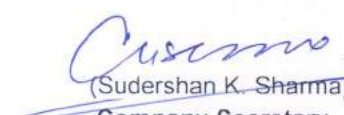


| HIMACHAL PRADESH POWER CORPORATION LIMITED    |         |                   |                   |
|-----------------------------------------------|---------|-------------------|-------------------|
| Balance Sheet As At 31st March 2015           |         | (Rs in Lacs)      |                   |
| Particulars                                   | Note No | As at 31.03.2015  | As at 31.03.2014  |
| <b>I. EQUITY AND LIABILITIES</b>              |         |                   |                   |
| (1) Shareholder's Funds:                      |         |                   |                   |
| (a) Share Capital                             | 3       | 135,059.58        | 118,238.96        |
| (b) Share application money pending allotment | 4       | 4,332.00          | 50.00             |
| (2) Reserves & Surplus                        |         |                   |                   |
| (a) Capital Reserve                           | 5       | 24,311.55         | 24,394.33         |
| (b) Profit & Loss Account                     |         | (4,106.25)        | (1,932.44)        |
| (3) Non-Current Liabilities:                  |         |                   |                   |
| (a) Long-term borrowings                      | 6       | 183,713.99        | 154,601.48        |
| (b) Long term liabilities                     | 7       | 29,727.00         | 18,324.87         |
| (c) Long term provisions                      | 8       | 2,760.51          | 1,994.78          |
| (4) Current Liabilities:                      |         |                   |                   |
| (a) Other current liabilities                 | 9       | 27,408.96         | 17,253.14         |
| <b>Total</b>                                  |         | <b>403,207.34</b> | <b>332,925.12</b> |
| <b>II. ASSETS</b>                             |         |                   |                   |
| (1) Non-current assets:                       |         |                   |                   |
| (a) Fixed assets                              |         |                   |                   |
| (i) Tangible assets                           | 10.1    | 30,681.48         | 23,194.81         |
| (ii) Intangible assets                        | 10.2    | 92.25             | 396.30            |
| (iii) Capital work-in-progress                | 10.3    | 300,203.75        | 237,515.60        |
| (b) Non-current investments                   | 11      | 398.00            | 398.00            |
| (c) Long term loans and advances              | 12      | 16,306.03         | 13,363.09         |
| (2) Current assets:                           |         |                   |                   |
| (a) Inventories                               | 13      | 47.61             | 50.83             |
| (b) Cash and cash equivalents                 | 14      | 36,670.02         | 39,463.81         |
| (c) Short-term loans and advances             | 15      | 18,720.51         | 18,454.94         |
| (d) Other current assets                      | 16      | 87.69             | 87.74             |
| <b>Total</b>                                  |         | <b>403,207.34</b> | <b>332,925.12</b> |

The accompanying notes 1 to 24 form an integral part of these financial statements.

For and on behalf of the Board of Directors

  
(Sudershan K. Sharma)  
Company Secretary

  
(Varesh Gupta)  
Addl. G.M. (Finance)

  
(Neeraj Kumar)  
Director (Finance)

  
(Devendra K. Sharma)  
Managing Director

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

For Sharma Rajeev & Associates  
Chartered Accountants  
FRN No.010073N



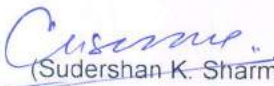
Place: Shimla  
Date: 12/02/2016

  
(CA Ashok Kumar Sharma)  
Partner  
Membership No. 086522

| HIMACHAL PRADESH POWER CORPORATION LIMITED                                   |         |                   |                   |
|------------------------------------------------------------------------------|---------|-------------------|-------------------|
| Statement of Profit and Loss for the year ended 31st March 2015 (Rs in Lacs) |         |                   |                   |
| Particulars                                                                  | Note No | As at 31.03.2015  | As at 31.03.2014  |
| <b>I. Revenue</b>                                                            |         |                   |                   |
| Revenue from operations                                                      |         | -                 | -                 |
| Miscellaneous Income                                                         | 24      | 3,042.94          | 2,811.06          |
| <b>Total Revenue (A)</b>                                                     |         | <b>3,042.94</b>   | <b>2,811.06</b>   |
| <b>Expenses</b>                                                              |         |                   |                   |
| Employee Benefit Expenses                                                    | 17      | 444.59            | 480.04            |
| Finance/Interest Cost                                                        | 19      | 2,724.92          | 2,589.89          |
| Depreciation and Amortization expenses                                       | 21      | 655.60            | 724.37            |
| Office & Administrative expenses                                             | 22      | 1,327.81          | 941.34            |
| <b>Total Expenses (B)</b>                                                    |         | <b>5,152.91</b>   | <b>4,735.64</b>   |
| <b>Profit/Loss before extra ordinary items &amp; tax (A+B)</b>               |         | <b>(2,109.98)</b> | <b>(1,924.58)</b> |
| <b>Extra Ordinary Items</b>                                                  |         |                   |                   |
| Loss of Fixed/CWIP Assets                                                    |         |                   |                   |
| Kashang HEP                                                                  | 63.29   |                   | -                 |
| Sawra Kuddu HEP                                                              | 0.53    | (63.82)           | (7.86)            |
| <b>Profit/Loss Before Tax</b>                                                |         | <b>(2,173.80)</b> | <b>(1,932.44)</b> |
| Income Tax                                                                   |         | -                 | -                 |
| <b>Profit/Loss after tax</b>                                                 |         | <b>(2,173.80)</b> | <b>(1,932.44)</b> |
| <b>EPS</b>                                                                   |         | <b>(17.17)</b>    | <b>(18.08)</b>    |

The accompanying notes 1 to 24 form an integral part of these financial statements.

For and on behalf of the Board of Directors

  
(Sudershan K. Sharma)  
Company Secretary

  
(Varesh Gupta)  
Addl. G.M. (Finance)

  
(Neeraj Kumar)  
Director (Finance)

  
(Devendra K. Sharma)  
Managing Director

This is the statement of Profit & Loss referred to in our report of even date.

For Sharma Rajeev & Associates  
Chartered Accountants  
FRN No.010073N

Place: Shimla

Date: 12/02/2016





(CA Ashok Kumar Sharma)  
Partner  
Membership No. 086522

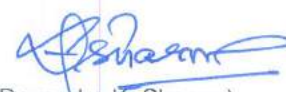
| HIMACHAL PRADESH POWER CORPORATION LIMITED                  |                       |                       |
|-------------------------------------------------------------|-----------------------|-----------------------|
| (Rs in Lacs)                                                |                       |                       |
| Cash Flow Statement for the year ended 31st March 2015      |                       |                       |
| Particulars                                                 | Year ended 31.03.2015 | Year ended 31.03.2014 |
| <b>(A) Cash flow from operating activities</b>              | (2,173.80)            | (1,932.44)            |
| Loss of Fixed/CWIP Assets                                   | 63.82                 | 7.86                  |
| Depreciation                                                | 655.60                | 724.37                |
| Interest Income                                             | (3,042.03)            | (2,798.79)            |
| Finance/Interest Cost                                       | 2,724.92              | 2,589.89              |
| <b>Cash Generated from Operation</b>                        | (1,771.49)            | (1,409.11)            |
| Less: Income Tax Paid                                       | (2,594.08)            | (1,931.37)            |
| <b>Net Cash from operating activity</b>                     | <b>(4,365.57)</b>     | <b>(3,340.48)</b>     |
| <b>(B) Cash flow from Investing activities</b>              |                       |                       |
| Net Expenditure on Fixed Assets                             | (11,199.69)           | (1,985.61)            |
| Depreciation in CWIP                                        | 3,361.48              | 459.16                |
| Expenditure on CWIP*                                        | (51,040.82)           | (49,278.81)           |
| Investment in JV                                            | -                     | (20.00)               |
| Other Current Assets                                        | 0.05                  | 236.13                |
| Inventories                                                 | 3.22                  | (0.77)                |
| Loans and Advances(Short & Long term)                       | (614.44)              | (21,652.27)           |
| Long Term Provisions                                        | 765.72                | 615.10                |
| Other Current Liabilities                                   | 10,155.82             | (4,024.28)            |
| Less: Loss of Fixed/CWIP assets from torential rain & flood | (63.82)               | (7.86)                |
| <b>Net Cash used in Investing activity</b>                  | <b>(48,632.49)</b>    | <b>(75,659.21)</b>    |
| <b>(C) Cash flow from Financing Activities</b>              |                       |                       |
| Share Capital                                               | 21,102.62             | 18,000.00             |
| Long Term Borrowings -net of repayments                     | 29,112.51             | 41,098.15             |
| Capital Reserve                                             | -                     | 24,483.80             |
| Long Term Liabilities                                       | 11,402.13             | 18,324.87             |
| Finance Charges less interest earned                        | (11,413.00)           | (12,749.62)           |
| <b>Net Cash from Financing activity</b>                     | <b>50,204.26</b>      | <b>89,157.20</b>      |
| <b>Gross Total (A+B+C)</b>                                  | <b>(2,793.80)</b>     | <b>10,157.50</b>      |
| Add: Opening Cash and Equivalents                           | 39,463.81             | 29,306.31             |
| <b>Closing Cash and Equivalents</b>                         | <b>36,670.01</b>      | <b>39,463.81</b>      |

The accompanying notes 1 to 24 form an integral part of these financial statements.

\* Net Expenditure on CWIP is net of finance/Interest cost during the year.

The substantial amount of both Current Liabilities and Current Assets belongs to Projects which are under construction and HPPCL has not yet begun its revenue generation. therefore, effect of change is capital nature and shown accordingly under investing activity

For and on behalf of the Board of Directors

|                                                                                                                                   |                                                                                                                               |                                                                                                                             |                                                                                                                                    |
|-----------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| <br>(Sudershan K. Sharma)<br>Company Secretary | <br>(Varesh Gupta)<br>Addl. G.M. (Finance) | <br>(Neeraj Kumar)<br>Director (Finance) | <br>(Devendra K. Sharma)<br>Managing Director |
|-----------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|

This is the Cash Flow statement referred to in our report of even date.

For Sharma Rajeev & Associates  
Chartered Accountants  
FRN No.010073N



(CA Ashok Kumar Sharma)  
Partner  
Membership No. 086522

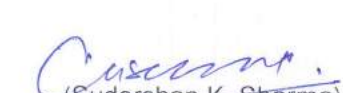
Place: Shimla

Date: 12/02/2016

| HIMACHAL PRADESH POWER CORPORATION LIMITED                                   |          |                     |                     |                     |
|------------------------------------------------------------------------------|----------|---------------------|---------------------|---------------------|
| Expenditure During Construction                                              | Note No. | Amount (Rs in Lacs) | Amount (Rs in Lacs) | Amount (Rs in Lacs) |
|                                                                              |          | As at 31.03.2015    | During 2014-15      | As at 31.03.2014    |
| <b>EXPENSES (A):</b>                                                         |          |                     |                     |                     |
| Employees' Benefits Expenses                                                 | 18       | 39,848.46           | 6,523.27            | 33,325.19           |
| Finance/Interest Cost                                                        | 20       | 43,354.28           | 11,730.11           | 31,624.17           |
| Depreciation Expenses                                                        | 21       | 6,222.14            | 3,412.66            | 2,809.48            |
| Office and Administrative Expenses                                           | 23       | 41,466.52           | 5,567.13            | 35,899.39           |
| <b>TOTAL (A)</b>                                                             |          | <b>130,891.40</b>   | <b>27,233.17</b>    | <b>103,658.23</b>   |
| Less: Miscellaneous Income                                                   | 24       | 15,781.79           | 530.26              | 15,251.53           |
| Less: Renukaji & Gyspa Project Depreciation adjusted against Capital Reserve |          | 172.25              | 82.78               | 89.47               |
| <b>NET EXPENDITURE (B)<br/>(Carried forward to CWIP)</b>                     |          | <b>114,937.36</b>   | <b>26,620.14</b>    | <b>88,317.23</b>    |

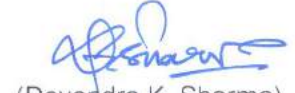
The accompanying notes 1 to 24 form an integral part of these financial statements.

For and on behalf of the Board of Directors

  
(Sudershan K. Sharma)  
Company Secretary

  
(Varesh Gupta)  
Addl. G.M. (Finance)

  
(Neeraj Kumar)  
Director (Finance)

  
(Devendra K. Sharma)  
Managing Director

For Sharma Rajeev & Associates  
Chartered Accountants  
FRN No.010073N

Place: Shimla

Date: 12/02/2016



  
(CA Ashok Kumar Sharma)  
Partner  
Membership No. 086522

**HIMACHAL PRADESH POWER CORPORATION LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2015**

**1. Overview of the 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).

**2. Significant Accounting Policies:**

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

The financial statements are prepared under the historical cost convention on accrual basis in line with the generally accepted accounting principles in India. These statements have been prepared in accordance with applicable mandatory Accounting Standards and relevant presentational requirements of the Companies Act, 2013.

- 2.2 The company has been regular in repayment of the loans or interest thereon during the year. The Loan from GoHP and Interest thereon amounting to Rs. 24,609.00 Lacs has been deferred during the year vide letter No. MPP-F(5)-3/2007-III dated 26.02.2015. Total Loan amounting Rs.12,022.00 Lacs has been deferred by the GoHP (Rs.5,618.00 Lacs for FY 2013-14 and Rs.6,404.00 Lacs for FY 2014-15, until the commencement of at least one of the project of HPPCL.

Total interest deferment for Rs.29,727.00 Lacs has been approved by GoHP (Rs. 2,475.00 Lacs for F.Y . 2012-13, Rs.11,522.00 Lacs for F.Y. 2013-14 and Rs.15,730.00 Lacs for F.Y. 2014-15), until the commencement of at least one project of HPPCL.

- 2.3 The Renukaji Dam Hydro Electric project and Gyspa Dam project is being implemented by HPPCL as a National project and is fully funded by the Government of India and Governments of beneficiary states. The contributions received for Renukaji Dam project from the Delhi Jal Board and the Haryana Government aggregating Rs. 23,983.80 Lacs and for Gyspa Dam project from CWC Rs. 500.00 Lacs have been treated as Capital Reserve (Net of depreciation) in compliance with AS-12.

**2.4 Fixed Assets:**

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.

**2.5 Depreciation:**

- Depreciation has been provided for on Written down Method on useful life basis and in the manner specified in schedule II of Companies Act, 2013.
- The carrying amount of the assets as on 01.04.2014 is being depreciated over the remaining useful life of assets after keeping the residual value of five percent.



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

## 2.6 Capital Work in Progress:

Expenditure during construction period relating to Survey and Investigation, LADA, Relief & Rehabilitation, environment & ecology, administrative expenses of the Projects are termed as "Incidental Expenditure during construction" and grouped/carried to capital work in progress and will be allocated to respective fixed assets on completion/construction of the project.

## 2.7 Profit & Loss Account :

- The Office & administrative expenses at corporate office and Design Office Sunder Nagar has been treated as revenue expenditure except for salaries which is treated as expenses related to projects under construction and, therefore, forms parts of expenditure during construction period.
- Expenditure of projects, which is related to implementation of project or incidental thereto incurred during the period prior to commencement of commercial operations are classified as "Expenditure during construction/"Capital Work in Progress" as the case may be. On commencement of commercial operation or completion of construction of the concerned assets these costs would be capitalized/apportioned on the assets, on appropriate basis.
- Earnings per Share have been arrived at by dividing the Net Loss by weighted average number of shares during the year.

## 2.8 Investments:

The company has made an investment of Rs. 398.00 Lacs in the equity of Himachal EMTA Power Ltd. (HEPL), which has been established as company's joint venture with EMTA for setting up (2\*250 MW) thermal power plant at Raniganj, West Bengal. The company has 50% equity participation in HEPL. The objective of joint venture is investment in coal block for ensuring the uninterrupted fuel supply thereto. It is valued at cost.

However Hon'ble "Supreme Court of India" has cancelled all allotments of coal blocks and termed all captive coal block allocations since 1993, as illegal. The matter is under active consideration of management.

## 2.9 Inventories:

Inventories consist of consumable items at project sites and valued at cost.

## 2.10 Foreign currency transactions

Payments in foreign currency are made to the contractors against their bills. These are recorded on rates prevailing on date of payment. Foreign Exchange Payments are as follows:

|                                | Currency | FY 2014-15  | FY 2013-14 |
|--------------------------------|----------|-------------|------------|
| To Lahmeyer International GMBH | Euro     | 170519.00   | 51699.99   |
|                                | INR      | 13402684.36 | 4280759.19 |



### 2.11 Expenditure during construction period:

The statement showing expenditure during construction period (pending allotment) has been prepared. All the projects of the company are currently under construction stage and therefore expenditure not directly attributable to assets is treated as expenditure during construction period.

### 2.12 Retirement Benefit:

#### I. 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.

#### II. 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.

#### III. Defined Benefit Plan (Pension Contribution & Leave Encashment):

- Liability towards Pension contribution in respect of HPSEBL & other employees, who are on secondment basis with HPPCL has been provided as per provisions contained in FRSR. leave salary in respect of these employees has been provided at the rate of 11% on basic pay plus grade pay, however amount for leave availed by employees during the year has been deducted from pension contribution and leave salary.
- Provision for leave encashment in respect of HPPCL employees has been provided by taking basic pay plus grade pay plus dearness allowance.

### 2.13 Provision, Contingent Liabilities & Assets:

A provision is recognized when the company has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. Provisions involving substantial degree of estimation in measurement have been made. Contingent liabilities, if any, are not recognized, but are disclosed in the notes. Contingent assets are neither recognized, nor disclosed in the financial statements.

#### Contingent Liabilities:

##### I. A) Claims against the company not acknowledged as Debt:

| Particulars                    | Rs. in Lacs      |                  |
|--------------------------------|------------------|------------------|
|                                | As at 31.03.2015 | As at 31.03.2014 |
| Capital Works                  | 45,034.61        | 25,792.19        |
| Entry Tax (penalty & interest) | 1088.98          | -                |
| <b>Total</b>                   | <b>46,123.59</b> | <b>25,792.19</b> |

- ##### II.
- The award for land acquired at Renukaji Dam Project amounting to Rs. 44,697.00 Lacs had been made. However, liability for the same has not been created in the books of accounts and has been kept under contingent liability keeping in view the fact that the Project is of National importance and funds are still awaited from Government of India.
- ##### III.
- The above contingent liabilities do not include claims against the company in respect of other matters where the amount cannot be quantified.



#### 2.14 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. For the FY 2007-08 Rs.68,64,511/- and 2008-09 Rs.9,35,33,370/- (Tax & interest) has been imposed & deposited. HPPCL has preferred an appeal before the Hon'ble H.P. High court against the orders of the Income Tax Appellate Tribunal, Chandigarh. The Hon'ble court has admitted the appeal on 07.01.2015.
- III. For the FY 2008-09 Assessing Officer has raised a demand of RS. 9,43,28,025/-(Penalty) u/s 271 (1) (c) of Income Tax Act, 1961, which has been deposited and company has filed an appeal with CIT (A) Solan.
- IV. The Appeals filed with Income Tax Appellate Tribunal, Chandigarh for the FY 2009-10 involving amount Rs.12,47,81,950/- and for FY 2010-11, Rs.8,93,04,970/- (Tax & interest). The case has been partially decided in HPPCL's favour by ITAT order dated 06.05.2015 and 06.08.2015.
- V. For the FY 2011-12, against the demand of Rs. 9,05,46,645/- raised by ITO which was deposited, the company preferred an appeal with CIT (A) Solan.
- VI. The Assessment for FY 2012-13 and 2013-14 is pending with Assessing Authority.
- VII. Advance tax of Rs. 8,03,50,000/- has been deposited during the FY 2014-15.

#### 2.15 Entry Tax :

The H.P. Excise and taxation department imposed penalty and interest for default in payment of Entry Tax on material supplied by various contractors. The matter is subjudice under Appellate Authority-cum-Additional Excise and Taxation Commissioner, Shimla. The status of which is as given below:

(Rs. in Lacs)

| Power Project   | Interest | Penalty | Total (Interest & Penalty) | Latest Status                                      |
|-----------------|----------|---------|----------------------------|----------------------------------------------------|
| Kashang HEP     | 126.34   | 251.32  | 377.66                     | Decision pending with Appellate Authority cum AETC |
| Sawra Kuddu HEP | 205.00   | 455.00  | 660.00                     | -Do-                                               |
| Sainj HEP       | 6.36     | 44.96   | 51.32                      | -Do-                                               |
| Total           | 337.70   | 751.28  | 1,088.98                   |                                                    |

#### 2.16 Capital Commitments:

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

(In Lacs)

| Currency      | As on 31.03.2015 | As on 31.03.2014 |
|---------------|------------------|------------------|
| Indian Rupees | 148,946.32       | 186,765.65       |
| Euro          | 1,543.85         | 27.86            |
| US \$         | 112.08           | 52.40            |
| CHF           | 5.35             | 8.03             |



- 2.17 The balance confirmation of the loan and Advances including recoverable, advance to Government departments, contractors, LAO, recoverable from govt. departments and liability to suppliers and government departments has not been received.

2.18 **Payment to Auditors includes:**

| (Rs. in Lacs)             |             |             |
|---------------------------|-------------|-------------|
| Particulars               | FY 2014-15  | FY 2013-14  |
| Fee to Auditors           | 2.68        | 2.64        |
| Certification fee         | 0.67        | 0.67        |
| Reimbursement of Expenses | 0.98        | -           |
| <b>Total</b>              | <b>6.21</b> | <b>3.31</b> |

- 2.19 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.

2.20 **Related Party Disclosure:**

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

**Related Parties-Key Management Personnel:**

**Whole Time Directors:**

| Name                   | Designation                                                       |
|------------------------|-------------------------------------------------------------------|
| Sh. Devendra K. Sharma | Managing Director (w. e. f. 13/09/2012 to till date)              |
| Sh. V.K.Tiwari, IFS    | Director (Personnel) (till 21/06/2014)                            |
| Sh. Rajiv Sharma, IAS  | Director (Personnel & Finance), (w.e.f. 20/06/2014 to 06/11/2014) |
| Sh.Amarjeet Singh, HAS | Director (Personnel & Finance), (w.e.f. 03/11/2014 to 26.10.2015) |
| Sh.Neeraj Kumar, HAS   | Director (Personnel & Finance), (w.e.f. 26/10/2015 to till date)  |
| Er. M.S.Rana           | Director (Electrical) (w. e. f. 14/08/2012 to till date)          |
| Er. Ajay Kumar Gupta   | Director (Civil) (w. e. f. 17/06/2013 to till date)               |

2.21 **Remuneration to key management personnel:**

| (Rs. in Lacs) |                                   |              |              |
|---------------|-----------------------------------|--------------|--------------|
| Sr. No.       | Particulars                       | FY 2014-15   | FY 2013-14   |
| 1             | Salary and Allowances (MD)        | 15.62        | 13.96        |
| 2             | Salary and Allowances (Directors) | 65.16        | 51.41        |
|               | <b>Total</b>                      | <b>80.78</b> | <b>65.37</b> |

- 2.22 Interest due to the State Govt. Loan funded by ADB has been treated as capital cost in accordance with AS-16 except for interest, amounting to Rs. 2,721.32 Lacs which has been treated as revenue expenditure, being cost of unutilized funds held in Imprest loan account which are kept in fixed deposits.



2.23 HPPCL has forest land in possession at Sainj HEP, Kashang HEP, Shongtong HEP and Sawra kuddu HEP, provision of lease rent has not been created as the management of HPPCL has planned to take-up the matter with H.P. Govt. for waiver of this cost and the same shall be taken on lease at nominal value, keeping in view the fact that the HPPCL is a fully owned State Govt. Enterprise.

2.24 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.

For and on behalf of the Board of Directors

  
(Sudershan K. Sharma)  
Company Secretary

  
(Varesh Gupta)  
Addl. G.M. (Finance)

  
(Neeraj Kumar)  
Director (Finance)

  
(Devendra K. Sharma)  
Managing Director



### 3) SHARE CAPITAL

| PARTICULARS                                                                                                                                                                                 | Amount(Rs in Lacs) | Amount(Rs in Lacs) |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
|                                                                                                                                                                                             | As at 31.03.2015   | As at 31.03.2014   |
| AUTHORISED SHARE CAPITAL (15000000 Equity Shares of Rs 1000/- each)                                                                                                                         | 1,50,000.00        | 1,50,000.00        |
| ISSUED, SUBSCRIBED AND FULLY PAID UP CAPITAL 1,35,05,958 Equity Shares of Rs. 1000/- each (fully paid up) {For Previous Year: 1,18,23,896 Equity Shares of Rs. 1000/- each (fully paid up)} | 1,35,059.58        | 1,18,238.96        |
| <b>Total Paid Up Capital</b>                                                                                                                                                                | <b>1,35,059.58</b> | <b>1,18,238.96</b> |

#### 3.1) Detail of shareholding in the company:

| Name of Shareholder                             | Amount (Rs in Lacs) | Amount (Rs in Lacs) |
|-------------------------------------------------|---------------------|---------------------|
|                                                 | As at 31.03.2015    | As at 31.03.2014    |
| HP Govt.                                        | 13,267.30           | 53,217.50           |
| HPIDB                                           | 1,08,714.77         | 53,714.77           |
| HPSEBL (13,07,731 Equity Shares Issued in kind) | 13,077.51           | 11,306.69           |
| <b>TOTAL</b>                                    | <b>1,35,059.58</b>  | <b>1,18,238.96</b>  |

#### 3.2) Reconciliation of shares outstanding is set out below:

| PARTICULARS                                      | As at 31.03.2015 |                     |
|--------------------------------------------------|------------------|---------------------|
|                                                  | No. of shares    | Amount (Rs in Lacs) |
| No of shares at the beginning (as on 01.04.2014) | 1,18,23,896.00   | 1,18,238.96         |
| No of shares issued during the year              | 16,82,062.00     | 16,820.62           |
| No of shares at the end (as on 31.03.2015)       | 1,35,05,958.00   | 1,35,059.58         |

### 4) ADVANCE SHARE APPLICATION MONEY

| PARTICULARS                                                       | Amount(Rs in Lacs) | Amount(Rs in Lacs) |
|-------------------------------------------------------------------|--------------------|--------------------|
|                                                                   | As at 31.03.2015   | As at 31.03.2014   |
| A) Share Application money pending allotment (From Govt. of H.P.) | 4,332.00           | 50.00              |
| <b>TOTAL</b>                                                      | <b>4,332.00</b>    | <b>50.00</b>       |

#### 5) (a) Capital Reserve:

| PARTICULARS                                                                                                                   | Amount(Rs in Lacs) | Amount(Rs in Lacs) |
|-------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
|                                                                                                                               | As at 31.03.2015   | As at 31.03.2014   |
| Capital Reserve: Received for Renukaji Dam Project Rs.23,983.80 Lacs and for Gyspa Dam Project Rs.500 Lacs (Ref. Note No.2.3) | 24,483.80          | 24,483.80          |
| Less: Renukaji & Gyspa Project Depreciation                                                                                   | (172.25)           | (89.47)            |
| <b>Capital Reserve net of Depreciation transferred to Balance Sheet</b>                                                       | <b>24,311.55</b>   | <b>24,394.33</b>   |

#### (b) Profit & Loss Account:

|                                                                   |                   |                   |
|-------------------------------------------------------------------|-------------------|-------------------|
| Opening Balance                                                   | (1,932.44)        | -                 |
| Add: Profit/Loss for the year as per Statement of Profit and Loss | (2,173.80)        | (1,932.44)        |
| <b>Closing Balance</b>                                            | <b>(4,106.25)</b> | <b>(1,932.44)</b> |

### 6) LONG TERM BORROWINGS:

| PARTICULARS                                                                                                                                                             | Amount(Rs in Lacs) | Amount(Rs in Lacs) |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
|                                                                                                                                                                         | As at 31.03.2015   | As at 31.03.2014   |
| <b>Long Term Loans</b>                                                                                                                                                  |                    |                    |
| State Govt Loan (KFW) (Raised for Shongtong HEP, sanctioned on 19.12.2012 and on 29.07.2013 respectively)                                                               | 22.63              | 6.17               |
| 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) | 1,921.16           | 2,501.39           |
| Sawra Kuddu HEP                                                                                                                                                         | 1,471.16           |                    |
| Kashang HEP                                                                                                                                                             | 450.00             |                    |



|                                                                                                      |                   |                   |
|------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| State Govt Loan (ADB) (Installment of principal & interest payable yearly on 15th January each year) |                   |                   |
| Corporate Office                                                                                     | 19,090.46         |                   |
| Sawra Kuddu HEP                                                                                      | 52,106.07         |                   |
| Kashang HEP                                                                                          | 46,940.17         |                   |
| Sainj HEP                                                                                            | 46,475.78         |                   |
| Shongtong HEP                                                                                        | 5,135.73          |                   |
|                                                                                                      | 169,748.20        | 146,475.93        |
| Repayment due on State Govt. Loan (ADB) Deferred (Ref. Note No.2.2)                                  | 12,022.00         | 5,618.00          |
| <b>TOTAL</b>                                                                                         | <b>183,713.99</b> | <b>154,601.48</b> |

**7) LONG TERM LIABILITIES:**

| PARTICULARS                                                  | Amount(Rs in Lacs) | Amount(Rs in Lacs) |
|--------------------------------------------------------------|--------------------|--------------------|
|                                                              | As at 31.03.2015   | As at 31.03.2014   |
| Interest Payable on Govt. Loan (Deferred) (Ref. Note No.2.2) | 29,727.00          | 18,324.87          |
| <b>TOTAL</b>                                                 | <b>29,727.00</b>   | <b>18,324.87</b>   |

**8) LONG TERM PROVISIONS:**

| PARTICULARS                        | Amount(Rs in Lacs) | Amount(Rs in Lacs) |
|------------------------------------|--------------------|--------------------|
|                                    | As at 31.03.2015   | As at 31.03.2014   |
| Provision for Pension Contribution | 763.94             | 522.51             |
| Provision for Gratuity             | 355.62             | 290.42             |
| Provision for Leave Encashment     | 1,640.95           | 1,181.85           |
| <b>TOTAL</b>                       | <b>2,760.51</b>    | <b>1,994.78</b>    |

**9) OTHER CURRENT LIABILITIES:**

| PARTICULARS                                          | Amount(Rs in Lacs) | Amount(Rs in Lacs) |
|------------------------------------------------------|--------------------|--------------------|
|                                                      | As at 31.03.2015   | As at 31.03.2014   |
| Liabilities for employee's remuneration and benefits | 108.11             | 271.59             |
| Liabilities for contractors & suppliers              | 13,774.62          | 9,819.96           |
| Liabilities for government departments               | 506.84             | 460.96             |
| Interest accrued and due on Unsecured Loans          | 4,382.36           | 3,647.85           |
| Interest accrued and due on Secured Loans            | 60.42              | 73.14              |
| PFC Loan payable                                     | 580.22             | 580.22             |
| Provision for expenses                               | 7,888.72           | 2,233.31           |
| Taxes and duties payable                             | 107.68             | 166.11             |
| <b>TOTAL</b>                                         | <b>27,408.96</b>   | <b>17,253.14</b>   |

**10.1 & 10.2) TANGIBLE AND INTANGIBLE ASSETS:**

| PARTICULARS                           | Amount(Rs in Lacs) | Amount(Rs in Lacs) |
|---------------------------------------|--------------------|--------------------|
|                                       | As at 31.03.2015   | As at 31.03.2014   |
| <b>Gross Tangible Assets</b>          | <b>37,412.81</b>   | <b>26,212.59</b>   |
| Less: Depreciation                    | 6,731.33           | 3,017.78           |
| <b>Net Tangible Assets</b>            | <b>30,681.48</b>   | <b>23,194.81</b>   |
| <b>Gross Intangible Assets</b>        | <b>911.84</b>      | <b>912.37</b>      |
| Less: Depreciation                    | 819.59             | 516.07             |
| <b>Net Intangible Assets</b>          | <b>92.25</b>       | <b>396.30</b>      |
| <b>Total Net Block (Fixed Assets)</b> | <b>30,773.73</b>   | <b>23,591.11</b>   |



| FY 2014-15                                 |                                    |           |                   |                                    |                                                    |               |          |                    |                                          |                                                    |                     |                  |
|--------------------------------------------|------------------------------------|-----------|-------------------|------------------------------------|----------------------------------------------------|---------------|----------|--------------------|------------------------------------------|----------------------------------------------------|---------------------|------------------|
| FIXED ASSETS (10)                          |                                    |           |                   |                                    |                                                    |               |          |                    |                                          |                                                    |                     |                  |
| Note No.10.1                               |                                    |           |                   |                                    |                                                    |               |          |                    |                                          |                                                    |                     |                  |
| TANGIBLE ASSETS (A)                        |                                    |           |                   |                                    |                                                    |               |          |                    |                                          |                                                    |                     |                  |
| Particulars                                | GROSS BLOCK                        |           |                   | DEPRECIATION                       |                                                    |               |          |                    |                                          | NET BLOCK                                          | (Rs in Lacs)        |                  |
|                                            | Gross Block<br>As on<br>01.04.2014 | Addition  | Transfer/<br>Sale | Gross Block<br>As on<br>31.03.2015 | Accumulated<br>Depreciation<br>Up to<br>31.03.2014 | Previous Year |          | During the<br>Year | Total<br>Depreciation<br>for the<br>year | Accumulated<br>Depreciation<br>Up to<br>31.03.2015 | As at<br>31.03.2015 | As at 31.03.2014 |
|                                            |                                    |           |                   |                                    |                                                    | Deletion      | Addition |                    |                                          |                                                    |                     |                  |
| LAND - LEASEHOLD                           | 28.28                              | 0.00      | 0.00              | 28.28                              | 0.00                                               | 0.00          | 0.00     | 0.00               | 0.00                                     | 0.00                                               | 28.28               | 28.28            |
| LAND - FREEHOLD                            | 16808.37                           | 9172.06   | 383.83            | 25596.60                           | 0.00                                               | 0.00          | 0.00     | 0.00               | 0.00                                     | 0.00                                               | 25596.60            | 16808.37         |
| RESIDENTIAL BUILDINGS                      | 2241.85                            | 578.73    | 299.73            | 2520.84                            | 435.38                                             | -76.99        | 117.25   | 100.88             | 141.14                                   | 576.52                                             | 1944.32             | 1806.47          |
| NON RESIDENTIAL BUILDINGS                  | 45.34                              | 537.68    | 0.00              | 583.02                             | 18.68                                              | -17.58        | 93.70    | 18.61              | 94.73                                    | 113.42                                             | 469.60              | 26.66            |
| TEMPORARY SHEDS/ERECTIIONS                 | 484.20                             | 6.11      | 28.41             | 461.90                             | 483.94                                             | -28.41        | 6.11     | 0.26               | -22.04                                   | 461.90                                             | 0.00                | 0.26             |
| "ROADS, BRIDGES & TRAFFIC TUNNELS "        | 3858.35                            | 0.00      | 3858.35           | 0.00                               | 458.61                                             | -479.04       | 20.44    | 0.00               | -458.60                                  | 0.00                                               | 0.00                | 3399.75          |
| PLANT (CURRENTLY FOR WATER TREATMENT)      | 3.56                               | 0.00      | 0.00              | 3.56                               | 2.21                                               | 0.00          | 0.00     | 0.82               | 0.82                                     | 3.03                                               | 0.53                | 1.36             |
| "OFFICE MACHINERY ( LIKE LAB, FIRE SAFETY) | 152.44                             | 9.15      | 5.23              | 156.35                             | 47.82                                              | -5.18         | 0.00     | 37.38              | 32.21                                    | 80.03                                              | 76.32               | 104.62           |
| ELECTRONICS & ELECTRICAL ITEMS             | 220.22                             | 100.42    | 7.48              | 313.16                             | 101.90                                             | -5.77         | 0.00     | 112.30             | 106.52                                   | 208.42                                             | 104.74              | 118.32           |
| FURNITURES & FIXTURES                      | 400.24                             | 3.04      | 0.17              | 403.10                             | 213.70                                             | -0.15         | 0.00     | 74.53              | 74.37                                    | 288.08                                             | 115.03              | 186.54           |
| COMPUTERS & DATA PROCESSING MACHINES       | 1848.90                            | 8.58      | 1464.73           | 392.75                             | 1164.34                                            | -846.97       | 0.00     | 45.17              | -801.80                                  | 362.54                                             | 30.20               | 684.56           |
| VEHICLES                                   | 96.72                              | 0.00      | 0.78              | 95.93                              | 82.56                                              | -0.78         | 0.00     | 6.51               | 5.73                                     | 88.29                                              | 7.65                | 14.15            |
| KITCHEN ITEMS                              | 0.84                               | 0.05      | 0.00              | 0.89                               | 0.64                                               | 0.00          | 0.00     | 0.09               | 0.09                                     | 0.73                                               | 0.15                | 0.19             |
| SMALL OFFICE ITEMS                         | 0.04                               | 0.00      | 0.00              | 0.04                               | 0.00                                               | 0.00          | 0.00     | 0.02               | 0.02                                     | 0.02                                               | 0.02                | 0.04             |
| HELIPAD                                    | 23.24                              | 0.00      | 0.00              | 23.24                              | 8.00                                               | 0.00          | 0.00     | 4.19               | 4.19                                     | 12.19                                              | 11.05               | 15.24            |
| BRIDGES & CULVERTS                         | 0.00                               | 606.16    | 0.00              | 606.16                             | 0.00                                               | 0.00          | 53.07    | 55.98              | 109.04                                   | 109.04                                             | 497.11              | 0.00             |
| SERVER AND NETWORKS                        | 0.00                               | 1464.73   | 0.00              | 1464.73                            | 0.00                                               | 0.00          | 849.49   | 242.40             | 1091.89                                  | 1091.89                                            | 372.84              | 0.00             |
| ROADS                                      | 0.00                               | 4249.67   | 39.78             | 4209.89                            | 0.00                                               | -33.90        | 626.62   | 2741.83            | 3334.55                                  | 3334.55                                            | 875.34              | 0.00             |
| ASSETS NOT OWNED BY COMPANY ROADS          | 0.00                               | 541.66    | 0.00              | 541.66                             | 0.00                                               | 0.00          | 0.00     | 0.67               | 0.67                                     | 0.67                                               | 540.99              | 0.00             |
| ASSETS NOT OWNED BY COMPANY                | 0.00                               | 10.70     | 0.00              | 10.70                              | 0.00                                               | 0.00          | 0.00     | 0.01               | 0.01                                     | 0.01                                               | 10.68               | 0.00             |
| Total (A)                                  | 26,212.59                          | 17,288.73 | 6,088.51          | 37,412.81                          | 3,017.78                                           | (1,494.77)    | 1,766.67 | 3,441.65           | 3,713.55                                 | 6,731.33                                           | 30,681.48           | 23,194.81        |
| Previous Year's Total                      | 24242.06                           | 2533.83   | 563.30            | 26212.59                           | 2109.72                                            | 0.00          | 0.00     | 0.00               | 908.06                                   | 3017.78                                            | 23194.81            |                  |
| Note No.10.2                               |                                    |           |                   |                                    |                                                    |               |          |                    |                                          |                                                    |                     |                  |
| INTANGIBLE ASSETS (B)                      |                                    |           |                   |                                    |                                                    |               |          |                    |                                          |                                                    |                     |                  |
| Particulars                                | GROSS BLOCK                        |           |                   | DEPRECIATION                       |                                                    |               |          |                    |                                          | NET BLOCK                                          | (Rs in Lacs)        |                  |
|                                            | Gross Block<br>As on<br>01.04.2014 | Addition  | Transfer/<br>Sale | Gross Block<br>As on<br>31.03.2015 | Accumulated<br>Depreciation<br>Up to<br>31.03.2014 | Previous Year |          | During the<br>Year | Total<br>Depreciation<br>for the<br>year | Accumulated<br>Depreciation<br>Up to<br>31.03.2015 | As at<br>31.03.2015 | As at 31.03.2014 |
|                                            |                                    |           |                   |                                    |                                                    | Deletion      | Addition |                    |                                          |                                                    |                     |                  |
| SOFTWARE                                   | 912.37                             | 0.00      | 0.53              | 911.84                             | 516.07                                             | -0.45         | 0.00     | 303.97             | 303.52                                   | 819.59                                             | 92.25               | 396.30           |
| Total (B)                                  | 912.37                             | 0.00      | 0.53              | 911.84                             | 516.07                                             | -0.45         | 0.00     | 303.97             | 303.52                                   | 819.59                                             | 92.25               | 396.30           |
| Previous Year's Total                      | 897.30                             | 15.07     | 0.00              | 912.37                             | 240.60                                             | 0.00          | 0.00     | 0.00               | 275.47                                   | 516.07                                             | 396.30              |                  |
| Grand Total (A+B)                          | 27124.96                           | 17288.73  | 6089.03           | 38324.65                           | 3533.85                                            | -1495.22      | 1766.67  | 3745.62            | 4017.07                                  | 7550.93                                            | 30773.73            | 23591.11         |



|                                          |                          |                                            |             |                                 |                                 |                       |            |
|------------------------------------------|--------------------------|--------------------------------------------|-------------|---------------------------------|---------------------------------|-----------------------|------------|
| 10.3)                                    |                          | HIMACHAL PRADESH POWER CORPORATION LIMITED |             |                                 |                                 | (Rs In Lacs)          |            |
| CAPITAL WORK IN PROGRESS                 |                          |                                            |             |                                 |                                 |                       |            |
| Particulars                              |                          |                                            |             | As at<br>31.03.2015             | During FY<br>2014-15            | As at<br>31.03.2014   |            |
| Residential Buildings                    |                          |                                            |             | 489.70                          | (732.77)                        | 1,222.47              |            |
| Non Residential Buildings                |                          |                                            |             | 917.56                          | (62.11)                         | 979.67                |            |
| Civil Works                              |                          |                                            |             | 133,703.07                      | 25,078.05                       | 108,625.02            |            |
| Roads, Bridges & Culverts                |                          |                                            |             | 889.74                          | (1,227.03)                      | 2,116.76              |            |
| Electro-Mechanical Works                 |                          |                                            |             | 48,612.36                       | 12,937.42                       | 35,674.94             |            |
| Construction Power                       |                          |                                            |             | 653.96                          | 74.45                           | 579.51                |            |
| G.Total                                  |                          |                                            |             | 185,266.39                      | 36,068.02                       | 149,198.37            |            |
| Expenditure During Construction          |                          |                                            |             | 114,937.36                      | 26,620.14                       | 88,317.23             |            |
| Total (Carried forward to Balance Sheet) |                          |                                            |             | 300,203.75                      | 62,688.15                       | 237,515.60            |            |
| CAPITAL WORK IN PROGRESS (Project-wise)  |                          |                                            |             |                                 |                                 |                       |            |
| (Rs In Lacs)                             |                          |                                            |             |                                 |                                 |                       |            |
| Name of Project                          | Residential<br>Buildings | Non<br>Residential<br>Buildings            | Civil Works | Roads,<br>Bridges &<br>Culverts | Electro-<br>Mechanical<br>Works | Construction<br>Power | G.Total    |
| Sundernagar                              | 1.03                     | -                                          | -           | -                               | -                               | -                     | 1.03       |
| Sawra Kuddu HEP                          | 288.00                   | -                                          | 51,370.11   | 456.79                          | 19,679.72                       | 44.65                 | 71,839.26  |
| Kashang HEP                              | 12.11                    | 477.28                                     | 36,142.90   | 260.33                          | 14,640.42                       | 184.85                | 51,717.89  |
| Sainj HEP                                | 131.21                   | 340.79                                     | 45,407.06   | 161.38                          | 14,286.23                       | 149.73                | 60,476.40  |
| Renukaji Dam Project                     | 49.00                    | -                                          | -           | -                               | -                               | -                     | 49.00      |
| Shongtong HEP                            | -                        | -                                          | 783.00      | 5.50                            | 6.00                            | 274.73                | 1,069.23   |
| Thana Plaun HEP                          | -                        | -                                          | -           | -                               | -                               | -                     | -          |
| Nakthan HEP                              | -                        | -                                          | -           | -                               | -                               | -                     | -          |
| Gyspa HEP                                | 8.35                     | 99.49                                      | -           | 5.74                            | -                               | -                     | 113.58     |
| G.Total                                  | 489.70                   | 917.56                                     | 133,703.07  | 889.74                          | 48,612.36                       | 653.96                | 185,266.39 |



## 11) NON-CURRENT INVESTMENTS

| PARTICULARS                                              | Amount(Rs in Lacs) | Amount(Rs in Lacs) |
|----------------------------------------------------------|--------------------|--------------------|
|                                                          | As at 31.03.2015   | As at 31.03.2014   |
| Investment in EMTA-Unquoted (at cost) (See Note No. 2.8) | 398.00             | 398.00             |
| <b>TOTAL</b>                                             | <b>398.00</b>      | <b>398.00</b>      |

## 12) LONG TERM LOANS AND ADVANCES

| PARTICULARS                    | Amount(Rs in Lacs) | Amount(Rs in Lacs) |
|--------------------------------|--------------------|--------------------|
|                                | As at 31.03.2015   | As at 31.03.2014   |
| <b>Capital Advances:</b>       |                    |                    |
| Advances to Contractors/Others | 16,163.03          | 13,220.51          |
| Security/EMD Deposited         | 143.01             | 142.58             |
| <b>TOTAL</b>                   | <b>16,306.03</b>   | <b>13,363.09</b>   |

## 13) INVENTORIES

| PARTICULARS  | Amount(Rs in Lacs) | Amount(Rs in Lacs) |
|--------------|--------------------|--------------------|
|              | As at 31.03.2015   | As at 31.03.2014   |
| Inventories  | 47.61              | 50.83              |
| <b>TOTAL</b> | <b>47.61</b>       | <b>50.83</b>       |

## 14) CASH AND CASH EQUIVALENTS

| PARTICULARS                                            | Amount(Rs in Lacs) | Amount(Rs in Lacs) |
|--------------------------------------------------------|--------------------|--------------------|
|                                                        | As at 31.03.2015   | As at 31.03.2014   |
| <b>Cash and Bank Balances</b>                          |                    |                    |
| (1) Cash in hand (including Imprest)                   | 0.58               | 0.57               |
| (2) Stamps in hand                                     | 0.10               | 0.17               |
| (3) Bank Balances with schedules banks                 |                    |                    |
| (i) Current Deposits                                   | 33,632.06          | 31,402.03          |
| (ii) Term Deposits with maturity period upto 12 months | 3,037.28           | 8,061.04           |
| <b>TOTAL</b>                                           | <b>36,670.02</b>   | <b>39,463.81</b>   |

## 15) SHORT TERM LOANS AND ADVANCES:

| PARTICULARS                                             | Amount(Rs in Lacs) | Amount(Rs in Lacs) |
|---------------------------------------------------------|--------------------|--------------------|
|                                                         | As at 31.03.2015   | As at 31.03.2014   |
| Advances to H.P. Govt Departments                       | 9,603.59           | 12,957.55          |
| Advances to Employees                                   | 0.33               | 0.74               |
| Advances to Land Acquisition Officer                    | 11.93              | -                  |
| Recoverable from Govt Departments                       | 185.84             | 85.42              |
| Recoverable from Contractors/Suppliers/Consultant       | 1,426.57           | 500.49             |
| Recoverable from Staff                                  | 1.18               | 1.93               |
| Advance Tax Deposit                                     | 6,755.78           | 4,103.53           |
| TDS Recoverable/Amount Recoverable from Tax Authorities | 716.09             | 774.25             |
| Interest Recoverable                                    | 9.83               | 4.82               |
| Prepaid Expenses                                        | 9.38               | 26.21              |
| <b>TOTAL</b>                                            | <b>18,720.51</b>   | <b>18,454.94</b>   |

## 16) OTHER CURRENT ASSETS

| PARTICULARS                                         | Amount(Rs in Lacs) | Amount(Rs in Lacs) |
|-----------------------------------------------------|--------------------|--------------------|
|                                                     | As at 31.03.2015   | As at 31.03.2014   |
| Interest Accrued but not due on Deposits with Banks | 66.73              | 66.84              |
| Other Current Assets                                | 20.96              | 20.90              |
| <b>TOTAL</b>                                        | <b>87.69</b>       | <b>87.74</b>       |



17) EMPLOYEE BENEFITS EXPENSES (Transferred to Profit & Loss Account) :

| PARTICULARS                               | Amount(Rs in Lacs) | Amount(Rs in Lacs) |
|-------------------------------------------|--------------------|--------------------|
|                                           | During 2014-15     | During 2013-14     |
| Salaries, Wages, Allowances and Benefits  | 146.69             | 151.68             |
| Contribution to Provident and Other Funds | 0.56               | 53.73              |
| Leave Salary and Pension Contribution     | 240.53             | 217.47             |
| Welfare Expenses                          | 56.82              | 57.17              |
| <b>TOTAL</b>                              | <b>444.59</b>      | <b>480.04</b>      |

18) EMPLOYEE BENEFITS EXPENSES (Expenditure During Construction):

| PARTICULARS                               | Amount(Rs in Lacs) | Amount(Rs in Lacs) | Amount(Rs in Lacs) |
|-------------------------------------------|--------------------|--------------------|--------------------|
|                                           | As at 31.03.2015   | During 2014-15     | As at 31.03.2014   |
| Salaries, Wages, Allowances and Benefits  | 36,393.23          | 6,069.30           | 30,323.93          |
| Contribution to Provident and Other Funds | 373.22             | 4.65               | 368.58             |
| Leave Salary and Pension Contribution     | 2,406.01           | 360.40             | 2,045.62           |
| Travelling Exp.                           | 41.69              | 20.30              | 21.39              |
| Medical Exp.                              | 60.31              | 29.18              | 31.13              |
| Welfare Expenses                          | 574.00             | 39.46              | 534.54             |
| <b>TOTAL</b>                              | <b>39,848.46</b>   | <b>6,523.27</b>    | <b>33,325.19</b>   |

Disclosures required by AS-15 in respect of provision made towards various employees benefits are made in Note No 2.12

19) FINANCE/INTEREST COST (Transferred to Profit & Loss Account) :

| PARTICULARS                     | Amount(Rs in Lacs) | Amount(Rs in Lacs) |
|---------------------------------|--------------------|--------------------|
|                                 | During 2014-15     | During 2013-14     |
| Interest on Term Loans          | 2,721.32           | 2,589.30           |
| Bank Charges/LC Charges         | 3.60               | 0.56               |
| Others-FBT/Service Tax Interest | -                  | 0.03               |
| <b>TOTAL</b>                    | <b>2,724.92</b>    | <b>2,589.89</b>    |

20) FINANCE/INTEREST COST (Expenditure During Construction):

| PARTICULARS                     | Amount(Rs in Lacs) | Amount(Rs in Lacs) | Amount(Rs in Lacs) |
|---------------------------------|--------------------|--------------------|--------------------|
|                                 | As at 31.03.2015   | During 2014-15     | As at 31.03.2014   |
| Interest on Term Loans          | 43,326.58          | 11,729.82          | 31,596.76          |
| Bank Charges/LC Charges         | 26.16              | 0.29               | 25.87              |
| Others-FBT/Service Tax Interest | 1.54               | -                  | 1.54               |
| <b>TOTAL</b>                    | <b>43,354.28</b>   | <b>11,730.11</b>   | <b>31,624.17</b>   |

21) DEPRECIATION EXPENSES:

| PARTICULARS                                                                | Amount(Rs in Lacs) | Amount(Rs in Lacs) |
|----------------------------------------------------------------------------|--------------------|--------------------|
|                                                                            | During 2014-15     | During 2013-14     |
| Depreciation for the year (Transferred to Profit & Loss Account)           | 655.60             | 724.37             |
| Depreciation for the year (Transferred to Expenditure During Construction) | 3,361.48           | 459.16             |
| <b>TOTAL</b>                                                               | <b>4,017.07</b>    | <b>1,183.53</b>    |

22) OFFICE AND ADMINISTRATIVE EXPENDITURE (Transferred to Profit & Loss Account) :

| PARTICULARS                                           | Amount(Rs in Lacs) | Amount(Rs in Lacs) |
|-------------------------------------------------------|--------------------|--------------------|
|                                                       | During 2014-15     | During 2013-14     |
| Repairs and Maintenance Vehicle                       | 6.44               | 9.49               |
| Repairs and Maintenance Office Furniture & Equipments | 10.51              | 3.16               |
| Repairs and Maintenance Plant and Machinery           | -                  | 0.25               |
| Repairs and Maintenance Buildings                     | 7.48               | 12.65              |
| Repairs and Maintenance Others                        | 0.34               | 0.57               |
| Office Expenses                                       | 2.13               | 1.50               |
| Hospitality and Entertainment Expenses                | 5.57               | 4.74               |



|                                             |                 |               |
|---------------------------------------------|-----------------|---------------|
| Meeting Expenses                            | 8.47            | 11.46         |
| Communication Expenses                      | 82.76           | 154.19        |
| Rent, Rates and Taxes                       | 88.43           | 87.44         |
| Consultancy Fees                            | 122.33          | 157.78        |
| Annual Technical Support-SAP                | 303.03          | 281.54        |
| Vehicle Running Charges & Insurance Charges | 101.87          | 100.49        |
| Training Expenses                           | 2.12            | 8.01          |
| Fees & Subscription                         | 5.89            | 3.08          |
| Electricity & Water Expenses                | 43.97           | 48.56         |
| Printing & Stationary                       | 12.65           | 13.83         |
| Books, Periodicals & Newspapers             | 3.80            | 3.59          |
| Freight & Labour Charges                    | 1.54            | 1.17          |
| Raising Day Expense                         | 4.79            | 3.68          |
| Legal & Professional Charges                | 8.21            | 9.21          |
| Postage & Telegram Expenses                 | 1.62            | 2.19          |
| Publicity & Advertisement Expenditure       | 15.55           | 10.33         |
| Expenditure on Transit Camps/Guest House    | 5.04            | 4.57          |
| Business Promotion Expenses                 | -               | 7.00          |
| Insurance-Other Assets                      | 0.99            | 0.87          |
| Contribution to IIIT Una                    | 480.00          | -             |
| Dismantling & Removal Expenditure           | 2.28            | -             |
| <b>TOTAL</b>                                | <b>1,327.81</b> | <b>941.34</b> |

**23) OFFICE AND ADMINISTRATIVE EXPENDITURE (Projects Incidental Expenditure):**

| PARTICULARS                                 | Amount(Rs in Lacs) | Amount(Rs in Lacs) | Amount(Rs in Lacs) |
|---------------------------------------------|--------------------|--------------------|--------------------|
|                                             | As at 31.03.2015   | During 2014-15     | As at 31.03.2014   |
| Repairs and Maintenance Vehicle             | 57.33              | 8.19               | 49.14              |
| Repairs and Maintenance Office Equipments   | 23.81              | 4.52               | 19.29              |
| Repairs and Maintenance Plant and Machinery | 87.02              | 0.08               | 86.94              |
| Repairs and Maintenance Buildings           | 319.68             | 29.09              | 290.59             |
| Repairs and Maintenance Others              | 91.50              | 14.40              | 77.10              |
| Office Expenses                             | 930.79             | -                  | 930.79             |
| Hospitality and Entertainment Expenses      | 148.40             | 3.81               | 144.59             |
| Meeting Expenses                            | 32.75              | 4.18               | 28.57              |
| Misc Expenses                               | 150.74             | 2.45               | 148.29             |
| Communication Expenses                      | 286.86             | 23.94              | 262.91             |
| Rent, Rates and Taxes                       | 746.71             | 68.87              | 677.83             |
| Consultancy Fees                            | 1,441.90           | 64.64              | 1,377.26           |
| Annual Technical Support-SAP                | 170.27             | 2.71               | 167.56             |
| Vehicle Running Charges & Insurance Charges | 1,345.13           | 13.76              | 1,331.37           |
| Hired Vehicle Expenses                      | 534.84             | 262.47             | 272.37             |
| Training Expenses                           | 233.29             | 2.50               | 230.79             |
| Fees & Subscription                         | 0.76               | 0.05               | 0.70               |
| Electricity & Water Expenses                | 81.99              | 39.12              | 42.86              |
| Printing & Stationary                       | 37.71              | 17.45              | 20.26              |
| Books, Periodicals & Newspapers             | 8.61               | 4.47               | 4.14               |
| Freight & Labour Charges                    | 0.72               | 0.40               | 0.32               |
| Prepaid Expenses                            | 4.67               | 3.51               | 1.16               |
| Raising Day Expense                         | 4.43               | 3.07               | 1.36               |
| Legal & Professional Charges                | 58.99              | 34.42              | 24.57              |
| Postage & Telegram Expenses                 | 2.74               | 1.46               | 1.28               |
| Publicity & Advertisement Expenditure       | 19.46              | 9.94               | 9.52               |
| Expenditure on Transit Camps/Guest House    | 2.04               | 0.79               | 1.24               |
| Business Promotion Expenses                 | 1,287.42           | 876.65             | 410.77             |
| Foreign Exchange Variation Cost             | (14.57)            | (14.57)            | -                  |
| Land Acquisition Expenses                   | 5.45               | 2.09               | 3.36               |
| LADA                                        | 3,814.22           | 702.93             | 3,111.29           |
| Relief and Rehabilitation Costs             | 3,726.87           | 166.43             | 3,560.44           |
| Environmental and Ecology exp.              | 6,661.40           | 573.70             | 6,087.70           |
| CAT Plan                                    | 8,167.20           | 77.78              | 8,089.43           |
| Study and Research                          | 31.80              | 19.66              | 12.13              |



|                        |                  |                 |                  |
|------------------------|------------------|-----------------|------------------|
| Survey & Investigation | 10,790.79        | 2,540.70        | 8,250.09         |
| Preliminary expenses   | 166.67           | -               | 166.67           |
| Consumables Stores     | 6.17             | 1.47            | 4.70             |
| <b>TOTAL</b>           | <b>41,466.53</b> | <b>5,567.13</b> | <b>35,899.39</b> |

24) MISCELLANEOUS INCOME:

| PARTICULARS                                     | Amount(Rs in Lacs) | Amount(Rs in Lacs) |
|-------------------------------------------------|--------------------|--------------------|
|                                                 | During 2014-15     | During 2013-14     |
| <b>Transferred to Profit &amp; Loss Account</b> |                    |                    |
| Interest on Bank Deposits/FDR's                 | 3,027.02           | 2,774.01           |
| Interest from Banks                             | 15.01              | 24.79              |
| Income from Providing Design Works/Lab Receipts | 0.91               | 12.27              |
| <b>TOTAL</b>                                    | <b>3,042.94</b>    | <b>2,811.06</b>    |

Miscellaneous Income Transferred to Expenditure During Construction:

| PARTICULARS                                         | Amount(Rs in Lacs) | Amount(Rs in Lacs) | Amount(Rs in Lacs) |
|-----------------------------------------------------|--------------------|--------------------|--------------------|
|                                                     | As at 31.03.2015   | During 2014-15     | As at 31.03.2014   |
| Interest from Banks                                 | 13,466.68          | -                  | 13,466.68          |
| Interest from Employees                             | 0.16               | -                  | 0.16               |
| House Rent Collection from employees/Other recovery | 97.84              | 31.36              | 66.48              |
| Interest from Govt Departments                      | 38.58              | -                  | 38.58              |
| Income from Contractors                             | 1,143.13           | 489.50             | 653.63             |
| Income from Transit Camp/Guest House                | 3.07               | 1.71               | 1.37               |
| Miscellaneous Receipts                              | 1,032.32           | 7.69               | 1,024.63           |
| <b>TOTAL</b>                                        | <b>15,781.79</b>   | <b>530.26</b>      | <b>15,251.53</b>   |

For and on behalf of the Board of Directors

  
(Sudershan K. Sharma)  
Company Secretary

  
(Varesh Gupta)  
Addl. G.M. (Finance)

  
(Neeraj Kumar)  
Director (Finance)

  
(Devendra K. Sharma)  
Managing Director

For Sharma Rajeev & Associates  
Chartered Accountants  
FRN No. 010073N

Place: Shimla

Date: 12/02/2016



  
(CA Ashok Kumar Sharma)  
Partner  
Membership No. 086522

# SHARMA RAJEEV & ASSOCIATES

## CHARTERED ACCOUNTANTS

19/7, Old Bus Stand, Gandhi Chowk, Hamirpur- 177001, Himachal Pradesh  
Telephone: 01972-223560 Mobile: 9810359364, 9418073460  
Email: ashokkumar\_sharma33@yahoo.com , rajeevca\_isa@yahoo.co.in

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### INDEPENDENT AUDITOR'S REPORT

To the Members of Himachal Pradesh Power Corporation Limited

#### Report on the Financial Statements

We have audited the accompanying standalone financial statements of Himachal Pradesh Power Corporation Limited ("the Company"), which comprises the Balance Sheet as at March 31, 2015, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

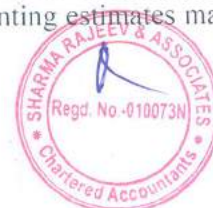
#### Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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



by the Company's Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

### Basis for qualified opinion

### Equity and Liabilities

### Share Capital

1. As per the scheme of amalgamation of Kinner Kailash Power Corporation Ltd. (KKPCL) and Pabbar Valley Corporation Ltd. (PVPCL), the Transferor Companies, with the Company was duly approved by the CLB in the year 2007, (CLB Order dated 01-02-2010), wherein all the assets and liabilities were to be taken over by the Company at Unit Integrated Kashang HE.P at book values on effective date i.e., 31.07.2007 in the books of the Transferor Companies. For this purpose an independent valuation report were obtained. The shares were allotted to the Himachal Pradesh State Electricity Board Ltd. being owner of Transferor Companies (HPSEBL) as under:
  - A) KKPCL (IKHEP)-The difference between the assets and liabilities was Rs. 6110.00 Lac, which was payable to the transferor company HPSEBL. However, at the time of transfer it was observed that the assets i.e. Transmission line of value Rs. 6,585.00 Lac were not transferred to the transferee Company. After taking into account the reversal for the value of Transmission lines, Rs. 6,585.00 Lac the consideration payable to the transferor Company resulted into a negative amount of Rs. 475.00 Lac. Despite, negative net worth, the Transferor Company was allotted total excess shares worth Rs. 4,810.18 Lac. Out of the above said amount of Rs.4,810.18 Lac, the Company has issued shares of Rs. 1,770.00 Lac, during the current year by charging the same to Survey and Investigation expenses, CWIP (Asset under construction under the nature of Survey and Investigation expenses), without obtaining documentary proof of expense/payment being actually incurred.
  - B) PVPCL - The difference between the assets and liabilities as per valuation report was Rs.4,069.00 Lac, which was payable to the transferor company HPSEBL. Thus, net consideration as per the scheme of amalgamation is Rs.4,069.20 Lac. The HPSEBL has also given cash Rs.513.27 Lac, thus gross value of shares to be allotted comes to Rs.4,582.47 Lac. However, the Company has issued shares worth Rs.4,635.37 Lac (Rs.4,436.26 Lac+Rs.199.11 Lac) against consideration received Rs.4,582.47 Lac, therefore, excess shares issued for value of Rs.52.90 Lac.
2. The Tidong- II (60MW) Hydro Power Project of the Company was allotted to M/s Gammon India Ltd in 2011 by the decision of the Hon'ble Apex Court. The Company has allotted shares amounting to Rs.4.79 Lac against the above said project to HPSEBL. Therefore, it has resulted in issue of shares without any consideration.
3. We draw attention to Note No.15, the Company has issued shares of Rs. 20.24 Lac to HPSEBL, without consideration, debiting to "Bill Receivables. This amount has been accounted for by a book entry, disclosing under Other Current Assets" and hence, shown as recoverable.



4. The Company has taken assets/expenditure at Unit Sunder Nagar of Rs. 55.24 Lac in the year 2010-11 but in the year 2012-13 the Company reduced the value assets taken over by Rs.15.98 Lac. This reduction in the value of assets taken over from HPSEB was not taken into consideration during the current year while reconciling for the issue the shares to HPSEB, thus excess shares of Rs.15.98 Lac are issued to HPSEB.

Consequent to the observations in the above point nos. 1,2,3 and 4 of the Basis of Opinion Para , both the Share Capital and "Non- Current Assets/ CWIP-Expenditure during construction" period / other current assets are overstated by an amount of Rs.4,904.09 Lac.

#### **Non-Current Liabilities**

5. We draw attention to Note No.2.12 (ii & iii) and Note No.8, the Company has been making provision for defined employee benefit in respect gratuity, leave encashment and pension contribution of Rs.355.62 Lac, Rs.1,640.95 Lac and Rs. 763.94 Lac as at 31.03.2015 respectively. The provision is not in compliance with AS 15 which requires actuarial valuation through assumptions and estimates.  
In absence of actuarial valuation we are unable to quantify the impact of the adjustments required, if any, in this regard.  
This was also a subject matter of qualification in our previous year's audit report on the audited financial statements for the year ended 31 March 2014.

#### **Current Liabilities**

6. The Company has not recognized the liabilities towards claim for enhanced compensation by Land astittees at Unit Sawara Kuddu Rs.5,944.45 Lac and at Unit Renukaji Rs.1,133.06 Lac. Consequently, it has resulted into understatement of both Current Liabilities and Fixed Assets- Land by the above said amounts.
7. We draw attention to Note No.2.15, the Company has not made provision for demand of interest and penalty on Entry tax of value Rs. 1088.98 Lac, Consequently, it has resulted into both understatement of both Current Liabilities and Profit & Loss account-expenditure by the above said amount.
8. The Company has debited the GPF Liability account and credited the Salary account without identifying / verifying the liability of Rs.39.55 Lac. This has resulted into understatement of both Current Liabilities and Expenditure- employee benefit Expenses by above said amount.  
This was also a subject matter of qualification in our previous year's audit report on the audited financial statements for the year ended 31 March 2014.
9. The Company has neither disclosed nor recognized the provisions of expenses in respect of cases filed against the Company which are pending in different Courts. The liabilities involved in these cases have not been estimated by the Company. Therefore, we are unable to quantify the effect of the same on the Current liabilities/assets.
10. We draw attention to Note No.9, the Company has not received confirmation of balance in respect of the Other Current Liabilities due to Contractors/suppliers and Government Departments of Rs 13,774.62, Rs. 506.84 Lac respectively.  
Due to non-availability of confirmation of aforesaid balance, we are unable to quantify the impact of adjustment, if any, arising from reconciliation and settlement of account balances on the financial statement.  
This was also a subject matter of qualification in our previous year's audit report on the audited financial statements for the year ended 31 March 2014.



### Non- Current Assets

#### Fixed Assets and Capital Work-in-Progress

11. We invite attention to Note No.2.13-II, the part of land awarded and mutated in the name of the Company has been capitalised as freehold land at Unit Renukaji. However, for the balance of land award of Rs.44,697.00 Lac, the liability has not been recognized in the books of account.  
Consequently it has resulted into understatement of both Current Liabilities and Fixed Assets –Land by Rs. 44,697 Lac.
12. The Company, at Unit Shongtong HEP, has paid Rs.47.03Lac to Land austeers for acquisition of Land measuring 0.1702 hectare, for the project, at the time of mutation it is found that the same land was already acquired by HPPWD. This amount of Rs.47.03Lac is charged to Land cost and the same has neither been written off nor recovered from payees.  
Consequently, Non –Current Assets, Land is overstated and Current Assets are understated by above said amount.
13. (a) The Assets of Project Unit, Kashang HEP, the gross value of which amounts to Rs. 127.00 Lac were damaged due to unprecedented and torrential rain fall during the previous year. The Board has accorded consent to write off the assets in meeting dated 25-07-2014. The provision for net loss of assets to be made is Rs. 119.00 Lac (net of retrievable value of Rs. 8.19 Lac).  
The Company has accounted for the loss on account of write off of assets Rs. 63.29 Lac instead of Rs.119.00 Lac, Consequently, it has resulted into overstatement of Non-Current Assets and understatement Loss on fixed assets/CWIP by Rs. 55.71 Lac.  
This was also a subject matter of qualification in our previous year's audit report on the audited financial statements for the year ended 31 March 2014.
- (b) The Company has written off Assets of Unit Sawara Kuddu, worth Rs.0.53 Lac without approval of the Board of Directors.
14. The Company has disclosed in Note 10.1(A) to the financial statements:
- (a) 'Assets not owned by the Company' of Rs. 552.36 Lac. The Company has wrongly stated the date of put to use as 31-03-2015 instead of identifying actual date of putting assets in use. This has resulted in under charge of depreciation; however, we are unable to quantify the impact in absence of availability of actual date of putting assets in use.
- (b) The 'Lease hold Land' amounting to Rs. 28.28 Lac which was acquired on 28-02-2012. The value of the said Lease hold Land is not being amortised by the Company in contravention to AS-6 Depreciation accounting read with AS-19, Leases which requires the amortization of leasehold assets over its useful life. This has resulted in short charge of depreciation of Rs. 3.61 Lac on the above said assets.  
Consequently, it has resulted in overstatement of Fixed Assets and understatement of CWIP by Rs.3.61 Lac. This was also a subject matter of qualification in our previous year's audit report on the audited financial statements for the year ended 31 March 2014.

#### CWIP- Capital Work in Progress:

15. The Company has not recognized the expenditure towards CWIP-E&M Works for Rs.1,050.60 Lac at Unit IKHEP. The supplier has been paid to the extent of Rs.568.51 Lac which has been classified as Long tem Loans & Advances.



Consequently, it has resulted into understatement of both Current Liabilities by Rs. 482.09 Lac & CWIP-E&M Works by Rs.1,050.60 Lac and overstatement of Current Assets by Rs. 568.51 Lac.

16. We invite attention to Note No.2.13-II, the CWIP consist of Non-Residential Buildings, Residential Building and Road/Bridges & Culverts amounting to Rs. 818.07 Lac, Rs 419.21 Lac and Rs. 878.50 Lac respectively which have been put to use at respective Units, since financial year 2009-10. The balances of CWIP in the above heads have been stated below Unit wise:

(Amount in Lac)

| Project Unit | Non Residential Building | Residential Building | Roads, Bridges & Culverts | Total          |
|--------------|--------------------------|----------------------|---------------------------|----------------|
| Sawara Kuddu | -                        | 288                  | 456.79                    | 744.79         |
| Kashang HEP  | 477.28                   | -                    | 260.33                    | 737.61         |
| Sainj        | 340.79                   | 131.21               | 161.38                    | 633.38         |
| <b>Total</b> | <b>818.07</b>            | <b>419.21</b>        | <b>878.50</b>             | <b>2115.78</b> |

The above said balance of Rs. 2,115.78 Lac is pending capitalisation for a long-period of time owing to pending analysis of status, value and obtaining of commissioning certificates. The consequential impact on the capital work-in-progress, fixed assets, depreciation and loss for the year, if any, is presently not ascertainable.

This was also a subject matter of qualification in our previous year's audit report on the audited financial statements for the year ended 31 March 2014.

17. The notification No.108/95-CE, dated 28.08.1995, provides that the goods supplied to projects, financed by the World Bank, Asian Development Bank or any International Organisation, and approved by the Govt of India, shall be exempted from the whole of the excise duty / additional excise duty leviable thereon.

The amounts accounted for as CWIP with respect to machinery purchased under electro mechanical contract at the Project Unit Sainj of the Company, consist of taxes and duties (excise duty) amounting to Rs.608.40 Lac. The said sum has been paid following the contractual terms which provide for reimbursement of applicable taxes and duties paid by the contractor in relation to the outsourced machinery supplied to the Company on production of documentary evidence of payment of duty.

It is observed that, in contravention of above said notification, Company has reimbursed excise duty which was not an applicable tax. The Company has waived the requirement of obtaining documentary evidence with regard to duties, and reimbursed the said amount of excise duty to the Contractor.

In absence of documentary evidences, we could not verify the genuineness of reimbursement of the duties of Rs.545.80 Lac (previous year Rs.255.33 Lac).

This was also a subject matter of qualification in our previous year's audit report on the audited financial statements for the year ended 31 March 2014.

## Investments

18. We invite attention to Note No.2.8, the Company has made an investment of Rs 398.00 Lac in the equity of Himachal EMTA Power Limited (HEPL) which has been established as Company's joint venture with EMTA for setting up a (2\*250 MW) thermal power plant. The Company has 50% equity participation in HEPL. The Company has disclosed the same at Note No. 2.8 to the financial statements.



The Hon'ble Supreme Court of India (SC) judgment cancelling all allotments coal blocks and terming all captive coal block allocations since 1993 as illegal, the value of Investment in the aforesaid Joint Venture of the Company requires revaluation and provision for long term diminution in value of investment in the books of accounts as per AS -13 issued by the ICAI. In the absence of any review of value of investment in the Joint Venture done by the Company and estimation of provision to be made, we are unable to quantify the impact of the adjustments, if any, arising from revaluation of investments on the financial statements. This was also a subject matter of qualification in our previous year's audit report on the audited financial statements for the year ended 31 March 2014.

#### Current Assets, Loans and Advances

19. The Company had made a book adjustment of Rs. 1,773 Lac, at Unit Sainj HEP, whereby the CWIP has been credited and Advances to Contractors have been debited. Consequently the CWIP is understated and Advances to Contractors is overstated by an amount of Rs. 1,773 Lac.
20. We draw attention to Note No.2.14 and Note No.15, according to which though Company has paid the Income tax Rs. 7,471.87 Lac, which is inclusive of penalty, Rs. 943.28 Lac (Previous Year Rs.4,877.78 Lac income tax paid) as at 31.03.2015. The Company has not provided for Income Tax Expense since inception in the books of accounts. Consequently, Reserves and surpluses-Profit & Loss Account is overstated and Current Liabilities under stated/ (alternatively short term loans and advances are overstated) by the provision for income tax Rs.7,471.87 Lac (Previous year Rs. 5,821.06Lac). The payment of the above said penalty of Rs. 943.28 Lac is not approved by Board. This was also a subject matter of qualification in our previous year's audit report on the audited financial statements for the year ended 31 March 2014.
21. We invite attention to Note No.12 and Note No.15, the Company has not received confirmation of balance in respect of Capital advances; Advances to Govt. department; Recoverable from Govt Dept and Recoverable to consultant/supplier/contractor amounting to Rs.16,306.63 Lac, Rs. 2,618.52 Lac, Rs. 185.84, Rs. 1,426.57 Lac respectively. Due to non-availability of confirmation of aforesaid balances, we are unable to quantify the impact of adjustment, if any, arising from reconciliation and settlement of account balances on the financial statement. This was also a subject matter of qualification in our previous year's audit report on the audited financial statements for the year ended 31 March 2014.
22. We invite attention to Note No.15, the Company has paid Rs. 640 Lacs to Land Acquisition Development Authority (LADA) and accounted for as Advances to H P Govt. Departments. The expenditure is required to be accounted for as Expenditure during construction instead of showing as advance. Consequently, the Short term Loans and advances are overstated and the CWIP -Expenditure during construction is understated by Rs. 640 Lac
23. We invite attention to Note No.15 Short Loans & Advances, the Company has paid to LAO Rs. 5.02 Lac at Unit Chirgaon HEP, and Rs.3,874.79Lac at Unit Renukaji, these payments to LOA towards cost Land have been accounted for as Advance to Government Departments under Short Loans & Advances instead of capitalising the amounts as cost towards Land. Consequently, the Short term Loans and advances are overstated and the Fixed Assets-Land are understated by Rs.3,879.81 Lac.



### Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph the standalone 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:

- (a) In the case of Balance Sheet, of the state of affairs of the Company as at March 31, 2015;
- (b) In the case of Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) In the case of Cash flow Statement, of the cash flows for the year ended on that date.

### Emphasis of matter

Without qualifying our opinion we draw attention to the following:

1. We draw attention to Note No.6, accordingly the Company has availed long term borrowing from State Govt. Loan (ADB) amounting to Rs.1,81,770.20 Lac which is inclusive of "Imprest advances" amounting to Rs.25,893.70 Lac. The amount representing the Imprest Account should be disclosed separately Loan on account of Imprest Advance".  
*Hence, Government loans should be disclosed net of Imprest amount (Rs. 25,893.70 Lac) at Rs. 1,55,876.50 Lac.*
2. We draw attention to Note No. 2.23 to the financial statements, accordingly the Company has possession of forest land at Units, Sainj HEP, Shongtong HEP, Kashang HEP, and Sawra Kuddu HEP. The following liabilities have arisen:
  - a) The lease cost demand at the Unit Sainj is Rs.1,153.12 Lac and at the Unit Shongtong is Rs. 1,140.7 Lac.
  - b) The lease cost demand at the Unit Kashang and Unit Sawara Kuddu is not quantifiable, therefore, its financial impact Current Liabilities and Fixed Assets- Land is unascertainable at this stage.

The Company has not recognized above the liabilities for lease rent/lease cost keeping in view that Govt. Of H.P has issued notification No.Rev.-D(G) 6-69/2011-II dated 23 .01.2016. The Company is expecting a very nominal value of forest Land lease registration cost. Consequently, it has no material financial impact.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the Annexure 1, a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. We are enclosing our report in terms of Section 143(5) of the Act, on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, in the Annexure 2 on the directions and sub-directions issued by Comptroller and Auditor General of India.
3. As required by Section 143 (3) of the Act, we report that:
  - (a) Except for the matter described in the basis for Qualified Opinion paragraph, we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;



- (b) Except for the possible effect of the matter described in the basis for Qualified Opinion paragraph, in our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- (d) Except for the possible effect of the matter described in the basis for Qualified Opinion paragraph, In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- (e) The matter described in the Basis for Qualified Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the Company;
- (f) On the basis of written representations received from the directors as on March 31, 2015, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2015, from being appointed as a director in terms of Section 164 (2) of the Act;
- (g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.
- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company has not disclosed as well as recognized the impact of pending litigations on its financial position in its financial statements.
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **Sharma Rajeev & Associates**  
Chartered Accountants  
ICAI Firm Registration Number: 010073N

  
**Ashok Kumar Sharma**  
Partner  
M. No. 086522



Place: Shimla  
Date: 12.02.2016

## ANNEXURE 1 TO THE AUDITORS' REPORT

Annexure referred to in paragraph 'Report on Other Legal and Regulatory Requirements' of our report of even date to the members of Himachal Pradesh Power Corporation Limited ('the Company') on the accounts for the year ended 31<sup>st</sup> March, 2015

- (i) (a) The Company has generally maintained proper records showing full particulars, except for the situation/location of fixed assets has not been mentioned in the assets register.
- (b) The fixed assets have been physically verified by the management during the year. There is a regular programme of verification, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies are noticed on physical verification.
- (iii) According to the information and explanations given to us, the Company has not granted loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3 (a) to (b) of the Order are not applicable to the Company hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets. There has been no sale of goods and services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.
- (v) The Company has not accepted any deposits from the public, therefore, in our opinion and according to the information and explanations given to us, the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules framed thereunder with regard to the deposits are not applicable.
- (vi) In our opinion and according to the information and explanations given to us, the Central Government has not prescribed for the maintenance of cost records under Section 148 of the Companies Act, 2013, keeping in view that the Company's projects are under construction and there is no generation of power.
- (vii) (a) In our opinion and according to the information and explanations given to us, the Company is generally regular in depositing undisputed statutory dues including provident fund, employees' state insurance fund, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, value added tax, cess and any other statutory dues with the appropriate authorities.



- (b) According to the records of the Company, the dues of income-tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax and cess which remained unpaid on account of any dispute (including interest), are as follows:

| S. No. | Statute/Act                                         | Nature of due | Amt. in Lac (Rs.) | Period    | Forum before which pending                                   |
|--------|-----------------------------------------------------|---------------|-------------------|-----------|--------------------------------------------------------------|
| 1.     | Entry Tax Act,                                      | Interest      | 337.70            | 2010-2015 | Addl. Excise & Taxation Commissioner-cum-Appellate Authority |
| 2.     | H P Tax on entry of goods into Local Area Act 2010, | Penalty       | 751.28            | 2010-2015 | -do-                                                         |
|        | <b>Total</b>                                        |               | <b>1,088.98</b>   |           |                                                              |

- (c) There were no amounts which were required to be transferred to the Investor Education and protection Fund by the Company.

(viii) The Company has accumulated losses of Rs.4,106.25 Lac at the end of the financial year and it has incurred cash losses Rs.2,726.28 Lac during the financial year covered by our audit. There were cash losses in the immediately preceding financial year amounting to Rs.1,208.07.

(ix) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks and financial institutions. The Company did not have any outstanding debentures.

(x) According to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks or financial institution.

(xi) According to the information and explanations given to us, the term loans have been applied for the purpose for which the loans were obtained.

(xii) According to the information and explanations given to us and as represented by the management and based on our examination of the books and records of the Company and in accordance with generally accepted auditing practices in India, we have been informed that no case of frauds has been committed on or by the Company during the year.

For Sharma Rajeev & Associates  
Chartered Accountants  
ICAI Firm Registration Number: 010073N

Ashok Kumar Sharma  
Partner  
Membership Number: 086522  
Place: Shimla  
Date: 12.02.2016

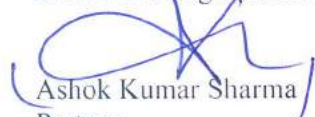


## ANNEXURE 2 TO THE AUDITORS' REPORT

Annexure referred to in our report of even date to the members of Himachal Pradesh Power Corporation Limited ('the Company') on the accounts for the year ended 31<sup>st</sup> March, 2015

| S No. | Directions                                                                                                                                                                                                                                                                                  | Action Taken                                                                                                          | Impact on Financial Statement                                                                                                                                                                                                                    |
|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1     | If the Company has been selected for disinvestment, a complete status report in terms of valuation of Assets (including intangible assets and land) and Liabilities (including Committed & General Reserves) may be examined including the mode and present stage of disinvestment process. | Nil                                                                                                                   | Nil                                                                                                                                                                                                                                              |
| 2     | Please report whether there are any cases of waiver/ write off of debts/loans/interest etc., if yes, the reasons there for and the amount involved.                                                                                                                                         | Nil                                                                                                                   | Nil                                                                                                                                                                                                                                              |
| 3     | Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. or other authorities.                                                                                                                                                   | Nil                                                                                                                   | Nil                                                                                                                                                                                                                                              |
| 4     | A report on age-wise analysis of pending legal/ arbitration cases including the reasons of pendency and existence/ effectiveness of a monitoring mechanism for expenditure on all legal cases(foreign and local) may be given.                                                              | No. of cases upto:<br>1 year - 215<br>2 year- 151<br>3 year 146<br>Above 3 year <u>167</u><br><b>Total <u>679</u></b> | The Company has neither disclosed nor recognized the provisions of expenses in respect of cases filed against the Company which are pending in different Courts. The liabilities involved in these cases have not been estimated by the Company. |

For Sharma Rajeev & Associates  
Chartered Accountants  
ICAI Firm Registration Number: 010073N

  
Ashok Kumar Sharma  
Partner  
Membership Number: 086522  
Place: Shimla  
Date: 12.02.2016



**SHARMA RAJEEV & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**

19/7, Old Bus Stand, Gandhi Chowk, Hamirpur- 177001, HP  
Telephone: 01972-223560 Mobile: 9810359364, 9418073460

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The Managing Director  
Himachal Pradesh Power Corporation Limited  
Shimla (H.P.)

21<sup>st</sup> April, 2016

Dear Sir,

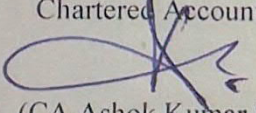
Sub: **ADDENDUM TO THE INDEPENDENT AUDITOR'S REPORT DATED 12<sup>TH</sup> FEBRUARY, 2016**

We enclose herewith an addendum to our Independent Auditors' report on the financial statements of the Company for the financial year 2014-15 dated 21-04-2016, addressed to the Members of Himachal Pradesh Power Corporation Limited.

The Annexure-2 to our report shall please be, hereinafter read along with the above said addendum. The addendum is with respect to the sub directions under section 143(5) of the Companies Act, 2013.

Thanking you,

Yours faithfully,  
For Sharma Rajeev & Associates  
Chartered Accountants

  
(CA Ashok Kumar Sharma)  
Partner.



Date: 21-04-2016

Copy to: The Principal Accountant General (Audit), Shimla.  
Copy to: The Company Secretary, Himachal Pradesh Power Corporation Limited

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Branch Office: 26, Godawari Shopping Centre, Sector-37, NOIDA-201303

**SHARMA RAJEEV & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**

19/7, Old Bus Stand, Gandhi Chowk, Hamirpur- 177001, HP  
Telephone: 01972-223560 Mobile: 9810359364, 9418073460  
Email: ashokkumar\_sharma33@yahoo.com

21<sup>st</sup> April, 2016

To  
The Members of  
M/s Himachal Pradesh Power Corporation Limited  
Himachal Pradesh

We hereby refer to our Independent Auditor's Report dated 12<sup>th</sup> February, 2016 on the financial statements of the Company for the financial year 2014-15.

The Annexure-2 to our report shall please be, hereinafter read along with the following addendum. The addendum is with respect to the sub directions under section 143(5) of the Companies Act, 2013.

**Himachal Pradesh Power Corporation Limited**

**ADDENDUM TO THE INDEPENDENT AUDITOR'S REPORT DATED 12<sup>th</sup> FEB, 2016**

**Sub-Directions under section 143(5) of the Companies Act, 2013.**

| S No. | Sub-directions                                                                                                                                  | Action Taken                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Impact on Financial Statement                                                                                                                                                                 |
|-------|-------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1     | Where land acquisition is involved in setting up new projects report whether settlement of dues done expeditiously and in a transparent manner? | <p>The Company has not undertaken any new project during the year under audit.</p> <p>The land acquisition process for the projects of the Company, which are under construction stage over a long period of time, is being done expeditiously and in a transparent manner.</p> <p>There are litigation cases towards the land acquisition which are pending courts of Law.</p> <p>In this regard, we invite attention to Note No. 2.13-II to the financial statements of the Company.</p> <p>We have expressed our qualified opinion vide para no.6 of 'Basis of Qualified Opinion' of our Audit report on the financial statements of the Company.</p> | <p>The Company has not provided liability towards land award amount to Rs.44,697 Lac, consequently resulting in understatement of both Non-Current Assets (Land) and Current Liabilities.</p> |

Branch Office: 26, Godawari Shopping Centre, Sector-37, NOIDA-201303



|   |                                                                                                                                                                                         |                                                                                                                                                                                                         |                 |
|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| 2 | How much cost has been incurred on abandoned projects and of this how much cost has been written off?                                                                                   | The Company has not abandoned any project, therefore, not applicable.                                                                                                                                   | Not applicable. |
| 3 | Indicate whether the Company has efficient system for monitoring and adjusting advances to contractors/suppliers. Highlight the significant instances of failure of the system, if any? | The advances to the contractor/suppliers are being monitored and adjusted as per contractual terms and conditions.<br>We have not observed any material instances of any system failure in this regard. | Not applicable. |

For Sharma Rajeev & Associates  
Chartered Accountants  
ICAI Firm Registration Number: 010073N

(CA. Ashok Kumar Sharma)  
Partner  
Membership Number: 086522



Place: NOIDA  
Date: 21-04-2016

Copy to: The Principal Accountant General (Audit), Shimla.  
Copy to: The Company Secretary, Himachal Pradesh Power Corporation Limited

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Branch Office: 26, Godawari Shopping Centre, Sector-37, NOIDA-201303

**Replies to the Auditor's Report on the accounts for the year ended on 31<sup>st</sup> March 2015**

| S.<br>No | Auditors Report                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Replies      |
|----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
|          | <p><b>Report on the Financial Statements</b></p> <p>We have audited the accompanying standalone financial statements of Himachal Pradesh Power Corporation Limited ("the Company"), which comprises the Balance Sheet as at March 31, 2015, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | No comments. |
|          | <p><b>Management's Responsibility for the Financial Statements</b></p> <p>The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.</p>                                                                                                                                                                                                                                                                                                                                                                | No comments. |
|          | <p><b>Auditor's Responsibility</b></p> <p>Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.</p> <p>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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the</p> | No comments. |

|   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                            |
|---|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   | Company's Directors, 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 on the standalone financial statements.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                            |
| 1 | <p><b>Basis for qualified opinion</b></p> <p><b>Equity and Liabilities</b><br/><b>Share Capital</b></p> <p>As per the scheme of amalgamation of Kinner Kailash Power Corporation Ltd. (KKPCL) and Pabbar Valley Corporation Ltd. (PVPCL), the Transferor Companies, with the Company was duly approved by the CLB in the year 2007, (CLB Order dated 01-02-2010), wherein all the assets and liabilities were to be taken over by the Company at Unit Integrated Kashang H.E.P at book values on effective date i.e., 31.07.2007 in the books of the Transferor Companies. For this purpose an independent valuation report were obtained. The shares were allotted to the Himachal Pradesh State Electricity Board Ltd. being owner of Transferor Companies (HPSEBL) as under:</p> <p>A) KKPCL (IKHEP)-The difference between the assets and liabilities was Rs. 6110.00 Lac, which was payable to the transferor company HPSEBL. However, at the time of transfer it was observed that the assets i.e. Transmission line of value Rs. 6,585.00 Lac were not transferred to the transferee Company. After taking into account the reversal for the value of Transmission lines, Rs. 6,585.00 Lac the consideration payable to the transferor Company resulted into a negative amount of Rs. 475.00 Lac. Despite, negative net worth, the Transferor Company was allotted total excess shares worth Rs. 4,810.18 Lac.</p> <p>Out of the above said amount of Rs.4,810.18 Lac, the Company has issued shares of Rs. 1,770.00 Lac, during the current year by charging the same to Survey and Investigation expenses, CWIP (Asset under construction under the nature of Survey and Investigation expenses), without obtaining documentary proof of expense/payment being actually incurred.</p> <p>(B) PVPCL - The difference between the assets and liabilities as per valuation report was Rs.4,069.00 Lac, which was payable to the transferor company HPSEBL. Thus, net consideration as per the scheme of amalgamation is Rs.4,069.20 Lac. The HPSEBL has also given cash Rs.513.27 Lac, thus gross value of shares to be allotted comes to Rs.4,582.47 Lac. However, the Company has issued shares worth Rs.4,635.37 Lac (Rs.4,436.26 Lac+Rs.199.11 Lac) against consideration received Rs.4,582.47 Lac, therefore, excess shares issued for value of Rs.52.90 Lac.</p> | <p>The Statutory Auditors have taken view of the Shares to be issued to HPSEBL against individual ongoing Projects whereas, taking a holistic view of the Companies in toto as on 31-03-2015 Shares at par value of Rs. 13077.51 Lakhs were correctly issued by HPPCL.</p> |
| 2 | <p>The Tidong- II (60MW) Hydro Power Project of the Company was allotted to M/s Gammon India Ltd in 2011 by the decision of the Hon'ble Apex Court.</p> <p>The Company has allotted shares amounting to Rs.4.79 Lac against the above said project to HPSEBL. Therefore, it has resulted in issue of shares without any consideration.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <p>The Statutory Auditors have taken view of the Shares to be issued to HPSEBL against individual ongoing Projects whereas, taking a holistic view of the Companies in toto as on 31-03-2015 Shares at par value</p>                                                       |

|                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                     |
|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | of Rs. 13077.51 Lakhs were correctly issued by HPPCL.                                                                                                                                                                                                               |
| 3                              | We draw attention to Note No.15, the Company has issued shares of Rs. 20.24 Lac to HPSEBL, without consideration, debiting to "Bill Receivables. This amount has been accounted for by a book entry, disclosing under Other Current Assets" and hence, shown as recoverable.                                                                                                                                                                                                                                                                                                                                                                                                                                         | The account head is under reconciliation.                                                                                                                                                                                                                           |
| 4                              | <p>The Company has taken assets/expenditure at Unit Sunder Nagar of Rs. 55.24 Lac in the year 2010-11 but in the year 2012-13 the Company reduced the value assets taken over by Rs.15.98 Lac. This reduction in the value of assets taken over from HPSEB was not taken into consideration during the current year while reconciling for the issue the shares to HPSEB, thus excess shares of Rs.15.98 Lac are issued to HPSEB.</p> <p>Consequent to the observations in the above point nos. 1,2,3 and 4 of the Basis of Opinion Para , both the Share Capital and "Non- Current Assets/ CWIP-Expenditure during construction" period / other current assets are overstated by an amount of Rs.4,904.09 Lac.</p>   | The Statutory Auditors have taken view of the Shares to be issued to HPSEBL against individual ongoing Projects whereas, taking a holistic view of the Companies in toto as on 31-03-2015 Shares at par value of Rs. 13077.51 Lakhs were correctly issued by HPPCL. |
| <b>Non-Current Liabilities</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                     |
| 5                              | <p>We draw attention to Note No.2.12 (ii &amp; iii) and Note No.8, the Company has been making provision for defined employee benefit in respect gratuity, leave encashment and pension contribution of Rs.355.62 Lac, Rs.1,640.95 Lac and Rs. 763.94 Lac as at 31.03.2015 respectively. The provision is not in compliance with AS 15 which requires actuarial valuation through assumptions and estimates.</p> <p>In absence of actuarial valuation we are unable to quantify the impact of the adjustments required, if any, in this regard.</p> <p>This was also a subject matter of qualification in our previous year's audit report on the audited financial statements for the year ended 31 March 2014.</p> | Company had not made investment on this account, hence no actuarial valuation is done.                                                                                                                                                                              |
| 6                              | <p>The Company has not recognized the liabilities towards claim for enhanced compensation by Land oustees at Unit Sawara Kuddu Rs.5,944.45 Lac and at Unit Renukaji Rs.1,133.06 Lac.</p> <p>Consequently, it has resulted into understatement of both Current Liabilities and Fixed Assets- Land by the above said amounts.</p>                                                                                                                                                                                                                                                                                                                                                                                      | The matter is sub judice.                                                                                                                                                                                                                                           |
| 7                              | <p>We draw attention to Note No.2.15, the Company has not made provision for demand of interest and penalty on Entry tax of value Rs. 1088.98 Lac, Consequently, it has resulted into both understatement of both Current Liabilities and Profit &amp; Loss account-expenditure by the above said amount.</p>                                                                                                                                                                                                                                                                                                                                                                                                        | The matter is sub judice.                                                                                                                                                                                                                                           |
| 8                              | <p>The Company has debited the GPF Liability account and credited the Salary account without indentifying / verifying the liability of Rs.39.55 Lac. This has resulted into understatement of both Current Liabilities and Expenditure- employee benefit Expenses by above said amount.</p> <p>This was also a subject matter of qualification in our previous year's audit report on the audited financial statements for the year ended 31 March 2014.</p>                                                                                                                                                                                                                                                         | The said liabilities have been reconciled/identified and necessary rectification has been carried out.                                                                                                                                                              |
| 9                              | <p>The Company has neither disclosed nor recognized the provisions of expenses in respect of cases filed against the Company which are pending in different Courts. The liabilities involved in these cases have not been estimated by the Company. Therefore, we are unable to quantify the effect of the same on the Current liabilities/assets.</p>                                                                                                                                                                                                                                                                                                                                                               | The matter is sub judice.                                                                                                                                                                                                                                           |

|                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10                                                                      | <p>We draw attention to Note No.9, the Company has not received confirmation of balance in respect of the Other Current Liabilities due to Contractors/suppliers and Government Departments of Rs 13,774.62, Rs. 506.84 Lac respectively.</p> <p>Due to non-availability of confirmation of aforesaid balance, we are unable to quantify the impact of adjustment, if any, arising from reconciliation and settlement of account balances on the financial statement.</p> <p>This was also a subject matter of qualification in our previous year's audit report on the audited financial statements for the year ended 31 March 2014.</p> | <p>Some of the Contractors and Suppliers were requested to confirm the dues payable &amp; receivable from them. However, very few of them have responded and hence, the balances appearing in the books have been considered confirmed &amp; final.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Non- Current Assets</b><br>Fixed Assets and Capital Work-in-Progress |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 11                                                                      | <p>We invite attention to Note No.2.13-II, the part of land awarded and mutated in the name of the Company has been capitalised as freehold land at Unit Renukaji. However, for the balance of land award of Rs.44,697.00 Lac, the liability has not been recognized in the books of account.</p> <p>Consequently it has resulted into understatement of both Current Liabilities and Fixed Assets –Land by Rs. 44,697 Lac.</p>                                                                                                                                                                                                            | <p>It is submitted that against the total project cost of Rs. 2175 Crores at 2006 price level, The Govt. Of India and other sharing States have only released a meagre amount of Rs. 239.83 Crores during the last eight years. It is reiterated that it has been declared a project of national importance. The HPPCL has repeatedly taken up the matter of release of the balance funds with the GOI as well as the State Government. Therefore it may not be appropriate to inflate both assets (Receivable from other States) and current liabilities (Payable to land owners) with a compensating amount Most importantly in the absence of any MoU recording such transactions may make the financial statements confusing. Above all several cases for compensation are pending decision in the Court of law and no firm commitment of release of funds is there from the beneficiaries Governments. Therefore no liability arises as pointed out by the Statutory Audit.</p> |
| 12                                                                      | <p>The Company, at Unit Shongtong HEP, has paid Rs.47.03 Lac to Land oustees for acquisition of Land measuring 0.1702 hectare, for the project, at the time of mutation it is found that the same land was already acquired by HPPWD. This amount of Rs.47.03 Lac is charged to Land cost and the same has neither been written off nor recovered from payees.</p> <p>Consequently, Non –Current Assets, Land is overstated and Current Assets are understated by above said amount.</p>                                                                                                                                                   | <p>The process of recovery is underway.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

| 13              | <p>(a) The Assets of Project Unit, Kashang HEP, the gross value of which amounts to Rs. 127.00 Lac were damaged due to unprecedented and torrential rain fall during the previous year. The Board has accorded consent to write off the assets in meeting dated 25-07-2014. The provision for net loss of assets to be made is Rs. 119.00 Lac (net of retrievable value of Rs. 8.19 Lac).</p> <p>The Company has accounted for the loss on account of write off of assets Rs. 63.29 Lac instead of Rs.119.00 Lac, Consequently, it has resulted into overstatement of Non-Current Assets and understatement Loss on fixed assets/CWIP by Rs. 55.71 Lac.</p> <p>This was also a subject matter of qualification in our previous year's audit report on the audited financial statements for the year ended 31 March 2014.</p> <p>(b) The Company has written off Assets of Unit Sawara Kuddu, worth Rs.0.53 Lac without approval of the Board of Directors.</p>                                                                                                                                                                                          | <p>The loss of asset was correctly booked after considering the accumulated depreciation.</p>                                                                                                                                                                                                                                                                     |                           |        |  |  |              |                          |                      |                           |       |              |   |     |        |        |             |        |   |        |        |       |        |        |        |        |                                                                          |
|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|--------|--|--|--------------|--------------------------|----------------------|---------------------------|-------|--------------|---|-----|--------|--------|-------------|--------|---|--------|--------|-------|--------|--------|--------|--------|--------------------------------------------------------------------------|
| 14              | <p>The Company has disclosed in Note 10.1(A) to the financial statements:</p> <p>(a) 'Assets not owned by the Company' of Rs. 552.36 Lac. The Company has wrongly stated the date of put to use as 31-03-2015 instead of identifying actual date of putting assets in use. This has resulted in under charge of depreciation; however, we are unable to quantify the impact in absence of availability of actual date of putting assets in use.</p> <p>(b) The 'Lease hold Land' amounting to Rs. 28.28 Lac which was acquired on 28-02-2012. The value of the said Lease hold Land is not being amortised by the Company in contravention to AS-6 Depreciation accounting read with AS-19, Leases which requires the amortization of leasehold assets over its useful life. This has resulted in short charge of depreciation of Rs. 3.61 Lac on the above said assets.</p> <p>Consequently, it has resulted in overstatement of Fixed Assets and understatement of CWIP by Rs.3.61 Lac. This was also a subject matter of qualification in our previous year's audit report on the audited financial statements for the year ended 31 March 2014.</p> | <p>Approval of HOP exists.</p> <p>Put to use date will be kept under consideration for future capitalisation of assets.</p> <p>The case shall be taken-up to the BOD for approval during the current Financial Year 2016-17 and once approval is accorded, the lease hold asset shall be amortized from the date of acquisition, over the period of 40 years.</p> |                           |        |  |  |              |                          |                      |                           |       |              |   |     |        |        |             |        |   |        |        |       |        |        |        |        |                                                                          |
| 15              | <p>The Company has not recognized the expenditure towards CWIP-E&amp;M Works for Rs.1,050.60 Lac at Unit IKHEP. The supplier has been paid to the extent of Rs.568.51 Lac which has been classified as Long term Loans &amp; Advances.</p> <p>Consequently, it has resulted into understatement of both Current Liabilities by Rs. 482.09 Lac &amp; CWIP-E&amp;M Works by Rs.1,050.60 Lac and overstatement of Current Assets by Rs. 568.51 Lac.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <p>Reconciliation is under progress.</p>                                                                                                                                                                                                                                                                                                                          |                           |        |  |  |              |                          |                      |                           |       |              |   |     |        |        |             |        |   |        |        |       |        |        |        |        |                                                                          |
| 16              | <p>We invite attention to Note No.2.13-II, the CWIP consist of Non-Residential Buildings, Residential Building and Road/Bridges &amp; Culverts amounting to Rs. 818.07 Lac, Rs 419.21 Lac and Rs. 878.50 Lac respectively which have been put to use at respective Units, since financial year 2009-10. The balances of CWIP in the above heads have been stated below Unit wise:</p> <table><tr><th colspan="5">(Amount in Lac)</th></tr><tr><th>Project Unit</th><th>Non Residential Building</th><th>Residential Building</th><th>Roads, Bridges &amp; Culverts</th><th>Total</th></tr><tr><td>Sawara Kuddu</td><td>-</td><td>288</td><td>456.79</td><td>744.79</td></tr><tr><td>Kashang HEP</td><td>477.28</td><td>-</td><td>260.33</td><td>737.61</td></tr><tr><td>Sainj</td><td>340.79</td><td>131.21</td><td>161.38</td><td>633.38</td></tr></table>                                                                                                                                                                                                                                                                                             | (Amount in Lac)                                                                                                                                                                                                                                                                                                                                                   |                           |        |  |  | Project Unit | Non Residential Building | Residential Building | Roads, Bridges & Culverts | Total | Sawara Kuddu | - | 288 | 456.79 | 744.79 | Kashang HEP | 477.28 | - | 260.33 | 737.61 | Sainj | 340.79 | 131.21 | 161.38 | 633.38 | <p>The process of capitalisation of assets is under process at HEP's</p> |
| (Amount in Lac) |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                   |                           |        |  |  |              |                          |                      |                           |       |              |   |     |        |        |             |        |   |        |        |       |        |        |        |        |                                                                          |
| Project Unit    | Non Residential Building                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Residential Building                                                                                                                                                                                                                                                                                                                                              | Roads, Bridges & Culverts | Total  |  |  |              |                          |                      |                           |       |              |   |     |        |        |             |        |   |        |        |       |        |        |        |        |                                                                          |
| Sawara Kuddu    | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 288                                                                                                                                                                                                                                                                                                                                                               | 456.79                    | 744.79 |  |  |              |                          |                      |                           |       |              |   |     |        |        |             |        |   |        |        |       |        |        |        |        |                                                                          |
| Kashang HEP     | 477.28                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | -                                                                                                                                                                                                                                                                                                                                                                 | 260.33                    | 737.61 |  |  |              |                          |                      |                           |       |              |   |     |        |        |             |        |   |        |        |       |        |        |        |        |                                                                          |
| Sainj           | 340.79                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 131.21                                                                                                                                                                                                                                                                                                                                                            | 161.38                    | 633.38 |  |  |              |                          |                      |                           |       |              |   |     |        |        |             |        |   |        |        |       |        |        |        |        |                                                                          |



|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 19 | <p>The Company had made a book adjustment of Rs. 1,773 Lac, at Unit Sainj HEP, whereby the CWIP has been credited and Advances to Contractors have been debited.</p> <p>Consequently the CWIP is understated and Advances to Contractors is overstated by an amount of Rs. 1,773 Lac.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | The necessary rectification has been carried out at HEP.                                                                                                                                                                                                                                                                                                                                                                                                          |
| 20 | <p>We draw attention to Note No.2.14 and Note No.15, according to which though Company has paid the Income tax Rs. 7,471.87 Lac, which is inclusive of penalty, Rs. 943.28 Lac (Previous Year Rs.4,877.78 Lac income tax paid) as at 31.03.2015. The Company has not provided for Income Tax Expense since inception in the books of accounts.</p> <p>Consequently, Reserves and surpluses-Profit &amp; Loss Account is overstated and Current Liabilities under stated/ (alternatively short term loans and advances are overstated) by the provision for income tax Rs.7,471.87 Lac (Previous year Rs. 5,821.06Lac). The payment of the above said penalty of Rs. 943.28 Lac is not approved by Board.</p> <p>This was also a subject matter of qualification in our previous year's audit report on the audited financial statements for the year ended 31 March 2014.</p> | <p>Due to short notice of demand by Income Tax Department the amount was to be deposited immediately in order to avoid the attachment of our Bank Account, however, an appeal has been filed with CIT (A) Solan. The BOD of HPPCL had been apprised about this transaction vide agenda No.49.11, of 49BOD held on 15 December 2014. In this respect the matter was earlier also referred to the BOD vide agenda No.23.05 of 23 BOD meeting held on 26.2.2010.</p> |
| 21 | <p>We invite attention to Note No.12 and Note No.15, the Company has not received confirmation of balance in respect of Capital advances; Advances to Govt. department; Recoverable from Govt Dept and Recoverable to consultant/supplier/contractor amounting to Rs.16,306.63 Lac, Rs. 2,618.52 Lac, Rs. 185.84, Rs. 1,426.57 Lac respectively. Due to non-availability of confirmation of aforesaid balances, we are unable to quantify the impact of adjustment, if any, arising from reconciliation and settlement of account balances on the financial statement.</p> <p>This was also a subject matter of qualification in our previous year's audit report on the audited financial statements for the year ended 31 March 2014.</p>                                                                                                                                   | <p>Some of the Contractors and Suppliers were requested to confirm the dues payable &amp; receivable from them. However, very few of them have responded and hence, the balances appearing in the books have been considered confirmed &amp; final.</p>                                                                                                                                                                                                           |
| 22 | <p>We invite attention to Note No.15, the Company has paid Rs. 640 Lacs to Land Acquisition Development Authority (LADA) and accounted for as Advances to H P Govt. Departments. The expenditure is required to be accounted for as Expenditure during construction instead of showing as advance.</p> <p>Consequently, the Short term Loans and advances are overstated and the CWIP –Expenditure during construction is understated by Rs. 640 Lac.</p>                                                                                                                                                                                                                                                                                                                                                                                                                     | <p>The matter is taken up with concerned authorities for issuance of UC upon receipt of UC necessary action will be taken.</p>                                                                                                                                                                                                                                                                                                                                    |
| 23 | <p>We invite attention to Note No.15 Short Loans &amp; Advances, the Company has paid to LAO Rs. 5.02 Lac at Unit Chirgaon HEP, and Rs.3,874.79Lac at Unit Renukaji, these payments to LOA towards cost Land have been accounted for as Advance to Government Departments under Short Loans &amp; Advances instead of capitalising the amounts as cost towards Land.</p> <p>Consequently, the Short term Loans and advances are overstated and the Fixed Assets-Land are understated by Rs.3,879.81 Lac.</p>                                                                                                                                                                                                                                                                                                                                                                  | <p>The action will be taken up upon completion of title to ownership and mutation.</p>                                                                                                                                                                                                                                                                                                                                                                            |
|    | <p><b>Qualified Opinion</b></p> <p>In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph the standalone 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:</p>                                                                                                                                                                                                                                                                                                                                                                                                                   | No comments.                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

|  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|--|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <p>(a) In the case of Balance Sheet, of the state of affairs of the Company as at March 31, 2015;</p> <p>(b) In the case of Statement of Profit and Loss, of the profit for the year ended on that date; and</p> <p>(c) In the case of Cash flow Statement, of the cash flows for the year ended on that date.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|  | <p><b>Emphasis of matter</b></p> <p>Without qualifying our opinion we draw attention to the following:</p> <ol style="list-style-type: none"> <li>1. We draw attention to Note No.6, accordingly the Company has availed long term borrowing from State Govt. Loan (ADB) amounting to Rs.1,81,770.20 Lac which is inclusive of "Imprest advances" amounting to Rs.25,893.70 Lac. The amount representing the Imprest Account should be disclosed separately Loan on account of Imprest Advance". Hence, Government loans should be disclosed net of Imprest amount (Rs. 25.893.70 Lac) at Rs. 1,55,876,50 Lac.</li> <li>2. We draw attention to Note No. 2.23 to the financial statements, accordingly the Company has possession of forest land at Units, Sainj HEP, Shongtong HEP, Kashang HEP, and Sawra Kuddu HEP. The following liabilities have arisen: <ol style="list-style-type: none"> <li>a) The lease cost demand at the Unit Sainj is Rs.1,153.12 Lac and at the Unit Shongtong is Rs. 1,140.7 Lac.</li> <li>b) The lease cost demand at the Unit Kashang and Unit Sawara Kuddu is not quantifiable, therefore, its financial impact Current Liabilities and Fixed Assets- Land is unascertainable at this stage.</li> </ol> </li> </ol> <p>The Company has not recognized above the liabilities for lease rent/lease cost keeping in view that Govt. Of H.P has issued notification No.Rev.-D(G) 6-69/2011-II dated 23.01.2016. The Company is expecting a very nominal value of forest Land lease registration cost. Consequently, it has no material financial impact.</p> | <p>The company has been maintaining the long term borrowings from State Govt. Loan (ADB), which also includes amount received from ADB as an imprest. This is to facilitate the liquidity requirements of the Corporation. This amount which is kept at the disposal of the corporation by the ADB, is a non-refundable in short term and considered as a loan from State Govt. from the date the amount is transferred to corporation's account. Hence, this is a long term liability and is a part of borrowing from state Govt. and all provisions of landing agreement are also applicable on this imprest amount.</p> <p>Keeping in view the huge cost involved to be paid to revenue Dept., in addition to the NPA already paid to forest Dept., against forest land diverted for construction of projects of HPPCL, the management of HPPCL has planned to take-up the case with H.P. Govt. for waiver of this cost or the same shall be taken on lease at nominal value, keeping in view the fact that the HPPCL is a fully owned state Govt. Enterprise. Hence, booking of expenditure for this cost at this stage will only inflate the assets as well as liabilities.</p> |
|  | <p><b>Report on Other Legal and Regulatory Requirements</b></p> <ol style="list-style-type: none"> <li>1. As required by the Companies (Auditor's report) Order, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the Annexure 1, a statement on the matters specified in paragraphs 3 and 4 of the Order.</li> <li>2. We are enclosing our report in terms of Section 143(5) of the Act, on the basis of such checks of</li> </ol>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <p>No comments.</p> <p>No comments.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

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|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| <p>the books and records of the Company as we considered appropriate and according to the information and explanations given to us, in the Annexure 2 on the directions and sub-directions issued by Comptroller and Auditor General of India.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                     |
| <p>3. As required by Section 143 (3) of the Act, we report that:</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <p>No comments.</p> |
| <p>(a) Except for the matter described in the basis for Qualified Opinion paragraph, we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <p>No comments.</p> |
| <p>(b) Except for the possible effect of the matter described in the basis for Qualified Opinion paragraph, in our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <p>No comments.</p> |
| <p>(c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <p>No comments.</p> |
| <p>(d) Except for the possible effect of the matter described in the basis for Qualified Opinion paragraph, In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;</p>                                                                                                                                                                                                                                                                                                                                                                                                                                            | <p>No comments.</p> |
| <p>(e) The matter described in the Basis for Qualified Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the Company;</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <p>No comments.</p> |
| <p>(f) On the basis of written representations received from the directors as on March 31, 2015, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2015, from being appointed as a director in terms of Section 164 (2) of the Act;</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <p>No comments.</p> |
| <p>(g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <p>No comments.</p> |
| <p>(h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:</p> <ul style="list-style-type: none"> <li>i. The Company has not disclosed as well as recognized the impact of pending litigations on its financial position in its financial statements.</li> <li>ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;</li> <li>iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.</li> </ul> |                     |

**Replies to the Annexure-I to the Statutory Auditor's Report for the year ended on 31<sup>st</sup> March 2015**

| S. No. | Auditor's Report                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Reply                                                     |
|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|
|        | Annexure referred to in paragraph 'Report on Other Legal and Regulatory Requirements' of our report of even date to the members of Himachal Pradesh Power Corporation Limited ('the Company') on the accounts for the year ended 31 <sup>st</sup> March, 2015                                                                                                                                                                                                                                                              |                                                           |
| (i)    | <p>(a) The Company has generally maintained proper records showing full particulars, except for the situation/location of fixed assets has not been mentioned in the assets register.</p> <p>(b) The fixed assets have been physically verified by the management during the year. There is a regular programme of verification, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.</p>  | <p>No comments.</p> <p>No comments.</p>                   |
| (ii)   | <p>(a) The management has conducted physical verification of inventory at reasonable intervals during the year.</p> <p>(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.</p> <p>(c) The Company is maintaining proper records of inventory and no material discrepancies are noticed on physical verification.</p>                                                                    | <p>No comments.</p> <p>No Comments</p> <p>No Comments</p> |
| (iii)  | According to the information and explanations given to us, the Company has not granted loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3 (a) to (b) of the Order are not applicable to the Company hence not commented upon. The matter described in the Basis for Qualified Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the Company; | No Comments                                               |
| (iv)   | In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets. There has been no sale of goods and services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.                    | No Comments                                               |
| (v)    | The Company has not accepted any deposits from the public, therefore, in our opinion and according to the information and explanations given to us, the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules framed thereunder with regard to the deposits are not applicable.                                                                                                                                                                                        | No Comments                                               |
| (vi)   | In our opinion and according to the information and explanations given to us, the Central Government has not prescribed for the maintenance of cost records under Section 148 of the Companies Act, 2013, keeping in view that the Company's projects are under construction and there is no generation of power.                                                                                                                                                                                                          | No Comments                                               |
| (vii)  | (a) In our opinion and according to the information and explanations given to us, the Company is generally regular in depositing undisputed statutory dues including provident fund, employees' state insurance fund, income-tax, sales-tax,                                                                                                                                                                                                                                                                               | No Comments                                               |

wealth-tax, service tax, customs duty, excise duty, value added tax, cess and any other statutory dues with the appropriate authorities.

- (b) According to the records of the Company, the dues of income-tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax and cess which remained unpaid on account of any dispute (including interest), are as follows:

| S. No. | Statute/Act                                         | Nature of due | Amt. in Lac (Rs.) | Period    | Forum before which pending                                   |
|--------|-----------------------------------------------------|---------------|-------------------|-----------|--------------------------------------------------------------|
| 1.     | Entry Tax Act,                                      | Interest      | 337.70            | 2010-2015 | Addl. Excise & Taxation Commissioner-cum-Appellate Authority |
| 2.     | H P Tax on entry of goods into Local Area Act 2010, | Penalty       | 751.28            | 2010-2015 | -do-                                                         |
|        | <b>Total</b>                                        |               | <b>1,088.98</b>   |           |                                                              |

- (c) There were no amounts which were required to be transferred to the Investor Education and protection Fund by the Company.

The matter is sub-judice.

|        |                                                                                                                                                                                                                                                                                                                                                  |             |
|--------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| (viii) | The Company has accumulated losses of Rs.4,106.25 Lac at the end of the financial year and it has incurred cash losses Rs.2,726.28 Lac during the financial year covered by our audit. There were cash losses in the immediately preceding financial year amounting to Rs.1,208.07.                                                              | No Comments |
| (ix)   | In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks and financial institutions. The Company did not have any outstanding debentures.                                                                                                                       | No Comments |
| (x)    | According to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks or financial institution.                                                                                                                                                                                   | No Comments |
| (xi)   | According to the information and explanations given to us, the term loans have been applied for the purpose for which the loans were obtained.                                                                                                                                                                                                   | No Comments |
| (xii)  | According to the information and explanations given to us and as represented by the management and based on our examination of the books and records of the Company and in accordance with generally accepted auditing practices in India, we have been informed that no case of frauds has been committed on or by the Company during the year. | No Comments |

**Replies to the Annexure-II to the Statutory Auditor's Report for the year ended on 31<sup>st</sup> March 2015**

| S No. | Directions                                                                                                                                                                                                                                                                                  | Action Taken                                                                                                          | Impact on Financial Statement                                                                                                                                                                                                                    | Reply       |
|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| 1     | If the Company has been selected for disinvestment, a complete status report in terms of valuation of Assets (including intangible assets and land) and Liabilities (including Committed & General Reserves) may be examined including the mode and present stage of disinvestment process. | Nil                                                                                                                   | Nil                                                                                                                                                                                                                                              | No Comments |
| 2     | Please report whether there are any cases of waiver/ write off of debts/loans/interest etc., if yes, the reasons there for and the amount involved.                                                                                                                                         | Nil                                                                                                                   | Nil                                                                                                                                                                                                                                              | No Comments |
| 3     | Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. or other authorities.                                                                                                                                                   | Nil                                                                                                                   | Nil                                                                                                                                                                                                                                              | No Comments |
| 4     | A report on age-wise analysis of pending legal/ arbitration cases including the reasons of pendency and existence/ effectiveness of a monitoring mechanism for expenditure on all legal cases(foreign and local) may be given.                                                              | No. of cases upto:<br>1 year - 215<br>2 year- 151<br>3 year 146<br>Above 3 year <u>167</u><br><b>Total <u>679</u></b> | The Company has neither disclosed nor recognized the provisions of expenses in respect of cases filed against the Company which are pending in different Courts. The liabilities involved in these cases have not been estimated by the Company. | No Comments |

Government of India  
Indian Audit and Accounts Department  
Principal Accountant General (Audit)  
Himachal Pradesh, Shimla-171 003



भारत सरकार  
भारतीय लेखा तथा लेखा परीक्षा विभाग  
प्रधान महालेखाकार (लेखापरीक्षा)  
हिमाचल प्रदेश, शिमला-171 003

क्रमांक: वा0ले0प0/आ0सै0-(आर0ए0ओ0)/ हि0प्र0पा0कार्पो0लि0-लेखे-2015-16/2016-17/49-5/ दिनांक 27.04.2016

सेवा में

प्रबन्ध निदेशक,  
हि0प्र0 पावर कार्पोरेशन लिमिटेड,  
शिमला-5 (हि0प्र0)

विषय:- कम्पनी अधिनियम, 2013 की धारा 143(6)(b) के अधीन टिप्पणियां।

महोदय,

मैं, 31 मार्च 2015 को समाप्त वर्ष के लिए हि0प्र0 पावर कार्पोरेशन लिमिटेड, के लेखों के सम्बन्ध में कम्पनी अधिनियम, 2013 की धारा 143(6)(b) के अधीन टिप्पणियां भेज रहा हूं।  
कृपया पावती भेजें।

भवदीय,

राम मोहन जोशी  
प्रधान महालेखाकार

संलग्न: उपरोक्त

AGM ALK  
28/4

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF HIMACHAL PRADESH POWER CORPORATION LIMITED FOR THE YEAR ENDED 31 MARCH 2015.**

The preparation of financial statements of the Himachal Pradesh Power Corporation Limited for the year ended 31 March 2015 in accordance with financial reporting frame work prescribed under the Companies Act, 2013 is the responsibility of the management of the company. The statutory auditor/ auditors appointed by the Comptroller and Auditor General of India under section 139 (5) or 139 (7) of the Act is /are responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143 (10) of the Act. This is stated to have been done by them vide their Audit Report dated 12 February 2016.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 143 (6) (a) of the Act of the financial statements of Himachal Pradesh Power Corporation Limited for the year ended 31 March 2015. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under section 143 (6) (b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the statements and the related audit report.

**BALANCE SHEET**

**Equity and Liabilities**

**Current liabilities**

**1. Liabilities for Contractors & Suppliers: ₹137.75 crore**

The above does not include ₹ 13.93 crore being the value of civil works completed up to March 2015. This has resulted in understatement of Current Liabilities and Capital Work-in-Progress by ₹ 13.93 crore.

**2. Liabilities for Government Departments: ₹5.07 crore**

The above does not include ₹ 21.04 crore being liability towards Local Area Development Fund payable to Local Area Development Authority in terms of Himachal Pradesh Government notification dated 05 October 2011. This has resulted in understatement of Expenditure during Construction by the same amount.

**Assets**

**3(a) Fixed Assets – Tangible Assets: ₹ 306.81 crore**

The above includes ₹ 5.52 crore being expenditure incurred on enabling tangible assets not owned by the Company. This was required to be charged to Profit & Loss account. Non-charging the above expenditure to Profit & Loss account has resulted in overstatement of Fixed Assets and understatement of Loss by ₹ 5.52 crore.

**3(b) Capital Work-in-Progress: ₹ 3002.04 crore**

The above includes ₹ 2.60 crore being expenditure incurred on enabling tangible assets not owned by the Company. This was required to be charged to Profit & Loss account. Non-charging the above expenditure to Profit & Loss account has resulted in overstatement of Capital Work-in-Progress and understatement of Loss by ₹ 2.60 crore.

**4. ANNEXURE 2 FORMING PART THE STATUTORY AUDITORS' REPORT**

**Sub Directions under Section 143(5) Of the Companies Act, 2013**

As per Section 143(5) of the Companies Act, 2013, the Statutory Auditors are required to follow directions and the manner in which the accounts of the government company are required to be audited by the Comptroller and Auditor General of India under *ibid* section in respect of audit of accounts to be conducted from the year 2014-15 onwards. However, total 7 nos. of directions/ sub-directions are applicable in case of Himachal Pradesh Power Corporation Limited (HPPCL), out of which only 3 nos. (Sr. No 5 to 7) of directions/ sub-directions were not qualified by the Statutory Auditors. Thus, the Annexure-2 forming part of the Statutory Auditors' Report is deficient to that extent.

**5. AUDITORS' REPORT**

**Equity and Liabilities**

**Share Capital**

A reference is invited to point no. 1, 2 & 4 of Auditors' Report through which shares issued to Himachal Pradesh State Electricity Board Limited (HPSEBL) have been commented

upon by the Statutory Auditors. The Statutory Auditors have taken view of shares to be issued by HPPCL to HPSEBL against individual ongoing projects whereas, taking a holistic view of both the companies in toto as on 31 March 2015 shares at par value of 13077.51 lakh were correctly issued by the Company (as per reconciliation of accounts by both the Companies). Thus, point no. 1, 2 & 4 of the Auditors' Report are not relevant.

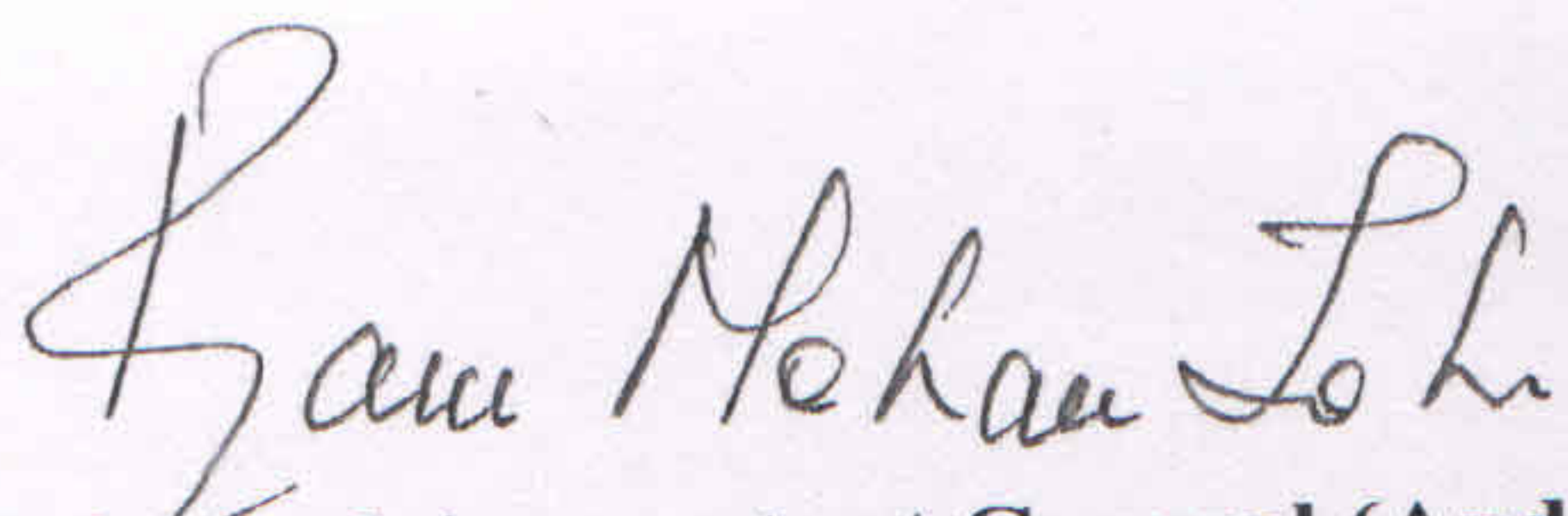
#### **IMPACT OF COMMENTS**

As a result of comments, current year loss of ₹ 21.73 crore had been understated by ₹ 8.12 crore. In case, these adjustments are carried out loss increase to ₹ 29.85 crore against the depicted loss of ₹ 21.73 crore.

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

**Place: - Shimla**

**Date:- 27.04.2016**

  
**Principal Accountant General (Audit)  
Himachal Pradesh, Shimla**

**REPLIES TO COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143 (6)(B) OF THE COMPANIES ACT, 2013 OF THE ACCOUNTS OF HIMACHAL PRADESH POWER CORPORATION LTD. FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2015**

| Sr. No. | CAG Comments                                                                                                                                                                                                                                                                                                                                                                                                                             | Reply to comments of CAG                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1       | <p><b>EQUITY AND LIABILITIES</b></p> <p><b>Current liabilities</b></p> <p><b>Liabilities for contractors &amp; Suppliers: Rs. 137.75 crore</b></p> <p>The above does not include Rs. 13.39 crore being the value of civil works completed up to March 2015. This has resulted in understatement of Current Liabilities and Capital Work-in-Progress by Rs. 13.39 crore.</p>                                                              | <p>The said expenditure will be taken into account in the current financial year as the balance sheet has been already drawn.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 2       | <p><b>Liabilities for Government Departments: Rs.5.07 Crore</b></p> <p>The above does not include Rs. 21.04 crore being liability towards Local Area Development Fund payable to Local Area Development Authority in terms of Himachal Pradesh Government notification dated 05 October 2011. This has resulted in understatement of Expenditure during Construction by the same amount.</p>                                             | <p>It is submitted that funds under the given head, are being released to concerned authorities as per schedule date and demand raised by concerned authorities, however, the required provision/payment shall be provided on receipt of such demand from concerned authorities.</p>                                                                                                                                                                                                                                                                                                                                                                     |
| 3(a)    | <p><b>Assets</b></p> <p><b>Fixed Assets – Tangible Assets : Rs. 306.81 Crore</b></p> <p>The above includes Rs. 5.52 crore being expenditure incurred on enabling tangible assets not owned by the Company. This was required to be charged to Profit &amp; Loss account. Non-charging the above expenditure to Profit &amp; Loss account has resulted in overstatement of Fixed Assets and understatement of Loss by Rs. 5.52 crore.</p> | <p>The lack of uniformity of accounting practices in this area has not been cleared by the issuance of the EAC opinion by ICAI. Indeed, it is a moot point if the diversity has actually increased post the issuance of the opinion on this matter. Whilst the accounting for enabling assets would depend on specific facts and circumstances of a case, including ability of the entity to control the asset, entity's rights and responsibilities with regard to such asset etc., there is a need for more definitive guidance from the standard-setters so that more consistent financial reporting can be achieved for such assets/expenditure.</p> |
| 3(b)    | <p><b>Capital Work-in-Progress: Rs. 3002.04 crore</b></p> <p>The above includes Rs. 2.60 crore being expenditure incurred on enabling tangible assets not owned by the Company. This was required to be charged to Profit &amp; Loss account. Non-charging the above expenditure to Profit &amp; Loss account has resulted in overstatement of Capital Work-in-Progress and understatement of Loss by Rs. 2.60 crore.</p>                | <p>In view of the above it is proposed that HPPCL shall continue with the existing accounting practice being followed i.e. capital expenditure on assets not owned by HPPCL shall be shown in the balance sheet under separate accounts head "Expenditure on assets not owned by Company".</p>                                                                                                                                                                                                                                                                                                                                                           |