards by adjusting the progressive payments in there invoices proportionately. The following are the details of the progressive payments made to the party:-
<table>
<tr><th></th><th></th><th>INR</th><th>Euro</th><th>US $</th><th>Total</th></tr>
<tr><td>1st Progressive payment</td><td>07-04-2016</td><td>15,06,05,000.00</td><td>56,58,000.00</td><td>2,39,53,000.00</td><td>18,02,16,000.00</td></tr>
<tr><td>2nd Progressive payment</td><td>13-05-2016</td><td>15,06,05,000.00</td><td>57,04,000.00</td><td>2,40,87,000.00</td><td>18,03,96,000.00</td></tr>
<tr><td>3rd Progressive payment</td><td>31-03-2017</td><td>15,06,05,000.00</td><td>46,74,000.00</td><td>2,43,64,000.00</td><td>17,96,43,000.00</td></tr>
<tr><td>Total</td><td></td><td>45,18,15,000.00</td><td>1,60,36,000.00</td><td>7,24,04,000.00</td><td>54,02,55,000.00</td></tr>
</table>
The progressive payments made are in nature of the advance paid to the party on the basis of the value of the contract and has to be adjusted with the invoices to be raised by the supplier in future. In our Opinion the Advance to the Supplier is understated and the Capital work in Progress is overstated to that extent.
We invite attention to the Note 1.11 regarding accounting policy in</td>
<td>Required clarifications were submitted to audit, but still the point has not been settled. No Currency fluctuation issue is involved in this case as the settlement of progressive payments made earlier in foreign currency is being done in same foreign currency rates. Further the amount of progressive payments paid is not recoverable in nature, as it an amount paid against work already completed on or before payment dates. It is brought out here that, the progressive payments made to M/s AHPL are not in the nature of advance as these payments were released to AHPL against completion of different</td>
</tr>
</table>

	respect of treatment of foreign currency transactions which has not been followed by the Group. The Advance also includes foreign exchange components for which no adjustments has been made in the books as per the requirements of the Ind AS 21 The Effects on change in foreign exchange Rates applicable to the Group. In the absence of the information we are unable to comment on the same.	milestone/activities as per provisions detailed in EPC contract clause 5(a), 5(b) and 5(c), which are related to overall project. Once these milestones /services are completed, work completion certificate is issued by the HPPCL's Design Wing to the contractor for claiming the payments. Therefore, it is evident that the progressive payment is made only on completion of certain activities, duly verified by HPPCL authorities.
	(vi) The Sainj Unit has paid Entry Tax amounting to Rs. 544 lakhs from September 2010 to December 2016 to HCC Limited. As per the Himachal Pradesh Entry Act 2010 the dealer paying the entry tax is entitled to take the credit of the entry tax and adjust the same with the Vat Liability of the Dealer which the dealer has claimed in the Vat return filed by the contractor to the concerned Assessing Authorities. Thus, the dealer was not entitled to claim the entry tax which was adjusted by dealer towards its Vat Liability. Thus CWIP Project Electro Mechanical works is overstated to the extent of Rs. 544 lakhs and other current assets are understated to that extent.	The matter being settled. Recovery of the amount from the contractor shall be made.
	(vii) The Kashang Unit has charged interest paid on PFC loan of Rs. 3,000lakhs transferred from HPSEB at the time of transfer of assets and liabilities from the HPSEB of the Kashang Unit to the Expenditure Under Construction. It has been observed that at the time of transfer of assets from Kashang Unit from HPSEB a sum of Rs. 1,392 lakhs has been used for construction of Transmission Lines at Kashang HEP. During the year 2010-11 the Kashang unit has transferred all cost of the Transmission Lines amounting to Rs. 6,585lakhs back to the HPSEB Limited. Further It has been observed that at the time of transfer of transmission lines the loan component of the PFC utilised on the construction of Transmission lines has not been transferred to the HPSEB Limited and further a sum of Rs. 871lakhs has been paid as interest on the above loan by the Group till 31st March 2017 to the PFC. Thus, a sum of Rs. 871Lakhs is recoverable from HPSEB Limited on account interest paid to PFC on transmission lines transferred back to HPSEB. In our opinion Property Plant and Equipment are overstated to the extent of Rs. 871 Lakhs and the other current assets are understated to the extent of above.	The matter has been taken-up with HPSEB Ltd. Their reply / acceptability is awaited. Hence has not been accounted for in books of accounts.
	(viii) The work at Kashang II and III (K K Link Line) was stopped by the contractor since 30.09.2014 and the interest paid on loan has been charged to the expenditure under construction. Further the unit has paid interest free mobilisation advance to the contractor amounting to Rs. 945Lakhsfor which the recovery has not been started as the 30% work has not been completed. The Interest component of the loan payable to state govt loan should be charged to Profit and Loss Account as per the requirements of the Ind. AS 23 Borrowing Cost No Information in respect of the interest to be charged to Profit and Loss account has been provided to us. In the absence of information, we are unable to comment on the same.	The amount of "Finance Cost" i.e. interest on borrowings for the period during which the work was stopped due to public agitation etc. has been now accounted for in Books of Accounts in the F.Y. 2018-19.

	(ix) The Sainj HEP has capitalised the cost of employees till the date of Synchronisation ie 30th June 2017 and after that the employee cost has been charged to Profit and Loss Account. The water availability for both the units was available since 15/04/2017 and the Mechanical Spinning was done for the Unit I on 25/04/2017 thus the construction of the project was completed on 15th April 2017. Thus Employee cost up to 15th April 2017 has to be capitalised and after that the same has to be charged to the Profit and Loss Account. The Sainj HEP has capitalised Rs. 151 lacs as employee cost till 30th June 2017. The cost has to be capitalised till 15th April 2017 when the project was complete which comes to Rs. 26 lacs. Thus expenditure to the tune of Rs. 125 lacs is understated.	Necessary rectification has been carried out and effect has been taken in the books of accounts in the F.Y. 2018-19.
	(x)The Group has granted EOT of the Shongtong HEP for civil works till 31st March 2024 with no delay Damages in the 68th Board Meeting on 24th April 2019. No disclosure for the same has been made in the notes to accounts.	This being interim/provisional Extension of Time, hence no delay damages has yet been determined and levied, However while considering the final EoT, Liquidated Damages, if any, shall be levied. Disclosure to this effect has been made in the Directors' Report for the F.Y. 2017-18.
	(xi) **Stoppage of work at Kashang 2 and 3** We Invite attention to Note No 2.67 where in its stated that the work at Kashang Stage 2 and 3 has been pending in the NGT and the final outcome may have an impact on the Construction of the Kashang Stage 2 and 3. Till the final decision of the NGT we are unable to comment on the same.	The work of Kashang Stage 2 & 3 was started in the year 2010-11; the excavation work of Bbalancing Reservoir-III has been completed. However the work from Kerang-Kashang link tunnel was started from downstream end but was stopped due to the agitation by the people of Lippa Village. Further, the Intake works and KK Link Tunnel works from upstream side could not be taken up by the Contractor as the site could not be handed over by HPPCL, since the Environment & Forest Clearances of the project were challenged by the people of Lippa village in the Hon'ble National Green Tribunal, New Delhi. Now the issue has been settled and the construction of approach road from Lipa Asrang road to Kerang Intake & Link tunnel site required for executing the main works of Stage-II & III, has been started and 362m road out of 800m has been completed. The amount of “Finance Cost” i.e. interest on borrowings for the period during which the work was stopped has been accounted for in Books of Accounts in the F.Y. 2018-19.
	(xii) **Stoppage of work at Sawra Kuddu** The Adit Work allotted to Patel Engg. was stopped by the contractor & the advance given to the contractor was interest bearing. The Contractor has not paid the interest component on the advance.	The amount of interest on advance has been now recovered in the F.Y. 2018-19

xiii) **Apportionment of Corporate and Sunder Nagar (Design Wing) Expenses to Renukaji Project**

The Group has apportioned 15% of the total expenditure of Corporate Office and Sunder Nagar Design Office to Renukaji Project vide Managing Directors Office Order Note dated 10/11/2017 during the year under 2016-17. It has been observed that during previous year for Renukaji HEP where only expenditure of 3% of the total cost of the Fixed Assets and CWIP has been incurred by the Group till 31st August 2016 on the project, 15% of the total expenditure of Corporate Office and Sunder Nagar (Design Wing Expenses) since incorporation of the Group has been apportioned to the unit and rest has been allocated to the other units in the proportion of capital expenditure incurred by the remaining units. The above apportionment ratio has not been approved by the Board of Directors of the Group. The allocation percentage and ratio adopted by the Group is also not in compliance to accounting policy of the Group mentioned at Note no 1.6 (g) The Group has provided no justification for approving the percentage of 15% for allocation of corporate office and Sunder Nagar expenditure to Renukaji HEP. In our opinion the apportionment of expenditure to Renukaji @ 15% is not justifiable and thus Rs. 1,948 Lakhs has been excess allocated during the year 2016-2017 to the Renukaji and same has been less allocated to other units. This has resulted in less apportionment of the expenditure to the generating unit i.e. Kashang Stage I and Sainj HEP and may affect the depreciation charged during the year by the Kashang Stage I and Sainj HEP. In the absence of the information we are not able to comment on the fewer amounts of depreciation charged after COD period by the Kashang Stage I and Sainj HEP.

Fixed Assests Cost up to 31st August 2016

(Amount in Lacs)

Name of the Power Project	CWIP plus Fixed Assests less land cost	Percentage of total Cost	Cost to be Allocated	Cost Allocated	Variance
Sawra Kuddu	113,082	29.39	4,840	4,249	591
Kashang I	73,532	19.11	3,147	2,763	384
Kashang II	32,532	8.46	1,392	1,222	170
Kashang III	-	-	-	-	-
Sainj	102,681	26.69	4,395	3,858	537
Renukaji	12,206	3.17	522	2,470	-1,948
Shongtong	43,343	11.27	1,855	1,629	227
Chirgaon Majhgaon	969	0.25	41	36	5
Triveni Mahadev	598	0.16	26	22	3
Thana Plaun	1,483	0.39	63	56	8
Nakhtan	1,781	0.46	76	67	9
Gyspa Dam	919	0.24	39	35	5
Surgani Sundla	992	0.26	42	37	5
Deothal Chanju	137	0.04	6	5	1
Chanju III	362	0.09	15	14	2
Berra Dol	107	0.03	5	4	1
Sunni Dam	-	-	-	-	-
Sub Total	**384,723**	**100.00**	**16,466**	**16,466**	**-0**

The Group during the year under review has also adopted the same method of apportionment and the following are the details of appropriations made during the year:-

Appropriations made up to 03rd September 2017

This has been done as per the decision of the management.

Fixed Assets Cost up to 31st March 2017 (Amount in Lacs)

Name of the Power Project	CWIP plus Fixed Assests less land cost	Percentage of total Cost	Cost to be Allocated	Cost Allocated	Variance
Sawra Kuddu	1,30,911	38	300	264	36
Sainj	1,20,446	35	276	243	33
Renukaji	13,815	4	32	122	-90
Shongtong	55,749	16	128	113	15
Chirgaon Majhgaon	1,030	0	2	2	0
Triveni Mahadev	644	0	1	1	0
Thana Plaun	1,866	1	4	4	1
Nakhtan	1,985	1	5	4	1
Gyspa Dam	1,846	1	4	4	1
Surgani Sundla	1,101	0	3	2	0
Deothal Chanju	360	0	1	1	0
Chanju III	610	0	1	1	0
Berra Dol	306	0	1	1	0
Kashang II	14,379	4	33	29	4
Sub Total	**3,45,049**	**100.00**	**791**	**791**	**-0**

Appropriations made after 03rd September 2017

Fixed Assets Cost up to 03/09/2017 (Amount in Lacs)

Name of the Power Project	CWIP plus Fixed Assests less land cost	Percentage of total Cost	Cost to be Allocated	Cost Allocated	Variance
Sawra Kuddu	1,41,342	56	601	539	61
Renukaji	13,846	5	59	163	-104
Shongtong	69,074	27	294	264	30
Chirgaon Majhgaon	1,053	0	4	4	0
Triveni Mahadev	646	0	3	2	0
Thana Plaun	2,120	1	9	8	1
Nakhtan	2,063	1	9	8	1
Gyspa Dam	1,019	0	4	4	0
Surgani Sundla	1,287	1	5	5	1
Deothal Chanju	372	0	2	1	0
Chanju III	733	0	3	3	0
Berra Dol	2,784	1	12	11	1
Kashang II	17,666	7	75	67	8
Sub Total	**2,54,004**	**100**	**1,080**	**1,080**	**-0**

In our opinion the apportionment of expenditure to Renukaji @ 15% is not justifiable and thus Rs. 194 Lakhs has been excess allocated during the year 2017-2018 to the Renukaji and same has been less allocated to other units. This has resulted in less apportionment of the expenditure to the generating unit i.e. Kashang Stage I and Sainj HEP and may affect the depreciation charged during the year by the Kashang Stage I and Sainj HEP. In the absence of the information we are not able to comment on the less amount of depreciation charged after COD period by the Kashang Stage I and Sainj HEP.

We would further like to submit that no confirmations from the participating states and the central government have been provided to us for the inclusion of above expenditure towards the cost of the Project. In the absence of confirmations we are unable comment on the recoverability of the expenditure from the participating states and central government.

3.

Non-Current Investment Note 2.5

(I) We invite attention to Note No.2.43(i)., the Group has made an investment of Rs. 337.50 Lac (previous year Rs. 337.50 Lakhs) in the equity of Himachal EMTA Power Limited (HEPL) which has been

Statement of Facts requires no comments.

	established as Company's joint venture with EMTA for setting up a (2*250 MW) thermal power plant. The Group has 50% equity participation in HEPL. The Government of India has allotted coal block to Himachal EMTA Power Limited and JSW Steal Limited for which another Joint Venture has been made in the Name of Gourangdih Coal Limited. *"The Hon'ble Supreme Court of Ind.ia (SC) on 25/08/2014 and 24/09/2014 ordered that the allotment of the coal block made by the screening committee of the Government of India through the government dispensation route are arbitrary and illegal thus the Gouragdih Coal Block allotted to Himachal EMTA Power Limited and JSW Steel Limited has been cancelled."*	
	(ii) The Group has made provision for doubtful investments amounting to Rs. 337.50 lakhs during the year under review.	Statement of Facts requires no comments.
	(iii) The Group Independent auditors of Gourangdih Coal Limited raised concern in respect of preparing the Financial Statements on the basis of Going Concern Concept and under Historical Cost Convention due to deallocation of the Coal Blocks by the decision of the Supreme Court during the year under review.	Statement of Facts requires no comments.
	(iv) We invite attention to note 2.77 where in the Enforcement Directorate has attached the assets of the Himachal Emta Private Limited amounting to Rs. 259 Lacs.	Statement of Facts requires no comments.
4.	**Other Non-Current Financial Assets Note 210** (I) The Chirgaon Unit is showing a sum of Rs. 5 Lakhs as amount paid to LAO for purchase of land. The accounting unit was transferred from erstwhile Board (HPSEB). The payment was made by the LAO of the HPSEB and the land is in the name of HPSEB. The unit was transferred from the erstwhile HPSEB and the advance account of the LAO is being carried forward by the unit as advance and the land is in the possession of the Corporation. The Unit has not changed the name of the ownership of the corporation in the revenue records nor has adjusted the advance account. In our opinion the Group is entitled for title of the land once the award has been ordered by the LAO and land legally vests with the Group. Thus, Other Non-Current Financial Assets are overstated to the extent of above and correspondingly the Property Plant and Eqiupment is understated to the extent of above.	Transfer of title of the land is under process.
	(ii) The Shongtong HEP, has paid Rs. 45.31 Lakhs (previous year Rs. 44 Lakhs) to land owners for acquisition of land measuring 0.1702 hectare, for the project, at the time of mutation it is found that the same land was already acquired by HPPWD. The amount is doubtful for recovery as the amount has not been recovered from the land owners and a provision for the same is required. In our opinion Other Non-Current Financial Assets is overstated to the extent of above and consequently the expenditure is understated to the extent of above.	The amount paid is being recovered from the welfare grants and R&R benefits accruing to land holders against the Welfare and R&R Schemes. An amount of Rs. 2,97,565/- has been already recovered/adjusted against the welfare grants payable to the land owners. An amount of Rs. 9,32,700/- will be recovered/adjusted from the welfare grant already due to be given to these land holders. Further, an amount of Rs. 8,67,600/- shall be recovered from the R&R benefits i.e. free sand and aggregate as per

		requisition of land owners.
	(iii) We invite attention to Note No 2.69 where in it is stated that the amount recoverable from contractors includes a sum of Rs. 7,943 lakhs (previous year Rs. 5,451 lakhs) recoverable from Coastal Projects on account of risk and cost. The contract with the contractor was terminated in the year 2013 and the same was awarded to M/s HCC Limited The amount paid to HCC Limited on account extra cost has been shown as recoverable from Coastal Projects. The amount is doubtful of recovery from the Coastal Projects as there is no agreement with the party to recover the money as the contract with the party has already been terminated since 2013. The Group has gone into liquidation as the lender banks of the contractor has filed liquidation petition with NCLT and the amount is doubtful of recovery. In our opinion the amount should be charged to Capital Work in progress as part of the cost. Thus, Other Non-Current Financial Assets are overstated to the extent of above and Capital Work in progress is understated to the extent of above. The non-charging of the above cost to the CWIP will result in under apportionment of the common cost of the Corporate Office and Sundernagar Design wing. No Information in respect of the same has been provided to us. In the absence of information we are unable to comment on the same. Further the Group has filed a claim of Rs. 33499 Lacs with the NCLT against the Coastal Projects Limited as the Group has gone into liquidation. No Details in respect of the same has been provided to us. In the absence of the information we are unable to comment on the same.	The recoverable amount is covered under the claim raised by HPPCL of Rs. 33499 Lacs and till the final decision of the NCLT, the amount shown as recoverable can't be shown as doubtful for recovery.
	(iv) We invite attention to Note No 2.62 where in it is stated that the Group has not made a provision for Rs. 103 lakhs (Previous Year Rs. 103 Lakhs) recoverable from Gammon India since 2013 through Directorate of Energy. The amount has to be recovered along with interest of 10 % per annum. The amount has not been recovered till the date of audit and the same is doubtful of recovery hence provision for doubtful advance is required. In our opinion the Non-Current Financial Assets are overstated to the extent of above and Expenditure are understated to the extent of above.	The amount shown as recoverable can't be declared as doubtful till the Directorate of Energy refuses to re-imburse the amount involved.
	(v) The Renukaji HEP has deposited Rs. 186.42 lacs with HPSEBL for deposit work. The HPSEB has fully utilised the advance and given the Utilisation certificate to the Group. However the Group has not capitalised the assets. In our opinion the other Non-Current Financial Assets are overstated to the extent of above and Capital work in progress is understated to the extent of above.	Against the total advance of Rs. 186.42 Lacs (given in two instalments) to HPSEBL for laying construction power and transmission lines has been fully utilised by the HPSEBL for various works assigned to them, as per the Utilisation Certificate to that effect, submitted by HPSEBL and the advance amounts are adjustable against the expenditure incurred. Adjustment is pending in Books of Accounts due to works executed as intimated vide UC, are being verified by project authorities.

	(vi) The Capital Work in Progress of includes excise duty reimbursed to the contractors by the Group which is exempted as per the notification No.108/95-CE, dated 28.08.1995, which provides that the goods supplied to projects, financed by the World Bank, Asian Development Bank or any International Organisation, and approved by the Govt of India, shall be exempted from the whole of the excise duty/additional excise duty leviable thereon. The Group has accounted for the expenditure in capital Work in progress by way of the reimbursement of the same to the contractor amounting to Rs. 609 lakhs. The Group has shown the above amount as recoverable from the Contractor during the year under review. The Group has recovered only Rs. 476 Lakhs (previous year Rs. 306 Lakhs) from the contractor till the close of the financial year of the audit.	The amount has been fully recovered as on 31.03.2019.
	(vii) **Grant Receivable** We invite attention to Note No 2.64 where in it is stated that Group is showing Rs. 488 lakhs (previous year Rs. 442 lakhs) as recoverable grant from the Central Government on account DPR and Investigation Expenses. The Government of India has approved Rs. 1,250 Lakhs for survey and investigation of the project and paid Rs. 500 Lakhs as advance and the rest of the amount is to be paid on the submission of the DPR. The work of the DPR is not completed since 2012 due to sustained opposition to the project by local people. The Central Government has stayed the further payment of the grant until the submission of the DPR. The grant recoverable shown is not as per para 7 and 8 of the Indian Accounting Standard (Ind as) 20 Accounting for Government Grants and Disclosures thereof which states that: - ***“7 Government grants, including non-monetary grants at fair value, shall not be recognised until there is reasonable assurance that:*** ***(a) the entity will comply with the conditions attaching to them; and*** ***(b) the grants will be received.*** ***8 A government grant is not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the entity will comply with conditions attaching to it , and that the grant will be received .Receipt of a grant does not of itself provide conclusive evidence that the conditions attaching to the grant have been or will be fulfilled.”*** The grant recoverable is not as per the applicable IND AS 20 and the contention of the Group is that as the project is of National importance and the concerned ministry is continuously pursuing the matter with the State Government and directing the Group to take appropriate action to resolve the issue with the affected families so that the survey investigation work may be completed at the earliest. In our opinion the continuous monitoring of the project by the ministry and the Central Government and further directions to resolve the issue with effected families at the earliest is a sufficient compliance for the condition attached to the grant as per the requirement of IND as 20.	Statement of facts requires no comments.
	(viii) The Shongtong unit is showing following advances to the contractors the recoverability of the same is dependent on the	The recovery of mobilization advance has now started. An amount of 284.00

<table>
<tr>
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<td>completion of the project and the same has not been discounted and shown as per the fair value as required by IND AS 113. In the absence of information, we are unable to comment on the same (Please also refer Note 2.47). The following are details of the advances
(Amount in Lacs)
<table>
<tr><th></th><th>Contractor</th><th>Current Year Amount</th><th>Previous Year Amount</th></tr>
<tr><td>1.</td><td>Patel Engineering</td><td>5,143.00</td><td>5,236.97</td></tr>
<tr><td>2.</td><td>Andtriz Hydro</td><td>3,155.00</td><td>3,708.74</td></tr>
<tr><td></td><td>Total</td><td>8,298.00</td><td>8,945.71</td></tr>
</table>
</td>
<td>lacs on account of mobilization advance has been recovered from M/s PEL till 31.03.2020.
An amount of 1637.38 lacs against mobilization advance has been recovered from M/s AHPL upto 31.03.2020.
Further, as the completion date of the project is uncertain, hence discounting can't be done at this stage. Hence Ind. AS 113 can't be complied with.</td>
</tr>
<tr>
<td></td>
<td>(ix) The Shongtong unit has given advance of 100 lacs (Previous Year Rs. 50 lakhs) to IPH Khwangi for irrigation scheme and the same has not been charged to expenditure during construction. In our opinion the Non-Current Financial Assets are overstated to the extent of above and CWIP are understated to the extent of above.</td>
<td>Out of the amount of advance given to “IPH” Rs. 80 lakh has been is adjusted till 31.03.2020. Efforts are being made to obtain the utilization certificate of the balance amount of Rs. 20 lakh.</td>
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<td></td>
<td>(x) The Shongtong unit has given advance of Rs. 10 lakhs and Rs 25 lakhs to HPPWD on 04th October 2013 and 07th December 2016 andthe same has not been charged to expenditure during construction as the as the work has been completed before the finalisation of the Balance sheet. In our opinion the Non-Current Financial Assets are overstated to the extent of Rs. 35 lakhs and CWIP are understated to the extent of above.</td>
<td>The advances have been fully adjusted as on 31.03.2018.</td>
</tr>
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<td></td>
<td>(xi) The Shongtong unit is showing advance of Rs. 154 lacs (Previous Year Rs. 200 lakhs) to HPSEB as on 31st March 2018 and. As the advance will not be recovered from the agencies and assets are being used by the corporation the same should be capitalised. In our opinion the Non-Current Financial Assets are overstated to the extent of Rs. 154 lakhs and CWIP are understated to the extent of above.</td>
<td>As on date only Rs. 35.49 lakh is remaining to be adjusted as on 31.03.2020, from advance given to HPSEBL and assets for the utilised amount has been booked. Efforts are being made to obtain the utilization certificate against the above amount and accordingly advance shall be adjusted.</td>
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<td>(xii) The Sawra Kuddu HEP is showing a sum of Rs. 714 lakhs (Rs. 1,186 lakhs) as Deposit Work Paid which has not been capitalised for want of utilisation certificates from the executing agencies. As the advance will not be recovered from the agencies and assets are being used by the corporation the same should be capitalised. In our opinion the Non-Current Financial Assets are overstated to the extent of ₹714 lakhs and CWIP are understated to the extent of above.</td>
<td>Rs. 485 Lacs against advance given is pending for adjustment as on 31.03.2020. Regular correspondence regarding submission of Utilisation Certificate by HPSEB Ltd. is being done and the remaining advance amount shall be settled/recovered accordingly.</td>
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<td>(xiii) The Beradol Unit has not capitalised the Advance amounting to Rs. 15 Lacs during the year under review as the advance is of non recoverable nature. Thus the Other Non Current Assets are overstated to the extent of above.</td>
<td>Has been settled/capitalised in the F.Y.2018-19.</td>
</tr>
<tr>
<td></td>
<td>(xiv) The Chanju III has not capitalised the advance to HPPTCL for design and survey work amounting to Rs. 17 lakhs. Thus the Other Non Current Assets are overstated to the extent of above.

(xv) The Deothal Chanju has not capitalised the advance to HPPTCL</td>
<td>Advances amounting to Rs. 17,32,900/- and Rs. 12,60,300/- has been issued to HPTCL as on 18.07.2016, for carrying out detailed survey of transmission line in respect</td>
</tr>
</table>

	for design and survey work amounting to Rs. 13.00 lakhs. Thus the Other Non Current Assets are overstated to the extent of above.	of DEOTHAL-CHANJU and CHANJU-III HEPs, alongwith the preparation of forest clearance and other PTCC cases. HPTCL has finished survey work and obtaining of forest clearance is in process. Final bill will be submitted on the completion of work and accordingly advance will be adjusted.
	(xvi) The Sainj Unit has not capitalised the advance to HPPTCL Rs. 500 lakhs. Thus the Other Non Current Assets are overstated to the extent of above. The Consequential Depreciation the above assets is understated to the extent of Rs. 15 Lacs during the year under review.	The amount has been adjusted / Capitalized on receipt of Utilisation Certificate on 11.09.2018.
	(xvii) The Sainj unit has given advance against the retention money to HCC limited amounting to Rs. 450 Lacs. The Contractor has not paid the Advance and the interest due on the same. Thus advance to Contractor and Retention money is overstated to the extent of above.	As per Supplementary Agreement SA-12 The loan of Rs 4.50 Crores with interest has been issued to HCC against Bank Guarantee of amount Rs.5.18 Cr., which cannot be encashed being stayed by Hon'ble Arbitral Tribunal in reference –III. A revised claim amount of Rs 6.18 Crore has been raised by HPPCL as counter claim.
	(xviii) The Sainj unit has paid Rs. 50 Lacs to HP Fisheries Department but the expenditure has not been booked. The Advance is not of recoverable nature and should have been capitalised. Thus the Other Non Current Assets are overstated to the extent of above.	The Director–cum-Warden of fisheries has been requested to supply the Utilization certificate.
	(xix) The Sainj unit has paid Rs. 10 Lacs to State Pollution Department but the expenditure has not been booked. The Advance is not of recoverable nature and should have been capitalised. Thus the Other Non Current Assets are overstated to the extent of above.	A Utilization certificate has been received from H.P. State Pollution Control Board wherein it has been certified that an Amount of Rs. 1,06,048/- has been utilized during 2017-18 against the advance amount of Rs. 9,87,388/-.
	(xx) The Sainj unit has shown Rs. 9 Lacs as recoverable from DOE on account of LADF charges paid on Infirm Power. The amount is not recovered till date and provision for the same is required. Thus the Other Non Current Assets are overstated to the extent of above and expenditure is understated to that extant.	Necessary correspondence in this respect is being done with Directorate of Energy. The amount shall be settled accordingly.
	(xxi) The Sainj unit has shown Rs. 71 Lacs as interest recoverable from HCC on account of advance given against retention money. The Party has not repaid the amount of advance & nor the interest on the same has been paid back hence provision for the same is required. Thus the Other Non Current Assets are overstated to the extant of above and expenditure is understated to that extant.	The amount is still recoverable form the contractor. However if it is not repaid shall be recovered from the retention money of the contractor.
	(xxii) The Kashang unit has not capitalised the Advance given to HPPWD amounting to Rs. 15 lacs. Thus the Other non-current assets are overstated to that extant.	Advance has been adjusted in the F.Y. 2018-19.
	(xxiii) The Sawra Kuddu Unit has debited Rs. 41 lakhs to Patel	The said amount was withheld /

	Engineering on account of Risk and award cost of the work done. The contractor has not paid the amount till date. Thus Provision for non recoverability of amount is required. Thus other non-current Assets are overstated to that extant.	recovered, but later on was released due to the decision of Dispute Board in favour of the Contractor. Now the said case of recovery is under arbitration, hence can't be shown as doubtful at this stage.
	(xxiv) The Sawara Kuddu Unit has shown a Sum of Rs. 665.00 Lacs as amount recoverable on account interest and penalty on entry Tax. The contractor has not paid the amount till date. Thus Other non current Assets are overstated to that extant.	Provision has been made, but the recovery can't be affected till the final decision of case by Appellate Tribunal.
	(xxv) We invite attention to note no 2.62 (b) where no provision has been made as the proposal has been sent to the BOD for writing off the amount.	The Board of Directors in its 70th Meeting held on 3rd December 2019, has decided to forego the expenditure incurred by HPPCL on Suni Dam HEP (now allotted to SJVNL) against the goodwill extended by SJVNL, by remission of expenditure on renovation of Himfed Building, hired by HPPCL. Accordingly the amount has been written-off in the F.Y. 2018-19
5.	**Trade Receivables Note 2.12** (I) The Kasanag Unit is showing Rs. 103lakhs(previous year Rs. 73 lakhs) as amount recoverable from HPSEB Limited on account of Late payment surcharge which has not been accepted by the party and the same amount has not been paid by the customer till date and only sale of power is being paid by the party. In our opinion the amount recoverable is overstated and a provision for amount doubtful for recovery is required. Thus, Trade receivable is overstated to the extent of above and the expenditure is understated to the extent of above.	The same has been recovered/settled in the F.Y. 2019-20.
	(ii) We invite attention to Note No 2.58 wherein it is stated that HPSEB Limited has retained Rs. 1369 Lakhs (Previous Year Rs. 1,369 lakhs) as amount due on account of Leave salary and pension contribution of employees appointed on secondment basis with the Group. In our opinion the trade receivables are overstated to the extent of above and also the liabilities are overstated to that extant.	The same has been settled in the F.Y. 2019-20.
6.	**Other Current Assets Note 2.18** (I) The Sawra Kuddu unit has not shown the amount recoverable from Patel Engineering on account of recovery of concrete cutting amounting to Rs. 84lakhs. In our opinion the other Current Assets are understated to the extent of above and CWIP is overstated to the extent of above.	Currently the case is under arbitration / subjudice, hence has not been shown as recoverable.
7.	**Non-Current Other Financial Liabilities Note 2.21** (i) **Long Term Borrowings** The Group has taken loan from the State Government for construction of Hydro projects. The Group has not paid the Instalment and interest on the State Government loans. The State Government has provided deferment of loan and interest for the	The case of deferment of loan dues is under active consideration of Govt. of Himachal Pradesh and formal letter in this regard is awaited.

<table>
<tr><td></td><td>amount accrued up to January 2017 till FY 2018-19. The instalment interest due after January 2017 till the close of the year has not been paid by the Group to the state Government. We invite attention to Note 2.73 where in the Group has made the request for the deferment of Instalment & loan to State Government however no confirmation from the State Government has been received till finalisation of the report. In our opinion the Group has defaulted in payment of instalments & interest to the state govt. holding 29% of the equity. However there is no other default in payment of loan & interest to any other Financial Institutions/Banks.</td><td></td></tr>
<tr><td></td><td>(ii) The Long-term Liabilities includes EMD, Retention Money and Security Deposits pending since inception of projects and the same has not been paid till the close of the year. The Internal control in respect of them is very weak and should be strengthened and the liabilities should be assessed at fresh and should be charged to revenue in appropriate cases.</td><td>EMD, Retention Money and Security Deposits etc. are being released to the contractors, whenever, claims are being submitted by the contractors.</td></tr>
<tr><td></td><td>Non-Current Liabilities Provisions Note 2.23
(I) For Group Employees
We invite attention to note 1.20 and 2.41 where in the policy adopted for employees benefit and accounting in respect of the same has been disclosed. The Above policy is not in compliance with the Ind AS 19 Employees Cost in relation to Post Employment defined Benefits plan in the matter of its recognition and measurement. In the absence of Information, we are unable to comment on the same of its impact in the balance sheet and profit and Loss Account.</td><td>Adequate provisions have been created as per the defined Gratuity and Leave Encashment Plans, adopted by the Corporation. Note No. 2.41, refers.</td></tr>
<tr><td></td><td>(ii) For HPSEB Employees
The provision for leave encashment liability, gratuity liability and pension Liability of HPSEB employees has been calculated based on formula adopted by HPSEB Limited. The Liability provided for is subject to the confirmation from HPSEB Limited.
In the absence of information and confirmation from HPSEB Limited we are unable to comment on the effect of the same on the financial statements at the close of the year.</td><td>Calculation of liabilities is based on the methodology devised by State / Central Govt. and on terms & conditions accepted by both the parties.</td></tr>
<tr><td></td><td>(iii) The Group has shown Gratuity Liability at the close of the year in excess by Rs. 19 lacs. Thus Provisions non-current is overstated to the extant of above.</td><td>Has been rectified in the in the F.Y. 2018-19.</td></tr>
<tr><td></td><td>(iv) The Group has shown Leave Contribution Liability at the close of the year in excess by Rs. 46 lacs. Thus Provisions non-current is overstated to the extant of above.</td><td>Has been rectified in the in the F.Y. 2018-19.</td></tr>
<tr><td>9.</td><td>Other Non-Current Liabilities Note 2.24
a) Utilised Grant Renuka ji
(I) The Group has incurred following expenditure on the Renukaji project till 31st March 2018.
(Amount in Lacs)
<table>
<tr><th>Particulars</th><th>as on 31st March 2018</th><th>as on 31st March 2017</th></tr>
<tr><td>Tangible Assets</td><td>42,095</td><td>29,722</td></tr>
<tr><td>Capital Work in progress</td><td>32,014</td><td>43,405</td></tr>
<tr><td>Advances</td><td>199</td><td>259</td></tr>
<tr><td></td><td>74,308</td><td>73,387</td></tr>
<tr><td>Grant Received</td><td>68,549</td><td>68,549</td></tr>
<tr><td></td><td>68,549</td><td>68,549</td></tr>
<tr><td>Shortfall</td><td>5,759</td><td>4,838</td></tr>
</table>
</td><td>The same shall be shown as recoverable once the ratio of contribution by each participating states is finalised.</td></tr>
</table>

	There is a shortfall of expenditure to the tune of Rs. 5,759 Lakhs (Previous year Rs. 4,838) Lakhs which has to be borne by the participating states. No information about the share of the expenditure of the participating states and confirmation from them has been provided to us for verification. In absence of information we are not able to comment on the same. The Renukaji unit has not made any provision for the amount recoverable from the participating states and the central government. In our opinion the other current assets are under stated to the extent of above similarly the other non-current liabilities are understated to the extent of above.	
	(ii) The Group has requested the Government of India for additional amount of ₹ 31,602 lacs to be deposited with the courts on urgent basis. The GOI has denied the request and with the condition that funds can only be granted after settling of all the clearances. UYRB has also directed all the participating states to deposit their respective share money with HPPCL but till date no contribution has been received and no disclosure of the same has been made in the notes of accounts.	Disclosure to this effect has been given in the Directors' Report. However it is brought out here that the Investment Clearance to the project has been obtained on 07th August 2020. Now only the CCEA approval is the only approval left, which is expected by December, 2020.
	(iii) We invite attention to para 2 (xiv) of our audit report regarding allocation of expenses to Renukaji HEP wherein its stated that the allocation of expenditure of Corporate office and Sunder Nagar Design Wing to the unit has not been confirmed / approved by the participating states and the central government. In the absence of confirmation and approvals we are unable to comment on the apportionment of expenditure charged to the Renukaji HEP. The Group has allocated Rs. 2111 (previous year Rs. 1,826 lakhs) as share of corporate office and design wing expenses to the Renukaji HEP till 31st March 2017. In our opinion the amount recoverable from participating states will be reduced by Rs. 2111 (previous year Rs. 1,826 lakhs) given in above para.	The proportionate expenditure of Corporate office and Design Office has been allocated on the basis of expenditure being incurred by HPPCL on Renukaji HEP. Further, prior approval of beneficiary States for such allocation may not be required, keeping in view that a major portion of the funds required for construction of Dam, shall come from Central Govt. and only 10% of the funds required shall be contributed by beneficiary states.
	(iv) The Group is earning interest on the surplus funds of Renukaji at Corporate Office by investing the same in short term Fixed Deposits. The Interest earned on the same has not been shown as addition to the Grant nor has the same been reduced from the incidental expenditure during construction period of the unit. The above practice is not in line with the significant accounting policy adopted by the Group (refer Note 1.16). In the absence of information, we are unable to comment of the effect of the same on the Financial Statements.	This has been done as per the decision of the management.
10.	**Current Liabilities Other Financial Liabilities Note 2.26** (i) The Liability on account of Retention Money, Security Deposit and dues payable to Contractors and suppliers are subject to Confirmation. In the absence of Information, we are unable to comment on its effect on assets and liabilities.	Confirmations of Balance payable as on 31st March 2018, were sought from respective Contractors/ Govt. Departments. Based on the confirmations received/not received, the liabilities have been shown in Books of Accounts.
	(ii) The different units of the Group are showing separately the amount payable and recoverable from HPSEB Limited. No Confirmation from the HPSEB Limited has been provided to us for	Most of the amounts under Payable and Receivable heads, pertaining to HPSEBL have been settled. In case of

<table>
<tr><td></td><td>the amount payable and recoverable. In our opinion only one account of the HSPEB Limited should be maintained and net balance of recoverable or payable should be shown in the financial Statements.</td><td>remaining pending entries necessary reconciliation is being done and the accounts shall be settled accordingly.</td></tr>
<tr><td></td><td>(iii) The Other Current Liabilities includes EMD, Retention Money and Security Deposits pending since inception of projects and the same has not been paid till the close of the year. The Internal control in respect of them is very weak and should be strengthened and the liabilities should be assessed at fresh and should be charged to revenue in appropriate cases.</td><td>The liabilities against EMD, Retention Money, Security Deposit and dues payable to Contractors are released on the basis of verifications of claims by EIC concerned, as and when claims are submitted by Contractors.</td></tr>
<tr><td></td><td>(iv) The Other Financial Current Liabilities includes Rs. 72 lakhs (Previous Year Rs. 62 lakhs) as unclaimed money on account of payables, retention, security and other payables to the contractors. The amount has been shown under this head because the persons to whom amount is payable is not traceable. In our opinion the other current financial liabilities are overstated to the extent of above and necessary provision for amount written back should be provided.</td><td>Decision in this regard is under consideration.</td></tr>
<tr><td></td><td>(v) The Sawra Kuddu unit has made a provision for CAT Plan Expenses on 04thJanuary 2016 amounting to Rs. 69 lakhs. The Unit has informed us that the amount has not been paid as the previous utilisation certificates have not been provided by the Forest Department. In our opinion the amount is of the nature of withheld amount and should be shown under the head Non-Current Financial Liabilities. Thus, current Liabilities are overstated to the extent of above.</td><td>The amount is withheld for want of Utilisation Certificate.</td></tr>
<tr><td></td><td>(vi) The Corporate Office has not made the provision for demand raised by the PF Commissioner for the period 09/2008 to 06/2011 on account of PF contributions of Unregistered Contractors amounting to Rs. 189 Lakhs on 02nd August 2018 (refer Note 2.60). The Liability was known to the management before the approval of the Financials by the BOD i.e. 28th November 2018. Thus, current liabilities are understated to the extent of above.</td><td>Matter being subjudice, has been shown under contingent liabilities under Notes on Accounts No.2.60</td></tr>
<tr><td></td><td>(vii) **Local Area Development Fund: -**
We Invite attention to Note 2.66 where in the Group has not made any provision of amount payable to LADA fund on account increase in cost of the Projects. The following are the details of the Projects and understatement of Liability on account of additional amount payable to LADA Fund.
<table>
<tr><th>HEP</th><th>Expenditure Incurred in Crore</th><th>Lada Fund @1.5%</th><th>Expenses Booked</th><th>Deficit</th></tr>
<tr><td>Kashang II and III</td><td>184.60</td><td>2.77</td><td>0.77</td><td>2.00</td></tr>
<tr><td>Sainj</td><td>1,270.93</td><td>19.06</td><td>17.97</td><td>1.09</td></tr>
<tr><td>Sawra Kuddu</td><td>1,672.19</td><td>25.08</td><td>24.50</td><td>0.58</td></tr>
<tr><td>**Total**</td><td>**3,127.71**</td><td>**46.92**</td><td>**43.24**</td><td>**3.68**</td></tr>
</table>
In our opinion the Capital work in progress is understated to the extent of Rs. 368 lakhs and correspondingly. Current Liabilities are also understated to that extant.</td><td>Amount payable against LADF have been deposited regularly. Due to ongoing works at project ends the project cost is not yet finalised. Hence the exact amount of final instalment is not determinable at this stage. The marginal amount remaining to be deposited is subject to further adjustments and shall be accordingly provided. In respect of Kashang Stage-II & III, the amount of LADF couldn't be deposited as the work execution was stopped by the Local people for long period.</td></tr>
<tr><td></td><td>(viii) **Survey and Investigation of Khab Hydro Electric Project**
We Invite attention to Note 2.63 wherein it is stated that the Group has not accounted for Rs. 1,273 lakhs (previous year Rs. 1,273 lakhs)</td><td>HPPCL has reiterated its position to SJVNL that due to encroachment of domain by up-stream and</td></tr>
</table>

	on account of survey and investigation work done by SJVN. Thus, Current Liabilities are understated to the extent of above and similarly the Capital Work in Progress is understated to the extent of above.	downstream projects, the investigation and survey works carried out by SJVNL is of no use to HPPCL and therefore, it is not in a position to take into account the expenditure incurred by SJVNL. After such correspondence, SJVNL has stopped pressing its claim further.
	(ix) The Corporate Office has booked the IUT to Sainj Unit amounting to Rs. 2.93 lacs during the year on the basis of letter to bank to pay the payment through NEFT to HCC limited. The NEFT was actually issued by the bank in the month of April 2018. Thus Current liabilities as well as Bank Balance are understated to that extant.	Due care shall be taken in future.
	(x) The Sainj Unit has not Charged GST on the Liquidation Charges amounting to Rs. 775.80 lakhs on Rs. 4310.00 Lacs charged from HCC during the year under review. The Group has not shown the Liability under GST returns filed during the year under review nor the same has been charged to the contractor .Thus the current liabilities and understated to that extant and other non-current assets is also understated to that extant.	As the Liquidation Charges pertain to pre GST regime, hence GST has not been levied on LD Charges.
	(xi) The Kashang Unit has not Charged GST on the Liquidation Charges amounting to Rs. 534.42 lakhs on Rs. 2969 Lacs charged from HCC. The Group has not shown the Liability under GST returns filed during the year under review nor has the same been charged to the contractor. Thus the current liabilities and understated to that extant and other non current assets is also understated to that extant.	As the Liquidation Charges pertain to pre GST regime, hence GST has not been levied on LD Charges.
	(xii) The Corporate Office has shown bills payable amounting to Rs. 4 lacs for which no details are available. Thus current Liabilities are overstated to the extant of above.	Has been settled in the F.Y. 2018-19.
	(xiii) The Corporate Office has shown Rs. 35 lakhs as amount payable to Director cum Member Secretary and also the amount has been shown as advance to the Government department and the advance paid has not been adjusted at the close of the year. Thus Current Liabilities and advance to government department is overstated to the extant of above.	Has been settled in the F.Y. 2018-19.
	(xiv) The Corporate Office has shown Rs.23 lakhs as amount payable to Anand Toyota and also the amount has been shown as advance to the Anand Toyota and the advance paid has not been adjusted at the close of the year. Thus Current Liabilities and advance to government department is overstated to the extant of above.	Has been settled in the F.Y. 2018-19.
	(xv) We invite attention to note 2.72 where the Corporate Office has shown Rs. 500 lacs as amount payable to the Kisahau Corporation Limited on account Equity Contribution of the State Government for the seed Money. No Confirmation from the Kisahu Corporation Limited and directions from the State Government to keep the money with Group has been provided to us for verification. In the absence of information we are unable to comment on the same.	The amount Shall be disbursed to Kishau Corporation Ltd. on receipt of instruction from GoHP and requisition from Kishau Corporation Ltd.

<table>
<tr>
<td></td>
<td>(xvi) In Consolidated balance sheet the Current Other Financial Liabilities is understated by Rs. 29,291 and Non Current Financial Liabilities is overstated to the same extant.</td>
<td>Has been rectified in the F.Y. 2018-19</td>
</tr>
<tr>
<td>**11.**</td>
<td>**Other Income Note 2.25**
The Shongtong unit has not accounted for the Foreign Exchange fluctuations amounting to Rs. 18.07 lakhs. Thus the income is understated to the extant of above.</td>
<td>Rectification of the same has been done in next F.Y. 2018-19.</td>
</tr>
<tr>
<td>**12.**</td>
<td>**Sale of Power**
(I) The Kashang and Sainj HEP have booked the Sale of Power in the books of accounts on net realisation value of the Group Share. No Accounting entry for the Free Power to State Government, LADA Share and auxiliary power has been made in the books which are not in lines with the previous year accounting policy adopted by the Group. We Invite attention to note 2.57 (b) where in the change in accounting policy has been indicated by the Group. The following are the details in respect of the same and comparative figures of the previous year.
(Amount in Lacs)
<table>
<tr><th></th><th>Particulars</th><th>Current Year</th><th>Previous Year</th></tr>
<tr><td>3000002</td><td>Sale of Energy</td><td>1,366.00</td><td>198.89</td></tr>
<tr><td></td><td></td><td>1,366.00</td><td>198.89</td></tr>
<tr><td>4000750</td><td>Free Power to State Govt (Royalty)</td><td>1,129.00</td><td>172.45</td></tr>
<tr><td>4000751</td><td>Free Power to State Govt (LADF)</td><td>94.00</td><td>14.37</td></tr>
<tr><td>4000752</td><td>Generation/Auxiliary Energy Expenses</td><td>143.00</td><td>12.07</td></tr>
<tr><td></td><td>**Total**</td><td>**1,366.00**</td><td>**198.89**</td></tr>
</table>
The Group has not disclosed the impact of the same and as result the figures of current and previous year are not comparable. The non accounting of the same will have impact on the apportionment of expenditure of corporate office and DW Sundernagar to various units during the year under review. The impact of the same cannot be quantified hence we are unable to comment on the same.</td>
<td>During the F.Y. 2017-18, the power generated was sold in energy exchange directly. As the portion of free power @13% was not remitted to Corporation and non-availability of exact figure of free power given to State Govt. and to LADF, the amount booked under sale of power is net of such free power. Disclosure under Note Para 2.57(b), refers.</td>
</tr>
<tr>
<td>**13.**</td>
<td>**Apportionment of expenditure and Income of Corporate Office and Sunder Nagar**
(i) **Expenditure of Corporate Office and DW Sunder Nagar**
It has been observed that at the time of apportionment of expenditure of Corporate office and Design Office the net expenditure incurred during the year has been apportioned in the ratio of 156:209 from 01st April 2017 to 3rd September 2017 and 4th September 2017 to 31st March 2018. (refer Significant Accounting Policy no 1.6 g and Note no 2.57(c)). The above apportionment is not in line with the accounting policy referred in note 1.6 g which states that the *"The Expenditure of Corporate office and Sunder Nagar design office is allocated to different accounting units on systematic basis."*
In our opinion the expenditure and income should have been apportioned separately on actual basis between the pre and post cod period to different units. The Adoption of wrong method of apportionment may effect the allocation of cost to different units and the effect on its depreciation after commissioning of the projects. In the absence of information we are unable to comment on the same.</td>
<td>Keeping in view practicability, the allocation has been done. The methodology has been disclosed in the Notes on Accounts No. 2.57(c).</td>
</tr>
</table>

(ii) Income of Corporate Office and DW Sunder Nagar

It has been observed that the income of the corporate office mainly consists of the interest earned on Fixed deposits by making short term investments of the following funds: -

- Funds received for Equity
- Funds for Renukaji Project
- Imprest Funds for ADB Funded Projects State Govt Loan
- Interest on Funds With LAO

The Group has received the following interest on Fixed Deposits and on different type of funds during the year: -

S.No.	Particulars	Current Year Amount	Previous Year Amount	To be apportioned to
1.	Equity Funds	5,26,73,054.00	4,48,74,572.00	All the Units
2.	Renuka Funds	16,88,61,940.00	13,66,17,713.00	To Renuka Funds
3.	Trench 1 State Govt Loan	-	6,38,102.00	Sawra Kuddu & Kashang
4.	Trench 2 State Govt Loan	-	19,32,856.00	Sawra Kuddu
5.	Trench 3 State Govt Loan	-	1,92,56,416.00	Kashang and Sainj
6.	Trench 4 State Govt Loan	-	1,51,16,776.00	Shongtong
		22,15,34,994.00	**21,84,36,435.00**	
7.	Interest on Funds with LAO	1,55,69,369.00	58,97,174.00	Renuka ji
		23,71,04,363.00	**22,43,33,609.00**	

The Group has allocated income to various projects on the basis of allocation of expenditure to different units as per accounting policy of the Group during the year under review. The following are the details of the allocation: -

Unit	01/04/2017 to 03/09/2016	04/09/2017 to 31/03/2018	Total
Sawra Kuddu	3,29,87,549	6,73,28,108	10,03,15,657
Kashang I	26,70,216	5,36,229	32,06,445
Kashang II	36,23,378	84,15,016	1,20,38,394
Sainj	3,03,50,630	4,67,774	3,08,18,404
Renukaji	1,52,00,470	2,03,65,183	3,55,65,653
Shongtong	1,40,47,853	3,29,03,088	4,69,50,941
Chirgaon Majhgaon	2,59,437	5,01,605	7,61,042
Triveni Mahadev	1,62,369	3,07,712	4,70,081
Thana Plaun	4,70,086	10,09,796	14,79,882
Nakhtan	5,00,306	9,82,545	14,82,851
Gyspa Dam	4,65,096	4,85,333	9,50,429
Surgani Sundla	2,77,391	6,12,947	8,90,338
Deothal Chanju	90,830	1,77,178	2,68,008
Chanju III	1,53,629	3,49,170	5,02,799
Berra Dol	77,227	13,26,201	14,03,428
Total	**10,13,36,467**	**13,57,67,885**	**23,71,04,352**

The allocation of income of the corporate office to the units is not on the basis of the actual receipt of the interest on different type of funds. The above basis is also used in the allocating the income up to 31stMarch 2018 by the Group. No Adjustment has been made for the allocation of income for the year 2016-17 already reported in previous year report. The apportionment of the income on the basis of the funds kept by the corporation may have impact on the incidental expenditure which has to be allocated to the individual assets of the unit at the time of the commissioning of the project. In the absence of the information we are unable to comment on the same and its impact on the cost of the individual units under the head Capital work in progress and Property Plant and equipment.

The Kashang Unit stage I has booked Rs. 32 lakhs and Sainj unit has booked Rs. 5 Lakhs as income from interest on Fixed Deposits and Bank Deposits after COD Period as share of Income of Corporate

The allocation of interest earned on short term bank deposits, made out of idle funds, have been allocated on the basis of the practice being followed since earlier years and also as per the decision of the management.

Further necessary adjustment in respect of Kashang Unit stage-I, for Rs. 32 Lacs and Sainj unit Rs. 5 Lacs has been done in the next F.Y. i.e. F.Y. 2018-19.

Office. The above apportionment of the income to the unit has no relevance as projects was under operations and no funds of Equity and Imprest fund from State Govt (ADB funds) is at the disposal of the Unit. Thus, the Income on account of Interest on Fixed deposit and Bank Interest is excess shown by the unit as proportion of income to the unit which has to be adjusted with the Incidental expenditure of the projects under construction as per accounting policy of the Group. Thus, the income during the year is overstated to the extent of Rs. 37 lakhs and capital work in progress in overstated to that extent. We invite attention to Note number 2.80 where the Group has changed the accounting policy in respect of charging of expenditure of corporate office and sundernagar Design Wing during the year under review.

(iii) The Group has not taken the Infirm Sales of Power and Free sale of power and auxiliary use of power while calculating the Ratio of apportionment of the expenditure of Corporate Office and Sunder Nagar Design wing in the case of the commissioned projects. The following are the details of the infirm power sale Free sale of power and auxiliary use of power not taken into consideration by the Group:-

(Amount in Lacs)

S.No.	Particulars		2017-18	2016-2017
1	Kashang Stage 1	Infirm Sale		267.50
2	Sainj	Infirm Sale	832.09	43,405
			832.09	267.50
3	Free Sale of Power to state Govt		1,129.00	
4	Free Power LADF		94.00	
5	Auxillary Energy		143.00	
			1,366.00	
	Total		**2,198.09**	**267.50**

Non considering the above may have impact on the apportionment cost on the commissioned and non commissioned project. We are unable to comment on the impact of the same.

The observation has been overruled vide supplementary audit report of the C&AG.

(v) The expenditure of the Sundernagar Design Wing has been transferred to Different units during the year review. The following are the details of the same.

Name of Power Project	01/04/2017 to 03/09/2017	04/09/2017 to 31/3/2018	Total
Sawra Kuddu	1,92,81,500	3,93,52,976	5,86,34,477
Sainj	1,77,40,199	2,73,412	1,80,13,611
Renukaji	88,84,803	1,19,03,358	2,07,88,161
Kashang I	15,60,764	3,13,424	18,74,187
Shongtong	82,11,088	1,92,31,707	2,74,42,795
Chirgaon Majhgaon	1,51,644	2,93,186	4,44,830
Triveni Mahadev	94,906	1,79,857	2,74,763
Thana Plaun	2,74,769	5,90,221	8,64,991
Nakhtan	2,92,433	5,74,294	8,66,727
Gyspa Dam	2,71,853	2,83,675	5,55,528
Surgani Sundla	1,62,138	3,58,265	5,20,402
Deothal Chanju	53,091	1,03,560	1,56,651
Chanju III	89,797	2,04,088	2,93,886
Berra Dol	45,140	7,75,159	8,20,299
Kashang II	21,17,895	49,18,539	70,36,434
Total	**5,92,32,021**	**7,93,55,720**	**13,85,87,740**

The Design wing has not provided to us details regarding expenditure incurred on various projects and no job cards has been

Statement of facts requires no comments.

	kept by the design wing to substantiate the expenditure incurred on various projects. In the absence of information we are unable to comment on the same.	
14.	**Provision for Income Tax** We invite attention to Note No 2.68 where in no provision has been made by the Group for income tax. We also invite attention to note 2.54 where in the cases for earlier years are pending with different authorities and the outcome of which are uncertain and may affect the amount shown as Deposits with Income Tax authorities Rs. 9,195 lakhs (Previous Year Rs. 7,774 lakhs (refer note 2.10), and Income Tax Refund due Rs. nil (previous year Rs. 1,066 (refer note 216). In view of the uncertainly involved and the matter is subjudice we are unable to comment on the recoverability of the above amount and its effect on the Financial Statements.	Matter is still subjudice.
15.	**Goods and Service Tax** The Group has not complied with all the provision of the Goods and Service Tax Act while preparing the monthly returns and the annual returns for the year under review. We have checked some instances and we have observed that the Goods and Service tax has not been deposited on following expenditures and Income:- 1. Tender Income 2. Liquidation Charges 3. Rent Income 4. Transit Camp Income 5. Late Payment Surcharge 6. Payments Made to Government Departments and Government Bodies under Reverse Charge. 7. Reimbursement of Expenses from Contractors 8. Sale of scrap. 9. Arbitrators fees under reverse charge The Group has appointed GST auditor to conduct the GST audit under the GST Act .However the GST report has not been submitted till the date of the finalisation of this report. In the absence of the report we are unable to comment on the final liability of GST along with interest and penalty.	Compliance to GST Act. has been ensured. Further GST Audit has been completed and most of actions with respect to the points suggested in the Audit report has been taken.
16.	**Quantitative Details in respect of energy generated and sold** We invite attention to Note2.49 where in the Group has stated that it has installed capacity of 165 MW as on 31st March 2018. The Group has capacity 65 MW *3 i.e. 195 MW and all the three turbines was in operation and was used alternatively by the Kashang HEP during the year under review and the installed capacity of the Sainj HEP is 100 MW which is being commission during the year under review. Thus total Installed capacity is 295 MW instead of 165MV In our opinion the installed capacity is understated to the extent of 135 MW.	In case of Kashang HEP Stage-I (65 MW), even though all the three Units of 65 MW each have been commissioned, but only single machine/unit can be operated at a time, because water availability, provisioned so far is only for operating single machine of 65 MW, as the KK Link Line in case of Kashang Stage II & III, is not yet constructed. However, all the machines are being run on alternate basis by project offices. Therefore, the installed capacity of this Kashang Stage-I is (65 MW) only, owing to non-linking of required water resource from

<table>
<tr><td></td><td></td><td>Kashang II and III (K K Link Line) to operate all the three Units at a time.</td></tr>
<tr><td>**17.**</td><td>**Allocation of expenses of Kashang 1, 2 and 3**
(I) The method adopted for allocation of expenses by the Kashang Unit to Stage 1, 2 and 3 is not systematic and nor consistently followed,
<table>
<tr><th></th><th>2017-18</th><th>2016-17</th></tr>
<tr><td>Stage 1</td><td>84%</td><td>70%</td></tr>
<tr><td>Stage 2 and 3</td><td>16%</td><td>30%</td></tr>
<tr><td>**Total**</td><td>**100%**</td><td>**100%**</td></tr>
</table>
The Kashang Unit has not taken the correct cost while making the ratio of apportionment for common expenses to stage 2 and 3. The following is the variance:
<table>
<tr><th>Gross Block</th><th>Cost Taken</th><th>As per Books</th><th>Variance</th></tr>
<tr><td>Capitalized Assets</td><td>8,18,47,566.00</td><td>8,18,47,566.00</td><td>-</td></tr>
<tr><td>CWIP-AUC</td><td>1,85,51,87,478.00</td><td>1,39,15,89,435.00</td><td>46,35,98,043.00</td></tr>
<tr><td>**Total Block**</td><td>**1,93,70,35,044.00**</td><td>**1,47,34,37,001.00**</td><td>**46,35,98,043.00**</td></tr>
</table>
Thus the Unit has taken excess cost of CWIP- AUC while calculating the ratio for the apportionment of expenses which will have effect of the ratio of the apportionment of expenses. The Revised ratio of appropriation of expenses will be as under :-
Project Cost of IKHEP as per Books 31.03.2017 for apportionment of Exp.
<table>
<tr><th>Gross Block</th><th>Stage-I (Rs.)</th><th>Stage-II&III (Rs.)</th><th>Total (Rs.)</th></tr>
<tr><td>Capitalized Assets</td><td>10,03,02,89,729.20</td><td>8,18,47,566.00</td><td>10,11,21,37,295.20</td></tr>
<tr><td>CWIP-AUC</td><td>52,85,587.30</td><td>1,39,15,89,435.00</td><td>1,39,68,75,022.30</td></tr>
<tr><td>**Total Block**</td><td>**10,03,55,75,316.50**</td><td>**1,47,34,37,001.00**</td><td>**11,50,90,12,317.50**</td></tr>
<tr><td>Ratio for apportionment</td><td>87%</td><td>13%</td><td>100%</td></tr>
<tr><td>Ratio Applied</td><td>84%</td><td>16%</td><td>100%</td></tr>
<tr><td>**Variance**</td><td>**3%**</td><td>**-3%**</td><td>**0%**</td></tr>
</table>
The Kashang Stage 1 has charged less expenditure to the tune of Rs. 25 lacs to the profit and loss Account and similarly the CWIP of Kashang 2 and 3 is overstated by the above amount.</td><td>Project cost at the end of the year is being taken as base for charging the common expenditure of the project to different stages. Expenditure which is specifically identifiable to the stages is charged on actual basis. Therefore, expenditure for the FY 2017-18 has been apportioned on the basis of project cost arrived at as on 31.03.2018 with the prior approval from management at higher level.

Allocation has been done on the same pattern as followed in FY 2016-17. Hence the consistency concept is not deviated.</td></tr>
<tr><td>**18.**</td><td>**Profit and Loss Account**
(i) **Environmental Management Expenses**
The Kashang unit charged Rs. 261.00 lacs as environmental management expenses in the profit and loss account during the year under review. The above expenditure is of Capital Nature and should have been capitalised and depreciation on the same has to be charged on the use life of the assets. Thus expenditure is overstated to the extent of Rs. 261 lacs. Similarly depreciation is understated to the extent of Rs. 6.25 lacs.</td><td>The same has been rectified in the subsequent F.Y. 2018-19.</td></tr>
<tr><td></td><td>(ii) **Lease rent Others**
The Kashang Unit has charged the lease rent paid to the staff of employees of Stage 2 and 3 amounting to Rs. 17 lacs to the Profit and loss account which has to be capitalised to the CWIP works. Thus Expenditure is overstated to the extant of above.</td><td>Rent has been apportioned on actual occupancy basis to Kashang Stage-I and Stage-II & III.</td></tr>
<tr><td></td><td>(iii) **O and M Plant Consumable Items**
The Kashang Unit has not shown the inventory of turbine oil in hand as on 31st March 2018 as inventory amounting to Rs. 2.59 lacs. Thus Expenditure is overstated to the extant of above and inventory is understated to that extant.</td><td>O&M material could not be routed through stock during the FY 2017-18 due to non-availability of material type, material heads and codes for O&M stage, which were later created</td></tr>
</table>

<table>
<tr><td></td><td></td><td>by the SAP consultants in the month of July 2018. Therefore, inventory was directly charged to the expenditure. However physically the inventory was maintained/available and were utilised in the subsequent year.</td></tr>
<tr><td></td><td>(iv) O and M EI Works
The Kashang Unit has charged the cost of providing the electric installations amounting to Rs. 6.84 lacs to the Profit & loss account which has to be capitalised & depreciation has to be provided on the same Thus Expenditure is overstated to the extant of above and Property plant and equipment is understated to that extant. Similarly the depreciation is understated to the extant of Rs. 1 lacs.</td><td>The expenditure is O&M natured only.</td></tr>
<tr><td></td><td>(v) Appropriation of Employees cost for Kashang Stage I, 2 & 3
The Kashang Unit has not provided to us the salary cost of the employees posted to the Stage 1, 2 and 3. The Unit does not have the salary cost of employees posted on different stages. In the absence of information we are unable to comment on the apportionment of salary expenses to different stages. The following is the details of salary booked under different stages
<table>
<tr><td>Stage 1</td><td>634.00</td></tr>
<tr><td>Stage 2 and 3</td><td>120.00</td></tr>
<tr><td>Total</td><td>754.00</td></tr>
</table></td><td>This is being now followed from subsequent year onwards</td></tr>
<tr><td>19.</td><td>Reversal of Leave Encashment provision for earlier Years
The Kashang unit stage I has shown the Leave encashment expenses as credit Balance amounting to Rs. 4.92 lacs. No information and explanations for the same has been provided to us. In the absence of information we are unable to comment on the same.</td><td>This is a running account, the balance of which is carried forward to next financial year. The yearly figure is net amount of leave due to and availed by the employees of a particular project in a financial year.</td></tr>
<tr><td>20.</td><td>Income Tax Appeals with the High court in respect of Chargeability of Income Tax on Interest on Fixed Deposits kept as short-term Investments.
The Group has filed an Appeal with the High Court of Himachal Pradesh that the interest on the short-term investment of the funds in Fixed Deposits with bank from the Equity received from the Government is an addition to the equity and not an income of the Group and on same the income tax is not payable. Similarly, the Income earned on Renukaji Funds is also an additional grant from the Agencies and the same is also not an income of the Group and the same will be utilised on the project expenses and is part of the Grant.
The Group has not shown the interest earned on equity fund till the close of the year as an addition to the Equity and similarly the interest earned on Renukaji HEP funds till the close of the year has not been shown as additional grant from the Agencies.
No information in respect of the same has been provided to us by the Group till the close of the year. In the absence of the information we are unable to comment on the effect of the same on the Balance Sheet.</td><td>This is as per the approved policy of the management. However this interest income is to compensate the corresponding escalation cost, borrowing cost etc. of the period for which the funds remained idle, due to obstruction of awarded work, for reasons attributable to the Corporation.</td></tr>
</table>

21.	**Non-Compliance of Indian Accounting Standard (Ind As)** The Group has not complied with the following Indian Accounting Standards while preparing the financial statements: (i) **Indian Accounting Standard (Ind AS) 20 Accounting for Government Grants and Disclosure of Government Assistance.** The Group has been granted the deferment of repayment of principal payment and payment of interest till FY 2018-19 refer Note 2.21. The Group must account for the interest payable on such deferment till the close of the year at market rate as grant from the government and has to be accounted for as the addition to cost and the same has also to be shown as addition of grant. No such interest has been accounted for by the Group till the close of the year as per para 10A of the IND AS. In the absence of the information we are unable to comment on same.	Shall be complied with in future.
	(ii) **Indian Accounting Standard (Ind AS) 19 Employees Benefits** The para 55 to 62 of the Indian accounting standard is applicable to the Group in respect of the Post Employment Benefit: Defined Benefit Plans which requires that actuarial valuation of the liability of employees defined benefit plan has to be made at the end of the year and same has to be accounted for on in the books of accounts. The Group has not accounted for the liability on the basis of the actuarial valuation and only actual liability has been provided. In the absence of the information we are unable to comment on the impact of the same on the Balance Sheet at the close of the year.	Shall be complied with in future.
	(iii) **Indian Accounting Standard (Ind AS) 23 Borrowing Costs** The Para 20 of the Indian accounting standard is applicable to the Group which states that "an entity shall suspend capitalisation of borrowing costs during extended periods in which it suspends active development of as qualifying asset." The Group has not excluded the borrowing cost during suspension of activities by the employees of the contractor and by the contractor for non-starting of the work at site. In the absence of the information we are unable to comment on the impact of the same on the Balance Sheet at the close of the year.	This is being now followed in subsequent years onwards.
	(iv) **Indian Accounting Standard (Ind AS) 37 Provisions, Contingent Liabilities and Contingent Assets:** The Group has disclosed the provisions contingent liabilities and contingent assets only up to the date when the accounts have been approved by the BOD. No Disclosures of Provisions, contingent liabilities and contingent Assets after the accounts approved by the BOD and till the date of finalisation of this report is considered in these financial statements.	Statement of facts shall be complied with in future. Disclosure to this effect has been given in the Directors' Report for the F.Y. 2017-18.
	(v) **Indian Accounting Standard (Ind AS) 10 Events After the Reporting Period** The financial Statements are provided to us on 4rd December 2019 which was approved by the BOD on 3rdDecember 2019. The financial statements are not adjusted for the events occurred between the Balance sheet date both favourable and unfavourable till date of the finalisation of this report.	Statement of facts shall be complied with in future.

	(vi) **Indian Accounting Standard (Ind AS) 113 Fair Value Measurement** The Group has not made Fair Value of the assets and Liabilities as on 31st March 2018, on 31st March 2017 (Refer Note No 2.47). The same is not in line with the IND as113 Fair Value Measurement which is mandatory applicable to the Group.	The reasons to this effect has been disclosed/explained in Note on Accounts vide Note No. 2.47.
	(vii) **Indian Accounting Standard (Ind AS) 109 Financial Instruments** The Group has not applied the Ind As 109 while disclosing the Government Loan in the financial statements below market rate interest and its impact on the profit and loss and Balance sheet has not been disclosed in the financial statements.	Ind. AS not applicable.
	(viii) **Indian Accounting Standard (Ind AS) 12 Income Tax** The Group has not followed the IND as in respect of Income tax for calculating the deferred tax assets and Liabilities and its accounting in the books of accounts. The same is also not in line with note no 1.21 of the significant accounting policies adopted by the Group. No information in respect of the same has been provided to us. In the absence of the information we are unable to comment on the impact of the same on the Balance Sheet at the close of the year.	Ind. AS not applicable.
	(ix) **Indian Accounting Standard (Ind. AS) 107 Financial Instruments Disclosure** The Group has fixed interest rate borrowings and is subjected to interest rate risk as defined in Ind As 107. No disclosure of the same and its impact on the balance has been disclosed. **The effect of the said qualifications where ascertainable the loss of current year will be Rs. 8,261 lakhs against reported loss of Rs. 7,912 lakhs. The Other Equity will be Rs. 11,948 lakhs instead of ₹11,600 lakhs. The Other Financial Liabilities will be of ₹1,12,208 lakhs instead of Rs. 1,13,577 lakhs. The Provisions non-current will be of Rs. 4,943 lakhs instead of ₹5,008 lakhs. The other non-Current Liabilities will be Rs. 69611 lakhs instead of Rs. 69,542 lakhs. The Other Current Financial Liabilities will be ₹1,69,280 lakhs instead of ₹1,62,191 lakhs. The Property Plant and Equipment will be Rs. 3,15,721 lakhs instead of Rs. 2,94,419 lakhs. The Capital Work in Progress will be ₹260,258 lakhs instead of Rs. 2,71,679 lakhs. The Other Noncurrent Assets will be Rs. 30,014 lakhs instead of ₹34,444 lakhs. The inventories will be Rs. 36 lakhs instead of ₹34 lacs. The Trade Receivable will be Rs. 145 lakhs instead of ₹1,617 lakhs. The Bank Balance will be Rs. 2,821 Lakhs instead of ₹2,818 lakhs. The other current assets will be ₹1,441 lakhs instead of Rs. 278 lakhs.** **The Sale of energy is understated to the extant of Rs. 1,366 lakhs and correspondingly free power to state govt Rs. 1,129 lakhs, Free power to LADF Rs. 94 lakhs and Auxiliary Expenses ₹143 lakhs is understated to that extant.**	As the borrowing are on fixed rate basis, hence not subjected to interest rate Risk. Therefore, applicability of Ind. AS 107 does not arise. Disclosure to this effect has been given in the Directors' Report for the F.Y. 2017-18. The overall impact on profitability, Assets and Liabilities of all these quantifications is within the acceptable limits.

<table>
<tr><td></td><td>Qualified Opinion
In our opinion , and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, the aforesaid consolidated Ind AS financial statements give information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs (financial position) of the Group as at 31st March 2018, and its profit/loss (financial performance including other comprehensive income) and its cash flows and changes in equity for the year ended on that date:-</td><td>Statement of facts, comments not required</td></tr>
<tr><td></td><td>Emphasis of Matter
1) No reasonable effort has been made to remove the qualification raised in earlier year audit reports and the same has been considered in this year report also.</td><td>Most of the observations of the previous financial years have been settled.</td></tr>
<tr><td></td><td>2) We further draw attention to the following matters in the Notes to the consolidated Ind As Financial statements:-
(I) Note No. 2.39 to the consolidated Ind AS financial statements regarding the various balances which are subject to reconciliation/ confirmation and respective consequential adjustments.</td><td>Has been disclosed /explained in Note on Accounts vide Note No. 2.39.</td></tr>
<tr><td></td><td>(ii) Note No 2.59 to the consolidated Ind AS financial statements regarding statement on State Government loan for Shontong Karchham HEP (450MW) where the ADB funding to state government has expired and stopping of funding by the KFW to the project.</td><td>Has been disclosed/explained in Note on Accounts vide Note No. 2.59.</td></tr>
<tr><td></td><td>(iii) Note No. 2.67 to the consolidated Ind AS financial statements regarding stay of Forest land to Kashang Stage II and III project pending with Hon'ble High court of Himachal Pradesh the fate of which is dependent on the outcome of the case.</td><td>Has been disclosed/explained in Note on Accounts vide Note No. 2.67.</td></tr>
<tr><td></td><td>(iv) Note No. 2.70 to the consolidated Ind AS financial statements regarding statement on Nakhtan project pending with Hon'ble High court of Himachal Pradesh the fate of which is dependent on the outcome of the case. Our Opinion is not modified in respect of these matters.</td><td>Has been disclosed/explained in Note on Accounts vide Note No. 2.70.</td></tr>
<tr><td></td><td>Other Matters:
We did not audit the financial statements/financial information of the following joint venture company whose financial statements/financial information reflect the details given below of assets as at 31st March 2018, total revenues and net cash flows for the year ended on that date to the extent to which they are reflected in the consolidated Ind AS financial statements
<table>
<tr><th>Name of the Joint Venture Company</th><th>Assets</th><th>Revenues</th><th>Net Cash Flows</th></tr>
<tr><td>Himachal Emta Power Limited</td><td>57</td><td>-1</td><td>0</td></tr>
<tr><td></td><td>57</td><td>-1</td><td>0</td></tr>
</table>
These financial statements/financial information are audited by other auditors whose report has been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures</td><td>Statement of facts, comments not required</td></tr>
</table>

	included in respect of this subsidiary and our report in terms of sub-section (3) of section 143 of the Act in so far as it relates to the jointly controlled companies, is based solely on the reports of the other auditors after considering the requirement of standard on Auditing (SA 600) on "using the Work of another Auditor" including its materiality. The Group Independent auditors of Gourangdih Coal Limited raised concern in respect of preparing the Financial Statements on the basis of Going Concern Concept and under Historical Cost Convention due to de-allocation of the Coal Blocks by the decision of the Supreme Court during the year under review and the same concern has been raised by the Independent Auditors of the Himachal Emta Power Limited. (Joint Venture Company). Our opinion on the Consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.	
	Report on Other Legal and Regulatory Requirements 1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure-I, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable. 2. We are enclosing our report in terms of Section 143 (5) of the Act, on the basis of such checks of the books and records of the Group as we considered appropriate and according to the information and explanations given to us, in the Annexure-2 on the directions issued by Comptroller and Auditor General of India. 3. As required by section143(3) of the Act, we report that: a) We have sought and except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph above, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit; b) Except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph above, in our opinion, proper books of account as required by law have been kept by the Group so far as appears from our examination of those books and the report of the other auditors; c) Except for the possible effects of the matter described in the Basis of Qualified Opinion above, the reports on the accounts jointly controlled companies incorporated in India, audited under Section 143 (8) of the Act by the other auditors, as applicable, and have been properly dealt with in preparing this report. d) The Consolidated Balance Sheet, Consolidated Statement of Profit and Loss and consolidated Cash Flow Statement and Consolidated changes in equity dealt with by this report are in agreement with the books of account maintained for the purpose of preparation of the consolidated financial Statements; e) Except for the effects of the matter described in the Basis of Qualified Opinion paragraph above, in our opinion, the aforesaid consolidated Ind AS financial statements comply with the	Comments not required

	Accounting Standards specified under Section 133 of the Act, f) The Matter described in the Basis for Qualified Opinion paragraph above, in our opinion may have adverse effect on the functioning of the Group. g) In view of the exemptions given vide Notification No. G.S.R. 463 (E) dated 5th June 2015 issued by the Ministry of Corporate Affairs, the provisions of Section 164 (2) of the Companies Act, 2013 regarding disqualification of directors, are not applicable to the Group. h) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above. I) With respect to adequacy of Internal Financial Controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate report in "Annexure-3" in our opinion the internal financial controls system is adequate but the operating effectiveness of such controls need be improved. j) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us: I. The Group has disclosed the impact of pending litigations on its financial position in its financial statements- Refer Note 2.33 to the standalone Ind AS financial statements. ii. The Group did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; iii. There were no amounts as at 31.03.2018 which were required to be transferred to the Investor Education and Protection Fund by the Group.	

ANNEXURE 1 TO THE AUDITORS' REPORT

Annexure referred to in our report of even date to the members of HIMACHAL PRADESH POWER CORPORATION LIMITED on the accounts for the year ended 31st March 2018.

S. No.	Auditor's Report	Reply
i.	(a) The Group has generally maintained proper records showing full particulars, including quantitative details and situation of its fixed assets. (b) As explained to us all the assets were got physically verified by the management during the year under review. We were informed that no material discrepancies were noticed on such verification. (c) Title deed of immovable properties are in the name of the Group except in cases of Renukaji HEP, SainjHEP, Shongtong HEP and Chirgaon HEP where the land has not been transferred in the name of the Group.	a) Statement of facts, comments not required. b) Statement of facts, comments not required. c) Statement of facts, comments not required.
ii.	The inventory of the Group consisting of Capital Stores, stores, spare parts and other Items. We were informed that these have been physically verified by the management during the year under review.	Statement of facts, comments not required.
iii.	According to the information and explanations given to us, the Group has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013. In view of above, the clauses 3(iii)(a) and 3(iii)(b) of the Order are not applicable.	Statement of facts, comments not required.
iv.	The Group has not given any loan, made investments and issued guarantees under section 185 and 186 of the Companies Act, 2013.	Statement of facts, comments not required.
v.	The Group has not accepted any deposits from the public in terms of section 73 to 76 or any provisions of the Companies Act, 2013 and rules there under.	Statement of facts, comments not required.
vi.	The Maintenance of cost records has been specified by the Central Government under sub section (1) of section 148 of the Companies Act 2013, however the same is not yet applicable to the Group.	Statement of facts, comments not required.
vi.	(a) The Group is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, value added tax, cess and other statutory dues applicable to it, and there are no undisputed dues outstanding as on 31st March 2018 for a period of more than six months from the date they became payable. However the Liability on account of Goods and Service Tax can't be quantified as GST audit is under progress till the finalisation of this report. We are informed that the provisions of Employees' State Insurance Act are not applicable to the Group.	Statement of facts, comments not required

<table>
<tr><td></td><td>(b) According to the information and explanations given to us, dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty, value added tax, cess and other material statutory dues that have not been deposited on account of any dispute are given below:
<table>
<tr><th>S.No.</th><th>Statue / Act</th><th>Nature Due</th><th>Amount in lacs</th><th>Period</th><th>Forum Which Pending</th></tr>
<tr><td>1.</td><td>Entry Tax</td><td>Interest</td><td>337.70</td><td>2010-15</td><td>Addl. Excise & Taxation Commissioner -cum-Applellate Authority</td></tr>
<tr><td>2.</td><td>Entry Tax</td><td>Penalty</td><td>751.28</td><td>2010-15</td><td>Addl. Excise & Taxation Commissioner -cum-Applellate Authority</td></tr>
<tr><td>3.</td><td>Provident Fund</td><td>PF Dues</td><td>189.26</td><td>2008-11</td><td>Central Government Industrial Tribunal Chandigarh</td></tr>
<tr><td></td><td>TOTAL</td><td></td><td>1,278.24</td><td></td><td></td></tr>
</table>
</td><td>The matter is subjudice.</td></tr>
<tr><td>viii.</td><td>The Group has not defaulted any repayment of loans or borrowing to any financial institution or bank or Government or dues to debenture holders. However, the Government of Himachal Pradesh has given the sanction to the deferment of repayment Loan and interest till April 2018.</td><td>Statement of facts, comments not required.</td></tr>
<tr><td>ix.</td><td>No money was raised by way of initial public offer or further public offer during the year. The amount raised by the term loans from the Government of Himachal Pradesh has been utilised for the purpose it was raised during the year under review.</td><td>Statement of facts, comments not required.</td></tr>
<tr><td>x.</td><td>As per information provided to us no fraud by the Group or any fraud by officers and employees of the Group has been noticed/ reported during the year except in the year2015 at Renukaji HEP and the same is pending with State Vigilance.</td><td>Statement of facts, comments not required.</td></tr>
<tr><td>xi.</td><td>This being a government Group Section 197 of the Act is not applicable.</td><td>Statement of facts, comments not required.</td></tr>
<tr><td>xii.</td><td>Group is not a Nidhi Company.</td><td>Statement of facts, comments not required.</td></tr>
<tr><td>xiii.</td><td>As per information available to us all transactions with related parties are in compliance with Section 177 & 188 of the Companies act 2013, wherever applicable and the details have been disclosed in the Financial Statements etc. as required by the applicable Accounting Standards.</td><td>Statement of facts, comments not required.</td></tr>
<tr><td>xiv.</td><td>As informed by the management, the Group has not made any preferential allotment to private placement of shares or fully convertible debentures during the year under review.</td><td>Statement of facts, comments not required.</td></tr>
<tr><td>xv.</td><td>As informed to us the Group has not entered in to any non-cash transaction with directors or persons connected with him</td><td>Statement of facts, comments not required.</td></tr>
<tr><td>xvi.</td><td>Section 45-IA of the Reserve Bank of India Act, 1934 is not applicable to the Group.</td><td>Statement of facts, comments not required.</td></tr>
</table>

ANNEXURE 2 TO THE AUDITORS' REPORT

Annexure referred to in our report of even date to the members of HIMACHAL PRADESH POWER CORPORATION LIMITED on the accounts for the year ended 31st March 2018

S No.	Directions	Action Taken	Impact on Financial Statement
1.	Whether the Group has clear title / lease deeds for freehold and leasehold respectively? If not please state the area of freehold and leasehold land for which title / lease deed are not available.	**i) Renukaji HEP** The Group does have clear title of land of 915.64hectares of land which is in the possession of land owners R and R Plan is under process. **ii) Shongtong HEP** The Group does not have lease title of 17.02 hectares and the application for lease title has been given to DC Kinnuar. Further acquired land measuring 0.59.32 hectares is in dispute with Defence authorities for security clearances. **iii) Sainj HPSEB Land** The Group has possession of land at Sarabhai 39.99 bighas, thalot 19.11.04 bighas but the title deed is not with the Group as payment has not been paid to the HPSEB amounting to Rs. 34.35 crores. **(iv) Chirgaon Majgoan** The Land in possession at Chiragon is with corporation, however the land is in the name of HPSEB amounting to Rs. 5.00 lakhs. **(v) Berra Dol** The Lease deed for govt diverted land of aprox 12.86 hectares is pending. **(vi) Kashang HEP** The Lease deed in respect of Forest Land Diverted 13.47.52 hectares is under process with revenue department. **(vii) DW Sunder Nagar** The Lease deed with MPP Power in respect of GM Civil Designs measuring 5311 square meters in under process with MPP Power.	The Amount paid to land owners and deposited with court has been capitalized
2.	Whether there are any cases of waiver off of debts/loan/ interest etc. if yes, the reason there for and the amount involved.	No such case found during the audit.	Nil
3.	Whether proper records are maintained for inventories laying with third parties & assets received as gift from Government or other authorities.	Forest land diverted from Government of Himachal Pradesh has not been accounted as the execution of lease deed are in process.	Nil
4.	State the cases where wastages/ defectives are beyond the norms fixed for it expeditiously and in transparent manner.	The wastages are within the norms fixed	Nil

<table>
<tr><td>5.</td><td>What is the system of valuation of by products and Finished products? List out the cases of the deviation from the declared Policy.</td><td>Valuation of the Power Generation has been done on the basis of PPA Agreement signed with the HPSEB in case of Kashang HEP.
In case of Sainj HEP the power was sold in the Power Exchange though Trader at prevailing market rates.</td><td>Nil</td></tr>
<tr><td>6.</td><td>State the extent of utilization of Plant and machinery during the year vis-a- vs installed capacity.</td><td><table><tr><th>HEP</th><th>Installed Capacity</th><th>PLF</th><th>PAF</th><th>AUX</th></tr><tr><td>Sainj</td><td>100 MW</td><td>27%</td><td>51.52%</td><td>1.47%</td></tr><tr><td>Kashang</td><td>65 MW</td><td>35%</td><td>77.58%</td><td>1.34%</td></tr></table>Refer Note 2.49 to the notes to accounts where in the quantitative details has been given for only one Turbine of 65 MW whereas the Kashang stage I Unit is using Three turbine of 65 MW each alternatively. Thus, the Group has understated the installed capacity and the utilised Capacity which should be 65MW X 3 i.e.195 MW of Kashang and 100 MW of Sainj, and Total of 295 MW instead of 165 MW.</td><td>Nil</td></tr>
<tr><td>7.</td><td>Report on the cases of Discount/ Commission in regard to debtors and creditors where the Group has deviated from its laid down policy.</td><td>The Group has given Trading Margin to Tata Power Trading Corporation Limited as per the agreement executed with them.</td><td></td></tr>
</table>

ANNEXURE 3 TO THE AUDITORS' REPORT

Report on the Internal Financial Controls under Clause (i) of Subsection 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **HIMACHAL PRADESH POWER CORPORATION LIMITED** ("the Holding Company") and its jointly controlled Companies as of 31 March 2018, in conjunction with our audit of the Consolidated Ind. AS financial statements of the Group for the year ended on that date.

S. No.	Auditor's Report	Reply
1.	**Management's Responsibility for Internal Financial Controls** The respective Board of Directors of the Group, its joint venture are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Group 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 the respective Group'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 Companies Act, 2013.	No comments.
2.	**Auditors' Responsibility** Our responsibility is to express an opinion on the Group's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 audit opinion on the Group's internal financial controls system over financial reporting.	No comments.
	Meaning of Internal Financial Controls over Financial Reporting A Group's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Group's internal financial control over financial	Statement of facts, comments not required.

	reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Group; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Group are being made only in accordance with authorisations of management and directors of the Group; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Group's assets that could have a material effect on the financial statements.	
	Inherent Limitations of Internal Financial Controls over Financial Reporting Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.	Statement of facts, comments not required.
	Opinion In our opinion, the Holding Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2018, except in the areas given below based on the internal control over financial reporting criteria established by the Group 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. However, Group needs to further strengthen the in the control system in the following areas :- - Implementation and Compliance of Ind. AS at unit level to ensure the compliance of the Indian AS on the Group as a whole. - Classification of account heads in SAP according to the disclosure and classification requirements of the Schedule II of the companies act 2013 and requirements of the Ind AS - Harmonisation in creation of account heads at Corporate Level in relation to advances, liabilities and vendors according to the nature of expenditure so that no duplication of account code exits and only single account code is allotted to individual vendors in the Group as a whole. - Payment to contractors strictly on the basis of authorisation of the BOD. - Option of marking of clearing entries in the SAP should be followed by all the accounting units in respect of current as well as old accounting entries. - Scrutiny of old Earnest Money Deposits, security deposits, Retention money and other payables to contractors. - Capitalisation of Capital Work in Progress in timely and efficient manner. - Reconciliation of retro entries in SAP for CPT Module. - Payment to Contractors of Additional Advance/ Advance against Retention Money and its accounting treatment. - Recovery of delay damages from the contractors and accounting thereof - Provision of Expenses should be made on realistic basis and the payment in subsequent financial year should be adjusted from the provision only. - Long Term Advances and Deposit Work should be regularly reviewed and accounted for where the significant work has been completed. - Accounting of Provision is respect of doubtful advances and other recoverable. - Review of Negative Balances in liabilities and assets heads.	Suggestions related to strengthening of internal control system have been noted for future compliance.

	- Accounting of EMD in the nature of FDR in the books of accounts. - Recording of financial entries in foreign exchange also where the advances, retention money and suppliers dues are payable in other currency also. - Investing of idle funds at HEP in SWEAP Bank accounts to earn bank interest. - Reversing the Cheques/ NEFT Entries for which the Limitation period is over. - Accounting of Inventories in hand at project site at the close of the year. - Liability on account of GST should be as per the requirements of the Goods and Service Tax Act. We have considered the areas of improvement identified which needs further strengthening as reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2018 Consolidated Financial Statements of the Group. However, these areas of improvement do not affect our opinion on the Consolidated Financial statements of the Group.	
	Other Matters Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to joint venture which are companies incorporated in India, is based on the corresponding report of the auditor of such Group incorporated in India.	Statement of facts, comments not required.

Government of India
Indian Audit and Accounts Department
Principal Accountant General (Audit)
Himachal Pradesh-171003

भारत सरकार
भारतीय लेखा तथा लेखापरीक्षा विभाग
प्रधान महालेखाकार, (लेखापरीक्षा)
हिमाचल प्रदेश, शिमला-171003

क्रमांक: वा0ले0प0 / आ0सै0– आर0ए0ओ0) / हि0प्र0पा0कार्पो0लि0–लेखे–2017–18 / 2020–21 / 720 दिनांक: 17 / 09 / 2020

सेवा में,

प्रबन्ध निदेशक,
हि0 प्र0 पावर कारपोरेशन लिमिटिड, हिमफैड भवन,
बी0सी0एस0, शिमला–171009 (हि0प्र0)

विषय:- कम्पनी अधिनियम, 2013 की धारा 143(6)(b) के अधीन टिप्पणियां।

महोदय,

मैं, 31 मार्च 2018 को समाप्त वर्ष के लिए हिमाचल प्रदेश पावर कारपोरेशन लिमिटिड, के लेखों के सम्बन्ध में कम्पनी अधिनियम, 2013 की धारा 143(6)(b) के अधीन टिप्पणियां भेज रही हूं। आशा करती हूं कि यह टिप्पणियां निगम की कार्यप्रणाली एवं वित्तीय प्रबंधन सुदृढ़ करने में कारगर सिद्व होगी।

संलग्न: उपरोक्त

भवदीया,
हस्ता/-
प्रधान महालेखाकार

Gorton Castle, Shimla-171 003, Telephone: 0177-2652612-18 Fax: 0177-2658949
गार्टन कैसल, शिमला–171 003, दूरभाष: 0177–2652612–18, फैक्स: 0177–2658949

Comments of the Comptroller and Auditor General of India under Section 143(6) (b) of the Companies Act, 2013 on the Consolidated Financial Statements of Himachal Pradesh Power Corporation Limited for the year ended 31 March, 2018.

The preparation of Consolidated Financial Statements of Himachal Pradesh Power Corporation Limited for the year ended 31 March, 2018 in accordance with 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 are responsible for expressing opinion on the financial statements under Section 143 read with Section 129 (4) 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 7th February, 2020.

I, on behalf of the comptroller and Auditor General of India (CAG), have conducted a supplementary audit of the Consolidated financial statements of Himachal Pradesh Power Corporation Limited for the year ended 31 March, 2018 under Sections 143 (6) (a) read with section 129 (4) of the Act. We conducted a supplementary audit of the financial statements of Himachal Pradesh Power Corporation Limited but did not conduct supplementary audit of the financial statements of Himachal EMTA Power Limited for the year ended on that date. Further, Section 139 (5) and 143 (6) (b) of the Act are not applicable to Himachal EMTA Power Limited being private entity, for appointment of their statutory auditors not for conduct of supplementary audit. Accordingly, CAG has neither appointed the statutory auditors nor conducted the supplementary audit of this company. 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) read with section 129 (4) 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.

1. Profit & Loss Account

Finance Costs (Note No 2.31) Rs. 96.23 Crores

In terms of Ind. AS 23 issued by "Institute of Chartered Accountant of India" on interest on borrowings during hindrance period of work (due to labour unrest, public hindrances etc.) shall be charged to Profit and Loss Account. In Shongtong Hydel Electric Project during 2017-18, there was 105 days of hindrance due to workers strike. Thus interest for the period amounting to Rs. 10.41 Crore was to be accounted as "Finance Cost" under "Profit & Loss Account" but the same was not done and expenditure was capitalised. Thus "Finance cost" as well as "Loss" is understated by Rs. 10.41 Crore, further "Capital Work-in-Progress" is also overstated by same extent.

2. Balance Sheet

Current Liabilities

Other Financial Liabilities (Note No. 2.26) Rs. 1329.00 Crore.

(i) Above does not include amount of Rs 2.82 Crore on account of (Revised) excavation bill of Civil Works of Shongtong Karchham Hydel Electric Project. This has resulted in understatement of "Other Financial Liabilities" as well as "Capital-Work-in–Progress" to the extent of Rs. 2.82 Crore.

(ii) In terms of Government of Himachal Pradesh Notification dated 5th October 2011, 1.5% of the final cost of hydel projects of above 5MW capacity shall be contributed to Local Area Development Fund (LADF). Integrated Kashang Hydel Electric Project (IKHEP) was commissioned on 01.09.2016 and total cost of project was Rs.1007.04 Crore, as on 31.03.2018. But necessary provision for the LADF has been kept short by 38.42 Lacs.. Thus "Other Financial Liabilities" as well as "Property, Plant and Equipment" both are understated by Rs. 38.42 lakh.

3. Balance Sheet

Other explanatory Notes to Accounts

On 30th June 2018, shares worth Rs. 30 Crore were issued in favour of Governor of the State of Himachal Pradesh. After issue of these shares, the paid up share capital of company increased to Rs. 1875.56 Crore from Rs. 1845.56 Crore. This material fact has not been disclosed in the Notes to Accounts.

4. Independent Auditor's Report

As per Himachal Pradesh Electricity Regularity Commission (terms and condition for determination of Hydro Generation Tariff) Regulation 2011, the revenue earned by the Generating Company from the sale of infirm power shall be applied for reduction in capital cost. Accordingly, Company had reduced Rs 2.67 Crore from Capital Cost of Kashang Hydro Electric Project in 2016-17 and Rs. 8.32 Crore from Sainj Hydel Electric Project in 2017-18. Independent Auditors Report at observation No 13 (iii) stated that the company had not taken the infirm sale of power and free sale of power and auxiliary use of power while calculating the ratio of apportionment of the of the expenditure of corporate office and Sundernagar Design Wing of the commissioned projects. Thus the Independent Auditor's report is deficient to that extent.

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

Place: Shimla
Date: 17-09-2020

Sd/-
Principal Accountant General (Audit)
Himachal Pradesh, Shimla

Reply to the Comments of the Comptroller and Auditor General of India under Section 143(6)(b) read with Section 129(4) of the Companies Act 2013, on the Consolidated Financial Statements of Himachal Pradesh Power Corporation limited, for the year ended 31 March 2018

	Comments of C&AG	Reply by HPPCL Management
1.	**Profit & Loss Account** **Finance Costs (Note No 2.31) Rs.96.23 Crores** In terms of Ind AS 23 issued by "Institute of Chartered Accountant of India" on interest on borrowings during hindrance period of work (due to labour unrest, public hindrances etc.) shall be charged to Profit and Loss Account. In Shongtong Hydel Electric Project during 2017-18, there was 105 days of hindrance due to workers strike. Thus interest for the period amounting to Rs.10.41 Crore was to be accounted as "Finance Cost" under "Profit & Loss Account" but the same was not done and expenditure was capitalised. Thus "Finance cost" as well as "Loss" is understated by Rs. 10.41 Crore, further "Capital Work-in-Progress" is also overstated by same extent.	The amount of "Finance Cost" i.e. interest on borrowings of hindrance period caused by workers' strike in the F.Y. 2017-18, has been now calculated and necessary effect in Books of Accounts have been taken in the F.Y. 2018-19.
2.	**Balance Sheet** **Current Liabilities** **Other Financial Liabilities (Note No. 2.26) Rs. 1329.00 Crore.** Above does not include amount of Rs 2.82 Crore on account of (Revised) excavation bill of Civil Works of Shongtong Karchham Hydel Electric Project. This has resulted in understatement of "Other Financial Liabilities" as well as "Capital-Work-in–Progress" to the extent of Rs. 2.82 Crore.	The said work although was completed on 24.03.2018, but the defined milestone was not achieved, hence the work as per Payment Schedule was not completed during this period. Breakup of above mentioned Payment Schedule was proposed and finally approved on 18.12.2018. Accordingly Supplementary Agreement No.-3 was executed. Thereafter, the effect of the same was taken in the financial year 2018-19.
	In terms of Government of Himachal Pradesh Notification dated 5th October 2011, 1.5% of the final cost of hydel projects of above 5MW capacity shall be contributed to Local Area Development Fund (LADF). Integrated Kashang Hydel Electric Project (IKHEP) was commissioned on 01.09.2016 and total cost of project was Rs.1007.04 Crore, as on 31.03.2018. But necessary provision for the LADF has been kept short by 38.42 Lacs.. Thus "Other Financial Liabilities" as well as "Property, Plant and Equipment" both are understated by Rs. 38.42 lakh.	In this context, it is submitted that earlier the total project cost of Stage-I, (65 MW) was capitalized by the amount of Rs. 1003.23 Crore, which also includes LADF, CAT Plan, and Wild Life Expenses. After deducting the above expenses the the project cost on which the LADF amount is to be paid works out to be Rs.973.72 Crore. The amount of LADF contribution on this amount comes to Rs. 14.61 Crores. Against which LADF amounting to Rs. 7.06 crores was deposited and balance amount of Rs. 7.55 crores kept in liabilities. Subsequently, during the FY 2017-18, some allied works were executed, as a result of which cost of

	C&AG Comments	Reply to comments of C&AG
		project got increased, accordingly the LADF contribution also increased by an amount of Rs. 38.42 Lacs. The LADF provision for this amount was omitted inadvertently during FY 2017-18. However, now the same has been taken into account in the F.Y. 2018-19.
3.	**Balance Sheet** **Other explanatory Notes to Accounts** On 30th June 2018, Shares worth Rs. 30.00 Crore were issued in favour of Governor of the State of Himachal Pradesh. After issue of these shares, the paid up share capital of company increased to Rs. 1875.56 Crore from Rs.1845.56 Crore. This material fact has not been disclosed in the Notes to Accounts.	The required disclosure has been given in the Directors' Report of this financial year i.e. F.Y. 2017-18.
4.	**Independent Auditor's Report** As per Himachal Pradesh Electricity Regularity Commission (terms and condition for determination of Hydro Generation Tariff) Regulation 2011, the revenue earned by the Generating Company from the sale of infirm power shall be applied for reduction in capital cost. Accordingly, Company had reduced Rs 2.67 Crore from Capital Cost of Kashang Hydro Electric Project in 2016-17 and Rs 8.32 Crore from Sainj Hydel Electric Project in 2017-18. Independent Auditors Report at observation No 13 (iii) stated that the company had not taken the infirm sale of power and free sale of power and auxiliary use of power while calculating the ratio of apportionment of the of the expenditure of corporate office and Sundernagar Design Wing of the commissioned projects. Thus the Independent Auditor's report is deficient to that extent.	Comments not required.

HP
POWER CORPORATION LTD.

Free Medical Camp organised by Sainj HEP for local community

Sports Tournament organised by Sainj HEP for local youth

Essay Writing Competition organised by Sainj HEP for school children

HP
POWER CORPORATION LTD.

HIMACHAL PRADESH POWER CORPORATION LIMITED
(A State Govt. Undertaking)
Registered Office : Himfed Building, BCS, New Shimla, Himachal Pradesh-171009
Tel. : +91-177-2670716
Website : www.hppcl.in

Barrage,
Sawra Kuddu HEP (111 MW)