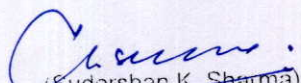
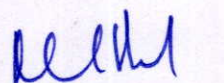


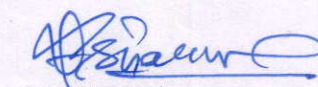
H.P. POWER CORPORATION LIMITED			
Balance Sheet As At 31st March-2013			(Rs in Lacs)
Particulars	Note No	As at 31.03.2013	As at 31.03.2012
I. EQUITY AND LIABILITIES			
(1) Shareholder's Funds:			
(a) Share Capital	3	92,972.21	78,934.89
(2) Share application money pending allotment	4	7,316.75	741.36
(3) Non-Current Liabilities:			
(a) Long-term borrowings	5	1,13,503.34	76,361.58
(b) Other Long term liabilities	6	23,983.80	23,983.80
(c) Long term provisions	7	1,379.68	234.88
(4) Current Liabilities:			
(a) Other current liabilities	8	21,277.43	10,329.48
Total		2,60,433.20	1,90,585.99
II. ASSETS			
(1) Non-current assets:			
(a) Fixed assets			
(i) Tangible assets	9.1	22,132.34	18,943.31
(ii) Intangible assets	9.2	656.70	42.72
(iii) Capital work-in-progress	9.3	1,75,367.74	1,11,968.05
(iv) Intangible assets under development	9.4	-	1,425.86
(b) Non-current investments	10	378.00	302.50
(c) Long term loans and advances	11	16,489.72	15,385.07
(2) Current assets:			
(a) Inventories	12	50.06	69.94
(b) Cash and cash equivalents	13	29,306.31	39,185.49
(c) Short-term loans and advances	14	15,728.47	2,467.36
(d) Other current assets	15	323.87	795.70
Total		2,60,433.20	1,90,585.99

See accompanying notes to the Financial Statements


(Sudershan K. Sharma)
Company Secretary


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


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


(D.K. Sharma)
Managing Director

For D.L. Duggal & Co.
Chartered Accountants



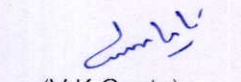
Place: Shimla

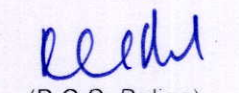
Date: 30th Aug 2013

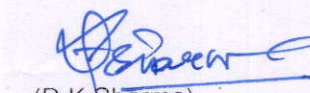
H.P. POWER CORPORATION LIMITED				
Statement of Incidental Expenditure	Note No.	Amount (Rs in Lacs)	Amount (Rs in Lacs)	Amount (Rs in Lacs)
		As at 31.03.2013	During 2012-13	As at 31.03.2012
EXPENSES (A):				
Employees' Benefits Expenses	16	27,010.63	6,973.89	20,036.74
Finance Costs	17	18,665.65	8,538.56	10,127.09
Depreciation Expenses	18	2,350.32	1,114.18	1,236.14
Other Office and Administrative Expenses	19	5,798.06	1,336.35	4,461.71
TOTAL (A)		53,824.65	17,962.97	35,861.68
Less: Miscellaneous Income	20	14,829.48	3,083.27	11,746.21
NET EXPENDITURE (B) (Carried forward to CWIP)		38,995.17	14,879.70	24,115.47

See accompanying notes to the Financial Statements


(Sudershan K. Sharma)
Company Secretary


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

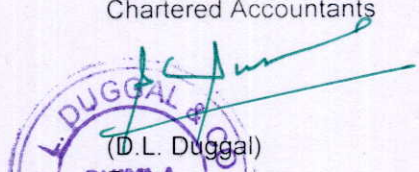

(B.C.S. Baliga)
Director (Finance)


(D.K. Sharma)
Managing Director

For D.L.Duggal & Co.
Chartered Accountants

Place: Shimla

Date: 30th Aug 2013


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

(Rs in Lacs)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2013		
Particulars	Year ended 31.3.2013	Year ended 31.03.2012
(A) CASH FLOW FROM OPERATING ACTIVITIES		
Depreciation	1,114.18	472.05
Finance Charges	(8,538.56)	(4,946.50)
Inventories	19.88	11.45
Other Current Assets	471.83	(52.26)
Loans and Advances(Short & Long term)	(14,365.75)	(299.73)
Long Term provisions	1,144.80	62.06
Other Current Liabilities	10,947.95	4,310.40
Total (A)	(9,205.68)	(442.53)
(B) Cash flow from Investing activities		
Net Expenditure on Fixed Assets	(3,803.01)	(7,618.91)
Net Expenditure on CWIP	(55,975.31)	(45,096.81)
Investment in JV with EMTA	(75.50)	(55.00)
Total(B)	(59,853.82)	(52,770.72)
(C) Cash flow from Financing Activities		
Share Capital	20,612.71	15,025.00
Repayment of Borrowings	(580.22)	(510.17)
Proceeds from Borrowings	37,721.98	47,355.83
Total (C)	57,754.46	61,870.66
Gross Total (A+B+C)	(11,305.04)	8,657.41
Add: Opening Cash and Equivalents	39,185.49	30,528.08
Closing Cash and Equivalents	27,880.45	39,185.49



HIMACHAL PRADESH POWER CORPORATION LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

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 historical cost less depreciation and impairment losses, if any. Cost comprises the cost of procurement/construction inclusive of any attributable cost (i.e. freight, taxes, duties and incidental expenses) of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.
- (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 been provided along with pension contribution.

c) Defined Benefit Plan (Leave Encashment):

Liability towards encashment of earned leaves has been provided on the basis of outstanding leaves of the employees at the close of the year.

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. No advance Income tax is deposited due to the fact that HPPCL has filed an appeal with Income Tax Tribunal, Chandigarh and CIT (A), Solan for AY 2008-09, 2009-10 and 2010-11. The decision for which are awaited.
- III. For the FY 2007-08 and 2008-09, appeals before CIT against the orders of the ACIT was filed. 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 2009-10 has been completed by the assessing authority (ACIT) and a demand of Rs 1247.81 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.
- V. The Assessment for FY 2010-11 and FY 2011-12 is pending with ACIT .

2.13 Contingent Liabilities:

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

Particulars	Amount in Lacs	
	As at 31.03.2013	As at 31.03.2012
Capital Works	15503.10	15503.10
Others	801.37	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 31.03.2013	As on 31.03.2012
Indian Rupees	228988.65	130735.73
Euro	39.76	33.04
US \$	93.89	83.20
CHF	8.60	-

2.15 Tidong-II HEP:

The Tidong-II (60MW) Hydro Power Project was allotted to HPPCL on 24.10.2008. The cumulative expenditure on this power project is Rs 103.24 Lacs up to 31st March 2013. 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. Activity-Wise Detail of expenditure on the investigations and infrastructural works of the project incurred by HPPCL on Tidong-II has been forwarded to Directorate of Energy GoHP, so that same could be forwarded to developer for reimbursement as per the provisions contained in the MoU signed with the party, according to which it has to reimburse the expenditure incurred up to the date of signing the Implementation Agreement with compound interest @ 10% per annum within three months of the Implementation Agreement..

- 2.16 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 31.03.2013	As on 31.03.2012
1	Contractor	Euro	59.18	45.59
		CHF	15.44	7.38



		USD	8.32	
2	Consultancy	Euro		0.69
3	Trainings	GBP		-
		US \$		-
		Canadian \$		-
(B)	Earnings in Foreign Currency	-		-

2.21 Payment to Auditors includes:

(Rs in Lacs)

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
Statutory Audit	0.55	0.50
For other services (Certificates etc.)	0.40	0.40
Reimbursement of Expenses	0.90	0.80
Total	1.85	1.70

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 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 12/09/2012)
Sh. D.K.Sharma	Managing Director (w. e. f. 13/09/2012 to till date)
Er. B.S.Negi	Director (Civil) (till 31/07/2012)
Er. A.C.Sharma	Director (Electrical) (till 31/07/2012)
Sh B C S Baliga	Director (Finance)
Sh V K Tiwari, IFS	Director (Personnel)
Er. M.S.Rana	Director (Electrical) (w. e. f. 14/08/2012 to till date)

b) Remuneration to key management personnel is Rs 53.76 Lacs and amount outstanding to the company as on 31.03.2013 is nil.

2.24 Remuneration to Directors (Except Group Insurance Premium):

(Rs in Lacs)

Sr No	Particulars	As on 31.03.2013	As on 31.03.2012
1	Salaries and Allowances	53.76	57.37
2	Gratuity	-	-
3	Other benefits	-	-



3) SHARE CAPITAL

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2013	As at 31.03.2012
AUTHORISED SHARE CAPITAL (10000000 Equity Shares of Rs 1000/- each)	1,00,000.00	1,00,000.00
ISSUED, SUBSCRIBED AND FULLY PAID UP CAPITAL 92,97,221 Equity Shares of Rs. 1000/- each (fully paid up) {For Previous Year: 78,93,489 Equity Shares of Rs. 1000/- each (fully paid up)}	92,972.21	78,934.89
Total Paid Up Capital	92,972.21	78,934.89

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 KKPCL 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 (Rs in Lacs)	Amount (Rs in Lacs)
	As at 31.03.2013	As at 31.03.2012
HP Govt	27,950.75	15,000.00
HPIDB	53,714.77	53,714.77
HPSEBL	11,306.69	10,219.62
TOTAL	92,972.21	78,934.39

3.2) Reconciliation of shares outstanding is set out below:

PARTICULARS	As at 31.03.2013	
	No. of shares	Amount (Rs in Lacs)
No of shares at the beginning (as on 01.04.2012)	78,93,489	78,934.89
No of shares issued during the year	14,03,732	14,037.32
No of shares at the end (as on 31.03.2013)	92,97,221	92,972.21

4) ADVANCE SHARE APPLICATION MONEY

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2013	As at 31.03.2012
A) Share Application money pending allotment	7,316.75	50.00
B) HPSEB (Expenditure) Share Application pending allotment	-	691.36
TOTAL	7,316.75	741.36

The Government of HP has provided advance share application money to the tune of Rs. 7316.75 Lacs upto 31.03.2013. Expenditure with HPSEBL has been reconciled and Shares to the tune of Rs. 1087.07 Lacs has been issued during the FY 2012-13.

5) LONG TERM BORROWINGS:

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2013	As at 31.03.2012
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)	3,661.83	4,242.05



State Govt Loans (ADB) (<i>Installment of principal & interest payable yearly on 15th January, however principal yet not due</i>)	1,09,841.51	72,119.53
TOTAL	1,13,503.34	76,361.58

There have been no defaults in repayment of any of the loans or interest thereon at the end of the year, except for interest on government loan from GoHP for the FY 2012-13 amounting Rs.7424.74 Lacs, out of which Rs.2950 Lacs was paid on 04.04.2013. For the balance amount of Rs.4475.00 Lacs, deferment has been approved by GoHP vide letter no.MPP-F(5)-3/2007-pt-II dated 24.07.2013

6) LONG TERM LIABILITIES:

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2013	As at 31.03.2012
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 31.03.2013	As at 31.03.2012
Provision for Pension Contribution	147.61	-
Provision for Gratuity	234.03	220.99
Provision for Leave encashment	998.04	13.89
Total	1,379.68	234.88

8) OTHER CURRENT LIABILITIES:

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2013	As at 31.03.2012
Liabilities for Employees' Remuneration and Benefits	157.24	378.46
Liabilities for Contractors & Suppliers	10,211.50	7,966.28
Liabilities for Government Departments	822.68	1.54
Interest Accrued but not due on Loans	9,838.77	1,755.99
Taxes and Duties Payable	247.23	227.21
TOTAL	21,277.43	10,329.48

9.1 & 9.2) TANGIBLE AND INTANGIBLE ASSETS:

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2013	As at 31.03.2012
Tangible Assets	22,132.34	18,943.31
Intangible Assets	656.70	42.72
Total Fixed Assets	22,789.04	18,986.02



9) FIXED ASSETS

Note No.9.1

TANGIBLE ASSETS (A)

Particulars	Dep. Rates	GROSS BLOCK				DEPRECIATION					NET BLOCK		
		Balance	Addition	Transfer/ Sale	Total As at 31.03.2013	Up to 31.03.2012	Previous Year		For the Year	Total Depreciation	As at 31.03.2013	up to 31.03.2012	
		As at 1.4.2012					Deletion	Addition					
Land	0.00%	14,624.65	1,295.28	61.13	15,858.80	-	-	-	-	-	15,858.80	14,624.65	
Land Lease Hold	0.00%	430.50	-	-	430.50	-	-	-	-	-	430.50	430.50	
Residential Building	5.00%	1,813.26	17.65	-	1,830.91	194.36	-	-	84.91	279.27	1,551.63	1,618.90	
Non- Residential Building	10.00%	16.08	11.72	-	27.80	5.96	-	1.80	1.97	9.72	18.08	10.13	
Office Equipments	13.91%	136.04	20.51	3.30	153.25	44.81	0.62	0.13	13.40	57.72	95.53	92.34	
Plant & Machinery	13.91%	54.40	19.25	-	73.65	20.63	-	-	6.47	27.10	46.55	35.73	
Wireless System	13.91%	8.52	1.23	-	9.75	3.51	-	-	0.87	4.38	5.37	6.24	
Transit Camp	10.00%	12.46	-	-	12.46	3.02	-	-	0.94	3.96	8.50	9.44	
Furniture & Fixtures	18.10%	353.45	39.21	10.87	381.78	138.31	2.64	-	39.76	175.42	206.36	220.58	
Vehicles	25.89%	92.78	3.94	-	96.72	70.94	-	-	6.67	77.62	19.10	25.77	
Project Planner	40.00%	2.60	-	-	2.60	2.46	-	-	0.05	2.52	0.08	0.14	
Computers	40.00%	323.37	77.82	4.92	396.28	207.54	-	1.68	69.20	278.42	117.85	121.08	
Shed	100.00%	454.57	29.36	-	483.93	454.57	-	13.96	15.40	483.93	0.00	0.00	
Recreation Centre	10.00%	4.62	-	-	4.62	1.59	-	-	0.30	1.89	2.73	3.03	
Survey Instrument	13.91%	22.09	0.54	-	22.63	3.73	-	-	2.56	6.29	16.34	18.36	
Laboratory equipments	13.91%	6.87	0.10	-	6.97	1.61	-	-	0.73	2.34	4.63	5.26	
Testing Labs	10.00%	0.46	-	-	0.46	0.16	-	-	0.03	0.19	0.27	0.30	
Water Treatment System Plant	15.33%	3.56	-	-	3.56	1.67	-	-	0.29	1.96	1.60	1.89	
Roads and Bridges	5.00%	1,705.15	1,212.28	-	2,917.43	31.36	-	49.85	154.80	236.01	2,681.42	1,673.79	
Misc. Fixed Assets	13.91%	7.98	0.46	-	8.44	2.22	-	-	0.80	3.03	5.41	5.75	
Cable Network	40.00%	2.01	0.27	-	2.28	1.07	-	0.01	0.48	1.56	0.72	0.95	
Electronics and Electrical Items	13.91%	14.17	4.09	-	18.25	3.52	-	-	1.59	5.12	13.14	11.18	
ERP Data Centre (Hardware)	40.00%	-	1,464.73	-	1,464.73	-	-	-	439.32	439.32	1,025.41	-	
Project Models	13.91%	11.02	-	-	11.02	6.96	-	-	0.57	7.52	3.50	4.06	
Helipad	19.00%	23.24	-	-	23.24	0.01	-	-	4.41	4.43	18.82	23.23	
Total (A)		20,123.84	4,198.44	80.22	24,242.06	1,200.01	3.25	67.44	845.52	2,109.72	22,132.34	18,943.31	
Previous Year's Total		13,207.30	7,266.30	349.76	20,123.84	747.83	0.72	2.14	450.75	1,200.01	18,943.31		

Note No.9.2

INTANGIBLE ASSETS (B)

Particulars	Dep. Rates	GROSS BLOCK				DEPRECIATION					NET BLOCK		
		Balance	Addition	Transfer/ Sale	Total As at 31.03.2013	Up to 31.03.2012	Previous Year		For the Year	Total Depreciation	As at 31.03.2013	up to 31.03.2012	
		As at 1.4.2012					Deletion	Addition					
Software	40.00%	78.22	1.32	-	79.54	36.13	-	-	17.29	53.43	26.11	42.72	
ERP Software	40.00%	-	713.82	-	713.82	-	-	-	155.96	155.96	557.85	-	
ERP Data Centre (Software)	40.00%	-	103.94	-	103.94	-	-	-	31.21	31.21	72.73	-	
Total (B)		78.22	819.09	-	897.30	36.13	-	-	204.47	240.60	656.70	42.72	
Previous Year's Total		42.49	35.73	-	78.22	16.26	1.31	-	21.18	36.13	42.72		
Grand Total (A+B)		20,202.06	5,017.52	80.22	25,139.36	1,236.14	3.25	67.44	1,049.99	2,350.32	22,789.04		



9.3)

HIMACHAL PRADESH POWER CORPORATION LIMITED			(Rs. In Lacs)
CAPITAL WORK IN PROGRESS			
Particulars	As at 31.03.2013	During FY 2012-13	As at 31.03.2012
Buildings	2,390.79	249.48	2,141.31
Civil Works	79,630.40	27,659.88	51,970.52
Roads, Bridges & Culverts	2,493.25	(540.12)	3,033.37
Electro-Mechanical Works	23,954.08	10,850.53	13,103.55
Preliminary Expenses	538.16	162.00	376.16
Environmental and Rehabilitation Costs	27,365.89	10,138.22	17,227.67
Total CWIP	1,36,372.57	48,519.99	87,852.58
Incidental Expenditure During Construction	38,995.17	14,879.70	24,115.47
Total (Carried forward to Balance Sheet)	1,75,367.74	63,399.69	1,11,968.05



94) INTANGIBLE ASSETS UNDER DEVELOPMENT:

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2013	As at 31.03.2012
ERP Software		1,425.86
TOTAL	-	1,425.86

10) NON-CURRENT INVESTMENTS

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2013	As at 31.03.2012
Investment in EMTA-Unquoted (at cost)	378.00	302.50
TOTAL	378.00	302.50

HPPCL has made an investment of Rs 378.00 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 31.03.2013	As at 31.03.2012
Capital Advances:		
Advances to Contractors/Others	16,472.81	15,368.16
Advance to HPPTCL against works-Unsecured considered good	16.91	16.91
Total	16,489.72	15,385.07

12) INVENTORIES

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2013	As at 31.03.2012
Inventories	50.06	69.94
TOTAL	50.06	69.94

Inventories are valued at cost (FIFO method).

13) CASH AND CASH EQUIVALENTS

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2013	As at 31.03.2012
Cash and Bank Balances		
(1) Cash in hand (including Imprest)	0.70	0.65
(2) Stamps in hand	0.15	0.13
(3) Bank Balances with schedules banks		
(i) Current Deposits	20,296.93	10,854.95
(ii) Term Deposits with maturity period upto 12 months	9,008.54	28,329.76
TOTAL	29,306.31	39,185.49

14) SHORT TERM LOANS AND ADVANCES:

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2013	As at 31.03.2012
Advances to H.P. Govt Departments	1,376.70	664.72
Advances to Employees	2.60	10.75
Advances to Land Acquisition Officer	10,271.53	40.20
Advances to Others	-	-
Recoverable from Govt Departments	301.14	154.83
Recoverable from Contractors/Suppliers/Vendors	822.40	48.29
Advance Tax Deposit/TDS/Recoverable from Tax Authorities	2,946.41	1,538.41



Prepaid Expenses	7.68	10.16
	15,728.47	2,467.36

15) OTHER CURRENT ASSETS

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2013	As at 31.03.2012
Interest Accrued but not due on Deposits with Banks	300.79	791.07
Other Current Assets	23.08	4.63
Total	323.87	795.70

16) EMPLOYEE BENEFITS EXPENSES:

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2013	During 2012-13	As at 31.03.2012
Salaries, Wages, Allowances and Benefits	24,477.55	5,468.28	19,009.27
Contribution to Provident and Other Funds	368.58	147.80	220.77
Leave Salary and Pension Contribution	1,671.28	1,227.68	443.60
Welfare Expenses	493.22	130.12	363.10
TOTAL	27,010.63	6,973.88	20,036.74

Disclosures required by AS-15 in respect of provision made towards various employees benefits are made in Note No 2 9

17) FINANCE COSTS:

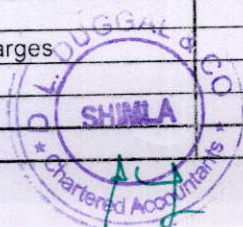
PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2013	During 2012-13	As at 31.03.2012
Interest on Term Loans	18,638.57	8,529.01	10,109.57
Bank Charges/LC Charges	25.53	8.18	17.35
Others-FBT/Service Tax Interest	1.54	1.37	0.17
TOTAL	18,665.65	8,538.56	10,127.09

18) DEPRECIATION EXPENSES:

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2013	As at 31.03.2012
Depreciation for the Year	1,114.18	472.05
Transferred to Expenditure during Construction	1,114.18	472.05
Balance	-	-

19) OTHER OFFICE AND ADMINISTRATIVE EXPENDITURE:

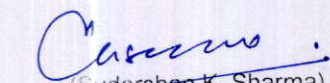
PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2013	During 2012-13	As at 31.03.2012
Repairs and Maintenance Vehicle	42.13	10.71	31.42
Repairs and Maintenance Office Equipments	15.98	2.32	13.66
Repairs and Maintenance Plant and Machinery	86.85	85.78	1.07
Repairs and Maintenance Buildings	258.87	69.58	189.29
Repairs and Maintenance Others	76.37	(3.63)	80.00
Office Expenses	930.79	300.58	630.21
Hospitality and Entertainment Expenses	137.79	16.17	121.62
Meeting Expenses	23.27	10.76	12.51
Misc Expenses	145.93	1.25	144.69
Communication Expenses	238.71	55.17	183.54
Rent, Rates and Taxes	584.57	132.11	452.46
Consultancy Fees	1,343.56	283.85	1,059.71
Annual Technical Support-SAP	3.63	(88.87)	92.50
Vehicle Running Charges & Insurance Charges	1,318.67	383.59	935.08
Training Expenses	227.30	42.97	184.33
Business Promotion Expenses	363.63	34.01	329.62
Total	5,798.06	1,336.35	4,461.71



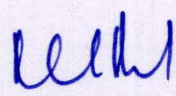
MISCELLANEOUS INCOME:

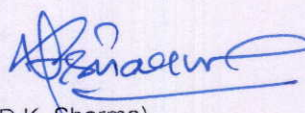
PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2013	During 2012-13	As at 31.03.2012
Interest from Employees	0.16	0.03	0.13
House Rent Collection from employees/Other recovery	34.58	15.39	19.20
Interest from Banks	13,466.68	2,822.68	10,644.00
Interest from Govt Departments	38.58	-	38.58
Income from Contractors	287.22	100.19	187.03
Excess Provision written back	1,002.27	145.00	857.27
TOTAL	14,829.48	3,083.28	11,746.21

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


(Sudershan K. Sharma)
Company Secretary


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


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


(D.K. Sharma)
Managing Director

For D.L. Duggal & Co.
Chartered Accountants



Place: Shimla

Date: 30th Aug 2013

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

Report on the Financial Statements

We have audited the accompanying financial statements of **HIMACHAL PRADESH POWER CORPORATION LIMITED**, Which comprise the Balance sheet as at March 31st 2013, Statement of Incidental expenditure during construction and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other notes.

Management's responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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 financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the 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:

- i) In the case of the Balance sheet, of the state of affairs of the Company as at March 31st 2013;
- ii) In the case of the Statement of Incidental expenditure during construction for the year ended on that date; and
- iii) In the case of the Cash Flow statement, of the cash flows for the year ended on that date.

Emphasis of Matter

1. 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.
2. 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 contingent liabilities. {Refer Note No. 2.13}
3. Fixed Assets of the company are not insured.
4. Interest given by Income Tax department on refunds has not been considered in the absence of proper details (Amount not ascertained)
5. 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}

Report on other Legal and Regulatory Requirements

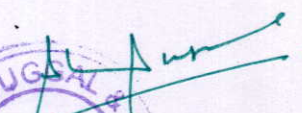
1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. As required by section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) 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, the Statement of Incidental expenditure during construction, and Cash Flow statement dealt with by this report are in agreement with the books of account.
 - (d) 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.
 - (e) In our opinion, the Balance sheet, Statement of Incidental expenditure during construction, and Cash Flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.

Place: - Shimla

Dated: -

30th Aug 2013

For M/S D.L. DUGGAL & CO.
Chartered Accountants
FRN No. 06906N


(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, 2013.

- i) (a) The Corporation has generally maintained proper records showing full particulars including quantitative detail and situation of fixed assets except at Sawra Kuddu and Shongtong HEP.
- (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 not 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, However the 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, 2013.
- 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, except for interest on government loan from GoHP for the FY 2012-13 amounting Rs.7424.74 Lacs, out of which Rs.2950 Lacs was paid on 04.04.2013. For the balance amount of Rs.4475.00 Lacs, deferment has been approved by GoHP vide letter no.MPP-F(5)-3/2007-pt-II dated 24.07.2013
- 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 of Rs. 12950.75 Lacs and to HPSEBL of Rs. 1087.07 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: -

30th Aug 2013

For M/S D.L. DUGGAL & CO.
Chartered Accountants
FRN No. 06906N


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

**Report to the Directions under section 619(3) (a) of the
Companies Act, 1956
H.P. POWER CORPORATION, SHIMLA
Financial Year 2012-13**

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	N.A. N.A. N.A. N.A. N.A.



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.
(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?	Yes
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.	As per Annexure to the Auditor's Report
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?	NIL
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?	Yes
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?	Yes
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?	N.A.
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.	There are no o/s dues.
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?	There is no system to obtain confirmation of balances.
9) Please report whether there are any cases of waiver of debts/loans/interest etc. If yes, the reasons therefore and the amount involved?	N.A.



10) Is there an adequate system of timely lodging of claims with outside parties? Whether the claims are properly monitored? 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?	Yes There is a loan from Govt. Of H.P. (ADB) & PFC. No N.A. 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.?

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

(2) Whether the Company has prescribed the following in regard to the management of stores.

N.A.

- 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.

N.A.

(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?

Yes

(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.

As all Projects of HPPCL are still under construction, hence all the expenditure on the projects has been shown as CWIP

(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.

Being done on annual basis.

(7) Examine and comment on the system of valuation of fixed assets, survey-off procedure & provision for assets & specific capital spares surveyed-off.

N.A.

(8) List out the surplus/obsolete/non-moving items of stores, raw material, finished goods, lying unused at the end of last 3 years.

N.A.

(9) Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. Or other authorities?

N.A.

(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.

No

(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.

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

N.A.



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.	N.A.
(14) Demurrage/Wharf age incurred during the year and reasons therefore.	Nil
(15) Whether the company has conducted physical verification of fixed Assets during the year and a formal report is being prepared for the same?	The Company has conducted physical verification of Fixed Assets.
(16) Whether there is policy to review and implement impairment of 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.	N.A.
(2) Whether the deposits with banks/financial institutions and others have been in accordance with laws, rules, regulations, govt. Directives etc as applicable.	Yes
(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.	N.A.
(4) Whether the company has significant investment in an industry or product line noted for rapid change?	No
(5) Whether the investment made in the subsidiaries have been valued properly keeping in view the financial position of the subsidiary? If not, extent of diminutions in the value of investments.	N.A.
(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.



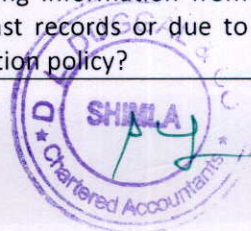
(VIII) Liabilities and Loans (1) Give the total amount of loans (including interest, penal interest, & commitment charges separately) where defaults were made in repayment as at the end of the accounting period. (2) Whether guarantee fee payable to the Government of India as per terms of loan agreement had been accounted for properly? (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? (4) Are the terms of the loan agreement such that they make the entity especially vulnerable to changes in the interest rates? (5) Check the loan profile of the company to find out whether the high cost debts were swapped with low cost market borrowings. (6) Whether there have been receipts of large loans from other PSUs or enterprises not related with the business of the company. (7) Whether any study was conducted to avail any other instruments or derivatives instead of high cost loans?	Interest on loan amounting Rs.7424.74 Lacs was due to GoHP for FY 2012-13, out of which Rs.2950 Lacs was paid on 04.04.2013. For the balance amount of Rs.4475.00 Lacs, deferement has been approved by GoHP N.A. No No N.A. No No
(IX) Award and Execution of Contracts (1) Whether company has devised a proper system of tendering for awarding of various contracts? (2) Whether the company has an efficient system for monitoring and adjusting advances to contractors/suppliers. (3) Whether the Company has settled all the issues viz. Performance Guarantee (PG Tests, recovery of Liquidity Damages (LDs) and final payments 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 form a particular supplier?	Yes Yes N.A. 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? (2) Are the cost accounts being reconciled with financial accounts? (3) Whether the company is computing the cost of major operations, jobs, products, processes and services regularly? If not, describe the failures. (4) Whether the company has an effective system for identification of idle labour- hours and isle machine- hours? (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. (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. (7) Whether there is any system to evaluate the abnormal losses and taking remedial measures to control such losses? (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. N.A. N.A. N.A. N.A. N.A. N.A. 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? (2) Whether internal audit standards/manual/guidelines have been prescribed and they are in practice? (3) Whether the Internal Audit Reports were discussed by Audit Committee? (4) Whether internal audit is independent and reports directly to the Chairman/Head of the Company? (5) If internal audit is outsourced then whether the selection process is fair and transparent?	No, but services of Chartered Accountants are being hired for audit. However scope of Internal Audit is to be enlarged. Yes No Yes 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.	40 cases only, (list enclosed).
(2) Details of new cases and cases settled during the year.	9 Cases settled and 15 new cases filed.
(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.	At present only financial accounts have been computerised till date and data of other departments are under computerisation.
(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 and validations in the computer environment are not adequate or were not being exercised with proper authority?	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 same has been documented properly 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.
(12) Whether there is an effective IT Steering Committee?	No
(13) Whether there exists effective disaster recovery plan for EDP Department which is periodically reviewed and evaluated?	Yes
(14) Whether any of the findings and recommendation noted in the EDP Audit Report was considered significant and whether the issues were satisfactorily resolved?	N.A.
(XIV) 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.
(XV) 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



(XVI) 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.
- (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?
- (3) Does the company present a case for energy audit? If yes, has the audit been conducted by a specialised agency?
- (4) Where land acquisitions 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.
- (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?

No

Yes

N.A.

Yes

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. | The system is generally adequate. |
| 2) Indicate whether expenditure during construction is appropriately accounted for with proper allocation between capital and revenue expenditure? | Yes, proper allocation is made and statement of incidental expenditure during construction is prepared. |
| 3) Are the bank accounts of the company reconciled with the bank statements regularly? If not, describe the failures. | They are regularly reconciled. |
| 4) Are Control accounts and subsidiary accounts up to date and reconciled regularly? If not, describe the failures. | They are up to date and reconciled regularly. |
| 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. | Yes, There are no inadequacies. |
| 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? | Yes. |
| 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. | Yes, AS-13 regarding provision for taxes. |



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: 30.06%
HPIDB : 57.78%
HPSEBL : 12.16%

Nil

Nil

Nil

No.

No

N.A.

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 the 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 directions of the Government /Reserve Bank of India? 3) Has the company taken adequate steps against defaulters during the Year? If not, 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 confirm to the norms laid down by the RBI? Does the Company Monitors 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.	No confirmations have been received in respect of the followings:- (Rs. In Lacs) a) Account payables 10211.50 (100%) b) Advances to Contractor 16472.81 (100%) c) Advances to HPPTCL 16.91 (100%)
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.	N.A.
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.	Secured advances balance not confirmed amounting to Rs.16472.81 Lacs.
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.	There is no system of obtaining confirmation of balances except that of bank balances.

Sub-Directions under section 619(3) (a) of the Companies Act, 1956

LAND HOLDINGS	
A-Land owned as 'fixed assets'	
1) Are proper records maintained for the land in possession of the Company/Corporation giving full particulars of quantitative details and locations?	Yes
2) Is the company having clear title of the land in its possession an suitable documentary evidence available with the management?	Yes
3) Are leased land shown separately? Has reconciliation been carried out of the gross and net carrying amount at	Yes



the beginning and end of the reporting period with details of additions and disposals, if any?	
4) If revalued amounts are substituted for historical costs, whether disclosure includes the method adopted to compute revalued amount, nature and indices used, year of re-appraisal and whether external valuer was involved.	N.A.
5) Are disclosers about land shown at nominal or nil value full and adequate?	Yes
6) Is the entire land being put to use? If not, does the management have any plan in place to utilise the left over land?	Yes, the management have plans to utilise the same
7) Has the management declared any portion of the land surplus to their requirement? If yes, what further action has been initiated?	No
B-Land owned as 'stock in trade'	
8) Whether the inventory of land acquired as 'stock in trade' match with the physical possession as per annual physical verification? Are discrepancies properly reconciled?	N.A.
9) Is there a property register in respect of plots indicating cost of land and cost of development? Do all costs relating to acquisition of land, development, rehabilitation, registration, stamp duty, brokerage, incidental expenses etc. From part of the total cost of land and are properly accounted for in the accounts based on clear accounting policy?	N.A.
10) Is there any land held as stock in trade whose title has not been passed on to the company/corporation but further allotment of the same has been made by the company/corporation?	N.A.
11) Are development expenses capitalized on the basis of estimated expenses? If yeas, quantify the difference between estimated and actual expenses.	N.A.
12) Whether land allotted to users have been put to use for the purpose for which it was allotted? What is the extent of monitoring to enable cancellation and resumption of plots wherein no production/approved	N.A.



activities are started as per terms and conditions of allotment by allottees?	
13) Is there any deviation from set policy in allotment/sale of land during the year?	N.A.
14) Are there instances of amounts recoverable from units sold-out for which no security is available presently?	N.A.
C-Common points (for Land held as 'fixed assets' or 'stock in trade')	
15) Whether lands transferred from erstwhile Government departments have been correctly taken into account with full details of extent, location and value? If there is just a disclosure on non-availability of requisite details, the concrete efforts made by Government and the company/corporation to update records should be detailed.	Yes, the details are updated
16) Have instances of enforcement of land been noticed? If yes, the extent and value and whether matter has been taken up immediately with the concerned authorities for eviction of the encroachers may be given.	No such case found so far
17) Whether disclosure for land under litigation is full and adequate?	Yes
D-Specific point (Land development on behalf of Govt.)	
18) Whether the PSU/Corporation is involved in land development projects on behalf of Government which do not form part of annual accounts? If so, there should be a full disclosure on the financial and other aspects.	N.A.

Place: - Shimla

Dated: -

30th Aug 2013

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

Chartered Accountants

FRN No. 06906N



D.L.DUGGAL & Co.

CHARTERED ACCOUNTANTS

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

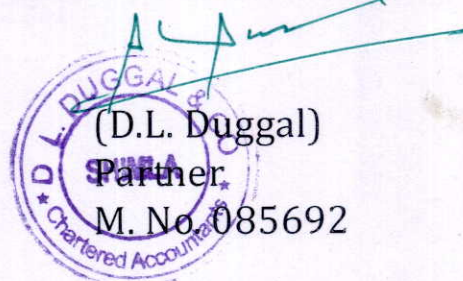
Compliance Certificate

We have conducted the audit of accounts of Himachal Pradesh Power Corporation Ltd. for the year ended 31st March, 2013 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:- 30th Aug 2013.

For D.L. Duggal & Co.
Chartered Accountant
FRN. No. 06906N



Replies to the Auditors Report on Accounts for the year ended 31.03.2013			
Sr. No.	Sub Sr. No.	Auditor's Report	Reply
Report on the Financial Statements			
		We have audited the accompanying financial statements of HIMACHAL PRADESH POWER CORPORATION LIMITED, Which comprise the Balance sheet as at March 31st 2013, Statement of Incidental expenditure during construction and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other notes.	Statement of fact, hence no comments required.
Management's responsibility for the Financial Statements			
		Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control 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.	Statement of fact, hence no comments required.
Auditor's Responsibility			
		Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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 financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of	Statement of fact, hence no comments required.

		the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.	
Opinion			
		In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the 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:	Statement of fact, hence no comments required.
	i)	In the case of the Balance sheet, of the state of affairs of the Company as at March 31 st 2013;	
	ii)	In the case of the Statement of Incidental expenditure during construction for the year ended on that date; and	
	iii)	In the case of the Cash Flow statement, of the cash flows for the year ended on that date.	
Emphasis of Matter			
1.		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.	Reconciliation of accounts with HPSEBL has been completed barring some entries relating to Kashang Project.
2.		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}	The fact has been disclosed at Note No 2.13.
3.		Fixed Assets of the company are not insured.	We are taking steps to insure assets, which are not insured.
4.		Interest given by Income Tax department on refunds has not been considered in the absence of proper details (Amount not ascertained).	Statement of fact, hence no comments required.
5.		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	It is clarified that the decision in the case of TUTICORNALKALI CHEMICALS AND FRTILIZERS LTD vs COMMISSIONER OF

		interest earned on temporary investments becomes taxable and no provision for income tax has been provided for the same. Refer Note no 2.12	INCOEM TAX by the Hon'ble Supreme Court of India has been superseded by the judgements in CIT Vs. Bokaro Steel Ltd. (1999) 236 ITR 315 in which the Hon'ble Supreme Court has held that the interest earned on the capital infused in the company for setting up the project/ plant should not be treated as income and should not be taxed.
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Report on other Legal and Regulatory Requirements

1.		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, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.	
2.		As required by section 227(3) of the Act, we report that:	
	(a)	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.	Statement of fact, hence no comments required.
	(b)	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.	Statement of fact, hence no comments required.
	(c)	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.	Statement of fact, hence no comments required.
	(d)	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.	Statement of fact, hence no comments required.
	(e)	In our opinion, the Balance sheet, Statement of Incidental expenditure during construction, and Cash Flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.	Statement of fact, hence no comments required.

Replies to the Annexure to the Statutory Auditors Report:

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, 2013.

i.	(a) The Corporation has generally maintained proper records showing full particulars including quantitative detail and situation of fixed assets except at Sawra Kuddu and Shongtong HEP. (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.	Statement of facts, hence no comments required. The physical verification of Fixed Assets is done in all the offices of the company at annual intervals. Statement of facts, hence no comments required.
ii.	(a) As explained to us, the inventory has not 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.	Statement of facts, hence no comments required. Statement of facts, hence no comments required. Statement of facts, hence no comments required.
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.	Statement of facts, hence no comments required. Statement of facts, hence no comments required.

	(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.	required. Statement of facts, hence no comments required.
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.	Statement of facts, hence no comments required.
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.	Statement of facts, hence no comments required.
vi.	The Corporation has not accepted deposits from the public under section 58-A of the Companies Act, 1956.	Statement of facts, hence no comments required.
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, However the scope of the internal audit needs to be enlarged	The company has been engaging the services of firms of senior chartered accountants for conducting internal audit and in our opinion the internal audit system commensurate with the size of the company.
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	Statement of facts, hence no comments required.

	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, 2013.	Statement of facts, hence no comments required. Statement of facts, hence no comments required.
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.	Statement of facts, hence no comments required.
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, except for interest on government loan from GoHP for the FY 2012-13 amounting Rs.7424.74 Lacs, out of which Rs.2950 Lacs was paid on 04.04.2013. For the balance amount of Rs.4475.00 Lacs, deferement has been approved by GoHP vide letter no.MPP-F(5)-3/2007-pt-II dated 24.07.2013	Statement of facts, hence no comments required.
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.	Statement of facts, hence no comments required.
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.	Statement of facts, hence no comments required.
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	Statement of facts, hence no comments required.

	Corporation.	
xv.	The Corporation has not given guarantees for loans taken by other from banks or Financial Institutions.	Statement of facts, hence no comments required.
xvi.	The term loans were applied for the purpose for which the loans were obtained.	Statement of facts, hence no comments required.
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	Statement of facts, hence no comments required.
xviii.	The Corporation, during the year, has not made any preferential allotment of shares to any party except to Govt of HP of Rs. 12950.75 Lacs and to HPSEBL of Rs. 1087.07 Lacs.	Statement of facts, hence no comments required.
xix.	The Corporation has not issued any debentures during the period under audit.	Statement of facts, hence no comments required.
xx.	The Corporation has not raised any money by public issues during the year under audit.	Statement of facts, hence no comments required.
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.	Statement of facts, hence no comments required.

Government of India
Indian Audit and Accounts Department
Principal Accountant General (Audit)
Himachal Pradesh-171003



भारत सरकार
भारतीय लेखा तथा लेखा परीक्षा विभाग
प्रधान महालेखाकार, (लेखापरीक्षा)
हिमाचल प्रदेश, शिमला- 171003

क्रमांक:- वा0ले0प0/आ0सै0/आ0सै-7/पावर- लेखे-2012-13/ 2013-14/1440-42 दिनांक:- 18-10-2013

सेवा में,

प्रबन्ध निदेशक,
हिमाचल प्रदेश पावर कारपोरेशन लिमिटेड,
शिमला, 171001

विषय:- कम्पनी अधिनियम, 1956 की धारा 619(4) के अधीन टिप्पणियां ।

महोदय,

मैं, 31 मार्च, 2013 को समाप्त वर्ष के लिए हिमाचल प्रदेश पावर कारपोरेशन लिमिटेड, के लेखों के सम्बन्ध में कम्पनी अधिनियम, 1956 की धारा 619(4) के अधीन टिप्पणियां भेज रहा हूँ।

कृपया पावती भेजें।

संलग्न: उपरोक्त

भवदीय
प्रधान महालेखाकार

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF HIMACHAL PRADESH POWER CORPORATION LIMITED FOR THE YEAR ENDED 31 MARCH 2013.

The preparation of financial statements of Himachal Pradesh Power Corporation Limited for the year ended 31 March 2013 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 30 August 2013.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3)(b) of the Companies Act, 1956 of the financial statements of Himachal Pradesh Power Corporation Limited for the year ended 31st March 2013. 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 619(4) of the Companies Act, 1956 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.

Balance Sheet

Equity and Liabilities

1 Current Liabilities- Other Current Liabilities (Note No. 8)

Liabilities for Contractors and Suppliers - ₹ 102.12 crore.

The above is understated by ₹ 4.92 crore due to non provision of value of civil work completed upto 31st March 2013. This has also resulted in understatement of Capital Work in Progress - Civil Works to the same extent.

Assets

2 Non current assets -Fixed assets - Tangible assets (Note-9.1)

Land Lease Hold - ₹ 4.31crore.

The above represents Net Present Value (NPV) paid to Forest Department for forest clearance in respect of Sainj Project. Expenditure on account of NPV was required to

be booked under Capital Work in Progress - Environmental and Rehabilitation costs instead of Tangible Assets-Land Lease Hold. This has resulted in overstatement of Tangible Assets-Land Lease Hold and understatement of Capital Work in Progress-Environmental and Rehabilitation costs by ₹ 4.31 crore.

3 Capital Work in Progress (Note-9.3) ₹ 1753.68 crore.

The above has been overstated by ₹ 8.64 crore due to non capitalization of the cost of the Residential Building (₹ 7.22crore) and Roads (₹ 1.42 crore) which were completed and put to use in August, 2011. This has also resulted in understatement of Tangible Assets-Residential Building and Roads and Bridges (Net Block) by ₹ 7.97 crore and Statement of Incidental Expenditure – Depreciation Expenses by ₹ 0.67 crore (Residential Buildings ₹ 0.56 crore and Roads ₹ 0.11 crore) for the period September 2011 to March 2013.

General

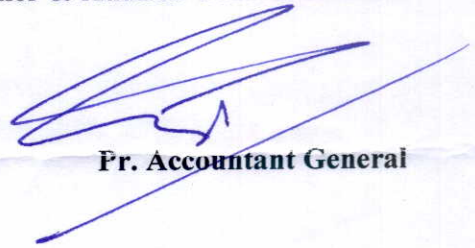
4 Notes to the Financial Statements

A reference is invited to Note 1 on the Overview of the Company, wherein equity participation from Government of Himachal Pradesh and Himachal Pradesh State Electricity Board Limited (HPSEBL) has been stated in the proportion of 60:40, whereas as per Note 3.1 equity participation of the State Government, Himachal Pradesh Infrastructure Development Board (HPIDB) and HPSEBL respectively was actually in the ratio of 30:58:12. Thus, the Note was deficient to that extent.

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

Place: Shimla

Dated: 18.11.13


Pr. Accountant General

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF H. P. POWER CORPORATION LIMITED FOR THE YEAR ENDING 31ST MARCH, 2013.

Sr. No.	Comments of CAG	Reply
1.	Balance sheet Equity and liabilities Current liabilities-Other Current liabilities(Note No.-8) Liabilities for Contractors & Suppliers: Rs.102.12 crore The above is understated by Rs.4.92 crore due to non-provision of civil work completed upto 31st March 2013. This has also resulted in understatement of Capital Work-in-Progress-Civil Works to the same extent.	Non-provisioning of Rs.4.92 crore liabilities is 0.28% of CWIP amount of Rs 1753.68 crore which has no significant impact on the accounts. However, the observation has been noted for future compliance.
2.	Assets Non-current assets-Fixed Assets-Tangible assets (Note-9.1) Land Lease Hold: Rs.4.31 Crore The above represents Net Present Value (NPV) paid to Forest department for forest clearance in respect of Sainj Project. Expenditure on account of NPV was required to be booked under Capital Work-in-Progress-Environment and Rehabilitation costs instead of Tangible Assets-Land Lease Hold. This has resulted in overstatement of Tangible Assets-Land Lease Hold and understatement of Capital Work-in-Progress-Environment and Rehabilitation costs by Rs.4.31 Crore.	Noted for compliance and necessary entries will be made in next financial year.
3.	Capital work-in-progress (Note-9.3): Rs.1753.68 crore The above has been overstated by Rs.8.64 crore due to non capitalization of the cost of the Residential Building (Rs.7.22 crore) and roads (Rs. 1.42 crore) Which were completed and put to use in August, 2011. This has also resulted in understatement of Tangible assets-Residential Building and Roads and Bridges (Net Block) by Rs.7.97 Crore and Statement of Incidental Expenditure -Depreciation Expenses by Rs.0.67 Crore (Residential buildings Rs.0.56 crore and roads Rs.0.11 crore) for the period September 2011 to March 2013.	In view of the size of CWIP i.e Rs. 1753.68 crore, it comes to 0.024%. Therefore, it has no significant impact on the accounts of the Company. However, the observation has been noted for future compliance.
4.	General Notes to the accounts A reference is invited to Note 1 on the Overview of the Company, wherein equity participation from Govt. of H.P. and HPSEBL has been stated in the proportion of 60:40, whereas as per Note No.3.1 equity participation of Govt. of H.P., HPIDB and HPSEBL respectively was actually in the ratio of 30:58:12. Thus, the note was deficient to that extent.	The factual position of shareholding in terms of money has been given in Schedule number 3.1 of the Annual Accounts. However, the Observation has been noted for future compliance.

