HIMACHAL PRADESH POWER CORPORATION LTD.

ANNUAL REPORT
2019-2020

Sawara Kuddu HEP 111 MW - Inauguration Ceremony

HPPCL's 15th Raising Day Celebration at CPRI Hall Shimla

ANNUAL REPORT 2019-2020

CONTENTS

Auditors :
Soni Gulati & Co
(NR0311)
Roshan leela, K No 174/2,
Mehali, Near Govt. School
Post Office Mehli, Shimla-171013
Himachal Pradesh

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

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

HIMACHAL PRADESH POWER CORPORATION LIMITED

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

Notice of 14th Adjourned Annual General Meeting of the HPPC LTD.

"Notice is hereby given that the 14th Adjourned Annual General Meeting of the Shareholders of the Himachal Pradesh Power Corporation Limited, Shimla will be held on **28.09.2022 at 01:30 PM at CS Committee Room, H.P. Govt. Secretariat, Shimla-171002 (H.P.)** to transact the following business:

ORDINARY BUSINESS:

- To receive, consider and adopt the Financial Statements (Annual Accounts) of the Company for the year ended 31st March, 2020, consisting of Statement of Incidental Expenditure during construction, Statement of Profit & Loss.
- Account and the Balance Sheet as on that date along with Board's Report, Auditors' Report and the Comments of the Comptroller & Auditor General of India and replies thereto.

Place: Shimla By order of the Board of Directors

Dated: -

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

Note:

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

PROXY FORM

I/We member (s) of the Himachal Pradesh Power Corporation Limited (HPPCL), Shimla, 171009 do hereby appoint ____ of Himachal Pradesh Power Corporation Limited as my proxy to attend and vote for me the 14th Adjourned Annual General Meeting of the HPPCL on **28.09.2022 at 01:30 PM** and/or at any adjournment thereof.

Signed this on .... Signatures

Affix Rs.5/-
Revenue Stamp

Memorandum for Shareholders

The Shareholders are informed that pending finalization of Financial Statements (Annual Accounts) for the year ended 31.03.2020, the Annual General Meeting was held on 19th November, 2020 and Shareholders were informed the factual position of pendency of Annual Accounts.

The Financial Statements (Annual Accounts) Standalone duly approved by the Board in its 72nd Meeting on 05.08.2020 were submitted to the Statutory Auditors for conducting audit. During audit, some observations on the accounts were raised, which were attended and also the accounts were consolidated along with the accounts of Joint Venture Companies. Then the revised accounts were placed in 75th Board Meeting, which were approved on 18.03.2021. The report of the Statutory Auditors was received. Thereafter, these accounts were submitted to the Accountant General, Himachal Pradesh to have the comments of the Comptroller and Auditor General of India (CAG) under the provisions of the Act. The comments of CAG of India on these accounts have also now been received. Also, the Board's Report for the FY 2019-20 has been prepared and annexed to the Financial Statements (Annual Accounts).

The Shareholders are requested to kindly receive, consider and adopt the Financial Statements (Annual Accounts) of the Company for the year ended 31st March, 2020, consisting of Statement of Incidental Expenditure during construction, Statement of Profit & Loss Account and the Balance Sheet as on that date along with Board's Report, Auditors' Report and the Comments of the Comptroller & Auditor General of India and replies thereto.

Place: Shimla
Dated:

Sd/-
Director (Finance)

BOARD OF DIRECTORS

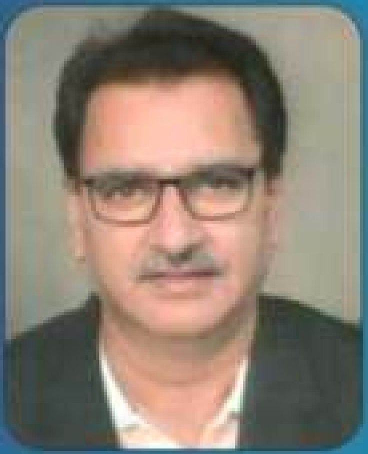
Sh. Prabodh Saxena, IAS
Chairman
Chief Secretary & CS Finance
Govt. of Himachal Pradesh

Sh. Rajeev Sharma, IAS
Secretary
(MPP & Power)
Govt. of H.P.

BOARD OF DIRECTORS

Sh. Harikesh Meena, IAS
Managing Director, HPPCL

Dr. Amit Kumar, IAS
Director
Finance, Personnel & Electrical, HPPCL



Er. Surender Kumar
Director (Civil), HPPCL

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

BOARD'S REPORT

Dear Members,

Your Directors are pleased to present the 14th Annual Report of the Company for the year ended 31st March, 2020 along with the Financial Statements (Annual Accounts), Report of Auditors and Comments of the Comptroller and Auditor General of India and replies thereto.

1. GENESIS

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

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

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

2. MISSION, AIMS AND TARGETS

- **Mission:** To bring prosperity in Himachal Pradesh through development of power.
- **Aims:** To come up as a major power generating Company of India with good managerial and technical capabilities.
- **Targets:** To develop 939 MW hydro power generating capacity by 2026-27 and 979 MW by 2028-29 and to develop 150 MW Solar generating capacity by 2027.

3. IN-HAND PROJECTS AT A GLANCE

The Govt. of Himachal Pradesh had allotted 22 Hydro and 2 Solar Electric Projects to Himachal Pradesh Power Corporation Ltd. (HPPCL). Six projects have been surrendered back to GoHP in 2020 as some were found unviable after detailed investigations and others have been dropped as per directions of MoEF&CC. Presently, there are 16 hydro projects with aggregate installed capacity of 2443 MW for development under state sector by HPPCL. One Thermal Power Plant (2x250 MW) at Raniganj, West Bengal, was also allocated to HPPCL, however, coal block has been deallocated. One Solar Power Project of 5 MW capacity has been commissioned on 04.01.2019 near Sri Naina Devi Ji in District Bilaspur of HP. HPPCL is also in process of identifying suitable locations for setting up of aggregate 150 MW of Solar capacity by 2027. Setting up of said 150 MW capacity has been agreed as a Disbursement Linked Indicator under the Himachal Pradesh Power Sector Development Program (HPPSDP) being funded by the World bank. So, on progressive achievement of the above target, alongwith some other indicators, funds to the tune of net $80 M USD shall flow to the HPPCL out of the $200 M USD HPPSDP program. Another project viz. Kishau Multipurpose Project (660 MW) is also being developed by the Govt. of H.P. in joint venture with Govt. of Uttarakhand. Himachal Pradesh has 50% share in the project thereby making the total allotted potential of 2928 MW. These projects are in various stages of implementation. The execution of projects is being monitored strictly. All efforts for effective management and efficient organization of works are being made. HPPCL is committed to achieve the targeted schedule. Brief status of the progress of works and loan utilization is as under.

A) PROJECTS UNDER OPERATION (281MW)

HPPCL put under commercial operation Unit-II of Integrated Kashang Hydro Electric Project Stage-I (65 MW) on 01.09.2016. Also, Units III & I of Integrated Kashang HEP (195 MW) were commissioned on 03.03.2017 & 31.03.2017. The project has Generated 847.57 MU up to 21.06.2022 and Rs.220.92 Crore of revenue has been earned. HPPCL also commissioned Sainj HEP (100MW) on 04.09.2017 and has generated 1816.32 MU upto 21.06.2022. Revenue of Rs.571.56 Crore has been realized from the project. In 2021, HPPCL also got commissioned its 3rd hydro project Sawra

Kuddu HEP (111MW) on 21.01.2021. The project has generated 392.30 MU upto 21.06.2022 and earned revenue of Rs.167.10 crore till 21.06.2022.

Berra Dol Solar Power Project of 5 MW capacity was commissioned on 04.01.2019 that has generated 28.65 MU till 21.06.2022 and Rs. 12.35 crore of revenue has been generated.

B) PROJECTS UNDER EXECUTION (580 MW)

Sr. No	Name of Project(s)	Capacity (MW)	Physical Progress (%) ending 31.05.2022	Commissioning Date	
				Scheduled	Revised
1	Kashang HEP Stage-II & III	130	Civil & HM Works – 29%	Nov. 2014	September 2026
2	Shongtong-Karcham HEP	450	Civil & HM Works – 40.35% E&M Works - Supply- 57.51% done.	Jan. 2020	Dec. 2025

The above cited hydro projects at Sr. No. A) & B) were financed by ADB under different tranches (Tranche-I to IV). However, HRT of Sawra Kuddu HEP and E&M works of Shongtong Karcham HEP were financed by PFC/Govt. of H.P. and KfW respectively. After closing of ADB loan on 22.10.2018 and KfW loan on 30.12.2019, funding for Shongtong Karcham HEP has been tied up with the Power Finance Corporation (PFC). The works for Kashang II & III HEP and Shongtong Karcham HEP are in full swing. A loan from the World Bank is also in pipeline aimed at bringing further reforms in power sector entities wherein HPPCL is being funded for development of Solar capacity, Early Warning Systems, CAT plans DPRs of future projects. The loan is at the end of appraisal stage.

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

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

- From the above figures, it can be seen that HPPCL had achieved the ADB loan targets consistently right from the beginning. In case of Tranche-IV (Shongtong Karcham HEP), various reasons such as restrictions by nearby Ammunition Depot, agitation by labourers, poor cash flow of contractor, concerns of the lender regarding Right Bank slope stability of Barrage area have been responsible for delay of the Shongtong Karcham HEP. Now all these issues have been sorted out and project work is picking up progress. Design of barrage is in early stages of finalization and work on this component shall start shortly.
- For electro-mechanical works of Shongtong Karcham HEP (450MW), loan amounting to Euro 150 million was sanctioned by KfW and agreement with KfW was signed on 21.12.2012. The loan has closed on 30.12.2019 with final utilization of loan amounting to EUR 19.93 million.

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

i)	Renukaji Dam Project	40 MW
ii)	Chanju -III HEP	48 MW
iii)	Deothal Chanju HEP	30 MW

i). **Renukaji Dam Project (40 MW) :** being a "National Project" will be financed by Govt. of India and other beneficiary states.

Chanju -III HEP (48MW) and Deothal Chanju HEP (30MW) :

Techno-economic Clearance (TEC) by the Directorate of Energy (DoE), GoHP for Chanju-III HEP (48 MW) & Deothal Chanju HEP (30 MW) were accorded on dated 14.07.2015 and 22.07.2015 respectively. Environment Clearance for both the projects was accorded on 29.09.2017. A Forest clearance of both projects was obtained from MoEF & CC, Govt. of India on 22.10.2019. Agence Françaisede Development (AFD) agreed to provide an amount of Euro 80 million (Rs.640 Crore) for funding of Chanju-III HEP (48 MW) & Deothal Chanju HEP (30 MW). Credit Facility Agreement between GoI & AFD has been signed on 04.07.2017. The Project agreement and On Lending agreement between HPPCL, GoHP and AFD were signed on 02.02.2018 and 11.07.2018 respectively.

ii) Chanju - III HEP (48 MW) :

1. Civil & HM Works

Technical Bid Evaluation Report (TBER) in respect of both packages of Civil & HM works submitted to AfD on 21.06.2022 for issuance of NOC/review/approval. AfD vide email dated 13.07.2022 issued NOC. Thereafter price bid of both packages of Civil & HM works were opened on 18.07.2022. After financial evaluation, Financial Bid Evaluation Report (FBER) in respect of Package-II (Civil & HM works) submitted to AfD on 03.09.2022 for issuance of NOC/review/approval. AfD issued approval vide letter dated 09.09.2022. Financial evaluation of Package-I (Civil & HM works) is in progress. Both the packages are likely to be awarded by Sep, 2022.

2. E&M Works

NITs in respect of E&M package for Chanju-III HEP were published on 30.10.2021 with opening date as 04.01.2022. Pre Bid meeting in respect of Electro mechanical package of Chanju III HEP was held on 25.12.2021. Thereafter, approval of AFD on the clarifications and proposed amendments was received on 25.03.2022. Accordingly, the clarifications and amendments were issued to the prospective bidders on 26.03.2022. The last date of bid submission and opening were fixed for 4th and 05th May, 2022, respectively. Subsequently, bid submission date was extended. 2 no bids were received on 25.05.2022 and after taking necessary approvals, bids were opened on 26.05.2022 & evaluation of the same was under process. However, now in view of GIS issue raised by the bidders (i.e. non-availability of single phase GIS), Tender Evaluation Committee (TEC) has recommended to cancel the present tender and to go for the re–tendering.

Accordingly, after the prior approval of the Management, letter to AfD for issuance of the NOC for initiating the re-tendering process was sent on 25.08.2022, in response, AfD vide e-mail dt.29.08.2022 has intimated that, "after analyzing recommendations of Tender Evaluation Committee (TEC) with AFD HQ, AFD proposes that HPPCL shall submit revised tender documents/RfPs with proposed changes with respect to new technical specification, pre-bid queries and related clarifications. After reception of these revised bid documents, AFD will examine the matter in order to provide NOC in this context and will allow HPPCL to retender EM package of Chanju III project subject to compliance with AFD's standard procurement guidelines" . Accordingly Revised tender documents are being prepared. Now, tenders are expected to be awarded by March, 2023.

iii) Deothal Chanju HEP (30 MW) :

1. Civil & HM Works

Draft bidding documents of Package-II were sent to AFD on 01.01.2022 for approval and issuance of NOC. The matter regarding minimal participation of bidders during the procurement of Chanju-III HEP was deliberated with AFD during meeting held on 19.04.2022. Accordingly, it was decided for combining/clubbing of two civil works packages into a single package, as the quantum of work/contractual amount would be enhanced, which might enable HPPCL to attract greater participation of bidders. After clubbing the scope of works under Package-I & Package-II into a single Civil & HM Works Package, the draft RfP documents have been sent to AFD on 21.06.2022 for review and issuance of NoC. AfD vide email dated 15.07.2022 & 02.09.2022 have raised some observations and same are being attended to. Tenders shall be floated after getting NOC from AfD.

2. E&M Works:

Draft Bid documents in respect of E&M package were sent to AfD for review & issuance of NOC on 30.05.2022. Comments of AfD were received on 27.06.2022. Accordingly, draft tender documents are being revised/reply to AfD are being prepared.

(D) PROJECTS WITH APPROVED DPR (239 MW)

i)	Surgani Sundla HEP	48 MW
ii)	Thana-Plaun HEP	191 MW

(E) PROJECTS UNDER INVESTIGATION

(a) DPRs in Advanced Stages (838 MW)

1.	Nakthan HEP	460MW
2.	Kashang Stage IV	48MW
3.	Kishau Multipurpose Project	660MW (330 MW HP Govt.)

(b) DPRs in Intermediate/Initial Stages (427 MW)

1.	Gyspa Dam Project	300 MW
2.	Bara Khamba HEP	45 MW
3.	Triveni Mahadev HEP	72 MW
4.	Aghlor Solar Power Project	10 MW

The DPR of Thana Plaun HEP has been concurred by CEA vide office memorandum dated 07.09.2021. In context of Forest Clearance of the project, State Government has approved the case and it has been submitted to MoEF & CC for stage-I Forest clearance wherein few observations were raised which were replied during March 2022. Now MoEF & CC has again raised few observations during May, 2022 which are being attended by HPPCL and the compliance on the same shall be submitted shortly. Expert Appraisal Committee has recommended Environment Clearance (EC) to MOEF&CC subject to two conditions:

I. Stage-I forest clearance.

II. Adherence to the conditions of cumulative EIA study of Beas Basin.

In Surgani Sundla HEP, Project cost was revised at July, 2017 price level which came out to be Rs.700 crore. In view of the high cost, the project proposal has been revisited and cost brought down to Rs.581.86 Crore. TEC shall be got revalidated again from DoE shortly. Project is contemplated as tail race development of Baira Siul HEP of NHPCL. HPPCL had sought NoC from NHPCL which was however denied by the latter. Now renewed request has been made through the Director (Energy), GoHP for the same.

DPR of Nakthan HEP (460MW) although in advance stage of appraisal in CEA/CWC, GoI but has been withheld due to ongoing dispute in water sharing with an IPP. Matter is under consideration of GoHP for an amicable settlement between parties. DPR of Kashang Stage-IV HEP (48MW) is under advanced stages of appraisal with DoE GoHP. The work of Consultancy Services for Preparation of revised, Updated, Comprehensive and Bankable DPR of Kishau MPP has been awarded to M/s Tractebel Engineering Pvt. Ltd by KCL.

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

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

1)	Khab HEP	305 MW

(G) PROJECTS OF NATIONAL IMPORTANCE (340 MW)

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

(i) RENUKAJI DAM PROJECT (40 MW):

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

Cost Apportionment into two components i.e Water Supply Component (Rs.6647.46 Crore and Power Component Rs. 299.53 Crores) has been worked out by CWC. Benefit Cost Ratio (2.82:1) & Power Tariff (Rs.3.51/KwH) has been approved by CWC.

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

Investment Clearance was granted by MoJS on 07.08.2020. Cabinet Committee of Economic Affairs (CCEA) approved the Project on 15.12.2021. Hon'ble Prime Minister of India laid the foundation stone of the Project on 27.12.2021.

Haryana provided an amount of Rs.22.2336 Crore on 28.10.2022. GoI India sanctioned Rs.1037.9246395 Crore on 03.03.2022 as 'On Account' payment of Grant Component of Central Assistance under Accelerated Irrigation Benefit Programme (AIBP) Capital Assets under PMKSY for the State's Annual Plan 2021-22.

Stage-I Forest Clearance accorded on 15.02.2015 was further extended for two more years i.e. upto 20.02.2024 vide MoEF&CC letter No. 8-1/2009 FC dated 29-03-2022.

Amount required to be deposited in Compensatory Afforestation Fund Management and Planning Authority (CAMPA) in the account of State of Himachal Pradesh was revised to Rs.628,36,08,612/- from earlier amount of Rs.586,38,46,912/-,by Divisional Forest Officer (DFO) Renukaji vide letter dated 31-03-2022, as Net Present value (NPV) Forest land to be diverted has increased by Rs41,97,61,700/-.

An amount of Rs.622,76,00,196/- has been deposited in CAMPA on 12-05-2022. Departmental charges of the Forest Department amounting to Rs.5.60 Crore will be deposited when funds are received in the next central assistance. Forest Stage-II clearance is expected by November 2022.

As per MoEF & CC Notification dated 18th January, 2021 the Environment Clearance is valid till 22.10.2023. The proposal for de-novo Environmental Clearance has been submitted and under process with MoEF & CC.

GoHP has approved the HPPCL proposal to engage CWC as Design Consultant on nomination basis for the project. CWC has been requested to start the work of reviewing the DPR, preparation of tender stage drawings and detailed design vide letter dated 01.07.2022. Hard and soft copy of DPR and schedule of deliverables have been supplied to CWC.

(ii) Gyspa Dam Project (300 MW): (National Importance Project)

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

Contract for investigation of project & DPR preparation was awarded to M/s Scot Wilson India Ltd. for total amount of Rs.9.423 Crore on 09.09.10. HPPCL had posted DGM level officer with adequate staff for carrying out investigation works. However, no activities were allowed by local people. Efforts were also made to carry out investigation under police protection; however, local people in huge numbers did not allow same. HPPCL has incurred an expenditure of Rs.10.62 Cr on works, however, due to such impasse, office was closed on 30.09.16.

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

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

In a meeting chaired by Worthy Chief Secretary on dated 17.10.2019, in which DC & SP, Lahaul & Spiti also participated through VC, it was decided that investigation work shall be started again with due help of administration.

Fresh terms of reference (ToR) for obtaining permission for investigation works from MoEF & CC was applied. During 9th meeting of Expert Appraisal committee (EAC), River Valley Projects, MOEF&CC held on dated 25.03.2021 the proposal for grant of ToR for Gyspa Dam project has been deferred by EAC on following lines

"Since the project has been presented as a National Project and also comes under the ambit of IWT, the conceptual plan shall be submitted to CWC for prime-facia acceptance of the location of the dam and other components of the project. The consent of CWC to be submitted to the EAC for further consideration."

Accordingly, HPPCL vide letter dated 27.04.2021 requested Central Water Commission (CWC), New Delhi to accept the proposed layout of Gyspa Dam HEP so that matter may further be pursued with MOEF&CC. CWC vide letter dated 06.08.2021 desired additional geological data to examine the suitability of Dam Axis. HPPCL vide letter dated 16.08.2021 submitted that the detailed geological investigation desired by CWC shall be carried out after approval of

ToR from MoEF & CC and hence requested to convey the prima–facie acceptance of location of the dam so that case for approval of ToR can be processed but CWC reiterated that it is essential to examine the layout of spillway and proposed sediment management measures to examine the suitability of Dam location.

The aforesaid issue was discussed during 13th High Power Steering Committee meeting held under the chairmanship of Secretary, DoWR, RD & GR on 06.12.2021 and it was agreed that CWC will have a separate meeting with HPPCL to resolve the matter so that work of project can be started again. Accordingly a meeting was held on 04.01.2022 under the chairmanship of Member (WP&P) CWC wherein it was decided that HPPCL will carry out survey of project area and thereafter a revised PFR with preliminary proposal will be submitted to CWC for approval.

Meanwhile during the 76th BoD meeting of HPPCL held on 07.06.2021 it was decided that the matter for construction of Gyspa Dam shall be taken up with GoHP/Directorate of Energy (DoE) to allot this project to some other PSU.

Accordingly the matter has been taken up with GoHP and HPPCL has requested DoE that the expenditure incurred on Gyspa Dam HEP may be got reimbursed to HPPCL by the other project allottee.

During the meeting with CWC held on 04.01.2022, HPPCL officials informed the decision of HPPCL, BoD to CWC officials but it was desired till the project is allotted to some other PSU, HPPCL should carry out the works of Gyspa Dam Project. So in view of National Importance of the project HPPCL is trying its best to contribute to its optimum potential. Survey as and when completed (if not hindered by local people) shall be shared with CWC.

(H) THERMAL PROJECT (500 MW):

Himachal EMTA Power Limited (HEPL), 50:50 joint venture company of Himachal Pradesh Power Corporation Ltd. (HPPCL) and M/s EMTA Coal Limited, was incorporated on 9th January, 2007 to set up a coal based Pit head Thermal Power Plant (2X250MW) at Raniganj, West Bengal. Ministry of Coal vide letter dt. 10.07.2009 allocated Gourangdih ABC Coal Block for captive use, jointly to HEPL and JSW Steel Ltd. on equal sharing basis, resulting into the formation of another joint venture company, named Gourangdih Coal Limited (Joint Venture of HEPL and JSW Steel Ltd). However, in view of the recommendations of Inter Ministerial Group, Ministry of Coal de-allocated the Gourangdih ABC Coal Block and subsequently, Hon'ble Supreme Court on 24.09.2014 passed an order stating that the allotment of Coal blocks made by the Screening Committee of the Government of India through the Government dispensation route are arbitrary and illegal, resulting in de-allocation of Gourangdih ABC Coal Block, allotted jointly to M/s HEPL and M/s JSW Steel Ltd.

The pending matters of M/s HEPL and M/s GCL are summarized under:

a) CBI Court Case related matter: On reference of Central Vigilance Commission, CBI registered the case on 07.08.2014. M/s HEPL vide Board Resolution dt. 02.03.2016 authorized Sh. Bikash Mukherjee, Director, HEPL, to present the case before the Hon'ble Court. Further, GoHP's State Law Department vide letter dt. 07.01.2021 intimated that the Government has decided to defend the case before CBI Special Judge (PC Act), New Delhi, on behalf of HPPCL and accordingly, Ld. District Attorney, HP Legal Cell, New Delhi, vide letter dt. 29.01.2021 entrusted to defend the case to Sh. Aaditya Vijay Kumar, Panel Advocate.

Regarding issuance of Power of Attorney, Sh. Aaditya Vijay Kumar vide letter dt. 19.04.2021 clarified that "...the Vakalatnama can only be provided by HPEMTA and not HPPCL or any other sister concern as the same is not a party to the above captioned matter. The Vakalatnama is essential for carrying out any representation. In the absence of a valid Vakalatnama, we would not be able to file an inspection, or retrieve any certified copies of the documents which are before court." Thereafter, as per meeting dt. 27.05.2021 held with the Addl. Chief Secretary (Power), memorandum, for authorizing Sh. Aaditya Vijay Kumar to attend the hearings (as the NoC/ consent, sought by HPPCL, from Directors on the Board of M/s HEPL from M/s EMTA Coal Limited side was awaited), was placed before the Board of Directors (BoD) of HPPCL in meeting dt. 07.06.2021 wherein it was decided that "...the matter be discussed by the Managing Director and Director (Electrical) with the Addl. Chief Secretary (Finance) to the GoHP so as to reach on any concrete decision". Accordingly, discussions was held with Addl. Chief Secretary (Finance), who further sought views/ suggestions of the Ld. Adv. Aaditya Vijay Kumar, which was furnished by the Ld. Counsel vide e-mail dt. 09.07.2021. Thereafter, the Addl. Chief Secretary (Finance) suggested HPPCL to take Legal opinion on the said views of the Ld. Counsel from the State Law Department, for which HPPCL referred the matter to the Addl. Chief Secretary (Power), who vide letter dt. 11.08.2021 intimated the opinion of the Law Department stating "...this department agrees with the observations of the Ld. Counsel and Ld. Joint Director, Legal Cell, HP at New Delhi and accordingly opines that since HPPCL and its officials have not been arrayed as necessary party in the instant criminal case as stated by the AD, moreover the official of EMTA are not ready to engage an advocate or sign Vakalatnama, therefore AD is advised to proceed further in the matter as per advice/ direction of the Ld. Counsel who has been appointed to watchout/ defend the matter before the CBI Court who is also incharge of the case", which was further intimated to the Joint Director, HP Legal Cell, New Delhi, for taking necessary action.

Further, Ld. Adv. Aaditya Vijay Kumar vide e-mail dt. 26.02.2022 submitted the update with respect to watching/ safeguarding the interest of officers of GoHP/HPPCL and intimated that Mr. Aggarwal, Counsel for the Accused, is trying to shift the onus on HPPCL Officers. In this context, opinion from Ld. Advocate was sought, who vide e-mail dt. 04.04.2022 opined the following:-

"Issue no. 1) whether the officials of HPPCL can be impleaded in the above captioned matter at the present stage?

b. ...there is a possibility that the officials of HPPCL could be arraigned as an accused; however that is subject to the Magistrate recording his satisfaction that an offence is committed by the officials of HPPCL....

d. Considering arraigning the officials of HPPCL would effectively open a Pandora's box and would derail the culmination of the present proceedings (considering a number of issues would have to be considered as set out above), it seems highly unlikely that the Learned Special Judge, CBI will allow the officials of HPPCL to be arraigned as the Accused, especially at the stage of Final Arguments (which the matter is presently listed for). It is, however, made clear that the possibility of arraigning the officials of HPPCL as an Accused is not ruled out, but is highly improbable.

e. Further, while we are not privy to the evidence lead by the arraigned accused, from the hearings, it cannot be said with any element of conclusiveness that the essentials elements of section 319 (1) of the CrPC were satisfied for the officials of HPPCL to be arraigned as an accused.

Issue no. 2) Whether HPPCL officers have a remedy to approach the Delhi High Court in the event of an adverse finding from the Learned CBI Special Judge in the above captioned matter?

c. ...the officials of HPPCL do not have the locus standi, at present, to approach any court in appeal, revision or quashing especially since (a) no order has been passed against the officials of HPPCL and (b) the rights of the officials of HPPCL are not affected in any manner. Once again, it is made clear that even findings against the officials of HPPCL after final arguments (and should there is an eventual acquittal of the existing Accused) is not subject to appeal by the officials of HPPCL as the officials of HPPCL are not a party to the present dispute. Hence, the officials of HPPCL can never be stated to be aggrieved by the order of the Magistrate.

d. ...the answer to the question above is in the negative i.e. the officials of HPPCL do not have the right to appeal, revise or file quashing against any order passed by the Special Judge, CBI, Rouse Avenue."

Thereafter, Ld. Advocate vide e-mail dt. 12.04.2022 submitted the invoices and intimated that "...for the purposes of observation, though time is spent, the State panel does not have criteria for observing cases nor does it pay for observation of the cases. Similarly, though an opinion is sought from us, the State panel does not provide for remuneration for the opinion... since the State panel does not pay for the hearings as the case is being observed, we would be billing Himachal Emta for our legal bills...". In this context, HPPCL sought clarification from District Attorney, HP Legal Cell, New Delhi, who vide her letter dated 21.05.2022 clarified that "...In my understanding, Mr. Aditya Vijay Kumar., Panel Advocate is entitled for fee @5000/- per date for appearance/ observation. As far as the fee requested by him for the opinion dated 04.04.2022 is concerned, it is part of the duties assigned to him as an advocate in this case". Also, clarification from the GoHP was sought regarding bearing the expenses of Ld. Counsel and it was clarified by the ACS (Power) that "HPPCL will bear the expenses on this account".

Further, as per concerned CBI court's order dt. 23.05.2022 and 07.06.2022 final arguments on behalf of all the accused persons and rebuttal arguments on behalf of CBI, respectively, were concluded. Subsequently, CBI court on 31.08.2022 passed its judgment and as per the findings of the judgment "...it is held that the prosecution has proved the charges. All the accused i.e. the company M/s Himachal EMTA Power Ltd. (A-1), its two directors Ujjal Kumar Upadhaya (A-2) and Bikash Mukherjee (A-3) and its CGM (Power) N.C. Chakraborty (A-4) are hereby held guilty and convicted for the offence u/s 120-B IPC and 120-B r/w 420 IPC. All the accused are also held guilty and convicted for the substantive offence u/s 420 IPC". Thereafter, orders dated 07.09.2022 on sentence were passed by the Hon'ble court wherein out of total four (4) convicts, M/s HEPL has been fined with Rs. 10,00,000/- under 120-B/420 IPC and 10,00,000/- under 420 IPC, which has been asked to be deposited within two weeks (till 21.09.2022). Whereas, other three convicts from other side have been sentenced for three years imprisonment. However, they have been granted bail for 45 days to file appeal..

b) Income tax related matter: Income Tax (IT) Department vide Assessment Order dt. 24.08.2017, determined a sum of Rs.2,52,780/- payable by HEPL for AY 2015-16. HEPL filed appeal against the said order in CIT on 12.10.2017 and submitted 20% of the demand amount i.e. Rs.50,556/- with the IT Department. However, Income Tax Commissioner vide order dt. 29.03.2019 dismissed the appeal of HEPL and upheld the assessment order dt. 24.08.2017. Thereafter, HEPL opined to deposit the demand amount with the Income Tax Department and sought 50% contribution (towards 50 % share) from HPPCL, for which HPPCL requested HEPL to deposit the same from its Bank accounts only. In response, HEPL intimated regarding attachment of its Fixed deposit and Current Accounts by the Enforcement Directorate (ED) vide order dt. 29.12.2017, which is pending before the Hon'ble Supreme Court. In this context, HPPCL's Finance wing opined that HEPL may write/ apprise the IT Authorities regarding attachment of its accounts and as such, HEPL requested IT Authorities to not take any action to recover the demand till the decision of the court. Income Tax Officer, Shimla, vide letter dt. 28.07.2021 gave opportunity to hear the case, for which Sh. Mukesh Sharma, Chartered Accountant (CA), appeared before the Assessing authority and apprised him about the status of HEPL's accounts. Assessing Officer assured that no coercive action will be taken till the final hearings relating to Seizure of bank accounts by the ED.

c) Encashment of HEPL's BG by PGCIL: HEPL vide application dt. 04.07.2011 requested PGCIL for Grant of Connectivity & Long Term Access for evacuation of power and submitted the Bank Guarantee (BG) of Rs. 50 Lakhs. In view of de-allocation, HEPL vide letter dt. 18.06.2015 informed PGCIL about its decision to abandon the project and requested to release the BG, however, PGCIL encashed the BG. In this regard, Ld. Adv. Lalit Kumar Sharma opined to file petition u/s 79(1)(c) of Electricity Act before Central Electricity Regulatory Commission (CERC), New Delhi, which was intimated to HEPL with the request to place the opinion before the BoD of HEPL for directions. However, HEPL vide letter dt. 06.03.2020 proposed to again request PGCIL and accordingly, requested PGCIL vide letter dt. 24.07.2020 to reconsider its decision. Thereafter, M/s HEPL vide letter dt. 10.03.2022 forwarded the response of PGCIL to HPPCL, wherein PGCIL stated that the contentions of HEPL are misplaced and without any merit. In this regard, HPPCL again requested M/s HEPL to place the legal opinion of Sh. Lalit Kumar Sharma before the BoD of M/s HEPL, for which M/s HEPL vide letter dt. 05.05.2022 intimated that they have prepared circular resolution proposing filing of petition against PGCIL before the CERC, New Delhi, and requested HPPCL to see the possibility of bearing the expenses for filing of petition including fees of Advocates from HPPCL's end initially, which would be shared jointly in due course. HPPCL vide letter dt. 13.05.2022 requested M/s HEPL to place the said matter of sharing of expenses before the BoD of M/s HEPL for taking decision.

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

(I) SOLAR POWER DEVELOPMENT

Berra Dol Solar Power Project:

- H.P. Power Corporation Ltd. envisaged setting up of 5 MWac Solar PV (Photo Voltaic) Grid Interactive Power Plant at Berra Dol, Near Sri Naina Devi Ji Shrine, District Bilaspur, Himachal Pradesh.
- In its 45th meeting, BoD of HPPCL approved to execute Berra Dol Solar Power Project (5 MW) in single stage.
- Power Purchase agreement of the project was signed with HPSEBL on 31.03.2017.
- HIMURJA accorded in principle approval for setting up Berra Dol SPP and registered the project vide letter dated 27.05.2017.
- The Project was awarded to M/s Bharat Heavy Electricals Limited (BHEL) on Engineering, Procurement and

Construction (EPC) mode vide letter of acceptance dated 10.07.2017 and the contract for the same was entered into on 22.07.2017.

- Berra Dol SPP was successfully synchronized with the grid on 07.12.2018 and its Commercial Operation was declared with effect from 04.01.2019. The energy generated from the project is being sold to HPSEBL at Rs.4.31 per unit.
- The Project has been inaugurated by the Hon'ble CM of HP on dated 20.02.19.

Aghlor Solar Power Project:

- Himachal Pradesh Power Corporation Limited intends to set up a 10 MW Solar Power Plant at Aghlor in Distt. Una.
- Detailed Project Report of 5 MW for Aghlor SPP has been prepared.
- However, as per communication received from DC, Una; General Manager (Industries) has signed MoU with M/s Suvidha Solar Park over the same land.
- Matter regarding the Status of Land is being pursued with Industries Department.

4. HUMAN RESOURCES MANAGEMENT:

A) Human Resources:

HPPCL has adopted CPSU based improved organizational structure with three broad categories of staff, like Executives, Supervisors and Workmen in different levels and clusters.

The total manpower on the rolls (Direct Recruits and Absorbed employees) is indicated in table below. The strength of HPSEBL/HP Govt. employees on deputation/secondment is 237, 197 and 181, which is in addition to these figures for year 2019-2020, 2020-21 and 2021-22 respectively.

i) Representation of Women Employees is as under:-

Date & Year	Employees as on 31.03.2017	No. of Women Employees	Percentage of over-all staff strength
31.03.2020	309	42	13.60%
31.03.2021	310	42	13.50%
31.03.2022	335	42	12.50%

Welfare Measures for Female Employees:-

Steps taken for the welfare of Female employees

a) Maternity leaves are provided to female employees as per the provisions of Maternity Benefit Act, 1961.

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

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

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

Date & Year	Number of Employees	Number of employees as PWD	Percentage of over-all staff strength
31.03.2020	335	7	2%
31.03.2021	333	7	2%
31.03.2022	353	11	3%

Welfare Measures for Persons with disabilities:-

Steps taken for the welfare of persons with disabilities

a) Grievance Redressal Officers have been nominated to handle the grievances of PWD's.

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

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

Date & Year	Number of Employees	Representation					
		Total SC	SC%	Total ST	ST%	Total OBC	OBC%
31.03.2020	309	59	18%	18	5%	39	12%
31.03.2021	310	58	17%	18	5%	38	11%
31.03.2022	335	64	18%	18	5%	45	12.75%

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

iv) Recruitment

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

S. No.	Post	Filled in 2019-20	Filled in 2020-21	Filled in 2021-22	Filled in 2022-23 (i.e upto 31.07.2022)
1	Assistant Engineer (Electrical)	19	0	0	0
2	Assistant Engineer (Civil)	7	0	0	0
3	Assistant Officer (Finance)	1	0	0	0
4	Assistant Officer (R&R)	0	0	0	0
5	JE (Electrical)	0	0	2	2
6	JO (P&A)	0	0	1	5
7	JE (Civil/Mech.)	0	1	14	13
8	Electrician	2	1	0	0
9	JO (F&A)	0	0	6	0
10	JO (IT)	0	0	1	1
11	JO (Env.)	0	0	1	0
12	AO (P)	0	0	0	1
13	JOA	0	0	2	0
	TOTAL	29	2	27	22

B) TRAINING:

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

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

Capacity Building					
Objective	**Action**	**Unit**	**2019-20**	**2020-21**	**2021-22**
Capacity Building	External Trainings	Nos of employees	48	87	63
	In-House Trainings		276	40	124
	Number of Seminars		0	0	0
	Exposure Visit (Abroad)		0	0	0
	Exposure Visit (India)		0	0	0
	Total		324	127	187

Apart from this, HPPCL also understands its social role in the society. Keeping this in view, a specific number of technical/management students from different universities/colleges/institutes are allowed to undergo Industrial Training in the organization for 2-6 months free of cost. The detail of total students allowed to take vocational training during 2019-20 to 2021-22 at various offices and Projects sites of HPPCL is as under.

Offices/ Projects	Fields					Total
	H.R	Finance	Electrical Engineer	Information Technology	Civil Engineer & others	
Corporate Office	18	26	3	7	3	57
SKHEP, Hatkoti	-	-	1	-	2	3
STKHEP,Kinnaur	-	1	-	-	15	16
Design Office, Sundernagar	-	-	-	-	11	11
Sainj HEP, Kullu	-	-	-	-	-	-
IKHEP, Kinnaur	-	-	-	-	2	1
RDP, Sirmour	-	-	-	-	1	2
Bera Dol	-	-	1	-	-	1
Total	18	27	5	7	34	91

C) INDUSTRIAL RELATIONS

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

D) EMPLOYEE WELFARE

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

5. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES TAKEN DURING THE YEAR.

As per the provision envisaged in the Companies Act, 2013, HPPCL has formulated Corporate Social Responsibility (CSR) Policy. In accordance with the said Act, CSR committee has also been constituted. The Committee in its meeting held on 28th January, 2021 decided and recommended that the Company is not required to spend any fund towards CSR as the earnings of HPPCL are not to the extent of falling within the ambit of CSR obligations. Since, there are no profits during preceding three years, so the provisions of the Act are not applicable.

The above recommendations of the CSR Committee were approved by the Board of Directors with the directions to incorporate these recommendations in the Board Report for the financial year 2019-20. Therefore, the policy would be implemented as per the requirement of the Act.

The requisite Performa in respect of Corporate Social Responsibility was attached in the earlier Board's Reports.

6. ENVIRONMENT

Prior to start any construction activity obtaining of statutory clearances i.e Environment Clearance (EC) and Forest Clearance (FC) is prerequisite. For obtaining of Environment Clearance, approval of Environment Impact Assessment (EIA) Report and Environment Management Plan (EMP) is mandatory from Ministry of Environment and Forest and Climate Change (MoEF & CC). In compliance to above, Environment Impact Assessment (EIA) Reports are being prepared by the third party i.e. consultancy firm (accredited by MoEF & CC) in each project to assess the impact of the project.

Environment Management Plans are executed diligently & rigorously in each Hydro Electric Project of HPPCL. Precautionary principles are applied right in the planning and inception stages of various projects. The areas with high biodiversity or forming parts of protected areas (national park, wild life sanctuary and biosphere reserve) are avoided even at the cost of foregoing power generation potential. If inevitable, HPPCL goes beyond the statutory requirements to compensate the loss.

HPPCL is also committed to maintain 15% of the lean season discharge as downstream discharge from all diversion structures of the hydropower projects. This helps maintain stream's longitudinal aquatic connectivity besides fulfilling environmental functions of river/stream.

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

HPPCL also complies with the safeguarding guidelines of International Funding Agency. HPPCL Projects are designed to align with Environmental Safety, Resource efficiency, Pollution Prevention & Management, Biodiversity Conservation and Sustainable Management of Living Natural Resources & Community Health & Safety etc. By incorporating binding conditions, HPPCL makes its Contractors also compliant with environmental safeguards and environment management actions. HPPCL has recruited, trained and placed well qualified dedicated staff for environment management. The responsibility has been entrusted to the environment staff to ensure the proper monitoring of various environmental parameters like Water sample analysis, Air sample analysis, progress of Catchment Area Treatment (CAT Plan) and Compensatory Afforestation etc. on a regular basis by other stakeholder deptts. and Govt. agencies like HP Forest department and HP State Pollution Control Board.

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

7. REHABILITATION AND RESETTLEMENT

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

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

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

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

8. ACCOUNTS

Most of the Power projects of the Corporation are in construction, survey & investigation and prefeasibility stages. However, the Projects as depicted in the table below have been commissioned as per detail given against therein:

Sr. No.	Name of the Project	Date of Commissioning	Address
1	**Integrated Kashang Hydro Electric Project, Stage-I (65 MW),**	**1st September 2016**	**Recongpeo, Distt.: Kinnaur, H.P.**
2	**Sainj Hydro Electric Project (100MW)**	**04th September 2017**	**Sarabai, Bhuntar, Distt.: Kullu, H.P.**
3	**Berradol Solar Power Plant (5MW)**	**4th January 2019**	**Near Naina Mata Ji Mandir, Distt.: Bilaspur, H.P.**
4.	**Sawra Kuddu Hydro Electric Project (111 MW)**	**21st January 2021**	**Hatkoti, Jubbal, Distt.: Shimla, H.P.**

Sale of power being generated from these projects is being sold in the Indian Energy Exchange, through Power Traders i.e. M/s PTC India Limited and M/s Tata Power Trading Corporation Limited. However, the power being generated by Berradol Solar Power Plant (5MW), is being sold to H.P. State Electricity Board Limited, as per the PPA signed between both the parties.

Expenditure of projects, which are under construction/investigation stages or incidental thereto, incurred during the period prior to the commencement of commercial operations are classified as "Expenditure during construction" and taken to the statement of "Capital Work in Progress".

Administrative and other general overhead expenses of Corporate Office and Design Wing are apportioned to all the Projects under construction/survey investigation stages in the ratio of expenditure incurred by these projects and to the commissioned at the ratio of Sales to Capital outlay. Further all such expenses of Projects, under construction/survey investigation stages, attributable to construction of fixed assets are identified and allocated on systematic basis on main (Civil & Electro-mechanical assets), on commissioning of projects.

9. INTERNAL CONTROL SYSTEMS

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

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

10. DIVIDEND

Since the Company has not earned any profit during the Financial Year 2019-20, therefore, the information is nil.

11. CAPITAL GRANT RECEIVED FROM GOVT. OF INDIA

The Renukaji Dam Hydro Electric project and Gyspa Dam project are being implemented by HPPCL as National Projects and are fully funded by the Government of India and Governments of beneficiary States. The contributions of Rs.76,201/- Lacs, have been received as on date, in case of Renukaji Dam project from GoI, Delhi Jal Board and other Governments of Beneficiary States. In case of Gyspa Dam project Rs.500.00 Lacs, was received from CWC, New Delhi. The same have been treated as Capital Grant along with the additional funds spent by HPPCL from its own sources, net of depreciation. Detail is Annexed to the Annual Accounts under Notes to Accounts Note No. 2.24: Other Non-current Liabilities.

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

The information is nil please.

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

Integrated Kashang Hydro Electric Project Stage-I (Unit-II - 65 MW) was commissioned on 01.09.2016. Also, Units III & I of Integrated Kashang HEP (195 MW) were commissioned on 03.03.2017 & 31.03.2017. The power of Kashang HEP was initially sold to HPSEBL till 06.05.2018 and thereafter it was being sold on Indian Energy Exchange through power traders. From 01.05.2022 onwards the power of Kashang HEP is being sold to HPSEBL and accordingly the project has generated 847.57 MU up to 21.06.2022 and Rs.220.92 Crore of revenue has been generated.

Sainj HEP (100MW-Unit I & II) was commissioned on 04.09.2017. The power of Sainj HEP was sold on Indian energy exchange through power traders and accordingly has generated 1816.32 MU upto 21.06.2022. Revenue of Rs. 571.56 Crore has been generated.

Sawra Kuddu HEP (111MW) has been commissioned on 21.01.2021. The power of HEP was being sold on Indian energy exchange through power traders. From 01.05.2022 onwards the power of Kashang HEP is being sold to HPSEBL. The project has generated 392.30 MU upto 21.06.2022 and earned revenue of Rs. 167.10 crore till 21.06.2022.

Berra Dol Solar Power Project of 5 MW capacity was also commissioned on 04.01.2019 that has generated 28.65 MU till 21.06.2022 and Rs.12.35 crore of revenue has been generated. Sale of power is being done to HPSEBL.

Power of HPPCL Projects was being sold through online platform of IEX (Indian Energy Exchange). However, in the recent past HPPCL has signed short term PPA with HPSEBL for its power from Kashang HEP Stage-I(65 MW) and Sawra Kuddu HEP (111 MW) with the understanding that such arrangement will be continued for future on regulated rates.

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

In Renukaji, all the private land 947.4 hectare has been acquired by HPPCL and an amounting to Rs. 401,49,26,211/- has already been disbursed to land owners as per the award of Land Acquisition Collector (LAC), HPPCL, Shimla. Further, the Land owners challenged LAC award in reference Court's & as well as in the Hon'ble High Court, Shimla and got rates enhanced to Rs.7 Lakh per Bighas irrespective of classification of land.

In this regard, an amounting to Rs. 2,14,08,912/- stands deposited on a/c of enhanced rates as on 31.03.2020 & the liabilities of Rs. 459,73,53,702/- has been booked for FY-2020-21 on a/c of enhanced Land compensation (i.e. in Ref. Court Rs.281,31,63,310/- & towards High Court Rs. 178,41,90,392/-). Further, out of Rs.459,73,53,702/- an amount of Rs. 256,20,71,688/ has been deposited in the Hon'ble High Court as well as in the ref. Court at Nahan (i.e. Rs. 205,60,26,261/- & Rs. 59,60,45,427/- respectively) from dated 01.04.2022 to 14.07.2022.

It is also intimated that an amounting to Rs. 81,04,712/- has been deposited with the Hon'ble High Court on a/c of Arbitration Case No. 100/2018 titled "Arvind Kumar Bansal Vs HP Power Corporation Ltd "on 15.02.2019.

Further, the details of pending court cases before respective Hon'ble Courts as on 30.06.2022 in respect of Renukaji Dam Project is enclosed **(as per Annexure-A).**

15. SUBSIDIARY/JOINT VENTURES/ASSOCIATE COMPANIES

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

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

The Corporation has made an investment in Himachal EMTA Power Limited of Rs.3.98 Crore (Rs.3.38 Crore Equity Shares & 0.60 Crore Share application money pending allotment). Further the annual accounts of Himachal EMTA Power Limited have been consolidated with the annual accounts of HPPCL and the Auditors Report with respect to the consolidation is also annexed for the financial year 2019-20.

17. DEPOSITS

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

18. AUDITORS' REPORT AND COMMENTS OF CAG OF INDIA.

M/s Soni Gulati & Company, Chartered Accountants were appointed as the Statutory Auditors of the Company for the financial year ended on 31st March, 2020, by the Comptroller & Auditor General of India. The Auditors have audited the accounts and submitted their report on 31st March, 2022, which is annexed to the Annual Accounts.

Also, the A.G., H.P. has conducted audit of the Annual accounts for the FY 2019-20 and the comments of the CAG of India have been received on 23rd August 2022, which are also annexed. The replies to the comments of the CAG of India are also annexed to the Annual accounts.

19. SHARE CAPITAL

The Authorized Share Capital (ASC) of the Company as on 31.03.2020 was Rs.2500.00 Crore (Two thousand five hundred crore only). The issued, subscribed & paid up capital of the Company as on 31.03.2020 was Rs.2180.56 Crore and Share Application money pending allocation was Nil.

20. EXTRACT OF THE ANNUAL RETURN

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

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

a) Conservation of Energy

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

b) Foreign Exchange Earning and Out-Go

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

Foreign Exchange Payment during 2019-20:

Andritz Hydro (STKHEP)	Euro INR	6963.9706 5,41,936.65

c) Technology Absorption

This information can be treated as Nil

22. DISCLOSURES:

A. Disclosures under Ind. As 10, "Events After Reporting Period": i.e. after the F.Y.2019-20:

B. Other Disclosures

1. On the recommendations of the Board of Directors, the borrowing limit of the Company has been enhanced with the approval of the Shareholders after getting sanction from the Govt. of H.P. from Rs. 3500 crore to 5000 Crore w.e.f. 23.09.2021. Hence, the borrowing limit of the Company as on date is Rs.5000 crore.

2. Renuka Ji Dam Project (RDP) is a national importance project mainly to provide drinking water for National Capital Region besides a allied Hydel Electric Project. An amount of Rs.1037.92 crore was released by Govt. of H.P. through Directorate of Energy (DoE) on dated 31.03.2022 for RDP as a grant component of central assistance (Centre Sponsored Scheme) under "accelerated irrigation benefit programme" (AIBP) capital assets under PMKSY for the state annual plan 2021-22.

23. DIRECTORS:

(A) The Board of Directors

1.1 Size of the Board

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

1.2 Composition & Tenure of the Board

As on 31.03.2020, the Board was comprised of Seven (7) Members, consisting of four (4) Whole-Time (Functional) Directors including Managing Director and three (3) Part-Time (Nominee) Directors representing the Govt. of Himachal Pradesh.

1.3 Board Meetings

The Board Meetings are held at Shimla to facilitate full participation of Directors. During the FY 2019-20, three (3) Board Meetings have been held and most of the Directors have attended these meetings. These meetings have been held on 24.04.2019, 20.08.2019, and 03.12.2019.

1.4 Corporate Governance

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

PARTICULARS OF THE PERSONS WHO ARE/WERE DIRECTORS/SECRETARY OF THE COMPANY AS ON THE CLOSURE OF FINANCIAL YEAR (2019-20).

Sr. No	NAME	USUAL ADDRESS	DATE OF BIRTH	DATE OF APPOINTMENT	DATE OF CESSATION (during/after closure of financial year : If any)
1.	Sh. Anil Kumar Khachi, IAS.	Set No.II, Type-VI, Officers Colony, Kasumpti, Shimla H.P.171009.	22.06.1963	31.12.2019	Ceased on 05.08.2021
2.	Sh. Ram Subhag Singh, IAS	House No.110, Mansa Devi Complex, Sector-4, Panchkula, Haryana- 134114	31.07.1963	31.12.2019	Ceased on 03.06.2021
3.	Sh. Prabodh Saxena, IAS	Nivedita Kunj, Sector 10, R K Puram, Sector-5, South West Delhi, Delhi, India-110022	07.03.1965	31.12.2019	In position as Nominee Director
4.	Sh. Devesh Kumar, IAS	Set No-18, Type-6, Kasumpti, Shimla Urban(T), Shimla, (H. P.)- 171009	01.07.1974	02.07.2019	Ceased on 01.06.2020
5.	Sh. Manmohan Sharma, IAS	Set No.11, Type-V, IAS Colony, Kasumpti Shimla, Himachal Pradesh India 171009	04.05.1971	10.06.2019	Ceased on 24.06.2021
6.	Sh. Mahesh Sirkek	C-5, Friends Apartments, Annadale, Shimla, H.P.-171003	28.01.1960	19.04.2017	Ceased on 27.01.2020
7.	Sh. Dharam Singh Thakur	126, Post Office, Sunder Nagar-1, Tehsil Sundernagar, Thalla, Mandi, HP- 174401	11.06.1961	09.03.2018	Ceased on 10.06.2021
8.	Sh. Sudershan Kumar Sharma	A-495, Sector-IV, Phase-II New Shimla, 171009, H.P.	01.05.1964	07.08.2008	In position as Company Secretary (Superannuated on 30.04.2022 and re-engaged as Consultant (Company Secretary) w.e.f 21.04.2022. However, the Form for cessation for a period of 20 days and then re-engagement was not filed with MCA.

PARTICULARS OF CHANGE IN THE PERSONS WHO ARE/WERE DIRECTORS/SECRETARY OF THE COMPANY DURING THE FINANCIAL YEAR (2019-20).

S No.	NAME	USUAL ADDRESS	DATE OF BIRTH	DATE OF APPOINTMENT	DATE OF CESSATION (during/after closure of financial year : If any)
1.	Sh. Brij Kumar Agarwal, IAS	House No.1, GF, Type-VI, Brockhurst, Shimla,Himachal Pradesh,India-171002	15.06.1961	30.09.2018	Ceased on 02.09.2019
2.	Dr. Shrikant Baldi, IAS	House No.17, Type-6, Govt. Officers' Colony, Mehli, Kasumpti Shimla 171009	12.12.1959	02.09.2019	Ceased on 31.12.2019
3.	Sh. Prabodh Saxena, IAS	Nivedita Kunj, Sector 10, R K Puram, Sector-5, South West Delhi, Delhi, India-110022	07.03.1965	04.10.2018	Ceased on 31.12.2019
4.	Sh. Anil Kuma Khachi, IAS.	Set No.II, Type-VI, Officers Colony, Kasumpti, Shimla H.P.171009.	22.06.1963	14.05.2018	Ceased on 01.08.2019
5.	Sh. Prabodh Saxena, IAS	Nivedita Kunj, Sector 10, R K Puram, Sector-5, South West Delhi, Delhi, India-110022	07.03.1965	01.08.2019	Ceased on 27.10.2019
6.	Sh. Anil Kumar Khachi, IAS.	Set No.II, Type-VI, Officers Colony, Kasumpti, Shimla H.P.171009.	22.06.1963	27.10.2019	Ceased on 31.12.2019
7.	Dr. Ajay Kumar Sharma, IAS	Village Kufridhar P.O Ghanhatti,Totu Shimla H.P. 171011	21.01.1963	23.02.2019	Ceased on 02.07.2019
8.	Sh. Neeraj Kumar, HAS	4 Swarkar Apartments 39, IP Extn, New Delhi Delhi, India 110092	01.06.1971	26.10.2015	Ceased on 10.06.2019
9.	Sh. Mahesh Sirkek	C-5, Friends Apartments, Annadale, Shimla, H.P.-171003	28.01.1960	19.04.2017	Ceased on 27.01.2020

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

PARTICULARS OF DIRECTORS/SECRETARY AS ON DATE.

Sh. R. D. Dhiman, IAS, Chief Secretary, GoHP	**-Chairperson**
Sh. Prabodh Saxena, IAS, ACS (Finance) to GoHP	**-Director**
Dr. Ajay Kumar Sharma, IAS	**-Managing Director**
Sh. Mukesh Repaswal, IAS, Director (Personnel & Finance)	**-Director**
Er. Shashi Kant Joshi, Director (Electrical)	**-Director**
Er. Surender Kumar, Director (Civil)	**-Director**
Sh. Sudershan Kumar Sharma	**-Consultant (Company Secretary)**

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

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

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

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

24. AUDIT COMMITTEE

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

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

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

26. NOMINATION AND REMUNERATION COMMITTEE

Not Applicable.

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

The information is Nil, except an investment of Rs.398.00 Lakh in Himachal EMTA Power Limited for setting up (2x250 MW) Thermal Power Plant at Raniganj, West Bengal as per details given above in Para-15 please.

28. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

The power of Kashang HEP, Sainj HEP and Sawra Kuddu HEP was sold on Indian Energy Exchange through power traders. However, a Power Purchase Agreement (PPA) has been signed between HPPCL and HPSEBL on 28.04.2022 for sale of power of Kashang HEP (1X65 MW) and Sawra Kuddu HEP (3X37 MW) for the duration 01.05.2022 to 31.03.2023 with the understanding that such arrangement will be continued for future on regulated rates.

29. SECRETARIAL AUDIT REPORT

The Secretarial Audit was not applicable for the FY 2019-20.

For the financial year 2020-21, pursuant to Section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014], the Secretarial Audit was conducted for the compliance of applicable statutory provisions and the adherence to good corporate practices by the Secretarial Auditors.

On the observations of the Secretarial Auditors, the Corporation had submitted its replies/clarifications and thereafter the final report was received for the FY 2020-21. The relevant contents of the report are as under:

During the period under review the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations:

a) The Company has Authorized Capital of Rs.2500 crore and Paid-up Capital of Rs.2187.71crore. The Paid-up Capital is held by Government of Himachal Pradesh to the extent of 39.76%; Himachal Pradesh Infrastructure Development Board to the extent of 54.25% and Himachal Pradesh State Electricity Board Limited to the extent of 5.98%.As a result, the Company is not a Government Company as per the definition of Section 2(45) of the Companies Act 2013.

b) Compliance of Sections 134 and 137 of the Companies Act 2013 are pending as on the date of the Report. The Company submits that the Financial Statements were already approved by the Board in its Meeting held on 06th

January 2022 and the same are under Audit. However, the Company, pending the adoption of the Financial Statements for the year, filed Annual Return on 09th February 2022.

c) On perusal of few returns, the Company is yet to file MGT-14, in connection with the approvals of Financial Statements, Directors Report, appointment of Internal Auditors etc. Similarly, filing of Returns PAS-6 and DPT-3 are also pending. The Company maintains that these Returns are not per se applicable. However, the Company assured to re-examine the applicability.

The Secretarial Auditors further reported that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors. The changes in the composition of the Board of Directors that took place during the period under review were generally carried out in compliance with the provisions of the Act. Adequate notice is given to all directors to schedule the Board Meetings. Agenda and detailed notes were however, not less than 07 days as prescribed. As explained, a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

As explained, majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes. During the year, all decisions taken in the meeting of Board of Directors, were unanimous.

I further report that monitoring the compliance with applicable laws, rules, regulations and guidelines commensurate with the size and operations of the Company is not evidenced from the Board records. However, the Company reported through Management Representation that during the financial year 2020-21, the company has complied with all Rules or Regulations as applicable and that there was no penalty or show-cause notices received from any Statutory or Regulatory Authorities.

I further report that during the audit period the company has no specific events/actions having a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. referred to above excepting to the extent stated below:

The Company availed loans unsecured from ADB, KFW routed through the Government of Himachal Pradesh and secured loans through Indian Banks and Indian Financial Institutions. As on 31st March 2021, as reported, the outstanding loans are to the extent of Rs.2693 crore. Out of this, Rs.2535 crore pertains to the ADB and KFW. Due to inadequate financial resources, the Company requested the Government of Himachal Pradesh for deferment of loan dues which was granted up to 31st March 2021. Since the situation continued thereafter, the Company again requested the Government of Himachal Pradesh for further period up to 31st March 2022. The proposal is under consideration of the Government.

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

(I) By the Auditor in his report:

The Statutory Auditors have given their qualified opinion stating that the financial Statements give 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, including the Ind. AS, of the state of affairs (Financial Position) of the Company as at 31st March, 2020 and its profit/Loss (financial performance including other comprehensive income) and its Cash Flows and Changes in Equity for the year ended on that date.

Replies to the Statutory Auditors' Report have been given in the Annexures to the Financial Statements (Annual Accounts) for the FY 2019-20.

31. RISK MANAGEMENT POLICY

The information is nil please.

32. DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

(b) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;

(c) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

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

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

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

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

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

The remuneration paid to the Whole-time Directors and Company Secretary paid during the FY 2019-20 is given in the Form MGT-9 enclosed to this report.

35. OTHER INFORMATION-INDUSTRY OVERVIEW

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

During the 12th Plan (2012-17), a capacity addition of 99,209 MW was commissioned against target of 88,537 MW from conventional sources. It is for the first time in the history of the Indian Power Sector that such a large capacity addition during a single plan period was achieved which was 112 % of the target. During 11th plan the achievement in capacity addition was 69.84% of the target. As per the Paris Agreement commitments, India is targeting to increase renewable capacity to 175GW by 2022 and has achieved 151.4 GW by Dec 2021.

As regards to hydro potential, total Hydro Electric Power potential in the country has been assessed by CEA as 84,044 MW (at 60% load factor) from a total of 845 number of identified Hydro Electric Schemes, which when fully developed would result in an installed capacity of about 1,48,701 MW on the basis of probable average load factor. The total energy potential is assessed as 600 billion units per year. Hydropower is used to its maximum potential for meeting peak loads and all new projects must be designed with this objective in mind.

Hydropower brings a strong contribution to flexibility in the power system today filling the gap between supply and demand that is induced by the variability of Renewable Energy Sources (to counter variability of RES, as sun does not always shine and wind does not blow constantly). Hydropower plants with reservoirs reduce the dependency on the variability of the natural inflow and enable adjustments of power generation to the variability in demand. Such Power is the need of the increasingly dynamic Indian power grid, requiring a substantial amount of power from generation sources that have quick start and stop capability and can offer grid balancing services. Such resources come online within a short span of time to bridge the gap on supply side arising due to variable renewable energy generation.

However, the full development of India's hydro-electric potential, while technically feasible, faces various issues including issues of water rights, resettlement of project affected people and environmental concerns etc. and all these issues need to be resolved to exploit full potential. As on April 2021, the installed capacity of hydroelectric power plants in the country is 51609 MW which is 12.80% of the total installed capacity of the country from all the sources.

Govt. of India vide notification dated 08 march 2019 has declared Large Hydro Projects (LHPs)(>25MW) as Renewable Energy Source and Hydropower Purchase obligation (HPO) has been notified as a separate entity within the existing Non-solar Renewable Purchase Obligation (RPO). It had been said that a trajectory of annual HPO targets shall be notified by the Ministry of Power and the HPO shall cover all the LHPs commissioned after 08.03.2019 as well as the untied capacity of commissioned projects. In compliance of the same and with the objective to add 30GW of hydropower capacity by the year 2030, Ministry of Power (MoP) vide notification order dated 29 January 2021 has revised the RPO trajectory to include the long term trajectory for HPO wherein a percentage of hydro energy has been fixed to be bought by all DISCOMs. The HPO Trajectory for the period till 2029-30 has been notified and for the period between 2030-31 and 2039-40 shall be notified subsequently. RPO shall be calculated in energy terms as a percentage of total consumption of electricity. The said trajectory till 2024-25 is as under:

Year	Solar RPO	Non-Solar RPO			Total RPO
		HPO	Other Non-Solar RPO	Total Non-Solar RPO	
2019-20	7.25%	-	10.25%	10.25%	17.50%
2020-21	8.75%	-	10.25%	10.25%	19%
2021-22	10.50%	0.18%	10.50%	10.68%	21.18%
2022-23	To be specified later	0.35%	To be specified later	To be specified later	To be specified later
2023-24		0.66%			
2024-25		1.08%			

The said order dated 29.01.2021 notifies that only LHPs commissioned on and after 08.3.2019 and upto 31.03.2030 are eligible for HPO benefits and leaves the commissioned projects with untied capacity out of RPO benefits. Accordingly, Sawra Kuddu HEP of HPPCL that has got commissioned on 21.01.2021 can be assured of good returns from its sale of power once the HEC mechanism for purchase of power is devised by CERC. HPPCL has requested MoP to also include its projects having untied capacity commissioned before 08.03.2019 under the Renewable Purchase Obligations.

In compliance of the above order dated 29.01.2021, CERC is in process of developing the Hydro Energy Certificate (HEC) mechanism similar to Renewable Energy Certificate (REC) mechanism to facilitate fulfillment of HPO from the projects commissioned after 08.03.2019 having untied capacity. The HEC mechanism would have a capping price of Rs.5.50/unit of electrical energy w.e.f 08 March, 2019 with 5% of annual escalation after 31 March, 2021.

Highly flexible hydropower, with an ability to effectively store energy in its reservoirs and respond quickly to system requirements but which to date has only been valued for energy served is believed to have even greater value within the future Indian power system. One pilot project on the lines, is envisaged to utilize surplus of hydropower in HP and further support integration of renewable energy sources through creation of a bundled product with power from Sainj HEP(100 MW) of HPPCL and solar and wind plants located elsewhere in the country. Such a bundling model would create multiple benefits including increased grid stability, higher competitiveness in the Indian power market, provision of round-the-clock power supply to electricity consumers preferring to buy green power as part of their environmental responsibility and those selling their products in European markets and facing taxes on account of use of fossil fuel power. The tax benefits and profits on such products would get passed on to the hydro generators supporting hydropower generation assets. The said bundling arrangement is being taken up for execution under the Himachal Pradesh Power Sector Development Program being funded by the World Bank.

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

ACKNOWLEDGMENTS:

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

The Board conveys its gratitude to the outgoing Directors for their dedicated services rendered during their tenure.

The Directors further place on record, its gratitude to the officers/officials of HPSEBL, HPIDB and other agencies for their institutional support. The Directors would also like to thank the Internal Auditors, Statutory Auditors, office of A.G. H.P. and C.A.G. of India, who have made efforts in conducting and finalizing the audit of the Company.Last but not the least, the Board commends the hard work and dedicated efforts put in by the employees of the Corporation at all levels.

Thanking you

For and on behalf of the Board of Directors

Sd/-
(Mukesh Repaswal, IAS)
Director (Personnel & Finance)

Sd/-
Dr. Ajay Kumar Sharma, IAS
Managing Director

Place: Shimla
Date:

Court Cases Detail as on 30th June, 2022

Sr. No.	Name of Court	Cases	Decided	Changes During Month	Balance
0 to 1 years					
1	Ld. Distt. & Session Judge Nahan	8	0	+4 new cases	12
2	Ld. Addl. Distt. Judge Nahan	18	0	+1 new cases	19
3	Ld. CJM Nahan	2	0	0	2
4	Ld. CJM Rajgarh	0	0	+1 new cases	1
5	Ld. JMIC Nahan	2	0	0	2
	Total (0-1 years)	**30**	**0**	**+6**	**36**
1 to 5 years					
1	Ld. Distt. & Session Judge Nahan	108	0	0	108
2	Ld. Addl. Distt. Judge Nahan	396	0	0	396
3	Ld. CJM Nahan	1	0	0	1
4	Ld. CJM Rajgarh	4	1	0	3
5	Ld. JMIC Nahan	0	0	0	0
	Total (1-5 years)	**509**	**1**	**0**	**508**
more than 5 years					
1	Ld. Distt. & Session Judge Nahan	1	0	0	1
2	Ld. Addl. Distt. Judge Nahan	18	0	0	18
3	Ld. CJM Nahan	0	0	0	1
4	Ld. CJM Rajgarh	1	0	0	1
5	Ld. JMIC Nahan	1	0	0	1
	Total (more than 5 years)	**21**	**0**	**0**	**21**
	Grand Total	**560**	**-1**	**+6**	**565**

Abstract of Court Cases	Cases	Decided	Added	Balance
Distt & Session Judge Nahan Sirmour	117	0	4	121
Addl. Distt. & Session Judge Nahan Sirmour	432	0	1	433
Ld. CJM. Nahan Sirmour	3	0	0	3
Ld. CJM, Rajgarh, Sirmour	5	1	1	5
Ld. JMIC Nahan, Sirmour	3	0	0	3
Total	**560**	**-1**	**+6**	**565**

Sd/-
(Sr. Manager Renukaji)
DAM HEP, HPPCL
Dadahu

5. DETAILS OF PENDING CASES IN SUBORDINATE COURTS IN WHICH STATE GOVERNMENT/HPPCL WAS PARTY (PETITIONER OR RESPONDENTS OR APPELLANT , EXCLUDING LABOUR COURTS)

Particulars	No. of Cases pending with subordinate courts along with Case No. as on 01/06/2022	No. of cases added during the month of June 2022	No. of cases disposed by Subordinate Court upto 30th of June 2022	No. of Cases settled/decided if challenged then provide further detail during the month	No. of Cases pending before Hon'ble Subordinate Court in which State Govt./HPPCL was party as on 01/02/2023 or 31/01/2023	Name of Advocate alongwith Contact No., E.mail ID and Address	Corporate Branch/HoP with which the matter is being deal	Whether any action required, If not taken so far, explain reasons	Next date of Hearing, If not given by the Ld. Court then mention previous date of hearing
1	2	3	4	5	6	7	8	9	10
Pending Cases 0 to 1 year old	33	0	0	-	33	Abhay Kant Aggrawal Mobile No. 9418231138	GM Renukaji Dam HEP & LAO HPPCL, Shimla-09.	NA	As per List Attached as Annexure : A
Pending cases 1 to 5 year old	395	0	10	-	335				
Pending cases more than 5 year old	39	0	0	-	39				

Sd/-
Naib Tehsildar RCC HPPCL
Dadahu

Sd/-
(Sr. Manager Renukaji)
DAM HEP, HPPCL
Dadahu

Sd/-
(Abhaykant Aggrawal)
Advocate,
Nahan HP

Sd/-
Nodal Officer (Law)
Renukaji Dam Project
HPPCL

Detail of pending cases before the Hon'ble Arbitration tribunal (District Court Shimla CBI) in which state Government /HPPCL was party (petitioner or Respondent or Appellant) for the month of June/2022

Particulars	Number of cases pending before the subordinate courts along with case nos. as on 30-06-2021	Number of cases added during the month October 2021	Number of cases disposed by subordinate court during the month October 2021	Number of cases settled/ decided if challenged then provide further details during the month octobr 2021	Number of cases pending before the subordinate court in which state Govt was party as on 31-07-2021	Name of the advocates along with contract number, email address and office address	Corporate Branch/ HOP with which the matter is being dealt	Whether any action is required if not taken so far, explain reasons	Next date of hearing if not given by theLd. Court then mention previous date of hearing
1	2	3	4	5	6	7	8	9	10
Cases more than 1 year old	1) case No. 1-1/2 of 2019 in the District Court (CBI) of H.P. at Shimla (Arb.C No. 06 of 2018) for C/o Type-1 building in HPPCL colony Dadahu.Arbitrration Act/0000007/2019	Nil	Nil	Nil	1	Sh. Shashi Shirshoo (Contact No. 9418232523)	HPPCL Corprate legal cell Branch Shimla/ GM Renukaji Dam Project		Listed on 23.06.2022. Next date of hearing on dated 15.07.2022

Sd/-
Nodal Officer (Law)
Renukaji Dam Project
HPPCL

Detail of pending cases before the Hon'ble High Court in which state Government /HPPCL was party (petitioner or Respondent or Appellant) for the month of June/2022

Particulars	Number of cases pending before the subordinate courts along with case nos./ arbitrator tribunal as on 31-010-2021	Number of cases added during the month October 2021	Number of cases disposed by subordinate court during the month October 2021	Number of cases settled/ decided if challenged then provide further details during the month octobr 2021	Number of cases pending before the subordinate court in which state Govt was party as on 30-11-2021	Name of the advocates along with contract number, email address and office address	Corporate Branch/ HOP with which the matter is being dealt	Whether any action is required if not taken so far, explain reasons	Next date of hearing if not given by theLd. Court then mention previous date of hearing
1	2	3	4	5	6	7	8	9	10
Cases more than 1 year old	1) Arbitration case No. 100 of 2018 titled Arvind Kumar Bansal V/S H.P. Power Corporation Ltd.	Nil	Nil	Nil	2	Sh. Shashi Shirshoo (Contact No. 9418232523)			The case has been dismissed by the Hon'ble High court on 30.12.2019 & due to non appearance of the advocates, as the NOC from Advocate Sh. Satyen Vaidya was pending. Since the NOC has been given by the said advocate & NOC was given on dated 04.01.2020 to advocate Sh. Shashi Shirsoo. The case was filed for restoration on dated 10.01.2020. The case was allowed to be restored by the Hon'ble High Court on dated 30.05.2020 & learned cousel accepts post admission notice on behalf of respondent. Listed on 14.07.2020. Next date of hearing yet not given.
	II) Case No. 45/2019 in the High Court of H.P. at Shimla (Arb C No . 07 of 2018) for C/o type-V(A) building in HPPCL, Colony Dadahu.								Three weeks time for inspecting the record on dated 22.11.2019. The hearing held on dated 20.07.2020. Next date of hearing is yet not given.

Sd/-
Nodal Officer (Law)
Renukaji Dam Project
HPPCL

Detail of pending cases before the Labour tribunals in which state Government /HPPCL was party (petitioner or Respondent or Appellant) for the month of June/2022

Particulars	Number of cases pending before the subordinate courts along with case nos. as on 30-09-2021	Number of cases added during the month October 2021	Number of cases disposed by subordinate court during the month October 2021	Number of cases settled/ decided if challenged then provide further details during the month octobr 2021	Number of cases pending before the subordinate court in which state Govt was party as on 31-10-2021	Name of the advocates along with contract number, email address and office address	Corporate Branch/ HOP with which the matter is being dealt	Whether any action is required if not taken so far, explain reasons	Next date of hearing if not given by the Ld. Court then mention previous date of hearing
1	2	3	4	5	6	7	8	9	10
Cases more than 1 year old	No. 11-1/8 (lab) ID/2017/Nahan Govt. of HP Deptt. of Labour and employment	Nil	Nil	Nil	6	Sh. Manoj Chauhan (Contact No. 8894399915	HPPCL Corprate legal cell/GM Renukaji Dam Project	Notifications issued by joint labour commissioner	Listed on 09.06.2022 (for judgement) copy of judgement is awaited

Sd/-
Nodal Officer (Law)
Renukaji Dam Project
HPPCL

ANNEXURE 'B' TO THE BOARD'S REPORT

Form No. MGT-9

EXTRACT OF ANNUAL RETURN AS ON THE FINANCIAL YEAR ENDED ON 31st MARCH, 2020

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

i. REGISTRATION AND OTHER DETAILS:

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

ii. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

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

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

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

i. Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year(+-)
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoter									
1. Indian	0	0	0	0	0	0	0	0	-
a) Individual/HUF	0	0	0	0	0	0	0	0	-
b) Central Govt	0	0	0	0	0	0	0	0	-
c) State Govt.(s)	6,096,345			31.63	8,626,345			39.56	7.93
d) Bodies Corp/ Government companies	1,307,731			6.78	1,307,731			6.00	-0.78
e) Banks / FI	0	0	0	0	0	0	0	0	-
f) Any Other (Shares in the name of Himachal Pradesh Infrastructure Development Board (Board of Govt. of H.P.) & 50 Shares in the name of 4 Sr. Officers of the State Govt. i.e. 30 Shares of State Govt. Nominees and 20 Shares of HPSEBL Nominees).	11,871,557			61.59	11,871,557			54.44	-7.15
Sub-total(A)(1):-	19,275,633			100	21,805,633			100	-
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	0	0	0	0	0	0	0	0	-
b) Banks / FI	0	0	0	0	0	0	0	0	-
c) Central Govt	0	0	0	0	0	0	0	0	-
d) State Govt(s)	0	0	0	0	0	0	0	0	-
e) Venture Capital Funds	0	0	0	0	0	0	0	0	-
f) Insurance Companies	0	0	0	0	0	0	0	0	-
g) FIIs	0	0	0	0	0	0	0	0	-
h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	-
i) Others (specify)	0	0	0	0	0	0	0	0	-

Sub-total (B)(1)	0	0	0	0	0	0	0	0	-
2. Non Institutions									
a) Bodies Corp. (i) Indian (ii) Overseas	0	0	0	0	0	0	0	0	-
b)Individuals (i) Individual shareholders holding nominal share capital upto Rs. 1 lakh (ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	0	0	0	0	0	0	0	0	-
c) Others(Specify)	0	0	0	0	0	0	0	0	-
Sub-total (B)(2)	0	0	0	0	0	0	0	0	-
Total Public Shareholding (B)=(B)(1)+ (B)(2)	0	0	0	0	0	0	0	0	-
Grand Total (A+B+C)	19,275,633			100	21,805,633			100	-

ii. Shareholding of Promoters

Sr. No	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year (+-)
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	
1.	Governor of Himachal Pradesh	6,096,345	31.63	-	8,626,345	39.56	-	7.93
2.	Himachal Pradesh State Electricity Board Limited	1,307,731	6.78	-	1,307,731	6.00	-	-0.78
3.	Himachal Pradesh Infrastructure Development Board (was not Promoter at the time of incorporation of Company)	11871507	61.59	-	11,871,507	54.44	-	-7.15
4.	Sh. Brij Kumar Agarwal, IAS	10	0.00	-	0	0.00	-	0.00
5.	Dr. Shrikant Baldi, IAS	20	0.00	-	10	0.00	-	0.00
6.	Sh. Prabodh Saxena, IAS	10	0.00	-	40	0.00	-	0.00
7.	Sh. Anil Kumar Khachi, IAS	10	-	-	0	0.00	-	
	Total	19,275,633	100	-	21,805,633	100		

iii. Change in Promoters' Shareholding:

Sr. No		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	19,275,633	100	21,805,633	100
	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase/ decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	As per details given below	-	-	-
	ALLOTMENT	DATE	NO. OF SHARES	TO WHOM ISSUED	REASON
		24/04/2019	8,80,000	The Governor of H. P. through ACS /Pr. Secretary (Power) to the Govt. of H.P.	Allotment to existing Shareholder.
		20/08/2019	7,42,500	-do-	-do-
		03.12.2019	4,95,000	-do-	-do-
		20.03.2020	4,12,500	-do-	-do-
	TRANSFER	DATE	NO. OF SHARES	TRANSFEROR'S & TRANSFEREE'S NAME	REASON
		03.12.2019	10	Anil Kumar Khachi, IAS to Sh. Prabodh Saxena, IAS	As per Orders of State Government & subsequent approval by BOD
		03.12.2019	10	Sh. Brij Kumar Agarwal, IAS to Dr. Shrikant Baldi, IAS	-do-
		03.12.2019	20	Dr. Shrikant Baldi, IAS to Sh. Prabodh Saxena, IAS	-do-
	At the End of the year Total Shareholdings=	At the beginning of the year = 19,275,633	100% @ Rs.1000/-each	At the end of the year =21,805,633	100% @ Rs.1000/-each

V. INDEBTEDNESS

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

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year (2019-20)				
i) Principal Amount	0	25314234833	0	25314234833
ii) Interest due but not paid	0	11696543138	0	11696543138
iii) Interest accrued but not due	0	618042141	0	618042141
Total (i+ii+iii)	0	37628820112	0	37628820112
Change in Indebtedness during the financial year				
- Addition	0	1294027335	0	1294027335
- Reduction	0	0	0	0
- Interest	0	2443176316	0	2443176316
- Interest accrued but not due	0	(13946008)	0	(13946008)
Net Change	0	3723257643	0	3723257643
Indebtedness at the end of the financial year(2019-20)				
i) Principal Amount	0	26608262168	0	26608262168
ii) Interest due but not paid	0	14139719454	0	14139719454
iii) Interest accrued but not due	0	604096133	0	604096133
Total (i+ii+iii)	0	41352077755	0	41352077755

Sl. No.	Particulars of Remuneration	Designation	Amount (in Rs.)
1.	Name of MD/WTD/ Manager: 1) Sh. Ajay Sharma, IAS: Gross salary (a)Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income- tax Act,1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	(Managing Director) (01.04.2019 to 02.07.2019)	-
	Sh. Devesh Kumar, IAS: Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act,1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	(Whole Time Director) (03.07.2019 to 31.03.2020)	-

1.	2) Er. Dharam Singh Thakur: Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act,1961 (b) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	(Whole Time Director) (01.04.2019 to 31.03.2020)	20,78,250 2,82,000 -
	3) Er. Mahesh Sirkek Gross Salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act,1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	(Whole Time Director) (01.04.2019 to 27.01.2020)	15,59,827 1,48,065 -
	4) Sh. Neeraj Kumar, HAS: Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income - tax Act,1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	(Whole Time Director) (01.04.2019 to 10.06.2019)	3,76,157 - -
	Sh. Manmohan Sharma, HAS: Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income - tax Act,1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	Whole Time Director) (10.06.2019 to 31.03.2020)	15,74,597 - -
	Stock Option	-	-
	Sweat Equity	-	-
	Commission - as % of profit - others, specify...	-	-
	Others, please specify	-	-
	Total (A)	-	60,18,896
	Ceiling as per the Act	-	-

B. Remuneration to other directors:

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

C. Remuneration to Key Managerial Personnel Other Than MD /Manager /WTD

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			
	(Name)	CEO	Company Secretary	CFO	Total
1	1) Sh. Sudershan Kumar Sharma: Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	21,55,790 NIL -	-	21,55,790
2	Stock Option	-	-	-	
3	Sweat Equity	-	-	-	
4	Commission - as % of profit - others, specify...	-	-	-	
5	Others, please specify	-	-	-	
	Total			81,74,686	81,74,686

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

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

Sd/-
Director (Finance & Personnel)

Sd/-
Managing Director

Table Tennis Match during 16th Raising Day of HPPCL

Power House Control Room Kashang HEP Stage - I

STANDALONE BALANCE SHEET AS AT MARCH 31, 2020

(Rs. In Lacs)

Particulars	Note No.	As at March 31, 2020		As at March 31, 2019
ASSETS				
Non - Current Assets				
Property, Plant and Equipment	2.1		302411	303086
Capital Work-in-Progress	2.2		329566	308204
Other Intangible Assets	2.3		8	8
Intangible assets under development	2.4		-	-
Finance Assets :				
Investments	2.5	-		-
Loans	2.6	143		149
Others	2.7	-		-
			143	**149**
Deferred Tax Assets (Net)	2.8	-		-
Regulatory Deferral Account Debit Balance	2.9	-		-
Other Non-current Asset	2.10	26964		36705
			26964	**36705**
Current Assets				
Inventories	2.11		553	74
Financial Assets				
Trade Receivables	2.12	102		1757
Cash and Cash Equivalents	2.13	5618		11365
Bank Balance other than above	2.14	2348		9709
Loans	2.15	14		3
Others	2.16	18213		1349
			26295	**24182**
Current Tax Assets	2.17		-	-
Other Current Assets	2.18		14794	6241
TOTAL ASSETS			**700734**	**678649**
EQUITY AND LIABILITIES				
Equity				
Equity Share Capital	2.19		218056	192756
Other Equity	2.20		(35022)	(22199)
Liabilities				
Non-Current Liabilities				
Financial Liabilities				
Borrowings	2.21	255505		159795
Other Financial Liabilities	2.22	157698		10993
			413203	**170789**
Provisions	2.23		3919	5690
Other Non-Current Liabilities	2.24		77073	69543
Current Liabilities				
Trade Payables	2.25		-	-
Other Financial Liabilities	2.26		12,928	262070
Borrowings	2.27		10577	-
TOTAL EQUITY AND LIABILITIES			**700734**	**678649**

Significant Accounting Policies 1

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

For and on behalf of the Board of Directors

Sd/-	Sd/-	Sd/-	Sd/-
(B.L. Verma)	(Sudershan K. Sharma)	(Manmohan Sharma)	(Amit Kashyap)
D.G.M. (Finance)	Company Secretary	Director (Finance)	Managing Director
		DIN No. 08480582	DIN No. 07453973

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

STANDALONE STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2020

(Rs. In Lacs)

Particulars	Note No.	For the Year ended March 31, 2020	For the Year ended March 31, 2019
Income			
Revenue from Operations	2.28	14,624	18,855
Other Income	2.29	93	108
Total Income		**14717**	**18963**
Expenses			
Employee Benefits Expense	2.30	1,034	1,565
Finance Costs	2.31	12,967	12,980
Depreciation and Amortization Expense	2.32	10,829	10,669
Other Expenses	2.33	2,711	4,334
Total Expenses		**27540**	**29550**
Profit before net movement in regulatory deferral account balance and tax		**(12823)**	**(10586)**
Net movement in regulatory deferral Account Balance		-	-
Profit Before Tax		**(12823)**	**(10586)**
Extra ordinary Items: Loss on Sale of Fixed Assets		1	12
Profit / Loss Before tax		**(12824)**	**(10598)**
Income Tax:			
- Current Tax			
- Deferred Tax			
Profit (Loss) for the period		**(12824)**	**(10598)**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
-Remeasurement of the net defined benefit liability/asset			
-Income tax on above item			
Total			
Total Comprehensive Income for the period		**(12824)**	**(10598)**
Earnings Per Equity Share (excluding net movement in regulatory deferral account balance)			
Basic and Diluted	2.34	(62.43)	(56.18)
Earnings Per Equity Share			
(including net movement in regulatory deferral account balance)			
Basic and Diluted	2.34	(62.43)	(56.18)
Weighted average equity shares used in computing earnings per equity share			

Significant Accounting Policies 1

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

For and on behalf of the Board of Directors

Sd/- (B.L. Verma) D.G.M. (Finance)	Sd/- (Sudershan K. Sharma) Company Secretary	Sd/- (Manmohan Sharma) Director (Finance) DIN No. 08480582	Sd/- (Amit Kashyap) Managing Director DIN No. 07453973

STANDALONE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31,2020

(Rs. In Lacs)

Particulars		For the Year Ended March 31, 2020	For the Year Ended March 31, 2019
Cash flow from operating activites			
Profit before tax		(12,824)	-10600
Adjustment for:			
Loss of Fixed Asset/ CWIP	1		11.76
Depreciation	10,829		10669
Interest Income on Term Deposits	-		
Finance/ Interest Cost	0		
		10,829	**10683**
Adjustment for assets and liabilities			
Inventories	(480)		-40
Trade receivable and unbilled revenue	1,655		-141
Loans, other financial assets and other assets	(18,067)		-10705
Other financial liabilities and other liabilities	(2,38,565)		129170
Other Current liabilities	-		-9
Provisions	(1,771)		682
		(2,57,227)	118958
Cash generated from operating activities		(2,59,222)	119041
Less: Income tax paid			0
Net cash generated from operating activities		**(2,59,222)**	**119041**
Cash flow from investing activities:			
Net expenditure on Property, Plant & Equipment and CWIP and EDC	31,515		55869
Provisions			
Other Non Current assets	(9,741)		2261
Interest on term deposits/ Sweep Deposits	(6)		-1
Term Deposits with Banks (having maturity more than 3 months)			
Depreciation on CWIP			
CWIP from Deficit Account			
loss of Fixed/ CWIP assets from torrential rain & flood	1		12
Net cash used in investing activities		**21,769**	**58141**
Cash flow from financing activities:			
Share Capital	25300		8200
Long term Borrowings - Proceeds	2,49,944		-90252
Long term Borrowings - Repayment			
Net Cash used for financing activities		**2,75,244**	**-82052**
Net increase in cash and cash equivalents		(5,747)	-21152
Opening balance of cash & cash equivalents		11,365	32517
Closing balance of cash & cash equivalents		**5,618**	**11,365.00**
Restricted cash balance			
Earmarked Balance (Unpaid Dividend)			0
Margin Money for BG/ Letter of Credit and Pledged deposits		2348	4437
Total		**2348**	**4437**

This is the Statement of Cash Flows referred to in our report of even date.

For and on behalf of the Board of Directors

Sd/-
(B.L. Verma)
D.G.M. (Finance)

Sd/-
(Sudershan K. Sharma)
Company Secretary

Sd/-
(Manmohan Sharma)
Director (Finance)
DIN No. 08480582

Sd/-
(Amit Kashyap)
Managing Director
DIN No. 07453973

STATEMENT OF CHANGES IN EQUITY

(Rs. In Lacs)

Particulars	Equity Share Capital	Other Equity		Total	
		Reserves & Surplus	Other Comprehensive Income	Total Other Equity	Total
		Retained Earnings	Remeasurement of the Net defined Benefit Asset/ Liability (Net of Tax)		
Changes in Equity for the year ended on March,2020					
Opening Balance as on 1st April 2019	192756	-22199	0	-22199	170558
Equity shares issued during the year	25300			0	25300
Other Comprehensive Income for the Period	0			0	0
Profit /Loss for the period		-12824		-12824	-12824
Dividend				0	0
Dividend Tax				0	0
Opening Adjustments in retained Earnings				0	0
Closing Balance as at March 31st, 2020	**218056**	**-35023**		**-35023**	**183034**

For and on behalf of the Board of Directors

Sd/-
(B.L. Verma)
D.G.M. (Finance)

Sd/-
(Sudershan K. Sharma)
Company Secretary

Sd/-
(Manmohan Sharma)
Director (Finance)
DIN No. 08480582

Sd/-
(Amit Kashyap)
Managing Director
DIN No. 07453973

HIMACHAL PRADESH POWER CORPORATION LIMITED

NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

1. COMPANY INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES:

A. REPORTING ENTITY

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

B. SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

The preparation of the financial statements requires management to make estimates and assumptions that may impact the application of accounting policies and the reported value of Assets, Liabilities, Income, Expenses and related disclosures concerning the items involved as well as contingent assets and liabilities at the balance sheet date. Actual results could vary from these estimates. The estimates and management's judgements are based on previous experience and other factors considered reasonable and prudent in the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future years.

1.2 BASIS OF MEASUREMENT

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

1.3 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Indian Rupees (INR), which is the Company's functional currency. All financial information presented in INR has been rounded to the nearest Lacs, except as stated otherwise.

1.4 CURRENT AND NON-CURRENT CLASSIFICATION

The Company presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after
- the reporting period. All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period.
- All other liabilities are classified as non-current. Deferred tax assets/liabilities are classified as non-current.

1.5 PROPERTY, PLANT AND EQUIPMENT (PPE)

a) The Company has opted to utilize the option under para D7AA of Appendix D to Ind AS 101 which permits to continue to use the Indian GAAP carrying amount as a deemed cost under Ind AS at the date of transition to Ind AS. Therefore, the carrying amount of property, plant and equipment according to the Indian GAAP as at April 1, 2015 i.e. Companies date of transition to Ind AS, were maintained in transition to Ind AS.

b) An item of PPE is recognized as an asset if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

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

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

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

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

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

h) Subsequent expenditure is recognized as an increase in the carrying amount of the asset when it is probable that future economic benefits deriving from the cost incurred will flow to the company and the cost of the item can be measured reliably.

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

1.6 Capital Work-in-progress

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

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

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

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

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

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

g) The Expenditure of Corporate office and Sundarnagar design office is allocated to different accounting units on systematic basis.

1.7 INVESTMENT PROPERTY

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

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

ii). Sale in the ordinary course of business.

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

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

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

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

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

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

1.8 INTANGIBLE ASSETS

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

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

ii). The cost of the asset can be measured reliably

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

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

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

1.9 REGULATORY DEFERRAL ACCOUNTS

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

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

1.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

b) In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

c) Impairment losses recognized in earlier period are assessed at each reporting date for any indication that loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

1.11 INVENTORIES

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

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

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

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

1.12 FOREIGN CURRENCY TRANSACTIONS

A) FUNCTIONAL AND PRESENTATION CURRENCY:

Financial statements have been presented in Indian Rupees (Rs.) which is the company's functional and presentation of currency.

B) TRANSACTIONS AND BALANCES:

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

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

1.13 FINANCIAL INSTRUMENTS – INITIAL RECOGNITION, SUBSEQUENT MEASUREMENT AND IMPAIRMENT

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A) Financial Assets

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

Measurement:

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

De-recognition:

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

B) Financial liabilities:

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

Measurement:

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

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

De-recognition:

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

1.14 INVESTMENT IN JOINT VENTURES AND ASSOCIATES:

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

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

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

1.15 LEASES

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

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

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

OPERATING LEASE:

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

1.16 GOVERNMENT GRANTS

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

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

1.17 BORROWING COSTS

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

Borrowing costs directly attributable to the acquisition, construction/erection or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying assets for their intended uses are complete. All other borrowing costs are expensed in the period in which they occur.

1.18 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

a) A provision is recognised when:

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

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

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

b) If the effect of the time value of money is material, provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as finance cost.

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

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

e) Contingent liabilities are possible obligations that arise from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Company. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Contingent liabilities are disclosed on the basis of judgment of the management. These are reviewed at each balance sheet date and are adjusted to reflect the current management estimate.

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

1.19 REVENUE RECOGNITION AND OTHER INCOME

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

1.20 EMPLOYEE BENEFITS

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

a) **Short-term Benefits**

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

b) **Terminal Benefits**

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

1.21 DEPRECIATION AND AMORTIZATION

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

- a) Depreciation is charged on Straight Line method following the rate & methodology notified by the H.P State Electricity Regulatory Commission (HPERC) for the purpose of fixation of tariff as amended from time to time, except in case of:
- b) Mobile Phones are depreciated fully @ 25% P.A. in 4 years.
- c) Kitchen items and small office items are depreciated over the period of 3 years, keeping 10% residual value.
- d) Assets costing Rs.5000/- or less are depreciated fully in the year of procurement.
- e) Expenditure on software is recognised as "Intangible Asset" and amortised fully over three years on SLM or over a period of its legal rights to use, whichever is less.
- f) Infrastructural development construction power depreciated @5.28% SLM under the head any other assets not covered in the HPERC Schedule.
- g) Depreciation is provided on pro-rata basis from the month in which the asset becomes obsolete is provided till the end of the month in which such declaration is made.

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

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

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

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

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

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

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

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

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

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

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

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

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

1.22 INCOME TAXES

Income tax expense comprises current tax and deferred tax.

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

a) **Current Income Tax**

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

b) **Deferred Tax**

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.23 EARNINGS PER SHARE:

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

1.24 STATEMENT OF CASH FLOWS

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

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

1.25 MATERIAL PRIOR PERIOD ERRORS

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

HIMACHAL PRADESH POWER CORPORATION LIMITED

2 NOTES TO ACCOUNTS

The amounts in financial statements are presented in India Rupees . The previous year figures have also been reclassified / regrouped / rearranged wherever necessary to confirm to this year's classification.

(Rs. In Lacs)

	Particulars	Sub Note	Amount as at March 31st 2020	Amount as at March 31st 2019
2.1	Property, Plant & Equipment	2.1.1	302411	303086
2.2	Capital work in Progress	2.2.1	329566	308205
2.3	Intangible assets	2.3.1	8	8
	TOTAL		**631986**	**611299**
2.4	Intangible Assets under Development			
	TOTAL			0

2.5 INVESTMENTS

(Rs. In Lacs)

Particulars	As At March 31, 2020	As At March 31, 2019
Investment in Equity instrutments		
Non Trade-Unquoted (at cost)		
(a) Subsidiary Companies		
(b) Joint Venture Companies		
3375000 (P.Y. 3375000) Equity Shares of Rs. 10/- in	337	338
Himachal Emta Power Ltd		-
Less : Provision for Doubtful Investment	-337	(338)
Total Investment in Equity Instruments	-	-
Other Investment		
Total Other Investment	-	-
Total Investments	-	-

2.6 LOANS

(Rs. In Lacs)

Particulars	As At March 31, 2020	As At March 31, 2019
Security Deposits		
-Secured Considered Good	1	1
-Unsecured considered good	142	148
- Doubtful		
	143	149
Loans to other Employees		
- Secured considered good	0	-
-Unsecured Considered Good	0	0
- Doubtful	0	-
	-	0
Total	**143**	**149**

2.7 FINANCIAL ASSETS- OTHERS

(Rs. In Lacs)

Particulars	Amount as at March 31st 2020	Amount as at March 31st 2019
Interest Accrued but not due on deposits with Banks		
Deposit with Courts	-	-
Other Deposits	-	-
Unbilled Revenue		
Bank Deposit with more than 12 months maturity	-	-
TOTAL	-	-
2.8 DEFERRED TAX ASSETS	0	0.00
TOTAL	-	-
2.9 REGULATORY DEFERRAL ACCOUNTS- DEBIT BALANCE	-	-
TOTAL	-	-

2.10 NON - CURRENT ASSETS

Other Non Current assets

(Rs. In Lacs)

Particulars	As At March 31, 2020	As At March 31, 2019
Capital Advances		
Advances to Suppliers and Contractors		
Covered By Bank Guarantee	0	453
Unsecured Considered Good	7,678	7911
Others	414	496
Loans and Advances to Related Parties	-	-
Loans and advances to Joint Ventures	-	-
Secured Considered Good	-	-
Unsecured Considered Good	61	61
Less : Provision for Doubtful Advances	(61)	(61)
	-	-
Advances to Others	-	-
Others- Secured Considered Good	28	-
Others- Unsecured Considered Good	465	686
	0	-
Capital Stores at Cost	-	-
Other Items	2	2
	0	-
Recoverable from Contractors	-	-
Others- Seured Considered Good	0	4325
Others- Unseured Considered Good	1,547	13119
Recoverable from staff	0.00	2
Deposits with Income Tax Authorities	8,875	8874
Other Recoverable	166	314
Less: Provision for Doubtful Recoverable	(63)	(63)
Grant Receivables- Non Current	7,852	566
Prepaid Expenses	0.00	19
Deferred Empoyee Benefits Expense		
Total Other Non- Current Assets	**26964**	**36705**

CURRENT ASSETS

2.11 INVENTORIES

(Rs. In Lacs)

Particulars	As At March 31, 2020	As At March 31, 2019
Inventories		
Loose Tools		
Stores and Spares	553	74
Less : Provision for Shortage of store and Obsolescence		
TOTAL	**553**	**74**

FINANCIAL ASSETS

2.12 TRADE RECEIVABLES

(Rs. In Lacs)

Particulars	As At March 31, 2020	As At March 31, 2019
Secured Consisdered good		
Unsecured considered good:		
Power	78	1734
Lab Charges		
Doubtful		
Related Party	24	24
TOTAL	**102**	**1757**

2.13 CASH AND CASH EQUIVALENTS

(Rs. In Lacs)

Particulars	As At March 31, 2020	As At March 31, 2019
'Term Deposits (having original maturity of upto 3 months)		
Cash and Bank Balances		
Cash in Hand	0	0
Stamps in Hand	0	0
Remittances in Transit	-	-
Balance with Banks	-	-
Current Deposits	5618	9403
Term Deposits with maturity upto 3 months	-	1961
TOTAL	**5618**	**11365**

2.14 BANK BALANCE - OTHER THAN ABOVE

(Rs. In Lacs)

Particulars	As At March 31, 2020	As At March 31, 2019
Earmarked Balance (Unpaid Dividend)	-	
Margin Money for Pledged Deposits	-	3312
Other term Deposits having maturity period of more than 3 months	-	5272
Margin Money for BG/ Letter of Credit	2348	1125
TOTAL	2348	**9709**

2.15 LOANS

(Rs. In Lacs)

Particulars	As At March 31, 2020	As At March 31, 2019
Security Deposits		
- Secured Considered Good	-	-

Unsecured considered good	9	2
- Doubtful	-	-
Loans to Related Parties	-	-
Loans to Directors	-	-
- Secured considred good	-	-
- Unsecured considered good	-	-
- Doubtful	-	-
Loans to Other Related Parties		
Recoverable from Staff	2	0
Advances to Employees	-	-
Secured considered good	-	-
Unsecured Considered Good	2	0
Doubtful	-	-
TOTAL LOAN	**14**	**3**

2.16 OTHER ASSETS

(Rs. In Lacs)

Particulars	As at March 31, 2020	As At March 31, 2019
Interest Accrued but not due on deposits with Banks	494	327
Interest recoverable	204	139
Amount Receivable from Others	107	46
Accured Interest on Advances to Others	0	-
Amount Recoverable from Contractor & Suppliers		
Others- Seured Considered Good	0	7
Others- Unseured Considered Good	17,409	830
Other Current Assets	0	-
TOTAL OTHER FINANCIAL ASSSETS	**18213**	**1349**

2.17 CURRENT TAX ASSETS

(Rs. In Lacs)

Particulars	As at March 31, 2020	As At March 31, 2019
Current Tax Assets	0.00	0.00
TOTAL		

2.18 OTHER CURRENT ASSETS

(Rs. In Lacs)

Particulars	As at March 31, 2020	As At March 31, 2019
Advances Others		
Secured Considered Good	-	-
Unsecured considered good	485	485
Advance to Suppliers and Contractors	-	-
Secured Considered Good	-	125
Unsecured considered good	996	35
Doubtful	-	-
Less Provision for Doubtful Advances	-	-
Advances to Govt Departments	-	-
Secured Considered Good	-	-
Unsecured considered good	238	189
Doubtful		
Prepaid Expenses		
Amount Recoverable from tax authorities		
Deposits with Courts		
Other Recoverable		

Doubtful	-	-
Prepaid Expenses	120	24
Amount Recoverable from tax authorities	35	-
Deposits with Courts	12921	5383
Other Recoverable	0	0
TOTAL	**14794**	**6241**

2.19 EQUITY SHARE CAPITAL

Particulars	As at March 31, 2020		As At March 31, 2019	
	No. of Shares	Share Capital (Rs. In Lacs)	No. of Shares	Share Capital (Rs. In Lacs)
AUTHORISED Equity Shares of par value @ 1000/- each	**25000000**	**250000**	**20000000**	**200000**
ISSUED, SUBSCRIBED AND FULLY PAID UP Equity Shares of par value @ 1000/- each fully paid up	**21805633**	**218056**	**19275633**	**192756**
TOTAL		**218056**		**192756**

2.19.1 DETAILS OF SHAREHOLDERS HOLDING MORE THAN 5% SHARES IN THE COMPANY :

NAME OF THE SHAREHOLDER	As at March 31, 2020		As At March 31, 2019	
	No. of Shares	%	No. of Shares	%
Government of Himachal Pradesh (GoHP)	8626375	39.56	6096345	31.63
Himachal Pradesh Infrastructre Development Board	11871507	54.44	11871507	61.59
Himachal Pradesh Electricity Board Limited	1307731	6.00	1307731	6.78
TOTAL	**21805583**		**19275583**	

2.19.2 THE RECONCILIATION OF THE NUMBER OF SHARES OUTSTANDING IS SET OUT BELOW:

Particulars	As at March 31, 2020		As At March 31, 2019	
	No. of Shares	Share Capital (Rs. In Lacs)	No. of Shares	Share Capital (Rs. In Lacs)
Number of shares at the beginning	19275633	192756	18455633	184556
No. of shares issued during the year	2530000	25300	820000	8200
No. of shares Bought Back during the year				
Number of shares at the end	**21805613**	**218056**	**19275633**	**192756**

2.20 OTHER EQUITY

(Rs. In lacs)

Particulars	As at March 31, 2020	As At March 31, 2019
Retained Earnings		
Opening Balance	(22199)	(11601)
Add: Profit for the Year as per Statement of Profit and Loss	-12824	-10598
Less : Loss of joint venture	2	-
Closing Balance	**(35022)**	(22200)

2.21 BORROWINGS

(Rs. in lacs)

Particulars	As at March 31, 2020	As at March 31, 2019
Bonds or Debentures		-
Total	-	-
Term Loans		
From Banks:		
A **Secured**		
Loan from UCO Bank (Secured)	2014	-
Total (A)	2014	-
B **Unsecured:**		
Government of Himachal Pradesh Loan for Shongtong HEP *(Rate of Interest 3.83% p.a. payable in halfyealrly instalments from july 2018 to January 2028)*	9634	8792
Government of Himachal Pradesh Loan for Shongtong HEP *(Rate of Interest 0.75% p.a. payable in halfyealrly instalments from july 2023 to January 2053)*	4959	4874
Government of Himachal Pradesh Loan		
Government of Himachal Pradesh Loan (Trench 1) *(Rate of Interest 10% pa payable in yearly instalments of principal and interest from april 18 to January 2023)*	73,676	29150
Government of Himachal Pradesh Loan (Trench 2) *(Rate of Interest 10% pa payable in yearly instalments of principal and interest from april 18 to January 2025)*	26,902	15939
Government of Himachal Pradesh Loan (Trench 3) *(Rate of Interest 10% pa payable in yearly instalments of principal and interest from april 18 to January 2026)*	1,04,051	71056
Government of Himachal Pradesh Loan (Trench 4) *(Rate of Interest 10% pa payable in yearly instalments of principal and interest from april 18 to January 2027)*	34,269	29985
Government of Himachal Pradesh Loan (SEC.TRM.LOAN HP Govt)		
Total (B)	253491	159795
Total Term Loans from Banks (A+B)	255505	159795

2.22 OTHER FINANCIAL LIABILITIES

(Rs. in lacs)

Particulars	As at March 31, 2020	As At March 31, 2019
Deposits, Retention Money from Contractors and Others	6,096	5914
Liabiities For Contractors & Suppliers	55	57
Other Expense Payable	0	-
Govt. Dues Payable	0	-
Provision for Expenses	4,109	5023
Deferred Repayment of Interest of GOHP Loan	147,438	-
TOTAL	157698	10993

2.23 PROVISIONS - NON CURRENT

(Rs. In Lacs)

Particulars	As at March 31, 2020	As At March 31, 2019
Provisions		
Gratuity	682	1030
Leave Enchasment	2279	2799
Pension Contribution	958	1861
TOTAL	**3919**	5690

Particulars	As at 01.04.2019	For the year			As at 31.03.2020
		Additions	Write Back/ Transfer	Utilization	
Unfunded Employee benefit					
Pension Contribution	1861	186	0	1089	958
Gratuity	1030	682	1020	10	682
Leave Enchasment	2799	798	1038	280	2279
TOTAL	**5690**	**1666**	**2058**	**1379**	**3919**

2.24 Other Non Current Liabilities

(Rs. In Lacs)

Particulars	As at March 31, 2020	As At March 31, 2019
Capital Grant government of India		
Utilised Grant		
Renuka		
Opening Balance	68,680	68680
Additions during the year	7,521	-
Less: Acculumated depreciation on fixed Assets	199	174
Closing Balance	**76002**	**68506**
Gyspa		
Opening Balance	1,066	1022
Additions during the year	37	44
Less: Acculumated depreciation on fixed Assets	33	30
Closing Balance	1071	1037
Total Utilised Grant	**77073**	**69543**

The Renukaji Dam Hydro Electric Project and Gyspa Dam project is being implemented by HPPCL as a National Project andis fully funded by the Government of India and Government of Beneficiary States. The Contributions received for Renukaji Dam project from the Central Government, Delhi, Jal Board and the haryana Government aggregating Rs. 689,52,79,755/- and for Gyspa Dam project from PWC Rs.500,00,000/- has been treated as per Capital Reserve, (net of depreciation) in compliance with AS 12.

2.25 TRADE PAYABLES

(Rs. In Lacs)

Particulars	As at March 31, 2020	As At March 31, 2019
Trade Payables	-	-
TOTAL	-	-

2.26 OTHER CURRENT LIABLITIES

(Rs. in Lacs)

Particulars	As at March 31, 2020	As At March 31, 2019
Liabilities for employees Remuneration and Benefit	167.10	151.96
Share Application Money pending Allottment	0.00	8800.00
Interest Accrued and Due on Loan	0.00	123145.85
Government of Himachal Pradesh Loan	0.00	93347
Salary & Other Exps. Payable to Employees	0.18	-
Advance for deposit Work	1404.04	1500.17
Deposits, Retention Money from Contractors and Others	2278.82	706.47
Liabilities for Government Departments	1888.97	2374.40
Liabiities For Contractors & Suppliers	2299.59	5238.66
Provision for Expenses	4712.30	26489.85
Taxes and Duties Payable	177.01	315.92
TOTAL	**12928**	**262070**

2.27 BORROWINGS

(Rs. in Lacs)

Particulars	As at March 31, 2020	As At March 31, 2019
Secured		
From Banks	10577.48	-
From Other Parties		
TOTAL	**10577**	

2.28 REVENUE FROM OPERATIONS

(Rs. in Lacs)

Particulars	As at March 31, 2020	As At March 31, 2019
Sales		
Energy Sales	14576.69	18833.29
Sale of Services		
Rent from Property	47.60	21.733
Rent of Land	0	0
Total Revenue from Operations	**14624.29**	**18855.03**

2.29 MISCELLANEOUS INCOME

(Rs. in Lacs)

Particulars	As at March 31, 2020	As At March 31, 2019
Income for providing Design works/Lab Receipt	2.62	5.41
Interest from Banks	9.66	2.81
Late Payment Surcharge	0	0.08
Rebate NRLDC Fee Chg	0.11	0.11
Interest on Bank Deposit - FDR's	0.01	0
Others	80.11	117.64
Sale of Scrap	0	1
Prior Period Income	0	-18.85
TOTAL	**92.51**	**108.20**

2.30 EMPLOYEE BENEFIT EXPENSES

(Rs. In lacs)

Particulars	As at March 31, 2020	As At March 31, 2019
Salaries,Wages, Allowances and Benefits	939	1221
Contribution to Provident and Other Funds	48	58
Leave Salary and Pension Contribution	-101	101
Welfare Expenses	148	186
TOTAL	**1034**	**1565**

2.31 FINANCE COST

(Rs. In lacs)

Particulars	As at March 31, 2020	As At March 31, 2019
Bank Charges	0	0
Interest on term Loan	12955	12980
Others	12	0
TOTAL	**12,967**	**12,980**

2.32 DEPRECIATION AND AMORTIZATION EXPENSE

(Rs. In lacs)

Particulars	As at March 31, 2020	As At March 31, 2019
Depreciation for the Year	10829	10670
Depeciation Charged to Statement of Profit & Loss	**10829**	**10670**

2.33 OTHER EXPENSES

(Rs. In lacs)

Particulars	As at March 31, 2020	As At March 31, 2019
Repair and Maintenance		
Buildings	49	72
Roads	31	1
Plant & Machinery	560	820
Office Equipments & Furnitures	1	1
Civil Works	108	102
Electro Mechanical Works	0	0
Vehicles	1	0
Others	0	7
Less: Claims Received from Insurance Companies *		
Rent, Rates and Taxes	17	22
Insurance:		
Vehicles	0	0
Other Assets	20	40
Security Expenses		
Electricity & Water Charges	31	138
Less:- Recovered from Employees & Contractors		
		0
Research and Development		
Travelling & Conveyance	2	3
Traning Expenses	0	1
Less:- Cost of Application Forms Received		

Legal and Professional Charges	186	130
Communication Expenses	9	5
Printing & Stationery	7	6
Statutory Audit Fees	9	8
Tax Audit Fee		
GST Audit Fee		
Cost Audit Fee		
Internal Audit Fee		
Consultancy fees	0	0
Publicity and Advertisement Expenses	3	2
Advertisement & Publicity		
Expenses in relation to sale of power	1619	1725
Free Power	27	34
EMP Expenses	0	-
Hiring of Vehicles	112	140
Vehicle Running Charges and Insurance Charges	2	3
Annual Technical Support- SAP	2	34
Fees and subscription	7	8
Expenses on Transit Camps	0	0
Books & Periodicals	1	1
Hospitality and Entertainment Expense	1	2
Freight and Labour Charges	0	0
Postage and Telegram Expenses	0	0
Raising Day Expense	9	13
Rebate to Customers	0	35
Provision for Doubtful advances		-
Disaster Management Plan Exps.		-
Directors Sitting Fees		
Deferred Revenue Expenditure Written Off		
Meeting Expenses	0	1
Environment & Ecology Expenses	10	54
Office Expenses	57	71
Prior Period Expenses	(198)	763
Expenditure Write Off	0	41
Interest & penalties under I.Tax		
Miscellaneous Expenses	28	50
Exchange Rate Variation		
4000800 R&R Schemes / Plan		
Expenditure on Catchment Area Treatment		
Project Inauguration Expenses		
Expenses on Regulated Power		
Less: Regulated Power Adjustment - Sales		
Rehabilitation Expenses		-
Local Area Development Expenses		
TOTAL	**2711**	**4334**

2.34 EARNING PER SHARE BASIC AND DILLUTED

(Rs. in Lacs)

Particulars	As at March 31, 2020	As At March 31, 2019
Net Profit after Tax	(12,824)	(10,598)
Weigted Average no. of Shares	20,540,633	18,865,633
Face Value of Shares	1,000	1,000
EPS	**(62.43)**	**(56.18)**

SUB NOTE NO 2.1.1 SCHEDULE OF PROPERTY PLANT AND EQUIPMENT

(Rs. In Lacs)

Particulars	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at 01.04.2019	Addition during the year	Deduction/ Adjustment	As at 31.03.2020	As at to 01.04.2019	Addition during the year	Deduction/ Adjustment	As at to 31.03.2020	As at 31.03.2020	As at 31.03.2019
Land - Leasehold	26	0	0	26	2	1	0	3	23	24
Land - Freehold	91476	11,247	1,254	101469	1	0	0	1	101,469	91,475
Residential Buildings	2633	0	0	2633	430	91	0	522	2,112	2,203
Non Residential Buildings	1729	33	0	1761	264	56	0	320	1,442	1,465
Temporary Sheds/erections	10	0	0	10	3	4	0	6	3	7
Project Civil Works	154957	247	38	155166	14,612	7,394	6	22001	133,165	140,344
Roads, Bridges & Traffic Tunnels	0	0	0	0	0	0	0	0	0	0
Project Electro Mechenical Works	65513	88	0	65602	5,668	3,142	0	8810	56,792	59,846
Plant (currently For Water Treatment)	3	18	0	21	1	1	0	2	20	2
Office Machinary (Like Lab, Fire ,safety)	136	6	4	137	42	7	2	47	90	93
Electronics & Electrical Items	430	13	1	443	111	26	0	136	306	319
Furnitures & Fixtures	338	67	22	384	111	28	0	138	245	227
Computers & Data Processing Machines	189	10	9	190	81	15	0	95	95	108
Vehicles	156	0	2	194	38	13	1	51	103	118
Kitchen Items	3	0	0	3	2	0	0	2	0	1
Fire Fight Equipmnts	0	0	0	0	0	0	0	0	0	0
Mall Office Items	0	0	0	0	0	0	0	0	0	0
Helipad	23	0	0	23	5	1	0	6	18	18
Bridges & Culverts	58	0	0	580	107	19	0	125	454	473
Server And Networks	899	0	0	899	748	2	0	750	149	151
Roads	4954	0	0	4954	910	163	0	1073	3,881	4,044
Assets Not Owned By Company Roads	0	0	0	0	0	0	0	0	0	0
Assets Not Owned By Company Others	0	0	0	0	0	0	0	0	0	0
Infrastucture Development Construction Power	2605	0	0	2605	438	124	0	562	2,043	2,167
Total (a)	**326660**	**11730**	**1329**	**337061**	**23574**	**11085**	**9**	**34649**	**302411**	**303086**

Note No 2.2.1
CAPITAL WORK IN PROGRESS

(Rs. In Lacs)

Particulars	Note	Amount As at 31.03.2019	Addition during FY 2019-20	Deletion during FY 2019-20	Net Adj. During FY 2019-20	Amount as at 31.03.2020
Residential Buildings	2.2.1.1	24	-	12	(12)	12
Non Residential Buildings	2.2.1.1	89	64	-	64	152
Roads, Bridges & Culverts	2.2.1.1	191	212	-	212	402
Civil Works	2.2.1.1	111,973	17,458	5,625	11,833	123,805
Electro-Mechanical Works	2.2.1.1	43,388	7,926	345	7,582	50,970
Construction Power	2.2.1.1	44	0	-	0	44
Plant & Machinery	2.2.1.1	-	8	-	8	8
Land Submerged Area	2.2.1.1	18,850	-	18,850	(18,850)	-
Investigation & Survey	2.2.1.1	-	-	-	-	-
Environment & R&R Expenses	2.2.1.1	-	3,097	3,097	-	-
G.Total		174,558	28,764	27,928	835	175,393
Expenditure during construction	2.2.2	133,647	24,311	(3,785)	20,526	154,173
Total Carried forward to Balance Sheet)		**308,204**	**53,075**	**31,713**	**21,362**	**329,566**

NOTE NO 2.2.1.1 Project wise Detail of Capital Work in Progress

(Rs. In Lacs)

Particulars	Residential Buildings as at 31.03.2020	Non Residential Buildings as at 31.03.2020	Roads, Bridges & Culverts as at 31.03.2020	Civil Works as at 31.03.2020	Electro-Mechanical Works as at 31.03.2020	Construction Power as at 31.03.2020	Plant & Machinery as at 31.03.2020	Land Submerged Area as at 31.03.2020	Investigation & Survey as at 31.03.2020	Environment & R&R Expenses as at 1.04.2020	G.Total
Sundernagar	-	-	-	-	-	-	-	-	-	-	-
Sawra Kuddu HEP	3	-	0	70,503	24,702	5	-	-	-	-	95,213
Kashang HEP Stage-I	9	-	-	34	-	-	-	-	-	-	34
Sainj HEP	-	152	308	336	-	-	-	-	-	-	805
Renuka Dam Project	-	-	-	-	-	-	8	-	-	-	8
Shontong HEP	-	-	-	38,896	26,268	39	-	-	-	-	65,203
Triveni HEP	-	-	-	-	-	-	-	-	-	-	-
Thana Plaun HEP	-	-	-	-	-	-	-	-	-	-	-
Gypsa HEP	-	-	-	-	-	-	-	-	-	-	-
Surgani Sundla HEP	-	-	-	-	-	-	-	-	-	-	-
Deothal Chanju	-	-	-	-	-	-	-	-	-	-	-
Chanju-III	-	-	-	-	-	-	-	-	-	-	-
Berra-Dol Solar Power Project	-	-	-	193	-	-	-	-	-	-	193
Kashang HEP Stage-II	-	-	95	13,844	-	-	-	-	-	-	13,938
G.Total	**12**	**152**	**402**	**123,805**	**50,970**	**44**	**8**	**-**	**-**	**-**	**175,393**

Note No 2.2.2 Expenditure During Construction

(Rs. In Lacs)

Expenditure During Construction	Note No.	As at 31.03.2019	Addition during 2019-20	Deletion during 2019-20	Net Adj. During 2019-20	As at 31.03.2020
EXPENSES (A):						
Employees' Benefits Expenses	2.2.2.1	48,858	5,238	(870)	4,368	53,226
Finance/Interest Cost	2.2.2.2	55,356	11,629	-	11,629	66,985
Depreciation Expenses	2.2.2.3	2,926	252	-	252	3,178
Office and Administrative Expenses	2.2.2.4	37,344	8,667	(2,915)	5,752	43,096
TOTAL (A)		**144,485**	**25,785**	**(3,785)**	**22,000**	**166,485**
Less: Miscellaneous Income	2.2.2.5	(10,838)	(1,474)	-	(1,474)	(12,312)
Less: Renukaji & Gyspa Project Depreciation adjusted against Capital Reserve		-	-	-	-	-
NET EXPENDITURE (B) (Carried forward to CWIP)		**133,647**	**24,311**	**(3,785)**	**20,526**	**154,173**

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

(Rs. In Lacs)

PARTICULARS	As at 31.03.2020	Addition during 2019-20	Deletion during 2019-20	Net During 2019-20	As at 31.03.2019
Salaries, Wages, Allowances and Benefits	47,449	4,203	(41)	4,162	43,287
Contribution to Provident and Other Funds	937	76	(17)	59	878
Leave Salary and Pension Contribution	3,436	844	(812)	31	3,405
Travelling Exp.	412	26	(0)	26	386
Medical Exp.	526	55	-	55	471
Welfare Expenses	465	34	-	34	431
TOTAL	**53,226**	**5,238**	**(870)**	**4,368**	**48,858**

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

(Rs. In Lacs)

PARTICULARS	As at 31.03.2020	Addition during 2019-20	Deletion during 2019-20	Net During 2019-20	As at 31.03.2019
Interest on Term Loans	66,928	11,627	-	11,627	55,300
Bank Charges/LC Charges	39	2	-	2	37
Others-FBT/Service Tax Interest	19	-	-	-	19
TOTAL	**66,985**	**11,629**	-	**11,629**	**55,356**

Note No 2.2.2.3 DEPRECIATION EXPENSES:

(Rs. In Lacs)

PARTICULARS	As at 31.03.2020	Addition during 2019-20	Deletion during 2019-20	Net During 2019-20	As at 31.03.2019
Depreciation for the year (Transferred to Profit & Loss Account)					
Depreciation for the year (Transferred to Expenditure During Construction)	3178	252	-	252	**2926**
TOTAL	**3178**	**252**	-	**252**	**2926**
Depreciation written off from Capital Reserve					

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

(Rs. In Lacs)

PARTICULARS	As at 31.03.2020	Addition during 2019-20	Deletion during 2019-20	Net During 2019-20	As at 31.03.2019
Repairs and Maintenance Vehicle	109	15.88	-	16	93
Repairs and Maintenance Office Furniture & Equipment's	79	3.02	(1)	2	77
Repairs and Maintenance Plant and Machinery	110	11.97	-	12	98
Repairs and Maintenance Buildings	626	51.36	-	51	575
Repairs and Maintenance Others	48	1	-	1	47
Office & Administration Expenses	40	1.30	(0)	1	39
Hospitality and Entertainment Expenses	152	9.99	(1)	9	143
Meeting Expenses	67	6.30	-	6	61
Misc. Expenses	139	0.42	-	0	139
Communication Expenses	673	78	-	78	595
Rent, Rates and Taxes	1,796	262.88	-	263	1,533
Consultancy Fees	972	81	(12)	69	903
Annual Technical Support-SAP/ AMC	2,063	462	-	462	1,601
Vehicle Running Charges & Insurance Charges	270	26	(11)	15	255
Hired Vehicle Expenses	2,043	214.94	-	215	1,828
Training & Seminar	287	1	-	1	286
Fees & Subscription	30	1	-	1	30

Electricity & Water Expenses	463	36	-	36	428
Printing & Stationary	278	19.83	-	20	258
Books, Periodicals & Newspapers	70	6	-	6	65
Freight & Labour Charges	38	2	-	2	36
Insurance	44	16	-	16	28
Raising Day Expense	34	0	(0)	-	34
Legal & Professional Charges	548	107.37	-	107	441
Postage & Telegram Expenses	29	1.65	(0)	2	27
Publicity & Advertisement Expenditure	264	26.66	-	27	238
Expenditure on Transit Camps/Guest House	43	3.35	-	3	40
Business Promotion Expenses	165	-	-	0	165
Power/ Water Park	43	43	-	43	-
Foreign Exchange Variation Cost	57	-	-	-	57
Land Acquisition Expenses	10	1.18	-	1	9
LADA	6,090	304	-	304	5,786
Relief and Rehabilitation Costs	5,849	124	(5)	119	5,730
Environmental and Ecology exp.	5,462	2,970	(3)	2,967	2,495
Expenditure on Enabling Assets	461	-	-	-	461
CAT Plan	7,415	132	-	132	7,282
Study and Research	49	4.81	(29)	(24)	73
Survey & Investigation	9,581	234	(1)	233	9,348
Construction Power HPSEBL 1-8-1	200	155	-	155	46
Environment Management Plan	1,310	36	-	36	1,274
Fuel expenses Data Centre	8	2	-	2	6
Gift & Presentation A/c (Pending Allocation)	3	-	(1)	(1)	4
Honorarium & Stipend	250	0	-	0	250
Incidental expenses-Power Water & parks	(43)	-	(43)	(43)	-
OUTSOURCED MANPOWER EXPENSES (Pending Allocation)	3,668	594	(3)	591	3,077
Reatain earning Adjustment unto FY 2014	2,409	-	(1)	(1)	2,410
SAFETY RELATED EXPENSES	0	0	-	0	0
Hydraulic and numerical Model	29	29	-	29	-
Winter Heating Exp. (Pending Allocation)	69	5	-	5	64
Wages (Daily paid staff) (PROJECT)	9	1	-	1	8
Remuneration to Auditors	22	4	-	4	18
Consumables Stores	90	3	(0)	3	87
Transmission lines	12	-	-	-	12
Common Cost (HO & SNR)	(3,053)	2,561	(2,761)	(200)	-2,854
Fisheries Management	(43)	-	(43)	(43)	0
Preliminary Expenses	12	11.91	-	12	0
Pre- construction & Construction stage Expenses	7	6.52	-	7	0
Incidental exp after COD(proportio)Stage-1 2017-18	(1)	-	-	-	-1
Incidental exp Before COD Stage-1	(8,153)	-	-	-	-8,153
Expenditure related to previous year	47	-	-	-	47
AUC-Amount Settelment	(253)	-	-	-	-253
TOTAL	**43,096**	**8,667**	**(2,915)**	**5,752**	**37,344**

Note No 2.2.2.5 Miscellaneous Income Transferred to Expenditure During Construction:

(Rs. In Lacs)

PARTICULARS	As at 31.03.2020	Addition during 2019-20	Deletion during 2019-20	Net During 2019-20	As at 31.03.2019
Interest from Banks Deposits/FDR's	(4,652)	(7)	-	(7)	(4,645)
Income from Providing design work/Lab Receipts	(4)	-	-	-	(4)
Interest from Employees	-	-	-	-	-
House Rent Collection from employees/Other recovery	(21)	-	-	-	(21)
Infirm Sale or Power	(17)	-	-	-	(17)
Interest on Tax Refunds	(320)	-	-	-	(320)
Income from sale of tender forms	2	-	-	-	2
Income from Contractors	(56)	-	-	-	(56)
Income from Transit Camp/Guest House	(1)	-	-		(1)
Gain on sale of Assets	(1)	-	-	-	(1)
Miscellaneous Receipts	(7,242)	(1,467)	-	(1,467)	(5,775)
TOTAL	**(12,312)**	**(1,474)**	-	**(1,474)**	**(10,838)**

2.3.1 Other Intangible Assets

(Rs. in lacs)

Sr. No.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 01.04.2019	Addition durng the year	Deductions / Adjustments	As at 31-03-2020	As at 01-04-2019	Addition during the year	Deductions / Adjustmetns	As at 31-03-2020	As at 31-03-2020	As at 31-03-2019
1.	SOFTWARE	55	0	0	55	47	0	0	47	8	8
	TOTAL	**55**	**0**	**0**	**55**	**47**	**0**	**0**	**47**	**8**	**8**

2.4.1 Intangible Assets under Development

(Rs. in lacs)

Sr. No.	Particulars	As at 01.04.2019	Addition durng the year	Deductions / Adjustments	As at 31-03-2020	Captialised during the year	As at March, 2020
1.	SOFTWARE	0	0	0	0	0	0
	TOTAL	0	0	0	0	0	0

Note No 2.35 Disclosure on Financial Instruments and Risk Management

i) Fair Value Measurement

a) Financial Instruments by Category

(Rs. In lacs)

Particulars	Note	As at March 31, 2020	As at March 31,2019
		Amortised Cost	Amortised Cost
Financial Assets			
Non Current Financial Assets			
(i)Investment	2.5	-	(2)
s(ii)Loans	2.6	143	149
(iii)Others	2.7	-	-
Bank Deposits with more than 12 Months Maturity			
Current Financial Assets			
(i)Trade Receivables	2.12	102	1,757
(ii)Cash and Cash Equivalents	2.13	5,618	11,365
(ii)Cash and Cash Equivalents	2.14	2,348	9,709
(iv)Loans	2.15	14	3
(v)Other Assets			
Interest Accrued	2.16	494	327
Other Recoverable	2.16	17,719	1,022
Total Financial Assets		**26,438**	**24,330**
Financial Liabilities			
(i)Long Term Borrowings			
a)Term Loans Financial Institutions	2.21	2,014	-
b)Term Loans from Others	2.21 and 2.22	400,929	159,795
(ii) Deposits / retention non current	2.22	10,260	10,993
Current Financial Liabilities			
(iii)Other Financial Liabilities			
a)Current Maturity of Term Loans Financial Institutions	2.26	-	-
b)Current Maturity of Term Loans other	2.26	-	216,493
c)Deposit/ retention Money	2.26	2,279	706
d)Liability against Capital Works	2.26	2,300	5,239
e)Other Payables	2.26	8,349	39,632
Total Financial Liabilities		**426,131**	**432,858**

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

B) FAIR VALUATION MEASUREMENT

(i) Fair Value Hierarchy

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

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

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

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

(a) Financial Assets/ Liabilities Measured at Fair Value- recurring Fair Value Measurement **(Rs. In lacs)**

Particulars	Note No.	As at March 31,2020			As at March 31,2019		
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Assets at FVTOCI							
(i) Investments							
-In equity Instrument quoted	-	-	-	-	-	-	-
- In government Securities	-	-	-	-	-	-	-
- In public sector undertakings/ Public Financial Institution and Corporate Bonds	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

(b) Financial Assets/ Liabilities measured at amortised cost for which fair value are not disclosed **(Rs. In lacs)**

Particulars	Note No.	As at March 31,2020			As at March 31,2019		
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Assets							
(i) Loans to employees and Others	2.6 & 2.15	-	157	-	-	152	-
(ii) Other			-			-	
Bank deposits with more than 12 months maturity	2.07	-	-	-	-	-	-
Total Assets			157			152	
Financial Liabilities							
(i) Long term Borrowings (including current Maturity and Interest)	2.21 & 2.26	-	2,55,505	-	-	3,76,288	-
(ii) Deposit / Retention Money (Including Current	2.22 & 2.26	-	12,539	-	-	6,620	-
Total Liabilities		-	**2,68,044**	-	-	**3,82,908**	-

"Valuation techniques and process used to determine fair values

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

- Use of Quoted market price or dealer quotes for similar instruments.
- Fair value of remaining financial instruments is determined using discounted cash flow analysis. The company has a team that performs the valuation of financial assets and liabilities required for financial reporting purpose"

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

(Rs. In lacs)

Particulars	Note No.	As at March 31,2020		As at March 31,2019	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets					
(i) Loans to employees and Others	2.6 & 2.15	157	157	152	152
(ii) Other		-	-	-	-
Bank deposits with more than 12 months maturity	2.07	-	-	- -	- -
Total Assets		**157**	**157**	**152**	**152**
Financial Liabilities					
(i) Long term Borrowings(including current Maturity and Interest)	2.21 & 2.26	2,55,505	2,55,505	3,76,288	3,76,288
(ii) Deposit / Retention Money (Including Current)	2.22 & 2.26	12,539	12,539	6,620	6,620
Total Liabilities		**2,68,044**	**2,68,044**	**3,82,908**	**3,82,908**

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

(ii) Financial Risk Management

Financial risk factors:

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

a) Credit risk:

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

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

b) Liquidity risk:

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

c) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risks: currency rate risk, interest rate risk and other price risks. Financial instruments affected by market risk include loans and borrowings, deposits, investments. Foreign currency risk is the risk that the fair value or future cash flows of financial instrument/advances/retention money will fluctuate because of changes in foreign exchange rates. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. This is based on the financial assets and financial liabilities held as at 31stMarch, 2019 and 31st March, 2018.The company's risk management is carried out as per policies approved by Board of Directors from time to time.

(A) Credit Risk:

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

a) Trade Receivables:

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

b) Financial assets at carrying cost:

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

c) Financial instruments and cash deposits:

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

(B) Liquidity Risk:

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

Maturities of Financial Liabilities:

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

As at 31st March, 2020

Contractual maturities of financial liabilities	Note No.	Outstanding debt on 31.03.2020	With in 1 year	More than 1 year and less than 3 years	More than 3 years and less than 5 years	More than 5 years
1. Borrowings (Including interest accrued but not due)	2.21,2.22, 2.26 & 2.27	4,13,520	2,32,258	72,711	58,638	49,912
2. Other current & financial liabilities	2.22 & 2.26	23,188	19,505	3,683	-	-

(Rs. In lacs)

As at 31st March, 2019

Contractual maturities of financial liabilities	Note No.	Outstanding debt on 31.03.2020	With in 1 year	More than 1 year and less than 3 years	More than 3 years and less than 5 years	More than 5 years
1. Borrowings (Including interest accrued but not due)	2.21,2.22 & 2.26	3,81,312	2,22,395	49,445	49,445	60,027
2. Other current & financial liabilities	2.22 & 2.26	51,547	45,633	3,392	2,522	-

(C) Market Risk:

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

(I) Interest rate risk and sensitivity:

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

(Rs. In lacs)

Particulars	As At 31st March 2020	As At 31st March 2019
Fixed Rate Borrowings	2,53,491	2,53,143

ii) Price Risk:

Exposure:

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

iii) Foreign Currency Risk :

Foreign Currency Risk Exposure:

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

Particulars	As at 31st March 2020			As at 31st March 2019		
	USD	Euro	CHF	USD	Euro	CHF
Financial Assets						
Net Exposure to foreign currency risk (asset)	7.92	0.84	0	0.7	0	0
Financial Liabilities	0	0	0	0	0	0
Retention Money	0	3.93	0	0	1.32	0
Other Payables	0	0	0	7.22	0.84	0
Net Exposure to foreign currency risk (Liabilities)	**7.92**	**-3.09**	**0**	**-6.52**	**-2.16**	**0**

The foreign currency risk is only for the foreign currency advances and other liability on account supplier dues and retention money payable to contractors. As per accounting policy of the company, transactions in foreign currency are initially recorded at exchange rate prevailing on the date of transaction. At each Balance Sheet date, monetary items denominated in foreign currency are translated at the exchange rates prevailing on that date. Non-monetary items denominated in foreign currency are reported at the exchange rate prevailing at the date of transaction. Exchange differences arising on translation or settlement of monetary items are recognised in the statement of profit and loss, in the year in which it arises.

(iii) Capital Management

(a) Capital Risk Management:

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The primary objective of the Company's capital management is to maximize the shareholder value. The Company's primary objective when managing capital is to ensure that it maintains an efficient capital structure and healthy capital ratios and safeguard the Company's ability to continue as a going concern, in order to support its business and provide maximum returns for shareholders. The Company also proposes to maintain an optimal capital structure to reduce the cost of capital. No changes were made in the objectives, policies or processes during the year ended 31st March, 2020.

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

(Rs. In lacs)

Particulars	As at 31st March 2020	As at 31st March 2019
a) Loans and Borrowings	2,66,082.00	2,53,143.00
b) Trade and Other Payables	2,51,618.00	2,54,949.00
b) Less: Cash and Cash Equivalents	5,618.00	11,365.00
c) Net Debt	5,12,082.00	4,96,727.00
d) Total Capital	1,83,034.00	1,70,588.00
e) Capital and Net Debt	6,95,116.00	6,67,315.00
f) Gearing Ratio (%age)	73.67	74.44

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

(b) Loan Covenants:

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

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

(c) Dividends:

The Company started commercial operation during the year 2016-17and total cumulative loss as on 31.03.2020 is Rs.36198 Lakhs, thus no dividend has been declared by the company.

OTHER EXPLANATORY NOTES TO ACCOUNTS:

2.36 CONTINGENT LIABILITIES:

(a) Claims against the Company not acknowledged as debts in respect of: **(Rs. In lacs)**

Particulars	31st March 2020	31st March 2019
Capital Works	62680.45	89119.64
Land Compensation	18579.44	30585.66
Others	787.98	400.26
Total	**82047.87**	**1,20,105.56**

(i) Capital works:

Contractors have lodged claims as on 31.30.2020, aggregating to Approx. Rs. 62680.45 Lacs, against the Company on account of rate & quantity deviation, cost relating to extension of time and idling charges due to stoppage of work/delays in handing over the site etc. These claims are being contested by the company as being not admissible in terms of provisions of the respective contracts or are lying at arbitration tribunal/other forums/other Courts. As the amounts recommended by the Dispute Boards (DBs) are much less than the amounts claimed by the contractors, the claims on account of further interest and escalation, if any, have not been considered.

(ii) Land Compensation cases:

In respect of land acquired for the projects, some of the land losers have filed claims for higher compensation amounting to Rs.18579.44 Lacs as on 31.03.2020, before various authorities/courts. Company has shown the same as contingent liability as the matter is subjudice.

(iii) Others:

a) Claims on account of other matters as on 31.03.2020, amounting to Rs. 787.98 Lacs, mainly on account of claims for EPF & others.

The above is summarized below as at 31.03.2020: **(Rs. In lacs)**

Particulars	Claims as on 31.3.2020	Provision Against The Claims	Contingent Liability as on 31.3.2020	Contigent Liability as on 31.3.2019	Addition /deletion of Contigent Liability for the period
Capital Works	62,680.45	0	62,680.45	89,119.64	-26,439.19
Land Compensation	18,579.44	0	18,579.44	49,589.33	-31,009.89
Others	787.98	0	787.98	400.26	387.72

The above is summarized below as at 31.03.2019: **(Rs. In lacs)**

Particulars	Claims as on 31.3.2019	Provision Against The Claims	Contingent Liability as on 31.3.2019	Contigent Liability as on 31.3.2018	Addition /deletion of Contigent Liability for the period
Capital Works	89,119.64	0	89,119.64	67,052.24	22,067.40
Land Compensation	49,589.33	0	49,589.33	16,123.89	33,465.44
Others	400.26	0	400.26	317.92	82.34

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

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

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

2.37 DETAIL OF CONTINGENT ASSETS:

(Rs. In lacs)

Particulars	As At 31st March 2020	As At 31st March 2019
Civil Work	40736.90	38948.00

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

(Rs. In lacs)

Particulars	Currency	As At 31st March 2020	As At 31st March 2019
Estimated amount of contracts remaining to be executed on capital account and not provided for	INR	90185.95	106770.36
	Euro	11.27	19.5
	US$	82.18	54.15

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

(Rs. In lacs)

Sr. No.	Particulars	Year ended 31.3.2020	Year ended 31.3.2019
(i)	Amount Charged to Statement of Profit and Loss Account excluding depreciation	46.34 (Net)	29.89 (Net)
(ii)	Amount Charged to Expenditure attributable to construction	Nil	18.07
(iii)	Amount adjusted by addition to the carrying amount of fixed Assets	Nil	Nil

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

General description of various defined employee benefits are as under:

Defined Contribution plans:

Pension:

The Company employees are not covered under any Government pension scheme. However, the employees of the HPSEBL who are on secondment basis with the company the pension contribution is payable to the HPSEBL as per the formula devised by them.

b) Defined benefit plans:

(i) Employers contribution to Provident Fund:

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

(ii) Gratuity:

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

(iii) Leave encashment:

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

2.41 SEGMENT INFORMATION:

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

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

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

d) Information about major customers: (Rs. In Lacs)

(Rs. In lacs)

Sr. No.	Name of Customer	Revenue from Customers 2019-20	Revenue from Customers 2018-19	Revenue from Customers as percentage of revenue 2019-20	2018-19
1	HPSEB Ltd.	360.42	334.72	2.52%	1.98%
2	M/s TPTCL	8875.29	13699.66	64.60%	80.24%
3.	M/s PTC	4236.94	3036.47	32.88%	17.78%

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

(a) List of Related Parties:

(i) Directors & Key Management Personnel:

Name	Designation
Sh. Amit Kashyap, IAS	Managing Director (w.e.f.02.11.2020 to till date)
Sh. Rakesh Kanwar, IAS	Managing Director (w.e.f.03.06.2020 to 02.11.2020)
Sh. Devesh Kumar, IAS	Managing Director (w. e. f. 21/04/2017 to 8/02/2019 and 02.07. 2019 to 01.06.2020)
Sh. Ajay Sharma, IAS	Managing Director (w.e.f. 23/02/2019 to 02.07.2019)
Sh. Neeraj Kumar, HAS	Director (Personnel & Finance), (w.e.f. 26/10/2015 to 10.06.2019)
Er. Mahesh Sirkek	Director (Electrical) (w. e. f. 19/04/2017 to 27/01/2020)
Er. Dharam Singh Thakur	Director (Civil) (w.e.f. 09/03/2018 to till date) & Director (Elect.) (w.e.f. 27.01.2020 to 20.05.2020)
Sh. Manmohan Sharma, IAS	Director (Personnel & Finance) w.e.f. 10.06.2019 till date
Er. Shashi Kant Joshi	Director(Electrical) (w.e.f.20/05/2020 to till date
Sh. Sudarshan Sharma	Company Secretary

(ii) Joint Ventures:

Name of Entity	Principal Place of operation	Principal Activities	Percentage of Shareholding/ voting Power	
			As At 31st March 2020	As At 3 1st March 2019
Himachal EMTA Power Limited	Kolkata	Thermal Power Generation	50%	50%

(iii) Transactions with the related parties are as follows:

(Rs. In lacs)

Particulars	Joint Venture Companies	
Transactions During the Year	2019-20	2018-19
Investment in Share Capital	-	-
Share Application Money	-	-
Amount Recoverable	-	-

2.43 REMUNERATION TO DIRECTORS & KEY MANAGERIAL PERSONNEL:

(Rs. In lacs)

Sr. No	Particulars	Year ended on 2019-20	Year ended on 2018-19
(i)	Short Term Employee Benefits	64.48	114.13
(ii)	Post Employment Benefits	Nil	Nil
(iii)	Other Long Term Benefits	Nil	Nil
(iv)	Termination Benefits	Nil	Nil
	TOTAL	64.48	114.13

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

2.44 INTEREST IN OTHER ENTITIES:

(i) Interest in joint ventures:

The company's interest in joint ventures as at 31st March, 2019 are set out below, which in the opinion of the management, are material to the company. The entities listed below have share capital consisting solely of equity shares, which are held directly by the company. The country of in Company or registration is also their principal place of business and the proportion of ownership interest is the same as the proportion of voting rights held:

(Rs. In lacs)

Name of Entity and place of Business	% of ownership Interest	Relation ship	Accounting Method	Quoted Fair value		Carrying Amount	
				31st March 2020	31st March 2019	31st March 2020	31st March 2019
Himachal EMTA Power Limited	50	Joint Venture	Equity Method	*	*	*	*

z *Unlisted Entity- no quoted Price available

z ** The Company has made provision of doubtful investments amounting to Rs 338 lakhs in the F.Y. 2017-18.

z The Company has 50 % interest in Himachal EMTA Power Limited, which is a Joint Venture with EMTA Limited for setting up (2*250 MW) thermal power Plant at Rani Ganj West Bengal. However the Hon'ble Supreme Court of India has cancelled all allotment of coal Blocks and termed all captive coal Blocks as illegal.

2.45 IMPAIRMENT OF ASSETS:

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

2.46 FAIR VALUATION OF ASSETS AND LIABILITIES:

The company had adopted the carrying cost / value of all liabilities and assets as on 1st April 2015 and also on 1St April 2019, as the fair value of the assets and liabilities cannot be measured accurately due to the uncertainty involved in the estimating the exact date of commissioning of the projects, which is dependent on various external factors and which have impact on the payments to be made to the contractors and the amount to be recovered from them.

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

(Rs. In lacs)

	Particulars	Year ended on 2019-20	Year ended on 2018-19
A	Expenditure in Foreign Currency (EURO)	Nil	Nil
B	Earnings in Foreign Currency	Nil	Nil
C	Value of Import Calculated on CIF basis	Nil	Nil
i)	Capital Goods	Nil	Nil
ii)	Spare Parts	Nil	Nil
D)	Value of Component, Stores and Spare Parts Consumed	Nil	Nil
i)	Imported	Nil	Nil
ii)	Indigenous	Nil	Nil

2.48 QUANTITATIVE DETAILS IN RESPECT OF ENERGY GENERATED & SOLD :

Hydro & Solar Power:

Sr. No	Particulars	Year ended on 2019-20	Year ended on 2018-19
1)	Licensed Capacity	170MW	170MW
2)	Installed Capacity	170MW	170MW
3)	Actual Generation (million Units)	543.40MUs	547.44 MUs

2.49 PAYMENT TO AUDITORS INCLUDES:

(Rs. In lacs)

Particulars	Year ended on 2019-20	Year ended on 2018-19
As Auditors		
Statutory Auditors (includes revision of fee from the F.Y. 2015-16)	5.62	0
Tax Audit	1.00	1.00
Other services (Certification fee)	0	0
Reimbursement of Expenses	1.32	0
Reimbursement of Service Tax/GST	1.28	0.18
TOTAL	9.22	1.18

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

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

2.51 INFORMATION IN RESPECT OF MICRO AND SMALL ENTERPRISES AS AT 31ST MARCH 2020 AS REQUIRED BY MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006:

(Rs. In lacs)

Particulars	Year ended on 2019-20	Year ended on 2018-19
a) Amount remaining unpaid to any supplier:	Nil	Nil
Principal amount	Nil	Nil
Interest due thereon	Nil	Nil
b) Amount of interest paid in terms of section 16 of the MSMED Act along with the amount paid to the suppliers beyond the appointed day.	Nil	Nil
c) Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act	Nil	Nil
d) Amount of interest accrued and remaining unpaid		
e) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises, for the purpose of disallowances as a deductible expenditure under section 23 of MSMED Act.	Nil Nil	Nil Nil

2.52 OPENING BALANCES/CORRESPONDING FIGURES FOR PREVIOUS YEAR/PERIOD HAVE BEEN RE-GROUPED /RE-ARRANGED, WHEREVER NECESSARY.

2.53 STATUS OF PENDING INCOME TAX CASES AS ON DATE

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

II) For the F.Y. 2009-10, 2010-11, 2011-12, 2012-13, 2013-14 & 2014-15, the cases are pending before Hon'ble High Court of H.P. against the partial relief allowed by the Ld. ITAT Chandigarh. Corporation has filed an appeal before Hon'ble High Court for full Tax exemption u/s 260A of Income Tax Act, 1961.

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

IV. For the FY 2016-17, an amount of Rs. 6,55,52,279/- (Rs.60667400/- + Rs.4884879/-), has been deposited as Advance tax (including TDS & TCS). The assessment proceedings are over; partial refund has been received and an appeal has been filed before CIT (Appeal) for full refund as well as for not imposing penalty under Section-271 (1) (c).

V. In case of F.Y. 2017-18 the assessment proceedings are under process.

VI. In case F.Y. 2018-19, assessment proceedings are under process.

VII. For F.Y. 2019-20, assessment proceedings not yet initiated by Assessing Officer.

2.54 ENTRY TAX:

The H.P. Excise and taxation department had imposed penalty and interest for default in payment of Entry Tax on material supplied by various contractors. The matter was sub-judice under Appellate Authority-cum-Additional Excise and Taxation Commissioner, Shimla. However in order to settle the issue HPPCL has opted for Himachal Pradesh (Legacy Cases Resolution) Scheme 2019 and accordingly after depositing the settlement fee of Rs. 1,18,39,097/-, against demand amount of Interest & penalty of Sawra Kuddu & Kashang HEPs, necessary discharge certificates have been issued by the concern authorities in Corporation's favour. However in case Sainj HEP the demand against interest and penalty on entry tax were recovered from concerned contractor and further deposited with State excise and taxation dept.

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

2.56 APPORTIONMENT OF EXPENDITURE OF CORPORATE OFFICE AND DW SUNDARNAGAR:

Pre COD

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

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

Post COD

(I) Expenditure :

The Company has apportioned the expenditure of corporate office and Sundarnagar (Design Wing) from 01 September 2016 to 31st March 2020 in the following proportions :-

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

(ii)Income Portion:

The Company has apportioned the income of corporate office and Design Wing Sundarnagar from 01 September 2016 to 31st March 2020 in the following proportions:-

- 15% of the total income to Renukaji project.
- Rest is apportioned to the projects which are under construction stage/ Investigation Stage on the basis of ratio of the capital expenditure incurred by these projects.

2.57 The AFD during Dec, 2015 has agreed to provide Euro 80 million for construction of Chanju-III & Deothal Chanju HEP. Credit Facility agreement between GoI and AFD was signed on 04.07.2017 and **Project Agreement** among HPPCL, GoHP and AFD signed on 02.02.2018.

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

The Shongtong Karcham HEP (450MW) being financed by State Government of Himachal Pradesh, through funds received from ADB and KFW. ADB funding to the project has expired in October 2018. KFW which was funding the E & M Package, initially temporarily stopped the funding to the State Government, on the basis of the report of their consultant regarding safety of the barrage structure and now has not renewed the agreement, which expired in December 2019. Now the Power Finance Corporation has agreed to fund Rs. 2207.63 Crores for balance works of Shongtong HEP including IDC (Interest during construction) against state Government Guarantee only. The same has been approved by the Board of Directors of the Corporation vide its 74th Meeting, held on 8th March 2021. AFD (a French Development Agency) has agreed for financing the Chanju-III and Deothal Chanju HEPs and Credit Facility Agreement (CFA) amounting to Rs. 80 Million EURO, has been signed between Govt. of India and AFD on 04.07.2017. Further the Project Agreement and On Lending Agreement between HPPCL, GoHP and AFD were signed on 02.02.2018 and 11.07.2018 respectively.

2.59 DEMAND BY THE PF AUTHORITIES:

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

2.60 COMMISSIONING OF A NEW PROJECT:

Sawra Kuddu HEP of the Corporation has been commissioned with effect from its Commercial Operation Date (COD) i.e. 00:00 Hrs on 21.01.2021 and as on 14.03.2021, total power generation of 11.92 MUs & net revenue of Rs 4.34 Crore, has been achieved since its CoD date.

2.61 A sum of ₹ 103.24 lacs (excluding Interest) has been shown as recoverable from Gammon India, through Directorate of Energy, Govt. of H.P. The Amount is still recoverable. Keeping in view that Gammon India / Directorate of

Energy has not yet denied to refund/re-imburse the same; hence provision for doubtful debt has not been made in Books of Accounts.

2.62 Survey and Investigation of Khab Hydro Electric Project:

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

2.63 GRANT RECEIVABLE:

1) In case of Renuka Ji HEP, the total funds received from Govt. of India is Rs. 689.53 Crores. However an amount of Rs. 762.01 Crores has been spent till 31.03.2020 on the project. The excess amount spent of Rs. 72.48 Crore, has been shown as grant receivable from Govt. of India.

In case of Gyspa HEP, Company has shown Rs 6.08 crore as grant receivable from Central Water Commission, Government of India. The Central Water Commission has sanctioned Rs 12.50 crore to the company for field survey and investigation and preparation of Detailed Project report of the Gyspa HEP (300MW). The Central Water Commission has released Rs 5.00 crore to the company for the above work on 31 March 2012, with the condition that next installment will be paid on the submission of the DPR of the project. The work for conducting the investigation preparation of DPR was allotted and the same was started by the consultant. but could not be completed due to sustained opposition and hindrance by local people. The Company has incurred expenditure in excess of the amount released by the authorities and the same has been shown as grant receivable from the Central Water Commission. The Gyspa HEP has been declared strategically important project and has been declared as "National Project" by Ministry of Water Resources, Government of India in the year 2009 and the same is covered under Indus Water Treaty 1960. The Central Water Commission vide their letter dated 12th October 2018, has urged the Principal Secretary (MPP& Power), Government of Himachal Pradesh, to direct the concerned officials to take appropriate action for resolving the concern of project affected families so that the survey and investigation work HEP may be completed and the DPR could be prepared at the earliest. Further in a renewed effort, a Meeting, through Video Conference was held on 17.10.2019, under the Chairmanship of Chief Secretary to the GoHP It was decided that the investigation work must be resumed immediately. HPPCL is in the process of fresh award of work to new contractor. Towards this end Dy. Commissioner, Lahaul Spiti, will talk directly to the affected people and address their concerns. Concerned HPPCL officers shall also meet DC & SP; Lahaul & Spiti who shall extend due help in starting the work. In view of above developments the excess expenditure over the amount received is being treated as grant receivable from the concerned authorities.

2.64 The Company is in possession of Land and Buildings at Sarabhai, Thalot and Largi of HPSEB Ltd. (Erstwhile HPSEB Board) at Sainj HEP. The Joint Committee constituted by both Companies has assessed the value of the said properties at Rs.45.99 Crores in the Meeting held in the month of August 2012. The properties are in the possession of the Company, but not in use; no final decision and sale deed has been executed by both the parties so far. Hence no provision for the liability in the Books of Accounts has been made.

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

2.65 LOCAL AREA DEVELOPMENT FUND:

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

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

2.67 Amount recoverable from contractors includes a sum of ₹ 111.83 crores recoverable from Coastal Projects on account of works being executed on their risk and cost awarded to M/s HCC Limited. The Lender Banks of the Contractor have filed liquidation proceedings with NCLT and the company has filed claim of Rs 334.99 crores against the contractor. No provision for amount doubtful for recovery has been made, as the matter is pending with NCLT.

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

2.69 POWER SALE ARRANGEMENTS:

In case of Kashang HEP Stage-I, the PPA agreement was in force with HPSEB and expired on 06th May 2018. After that the Company has made arrangement to sell the power in Energy Exchange through Power Trader, M/s PTC India Limited. In case of Sainj HEP the arrangement has been made to sell the power in Energy Exchange through Tata Power Trading Corporation with effect from 04th September 2017 (i.e. the date of Commissioning of the Project).

Further the power generated by Sawra Kuddu HEP is also being sold in Energy Exchange through Tata Power Trading Corporation, with effect from its Commercial Operation Date (COD) i.e. 00:00 Hrs on 21.01.2021.

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

2.70 An amount of Rs. 5 Crores has been received as seed money against Kishau Corporation Ltd., from Govt. of HP, as promoters share during the F.Y 2017-18. An amount of Rs. 75.00 Lac has been paid to Kishau Corporation Ltd. on 03.12.2020. Remaining amount shall be disbursed to the Kishau Corporation Ltd. as per the instructions issued by Govt. of H.P.

2.71 As per the request submitted to GoHP, to further defer the repayment of loan and interest due, the GoHP vide letter No .MPP-C(12)-1/2017 dated 5th February 2021, has now further deferred the repayment of loan and interest payments for F.Y. 2020-21. However it has been advised by the finance department of GoHP that payments be started in the financial year 2021-22.

2.72 In case of Renuka Ji Dam Project (RDP), interstate agreement has been signed by all the beneficiary states on 11.01.2019, in New Delhi. Revised cost estimate of Renuka Ji Dam Project (RDP) on October 2018 (PI), was finalised by CWC for Rs.6946.99 Crores on 20.02.2019 and has been accepted by Technical Advisory Committee in its Meeting held on 09.12.2019. Now it is being processed for "Investment Clearance" by the Ministry of Jalshakti and shall be further submitted for approval of Central Cabinet Committee of Economic Affairs, GoI. Once the approval is accorded, funds shall start flowing to the project and shortfall of the expenditure shall be recovered. Matter of release of funds for ongoing land acquisition process was taken with GoI. It was intimated that the funds can be released only after cabinet approval of the project. However no such restriction is there for beneficiary states. Accordingly, the matter was taken–up with Secretary Upper Yamuna River Board vide letter dated 13.09.2019 and further vide letter dated 24.09.2019.

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

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

2.75 The Enforcement Directorate vide Provisional Attachment Order 03/2017 dated 29/12/2017 (F No ECIR/ 02/ 54520/2 014/07 / 7537) dated 29/12/2017, has attached the assets of the Himachal Emta Private Limited (a Joint

Venture Company) , amounting to ₹ 2.59 crores. At present the case is pending in the Hon'ble Supreme Court of India.

2.76 As per Hydro Generation Tariff Regulation 20, on Depreciation (given in the Appendix of Depreciation Schedule), of HPERC Notification No.HPERC/Gen/479 dated 1St April 2011, investment in land, cost of clearing the site and land for reservoir in case of Hydro Generation Station of Land under lease is to be capitalized and depreciated @3.34%. Land under full ownership is not required to be depreciated. In case of this Corporation, Reservoir/Dam, is being constructed in Renuka Ji HEP only and the land so far acquired is under the full ownership of the Corporation, hence the depreciation has not been provided on the cost of land nor the trees and structures on such free hold land.

2.77. To finance the working capital requirements, Corporation is availing the cash credit limit of Rs. 200.00 Crore, from KCC Bank Ltd, which was sanctioned by the Bank on 21st November, 2019. As on 28th February 2021, total limit exhausted/utilized by the corporation stood at Rs. 157.98 Crores. Further UCO Bank has sanctioned term loan of Rs. 40.00 Crore, to finance the remaining works of HRT of Sawra Kuddu HEP. Out of which Rs. 20.83 Crore has been availed till date. Repayment of this loan has started w.e.f. 31.03.2020. Interest is being paid monthly basis and Principal repayment on quarterly basis. This Corporation has also raised a Cash Credit Limit of Rs.200.00 Crore from H.P. State Co-operative Bank Ltd. on 05th March 2021. However as on date no withdrawals have been made by the Corporation.

2.78 Surrender of Unviable/Idle Projects allotted to HPPCL:

Corporation has submitted a proposal to the GoHP to surrender the undermentioned Unviable/Idle Projects allotted to HPPCL i.e. Chirgaon-Majhgaon HEP (52 MW), Dhamwari Sunda HEP (70 MW), Lujai HEP (45 MW), Chiroti Saichu HEP (26MW), Saichu HEP (58 MW) and Saichu Sach Khas HEP (117 MW).

For and on behalf of Board of Directors

Sd/-	Sd/-	Sd/-	Sd/-
(B.L. Verma)	(Sudershan K. Sharma)	(Manmohan Sharma)	(Amit Kashyap)
D.G.M. (Finance)	Company Secretary	Director (Finance)	Managing Director
		DIN No. 08480582	DIN No. 07453973

Soni Gulati & Co.
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

To
The Members of HIMACHAL PRADESH POWER CORPORATION LIMITED

Report on the Stand alone Ind AS Financial Statements

Qualified Opinion

We have audited the accompanying Stand alone Ind AS financial statements of **HIMACHAL PRADESH POWER CORPORATION LIMITED** ("the Company"), which comprise the Stand aloneBalance Sheet as at 31st March, 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows, the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the Stand alone Ind AS financial statements").

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the ***Basis for Qualified Opinion*** section of our report the aforesaid Stand alone Ind AS 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 including the Ind AS, of the state of affairs (financial position) of the Company as at 31st March, 2020, and its profit/loss (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Basis for Qualified Opinion

We conducted our audit of the Stand alone financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Stand alone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the Stand alone financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the Stand alone financial statements.

A Preparation of the Financial Statements

(i)As reported by previous auditors that supplementary information submitted by the units does tally with the approved financial statements submitted to us for audit. The Current and Non current classification details submitted by the units does tally with current and non current assets and liabilities depicted in the Financial statements ,however the same could not be verified by us for want of information.But no such supplementary information was submitted to us ,No units' financial statements were made available to us except one of Sawra Kuddu that too at the fag end. .The financial statements are prepared on excel sheets & not taken from SAP as the SAP software acquired is deficient in this respect.The details of vouchers in SAP were asked for but submission of such information was delayed /given late and incomplete.We were made different (altered) financial statements on different dates (thrice) after we discussed our observation these were claimed and certified as Board approved& changes were not explained .As SAP is updated ,we cannot verify the same.

The following qualification by previous auditors remained unverified by us:

(Rs. In lacs)

Balance Sheet	Details Provided	Approved Financial Statements	Difference
Property, Plant and Equipment	₹ 3,03,004.48	₹ 3,03,086.00	₹ -81.52
Financial Assests			
Loans	₹ 151.62	₹ 147.72	₹ 3.91
Other Non Current Assets	₹ 43,481.80	₹ 36,705.00	₹ 6,776.80
Inventories	₹ 68.71	₹ 74.00	₹ -5.29
-Cash and Cash Equivalents	₹ 9,403.53	₹ 11,365.00	₹ -1,961.47
-Bank Balance other than above	₹ 11,670.06	₹ 9,709.00	₹ 1,961.06
-Loans	₹ 0.19	₹ 3.00	₹ -2.81
-Other Assets	₹ 550.89	₹ 1,349.00	₹ -798.11
Other Current Assests	₹ 347.42	₹ 6,241.00	₹ -5,893.58
Financial Liabilities			
-Borrowings	₹ 1,40,368.35	₹ 1,59,795.00	₹ -19,426.65
-Other Financial Liabilities	₹ 6,143.56	₹ 10,993.00	₹ -4,849.44
Current Liabilities:			
-Other Financial Liabilities	₹ 2,86,346.99	₹ 2,62,070.00	₹ 24,276.99

(ii) During the course of audit it has been observed that the figures depicted in the Statement of Profit and loss are not in agreement with the books of accounts.

Amount in lacs

Statement of Profit and Loss	Trial Balance	Approved Financial	Statements
Employee Benefit Expense	₹ 1,393.71	₹ 1,565.00	₹ -171.29
Depreciation and Amortization Expense	₹ 10,653.93	₹ 10,670.00	₹ -16.07
Other Expenses	₹ 4,521.86	₹ 4,334.00	₹ 187.86

(iii) During the Course of audit it was observed that the cash flow statements submitted does not tally with the supplementary information submitted to us for audit. The following are the details of the same

Amount in lacs

	As per Our Calculations	Approved Financial Statements	Difference
Cash Flow Statement			
Cash flow from operating activities			
Depreciation	₹ 10,653.93	₹ 10,669.00	₹ -15.07
Inventories	₹ -34.96	₹ -40.00	₹ 5.04
Finance/Interest Cost	₹ 12,980.04	₹ -	₹ 12,980.04
Adjustment for Assests and Liablities			
Inventories	₹ -34.96	₹ -40.00	₹ 5.04
Loans Other Financial assests and Other Assets	₹ -6,286.52	₹ -10,705.00	₹ 4,418.48
Other Financial Liablities and other Liablities	₹ 14,798.83	₹ 1,29,170.00	₹ -1,14,371.17
Cash flow from Investing Activities			
Net Expenditure on property plant and equity	₹ -47,355.72	₹ -55,869.00	₹ 8,513.28
Term Deposit with Banks(having maturity more than 3 months)	₹ -8,727.08	₹ -2,261.00	₹ -6,466.08
Interest on term deposit/ sweep deposits	₹ 1,916.00	₹ 2.00	₹ 1,914.00
Cash flow from Financing activities			
Long Term Borrowings -Proceeds	₹ 2,280.61	₹ -90,252.00	₹ 92,532.61
Long Term Borrowings -Repayment	₹ -1,471.16	₹	₹ -1,471.16

(iv) The Company has provided the unit wise Balance sheets for the purpose of audit however the previous years figure was not depicted in the unit wise balance sheets.

We cannot comment upon this as it could not be explained to us by the management. This year we were not made available unit wise balance sheets.

B. **Non-Compliance of Indian Accounting Standard (Ind As)**
The Company has not complied with the following Indian Accounting Standards while preparing the financial statements: -

(i) **Indian Accounting Standard (Ind As 1) Preparation of Financial Statements**
The Para 15 of Ind As 1 Presentation of Financial Statements states that where Financial Statements comply with IND As the company shall make an explicit and unreserved statement of such compliance in the notes. No Disclosure for the same has been made in the note

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

The Company has been granted the deferment of repayment of principal payment and payment of interest till FY2020-21 refer Note 2.21. The company must account for the interest payable on such deferment till the close of the year at market rate as grant from the government and has to be accounted for as the addition to cost and the same has also to be shown as addition of grant. No such interest has been accounted for by the company till the close of the year as per para 10 A of the IND AS. In the absence of the information we are unable to comment on same.

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

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

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

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

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

The financial Statements for the year under review are provided to us on 19thJune 2021 which was approved by the BOD on 18th March, 2021. The financial statements are not adjusted for the events occurred between the Balance sheet date both favourable and unfavourable till date of the finalisation of this report.

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

The Company has not made Fair Value of the assets and Labilities as on 31st March 2020, (Refer Note No 2.46). The same is not in line with the IND as 113 Fair Value Measurement which is mandatory applicable to the company.

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

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

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

The Company has not followed the IND as in respect of Income tax for calculating the deferred tax assets and Liabilities and its accounting in the books of accounts. The same is also not in line with note no 1.22 of the significant accounting policies adopted by the company. No information in respect of the same has been provided to us. In the absence of the information we are unable to comment on the impact of the same on the Balance Sheet at the close of the year.

ix) Indian Accounting Standard (Ind AS) 8 Accounting Policies, Changes in Accounting in Accounting Estimates and Errors

as reported by previous auditors ,the Company has not applied the Ind As 8 in relation to accounting of the Prior Period Adjustments of errors while preparing the Financial Statements as stated in the para 1.25 of the Significant Accounting Policies of the company.

C Observations on the Financial Statements

1 Property Plant and Equipment Note 2.1

I) We invite attention to Note No 2.55 wherein its stated that the Company is in possession of forest land at, Sainj HEP, Shongtong HEP, and Sawra Kuddu and no provision has been made as the amount of lease has not been ascertained. In the absence of information, we are unable to comment on the same. This observation was also reported in previous year report.

ii) We Invite attention to Note no 2.64 where in the company has not accounted for the cost of the Land and Buildings of HPSEB Limited amounting to Rs ₹ 4,599 Lacs. In our Opinion the Property Plant and Equipment are understated to the extent of above and correspondingly the other Current Financial Liabilities are also understated to the extent of above. The Sainj HEP has entered into

agreement to lease out the land from the above land in possession to AFCONS Infrastructure Limited Lease agreement in the month of September 2019 for four years

(iii) Reported by previous auditors the Renukaji HEP has accounted for ₹ 31,911 Lakhon account of compensation paid for the land. The Himachal Pradesh Electricity Regulatory Commission Hydro Generation Tariff Regulation has provided that the Depreciation @ 3.34% is leviable on submerged Land. The HP CAG issued comment on the same in the Supplementary audit for the year 2016-17

The Company has not Charged the depreciation as per the comment issued by the CAG. Thus the company has not charged depreciation for the 2016-17 and 2017-18 amounting to ₹ 3,300 Lacs (previous year ₹ 2,200 Lacs) during the year under review. In our opinion the Property Plant and Equipment is overstated and Capital work in Progress in understated to that extant.

This could not be explained to us by the management

.As per management no depreciation is chargeable on freehold land as required by HPERC & CERC.

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

(v) The Kashang unit has booked the cost of the training expenses to the cost of the E and M works amounting to ₹68.91Lakh. The training expenses paid after the start of the commercial operations has to be charged to the Revenue Expenditure as the expenditure has not been incurred to bringing the assets to the working condition. Thus the E and M Works are overstated by ₹68.91Lakh during the year under review and expenditure are understated to that .

2 Capital Work in Progress 2.2

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

(ii) The Sainj Unit has paid Entry Tax amounting to ₹ 544 Lacs from September 2010 to December 2016 to HCC Limited. As per the Himachal Pradesh Entry Act 2010 the dealer paying the entry tax is entitled to take the credit of the entry tax and adjust the same with the Vat Liability of the Dealer which the dealer has claimed in the Vat return filed by the contractor to the concerned Assessing Authorities. Thus, the dealer was not entitled to claim the entry tax which was adjusted by dealer towards its Vat Liability. Thus CWIP Project Electro Mechanical works is overstated to the extent of ₹ 544 Lacs and other current assets are understated to that extent. The HCC has gone into court case and the amount is of non recoverable nature as the amount is not recovered till date.. Thus provision for the same is required and provisions are understated to the extent of above. No action has been taken by the management although reported by previous year auditors.

(iii) Reported by previous auditors the Kashang Unit has charged interest paid on PFC loan of ₹ 3,000 Lacs transferred from HPSEB at the time of transfer of assets and liabilities from the HPSEB of the Kashang Unit to the Expenditure Under Construction. It has been observed that at the time of transfer of assets from Kashang Unit from HPSEB a sum of ₹ 1,392 Lacs has been used for construction of Transmission Lines at Kashang HEP. During the year 2010-11 the Kashang unit has transferred all cost of the Transmission Lines amounting to ₹ 6,585 Lacs back to the HPSEB Limited. Further it has been observed that at the time of transfer of transmission lines the loan component of the PFC utilised on the construction of Transmission lines has not been transferred to the HPSEB Limited and further a sum of ₹ 871 Lacs has been paid as interest on the above loan by the company till 31st March 2017 to the PFC. Thus, a sum of ₹ 871 Lacs is recoverable from HPSEB Limited on account interest paid to PFC on transmission lines transferred back to HPSEB. In our opinion Property Plant and Equipment are overstated to the extent of ₹ 871 Lacs and the other current assets are understated to the extent of above. The observation is continuing since 2016-17 and the amount is not recovered till date hence a provision for the same is required. Thus expenditure is understated to the extant of above.

(iv) Apportionment of Corporate and Sundarnagar (Design Wing) Expenses to Renukaji Project:

Reported by previous auditors the Company has apportioned 15 % of the total expenditure of Corporate Office and Sundarnagar design office to Renukaji Project vide Managing Directors Office Order Note dated 10/11/2017 during the year under 2016-17. It has been observed that during previous year for Renukaji HEP where only expenditure of 5% of the total cost of the Fixed Assets and CWIP has been incurred by the company till the close of the year on the project ,15 % of the total expenditure of Corporate Office and Sudarnagar and rest has been allocated to the other units in the proportion of capital expenditure incurred by the remaining units. The above apportionment ratio has not been approved by the Board of Directors of the company. The allocation percentage and ratio adopted by the company is also not in compliance to accounting policy of the company mentioned at Note no 1.6 (g) The Company has provided no justification for approving the percentage of 15 % for allocation of corporate office and Sundarnagar expenditure to Renukaji HEP.

The Company has charged the following expenditure to the Renukaji till 31st March 2018 and the same has already been reported by us in the statutory audit reports for the year 2016-17 and 2017-18. The following are the details of the same.

Expenditure	Amount		Statutory Audit Report
up to 2016-17	₹	1,948.00	2016-17
2017-18	₹	194.00	2017-18
Total	₹	2,142.00	

In our opinion the apportionment of expenditure to renukaji @ 15 % is not justifiable and thus 2142 Lacs (Previous Year 1,948 Lakh) has been excess allocated during the year 2016-2017 to the renukaji and same has been less allocated to other units. This has resulted in less apportionment of the expenditure to the generating unit i.e. Kashang Stage I and Sainj HEP and may affect the depreciation charged during the year by the Kashang Stage I and Sainj HEP. In the absence of the information we are not able to comment on the less amount of depreciation charged after COD period by the Kashang Stage I and Sainj HEP

The Company during the year under review has also adopted the same method of apportionment and the following are the details of appropriations made during the year:- Appropriations made up to 03rd January 2019

Name of the Project	CWIP plus Fixed Assests less land Cost	Percentage of Total Cost	Cost to be Allocated	Cost Allocated	Variance
Sawra Kuddu	1,49,140.59	55.32	837.84	739.80	98.04
Renukaji	13,117.81	4.87	73.69	242.28	-168.59
Shongtong	74,059.13	27.47	416.05	367.36	48.68
Chirgaon Majhgaon	1,057.14	0.39	5.94	5.24	0.69
Triveni mahadev	640.78	0.24	3.60	3.18	0.42
Thana Plaun	2,451.53	0.91	13.77	12.16	1.61
Nakhtan	2,149.30	0.80	12.07	10.66	1.41
Gyspa Dam	1,034.94	0.38	5.81	5.13	0.68
Surgani Sundla	1,455.08	0.54	8.17	7.22	0.96
Deothal Chanju	485.76	0.18	2.73	2.41	0.32
Chanju III	1,016.54	0.38	5.71	5.04	0.67
Berra Dol	3,135.28	1.16	17.61	15.55	2.06
Kashang IITotal	19,837.56	7.36	111.44	98.40	13.04
	2,69,581.43	100.00	1,514.45	1,514.45	0.00

Appropriations made after 03rd January 2019 .prepared to change this practice. The same practice has been followed during 2019-20 also. The Management is not ready to change this practice.

Name of the Project	CWIP plus Fixed Assests less land Cost	Percentage of Total Cost	Cost to be Allocated	Cost Allocated	Variance
Sawra Kuddu	1,45,844.26	56.90	268.69	238.51	30.18
Renukaji	13,966.20	5.45	25.73	75.88	-50.15
Shongtong	69,372.26	27.07	127.80	113.45	14.35
Chirgaon Majhgaon	1,057.13	0.41	1.95	1.73	0.22
Triveni mahadev	640.69	0.25	1.18	1.05	0.13
Thana Plaun	2,172.13	0.85	4.00	3.55	0.45
Nakhtan	2,070.71	0.81	3.81	3.39	0.43
Gyspa Dam	1,022.15	0.40	1.88	1.67	0.21
Surgani Sundla	1,090.39	0.43	2.01	1.78	0.23
Deothal Chanju	435.72	0.17	0.80	0.71	0.09
Chanju III	896.63	0.35	1.65	1.47	0.19
Kashang II	17,734.16	6.92	32.67	29.00	3.67
Bara-Khmba	2.94	0.00	0.01	0.00	0.00
Algore Project	1.09	0.00	0.00	0.00	0.00
	2,56,306.44	100.00	472.19	472.19	-0.00

In our opinion the apportionment of expenditure to renukaji @ 15 % is not justifiable and thus ₹ 219 Lacs has been excess allocated during the year 2018-2019 to the renukaji and same has been less allocated to other units. This has resulted in less apportionment of the expenditure to the generating unit i.e. Kashang Stage I and Sainj HEP and may affect the depreciation charged during the year by the Kashang Stage I and Sainj HEP. In the absence of the information we are not able to comment on the less amount of depreciation charged after COD period by the Kashang Stage I and Sainj HEP

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

3 Non-Current Investment Note 2.5

(i) We invite attention to Note No.2.45(I)., the Company has made an investment of ₹ 337.50 Lac (previous year ₹. 337.50 Lacs) in the equity of Himachal EMTA Power Limited (HEPL) which has been established as Company's joint venture with EMTA for setting up a (2*250 MW) thermal power plant. The Company has 50% equity participation in HEPL. The Government of India has allotted coal block to Himachal EMTA Power Limited and JSW Steal Limited for which another Joint Venture has been made in the Name of Gourangdih Coal Limited.

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

(ii) The Company has made provision for doubtful investments amounting to ₹ 337.50 Lacs in the books of accounts.

(iii) The company Independent auditors of Gourangdih Coal Limited raised concern in respect of preparing the Financial Statements on the basis of Going Concern Concept and under Historical Cost Convention due to deallocation of the Coal Blocks by the decision of the Supreme Court during the year under review.

(iv) We invite attention to note 2.75 where in the Enforcement Directorate has attached the assets of the Himachal Emta Private Limited amounting to ₹ 259 Lakh. The Directors report of the Himachal Emta Limited for the year 2018-19 stated that the CBI has filed charge Sheet accussing the two Directors of the company Sh Ujjal Kumar Upadhaya and Sh Bikas Mukherji in the matter pertaining to the allocation of Gourangdih ABC coal Block by misrepresentation of facts. The ED on the basis of the Charge sheet filed has attached the assets of the Gourangdh Coal Limited considering them to be proceeds of crime under Prevention of money Laundering Act 2002.At present the case is pending with the Supreme court of India against the attachment order. No Disclosure of the same has been made in the notes to accounts

4 Other Non-Current Financial Assets Note 2.10

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

(ii) The Shongtong HEP, has paid ₹ 44.06 Lacs (previous year ₹ 44.07 Lacs) to land owners for acquisition of land measuring 0.1702 hectare, for the project, at the time of mutation it is found that the same land was already acquired by HPPWD. The amount is doubtful for recovery as the amount has not been recovered from the land owners and a provision for the same is required. In our opinion Other Non-Current Financial Assets is overstated to the extent of above and consequently the expenditure is understated to the extent of above

(iii) (a) We invite attention to Note No 2.67 where in it is stated that the amount recoverable from contractors includes a sum of ₹ 11183 Lacs (previous year ₹ 11214 Lacs) recoverable from Coastal Projects on account of risk and cost. The contract with the contractor was terminated in the year 2013 and the same was awarded to M/s HCC Limited The amount paid to HCC Limited on account extra cost has been shown as recoverable from Coastal Projects. The amount is doubtful of recovery from the Coastal Projects as there is no agreement with the party to recover the money as the contract with the party has already been terminated since 2013. The Company has gone into liquidation as the lender banks of the contractor has filed liquidation petition with NCLT and the amount is doubtful of recovery.

The Management has informed the previous auditors through a letter from the Director Finance dated 9th June 2021 that in case of non recovery of the amount from the contractor the same will be charged to the cost of the " Main Civil Works" after obtaining the necessary approval from the Board of Directors.

We suggest that the Management should take approval from the BOD regarding charging of the amount recoverable from the contractor to the " Main Civil works" in case of the non recovery of the amount due from the contractor at subsequent Board Meeting. The same is required as per the requirement of IND As so that the above cost will become part of the cost to bring the assets to location and condition necessary for it to be capable of operating in the manner intended by the Management.

The company is not the secured creditors of the Coastal Projects and the company has not shown to our verification any documents in support of their claim that the amount recoverable from the coastal projects are fully secured and there is full probability that the amount will be fully recovered in the near future.

In our opinion as the amount is doubt full of recovery necessary provision should be made in the books of accounts. Thus, Other Non-Current Financial Assets are overstated to the extent of above and Capital work in progress are understated to the extent of above.

(b)Reported by previous auditors .the unit has not charged the GST on the amount of the amount of ₹ 3,287 Lakh charged to the Coastal Projects on account of Risk and Award Cost charged to the contractor. Thus GST amounting to ₹ 592 Lakh has not been charged on the above on account of reimbursement of expenses and liability is understated to the extent of above.

(c) The Company has debited the amount of service tax payable by the company amounting to ₹ 65.30 Lakh to the service tax authorities and the same has been paid by the company in its own service tax number under the Viswas se Vivad Scheme. The Liability of payment of the service tax was of the company in the pre GST period which was Charged from the HCC on account of Rent Charges of use of Machinery of the Coastal Projects by the HCC . The Amount was credited to the Costal Projects without depositing the service tax from the rent credited to the Coastal Projects. Thus the services are covered Under Principal agent relationship and GST has to be charged on the same and a sum of ` 11.70 Lakh is to be paid as GST on the above. The Liability is understated to the extent of above.

d) Further the Company has filed a claim of ` 40,736.90 Lacs inclusive of interest with the NCLT against the Coastal Projects Limited as the contractor company has gone into liquidation which is in the nature of Contingent Assets and same has been disclosed as Contingent Assets as per Note 2.37. The Official Liquidator has not accepted the claim of the company stating the reason that the matter is pending with the Hon'ble High Court of Himachal Pradesh

(iv) We invite attention to Note No 2.61 where in it is stated that the company has not made a provision for Rs. 103.24 Lacs (Previous Year`103.24 Lacs) recoverable from Gammon India since 2013 through Directorate of Energy. The amount has to be recovered along with interest of 10 % per annum. The amount has not been recovered till the date of audit and the same is doubtful of recovery hence provision for doubtful advance is required. In our opinion the Non-Current Financial Assets are overstated to the extent of above and Expenditure are understated to the extent of above.

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

(vi) Grant Receivable

In case of Gyspa HEP, we invite attention to Note No 2.63 where in it is stated that company is showing ` 608 Lacs (previous year ₹ 608 Lacs) as recoverable grant from the Central Government on account DPR and Investigation Expenses. The Government of India has approved ₹ 1,250 Lacs for survey and investigation of the project and paid ₹ 500 Lacs as advance and the rest of the amount is to be paid on the submission of the DPR. The work of the DPR is not completed since 2012 due to sustained opposition to the project by local people. The Central Government has stayed the further payment of the grant until the submission of the DPR. The grant recoverable shown is not as per para 7 and 8 of the Indian Accounting Standard (Ind as) 20 Accounting for Government Grants and Disclosures thereof which states that: -***"7 Government grants, including non-monetary grants at fair value, shall not be recognised until there is reasonable assurance that:***

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

(b) the grants will be received.

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

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

(vii) The Shongtong unit is showing following advances to the contractors the recoverability of the same is dependent on the completion of the project and the same has not been discounted and shown as per the fair value as required by IND AS 113. In the absence of information, we are unable to comment on the same (Please also refer Note 2.46). The following are details of the advances

Rupees in Lacs

	Contractor	Current Year Amount	Previous Year Amount
1	Patel Engeneering	₹ 4,852.00	₹ 5,146.00
2	Andtriz Hydro	₹ 1,789.00	₹ 2,605.00
		₹ 6,641.00	₹ 7,751.00

viii) The Shongtong unit has given advance of `20 Lakh (Previous Year Rs. 70 Lacs) to IPH Khwangi for irrigation scheme and the same has not been charged to expenditure during construction. In our opinion the Non-Current Financial Assets are overstated to the extent of above and CWIP are understated to the extent of above.

(ix) The Shongtong unit is showing advance of ` 35.49Lakh ( Previous Year Rs .154 Lacs) to HPSEB as on 31st March 2020 and as the advance will not be recovered from the agencies and assets are being used by the corporation the same should be capitalised. In our opinion the Non-Current Financial Assets are overstated to the extent of ` 35.49 Lacs and CWIP are understated to the extent of above.

(xi) The Chanju III has not capitalised the advance to HPPTCL for design and survey work amounting to ₹ 17 Lacs for want of utilisation certificate.

(xii) The DeonthalChanju has not capitalised the advance to HPPTCL for design and survey work amounting to ₹ 13.00 Lacs for want of utilisation certificate.

(xiii) The Sainj unit has paid ₹ 50 Lakh to HP Fisheries Department but the expenditure has not been booked. The Advance is not of recoverable nature and should have been capitalised .Thus the Other Non Current Assets are overstated to the extant of above. Utilisation certificate received on 17/07/2021.

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

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

(xvi) The Sainj unit has shown ₹ 131Lakh(Previous year ₹71 Lakh) as interest recoverable from HCC on account of advance given against retention money . The Party has not repaid the amount of advance and nor the interest on the same has been paid back hence provision for the same is required. Thus the Other Non Current Assets are overstated to the extant of above and expenditure is understated to that extant.

(xvii) The Sainj unit has booked advance to HPSEB amounting to ₹ 5.29 Lakh which is of non recoverable nature and should have been charged to the CWIP. Thus Current advances has been overstated to the extant of above as the amount has not been recovered and adjusted till date.

(xviii) The Sainj unit has booked advance to XEN IPH amounting to ₹ 4.65 Lakh which is of non recoverable nature and should have been charged to the CWIP. Thus Current advances has been overstated to the extant of above as the amount has not been recovered and adjusted till date

(xix) The Sawara Kuddu Unit has debited ₹ 41 Lacs to Patel Engineering on account of Risk and award cost of the work done during the year 2017-18. The contractor has not paid the amount till date. Thus Provision for non recoverability of amount is required. .Thus Other non current Assets are overstated to that extant.

(xx) The Sawara Kuddu Unit has shown a Sum of ₹ 661Lakh as amount recoverable on account interest and penalty on entry Tax and provision for the same has been shown as provision for expenses by the unit . The Company has settled the same in the H P(Legacy Case Resolution) scheme 2019 for ₹ 67.92 Lakh as final settlement fees. Thus other non current Assets are overstated to that extant of ₹ 597.08 Lakh and similarly the provision for expenses are overstated to that extant.

(xxi) The Chanju III has not capitalised the amount of Rs. 187 lacs paid to HPSEBL.as the work has not been completed.

(xxii) The Deonthal Chanju has not capitalised the amount of Rs. 187 lacs paid to HPSEBL ,as the work has not been completed.

5 Inventory Note 2.11

Eported by previous auditors the Kashang stage 1 Unit is showing the following inventories at the close of the year

Sr No.	Item No	Description	Amount	Remarks
1	2000000751	G.I pipe 80 mm Φ 248.3 Rmt	₹ 1,06,140.80	Transferred from HPSEBL
2	2000000744	Portable magzine 4 Nos	₹ 1,55,567.00	Transferred from HPSEBL
3	2000000765	Steel tubler pole 10mtr 42Nos	₹ 4,51,035.90	Transferred from HPSEBL
4	2000000727	Angle iron 100x100x6mm17.787 M	₹ 6,06,688.42	Transferred from HPSEBL
5	2000000766	ACSR conductor 14,078 M	₹ 6,22,205.05	Transferred from HPSEBL
6	2000005637	Needle Tips & Seat Ring 1Set	₹ 16,60,593.94	Spares for E and M work
	Total		₹ 36,02,231.11	

The Item from sr no 1 to 5 amounting to Rs. 19.41 Lacs has to be shown at Net Realisable Value and the necessary provision of obsolescence has to be made. No information in respect of the same has been provided to us.

The item at Sr no 6 is spare of the Turbine and has be shown under Property Plant and Equipment's& as such should be depreciated along with the plant.

Thus Inventory is overstated to the extant of Rs. 16.60 Lacs and property Plant and Equipment's is understated to the extent of above.

6 Trade Receivables Note 2.12

Trade receivables are subject to confirmation & reconciliation ,concerning HPSEBL.

7 Other Current Assets Note 2.18

(i) The Sawra Kuddu unit has not shown the amount recoverable from Patel Engineering on account of recovery of concrete cutting amounting to Rs. 77.50 Lacs (previous year Rs. 84 Lacs). The case is reported to be in High Court .In our opinion the other Current Assets are understated to the extent of above and CWIP is overstated to the extent of above.

8 Non-Current Other Financial Liabilities Note 2.21

(i) Long Term Borrowings

The Company has taken loan from the State Government for construction of Hydro projects. The Company has not paid the Instalment and interest on the State Government loans. The State Government has provided deferment of loan and interest for the amount accrued up to January 2017 till FY 2018-19. The instalment interest due after January 2017 till the close of the year has not been paid by the company to the state Government

We Invite attention to Note 2.71 where in the Company has made the request for the deferment of Instalment and loan to State Government. The State Government has given has not accepted the request and has granted the deferment for the year 2020-21 till the year 2021-22.In our opinion the Company has defaulted in payment of instalments and interest to the state government which is holding 31.63% (Previous Year 28.59 %) of the equity. However there is no other default in payment of loan and interest to any other Financial institutions/Banks. The Company has not complied with Requirements of the IND AS 20 Accounting of the Government Grant which states that the any concession from the government should be added as addition to the cost and should be credited to the revenue.

(ii) The loan to the company was sanctioned by the Central Government to the State Government as 90 % grant and 10 % loan basis has been further advanced to the company as 100 percent loan which was sanctioned to the state government under Clean energy program. The Funding of the Grant to State Government as Loan to the Company has increased the financial cost Liability on account of interest payable to the State Government. This will increase the cost per unit of the generation of power and will not be recovered from the consumer and have to be borne by the company . The charging of the interest will not make the company profitable as it constitutes 40% to 45% of the revenue cost and the company has not paid the interest to the state government even after four units are commissioned and the company is pursuing for the deferment of principal and interest till 2024 and in earlier year also the deferment has been granted by the State Government .

We invite attention to Note 2.71 where in the Company has made the request for the deferment of instalment and loan to State Government . The State Government has given has not accepted the request and has granted the deferment for the year 2020-21 till the year 2021-22. In our opinion the Company has defaulted in payment of instalments and interest to the state government which is holding 31.63%(Previous Year 28.59 %) of the equity. However there is no other default in payment of loan and interest to any other Financial institutions/Banks. The Company has not complied with Requirements of the IND AS 20 Accounting of the Government Grant which states that the any concession from the government should be added as addition to the cost and should be credited to the revenue.

(ii) The loan to the company was sanctioned by the Central Government to the State Government as 90 % grant and 10 % loan basis has been further advanced to the company as 100 percent loan which was sanctioned to the state government under Clean energy program. The Funding of the Grant to State Government as Loan to the Company has increased the financial cost Liability on account of interest payable to the State Government. This will increase the cost per unit of the generation of power and will not be recovered from the consumer and have to be borne by the company . The charging of the interest will not make the company profitable as it constitutes 40% to 45% of the revenue cost and the company has not paid the interest to the state government even after four units are commissioned and the company is pursuing for the deferment of principal and interest till 2024 and in earlier year also the deferment has been granted by the State Government .
The CAG has also raised concern over the same in their report and suggested that the matter be taken up with the state government to get the benefit of the Govt of India Policies.

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

9 Non-Current Liabilities Provisions Note 2.23

(i) For Company Employees

We invite attention to note 1.20 and 2.40 where in the policy adopted for employees benefit and accounting in respect of the same has been disclosed. The Above policy is not in compliance with the Ind AS 19 Employees Cost in relation to Post Employment defined Benefits plan in the matter of its recognition and measurement. In the absence of information, we are unable to comment on the same of its impact in the balance sheet and profit and Loss Account. Neither any policy has been taken nor any trust has been made for the same.

(ii)For HPSEB Employees

The provision for leave encashment liability, gratuity liability and pension Liability of HPSEB employees has been calculated based on formula adopted by HPSEB Limited. The Liability provided for is subject to the confirmation from HPSEB Limited.
In the absence of information and confirmation from HPSEB Limited we are unable to comment on the effect of the same on the financial statements at the close of the year.

(iii) The company has created liability for **Gratuity & Leave encashment without any actuarial valuation.**

10 Other Non-Current Liabilities Note 2.24

a) Utilised Grant Renuka ji

(i) The Company has incurred following expenditure on the Renukaji project till 31st March 2020.

	as on 31st March 2019 (in lac)	as on 31st March 2020 (in lac)
Tangible Assests	₹ 51,689.00	41,262.00
Advances & Deposits with Court		20,725.00
CWIP	₹ 32,148.00	7.54
Incidental Expenses		14,197.00
Advances	₹ 269.00	-
	₹ **84,106.00**	**76,191.54**
Grant Received	₹ 68,548.82	76,002.33
	₹ 68,548.82	76,002.33
Shortfall	₹ **15,557.18**	**189.21**

There is a shortfall of grants received & expenditure incurred Rs. 189.21 lacs (previous year shortfall of expenditure to the tune of Rs. 15,557 Lacs). In absence of information we are not able to comment on the same.

(ii) We invite attention to para 2 (vi) of previous year audit report regarding allocation of expenses to Renukaji HEP wherein its stated that the allocation of expenditure of Corporate office and Sundarnagar Design office to the unit has not been confirmed / approved by the participating states and the central government. In the absence of confirmation and approvals we are unable to comment on the apportionment of expenditure charged to the Renukaji HEP. The company has allocated Rs. 2,870 lacs (previous year Rs. 2456 lacs) as share of corporate office and design wing expenses to the Renukaji HEP for current year viz 31st March 2020. In our opinion the amount recoverable from participating states will be reduced by Rs. 2,870 lacs (previous year Rs. 2456 lacs) given in above para.

The Company is earning interest on the surplus funds of Renukaji at Corporate Office by investing the same in short term Fixed Deposits. The Interest earned on the same has not been shown as addition to the Grant nor the same has been reduced from the incidental expenditure during construction period of the unit. The above practice is not in line with the significant accounting policy adopted by the company (refer Note 1.16). In the absence of information, we are unable to comment of the effect of the same on the Financial Statements. However, as informed to us no interest was earned during the year, as the Company is doing funding of expenses out of its own resources.

11 Current Liabilities Other Financial Liabilities Note 2.26

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

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

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

(iv) The Other Financial Current Liabilities includes Rs. 75.87 Lacs (Previous Year Rs. 74.22 Lacs) as unclaimed money on account of payables, retention, security and other payables to the contractors. The amount has been shown under this head because the persons to whom amount is payable is not traceable. In our opinion the other current financial liabilities are overstated to the extent of above and necessary provision for amount written back should be provided.

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

(vi) The Corporate Office has not made the provision for demand raised by the PF Commissioner for the period 09/2008 to 06/2011 on account of PF contributions of Unregistered Contractors amounting to Rs. 189 Lacs on 02nd August 2018(refer Note 2.59). Thus, current liabilities are understated to the extent of above.

(vii) Local Area Development Fund: -

We Invite attention to Note 2.65 where in the company has not made any provision of amount payable to LADA fund on account of increase in cost of the Projects ,as final cost determination of commissioned projects is under process

(viii) Reported by previous auditors the Kashang Unit has not Charged GST on the Liquidation Charges amounting to Rs. 534.42 Lacs on Rs. 2,969 Lacs charged from HCC. The Company has not shown the Liability under GST returns filed during the year under review nor the same has been charged to the contractor. The observation was also reported in the previous year also. Thus the current liabilities and understated to that extant and other non current assets is also understated to that extant.

(ix) Reported by previous auditors we invite attention to note 2.70 where the Corporate Office has shown Rs. 500 Lacs as amount payable to the Kisahau Corporation Limited on account Equity Contribution of the State Government for the seed Money. No Confirmation from the Kisahu Corporation Limited and directions from the State Government to keep the money with company has been provided to us for verification. In the absence of information we are unable to comment on the same.

(x) As reported by previous auditors the Renukaji HEP has shown the amount recovered from LAO amounting to Rs. 1600 Lacs as amount payable to Government Agencies . The HEP at the time of advancement to LAO has shown the same as part of land expenses. The amount recovered back has to be reduced from the Land Expenses. Thus Current

Liabilities are overstated to the extent of above and similarly the land expenses are overstated to that extent.Could not be explained to us except payment of Rs 5 Cr to LAO.

(xi) The Swara Kuddhu HEP has transferred land measuring 0.9224 hectare to the HPTCL for the construction of 220 KV Switching Station at Hatkoti. The Company has received Rs. 916 Lacs as cost towards the cost of land in the month of November 2018. The company has handed over the possession of the land to the HPTCL but has shown the amount as advance from the customers and the sale deed for the same has not been executed so far. In our opinion the advance has to be adjusted with the cost of the land and the deposit with the court. Thus current liabilities are overstated to the extent of Rs 916 Lacs. Pending execution of transfer deed cannot be credited to land.

(xii) The Sainj Unit has shown a sum of Rs. 519 Lacs as amount payable to Voith Hydro. The HEP has not provided to us the details in respect of the same and nor any confirmation from the supplier has been provided. The Amount is payable since 2017 and the same has not been paid till the date of the audit. Thus the liabilities are overstated to the extent of above

13 Generation & Sale of Power

(i) Note no 2.56 The company is showing only net sale instead of gross sale.

(ii) The Beradol Solar Power unit while fixing the tariff rate has adopted HPREC AD benefit Rate of Rs. 4.31 per unit while approving the Tariff Rate with HPSEB. The Corporation is not availing the advance deprecation benefit thus Tariff rate of Rs. 4.79 per unit is applicable to the corporation. Thus Sale of power is understated to the extent of Rs. 10.36 Lakh

14 Apportionment of expenditure and Income of Corporate Office and Sundarnagar

(i) Expenditure of Corporate Office and Sundarnagar

It has been observed that at the time of apportionment of expenditure of Corporate office and Design Office the net expenditure incurred during the year has been apportioned in the ratio of 278:87 from 01st April 2018 to 03rd January 2019 and 4th January 2019 to 31st March 2019. (refer Significant Accounting Policy no 1.6 g and Note no 2.57(c)). The above apportionment is not in line with the accounting policy referred in note 1.6 g which states that the *"The Expenditure of Corporate office and Sundarnagar design office is allocated to different accounting units on systematic basis."*.

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

(ii) Income of Corporate Office and Sundarnagar

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

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

The Company has allocated income to various projects on the basis of allocation of expenditure to different units as per accounting policy of the company during the year

Similarly ,expenditure has been allocated alongwith HO to other units.

(iii) Apportionment of Expenses of Corporate Office and Sundernagar Design Office

The qualification of previous year auditors on apportionment stands for this year also.

15 Provision for Income Tax

We invite attention to Note No 2.66 where in no provision has been made by the company for income tax during the year under review.

We also invite attention to note 2.53 where in the cases for earlier years are pending with different authorities and the outcome of which are uncertain and may affect the amount shown as Deposits with Income Tax authorities Rs. 8,874.50 Lacs (Previous Year Rs. 8,874.50 Lacs (refer note 2.10). In view of the uncertainly involved and the matter is subjudice we are unable to comment on the recover ability of the above amount and its effect on the Financial Statements.

16 Goods and Service Tax

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

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

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

The Company has appointed GST auditor to conduct the GST audit under the GST Act .However the GST Audit report for the year under review has not been submitted till the date of the finalisation of this report as the due date for filling of the report was 31st

December 2020. In the absence of the report we are unable to comment on the final liability of GST along with interest and penalty.

Tax		Amount
IGST	₹	3,08,488.00
CGST	₹	13,017.00
SGST	₹	13,017.00
Total	₹	**3,34,522.00**

No Provision for the same has been made in the Books of accounts. Thus Liabilities are understated to that extent.

(iii) The Company has claimed input of GST while filling the monthly 3 B during the year under review. However while filling the GSTR 9 for the year no details for the Input claimed has been filled and claimed and nor liability on account

Tax		Amount
IGST	₹	1,14,161.00
CGST	₹	1,14,161.00
SGST	₹	10,512.00
Total	₹	**2,38,834.00**

Thus liabilities are understated to the extent of above.

(iv) The GSTR 9C Audit report filed by the GST Auditor for the year 2017-18 on 21/05/2020 shows the following

S.No.			CGST		SGST		Total
1	Tax	₹	6,01,21,367.00	₹	6,01,21,367.00	₹	12,02,42,734.00
2	Interest	₹	1,66,82,144.00	₹	1,66,82,144.00	₹	3,33,64,288.00
	total	₹	**7,68,03,511.00**	₹	**7,68,03,511.00**	₹	**15,36,07,022.00**

Thus Current Liabilities are understated to the extent of Rs.1536 Lakh.

(v) There is a difference in Turnover as per audited financial statements & GSTR9 amounting to Rs 16516739/-during 2018-19.

17 Quantitative Details in respect of energy generated and sold

We invite attention to Note 2.48 where in the Company has stated that it has installed capacity of 170 MW as on 31st March 2019. The company has capacity 65 MW *3 i.e. 195 MW but water supply was only for one turbine at Kashang stage I against installed 3 turbines. and the installed capacity of the Sainj HEP is 100 MW and one solar unit with the capacity of 5MW was installed during 2018-19 .However ,the installed capacity at Kashang is not utilizable in the absence of water as the stage II & IIIare under construction.Out of 3 turbines water is sufficient for running one turbine only. For rest 2 ,work is in progress.

18 Allocation of expenses of Kashang 1 ,2 and 3

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

	2019-20	2018-19	2017-18	2016-17
Stage 1	Actual Basis	82.50%	84%	70%
Stage 2 and 3	Actual Basis	17.50%	16%	30%
		100%	100%	100%

19 Profit and Loss Account

(i) O and M R & R

Reported buy previous auditors ,the Sainj unit has booked prior period expenses amounting to Rs. 6.30 Lakh under this Head for the year 2017-18. Thus expenditure is overstated to the extent of above and same has to be shown in the year 2017-18 by recasting the financials statements.

(ii) O and M Disaster Management

Reported by previous auditors the Sainj Unit has booked the cost of hooters and other expenses amounting to Rs. 45.35 Lakh as expenditure during the year under review which are of Capital Nature and has to be capitalised by the HEP. Thus expenditure is overstated to the extent of above and property plant and machinery is understated to the extent.

(iii) Prior period Expenses

Reported by previous auditors the Company has charged the prior period expenses during the year under review to the profit and loss Account. The Following are the year wise Bifurcation of the same.

S. No.	Particulars		Amount
1	for the year 2017-18	₹	1,42,32,088.00
2	Period earlier than 2017-18	₹	6,21,06,074.00
		₹	7,63,38,162.00

As per IND As 8 Accounting Policies, Changes in Accounting Estimates and Errors , the errors has to be rectified retrospectively in the Financial Statements as **if the error had never occurred.** If the error pertains to period earlier then previous year then the **third Balance sheet** has to be preparedas opening Balance Sheet. Refer Note 1.25 of the SignificantAccounting Policies of the company which has not been complied with. In our opinion the Company has not complied with the requirements of the IND AS 8.

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

Reported by previous auditors the Kashang Unit has not provided to us the salary cost of the employees posted to the Stage 1 , 2 and 3. However this year this has been done on actual salary basis.

20 Approval of accounts by the Board for the year 2018-19 before the approval of the accounts for the year 2017-18 in the AGM.

The Board of Directors has approved the accounts for the year 2019-20 in the Board meeting of 18/03.2020 before the adoption of the audited accounts for the year 2018-19 of the corporation in the Annual general meeting on 6th January, 2022.However ,the financial statements were delivered to us on 17June 2021 which were further changed during August 2021 & finally on 17th October 2021 after we discussed our observations.

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

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

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

The income tax authorities are considering such income as taxable income and is being charged as taxable Income of the Company.

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

22 Investment Property

(i) The Company is not showing the assets given on rent/ lease as investment property and the same has been shown under the Head Property Plant and machinery.

(ii) Chirgaon Majgoan has given Building on rent to HPPTCL amounting toRs. 7.16Lakh. The Cost of property should be shown as Investment property and depreciation for the corresponding rent has to be charged to the profit and loss Account. Thus Income is understated to the extent of above.

23 Design Wing Sundernagar

(i) The Design wing has booked Rs. 8.87 Lakh (previous year 11.66lakh) lakh as lab income and Consultancy Income. However it has been observed that the design wing has not booked any expenditure in relation to providing such services. All the expenses of the GM Office has been apportioned to the all units of the company and no expenditure has been allocated to the income of the Design Wing . Thus the Matching concept accounting has not been followed by the company.

(ii) Reported by previous auditors ,the Design Wing is providing Technical services to the Kishaua Power Corporation on behalf of the State Government but no details in respect of the services provided Design wing has been provided to us.However Rs 10408/- is outstanding as advance to Kishau.

24 Disaster Recovery Center

The Company has installed SAP ERP software for all its projects including corporate office. The Company has its DRC at Chennai and the same was closed and shifted to Shimla by M/s Siffy Technology . M/s Siffy Technology was awarded the contract for the AMC of the DRC for Rs. 1.25 crores and the reallocating cost of DRC for Rs. 9.67 Lacs. The company has proposed to shift the DRC from Chennai to Himachal Pradesh at Data Center Site of HPSEBL at pointa Sahib or at any other place at Pointa Sahib. The Company does not find any suitable site at Pointa Sahib thus no Disaster Recovery Center of the company is in place till date. We were informed that complete back up is maintained at head office on fortnightly /monthly & at Govt data centre at Mehli. What is the wisdom in paying AMC of the DRC without any site being taken for the same.

25 Land Court Cases Renuka Ji Project

The Board of Directors in its 75th meeting on meeting 18th March 2021 has decided not to the file Regular First Appeal in the Hon'ble High Court against the awards passed by the Lower Courts and against the decision of the Hon'ble High Court. Refer Note 2.36 Notes where in its stated that the company has made contingent provision in respect of the awarded amount amounting to Rs. 11,471.33 lakh. The Decision of the company not to file the appeal will make the contingent provisions as regular provisions and thus the provisions on account of land compensation of Renuka Ji Project is understated to the extent of above.

Previous year auditors effect of qualifications:

The effect of the said qualifications where ascertainable the loss of current year will be Rs. 11,736 Lacs against reported loss of Rs. 10,586 Lacs. The Other Equity will be Rs. 24,117 Lacs instead of Rs. 22,198 Lacs. The Borrowings will be Rs. 1,40,368 Lacs instead of Rs. 1,59,765 Lacs .The Other Financial Liabilities will be of Rs. 6,144 Lacs instead of Rs. 10,993 Lacs. The Provisions non current will be of Rs. 4,285 Lacs instead of Rs. 5,690 Lacs. The other non Current Liabilities will be Rs. 82,840 Lacs instead of Rs. 69,543 Lacs. The Other Current Financial Liabilities will be Rs. 2,92,604 Lacs instead of Rs. 2,62,070 Lacs. The Property Plant and Equipment will be Rs. 3,33,156 Lacs instead of Rs. 3,03,086 Lacs. The Capital Work in Progress will be Rs. 2,95,703 Lacs instead of Rs. 3,08,204 Lacs. The Loans will be Rs. 153 Lacs instead of Rs. 149 Lacs .The Other Noncurrent Assets will be Rs. 29,435 Lacs instead of Rs. 36,705 Lacs. The inventories will be Rs. 53 Lacs instead of Rs. 74 Lacs. The Trade Receivable will be Rs. 481 Lacs instead of Rs. 1,757 lacs. The cash and cash equivalents will be Rs. 9,404 instead of Rs. 11,365 Lacs. The Bank Balance will be Rs. 11,670 instead of Rs. 9,709 Lacs. The Loans Financial Assets will be Rs. Nil Lacs instead of Rs. 3 Lacs. The Financial Assets others will be Rs. 551 Lacs instead of Rs. 1349 Lacs. The Other current Assets others will be Rs. 14,267 Lacs instead of Rs. 6,241 Lacs.

The Expenditure during the year are overstated on account of Prior period items by Rs. 769Lakh for which adjustments has to be made in previous years.

We cannot comment upon this as the same could not be verified. In the absence of information.

Emphasis of Matter:

1. No reasonable effort has been made to remove the qualification raised in earlier year audit reports and the same has been considered in this year report also.
2 We further draw attention to the following matters in the Notes to the stand alone Ind As Financial statements: -
   (i) Balances of trade receivables,advances ,deposits ,trade payables are subject to reconciliation/ confirmation and respective consequential adjustments.
   (ii) Note No 2.58 to the Stand alone Ind AS financial statements regarding statement on State Government loan for ShontongKarcham HEP (450MW) where the ADB funding to state government has expired and stopping of funding by the KFW to the project.

(iii) Note No 2.68 to the Stand alone Ind AS financial statements regarding statement on Nakhtan project pending with Hon'ble High court of Himachal Pradesh the fate of which is dependent on the outcome of the case. Our Opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Stand alone financial statements of the current period. These matters were addressed in the context of our audit of the Stand alone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each matter below, description of how our audit addressed the matter is provided in that context. In addition to the matter described in the Basis for Qualified Opinion sectionwe have determined the matters described below to be the key audit matters to be communicated in our report.

S.No.	Key Audit Matter	How our audit addressed the key
1.	Tendering : tendering is key audit matter but due to corona various units could not be visited where tender documents are available ,we were told all major tenders are floated from the concerned units only.	These will be checked & accessed as to controls during next year audit.
2.	**Contingent Liabilities and Provisions** There are a number of litigations pending before various forums against the Company and the management's judgement is required for estimating the amount to be disclosed as contingent liability and for creating the adequate amount of provision, wherever required. We identified this as a key audit matter because the estimates on which these amounts are based involve a significant degree of management judgment in interpreting the cases and it may be subject to management bias. (Refer Note No. 2.36 to the Stand alone Financial Statements, read with the Accounting Policy No.1.18)	We have obtained an understanding of the Company's internal instructions and procedures in respect of estimation and disclosure of contingent liabilities and adopted the following audit procedures: - understood and tested the design and operating effectiveness of controls as established by the management for obtaining all relevant information for pending litigation cases; - discussed with the management any material developments and latest status of legal matters; - examined management's judgements and assessments whether provisions are required; - considered the management assessments of those matters that are not disclosed as the probability of material outflow is considered to be remote; - reviewed the adequacy and completeness of disclosures; Based on the above procedures performed, the estimation and disclosures of contingent liabilities and creation of provisions are considered to be adequate and reasonable
3.	**Property, Plant & Equipment** There are areas where management judgement impacts the carrying value of property plant and equipment and the irrespective depreciation rates. These include the decision to capitalise or expense costs; the annual asset life review; the timeliness of the capitalisation of assets and the use of management assumptions and estimates for the determination or the measurement and recognition criteria for assets retired from active use. Due to the materiality in the context of the balance sheet of the Company and the level of judgement and estimates required, we consider this to be as area of significance.	Due to corona epidemic, none of the units where property plant &equipment are kept could not be visited. Actual Controls will be assessed during next year audit as these were not practicable at HO in the absence of information. However, we have reviewed the same through discussions with management at HO.

	(Refer Note No. 2.1 to the Stand aloneFinancial Statements, read with the Significant Accounting Policy No. 1.5)	
4.	**Capital work-in-progress(CWIP)** The company is involved in various capital works like construction of new power projects, installation of new plant and machinery, civil works etc. These projects/works take a substantial period of time to get ready for intended use and due to their materiality in the context of the balance sheet of the Company, this is considered to be an area which had the significant effect on the overall audit strategy and allocation of resources in planning and completing our audit. (Refer Note No.2.2 to the Stand alone Financial Statements, read with the Significant Accounting Policy No. 1.6)	We performed an understanding and evaluation of the system of internal control over the capital work-in-progress, with reference to identification and testing of key controls. Deficiencies were found and same reported at appropriate place in our Audit report. Actual controls will be assessed during next year audit .

Information Other than the Stand alone Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the Stand alone financial statements and our auditor's report thereon.

Our opinion on the Stand alone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Stand alone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Stand alone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.
If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility for the Stand alone Ind AS Financial Statements

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

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Stand alone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Stand alone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the Stand alone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Stand alone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Stand alone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

-Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(I) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

-Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

-Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Stand alone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

-Evaluate the overall presentation, structure and content of the Stand alone financial statements, including the disclosures, and whether the Stand alone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the Stand alone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure-I, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. We are enclosing our report in terms of Section 143 (5) of the Act, on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, in the Annexure-2 on the directions issued by Comptroller and Auditor General of India.
3. As required by section143(3) of the Act, we report that:
   a) We have sought and except for the possible effects of the matter described in the Basis of Qualified Opinion

paragraph above, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b) Except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph above, in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c) The Balance Sheet, Statement of Profit and Loss and statement of Cash Flows and Statement of changes in equity dealt with by this report are in agreement with the books of account;

d) Except for the effects of the matter described in the Basis of Qualified Opinion paragraph above ,in our opinion, the aforesaid Stand alone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act,

e) The Matter described in the Basis for Qualified Opinion paragraph above , in our opinion may have adverse effect on the functioning of the company.

f) In view of the exemptions given vide Notification No. G.S.R. 463 (E) dated 5th June 2015 issued by the Ministry of Corporate Affairs, the provisions of Section 164 (2) of the Companies Act, 2013 regarding disqualification of directors, are not applicable to the company.

g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.

h) With respect to adequacy of Internal Financial Controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure-3" in our opinion the internal financial controls system is adequate but the operating effectiveness of such controls need be improved.

i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

    i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements- Refer Note 2.33 to the Stand alone Ind AS financial statements.

    ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

    iii. There were no amounts as at 31.03.2020 which were required to be transferred to the Investor Education and Protection Fund by the Company.

For Soni Gulati & Co.
Chartered Accountants
Firm Regn.No.008770N

Sd/-
(CA Suresh Chand Soni)
Partner
M No083106

Place: Shimla
Date: 31 /03/2022
UDIN22083106AGDIXT9455

Soni Gulati & Co.,
Chartered Accountants

ANNEXURE 1 TO THE AUDITORS' REPORT

Annexure referred to in our report of even date to the members of HIMACHAL PRADESH POWER CORPORATION LIMITED on the accounts for the year ended 31st March 2020.

(I) (a) The company has generally maintained proper records showing full particulars, including quantitative details and situation of its fixed assets. except that identification ,location etc need be mentioned.

(b) As explained to us all the assets were got physically verified by the management during the year under review. We were informed that no material discrepancies were noticed on such verification. However, verification reports of HO , Transit camp, Shongtong-Karcham HEP, Thana Plaun HEP, Renukaji Dam Project, Sainj HEP, Triveni Mahadev HEP and BeraDol Solar Power Project were shown to us, but no report of, land, plant machinery, stores & spares was shown to us.

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

(ii) The inventory of the company consisting of Capital Stores, stores, spare parts and other Items. We were informed that these have been physically verified by the management during the year under review. But no reports were made available to us.

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

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

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

(vi) The company has made and maintained cost accounts and records as specified by the Central Government under section 148 (1) of the Companies Act 2013. However, we have not made a detailed examination of these accounts and records with a view to determine whether they are accurate and complete. The companies cost accounting records has been audited by the Cost Auditors M/s Balwinder and Associates and they have submitted the report on 19/11/2020.

(vii) (a) The company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, value added tax, cess and other statutory dues applicable to it, and there are no undisputed dues outstanding as on 31st March 2019 for a period of more than six months from the date they became payable. However the Liability on account of Goods and Service Tax can not be quantified as GST audit is under progress till the finalisation of this report. We are informed that the provisions of Employees' State Insurance Act are not applicable to the company.

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

Sr No	Statue/ Act	Nature Due	Amount in lacs	Period	Forum Which Pending
1	Entry Tax	Interest	337.70	2010-15	Addl, Excise & Taxation Commissioner -cum- Applellate Authority
2	Entry Tax	Penalty	751.28	2010-15	Addl, Excise & Taxation Commissioner -cum- Applellate Authority
3	Provident Fund	PF Dues	189.26	2008-11	Central Government Industrial Tribunal Chandigarh
4	GST	GST	868.78	2017-18	Amount payable as per GSTR 9 C
5	GST	interest	333.64	2017-18	Amount payable as per GSTR 9 C
6	GST	GST	5.72	2018-19	Amount payable as per GSTR 9
7	Income Tax	Demand	146.28	2015-16	Appeal with CIT Solan
8	Service Tax		65.00		Sawra Kuddu
	Total		2,697.66		

The Amount of interest and penalty on the Entry Tax thereon due to Excise and taxation department has been settled under Legacy Cases Resolution Scheme by paying the Requisite Settlement Fees by the company

(viii) The Company has not defaulted any repayment of loans or borrowing to any financial institution or bank or dues to debenture holders. However, the Government of Himachal Pradesh has given the sanction to the deferment of repayment Loan and interest up to Jan 2017. No Deferment has been given by the State Govt after that and the request for the same has been given by the company for further deferment. and company has not paid the amount of instalment of loan and interest after January 2017 till the finalisation of the report. The State Government has given deferment for the year 2020-21 till 2021-22.

(ix) No money was raised by way of initial public offer or further public offer during the year. The amount raised by the term loans from the Government of Himachal Pradesh has been utilised for the purpose it was raised during the year under review. The company has raised CC limit of Rs 200 Lakh for working capital from KCCB, secured by charge on Plant & Machinery. However, we could not get any evidence of utilisation of limit so cannot comment ,whether it has been used for the intended purpose.

(x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information/ explanation given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we have been informed of any such cases by the management except in the year 2015 at Renukaji HEP and the same is pending with State Vigilance.

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

(xii) Company is not a Nidhi Company.

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

(xiv) As informed by the management, the company has not made any preferential allotment to private placement of shares or fully convertible debentures during the year under review.

(xv) As informed to us the company has not entered in to any non-cash transaction with directors or persons connected with him.

(xvi) Section 45-IA of the Reserve Bank of India Act, 1934 is not applicable to the company

For Soni Gulati & Co.
Chartered Accountants
Firm Regn.No.008770N

Sd/-
(CA Suresh Chand Soni)
Partner
M No083106

Place: Shimla
Date: 31 /03/2022
UDIN22083106AGDIXT9455

Soni Gulati & Co.
Chartered Accountants

ANNEXURE 2 TO THE AUDITORS' REPORT

Annexure referred to in our report of even date to the members of Himachal Pradesh Power Corporation Limited on the accounts for the year ended 31st March 2020

S. No.	Directions	Action Taken	Impact on financial statement
1	Whether the Company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the account salong with the financial implications, if any, may be stated.	According to the information and explanations given to us and based on our audit, the Company has a system in place to process the accounting transactions through MM Module, Project System, Human Capital Module and Financial and Controlling Module through IT system and for this purpose SAP-ERP has been implemented by the Company. Period end Financial Statements are compiled offline based on balances and transactions generated from such SAP-ERP system for the purpose of preparing The Accounting transactions for sale of power is not generated though Sales and distribution Module and being directly posted in FI Module.We have neither been informed nor have we come across during the course of our audit any accounting transactions which have been processed outside the IT system having impact on the integrity of the accounts. The company has maintained separate Data Centre but does not have Disaster Recovery Centre.Also ,the cost of land in balance sheet is different in SAP and balance sheet due to uploading of deposits with Court to Cost of land in Balance sheet.	NIL
2	Whether there is any restructuring of an existing loan or cases of waiver/write No such case come off of debts/loans/interest etc. made by a lender to the company due to the across during If yes, the financial impact may be stated. company's inability to repay the loan?	The State Government Loans has been restructured for repayment of loan and interest up to Jan 2017 till the year2018-19. The Company had requested the State Government for further deferment in the month of September 2020 . The State Government has deferred only the dues for the year FY 2020-21 till FY2021-22.	NIL
3	Whether funds received/receivable for specific schemes from Central/State agencies were properly accounted for/utilized as per its term and conditions? across during List the cases of deviation.	The Funds received for Renukaji Project and Gyspa Project has been properly accounted for except the interest earned on the short term deposit from the surplus fund has been accounted for as the income of	The Amount payable to the Central / state is understated to the extent of interest earned on the short term investment

S. No.	Directions	Action Taken	Impact on financial statement
		the corporation instead of the crediting the same to the amount payable to the central / State Government. Refer Para C 14(ii) of the main audit . No information in respect of interest earned on the short term investment has been provided to us.As there is significant difference in expenditure incurred as per last year report & this year report ,matter will be examined during next year audit at unit level	
4	Whether land acquisition is involved in setting up the new projects report whether settlement of dues done expeditiously and in transparent manner	The land has been acquired at Renukaji Dam. All the payments on account of settlement has been transferred to the LAO However a sum of Rs 188.49 crores has not been paid till the close of the year and provision for the same has been made in the books of accounts.Which has been reversed this year.	Rectified in current year accounts.
5	How much cost has been incurred on abandoned projects and of this how much cost has been written off	Reported by last year auditors ,the Corporation has abandoned the ,Tidong HEP and Sunni Project . The Amount incurred on Tidong project is being shown as recoverable from the Directorate of energy and the amount has not being written off by the Management. The Corporation has written off Rs 41.26 Lakh as amount recoverable from SJVNL on account of cost of the Sunni Project.	Nil
6	Indicate Whether the company has efficient system for monitoring and adjusting advances to contractors/ supplier. Highlight the Significant instances of failure of the System if any	The company has proper system of adjusting the advances to suppliers, except in following cases:- **1-Patel Engineering** Due to non completion of the percentage of the work completed by the Contractor **2-HCC Limited** Due court case involved **3 Costal Projects** Company in Liquidation at NCLT	Nil

Soni Gulati & Co.
Chartered Accountants

ANNEXURE 3

Report on the Internal Financial Controls under Clause (i) of Subsection 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **HIMACHAL PRADESH POWER CORPORATION LIMITED** ("the Company") as of 31 March 2020 in conjunction with our audit of the Stand alone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2020, except in the areas given below based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

However, company needs to further strengthen the in the control system in the following areas:

- Making preparation of financial statements on SAP instead of Excel sheets.
- Implementation and Compliance of Indian AS at unit level to ensure the compliance of the Indian AS on the company as a whole.
- Classification of account heads in SAP according to the disclosure and classification requirements of the Schedule II of the companies act 2013 and requirements of the Ind AS
- Harmonisation in creation of account heads at Corporate Level in relation to advances, liabilities and vendors according to the nature of expenditure so that no duplication of account code exits and only single account code is allotted to individual vendors in the company as a whole.
- Payment to contractors strictly on the basis of authorisation of the BOD.
- Option of marking of clearing entries in the SAP should be followed by all the accounting units in respect of current as well as old accounting entries.
- Scrutiny of old Earnest Money Deposits, security deposits. Retention money and other payables to contractors.
- Capitalisation of Capital Work in Progress in timely and efficient manner.
- Reconciliation of retro entries in SAP for CPT Module.
- Payment to Contractors of Additional Advance/ Advance Against Retention Money and its accounting treatment.
- Recovery of delay damages from the contractors and accounting thereof
- Provision of Expenses should be made on realistic basis and the payment in subsequent financial year should be adjusted from the provision only.
- Long Term Advances and Deposit Work should be regularly reviewed and accounted for where the significant work has been completed.
- Accounting of Provision is respect of doubtful advances and other recoverable.
- Review of Negative Balances in liabilities and assets heads.
- Accounting of EMD in the nature of FDR in the books of accounts.
- Recording of financial entries in foreign exchange also where the advances , retention money and suppliers dues are payable in other currency also.
- Investing of idle funds at HEP in SWEAP Bank accounts to earn bank interest .
- Reversing the Cheques/ Neft Entries for which the Limitation period is over.
- Accounting of Inventories in hand at project site at the close of the year.
- Liability on account of GST should be as per the requirements of the Goods and Service Tax Act.
- Accounting Staff/ Officers at Unit Level should be regularly trained in respect of the Indian Accounting Standards and other Accounting concepts and conventions while preparing the Financial Statements.
- Entry in SAP to be made only upon a transaction is executed not at the time supply order is placed ,as we have noticed such instance. This will reduce chances of expenses being booked twice.

We have considered the areas of improvement identified which needs further strengthening as reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2020Stand alone Financial statements of the Company. However, these areas of improvement do not affect our opinion on the Standalone Financial statements of the Company.

For Soni Gulati & Co
Chartered Accountants
Firm Regn.No.008770N

Sd/-
(CA Suresh Chand Soni)
Partner
M No 083106

Place: Shimla
Date:31/03/2022

REPLIES TO THE AUDITOR'S REPORT ON THE STANDALONE IND AS FINANCIAL STATEMENTS (ANNUAL ACCOUNTS) FOR THE F.Y. ENDED ON 31ST MARCH 2020

QUALIFIED OPINION

We have audited the accompanying Stand alone Ind AS financial statements of **HIMACHAL PRADESH POWER CORPORATION LIMITED** ("the Company"), which comprise the Standalone Balance Sheet as at 31st March, 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows, the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the Stand alone Ind AS financial statements").

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the ***Basis for Qualified Opinion*** section of our report the aforesaid Stand alone Ind AS 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 including the Ind AS, of the state of affairs (financial position) of the Company as at 31st March, 2020, and its profit/loss (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Basis for Qualified Opinion

We conducted our audit of the Stand alone financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Stand alone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the Stand alone financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the Stand alone financial statements.

Reply to the Statutory Audit Observations for F.Y. 2019-20

S. No.	Audit Observation	Replies
A	**Preparation of the Financial Statements** (i)As reported by previous auditors that supplementary information submitted by the units does tally with the approved financial statements submitted to us for audit. The Current and Non current classification details submitted by the units does tally with current and non current assets and liabilities depicted in the Financial statements ,however the same could not be verified by us for want of information. But no such supplementary information was submitted to us ,No units' financial statements were made available to us except one of Sawra Kuddu that too at the fag end. .The financial statements are prepared on excel sheets & not taken from SAP as the SAP software acquired is deficient in this respect. The details of vouchers in SAP were asked for but submission of such information was delayed /given late and incomplete. We were made different (altered) financial statements on different dates (thrice) after we discussed our observation these were claimed and certified as Board approved& changes were not explained .As SAP is updated ,we cannot verify the same. The following qualification by previous auditors remained unverified by us:	The difference was due to Current/ Non Current classification of closing Balances of Payables/ Receivables G/Ls as on 31.03.2019, required under Ind AS. Which was done on the basis of the position existing as on the date of finalisation of Balance Sheet (Annual Accounts) for submission in the ensuing BoD for approval i.e. on 10.06.2020. Whereas the auditor has taken the position of such payables /receivables as on the date of audit report submitted to management on 09.06.2021. Audit should have taken the position of payable and receivable as on 10.06.2020, as per Ind. AS 10, as no changes can be made in the Balance Sheet (Annual Accounts), once approved in the BoD Meeting, especially, in case of Govt. owned Companies. **In overall total of Balance Sheet was not affected.**

Balance Sheet

Amount in lacs

Particulars	Details Provided	Approved Financial	Difference
Property, Plant and Equipment	₹ 3,03,004.48	₹ 3,03,086.00	₹ - 81.52
Financial Assets			
Loans	₹ 151.62	₹ 147.72	₹ 3.91
Other non Current Assets	₹ 43,481.80	₹ 36,705.00	₹ 6,776.80
Inventories	₹ 68.71	₹ 74.00	₹ - 5.29
- Cash and Cash Equivalents	₹ 9,403.53	₹ 11,365.00	₹ - ,961.47
- Bank Balance other than above	₹ 11,670.06	₹ 9,709.00	₹ 1,961.06
- Loans	₹ 0.19	₹ 3.00	₹ - 2.81
- Other Assets	₹ 550.89	₹ 1,349.00	₹ - 798.11
OtherCurrent Assets	₹ 347.42	₹ 6,241.00	₹ - ,893.58
Financial Liabilities			
Borrowings	₹ 1,40,368.35	₹ 1,59,795.00	₹ 19,426.65
Other Financial Liabilities	₹ 6,143.56	₹ 10,993.00	₹ -4,849.44
Current Liabilities: Other Financial Liabilities	₹ 2,86,346.99	₹ 2,62,070.00	₹ 24,276.99

(ii) During the course of audit it has been observed that the figures depicted in the Statement of Profit and loss are not in agreement with the books of accounts.

Amount in lacs

Statement of Profit and Loss	Trail Balance	Approved Financial Statements	Difference
Employee Benefit Expense	₹ 1,393.71	₹ 1,565.00	₹ -171.29
Depreciation and Amortization Expense	₹ 10,653.93	₹ 10,670.00	₹ -16.07
Other Expenses	₹ 4,521.86	₹ 4,334.00	₹ 187.86

Schedules / Notes to Accounts at Sr. No. 2.30, 2.32 & 2.33, at Pages 24 to 26, have been drawn, based on the Final Trial Balance General Ledgers as at 31.03.2019. As this G/L needs to be further bifurcated into these three Groups, hence the required bifurcation has been done in excel manually, to draw these figures. **Overall variation in the Profit & Loss Account is NIL.**

iii) During the Course of audit it was observed that the cash flow statements submitted does not tally with the supplementary information submitted to us for audit. The following are the details of the same.

Amount in lacs

	As per Our Calculations	Approved Financial Statements	Difference
[illegible]			
[illegible]			
[illegible]	₹ [illegible]	₹ [illegible]	₹ [illegible]
[illegible]	₹ -34.96	₹ -40.00	₹ 5.04
[illegible]	₹ 12,988.04	₹ -	₹ 12,988.04
[illegible]			
[illegible]	₹ -34.96	₹ -40.00	₹ 5.04
[illegible]	₹ -4,288.51	₹ -10,707.00	₹ 6,418.49
[illegible]	₹ 14,798.83	₹ [illegible]	₹ -1,14,171.17
[illegible]			
[illegible]	₹ 47,255.72	₹ 55,869.00	₹ 8,613.28
[illegible]	₹ [illegible]	₹ 2,261.00	₹ [illegible]
[illegible]	₹ 1,918.00	₹ 2.00	₹ 1,916.00
[illegible]			
[illegible]	₹ 3,280.61	₹ -90,253.00	₹ 93,532.61
[illegible]	₹ -1,471.16	₹	₹ -1,471.16

In overall there is no variation. The cash flow statement has been prepared by netting cash inflows and cash outflows under same head. Whereas the audit has taken the figures of cash inflows and outflows separately, under some of the heads. However in future, industry practice shall be followed.

v) The Company has provided the unit wise Balance sheets for the purpose of audit however the previous years figure was not depicted in the unit wise balance sheets.

We cannot comment upon this as it could not be explained to us by the management. This year we were not made available unit wise balance sheets

The Consolidated Balance Sheet has been drawn on the basis of final Trial Balances of the Projects/Accounting Units. The Unit wise Balance Sheet contains the Opening as well as Closing Balances under each head, otherwise, Corporation's Balance Sheet consolidation would not have been possible.

B.	**Non-Compliance of Indian Accounting Standard (Ind As)** The Company has not complied with the following Indian Accounting Standards while preparing the financial statements: -	
	i) Indian Accounting Standard (Ind As 1) Preparation of Financial Statements The Para 15 of Ind As 1 Presentation of Financial Statements states that where Financial Statements comply with IND AS the company shall make an explicit and unreserved statement of such compliance in the notes. No Disclosure fo the same has been made in the note.	All out effort are being made to ensure compliance to all the applicable IND ASs.
	ii) Indian Accounting Standard (Ind AS) 20 Accounting for Government Grants and Disclosure of Government Assistance. The Company has been granted the deferment of repayment of principal payment and payment of interest till FY 2020-21 refer Note 2.21. The company must account for the interest payable on such deferment till the close of the year at market rate as grant from the government and has to be accounted for as the addition to cost and the same has also to be shown as addition of grant. No such interest has been accounted for by the company till the close of the year as per para 10 A of the IND AS. In the absence of the information we are unable to comment on same.	As deferment of repayment of Loan & Interest was not allowed by GoHP on the date of finalisation of annual accounts as on 18.03.2021. hence no such benefit accrued to the Corporation. Therefore, the compliance to this Ind AS is not required.
	iii) Indian Accounting Standard (Ind AS) 19 Employees Benefits The para 55 to 62 of the Indian accounting standard is applicable to the company in respect of the **Post Employment Benefit:** Defined Benefit Plans which requires that actuarial valuation of the liability of employees defined benefit plan has to be made at the end of the year and same has to be accounted for on in the books of accounts. The Company has not accounted for the liability on the basis of the actuarial valuation and only actual liability has been provided. In the absence of the information we are unable to comment on the impact of the same on the Balance Sheet at the close of the year.	Compliance to this Ind AS, has been made in the F.Y. 2020-21.
	iv) Indian Accounting Standard (Ind AS) 37 Provisions, Contingent Liabilities and Contingent Assets: The Company has disclosed the provisions contingent liabilities and contingent assets only up to the date when the accounts has been approved by the BOD. No Disclosures of Provisions, contingent liabilities and contingent Assets after the accounts approved by the BOD and till the date of finalisation of this report is considered in these financial statements.	The compliance to this Ind AS, where ever required, has been made.

	v) Indian Accounting Standard (Ind AS) 10 Events After the Reporting Period The financial Statements for the year under review are provided to us on 19thJune 2021 which was approved by the BOD on 18th March, 2021. The financial statements are not adjusted for the events occurred between the Balance sheet date both favourable and unfavourable till date of the finalisation of this report.	The version of the audit in the para is that the events (both favourable and unfavourable), which occurred between the date of approval of Balance sheet by BoD and till the date of finalisation of audit report are to be adjusted in the Financial Statements. **Whereas, as per Ind AS 10, the events occurring after the reporting period are those events, (favorable and unfavorable), that occur between the end of the reporting Period (means end of the F.Y. i.e. 31.03.2019) and the date when the financial statements are approved by the BoD on 10.06.2020, and not as on the date of Audit Report.** The compliance to this Ind AS, wherever required have been ensured.
	vi) Indian Accounting Standard (Ind AS) 113 Fair Value Measurement The Company has not made Fair Value of the assets and Liabilities as on 31st March 2020, (**Refer** Note No 2.46). The same is not in line with the IND as 113 Fair Value Measurement which is mandatory applicable to the company.	The Company had adopted the carrying cost / value of all liabilities and assets as on 1st April 2015 and also on 1st April 2020, as the fair value of the assets and liabilities cannot be measured accurately due to the uncertainty associated with the maturity dates of such assets and liabilities, being linked to completion of assets / commissioning of the projects. Further, the exact date of completion of assets / commissioning of the projects can't be predicted due to various internal/external factors. Hence Fair Value of the assets and Liabilities can't be done.
	vii) Indian Accounting Standard (Ind AS) 109 Financial Instruments The Company has not applied the Ind As 109 while disclosing the Government Loan in the financial statements below market rate interest and its impact on the profit and loss and Balance sheet has not been disclosed in the financial statements.	This shall be complied from the F.Y. 2021-22.
	viii) Indian Accounting Standard (Ind AS) 12 Income Tax The Company has not followed the IND as in respect of Income tax for calculating the deferred tax assets and Liabilities and its accounting in the books of accounts. The same is also not in line with note no 1.22 of the significant accounting policies adopted by the company. No information in respect of the same has been provided to us. In the absence of the information we are unable to comment on the impact of the same on the Balance Sheet at the close of the year.	This shall be complied from the F.Y. 2021-22.
	ix) Indian Accounting Standard (Ind AS) 8 Accounting Policies, Changes in Accounting in Accounting Estimates and Errors As reported by previous auditors, the Company has not applied the Ind As 8 in relation to accounting of the Prior Period Adjustments of errors while preparing the Financial Statements as stated in the para 1.25 of the Significant Accounting Policies of the company.	This shall be complied from the F.Y. 2021-22.

C 1	**Observations on the Financial Statements** **Property Plant and Equipment Note 2.1** i) We invite attention to Note No 2.55 wherein it is stated that the Company is in possession of forest land at, Sainj HEP, Shongtong HEP, and Sawra Kuddu and no provision has been made as the amount of lease has not been ascertained. In the absence of information, we are unable to comment on the same. This observation was also reported in previous year report.	The process of signing the Lease Deeds is in progress. However, the provision for the same has been booked on 31.03.2022.
	ii) We Invite attention to Note no 2.64 where in the company has not accounted for the cost of the Land and Buildings of HPSEB Limited amounting to Rs Rs. 4,599 lakhs. In our Opinion the Property Plant and Equipment are understated to the extent of above and correspondingly the other Current Financial Liabilities are also understated to the extent of above. The Sainj HEP has entered into agreement to lease out the land from the above land in possession to AFCONS Infrastructure Limited Lease agreement in the month of September 2019 for four years	The properties are in the possession of the Company by default. No final decision on purchasing of cited land has been taken yet at competent authority level and sale deeds are also not executed between both the parties so far. Hence no provision for the liability in the Books of Accounts has been created.
	iii) Reported by previous auditors the Renukaji HEP has accounted for Rs 31,911 Lakh on account of compensation paid for the land. The Himachal Pradesh Electricity Regulatory Commission Hydro Generation Tariff Regulation has provided that the Depreciation @ 3.34% is leviable on submerged Land. The HP CAG issued comment on the same in the Supplementary audit for the year 2016-17 The Company has not Charged the depreciation as per the comment issued by the CAG. Thus the company has not charged depreciation for the 2016-17 and 2017-18 amounting to Rs 3,300 lakhs (previous year Rs 2,200 lakhs during the year under review. In our opinion the Property Plant and Equipment is over stated and Capital work in Progress in understated to that extant. This could not be explained to us by the management. As per management no depreciation is chargeable on freehold land as required by HPERC & CERC.	As per HPERC Notification No. HPERC/SLDC/479: regulations Part V, dated 01.04.2011, vide Section 22, Clause 4 "Depreciation shall be calculated annually, based on the Straight Line Method and at the rates specified in Appendix-II, to these regulations. The Value base for the purpose of depreciation shall be original cost of the asset. Land is not a depreciable asset and its cost shall be excluded while computing 90% of the original cost of the asset." and as per Appendix II, Regulation 22, Depreciation Schedule, Land owned under full ownership is 0.00%. In this respect the CERC Regulations No.L-1/144/2013/CERC dated 21.02.2014, related to (Terms and Conditions of Tariff), may also be referred please. At Renukaji HEP, HPPCL has acquired/purchased 947.57 Hectares private land and has full ownership. Hence, it is opined that no depreciation is applicable on this land. As far as depreciation @ 3.34% is concerned, it is applicable in case of Land under lease for (a) Investment in land and (b) for cost of clearing site. Further, if the depreciation @ 3.34% under straight line method is to be charged on the submerged land (both under full ownership and under leasehold), in this context, it is submitted that, it is not clear whether depreciation is to be charged from the date of purchase/diversion of such lands or from the date when it will be submerged i.e. from date of

		commissioning of the project. It is, further informed that the cost of land which shall get submerged was not finalised/ceased till the finalisation of the Annual Accounts, due to pending enhancement related litigations before the Hon'ble Court.
	(iv) The Renukaji HEP has paid Rs. 5,364 Lakhs on account of compensation paid for trees and Structures. The CAG in their supplementary audit report for the year 2016-17 has commented that Rs. 785 Lakh has been less charged on the above and the Property Plant and Equipment is overstated to the extant of above and Capital Work in progress is understated to that extent. The Company has not accounted for the same in the financial statements and no further details has been provided in respect of depreciation to be charged on the above. The Qualification of the CAG for the year 2016-17 has been considered in this report	In this regard it is submitted that the trees and structures are also part of land purchased/acquired by HPPCL and as per abovementioned HPERC Notification No. HPERC/SLDC/479 :- regulations Part V, Section 22, Clause 4 the depreciation is not applicable for the compensation paid.
	(v) The Kashang unit has booked the cost of the training expenses to the cost of the E and M works amounting to Rs.68.91Lakh. The training expenses paid after the start of the commercial operations has to be charged to the Revenue Expenditure as the expenditure has not been incurred to bringing the assets to the working condition. Thus the E and M Works are overstated by Rs.68.91Lakh during the year under review expenditure are understated to that	The cost of training expenses which were earlier charged to E&M works during the year under review amounting to Rs. 68.91 Lakhs, has now been rectified/reversed and charged to revenue expenditure during the F.Y 2020-21.
2.	**Capital Work in Progress 2.2** (I) We invite attention to Note No 2.70 where in it is stated that the Court case has been filed by the Toss Mini Hydel Project in the Hon'ble High Court of Himachal Pradesh against the Government of Himachal Pradesh. The matter is still under litigation and may have impact on the Development of the Project.	Statement of fact. No comments required.
	(ii) The Sainj Unit has paid Entry Tax amounting to Rs. 544 lakhs from September 2010 to December 2016 to HCC Limited. As per the Himachal Pradesh Entry Act 2010 the dealer paying the entry tax is entitled to take the credit of the entry tax and adjust the same with the Vat Liability of the Dealer which the dealer has claimed in the Vat return filed by the contractor to the concerned Assessing Authorities. Thus, the dealer was not entitled to claim the entry tax which was adjusted by dealer towards its Vat Liability. Thus CWIP Project Electro Mechanical works is overstated to the extent of Rs. 544 lakhs and other current assets are understated to that extent. The HCC has gone into court case and the amount is of non recoverable nature as the amount is not recovered till date.. Thus provision for the same is required and provisions are understated to the extent of above.No action has been taken by the management although reported by previous year auditors	It shall be shown as recoverable from the contractor and accordingly the asset value shall be reduced, hence it is a transaction of capital nature and does not affect Profit & Loss account. Further this amount shall be recovered from the dues payable to the contractor on final settlement of payables & receivables of the contractor, as the final settlement is still pending.
	(iii) Reported by previous auditors the Kashang Unit has charged interest paid on PFC loan of Rs. 3,000 lakhs transferred from HPSEB at the time of transfer of assets and liabilities from the HPSEB of the Kashang Unit to the Expenditure Under Construction. It has been observed that at the time of transfer of assets from Kashang Unit from HPSEB a sum of Rs. 1,392 lakhs has	During the investigation stage, the Kashang HEP Stage-I (65MW) was under the administrative control of the HPSEB Limited. The loan agreement worth Rs 200.00 Crores was executed between

	been used for construction of Transmission Lines at Kashang HEP. During the year 2010-11 the Kashang unit has transferred all cost of the Transmission Lines amounting to Rs. 6,585 lakhs back to the HPSEB Limited. Further it has been observed that at the time of transfer of transmission lines the loan component of the PFC utilised on the construction of Transmission lines has not been transferred to the HPSEB Limited and further a sum of Rs. 871 lakhs has been paid as interest on the above loan by the company till 31st March 2017 to the PFC. Thus, a sum of Rs. 871 Lakhs is recoverable from HPSEB Limited on account interest paid to PFC on transmission lines transferred back to HPSEB. In our opinion Property Plant and Equipment are overstated to the extent of Rs. 871 Lakhs and the other current assets are understated to the extent of above. The observation is continuing since 2016-17 and the amount is not recovered till date hence a provision for the same is required. Thus expenditure is understated to the extent of above	HPSEB Limited and Power Finance Corporation Limited (PFC) for the execution civil and transmission work of the Kashang HEP Stage-I (65 MW) and the PFC released Rs 30.00 Crores during the FY 2003-04 as advance/ revolving fund to HPSEB Limited. Later on the project was transferred to HPPCL and assets and liabilities were taken over by HPPCL from KKPCL/HPSEBL along with the loan from PFC as per figures reconciled with HPSEB on 08.11.2012. The summary of the same is as under:- Total Expenditure incurred by HPSEB on Kashang HEP Rs 15094.36 Lakhs Less: Expenses on Transmission Line of IKHEP Rs. 6585.48.Lakhs Net Assets Taken over by HPPCL Rs. 8508.88 Lakhs Less Loan Taken over (2850+848.70) by HPPCL Rs. 3698.70 Lakhs Net Amount Payable to HPSEBL Rs. 4810.18 Lakhs. Hence, the Transmission Line 200KV DC from Kashang to Nathpa was not taken over by HPPCL, however the outstanding loan of PFC was taken over by HPPCL at the time of merger, which was further adjusted at the time of issue of equity shares to HPSEB Limited. Therefore, the liability of loan of PFC and interest accrued thereon after the merger was to be borne by the HPPCL. However, an amount of Rs. 8.72 crore payable to HPPTCL has been kept withheld.
	(iv) Apportionment of Corporate and SunderNagar (Design Wing) Expenses to Renukaji Project Reported by previous auditors the Company has apportioned 15 % of the total expenditure of Corporate Office and Sunder Nagar design office to Renukaji Project vide Managing Directors Office Order Note dated 10/11/2017 during the year under 2016-17. It has been observed that during previous year for Renukaji HEP where only expenditure of 5% of the total cost of the Fixed Assets and CWIP has been incurred by the company till the close of the year on the project ,15 % of the total expenditure of Corporate Office and Sunder Nagar and rest has been allocated to the other units in the proportion of capital expenditure incurred by the remaining units. The above apportionment ratio has not been approved by the Board of Directors of the company. The allocation percentage and ratio adopted by the company is also not in compliance to accounting policy of the company mentioned at Note no 1.6 (g) The Company has provided no justification for approving the percentage of 15 % for allocation of corporate office and Sunder Nagar expenditure to Renukaji HEP.	This has been done as per the decision of the Management which was based on the actual proportionate expenditure being incurred on Renukaji DAM by Corporate Office & Design Wing Sunder Nagar.

The Company has charged the following expenditure to the Renukaji till 31st March 2018 and the same has already been reported by us in the statutory audit reports for the year 2016-17 and 2017-18. The following are the details of the same.

Expenditure	Amount	Statutory Audit Report
up to 2016 -17	1,948.00	2016 -17
2017 -18	194.00	2017 -18
	₹ 2,142.00	

In our opinion the apportionment of expenditure to renukaji @ 15 % is not justifiable and thus Rs. 2142Lakhs(Previous Year Rs. 1,948 Lakh) has been excess allocated during the year 2016-2017 to the renukaji and same has been less allocated to other units. .

This has resulted in less apportionment of the expenditure to the generating unit i.e. Kashang Stage I and Sainj HEP and may affect the depreciation charged during the year by the Kashang Stage I and Sainj HEP. In the absence of the information we are not able to comment on the less amount of depreciation charged after COD period by the Kashang Stage I and Sainj HEP

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

Appropriations made up to 03rd January 2019

Name of the Project	CWIP plus Fixed Assets(less land Cost	Percentage of Total Cost	Cost to be Allocated	Cost Allocated	Variance
Sewra Kuddu	1,49,140.59	55.32	837.84	739.80	98.04
Renukaji	13,117.81	4.87	73.69	242.28	168.59
Shongtong	74,059.13	27.47	416.05	367.36	48.68
Chirgaon Majhgaon	1,057.14	0.39	5.94	5.24	0.69
Triveni Mahadev	640.78	0.24	3.60	3.18	0.42
Thana Plaun	2,451.53	0.91	13.77	12.16	1.61
Nakhtan	2,149.30	0.80	12.07	10.66	1.41
GyspaDam	1,034.94	0.38	5.81	5.13	0.68
Surgani Sundla	1,455.08	0.54	8.17	7.22	0.96
Deothal Chanju	485.76	0.18	2.73	2.41	0.32
ChanjuIII	1,016.54	0.38	5.71	5.04	0.67
Berra Dol	3,135.28	1.16	17.61	15.55	2.06
KashangII	19,837.56	7.36	111.44	98.40	13.04
Total	2,69,581.43	100.00	1,514.45	1,514.45	0.00

Appropriations made after 03rd January 2019 .prepared to change this practice.The same practice has been followed during 2019-20 also. The Management is not ready to change this practice.

Name of the Project	CWIP plus Fixed Assets(less land Cost	Percentage of Total Cost	Cost to be Allocated	Cost Allocated	Variance
Sewra Kuddu	1,45,844.26	56.90	268.69	238.51	30.18
Renukaji	13,966.20	5.45	25.73	75.88	-50.15
Shongtong	69,372.26	27.07	127.80	113.45	14.35
Chirgaon Majhgaon	1,057.13	0.41	1.95	1.73	0.22
Triveni Mahadev	640.69	0.25	1.18	1.05	0.13
Thana Plaun	2,172.13	0.85	4.00	3.55	0.45
Nakhtan	2,070.71	0.81	1.81	1.39	0.43
Gyspa Dam	1,022.15	0.40	1.88	1.67	0.21
Surgani Sundla	1,090.39	0.43	2.01	1.78	0.23
Deothal Chanju	435.72	0.17	0.80	0.71	0.09
Chanju III	896.63	0.35	1.65	1.47	0.19
KashangII	17,734.16	6.92	32.67	29.00	3.67
Bara-Khmba	2.94	0.00	0.01	0.00	0.00
Algore Project	1.09	0.00	0.00	0.00	0.00
Total	2,56,306.44	100.00	472.19	472.19	-0.00

In our opinion the apportionment of expenditure to renukaji @ 15 % is not justifiable and thus Rs. 219 Lakhs has been excess allocated during the year 2018-2019 to the renukaji and same has been less allocated to other units. This has resulted in less apportionment of the expenditure to the generating unit i.e. Kashang Stage I and Sainj HEP and may affect the depreciation charged during the year by the Kashang Stage I and Sainj HEP. In

	the absence of the information we are not able to comment on the less amount of depreciation charged after COD period by the Kashang Stage I and Sainj HEP We Would further like to submit that no confirmations from the participating states and the central government has been provided to us for the inclusion of above expenditure towards the cost of the Project. In the absence of confirmations we are unable comment on the recoverability of the expenditure from the participating states and central government.	
3	**Non-Current Investment Note 2.5** (I) We invite attention to Note No.2.45(I)., the Company has made an investment of Rs. 337.50 Lac (previous year Rs.. 337.50 Lakhs) in the equity of Himachal EMTA Power Limited (HEPL) which has been established as Company's joint venture with EMTA for setting up a (2*250 MW) thermal power plant. The Company has 50% equity participation in HEPL. The Government of India has allotted coal block to Himachal EMTA Power Limited and JSW Steal Limited for which another Joint Venture has been made in the Name of Gourangdih Coal Limited. *"The Hon'ble Supreme Court of India (SC) on 25/08/2014 and 24/09/2014 ordered that the allotment of the coal block made by the screening committee of the Government of India through the government dispensation route are arbitrary and illegal thus the Gouragdih Coal Block allotted to Himachal EMTA Power Limited and JSW Steel Limited has been cancelled."*	Statement of facts, requires no comments.
	(ii) The Company has made provision for doubtful investments amounting to Rs. 337.50 lakhs in the books of accounts.	Statement of facts, requires no comments.
	(iii) The company Independent auditors of Gourangdih Coal Limited raised concern in respect of preparing the Financial Statements on the basis of Going **Concern Concept and under Historical Cost Convention** due to deallocation of the Coal Blocks by the decision of the Supreme Court during the year under review.	Statement of facts, requires no comments.
	(iv) We invite attention to note 2.75 where in the Enforcement Directorate has attached the assets of the Himachal EMTA Private Limited amounting to Rs. 259 Lakh. The Directors report of the Himachal EMTA Limited for the year 2018-19 stated that the CBI has filed charge Sheet accussing the two Directors of the company Sh Ujjal Kumar Upadhaya and Sh Bikas Mukherji in the matter pertaining to the allocation of Gourangdih ABC coal Block by misrepresentation of facts. The ED on the basis of the Charge sheet filed has attached the assets of the Gourangdh Coal Limited considering them to be proceeds of crime under Prevention of money Laundering Act 2002.At present the case is pending with the Supreme court of India against the attachment order. No Disclosure of the same has been made in the notes to accounts	Statement of facts, requires no comments.

4	**Other Non-Current Financial Assets Note 2.10** (i) The Chirgaon Unit is showing a sum of Rs 5 Lakhs as amount paid to LAO for purchase of land. The accounting unit was transferred from erstwhile Board (HPSEB). The payment was made by the LAO of the HPSEB and the land is in the name of HPSEB. The unit was transferred from the erstwhile HPSEB and the advance account of the LAO is being carried forward by the unit as advance and the land is in the possession of the Corporation. The Unit has not changed the name of the ownership of the corporation in the revenue records nor has adjusted the advance account. In our opinion the company is entitled for title of the land once the award has been ordered by the LAO and land legally vests with the company. Thus, Other Non-Current Financial Assets are overstated to the extent of above and correspondingly the Property Plant and Equipment is understated to the extent of above.	Statement of facts, requires no comments.
	(ii) The Shongtong HEP, has paid Rs 44.06 Lakhs (previous year Rs 44.07 Lakhs) to land owners for acquisition of land measuring 0.1702 hectare, for the project, at the time of mutation it is found that the same land was already acquired by HPPWD. The amount is doubtful for recovery as the amount has not been recovered from the land owners and a provision for the same is required. In our opinion Other Non-Current Financial Assets is overstated to the extent of above and consequently the expenditure is understated to the extent of above	The amount paid is being recovered from the welfare grants and R&R benefits accruing to land holders against the Welfare and R&R Schemes. An amount of Rs. 2,97,565/- was recovered / adjusted against the welfare grants payable to the land owners as on 31.03.2022 and an amount of Rs. 9,46,800/- was recovered on 27.06.2022 and as on date Rs. 33,54,520/- stands recoverable from the parties.
	(iii) (a) We invite attention to Note No 2.67 where in it is stated that the amount recoverable from contractors includes a sum of Rs. 11183 lakhs (previous year Rs. 11214 lakhs) recoverable from Coastal Projects on account of risk and cost. The contract with the contractor was terminated in the year 2013 and the same was awarded to M/s HCC Limited The amount paid to HCC Limited on account extra cost has been shown as recoverable from Coastal Projects. The amount is doubtful of recovery from the Coastal Projects as there is no agreement with the party to recover the money as the contract with the party has already been terminated since 2013. The Company has gone into liquidation as the lender banks of the contractor has filed liquidation petition with NCLT and the amount is doubtful of recovery. The Management has informed the previous auditors through a letter from the Director Finance dated 9th June 2021 that in case of non recovery of the amount from the contractor the same will be charged to the cost of the " Main Civil Works" after obtaining the necessary approval from the Board of Directors. We suggest that the Management should take approval from the BOD regarding charging of the amount recoverable from the contractor to the " Main Civil works" in case of the non recovery of the amount due from the contractor at subsequent Board Meeting. The same is required as per the requirement of IND AS so that the above cost will become part of the **cost to bring the assets to location and condition necessary for it to be capable of operating in the manner intended by the Management.**	The recoverable amount is covered under the claim raised by HPPCL of Rs. 33499 Lakhs and till the final outcome from the NCLT. An amount of Rs.129.26 crore is shown under provision for doubtful debts. The current recoverable amount against such risk & cost as on 31.03.2022 is Rs. 129.26 crore.

	The company is not the secured creditors of the Coastal Projects and the company has not shown to our verification any documents in support of their claim that the amount recoverable from the coastal projects are fully secured and there is full probability that the amount will be fully recovered in the near future. In our opinion as the amount is doubt full of recovery necessary provision should be made in the books of accounts. Thus, Other Non-Current Financial Assets are overstated to the extent of above and Capital work in progress are understated to the extent of above.	
	(b) Reported by previous auditors .the unit has not charged the GST on the amount of the amount of Rs. 3,287 Lakh charged to the Coastal Projects on account of Risk and Award Cost charged to the contractor. Thus GST amounting to Rs. 592 Lakh has not been charged on the above on account of reimbursement of expenses and liability is understated to the extent of above.	As the amount recoverable is contingent, no GST has been levied on it. Further the GST, if leviable, shall be recovered from M/s Coastal Projects, hence is not Corporations expense. Further being part of the capital expenditure, if the amount charged to M/s Coastal Projects, does not realise, the same shall be capitalised.
	(c) The Company has debited the amount of service tax payable by the company amounting to Rs. 65.30 Lakh to the service tax authorities and the same has been paid by the company in its own service tax number under the Viswas se Vivad Scheme. The Liability of payment of the service tax was of the company in the pre GST period which was Charged from the HCC on account of Rent Charges of use of Machinery of the Coastal Projects by the HCC. The Amount was credited to the Costal Projects without depositing the service tax from the rent credited to the Coastal Projects. Thus the services are covered Under Principal agent relationship and GST has to be charged on the same and a sum of Rs. 11.70 Lakh is to be paid as GST on the above. The Liability is understated to the extent of above.	Same as above.
	d) Further the Company has filed a claim of Rs. 40,736.90 Lakhs inclusive of interest with the NCLT against the Coastal Projects Limited as the contractor company has gone into liquidation which is in the nature of Contingent Assets and same has been disclosed as Contingent Assets as per Note 2.37. The Official Liquidator has not accepted the claim of the company stating the reason that the matter is pending with the Hon'ble High Court of Himachal Pradesh.	This observation has been settled subsequently in the supplementary Audit by the C & AG.
	(iv) We invite attention to Note No 2.61 where in it is stated that the company has not made a provision for Rs. 103.24 lakhs (Previous Year Rs.103.24 Lakhs) recoverable from Gammon India since 2013 through Directorate of Energy. The amount has to be recovered along with interest of 10 % per annum. The amount has not been recovered till the date of audit and the same is doubtful of recovery hence provision for doubtful advance is required. In our opinion the Non-Current Financial Assets are overstated to the extent of above and Expenditure are understated to the extent of above.	The amount shown as recoverable can't be declared as doubtful as the Directorate of Energy is rigorously pursuing the matter with proponent vide latest letter dt. 10.06.2022 for re-imbursing the amount to HPPCL.

	(v) The Renukaji HEP has deposited Rs. 186.42 Lakh with HPSEB for deposit work. The HPSEB has fully utilised the advance and given the Utilisation certificate to the company. However the company has not capitalised the assets. In our opinion the other Non-Current Financial Assets are overstated to the extent of above and Capital work in progress is understated to the extent of above.	Against the total advance of Rs. Rs.186.42 Lacs, (given in two instalments) to HPSEBL, for laying construction power and transmission lines, has been fully utilised by the HPSEBL for various works assigned to them, as per the Utilisation Certificate submitted to that effect by HPSEBL. Adjustment of advance is pending in Books of Accounts due to works executed are still being verified by project authorities (as intimated vide UC).The assets will be capitalized after the verification from HPSEBL.
	vi) Grant Receivable : In case of Gyspa HEP ,we invite attention to Note No 2.63 where in it is stated that company is showing Rs. 608 lakhs (previous year Rs. 608 lakhs) as recoverable grant from the Central Government on account DPR and Investigation Expenses. The Government of India has approved Rs. 1,250 Lakhs for survey and investigation of the project and paid Rs. 500 Lakhs as advance and the rest of the amount is to be paid on the submission of the DPR. The work of the DPR is not completed since 2012 due to sustained opposition to the project by local people. The Central Government has stayed the further payment of the grant until the submission of the DPR. The grant recoverable shown is not as per para 7 and 8 of the Indian Accounting Standard (Ind as) 20 **Accounting for Government Grants and Disclosures thereof** which states that: - **7 Government grants, including non-monetary grants at fair value, shall not be recognised until there is reasonable assurance that:** **(a) the entity will comply with the conditions attaching to them; and** **(b) the grants will be received.** **8 A government grant is not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the entity will comply with conditions attaching to it , and that the grant will be received .Receipt of a grant does not of itself provide conclusive evidence that the conditions attaching to the grant have been or will be fulfilled."** The grant recoverable is not as per the applicable IND as 20 and the contention of the company is that as the project is of National importance and the concerned ministry is continuously pursuing the matter with the State Government and directing the company to take appropriate action to resolve the issue with the affected families so that the survey investigation work may be completed at the earliest. In our opinion the continuous monitoring of the project by the ministry and the Central Government and further directions to resolve the issue with effected families at the earliest is a sufficient compliance for the condition attached to the grant as per the requirement of IND as 20.	Statement of facts, requires no comments.

<table>
<tr>
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<td>(vii) The Shongtong unit is showing following advances to the contractors the recoverability of the same is dependent on the completion of the project and the same has not been discounted and shown as per the fair value as required by IND AS 113. In the absence of information, we are unable to comment on the same (Please also refer Note 2.46). The following are details of the advances

Rupees in Lacs
<table>
<tr><th></th><th></th><th colspan="2">Current Year</th><th colspan="2">Previous Year</th></tr>
<tr><td></td><td>Contractor</td><td colspan="2">Amount</td><td colspan="2">Amount</td></tr>
<tr><td>1</td><td>Patel Engineering Ltd.</td><td>₹</td><td>4,852.00</td><td>₹</td><td>5,146.00</td></tr>
<tr><td>2</td><td>Andtriz Hydro Pvt. Ltd.</td><td>₹</td><td>1,789.00</td><td>₹</td><td>2,605.00</td></tr>
<tr><td></td><td></td><td>₹</td><td>6,641.00</td><td>₹</td><td>7,751.00</td></tr>
</table>
</td>
<td>The recovery of Mobilization advance as per contract agreement PCC Clause No. 14.2, wherein deduction of mobilization advance started from the IPC following the total of all IPC certified to contractor has reached to 30% of the Contractor price as such the amount of Rs. 1696.61 Lakh on a/c of Mobilization advance is recovered from M/s PEL on 31.03.2022. The balance payment will be recovered from the subsequent IPCs till the complete recovery, which shall be completely repaid prior to time when 90% of the contract price has been certified for payment.
The advance given to M/s AHPL is adjusted/ recovered from the invoices. An amount of Rs. 2189.03 Lakh on a/c of Mobilization advance is recovered from M/s AHPL upto 31.03.2022. The balance amount Rs. 1381.09 will be recovered / adjusted as and when invoices of works executed are certified for payment to the contractor. Discounting can't be done at this stage as the actual date of 90% o the work execution is not ascertainable.</td>
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<td>(viii) The Shongtong unit has given advance ofRs.20 Lakh (Previous Year Rs. 70 lakhs) to IPH Khwangi for irrigation scheme and the same has not been charged to expenditure during construction. In our opinion the Non-Current Financial Assets are overstated to the extent of above and CWIP are understated to the extent of above.</td>
<td>At present an amount of Rs. 20 lakh stands as balance amount of advance to IPH and efforts are being made to obtain the UC. As the work is still being executed, hence advance can't be settled at this stage.</td>
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<td>(ix) The Shongtong unit is showing advance of Rs. 35.49 Lakh (Previous Year Rs. 154 lakhs) to HPSEB as on 31st March 2020 and as the advance will not be recovered from the agencies and assets are being used by the corporation the same should be capitalised. In our opinion the Non-Current Financial Assets are overstated to the extent of Rs. 35.49 lakhs and CWIP are understated to the extent of above.</td>
<td>Out of Rs. 35.49 Lakh, Rs. 10,73,470/- has been adjusted as on 31/3/2022 and out of the balance amount Rs.24,75,690/- UC of Rs.21,57,840/- has been received. Thus after receiving the UC of complete/balance amount, advance shall be fully adjusted in the FY 2022-23.</td>
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<td>x) The Sawra Kuddu HEP is showing a sum of Rs. 485 lakhs (Rs. 714 lakhs) as Deposit Work Paid which has not been capitalised for want of utilisation certificates from the executing agencies. As the advance will not be recovered from the agencies and assets are being used by the corporation the same should be capitalised. In our opinion the Non-Current Financial Assets are overstated to the extent of Rs. 485 lakhs and CWIP are understated to the extent of above</td>
<td>The said deposit work has been capitalized and Rs. 86,463/- only remains outstanding for the want of UC and will be adjusted in the FY 2022-23.</td>
</tr>
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<td>(xi) The Chanju III has not capitalised the advance to HPPTCL for design and survey work amounting to Rs. 17 lakhs for want of utilisation certificate.</td>
<td>100 % advance payment against the deposit work for carrying out preliminary/ detailed survey alongwith preparation of Forest clearance cases and PTCC cases for the construction of 132KV D/C</td>
</tr>
</table>

		Transmission lines from Chanju-III HEP to Chanju–I in district Chamba of H.P. Work is in progress and advance issued to HPPTCL will be adjusted only after the completion of the work.
	(xii) The Deothal Chanju has not capitalised the advance to HPPTCL for design and survey work amounting to Rs 13.00 lakhs for want of utilisation certificate.	100 % advance payment against the deposit work for carrying out preliminary/ detailed survey alongwith preparation of Forest clearance cases and PTCC cases for the construction of 132KV D/C Transmission lines from Chanju-III HEP to Chanju–I in district Chamba of H.P. Work is in progress and advance issued to HPPTCL will be adjusted only after the completion of the work.
	(xiii) The Sainj unit has paid Rs. 50 Lakh to HP Fisheries Department but the expenditure has not been booked. The Advance is not of recoverable nature and should have been capitalised .Thus the Other Non Current Assets are overstated to the extant of above. Utilisation certificate received on 17/07/2021.	The advance has already been settled as per the Utilisation certificate received.
	(xiv) The Sainj unit has paid Rs. 10 Lakh to State Pollution Department but the expenditure has not been booked. The Advance is not of recoverable nature and should have been capitalised .Thus the Other Non Current Assets are overstated to the extant of above.	HPSPCB has submitted the utilization certificate (UC) and now UC for an amount of Rs. 3,624/- is required, which will be utilized in the FY 2022-23
	(xv) The Sainj unit has shownRs. 9 Lakh as recoverable from DOE on account of LADF charges paid on Infirm Power. The amount is not recovered till date and provision for the same is required. Thus the Other Non Current Assets are overstated to the extant of above and expenditure is understated to that extant.	Necessary correspondence in this respect is being done with Directorate of Energy. The amount shall be settled accordingly. Further the amount pertains to infirm sale and shall affect the capital value of assets, hence does not affect Profit & Loss Account.
	(xvi) The Sainj unit has shown Rs. 131Lakh(Previous year Rs.71 Lakh) as interest recoverable from HCC on account of advance given against retention money . The Party has not repaid the amount of advance and nor the interest on the same has been paid back hence provision for the same is required. Thus the Other Non Current Assets are overstated to the extant of above and expenditure is understated to that extant.	The amount stands recovered from the contractor as on 01.03.2022 and now only Rs. 6.63 lakhs stands recoverable.
	(xvii) The Sainj unit has booked advance to HPSEB amounting to Rs. 5.29 Lakh which is of non recoverable nature and should have been charged to the CWIP. Thus Current advances has been overstated to the extant of above as the amount has not been recovered and adjusted till date.	Sr. Executive Engineer Division HPSEBL, Thalout has been requested to submit the utilization certificate of deposited fund (Rs. 5.29 Lakh Only) vide this office letter No. HPPCL/SHEP/SM(B/HM)/Gen/2020-21-338-339 dated 11.09.2020 followed by a reminder of even No. 458-59 dated 17.10.2020 and letter No. 296-98 dt. 29.08.2022. It can be settled only on receipt of UC.

<table>
<tr><td></td><td>(xviii) The Sainj unit has booked advance to XEN IPH amounting to Rs. 4.65 Lakh which is of non recoverable nature and should have been charged to the CWIP. Thus Current advances has been overstated to the extent of above as the amount has not been recovered and adjusted till date</td><td>X-En, Jal Shakti Department, Division-II Kullu at Bhunter has been requested to start the work at the earliest for which Rs. 4.65 lakh has already been deposited vide this office letter No. HPPCL/ SHEP/SM(B/HM) / Gen/ 2020-21-336-337 dated 11.09.2020 followed by a reminder file of even No.462-63 dated 17.10.2020 and letter No. 293-95 dt. 29.08.2022. It can be settled only on receipt of UC.</td></tr>
<tr><td></td><td>(xix) The Sawra Kuddu Unit has debited Rs. 41 lakhs to Patel Engineering on account of Risk and award cost of the work done during the year 2017-18. The contractor has not paid the amount till date. Thus Provision for non recoverability of amount is required. .Thus Other non-current Assets are overstated to that extant.</td><td>The said amount is shown as recoverable from M/s PEL and now the said case of recovery is subjudice at Hon'ble High Court of HP., hence can't be shown as doubtful at this stage</td></tr>
<tr><td></td><td>xx) The Sawra Kuddu Unit has shown a Sum of Rs. 661Lakh as amount recoverable on account interest and penalty on entry Tax and provision for the same has been shown as provision for expenses by the unit . The Company has settled the same in the H P(Legacy Case Resolution) scheme 2019 for Rs. 67.92 Lakh as final settlement fees. .Thus Other non Current Assets are overstated to that extent of Rs. 597.08 Lakh and similarly the provision for expenses are overstated to that extant.</td><td>The provision has been reversed and settlement amount stands recovered from the withheld amounts of the contractor (M/s AHPL) as on 31.03.2022.</td></tr>
<tr><td></td><td>(xxi) The Chanju III has not capitalised the amount of Rs. 187Lakh paid to HPSEBL.as the work has not been completed.</td><td>100 % advance payment for strengthening of existing Power Supply Lines, has been released to HPSEBL against the deposit work estimate submitted by HPSEBL. This work is in progress. HPSEBL will issue Utilization Certificate after completion of work and advance will be adjusted after completion of work.</td></tr>
<tr><td></td><td>(xxii) The Deothal Chanju has not capitalised the amount of Rs. 187lakh paid to HPSEBL ,as the work has not been completed.</td><td>100 % advance payment for strengthening of existing Power Supply Lines, has been released to HPSEBL against the deposit work estimate submitted by HPSEBL. This work is in progress. HPSEBL will issue Utilization Certificate after completion of work and advance will be adjusted after completion of work.</td></tr>
<tr><td>5</td><td>Inventory Note 2.11
Reported by previous auditors the Kashang Stage 1 Unit is showing the following inventories at the close of the year
<table><tr><th>Sr.no</th><th>Item No</th><th>Description</th><th></th><th>Amount</th><th>Remarks</th></tr><tr><td>1</td><td>2000000751</td><td>G.I pipe80mm*248.3Mmt</td><td>₹</td><td>1,06,140.80</td><td>Transferred From HPSEBL</td></tr><tr><td>2</td><td>2000000744</td><td>Portable magzine 4 Nos</td><td>₹</td><td>1,55,567.00</td><td>Tranferred From HPSEBL</td></tr><tr><td>3</td><td>2000000755</td><td>Steel tubler pole 10 mtr 42 Nos</td><td>₹</td><td>4,51,035.90</td><td>Transferred From HPSEBL</td></tr><tr><td>4</td><td>2000000727</td><td>Angle Iron 100x100x6 mm 17.787M</td><td>₹</td><td>6,06,088.42</td><td>Transferred From HPSEBL</td></tr><tr><td>5</td><td>2000000788</td><td>ACSR conductor 14.078M</td><td>₹</td><td>6,22,205.05</td><td>Transferred From HPSEBL</td></tr><tr><td>6</td><td>2000005537</td><td>NeedleTips & Seat Ring 1 Set</td><td>₹</td><td>16,60,593.94</td><td>Spares for O&M Works</td></tr><tr><td></td><td></td><td></td><td>₹</td><td>36,02,231.11</td><td></td></tr></table>The Item from sr no 1 to 5 amounting to Rs. 19.41 Lakh has to be shown at Net Realisable Value and the necessary provision of</td><td>The Item from Sr No. 1 to 5: The valuation of inventory item at sr. No. 1 to 5 is presently at cost of acquisition, however any change required in the valuation method as per audit observation is the matter of change in policy which required the approval of competent authority.
The Item at Sr. No. 6 : The Needle Tips & Seat Ring is a mandatory spare for Turbine of the machine and one or two set of the same are kept as extra for immediate</td></tr>
</table>

	obsolescence has to be made. No information in respect of the same has been provided to us. The item at Sr no 6 is spare of the Turbine and has be shown under Property Plant and Equipment's& as such should be depreciated along with the plant. Thus Inventory is overstated to the extent of Rs. 16.60 Lakh and property Plant and Equipment's is understated to the extent of above.	replacement to avoid generation loss in case of the erosion of the already installed component. This spare is required to be replaced every year due to its erosion during the monsoon season resulting from heavy silt inflows. Therefore the uses period and future economic benefit derived from spare part are limited only up to one period and according to Ind AS 16, The spares parts, stand-by equipment and servicing equipment qualify as Property, Plant and Equipment when an entity expects to use them over the period of more than one year. Hence the spares available to use in store does not qualify the condition to be shown under Property, Plant and Equipment's.
6	**Trade Receivables Note 2.12** Trade receivables are subject to confirmation & reconciliation, concerning HPSEBL.	Reconciliation with HPSEBL regarding the amount payable and receivable in under process.
7	**Other Current Assets Note 2.18** (i) The Sawra Kuddu unit has not shown the amount recoverable from Patel Engineering on account of recovery of concrete cutting amounting to Rs. 77.50 lakh (previous year Rs. 84 lakhs). The case is reported to be in High Court .In our opinion the other Current Assets are understated to the extent of above and CWIP is overstated to the extent of above.	Same reply as above Point 4 (xix).
8	**Non-Current Other Financial Liabilities Note 2.21** (i) **Long Term Borrowings** The Company has taken loan from the State Government for construction of Hydro projects. The Company has not paid the Instalment and interest on the State Government loans. The State Government has provided deferment of loan and interest for the amount accrued up to January 017 till FY 2018-19. The instalment interest due after January 2017 till the close of the year has not been paid by the company to the state Government. We Invite attention to Note 2.71where in the Company has made the request for the deferment of Instalment and loan to State Government. The State Government has given has not accepted the request and has granted the deferment for the year 2020-21 till the year 2021-22. In our opinion the Company has defaulted in payment of instalments and interest to the state government which is holding 31.63%(Previous Year 28.59 %) of the equity. However there is no other default in payment of loan and interest to any other Financial Institutions/Banks. The Company has not complied with Requirements of the IND AS 20 Accounting of the Government Grant which states that the any concession from the government should be added as addition to the cost and should be credited to the revenue.	The Govt. of H.P has allowed deferment of repayment of loan and interest till 2020-21 vide GoHP letter dated 30.10.2021.

	(ii) The loan to the company was sanctioned by the Central Government to the State Government as 90 % grant and 10 % loan basis has been further advanced to the company as 100 percent loan which was sanctioned to the state government under Clean energy program. The Funding of the Grant to State Government as Loan to the Company has increased the financial cost Liability on account of interest payable to the State Government. This will increase the cost per unit of the generation of power and will not be recovered from the consumer and have to be borne by the company. The charging of the interest will not make the company profitable as it constitutes 40% to 45% of the revenue cost and the company has not paid the interest to the state government even after four units are commissioned and the company is pursuing for the deferment of principal and interest till 2024 and in earlier year also the deferment has been granted by the State Government. The CAG has also raised concern over the same in their report and suggested that the matter be taken up with the state government to get the benefit of the Govt of India Policies.	The matter of channelling of grant portion of the financial assistance by GoHP as loan to HPPCL has already been raised by CAG as pointed out in this Para contents. The reply of the management of HPPCL has been submitted. On similar lines, it is again submitted that it is a policy matter of GoHP and the entire equity in HPPCL is also invested by the GoHP and, therefore, it is the policy matter of the State Government to transfer funds to HPPCL as loan or otherwise.
	(iii) The Long-term Liabilities includes EMD, Retention Money and Security Deposits pending since inception of projects and the same has not been paid till the close of the year. The Internal control in respect of them is very weak and should be strengthened and the liabilities should be assessed at fresh and should be charged to revenue in appropriate cases.	EMD, Retention Money and Security Deposits etc. are being released to the contractors, only after the verifications from the Engineer-in-Charge (EIC).
9	**Non-Current Liabilities Provisions Note 2.23** **(i) For Company Employees** We invite attention to note 1.20 and 2.40 where in the policy adopted for employees benefit and accounting in respect of the same has been disclosed. The Above policy is not in compliance with the Ind AS 19 Employees Cost in relation to Post Employment defined Benefits plan in the matter of its recognition and measurement. In the absence of information, we are unable to comment on the same of its impact in the balance sheet and profit and Loss Account. Neither any policy has been taken nor any trust has been made for the same.	Adequate provisions have been created as per the defined Gratuity and Leave Encashment Plans, adopted by the Corporation. However, actuarial valuation of retirement benefits of Corporation employees has been done w.e.f. F.Y 2020-21.
	(ii) For HPSEB Employees The provision for leave encashment liability, gratuity liability and pension Liability of HPSEB employees has been calculated based on formula adopted by HPSEB Limited. The Liability provided for is subject to the confirmation from HPSEB Limited. In the absence of information and confirmation from HPSEB Limited we are unable to comment on the effect of the same on the financial statements at the close of the year.	Calculation and booking of such liabilities is based on the methodology devised by State/Central Govt. and on terms & conditions accepted by both the parties.
	(iii) The company has created liability for **Gratuity & Leave encashment without any actuarial valuation.**	Actuarial valuation of retirement benefits of Corporation employees has been done w.e.f. F.Y 2020-21.
10	**Other Non-Current Liabilities Note 2.24** **a) Utilised Grant Renuka ji** (i) The Company has incurred following expenditure on the Renukaji project till 31st March 2020.	Funds/grants receivable as on 31.03.2020 as worked out are Rs.733,73,9662.35/- and entry in this regard has been made in the books of account.

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<tr><th></th><th colspan="2">as on 31st March 2019</th><th colspan="2">as on 31st March 2020</th></tr>
<tr><td></td><td colspan="2">In Lacs</td><td colspan="2">In Lakh</td></tr>
<tr><td>Tangible Assests</td><td>₹</td><td>51,689.00</td><td>₹</td><td>41,262.00</td></tr>
<tr><td>Advances & Deposits with Court</td><td></td><td></td><td></td><td>20,725.00</td></tr>
<tr><td>CWIP</td><td>₹</td><td>32,148.00</td><td>₹</td><td>7.54</td></tr>
<tr><td>Incidental Expenses</td><td></td><td></td><td></td><td>14,197.00</td></tr>
<tr><td>Advances</td><td>₹</td><td>269.00</td><td>₹</td><td>-</td></tr>
<tr><td></td><td>₹</td><td>84,106.00</td><td>₹</td><td>76,191.54</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Grant Received</td><td>₹</td><td>68,548.82</td><td>₹</td><td>76,002.33</td></tr>
<tr><td></td><td>₹</td><td>68,548.82</td><td>₹</td><td>76,002.33</td></tr>
<tr><td>Shortfall</td><td>₹</td><td>15,557.18</td><td>₹</td><td>189.21</td></tr>
</table>
<p>There is a shortfall of grants received & expenditure incurred Rs. 189.21 lakh (previous year shortfall of expenditure to the tune of Rs. 15,557 Lakhs). In absence of information we are not able to comment on the same.</p>
</td>
<td>Cumulative funds/grants received up to 31.03.2021 is Rs. 710,86,79,755/-and up to 31.03.2020 is Rs. 689,52,79,755/-. During this FY 2020-21, Rs. 5 Cr. and Rs. 16.34 Cr. has been received from Govt. of H.P. and Govt. of Haryana.</td>
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<p>(ii) We invite attention to para 2 (vi) of previous year audit report regarding allocation of expenses to Renukaji HEP wherein its stated that the allocation of expenditure of Corporate office and Sundarnagar Design office to the unit has not been confirmed / approved by the participating states and the central government. In the absence of confirmation and approvals we are unable to comment on the apportionment of expenditure charged to the Renukaji HEP. The company has allocated Rs. 2,870 lakh (previous year Rs. 2456 lakhs) as share of corporate office and design wing expenses to the Renukaji HEP for current year viz 31st March 2020. In our opinion the amount recoverable from participating states will be reduced by Rs. 2,870 lakh (previous year Rs. 2456 lakhs) given in above para.</p>
<p>The Company is earning interest on the surplus funds of Renukaji at Corporate Office by investing the same in short term Fixed Deposits.The interest earned on the same has not been shown as addition to the Grant nor the same has been reduced from the incidental expenditure during construction period of the unit. The above practice is not in line with the significant accounting policy adopted by the company (refer Note 1.16). In the absence of information, we are unable to comment of the effect of the same on the Financial Statements. However, as informed to us no interest was earned during the year, as the Company is doing funding of expenses out of its own resources.</p>
</td>
<td>The proportionate expenditure of Corporate office and Design Office has been allocated on the basis of expenditure being incurred by HPPCL on Renukaji HEP. As such expenditure shall form part of the total funds agreed to be provided by GoI and beneficiary States, hence prior approval of booking of every expenditure being incurred in Renuka Ji DAM is not required. Further, keeping in view that a major portion of the funds required for construction of Dam shall come from Central Govt. and only 10% of the funds required shall be contributed by beneficiary states, hence beneficiary wise booking of expenditure is not required.</td>
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<tr>
<td>11</td>
<td>
<p>Current Liabilities Other Financial Liabilities Note 2.26</p>
<p>(I) The Liability on account of Retention Money, Security Deposit and dues payable to Contractors and suppliers are subject to Confirmation. In the absence of Information, we are unable to comment on its effect on assets and liabilities.</p>
</td>
<td>Current Liabilities on account of Retention money, Contractor and Suppliers dues payable are being cleared on regular basis and Portion of Security deposits also released to vendors time to time and the matter has also been taken up with concerned offices for releasing the pending security deposited. Confirmations of Balance payable as on 31st March 2020, were sought from respective Contractors/ Govt. Departments. Based on the confirmations received/not received, the liabilities have been shown in Books of Accounts.</td>
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	(ii) The different units of the company are showing separately the amount payable and recoverable from HPSEB Limited. No Confirmation from the HPSEB Limited has been provided to us for the amount payable and recoverable. In our opinion only one account of the HSPEB Limited should be maintained and net balance of recoverable or payable should be shown in the financial Statements.	Most of the amounts under Payable and Receivable heads, pertaining to HPSEBL have been settled. In case of remaining pending entries necessary reconciliation is being done and the accounts shall be settled accordingly
	(iii) The Other Current Liabilities includes EMD, Retention Money and Security Deposits pending since inception of projects and the same has not been paid till the close of the year. The internal control in respect of them is very weak and should be strengthened and the liabilities should be assessed at fresh and should be charged to revenue in appropriate cases.	The liabilities against EMD, Retention Money, Security Deposit and other dues payable are released to the Contractors only after claims are submitted to the concerned Engineering-in-charge (EIC) for its verification.
	(iv) The Other Financial Current Liabilities includesRs.75.87 lakhs (Previous Year Rs. 74.22 lakhs) as unclaimed money on account of payables, retention, security and other payables to the contractors. The amount has been shown under this head because the persons to whom amount is payable is not traceable. In our opinion the other current financial liabilities are overstated to the extent of above and necessary provision for amount written back should be provided.	Decision in this regard is under consideration of the Management.
	(v) The Swara Kuddu unit has made a provision for CAT Plan Expenses on 04th January 2016 amounting to Rs. 69 lakhs. The Unit has informed us that the amount has not been paid as the previous utilisation certificates has not been provided by the Forest Department. In our opinion the amount is of the nature of withheld amount and should be shown under the head Non-Current Financial Liabilities. Thus, current Liabilities are overstated to the extent of above.	The amount is of the nature of current liability as same shall be released on receipt of utilization certificate of the previously paid amount.
	(vi) The Corporate Office has not made the provision for demand raised by the PF Commissioner for the period 09/2008 to 06/2011 on account of PF contributions of Unregistered Contractors amounting to Rs.189 Lakhs on 02nd August 2018(refer Note 2.59).. Thus, current liabilities are understated to the extent of above	Matter being sub-judice, has been shown under contingent liabilities under Note on Accounts No.2.63. Hence does not affect P & L Account.
	(vii) Local Area Development Fund:- We invite attention to Note2.65 where in the company has not made any provision of amount payable to LADA fund on account of increase in cost of the Projects ,as final cost determination of commissioned projects is under process.	in case of Sainj HEP provision of the balance amount LADA has been made in the books of accounts in the F.Y 2019-20. In case of Sawra Kuddu & Kashang Stage–II & III, amount payable against LADF have been deposited regularly. Due to ongoing works at project ends and final project cost not yet arrived at, hence the exact amount of final instalment is not determinable at this stage. The marginal amounts, remaining to be deposited are subject to further adjustments and shall be accordingly provided/ released.
	(viii) Reported by previous auditors the Kashang Unit has not Charged GST on the Liquidation Charges amounting to Rs. 534.42	GST Act 2017 came into force w.e.f. 1st July 2017 and the Liquidation Charges pertains

	lakhs on Rs. 2,969 Lakh charged from HCC. The Company has not shown the Liability under GST returns filed during the year under review nor the same has been charged to the contractor . The observation was also reported in the previous year also. Thus the current liabilities and understated to that extant and other non - current assets is also understated to that extant.	to Pre-GST period and were recorded in the books of Accounts in the FY 2016-17 vide SAP Document No. 113550 dated 31.03.2017, hence the GST was not applicable on the date of transaction and accordingly no GST was charged on LD Charges. Further, this has not been reported in the GST Audit Report by the GST Auditors.
	(ix) Reported by previous auditors we invite attention to note 2.70 where the Corporate Office has shown Rs. 500 Lakh as amount payable to the Kisahau Corporation Limited on account Equity Contribution of the State Government for the seed Money. No Confirmation from the Kisahu Corporation Limited and directions from the State Government to keep the money with company has been provided to us for verification. In the absence of information we are unable to comment on the same.	A sum of Rs. 5.00 Crore was received from GoHP on account of Equity Contribution towards Kishau Dam Project. In this regard, a sum of Rs. 0.75 Crore. The management of HPPCL decided to contribute the due amount towards KCL on account of Equity Contribution of GoHP only after UJVNL deposits their respective share. Subsequently, upon receipts of instructions and corresponding approval(s) from the authorities the due sum was released in parts to KCL on 03.12.2020.16.07.2021 & 07.10.2021, and as on date, entire due amount stands remitted to KCL.
	(x) As reported by previous auditors the Renukaji HEP has shown the amount recovered from LAO amounting to Rs. 1600 Lakh as amount payable to Government Agencies . The HEP at the time of advancement to LAO has shown the same as part of land expenses. The amount recovered back has to be reduced from the Land Expenses. Thus Current Liabilities are overstated to the extent of above and similarly the land expenses are overstated to that extent.Could not be explained to us except payment of Rs 5 Cr to LAO.	The provision for Land Expenses of Rs 18,849 Lacs against which the demand has already been deposited with the High Court which is shown as part of Land expenses under Property Plant and Machinery has been adjusted in the F.Y 2019-20.
	(xi) The Sawra Kuddu HEP has transferred land measuring 0.9224 hectare to the HPTCL for the construction of 220 KV Switching Station at Hatkoti. The Company has received Rs. 916 Lakh as cost towards the cost of land in the month of November 2018. The company has handed over the possession of the land to the HPTCL but has shown the amount as advance from the customers and the sale deed for the same has not been executed so far. In our opinion the advance has to be adjusted with the cost of the land and the deposit with the court. Thus current liabilities are overstated to the extent of Rs 916 Lakh. Pending execution of transfer deed cannot be credited to land.	The amount received from HPPTCL is equivalent to the awarded amount and the deposits made in High Court. The rate of land will vary now, as per the latest orders of the Hon'ble High Court. Further in the absence of Sale deed / agreement, final consideration and terms and conditions of the handed over land cannot be ascertained. Hence, amount has been shown as advance from HPPTCL and shall be settled in due course of time.
	(xii) The Sainj Unit has shown a sum of Rs. 519 Lakh as amount payable to Voith Hydro. The HEP has not provided to us the details in respect of the same and nor any confirmation from the supplier has been provided. The Amount is payable since 2017 and the same has not been paid till the date of the audit. Thus the liabilities are overstated to the extent of above	The reconciliation of the accounts in respect of E&M package of Sainj HEP is in progress. All the pending dues payable to M/s VHN shall be settled while carrying out the final settlement.

13	**Generation & Sale of Power** (I) Note no 2.56 The company is showing only net sale instead of gross sale.	Sale of power entries have been taken into books as per instruction issued by SoP department vide letter No. HPPCL/SoP/13%FP/Kashang HEP/2017-9731-38 dated 24.07.2018. As per ibid letter HPPCL is entitled for selling only 87% of the power and 13% Royalty Power of GoHP has to be provided in the shape of free power (free of Cost) at Bus bar of the project. Therefore, accounting of revenue generated from sale of 87% of Power including UI/DSM etc. is to be accounted for in the Books of Accounts. Further, during the F.Y. 2018-19, the power generated was sold in energy exchange directly. As the portion of free power @13% was not remitted to Corporation and non-availability of exact figure of free power given to State Govt. and to LADF, the amount booked under sale of power is net of such free power. Disclosure under Note Para 2.56 refers.
	(ii) The Beradol Solar Power unit while fixing the tariff rate has adopted HPREC AD benefit Rate of Rs. 4.31 per unit while approving the Tariff Rate with HPSEB. The Corporation is not availing the advance deprecation benefit thus Tariff rate of Rs. 4.79 per unit is applicable to the corporation. Thus Sale of power is understated to the extent of Rs. 10.36 Lakh.	The necessary entries of advance depreciation required will be taken in books of accounts from the date of CoD.
14.	**Apportionment of Expenditure and Income of Corporate Office and Sunder Nagar** **(I) Expenditure of Corporate Office and Sunder Nagar** It has been observed that at the time of apportionment of expenditure of Corporate office and Design Office the net expenditure incurred during the year has been apportioned in the ratio of 278:87 from 01st April 2018 to 03rd January 2019 and 4th January 2019 to 31st March 2019. (refer Significant Accounting Policy no 1.6 g and Note no 2.57(c)). The above apportionment is not in line with the accounting policy referred in note 1.6 g which states that the "The Expenditure of Corporate office and Sundernagar design office is allocated to different accounting units on systematic basis.". In our opinion the expenditure and income should have been apportioned separately on actual basis between the pre and post cod period to different units. The Adoption of wrong method of apportionment may effect the allocation of cost to different units and the effect on its depreciation after commissioning of the projects . In the absence of information we are unable to comment on the same.	Keeping in view practicability, the allocation has been done accordingly. The methodology has been disclosed in the Notes on Accounts No. 2.57(c).
	(ii) Income of Corporate Office and Sundernagar It has been observed that the income of the corporate office mainly consists of the interest earned on Fixed deposits by making	The allocation of interest earned on short term bank deposits (made out of idle funds) have been allocated on the basis of the approved practice.

	short term investments of the following funds: - - Funds received for Equity - Funds for Renukaji Project - Imp rest Funds for ADB Funded Projects State Govt Loan - Interest on Funds With LAO The Company has allocated income to various projects on the basis of allocation of expenditure to different units as per accounting policy of the company during the year Similarly, expenditure has been allocated alongwith HO to other units.	
	(iii) Apportionment of Expenses of Corporate Office and Sundernagar Design Office The qualification of previous year auditors on apportionment stands for this year also.	Same as above.
15	**Provision for Income Tax** We invite attention to Note No 2.66 where in no provision has been made by the company for income tax during the year under review. We also invite attention to note 2.53 where in the cases for earlier years are pending with different authorities and the outcome of which are uncertain and may affect the amount shown as Deposits with Income Tax authorities Rs. 8,874.50 lakhs (Previous Year Rs. 8,874.50 lakhs (refer note 2.10).In view of the uncertainly involved and the matter is subjudice we are unable to comment on the recoverability of the above amount and its effect on the Financial Statements.	No provision for income tax liabilities has been made, as the company has brought forward losses and unabsorbed depreciation as per Income Tax provisions. During the year also, the company is in loss.
16	**Goods and Service Tax** (i) The company has not complied with all the provision of the Goods and Service Tax Act while preparing the monthly returns and the annual returns for the year under review. We have checked some instances and have observed that the Goods and Service tax has not been deposited on following expenditures and Income:- 1. Tender Income 2. Liquidation Charges 3. Rent Income 4. Late Payment Surcharge 5. Payments Made to Government Departments and Government Bodies under Reverse Charge. 6. Reimbursement of Expenses from Contractors 7. Sale of scrap. The Company has appointed GST auditor to conduct the GST audit under the GST Act .However the GST Audit report for the year under review has not been submitted till the date of the finalisation of this report as the due date for filling of the report was 31st December 2020. In the absence of the report we are unable to comment on the final liability of GST along with interest and penalty.	1. GST on Tender Income:- HPPCL has been deposited GST on almost on all Tender Income. 2. GST on Liquidation Charges:- The case regarding Liquidation Charges is sub judice with Hon'ble High Court of HP. The outcome is contingent. In case of adverse decision by Hon'ble High Court, HPPCL may not be in a position to recover Liquidation Charges as well as the GST on it. 3. GST on Rental Income:- HPPCL has deposited the GST on rental income. 4. GST on Late payment surcharge:- The delayed payment surcharge/Late Payment Surcharge/Surcharge on outstanding amount (by whatever name called) cannot be treated as separate service and same shall be included in the value of initial supply to which such charges relate. As the portion of Delayed payment surcharge attributable to exempted supply is exempted. Thus no GST is attracted. 5. GST on payment made to Govt. departments and Govt. bodies under

<table>
<tr><td></td><td></td><td>reverse charge:- GST has been paid on the bills where GST have been charged by the concerned Govt. departments.
6. N/A
7. N/A
From sr. no 1 to 7 GST amounting Rs. 5,36,248/- has been deposited on 28.09.2020.
The Auditor has also submitted the GST Audit report for the FY 2019-20.</td></tr>
<tr><td></td><td>(ii)The GSTR 9 Annual Return for the year 2018-19 submitted b the company shows the following liability
<table>
<tr><th>Tax</th><th></th><th>Amount</th></tr>
<tr><td>IGST</td><td>₹</td><td>3,08,488.00</td></tr>
<tr><td>CGST</td><td>₹</td><td>13,017.00</td></tr>
<tr><td>SGST</td><td>₹</td><td>13,017.00</td></tr>
<tr><td></td><td>₹</td><td>3,34,522.00</td></tr>
</table>
No Provision for the same has been made in the Books of accounts. Thus Liabilities are understated to that extent.</td><td>As per reconciliation statement GSTR 9(C) (a), the IGST amount was over reported by Rs. 3,08,498/- and CGST & SGST by Rs. 25,982/-.</td></tr>
<tr><td></td><td>(iii) The Company has claimed input of GST while filling the monthly 3 B during the year under review. However while filling the GSTR 9 for the year no details for the Input claimed has been filled and claimed and nor liability on account excess claim of ITC has been made. The Following are the details of the same.
<table>
<tr><th>Tax</th><th></th><th>Amount</th></tr>
<tr><td>IGST</td><td>₹</td><td>1,14,161.00</td></tr>
<tr><td>CGST</td><td>₹</td><td>1,14,161.00</td></tr>
<tr><td>SGST</td><td>₹</td><td>10,512.00</td></tr>
<tr><td></td><td>₹</td><td>2,38,834.00</td></tr>
</table>
Thus liabilities are understated to the extent of above.</td><td>HPPCL deposited Rs. 19,42,800/-on 25.03.2022 i.e. Rs. 13,46,422/-of excess ITC availed w.e.f March 2018 to September 2020 and Rs. 5,96,378/-of interest on ITC availed. Further, Rs. 2,38,834.00/- is included in the total amount deposited by HPPCL. This amount was deposited as per enquiry concluded vide letter dated 22.03.2022 from Directorate General of GST Intelligence, Chandigarh.</td></tr>
<tr><td></td><td>(iv) The GSTR 9C Audit report filed by the GST Auditor for the year 2017-18 on 21/05/2020 shows the following amounts as payable by the Company.
<table>
<tr><th></th><th></th><th></th><th>CGST</th><th></th><th>SGST</th><th></th><th>Total</th></tr>
<tr><td>1</td><td>Tax</td><td>₹</td><td>6,01,21,367.00</td><td>₹</td><td>6,01,21,367.00</td><td>₹</td><td>12,02,42,734.00</td></tr>
<tr><td>2</td><td>Interest</td><td>₹</td><td>1,66,82,144.00</td><td>₹</td><td>1,66,82,144.00</td><td>₹</td><td>3,33,64,288.00</td></tr>
<tr><td></td><td></td><td>₹</td><td>7,68,03,511.00</td><td>₹</td><td>7,68,03,511.00</td><td>₹</td><td>15,36,07,022.00</td></tr>
</table>
Thus Current Liabilities are understated to the extent of Rs. 1536 Lakh.</td><td>The payable amount is related to the GST on LD Charges and payments made to Government departments, the detailed reasons of which have been specified under Sr. No. 16 (i) above. Further, in case of Arbitration fee GST is not applicable as the Corporation is a Govt entity.</td></tr>
<tr><td></td><td>(v) There is a difference in Turnover as per audited financial statements & GSTR9 amounting to Rs 16516739/-during 2018-19</td><td>The difference in the turnover is due to over-exempted turnover shown in GSTR 9. However, there is no GST liability on the difference amount.</td></tr>
<tr><td>17</td><td>Quantitative Details in respect of energy generated and sold
We invite attention to Note 2.48 where in the Company has stated that it has installed capacity of 170 MW as on 31st March 2019. The company has capacity 65 MW *3 i.e. 195 MW but water supply was only for one turbine at Kashang stage I against installed 3 turbines. and the installed capacity of the Sainj HEP is 100 MW and one solar unit with the capacity of 5MW was installed during 2018-19 .However ,the installed capacity at Kashang is not utilizable in the absence of water as the stage II & IIIare under</td><td>In case of Kashang HEP Stage-I (65 MW), even though all the three Units of 65 MW each have been commissioned, but for availability of water, only single machine/unit can be operated at a time. Due to water availability at present it is provisioned only for operating single machine of 65 MW at a time, as the KK Link</td></tr>
</table>

construction. Out of 3 turbines water is sufficient for running one turbine only. For rest 2 ,work is in progress.

Line in case of Kashang Stage II & III, is not yet constructed /linked. However, all the machines are being run on alternate basis by project offices. Therefore, the installed capacity of this Kashang Stage-I is 65 MW only.

18 Allocation of expenses of Kashang 1, 2 and 3

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

	2019-20	2018-19	2017-18	2016-17
Stage1	Actual Basis	82.50%	84%	70%
Stage2 and 3	Actual Basis	17.50%	16%	30%
		100%	100%	100%

The Expenses has been booked in IKHEP Stages on actual basis from FY 2019-20 onwards. However the common expenditure of IKHEP Stages 1, 2 & 3 for the FY 2016-17 to FY 2018-19 were apportioned on the basis of project cost derived at the end year. which had been duly approved by the management.

19 Profit and Loss Account

(i) O and M R & R

Reported buy previous auditors the Sainj unit has booked prior period expenses amounting to Rs. 6.30 Lakh under this Head for the year 2017-18. Thus expenditure is overstated to the extent of above and same has to be shown in the year 2017-18 by recasting the financials statements.

Required accounting treatment shall be given as per Ind AS applicable.

(ii) O and M Disaster Management

Reported by previous auditors the Sainj Unit has booked the cost of hooters and other expenses amounting to Rs. 45.35 Lakh as expenditure during the year under review which are of Capital Nature and has to be capitalised by the HEP. Thus expenditure is overstated to the extent of above and property plant and machinery is understated to the extent.

The cost of Hooters and other Exp. amounting to Rs. 45.35 lakh has been shown as an asset. The necessary entry has been taken in books of accounts as on 01.04.2021.

(iii) Prior period Expenses

Reported by previous auditors the Company has charged the prior period expenses during the year under review to the profit and loss Account. The Following are the year wise Bifurcation of the same.

	Particulars		Amount
1	for the year 2017-18	₹	1,42,32,088.00
2	Periods earlier then 2017-18	₹	6,21,06,074.00
		₹	7,63,38,162.00

As per IND As 8 Accounting Policies, Changes in Accounting Estimates and Errors, the errors has to be rectified retrospectively in the Financial Statements as if **the error had never occurred.** If the error pertains to period earlier then previous year then the **third Balance sheet** has to be prepared as opening Balance Sheet. Refer Note 1.25 of the Significant Accounting Policies of the company which has not been complied with. In our opinion the Company has not complied with the requirements of the IND AS 8.

The Prior period expenses pertain to Kashang HEP Rs. 17, 33,592/- only has been charged to profit & loss account. These expenses have been charged due to the compliance of statutory audit observations on the Books of Accounts for the F.Y. 2017-18. Compliance to Ind AS 8 shall be ensured in future.

(iv) Appropriation of Employees cost for Kashang Stage I, 2 & 3

Reported by previous auditors the Kashang Unit has not provided to us the salary cost of the employees posted to the Stage 1 , 2 and 3. However this year this has been done on actual salary basis.

Statement of facts, requires no comments.

20	**Approval of accounts by the Board for the year 2018-19 before the approval of the accounts for the year 2017-18 in the AGM.** The Board of Directors has approved the accounts for the year 2019-20 in the Board meeting of 18/03.2020 before the adoption of the audited accounts for the year 2018-19 of the corporation in the Annual general meeting on 6th January, 2022. However, the financial statements were delivered to us on 17June 2021 which were further changed during August 2021 & finally on 17th October 2021 after we discussed our observations.	In this respect it is submitted that, as per Part-II Sr. No.(4) of Annexure-I, to the C & AG letter of appointment of Statutory Auditors, which is regarding Conditions to the Auditors: "the auditor may start the audit of the Company immediately on receipt of the accounts of the Company. However, they should certify the accounts for the year only after the audited accounts for the previous year has been laid before the AGM for their consideration. **In case audited accounts of the previous years has been considered but finally not adopted by the shareholders, the auditor can certify the accounts of the succeeding year, indicating the fact of the non-adoption of the previous year accounts in their report."**
21	**Income Tax Appeals with the High court in respect of Chargeability of Income Tax on Interest on Fixed Deposits kept as short-term Investments.** Reported by previous auditors the company has filed an Appeal with the High Court of Himachal Pradesh that the interest on the short-term investment of the funds in Fixed Deposits with bank from the Equity received from the Government is an addition to the equity and not an income of the company and on same the income tax is not payable. Similarly, the income earned on Renuka Ji Funds is also an additional grant from the Agencies and the same is also not an income of the company and the same will be utilised on the project expenses and is part of the Grant. The Company has not shown the interest earned on equity fund till the close of the year as an addition to the Equity and similarly the interest earned on Renukaji HEP funds till the close of the year has not been shown as taxable income and is being charged as taxable Income of the Company. No information in respect of the same has been provided to us by the company till the close of the year. In the absence of the information we are unable to comment on the effect of the same on the Balance Sheet.	This is as per the approved policy of the management. However this interest income is to compensate the corresponding escalation cost and borrowing cost etc. of the period for which the funds remained idle, due to obstruction of awarded work, for reasons attributable to the Corporation.
22	**Investment Property** (i)The Company is not showing the assets given on rent/ lease as investment property and the same has been shown under the Head Property Plant and machinery.	The Company is showing the assets given on rent/ lease as investment property from the FY 2020-21 onwards.
	(ii) Chirgaon Majgoan has given Building on rent to HPPTCL amounting toRs.7.16Lakh. The Cost of property should be shown as Investment property and depreciation for the corresponding rent has to be charged to the profit and loss Account. Thus Income is understated to the extent of above.	Same as above.

23	**Design Wing Sundernagar** (i) The Design wing has booked Rs.8.87 Lakh (previous year 11.66lakh) lakh as lab income and Consultancy Income. However it has been observed that the design wing has not booked any expenditure in relation to providing such services. All the expenses of the GM Office has been apportioned to the all units of the company and no expenditure has been allocated to the income of the Design Wing . Thus the Matching concept accounting has not been followed by the company.	From F.Y 2020-21 onwards, Design wing Sunder Nagar has segregated the expenditure incurred on providing these services under the GL head "Expenditure on Lab Services" & "Expenditure on Consultancy Services".
	(ii) Reported by previous auditor, the Design Wing is providing Technical services to the Kishau Power Corporation on behalf of the State Government but no details in respect of the services provided Design wing has been provided to us. However Rs 10408/- is outstanding as advance to Kishau.	In this context, it is submitted that the design wing is not providing any technical services to Kishau Corporation directly, however, assisting HPPCL Corporate Planning Office on technical issues being forwarded to DW Sunder Nagar, from time to time. However, the expenditure incurred directly from this office for Kishau Corporation Ltd. is being booked under the G/L Advance to Govt. Department "Kishau Power Corporation.
24	**Disaster Recovery Centre** The Company has installed SAP ERP software for all its projects including corporate office. The Company has its DRC at Chennai and the same was closed and shifted to Shimla by M/s Siffy Technology. M/s Siffy Technology was awarded the contract for the AMC of the DRC for Rs. 1.25 crores and the reallocating cost of DRC for Rs.9.67 Lakh. The company has proposed to shift the DRC from Chennai to Himachal Pradesh at Data Center Site of HPSEBL at Ponta Sahib or at any other place at Ponta Sahib. The Company does not find any suitable site at Ponta Sahib thus no Disaster Recovery Center of the company is in place till date. We were informed that complete back up is maintained at head office on fortnightly /monthly & at Govt data centre at Mehli. What is the wisdom in paying AMC of the DRC without any site being taken for the same.	The Data Center of HPPCL has been now shifted to HP State Data Center at Mehli Shimla, H.P. and is in operation. For DRC also arrangements are also being made by this Corporation with HP State Data Center to provide required space at their DRC, which is located in other seismic zone. However, at present the Data Back-up is being saved at two different locations to prevent data loss.
25	**Land Court Cases Renuka Ji Project** The Board of Directors in its 75th meeting on meeting 18th March 2021 has decided not to the file Regular First Appeal in the Hon'ble High Court against the awards passed by the Lower Courts and against the decision of the Hon'ble High Court.Refer Note 2.36 Notes where in its stated that the company has made contingent provision in respect of the awarded amount amounting to Rs.11,471.33 lakh. The Decision of the company not to file the appeal will make the contingent provisions as regular provisions and thus the provisions on account of land compensation of Renuka Ji Project is understated to the extent of above. Previous year auditors effect of qualifications: The effect of the said qualifications where ascertainable the loss of current year will be Rs. 11,736 lakhs against reported loss of Rs. 10,586 lakhs. The Other Equity will be 24,117 lakhs instead of Rs. 22,198 lakhs. The Borrowings will beRs. 1,40,368 lakhs instead of	As the decision taken involves long process to measure the extent of liabilities involved. Land owners who may be still aggrieved by such orders of the Hon'ble Court may delay the process of final settlements, besides, being large number of cases for which liability needs be calculated, hence liabilities can't be accounted for at this stage. However, provision for the same has been made up to 31.03.2021.

	Rs.1,59,765 Lakhs .The Other Financial Liabilities will be of Rs. 6,144 lakhs instead of Rs. 10,993 lakhs.The Provisions non-current will be of Rs 4,285 lakhs instead of 5,690 lakhs. The other non Current Liabilities will be Rs. 82,840 lakhs instead of Rs. 69,543 lakhs. The Other Current Financial Liabilities will be Rs.2,92,604 lakhs instead of Rs. 2,62,070 lakhs. The Property Plant and Equipment will be Rs. 3,33,156 lakhs instead of Rs.3,03,086 lakhs. The Capital Work in Progress will be Rs.2,95,703 lakhs instead of Rs. 3,08,204 lakhs. The Loans will be Rs.153 lakhs instead of Rs. 149 lakhs .The Other Noncurrent Assets will be Rs.29,435 lakhs instead of Rs. 36,705 lakhs. The inventories will be Rs. 53 lakhs instead of Rs. 74Lakh.The Trade Receivable will be Rs.481 lakhs instead of Rs.1,757 lakhs. The cash and cash equivalents will be Rs.9,404 instead of Rs. 11,365 lakhs. The Bank Balance will be Rs.11,670 instead of Rs. 9,709 lakhs. The Loans Financial Assets will be Rs. Nil lakhs instead of Rs.3 lakhs. The Financial Assets others will be Rs. 551 lakhs instead of Rs. 1349 lakhs. The Other current Assets others will be Rs. 14,267 lakhs instead of Rs 6,241 lakhs. The Expenditure during the year are overstated on account of Prior period items by Rs. 769Lakh for which adjustments has to be made in previous years.	The deviations reported by Auditors are within the specified limits.
	Emphasis of Matter 1) No reasonable effort has been made to remove the qualification raised in earlier year audit reports and the same has been considered in this year report also. 2) We further draw attention to the following matters in the Notes to the stand alone Ind As Financial statements: - i) Note No. 2.38 to the standalone Ind AS financial statements regarding the various balances which are subject to reconciliation/ confirmation and respective consequential adjustments	Most of the observations of the previous financial years have been settled. Disclosure/explanation to this effect has been given in the Notes on Accounts at Note No. 2.38.
	(ii) Note No 2.58 to the Stand alone Ind AS financial statements regarding statement on State Government loan for Shontong Karcham HEP (450MW) where the ADB funding to state government has expired and stopping of funding by the KFW to the project.	Disclosure/explanation to this effect has been given in the Notes on Accounts at Note No. 2.58.
	(iii) Note No 2.68 to the Stand alone Ind AS financial statements regarding statement on Nakhtan project pending with Hon'ble High court of Himachal Pradesh the fate of which is dependent on the outcome of the case . Our Opinion is not modified in respect of these matters.	Disclosure/explanation to this effect has been given in the Notes on Accounts at Note No. 2.68.
	Key Audit Matters Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, description of how our audit addressed the matter is provided in that context. In addition to the matter	

	described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report. 	Comments not required
	Information Other than the Stand alone Financial Statements and Auditor's Report Thereon The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the Stand alone financial statements and our auditor's report thereon. Our opinion on the Stand alone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the Stand alone financial statements, our responsibility is to read the other information	Statements of facts, comments not required.

	and, in doing so, consider whether the other information is materially inconsistent with the Stand alone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.	
	Management's Responsibility for the Stand alone Ind AS Financial Statements The Company's Board of Directors is responsible for the matters stated in Section 134 (5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Stand alone Ind AS financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and statement of changes in equity of the Company in accordance with the accounting principles generally accepted in India, including Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with relevant rules issued there under. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Stand alone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. In preparing the Stand alone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Board of Directors are responsible for overseeing the Company's financial reporting process.	Statements of facts, comments not required
	Auditor's Responsibility Our objectives are to obtain reasonable assurance about whether the Stand alone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Stand alone financial statements.	Statements of facts, comments not required

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also Identify and assess the risks of material misstatement of the Stand alone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

-Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

-Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

-Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Stand alone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

-Evaluate the overall presentation, structure and content of the Stand alone financial statements, including the disclosures, and whether the Stand alone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the Stand alone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought

	to bear on our independence, and where applicable, related safeguards.	
	Report on Other Legal and Regulatory Requirements 1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure-I, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.	Comments not required.
	2. We are enclosing our report in terms of Section 143 (5) of the Act, on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, in the Annexure-2 on the directions issued by Comptroller and Auditor General of India.	Comments not required.
	3. As required by section 143 (3) of the Act, we report that: a) We have sought and except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph above, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;	Comments not required.
	b) Except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph above, in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books; c) The Balance Sheet, Statement of Profit and Loss and statement of Cash Flows and Statement of changes in equity dealt with by this report are in agreement with the books of account;	Comments not required.
	d) Except for the effects of the matter described in the Basis of Qualified Opinion paragraph above ,in our opinion, the aforesaid Stand alone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act,	Comments not required.
	e) The Matter described in the Basis for Qualified Opinion paragraph above, in our opinion may have adverse effect on the functioning of the company.	Comments not required.
	f) In view of the exemptions given vide Notification No. G.S.R. 463 (E) dated 5th June 2015 issued by the Ministry of Corporate Affairs, the provisions of Section 164 (2) of the Companies Act, 2013 regarding disqualification of directors, are not applicable to the company.	Comments not required.
	g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.	Comments not required.
	h) With respect to adequacy of Internal Financial Controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure-3" in our opinion the internal financial controls system is adequate but the operating effectiveness of such controls need be improved.	Comments not required.

	i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us: I. The Company has disclosed the impact of pending litigations on its financial position in its financial statements- Refer Note 2.33 to the Stand alone Ind AS financial statements.	
	ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;	Comments not required.
	iii. There were no amounts as at 31.03.2020 which were required to be transferred to the Investor Education and Protection Fund by the Company.	Comments not required.

ANNEXURE 1 TO THE AUDITORS' REPORT

Annexure referred to in our report of even date to the members of HIMACHAL PRADESH POWER CORPORATION LIMITED on the accounts for the year ended 31st March 2020.

S. No.	Audit Observation	Replies
(i)	a) The company has generally maintained proper records showing full particulars, including quantitative details and situation of its fixed assets. except that identification, location etc. need be mentioned. (b) As explained to us all the assets were got physically verified by the management during the year under review. We were informed that no material discrepancies were noticed on such verification. However, verification reports of HO , Transit camp, Shongtong-Karcham HEP, Thana Plaun HEP, Renukaji Dam Project, Sainj HEP, Triveni Mahadev HEP and BeraDol Solar Power Project were shown to us, but no report of ,land, Plant machinery, stores & spares was shown to us. © Title deed of immovable properties are in the name of the company except in cases of Renukaji HEP, Sainj HEP Shongtong HEP and Chirgaon HEP where the land has not been transferred in the name of the Company.	a) Statements of facts, comments not required. b) Statements of facts, comments not required. c) Action for the transfer of title in the name of the Company has been initiated.
(ii)	The inventory of the company consisting of Capital Stores, stores, spare parts and other Items. We were informed that these have been physically verified by the management during the year under review. But no reports were made available to us.	Statements of facts, comments not required.
(iii)	According to the information and explanations given to us, the company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013. In view of above, the clauses 3(iii)(a) and 3(iii)(b) of the Order are not applicable.	Statements of facts, comments not required.
(iv)	The Company has not given any loan, made investments and issued guarantees under section 185 and 186 of the Companies Act, 2013.	Statements of facts, comments not required.
(v)	The company has not accepted any deposits from the public in terms of section 73 to 76 or any provisions of the Companies Act, 2013 and rules there under.	Statements of facts, comments not required.
(vi)	The company has made and maintained cost accounts and records as specified by the Central Government under section 148 (1) of the Companies Act 2013. However, we have not made a detailed examination of these accounts and records with a view to determine whether they are accurate and complete. The companies cost accounting records has been audited by the Cost Auditors M/s Balwinder and Associates and they have submitted the report on 19/11/2020.	Statements of facts, comments not required.
(vii)	(a) The company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income tax, sales tax, wealth tax, service tax,	Statements of facts, comments not required.

	custom duty, excise duty, value added tax, cess and other statutory dues applicable to it, and there are no undisputed dues outstanding as on 31st March 2019 for a period of more than six months from the date they became payable. However the Liability on account of Goods and Service Tax can not be quantified as GST audit is under progress till the finalisation of this report. We are informed that the provisions of Employees' State Insurance Act are not applicable to the company.	
	b) According to the information and explanations given to us, dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty, value added tax, cess and other material statutory dues that have not been deposited on account of any dispute are given below:  The Amount of interest and penalty on the Entry Tax thereon due to Excise and taxation department has been settled under Legacy Cases Resolution Scheme by paying the Requisite Settlement Fees by the company.	Statements of facts, comments not required.
(viii)	The Company has not defaulted any repayment of loans or borrowing to any financial institution or bank or dues to debenture holders. However, the Government of Himachal Pradesh has given the sanction to the deferment of repayment Loan and interest up to Jan 2017. No Deferment has been given by the State Govt after that and the request for the same has been given by the company for further deferment. and company has not paid the amount of instalment of loan and interest after January 2017 till the finalisation of the report. The State Government has given deferment for the year 2020-21 till 2021-22	Statements of facts, comments not required.
(ix)	No money was raised by way of initial public offer or further public offer during the year. The amount raised by the term loans from the Government of Himachal Pradesh has been utilised for the purpose it was raised during the year under review. The company has raised CC limit of Rs 200 Lakh for working capital from KCCB, secured by charge on Plant & Machinery. However, we could not get any evidence of utilisation of limit, so cannot comment, whether it has been used for the intended purpose.	Statements of facts, comments not required.
(x)	During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information/ explanation given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we have been informed of any such cases by the management except in the year 2015 at Renukaji HEP and the same is pending with State Vigilance.	Statements of facts, comments not required.

Sr No.	Statute/Act	Nature Due	Amount in lacs	Period	Forum Which Pending
1	Entry Tax	Interest	[illegible]	2010-15	Addl. Excise & Taxation Commissioner cum Appellate Authority
2	Entry Tax	Penalty	753.28	2010-15	Addl. Excise & Taxation Commissioner cum Appellate Authority
3	Provident Fund	PF Dues	189.24	2008-11	Central Government Industrial Tribunal Chandigarh
4	GST	GST	[illegible]	2017-18	Amount payable as per GSTR 9 C
5	GST	Interest	[illegible]	2017-18	Amount payable as per GSTR 9 C
6	GST	GST	5.27	2018-19	Amount payable as per GSTR 9
7	Income Tax	Demand	[illegible]	2015-16	Appellate CIT(A)
8	Service Tax		[illegible]		[illegible]
	Total		[illegible]		

(xi)	This being a government company Section 197 of the Act is not applicable.	Statements of facts, comments not required.
(xii)	Company is not a Nidhi Company.	Statements of facts, comments not required.
(xiii)	As per information available to us all transactions with related parties are in compliance with Section 177 & 188 of the Companies act 2013, wherever applicable and the details have been disclosed in the Financial Statements etc. as required by the applicable Accounting Standards.	Statements of facts, comments not required.
(xiv)	As informed by the management, the company has not made any preferential allotment to private placement of shares or fully convertible debentures during the year under review.	Statements of facts, comments not required.
(xv)	As informed to us the company has not entered in to any non-cash transaction with directors or persons connected with him.	
(xvi)	Section 45-IA of the Reserve Bank of India Act, 1934 is not applicable to the company	

ANNEXURE 2 TO THE AUDITORS' REPORT

Annexure referred to in our report of even date to the members of Himachal Pradesh Power Corporation Limited on the accounts for the year ended 31st March 2020

Sr. No	Directions	Action Taken	Impact on financial statement
(1)	Whether the Company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.	According to the information and explanations given to us and based on our audit, the Company has a system in place to process the accounting transactions through M M Module, Project System, Human Capital Module and Financial and Controlling Module through IT system and for this purpose SAP-ERP has been implemented by the Company. Period end Financial Statements are compiled offline based on balances and transactions generated from such SAP-ERP system for the purpose of preparing the Accounting transactions for sale of power is not generated though Sales and distribution Module and being directly posted in FI Module. We have neither been informed nor have we come across during the course of our audit any accounting transactions which have been processed outside the IT system having impact on the integrity of the accounts. The company has maintained separate Data Centre but does not have Disaster Recovery Centre. Also, the cost of land in balance sheet is different in SAP and balance sheet due to uploading of deposits with Court to Cost of land in Balance sheet.	Nil
(2)	Whether there is any restructuring of an existing loan or cases of waiver/write No such case come off of debts/loans/interest etc. made by a lender to the company due to the across during If yes, the financial impact may be stated. company's inability to repay the loan?	The State Government Loans has been restructured for repayment of loan and interest up to Jan 2017 till the year 2018-19. The Company had requested the State Government for further deferment in the month of September 2020. The State Government has deferred only the dues for the year FY 2020-21 till FY2021-22.	Nil
(3)	Whether funds received /receivable for specific schemes from Central/State agencies were properly accounted for/utilized as per its term and conditions? across during List the cases of deviation.	The Funds received for Renukaji Project and Gyspa Project has been properly accounted for except the interest earned on the short term deposit from the surplus fund has been accounted for as the income of the corporation instead of the crediting the same to the amount payable to the central / State Government. Refer Para C 14(ii) of the main audit . No information in respect of interest earned on the short term	The Amount payable to the Central/state is understated to the extent of interest earned on the short term investment.

		investment has been provided to us. As there is significant difference in expenditure incurred as per last year report & this year report, matter will be examined during next year audit at unit level	
(4)	Whether land acquisition is involved in setting up the new projects report whether settlement of dues done expeditiously and in transparent manner.	The land has been acquired at Renukaji Dam. All the payments on account of settlement has been transferred to the LAO. However, a sum of Rs 188.49 crores has not been paid till the close of the year and provision for the same has been made in the books of accounts. Which has been reversed this year.	Rectified in current year accounts.
(5)	How much cost has been incurred on abandoned projects and of this how much cost has been written off	Reported by last year auditors, the Corporation has abandoned the, Tidong HEP and Sunni Project. The Amount incurred on Tidong project is being shown as recoverable from the Directorate of Energy and the amount has not being written off the by the Management. The Corporation has written off Rs. 41.26 Lakh as amount recoverable from SJVNL on account of cost of the Sunni Project.	Nil
(6)	Indicate Whether the company has efficient system for monitoring and adjusting advances to contractors/ supplier. Highlight the Significant instances of failure of the System if any	The company has proper system of adjusting the advances to suppliers, except in following cases:- **1-Patel Engineering** Due to non completion of the percentage of the work completed by the Contractor **2-HCC Limited** Due court case involved **3 Costal Projects** Company in Liquidation at NCLT.	Nil

ANNEXURE 3

Report on the Internal Financial Controls under Clause (i) of Subsection 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **HIMACHAL PRADESH POWER CORPORATION** Limited ("the Company") as of 31 March 2020 in conjunction with our audit of the Stand alone financial statements of the Company for the year ended on that date.

S. No.	Auditor's Report	Reply
(1)	**Management's Responsibility for Internal Financial Controls** The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.	No comments.
(2)	**Auditors' Responsibility** Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.	No comments.
	Meaning of Internal Financial Controls Over Financial Reporting A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with	Statements of facts, comments not required.

	generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.	
	Inherent Limitations of Internal Financial Controls Over Financial Reporting Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.	Statements of facts, comments not required.
	Opinion In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2020, except in the areas given below based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. However, company needs to further strengthen the in the control system in the following areas: - Making preparation of financial statements on SAP instead of Excel sheets. - Implementation and Compliance of Indian AS at unit level to ensure the compliance of the Indian AS on the company as a whole. - Classification of account heads in SAP according to the disclosure and classification requirements of the Schedule II of the companies act 2013 and requirements of the Ind AS - Harmonisation in creation of account heads at Corporate Level in relation to advances, liabilities and vendors according to the nature of expenditure so that no duplication of account code exits and only single account code is allotted to individual vendors in the company as a whole. - Payment to contractors strictly on the basis of authorisation of the BOD. - Option of marking of clearing entries in the SAP should be followed by all the accounting units in respect of current as well as old accounting entries. - Scrutiny of old Earnest Money Deposits, security deposits, Retention money and other payables to contractors. - Capitalisation of Capital Work in Progress in timely and efficient manner. - Reconciliation of retro entries in SAP for CPT Module. - Payment to Contractors of Additional Advance/ Advance Against Retention Money and its accounting treatment. - Recovery of delay damages from the contractors and accounting thereof	Suggestions related to strengthening of internal control system have been noted for future compliance

	- Provision of Expenses should be made on realistic basis and the payment in subsequent financial year should be adjusted from the provision only. - Long Term Advances and Deposit Work should be regularly reviewed and accounted for where the significant work has been completed. - Accounting of Provision is respect of doubtful advances and other recoverable. - Review of Negative Balances in liabilities and assets heads. - Accounting of EMD in the nature of FDR in the books of accounts. - Recording of financial entries in foreign exchange also where the advances, retention money and suppliers dues are payable in other currency also. - Investing of idle funds at HEP in SWEAP Bank accounts to earn bank interest - Reversing the Cheques/ Neft Entries for which the Limitation period is over. - Accounting of Inventories in hand at project site at the close of the year. - Liability on account of GST should be as per the requirements of the Goods and Service Tax Act. - Accounting Staff/ Officers at Unit Level should be regularly trained in respect of the Indian Accounting Standards and other Accounting concepts and conventions while preparing the Financial Statements. - Entry in SAP to be made only upon a transaction is executed not at the time supply order is placed ,as we have noticed such instance. This will reduce chances of expenses being booked twice. We have considered the areas of improvement identified which needs further strengthening as reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2020Stand alone financial statements of the Company. However, these areas of improvement do not affect our opinion on the Stand alone financial statements of the Company.	

Sawra Kuddu HEP (111MW) - Free Medical Camp for PAFs by R&R

Machine Hall of Sainj HEP

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

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

क्रमांक: ए0एम0जी0–11(मुख्यालय–1)/हि0प्र0पा0कार्पो0लि0–लेखे–2019–20/2022–23/162
दिनांक: 23/08/2022

सेवा में,

प्रबन्ध निदेशक,
हिमाचल प्रदेश पावर कारपोरेशन लिमिटिड,
हिमफैड भवन बी0सी0एस0 न्यू शिमला–171009

विषयः– कम्पनी अधिनियम, 2013 की धारा 143(6)(इ) तथा धारा 129 (4) के अधीन टिप्पणियां।

महोदय,

मैं, 31 मार्च 2020 को समाप्त वर्ष के लिए हिमाचल प्रदेश पावर ट्रासमिशन कारपोरेशन लिमिटिड शिमला, के वार्षिक लेखों के सम्बन्ध में कम्पनी अधिनियम, 2013 की धारा 143(6)(इ) तथा धारा 129 (4) के अधीन टिप्पणियां भेज रहा हूं।

कृपया पावती भेजें।

भवदीय,
हस्ता/–
प्रधान महालेखाकार

Gorton Castle, Shimla-171 003, Telephone: 0177-2652612-18 Fax: 0177-2658949
गार्टन कैसल, शिमला–171 003, दूरभाषः 0177–2652612–18, फैक्सः 0177–2658949

Comments of the Comptroller and Auditor General of India under Section 143(6) (b) of the Companies Act, 2013 on the standalone financial statements of Himachal Pradesh Power Corporation Limited for the year ended 31 March 2020.

The preparation of financial statements of the Himachal Pradesh Power Corporation Limited for the year ended 31 March 2020 in accordance with financial reporting frame work prescribed under the Companies Act, 2013 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 139 (5) or 139 (7) of the Act 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 31st March 2022.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of Himachal Pradesh Power Corporation Limited for the year ended 31 March 2020 under Section 143 (6) (a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

Based on my supplementary audit, I would like to highlight the following significant matters under Section 143 (6) (b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the statements and the related audit report.

Statement of Profit and Loss

1.Other expenses – ` 27.11 crore (Note 2.33)

The above has been understated by 17.84 crore due to non creation of provision for payment of damages to land in the Kashang Hydel Electric Project of HPPCL. Consequently, the loss for the year has been understated to the same extent.

2. Notes To Financial Statements

Reference is invited to note no 2.72 regarding Renukaji Dam project (RDP). The Notes does not disclose that now Government of India has released Rs. 1037.92 crore and the funds will be grant component of central assistance under "Accelerated Irrigation Benefit Programme" (AIBP) capital assets under Pradhan Mantri Krishi Sinchayee Yojna for the state annual plan 2021-22.

3. Independent Auditor's Report

Reference is invited to point no 4 (iii) (d) of Auditors Report. The Auditor,s Report in the matter is deficient to the extent that now the application has been admitted by the National Company Law Tribunal as I.A No.12 of 2022.

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

Sd/-
Principal Accountant General (Audit)
Himachal Pradesh, Shimla

Place: Shimla
Date : 23/08/2022

Reply of the Comments of the Comptroller and Auditor General of India under Section 143(6) (b) of the Companies Act, 2013 on the Standalone Financial Statements of Himachal Pradesh Power Corporation Limited for the year ended 31 March 2020.

S. No.	Comments of C&AG	Reply by the HPPCL Management
1	**Statement of Profit and Loss** **Other expenses – Rs. 27.11 Crore (Note 2.33)** The above has been understated by 17.84 crore due to non creation of provision for payment of damages to land in the Kashang Hydel Electric Project of HPPCL. Consequently, the loss for the year has been understated to the same extent.	In this context, it is brought out that meeting was held on 17.10.2019 under the Chairmanship of Chief Secretary to Govt. of HP wherein the various issues related to projects were discussed in detail with the concerned Deputy Commissioners, Division Forest Officers and other related HoD. During the meeting, the damages occurred due to flushing of water through SFT was discussed under part (B) Sr.No.2 and it was decided that HPPCL is ready to restore the damages and the forest department may withdraw the claim. The views of the HPPCL have been agreed by the forest department. In view of the decision taken by the High Power committee &the restoration work shall be carried out over the period of more than one year, therefore, the provision of Rs. 17.84 Crore has not been made in the books of accounts in the F.Y. under audit.
2	**Notes to Financial Statements** Reference is invited to note no 2.72 regarding Renuka ji Dam project (RDP). The Notes does not disclose that now Government of India has released Rs. 1037.92 crore and the funds will be grant component of Central Assistance under "Accelerated Irrigation Benefit Programme" (AIBP) capital assets under Pradhan Mantri Krishi Sinchayee Yojna for the state annual plan 2021-22.	The required disclosure has been given in the Director's Report annexed with the Annual Accounts for the FY 2019-20.
3	**Independent Auditor's Report** Reference is invited to point no 4 (iii)(d) of Auditors Report. The Auditor's report in the matter is deficient to the extent that now the application has been admitted by the National Company Law Tribunal as I.A. No. 12 of 2022.	Comments not required.

Butterfly Valve Chamber STK-HEP (450 MW)

Main access Tunnel of Sainj HEP (100 MW)

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2020

Particulars	Note No.	As at March 31, 2020		As at March 31, 2019
ASSETS				
Non - Current Assets				
Property, Plant and Equipment	2.1		302411	303086
Capital Work-in-progress	2.2		329566	308205
Other Intangible Assets	2.3		8	8
Intangible assets under development	2.4		-	-
Financial Assets:				
-Investments	2.5	-		(2)
-Loans	2.6	143		149
-Others	2.7	-		-
			143	149
Deferred Tax Assets (Net)	2.8	-		-
Regulatory Deferral Account Debit Balance	2.9	-		-
Other Non-current Assets	2.10	26964	-	36705
			26964	36705
Current Assets				
-Inventories	2.11		553	74
-Financial Assets				
-Trade Receivables	2.12	102	-	1757
-Cash and cash equivalents	2.13	5618	-	11365
-Bank Balance other than above	2.14	2348	-	9709
-Loans	2.15	14	-	3
-Others	2.16	18213		1349
			26295	24182
Current Tax Assets	2.17		-	-
Other Current Assets	2.18	-	14794	6241
TOTAL ASSETS			700734	678648
EQUITY AND LIABILITIES				
Equity				
Equity Share Capital	2.19		218056	192756
Other Equity	2.20		(35022)	(22200)
Liabilities				
Non- Current Liabilities				
Financial Liablities				
-Borrowings	2.21	255505		159795
-Other Financial Liablities	2.22	157698		10993
			413203	170789
Provisions	2.23		3919	5690
Other Non- Current Liabilities	2.24		77073	69543
Current Liabilities				
-Trade Payables	2.25		-	-
-Other Financial Liablities	2.26		12,928	262,070
-Borrowings	2.27		10577	-
TOTAL EQUITY AND LIABILITIES			700734	678648

Significant Accounting Policies 1.0

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

For and on behalf of the Board of Directors

Sd/-	Sd/-	Sd/-	Sd/-
(B.L. Verma)	(Sudershan K. Sharma)	(Manmohan Sharma)	(Amit Kashyap)
D.G.M. (Finance)	Company Secretary	Director (Finance)	Managing Director
		DIN No. 08480582	DIN No. 07453973

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

CONSOLIDATE STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2020

Particulars	Note No.	For the Year Ended March 31, 2020	For the Year Ended March 31, 2019
Income			
Revenue from Operations	2.28	14,624	18,855
Other Income	2.29	93	108
Total Income		**14717**	**18963**
Expenses			
Employee Benefits Expense	2.30	1,034	1,565
Financial Costs	2.31	12,967	12,980
Depreciation and Amortization Expense	2.32	10,829	10,670
Other Expenses	2.33	2,711	4,334
Total Expenses		**27540**	**29550**
Profit before net movement in regulatory deferral account balance and tax		(12823)	(10586)
Net movement in regulatory deferral account balance		-	-
		(12823)	**(10586)**
Share and Profit or Loss in Joint Venture		0	2
Profit before Tax		**(12823)**	**(10588)**
Extraordinary Items: Loss on Sale of Fixed Assets		1	12
Profit / Loss Before tax		(12824)	(10598)
Income Tax:			
- Current Tax			
- Deferred Tax			
Profit (Loss) for the period		**(12824)**	**(10600)**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
-Remeasurement of the net defined benefit liability/asset			
-Income tax on above item			
Total		-	-
Total Comprehensive Income for the period		**(12824)**	**(10600)**
Earnings Per Equity Share (excluding net movement in regulatory deferral account balance)			
Basic and Diluted	2.34	(62.43)	(56.19)
Earnings Per Equity Share **(including net movement in regulatory deferral account balance)**			
Basic and Diluted	2.34	(62.43)	(56.19)
Weighted average equity shares used in computing earnings per equity share			

Significant Accounting Policies 1.0

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

For and on behalf of the Board of Directors

Sd/-	Sd/-	Sd/-	Sd/-
(B.L. Verma)	(Sudershan K. Sharma)	(Manmohan Sharma)	(Amit Kashyap)
D.G.M. (Finance)	Company Secretary	Director (Finance)	Managing Director
		DIN No. 08480582	DIN No. 07453973

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31,2020

Particulars		For year ended March 31,2020	For year ended March 31,2019
Cash flow from operating activites			
Profit before tax		-12824	-10600
Adjustment for:			
Loss of Fixed Asset/ CWIP	1		11.76
Depreciation	10829		10669
Interest Income on Term Deposits	0		
Share of Loss In joint Venture	0		2
Finance/ Interest Cost	0		
		10,830	**10683**
Adjustment for assets and liabilities			
Inventories	-480		-40
Trade receivable and unbilled revenue	1655		-141
Loans, other financial assets and other assets	-18067		-10705
Other financial liabilities and other liabilities	-238565		129170
Other Current liabilities	0		-9
Provisions	-1771		682
		-257227	**118958**
Cash generated from operating activities		-259221	119041
Less: Income tax paid			0
Net cash generated from operating activities		**-259221**	**119041**
Cash flow from investing activities:			
Net expenditure on Property, Plant & Equipment and CWIP and EDC	31515		55869
Provisions			
Other Non Curent assets	-9741		2261
Interest on term deposits/ Sweep Deposits	-6		-1
Term Deposits with Banks (having maturity more than 3 months)			
Depreciation on CWIP			
CWIP from Deficit Account			
loss of Fixed/ CWIP assets from torrential rain & flood	0.90		12
Net cash used in investing activities		**21769**	**58141**
Cash flow from financing activities:			
Share Capital	25300		8200
Long term Borrowings - Proceeds	249944		-90252
Long term Borrowings - Repayment			
Net Cash used for financing activities		**275244**	**-82052**
Net increase in cash and cash equivalents		**-5746**	**-21152**
Opening balance of cash & cash equivalents		11365	32517
Closing balance of cash & cash equivalents		**5618**	**11,365.00**
Restricted cash balance			
Earmarked Balance (Unpaid Dividend)			0
Margin Money for BG/ Letter of Credit and Pledged deposits		2348	4437
Total		**2348**	**4437**

This is the Statement of Cash Flows referred to in our report of even date.

For and on behalf of the Board of Directors

Sd/-	Sd/-	Sd/-	Sd/-
(B.L. Verma)	(Sudershan K. Sharma)	(Manmohan Sharma)	(Amit Kashyap)
D.G.M. (Finance)	Company Secretary	Director (Finance)	Managing Director
		DIN No. 08480582	DIN No. 07453973

STATEMENT OF CHANGES IN EQUITY

Rs. in Lacs

Particulars	Equity Share Capital	Other Equity		Total	
		Reserves & Surplus	Other Comprehensive Income	Total Other Equity	Total
		Retained Earnings	Remeasurement of the Net defined Benefit Asset/ Liability (Net of Tax)		
Changes in Equity for the year ended on March,2020					
Opening Balance as on 1st April 2019	192756	-22200	0	-22200	170558
Equity shares issued during the year	25300			0	25300
Other Comprehensive Income for the Period	0			0	0
Profit /Loss for the period		-12824		-12824	-12824
Loss of Joint Venture		2		2	2
Dividend					
Dividend Tax				0	0
Opening Adjustments in retained Earnings				0	0
Closing Balance as at March 31st, 2020	**218056**	**-35022**		**-35022**	**183034**

For and on behalf of the Board of Directors

Sd/-	Sd/-	Sd/-	Sd/-
(B.L. Verma)	(Sudershan K. Sharma)	(Manmohan Sharma)	(Amit Kashyap)
D.G.M. (Finance)	Company Secretary	Director (Finance)	Managing Director
		DIN No. 08480582	DIN No. 07453973

HIMACHAL PRADESH POWER CORPORATION LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

1. INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES:

A. REPORTING ENTITY

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

B. SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

The preparation of the financial statements requires management to make estimates and assumptions that may impact the application of accounting policies and the reported value of Assets, Liabilities, Income, Expenses and related disclosures concerning the items involved as well as contingent assets and liabilities at the balance sheet date. Actual results could vary from these estimates. The estimates and management's judgements are based on previous experience and other factors considered reasonable and prudent in the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future years.

1.2 BASIS OF MEASUREMENT

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

1.3 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Indian Rupees (INR), which is the Company's functional currency. All financial information presented in INR has been rounded to the nearest Lacs, except as stated otherwise.

1.4 CURRENT AND NON-CURRENT CLASSIFICATION

The Company presents assets and liabilities in the balance sheet based on current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after
- the reporting period. All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period.
- All other liabilities are classified as non-current. Deferred tax assets/liabilities are classified as non-current.

1.5 PROPERTY, PLANT AND EQUIPMENT (PPE)

a) The Company has opted to utilize the option under para D7AA of Appendix D to Ind AS 101 which permits to continue to use the Indian GAAP carrying amount as a deemed cost under Ind AS at the date of transition to Ind AS. Therefore, the carrying amount of property, plant and equipment according to the Indian GAAP as at April 1, 2015 i.e. Companies date of transition to Ind AS, were maintained in transition to

Ind AS.

b) An item of PPE is recognized as an asset if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

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

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

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

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

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

h) Subsequent expenditure is recognized as an increase in the carrying amount of the asset when it is probable that future economic benefits deriving from the cost incurred will flow to the company and the cost of the item can be measured reliably.

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

1.6 Capital Work-in-progress

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

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

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

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

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

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

g) The Expenditure of Corporate office and Sundarnagar design office is allocated to different accounting units on systematic basis.

1.7 INVESTMENT PROPERTY

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

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

  ii). Sale in the ordinary course of business.

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

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

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

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

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

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

1.8 INTANGIBLE ASSETS

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

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

  ii). The cost of the asset can be measured reliably

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

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

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

1.9 REGULATORY DEFERRAL ACCOUNTS

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

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

1.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

a) The carrying amounts of the Company's non-financial assets primarily include property, plant and equipment, which are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU's) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of the Company. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The resulting impairment loss is recognised in the

Statement of Profit and Loss.

b) In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

c) Impairment losses recognized in earlier period are assessed at each reporting date for any indication that loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

1.11 INVENTORIES

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

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

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

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

1.12 FOREIGN CURRENCY TRANSACTIONS

A) FUNCTIONAL AND PRESENTATION CURRENCY:

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

B) TRANSACTIONS AND BALANCES:

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

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

1.13 FINANCIAL INSTRUMENTS – INITIAL RECOGNITION, SUBSEQUENT MEASUREMENT AND IMPAIRMENT

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A) Financial Assets

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

Measurement:

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

De-recognition:

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

B) Financial liabilities:

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

Measurement:

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

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

De-recognition:

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

1.14 INVESTMENT IN JOINT VENTURES AND ASSOCIATES:

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

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

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

1.15 LEASES

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

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

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

OPERATING LEASE:

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

1.16 GOVERNMENT GRANTS

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

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

1.17 BORROWING COSTS

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

1.18 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

a) A provision is recognised when:

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

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

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

b) If the effect of the time value of money is material, provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as finance cost.

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

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

receivable can be measured reliably.

e) Contingent liabilities are possible obligations that arise from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Company. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Contingent liabilities are disclosed on the basis of judgment of the management. These are reviewed at each balance sheet date and are adjusted to reflect the current management estimate.

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

1.19 REVENUE RECOGNITION AND OTHER INCOME

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

1.20 EMPLOYEE BENEFITS

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

a) **Short-term Benefits**

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

b) **Terminal Benefits**

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

1.21 DEPRECIATION AND AMORTIZATION

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

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

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

c) Kitchen items and small office items are depreciated over the period of 3 years, keeping 10% residual value.

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

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

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

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

ii) Expenditure on catchment area treatment (CAT) Plan during construction is capitalised

along with Dam/Civil works. Such expenditure during O & M stage is charged to revenue in

the year of incurrence of such expenditure

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

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

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

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

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

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

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

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

xi) Tangible Assets created on leasehold land are depreciated to the extent of 90% of original cost over the balance available lease period of respective land from the date such asset is available for use or at the applicable depreciation rates & methodology

notified by HPERC tariff regulations for such assets, whichever is higher.

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

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

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

1.22 INCOME TAXES

Income tax expense comprises current tax and deferred tax.

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

a) CURRENT INCOME TAX

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

b) DEFERRED TAX

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.23 EARNINGS PER SHARE:

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

1.24 STATEMENT OF CASH FLOWS

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

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

1.25 MATERIAL PRIOR PERIOD ERRORS

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

HIMACHAL PRADESH POWER CORPORATION LIMITED

2 NOTES TO ACCOUNTS

The amounts in financial statements are presented in India Rupees . The previous year figures have also been reclassified / regrouped / rearranged wherever necessary to confirm to this year's classification.

(Rs. In lacs)

	Particulars	Sub Note	Amount as at March 31st 2020	Amount as at March 31st 2019
2.1	Property, Plant & Equipment	2.1.1	302411.07	303086
2.2	Capital work in Progress	2.2.1	329566.30	308205
2.3	Intangible assets	2.3.1	8.17	8
	TOTAL		631986	611299
2.4	Intangible Assets under Development			
	TOTAL			0

2.5 INVESTMENTS

Note 2.5.1

Investment accounted for Using Equity Method

Non- Trade - unquoted (At Cost)

a) Interest in Joint Venture Companies

The entity listed below has share capital consisting solely of Equity Shares, which are held directly by the group. The country of incorporation or registeration is also the principal place of business,and the proportion of ownership, interest is the same as the proportion of voting rights held.

	Place of Business	Accounting method
Himachal Emta Power Limited	India	Equity Method

(Rs. In lacs)

Particulars	As At March 31, 2020	As At March 31, 2019
	Ownership Interest	
	50%	50%
	Carrying Amount	
Himachal Emta Power Limited	50.38	52.85
	50.38	52.85
Less: Provision for Doubtful Investment	338	338
Reclassification of carrying amount adjusted in Retained Earnings	-287	-285
	0.00	0.00

The company has made an investment of Rs. 337.5 Lacs in the equity of Himachal Emta Power Limited (HEPL) which has been established as Companies joint Venture with Emta for setting up (2*250MW) thermal Power Plant at Raniganj, West Bengal. The company has 50% equity participation in HEPL. The objective of joint venture is coal block for ensuring the uninterrupted fuel supplies thereto. However, Hon'ble supreme Court of India has cancelled all allottment of coal block and termed all captive coal block allocation since 1993 as illegal. The joint venture company of Himachal EMTA has filed a claim to the ministry of Coal for expenditure incurred on the project & has not received the claim for the Ministry of Coal as yet. Provision for Doubtful Investment has been made in books as final shares from the Himachal Emta is received by the company.

Note2.5.2

Shares of Profit of Joint Ventures accounted for using the Equity Method.

(Rs. In lacs)

Particulars	As At March 31, 2020	As At March 31, 2019
Himachal Emta Power Limited	-0.33	-2
	-0.33	-2

Explanatory Note

Summarised Financial Information for joint Ventures

The table below provide summarised financial information for Joint venture of the group. The information disclosed reflect the amount presented in the financial statements of the joint venture. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments made at the time of acquisitions and modifications for differences in accounting policy.

(Rs. In lacs)

Summarised Balance Sheet	As At March 31, 2020	As At March 31, 2019
Assets		
Non Current assets	254	252
Current Assets	2	2
Total assets	257	255
Liabilities		
Non Current Liabilities	157	151
Current Liabilities	3	3
Total Liabilities	159	153
Net Assets	98	101

Note 2.5.3

(Rs. In lacs)

Reconciliation of Carrying amount		
Opening net Assets	101	109
Profit/ Loss during the year	-1	-3
Other Comprehensive Income		
Reclassification Adjustments		
	101	106
Group Share In Percentage	50%	50%
Group Share In Rupees	50	53
Summarised profit & Loss		
Other Income	1	1
Other Expenses	-1	-2
Deprecaition and Amortization		0
Income Tax	0	-3
Net Loss	-1	-3
Group share In Rupees	0	-2

2.6 Loans

(Rs. In lacs)

Particulars	As At March 31, 2020	As At March 31, 2019
Security Deposits		
Secured Considered Good	0.74	1
Unsecured considered good	142.18	148
- Doubtful		
	143	149
Loans to other Employees		
- Secured considered good	0	-
Unsecured Considered Good	0	0
- Doubtful	0	-
	-	0
Total	143	149

2.7 FINANCIAL ASSETS- OTHERS

(Rs. In lacs)

Particulars	Amount as at March 31st 2020	Amount as at March 31st 2019
Interest Accrued but not due on deposits with Banks		
Deposit with Courts	-	-
Other Deposits	-	-
Unbilled Revenue		
Bank Deposit with more than 12 months maturity	-	-
TOTAL	-	-
2.8 DEFERRED TAX ASSETS	0	0.00
TOTAL	-	-
2.9 REGULATORY DEFERRAL ACCOUNTS- DEBIT BALANCE	-	-
TOTAL	-	-

2.10 NON - CURRENT ASSETS

Other Non Current assets

(Rs. In lacs)

Particulars	As At March 31, 2020	As At March 31, 2019
Capital Advances		
Advances to Suppliers and Contractors		
Covered By Bank Guarantee	0	453
Unsecured Considered Good	7,678	7911
Others	414	496
Loans and Advances to Related Parties	-	-
Loans and advances to Joint Ventures	-	-
Secured Considered Good	-	-
Unsecured Considered Good	61	61
Less : Provision for Doubtful Advances	(61)	(61)
	-	-
Advances to Others	-	-
Others- Secured Considered Good	28	-
Others- Unsecured Considered Good	465	686
	0	-
Capital Stores at Cost	-	-
Other Items	2	2
	0	-
Recoverable from Contractors	-	-
Others- Seured Considered Good	0	4325
Others- Unseured Considered Good	1,547	13119
Recoverable from staff	0.00	2
Deposits with Income Tax Authorities	8,875	8874
Other Recoverable	166	314
Less: Provision for Doubtful Recoverable	(63)	(63)
Grant Receivables- Non Current	7,852	566
Prepaid Expenses	0	19
Deferred Empoyee Benefits Expense		
Total Other Non- Current Assets	**26964**	**36705**

CURRENT ASSETS

2.11 INVENTORIES

(Rs. In lacs)

Particulars	As At March 31, 2020	As At March 31, 2019
Inventories		
Loose Tools		
Stores and Spares	553	74
Less : Provision for Shortage of store and Obsolescence		
TOTAL	**553**	**74**

FINANCIAL ASSETS

2.12 TRADE RECEIVABLES

(Rs. In lacs)

Particulars	As At March 31, 2020	As At March 31, 2019
Secured Considered good		
Unsecured Considered good:		
Power	78	1734
Lab Charges		
Doubtful		
Related Party	24	24
TOTAL	**102**	**1757**

2.13 CASH AND CASH EQUIVALENTS

(Rs. In lacs)

Particulars	As At March 31, 2020	As At March 31, 2019
'Term Deposits (having original maturity of upto 3 months)		
Cash and Bank Balances		
Cash in Hand	0	0
Stamps in Hand	0	0
Remittances in Transit	-	-
Balance with Banks	-	-
Current Deposits	5618	9403
Term Deposits with maturity upto 3 months	-	1961
TOTAL	**5618**	11365

2.14 BANK BALANCE - OTHER THAN ABOVE

(Rs. In lacs)

Particulars	As At March 31, 2020	As At March 31, 2019
Earmarked Balance (Unpaid Dividend)	-	
Margin Money for Pledged Deposits	-	3312
Other term Deposits having maturity period of more than 3 months	-	5272
Margin Money for BG/ Letter of Credit	2348	1125
TOTAL	**2348**	**9709**

2.15 LOANS

(Rs. In lacs)

Particulars	As At March 31, 2020	As At March 31, 2019
Security Deposits		
- Secured Considered Good	-	-

Unsecured considered good	9	2
- Doubtful	-	-
Loans to Related Parties	-	-
Loans to Directors	-	-
- Secured considered good	-	-
- Unsecured considered good	-	-
- Doubtful	-	-
Loans to Other Related Parties		
Recoverable from Staff	2	0
Advances to Employees	-	-
Secured considered good	-	-
Unsecured Considered Good	2	0
Doubtful	-	-
TOTAL LOAN	**14**	3

2.16 OTHER ASSETS

(Rs. In lacs)

Particulars	As at March 31, 2020	As At March 31, 2019
Interest Accrued but not due on deposits with Banks	494	327
Interest recoverable	204	139
Amount Receivable from Others	107	46
Accured Interest on Advances to Others	0	-
Amount Recoverable from Contractor & Suppliers		
Others- Secured Considered Good	0	7
Others- Unsecured Considered Good	17,409	830
Other Current Assets	0	-
TOTAL OTHER FINANCIAL ASSSETS	**18213**	**1349**

2.17 CURRENT TAX ASSETS

(Rs. In lacs)

Particulars	As at March 31, 2020	As At March 31, 2019
Current Tax Assets	0.00	0.00
TOTAL		

2.18 OTHER CURRENT ASSETS

(Rs. In lacs)

Particulars	As at March 31, 2020	As At March 31, 2019
Advances Others		
Secured Considered Good	-	-
Unsecured considered good	485	485
Advance to Suppliers and Contractors	-	-
Secured Considered Good	-	125
Unsecured considered good	996	35
Doubtful	-	-
Less Provision for Doubtful Advances	-	-
Advances to Govt Departments	-	-
Secured Considered Good	-	-
Unsecured considered good	238	189
Doubtful		
Prepaid Expenses		
Amount Recoverable from tax authorities		
Deposits with Courts		
Other Recoverable		

Doubtful	-	-
Prepaid Expenses	120	24
Amount Recoverable from tax authorities	35	-
Deposits with Courts	12921	5383
Other Recoverable	0	0
TOTAL	**14794**	**6241**

2.19 EQUITY SHARE CAPITAL

Particulars	As at March 31, 2020		As At March 31, 2019	
	No. of Shares	Share Capital (Rs. In Lacs)	No. of Shares	Share Capital (Rs. In Lacs)
AUTHORISED Equity Shares of par value @ 1000/- each	**25000000**	**250000**	**20000000**	**200000**
ISSUED, SUBSCRIBED AND FULLY PAID UP Equity Shares of par value @ 1000/- each fully paid up	**21805633**	**218056**	**19275633**	**192756**
TOTAL		**218056**		**192756**

2.19.1 DETAILS OF SHAREHOLDERS HOLDING MORE THAN 5% SHARES IN THE COMPANY :

NAME OF THE SHAREHOLDER	As at March 31, 2020		As At March 31, 2019	
	No. of Shares	%	No. of Shares	%
Government of Himachal Pradesh (GoHP)	8626375	39.56	6096345	31.63
Himachal Pradesh Infrastructre Development Board	11871507	54.44	11871507	61.59
Himachal Pradesh Electricity Board Limited	1307731	6.00	1307731	6.78
TOTAL	**21805583**		**19275583**	

2.19.2 THE RECONCILIATION OF THE NUMBER OF SHARES OUTSTANDING IS SET OUT BELOW:

Particulars	As at March 31, 2020		As At March 31, 2019	
	No. of Shares	Share Capital (Rs. In Lacs)	No. of Shares	Share Capital (Rs. In Lacs)
Number of shares at the beginning	19275633	192756	18455633	184556
No. of shares issued during the year	2530000	25300	820000	8200
No. of shares Bought Back during the year				
Number of shares at the end	**21805613**	**218056**	**19275633**	**192756**

2.20 OTHER EQUITY

(Rs. In lacs)

Particulars	As at March 31, 2020	As At March 31, 2019
Retained Earnings		
Opening Balance	(22199)	(11601)
Add: Profit for the Year as per Statement of Profit and Loss	-12824	-10598
Less : Loss of joint venture	2	-
Closing Balance	**(35022)**	(22200)

2.21 BORROWINGS

(Rs. In lacs)

Particulars	As at March 31, 2020	As at March 31, 2019
Bonds or Debentures		-
Total	-	-
Term Loans		
From Banks:		
A **Secured**		
Loan from UCO Bank (Secured)	2014	-
Total (A)	2014	-
B **Unsecured:**		
Government of Himachal Pradesh Loan for Shongtong HEP *(Rate of Interest 3.83% p.a. payable in halfyealrly instalments from july 2018 to January 2028)*	9634	8792
Government of Himachal Pradesh Loan for Shongtong HEP *(Rate of Interest 0.75% p.a. payable in halfyealrly instalments from july 2023 to January 2053)*	4959	4874
Government of Himachal Pradesh Loan Government of Himachal Pradesh Loan (Trench 1) *(Rate of Interest 10% pa payable in yearly instalments of principal and interest from april 18 to January 2023)*	73,676	29150
Government of Himachal Pradesh Loan (Trench 2) *(Rate of Interest 10% pa payable in yearly instalments of principal and interest from april 18 to January 2025)*	26,902	15939
Government of Himachal Pradesh Loan (Trench 3) *(Rate of Interest 10% pa payable in yearly instalments of principal and interest from april 18 to January 2026)*	1,04,051	71056
Government of Himachal Pradesh Loan (Trench 4) *(Rate of Interest 10% pa payable in yearly instalments of principal and interest from april 18 to January 2027)*	34,269	29985
Government of Himachal Pradesh Loan (SEC.TRM.LOAN HP Govt)		
Total (B)	253491	159795
Total Term Loans from Banks (A+B)	255505	159795

2.22 OTHER FINANCIAL LIABILITIES

(Rs. In lacs)

Particulars	As at March 31, 2020	As At March 31, 2019
Deposits, Retention Money from Contractors and Others	6,096	5914
Liabiities For Contractors & Suppliers	55	57
Other Expense Payable	0	-
Govt. Dues Payable	0	-
Provision for Expenses	4,109	5023
Deferred Repayment of Interest of GOHP Loan	147,438	-
TOTAL	157698	10993

2.23 PROVISIONS - NON CURRENT

(Rs. In lacs)

Particulars	As at March 31, 2020	As At March 31, 2019
Provisions		
Gratuity	682	1030
Leave Enchasment	2279	2799
Pension Contribution	958	1861
TOTAL	**3919**	**5690**

(Rs. In lacs)

Particulars	As at 01.04.2019	For the year			As at 31.03.2020
		Additions	Write Back/ Transfer	Utilization	
Unfunded Employee benefit					
Pension Contribution	1861	186	0	1089	958
Gratuity	1030	682	1020	10	682
Leave Enchasment	2799	798	1038	280	2279
TOTAL	**5690**	**1666**	**2058**	**1379**	**3919**

2.24 Other Non Current Liabilities

(Rs. In lacs)

Particulars	As at March 31, 2020	As At March 31, 2019
Capital Grant government of India		
Utilised Grant		
Renuka		
Opening Balance	68,680	68680
Additions during the year	7,521	-
Less: Acculumated depreciation on fixed Assets	199	174
Closing Balance	**76002**	**68506**
Gyspa		
Opening Balance	1,066	1022
Additions during the year	37	44
Less: Acculumated depreciation on fixed Assets	33	30
Closing Balance	**1071**	**1037**
Total Utilised Grant	**77073**	**69543**

The Renukaji Dam Hydro Electric Project and Gyspa Dam project is being implemented by HPPCL as a National Project andis fully funded by the Government of India and Government of Beneficiary States. The Contributions received for Renukaji Dam project from the Central Government, Delhi, Jal Board and the haryana Government aggregating Rs. 689,52,79,755/- and for Gyspa Dam project from PWC Rs.500,00,000/- has been treated as per Capital Reserve, (net of depreciation) in compliance with AS 12.

2.25 TRADE PAYABLES

(Rs. In lacs)

Particulars	As at March 31, 2020	As At March 31, 2019
Trade Payables	-	-
TOTAL	-	-

2.26 OTHER CURRENT LIABILITIES

(Rs. In lacs)

Particulars	As at March 31, 2020	As At March 31, 2019
Liabilities for employees Remuneration and Benefit	167	152
Share Application Money pending Allottment	0	8800
Interest Accrued and Due on Loan	0	123146
Government of Himachal Pradesh Loan	0	93347
Salary & Other Exps. Payable to Employees	0	0
Advance for deposit Work	1404	1500
Deposits, Retention Money from Contractors and Others	2279	706
Liabilities for Government Departments	1889	2374
Liabiities For Contractors & Suppliers	2300	5239
Provision for Expenses	4712	26490
Taxes and Duties Payable	177	316
TOTAL	**12928**	**262070**

2.27 BORROWINGS

(Rs. In lacs)

Particulars	As at March 31, 2020	As At March 31, 2019
Secured		
From Banks	10577	
From Other Parties		
TOTAL	**10577**	

2.28 REVENUE FROM OPERATIONS

(Rs. In lacs)

Particulars	As at March 31, 2020	As At March 31, 2019
Sales		
Energy Sales	14576	18833
Sale of Services		22
Rent from Property	48	0
Rent of Land	0	**18855**
Total Revenue from Operations	**14624**	

2.29 MISCELLANEOUS INCOME

(Rs. In lacs)

Particulars	As at March 31, 2020	As At March 31, 2019
Income for providing Design works/Lab Receipt	3	5
Interest from Banks	10	3
Late Payment Surcharge	0	0
Rebate NRLDC Fee Chg	0	0
Interest on Bank Deposit - FDR's	0	0
Others	80	118
Sale of Scrap	0	1
Prior Period Income	0	-19
TOTAL	**93**	**108**

2.30 EMPLOYEE BENEFIT EXPENSES

(Rs. In lacs)

Particulars	As at March 31, 2020	As At March 31, 2019
Salaries,Wages, Allowances and Benefits	939	1221
Contribution to Provident and Other Funds	48	58
Leave Salary and Pension Contribution	-101	101
Welfare Expenses	148	186
TOTAL	**1034**	**1565**

2.31 FINANCE COST

(Rs. In lacs)

Particulars	As at March 31, 2020	As At March 31, 2019
Bank Charges	0	0
Interest on term Loan	12955	12980
Others	12	0
TOTAL	**12,967**	**12,980**

2.32 DEPRECIATION AND AMORTIZATION EXPENSE

(Rs. In lacs)

Particulars	As at March 31, 2020	As At March 31, 2019
Depreciation for the Year	10829	10670
Depeciation Charged to Statement of Profit & Loss	**10829**	**10670**

2.33 OTHER EXPENSES

(Rs. In lacs)

Particulars	As at March 31, 2020	As At March 31, 2019
Repair and Maintenance		
Buildings	49	72
Roads	31	1
Plant & Machinery	560	820
Office Equipments & Furnitures	1	1
Civil Works	108	102
Electro Mechanical Works	0	0
Vehicles	1	0
Others	0	7
Less: Claims Received from Insurance Companies *		
Rent, Rates and Taxes	17	22
Insurance:		
Vehicles	0	0
Other Assets	20	40
Security Expenses		
Electricity & Water Charges	31	138
Less:- Recovered from Employees & Contractors		
		0
Research and Development		
Travelling & Conveyance	2	3
Traning Expenses	0	1
Less:- Cost of Application Forms Received		

Legal and Professional Charges	186	130
Communication Expenses	9	5
Printing & Stationery	7	6
Statutory Audit Fees	9	8
Tax Audit Fee		
GST Audit Fee		
Cost Audit Fee		
Internal Audit Fee		
Consultancy fees	0	0
Publicity and Advertisement Expenses	3	2
Advertisement & Publicity		
Expenses in relation to sale of power	1619	1725
Free Power	27	34
EMP Expenses	0	-
Hiring of Vehicles	112	140
Vehicle Running Charges and Insurance Charges	2	3
Annual Technical Support- SAP	2	34
Fees and subscription	7	8
Expenses on Transit Camps	0	0
Books & Periodicals	1	1
Hospitality and Entertainment Expense	1	2
Freight and Labour Charges	0	0
Postage and Telegram Expenses	0	0
Raising Day Expense	9	13
Rebate to Customers	0	35
Provision for Doubtful advances		-
Disaster Management Plan Exps.		-
Directors Sitting Fees		
Deferred Revenue Expenditure Written Off		
Meeting Expenses	0	1
Environment & Ecology Expenses	10	54
Office Expenses	57	71
Prior Period Expenses	(198)	763
Expenditure Write Off	0	41
Interest & penalties under I.Tax		
Miscellaneous Expenses	28	50
Exchange Rate Variation		
4000800 R&R Schemes / Plan		
Expenditure on Catchment Area Treatment		
Project Inauguration Expenses		
Expenses on Regulated Power		
Less: Regulated Power Adjustment - Sales		
Rehabilitation Expenses		-
Local Area Development Expenses		
TOTAL	**2711**	**4334**

2.34 EARNING PER SHARE BASIC AND DILLUTED

(Rs. In lacs)

Particulars	As at March 31, 2020	As At March 31, 2019
Net Profit after Tax	(12,824)	(10,598)
Weigted Average no. of Shares	20,540,633	18,865,633
Face Value of Shares	1,000	1,000
EPS	**(62.43)**	**(56.18)**

SUB NOTE NO 2.1.1 SCHEDULE OF PROPERTY PLANT AND EQUIPMENT

(Rs. In Lacs)

Particulars	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at 01.04.2019	Addition during the year	Deletions/ Adjustments	As at 31.03.2020	As at to 01.04.2019	Addition during the year	Deletions/ Adjustments	As at to 31.03.2020	As at 31.03.2020	As at 31.03.2019
Land - Leasehold	26	0	0	26	2	1	0	3	23	24
Land - Freehold	91476	11,247	1,254	101469	1	0	0	1	101,469	91,475
Residential Buildings	2633	0	0	2633	430	91	0	522	2,112	2,203
Non Residential Buildings	1729	33	0	1761	264	56	0	320	1,442	1,465
Temporary Sheds/erections	10	0	0	10	3	4	0	6	3	7
Project Civil Works	154957	247	38	155166	14,612	7,394	6	22001	133,165	140,344
Roads, Bridges & Traffic Tunnels	0	0	0	0	0	0	0	0	0	0
Project Electro Mechenical Works	65513	88	0	65602	5,668	3,142	0	8810	56,792	59,846
Plant (currently For Water Treatment)	3	18	0	21	1	1	0	2	20	2
Office Machinary (Like Lab, Fire ,safety)	136	6	4	137	42	7	2	47	90	93
Electronics & Electrical Items	430	13	1	443	111	26	0	136	306	319
Furnitures & Fixtures	338	67	22	384	111	28	0	138	245	227
Computers & Data Processing Machines	189	10	9	190	81	15	0	95	95	108
Vehicles	156	0	2	194	38	13	1	51	103	118
Kitchen Items	3	0	0	3	2	0	0	2	0	1
Fire Fight Equipmnts	0	0	0	0	0	0	0	0	0	0
Mall Office Items	0	0	0	0	0	0	0	0	0	0
Helipad	23	0	0	23	5	1	0	6	18	18
Bridges & Culverts	58	0	0	580	107	19	0	125	454	473
Server And Networks	899	0	0	899	748	2	0	750	149	151
Roads	4954	0	0	4954	910	163	0	1073	3,881	4,044
Assets Not Owned By Company Roads	0	0	0	0	0	0	0	0	0	0
Assets Not Owned By Company Others	0	0	0	0	0	0	0	0	0	0
Infrastucture Development Construction Power	2605	0	0	2605	438	124	0	562	2,043	2,167
Total (a)	**326660**	**11730**	**1329**	**337061**	**23574**	**11085**	**9**	**34649**	**302411**	**303086**

Note No 2.2.1 : CAPITAL WORK IN PROGRESS

(Rs. In lacs)

Particulars	Note	Amount As at 31.03.2019	Addition during FY 2019-20	Deletion during FY 2019-20	Net Adj. During FY 2019-20	Amount as at 31.03.2020
Residential Buildings	2.2.1.1	24	-	12	(12)	12
Non Residential Buildings	2.2.1.1	89	64	-	64	152
Roads, Bridges & Culverts	2.2.1.1	191	212	-	212	402
Civil Works	2.2.1.1	111,973	17,458	5,625	11,833	123,805
Electro-Mechanical Works	2.2.1.1	43,388	7,926	345	7,582	50,970
Construction Power	2.2.1.1	44	0	-	0	44
Plant & Machinery	2.2.1.1	-	8	-	8	8
Land Submerged Area	2.2.1.1	18,850	-	18,850	(18,850)	-
Investigation & Survey	2.2.1.1	-	-	-	-	-
Environment & R&R Expenses	2.2.1.1	-	3,097	3,097	-	-
G.Total		**174,558**	**28,764**	**27,928**	**835**	**175,393**
Expenditure during construction	2.2.2	133,647	24,311	(3,785)	20,526	154,173
Total Carried forward to Balance Sheet)		**308,204**	**53,075**	**31,713**	**21,362**	**329,566**

NOTE NO 2.2.1.1 PROJECT WISE DETAIL OF CAPITAL WORK IN PROGRESS

(Rs. In lacs)

Particulars	Residential Buildings as at 31.03.2020	Non Residential Buildings as at 31.03.2020	Roads, Bridges & Culverts as at 31.03.2020	Civil Works as at 31.03.2020	Electro-Mechanical Works as at 31.03.2020	Construction Power as at 31.03.2020	Plant & Machinery as at 31.03.2020	Land Submerged Area as at 31.03.2020	Investigation & Survey as at 31.03.2020	Environment & R&R Expenses as at 31.03.2020	G.Total
Sundernagar	-	-	-	-	-	-	-	-	-	-	-
Sawra Kuddu HEP	3	-	0	70,503	24,702	5	-	-	-	-	95,213
Kashang HEP Stage-I	9	-	-	34	-	-	-	-	-	-	34
Sainj HEP	-	152	308	336	-	-	-	-	-	-	805
Renuka Dam Project	-	-	-	-	-	-	8	-	-	-	8
Shontong HEP	-	-	-	38,896	26,268	39	-	-	-	-	65,203
Triveni HEP	-	-	-	-	-	-	-	-	-	-	-
Thana Plaun HEP	-	-	-	-	-	-	-	-	-	-	-
Gypsa HEP	-	-	-	-	-	-	-	-	-	-	-
Surgani Sundla HEP	-	-	-	-	-	-	-	-	-	-	-
Deothal Chanju	-	-	-	-	-	-	-	-	-	-	-
Chanju-III	-	-	-	-	-	-	-	-	-	-	-
Berra-Dol Solar Power Project	-	-	-	193	-	-	-	-	-	-	193
Kashang HEP Stage-II	-	-	95	13,844	-	-	-	-	-	-	13,938
G.Total	**12**	**152**	**402**	**123,805**	**50,970**	**44**	**8**	-	-	-	**175,393**

Note No 2.2.2 EXPENDITURE DURING CONSTRUCTION

(Rs. In lacs)

Expenditure During Construction	Note No.	As at 31.03.2019	Addition during 2019-20	Deletion during 2019-20	Net Adj. During 2019-20	As at 31.03.2020
EXPENSES (A):						
Employees' Benefits Expenses	2.2.2.1	48,858	5,238	(870)	4,368	53,226
Finance/Interest Cost	2.2.2.2	55,356	11,629	-	11,629	66,985
Depreciation Expenses	2.2.2.3	2,926	252	-	252	3,178
Office and Administrative Expenses	2.2.2.4	37,344	8,667	(2,915)	5,752	43,096
TOTAL (A)		**144,485**	**25,785**	**(3,785)**	**22,000**	**166,485**
Less: Miscellaneous Income	2.2.2.5	(10,838)	(1,474)	-	(1,474)	(12,312)
Less: Renukaji & Gyspa Project Depreciation adjusted against Capital Reserve		-	-	-	-	-
NET EXPENDITURE (B) (Carried forward to CWIP)		**133,647**	**24,311**	**(3,785)**	**20,526**	**154,173**

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

(Rs. In lacs)

PARTICULARS	As at 31.03.2020	Addition during 2019-20	Deletion during 2019-20	Net During 2019-20	As at 31.03.2019
Salaries, Wages, Allowances and Benefits	47,449	4,203	(41)	4,162	43,287
Contribution to Provident and Other Funds	937	76	(17)	59	878
Leave Salary and Pension Contribution	3,436	844	(812)	31	3,405
Travelling Exp.	412	26	(0)	26	386
Medical Exp.	526	55	-	55	471
Welfare Expenses	465	34	-	34	431
TOTAL	**53,226**	**5,238**	**(870)**	**4,368**	**48,858**

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

(Rs. In lacs)

PARTICULARS	As at 31.03.2020	Addition during 2019-20	Deletion during 2019-20	Net During 2019-20	As at 31.03.2019
Interest on Term Loans	66,928	11,627	-	11,627	55,300
Bank Charges/LC Charges	39	2	-	2	37
Others-FBT/Service Tax Interest	19	-	-	-	19
TOTAL	**66,985**	**11,629**	-	**11,629**	**55,356**

Note No 2.2.2.3 DEPRECIATION EXPENSES:

(Rs. In lacs)

PARTICULARS	As at 31.03.2020	Addition during 2019-20	Deletion during 2019-20	Net During 2019-20	As at 31.03.2019
Depreciation for the year (Transferred to Profit & Loss Account)					
Depreciation for the year (Transferred to Expenditure During Construction)	3178	252	-	252	2926
TOTAL	**3178**	**252**	-	**252**	**2926**
Depreciation written off from Capital Reserve					

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

(Rs. In lacs)

PARTICULARS	As at 31.03.2020	Addition during 2019-20	Deletion during 2019-20	Net During 2019-20	As at 31.03.2019
Repairs and Maintenance Vehicle	109	15.88	-	16	93
Repairs and Maintenance Office Furniture & Equipment's	79	3.02	(1)	2	77
Repairs and Maintenance Plant and Machinery	110	11.97	-	12	98
Repairs and Maintenance Buildings	626	51.36	-	51	575
Repairs and Maintenance Others	48	1	-	1	47
Office & Administration Expenses	40	1.30	(0)	1	39
Hospitality and Entertainment Expenses	152	9.99	(1)	9	143
Meeting Expenses	67	6.30	-	6	61
Misc. Expenses	139	0.42	-	0	139
Communication Expenses	673	78	-	78	595
Rent, Rates and Taxes	1,796	262.88	-	263	1,533
Consultancy Fees	972	81	(12)	69	903
Annual Technical Support SAP/ AMC	2,063	462	-	462	1,601
Vehicle Running Charges & Insurance Charges	270	26	(11)	15	255
Hired Vehicle Expenses	2,043	214.94	-	215	1,828
Training & Seminar	287	1	-	1	286
Fees & Subscription	30	1	-	1	30

Electricity & Water Expenses	463	36	-	36	428
Printing & Stationary	278	19.83	-	20	258
Books, Periodicals & Newspapers	70	6	-	6	65
Freight & Labour Charges	38	2	-	2	36
Insurance	44	16	-	16	28
Raising Day Expense	34	0	(0)	-	34
Legal & Professional Charges	548	107.37	-	107	441
Postage & Telegram Expenses	29	1.65	(0)	2	27
Publicity & Advertisement Expenditure	264	26.66	-	27	238
Expenditure on Transit Camps/Guest House	43	3.35	-	3	40
Business Promotion Expenses	165	-	-	0	165
Power/ Water Park	43	43	-	43	-
Foreign Exchange Variation Cost	57	-	-	-	57
Land Acquisition Expenses	10	1.18	-	1	9
LADA	6,090	304	-	304	5,786
Relief and Rehabilitation Costs	5,849	124	(5)	119	5,730
Environmental and Ecology exp.	5,462	2,970	(3)	2,967	2,495
Expenditure on Enabling Assets	461	-	-	-	461
CAT Plan	7,415	132	-	132	7,282
Study and Research	49	4.81	(29)	(24)	73
Survey & Investigation	9,581	234	(1)	233	9,348
Construction Power HPSEBL 1-8-1	200	155	-	155	46
Environment Management Plan	1,310	36	-	36	1,274
Fuel expenses Data Centre	8	2	-	2	6
Gift & Presentation A/c (Pending Allocation)	3	-	(1)	(1)	4
Honorarium & Stipend	250	0	-	0	250
Incidental expenses-Power Water & parks	(43)	-	(43)	(43)	-
OUTSOURCED MANPOWER EXPENSES (Pending Allocation)	3,668	594	(3)	591	3,077
Reatain earning Adjustment unto FY 2014	2,409	-	(1)	(1)	2,410
SAFETY RELATED EXPENSES	0	0	-	0	0
Hydraulic and numerical Model	29	29	-	29	-
Winter Heating Exp. (Pending Allocation)	69	5	-	5	64
Wages (Daily paid staff) (PROJECT)	9	1	-	1	8
Remuneration to Auditors	22	4	-	4	18
Consumables Stores	90	3	(0)	3	87
Transmission lines	12	-	-	-	12
Common Cost (HO & SNR)	(3,053)	2,561	(2,761)	(200)	-2,854
Fisheries Management	(43)	-	(43)	(43)	0
Preliminary Expenses	12	11.91	-	12	0
Pre- construction & Construction stage Expenses	7	6.52	-	7	0
Incidental exp after COD(proportio)Stage-1 2017-18	(1)	-	-	-	-1
Incidental exp Before COD Stage-1	(8,153)	-	-	-	-8,153
Expenditure related to previous year	47	-	-	-	47
AUC-Amount Settelment	(253)	-	-	-	-253
TOTAL	**43,096**	**8,667**	**(2,915)**	**5,752**	**37,344**

Note No 2.2.2.5 Miscellaneous Income Transferred to Expenditure During Construction:

(Rs. In lacs)

PARTICULARS	As at 31.03.2020	Addition during 2019-20	Deletion during 2019-20	Net During 2019-20	As at 31.03.2019
Interest from Banks Deposits/FDR's	(4,652)	(7)	-	(7)	(4,645)
Income from Providing design work/Lab Receipts	(4)	-	-	-	(4)
Interest from Employees	-	-	-	-	-
House Rent Collection from employees/Other recovery	(21)	-	-	-	(21)
Infirm Sale or Power	(17)	-	-	-	(17)
Interest on Tax Refunds	(320)	-	-	-	(320)
Income from sale of tender forms	2	-	-	-	2
Income from Contractors	(56)	-	-	-	(56)
Income from Transit Camp/Guest House	(1)	-	-		(1)
Gain on sale of Assets	(1)	-	-	-	(1)
Miscellaneous Receipts	(7,242)	(1,467)	-	(1,467)	(5,775)
TOTAL	**(12,312)**	**(1,474)**	-	**(1,474)**	**(10,838)**

2.3.1 OTHER INTANGIBLE ASSETS

(Rs. In lacs)

S. No.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 01.04.2019	Addition during the year	Deductions/ Adjustments	As at 31.03.2020	As at to 01.04.2019	Addition during the year	Deductions / Adjustments	As at to 31.03.2020	As at 31.03.2020	As at 31.03.2019
1	SOFTWARE	55	0	0	55	47	0	0	47	8	8
	Total	55	0	0	55	47	0	0	47	8	8

2.4.1 INTANGIBLE ASSETS UNDER DEVELOPMENT

(Rs. In lacs)

S. No.	Particulars	As at 01.04.2019	Addition during the year	Deductions / Adjustments	As at 31.03.2020	Capitalised during the year	As at March, 2020
1	SOFTWARE						
	Total						

Note No 2.35Disclosure on Financial Instruments and Risk Management

i) Fair Value Measurement

a) Financial Instruments by Category

(Rs. In lacs)

Particulars	Note	As at March 31, 2020	As at March 31,2019
		Amortised Cost	Amortised Cost
Financial Assets			
Non Current Financial Assets			
(i)Investment	2.5	-	(2)
s(ii)Loans	2.5	143	149
(iii)Others	2.5	-	-
Bank Deposits with more than 12 Months Maturity			
Current Financial Assets			
(i)Trade Receivables	2.12	102	1,757
(ii)Cash and Cash Equivalents	2.13	5,618	11,365
(ii)Cash and Cash Equivalents	2.14	2,348	9,709
(iv)Loans	2.15	14	3
(v)Other Assets			
Interest Accrued	2.16	494	327
Other Recoverable	2.16	17,719	1,022
Total Financial Assets		**26,438**	**24,330**
Financial Liabilities			
(i)Long Term Borrowings			
a)Term Loans Financial Institutions	2.21	2,014	-
b)Term Loans from Others	2.21 and 2.22	4,00,929	1,59,795
(ii) Deposits / retention non current	2.22	10,260	10,993
Current Financial Liabilities			
(iii)Other Financial Liabilities			
a)Current Maturity of Term Loans Financial Institutions	2.26	-	-
b)Current Maturity of Term Loans other	2.26	-	2,16,493
c)Deposit/ retention Money	2.26	2,279	706
d)Liability against Capital Works	2.26	2,300	5,239
e)Other Payables	2.26	8,349	39,632
Total Financial Liabilities		**4,26,131**	**4,32,858**

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

B) FAIR VALUATION MEASUREMENT

(I) Fair Value Hierarchy

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

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

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

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

(a) Financial Assets/ Liabilities Measured at Fair Value- recurring Fair Value Measurement **(Rs. In lacs)**

Particulars	Note No.	As at March 31,2020			As at March 31,2019		
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Assets at FVTOCI							
(i) Investments							
-In equity instrument quoted	-	-	-	-	-	-	-
- In government Securities	-	-	-	-	-	-	-
- In public sector undertakings/ Public Financial Institution and Corporate Bonds	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

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

Particulars	Note No.	As at March 31,2020			As at March 31,2019		
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Assets							
(i) Loans to employees and Others	2.6 & 2.15	-	157	-	-	152	-
(ii) Other			-			-	
Bank deposits with more than 12 months maturity	2.07	- -	-	- -	- -	-	- -
Total Assets			157			152	
Financial Liabilities							
(i) Long term Borrowings (including current Maturity and Interest)	2.21 & 2.26	-	2,55,505	-	-	3,76,288	-
(ii) Deposit / Retention Money (Including Current	2.22 & 2.26	-	12,539	-	-	6,620	-
Total Liabilities		-	2,68,044	-	-	3,82,908	-

"Valuation techniques and process used to determine fair values

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

-Use of Quoted market price or dealer quotes for similar instruments.

- Fair value of remaining financial instruments is determined using discounted cash flow analysis.

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

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

(Rs. In lacs)

Particulars	Note No.	As at March 31,2020		As at March 31,2019	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets					
(i) Loans to employees and Others	2.6 & 2.15	157	157	152	152
(ii) Other		-	-	-	-
Bank deposits with more than 12 months maturity	2.07	-	-	- -	- -
Total Assets		157	157	152	152
Financial Liabilities					
(i) Long term Borrowings(including current Maturity and Interest)	2.21 & 2.26	2,55,505	2,55,505	3,76,288	3,76,288
(ii) Deposit / Retention Money (Including Current)	2.22 & 2.26	12,539	12,539	6,620	6,620
Total Liabilities		**2,68,044**	**2,68,044**	**3,82,908**	**3,82,908**

"Significant Estimates:

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

(ii) Financial Risk Management

Financial risk factors:

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

a) Credit risk:

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

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

b) Liquidity risk:

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

c) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risks: currency rate risk, interest rate risk and other price risks. Financial instruments affected by market risk include loans and borrowings, deposits, investments. Foreign currency risk is the risk that the fair value or future cash flows of financial instrument/advances/retention money will fluctuate because of changes in foreign exchange rates. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. This is based on the financial assets and financial liabilities held as at 31stMarch, 2019 and 31st March, 2018.The company's risk management is carried out as per policies approved by Board of Directors from time to time.

(A) Credit Risk:

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

a) Trade Receivables:

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

b) Financial assets at carrying cost:

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

c) Financial instruments and cash deposits:

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

(B) Liquidity Risk:

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

Maturities of Financial Liabilities:

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

As at 31st March, 2020

Contractual maturities of financial liabilities	Note No.	Outstanding debt on 31.03.2020	With in 1 year	More than 1 year and less than 3 years	More than 3 years and less than 5 years	More than 5 years
1. Borrowings (Including interest accrued but not due)	2.21,2.22, 2.26 & 2.27	4,13,520	2,32,258	72,711	58,638	49,912
2. Other current & financial liabilities	2.22 & 2.26	23,188	19,505	3,683	-	-

(Rs. In lacs)

As at 31st March, 2019

Contractual maturities of financial liabilities	Note No.	Outstanding debt on 31.03.2020	With in 1 year	More than 1 year and less than 3 years	More than 3 years and less than 5 years	More than 5 years
1. Borrowings (Including interest accrued but not due)	2.21,2.22 & 2.26	3,81,312	2,22,395	49,445	49,445	60,027
2. Other current & financial liabilities	2.22 & 2.26	51,547	45,633	3,392	2,522	-

(C) Market Risk:

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

(I) Interest rate risk and sensitivity:

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

Particulars	As At 31st March 2020	As At 31st March 2019
Fixed Rate Borrowings	2,53,491	2,53,143

ii) Price Risk Exposure:

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

iii) Foreign Currency Risk :

Foreign Currency Risk Exposure:

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

Particulars	As At 31st March 2020			As At 31st March 2019		
Foreign Currency	USD	Euro	CHF	USD	Euro	CHF
Financial Assets						
Net Exposure to foreign currency risk (asset)	7.92	0.84	0	0.7	0	0
Financial Liabilities	0	0	0	0	0	0
Retention Money	0	3.93	0	0	1.32	0
Other Payables	0	0	0	7.22	0.84	0
Net Exposure to foreign currency risk (Liabilities)	**7.92**	**-3.09**	**0**	**-6.52**	**-2.16**	**0**

The foreign currency risk is only for the foreign currency advances and other liability on account supplier dues and retention money payable to contractors. As per accounting policy of the company, transactions in foreign currency are initially recorded at exchange rate prevailing on the date of transaction. At each Balance Sheet date, monetary items denominated in foreign currency are translated at the exchange rates prevailing on that date. Non-monetary items denominated in foreign currency are reported at the exchange rate prevailing at the date of transaction. Exchange differences arising on translation or settlement of monetary items are recognised in the statement of profit and loss, in the year in which it arises.

(iii) Capital Management

(a) Capital Risk Management:

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The primary objective of the Company's capital management is to maximize the shareholder value. The Company's primary objective when managing capital is to ensure that it maintains an efficient capital structure and healthy capital ratios and safeguard the Company's ability to continue as a going concern, in order to support its business and provide maximum returns for shareholders. The Company also proposes to maintain an optimal capital structure to reduce the cost of capital. No changes were made in the objectives, policies or processes during the year ended 31st March, 2020.

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

(Rs. In lacs)

Particulars	As at 31st March 2020	As at 31st March 2019
a) Loans and Borrowings	2,66,082.00	2,53,143.00
b) Trade and Other Payables	2,51,618.00	2,54,949.00
b) Less: Cash and Cash Equivalents	5,618.00	11,365.00
c) Net Debt	5,12,082.00	4,96,727.00
d) Total Capital	1,83,034.00	1,70,588.00
e) Capital and Net Debt	6,95,116.00	6,67,315.00
f) Gearing Ratio (%age)	73.67	74.44

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

(b) Loan Covenants:

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

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

(c) Dividends:

The Company started commercial operation during the year 2016-17and total cumulative loss as on 31.03.2020 is Rs.36198 Lakhs, thus no dividend has been declared by the company.

Other Explanatory Notes to Accounts:

2.36 CONTINGENT LIABILITIES:

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

(Rs. In lacs)

Particulars	31st March 2020	31st March 2019
Capital Works	62680.45	89119.64
Land Compensation	18579.44	30585.66
Others	787.98	400.26
Total	82047.87	1,20,105.56

(i) Capital works:

Contractors have lodged claims as on 31.30.2020, aggregating to Approx. Rs. 62680.45 Lacs, against the Company on account of rate & quantity deviation, cost relating to extension of time and idling charges due to stoppage of work/delays in handing over the site etc. These claims are being contested by the company as being not admissible in terms of provisions of the respective contracts or are lying at arbitration tribunal/other forums/other Courts. As the amounts recommended by the Dispute Boards (DBs) are much less than the amounts claimed by the contractors, the claims on account of further interest and escalation, if any, have not been considered.

(ii) Land Compensation cases:

In respect of land acquired for the projects, some of the land losers have filed claims for higher compensation amounting to Rs.18579.44 Lacs as on 31.03.2020, before various authorities/courts. Company has shown the same as contingent liability as the matter is subjudice.

(iii) Others:

a) Claims on account of other matters as on 31.03.2020, amounting to Rs. 787.98 Lacs, mainly on account of claims for EPF & others.

The above is summarized below as at 31.03.2020:

(Rs. In lacs)

Particulars	Claims as on 31.3.2020	Provision Against The Claims	Contingent Liability as on 31.3.2020	Contigent Liability as on 31.3.2019	Addition /deletion of Contigent Liability for the period
Capital Works	62,680.45	0	62,680.45	89,119.64	-26,439.19
Land Compensation	18,579.44	0	18,579.44	49,589.33	-31,009.89
Others	787.98	0	787.98	400.26	387.72

The above is summarized below as at 31.03.2019:

(Rs. In lacs)

Particulars	Claims as on 31.3.2019	Provision Against The Claims	Contingent Liability as on 31.3.2019	Contigent Liability as on 31.3.2018	Addition /deletion of Contigent Liability for the period
Capital Works	89,119.64	0	89,119.64	67,052.24	22,067.40
Land Compensation	49,589.33	0	49,589.33	16,123.89	33,465.44
Others	400.26	0	400.26	317.92	82.34

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

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

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

2.37 DETAIL OF CONTINGENT ASSETS:

(Rs. In lacs)

Particulars	As At 31st March 2020	As At 31st March 2019
Civil Work	40736.90	38948.00

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

(Rs. In lacs)

Particulars	Currency	As At 31st March 2020	As At 31st March 2019
Estimated amount of contracts remaining to be executed on capital account and not provided for	INR	90185.95	106770.36
	Euro	11.27	19.5
	US$	82.18	54:15

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

(Rs. In lacs)

Sr. No.	Particulars	Year ended 31.3.2020	Year ended 31.3.2019
(i)	Amount Charged to Statement of Profit and Loss Account excluding depreciation	46.34 (Net)	29.89 (Net)
(ii)	Amount Charged to Expenditure attributable to construction	Nil	18.07
(iii)	Amount adjusted by addition to the carrying amount of fixed Assets	Nil	Nil

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

General description of various defined employee benefits are as under:

Defined Contribution plans:

Pension:

The Company employees are not covered under any Government pension scheme. However, the employees of the HPSEBL who are on secondment basis with the company the pension contribution is payable to the HPSEBL as per the formula devised by them.

b) Defined benefit plans:

(i) Employers contribution to Provident Fund:

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

(ii) Gratuity:

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

(iii) Leave encashment:

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

2.41 SEGMENT INFORMATION:

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

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

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

d) Information about major customers: (Rs. In Lacs)

(Rs. In lacs)

Sr. No.	Name of Customer	Revenue from Customers 2019-20	Revenue from Customers 2018-19	Revenue from Customers as percentage of revenue	
				2019-20	2018-19
1	HPSEB Ltd.	360.42	334.72	2:52%	1.98%
2	M/s TPTCL	8875.29	13699.66	64.60%	80.24%
3.	M/s PTC	4236.945	3036.47	32.88%	17.78%

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

(a) List of Related Parties:

(i) Directors & Key Management Personnel:

Name	Designation
Sh. Amit Kashyap, IAS	Managing Director (w.e.f.02.11.2020 to till date)
Sh. Rakesh Kanwar, IAS	Managing Director (w.e.f.03.06.2020 to 02.11.2020)
Sh. Devesh Kumar, IAS	Managing Director (w. e. f. 21/04/2017 to 8/02/2019 and 02.07. 2019 to 01.06.2020)
Sh. Ajay Sharma, IAS	Managing Director (w.e.f. 23/02/2019 to 02.07.2019)
Sh. Neeraj Kumar, HAS	Director (Personnel & Finance), (w.e.f. 26/10/2015 to 10.06.2019)
Er. Mahesh Sirkek	Director (Electrical) (w. e. f. 19/04/2017 to 27/01/2020)
Er. Dharam Singh Thakur	Director (Civil) (w.e.f. 09/03/2018 to till date) & Director (Elect.) (w.e.f. 27.01.2020 to 20.05.2020)
Sh. Manmohan Sharma, IAS	Director (Personnel & Finance) w.e.f. 10.06.2019 till date
Er. Shashi Kant Joshi	Director(Electrical) (w.e.f.20/05/2020 to till date
Sh. Sudarshan Sharma	Company Secretary

(ii) Joint Ventures:

(Rs. In lacs)

Name of Entity	Principal Place of operation	Principal Activities	Percentage of Shareholding/ voting Power	
			As At 31st March 2020	As At 31st March 2019
Himachal EMTA Power Limited	Kolkata	Thermal Power Generation	50%	50%

(iii) Transactions with the related parties are as follows:

(Rs. In lacs)

Particulars	Joint Venture Companies	
Transactions During the Year	2019-20	2018-19
Investment in Share Capital	-	-
Share Application Money	-	-
Amount Recoverable	-	-

2.43 REMUNERATION TO DIRECTORS & KEY MANAGERIAL PERSONNEL:

(Rs. In lacs)

Sr. No	Particulars	Year ended on 2019-20	Year ended on 2018-19
(i)	Short Term Employee Benefits	64.48	114.13
(ii)	Post Employment Benefits	Nil	Nil
(iii)	Other Long Term Benefits	Nil	Nil
(iv)	Termination Benefits	Nil	Nil
	TOTAL	**64.48**	**114.13**

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

2.44 INTEREST IN OTHER ENTITIES:

(i) Interest in joint ventures:

The company's interest in joint ventures as at 31st March, 2019 are set out below, which in the opinion of the management, are material to the company. The entities listed below have share capital consisting solely of equity shares, which are held directly by the company. The country of in Company or registration is also their principal place of business and the proportion of ownership interest is the same as the proportion of voting rights held:

(Rs. In lacs)

Name of Entity and place of Business	% of ownership interest	Relation ship	Accounting Method	Quoted Fair value		Carrying Amount	
				31st March 2020	31st March 2019	31st March 2020	31st March 2019
Himachal EMTA Power Limited	50	Joint Venture	Equity Method	*	*	*	*

- *Unlisted Entity- no quoted Price available
- ** The Company has made provision of doubtful investments amounting to Rs 338 lakhs in the F.Y. 2017-18.
- The Company has 50 % interest in Himachal EMTA Power Limited, which is a Joint Venture with EMTA Limited for setting up (2*250 MW) thermal power Plant at Rani Ganj West Bengal. However the Hon'ble Supreme Court of India has cancelled all allotment of coal Blocks and termed all captive coal Blocks as illegal.

2.45 IMPAIRMENT OF ASSETS:

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

2.46 FAIR VALUATION OF ASSETS AND LIABILITIES:

The company had adopted the carrying cost / value of all liabilities and assets as on 1St April 2015 and also on 1St April 2019, as the fair value of the assets and liabilities cannot be measured accurately due to the uncertainty involved in the estimating the exact date of commissioning of the projects, which is dependent on various external factors and which have impact on the payments to be made to the contractors and the amount to be recovered from them.

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

(Rs. In lacs)

	Particulars	Year ended on 2019-20	Year ended on 2018-19
A	Expenditure in Foreign Currency (EURO)	Nil	Nil
B	Earnings in Foreign Currency	Nil	Nil
C	Value of Import Calculated on CIF basis	Nil	Nil
i)	Capital Goods	Nil	Nil
ii)	Spare Parts	Nil	Nil
D)	Value of Component, Stores and Spare Parts Consumed	Nil	Nil
i)	Imported	Nil	Nil
ii)	Indigenous	Nil	Nil

2.48 QUANTITATIVE DETAILS IN RESPECT OF ENERGY GENERATED & SOLD :

Hydro & Solar Power:

Sr. No	Particulars	Year ended on 2019-20	Year ended on 2018-19
1)	Licensed Capacity	170 MW	170 MW
2)	Installed Capacity	170 MW	170 MW
3)	Actual Generation (million Units)	543.40 MUs	547.44 MUs

2.49 PAYMENT TO AUDITORS INCLUDES:

(Rs. In lacs)

Particulars	Year ended on 2019-20	Year ended on 2018-19
As Auditors		
Statutory Auditors (includes revision of fee from the F.Y. 2015-16)	5.62	0
Tax Audit	1.00	1.00
Other services (Certification fee)	0	0
Reimbursement of Expenses	1.32	0
Reimbursement of Service Tax/GST	1.28	0.18
TOTAL	**9.22**	**1.18**

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

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

2.51 INFORMATION IN RESPECT OF MICRO AND SMALL ENTERPRISES AS AT 31ST MARCH 2020 AS REQUIRED BY MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006:

(Rs. In lacs)

Particulars	Year ended on 2019-20	Year ended on 2018-19
a) Amount remaining unpaid to any supplier:	Nil	Nil
Principal amount	Nil	Nil
Interest due thereon	Nil	Nil
b) Amount of interest paid in terms of section 16 of the MSMED Act along with the amount paid to the suppliers beyond the appointed day.	Nil	Nil
c) Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act	Nil	Nil
d) Amount of interest accrued and remaining unpaid		
e) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises, for the purpose of disallowances as a deductible expenditure under section 23 of MSMED Act.	Nil Nil	Nil Nil

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

2.53 STATUS OF PENDING INCOME TAX CASES AS ON DATE

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

II) For the F.Y. 2009-10, 2010-11, 2011-12, 2012-13, 2013-14 & 2014-15, the cases are pending before Hon'ble High Court of H.P. against the partial relief allowed by the Ld. ITAT Chandigarh. Corporation has filed an appeal before Hon'ble High Court for full Tax exemption u/s 260A of Income Tax Act, 1961.

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

IV. For the FY 2016-17, an amount of Rs. 6,55,52,279/- (Rs.60667400/- + Rs.4884879/-), has been deposited as Advance tax (including TDS & TCS). The assessment proceedings are over; partion refund has been received and an appeal has been filed before CIT (Appeal) for full refund as well as for not imposing penalty under Section-271 (1) (c).

V. In case of F.Y. 2017-18 the assessment proceedings are under process.

VI. In case F.Y. 2018-19, assessment proceedings are under process.

VII. For F.Y. 2019-20, assessment proceedings not yet initiated by Assesing Officer.

2.54 ENTRY TAX:

The H.P. Excise and taxation department had imposed penalty and interest for default in payment of Entry Tax on material supplied by various contractors. The matter was sub-judice under Appellate Authority-cum-Additional Excise and Taxation Commissioner, Shimla. However in order to settle the issue HPPCL has opted for Himachal Pradesh (Legacy Cases Resolution) Scheme 2019 and accordingly after depositing the settlement fee of Rs. 1,18,39,097/-, against demand amount of Interest & penalty of Sawra Kuddu & Kashang HEPs, necessary discharge certificates have been issued by the concern authorities in Corporation's favour. However in case Sainj HEP the demand against interest and penalty on entry tax were recovered from concerned contractor and further deposited with State excise and taxation dept.

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

2.56 APPORTIONMENT OF EXPENDITURE OF CORPORATE OFFICE AND DW SUNDARNAGAR:

Pre COD

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

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

Post COD

(I) Expenditure :

The Company has apportioned the expenditure of corporate office and Sundarnagar (Design Wing) from 01 September 2016 to 31st March 2020 in the following proportions :-

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

(ii)Income Portion:

The Company has apportioned the income of corporate office and Design Wing Sundarnagar from 01 September 2016 to 31st March 2020 in the following proportions:-

- 15% of the total income to Renukaji project.
- Rest is apportioned to the projects which are under construction stage/ Investigation Stage on the basis of ratio of the capital expenditure incurred by these projects.

2.57 The AFD during Dec, 2015 has agreed to provide Euro 80 million for construction of Chanju-III & Deothal Chanju HEP. Credit Facility agreement between GoI and AFD was signed on 04.07.2017 and **Project Agreement** among HPPCL, GoHP and AFD signed on 02.02.2018.

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

The Shongtong Karcham HEP (450MW) being financed by State Government of Himachal Pradesh, through funds received from ADB and KFW. ADB funding to the project has expired in October 2018. KFW which was funding the E & M Package, initially temporarily stopped the funding to the State Government, on the basis of the report of their consultant regarding safety of the barrage structure and now has not renewed the agreement, which expired in December 2019. Now the Power Finance Corporation has agreed to fund Rs. 2207.63 Crores for balance works of Shongtong HEP including IDC (Interest during construction) against state Government Guarantee only. The same has been approved by the Board of Directors of the Corporation vide its 74th Meeting, held on 8th March 2021. AFD (a French Development Agency) has agreed for financing the Chanju-III and Deothal Chanju HEPs and Credit Facility Agreement (CFA) amounting to Rs. 80 Million EURO, has been signed between Govt. of India and AFD on 04.07.2017. Further the Project Agreement and On Lending Agreement between HPPCL, GoHP and AFD were signed on 02.02.2018 and 11.07.2018 respectively.

2.59 DEMAND BY THE PF AUTHORITIES:

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

2.60 COMMISSIONING OF A NEW PROJECT:

Sawra Kuddu HEP of the Corporation has been commissioned with effect from its Commercial Operation Date (COD) i.e. 00:00 Hrs on 21.01.2021 and as on 14.03.2021, total power generation of 11.92 MUs & net revenue of Rs 4.34 Crore, has been achieved since its CoD date.

2.61 A sum of ₹ 103.24 lacs (excluding Interest) has been shown as recoverable from Gammon India, through Directorate of Energy, Govt. of H.P. The Amount is still recoverable. Keeping in view that Gammon India / Directorate of

Energy has not yet denied to refund/re-imburse the same; hence provision for doubtful debt has not been made in Books of Accounts.

2.62 SURVEY AND INVESTIGATION OF KHAB HYDRO ELECTRIC PROJECT:

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

2.63 GRANT RECEIVABLE:

1) In case of Renuka Ji HEP, the total funds received from Govt. of India is Rs. 689.53 Crores. However an amount of Rs. 762.01 Crores has been spent till 31.03.2020 on the project. The excess amount spent of Rs. 72.48 Crore, has been shown as grant receivable from Govt. of India.

In case of Gyspa HEP, Company has shown Rs 6.08 crore as grant receivable from Central Water Commission, Government of India. The Central Water Commission has sanctioned Rs 12.50 crore to the company for field survey and investigation and preparation of Detailed Project report of the Gyspa HEP (300MW). The Central Water Commission has released Rs 5.00 crore to the company for the above work on 31 March 2012, with the condition that next installment will be paid on the submission of the DPR of the project. The work for conducting the investigation preparation of DPR was allotted and the same was started by the consultant. but could not be completed due to sustained opposition and hindrance by local people. The Company has incurred expenditure in excess of the amount released by the authorities and the same has been shown as grant receivable from the Central Water Commission. The Gyspa HEP has been declared strategically important project and has been declared as "National Project" by Ministry of Water Resources, Government of India in the year 2009 and the same is covered under Indus Water Treaty 1960. The Central Water Commission vide their letter dated 12th October 2018, has urged the Principal Secretary (MPP& Power), Government of Himachal Pradesh, to direct the concerned officials to take appropriate action for resolving the concern of project affected families so that the survey and investigation work HEP may be completed and the DPR could be prepared at the earliest. Further in a renewed effort, a Meeting, through Video Conference was held on 17.10.2019, under the Chairmanship of Chief Secretary to the GoHP It was decided that the investigation work must be resumed immediately. HPPCL is in the process of fresh award of work to new contractor. Towards this end Dy. Commissioner, Lahaul Spiti, will talk directly to the affected people and address their concerns. Concerned HPPCL officers shall also meet DC & SP; Lahaul & Spiti who shall extend due help in starting the work. In view of above developments the excess expenditure over the amount received is being treated as grant receivable from the concerned authorities.

2.64 The Company is in possession of Land and Buildings at Sarabhai, Thalot and Largi of HPSEB Ltd. (Erstwhile HPSEB Board) at Sainj HEP. The Joint Committee constituted by both Companies has assessed the value of the said properties at Rs.45.99 Crores in the Meeting held in the month of August 2012. The properties are in the possession of the Company, but not in use; no final decision and sale deed has been executed by both the parties so far. Hence no provision for the liability in the Books of Accounts has been made.

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

2.65 LOCAL AREA DEVELOPMENT FUND:

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

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

2.67 Amount recoverable from contractors includes a sum of ₹ 111.83 crores recoverable from Coastal Projects on account of works being executed on their risk and cost awarded to M/s HCC Limited. The Lender Banks of the Contractor have filed liquidation proceedings with NCLT and the company has filed claim of Rs 334.99 crores against the contractor. No provision for amount doubtful for recovery has been made, as the matter is pending with NCLT.

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

2.69 POWER SALE ARRANGEMENTS:

In case of Kashang HEP Stage-I, the PPA agreement was in force with HPSEB and expired on 06th May 2018. After that the Company has made arrangement to sell the power in Energy Exchange through Power Trader, M/s PTC India Limited. In case of Sainj HEP the arrangement has been made to sell the power in Energy Exchange through Tata Power Trading Corporation with effect from 04th September 2017 (i.e. the date of Commissioning of the Project).

Further the power generated by Sawra Kuddu HEP is also being sold in Energy Exchange through Tata Power Trading Corporation, with effect from its Commercial Operation Date (COD) i.e. 00:00 Hrs on 21.01.2021.

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

2.70 An amount of Rs. 5 Crores has been received as seed money against Kishau Corporation Ltd., from Govt. of HP, as promoters share during the F.Y 2017-18. An amount of Rs. 75.00 Lac has been paid to Kishau Corporation Ltd. on 03.12.2020. Remaining amount shall be disbursed to the Kishau Corporation Ltd. as per the instructions issued by Govt. of H.P.

2.71 As per the request submitted to GoHP, to further defer the repayment of loan and interest due, the GoHP vide letter No .MPP-C(12)-1/2017 dated 5th February 2021, has now further deferred the repayment of loan and interest payments for F.Y. 2020-21. However it has been advised by the finance department of GoHP that payments be started in the financial year 2021-22.

2.72 In case of Renuka Ji Dam Project (RDP), interstate agreement has been signed by all the beneficiary states on 11.01.2019, in New Delhi. Revised cost estimate of Renuka Ji Dam Project (RDP) on October 2018 (PI), was finalised by CWC for Rs.6946.99 Crores on 20.02.2019 and has been accepted by Technical Advisory Committee in its Meeting held on 09.12.2019. Now it is being processed for "Investment Clearance" by the Ministry of Jalshakti and shall be further submitted for approval of Central Cabinet Committee of Economic Affairs, GoI. Once the approval is accorded, funds shall start flowing to the project and shortfall of the expenditure shall be recovered. Matter of release of funds for ongoing land acquisition process was taken with GoI. It was intimated that the funds can be released only after cabinet approval of the project. However no such restriction is there for beneficiary states. Accordingly, the matter was taken–up with Secretary Upper Yamuna River Board vide letter dated 13.09.2019 and further vide letter dated 24.09.2019.

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

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

2.75 The Enforcement Directorate vide Provisional Attachment Order 03/2017 dated 29/12/2017 (F No ECIR/ 02/ 54520/2 014/07 / 7537) dated 29/12/2017, has attached the assets of the Himachal Emta Private Limited (a Joint

Venture Company) , amounting to ₹ 2.59 crores. At present the case is pending in the Hon'ble Supreme Court of India.

2.76 As per Hydro Generation Tariff Regulation 20, on Depreciation (given in the Appendix of Depreciation Schedule), of HPERC Notification No.HPERC/Gen/479 dated 1St April 2011, investment in land, cost of clearing the site and land for reservoir in case of Hydro Generation Station of Land under lease is to be capitalized and depreciated @3.34%. Land under full ownership is not required to be depreciated. In case of this Corporation, Reservoir/Dam, is being constructed in Renuka Ji HEP only and the land so far acquired is under the full ownership of the Corporation, hence the depreciation has not been provided on the cost of land nor the trees and structures on such free hold land.

2.77. To finance the working capital requirements, Corporation is availing the cash credit limit of Rs. 200.00 Crore, from KCC Bank Ltd, which was sanctioned by the Bank on 21st November, 2019. As on 28th February 2021, total limit exhausted/utilized by the corporation stood at Rs. 157.98 Crores. Further UCO Bank has sanctioned term loan of Rs. 40.00 Crore, to finance the remaining works of HRT of Sawra Kuddu HEP. Out of which Rs. 20.83 Crore has been availed till date. Repayment of this loan has started w.e.f. 31.03.2020. Interest is being paid monthly basis and Principal repayment on quarterly basis. This Corporation has also raised a Cash Credit Limit of Rs.200.00 Crore from H.P. State Co-operative Bank Ltd. on 05th March 2021. However as on date no withdrawals have been made by the Corporation.

2.78 **Surrender of Unviable/Idle Projects allotted to HPPCL:**
Corporation has submitted a proposal to the GoHP to surrender the undermentioned Unviable/Idle Projects allotted to HPPCL i.e. Chirgaon-Majhgaon HEP (52 MW), Dhamwari Sunda HEP (70 MW), Lujai HEP (45 MW), Chiroti Saichu HEP (26MW), Saichu HEP (58 MW) and Saichu Sach Khas HEP (117 MW).

For and on behalf of Board of Directors

Sd/-	Sd/-	Sd/-	Sd/-
(B.L. Verma)	(Sudershan K. Sharma)	(Manmohan Sharma)	(Amit Kashyap)
D.G.M. (Finance)	Company Secretary	Director (Finance)	Managing Director
		DIN No. 08480582	DIN No. 07453973

Soni Gulati & Co.
Chartered Accountants

STATUTORY AUDITOR'S REPORT ON THE CONSOLIDATED IND AS FINANCIAL STATEMENTS (ANNUAL ACCOUNTS) FOR THE F.Y. ENDED 31ST MARCH, 2020

Qualified Opinion

We have audited the accompanying Stand alone Ind AS financial statements of **HIMACHAL PRADESH POWER CORPORATION LIMITED** ("the Company"), which comprise the Stand alone Balance Sheet as at 31st March, 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows, the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the Stand alone Ind AS financial statements").

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the ***Basis for Qualified Opinion*** section of our report the aforesaid Stand alone Ind AS 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 including the Ind AS, of the state of affairs (financial position) of the Company as at 31st March, 2020, and its profit/loss (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Basis for Qualified Opinion

We conducted our audit of the Stand alone financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Stand alone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the Stand alone financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the Stand alone financial statements.

A Preparation of the Financial Statements

(i)As reported by previous auditors that supplementary information submitted by the units does tally with the approved financial statements submitted to us for audit. The Current and Non current classification details submitted by the units does tally with current and non current assets and liabilities depicted in the Financial statements ,however the same could not be verified by us for want of information.But no such supplementary information was submitted to us ,No units' financial statements were made available to us except one of Sawra Kuddu that too at the fag end. .The financial statements are prepared on excel sheets & not taken from SAP as the SAP software acquired is deficient in this respect. The details of vouchers in SAP were asked for but submission of such information was delayed /given late and incomplete. We were made different (altered) financial statements on different dates (thrice) after we discussed our observation these were claimed and certified as Board approved& changes were not explained .As SAP is updated ,we cannot verify the same.

The following qualification by previous auditors remained unverified by us:

Amount in lacs

Balance Sheet	Details Provided	Approved Financial Statements	Diffrence
Property, Plant and Equipment	₹ 3,03,004.48	₹ 3,03,086.00	₹ -81.52
Financial Assests			
Loans	₹ 151.62	₹ 147.72	₹ 3.91
Other Non Current Assets	₹ 43,481.80	₹ 36,705.00	₹ 6,776.80
Inventories	₹ 68.71	₹ 74.00	₹ -5.29
-Cash and Cash Equivalents	₹ 9,403.53	₹ 11,365.00	₹ -1,961.47
-Bank Balance other than above	₹ 11,670.06	₹ 9,709.00	₹ 1,961.06
-Loans	₹ 0.19	₹ 3.00	₹ -2.81
-Other Assets	₹ 550.89	₹ 1,349.00	₹ -798.11
Other Current Assests	₹ 347.42	₹ 6,241.00	₹ -5,893.58
Financial Liabilities			
-Borrowings	₹ 1,40,368.35	₹ 1,59,795.00	₹ -19,426.65
-Other Financial Liabilities	₹ 6,143.56	₹ 10,993.00	₹ -4,849.44
Current Liabilities:			
-Other Financial Liabilities	₹ 2,86,346.99	₹ 2,62,070.00	₹ 24,276.99

(ii) During the course of audit it has been observed that the figures depicted in the Statement of Profit and loss are not in agreement with the books of accounts.

Amount in lacs

Statement of Profit and Loss	Trial Balance	Approved Financial	Statements
Employee Benefit Expense	₹ 1,393.71	₹ 1,565.00	₹ -171.29
Depreciation and Amortization Expense	₹ 10,653.93	₹ 10,670.00	₹ -16.07
Other Expenses	₹ 4,521.86	₹ 4,334.00	₹ 187.86

(iii) During the Course of audit it was observed that the cash flow statements submitted does not tally with the supplementary information submitted to us for audit. The following are the details of the same

Amount in lacs

	As per Our Calculations	Approved Financial Statements	Difference
Cash Flow Statement			
Cash flow from operating activities			
Depreciation	₹ 10,653.93	₹ 10,669.00	₹ -15.07
Inventories	₹ -34.96	₹ -40.00	₹ 5.04
Finance/Interest Cost	₹ 12,980.04	₹ -	₹ 12,980.04
Adjustment for Assests and Liablities			
Inventories	₹ -34.96	₹ -40.00	₹ 5.04
Loans Other Financial assests and Other Assets	₹ -6,286.52	₹ -10,705.00	₹ 4,418.48
Other Financial Liablities and other Liablities	₹ 14,798.83	₹ 1,29,170.00	₹ -1,14,371.17
Cash flow from Investing Activities			
Net Expenditure on property plant and equity	₹ -47,355.72	₹ -55,869.00	₹ 8,513.28
Term Deposit with Banks(having maturity more than 3 months)	₹ -8,727.08	₹ -2,261.00	₹ -6,466.08
Interest on term deposit/ sweep deposits	₹ 1,916.00	₹ 2.00	₹ 1,914.00
Cash flow from Financing activities			
Long Term Borrowings -Proceeds	₹ 2,280.61	₹ -90,252.09	₹ 92,532.61
Long Term Borrowings -Repayment	₹ -1,471.16	₹	₹ -1,471.16

(iv) The Company has provided the unit wise Balance sheets for the purpose of audit however the previous years figure was not depicted in the unit wise balance sheets.

We cannot comment upon this as it could not be explained to us by the management. This year we were not made available unit wise balance sheets.

B. Non-Compliance of Indian Accounting Standard (Ind As)

The Company has not complied with the following Indian Accounting Standards while preparing the financial statements:-

(i) Indian Accounting Standard (Ind As 1) Preparation of Financial Statements

The Para 15 of Ind As 1 Presentation of Financial Statements states that where Financial Statements comply with IND As the company shall make an explicit and unreserved statement of such compliance in the notes. No Disclosure for the same has been made in the note

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

The Company has been granted the deferment of repayment of principal payment and payment of interest till FY2020-21 refer Note 2.21. The company must account for the interest payable on such deferment till the close of the year at market rate as grant from the government and has to be accounted for as the addition to cost and the same has also to be shown as addition of grant. No such interest has been accounted for by the company till the close of the year as per para 10 A of the IND AS. In the absence of the information we are unable to comment on same.

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

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

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

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

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

The financial Statements for the year under review are provided to us on 19thJune 2021 which was approved by the BOD on 18th March, 2021. The financial statements are not adjusted for the events occurred between the Balance sheet date both favourable and unfavourable till date of the finalisation of this report.

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

The Company has not made Fair Value of the assets and Labilities as on 31st March 2020, (Refer Note No 2.46). The same is not in line with the IND as 113 Fair Value Measurement which is mandatory applicable to the company.

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

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

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

The Company has not followed the IND as in respect of Income tax for calculating the deferred tax assets and Liabilities and its accounting in the books of accounts. The same is also not in line with note no 1.22 of the significant accounting policies adopted by the company. No information in respect of the same has been provided to us. In the absence of the information we are unable to comment on the impact of the same on the Balance Sheet at the close of the year.

ix) Indian Accounting Standard (Ind AS) 8 Accounting Policies, Changes in Accounting in Accounting Estimates and Errors

as reported by previous auditors ,the Company has not applied the Ind As 8 in relation to accounting of the Prior Period Adjustments of errors while preparing the Financial Statements as stated in the para 1.25 of the Significant Accounting Policies of the company.

C Observations on the Financial Statements

1 Property Plant and Equipment Note 2.1

I) We invite attention to Note No 2.55 wherein its stated that the Company is in possession of forest land at, Sainj HEP, Shongtong HEP, and Sawra Kuddu and no provision has been made as the amount of lease has not been ascertained. In the absence of information, we are unable to comment on the same. This observation was also reported in previous year report.

ii) We invite attention to Note no 2.64 where in the company has not accounted for the cost of the Land and Buildings of HPSEB Limited amounting to Rs Rs. 4,599 lakhs. In our Opinion the Property Plant and Equipment are understated to the extent of above and correspondingly the other Current Financial Liabilities are also understated to the extent of above. The Sainj HEP has entered into

agreement to lease out the land from the above land in possession to AFCONS Infrastructure Limited Lease agreement in the month of September 2019 for four years

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

The Company has not Charged the depreciation as per the comment issued by the CAG. Thus the company has not charged depreciation for the 2016-17 and 2017-18 amounting to Rs. 3,300 lakhs (previous year Rs. 2,200 lakhs) during the year under review. In our opinion the Property Plant and Equipment is overstated and Capital work in Progress in understated to that extant.
This could not be explained to us by the management
.As per management no depreciation is chargeable on freehold land as required by HPERC & CERC.

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

(v) The Kashang unit has booked the cost of the training expenses to the cost of the E and M works amounting to Rs.68.91Lakh. The training expenses paid after the start of the commercial operations has to be charged to the Revenue Expenditure as the expenditure has not been incurred to bringing the assets to the working condition. Thus the E and M Works are overstated by Rs. 68.91Lakh during the year under review and expenditure are understated to that .

2 Capital Work in Progress 2.2

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

(ii) The Sainj Unit has paid Entry Tax amounting to Rs. 544 lakhs from September 2010 to December 2016 to HCC Limited. As per the Himachal Pradesh Entry Act 2010 the dealer paying the entry tax is entitled to take the credit of the entry tax and adjust the same with the Vat Liability of the Dealer which the dealer has claimed in the Vat return filed by the contractor to the concerned Assessing Authorities. Thus, the dealer was not entitled to claim the entry tax which was adjusted by dealer towards its Vat Liability. Thus CWIP Project Electro Mechanical works is overstated to the extent of Rs. 544 lakhs and other current assets are understated to that extent. The HCC has gone into court case and the amount is of non recoverable nature as the amount is not recovered till date.. Thus provision for the same is required and provisions are understated to the extent of above.No action has been taken by the management although reported by previous year auditors.

(iii) Reported by previous auditors the Kashang Unit has charged interest paid on PFC loan of Rs. 3,000 lakhs transferred from HPSEB at the time of transfer of assets and liabilities from the HPSEB of the Kashang Unit to the Expenditure Under Construction. It has been observed that at the time of transfer of assets from Kashang Unit from HPSEB a sum of Rs. 1,392 lakhs has been used for construction of Transmission Lines at Kashang HEP. During the year 2010-11 the Kashang unit has transferred all cost of the Transmission Lines amounting to Rs. 6,585 lakhs back to the HPSEB Limited. Further it has been observed that at the time of transfer of transmission lines the loan component of the PFC utilised on the construction of Transmission lines has not been transferred to the HPSEB Limited and further a sum of Rs. 871 lakhs has been paid as interest on the above loan by the company till 31st March 2017 to the PFC. Thus, a sum of Rs. 871 Lakhs is recoverable from HPSEB Limited on account interest paid to PFC on transmission lines transferred back to HPSEB. In our opinion Property Plant and Equipment are overstated to the extent of Rs. 871 Lakhs and the other current assets are understated to the extent of above. The observation is continuing since 2016-17 and the amount is not recovered till date hence a provision for the same is required. Thus expenditure is understated to the extant of above.

(iv) Apportionment of Corporate and Sundarnagar (Design Wing) Expenses to Renukaji Project

Reported by previous auditors the Company has apportioned 15 % of the total expenditure of Corporate Office and Sundarnagar design office to Renukaji Project vide Managing Directors Office Order Note dated 10/11/2017 during the year under 2016-17. It has been observed that during previous year for Renukaji HEP where only expenditure of 5% of the total cost of the Fixed Assets and CWIP has been incurred by the company till the close of the year on the project ,15 % of the total expenditure of Corporate Office and Sudarnagar and rest has been allocated to the other units in the proportion of capital expenditure incurred by the remaining units. The above apportionment ratio has not been approved by the Board of Directors of the company. The allocation percentage and ratio adopted by the company is also not in compliance to accounting policy of the company mentioned at Note no 1.6 (g) The Company has provided no justification for approving the percentage of 15 % for allocation of corporate office and Sundarnagar expenditure to Renukaji HEP.

The Company has charged the following expenditure to the Renukaji till 31st March 2018 and the same has already been reported by us in the statutory audit reports for the year 2016-17 and 2017-18. The following are the details of the same.

Expenditure	Amount		Statutory Audit Report
up to 2016-17	₹	1,948.00	2016-17
2017-18	₹	194.00	2017-18
Total	₹	**2,142.00**	

In our opinion the apportionment of expenditure to Renukaji @ 15 % is not justifiable and thus ₹ 2142 Lakhs (Previous Year Rs. 1,948 Lakh) has been excess allocated during the year 2016-2017 to the Renukaji and same has been less allocated to other units. .

This has resulted in less apportionment of the expenditure to the generating unit i.e. Kashang Stage I and Sainj HEP and may affect the depreciation charged during the year by the Kashang Stage I and Sainj HEP. In the absence of the information we are not able to comment on the less amount of depreciation charged after COD period by the Kashang Stage I and Sainj HEP

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

Appropriations made up to 03rd January 2019

(Rs. In lacs)

Name of the Project	CWIP plus Fixed Assests less land Cost	Percentage of Total Cost	Cost to be Allocated	Cost Allocated	Variance
Sawra Kuddu	1,49,140.59	55.32	837.84	739.80	98.04
Renukaji	13,117.81	4.87	73.69	242.28	-168.59
Shongtong	74,059.13	27.47	416.05	367.36	48.68
Chirgaon Majhgaon	1,057.14	0.39	5.94	5.24	0.69
Triveni mahadev	640.78	0.24	3.60	3.18	0.42
Thana Plaun	2,451.53	0.91	13.77	12.16	1.61
Nakhtan	2,149.30	0.80	12.07	10.66	1.41
Gyspa Dam	1,034.94	0.38	5.81	5.13	0.68
Surgani Sundla	1,455.08	0.54	8.17	7.22	0.96
Deothal Chanju	485.76	0.18	2.73	2.41	0.32
Chanju III	1,016.54	0.38	5.71	5.04	0.67
Berra Dol	3,135.28	1.16	17.61	15.55	2.06
Kashang II	19,837.56	7.36	111.44	98.40	13.04
Total	**2,69,581.43**	**100.00**	**1,514.45**	**1,514.45**	**0.00**

Appropriations made after 03rd January 2019 .prepared to change this practice. The same practice has been followed during 2019-20 also. The Management is not ready to change this practice.

(Rs. In lacs)

Name of the Project	CWIP plus Fixed Assests less land Cost	Percentage of Total Cost	Cost to be Allocated	Cost Allocated	Variance
Sawra Kuddu	1,45,844.26	56.90	268.69	238.51	30.18
Renukaji	13,966.20	5.45	25.73	75.88	-50.15
Shongtong	69,372.26	27.07	127.80	113.45	14.35
Chirgaon Majhgaon	1,057.13	0.41	1.95	1.73	0.22
Triveni mahadev	640.69	0.25	1.18	1.05	0.13
Thana Plaun	2,172.13	0.85	4.00	3.55	0.45
Nakhtan	2,070.71	0.81	3.81	3.39	0.43
Gyspa Dam	1,022.15	0.40	1.88	1.67	0.21
Surgani Sundla	1,090.39	0.43	2.01	1.78	0.23
Deothal Chanju	435.72	0.17	0.80	0.71	0.09
Chanju III	896.63	0.35	1.65	1.47	0.19
Kashang II	17,734.16	6.92	32.67	29.00	3.67
Bara-Khmba	2.94	0.00	0.01	0.00	0.00
Algore Project	1.09	0.00	0.00	0.00	0.00
Total	**2,56,306.44**	**100.00**	**472.19**	**472.19**	**-0.00**

In our opinion the apportionment of expenditure to renukaji @ 15 % is not justifiable and thus ₹ 219 Lakhs has been excess allocated during the year 2018-2019 to the renukaji and same has been less allocated to other units. .This has resulted in less apportionment of the expenditure to the generating unit i.e. Kashang Stage I and Sainj HEP and may affect the depreciation charged during the year by the Kashang Stage I and Sainj HEP. In the absence of the information we are not able to comment on the less amount of depreciation charged after COD period by the Kashang Stage I and Sainj HEP

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

3 Non-Current Investment Note 2.5

(i) We invite attention to Note No.2.45(I)., the Company has made an investment of ₹ 337.50 Lac (previous year ₹. 337.50 Lakhs) in the equity of Himachal EMTA Power Limited (HEPL) which has been established as Company's joint venture with EMTA for setting up a (2*250 MW) thermal power plant. The Company has 50% equity participation in HEPL. The Government of India has allotted coal block to Himachal EMTA Power Limited and JSW Steal Limited for which another Joint Venture has been made in the Name of Gourangdih Coal Limited.

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

(ii) The Company has made provision for doubtful investments amounting to of accounts.

(iii) The company Independent auditors of Gourangdih Coal Limited raised concern in respect of preparing the Financial Statements on the basis of Going Concern Concept and under Historical Cost Convention due to deallocation of the Coal Blocks by the decision of the Supreme Court during the year under review.

(iv) We invite attention to note 2.75 where in the Enforcement Directorate has attached the assets of the Himachal Emta Private Limited amounting to year 2018-19 stated that the CBI has filed charge Sheet accussing the two Directors of the company Sh Ujjal Kumar Upadhaya and Sh Bikas Mukherji in the matter pertaining to the allocation of Gourangdih ABC coal Block by misrepresentation of facts. The ED on the basis of the Charge sheet filed has attached the assets of the Gourangdh Coal Limited considering them to be proceeds of crime under Prevention of money Laundering Act 2002.At present the case is pending with the Supreme court of India against the attachment order. No Disclosure of the same has been made in the notes to accounts

4 Other Non-Current Financial Assets Note 2.10

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

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

(iii) (a) We invite attention to Note No 2.67 where in it is stated that the amount recoverable from contractors includes a sum of ₹ 11183 lakhs (previous year cost. The contract with the contractor was terminated in the year 2013 and the same was awarded to M/s HCC Limited The amount paid to HCC Limited on account extra cost has been shown as recoverable from Coastal Projects. The amount is doubtful of recovery from the Coastal Projects as there is no agreement with the party to recover the money as the contract with the party has already been terminated since 2013. The Company has gone into liquidation as the lender banks of the contractor has filed liquidation petition with NCLT and the amount is doubtful of recovery.

The Management has informed the previous auditors through a letter from the Director Finance dated 9th June 2021 that in case of non recovery of the amount from the contractor the same will be charged to the cost of the " Main Civil Works" after obtaining the necessary approval from the Board of Directors.

We suggest that the Management should take approval from the BOD regarding charging of the amount recoverable from the contractor to the " Main Civil works" in case of the non recovery of the amount due from the contractor at subsequent Board Meeting. The same is required as per the requirement of IND As so that the above cost will become part of the cost to bring the assets to location and condition necessary for it to be capable of operating in the manner intended by the Management.

The company is not the secured creditors of the Coastal Projects and the company has not shown to our verification any documents in support of their claim that the amount recoverable from the coastal projects are fully secured and there is full probability that the amount will be fully recovered in the near future.

In our opinion as the amount is doubt full of recovery necessary provision should be made in the books of accounts. Thus, Other Non-Current Financial Assets are overstated to the extent of above and Capital work in progress are understated to the extent of above.

(b)Reported by previous auditors the unit has not charged the GST on the amount of the amount of Rs. 3,287 Lakh charged to the Coastal Projects on account of Risk and Award Cost charged to the contractor. Thus GST amounting to ₹ 592 Lakh has not been charged on the above on account of reimbursement of expenses and liability is understated to the extent of above.

(c) The Company has debited the amount of service tax payable by the company amounting to Rs. 65.30 Lakh to the service tax authorities and the same has been paid by the company in its own service tax number under the Viswas se Vivad Scheme. The Liability of payment of the service tax was of the company in the pre GST period which was Charged from the HCC on account of Rent Charges of use of Machinery of the Coastal Projects by the HCC . The Amount was credited to the Costal Projects without depositing the service tax from the rent credited to the Coastal Projects. Thus the services are covered Under Principal agent relationship and GST has to be charged on the same and a sum of ` 11.70 Lakh is to be paid as GST on the above. The Liability is understated to the extent of above.

d) Further the Company has filed a claim of Rs. 40,736.90 Lakhs inclusive of interest with the NCLT against the Coastal Projects Limited as the contractor company has gone into liquidation which is in the nature of Contingent Assets and same has been disclosed as Contingent Assets as per Note 2.37. The Official Liquidator has not accepted the claim of the company stating the reason that the matter is pending with the Hon'ble High Court of Himachal Pradesh

(iv) We invite attention to Note No 2.61 where in it is stated that the company has not made a provision for Rs. 103.24 lakhs (Previous Year Rs. 103.24 Lakhs) recoverable from Gammon India since 2013 through Directorate of Energy. The amount has to be recovered along with interest of 10 % per annum. The amount has not been recovered till the date of audit and the same is doubtful of recovery hence provision for doubtful advance is required. In our opinion the Non-Current Financial Assets are overstated to the extent of above and Expenditure are understated to the extent of above.

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

(vi) Grant Receivable

In case of Gyspa HEP ,we invite attention to Note No 2.63 where in it is stated that company is showing Rs. 608 lakhs (previous year Rs. 608 lakhs) as recoverable grant from the Central Government on account DPR and Investigation Expenses. The Government of India has approved Rs. 1,250 Lakhs for survey and investigation of the project and paid Rs. 500 Lakhs as advance and the rest of the amount is to be paid on the submission of the DPR. The work of the DPR is not completed since 2012 due to sustained opposition to the project by local people. The Central Government has stayed the further payment of the grant until the submission of the DPR. The grant recoverable shown is not as per para 7 and 8 of the Indian Accounting Standard (Ind as) 20 **Accounting for Government Grants and Disclosures thereof** which states that: -

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

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

(b) the grants will be received.

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

have been or will be fulfilled."

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

(vii) The Shongtong unit is showing following advances to the contractors the recoverability of the same is dependent on the completion of the project and the same has not been discounted and shown as per the fair value as required by IND AS 113. In the absence of information, we are unable to comment on the same (Please also refer Note 2.46). The following are details of the advances

(Rs. In lacs)

	Contractor	Current Year Amount	Previous Year Amount
1	Patel Engeneering	₹ 4,852.00	₹ 5,146.00
2	Andtriz Hydro	₹ 1,789.00	₹ 2,605.00
		₹ 6,641.00	₹ 7,751.00

viii) The Shongtong unit has given advance of Rs. 20 Lakh (Previous Year Rs. 70 lakhs) to IPH Khwangi for irrigation scheme and the same has not been charged to expenditure during construction. In our opinion the Non-Current Financial Assets are overstated to the extent of above and CWIP are understated to the extent of above.

(ix) The Shongtong unit is showing advance of Rs. 35.49Lakh (Previous Year Rs. 154 lakhs) to HPSEB as on 31st March 2020 and as the advance will not be recovered from the agencies and assets are being used by the corporation the same should be capitalised. In our opinion the Non-Current Financial Assets are overstated to the extent of ` 35.49 lakhs and CWIP are understated to the extent of above.

(xi) The Chanju III has not capitalised the advance to HPPTCL for design and survey work amounting to Rs. 17 lakhs for want of utilisation certificate.

(xii) The DeonthalChanju has not capitalised the advance to HPPTCL for design and survey work amounting to Rs. 13.00 lakhs for want of utilisation certificate.

(xiii) The Sainj unit has paid Rs. 50 Lakh to HP Fisheries Department but the expenditure has not been booked. The Advance is not of recoverable nature and should have been capitalised .Thus the Other Non Current Assets are overstated to the extant of above. Utilisation certificate received on 17/07/2021.

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

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

(xvi) The Sainj unit has shown Rs. 131 Lakh (Previous year Rs. 71 Lakh) as interest recoverable from HCC on account of advance given against retention money . The Party has not repaid the amount of advance and nor the interest on the same has been paid back hence provision for the same is required. Thus the Other Non Current Assets are overstated to the extant of above and expenditure is understated to that extant.

(xvii) The Sainj unit has booked advance to HPSEB amounting to Rs. 5.29 Lakh which is of non recoverable nature and should have been charged to the CWIP. Thus Current advances has been overstated to the extant of above as the amount has not been recovered and adjusted till date.

(xviii) The Sainj unit has booked advance to XEN IPH amounting to Rs. 4.65 Lakh which is of non recoverable nature and should have been charged to the CWIP. Thus Current advances has been overstated to the extant of above as the amount has not been recovered and adjusted till date

(xix) The Sawara Kuddu Unit has debited Rs. 41 lakhs to Patel Engineering on account of Risk and award cost of the work done during the year 2017-18. The contractor has not paid the amount till date. Thus Provision for non recoverability of amount is required. Thus Other non current Assets are overstated to that extant.

(xx) The Sawara Kuddu Unit has shown a Sum of Rs. 661Lakh as amount recoverable on account interest and penalty on entry Tax and provision for the same has been shown as provision for expenses by the unit . The Company has settled the same in the H P(Legacy Case Resolution) scheme 2019 for Rs. 67.92 Lakh as final settlement fees. Thus Other non current Assets are overstated to that extant of ₹ 597.08 Lakh and similarly the provision for expenses are overstated to that extant.

(xxi) The Chanju III has not capitalised the amount of Rs. 187Lakh paid to HPSEBL. as the work has not been completed.

(xxii) The Deonthal Chanju has not capitalised the amount of Rs. 187lakh paid to HPSEBL ,as the work has not been completed.

5 Inventory Note 2.11

Eported by previous auditors the Kashang stage 1 Unit is showing the following inventories at the close of the year

(Rs. In lacs)

Sr No.	Item No	Description	Amount	Remarks
1	2000000751	G.I pipe 80 mmΦ 248.3 Rmt	₹ 1,06,140.80	Transferred from HPSEBL
2	2000000744	Portable magzine 4 Nos	₹ 1,55,567.00	Transferred from HPSEBL
3	2000000765	Steel tubler pole 10mtr 42Nos	₹ 4,51,035.90	Transferred from HPSEBL
4	2000000727	Angle iron 100x100x6mm17.787 M	₹ 6,06,688.42	Transferred from HPSEBL
5	2000000766	ACSR conductor 14,078 M	₹ 6,22,205.05	Transferred from HPSEBL
6	2000005637	Needle Tips & Seat Ring 1Set	₹ 16,60,593.94	Spares for E and M work
	Total		₹ 36,02,231.11	

The Item from sr no 1 to 5 amounting to Rs. 19.41 Lakh has to be shown at Net Realisable Value and the necessary provision of obsolescence has to be made. No information in respect of the same has been provided to us.

The item at Sr no 6 is spare of the Turbine and has be shown under Property Plant and Equipment's& as such should be depreciated along with the plant.

Thus Inventory is overstated to the extant of Rs. 16.60 Lakh and property Plant and Equipment's is understated to the extent of above.

6 Trade Receivables Note 2.12

Trade receivables are subject to confirmation & reconciliation ,concerning HPSEBL.

7 Other Current Assets Note 2.18

(i) The Sawra Kuddu unit has not shown the amount recoverable from Patel Engineering on account of recovery of concrete cutting amounting to Rs. 77.50 lakh (previous year Rs. 84 lakhs). The case is reported to be in High Court .In our opinion the other Current Assets are understated to the extent of above and CWIP is overstated to the extent of above.

8 Non-Current Other Financial Liabilities Note 2.21

(i) Long Term Borrowings

The Company has taken loan from the State Government for construction of Hydro projects. The Company has not paid the Instalment and interest on the State Government loans. The State Government has provided deferment of loan and interest for the amount accrued up to January 2017 till FY 2018-19. The instalment interest due after January 2017 till the close of the year has not been paid by the company to the state Government

We Invite attention to Note 2.71where in the Company has made the request for the deferment of Instalment and loan to State Government . The State Government has given has not accepted the request and has granted the deferment for the year 2020-21 till the year 2021-22.In our opinion the Company has defaulted in payment of instalments and interest to the state government which is holding 31.63% (Previous Year 28.59 %) of the equity. However there is no other default in payment of loan and interest to any other Financial institutions/Banks. The Company has not complied with Requirements of the IND AS 20 Accounting of the Government Grant which states that the any concession from the government should be added as addition to the cost and should be credited to the revenue.

(ii) The loan to the company was sanctioned by the Central Government to the State Government as 90 % grant and 10 % loan basis has been further advanced to the company as 100 percent loan which was sanctioned to the state government under Clean energy program. The Funding of the Grant to State Government as Loan to the Company has increased the financial cost Liability on account of interest payable to the State Government. This will increase the cost per unit of the generation of power and will not be recovered from the consumer and have to be borne by the company . The charging of the interest will not make the company profitable as it constitutes 40% to 45% of the revenue cost and the company has not paid the interest to the state government even after four units are commissioned and the company is pursuing for the deferment of principal and interest till 2024 and in earlier year also the deferment has been granted by the State Government .

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The CAG has also raised concern over the same in their report and suggested that the matter be taken up with the state government to get the benefit of the Govt of India Policies.

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

9 Non-Current Liabilities Provisions Note 2.23

(i) For Company Employees

We invite attention to note 1.20 and 2.40 where in the policy adopted for employees benefit and accounting in respect of the same has been disclosed. The Above policy is not in compliance with the Ind AS 19 Employees Cost in relation to Post Employment defined Benefits plan in the matter of its recognition and measurement. In the absence of information, we are unable to comment on the same of its impact in the balance sheet and profit and Loss Account. Neither any policy has been taken nor any trust has been made for the same.

(ii)For HPSEB Employees

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

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

(iii) The company has created liability for **Gratuity & Leave encashment without any actuarial valuation.**

10 Other Non-Current Liabilities Note 2.24

a) Utilised Grant Renuka ji

(i)The Company has incurred following expenditure on the Renukaji project till 31st March 2020.

(Rs. In lacs)

	as on 31st March 2019 (in lac)		as on 31st March 2020 (in lac)
Tangible Assests	₹	51,689.00	41,262.00
Advances & Deposits with Court			20,725.00
CWIP	₹	32,148.00	7.54
Incidental Expenses			14,197.00
Advances	₹	269.00	-
	₹	**84,106.00**	**76,191.54**
Grant Received	₹	68,548.82	76,002.33
Shortfall	₹	**15,557.18**	**189.21**

There is a shortfall of grants received & expenditure incurred Rs189.21 lakh (previous year shortfall of expenditure to the tune of₹ 15,557 Lakhs). In absence of information we are not able to comment on the same.

(ii) We invite attention topara 2 (vi) of previous year audit report regarding allocation of expenses to Renukaji HEP wherein its stated that the allocation of expenditure of Corporate office and sundarnagar Design office to the unit has not been confirmed / approved by the participating states and the central government. In the absence of confirmation and approvals we are unable to comment on the apportionment of expenditure charged to the Renukaji HEP. The company has allocated ₹ 2,870 lakh (previous year Rs. 2456 lakhs) as share of corporate office and design wing expenses to the Renukaji HEP for current year viz 31st March 2020. In our opinion the amount recoverable from participating states will be reduced by Rs. 2,870 lakh (previous year Rs. 2456 lakhs) given in above para.

The Company is earning interest on the surplus funds of renukaji at Corporate Office by investing the same in short term Fixed Deposits. The Interest earned on the same has not been shown as addition to the Grant nor the same has been reduced from the incidental expenditure during construction period of the unit. The above practice is not in line with the significant accounting policy adopted by the company (refer Note 1.16). In the absence of information, we are unable to comment of the effect of the same on the Financial Statements. However, as informed to us no interest was earned during the year, as the Company is doing funding of expenses out of its own resources.

11 Current Liabilities Other Financial Liabilities Note 2.26

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

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

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

(iv) The Other Financial Current Liabilities includes Rs.75.87 lakhs (Previous Year Rs. 74.22 lakhs) as unclaimed money on account of payables, retention, security and other payables to the contractors. The amount has been shown under this head because the persons to whom amount is payable is not traceable. In our opinion the other current financial liabilities are overstated to the extent of above and necessary provision for amount written back should be provided.

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

(vi) The Corporate Office has not made the provision for demand raised by the PF Commissioner for the period 09/2008 to 06/2011 on account of PF contributions of Unregistered Contractors amounting to Rs. 189 Lakhs on 02nd August 2018 (refer Note 2.59). Thus, current liabilities are understated to the extent of above.

(vii) Local Area Development Fund: -

We Invite attention to Note2.65 where in the company has not made any provision of amount payable to LADA fund on account of increase in cost of the Projects ,as final cost determination of commissioned projects is under process

(viii) Reported by previous auditorsthe Kashang Unit has not Charged GST on the Liquidation Charges amounting to Rs. 534.42 lakhs on Rs. 2,969 Lakh charged from HCC. The Company has not shown the Liability under GST returns filed during the year under review nor the same has been charged to the contractor . The observation was also reported in the previous year also. Thus the current liabilities and understated to that extant and other non current assets is also understated to that extant.

(ix) Reported by previous auditorswe invite attention to note 2.70 where the Corporate Office has shown ₹ 500 Lakh as amount payable to the Kisahau Corporation Limited on account Equity Contribution of the State Government for the seed Money. No Confirmation from the Kisahu Corporation Limited and directions from the State Government to keep the money with company has been provided to us for verification. In the absence of information we are unable to comment on the same.

(x) As reported by previous auditors the Renukaji HEP has shown the amount recovered from LAO amounting to Rs. 1600 Lakh as amount payable to Government Agencies . The HEP at the time of advancement to LAO has shown the same as part of land expenses. The amount recovered back has to be reduced from the Land Expenses. Thus Current

Liabilities are overstated to the extent of above and similarly the land expenses are overstated to that extent.Could not be explained to us except payment of Rs 5 Cr to LAO.

(xi) The Swara Kuddhu HEP has transferred land measuring 0.9224 hectare to the HPTCL for the construction of 220 KV Switching Station at Hatkoti. The Company has received ₹ 916 Lakh as cost towards the cost of land in the month of November 2018. The company has handed over the possession of the land to the HPTCL but has shown the amount as advance from the customers and the sale deed for the same has not been executed so far. In our opinion the advance has to be adjusted with the cost of the land and the deposit with the court. Thus current liabilities are overstated to the extent of Rs 916 Lakh. Pending execution of transfer deed cannot be credited to land.

(xii) The Sainj Unit has shown a sum of ₹ 519 Lakh as amount payable to Voith Hydro. The HEP has not provided to us the details in respect of the same and nor any confirmation from the supplier has been provided. The Amount is payable since 2017 and the same has not been paid till the date of the audit. Thus the liabilities are overstated to the extent of above.

13 Generation & Sale of Power

(i) Note no 2.56 The company is showing only net sale instead of gross sale.

(ii) The Beradol Solar Power unit while fixing the tariff rate has adopted HPREC AD benefit Rate of ₹ 4.31 per unit while approving the Tariff Rate with HPSEB. The Corporation is not availing the advance deprecation benefit thus Tariff rate of Rs. 4.79 per unit is applicable to the corporation. Thus Sale of power is understated to the extent of ₹ 10.36 Lakh

14 Apportionment of expenditure and Income of Corporate Office and Sundarnagar

(i) Expenditure of Corporate Office and Sundarnagar

It has been observed that at the time of apportionment of expenditure of Corporate office and Design Office the net expenditure incurred during the year has been apportioned in the ratio of 278:87 from 01st April 2018 to 03rd January 2019 and 4th January 2019 to 31st March 2019. (refer Significant Accounting Policy no 1.6 g and Note no 2.57(c)). The above apportionment is not in line with the accounting policy referred in note 1.6 g which states that the *"The Expenditure of Corporate office and Sundarnagar design office is allocated to different accounting units on systematic basis."*.

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

(ii) Income of Corporate Office and Sundarnagar

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

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

The Company has allocated income to various projects on the basis of allocation of expenditure to different units as per accounting policy of the company during the year

Similarly ,expenditure has been allocated alongwith HO to other units.

(iii) Apportionment of Expenses of Corporate Office and Sundernagar Design Office

The qualification of previous year auditors on apportionment stands for this year also.

15 Provision for Income Tax

We invite attention to Note No 2.66 where in no provision has been made by the company for income tax during the year under review.

We also invite attention to note 2.53 where in the cases for earlier years are pending with different authorities and the outcome of which are uncertain and may affect the amount shown as Deposits with Income Tax authorities Rs. 8,874.50 lakhs (Previous Year ₹8,874.50 lakhs (refer note 2.10).In view of the uncertainly involved and the matter is subjudice we are unable to comment on the recoverability of the above amount and its effect on the Financial Statements.

16 Goods and Service Tax

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

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

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

The Company has appointed GST auditor to conduct the GST audit under the GST Act .However the GST Audit report for the year under review has not been submitted till the date of the finalisation of this report as the due date for filling of the report was 31st December 2020. In the absence of the report we are unable to comment on the final liability of GST along with interest and penalty.

(ii)The GSTR 9 Annual Return for the year 2018-19 submitted by the company shows the following liability

Tax	Amount	
IGST	₹	3,08,488.00
CGST	₹	13,017.00
SGST	₹	13,017.00
Total	₹	**3,34,522.00**

No Provision for the same has been made in the Books of accounts. Thus Liabilities are understated to that extent.

(iii) The Company has claimed input of GST while filling the monthly 3 B during the year under review. However while filling the GSTR 9 for the year no details for the Input claimed has been filled and claimed and nor liability on account excess claim of ITC has been made. The Following are the details of the same.

(Rs. In lacs)

Tax	Amount	
IGST	₹	1,14,161.00
CGST	₹	1,14,161.00
SGST	₹	10,512.00
Total	₹	**2,38,834.00**

Thus liabilities are understated to the extent of above.

(iv) The GSTR 9C Audit report filed by the GST Auditor for the year 2017-18 on 21/05/2020 shows the following amounts as payable by the Company.

(Rs. In lacs)

S.No.		CGST		SGST		Total	
1	Tax	₹	6,01,21,367.00	₹	6,01,21,367.00	₹	12,02,42,734.00
2	Interest	₹	1,66,82,144.00	₹	1,66,82,144.00	₹	3,33,64,288.00
	total	₹	**7,68,03,511.00**	₹	**7,68,03,511.00**	₹	**15,36,07,022.00**

Thus Current Liabilities are understated to the extent of Rs. 1536 Lakh.

(v) There is a difference in Turnover as per audited financial statements & GSTR9 amounting to Rs 16516739/-during 2018-19.

17 Quantitative Details in respect of energy generated and sold

We invite attention to Note 2.48 where in the Company has stated that it has installed capacity of 170 MW as on 31st March 2019. The company has capacity 65 MW *3 i.e. 195 MW but water supply was only for one turbine at Kashang stage I against installed 3 turbines. and the installed capacity of the Sainj HEP is 100 MW and one solar unit with the capacity of 5MW was installed during 2018-19 .However ,the installed capacity at Kashang is not utilizable in the absence of water as the stage II & IIIare under construction.Out of 3 turbines water is sufficient for running one turbine only. For rest 2 ,work is in progress.

18 Allocation of expenses of Kashang 1 ,2 and 3

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

	2019-20	2018-19	2017-18	2016-17
Stage 1	Actual Basis	82.50%	84%	70%
Stage 2 and 3	Actual Basis	17.50%	16%	30%
		100%	100%	100%

19 Profit and Loss Account

(i) O and M R & R

Reported buy previous auditors ,the Sainj unit has booked prior period expenses amounting to Rs. 6.30 Lakh under this Head for the year 2017-18. Thus expenditure is overstated to the extent of above and same has to be shown in the year 2017-18 by recasting the financials statements.

(ii) O and M Disaster Management

Reported by previous auditors the Sainj Unit has booked the cost of hooters and other expenses amounting to Rs. 45.35 Lakh as expenditure during the year under review which are of Capital Nature and has to be capitalised by the HEP. Thus expenditure is overstated to the extent of above and property plant and machinery is understated to the extent.

(iii) Prior period Expenses

Reported by previous auditors the Company has charged the prior period expenses during the year under review to the profit and loss Account. The Following are the year wise Bifurcation of the same.

S. No.	Particulars		Amount
1	for the year 2017-18	₹	1,42,32,088.00
2	Period earlier than 2017-18	₹	6,21,06,074.00
	Total	₹	7,63,38,162.00

As per IND As 8 Accounting Policies, Changes in Accounting Estimates and Errors, the errors has to be rectified retrospectively in the Financial Statements as **if the error had never occurred**. If the error pertains to period earlier then previous year then the **third Balance sheet** has to be preparedas opening Balance Sheet. Refer Note 1.25 of the Significant Accounting Policies of the company which has not been complied with. In our opinion the Company has not complied with the requirements of the IND AS 8.

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

Reported by previous auditors the Kashang Unit has not provided to us the salary cost of the employees posted to the Stage 1 , 2 and 3. However this year this has been done on actual salary basis.

20 Approval of accounts by the Board for the year 2018-19 before the approval of the accounts for the year 2017-18 in the AGM.

The Board of Directors has approved the accounts for the year 2019-20 in the Board meeting of 18/03.2020 before the adoption of the audited accounts for the year 2018-19 of the corporation in the Annual general meeting on 6th January, 2022.However ,the financial statements were delivered to us on 17June 2021 which were further changed during August 2021 & finally on 17th October 2021 after we discussed our observations.

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

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

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

The income tax authorities are considering such income as taxable income and is being charged as taxable Income of the Company.

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

22 Investment Property

(i)The Company is not showing the assets given on rent/ lease as investment property and the same has been shown under the Head Property Plant and machinery.

(ii) Chirgaon Majgoan has given Building on rent to HPPTCL amounting to Rs. 7.16Lakh. The Cost of property should be shown as Investment property and depreciation for the corresponding rent has to be charged to the profit and loss Account. Thus Income is understated to the extent of above.

23 Design Wing Sundernagar

(i) The Design wing has booked Rs. 8.87 Lakh (previous year 11.66lakh) lakh as lab income and Consultancy Income. However it has been observed that the design wing has not booked any expenditure in relation to providing such services. All the expenses of the GM Office has been apportioned to the all units of the company and no expenditure has been allocated to the income of the Design Wing . Thus the Matching concept accounting has not been followed by the company.

(ii) Reported by previous auditors ,the Design Wing is providing Technical services to the Kishaua Power Corporation on behalf of the State Government but no details in respect of the services provided Design wing has been provided to us.However Rs 10408/- is outstanding as advance to Kishau.

24 Disaster Recovery Center

The Company has installed SAP ERP software for all its projects including corporate office. The Company has its DRC at Chennai and the same was closed and shifted to Shimla by M/s Siffy Technology . M/s Siffy Technology was awarded the contract for the AMC of the DRC for Rs. 1.25 crores and the reallocating cost of DRC for Rs. 9.67 Lakh. The company has proposed to shift the DRC from Chennai to Himachal Pradesh at Data Center Site of HPSEBL at pointa Sahib or at any other place at Pointa Sahib. The Company does not find any suitable site at Pointa Sahib thus no Disaster Recovery Center of the company is in place till date. We were informed that complete back up is maintained at head office on fortnightly /monthly & at Govt data centre at Mehli. What is the wisdom in paying AMC of the DRC without any site being taken for the same.

25 Land Court Cases Renuka Ji Project

The Board of Directors in its 75th meeting on meeting 18th March 2021 has decided not to the file Regular First Appeal in the Hon'ble High Court against the awards passed by the Lower Courts and against the decision of the Hon'ble High Court. Refer Note 2.36 Notes where in its stated that the company has made contingent provision in respect of the awarded amount amounting to Rs . 11,471.33 lakh. The Decision of the company not to file the appeal will make the contingent provisions as regular provisions and thus the provisions on account of land compensation of Renuka Ji Project is understated to the extent of above.

Previous year auditors effect of qualifications:

The effect of the said qualifications where ascertainable the loss of current year will be Rs. 11,736 lakhs against reported loss of Rs. 10,586 lakhs. The Other Equity will be Rs.24,117 lakhs instead of Rs. 22,198 lakhs. The Borrowings will beRs. 1,40,368 lakhs instead of Rs.1,59,765 Lakhs .The Other Financial Liabilities will be of Rs. 6,144 lakhs instead of Rs. 10,993 lakhs.The Provisions non current will be of Rs. 4,285 lakhs instead of Rs. 5,690 lakhs. The othernon Current Liabilities will be Rs. 82,840 lakhs instead of Rs. 69,543 lakhs.The Other Current Financial Liabilities will be Rs.2,92,604 lakhs instead of Rs. 2,62,070 lakhs. The Property Plant and Equipment will be Rs. 3,33,156 lakhs instead of Rs.3,03,086 lakhs. The Capital Work in Progress will be Rs.2,95,703 lakhs instead of Rs. 3,08,204 lakhs. The Loans will be Rs.153 lakhs instead of Rs. 149 lakhs .The Other Noncurrent Assets will be Rs.29,435 lakhs instead of Rs. 36,705 lakhs. The inventories will be Rs. 53 lakhs instead of Rs. 74Lakh.The Trade Receivable will be Rs.481 lakhs instead of Rs. 1,757 lakhs. The cash and cash equivalents will be Rs.9,404 instead of Rs. 11,365 lakhs.The Bank Balance will be Rs. 11,670 instead of Rs. 9,709 lakhs. The Loans Financial Assets will be Rs. Nil lakhs instead of Rs.3 lakhs. The Financial Assets others will be Rs. 551 lakhs instead of Rs. 1349 lakhs. The Other current Assets others will be Rs. 14,267 lakhs instead of Rs. 6,241 lakhs.

The Expenditure during the year are overstated on account of Prior period items by Rs. 769Lakh for which adjustments has to be made in previous years.

We cannot comment upon this as the same could not be verified. In the absence of information.

Emphasis of Matter:

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

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

(i) Balances of trade receivables,advances ,deposits ,trade payables are subject to reconciliation/ confirmation and respective consequential adjustments.

(ii) Note No 2.58 to the Stand alone Ind AS financial statements regarding statement on State Government loan for ShontongKarcham HEP (450MW) where the ADB funding to state government has expired and stopping of funding by the KFW to the project.

(iii) Note No 2.68 to the Stand alone Ind AS financial statements regarding statement on Nakhtan project pending with Hon'ble High court of Himachal Pradesh the fate of which is dependent on the outcome of the case .

Our Opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Stand alone financial statements of the current period. These matters were addressed in the context of our audit of the Stand alone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each matter below, description of how our audit addressed the matter is provided in that context. In addition to the matter described in the Basis for Qualified Opinion sectionwe have determined the matters described below to be the key audit matters to be communicated in our report.

S.No.	Key Audit Matter	How our audit addressed the key
1.	Tendering : tendering is key audit matter but due to corona various units could not be visited where tender documents are available ,we were told all major tenders are floated from the concerned units only.	These will be checked & accessed as to controls during next year audit.
2.	**Contingent Liabilities and Provisions** There are a number of litigations pending before various forums against the Company and the management's judgement is required for estimating the amount to be disclosed as contingent liability and for creating the adequate amount of provision, wherever required. We identified this as a key audit matter because the estimates on which these amounts are based involve a significant degree of management judgment in interpreting the cases and it may be subject to management bias. (Refer Note No. 2.36 to the Stand alone Financial Statements, read with the Accounting Policy No.1.18)	We have obtained an understanding of the Company's internal instructions and procedures in respect of estimation and disclosure of contingent liabilities and adopted the following audit procedures: - understood and tested the design and operating effectiveness of controls as established by the management for obtaining all relevant information for pending litigation cases; - discussed with the management any material developments and latest status of legal matters; - examined management's judgements and assessments whether provisions are required; - considered the management assessments of those matters that are not disclosed as the probability of material outflow is considered to be remote; - reviewed the adequacy and completeness of disclosures; Based on the above procedures performed, the estimation and disclosures of contingent liabilities and creation of provisions are considered to be adequate and reasonable
3.	**Property, Plant & Equipment** There are areas where management judgement impacts the carrying value of property plant and equipment and the irrespective depreciation rates. These include the decision to capitalise or expense costs; the annual asset life review; the timeliness of the capitalisation of assets and the use of management assumptions and estimates for the determination or the measurement and recognition criteria for assets retired from active use. Due to the materiality in the context of the balance sheet of the Company and the level of judgement and estimates required, we consider this to be as area of significance.	Due to corona epidemic, none of the units where property plant &equipment are kept could not be visited. Actual Controls will be assessed during next year audit as these were not practicable at HO in the absence of information. However, we have reviewed the same through discussions with management at HO.

	(Refer Note No. 2.1 to the Stand aloneFinancial Statements, read with the Significant Accounting Policy No. 1.5)	
4.	**Capital work-in-progress(CWIP)** The company is involved in various capital works like construction of new power projects, installation of new plant and machinery, civil works etc. These projects/works take a substantial period of time to get ready for intended use and due to their materiality in the context of the balance sheet of the Company, this is considered to be an area which had the significant effect on the overall audit strategy and allocation of resources in planning and completing our audit. (Refer Note No.2.2 to the Stand alone Financial Statements, read with the Significant Accounting Policy No. 1.6)	We performed an understanding and evaluation of the system of internal control over the capital work-in-progress, with reference to identification and testing of key controls. Deficiencies were found and same reported at appropriate place in our Audit report. Actual controls will be assessed during next year audit .

Information Other than the Stand alone Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the Stand alone financial statements and our auditor's report thereon.

Our opinion on the Stand alone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Stand alone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Stand alone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.
If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility for the Stand alone Ind AS Financial Statements

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

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Stand alone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Stand alone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the Stand alone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Stand alone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Stand alone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

-Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(I) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

-Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

-Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Stand alone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

-Evaluate the overall presentation, structure and content of the Stand alone financial statements, including the disclosures, and whether the Stand alone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the Stand alone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure-I, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. We are enclosing our report in terms of Section 143 (5) of the Act, on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, in the Annexure-2 on the directions issued by Comptroller and Auditor General of India.
3. As required by section143(3) of the Act, we report that:

a) We have sought and except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph above, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b) Except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph above, in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c) The Balance Sheet, Statement of Profit and Loss and statement of Cash Flows and Statement of changes in equity dealt with by this report are in agreement with the books of account;

d) Except for the effects of the matter described in the Basis of Qualified Opinion paragraph above ,in our opinion, the aforesaid Stand alone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act,

e) The Matter described in the Basis for Qualified Opinion paragraph above , in our opinion may have adverse effect on the functioning of the company.

f) In view of the exemptions given vide Notification No. G.S.R. 463 (E) dated 5th June 2015 issued by the Ministry of Corporate Affairs, the provisions of Section 164 (2) of the Companies Act, 2013 regarding disqualification of directors, are not applicable to the company.

g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.

h) With respect to adequacy of Internal Financial Controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure-3" in our opinion the internal financial controls system is adequate but the operating effectiveness of such controls need be improved.

I) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

   i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements- Refer Note 2.33 to the Stand alone Ind AS financial statements.

   ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

   iii. There were no amounts as at 31.03.2020 which were required to be transferred to the Investor Education and Protection Fund by the Company.

For Soni Gulati & Co.
Chartered Accountants
Firm Regn.No.008770N

Sd/-
(CA Suresh Chand Soni)
Partner
M No083106

Place: Shimla
Date: 31 /03/2022
UDIN22083106AGDIXT9455

ANNEXURE 1 TO THE AUDITORS' REPORT

Annexure referred to in our report of even date to the members of HIMACHAL PRADESH POWER CORPORATION LIMITED on the accounts for the year ended 31st March 2020.

(I) (a) The company has generally maintained proper records showing full particulars, including quantitative details and situation of its fixed assets. except that identification ,location etc need be mentioned.

(b) As explained to us all the assets were got physically verified by the management during the year underreview. We were informed that no material discrepancies were noticed on such verification. However, verification reports of HO , Transit camp, Shongtong-Karcham HEP, Thana Plaun HEP, Renukaji Dam Project, Sainj HEP, Triveni Mahadev HEP and BeraDol Solar Power Project were shown to us, but no report of, land, Plant machinery, stores & spares was shown to us.

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

(ii) The inventory of the company consisting of Capital Stores, stores, spare parts and other Items. We were informed that these have been physically verified by the management during the year under review. But no reports were made available to us.

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

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

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

(vi) The company has made and maintained cost accounts and records as specified by the Central Government under section 148 (1) of the Companies Act 2013. However, we have not made a detailed examination of these accounts and records with a view to determine whether they are accurate and complete. The companies cost accounting records has been audited by the Cost Auditors M/s Balwinder and Associates and they have submitted the report on 19/11/2020.

(vii) (a) The company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, value added tax, cess and other statutory dues applicable to it, and there are no undisputed dues outstanding as on 31st March 2019 for a period of more than six months from the date they became payable. However the Liability on account of Goods and Service Tax can not be quantified as GST audit is under progress till the finalisation of this report. We are informed that the provisions of Employees' State Insurance Act are not applicable to the company.

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

Sr No	Statue/ Act	Nature Due	Amount in lacs	Period	Forum Which Pending
1	Entry Tax	Interest	337.70	2010-15	Addl, Excise & Taxation Commissioner -cum- Apple late Authority
2	Entry Tax	Penalty	751.28	2010-15	Addl, Excise & Taxation Commissioner -cum- Apple late Authority
3	Provident Fund	PF Dues	189.26	2008-11	Central Government Industrial Tribunal Chandigarh
4	GST	GST	868.78	2017-18	Amount payable as per GSTR 9 C
5	GST	Interest	333.64	2017-18	Amount payable as per GSTR 9 C
6	GST	GST	5.72	2018-19	Amount payable as per GSTR 9
7	Income Tax	Demand	146.28	2015-16	Appeal with CIT Solan
8	Service Tax		65.00		Sawra Kuddu
	Total		2,697.66		

The Amount of interest and penalty on the Entry Tax thereon due to Excise and taxation department has been settled under Legacy Cases Resolution Scheme by paying the Requisite Settlement Fees by the company.

(viii) The Company has not defaulted any repayment of loans or borrowing to any financial institution or bank or dues to debenture holders. However, the Government of Himachal Pradesh has given the sanction to the deferment of repayment Loan and interest up to Jan 2017. No Deferment has been given by the State Govt after that and the request for the same has been given by the company for further deferment. and company has not paid the amount of instalment of loan and interest after January 2017 till the finalisation of the report. The State Government has given deferment for the year 2020-21 till 2021-22.

(ix) No money was raised by way of initial public offer or further public offer during the year. The amount raised by the term loans from the Government of Himachal Pradesh has been utilised for the purpose it was raised during the year under review. The company has raised CC limit of Rs 200 Lakh for working capital from KCCB, secured by charge on Plant & Machinery. However, we could not get any evidence of utilisation of limit so cannot comment ,whether it has been used for the intended purpose.

(x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information/ explanation given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we have been informed of any such cases by the management except in the year 2015 at Renukaji HEP and the same is pending with State Vigilance.

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

(xii) Company is not a Nidhi Company.

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

(xiv) As informed by the management, the company has not made any preferential allotment to private placement of shares or fully convertible debentures during the year under review.

(xv) As informed to us the company has not entered in to any non-cash transaction with directors or persons connected with him.

(xvi) Section 45-IA of the Reserve Bank of India Act, 1934 is not applicable to the company

For Soni Gulati & Co.
Chartered Accountants
Firm Regn.No.008770N

Sd/-
(CA Suresh Chand Soni)
Partner
M No083106

Place: Shimla
Date: 31 /03/2022
UDIN22083106AGDIXT9455

ANNEXURE 2 TO THE AUDITORS' REPORT

Annexure referred to in our report of even date to the members of Himachal Pradesh Power Corporation Limited on the accounts for the year ended 31st March 2020

S. No.	Directions	Action Taken	Impact on financial statement
1	Whether the Company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the account salong with the financial implications, if any, may be stated.	According to the information and explanations given to us and based on our audit, the Company has a system in place to process the accounting transactions through M M Module , Project System , Human Capital Module and Financial and Controlling Module through IT system and for this purpose SAP-ERP has been implemented by the Company. Period end Financial Statements are compiled offline based on balances and transactions generated from such SAP-ERP system for the purpose of preparing The Accounting transactions for sale of power is not generated though Sales and distribution Module and being directly posted in FI Module.We have neither been informed nor have we come across during the course of our audit any accounting transactions which have been processed outside the IT system having impact on the integrity of the accounts. The company has maintained separate Data Centre but does not have Disaster Recovery Centre.Also ,the cost of land in balance sheet is different in SAP and balance sheet due to uploading of deposits with Court to Cost of land in Balance sheet.	NIL
2	Whether there is any restructuring of an existing loan or cases of waiver/write No such case come off of debts/loans/interest etc. made by a lender to the company due to the across during If yes, the financial impact may be stated. company's inability to repay the loan?	The State Government Loans has been restructured for repayment of loan and interest up to Jan 2017 till the year2018-19. The Company had requested the State Government for further deferment in the month of September 2020 . The State Government has deferred only the dues for the year FY 2020-21 till FY2021-22.	NIL
3	Whether funds received/receivable for specific schemes from Central/State agencies were properly accounted for/utilized as per its term and conditions? across during List the cases of deviation.	The Funds received for Renukaji Project and Gyspa Project has been properly accounted for except the interest earned on the short term deposit from the surplus fund has been accounted for as the income of	The Amount payable to the Central / state is understated to the extent of interest earned on the short term investment

S. No.	Directions	Action Taken	Impact on financial statement
		the corporation instead of the crediting the same to the amount payable to the central / State Government. Refer Para C 14(ii) of the main audit . No information in respect of interest earned on the short term investment has been provided to us.As there is significant difference in expenditure incurred as per last year report & this year report ,matter will be examined during next year audit at unit level	
4	Whether land acquisition is involved in setting up the new projects report whether settlement of dues done expeditiously and in transparent manner	The land has been acquired at Renukaji Dam. All the payments on account of settlement has been transferred to the LAO However a sum of Rs 188.49 crores has not been paid till the close of the year and provision for the same has been made in the books of accounts.Which has been reversed this year.	Rectified in current year accounts.
5	How much cost has been incurred on abandoned projects and of this how much cost has been written off	Reported by last year auditors ,the Corporation has abandoned the ,Tidong HEP and Sunni Project . The Amount incurred on Tidong project is being shown as recoverable from the Directorate of energy and the amount has not being written off the by the Management. The Corporation has written off Rs 41.26 Lakh as amount recoverable from SJVNL on account of cost of the Sunni Project.	Nil
6	Indicate Whether the company has efficient system for monitoring and adjusting advances to contractors/ supplier. Highlight the Significant instances of failure of the System if any	The company has proper system of adjusting the advances to suppliers, except in following cases:- 1-Patel Engineering Due to non completion of the percentage of the work completed by the Contractor 2-HCC Limited Due court case involved 3 Costal Projects Company in Liquidation at NCLT	Nil

ANNEXURE 3

Report on the Internal Financial Controls under Clause (i) of Subsection 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **HIMACHAL PRADESH POWER CORPORATION LIMITED** ("the Company") as of 31 March 2020 in conjunction with our audit of the Stand alone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2020, except in the areas given below based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

However, company needs to further strengthen the in the control system in the following areas:

- Making preparation of financial statements on SAP instead of Excel sheets.
- Implementation and Compliance of Indian AS at unit level to ensure the compliance of the Indian AS on the company as a whole.
- Classification of account heads in SAP according to the disclosure and classification requirements of the Schedule II of the companies act 2013 and requirements of the Ind AS
- Harmonisation in creation of account heads at Corporate Level in relation to advances, liabilities and vendors according to the nature of expenditure so that no duplication of account code exits and only single account code is allotted to individual vendors in the company as a whole.
- Payment to contractors strictly on the basis of authorisation of the BOD.
- Option of marking of clearing entries in the SAP should be followed by all the accounting units in respect of current as well as old accounting entries.
- Scrutiny of old Earnest Money Deposits, security deposits. Retention money and other payables to contractors.
- Capitalisation of Capital Work in Progress in timely and efficient manner.
- Reconciliation of retro entries in SAP for CPT Module.
- Payment to Contractors of Additional Advance/ Advance Against Retention Money and its accounting treatment.
- Recovery of delay damages from the contractors and accounting thereof
- Provision of Expenses should be made on realistic basis and the payment in subsequent financial year should be adjusted from the provision only.
- Long Term Advances and Deposit Work should be regularly reviewed and accounted for where the significant work has been completed.
- Accounting of Provision is respect of doubtful advances and other recoverable.
- Review of Negative Balances in liabilities and assets heads.
- Accounting of EMD in the nature of FDR in the books of accounts.
- Recording of financial entries in foreign exchange also where the advances , retention money and suppliers dues are payable in other currency also.
- Investing of idle funds at HEP in SWEAP Bank accounts to earn bank interest .
- Reversing the Cheques/ Neft Entries for which the Limitation period is over.
- Accounting of Inventories in hand at project site at the close of the year.
- Liability on account of GST should be as per the requirements of the Goods and Service Tax Act.
- Accounting Staff/ Officers at Unit Level should be regularly trained in respect of the Indian Accounting Standards and other Accounting concepts and conventions while preparing the Financial Statements.
- Entry in SAP to be made only upon a transaction is executed not at the time supply order is placed ,as we have noticed such instance. This will reduce chances of expenses being booked twice.

We have considered the areas of improvement identified which needs further strengthening as reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2020Stand alone financial statements of the Company. However, these areas of improvement do not affect our opinion on the Stand alone financial statements of the Company.

For Soni Gulati & Co
Chartered Accountants
Firm Regn.No.008770N

Sd/-
(CA Suresh Chand Soni)
Partner
M No 083106

Place: Shimla
Date: 31/03/2022

INDEPENDENT AUDITOR'S REPORT
REPLIES TO THE AUDITOR'S REPORT ON THE CONSOLIDATED IND AS FINANCIAL STATEMENTS (ANNUAL ACCOUNTS) FOR THE F.Y. ENDED ON 31ST MARCH 2020

Qualified Opinion

We have audited the accompanying Stand alone Ind AS financial statements of **HIMACHAL PRADESH POWER CORPORATION LIMITED** ("the Company"), which comprise the Standalone Balance Sheet as at 31st March, 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows, the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the Stand alone Ind AS financial statements").

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the ***Basis for Qualified Opinion*** section of our report the aforesaid Stand alone Ind AS 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 including the Ind AS, of the state of affairs (financial position) of the Company as at 31st March, 2020, and its profit/loss (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Basis for Qualified Opinion

We conducted our audit of the Stand alone financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Stand alone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the Stand alone financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the Stand alone financial statements.

Reply to the Statutory Audit Observations for F.Y. 2019-20

S. No.	Audit Observation	Replies
A	**Preparation of the Financial Statements** (i)As reported by previous auditors that supplementary information submitted by the units does tally with the approved financial statements submitted to us for audit. The Current and Non current classification details submitted by the units does tally with current and non current assets and liabilities depicted in the Financial statements ,however the same could not be verified by us for want of information. But no such supplementary information was submitted to us ,No units' financial statements were made available to us except one of Sawra Kuddu that too at the fag end. .The financial statements are prepared on excel sheets & not taken from SAP as the SAP software acquired is deficient in this respect. The details of vouchers in SAP were asked for but submission of such information was delayed /given late and incomplete. We were made different (altered) financial statements on different dates (thrice) after we discussed our observation these were claimed and certified as Board approved& changes were not explained .As SAP is updated ,we cannot verify the same. The following qualification by previous auditors remained unverified by us:	The difference was due to Current/ Non Current classification of closing Balances of Payables/ Receivables G/Ls as on 31.03.2019, required under Ind AS. Which was done on the basis of the position existing as on the date of finalisation of Balance Sheet (Annual Accounts) for submission in the ensuing BoD for approval i.e. on 10.06.2020. Whereas the auditor has taken the position of such payables /receivables as on the date of audit report submitted to management on 09.06.2021. Audit should have taken the position of payable and receivable as on 10.06.2020, as per Ind. AS 10, as no changes can be made in the Balance Sheet (Annual Accounts), once approved in the BoD Meeting, especially, in case of Govt. owned Companies. **In overall total of Balance Sheet was not affected.**

Balance Sheet

Amount in lacs

Particulars	Details Provided	Approved Financial	Difference
Property, Plant and Equipment	₹ 3,03,004.48	₹ 3,03,086.00	₹ - 81.52
Financial Assets			
Loans	₹ 151.62	₹ 147.72	₹ 3.91
Other non Current Assets	₹ 43,481.80	₹ 36,705.00	₹ 6,776.80
Inventories	₹ 68.71	₹ 74.00	₹ - 5.29
- Cash and Cash Equivalents	₹ 9,403.53	₹ 11,365.00	₹ - ,961.47
- Bank Balance other than above	₹ 11,670.06	₹ 9,709.00	₹ 1,961.06
- Loans	₹ 0.19	₹ 3.00	₹ - 2.81
- Other Assets	₹ 550.89	₹ 1,349.00	₹ - 798.11
OtherCurrent Assets	₹ 347.42	₹ 6,241.00	₹ - ,893.58
Financial Liabilities			
Borrowings	₹ 1,40,368.35	₹ 1,59,795.00	₹ -19,426.65
Other Financial Liabilities	₹ 6,143.56	₹ 10,993.00	₹ -4,849.44
Current Liabilities: Other Financial Liabilities	₹ 2,86,346.99	₹ 2,62,070.00	₹ 24,276.99

(ii) During the course of audit it has been observed that the figures depicted in the Statement of Profit and loss are not in agreement with the books of accounts.

Amount in lacs

Statement of Profit and Loss	Trail Balance	Approved Financial Statements	Difference
Employee Benefit Expense	₹ 1,393.71	₹ 1,565.00	₹ -171.29
Depreciation and Amortization Expense	₹ 10,653.93	₹ 10,670.00	₹ -16.07
Other Expenses	₹ 4,521.86	₹ 4,334.00	₹ 187.86

Schedules / Notes to Accounts at Sr. No. 2.30, 2.32 & 2.33, at Pages 24 to 26, have been drawn, based on the Final Trial Balance General Ledgers as at 31.03.2019. As this G/L needs to be further bifurcated into these three Groups, hence the required bifurcation has been done in excel manually, to draw these figures. **Overall variation in the Profit & Loss Account is NIL.**

iii) During the Course of audit it was observed that the cash flow statements submitted does not tally with the supplementary information submitted to us for audit. The following are the details of the same.

Amount in lacs

	As per Our Calculations	Approved Financial Statements	Difference
[illegible]			
[illegible]			
[illegible]	₹ 19,833.03	₹ 19,849.00	₹ -15.97
[illegible]	₹ -34.99	₹ -40.00	₹ 5.01
[illegible]	₹ [illegible]	₹ -	₹ [illegible]
[illegible]			
[illegible]	₹ -34.99	₹ -40.00	₹ 5.01
[illegible]	₹ [illegible]	₹ [illegible]	₹ 4,418.48
[illegible]	₹ [illegible]	₹ [illegible]	₹ -1,14,271.17
[illegible]			
[illegible]	₹ -47,355.72	₹ -55,869.00	₹ 8,513.28
[illegible]	₹ 8,727.08	₹ 2,261.00	₹ 6,466.08
[illegible]	₹ 1,918.00	₹ 2.00	₹ 1,916.00
[illegible]			
[illegible]	₹ [illegible]	₹ [illegible]	₹ [illegible]
[illegible]	₹ [illegible]	₹ -	₹ [illegible]

In overall there is no variation. The cash flow statement has been prepared by netting cash inflows and cash outflows under same head. Whereas the audit has taken the figures of cash inflows and outflows separately, under some of the heads. However in future, industry practice shall be followed.

v) The Company has provided the unit wise Balance sheets for the purpose of audit however the previous years figure was not depicted in the unit wise balance sheets.

We cannot comment upon this as it could not be explained to us by the management. This year we were not made available unitwise balance sheets

The Consolidated Balance Sheet has been drawn on the basis of final Trial Balances of the Projects/Accounting Units. The Unit wise Balance Sheet contains the Opening as well as Closing Balances under each head, otherwise, Corporation's Balance Sheet consolidation would not have been possible.

B.	**Non-Compliance of Indian Accounting Standard (Ind As)** The Company has not complied with the following Indian Accounting Standards while preparing the financial statements: -	
	I) Indian Accounting Standard (Ind As 1) Preparation of Financial Statements The Para 15 of Ind As 1 Presentation of Financial Statements states that where Financial Statements comply with IND AS the company shall make an explicit and unreserved statement of such compliance in the notes. No Disclosure fo the same has been made in the note.	All out effort are being made to ensure compliance to all the applicable IND ASs.
	ii) Indian Accounting Standard (Ind AS) 20 Accounting for Government Grants and Disclosure of Government Assistance. The Company has been granted the deferment of repayment of principal payment and payment of interest till FY 2020-21 refer Note 2.21. The company must account for the interest payable on such deferment till the close of the year at market rate as grant from the government and has to be accounted for as the addition to cost and the same has also to be shown as addition of grant. No such interest has been accounted for by the company till the close of the year as per para 10 A of the IND AS. In the absence of the information we are unable to comment on same.	As deferment of repayment of Loan & Interest was not allowed by GoHP on the date of finalisation of annual accounts as on 18.03.2021, hence no such benefit accrued to the Corporation. Therefore, the compliance to this Ind AS is not required.
	iii) Indian Accounting Standard (Ind AS) 19 Employees Benefits The para 55 to 62 of the Indian accounting standard is applicable to the company in respect of the **Post Employment Benefit:** Defined Benefit Plans which requires that actuarial valuation of the liability of employees defined benefit plan has to be made at the end of the year and same has to be accounted for on in the books of accounts. The Company has not accounted for the liability on the basis of the actuarial valuation and only actual liability has been provided. In the absence of the information we are unable to comment on the impact of the same on the Balance Sheet at the close of the year.	Compliance to this Ind AS, has been made in the F.Y. 2020-21.
	iv) Indian Accounting Standard (Ind AS) 37 Provisions, Contingent Liabilities and Contingent Assets: The Company has disclosed the provisions contingent liabilities and contingent assets only up to the date when the accounts has been approved by the BOD. No Disclosures of Provisions, contingent liabilities and contingent Assets after the accounts approved by the BOD and till the date of finalisation of this report is considered in these financial statements.	The compliance to this Ind AS, where ever required, has been made.

	v) Indian Accounting Standard (Ind AS) 10 Events After the Reporting Period The financial Statements for the year under review are provided to us on 19thJune 2021 which was approved by the BOD on 18th March, 2021. The financial statements are not adjusted for the events occurred between the Balance sheet date both favourable and unfavourable till date of the finalisation of this report.	The version of the audit in the para is that the events (both favourable and unfavourable), which occurred between the date of approval of Balance sheet by BoD and till the date of finalisation of audit report are to be adjusted in the Financial Statements. **Whereas, as per Ind AS 10, the events occurring after the reporting period are those events, (favorable and unfavorable), that occur between the end of the reporting Period (means end of the F.Y. i.e. 31.03.2019) and the date when the financial statements are approved by the BoD on 10.06.2020, and not as on the date of Audit Report.** The compliance to this Ind AS, wherever required have been ensured.
	vi) Indian Accounting Standard (Ind AS) 113 Fair Value Measurement The Company has not made Fair Value of the assets and Liabilities as on 31st March 2020, (**Refer** Note No 2.46). The same is not in line with the IND as 113 Fair Value Measurement which is mandatory applicable to the company.	The Company had adopted the carrying cost / value of all liabilities and assets as on 1st April 2015 and also on 1st April 2020, as the fair value of the assets and liabilities cannot be measured accurately due to the uncertainty associated with the maturity dates of such assets and liabilities, being linked to completion of assets / commissioning of the projects. Further, the exact date of completion of assets / commissioning of the projects can't be predicted due to various internal/external factors. Hence Fair Value of the assets and Liabilities can't be done.
	vii) Indian Accounting Standard (Ind AS) 109 Financial Instruments The Company has not applied the Ind As 109 while disclosing the Government Loan in the financial statements below market rate interest and its impact on the profit and loss and Balance sheet has not been disclosed in the financial statements.	This shall be complied from the F.Y. 2021-22.
	viii) Indian Accounting Standard (Ind AS) 12 Income Tax The Company has not followed the IND as in respect of Income tax for calculating the deferred tax assets and Liabilities and its accounting in the books of accounts. The same is also not in line with note no 1.22 of the significant accounting policies adopted by the company. No information in respect of the same has been provided to us. In the absence of the information we are unable to comment on the impact of the same on the Balance Sheet at the close of the year.	This shall be complied from the F.Y. 2021-22.
	ix) Indian Accounting Standard (Ind AS) 8 Accounting Policies, Changes in Accounting in Accounting Estimates and Errors As reported by previous auditors, the Company has not applied the Ind As 8 in relation to accounting of the Prior Period Adjustments of errors while preparing the Financial Statements as stated in the para 1.25 of the Significant Accounting Policies of the company.	This shall be complied from the F.Y. 2021-22.

C 1	**Observations on the Financial Statements** **Property Plant and Equipment Note 2.1** I) We invite attention to Note No 2.55 wherein it is stated that the Company is in possession of forest land at, Sainj HEP, Shongtong HEP, and Sawra Kuddu and no provision has been made as the amount of lease has not been ascertained. In the absence of information, we are unable to comment on the same. This observation was also reported in previous year report.	The process of signing the Lease Deeds is in progress. However, the provision for the same has been booked on 31.03.2022.
	ii) We Invite attention to Note no 2.64 where in the company has not accounted for the cost of the Land and Buildings of HPSEB Limited amounting to Rs Rs. 4,599 lakhs. In our Opinion the Property Plant and Equipment are understated to the extent of above and correspondingly the other Current Financial Liabilities are also understated to the extent of above. The Sainj HEP has entered into agreement to lease out the land from the above land in possession to AFCONS Infrastructure Limited Lease agreement in the month of September 2019 for four years	The properties are in the possession of the Company by default. No final decision on purchasing of cited land has been taken yet at competent authority level and sale deeds are also not executed between both the parties so far. Hence no provision for the liability in the Books of Accounts has been created.
	iii) Reported by previous auditors the Renukaji HEP has accounted for Rs 31,911 Lakh on account of compensation paid for the land. The Himachal Pradesh Electricity Regulatory Commission Hydro Generation Tariff Regulation has provided that the Depreciation @ 3.34% is leviable on submerged Land. The HP CAG issued comment on the same in the Supplementary audit for the year 2016-17 The Company has not Charged the depreciation as per the comment issued by the CAG. Thus the company has not charged depreciation for the 2016-17 and 2017-18 amounting to Rs 3,300 lakhs (previous year Rs 2,200 lakhs during the year under review. In our opinion the Property Plant and Equipment is over stated and Capital work in Progress in understated to that extant. This could not be explained to us by the management. As per management no depreciation is chargeable on freehold land as required by HPERC & CERC.	As per HPERC Notification No. HPERC/SLDC/479: regulations Part V, dated 01.04.2011, vide Section 22, Clause 4 "Depreciation shall be calculated annually, based on the Straight Line Method and at the rates specified in Appendix-II, to these regulations. The Value base for the purpose of depreciation shall be original cost of the asset. Land is not a depreciable asset and its cost shall be excluded while computing 90% of the original cost of the asset." and as per Appendix II, Regulation 22, Depreciation Schedule, Land owned under full ownership is 0.00%. In this respect the CERC Regulations No.L-1/144/2013/CERC dated 21.02.2014, related to (Terms and Conditions of Tariff), may also be referred please. At Renukaji HEP, HPPCL has acquired/purchased 947.57 Hectares private land and has full ownership. Hence, it is opined that no depreciation is applicable on this land. As far as depreciation @ 3.34% is concerned, it is applicable in case of Land under lease for (a) Investment in land and (b) for cost of clearing site. Further, if the depreciation @ 3.34% under straight line method is to be charged on the submerged land (both under full ownership and under leasehold), in this context, it is submitted that, it is not clear whether depreciation is to be charged from the date of purchase/diversion of such lands or from the date when it will be

		submerged i.e. fromdate of commissioning of the project. It is, further informed that the cost of land which shall get submerged was not finalised/ceased till the finalisation of the Annual Accounts, due to pending enhancement related litigations before the Hon'ble Court.
	(iv) The Renukaji HEP has paid Rs. 5,364 Lakhs on account of compensation paid for trees and Structures. The CAG in their supplementary audit report for the year 2016-17 has commented that Rs. 785 Lakh has been less charged on the above and the Property Plant and Equipment is overstated to the extant of above and Capital Work in progress is understated to that extent. The Company has not accounted for the same in the financial statements and no further details has been provided in respect of depreciation to be charged on the above. The Qualification of the CAG for the year 2016-17 has been considered in this report	In this regard it is submitted that the trees and structures are also part of land purchased/acquired by HPPCL and as per abovementioned HPERC Notification No. HPERC/SLDC/479 :- regulations Part V, Section 22, Clause 4 the depreciation is not applicable for the compensation paid.
	(v) The Kashang unit has booked the cost of the training expenses to the cost of the E and M works amounting to Rs.68.91Lakh. The training expenses paid after the start of the commercial operations has to be charged to the Revenue Expenditure as the expenditure has not been incurred to bringing the assets to the working condition. Thus the E and M Works are overstated by Rs.68.91Lakh during the year under review expenditure are understated to that	The cost of training expenses which were earlier charged to E&M works during the year under review amounting to Rs. 68.91 Lakhs, has now been rectified/reversed and charged to revenue expenditure during the F.Y 2020-21.
2.	**Capital Work in Progress 2.2** (i) We invite attention to Note No 2.70 where in it is stated that the Court case has been filed by the Toss Mini Hydel Project in the Hon'ble High Court of Himachal Pradesh against the Government of Himachal Pradesh. The matter is still under litigation and may have impact on the Development of the Project.	Statement of fact. No comments required.
	(ii) The Sainj Unit has paid Entry Tax amounting to Rs. 544 lakhs from September 2010 to December 2016 to HCC Limited. As per the Himachal Pradesh Entry Act 2010 the dealer paying the entry tax is entitled to take the credit of the entry tax and adjust the same with the Vat Liability of the Dealer which the dealer has claimed in the Vat return filed by the contractor to the concerned Assessing Authorities. Thus, the dealer was not entitled to claim the entry tax which was adjusted by dealer towards its Vat Liability. Thus CWIP Project Electro Mechanical works is overstated to the extent of Rs. 544 lakhs and other current assets are understated to that extent. The HCC has gone into court case and the amount is of non recoverable nature as the amount is not recovered till date.. Thus provision for the same is required and provisions are understated to the extent of above.No action has been taken by the management although reported by previous year auditors	It shall be shown as recoverable from the contractor and accordingly the asset value shall be reduced, hence it is a transaction of capital nature and does not affect Profit & Loss account. Further this amount shall be recovered from the dues payable to the contractor on final settlement of payables & receivables of the contractor, as the final settlement is still pending.
	(iii) Reported by previous auditors the Kashang Unit has charged interest paid on PFC loan of Rs. 3,000 lakhs transferred from HPSEB at the time of transfer of assets and liabilities from the HPSEB of the Kashang Unit to the Expenditure Under Construction. It has been observed that at the time of transfer of	During the investigation stage, the Kashang HEP Stage-I (65MW) was under the administrative control of the HPSEB Limited. The loan agreement worth Rs 200.00 Crores was executed between

	assets from Kashang Unit from HPSEB a sum of Rs. 1,392 lakhs has been used for construction of Transmission Lines at Kashang HEP. During the year 2010-11 the Kashang unit has transferred all cost of the Transmission Lines amounting to Rs. 6,585 lakhs back to the HPSEB Limited. Further it has been observed that at the time of transfer of transmission lines the loan component of the PFC utilised on the construction of Transmission lines has not been transferred to the HPSEB Limited and further a sum of Rs. 871 lakhs has been paid as interest on the above loan by the company till 31st March 2017 to the PFC. Thus, a sum of Rs. 871 Lakhs is recoverable from HPSEB Limited on account interest paid to PFC on transmission lines transferred back to HPSEB. In our opinion Property Plant and Equipment are overstated to the extent of Rs. 871 Lakhs and the other current assets are understated to the extent of above. The observation is continuing since 2016-17 and the amount is not recovered till date hence a provision for the same is required. Thus expenditure is understated to the extent of above	HPSEB Limited and Power Finance Corporation Limited (PFC) for the execution civil and transmission work of the Kashang HEP Stage-I (65 MW) and the PFC released Rs 30.00 Crores during the FY 2003-04 as advance/ revolving fund to HPSEB Limited. Later on the project was transferred to HPPCL and assets and liabilities were taken over by HPPCL from KKPCL/HPSEBL along with the loan from PFC as per figures reconciled with HPSEB on 08.11.2012. The summary of the same is as under:- Total Expenditure incurred by HPSEB on Kashang HEP Rs 15094.36 Lakhs Less: Expenses on Transmission Line of IKHEP Rs. 6585.48.Lakhs Net Assets Taken over by HPPCL Rs. 8508.88 Lakhs Less Loan Taken over (2850+848.70) by HPPCL Rs. 3698.70 Lakhs Net Amount Payable to HPSEBL Rs. 4810.18 Lakhs. Hence, the Transmission Line 200KV DC from Kashang to Nathpa was not taken over by HPPCL, however the outstanding loan of PFC was taken over by HPPCL at the time of merger, which was further adjusted at the time of issue of equity shares to HPSEB Limited. Therefore, the liability of loan of PFC and interest accrued thereon after the merger was to be borne by the HPPCL. However, an amount of Rs. 8.72 crore payable to HPPTCL has been kept withheld.
	(iv) Apportionment of Corporate and SunderNagar (Design Wing) Expenses to Renukaji Project Reported by previous auditors the Company has apportioned 15 % of the total expenditure of Corporate Office and Sunder Nagar design office to Renukaji Project vide Managing Directors Office Order Note dated 10/11/2017 during the year under 2016-17. It has been observed that during previous year for Renukaji HEP where only expenditure of 5% of the total cost of the Fixed Assets and CWIP has been incurred by the company till the close of the year on the project ,15 % of the total expenditure of Corporate Office and Sunder Nagar and rest has been allocated to the other units in the proportion of capital expenditure incurred by the remaining units. The above apportionment ratio has not been approved by the Board of Directors of the company. The allocation percentage and ratio adopted by the company is also not in compliance to accounting policy of the company mentioned at Note no 1.6 (g) The Company has provided no justification for approving the percentage of 15 % for allocation of corporate office and Sunder Nagar expenditure to Renukaji HEP.	This has been done as per the decision of the Management which was based on the actual proportionate expenditure being incurred on Renukaji DAM by Corporate Office & Design Wing Sunder Nagar.

The Company has charged the following expenditure to the Renukaji till 31st March 2018 and the same has already been reported by us in the statutory audit reports for the year 2016-17 and 2017-18. The following are the details of the same.

Expenditure	Amount		Statutory Audit Report
up to 2016 -17	₹	1,948.00	2016 -17
2017 -18	₹	194.00	2017 -18
	₹	2,142.00	

In our opinion the apportionment of expenditure to renukaji @ 15 % is not justifiable and thus Rs. 2142Lakhs(Previous Year Rs. 1,948 Lakh) has been excess allocated during the year 2016-2017 to the renukaji and same has been less allocated to other units. .

This has resulted in less apportionment of the expenditure to the generating unit i.e. Kashang Stage I and Sainj HEP and may affect the depreciation charged during the year by the Kashang Stage I and Sainj HEP. In the absence of the information we are not able to comment on the less amount of depreciation charged after COD period by the Kashang Stage I and Sainj HEP

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

Appropriations made up to 03rd January 2019

Name of the Project	CWIP plus Fixed Assets(less land Cost	Percentage of Total Cost	Cost to be Allocated	Cost Allocated	Variance
Sawra Kuddu	1,49,140.59	55.32	837.84	739.80	98.04
Renukaji	13,117.81	4.87	73.69	242.28	168.59
Shongtong	74,059.13	27.47	416.05	367.36	48.68
Chirgaon Majhgaon	1,057.14	0.39	5.94	5.24	0.69
Triveni Mahadev	640.78	0.24	3.60	3.18	0.42
Thana Plaun	2,451.53	0.91	13.77	12.16	1.61
Nakhtan	2,149.30	0.80	12.07	10.66	1.41
GyspaDam	1,034.94	0.38	5.81	5.13	0.68
Surgani Sundla	1,455.08	0.54	8.17	7.22	0.96
Deothal Chanju	485.76	0.18	2.73	2.41	0.32
ChanjuIII	1,016.54	0.38	5.71	5.04	0.67
Berra Dol	3,135.28	1.16	17.61	15.55	2.06
Kashangll	19,837.56	7.36	111.44	98.40	13.04
Total	2,69,561.43	100.00	1,514.45	1,514.45	0.00

Appropriations made after 03rd January 2019 ,prepared to change this practice.The same practice has been followed during 2019-20 also. The Management is not ready to change this practice.

Name of the Project	CWIP plus Fixed Assets(less land Cost	Percentage of Total Cost	Cost to be Allocated	Cost Allocated	Variance
Sawra Kuddu	1,45,844.26	56.90	268.69	238.51	30.18
Renukaji	13,966.20	5.45	25.73	75.88	-50.15
Shongtong	69,372.26	27.07	127.80	113.45	14.35
Chirgaon Majhgaon	1,057.13	0.41	1.95	1.73	0.22
Triveni Mahadev	640.69	0.25	1.18	1.05	0.13
Thana Plaun	2,172.13	0.85	4.00	3.55	0.45
Nakhtan	2,070.71	0.81	3.81	3.39	0.43
Gyspa Dam	1,022.15	0.40	1.88	1.67	0.21
Surgani Sundla	1,090.39	0.43	2.01	1.78	0.23
Deothal Chanju	435.72	0.17	0.80	0.71	0.09
Chanju III	896.63	0.35	1.65	1.47	0.19
KashangII	17,734.16	6.92	32.67	29.00	3.67
Bara-Khmba	2.94	0.00	0.01	0.00	0.00
Algore Project	1.09	0.00	0.00	0.00	0.00
Total	2,56,305.44	100.00	472.18	472.18	-0.00

In our opinion the apportionment of expenditure to renukaji @ 15 % is not justifiable and thus Rs. 219 Lakhs has been excess allocated during the year 2018-2019 to the renukaji and same has been less allocated to other units. This has resulted in less apportionment of the expenditure to the generating unit i.e. Kashang Stage I and Sainj HEP and may affect the depreciation charged during the year by the Kashang Stage I and Sainj HEP. In

	the absence of the information we are not able to comment on the less amount of depreciation charged after COD period by the Kashang Stage I and Sainj HEP We Would further like to submit that no confirmations from the participating states and the central government has been provided to us for the inclusion of above expenditure towards the cost of the Project. In the absence of confirmations we are unable comment on the recoverability of the expenditure from the participating states and central government.	
3	**Non-Current Investment Note 2.5** (i) We invite attention to Note No.2.45(i)., the Company has made an investment of Rs. 337.50 Lac (previous year Rs.. 337.50 Lakhs) in the equity of Himachal EMTA Power Limited (HEPL) which has been established as Company's joint venture with EMTA for setting up a (2*250 MW) thermal power plant. The Company has 50% equity participation in HEPL. The Government of India has allotted coal block to Himachal EMTA Power Limited and JSW Steal Limited for which another Joint Venture has been made in the Name of Gourangdih Coal Limited. *"The Hon'ble Supreme Court of India (SC) on 25/08/2014 and 24/09/2014 ordered that the allotment of the coal block made by the screening committee of the Government of India through the government dispensation route are arbitrary and illegal thus the Gouragdih Coal Block allotted to Himachal EMTA Power Limited and JSW Steel Limited has been cancelled."*	Statement of facts, requires no comments.
	(ii) The Company has made provision for doubtful investments amounting to Rs. 337.50 lakhs in the books of accounts.	Statement of facts, requires no comments.
	(iii) The company Independent auditors of Gourangdih Coal Limited raised concern in respect of preparing the Financial Statements on the basis of Going **Concern Concept and under Historical Cost Convention** due to deallocation of the Coal Blocks by the decision of the Supreme Court during the year under review.	Statement of facts, requires no comments.
	(iv) We invite attention to note 2.75 where in the Enforcement Directorate has attached the assets of the Himachal EMTA Private Limited amounting to Rs. 259 Lakh. The Directors report of the Himachal EMTA Limited for the year 2018-19 stated that the CBI has filed charge Sheet accussing the two Directors of the company Sh Ujjal Kumar Upadhaya and Sh Bikas Mukherji in the matter pertaining to the allocation of Gourangdih ABC coal Block by misrepresentation of facts. The ED on the basis of the Charge sheet filed has attached the assets of the Gourangdh Coal Limited considering them to be proceeds of crime under Prevention of money Laundering Act 2002.At present the case is pending with the Supreme court of India against the attachment order. No Disclosure of the same has been made in the notes to accounts	Statement of facts, requires no comments.

4	Other Non-Current Financial Assets Note 2.10 (i) The Chirgaon Unit is showing a sum of Rs 5 Lakhs as amount paid to LAO for purchase of land. The accounting unit was transferred from erstwhile Board (HPSEB). The payment was made by the LAO of the HPSEB and the land is in the name of HPSEB. The unit was transferred from the erstwhile HPSEB and the advance account of the LAO is being carried forward by the unit as advance and the land is in the possession of the Corporation. The Unit has not changed the name of the ownership of the corporation in the revenue records nor has adjusted the advance account. In our opinion the company is entitled for title of the land once the award has been ordered by the LAO and land legally vests with the company. Thus, Other Non-Current Financial Assets are overstated to the extent of above and correspondingly the Property Plant and Equipment is understated to the extent of above.	Statement of facts, requires no comments.
	(ii) The Shongtong HEP. has paid Rs 44.06 Lakhs (previous year Rs 44.07 Lakhs) to land owners for acquisition of land measuring 0.1702 hectare, for the project, at the time of mutation it is found that the same land was already acquired by HPPWD. The amount is doubtful for recovery as the amount has not been recovered from the land owners and a provision for the same is required. In our opinion Other Non-Current Financial Assets is overstated to the extent of above and consequently the expenditure is understated to the extent of above	he amount paid is being recovered from the welfare grants and R&R benefits accruing to land holders against the Welfare and R&R Schemes. An amount of Rs. 2,97,565/- was recovered / adjusted against the welfare grants payable to the land owners as on 31.03.2022 and an amount of Rs. 9,46,800/- was recovered on 27.06.2022 and as on date Rs. 33,54,520/- stands recoverable from the parties.
	(iii) (a) We invite attention to Note No 2.67 where in it is stated that the amount recoverable from contractors includes a sum of Rs. 11183 lakhs (previous year Rs. 11214 lakhs) recoverable from Coastal Projects on account of risk and cost. The contract with the contractor was terminated in the year 2013 and the same was awarded to M/s HCC Limited The amount paid to HCC Limited on account extra cost has been shown as recoverable from Coastal Projects. The amount is doubtful of recovery from the Coastal Projects as there is no agreement with the party to recover the money as the contract with the party has already been terminated since 2013. The Company has gone into liquidation as the lender banks of the contractor has filed liquidation petition with NCLT and the amount is doubtful of recovery. The Management has informed the previous auditors through a letter from the Director Finance dated 9th June 2021 that in case of non recovery of the amount from the contractor the same will be charged to the cost of the " Main Civil Works" after obtaining the necessary approval from the Board of Directors. We suggest that the Management should take approval from the BOD regarding charging of the amount recoverable from the contractor to the " Main Civil works" in case of the non recovery of the amount due from the contractor at subsequent Board Meeting. The same is required as per the requirement of IND AS so that the above cost will become part of the **cost to bring the assets to location and condition necessary for it to be capable of operating in the manner intended by the Management.**	The recoverable amount is covered under the claim raised by HPPCL of Rs. 33499 Lakhs and till the final outcome from the NCLT. An amount of Rs.129.26 crore is shown under provision for doubtful debts. The current recoverable amount against such risk & cost as on 31.03.2022 is Rs. 129.26 crore.

	The company is not the secured creditors of the Coastal Projects and the company has not shown to our verification any documents in support of their claim that the amount recoverable from the coastal projects are fully secured and there is full probability that the amount will be fully recovered in the near future. In our opinion as the amount is doubt full of recovery necessary provision should be made in the books of accounts. Thus, Other Non-Current Financial Assets are overstated to the extent of above and Capital work in progress are understated to the extent of above.	
	(b) Reported by previous auditors .the unit has not charged the GST on the amount of the amount of Rs. 3,287 Lakh charged to the Coastal Projects on account of Risk and Award Cost charged to the contractor. Thus GST amounting to Rs. 592 Lakh has not been charged on the above on account of reimbursement of expenses and liability is understated to the extent of above.	As the amount recoverable is contingent, no GST has been levied on it. Further the GST, if leviable, shall be recovered from M/s Coastal Projects, hence is not Corporations expense. Further being part of the capital expenditure, if the amount charged to M/s Coastal Projects, does not realise, the same shall be capitalised.
	(c) The Company has debited the amount of service tax payable by the company amounting to Rs. 65.30 Lakh to the service tax authorities and the same has been paid by the company in its own service tax number under the Viswas se Vivad Scheme. The Liability of payment of the service tax was of the company in the pre GST period which was Charged from the HCC on account of Rent Charges of use of Machinery of the Coastal Projects by the HCC . The Amount was credited to the Costal Projects without depositing the service tax from the rent credited to the Coastal Projects. Thus the services are covered Under Principal agent relationship and GST has to be charged on the same and a sum of Rs. 11.70 Lakh is to be paid as GST on the above. The Liability is understated to the extent of above.	Same as above.
	d) Further the Company has filed a claim of Rs. 40,736.90 Lakhs inclusive of interest with the NCLT against the Coastal Projects Limited as the contractor company has gone into liquidation which is in the nature of Contingent Assets and same has been disclosed as Contingent Assets as per Note 2.37. The Official Liquidator has not accepted the claim of the company stating the reason that the matter is pending with the Hon'ble High Court of Himachal Pradesh.	This observation has been settled subsequently in the supplementary Audit by the C & AG.
	(iv) We invite attention to Note No 2.61 where in it is stated that the company has not made a provision for Rs. 103.24 lakhs (Previous Year Rs.103.24 Lakhs) recoverable from Gammon India since 2013 through Directorate of Energy. The amount has to be recovered along with interest of 10 % per annum. The amount has not been recovered till the date of audit and the same is doubtful of recovery hence provision for doubtful advance is required. In our opinion the Non-Current Financial Assets are overstated to the extent of above and Expenditure are understated to the extent of above.	The amount shown as recoverable can't be declared as doubtful as the Directorate of Energy is rigorously pursuing the matter with proponent vide latest letter dt. 10.06.2022 for re-imbursing the amount to HPPCL.

	(v) The Renukaji HEP has deposited Rs. 186.42 Lakh with HPSEB for deposit work. The HPSEB has fully utilised the advance and given the Utilisation certificate to the company. However the company has not capitalised the assets. In our opinion the other Non-Current Financial Assets are overstated to the extent of above and Capital work in progress is understated to the extent of above.	Against the total advance of Rs. Rs.186.42 Lacs, (given in two instalments) to HPSEBL, for laying construction power and transmission lines, has been fully utilised by the HPSEBL for various works assigned to them, as per the Utilisation Certificate submitted to that effect by HPSEBL. Adjustment of advance is pending in Books of Accounts due to works executed are still being verified by project authorities (as intimated vide UC).The assets will be capitalized after the verification from HPSEBL.
	vi) Grant Receivable In case of Gyspa HEP ,we invite attention to Note No 2.63 where in it is stated that company is showing Rs. 608 lakhs (previous year Rs. 608 lakhs) as recoverable grant from the Central Government on account DPR and Investigation Expenses. The Government of India has approved Rs. 1,250 Lakhs for survey and investigation of the project and paid Rs. 500 Lakhs as advance and the rest of the amount is to be paid on the submission of the DPR. The work of the DPR is not completed since 2012 due to sustained opposition to the project by local people. The Central Government has stayed the further payment of the grant until the submission of the DPR. The grant recoverable shown is not as per para 7 and 8 of the Indian Accounting Standard (Ind as) 20 **Accounting for Government Grants and Disclosures thereof** which states that: - **"7 Government grants, including non-monetary grants at fair value, shall not be recognised until there is reasonable assurance that:** **(a) the entity will comply with the conditions attaching to them; and** **(b) the grants will be received.** **8 A government grant is not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the entity will comply with conditions attaching to it , and that the grant will be received .Receipt of a grant does not of itself provide conclusive evidence that the conditions attaching to the grant have been or will be fulfilled."** The grant recoverable is not as per the applicable IND as 20 and the contention of the company is that as the project is of National importance and the concerned ministry is continuously pursuing the matter with the State Government and directing the company to take appropriate action to resolve the issue with the affected families so that the survey investigation work may be completed at the earliest. In our opinion the continuous monitoring of the project by the ministry and the Central Government and further directions to resolve the issue with effected families at the earliest is a sufficient compliance for the condition attached to the grant as per the requirement of IND as 20.	Statement of facts, requires no comments.

<table>
<tr><td></td><td>(vii) The Shongtong unit is showing following advances to the contractors the recoverability of the same is dependent on the completion of the project and the same has not been discounted and shown as per the fair value as required by IND AS 113. In the absence of information, we are unable to comment on the same (Please also refer Note 2.46). The following are details of the advances
Rupees in Lacs
<table><tr><th></th><th></th><th colspan="2">Current Year</th><th colspan="2">Previous Year</th></tr><tr><td></td><td>Contractor</td><td colspan="2">Amount</td><td colspan="2">Amount</td></tr><tr><td>1</td><td>PatelEngeneering</td><td>₹</td><td>4,852.00</td><td>₹</td><td>5,146.00</td></tr><tr><td>2</td><td>AndtrizHydro</td><td>₹</td><td>1,789.00</td><td>₹</td><td>2,605.00</td></tr><tr><td></td><td></td><td>₹</td><td>6,641.00</td><td>₹</td><td>7,751.00</td></tr></table></td><td>The recovery of Mobilization advance as per contract agreement PCC Clause No. 14.2, wherein deduction of mobilization advance started from the IPC following the total of all IPC certified to contractor has reached to 30% of the Contractor price as such the amount of Rs. 1696.61 Lakh on a/c of Mobilization advance is recovered from M/s PEL on 31.03.2022. The balance payment will be recovered from the subsequent IPCs till the complete recovery, which shall be completely repaid prior to time when 90% of the contract price has been certified for payment.
The advance given to M/s AHPL is adjusted/ recovered from the invoices. An amount of Rs. 2189.03 Lakh on a/c of Mobilization advance is recovered from M/s AHPL upto 31.03.2022. The balance amount Rs. 1381.09 will be recovered / adjusted as and when invoices of works executed are certified for payment to the contractor. Discounting can't be done at this stage as the actual date of 90% o the work execution is not ascertainable.</td></tr>
<tr><td></td><td>(viii) The Shongtong unit has given advance ofRs.20 Lakh (Previous Year Rs. 70 lakhs) to IPH Khwangi for irrigation scheme and the same has not been charged to expenditure during construction. In our opinion the Non-Current Financial Assets are overstated to the extent of above and CWIP are understated to the extent of above.</td><td>At present an amount of Rs. 20 lakh stands as balance amount of advance to IPH and efforts are being made to obtain the UC. As the work is still being executed, hence advance can't be settled at this stage.</td></tr>
<tr><td></td><td>(ix) The Shongtong unit is showing advance of Rs. 35.49Lakh (Previous Year Rs. 154 lakhs) to HPSEB as on 31st March 2020 and as the advance will not be recovered from the agencies and assets are being used by the corporation the same should be capitalised. In our opinion the Non-Current Financial Assets are overstated to the extent of Rs. 35.49 lakhs and CWIP are understated to the extent of above.</td><td>Out of Rs. 35.49 Lakh, Rs. 10,73,470/- has been adjusted as on 31/3/2022 and out of the balance amount Rs.24,75,690/- UC of Rs.21,57,840/- has been received. Thus after receiving the UC of complete/balance amount, advance shall be fully adjusted in the FY 2022-23.</td></tr>
<tr><td></td><td>x) The Sawra Kuddu HEP is showing a sum of Rs. 485 lakhs (Rs. 714 lakhs) as Deposit Work Paid which has not been capitalised for want of utilisation certificates from the executing agencies. As the advance will not be recovered from the agencies and assets are being used by the corporation the same should be capitalised. In our opinion the Non-Current Financial Assets are overstated to the extent of Rs. 485 lakhs and CWIP are understated to the extent of above</td><td>The said deposit work has been capitalized and Rs. 86,463/- only remains outstanding for the want of UC and will be adjusted in the FY 2022-23.</td></tr>
<tr><td></td><td>(xi) The Chanju III has not capitalised the advance to HPPTCL for design and survey work amounting to Rs. 17 lakhs for want of utilisation certificate.</td><td>100 % advance payment against the deposit work for carrying out preliminary/ detailed survey alongwith preparation of Forest clearance cases and PTCC cases for the construction of 132KV D/C</td></tr>
</table>

		Transmission lines from Chanju-III HEP to Chanju–I in district Chamba of H.P. Work is in progress and advance issued to HPPTCL will be adjusted only after the completion of the work.
	(xii) The Deothal Chanju has not capitalised the advance to HPPTCL for design and survey work amounting to Rs 13.00 lakhs for want of utilisation certificate.	100 % advance payment against the deposit work for carrying out preliminary/ detailed survey alongwith preparation of Forest clearance cases and PTCC cases for the construction of 132KV D/C Transmission lines from Chanju-III HEP to Chanju–I in district Chamba of H.P. Work is in progress and advance issued to HPPTCL will be adjusted only after the completion of the work.
	(xiii) The Sainj unit has paid Rs. 50 Lakh to HP Fisheries Department but the expenditure has not been booked. The Advance is not of recoverable nature and should have been capitalised .Thus the Other Non Current Assets are overstated to the extant of above. Utilisation certificate received on 17/07/2021.	The advance has already been settled as per the Utilisation certificate received.
	(xiv) The Sainj unit has paid Rs. 10 Lakh to State Pollution Department but the expenditure has not been booked. The Advance is not of recoverable nature and should have been capitalised .Thus the Other Non Current Assets are overstated to the extant of above.	HPSPCB has submitted the utilization certificate (UC) and now UC for an amount of Rs. 3,624/- is required, which will be utilized in the FY 2022-23
	(xv) The Sainj unit has shownRs. 9 Lakh as recoverable from DOE on account of LADF charges paid on Infirm Power. The amount is not recovered till date and provision for the same is required. Thus the Other Non Current Assets are overstated to the extant of above and expenditure is understated to that extant.	Necessary correspondence in this respect is being done with Directorate of Energy. The amount shall be settled accordingly. Further the amount pertains to infirm sale and shall affect the capital value of assets, hence does not affect Profit & Loss Account.
	(xvi) The Sainj unit has shown Rs. 131Lakh(Previous year Rs.71 Lakh) as interest recoverable from HCC on account of advance given against retention money . The Party has not repaid the amount of advance and nor the interest on the same has been paid back hence provision for the same is required. Thus the Other Non Current Assets are overstated to the extant of above and expenditure is understated to that extant.	The amount stands recovered from the contractor as on 01.03.2022 and now only Rs. 6.63 lakhs stands recoverable.
	(xvii) The Sainj unit has booked advance to HPSEB amounting to Rs. 5.29 Lakh which is of non recoverable nature and should have been charged to the CWIP. Thus Current advances has been overstated to the extant of above as the amount has not been recovered and adjusted till date.	Sr. Executive Engineer Division HPSEBL, Thalout has been requested to submit the utilization certificate of deposited fund (Rs. 5.29 Lakh Only) vide this office letter No. HPPCL/SHEP/SM(B/HM)/Gen/2020-21-338-339 dated 11.09.2020 followed by a reminder of even No. 458-59 dated 17.10.2020 and letter No. 296-98 dt. 29.08.2022. It can be settled only on receipt of UC.

<table>
<tr><td></td><td>(xviii) The Sainj unit has booked advance to XEN IPH amounting to Rs. 4.65 Lakh which is of non recoverable nature and should have been charged to the CWIP. Thus Current advances has been overstated to the extent of above as the amount has not been recovered and adjusted till date</td><td>X-En, Jal Shakti Department, Division-II Kullu at Bhunter has been requested to start the work at the earliest for which Rs. 4.65 lakh has already been deposited vide this office letter No. HPPCL/ SHEP/SM(B/HM) / Gen/ 2020-21-336-337 dated 11.09.2020 followed by a reminder file of even No.462-63 dated 17.10.2020 and letter No. 293-95 dt. 29.08.2022. It can be settled only on receipt of UC.</td></tr>
<tr><td></td><td>(xix) The Sawra Kuddu Unit has dobited Rs. 41 lakhs to Patel Engineering on account of Risk and award cost of the work done during the year 2017-18. The contractor has not paid the amount till date. Thus Provision for non recoverability of amount is required. .Thus Other non-current Assets are overstated to that extant.</td><td>The said amount is shown as recoverable from M/s PEL and now the said case of recovery is subjudice at Hon'ble High Court of HP., hence can't be shown as doubtful at this stage</td></tr>
<tr><td></td><td>xx) The Sawra Kuddu Unit has shown a Sum of Rs. 661Lakh as amount recoverable on account interest and penalty on entry Tax and provision for the same has been shown as provision for expenses by the unit . The Company has settled the same in the H P(Legacy Case Resolution) scheme 2019 for Rs. 67.92 Lakh as final settlement fees. .Thus Other non Current Assets are overstated to that extent of Rs. 597.08 Lakh and similarly the provision for expenses are overstated to that extant.</td><td>The provision has been reversed and settlement amount stands recovered from the withheld amounts of the contractor (M/s AHPL) as on 31.03.2022.</td></tr>
<tr><td></td><td>(xxi) The Chanju III has not capitalised the amount of Rs. 187Lakh paid to HPSEBL.as the work has not been completed.</td><td>100 % advance payment for strengthening of existing Power Supply Lines, has been released to HPSEBL against the deposit work estimate submitted by HPSEBL. This work is in progress. HPSEBL will issue Utilization Certificate after completion of work and advance will be adjusted after completion of work.</td></tr>
<tr><td></td><td>(xxii) The Deothal Chanju has not capitalised the amount of Rs. 187lakh paid to HPSEBL ,as the work has not been completed.</td><td>100 % advance payment for strengthening of existing Power Supply Lines, has been released to HPSEBL against the deposit work estimate submitted by HPSEBL. This work is in progress. HPSEBL will issue Utilization Certificate after completion of work and advance will be adjusted after completion of work.</td></tr>
<tr><td>5</td><td>Inventory Note 2.11
REported by previous auditors the Kashang Stage 1 Unit is showing the following inventories at the close of the year
<table><tr><th>Sr no</th><th>Item No</th><th>Description</th><th></th><th>Amount</th><th>Remarks</th></tr><tr><td>1</td><td>2000000751</td><td>G.I pipe80 mm7248.34mt</td><td>₹</td><td>1,06,140.80</td><td>Transferred from HPSEBL</td></tr><tr><td>2</td><td>2000000744</td><td>Portable magzine 4 Nos</td><td>₹</td><td>1,55,567.00</td><td>Transferred from HPSEBL</td></tr><tr><td>3</td><td>2000000765</td><td>Steel tubler pole 10 mtr 42 Nos</td><td>₹</td><td>4,51,035.90</td><td>Transferred from HPSEBL</td></tr><tr><td>4</td><td>2000000727</td><td>Angle iron 100x100x6 mm 17.787M</td><td>₹</td><td>6,06,688.42</td><td>Transferred from HPSEBL</td></tr><tr><td>5</td><td>2000000766</td><td>ACSR conductor 14,078M</td><td>₹</td><td>6,22,205.05</td><td>Transferred from HPSEBL</td></tr><tr><td>6</td><td>2000005637</td><td>Needle tips & Seat Ring 1 Set</td><td>₹</td><td>16,60,593.94</td><td>Spares for E and M work</td></tr><tr><td></td><td></td><td></td><td>₹</td><td>36,02,231.11</td><td></td></tr></table>The Item from sr no 1 to 5 amounting to Rs. 19.41 Lakh has to be</td><td>The Item from Sr No. 1 to 5: The valuation of inventory item at sr. No. 1 to 5 is presently at cost of acquisition, however any change required in the valuation method as per audit observation is the matter of change in policy which required the approval of competent authority.
The Item at Sr. No. 6 : The Needle Tips & Seat Ring is a mandatory spare for Turbine of the machine and one or two set of the same are kept as extra for immediate</td></tr>
</table>

	shown at Net Realisable Value and the necessary provision of obsolescence has to be made. No information in respect of the same has been provided to us. The item at Sr no 6 is spare of the Turbine and has be shown under Property Plant and Equipment's& as such should be depreciated along with the plant. Thus Inventory is overstated to the extent of Rs. 16.60 Lakh and property Plant and Equipment's is understated to the extent of above.	replacement to avoid generation loss in case of the erosion of the already installed component. This spare is required to be replaced every year due to its erosion during the monsoon season resulting from heavy silt inflows. Therefore the uses period and future economic benefit derived from spare part are limited only up to one period and according to Ind AS 16, The spares parts, stand-by equipment and servicing equipment qualify as Property, Plant and Equipment when an entity expects to use them over the period of more than one year. Hence the spares available to use in store does not qualify the condition to be shown under Property, Plant and Equipment's.
6	**Trade Receivables Note 2.12** Trade receivables are subject to confirmation & reconciliation, concerning HPSEBL.	Reconciliation with HPSEBL regarding the amount payable and receivable in under process.
7	**Other Current Assets Note 2.18** (I) The Sawra Kuddu unit has not shown the amount recoverable from Patel Engineering on account of recovery of concrete cutting amounting to Rs. 77.50 lakh (previous year Rs. 84 lakhs). The case is reported to be in High Court .In our opinion the other Current Assets are understated to the extent of above and CWIP is overstated to the extent of above.	Same reply as above Point 4 (xix).
8	**Non-Current Other Financial Liabilities Note 2.21** (I) **Long Term Borrowings** The Company has taken loan from the State Government for construction of Hydro projects. The Company has not paid the Instalment and interest on the State Government loans. The State Government has provided deferment of loan and interest for the amount accrued up to January 017 till FY 2018-19. The instalment interest due after January 2017 till the close of the year has not been paid by the company to the state Government. We invite attention toNote 2.71where in the Company has made the request for the deferment of instalment and loan to State Government . The State Government has given has not accepted the request and has granted the deferment for the year 2020-21 till the year 2021-22. In our opinion the Company has defaulted in payment of instalments and interest to the state government which is holding 31.63%(Previous Year 28.59 %) of the equity. However there is no other default in payment of loan and interest to any other Financial Institutions/Banks. The Company has not complied with Requirements of the IND AS 20 Accounting of the Government Grant which states that the any concession from the government should be added as addition to the cost and should be credited to the revenue.	The Govt. of H.P has allowed deferment of repayment of loan and interest till 2020-21 vide GoHP letter dated 30.10.2021.

	(ii) The loan to the company was sanctioned by the Central Government to the State Government as 90 % grant and 10 % loan basis has been further advanced to the company as 100 percent loan which was sanctioned to the state government under Clean energy program. The Funding of the Grant to State Government as Loan to the Company has increased the financial cost Liability on account of interest payable to the State Government. This will increase the cost per unit of the generation of power and will not be recovered from the consumer and have to be borne by the company. The charging of the interest will not make the company profitable as it constitutes 40% to 45% of the revenue cost and the company has not paid the interest to the state government even after four units are commissioned and the company is pursuing for the deferment of principal and interest till 2024 and in earlier year also the deferment has been granted by the State Government. The CAG has also raised concern over the same in their report and suggested that the matter be taken up with the state government to get the benefit of the Govt of India Policies.	The matter of channelling of grant portion of the financial assistance by GoHP as loan to HPPCL has already been raised by CAG as pointed out in this Para contents. The reply of the management of HPPCL has been submitted. On similar lines, it is again submitted that it is a policy matter of GoHP and the entire equity in HPPCL is also invested by the GoHP and, therefore, it is the policy matter of the State Government to transfer funds to HPPCL as loan or otherwise.
	(iii) The Long-term Liabilities includes EMD, Retention Money and Security Deposits pending since inception of projects and the same has not been paid till the close of the year. The Internal control in respect of them is very weak and should be strengthened and the liabilities should be assessed at fresh and should be charged to revenue in appropriate cases.	EMD, Retention Money and Security Deposits etc. are being released to the contractors, only after the verifications from the Engineer-in-Charge (EIC).
9	**Non-Current Liabilities Provisions Note 2.23** **(i) For Company Employees** We invite attention to note 1.20 and 2.40 where in the policy adopted for employees benefit and accounting in respect of the same has been disclosed. The Above policy is not in compliance with the Ind AS 19 Employees Cost in relation to Post Employment defined Benefits plan in the matter of its recognition and measurement. In the absence of Information, we are unable to comment on the same of its impact in the balance sheet and profit and Loss Account. Neither any policy has been taken nor any trust has been made for the same.	Adequate provisions have been created as per the defined Gratuity and Leave Encashment Plans, adopted by the Corporation. However, actuarial valuation of retirement benefits of Corporation employees has been done w.e.f. F.Y 2020-21.
	(ii) For HPSEB Employees The provision for leave encashment liability, gratuity liability and pension Liability of HPSEB employees has been calculated based on formula adopted by HPSEB Limited. The Liability provided for is subject to the confirmation from HPSEB Limited. In the absence of information and confirmation from HPSEB Limited we are unable to comment on the effect of the same on the financial statements at the close of the year.	Calculation and booking of such liabilities is based on the methodology devised by State/Central Govt. and on terms & conditions accepted by both the parties.
	(iii) The company has created liability for **Gratuity & Leave encashment without any actuarial valuation.**	Actuarial valuation of retirement benefits of Corporation employees has been done w.e.f. F.Y 2020-21.
10	**Other Non-Current Liabilities Note 2.24** **a) Utilised Grant Renuka ji** (i) The Company has incurred following expenditure on the Renukaji project till 31st March 2020.	Funds/grants receivable as on 31.03.2020 as worked out are Rs.733,73,9662.35/- and entry in this regard has been made in the books of account.

		as on 31st March 2019		as on 31st March 2020
		In Lacs		In Lakh
Tangible Assets	₹	51,689.00	₹	41,262.00
Advances & Deposits with Court				20,725.00
CWIP	₹	32,148.00	₹	7.54
Incidental Expenses				14,197.00
Advances	₹	269.00	₹	-
	₹	84,106.00	₹	76,191.54
Grant Received	₹	68,548.82	₹	76,002.33
	₹	68,548.82	₹	76,002.33
Shortfall	₹	15,557.18	₹	189.21

There is a shortfall of grants received & expenditure incurred Rs. 189.21 lakh (previous year shortfall of expenditure to the tune of Rs. 15,557 Lakhs). In absence of information we are not able to comment on the same.

Cumulative funds/grants received up to 31.03.2021 is Rs. 710,86,79,755/-and up to 31.03.2020 is Rs. 689,52,79,755/-. During this FY 2020-21, Rs. 5 Cr. and Rs. 16.34 Cr. has been received from Govt. of H.P. and Govt. of Haryana.

(ii) We invite attention to para 2 (vi) of previous year audit report regarding allocation of expenses to Renukaji HEP wherein its stated that the allocation of expenditure of Corporate office and Sundarnagar Design office to the unit has not been confirmed / approved by the participating states and the central government. In the absence of confirmation and approvals we are unable to comment on the apportionment of expenditure charged to the Renukaji HEP. The company has allocated Rs. 2,870 lakh (previous year Rs. 2456 lakhs) as share of corporate office and design wing expenses to the Renukaji HEP for current year viz 31st March 2020. In our opinion the amount recoverable from participating states will be reduced by Rs. 2,870 lakh (previous year Rs. 2456 lakhs) given in above para.

The Company is earning interest on the surplus funds of Renukaji at Corporate Office by investing the same in short term Fixed Deposits.The interest earned on the same has not been shown as addition to the Grant nor the same has been reduced from the incidental expenditure during construction period of the unit. The above practice is not in line with the significant accounting policy adopted by the company **(refer Note 1.16)**. In the absence of information, we are unable to comment of the effect of the same on the Financial Statements. However, as informed to us no interest was earned during the year, as the Company is doing funding of expenses out of its own resources.

The proportionate expenditure of Corporate office and Design Office has been allocated on the basis of expenditure being incurred by HPPCL on Renukaji HEP. As such expenditure shall form part of the total funds agreed to be provided by GoI and beneficiary States, hence prior approval of booking of every expenditure being incurred in Renuka Ji DAM is not required. Further, keeping in view that a major portion of the funds required for construction of Dam shall come from Central Govt. and only 10% of the funds required shall be contributed by beneficiary states, hence beneficiary wise booking of expenditure is not required.

11 **Current Liabilities Other Financial Liabilities Note 2.26**

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

Current Liabilities on account of Retention money, Contractor and Suppliers dues payable are being cleared on regular basis and Portion of Security deposits also released to vendors time to time and the matter has also been taken up with concerned offices for releasing the pending security deposited. Confirmations of Balance payable as on 31st March 2020, were sought from respective Contractors/ Govt. Departments. Based on the confirmations received/not received, the liabilities have been shown in Books of Accounts.

	(ii) The different units of the company are showing separately the amount payable and recoverable from HPSEB Limited. No Confirmation from the HPSEB Limited has been provided to us for the amount payable and recoverable. In our opinion only one account of the HSPEB Limited should be maintained and net balance of recoverable or payable should be shown in the financial Statements.	Most of the amounts under Payable and Receivable heads, pertaining to HPSEBL have been settled. In case of remaining pending entries necessary reconciliation is being done and the accounts shall be settled accordingly
	(iii) The Other Current Liabilities includes EMD, Retention Money and Security Deposits pending since inception of projects and the same has not been paid till the close of the year. The internal control in respect of them is very weak and should be strengthened and the liabilities should be assessed at fresh and should be charged to revenue in appropriate cases.	The liabilities against EMD, Retention Money, Security Deposit and other dues payable are released to the Contractors only after claims are submitted to the concerned Engineering-in-charge (EIC) for its verification.
	(iv) The Other Financial Current Liabilities includesRs.75.87 lakhs (Previous Year Rs.74.22 lakhs) as unclaimed money on account of payables, retention, security and other payables to the contractors. The amount has been shown under this head because the persons to whom amount is payable is not traceable. In our opinion the other current financial liabilities are overstated to the extent of above and necessary provision for amount written back should be provided.	Decision in this regard is under consideration of the Management.
	(v) The Swara Kuddu unit has made a provision for CAT Plan Expenses on 04th January 2016 amounting to Rs. 69 lakhs. The Unit has informed us that the amount has not been paid as the previous utilisation certificates has not been provided by the Forest Department. In our opinion the amount is of the nature of withheld amount and should be shown under the head Non-Current Financial Liabilities. Thus, current Liabilities are overstated to the extent of above.	The amount is of the nature of current liability as same shall be released on receipt of utilization certificate of the previously paid amount.
	(vi) The Corporate Office has not made the provision for demand raised by the PF Commissioner for the period 09/2008 to 06/2011 on account of PF contributions of Unregistered Contractors amounting to Rs.189 Lakhs on 02nd August 2018(refer Note 2.59).. Thus, current liabilities are understated to the extent of above	Matter being sub-judice, has been shown under contingent liabilities under Note on Accounts No.2.63. Hence does not affect P & L Account.
	(vii) Local Area Development Fund: - We invite attention to Note2.65 where in the company has not made any provision of amount payable to LADA fund on account of increase in cost of the Projects ,as final cost determination of commissioned projects is under process.	n case of Sainj HEP provision of the balance amount LADA has been made in the books of accounts in the F.Y 2019-20. In case of Sawra Kuddu & Kashang Stage–II & III, amount payable against LADF have been deposited regularly. Due to ongoing works at project ends and final project cost not yet arrived at, hence the exact amount of final instalment is not determinable at this stage. The marginal amounts, remaining to be deposited are subject to further adjustments and shall be accordingly provided/ released.
	(viii) Reported by previous auditors the Kashang Unit has not Charged GST on the Liquidation Charges amounting to Rs. 534.42	GST Act 2017 came into force w.e.f. 1st July 2017 and the Liquidation Charges pertains

	lakhs on Rs. 2,969 Lakh charged from HCC. The Company has not shown the Liability under GST returns filed during the year under review nor the same has been charged to the contractor . The observation was also reported in the previous year also. Thus the current liabilities and understated to that extant and other non - current assets is also understated to that extant.	to Pre-GST period and were recorded in the books of Accounts in the FY 2016-17 vide SAP Document No. 113550 dated 31.03.2017, hence the GST was not applicable on the date of transaction and accordingly no GST was charged on LD Charges. Further, this has not been reported in the GST Audit Report by the GST Auditors.
	(ix) Reported by previous auditors we invite attention to note 2.70 where the Corporate Office has shown Rs. 500 Lakh as amount payable to the Kisahau Corporation Limited on account Equity Contribution of the State Government for the seed Money. No Confirmation from the Kisahu Corporation Limited and directions from the State Government to keep the money with company has been provided to us for verification. In the absence of information we are unable to comment on the same.	A sum of Rs. 5.00 Crore was received from GoHP on account of Equity Contribution towards Kishau Dam Project. In this regard, a sum of Rs. 0.75 Crore. The management of HPPCL decided to contribute the due amount towards KCL on account of Equity Contribution of GoHP only after UJVNL deposits their respective share. Subsequently, upon receipts of instructions and corresponding approval(s) from the authorities the due sum was released in parts to KCL on 03.12.2020.16.07.2021&07.10.2021, and as on date, entire due amount stands remitted to KCL.
	(x) As reported by previous auditors the Renukaji HEP has shown the amount recovered from LAO amounting to Rs. 1600 Lakh as amount payable to Government Agencies . The HEP at the time of advancement to LAO has shown the same as part of land expenses. The amount recovered back has to be reduced from the Land Expenses. Thus Current Liabilities are overstated to the extent of above and similarly the land expenses are overstated to that extent.Could not be explained to us except payment of Rs 5 Cr to LAO.	The provision for Land Expenses of Rs 18,849 Lacs against which the demand has already been deposited with the High Court which is shown as part of Land expenses under Property Plant and Machinery has been adjusted in the F.Y 2019-20.
	(xi) The Sawra Kuddu HEP has transferred land measuring 0.9224 hectare to the HPTCL for the construction of 220 KV Switching Station at Hatkoti. The Company has received Rs. 916 Lakh as cost towards the cost of land in the month of November 2018. The company has handed over the possession of the land to the HPTCL but has shown the amount as advance from the customers and the sale deed for the same has not been executed so far. In our opinion the advance has to be adjusted with the cost of the land and the deposit with the court. Thus current liabilities are overstated to the extent of Rs 916 Lakh. Pending execution of transfer deed cannot be credited to land.	The amount received from HPPTCL is equivalent to the awarded amount and the deposits made in High Court. The rate of land will vary now, as per the latest orders of the Hon'ble High Court. Further in the absence of Sale deed / agreement, final consideration and terms and conditions of the handed over land cannot be ascertained. Hence, amount has been shown as advance from HPPTCL and shall be settled in due course of time.
	(xii) The Sainj Unit has shown a sum of Rs. 519 Lakh as amount payable to Voith Hydro. The HEP has not provided to us the details in respect of the same and nor any confirmation from the supplier has been provided. The Amount is payable since 2017 and the same has not been paid till the date of the audit. Thus the liabilities are overstated to the extent of above.	The reconciliation of the accounts in respect of E&M package of Sainj HEP is in progress. All the pending dues payable to M/s VHN shall be settled while carrying out the final settlement.

13	**Generation & Sale of Power** (I) Note no 2.56 The company is showing only net sale instead of gross sale.	Sale of power entries have been taken into books as per instruction issued by SoP department vide letter No. HPPCL/SoP/13%FP/Kashang HEP/2017-9731-38 dated 24.07.2018. As per ibid letter HPPCL is entitled for selling only 87% of the power and 13% Royalty Power of GoHP has to be provided in the shape of free power (free of Cost) at Bus bar of the project. Therefore, accounting of revenue generated from sale of 87% of Power including UI/DSM etc. is to be accounted for in the Books of Accounts. Further, during the F.Y. 2018-19, the power generated was sold in energy exchange directly. As the portion of free power @13% was not remitted to Corporation and non-availability of exact figure of free power given to State Govt. and to LADF, the amount booked under sale of power is net of such free power. Disclosure under Note Para 2.56 refers.
	(ii) The Beradol Solar Power unit while fixing the tariff rate has adopted HPREC AD benefit Rate of Rs. 4.31 per unit while approving the Tariff Rate with HPSEB. The Corporation is not availing the advance deprecation benefit thus Tariff rate of Rs. 4.79 per unit is applicable to the corporation. Thus Sale of power is understated to the extent of Rs. 10.36 Lakh.	The necessary entries of advance depreciation required will be taken in books of accounts from the date of CoD.
	14 Apportionment of Expenditure and Income of Corporate Office and Sunder Nagar **(i) Expenditure of Corporate Office and Sunder Nagar** It has been observed that at the time of apportionment of expenditure of Corporate office and Design Office the net expenditure incurred during the year has been apportioned in the ratio of 278:87 from 01st April 2018 to 03rd January 2019 and 4th January 2019 to 31st March 2019. (refer Significant Accounting Policy no 1.6 g and Note no 2.57(c)). The above apportionment is not in line with the accounting policy referred in note 1.6 g which states that the "The Expenditure of Corporate office and Sundernagar design office is allocated to different accounting units on systematic basis.". In our opinion the expenditure and income should have been apportioned separately on actual basis between the pre and post cod period to different units. The Adoption of wrong method of apportionment may effect the allocation of cost to different units and the effect on its depreciation after commissioning of the projects . In the absence of information we are unable to comment on the same.	Keeping in view practicability, the allocation has been done accordingly. The methodology has been disclosed in the Notes on Accounts No. 2.57(c).
	(ii) Income of Corporate Office and Sundernagar It has been observed that the income of the corporate office mainly consists of the interest earned on Fixed deposits by making	The allocation of interest earned on short term bank deposits (made out of idle funds) have been allocated on the basis of the approved practice.

	short term investments of the following funds: - - Funds received for Equity - Funds for Renukaji Project - Imp rest Funds for ADB Funded Projects State Govt Loan - Interest on Funds With LAO The Company has allocated income to various projects on the basis of allocation of expenditure to different units as per accounting policy of the company during the year Similarly, expenditure has been allocated alongwith HO to other units.	
	(iii) Apportionment of Expenses of Corporate Office and Sundernagar Design Office The qualification of previous year auditors on apportionment stands for this year also.	Same as above.
15	**Provision for Income Tax** We invite attention to Note No 2.66 where in no provision has been made by the company for income tax during the year under review. We also invite attention to note 2.53 where in the cases for earlier years are pending with different authorities and the outcome of which are uncertain and may affect the amount shown as Deposits with Income Tax authorities Rs. 8,874.50 lakhs (Previous Year Rs. 8,874.50 lakhs (refer note 2.10).In view of the uncertainly involved and the matter is subjudice we are unable to comment on the recoverability of the above amount and its effect on the Financial Statements.	No provision for income tax liabilities has been made, as the company has brought forward losses and unabsorbed depreciation as per Income Tax provisions. During the year also, the company is in loss.
16	**Goods and Service Tax** (i) The company has not complied with all the provision of the Goods and Service Tax Act while preparing the monthly returns and the annual returns for the year under review. We have checked some instances and have observed that the Goods and Service tax has not been deposited on following expenditures and Income:- 1 Tender Income 2 Liquidation Charges 3 Rent Income 4 Late Payment Surcharge 5 Payments Made to Government Departments and Government Bodies under Reverse Charge. 6 Reimbursement of Expenses from Contractors 7 Sale of scrap. The Company has appointed GST auditor to conduct the GST audit under the GST Act .However the GST Audit report for the year under review has not been submitted till the date of the finalisation of this report as the due date for filling of the report was 31st December 2020. In the absence of the report we are unable to comment on the final liability of GST along with interest and penalty.	1. GST on Tender Income:- HPPCL has been deposited GST on almost on all Tender Income. 2. GST on Liquidation Charges:- The case regarding Liquidation Charges is sub judice with Hon'ble High Court of HP. The outcome is contingent. In case of adverse decision by Hon'ble High Court, HPPCL may not be in a position to recover Liquidation Charges as well as the GST on it. 3. GST on Rental Income:- HPPCL has deposited the GST on rental income. 4. GST on Late payment surcharge:- The delayed payment surcharge/Late Payment Surcharge/Surcharge on outstanding amount (by whatever name called) cannot be treated as separate service and same shall be included in the value of initial supply to which such charges relate. As the portion of Delayed payment surcharge attributable to exempted supply is exempted. Thus no GST is attracted. 5. GST on payment made to Govt. departments and Govt. bodies under

<table>
<tr><td></td><td></td><td>reverse charge:- GST has been paid on the bills where GST have been charged by the concerned Govt. departments.
6. N/A
7. N/A
From sr. no 1 to 7 GST amounting Rs. 5,36,248/- has been deposited on 28.09.2020.
The Auditor has also submitted the GST Audit report for the FY 2019-20.</td></tr>
<tr><td></td><td>(ii) The GSTR 9 Annual Return for the year 2018-19 submitted b the company shows the following liability
<table>
<tr><th>Tax</th><th></th><th>Amount</th></tr>
<tr><td>IGST</td><td>₹</td><td>3,08,498.00</td></tr>
<tr><td>CGST</td><td>₹</td><td>13,017.00</td></tr>
<tr><td>SGST</td><td>₹</td><td>13,017.00</td></tr>
<tr><td></td><td>₹</td><td>[illegible]</td></tr>
</table>
No Provision for the same has been made in the Books of accounts. Thus Liabilities are understated to that extent.</td><td>As per reconciliation statement GSTR 9(C) (a), the IGST amount was over reported by Rs. 3,08,498/- and CGST & SGST by Rs. 25,982/-.</td></tr>
<tr><td></td><td>(iii) The Company has claimed input of GST while filling the monthly 3 B during the year under review. However while filling the GSTR 9 for the year no details for the Input claimed has been filled and claimed and nor liability on account excess claim of ITC has been made. The Following are the details of the same.
<table>
<tr><th>Tax</th><th></th><th>Amount</th></tr>
<tr><td>IGST</td><td>₹</td><td>1,14,161.00</td></tr>
<tr><td>CGST</td><td>₹</td><td>1,14,161.00</td></tr>
<tr><td>SGST</td><td>₹</td><td>10,512.00</td></tr>
<tr><td></td><td>₹</td><td>2,38,834.00</td></tr>
</table>
Thus liabilities are understated to the extent of above.</td><td>HPPCL deposited Rs. 19,42,800/-on 25.03.2022 i.e. Rs. 13,46,422/-of excess ITC availed w.e.f March 2018 to September 2020 and Rs. 5,96,378/-of interest on ITC availed. Further, Rs. 2,38,834.00/- is included in the total amount deposited by HPPCL. This amount was deposited as per enquiry concluded vide letter dated 22.03.2022 from Directorate General of GST Intelligence, Chandigarh.</td></tr>
<tr><td></td><td>(iv) The GSTR 9C Audit report filed by the GST Auditor for the year 2017-18 on 21/05/2020 shows the following amounts as payable by the Company.
<table>
<tr><th></th><th></th><th></th><th>CGST</th><th></th><th>SGST</th><th></th><th>Total</th></tr>
<tr><td>1</td><td>Tax</td><td>₹</td><td>6,01,21,367.00</td><td>₹</td><td>6,01,21,367.00</td><td>₹</td><td>12,02,42,734.00</td></tr>
<tr><td>2</td><td>Interest</td><td>₹</td><td>1,66,82,144.00</td><td>₹</td><td>1,66,82,144.00</td><td>₹</td><td>3,33,64,288.00</td></tr>
<tr><td></td><td></td><td>₹</td><td>7,68,03,511.00</td><td>₹</td><td>7,68,03,511.00</td><td>₹</td><td>15,36,07,022.00</td></tr>
</table>
Thus Current Liabilities are understated to the extent of Rs. 1536 Lakh.</td><td>The payable amount is related to the GST on LD Charges and payments made to Government departments, the detailed reasons of which have been specified under Sr. No. 16 (i) above. Further, in case of Arbitration fee GST is not applicable as the Corporation is a Govt entity.</td></tr>
<tr><td></td><td>(v) There is a difference in Turnover as per audited financial statements & GSTR9 amounting to Rs 16516739/-during 2018-19</td><td>The difference in the turnover is due to over-exempted turnover shown in GSTR 9. However, there is no GST liability on the difference amount.</td></tr>
<tr><td>17</td><td>Quantitative Details in respect of energy generated and sold
We invite attention to Note 2.48 where in the Company has stated that it has installed capacity of 170 MW as on 31st March 2019. The company has capacity 65 MW *3 i.e. 195 MW but water supply was only for one turbine at Kashang stage I against installed 3 turbines. and the installed capacity of the Sainj HEP is 100 MW and one solar unit with the capacity of 5MW was installed during 2018-19 .However ,the installed capacity at Kashang is not utilizable in the absence of water as the stage II & IIIare under</td><td>In case of Kashang HEP Stage-I (65 MW), even though all the three Units of 65 MW each have been commissioned, but for availability of water, only single machine/unit can be operated at a time. Due to water availability at present it is provisioned only for operating single</td></tr>
</table>

<table>
<tr><td></td><td>construction. Out of 3 turbines water is sufficient for running one turbine only. For rest 2 ,work is in progress.</td><td>machine of 65 MW at a time, as the KK Link Line in case of Kashang Stage II & III, is not yet constructed /linked. However, all the machines are being run on alternate basis by project offices. Therefore, the installed capacity of this Kashang Stage-I is 65 MW only.</td></tr>
<tr><td>18</td><td>Allocation of expenses of Kashang 1, 2 and 3
(I) The method adopted for allocation of expenses by the Kashang Unit to Stage 1 2 and 3 is not systematic and nor consistently followed
<table>
<tr><th></th><th>2019-20</th><th>2018-19</th><th>2017-18</th><th>2016-17</th></tr>
<tr><td>Stage1</td><td>Actual Basis</td><td>82.50%</td><td>84%</td><td>70%</td></tr>
<tr><td>Stage2 and 3</td><td>Actual Basis</td><td>17.50%</td><td>16%</td><td>30%</td></tr>
<tr><td></td><td></td><td>100%</td><td>100%</td><td>100%</td></tr>
</table></td><td>The Expenses has been booked in IKHEP Stages on actual basis from FY 2019-20 onwards. However the common expenditure of IKHEP Stages 1, 2 & 3 for the FY 2016-17 to FY 2018-19 were apportioned on the basis of project cost derived at the end year, which had been duly approved by the management.</td></tr>
<tr><td>19</td><td>Profit and Loss Account
(i) O and M R & R
Reported buy previous auditors the Sainj unit has booked prior period expenses amounting to Rs. 6.30 Lakh under this Head for the year 2017-18. Thus expenditure is overstated to the extent of above and same has to be shown in the year 2017-18 by recasting the financials statements.</td><td>Required accounting treatment shall be given as per Ind AS applicable.</td></tr>
<tr><td></td><td>(ii) O and M Disaster Management
Reported by previous auditors the Sainj Unit has booked the cost of hooters and other expenses amounting to Rs. 45.35 Lakh as expenditure during the year under review which are of Capital Nature and has to be capitalised by the HEP. Thus expenditure is overstated to the extent of above and property plant and machinery is understated to the extent.</td><td>The cost of Hooters and other Exp. amounting to Rs. 45.35 lakh has been shown as an asset. The necessary entry has been taken in books of accounts as on 01.04.2021.</td></tr>
<tr><td></td><td>(iii) Prior period Expenses
Reported by previous auditors the Company has charged the prior period expenses during the year under review to the profit and loss Account. The Following are the year wise Bifurcation of the same.
<table>
<tr><th></th><th>Particulars</th><th></th><th>Amount</th></tr>
<tr><td>1</td><td>for the year 2017-18</td><td>₹</td><td>1,42,32,088.00</td></tr>
<tr><td>2</td><td>Periodearlier than 2017-18</td><td>₹</td><td>6,21,06,074.00</td></tr>
<tr><td></td><td></td><td>₹</td><td>7,63,38,162.00</td></tr>
</table>
As per IND As 8 Accounting Policies, Changes in Accounting Estimates and Errors, the errors has to be rectified retrospectively in the Financial Statements as if the error had never occurred. If the error pertains to period earlier then previous year then the third Balance sheet has to be prepared as opening Balance Sheet. Refer Note 1.25 of the Significant Accounting Policies of the company which has not been complied with. In our opinion the Company has not complied with the requirements of the IND AS 8.</td><td>The Prior period expenses pertain to Kashang HEP Rs. 17, 33,592/- only has been charged to profit & loss account. These expenses have been charged due to the compliance of statutory audit observations on the Books of Accounts for the F.Y. 2017-18. Compliance to Ind AS 8 shall be ensured in future.</td></tr>
<tr><td></td><td>(iv) Appropriation of Employees cost for Kashang Stage I ,2 and 3
Reported by previous auditors the Kashang Unit has not provided to us the salary cost of the employees posted to the Stage 1 , 2 and 3. However this year this has been done on actual salary basis.</td><td>Statement of facts, requires no comments.</td></tr>
</table>

20	**Approval of accounts by the Board for the year 2018-19 before the approval of the accounts for the year 2017-18 in the AGM.** The Board of Directors has approved the accounts for the year 2019-20 in the Board meeting of 18/03.2020 before the adoption of the audited accounts for the year 2018-19 of the corporation in the Annual general meeting on 6th January, 2022. However, the financial statements were delivered to us on 17June 2021 which were further changed during August 2021 & finally on 17th October 2021 after we discussed our observations.	In this respect it is submitted that, as per Part-II Sr. No.(4) of Annexure-I, to the C & AG letter of appointment of Statutory Auditors, which is regarding Conditions to the Auditors: "the auditor may start the audit of the Company immediately on receipt of the accounts of the Company. However, they should certify the accounts for the year only after the audited accounts for the previous year has been laid before the AGM for their consideration. **In case audited accounts of the previous years has been considered but finally not adopted by the shareholders, the auditor can certify the accounts of the succeeding year, indicating the fact of the non-adoption of the previous year accounts in their report."**
21	**Income Tax Appeals with the High court in respect of Chargeability of Income Tax on Interest on Fixed Deposits kept as short-term Investments.** Reported by previous auditors the company has filed an Appeal with the High Court of Himachal Pradesh that the interest on the short-term investment of the funds in Fixed Deposits with bank from the Equity received from the Government is an addition to the equity and not an income of the company and on same the income tax is not payable. Similarly, the Income earned on Renuka Ji Funds is also an additional grant from the Agencies and the same is also not an income of the company and the same will be utilised on the project expenses and is part of the Grant. The Company has not shown the interest earned on equity fund till the close of the year as an addition to the Equity and similarly the interest earned on Renukaji HEP funds till the close of the year has not been shown as taxable income and is being charged as taxable Income of the Company. No information in respect of the same has been provided to us by the company till the close of the year. In the absence of the information we are unable to comment on the effect of the same on the Balance Sheet.	This is as per the approved policy of the management. However this interest income is to compensate the corresponding escalation cost and borrowing cost etc. of the period for which the funds remained idle, due to obstruction of awarded work, for reasons attributable to the Corporation.
22	**Investment Property** (I) The Company is not showing the assets given on rent/ lease as investment property and the same has been shown under the Head Property Plant and machinery.	The Company is showing the assets given on rent/ lease as investment property from the FY 2020-21 onwards.
	(ii) Chirgaon Majgoan has given Building on rent to HPPTCL amounting toRs.7.16Lakh. The Cost of property should be shown as Investment property and depreciation for the corresponding rent has to be charged to the profit and loss Account. Thus Income is understated to the extent of above.	Same as above.

23	**Design Wing Sundernagar** (i) The Design wing has booked Rs.8.87 Lakh (previous year 11.66lakh) lakh as lab income and Consultancy Income. However it has been observed that the design wing has not booked any expenditure in relation to providing such services. All the expenses of the GM Office has been apportioned to the all units of the company and no expenditure has been allocated to the income of the Design Wing . Thus the Matching concept accounting has not been followed by the company.	From F.Y 2020-21 onwards, Design wing Sunder Nagar has segregated the expenditure incurred on providing these services under the GL head "Expenditure on Lab Services" & "Expenditure on Consultancy Services".
	(ii) Reported by previous auditor, the Design Wing is providing Technical services to the Kishau Power Corporation on behalf of the State Government but no details in respect of the services provided Design wing has been provided to us. However Rs 10408/- is outstanding as advance to Kishau.	In this context, it is submitted that the design wing is not providing any technical services to Kishau Corporation directly, however, assisting HPPCL Corporate Planning Office on technical issues being forwarded to DW Sunder Nagar, from time to time. However, the expenditure incurred directly from this office for Kishau Corporation Ltd. is being booked under the G/L Advance to Govt. Department "Kishau Power Corporation.
24	**Disaster Recovery Centre** The Company has installed SAP ERP software for all its projects including corporate office. The Company has its DRC at Chennai and the same was closed and shifted to Shimla by M/s Siffy Technology. M/s Siffy Technology was awarded the contract for the AMC of the DRC for Rs. 1.25 crores and the reallocating cost of DRC for Rs.9.67 Lakh. The company has proposed to shift the DRC from Chennai to Himachal Pradesh at Data Center Site of HPSEBL at Ponta Sahib or at any other place at Ponta Sahib. The Company does not find any suitable site at Ponta Sahib thus no Disaster Recovery Center of the company is in place till date. We were informed that complete back up is maintained at head office on fortnightly /monthly & at Govt data centre at Mehli. What is the wisdom in paying AMC of the DRC without any site being taken for the same.	The Data Center of HPPCL has been now shifted to HP State Data Center at Mehli Shimla, H.P. and is in operation. For DRC also arrangements are also being made by this Corporation with HP State Data Center to provide required space at their DRC, which is located in other seismic zone. However, at present the Data Back-up is being saved at two different locations to prevent data loss.
25	**Land Court of Cases Renuka Ji Project** The Board of Directors in its 75th meeting on meeting 18th March 2021 has decided not to the file Regular First Appeal in the Hon'ble High Court against the awards passed by the Lower Courts and against the decision of the Hon'ble High Court.Refer Note 2.36 Notes where in its stated that the company has made contingent provision in respect of the awarded amount amounting to Rs.11,471.33 lakh. The Decision of the company not to file the appeal will make the contingent provisions as regular provisions and thus the provisions on account of land compensation of Renuka Ji Project is understated to the extent of above. Previous year auditors effect of qualifications: The effect of the said qualifications where ascertainable the loss of current year will be Rs. 11,736 lakhs against reported loss of Rs. 10,586 lakhs. The Other Equity will be 24,117 lakhs instead of Rs. 22,198 lakhs. The Borrowings will beRs. 1,40,368 lakhs instead of	As the decision taken involves long process to measure the extent of liabilities involved. Land owners who may be still aggrieved by such orders of the Hon'ble Court may delay the process of final settlements, besides, being large number of cases for which liability needs be calculated, hence liabilities can't be accounted for at this stage. However, provision for the same has been made up to 31.03.2021.

	Rs.1,59,765 Lakhs .The Other Financial Liabilities will be of Rs. 6,144 lakhs instead of Rs. 10,993 lakhs. The Provisions non-current will be of Rs 4,285 lakhs instead of 5,690 lakhs. The other non Current Liabilities will be Rs. 82,840 lakhs instead of Rs. 69,543 lakhs. The Other Current Financial Liabilities will be Rs.2,92,604 lakhs instead of Rs. 2,62,070 lakhs. The Property Plant and Equipment will be Rs. 3,33,156 lakhs instead of Rs.3,03,086 lakhs. The Capital Work in Progress will be Rs.2,95,703 lakhs instead of Rs. 3,08,204 lakhs. The Loans will be Rs.153 lakhs instead of Rs. 149 lakhs .The Other Noncurrent Assets will be Rs.29,435 lakhs instead of Rs. 36,705 lakhs. The inventories will be Rs. 53 lakhs instead of Rs. 74Lakh.The Trade Receivable will be Rs.481 lakhs instead of Rs.1,757 lakhs. The cash and cash equivalents will be Rs.9,404 instead of Rs. 11,365 lakhs.The Bank Balance will be Rs.11,670 instead of Rs. 9,709 lakhs. The Loans Financial Assets will be Rs. Nil lakhs instead of Rs.3 lakhs. The Financial Assets others will be Rs. 551 lakhs instead of Rs. 1349 lakhs. The Other current Assets others will be Rs. 14,267 lakhs instead of Rs 6,241 lakhs. The Expenditure during the year are overstated on account of Prior period items by Rs. 769Lakh for which adjustments has to be made in previous years.	The deviations reported by Auditors are within the specified limits.
	Emphasis of Matter 1) No reasonable effort has been made to remove the qualification raised in earlier year audit reports and the same has been considered in this year report also. 2) We further draw attention to the following matters in the Notes to the stand alone Ind As Financial statements: - I) Note No. 2.38 to the standalone Ind AS financial statements regarding the various balances which are subject to reconciliation/ confirmation and respective consequential adjustments	Most of the observations of the previous financial years have been settled. Disclosure/explanation to this effect has been given in the Notes on Accounts at Note No. 2.38.
	(ii) Note No 2.58 to the Stand alone Ind AS financial statements regarding statement on State Government loan for Shontong Karcham HEP (450MW) where the ADB funding to state government has expired and stopping of funding by the KFW to the project.	Disclosure/explanation to this effect has been given in the Notes on Accounts at Note No. 2.58.
	(iii) Note No 2.68 to the Stand alone Ind AS financial statements regarding statement on Nakhtan project pending with Hon'ble High court of Himachal Pradesh the fate of which is dependent on the outcome of the case . Our Opinion is not modified in respect of these matters.	Disclosure/explanation to this effect has been given in the Notes on Accounts at Note No. 2.68.
	Key Audit Matters Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, description of how our audit addressed the matter is provided in that context. In addition to the matter	

	described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.  Key Audit Matter How our audit addressed the key audit matter 2 Contingent Liabilities and Provisions 3 Property, Plant & Equipment 4 Capital work-in-progress (CWIP)	Comments not required
	Information Other than the Stand alone Financial Statements and Auditor's Report Thereon The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the Stand alone financial statements and our auditor's report thereon. Our opinion on the Stand alone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the Stand alone financial statements, our responsibility is to read the other information	Statements of facts, comments not required.

	and, in doing so, consider whether the other information is materially inconsistent with the Stand alone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.	
	Management's Responsibility for the Stand alone Ind AS Financial Statements The Company's Board of Directors is responsible for the matters stated in Section 134 (5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Stand alone Ind AS financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and statement of changes in equity of the Company in accordance with the accounting principles generally accepted in India, including Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with relevant rules issued there under. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Stand alone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. In preparing the Stand alone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Board of Directors are responsible for overseeing the Company's financial reporting process.	Statements of facts, comments not required
	Auditor's Responsibility Our objectives are to obtain reasonable assurance about whether the Stand alone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Stand alone financial statements.	Statements of facts, comments not required

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism through out the audit. We also

- Identify and assess the risks of material misstatement of the Stand alone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

-Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

-Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

-Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Stand alone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

-Evaluate the overall presentation, structure and content of the Stand alone financial statements, including the disclosures, and whether the Stand alone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the Stand alone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought

	to bear on our independence, and where applicable, related safeguards.	
	Report on Other Legal and Regulatory Requirements 1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure-I, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.	Comments not required.
	2. We are enclosing our report in terms of Section 143 (5) of the Act, on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, in the Annexure-2 on the directions issued by Comptroller and Auditor General of India.	Comments not required.
	3. As required by section143(3) of the Act, we report that: a) We have sought and except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph above, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;	Comments not required.
	b) Except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph above, in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books; c) The Balance Sheet, Statement of Profit and Loss and statement of Cash Flows and Statement of changes in equity dealt with by this report are in agreement with the books of account;	Comments not required.
	d) Except for the effects of the matter described in the Basis of Qualified Opinion paragraph above ,in our opinion, the aforesaid Stand alone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act,	Comments not required.
	e) The Matter described in the Basis for Qualified Opinion paragraph above, in our opinion may have adverse effect on the functioning of the company.	Comments not required.
	f) In view of the exemptions given vide Notification No. G.S.R. 463 (E) dated 5th June 2015 issued by the Ministry of Corporate Affairs, the provisions of Section 164 (2) of the Companies Act, 2013 regarding disqualification of directors, are not applicable to the company.	Comments not required.
	g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.	Comments not required.
	h) With respect to adequacy of Internal Financial Controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure-3" in our opinion the internal financial controls system is adequate but the operating effectiveness of such controls need be improved.	Comments not required.

	i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us: I. The Company has disclosed the impact of pending litigations on its financial position in its financial statements- Refer Note 2.33 to the Stand alone Ind AS financial statements.	
	ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;	Comments not required.
	iii. There were no amounts as at 31.03.2020 which were required to be transferred to the Investor Education and Protection Fund by the Company.	Comments not required.

ANNEXURE 1 TO THE AUDITORS' REPORT

Annexure referred to in our report of even date to the members of HIMACHAL PRADESH POWER CORPORATION LIMITED on the accounts for the year ended 31st March 2020.

S. No.	Audit Observation	Replies
(i)	a) The company has generally maintained proper records showing full particulars, including quantitative details and situation of its fixed assets. except that identification, location etc. need be mentioned. (b) As explained to us all the assets were got physically verified by the management during the year under review. We were informed that no material discrepancies were noticed on such verification. However, verification reports of HO , Transit camp, Shongtong-Karcham HEP, Thana Plaun HEP, Renukaji Dam Project, Sainj HEP, Triveni Mahadev HEP and BeraDol Solar Power Project were shown to us, but no report of ,land, Plant machinery, stores & spares was shown to us. (c) Title deed of immovable properties are in the name of the company except in cases of Renukaji HEP, Sainj HEP Shongtong HEP and Chirgaon HEP where the land has not been transferred in the name of the Company.	a) Statements of facts, comments not required. b) Statements of facts, comments not required. c) Action for the transfer of title in the name of the Company has been initiated.
(ii)	The inventory of the company consisting of Capital Stores, stores, spare parts and other Items. We were informed that these have been physically verified by the management during the year under review. But no reports were made available to us.	Statements of facts, comments not required.
(iii)	According to the information and explanations given to us, the company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013. In view of above, the clauses 3(iii)(a) and 3(iii)(b) of the Order are not applicable.	Statements of facts, comments not required.
(iv)	The Company has not given any loan, made investments and issued guarantees under section 185 and 186 of the Companies Act, 2013.	Statements of facts, comments not required.
(v)	The company has not accepted any deposits from the public in terms of section 73 to 76 or any provisions of the Companies Act, 2013 and rules there under.	Statements of facts, comments not required.
(vi)	The company has made and maintained cost accounts and records as specified by the Central Government under section 148 (1) of the Companies Act 2013. However, we have not made a detailed examination of these accounts and records with a view to determine whether they are accurate and complete. The companies cost accounting records has been audited by the Cost Auditors M/s Balwinder and Associates and they have submitted the report on 19/11/2020.	Statements of facts, comments not required.
(vii)	(a) The company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income tax, sales tax, wealth tax, service tax,	Statements of facts, comments not required.

	custom duty, excise duty, value added tax, cess and other statutory dues applicable to it, and there are no undisputed dues outstanding as on 31st March 2019 for a period of more than six months from the date they became payable. However the Liability on account of Goods and Service Tax can not be quantified as GST audit is under progress till the finalisation of this report. We are informed that the provisions of Employees' State Insurance Act are not applicable to the company.	
	b) According to the information and explanations given to us, dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty, value added tax, cess and other material statutory dues that have not been deposited on account of any dispute are given below:	Statements of facts, comments not required.

Sr No.	Statute/Act	Nature Due	Amount in lacs	Period	Forum Which Pending
1	Entry Tax	Interest	537.70	2010-15	Addl. Excise & Taxation Commissioner-cum-Appellate Authority
2	Entry Tax	Penalty	751.28	2010-15	Addl. Excise & Taxation Commissioner-cum-Appellate Authority,
3	Provident Fund	PF Dues	189.24	2008-11	Central Government Industrial Tribunal Chandigarh
4	GST	GST	808.78	2017-18	Amount payable as per GSTR 9C
5	GST	Interest	333.64	2017-18	Amount payable as per GSTR 9C
6	GST	GST	5.27	2018-19	Amount payable as per GSTR 9
7	Income Tax	Demand	146.28	2015-16	Appeal with CIT(A) [illegible]
8	Service Tax		65.00		[illegible]
	Total		[illegible]		

	The Amount of interest and penalty on the Entry Tax thereon due to Excise and taxation department has been settled under Legacy Cases Resolution Scheme by paying the Requisite Settlement Fees by the company.	
(viii)	The Company has not defaulted any repayment of loans or borrowing to any financial institution or bank or dues to debenture holders. However, the Government of Himachal Pradesh has given the sanction to the deferment of repayment Loan and interest up to Jan 2017. No Deferment has been given by the State Govt after that and the request for the same has been given by the company for further deferment. and company has not paid the amount of instalment of loan and interest after January 2017 till the finalisation of the report. The State Government has given deferment for the year 2020-21 till 2021-22	Statements of facts, comments not required.
(ix)	No money was raised by way of initial public offer or further public offer during the year. The amount raised by the term loans from the Government of Himachal Pradesh has been utilised for the purpose it was raised during the year under review. The company has raised CC limit of Rs 200 Lakh for working capital from KCCB, secured by charge on Plant & Machinery. However, we could not get any evidence of utilisation of limit, so cannot comment, whether it has been used for the intended purpose.	Statements of facts, comments not required.
(x)	During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information/ explanation given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we have been informed of any such cases by the management except in the year 2015 at Renukaji HEP and the same is pending with State Vigilance.	Statements of facts, comments not required.

(xi)	This being a government company Section 197 of the Act is not applicable.	Statements of facts, comments not required.
(xii)	Company is not a Nidhi Company.	Statements of facts, comments not required.
(xiii)	As per information available to us all transactions with related parties are in compliance with Section 177 & 188 of the Companies act 2013, wherever applicable and the details have been disclosed in the Financial Statements etc. as required by the applicable Accounting Standards.	Statements of facts, comments not required.
(xiv)	As informed by the management, the company has not made any preferential allotment to private placement of shares or fully convertible debentures during the year under review.	Statements of facts, comments not required.
(xv)	As informed to us the company has not entered in to any non-cash transaction with directors or persons connected with him.	
(xvi)	Section 45-IA of the Reserve Bank of India Act, 1934 is not applicable to the company	

ANNEXURE 2 TO THE AUDITORS' REPORT

Annexure referred to in our report of even date to the members of Himachal Pradesh Power Corporation Limited on the accounts for the year ended 31st March 2020

Sr. No	Directions	Action Taken	Impact on financial statement
(1)	Whether the Company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.	According to the information and explanations given to us and based on our audit, the Company has a system in place to process the accounting transactions through M M Module, Project System, Human Capital Module and Financial and Controlling Module through IT system and for this purpose SAP-ERP has been implemented by the Company. Period end Financial Statements are compiled offline based on balances and transactions generated from such SAP-ERP system for the purpose of preparing the Accounting transactions for sale of power is not generated though Sales and distribution Module and being directly posted in FI Module. We have neither been informed nor have we come across during the course of our audit any accounting transactions which have been processed outside the IT system having impact on the integrity of the accounts. The company has maintained separate Data Centre but does not have Disaster Recovery Centre. Also, the cost of land in balance sheet is different in SAP and balance sheet due to uploading of deposits with Court to Cost of land in Balance sheet.	Nil
(2)	Whether there is any restructuring of an existing loan or cases of waiver/write No such case come off of debts/loans/interest etc. made by a lender to the company due to the across during If yes, the financial impact may be stated. company's inability to repay the loan?	The State Government Loans has been restructured for repayment of loan and interest up to Jan 2017 till the year 2018-19. The Company had requested the State Government for further deferment in the month of September 2020. The State Government has deferred only the dues for the year FY 2020-21 till FY2021-22.	Nil
(3)	Whether funds received/ receivable for specific schemes from Central/State agencies were properly accounted for/utilized as per its term and conditions? across during List the cases of deviation.	The Funds received for Renukaji Project and Gyspa Project has been properly accounted for except the interest earned on the short term deposit from the surplus fund has been accounted for as the income of the corporation instead of the crediting the same to the amount payable to the central / State Government. Refer Para C 14(ii) of the main audit . No information in respect of interest earned on the short term	The Amount payable to the Central/state is understated to the extent of interest earned on the short term investment.

		investment has been provided to us. As there is significant difference in expenditure incurred as per last year report & this year report, matter will be examined during next year audit at unit level	
(4)	Whether land acquisition is involved in setting up the new projects report whether settlement of dues done expeditiously and in transparent manner.	The land has been acquired at Renukaji Dam. All the payments on account of settlement has been transferred to the LAO. However, a sum of Rs 188.49 crores has not been paid till the close of the year and provision for the same has been made in the books of accounts. Which has been reversed this year.	Rectified in current year accounts.
(5)	How much cost has been incurred on abandoned projects and of this how much cost has been written off	Reported by last year auditors, the Corporation has abandoned the, Tidong HEP and Sunni Project. The Amount incurred on Tidong project is being shown as recoverable from the Directorate of Energy and the amount has not being written off the by the Management. The Corporation has written off Rs. 41.26 Lakh as amount recoverable from SJVNL on account of cost of the Sunni Project.	Nil
(6)	Indicate Whether the company has efficient system for monitoring and adjusting advances to contractors/ supplier. Highlight the Significant instances of failure of the System if any	The company has proper system of adjusting the advances to suppliers, except in following cases:- **1-Patel Engineering** Due to non completion of the percentage of the work completed by the Contractor **2-HCC Limited** Due court case involved **3 Costal Projects** Company in Liquidation at NCLT.	Nil

ANNEXURE 3

Report on the Internal Financial Controls under Clause (i) of Subsection 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **HIMACHAL PRADESH POWER CORPORATION** Limited ("the Company") as of 31 March 2020 in conjunction with our audit of the Stand alone financial statements of the Company for the year ended on that date.

S. No.	Auditor's Report	Reply
(1)	**Management's Responsibility for Internal Financial Controls** The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.	No comments.
(2)	**Auditors' Responsibility** Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.	No comments.
	Meaning of Internal Financial Controls Over Financial Reporting A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and	Statements of facts, comments not required.

	the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.	
	Inherent Limitations of Internal Financial Controls Over Financial Reporting Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.	Statements of facts, comments not required.
	Opinion In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2020. except in the areas given below based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. However, company needs to further strengthen the in the control system in the following areas: - Making preparation of financial statements on SAP instead of Excel sheets. - Implementation and Compliance of Indian AS at unit level to ensure the compliance of the Indian AS on the company as a whole. - Classification of account heads in SAP according to the disclosure and classification requirements of the Schedule II of the companies act 2013 and requirements of the Ind AS - Harmonisation in creation of account heads at Corporate Level in relation to advances, liabilities and vendors according to the nature of expenditure so that no duplication of account code exits and only single account code is allotted to individual vendors in the company as a whole. - Payment to contractors strictly on the basis of authorisation of the BOD. - Option of marking of clearing entries in the SAP should be followed by all the accounting units in respect of current as well as old accounting entries. - Scrutiny of old Earnest Money Deposits, security deposits, Retention money and other payables to contractors. - Capitalisation of Capital Work in Progress in timely and efficient manner. - Reconciliation of retro entries in SAP for CPT Module. - Payment to Contractors of Additional Advance/ Advance Against Retention Money and its accounting treatment. - Recovery of delay damages from the contractors and accounting thereof	Suggestions related to strengthening of internal control system have been noted for future compliance

- Provision of Expenses should be made on realistic basis and the payment in subsequent financial year should be adjusted from the provision only.
- Long Term Advances and Deposit Work should be regularly reviewed and accounted for where the significant work has been completed.
- Accounting of Provision is respect of doubtful advances and other recoverable.
- Review of Negative Balances in liabilities and assets heads.
- Accounting of EMD in the nature of FDR in the books of accounts.
- Recording of financial entries in foreign exchange also where the advances, retention money and suppliers dues are payable in other currency also.
- Investing of idle funds at HEP in SWEAP Bank accounts to earn bank interest
- Reversing the Cheques/ Neft Entries for which the Limitation period is over.
- Accounting of Inventories in hand at project site at the close of the year.
- Liability on account of GST should be as per the requirements of the Goods and Service Tax Act.
- Accounting Staff/ Officers at Unit Level should be regularly trained in respect of the Indian Accounting Standards and other Accounting concepts and conventions while preparing the Financial Statements.
- Entry in SAP to be made only upon a transaction is executed not at the time supply order is placed ,as we have noticed such instance. This will reduce chances of expenses being booked twice.

We have considered the areas of improvement identified which needs further strengthening as reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2020Stand alone financial statements of the Company. However, these areas of improvement do not affect our opinion on the Stand alone financial statements of the Company.

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

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

क्रमांकः ए0एम0जी0–11(मुख्यालय–1)/हि0प्र0पा0कार्पो0लि0–लेखे–2019–20/2022–23/162 दिनांकः 23/08/2022

सेवा में,

प्रबन्ध निदेशक,
हिमाचल प्रदेश पावर कारपोरेशन लिमिटिड,
हिमफैड भवन बी0सी0एस0 न्यू शिमला–171009

विषयः– कम्पनी अधिनियम, 2013 की धारा 143(6)(इ) तथा धारा 129 (4) के अधीन टिप्पणियां।

महोदय,

मैं, 31 मार्च 2020 को समाप्त वर्ष के लिए हिमाचल प्रदेश पावर ट्रासमिशन कारपोरेशन लिमिटिड शिमला, के वार्षिक लेखों के सम्बन्ध में कम्पनी अधिनियम, 2013 की धारा 143(6)(इ) तथा धारा 129 (4) के अधीन टिप्पणियां भेज रहा हूँ।

कृपया पावती भेजें।

भवदीय,
हस्ता/–
प्रधान महालेखाकार

Gorton Castle, Shimla-171 003, Telephone: 0177-2652612-18 Fax: 0177-2658949
गार्टन कैसल, शिमला–171 003, दूरभाषः 0177–2652612–18, फैक्सः 0177–2658949

Comments of the Comptroller and Auditor General of India under Section 143 (6) (b) of the Companies Act, 2013 on the standalone financial statements of Himachal Pradesh Power Corporation Limited for the year ended 31 March 2020.

The preparation of financial statements of the Himachal Pradesh Power Corporation Limited for the year ended 31 March 2020 in accordance with financial reporting frame work prescribed under the Companies Act, 2013 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 139 (5) or 139 (7) of the Act 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 31st March 2022.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of Himachal Pradesh Power Corporation Limited for the year ended 31 March 2020 under Section 143 (6) (a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

Based on my supplementary audit, I would like to highlight the following significant matters under Section 143 (6) (b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the statements and the related audit report.

Statement of Profit and Loss

1.Other expenses – `27.11 crore (Note 2.33)

The above has been understated by 17.84 crore due to non creation of provision for payment of damages to land in the Kashang Hydel Electric Project of HPPCL. Consequently, the loss for the year has been understated to the same extent.

2. Notes To Financial Statements

Reference is invited to note no 2.72 regarding Renukaji Dam project (RDP). The Notes does not disclose that now Government of India has released Rs. 1037.92 crore and the funds will be grant component of central assistance undr "Accelerated Irrigation Benefit Programme" (AIBP) capital assets under Pradhan Mantri Krishi Sinchayee Yojna for the state annual plan 2021-22.

3. Independent Auditor's Report

Reference is invited to point no 4 (iii) (d) of Auditors Report. The Auditor,s Report in the matter is deficient to the extent that now the application has been admitted by the National Company Law Tribunal as I.A No.12 of 2022.

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

Place: Shimla
Date : 23-08-2022

Sd/-
Principal Accountant General (Audit)
Himachal Pradesh, Shimla

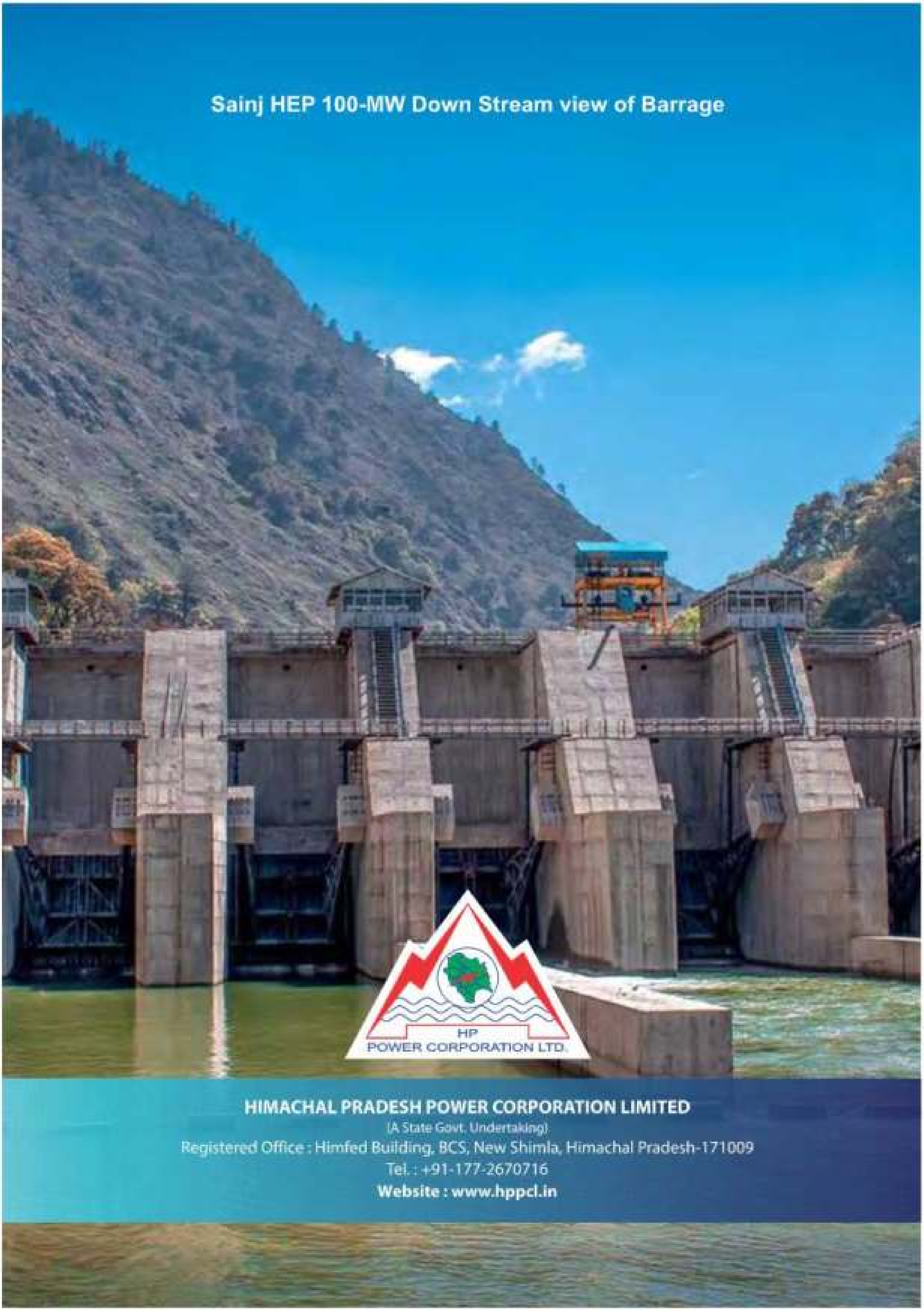
Reply of the Comments of the Comptroller and Auditor General of India under Section 143(6) (b) of the Companies Act, 2013 on the standalone financial statements of Himachal Pradesh Power Corporation Limited for the year ended 31 March 2020.

S. No.	Comments of C&AG	Reply by the HPPCL Management
1	**Statement of Profit and Loss** **Other expenses – Rs. 27.11 Crore (Note 2.33)** The above has been understated by 17.84 crore due to non creation of provision for payment of damages to land in the Kashang Hydel Electric Project of HPPCL. Consequently, the loss for the year has been understated to the same extent.	In this context, it is brought out that meeting was held on 17.10.2019 under the Chairmanship of Chief Secretary to Govt. of HP wherein the various issues related to projects were discussed in detail with the concerned Deputy Commissioners, Division Forest Officers and other related HoD. During the meeting, the damages occurred due to flushing of water through SFT was discussed under part (B) Sr.No.2 and it was decided that HPPCL is ready to restore the damages and the forest department may withdraw the claim. The views of the HPPCL have been agreed by the forest department. In view of the decision taken by the High Power committee &the restoration work shall be carried out over the period of more than one year, therefore, the provision of Rs. 17.84 Crore has not been made in the books of accounts in the F.Y. under audit.
2	**Notes to Financial Statements** Reference is invited to note no 2.72 regarding Renuka ji Dam project (RDP). The Notes does not disclose that now Government of India has released Rs. 1037.92 crore and the funds will be grant component of Central Assistance under "Accelerated Irrigation Benefit Programme" (AIBP) capital assets under Pradhan Mantri Krishi Sinchayee Yojna for the state annual plan 2021-22.	The required disclosure has been given in the Director's Report annexed with the Annual Accounts for the FY 2019-20.
3	**ndependent Auditor's Report** Reference is invited to point no 4 (iii)(d) of Auditors Report. The Auditor's report in the matter is deficient to the extent that now the application has been admitted by the National Company Law Tribunal as I.A. No. 12 of 2022.	Comments not required.


HP
POWER CORPORATION LTD.

Shongtong Karchham HEP (450MW) - Sweater Knitting Camp organised by R&R

Shongtong Karchham HEP (450MW) - Diversion Tunnel Inlet



Sainj HEP 100-MW Down Stream view of Barrage

HP
POWER CORPORATION LTD.

HIMACHAL PRADESH POWER CORPORATION LIMITED
(A State Govt. Undertaking)
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Tel. : +91-177-2670716
Website : www.hppcl.in