

H.P. POWER CORPORATION LIMITED			
Balance Sheet As At 31st March-2012		(Rs in Lacs)	
Particulars	Note No	As at 31.03.2012	As at 31.03.2011
I. EQUITY AND LIABILITIES			
(1) Shareholder's Funds:			
(a) Share Capital	3	78,934.89	63,934.89
(2) Share application money pending allotment	4	741.36	716.36
(3) Non-Current Liabilities:			
(a) Long-term borrowings	5	76,361.58	29,515.92
(b) Other Long term liabilities	6	23,983.80	23,983.80
(c) Long term provisions	7	234.88	172.82
(4) Current Liabilities:			
(a) Other current liabilities	8	10,329.48	6,019.08
Total		190,585.99	124,342.87
II. ASSETS			
(1) Non-current assets:			
(a) Fixed assets			
(i) Tangible assets	9.1	15,943.30	12,478.93
(ii) Intangible assets	9.2	42.72	26.86
(iii) Capital work-in-progress	9.3	111,968.05	62,396.79
(iv) Intangible assets under development	9.4	1,425.86	287.18
(b) Non-current investments	10	302.50	247.50
(c) Long term loans and advances	11	15,385.07	15,535.99
(2) Current assets:			
(a) Inventories	12	74.57	86.02
(b) Cash and cash equivalents	13	39,185.49	30,528.08
(c) Short-term loans and advances	14	2,467.36	2,016.71
(d) Other current assets	15	791.07	738.81
Total		190,585.99	124,342.87

See accompanying notes to the Financial Statements


(Sudershan K. Sharma)
Company Secretary


(V.K. Gupta)
Dy. G.M. (Finance)

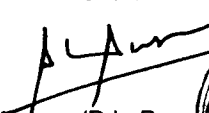

(B.C.S. Baliga)
Director (Finance)

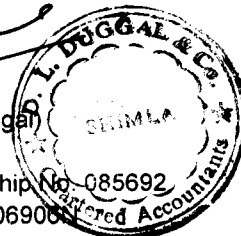

(R.D. Nazeem, IAS)
Managing Director

Place: Shimla

Date: 6th Aug 2012

For D.L.Duggal & Co.
Chartered Accountants


(D.L. Duggal)
Partner
Membership No. 085692
FRN No. 069006



H.P. POWER CORPORATION LIMITED				
Statement of Incidental Expenditure	Note No.	Amount (Rs in Lacs)	Amount (Rs in Lacs)	Amount (Rs in Lacs)
		As at 31.03.2012	During 2011-12	As at 31.03.2011
EXPENSES (A):				
Employees' Benefits Expenses	16	20,036.74	5,412.89	14,623.85
Finance Costs	17	10,127.09	4,946.50	5,180.59
Depreciation Expenses	18	1,236.14	472.05	764.09
Other Office and Administrative Expenses	19	4,461.71	1,107.52	3,354.19
TOTAL (A)		35,861.68	11,938.96	23,922.72
Less: Miscellaneous Income	20	11,746.21	3,053.17	8,693.04
NET EXPENDITURE (B) (Carried forward to CWIP)		24,115.47	8,885.79	15,229.68

See accompanying notes to the Financial Statements


(Sudershan K. Sharma)
Company Secretary


(V.K. Gupta)
Dy. G.M. (Finance)

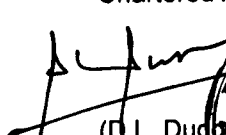

(B.C.S. Baliga)
Director (Finance)

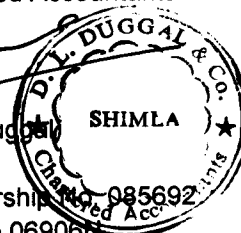

(R.D. Nazeem, IAS)
Managing Director

Place: Shimla

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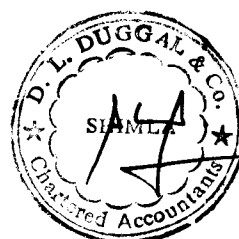
For D.L.Duggal & Co.
Chartered Accountants


(D.L. Duggal)
Partner
Membership No. 085692
FRN No.06906N



(Rs in Lacs)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2012		
Particulars	Year ended 31.3.2012	Year ended 31.03.2011
(A) CASH FLOW FROM OPERATING ACTIVITIES		
Depreciation	472.05	406.94
Finance Charges	(4,946.50)	(1,736.63)
Inventories	11.45	6.49
Other Current Assets	(52.26)	(75.83)
Loans and Advances(Short & Long term)	(299.73)	(6,682.07)
Long Term provisions	62.06	30.04
Other Current Liabilities	4,310.40	3,720.63
Total (A)	(442.53)	(4,330.43)
(B) Cash flow from Investing activities		
Net Expenditure on Fixed Assets	(7,618.91)	(5,284.56)
Net Expenditure on CWIP	(45,096.81)	(21,521.28)
Investment in JV with EMTA	(55.00)	(70.00)
Total(B)	(52,770.72)	(26,875.84)
(C) Cash flow from Financing Activities		
Share Capital	15,025.00	1,034.12
Repayment of Borrowings	(510.17)	(300.00)
Proceeds from Borrowings	47,355.83	18,972.34
Total (C)	61,870.66	19,706.46
Gross Total (A+B+C)	8,657.41	(11,499.81)
Add: Opening Cash and Equivalents	30,528.08	42,027.89
Closing Cash and Equivalents	39,185.49	30,528.08



HIMACHAL PRADESH POWER CORPORATION LTD.

NOTES TO THE FINANCIAL STATEMENTS

1. Overview of Company:

Himachal Pradesh Power Corporation Limited (HPPCL) was incorporated in December, 2006 under the Companies Act, 1956, with the objective to plan, promote and organize development of hydroelectric power on behalf of Govt. of Himachal Pradesh and Himachal Pradesh State Electricity Board Limited (HPSEBL) in the state of HP with equity participation from Govt. of Himachal Pradesh and Himachal Pradesh State Electricity Board Limited (HPSEBL) in the proportion of 60:40.

2. Significant Accounting Policies:

2.1 Accounting, conventions and Basis of Preparation of Financial Statements:

HPPCL follows the mercantile system of Accounting and recognizes income and expenditure on accrual basis. The financial statements are prepared under the historical cost convention. These statements have been prepared in accordance with applicable mandatory Accounting Standards and relevant presentational requirements of the Companies Act, 1956.

2.2 Fixed Assets:

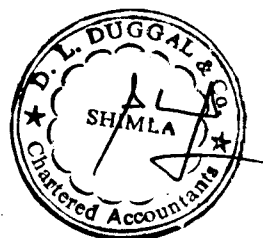
- (i) Fixed Assets are stated at cost of procurement/construction inclusive of freight, taxes, duties and incidental expenses.
- (ii) Payment/Liability made / provided provisionally towards award, compensation, rehabilitation and other expenses in addition to the amount deposited with land acquiring authorities is treated as cost of land. No provisions are made for land yet to be acquired.

2.3 Depreciation:

- Depreciation has been provided for on Written down Method at the rates and in the manner specified in schedule XIV of Companies Act, 1956.
- Assets costing Rs. 5,000/- or less are depreciated fully in the year of procurement.
- Expenditure on software is recognized as 'Intangible Asset'.

2.4 Capital Work in Progress:

- Expenditure during construction period is included under Capital Work in Progress and will be allocated to respective fixed assets on completion of construction.
- Expenditure on Survey and Investigation of the Projects 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.



2.5 Investments:

Investments are stated at Cost.

2.6 Inventories:

Inventories are valued at cost (FIFO Method).

2.7 Foreign currency transactions

Transactions in foreign currency are recorded on initial recognition at the exchange rate prevailing at the time of transactions.

2.8 Incidental Expenses during Construction:

The Profit and Loss Account has not been prepared as HPPCL has not yet started commercial operations. However, the statement showing incidental expenditure during construction (pending allotment) has been prepared. All generating units of HPPCL are currently under construction.

2.9 Retirement Benefit:

a) Defined Contribution Plan (Provident Fund):

Corporation's Contribution paid/payable during the year to Provident Fund is recognized in the statement of Incidental Expenses during construction Pending Allocation.

b) Defined Benefit Plan (Gratuity):

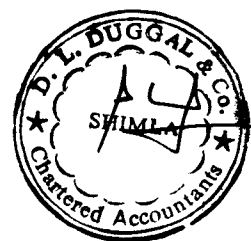
Liability towards Gratuity for the year has been provided on the basis of Payment of Gratuity Act, 1972 in respect of HPPCL employees. The provision in respect of employees who are on secondment with HPPCL has not been made as some information is awaited from the lending organizations.

c) Defined Benefit Plan (Leave Encashment):

Payment towards encashment of earned leaves will be accounted for at the time of actual encashment of leave.

2.10 Prior period adjustments:

HPPCL follows the practice of making adjustments for prior period items through expenses / income of previous year in the current year.



2.11 Provision, Contingent Liabilities & Contingent Assets:

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be outflow of resources. Contingent liabilities, if any, are not recognized, but are disclosed in the notes. Contingent assets are neither recognized, nor disclosed in the financial statements.

2.12 Income Tax:

- I. No provision for Income Tax for the current year has been made as all generating units of HPPCL are currently under construction.
- II. There is no deferred tax liability for the period.
- III. The Assessment for FY 2007-08 has been completed by the assessing authority (ACIT) and a demand of Rs 10.58 Lacs was raised and the amount was deposited. HPPCL had filed an appeal before CIT against the orders of the ACIT. ACIT's order was upheld by the CIT. HPPCL has preferred an appeal before the Tribunal against the orders of the CIT
- IV. The Assessment for FY 2008-09 has also been completed by the assessing authority (ACIT) and a demand of Rs 935.33 Lacs was raised and the amount was deposited. HPPCL has filed an appeal before CIT against the orders of the ACIT. The appeal is pending with CIT.

2.13 Contingent Liabilities:

- I. Claims against the company not acknowledged at cost are enumerated below:

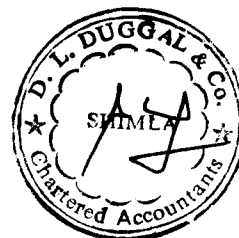
Particulars	Amount in Lacs	
	As at 31.03.2012	As at 31.03.2011
Capital Works	15503.10	10.33
Others	2.36	2.36

- II. The above contingent liabilities do not includes claims against pending cases in respect of other matters where the amount cannot be quantified.

2.14 Capital Commitments:

Estimated amount of Contracts remaining to be executed on capital account (net of advances) and not provided for is enumerated below:

Currency	(Amount in Lacs)	
	As on 31.03.2012	As on 31.03.2011
Indian Rupees	130735.73	1371372.70
Euro	33.04	-
US \$	83.20	-



2.15 Tidong-II HEP:

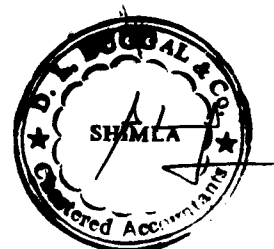
The Tidong-II Power Project was allotted to HPPCL on 24.10.2008. The cumulative expenditure on this power project is Rs 90.28 Lacs up to 31st March 2012. A Special Leave Petition filed on behalf of State Government and HPPCL before Hon'ble Apex Court on 28th March, 2011 was set aside by the Hon'ble Apex Court on 8 August 2011. Tidong HEP has now been allotted to M/S Gammon India Ltd. As per the provisions contained in the MoU signed with the party, it has to reimburse the expenditure incurred up to the date of signing the Implementation Agreement with compounding interest @ 10% per annum within three months of the Implementation Agreement. The amount is being depicted in the INTER UNIT ACCOUNTS as the claim along with interest is yet to be filed.

- 2.16 The State Government had allotted five HEPs to HPPCL for execution in the year 2009-10 and 2010-11. The HPSEB limited has claimed a sum of Rs 777.35. Lacs on account of expenditure incurred on these projects. The reconciliation of the same is in progress. The credit to HPSEB limited would be given after due reconciliation of expenditure account.
- 2.17 Principal Secretary (Power) to the Government of HP has issued a notification dated 10 June 2010 called "Himachal Pradesh Power Sector Reforms Transfer Scheme". It has been notified that the contribution towards pension and terminals benefits of the HPSEB limited employees shall be paid to them by the HPPCL. However, the provision for the amount has not been made in the books for want of some information/ details from the HPSEB limited. Besides, no provision for leave encashment has been made in the books in respect of HPPCL employees.
- 2.18 No provision has been made towards Catchment Area Treatment (CAT) plan, as the amount payable is not ascertainable.
- 2.19 Some of the balances shown under Current Liabilities, loans and advances are subject to confirmations, reconciliation and consequential adjustment, if any.

2.20 Other disclosures as per Schedule VI of the Companies Act, 1956:

(Rs in Lacs)

(A)	Expenditure in foreign currency	Currency	As on 31.03.2012	As on 31.03.2011
1	Contractor	Euro	45.59	5.34
		CHF	7.38	2.65
2	Consultancy	Euro	0.69	-
3	Trainings	GBP	-	0.10
		US \$	-	0.22
		Canadian \$	-	0.01
(B)	Earnings in Foreign Currency	-	-	-



2.21 Payment to Auditors includes:

(Rs in Lacs)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
Statutory Audit	0.50	0.50
For other services (Certificates etc.)	0.40	0.40
Reimbursement of Expenses	0.80	0.82
Total	1.70	1.72

- 2.22 As per the information available with the company there is no amount due to any party under Micro, Small and Medium Enterprises Development Act, 2006.

2.23 Related Party Disclosure:

As required by Accounting Standard (AS) – 18 'Related party disclosures', details of transactions with the related parties are:

a) Related Parties-Key Management Personnel:**Whole Time Directors:**

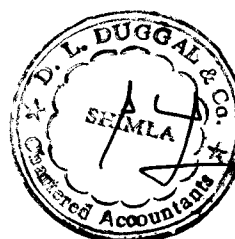
Name	Designation
Sh Tarun Kapoor, IAS	Managing Director (up to 16/5/2011)
Sh K. Sanjay Murthy, IAS	Managing Director (w. e. f. 16/5/2011 to 04/07/2012)
Sh. R.D. Nazeem, IAS	Managing Director (w. e. f. 05/07/2012 to till date)
Er. B S Negi	Director (Civil)
Er. A C Sharma	Director (Electrical)
Sh B C S Baliga	Director (Finance)
Sh V K Tiwari, IFS	Director (Personnel)

- b) Remuneration to key management personnel is Rs 57.37 Lacs and amount outstanding to the company as on 31.03.2012 is nil.

2.24 Remuneration to Directors (Except Group Insurance Premium):

(Rs in Lacs)

Sr No	Particulars	As on 31.03.2012	As on 31.03.2011
1	Salaries and Allowances	57.37	49.85
2	Gratuity	-	-
3	Other benefits	-	-



3) SHARE CAPITAL

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2012	As at 31.03.2011
AUTHORISED SHARE CAPITAL (10000000 Equity Shares of Rs 1000/- each)	100,000.00	100,000.00
ISSUED, SUBSCRIBED AND FULLY PAID UP CAPITAL 78,93,489 Equity Shares of Rs. 1000/- each (fully paid up) {For Previous Year: 63,93,489 Equity Shares of Rs 1000/- each (Fully paid up)}	78,934.89	63,934.89
Total Paid Up Capital	78,934.89	63,934.89

1) The company has issued only one class of shares referred to as equity shares having a par value of Rs. 1000/- each. All equity shares carry one vote per share without restrictions and are entitled to dividend, as and when declared. All shares rank equally with regard to the company's residual assets.

2) An investment of Rs. 10179.82 Lacs made by HPSEBL in the amalgamating companies i.e. M/S PVPCL and KKPCCL which has been accounted for at the time of merger (31.07.2007). Shares in respect of this amount has already been issued.

3.1) Detail of shareholding more than 5% shares in company:

Name of Shareholder	Amount	Amount
	As at 31.03.2012	As at 31.03.2011
HP Govt	15,000.00	53,714.77
HPIDB	53,714.77	-
HPSEBL	10,219.62	10,219.62

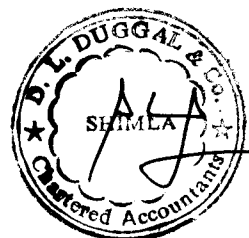
3.2) Reconciliation of shares outstanding is set out below:

PARTICULARS	No. of shares	Amount (Rs in Lacs)
No of shares at the beginning (as on 01.04.2011)	63,93,489	63,934.89
No of shares issued during the year	1,500,000	15,000.00
No of shares at the end (as on 31.03.2012)	7,893,489	78,934.89

4) ADVANCE SHARE APPLICATION MONEY

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2012	As at 31.03.2011
A) Share Application money pending allotment	50.00	25.00
B) HPSEB (Expenditure) Share Application pending allotment	691.36	691.36
TOTAL	741.36	716.36

The Government of HP has provided advance share application money to the tune of Rs. 50.00 Lacs upto 31.03.2012 and HPSEBL expenditure to the tune of Rs. 691.36 Lacs approx has been reconciled. Against these amounts share were not issued till 31.03.2012, and thus they have been grouped under Share Application Money pending allotment.



5) LONG TERM BORROWINGS:

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2012	As at 31.03.2011
Long Term Loans		
PFC Loan (Raised for Kashang HEP & Sawra Kuddu HEP, sanctioned on 28.02.2003 and on 14.03.2005 respectively, Principal and interest payable in quarterly installments)	4,242.05	4,752.22
State Govt Loans (ADB) (Installment of principal & interest payable yearly on 15th January, however principal yet not due)	72,119.53	24,763.70
TOTAL	76,361.58	29,515.92

There has been no defaults in repayment of any of the loans or interest thereon at the end of the year.

6) LONG TERM LIABILITIES:

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2012	As at 31.03.2011
Advances from Other States Pending Allocation	23,983.80	23,983.80
Total	23,983.80	23,983.80

The Renukaji Dam Hydro Electric project is being implemented by HPPCL as a national project and is fully funded by the Government of India and Governments of beneficiary states. Contributions received from the Delhi Jal Board and the Haryana Government aggregating Rs. 23,983.80 Lacs has been shown as "Advances from other States Pending Allocation" under the head "Long Term Liability" as no MOU has yet been finalized in this regard.

7) LONG TERM PROVISIONS:

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2012	As at 31.03.2011
Provision for Gratuity	220.99	159.65
Provision for Leave encashment	13.89	13.17
Total	234.88	172.82

8) OTHER CURRENT LIABILITIES:

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2012	As at 31.03.2011
Liabilities for Employees' Remuneration and Benefits	378.46	651.58
Liabilities for Contractors & Suppliers	7,967.82	4,605.45
Interest Accrued but not due on Loans	1,755.99	644.97
Taxes and Duties Payable	227.21	117.08
TOTAL	10,329.48	6,019.08



9) FIXED ASSETS

Note No.9.1

TANGIBLE ASSETS (A)

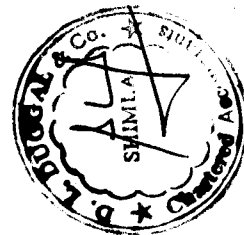
(Rs in Lacs)

Particulars	Dep. Rates	GROSS BLOCK			DEPRECIATION			NET BLOCK	
		Balance As at 1.4.2011	Addition	Transfer/ Sale	As at 31.03.2012	Up to 31.03.2011	For the Year	Total Depreciation	As at 31.03.2012
Land	0.00%	10,871.82	4,064.40	311.58	14,624.65	-	-	-	14,624.65
Land Lease Hold	0.00%	430.50	-	-	430.50	-	-	-	430.50
Residential Building	5.00%	420.39	1,392.87	-	1,813.26	69.15	125.21	194.36	1,618.90
Non- Residential Building	10.00%	16.08	-	-	16.08	4.87	1.08	5.96	10.13
Office Equipments	13.91%	126.13	18.29	8.38	136.04	31.89	12.91	44.81	92.34
Plant & Machinery	13.91%	51.99	2.41	-	54.40	15.20	5.44	20.63	38.76
Wireless System	13.91%	8.52	-	-	8.52	2.50	1.01	3.51	6.24
Transit Camp	10.00%	12.46	-	-	12.46	1.97	1.05	3.02	9.44
Furniture & Fixtures	18.10%	321.33	34.32	2.21	353.45	95.11	43.20	138.31	220.58
Vehicles	25.89%	92.78	-	-	92.78	61.94	9.00	70.94	25.77
Project Planner	40.00%	2.60	-	-	2.60	2.37	0.09	2.46	0.14
Computers	40.00%	277.02	73.94	27.59	323.37	136.60	69.52	207.54	121.08
Shed	100.00%	294.68	159.89	-	454.57	294.68	159.89	454.57	0.00
Recreation Centre	10.00%	4.62	-	-	4.62	1.25	0.34	1.59	3.03
Survey Instrument	13.91%	22.09	-	-	22.09	0.76	2.97	3.73	18.36
Laboratory equipments	13.91%	4.31	2.56	-	6.87	0.94	0.67	1.61	5.26
Testing Labs	10.00%	0.46	-	-	0.46	0.13	0.03	0.16	0.30
Water Treatment System Plant	15.33%	3.56	-	-	3.56	1.33	0.34	1.67	1.89
Roads and Bridges	5.00%	214.64	1,490.51	-	1,705.15	21.01	10.34	31.36	1,673.79
Misc. Fixed Assets	13.91%	7.62	0.35	-	7.98	1.33	0.89	2.22	5.75
Cable Network	40.00%	1.53	0.49	-	2.01	0.58	0.48	1.07	0.95
Electronics and Electrical Items	13.91%	11.15	3.02	-	14.17	1.99	1.54	3.52	11.18
Project Models	13.91%	11.02	-	-	11.02	2.23	4.73	6.96	4.06
Helipad	19.00%	-	23.24	-	23.24	-	0.01	0.01	23.23
Total (A)		13,207.30	7,266.30	349.76	20,123.84	747.83	450.75	1,200.01	18,943.30
Previous Year's Total		7,835.90	5,391.15	0.28	13,226.77	351.50	396.38	747.75	12,478.93

Note No.9.2

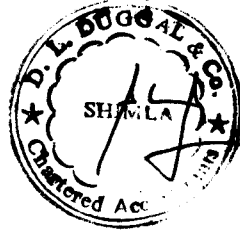
INTANGIBLE ASSETS (B)

Particulars	Dep. Rates	GROSS BLOCK			DEPRECIATION			NET BLOCK	
		Balance As at 1.4.2011	Addition	Transfer/ Sale	As at 31.03.2012	Up to 31.03.2011	For the Year	Total Depreciation	As at 31.03.2012
Software	40.00%	42.49	35.73	-	78.22	16.26	21.18	36.13	42.72
Total (B)		42.49	35.73	-	78.22	16.26	21.18	36.13	42.72
Previous Year's Total		26.28	16.21	-	42.49	5.63	10.71	16.35	26.86
Grand Total (A+B)		13,249.78	7,302.03	349.76	20,202.06	764.09	471.94	1,236.14	18,966.02



3)

HIMACHAL PRADESH POWER CORPORATION LIMITED (Rs. In Lacs)			
CAPITAL WORK IN PROGRESS			
Particulars	As at 31.03.2012	During FY 2011-12	As at 31.03.2011
Buildings	2,141.31	(629.34)	2,770.65
Civil Works	51,970.52	29,508.34	22,462.18
Roads, Bridges & Culverts	3,033.37	(530.06)	3,563.43
Electro-Mechanical Works	13,103.55	11,069.74	2,033.81
Preliminary Expenses	376.16	209.69	166.47
Environmental and Rehabilitation Costs	17,227.67	1,057.10	16,170.57
Total CWIP	87,852.58	40,685.47	47,167.11
Incidental Expenditure During Construction	24,115.47	8,885.79	15,229.68
Total (Carried forward to Balance Sheet)	111,968.05	49,571.26	62,396.79



9.4) INTANGIBLE ASSETS UNDER DEVELOPMENT:

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2012	As at 31.03.2011
ERP Software	1,425.86	287.18
TOTAL	1,425.86	287.18

10) NON-CURRENT INVESTMENTS

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2012	As at 31.03.2011
Investment in EMTA-Unquoted (at cost)	302.50	247.50
TOTAL	302.50	247.50

HPPCL has made an investment of Rs 302.50 Lacs in the equity of Himachal EMTA Power Limited (HEPL) which has been established as HPPCL's joint venture with EMTA for setting up a (2*250 MW) thermal power plant. HPPCL has 50% equity participation in HEPL.

11) LONG TERM LOANS AND ADVANCES

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2012	As at 31.03.2011
Capital Advances:		
Advances to Contractors-Secured by Bank Guarantee	15,368.16	15,519.08
Advance to HPPTCL against works-Unsecured considered good	16.91	16.91
Total	15,385.07	15,535.99

12) INVENTORIES

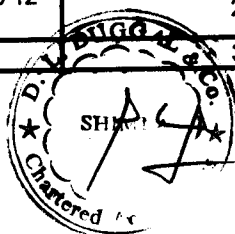
PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2012	As at 31.03.2011
Inventories	74.57	86.02
TOTAL	74.57	86.02

Inventories are valued at cost (FIFO method).

Inventories includes stores and spares worth Rs. 2,52,643/-.

13) CASH AND CASH EQUIVALENTS

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2012	As at 31.03.2011
Cash and Bank Balances		
(1) Cash in hand (including Imprest)	0.65	1.05
(2) Stamps in hand	0.13	0.09
(3) Bank Balances with schedules banks		
(i) Current Deposits	10,854.95	5,133.62
(ii) Term Deposits with maturity period upto 12 months	28,329.76	25,393.32
TOTAL	39,185.49	30,528.08

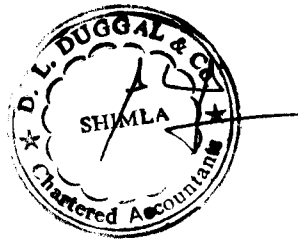


14) SHORT TERM LOANS AND ADVANCES:

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2012	As at 31.03.2011
Advances to H.P. Govt Departments	664.72	1.65
Advances to Employees	10.75	6.66
Advances to Land Acquisition Officer	40.20	91.28
Recoverable from Govt Departments	154.83	159.56
Recoverable from Contractors/Suppliers/Vendors	48.29	58.20
Advance Tax Deposit/TDS/Recoverable from Tax Authorities	1,538.41	1,674.72
Prepaid Expenses	10.16	24.64
Total	2,467.36	2,016.71

15) OTHER CURRENT ASSETS

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2012	As at 31.03.2011
Interest Accrued but not due on Deposits with Banks	791.07	738.81
Total	791.07	738.81



16) EMPLOYEE BENEFITS EXPENSES:

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2012	During 2011-12	As at 31.03.2011
Salaries, Wages, Allowances and Benefits	19,009.27	5,014.26	13,995.01
Contribution to Provident and Other Funds	220.77	95.69	125.08
Leave Salary and Pension Contribution	443.60	218.24	225.36
Welfare Expenses	363.10	84.70	278.40
TOTAL	20,036.74	5,412.89	14,623.85

Disclosures required by AS-15 in respect of provision made towards various employees benefits are made in Note No 2.9

17) FINANCE COSTS:

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2012	During 2011-12	As at 31.03.2011
Interest on Term Loans	10,109.57	4,933.10	5,176.47
Bank Charges/LC Charges	17.35	13.23	4.12
Others-FBT Interest	0.17	0.17	-
TOTAL	10,127.09	4,946.50	5,180.59

18) DEPRECIATION EXPENSES:

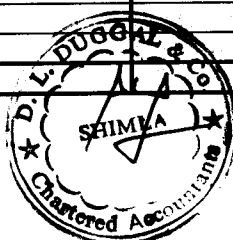
PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2012	As at 31.03.2011
Depreciation for the Year	472.05	407.09
Transferred to Expenditure during Construction	472.05	407.09
Balance	-	-

19) OTHER OFFICE AND ADMINISTRATIVE EXPENDITURE:

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2012	During 2011-12	As at 31.03.2011
Repairs and Maintenance Vehicle	31.42	5.16	26.26
Repairs and Maintenance Office Equipments	13.66	2.35	11.31
Repairs and Maintenance Plant and Machinery	1.07	0.67	0.40
Repairs and Maintenance Buildings	189.29	31.82	157.47
Repairs and Maintenance Others	80.00	36.24	43.76
Office Expenses	630.21	152.40	477.81
Hospitality and Entertainment Expenses	121.62	24.21	97.41
Meeting Expenses	12.51	11.76	0.75
Misc Expenses	144.69	(93.74)	238.43
Communication Expenses	183.54	56.20	127.34
Rent, Rates and Taxes	452.46	137.54	314.92
Consultancy Fees	1,059.71	216.02	843.69
Annual Technical Support-SAP	92.50	70.43	22.07
Vehicle Running Charges & Insurance Charges	935.08	371.53	563.55
Training Expenses	184.33	48.62	135.71
Business Promotion Expenses	329.62	36.31	293.31
Total	4,461.71	1,107.52	3,354.19

20) MISCELLANEOUS INCOME:

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2012	During 2011-12	As at 31.03.2011
Interest from Employees	19.33	14.58	4.75
Interest from Banks	10,644.00	2,833.70	7,810.30
Interest from Govt Departments	38.58	-	38.58
Income from Contractors	187.03	152.91	34.12
Excess Provision written back	857.27	51.98	805.29
TOTAL	11,746.21	3,053.17	8,693.04

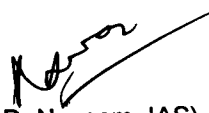


Schedule VI under the Companies Act, 1956, the financial statements for the year ended 31st March 2012 are prepared as per the Revised Schedule VI. Accordingly, the previous year figures have also been reclassified/ regrouped/rearranged wherever necessary to conform to this year's classification. The adoption of revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.


(Sudershan K. Sharma)
Company Secretary


(V.K. Gupta)
Dy. G.M.(Finance)

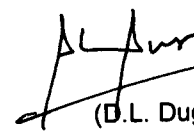
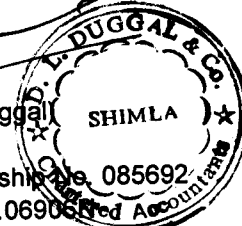

(B.C.S. Baliga)
Director (Finance)


(R.D. Nazeem, IAS)
Managing Director

Place: Shimla

Date: 6th Aug. 2012

For D.L. Duggal & Co.
Chartered Accountants


(D.L. Duggal)
Partner
Membership No. 085692
FRN No. 069068


D.L.DUGGAL & Co.

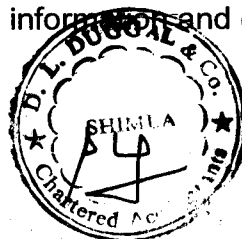
CHARTERED ACCOUNTANTS

FLAT No.4, BLOCK No. C-16, VIKAS NAGAR, SHIMLA (H.P.)-171009 PH.: 2626895 (M) 9736142644

AUDITOR'S REPORT TO THE MEMBERS OF

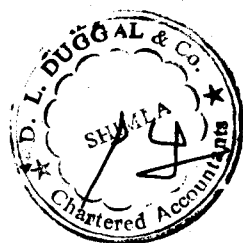
HIMACHAL PRADESH POWER CORPORATION LIMITED

- 1) We have audited the attached Balance Sheet of Himachal Pradesh Power Corporation Limited, Shimla as at 31st March, 2012 and the Statement of incidental Expenses during construction (pending allocation) for the year ended on 31st March, 2012 annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We have conducted the audit in accordance with the Auditing & Assurance Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) As required by the companies (Auditor's Report) Order 2003, issued by the central Government of India in terms of Sub- Section (4A) of Section 227 of the Companies Act, 1956 and 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 thereto,



we enclose in annexure-A, a statement on the matters specified in paragraph 4& 5 of the said order.

- 4) As The Electricity Act, 2003 governs the Company; the provisions of the said Act read with rules there under have prevailed wherever the same have been inconsistent with the provisions of The Companies Act, 1956.
- 5) Further to our comments in Annexure-A referred to above in paragraph 3, subject to following points:
- i. A number of assets and liabilities have been transferred by Himachal Pradesh State Electricity Board (HPSEB) to Pabbar Valley Corporation Ltd. (PVPCL) and Kinner Kailash Power Corporation Ltd. (KKPCL) which have now become assets and liabilities of the Company by virtue of amalgamation. Besides, HPSEB had been disbursing funds to the Company, PVPCL and KKPCL from time to time. In the absence of relevant details, we are unable to ascertain effect on assets and liabilities of the Company. The reconciliation with HPSEB is yet in progress.
 - ii. No provision has been made in the books of accounts in respect of cases filed against the corporation being pending in different courts and outstanding unascertained capital commitments. {Refer Note No. 2.13}
 - iii. The Corporation has incurred an expenditure of Rs. 90.28 Lacs up to 31.03.2012 (out of which Rs.4.79 Lacs incurred by HPSEB). Allotment of Tidong-II Power Project was set aside by High Court of Himachal Pradesh. Expenditure has been overstated and recoverable from HP Govt under the head "Short term loans and advances" have been understated to the extent of Rs 90.28 Lacs. (Refer Note No 2.15)
 - iv. No provision has been made for Rs. 777.35 Lacs in respect of expenditure claimed by HPSEBL in respect of five HEP's allotted to the corporation. Expenditure and share application money pending allotment has been understated to that extent. {Refer Note No. 2.16}.



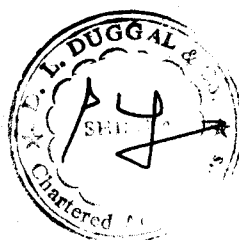
- v. No provision has been made in respect of Catchment area treatment (CAT) plan as the amount is unascertainable. {Refer Note No. 2.18}.
- vi. Balances outstanding in the names of various parties and HPSEB appearing under Current Assets, Loans and Advances, Long Term Borrowings and Current Liabilities are not confirmed by the parties.
- vii. Fixed Assets of the company are not insured.
- viii. Expenses to the extent of Rs 18.35 lacs which relates to FY 2011-12 has not been provided during the year. Incidental Expenditure and other current liabilities have been understated to that extent.
- ix. During the year corporation has made some reconciliation/adjustment of TDS deducted on Interest from Bank deposits and TDS claimed in the income tax return of earlier years. However interest given by Income Tax department on refunds has not been considered in the absence of proper details (Amount not ascertained).

(The impact of the above qualifications except those where amount not ascertainable that "Incidental Expenditure during construction period" to the extent of Rs. 705.42 Lacs, "Short term loans and advances" to the extent of Rs 90.28 Lacs, "Current Liabilities" to the extent of Rs 18.35 Lacs and "Share Application Money pending allotment" to the extent of Rs 777.35 Lacs have been under stated.)

Contrary to the statement that all Accounting Standard have been followed and accounts have been prepared on the basis of the Generally Accepted Accounting principles, there are material departures from the Accounting Standards which have been appropriately qualified elsewhere in this report.

We report that:

- i. We have obtained all the information and explanations, which to the best of our Knowledge and belief were necessary for the purpose of our audit.



- ii. In our opinion proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books.
- iii. The Balance Sheet and the statement of Incidental Expenditure during Construction (Pending Allocation) and cash flow statement dealt with by this report are in agreement with the books of accounts.
- iv. In our opinion, the Balance Sheet, Statement of Incidental Expenditure during construction (Pending Allocation) and cash flow statement dealt with by this report has been prepared in compliance with the applicable accounting standards referred to in sub-section (3C) of section 211 of the company Act, 1956 except for non compliance of AS-15 regarding non-accounting of terminal benefits of employees in the financial statements {Refer Accounting Policy No. 2.9), AS-18 regarding non-disclosure of related party transactions and AS-28 regarding contingencies and provisions. The AS-13 regarding interest earned on temporary investment of borrowed funds has been complied with, but as per the decision in the case of TUTICORIN ALKALI CHEMCALS AND FERTILIZERS LTD vs. COMMISSIONER OF INCOME TAX by the Hon'ble Supreme Court of India vide 227 (1997) ITR (SC) the interest earned on temporary investments becomes taxable and no provision for income tax has been provided for the same. Refer Note no 2.12(1))
- v. In terms of Govt. of India Ministry of Finance Department of the Company Affairs Notifications No.-GSR 829 (E) 21ST October 2003, Govt. Companies it is exempted from the provision section 274(1) (g) of the Company Act ,1956 regarding disqualification of Directors.

In our opinion, and to the best of our information and according to the explanations given to us, the said financial statements read together with the Significant accounting policies and the explanatory notes thereon, give the information required by The Companies Act 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

- a) In the case of the Balance Sheet of the state of affairs of the company as at



31st March, 2012.

- b) In the case of the Statement of Incidental Expenses during construction pending allocation for the year ended on that date.
- c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Place: - Shimla

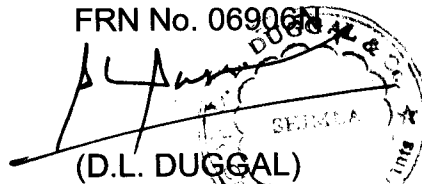
Dated: -

6th Aug 2012

For M/S D.L. DUGGAL & CO.

Chartered Accountants

FRN No. 069068

A circular stamp with the text "DUGGAL & CO." at the top, "SHIMLA" in the center, and "Chartered Accountants" at the bottom. A handwritten signature is written over the stamp.

(D.L. DUGGAL)

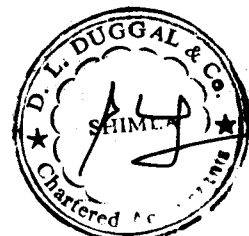
Partner

Membership No. 085692

HIMACHAL PRADESH POWER CORPORATION LIMITED

ANNEXURE- 1 REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE OF HIMACHAL PRADESH POWER CORPORATION LIMITED FOR THE YEAR ENDED 31ST MARCH, 2012.

- i) a) The Corporation has generally maintained proper records showing full particulars including quantitative detail and situation of fixed assets.
- b) As per explanation and information given to us, we are of the opinion that, the frequency of physical verification of the fixed assets is not reasonable having regard to the size of the Corporation and nature of its assets.
- c) During the year, the company has not disposed off any substantial part of fixed assets. In our opinion, the going concern status of the company is not affected.
- ii) a) As explained to us, the inventory has been physically verified during the year by the management.
- b) The procedures of physical verification of inventories followed by the management are generally reasonable and adequate in relation to the size of the company and the nature of its business.
- c) The Corporation is maintaining proper records of inventory.
- iii) (a) 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 301 of the Companies Act, 1956.
- (b) Not applicable in view of para (a) above.
- (c) Not applicable in view of para (a) above.
- (d) Not applicable in view of para (a) above.
- (e) The company has not taken any loans, secured or unsecured from Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (f) Not applicable in view of para (e) above.
- (g) Not applicable in view of para (e) above.
- iv) In our opinion and according to the information & explanations given to us, there are adequate internal control procedures commensurate with the size of Corporation and nature of its business with regard to purchase of Consumable Stores, Fixed Assets and other expenses.
- v) a) According to the information and explanation given to us, there is no transaction that needs to be entered in the register maintained under section 301 of the Companies Act, 1956.



b) Not applicable in view of Para (a) above.

vi) The Corporation has not accepted deposits from the public under section 58-A of the Companies Act, 1956.

vii) The Corporation has appointed firms of Chartered Accountants to conduct the internal Audit and in our opinion; the Internal Audit System is not commensurate with the size and nature of the business of the Corporation. Scope of the internal audit needs to be enlarged.

viii) We have been informed that Central Government has not prescribed the maintenance of cost accounting records under Section 209 (1) (d) of the Companies Act, 1956, in respect of the activities of the Corporation.

ix) a) The Corporation is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund & Employee's States Insurance, Income Tax, Sale Tax, Wealth Tax, Service Tax, custom duty, excise duty, cess and any other material statutory dues applicable to it.

b) According to the information and explanations given to us, there are no disputed sales tax, income tax, custom duty, wealth duty and cess which has not been deposited as on March 31, 2012.

x) As the Commercial Operation of the Corporation has still not commenced, the provisions of clause of 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Corporation.

xi) In our opinion and according to the information and explanations given to us the Corporation has not defaulted in repayment of dues to financial institutions.

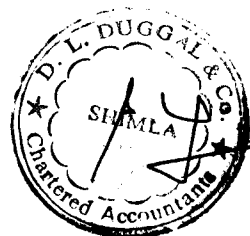
xii) The Corporation has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii) In our opinion, the Corporation is not a chit fund or a nidhi /mutual benefit fund/ society. Therefore the provisions of clause of 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Corporation.

xiv) In our opinion, the Corporation is not dealing in or trading in share, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Corporation.

xv) The Corporation has not given guarantees for loans taken by other from banks or Financial Institutions.

xvi) The term loans were applied for the purpose for which the loans were obtained.



xvii) According to the information & explanations given to us and on an overall examination of the Balance Sheet of the Corporation, we report that no funds raised on short term basis have been used for long term investment

xviii) The Corporation, during the year, has not made any preferential allotment of shares to any party except to Govt of HP amounting to Rs 15000.00 Lacs.

xix) The Corporation has not issued any debentures during the period under audit.

xx) The Corporation has not raised any money by public issues during the year under audit.

xxi) According to the information & explanations given to us and as per our examination of books of accounts, no fraud on or by the Corporation has been noticed or reported during the course of our audit.

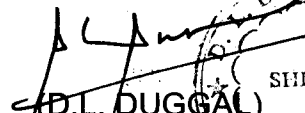
Place: - Shimla

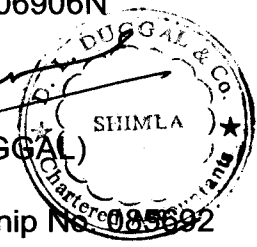
Dated: - 6th Aug 2012

For M/S D.L. DUGGAL & CO.

Chartered Accountants

FRN No. 06906N


(D.L. DUGGAL)
Partner
Membership No. 085692



D.L.DUGGAL & Co.

CHARTERED ACCOUNTANTS

FLAT No.4, BLOCK No. C-16, VIKAS NAGAR, SHIMLA (H.P.)-171009 PH.: 2626895 (M) 9736142644

Compliance Certificate

We have conducted the audit of accounts of Himachal Pradesh Power Corporation Ltd. for the year ended 31st March, 2012 in accordance with the directions/sub-directions issued by the C&AG of India under Section 619 (3) (a) of the Companies Act, 1956 and certify that we have complied with all the directions/sub-directions issued to us.

Place- Shimla

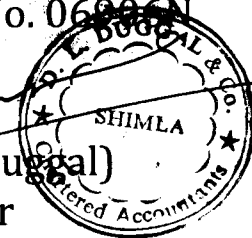
Date:- 6th Aug 2012

For D.L. Duggal & Co.
Chartered Accountant
FRN. No. 06986N

(D.L. Duggal)

Partner

M. No. 085692

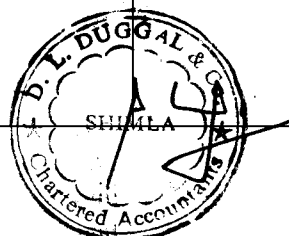


**Report to the Directions under section 619(3) (a) of the
Companies Act, 1956
H.P. POWER CORPORATION, SHIMLA
Financial Year 2011-12**

Annexure –I

(I) Corporate Governance and Audit Committee

- | | |
|---|------|
| (1) Whether the Company has been listed on the stock exchanges?
If yes, the names of the stock exchanges may please be indicated? If so, whether the provisions of listing agreement of SEBI are being followed by the Company? | No |
| (2) Whether the Company has 50% independent directors on their Board as required under SEBI guidelines? | N.A. |
| (3) Whether the Company has formed an Audit Committee in compliance with Section 292 A of the Companies Act, 1956. If not then indicate the extent of non – compliance? | Yes |
| (4) Whether Audit Committee has discussed the qualifications made in the Auditor's report as well as important comments, audit paras of Government Audit and has given recommendations for taking appropriate corrective action in the next year's accounts? | Yes |
| (5) Whether the Audit Committee has examined the replies to paragraphs, mini reviews, sectoral review, comprehensive appraisals, etc included in various Audit reports of the C & AG before their submission to Government Audit/Committee on Public Undertakings.? | No |
| (6) Whether the Audit Committee has reviewed and discussed with the Management and the Internal and external auditor, the adequacy and effectiveness of the accounting and financial controls, including the Company's Financial and risk management policies ? | No |
| (7) Whether the Board of Directors (BOD) has reported in the Director's Report to the shareholders compliance to their responsibility statement under section 217(2AA) of the Companies Act, 1956? | Yes |
| (8) Whether CEO/CFO certificate has been obtained in terms of listing agreement? | N.A. |



(II) Business Risk.
Comment on

- (1) Any new Statutory or Regulatory requirement or change in Govt. Policy that could impair the financial stability or profitability of the entity.
- (2) Unusually rapid growth if any, especially compared with that of other Companies in the same industry.
- (3) The process used for identification of business risks and steps taken to mitigate it by the Management.
- (4) Unrealistically aggressive sales or profitability incentive programs, if any.
- (5) The system of making a business plan, short term/ long term and reviews of the same vis-a-vis the actual?
- (6) The capital expenditure/ capital invested not put to use.
- (7) The cost benefits analysis of major capital expenditure/ expansion including IRR and payback period.
- (8) The existence of Macro, Sector and Operation threats that could drive fundamental changes in business model, Indicate in brief.

There is no change.

No

N.A.

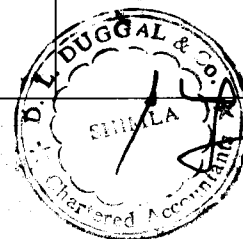
No

Yes

The projects of the Corp. are still under implementation stage.

N.A.

NIL



(III) Disinvestment (if applicable)

- (1) What is the mode of disinvestment (i.e. Trade sale, Management & Employees Buy Out, Mass Privatization, Public Auction, Flotation, Liquidation, Private Placement) may be disclosed.
- (2) What is the present stage of disinvestment process?
- (3) If the Company has been selected for disinvestment, the following needs careful examination and reporting.
 - (a) Has the Company accounted for all its assets (including intangible assets), liabilities income and expenditure as per the requirement of relevant as and nothing is left out of books.
 - (b) Whether the assets of the Company, especially land, valued at nominal cost has been revalued keeping in view the market rate for consideration of the net worth of the Company at the time of sale.
 - (c) Whether the committed reserves and general reserves credited over the years are disclosed distinctly? If utilization of general reserves is substantial specify the conditions of utilization and whether these conditions of utilization and whether these conditions are covered under the byelaws, articles of the Company and provisions of the Companies Act, 1956?
 - (d) Whether any investment was made by the Company during the process of disinvestment? If so, whether such investments were in the interest of the Company or did they have the effect of extending undue advantages to the Bidders?

N.A.

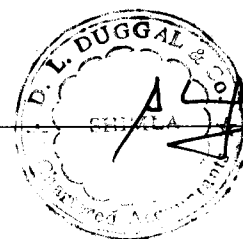
N.A.

N.A.

N.A.

N.A.

N.A.



(IV) System of Accounts & Financial Control

- 1) Whether the allocation of duties and responsibilities including the delegation of powers at various levels of management is fair/proper/justifiable and the same have been adequately defined?
- 2) Examine the systems of accounts & Financial Control being followed by the Company and give your views as regards their deficiencies along with suggestions for remedial measures.
- 3) Please report which of the accounting policies adopted by the company are not in conformity with the accounting policies applicable to the industry/companies in the same sector, particularly the Government Companies. What is the impact of such policies on the accounts?
- 4) Notes to Accounts, qualifications in Auditor's Report and comments of the C & AG may be reviewed for the last 3 years and state whether the management has taken rectificatory action?
- 5) Whether the Company has a clear credit policy, policy for doubtful debts/write offs & liquidated damages? Analyse the reasons such as non- completion of performance tests, litigation, retention sale, etc. for significant sundry debtors and report thereon.
- 6) Please report whether the system of giving discount to promote sales is fair? Whether the instructions for allowing discount are issued in writing and communicated properly to sales outlets?
- 7) Examine and indicate whether the company has a system of monitoring the timely recovery of outstanding dues? Highlight the significant instances of failure of the system, if any.
- 8) What is the system of obtaining confirmation of balances from debtors/creditors and other parties? Indicate separately the amount of balances remained unconfirmed from Government Departments/PSUs and Private parties and their percentage to total amount under each head.
- 9) Please report whether there are any cases of waiver of debts/loans/interest etc. If yes, the reasons therefore and the amount involved.
- 10) Is there an adequate system of timely lodging of claims with outside parties? Whether the claims are properly monitored?

Yes

As per Annexure to the Auditor's Report

NIL

Yes

Yes

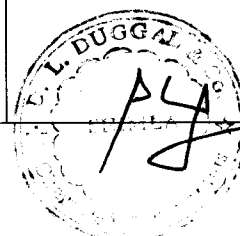
N.A.

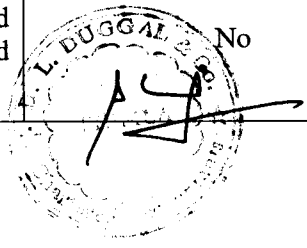
There are no o/s dues.

There is no system to obtain confirmation of balances.

N.A.

Yes



11) Whether the credit obtained (including overdrafts) is monitored regularly and the terms of loans are not such that they have a negative impact on the earnings of the Company. Examine the system of effective utilization of loans & the system of obtaining statutory benefits. 12) Whether any incidence involving improper use or wastage of funds noticed. 13) Examine and comment upon the reasonableness of assumptions made by the Actuary in providing for retirement benefits as Accounting Standards 15. 14) Whether workflow and document flow is in place to ensure proper controls and systems commensurate with the delegation of work?	There is a loan from Govt. Of H.P. (ADB) & PFC. No The Corporation has regular employees as on 31/03/2012 but the provision of Accounting Standards 15 is not followed. No
(V) Fraud/Risk 1) Whether the Company has an effective and delineated fraud policy consistent with regulatory requirements as well as the entity's business needs? 2) Whether the Company has formulated 'code of conduct' for senior management? 3) How the company has dealt with reported frauds and what are the remedial measures taken for preventing recurrence? 4) Are there any cases of violation of delegated Financial Powers during the period under report, which warrants "in-depth audit"? If yes, please give a list of such cases. 5) Does the Company have separate Vigilance Department/ Wing? To what extent is it effective in its duty and whether its reports are submitted to the Board? 6) Whether the management has designed and put in place an adequate prevention and Detection Controls to prevent, reduce and discover the fraud and other irregularities? 7) Whether the company has 'whistle blowing' policy? 8) Whether the fraud policy has been periodically revised and evaluated to determine whether it was designed and implemented to achieve optimal effectiveness?	Yes Yes No such case reported so far. No There is no such Deptt./Wing in the Corp. Yes No No 

(VI) Assets (including inventory)

- (1) What is the position regarding maintenance of records such as fixed assets register etc.?
- (2) Whether the Company has prescribed the following in regard to the management of stores.
 - a) Maximum and minimum limits of stores and spares etc.
 - b) Economic order quantity for procurement of stores.
- (3) Whether ABC analysis has been adopted to control the inventory? If not, impact on inventory may be analysed.
- (4) Whether regulations made for the purposes of control over stores, including book keeping and valuation of stock, stores & work-in-progress at the end of the financial year are adequate and duly enforced?
- (5) Whether the work in progress contains any item, which has remained under work in progress for an unduly long time? Attach a list of such items indicating amount, period of pendency and reasons.
- (6) Examine and comment on the system of physical verification, valuation, treatment of non moving & slow moving item, their disposal & abnormal excess & shortages in respect of closing stock items.
- (7) Examine and comment on the system of valuation of fixed assets, survey-off procedure & provision for assets & specific capital spares surveyed-off.
- (8) List out the surplus obsolete/non-moving items of stores, raw material, finished goods, lying unused at the end of last 3 years.
- (9) Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. Or other authorities?
- (10) Are there any lapses in the internal control system right from ordering till the consumption of stores? If yes, the same may be highlighted.
- (11) List out the assets and Plant & Machinery items, which have not been in use over a considerable period of time (say 5 years) and the reasons therefore.

Being maintained in compliance to the provisions of The Companies Act, 1956.

N.A.

N.A.

Yes

Yes, Sawra Kuddu HEP delayed by about 1.5 years and Kashang HEP by about 4 months.

Being done on annual basis.

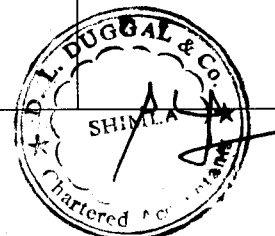
N.A.

N.A.

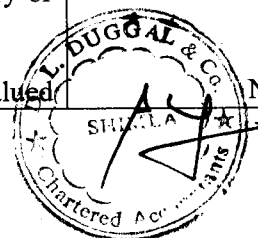
N.A.

No

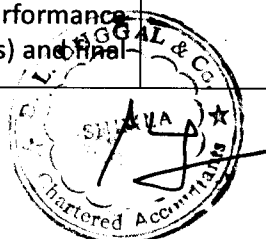
N.A.



(12) Whether there are instances of huge losses incurred due to sale of goods at prices lower than the prevailing market prices, citing poor quality as a reason, immediately subsequent to the balance sheet date? (13) Whether the norms for storage losses have been fixed? What is the basis on which storage losses are regularized? Indicate the abnormal storage losses suffered during the year under audit and amount realized there against. (14) Demurrage/Wharf age incurred during the year and reasons therefore. (15) Whether the company has conducted physical verification of fixed Assets during the year and a formal report is being prepared for the same? (16) Whether there is policy to review and implement impairment of assets?	N.A. N.A. Nil The Company has conducted physical verification of Fixed Assets. No
(VII) Investment (1) Whether the company has laid down an investment policy duly approved by the competent authority? If yes, please indicate the following: a) Is it in accordance with the provisions of Section 292 of the Companies Act, 1956 and other laws, rules and regulations, Government directives applicable to the company? b) Whether investment made were judicious and in accordance with the investment policy? c) Is the shortfall in market value of the current investment and permanent diminution in the value of long-term investment reflected in the books? If not, describe the failure. (2) Whether the deposits with banks/financial institutions and others have been in accordance with laws, rules, regulations, govt. Directives etc as applicable. (3) Whether there has been grant of large loans to or placement of deposits with other PSUs or enterprises, not related with the business of the Company. (4) Whether the company has significant investment in an industry or product line noted for rapid change? (5) Whether the investment made in the subsidiaries have been valued	N.A. Yes N.A. No N.A.



properly keeping in view the financial position of the subsidiary? If not, extent of diminutions in the value of investments.	
(6) Whether any surplus funds are invested? Is there any effect on availability of funds for working capital because of investment leading to borrowings at higher rates?	Yes, No adverse effect.
(7) How often market value is reviewed and whether profits are made on sale of investments?	N.A.
(VIII) Liabilities and Loans	
(1) Give the total amount of loans (including interest, penal interest, & commitment charges separately) where defaults were made in repayment as at the end of the accounting period.	No default.
(2) Whether guarantee fee payable to the Government of India as per terms of loan agreement had been accounted for properly?	N.A.
(3) Whether any part or whole of the Loans from Government and / or interest accrued thereon have been either converted in to equity or waived by the Government: if so, its impact on the financial position of the company.	No
(4) Are the terms of the loan agreement such that they make the entity especially vulnerable to changes in the interest rates?	No
(5) Check the loan profile of the company to find out whether the high cost debts were swapped with low cost market borrowings.	N.A.
(6) Whether there have been receipts of large loans from other PSUs or enterprises not related with the business of the company.	No
(7) Whether any study was conducted to avail any other instruments or derivatives instead of high cost loans?	No
(IX) Award and Execution of Contracts	
(1) Whether company has devised a proper system of tendering for awarding of various contracts?	Yes
(2) Whether the company has an efficient system for monitoring and adjusting advances to contractors/suppliers.	Yes
(3) Whether the Company has settled all the issues viz. Performance Guarantee (PG Tests, recovery of Liquidity Damages (LDs) and final	N.A.



payment etc. soon after the commissioning of the Project? Are there any cases of inordinate delay without sufficient justification?

(4) Whether there are any disputes/ claims unsettled for a long time.

(5) What is the procedure followed by the company for purchasing proprietary items? What is the procedure for ascertaining the authenticity of the propriety items certificate given by an official based on which tendering is not resorted to and goods are purchased from a particular supplier?

No

Procedure for purchasing of such items has been prescribed in duly approved DOFP.

(X) Costing Systems

(1) Whether the company has any cost policy?

N.A.

(2) Are the cost accounts being reconciled with financial accounts?

N.A.

(3) Whether the company is computing the cost of major operations, jobs, products, processes and services regularly? If not, describe the failures.

N.A.

(4) Whether the company has an effective system for identification of idle labour- hours and idle machine- hours?

N.A.

(5) Was cost audit ordered in the case of the company? If so, highlight the major deficiencies pointed out in the latest cost audit report.

N.A.

(6) Examine the accounting treatment of rejects and scraps for determination of cost of production. State the impact of bye products and joint products in determining costs.

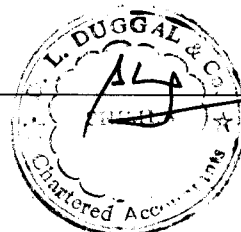
N.A.

(7) Whether there is any system to evaluate the abnormal losses and taking remedial measures to control such losses?

N.A.

(8) What is the method being followed by the company to change overheads? How is the overhead rate being arrived at? In case of cost plus contracts, are the overheads being recovered completely or not?

N.A.



(XI) Internal Audit System

(1) Whether the company is having Internal Audit section manned by staff of their own or whether the company has hired the services of CAs as internal auditors? Give your comments on the internal audit system stating whether its reporting status, scope, of work, level of competence, etc, are adequate? If not, describe the shortcomings thereof. Is there an adequate compliance mechanism on internal audit observations?

No, but services of Chartered Accountants are being hired for audit. However scope of Internal Audit is to be enlarged.

(2) Whether internal audit standards/manual/guidelines have been prescribed and they are in practice?

Yes

(3) Whether the Internal Audit Reports were discussed by Audit Committee?

No

(4) Whether internal audit is independent and reports directly to the Chairman/Head of the Company?

Yes

(5) If internal audit is outsourced then whether the selection process is fair and transparent?

Yes

(6) Whether entities which are not under the jurisdiction of the professional institute are being given the work of internal audit?

No

(7) Does the Internal Audit Report contain any serious irregularity which needs immediate attention of management/ Government?

No

(8) What is the total impact of all shortcomings/deficiencies pointed out in the latest Internal Audit Report and pending for compliance as on date?

No

(9) Whether mistakes/ shortcomings pointed out in the latest report is of the same kind/type as pointed out in earlier reports?

No

(XII) Legal/Arbitration Cases:

(1) Number of pending legal/arbitration cases indicating the age wise analysis and reasons for their pendency.

34 cases only, (list enclosed).

(2) Details of new cases and cases settled during the year.

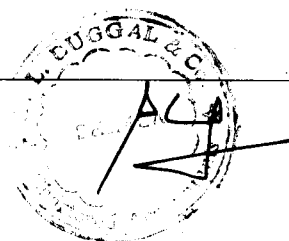
List enclosed.

(3) Whether any norms/procedures exist/proposed to be laid down for large legal expenses (foreign & Local) incurred/to be incurred.

Yes

(4) Is there any system to ensure proper documentation (like maintain minutes if the meetings, foreseeing contingencies, foreign exchange fluctuations etc.) before agreement with foreign parties as well as Indian parties?

Yes



(XIII)EDP Audit

(1) Whether the organization has an approved IT strategy or plan?

Yes

(2) If the auditee has computerized its operations or part of it, assess and report, how much of the data in the Company is in electronic format, which of the major areas such as financial Accounting, Sales Accounting, Personnel information, Payroll, Materials, Inventory Management, Etc. have been computerized.

Only financial accounts have been computerised till date.

(3) Indicate how this impacts on your work of auditing the Accounts and whether your audit is thorough or around the computer.

Thorough Audit.

(4) Has the company evolved proper security policy for Data/Software/Hardware?

Company has proper security policy for computerised financial accounts.

(5) Identify the areas in which the auditor is of the view that the built-in-checks in the computer environment need to be reviewed. Also mention the percentage of acceptable audit risk in those identified areas.

NIL

(6) Comment on any problem faced in extracting information from computer files due to lack of Back-up of past records or due to record corruption. Is there a document retention policy?

NIL

(7) Whether any software is unutilized or underutilized due to lack of trained staff or any proper operating manual / documentation etc.

No

(8) Comment whether changes made in software have the approval of management and the lead time given to staff to get accustomed to it before making it fully operational.

N.A.

(9) Whether the BOD is briefed regularly about the new IT strategy, if any, proposed to be incorporated for the Company as a whole, for which large funds are sanctioned. This is particularly relevant to organizations where the entire IT activity is to be made online in due course.

Yes

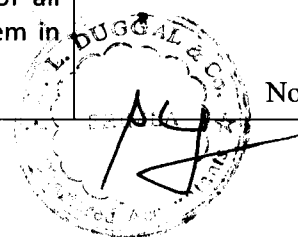
(10) Whether the systems department is responsible for both hiring / buying EDP equipment Hardware/Software and also certifying their 'usability' before final payment (both functions should be separate with the user departments involved in the latter).

Yes

(11) Whether the company has detailed/comprehensive list of all reports/ statements which can be generated by the system in use?

N.A.

No



(12) Whether there is an effective IT Steering Committee?

(13) Whether there exists effective disaster recovery plan for EDP Department which is periodically reviewed and evaluated?

(14) Whether any of the findings and recommendation noted in the EDP Audit Report was considered significant and whether the issues were satisfactorily resolved?

No

N.A.

(XIII) Environmental Management.

Compliance of various Pollution Control Acts and the Impact thereof and policy of the company in this regard may be checked and commented upon.

The Projects under implementation are cleared by pollution control authority.

(XIV) Corporate Social Responsibility

(1) How is the company discharging its corporate social Responsibility?

Company is discharging its CSR under its approved R & R Plan.

(2) Whether any Board approved policy is in place and is being properly followed?

Yes

(3) Whether there is a system of fixation of targets for CSR activities?

Yes

(4) Whether adequate monitoring mechanism exists for implementation CSR activities?

Yes

(XV) General

(1) Indicate whether the company has entered into a Memorandum of Understanding with its administrative ministry? If yes, have the targets in MOU been split unit-wise? If so, attach a unit wise statement of targets and achievements against the parameters in MOU.

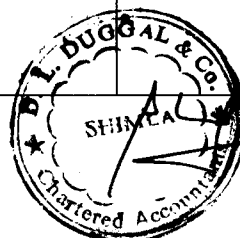
No

(2) Whether contribution of employer and employee to Provident Fund is kept separately out of business and proper safeguard of the same is taken care of?

Yes

(3) Does the company present a case for energy audit? If yes, has the audit been conducted by a specialised agency?

N.A.



(4) Where land acquisition is involved in setting up new projects an enquiry as to whether settlement of dues and rehabilitation of those affected are being done expeditiously and in a transparent manner to ensure that the benefits go to the really affected people and is not diverted to agents and intermediaries including political parties.

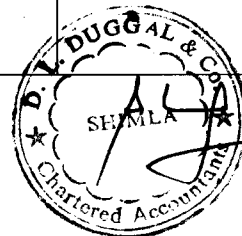
Yes

(5) Whether the company has done any mergers and acquisitions during the year? Whether a thorough need analysis was done before Merger or acquisition? Whether shareholders acceptance was taken before decision on merger/acquisition was arrived at? What was the impact thereof on the profitability of the Company?

N.A.

If test checking was applied by statutory auditors, the manner in which areas of checking have been indentified may be specified. Extent of sample selected and methodology of sampling adopted may also be specified.

Detailed audit conducted instead of test checking.



ANNEXURE-II

I) System of Accounts

- 1) Examine the following systems and give your views as regards their deficiencies along with suggestions for remedial measures :
 - a) Recording of receipts and expenditure.
 - b) Drawing periodical Trial balance.
 - c) Compilation Of accounts.
 - d) Recording Procurement and disposal stores.
 - e) Reconciliation of inter-office accounts.
- 2) Indicate whether expenditure during construction is appropriately accounted for with proper allocation between capital and revenue expenditure?
- 3) Are the bank accounts of the company reconciled with the bank statements regularly? If not describe the failures.
- 4) Are Control accounts and subsidiary accounts up to date and reconciled regularly? If not, describe the failures.
- 5) Indicate whether the cash and imprest balances were physically verified during the year on a regular basis by an authorised officer? Highlight the inadequacies in this regard, if any.
- 6) Indicate whether the deposits with banks / Financial institutions and others have been in accordance with laws, rules, regulations etc. applicable to the company? Further, state whether these were properly authorised by the competent authority?
- 7) Examine the accounting policies of the Company. Are these in conformity with the accounting standards (National and in the absence of National standards on certain issues, the corresponding international standards)? Give particulars of material departures from these standards; if any, along with their effect on their financial statements, quantify the impact wherever possible.

The system is generally adequate.

Yes, proper allocation is made and statement of incidental expenditure during construction is prepared.

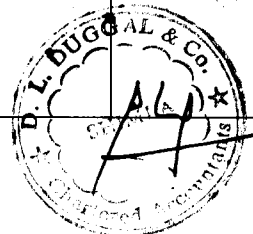
They are regularly reconciled.

They are up to date and reconciled regularly.

Yes, There are no inadequacies.

Yes.

Yes, AS-13 regarding provision for taxes, AS-15 regarding non-accounting of terminal benefits of employees in the financial statements, AS-18 regarding non-disclosure of related party transaction and AS-28 regarding contingencies and provisions.



II) General

- 1) Indicate the break-up of the equity share capital held at the end of financial year by:
 - a) Government of India and Govt. of States.
 - b) Indian Banks and financial institutions.
 - c) Foreign banks and foreign companies/institutions
 - d) Public in India and /or outside.
- 2) Is the company facing any legal action on account of default of repayment of debts? If so, Give brief description.
- 3) Are the accounts of the company in arrears? If so, state the reasons therefore and the action taken / being taken to bring the accounts up-to-date.
- 4) If any product in which the company deals subjected to statutory or other price controls? If so, list the products and nature of control.
- 5) Does the company remit royalty or other payments to collaborators or others abroad for make inter-company transfers abroad? If so, give details.
- 6) Does the company prepare segment wise accounts and profit/loss statements? If so, indicate the loss making segments, If any; and if not, whether in your opinion, it would be in the overall interest of the company to prepare segment wise profit/loss statement?

HP Govt: 19%
HPIDB : 68%
HPSEBL : 13%

Nil

Nil

Nil

No.

No

NA

No

In view of present operations, this clause is not applicable.

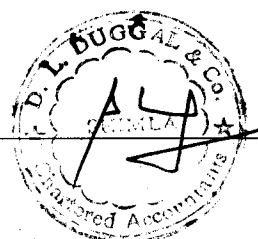
III) Additional Directions

Part-A

(Applicable for audit of Trading Companies)

- 1) Indicate whether the company has devised proper system for :-
 - a) Specifying the Quality of the goods intended to be purchased / processed.
 - b) Inspection the goods after purchase/procurement to see that they confirm to the specified quality.
 - c) Periodical inspection of the goods in stock to safeguard against deterioration and other losses.
 - d) Safe storage of goods

This Part A is not applicable as the Company is not trading company.



Indicate significant instance where the company has not followed the system and has, therefore, suffered losses (quantify loss in each case)

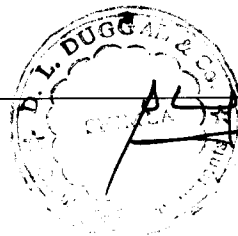
- 2) Indicate whether the company takes adequate steps to safeguard against transit losses? Indicate losses suffered by the company during the year under audit and the amount realized there against.
- 3) Indicate the adequacy of the system of accounting for 'return inward'.

Part B

(Applicable for audit of companies engaged in financing)

- 1) Has the company laid down a procedure for appraisal of loan applications? Is the procedure adequate?
- 2) Indicate whether the loans advanced by the company during the year are in conformity with the relevant act, rules, orders and direction of the Government / Reserve Bank of India?
- 3) Has the company taken adequate steps against defaulters during the Year? If no, indicate significant instances of Company's failures.
- 4) Does the Company have an effective system of identifying non-performing Loans and advances? Does the criteria in this regard conform to the norms laid down by the RBI? Does the Company Monitor such loans and advances effectively? Is revenue recognition of such advances as per the norms?
- 5) In case the Company is engaged in leasing, is the accounting for lease transactions in accordance with the guidance note/other recommendations issued by the Institute Of Chartered Accountants Of India?

This Part B is not applicable as the company is not engaged in Financing.



Part-C

- 1) Amount of the (a) bank balances, (b) account receivables, (c) account payables, (d) loan and advances for which third party confirmation was not received by the statutory auditors. Percentage of such unconfirmed amount to the total amount in the respective head in the balance sheet may also be reported.
- 2) Where balance confirmed by the parties has wide variations and such variations might not have been reconciled till the finalisation of financial statements, percentage of the amount of such variations to total amount of the accounting head in the balance sheet may also be reported.
- 3) High value individual cases (say representing more than one percent of the respective accounting head) of non-confirmation of balance and wide variations individual cases pending reconciliation may also be reported.
- 4) In addition to above, you have to express your opinion on the adequacy of the system of the management for confirmation and reconciliation of balances as well as to report the deficiencies, if any, on the above matters to the Audit Committee, if exists.

No confirmations have been received in respect of the followings:-

	(Rs. In Lacs)
a) Account payables	7967.82 (100%)
b) Advances to Contractor	15368.16 (100%)
c) Advances to HPPTCL	16.91 (100%)

N.A.

Secured advances balance not confirmed amounting to Rs. 15368.16 Lacs.

There is no system of obtaining confirmation of balances except that of bank balances.

For D. L. DUGGAL & CO.
Chartered Accountants.
FRN. No. 069866GAE

(D.L. Duggal) SHIMLA
Partner
M. No. 085692

