HIMACHAL PRADESH
POWER CORPORATION LTD.

ANNUAL REPORT
2016-2017

MAT Portal, Power House, Sawra Kuddu HEP (111 MW)

Tail Race Tunnel Outfall, Kashang HEP Stage-I (65 MW)

ANNUAL REPORT 2016-2017

CONTENTS

Auditors :
M/s Anil Karol & Company
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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 11th Adjourned Annual General Meeting of the HPPC LTD.

"Notice is hereby given that the 11th Adjourned Annual General Meeting of the Shareholders of the Himachal Pradesh Power Corporation Limited, Shimla will be held on Tuesday, the **20th August, 2019** at **04.00 PM** at **Himfed Building, Bye Pass Road, New Shimla, Himachal Pradesh, Shimla-171009** 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, 2017, consisting of Statement of Incidental Expenditure during construction, Statement of Profit & Loss Account and the Balance Sheet as on that date alongwith Board's Report, Auditors' Report and the Comments of the Comptroller & Auditor General of India and replies thereto.

Place: Shimla — By order of the Board of Directors

Dated: 20.08.2019

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 ______________________________ as **my proxy** to attend and vote

for me/us on 20th August, 2019 at 04.00 PM and 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 31.03.2017, an extension of time to hold the 11th Annual General Meeting was obtained from the Registrar of Companies upto 30.11.2017 with the prior approval of Board. Since, an extension was granted only for two months, the Corporation held the AGM on 28.11.2017 and apprised the factual position of pendency of annual accounts to the Shareholders.

It is further informed that initially, the Financial Statements (Standalone Annual Accounts) of the Company for the financial year ended 31st March, 2017 were prepared and thereafter approved by the Board of Directors in its 65th meeting held on 30th June, 2018. During audit, the Statutory Auditors had suggested some changes in accounts, which were undertaken and accordingly revised Financial Statements (Annual Accounts) Standalone & Consolidated were prepared and placed before the Board in its 67th meeting held on 28th November, 2018 for approval, which were approved.

These revised Financial Statements (Annual Accounts) Standalone & Consolidated were submitted to the Statutory Auditors for conducting audit and the report of the Statutory Auditors was received. Thereafter, these accounts were submitted to the Accountant General, Himachal Pradesh to have the comments of the Comptroller and Auditor General of India (CAG) under the provisions of the Act. The comments of CAG of India on these accounts have also now been received. Also, the Board Report for the FY 2016-17 has been prepared and annexed to the Annual Accounts.

The Shareholders are requested to kindly receive, consider and adopt the Financial Statements (Annual Accounts) of the Company for the year ended 31st March, 2017, consisting of Statement of Incidental Expenditure during construction, Statement of Profit & Loss Account and the Balance Sheet as on that date alongwith Board's Report, Auditors' Report and the Comments of the Comptroller & Auditor General of India and replies thereto.

Place: Shimla
Dated: 20.08.2019

Sd/-
Director (Finance)

BOARD OF DIRECTORS

Sh. Brij Kumar Agarwal, IAS
Chairman
Chief Secretary,
Govt. of Himachal Pradesh

Dr. Shrikant Baldi, IAS
Director
Chairman, HPSEBL

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

BOARD OF DIRECTORS

Sh. Devesh Kumar, IAS
Managing Director

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

Er. Mahesh Sirkek
Director
Director (Electrical)

Er. Dharam Singh Thakur
Director
Director (Civil)

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BOARD'S REPORT

Dear Members,

Your Directors are pleased to present the Eleventh Annual Report of the Company for the year ended 31st March, 2017 along with the Financial Statement (Annual Accounts), Report of Auditors and Comments of the Comptroller and Auditor General of India.

1. GENESIS

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

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

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

2. MISSION, AIM AND TARGETS

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

3. IN-HAND PROJECTS AT A GLANCE

The Govt. of Himachal Pradesh has allotted 22 Hydro Electric Projects to Himachal Pradesh Power Corporation Ltd. (HPPCL) with aggregate installed capacity of 2817 MW, for development under state sector. One Thermal Power Plant (2x250 MW) at Raniganj, West Bengal, was also allocated to HPPCL, however, coal block has been deallocated. One Solar Power Project of 5 MW capacity commissioned on 04.01.2019 near Sri Naina Devi Ji in District Bilaspur of HP. HPPCL is also in the process of setting up another 5 MW solar power project at Aghlor in Distt. Una. One Multipurpose Project (660 MW) is also being developed under joint venture with Govt. of Uttarakhand. These projects are in various stages of implementation. The execution of projects is being monitored strictly. All efforts for effective management and efficient organization of works are being made. HPPCL is committed to achieve the targeted schedule. Brief status of the progress of works and ADB loan utilization is as under.

A) PROJECTS UNDER OPERATION (170MW)

HPPCL has put under commercial operation Unit-II of Integrated Kashang Hydro Electric Project Stage-I (65 MW) on 01.09.2016. Also, Units III & I of Integrated Kashang HEP(195 MW) have been commissioned on 03.03.2017 & 31.03.2017. The project has Generated 482.97 MU up to 26.07.2019 and Rs. 115.64 Crore of revenue has been generated. HPPCL has also commissioned Sainj HEP(100 MW) on 04.09.2017 and has generated 641.23 MU upto 26.07.2019. Revenue of Rs. 206.77 Crore has been generated.

Berra Dol Solar Power Project of 5 MW capacity commissioned on 04.01.2019 has generated 4.86 MU till 30.06.2019 and Rs. 2.19 crore of revenue has been generated.

B) PROJECTS UNDER EXECUTION (691MW)

S. No.	Name of Project(s)	Capacity (MW)	Physical Progress (%) ending 31.03.2016	Commissioning Date	
				Scheduled	Revised
1.	Sawra Kuddu HEP	111	Civil & HM Works - 99% E & M Works - 99%	Apr, 2014	Oct, 2019
2.	Kashang HEP Stage-II & III	65	Civil & HM Works - 23%	Nov, 2014	Jul, 2023
4.	Shongtong-Karcham HEP	450	Civil & HM Works - 23.9% E & M Works Supply- 41.6% done	Jan, 2020	Dec, 2024

The above cited Projects have been financed by ADB under different tranches (Tranche-I to IV) except HRT of Sawra Kuddu HEP and E&M works of Shongtong Karcham HEP, which are financed by PFC/Govt. of H.P. and KfW respectively. The works for Sawra Kuddu and Shongtong Karcham HEP are in full swing.

The financial achievements i.e. disbursement of ADB funds vis-á-vis targets w.e.f. 2009 up to 2018 are tabulated as below:

S. No.	Name of Tranche	Target for the Year	Financial in Million US Dollars	
			Target	Achievement
1.	Tranche-I: - Civil & Electro Mechanical of Sawra Kuddu & Civil package of Kashang Stage-I	2009	11.00 MUS$	12.35 MUS$
		2010	22.10 MUS$	30.34 MUS$
		2011	22.40 MUS$	32.83 MUS$
		2012	19.00 MUS$	23.87 MUS$
		2013	23.00 MUS$	19.37 MUS$
		2014	13.10 MUS$	12.49 MUS$
		2015	10.00 MUS$	7.25 MUS$
		2016	4.00 MUS$	3.23 MUS$
		2017	5.89 MUS$	1.70 MUS$
2.	Tranche-II: - Barrage Package of Sawra Kuddu HEP	2009	—	—
		2010	11.00 MUS$	11.18 MUS$
		2011	11.20 MUS$	16.32 MUS$
		2012	4.00 MUS$	5.55 MUS$
		2013	6.00 MUS$	8.17 MUS$
		2014	4.45 MUS$	4.30 MUS$
		2015	5.00 MUS$	0.54 MUS$
		2016	3.54 MUS$	3.16 MUS$
		2017	3.12 MUS$	1.20 MUS$

S. No.	Name of Tranche	Target for the Year	Financial in Million US Dollars	
			Target	Achievement
3.	Tranche-III: - Electro Mechanical Package of Kashang Stage-I, II & III, Civil Works of Kashang Stage-II & Civil & Electro Mechanical Works of Sainj	2009	—	—
		2010	—	—
		2011	27.80 MUS$	45.55 MUS$
		2012	19.00 MUS$	27.75 MUS$
		2013	25.00 MUS$	33.14 MUS$
		2014	31.96 MUS$	30.30 MUS$
		2015	14.00 MUS$	21.07 MUS$
		2016	14.57 MUS$	12.40 MUS$
		2017	18.69 MUS$	21.25 MUS$
		2018	7.70 MUS$	2.61 MUS$
4.	Tranche-IV: - Civil & HM works of Shongtong Karcham HEP.	2013	20.00 MUS$	28.13 MUS$
		2014	2.83 MUS$	2.80 MUS$
		2015	13.00 MUS$	14.59 MUS$
		2016	14.86 MUS$	8.34 MUS$
		2017	17.83 MUS$	4.37 MUS$
		2018	12.20 MUS$	9.86 MUS$

- From the above figures, it can be seen that HPPCL is achieving the ADB loan withdrawal targets consistently right from the beginning.
- For electro-mechanical works of Shongtong Karcham HEP (450MW), loan amounting to Euro 150 million has been sanctioned by KfW and agreement with KfW has been signed on 21.12.2012.

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

Difficulties/Bottlenecks: -

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

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

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

Techno-economic Clearance (TEC) by the Directorate of Energy (DoE), GoHP for Chanju-III HEP (48 MW) & Deothal Chanju HEP (30 MW) have been accorded on dated 14.07.2015 and 22.07.2015 respectively. Environment Clearance: accorded on 29.09.2017. Survey work and works of geological explorations i.e. drifts in respect of Deothal Chanju HEP (30 MW) & Chanju-III HEP (48 MW) have been awarded and works are in progress. Agence Française de 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 has been signed on 02.02.2018.

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

D) PROJECTS WITH APPROVED DPR (118 MW)

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

E) PROJECTS UNDER INVESTIGATION

(a) DPRs in Advanced Stages (1081 MW)

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

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

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

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

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

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

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

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

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

H) PROJECTS OF NATIONAL IMPORTANCE (340 MW)

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

(i) RENUKAJI DAM PROJECT (40 MW):

The acquisition process for 1988.27 ha land proposed to be acquired/diverted for construction of Renukaji Dam Project is in progress. The awards for Private land measuring 954.27 ha was announced and a sum of Rs. 146.04 crore was disbursed to the landowners for acquiring 389.47 ha land before October, 2016. Now, the Director (CADWM), MoWR, GOI vide letter dated 03-10-2016 has released an amount of Rs. 446.96 crore to the State Govt, for the land acquisition. All the awards pertaining to balance land measuring 564.8 ha (954.27-389.47) has been disposed off and payment released to the land owners from the amount received from GoI. Out of Rs. 446.96 crore, a sum of Rs. 427.57 crore has been disbursed to the landowners by the Land Acquisition Collector, HPPCL up to 30.06.2019.

Therefore, remaining amount left out of Rs. 446.96 Crore is just Rs. 19.39 Crore. It is apprehended that cases worth Rs 250 Crores would be decided by 31.09.2019. Therefore, HPPCL has requested additional Rs. 316.02 Crore from GoI on urgent basis.

Also, the Hon'ble High Court of HP has allowed a compensation of Rs. 700000/- (seven lakh) per bigha plus other associated benefits like solatium and interest on such payments as per the provisions of LA Act, revised compensation requirement in addition to funds already received has been worked out as Rs. 2277.09 Crores. The enhanced amount would be required to be deposited in Hon'ble High Court of HP in stages in next three years i.e upto March, 2021

Environment Clearance has been accorded by MoEF on 23.10.2009.It got challenged in the Hon'ble NGT. Now, all the petitions have been disposed off and revised clearance accorded by EAC on 15.01.2019. Forest clearance has been accorded by MoEF, GOI vide letter dated 20.02.2015.

The revised cost estimate of Renukaji Dam Project on October, 2018 P.L was prepared for 7621.20 Crores and submitted to CWC for approval on 10.12.2018. CWC approved the cost estimate for 6946.99 Crores on 20.02.2019. Further cost apportionment has been finalized vide CWC letter no:- 3/5/2012/NP-I/1939 dated 5th July, 2019 as under:-

Water Supply Component - Rs. 6605.57 Crore

Power Component - Rs. 341.42 Crore.

Total Cost - Rs. 6976.99 Crore.

The project was put up for consideration of Advisory Committee on Irrigation, Flood Control and Multipurpose Projects, in its 132nd meeting held on dated 06.03.2017. After deliberation, the Advisory Committee accepted the Project Proposal subject to the following conditions :

i) Submission of final Forest clearance (Stage – II) for the project for diversion of 909.00 ha of forest land.

ii) Signing of agreement for benefit sharing in respect of Renukaji Dam project by the co-basin States.

iii) Vetting of power tariff by CEA.

The chairman of the committee also desired that Benefit Cost Ratio of the project be worked out on notional basis assuming irrigation benefits of the quantity of water to be supplied to Delhi.

The compliance status on above conditions is as under:-

(i) As per the approved cost at March 2015 price level net cost of Rs 414.28 crore is required to be deposited in CAMPA account. As per revised approved DPR at October, 2018 Price Level, this cost comes out to be 623.30 Crores. In the MoWR meeting dated 12.09.2018 held in New Delhi, it has been decided that necessary funds to be deposited in CAMPA account for Stage-II Forest Clearance shall be made by GoI after obtaining approval from the cabinet once TAC and investment clearance of the project is accorded.

(ii) Inter-State Agreement has been signed by all the beneficiary states on 11.01.2019 in New Delhi.

(iii) Power tariff (3.72 KWh as first year tariff & Rs. 3.52/KWh as levelised tariff) has been accorded approval vide CEA letter dated 9.04.2018. Now, it has been updated as per latest approved DPR cost and submitted to CEA on 23.07.2019 for approval.

(iv) Benefit cost ratio of 2.82 has been approved by CWC vide letter dated 13.11.2017. Now, it has been updated as per latest approved DPR cost and submitted to CWC on 19.07.2019 for approval.

(ii) GYSPA DAM PROJECT (300 MW):

Work of DPR preparation i/c investigations has been awarded to M/s Scot Wilson India Pvt. Ltd. on 09.09.2010 for Rs. 9.423 Cr. with a completion period of 24 months. Work could not complete due to agitation by local people. A meeting of GM (Gyspa Dam Project) and AGM (CP) HPPCL was held with Joint Secretary (Hydro) Ministry of Power, New Delhi on 25.04.2013, wherein it was decided that detailed survey & investigations is to be carried out on original proposal upstream of Gyspa village, because alternate proposal with two different dams has not been found feasible due to less storage availability. Local people are not allowing to carry out investigation works at project site. DGM (Gyspa) met the Hon'ble Chief Minister of HP at Keylong on 27.09.2013. The Hon'ble Chief Minister has stated that he himself will visit the site along with all the higher officers of HPPCL to assess the situation.

To sort out the issue with local villagers so as to allow HPPCL to carry out the investigation works for the Gyspa Dam project, a meeting was held at Gyspa on 16.07.2014, which was attended by the MD, Director (E) and Director (C) and project staff of HPPCL along with the local MLA, DC Lahaul & Spiti and SDM Keylong. However, the representation from the project affected villages particularly the village Darcha, coming under Dam submergence was very poor and only few villagers belonging to downstream villages not coming under submergence were present. The R&R plan of HPPCL and other benefits which will accrue to the PAFs were explained in detail by HPPCL officers and DC Lahaul & Spiti. However, the villagers and their leaders were adamant and rejected the plea of HPPCL to allow to carry out the investigation works and instead told that they do not want the project itself. General Manager (TP & TM) alongwith DGM (Gyspa) and other HPPCL officers have met the Hon'ble CM at site on 18th and 19th June, 2015. The Hon'ble CM has issued instructions to the district administration to ensure that investigation work of Gyspa project be taken up without interruption from local population. HPPCL made latest attempt on 19.08.2015 to restart the survey and investigation work. But the same was again stalled by a mob of around 150 persons from Jispa Bandh Jan Sangarsh Samiti on 22.08.2015. The matter was immediately reported to Deputy Commissioner (Lahaul & Spiti). HPPCL has also made request to Superintendent of Police, Keylong, Distt. Lahaul & Spiti to provide adequate security & support to HPPCL staff to carry out survey & investigation work of the project vide letter dated 31.08.2015. The work has still been held up for want of additional police force. There has been no tangible progress in carrying out remaining survey and investigation works of the Project required for preparation of Detailed Project Report due to sustained opposition by local people. Efforts are being made during this working season to sort out the issues with local population. Pursuant to decision taken by the competent authority, operational activities at the dam site office of Dy. General Manager, Gyspa Dam Project has stopped functioning w.e.f 30.09.2016 vide office order no. HPPCL/P&A /Estt-S/3-(CHDM)/2016-14107-39 dated 28.09.2016. Tenth meeting of High Power Steering Committee for implementation of National Projects was held on 03.03.2017 in New Delhi, wherein, Chairman of the Committee advised HPPCL to offer generous R&R package to the local people and get the matter amicably resolved. Secretary (WR, RD&GR) also advised officers from MoWR, RD&GR to visit the Project Site. The Secretary (WR, RD&GR) vide email dated 13.04.2017 addressed to Chief Secretary, Govt. of Himachal Pradesh, stated that the Govt. of India was very keen to start work on Gyspa Dam Project and expressed his willingness to visit the Project Site along with officials from Central and State Govt. The proposed site visit of the Secretary, MoWR, GOI scheduled for 16.04.2017 was deferred due to unavoidable reasons. Director CWC, Shimla, vide letter No. MAS/Gyspa/429/2012/vol-III/659-64 dated 09-06-2017 requested that site visit of officers of (WR, RD&GR) and State Govt. be held in the month of July 2017 to have meeting with District Administration and local elected/panchayat representatives. A meeting to review the progress of Gyspa Dam HEP was held in the PMO on 03.07.2017. Concern was expressed about no progress in the works and instructions were issued to make renewed efforts to resume the work. Accordingly, a team headed by Managing Director, HPPCL, visited the site from 17.07.2017 to 19.07.2017 and held a meeting with the local stake holders. Strategic importance of the Project was explained to the public and their elected representatives. Also the benefits that are likely to accrue to the public if project construction is taken up was brought to their notice, however, the public continued their opposition to the Project.

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.

Sh. Prem Deep Lal, a resident of Lahaul Spiti, has petitioned Hon'ble Prime Minister of India, vide his letter dated 17.12.2017 and Hon'ble Chief Justice of India vide letter dated 05.01.2018, against the mega power projects proposed in Upper Reach of Chenab River including Gyspa HEP.

HPPCL has, vide a note dated 23.02.2018, requested a meeting under the chairmanship of Hon'ble Chief Minister Himachal Pradesh to facilitate evolving of consensus among the stake holders towards understanding the need of this project of national importance. A meeting with Hon'ble Agriculture Minister Sh. Ram Lal Markandey was held on 09.01.2019 in respect of current status of Gyspa Dam Project.

I) THERMAL PROJECT (500 MW)

- HPPCL in Joint Venture (Himachal EMTA Power Limited) with EMTA was setting up a 2 x 250 MW Thermal Power Plant at Raniganj, West Bengal on 50:50 sharing basis. The Ministry of Coal, Govt. of India, allocated Gourangdih ABC Coal Block for captive use jointly to Himachal EMTA Power Ltd. and JSW Steel Ltd. on equal sharing basis (50:50) vide Ministry of Coal's letter dated 10.07.2009. However, as per the recommendations of Inter Ministerial Group, the Ministry of Coal, Government of India, de-allocated the Gourangdih ABC coal Block vide order dated 23.11.2012.
- In view of de-allocation of Gourangdih ABC Coal Block, Himachal EMTA Power Ltd. filed a case against Union of India in the Hon'ble High Court Shimla on 29.11.2012. The Hon'ble H.P High Court vide order dated 30.11.2012 stayed the implementation of De-allocation letter dated 23.11.2012 and ordered the respondent (Union of India) to file reply/response to the petition/CMP within four weeks.
- On dated: 25.08.2014 and 24.09.2014, the Hon'ble Supreme Court ordered that the allotment of Coal blocks made by the Screening Committee of the Government of India through the Government dispensation route are arbitrary and illegal, resulting thereby deallocation of Gourangdih Coal Block allotted jointly to Himachal EMTA Power Ltd. and M/s JSW steel Ltd.
- The Joint venture partner of Himachal EMTA Power Limited i.e. JSW Steel Limited filed writ petition at Delhi High Court, challenging the show cause notice served by the Ministry of Coal regarding revoking of Rs. 6.67 Crore from the Bank Guarantee of Rs. 17.08 Crore submitted by Joint Venture company Gourangdih Coal Limited as per the terms of Gourangidh ABC Coal Block allocation letter. Apart from challenging the matter, JSW Steel Limited requested the Hon'ble Court for reducing the BG amount to Rs. 6.67 Cr. from Rs. 17.08 Crore, till final verdict is pronounced. Hon'ble Court had accepted the application vide order dated: 04.11.2015 and has directed to submit a revised Bank Guarantee for Rs. 6.67 Crore to Ministry of Coal, Union of India. On submission of the revised BG of Rs. 6.67 Crore, Gourangdih Coal Limited will be discharged from the liability under the earlier BG furnished for Rs. 17.08 Crore. The revised Bank Guarantee of Rs. 6.67 Crore is operative and has been decided by the Board to be extended till the conclusion/disposal of the Writ Petition filed by co-promoter i.e. JSW Steel Ltd. before the Hon'ble Delhi High Court, for such duration(s), as per the future requests made by JSW Steel Ltd.
- A summon was served to Himachal EMTA Power Ltd (as an accused) by the Court of Shri Bharat Parashar, Special Judge (PC Act) (CBI-07), Patiala House Courts, New Delhi under Case (CC) No 02/2016 to appear before the Hon'ble Court on 29.02.2016 and answer the charge of offence u/s 120B, u/s 120B/420 IPC u/s 420 IPC. Accordingly, vide Board Resolution no 01/2016 dated 24.02.2016, HEPL authorized Sh. Birenjit Kumar Paul, Managing Director, Shri Biswanath Dutta and Shri Bikash Mukherjee Director(s) of the Company to present the case before the Hon'ble Court. On the date of appearance before the Hon'ble Court on 29.02.2016, the Learned judge instructed the Company to amend Board Resolution no 01/2016 to the extent that only one Director be authorized on behalf of Company (HEPL) to present the case of Company instead of authorizing three Directors. Accordingly, vide Board Resolution no 02/2016 dated 02.03.2016, HEPL authorized Sh. Bikash Mukherjee Director of the Company to present the case before the Hon'ble Court.
- A meeting of the Board of Directors of Himachal EMTA Power Ltd. was held in New Delhi on dated 22.12.2016, wherein Financial Statements (Annual Accounts) of HEPL for the year ended March, 2016 were approved.
- Ministry of Coal, Govt. of India, vide letter dated 28.03.2017 approved the Compensation amounting to Rs. 4,78,81,951/- in favour of M/S Gourangdih Coal Limited (GCL), in the capacity of joint prior allottee, towards expenditure incurred by the company for the purchase of Geological Report and other clearances of the Gourangdih ABC Coal Block. Compensation approved by Ministry of Coal (MoC), amounting to Rs. 4,78,81,951/- does not include the cost of consents amounting to Rs. 11,39,120/-. In this regard, clarification from Ministry of Coal, GoI, has been sought for which reply is still awaited.
- A meeting of Board of Directors of Gourangdih ABC coal Limited was held on dated 24.07.2017, wherein it was observed that "Barring a small amount, all funding had been in the nature of 'Contribution towards equity shares',

therefore, compensation amount of Rs. 4,78,81,951/- received by GCL on account of expenditure incurred towards Geological Report cannot be utilized by the Gourangdih Coal Limited (GCL) for paying back the funding of co-promoters except in the case of winding up of the company, in accordance with the statute". HPPCL has requested MD, HEPL to explore the possibilities for winding up of the Joint venture (JV) companies – M/s HEPL & M/s GCL after seeking necessary legal opinion.

- In its 60th Meeting, Board of Directors (BoD) of HPPCL directed to settle all the observations raised by the Statutory Auditor on the Balance Sheets as on 31.03.2016. Statutory Auditor had opined that the investment made by HPPCL in Himachal EMTA Power Limited (HEPL) for a sum of Rs. 3.98 Crores (337.5 Lacs share and 60.5 Lacs pending shares) is doubtful of recovery and therefore the provision (doubtful debts) for the same is required to be made in the HPPCL's books of accounts.
- In view of the above, a memorandum was placed before the BoD in its 61st meeting to allow HPPCL to consider investment of Rs. 3.98 Crore as doubtful investment and further to reverse the said entry of doubtful investment to the extent of actual recovery realized after winding up of companies. The memorandum was approved by the BoD.
- The Annual Accounts of HEPL as on 31.03.2017 were approved by Board of Directors of HEPL in its meeting held on 11.09.2018 and subsequently Annual General Meeting held on the same day.
- Regarding engaging an advocate before CBI court, a meeting under the Chairmanship of Principal Secretary (MPP & Power) was held on 11.06.2019, wherein it has been decided to engage suitable Advocate at the time of stage of arguments.
- Regarding opinion/advice on the other issue concerning discharge of the Company before the CBI Court, matter has been referred to the State Law Department.

J) URNI TUNNEL

- Detailed Project Report of road tunnel under Urni Dhank in Kinnaur District, H.P prepared in-house by HPPCL and submitted to Addl. Chief Secretary (MPP & Power), GoHP & Addl. Chief Secretary (PW), GoHP vide letter dated 12.12.2016. The work of preparation of Detailed Project Report was entrusted to HPPCL as per the meeting held under the chairmanship of Chief Secretary, GoHP regarding Urni Dhank Land slide on dated 2nd July, 2016. Construction of Urni Dhank traffic tunnel will provide permanent solution for the smooth and uninterrupted movement of traffic throughout the year on NH-5. A meeting was held in the chamber of Special Secretary (Power) to Govt. of Himachal Pradesh, on dated 22nd March 2017, for discussing the issues relating to the proposal for construction of Traffic Tunnel under Urni Dhank. It was emphasized to engage blasting experts from CIMFR, Dhanbad or NIRM to assess the suitability of the proposed layout of Traffic Tunnel vis-à-vis existing structures i.e. Silt Flushing Tunnel (SFT) and Head Race Tunnel (HRT) of Karchham Wangtoo HEP (1000 MW).
- It was decided that HPPCL shall take up the matter regarding engaging the blasting expert from CIMFR, Dhanbad or NIRM for the proposed study and the charges on this account shall be borne by HPPWD. Engineer-in-Chief cum Chief Engineer (NH) HPPWD informed that the DPR of Traffic Tunnel under Urni Dhank Slide needs to be submitted to the Ministry of Surface Transport.
- Accordingly mater was taken up with CIMFR, Dhanbad and probable expenditure of Rs. 48,64,500 was sent to HPPWD for approval vide letter dated 06.05.2017. Superintending Engineer (NH) HPPWD, Shimla-4 intimated that the amount will be provided to HPPCL when actual execution will take place and after approval of DPR from MoRT&H.
- In response to above, HPPCL vide letter dated 30.12.2017 again explained to HPPWD that at the first instance, the blasting expert needs to be engaged to assess the suitability of the proposed layout vis-à-vis existing structures before starting execution of the traffic tunnel and all possible precautions/ measures required for safety of existing structures as suggested by blasting expert shall accordingly be incorporated in tender document. Therefore the above said required amount may be deposited in two phases i.e. Rs. 8,28,000/- in the first phase as required by CIMFR, Dhanbad and the remaining amount later in the second phase. HPPWD is yet to reply on the matter.

K) SOLAR POWER DEVELOPMENT

Berra Dol Solar Power Project:

- 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 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. DPR of the project for 5MW capacity has been finalized.

4. HUMAN RESOURCES:

A) HUMAN RESOURCES:

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

The total manpower on the rolls (Direct Recruits and Absorbed employees) is indicated in table below. The strength of HPSEB / HP Govt. employees on deputation/secondment on the above date is 392, 337 and 271 respectively, which is in addition to the these figures for year 2016-2017, 2017-18 and 2018-19 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
31.03.2017	284	41	14.50%
31.03.2018	309	42	13.60%
31.03.2019	310	42	13.50%

Welfare Measures for Female Employees:-

Steps taken for the welfare of Female employees

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

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

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

ii) Representation of Physically Challenged Employees is as under:-

Date & Year	Employees as on 31.03.2017	No. of Physically Challenged Employees	Percentage of over-all staff strength
31.03.2017	284	07	2.50%
31.03.2018	309	07	2%
31.03.2019	310	07	2%

Welfare Measures for persons with disabilities:-

Steps taken for the welfare of persons with disabilities

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

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

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

Date & Year	Employees as on 31.03.2017	Representation					
		SC	SC%	ST	ST%	OBC	OBC%
31.03.2017	284	46	16%	11	4%	32	11%
31.03.2018	309	54	17%	17	6%	43	14%
31.03.2019	310	53	17%	17	6%	38	12%

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

iv) Recruitment

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

S.No.	Post	Filled in 2016-17	Filled in 2017-18	Filled in 2018-19
1	Assistant Engineer (Electrical)	15	-	-
2	Assistant Engineer (Civil)	2	-	-
3	Assistant Officer (Finance)	5	-	-
4	Assistant Officer (R&R)	2	-	-
5	Junior Engineer (Electrical)	22	1	-
6	Junior Officer (P&A)	-	-	3
7	Electrician	9	-	-

B) TRAINING:

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

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

Capacity Building								
Objective	Action	Unit	2016-17		2017-18		2018-19	
			P*	A*	P*	A*	P*	A*
Capacity Building	External Trainings	Nos of empl-oyees	100	169	110	137	55	129
	In-House Trainings		375	403	390	290	100	195
	Number of Seminars		3	2	3	2	0	0

Objective	Action	Unit	2016-17		2017-18		2018-19	
			P*	A*	P*	A*	P*	A*
Capacity Building	Exposure Visit (Abroad)	Nos of empl-oyees	20	5	15	10	0	0
	Exposure Visit (India)		50	15	53	54	0	0
TOTAL			548	594	571	493	155	324

P*-Proposed, A*-Achieved

Apart from this, HPPCL also understands its social role in the society. Keeping this in view, a specific number of technical/management students from different universities/colleges/institutes are allowed to undergo Industrial Training in the organization for 2-6 months free of cost. The detail of total students allowed to take vocational training during 2016-17 2017-18 and 2018-19 at various offices and Projects sites of HPPCL.

C) INDUSTRIAL RELATIONS

HPPCL's Management strives hard to address the industrial relation issues, well in time. In order to accomplish goals and objectives of organization and to maintain healthy Industrial relations, HPPCL is adhering to all relevant Central, State Acts and Rules framed there-under, particularly, relating to industrial & labour legislations applicable to all its HEPs. HPPCL also issues general instructions, time to time, to all its privately engaged Company Contractors and Outsourced Manpower's Contractors to abide by these laws and to keep the labour unrest at bay. HPPCL strives hard to ensure that, out of its total manpower whether on rolls of its own or on the rolls of its Contractors, must constitute at least 70% of Himachali people in it as per Prevalent Policy in State of Himachal Pradesh.

D) EMPLOYEE WELFARE

The Recreational, Cultural and Sports functions on different occasions were also organized and as a result in a better cordial relations between management and employees. The Corporation also takes care of its employees' medical attendance. HPPCL has a policy in place for empanelment of private medical doctors for routine checkup of its employees. Medical camps are organized on various occasions to check the employees health.

5. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES TAKEN DURING THE YEAR

The Companies Act, 2013 has been implemented with effect from 1st April, 2014. As per provisions of this Act, HPPCL has formulated Corporate Social Responsibility (CSR) Policy. The CSR Committee in its meeting held on 9th August, 2018 decided and recommended that the earnings of HPPCL are not to the extent of falling within the ambit of CSR obligation. 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 with the directions to incorporate these in the Board's Report for the financial year 2017-18. Therefore, the policy would be implemented as per the requirement of the Act. The meeting of CSR Committee for financial year 2018-19 is likely to be held in the month of August, 2019.

The requisite performa is attached at **Annexure-A**.

6. ENVIRONMENT

Environmental safeguards are accorded very high priority by HP Power Corporation Ltd. in its working. It ensures environment and forest clearances precede start of work on any of its projects and are followed by punctual compliance with the conditions and stipulations contained therein. Adherence to various regulations and orders on environmental safeguarding is the norm in the organizational culture of HPPCL. Environment Management Plans are implemented diligently. Precautionary principles are applied right in the planning and inception stages of various projects and 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.

Additionally, HPPCL complies with the safeguarding principles of its lenders also like the Asian Development Bank and German KfW. Projects are designed to align with environmental safety. By incorporating binding conditions, HPPCL makes its Contractors also compliant with environmental safeguards and environment management actions. HPPCL has recruited, trained and placed dedicated staff for environment management.

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

7. REHABILITATION AND RESETTLEMENT

Continuing with its commitment to improve the lives of affected people compared to pre-project scenario, HPPCL has guided its standard Resettlement and Rehabilitation (R&R) Plan while striving to prepare and implement project specific RR Plans, which incorporate additionally negotiated packages and compensations with the aim to provide clarity, focus and ease of implementation. The standard RR Plan of HPPCL is a model for the sector in the state.

To supplement the measures of RR Plan, HPPCL has formulated and is implementing number of R&R Schemes, which are run in consultation with affected communities either directly or through Community Based Organizations. These schemes involve local youth, promote sports and encourage entrepreneurship. HPPCL is assisting in skills development and helping in education of the wards of affected families.

Contribution to Local Area Development Fund (LADF) as per HP Government policy and guidelines is being done regularly in the concerned districts. 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. HPPCL is proud to be in the forefront of improved R&R measures, which, it 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 one of the Units of 65 MW of Integrated Kashang HEP (195 MW), was commissioned on 1st September 2016 and Sainj Hydro Electric Project (100MW) was commissioned on 4th September 2017. Accordingly, commercial operations / generation of electricity to the extent of Rs.97.52 Crore, was sold upto 31.03.2018. The PPA agreement with HPSEBL in case of Kashang HEP, for sale of power was initially made till 31st March 2017 and later extended up to 6th May 2018. After that the Company has made arrangements to sell the power in the Indian Energy Exchange, through Power Trader PTC India Limited.

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

Hence, HPPCL has put under commercial operation Unit-II of Integrated Kashang Hydro Electric Project Stage-I (65 MW) on 01.09.2016. Also, Units III & I of Integrated Kashang HEP(195 MW) have been commissioned on 03.03.2017 & 31.03.2017. The project has Generated 482.97 MU up to 26.07.2019 and Rs. 115.64 Crore of revenue has been generated. HPPCL has also commissioned Sainj HEP(100 MW) on 04.09.2017 and has generated 641.23 MU upto 26.07.2019. Revenue of Rs. 206.77 Crore has been generated.

Berra Dol Solar Power Project of 5 MW capacity commissioned on 04.01.2019 has generated 4.86 MU till 30.06.2019 and Rs. 2.19 crore of revenue has been generated.

Expenditure of projects, which is related to implementation of projects or incidental thereto incurred during the period prior to commencement of commercial operations are classified as "Expenditure during construction".

Administrative and other general overhead expenses of Corporate Office and Design Wing are apportioned to all the Projects under construction/survey investigation stages. 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 Internal Accounts Section.

10. DIVIDEND

Since the Company has not earned any profit during the Financial Year 2016-17, therefore, the information is nil.

11. RESERVES

The Renukaji Dam Hydro Electric project and Gyspa Dam project are being implemented by HPPCL as National Projects and are fully funded by the Government of India and Governments of beneficiary States. The contributions received for Renukaji Dam project from Delhi Jal Board and Haryana Government aggregating Rs.68549.00 Lacs and for Gyspa Dam project from CWC Rs.500.00 Lacs, have been treated as Capital Reserve along with the amount of expenditure incurred by HPPCL (Net of depreciation).

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 and accordingly the project has generated 482.97 MU up to 26.07.2019 and Rs. 115.64 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 641.23 MU upto 26.07.2019. Revenue of Rs. 206.77 Crore has been generated.

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

1. Renuka Ji Dam Project: A sum of Rs.198.02 Crore has been deposited in the registry of Hon'ble High Court on account of enhanced amount of compensation awarded by the reference court in respect of Renuka Ji Dam Project to date. A sum of Rs. 69.54 Crore approx is yet to be deposited in the Hon'ble High Court of HP. About 750 land reference cases are under Pending adjudication in the Ld. Reference court at Nahan. Therefore, it is not possible to calculate even tentative amount of compensation to be awarded by the reference court in these cases.
2. Swara Kuddu HEP: A sum of Rs. 23.89 Crore has been deposited in the registry of Hon'ble High Court on account of enhanced amount of compensation awarded by the reference court in respect of Sawara Kuddu HEP to date. Also detail of order passed by respective Courts & Status of cases pending before respective Hon'ble Courts/Tribunal/Arbitration in respect of Sawra Kuddu HEP (11 1MW) is placed as **Annexure- B**.
3. A sum of Rs. 36.18 Lakh has been deposited in the registry of Hon'ble High Court on account of enhanced amount of compensation awarded by the reference court in respect of Sainj HEP from 1-4-2016 to date. A sum of Rs. 5.00 Lakh aprrox. is yet to be deposited in the Hon'ble High Court of HP.

15. SUBSIDIARY/JOINT VENTURES/ASSOCIATE COMPANIES

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

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

The Corporation has made an investment in Himachal EMTA Power Limited of Rs.3.98 Crore (Rs.3.38 Crore Equity Shares & 0.60 Crore Share application money pending allotment). Further the Annual Accounts of Himachal EMTA Power Limited have been consolidated with the Annual Accounts of HPPCL and the Auditors Report with respect to the consolidation is also annexed for the financial year 2016-17.

17. DEPOSITS

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

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

M/S Anil Karol & Company, Chartered Accountants were appointed as the Statutory Auditors of the Company for the financial year ended on 31st March, 2017 by the Comptroller & Auditor General of India. The Auditors have audited the accounts and submitted their report on 30.03.2019, which is annexed to the Annual Accounts.

Also, the A.G., H.P. has conducted audit of the Annual accounts for the FY 2016-17 and the comments of CAG of India have been received on 15.07.2019, which are also annexed. The replies to the comments of CAG of India are also annexed to the Annual accounts.

19. SHARE CAPITAL

The Authorized Share Capital (ASC) of the Company as on 31.03.2017 was Rs.2000.00 Crore (Two Thousand Crore only). The issued, subscribed & paid up capital of the Company as on 31.03.2017 was Rs.1670.90 Crore and Share Application money pending allocation was Rs.47.53 Crore. Whereas, the Authorized Share Capital of the Company as on date is Rs.2500.00 Crore and issued, subscribed & paid up capital is Rs.2015.56 Crore.

20. EXTRACT OF THE ANNUAL RETURN

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

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

a) Conservation of Energy

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

b) Foreign Exchange Earning and Out-Go

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

Foreign Exchange Payment during 2016-17:

Voith Hydro	USD INR	757872.27 50009622
Andritz Hydro (SKHEP)	EURO INR	218179 15450551
Andritz Hydro (IK HEP)	EURO INR	250804 18998764.16
	SWF INR	92126 6179471.21

c) Technology Absorption

This information can be treated as Nil

22. DISCLOSURE:

The clause 4 c) of the Articles of Association of the Corporation reads as under:

Clause 4 c) The Equity Share Capital in Himachal Pradesh Power Corporation Limited shall be shared among the Government of Himachal Pradesh, Himachal Pradesh Infrastructure Development Board and Himachal Pradesh State Electricity Board Limited. However, the ratio of their equity participation may vary from time to time.

The Equity structure in HPPCL as on 31.03.2017 as well as on 31.03.2018 date is as below:

S.No.	Equity Participant	As on 31.03.2017	As on 31.03.2018	Percentage (31.03.17)	Percentage (31.03.18)
1	State Government/Nominees	352,97,80,000	527,63,75,000	21.13%	28.59%
2	HPSEBL/ Nominees	130,77,51,000	130,77,51,000	7.83%	7.09%
3	HPIDB	1187,14,77,000	1187,15,07,000	71.04%	64.32%

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 31.03.2017, 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 2016-17, four (4) Board Meetings have been held and most of the Directors have attended these meetings. These meetings have been held on 5th May, 2016, 26th August, 2016, 5th December, 2016 and 10th January, 2017. Thereafter also, Board meetings of the Corporation are being held as per statutory and working requirement.

1.4 Corporate Governance

HPPCL continuously strive to bring the best practices expected from us by all the stakeholders in the conduct of our business. The Company is a Private Limited and unlisted Company and it is our endeavour to adhere to the Govt. policies and 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 (2016-17).

S. No.	Name	Usual Address	Date of Birth	Date of Appointment	Date of Cessation (after closure of FY : If any)
1.	Sh. Vidya Chander Pharka, IAS	House Number 1, Type VI, Officers Colony, Kasumpti Shimla-171009 HP	15.10.1959	01.06.2016	In position as Chairman
2.	Dr. Shrikant Baldi, IAS	House No.17, Type-6, Govt. Officers' Colony, Mehli, Kasumpti, Shimla-171009 HP	12.12.1959	25.07.2011	In position as Nominee Director
3.	Sh. Tarun Shridhar, IAS	Abey File Cottage, Lakkar Bazar, Shimla-171001 HP	13.07.1959	01.10.2015	In position as Nominee Director
4.	Sh. Devendra Kumar Sharma	House No.- 472/04, Sector-IV, Near DAV School, New Shimla, Shimla-171009 HP	18.07.1960	13.09.2012	In position as Managing Director (Ceased on 20.04.2017)

S. No.	Name	Usual Address	Date of Birth	Date of Appointment	Date of Cessation (after closure of FY : If any)
5.	Sh. Mohinder Singh Rana	Village Ladhi, Post Office Jalag, Tehsil Jaisinghpur, District Kangra-176094 HP	02.04.1957	14.08.2012	In position as Whole Time Director (Ceased on 01.04.2017)
6.	Sh. Ajay Kumar Gupta	3, Kelston Estate, Bharari Road, Shimla-171001 HP	17.01.1960	17.06.2013	In position as Whole Time Director
7.	Sh. Neeraj Kumar, HAS	4, Swarkar Apartments, 39, IP Extn, New Delhi-110092	01.06.1971	26.10.2015	In position as Whole Time Director
8.	Sh. Sudershan Kumar Sharma	A-495, Sector-IV, Phase-II, New Shimla, Shimla-171009, HP	01.05.1964	07.08.2008	In position as Company Secretary

PARTICULARS OF CHANGE IN THE PERSONS WHO ARE/WERE DIRECTORS/SECRETARY OF THE COMPANY DURING THE FINANCIAL YEAR (2016-17).

S. No.	Name	Usual Address	Date of Birth	Date of Appointment	Date of Cessation
1.	Sh. Parthasarathi Mitra, IAS	3, Type 6, IAS Colony, Tehsil Shimla (Rural), Shimla-171009 HP	14.05.1956	15.10.2013	Ceased as Chairperson w.e.f. 01.06.2016
2.	Sh. Vidya Chander Pharka, IAS	House Number 1, Type VI, Officers Colony, Kasumpti Shimla-171009 HP	15.10.1959	01.06.2016	Appointment as Chairman w.e.f. 01.06.2016

PARTICULARS OF DIRECTORS/SECRETARY AS ON DATE.

Sh. Brij Kumar Agarwal, IAS, Chief Secretary to Govt. of Himachal Pradesh - **Chairperson**
Dr. Shrikant Baldi, IAS, ACS-cum-Pr. Secretary to the Hon'ble CM & Chairman, HPSEBL - **Director**
Sh. Anil Kumar Khachi, IAS, ACS (Finance) to GoHP - **Director**
Sh. Prabodh Saxena, IAS, Pr. Secretary (MPP & Power) to GoHP - **Director**
Sh. Devesh Kumar, IAS - **Managing Director**
Sh. Manmohan Sharma, HAS, Director (Personnel & Finance) - **Director**
Er. Mahesh Sirkek, Director (Electrical) - **Director**
Er. Dharam Singh Thakur, Director (Civil) - **Director**
Sh. Sudershan Kumar Sharma - **Company Secretary**

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

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

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

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

24. AUDIT COMMITTEE

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

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

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

26. NOMINATION AND REMUNERATION COMMITTEE

Not Applicable.

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

The information is nil please.

28. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

A Bilateral Power Purchase Agreement (PPA) was entered between Himachal Pradesh Power Corporation Ltd (HPPCL) and Himachal Pradesh State Electricity Board Limited (HPSEBL) @ Rs.2.92unit.

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

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

The power of Kashang HEP and Sainj HEP was sold on Indian Energy Exchange through power traders.

29. SECRETARIAL AUDIT REPORT

Not Applicable.

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

(I) By the Auditor in his report:

The Statutory Auditors have given their qualified opinion stating that the financial Statements give information required by the Act., in the manner so required and give a true and fair view, in conformity with the Accounting Principles Generally Accepted in India, including the Ind. AS, of the state of affairs (Financial Position) of the Company as at 31st March, 2017 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 2016-17.

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

HPPCL, being a Private Limited Company, the provisions of secretarial audit are not applicable.

31. RISK MANAGEMENT POLICY

The information is nil please.

32. DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

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

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

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

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

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

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

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

The information is NIL. However, the remuneration to the Whole-time Directors and Company Secretary paid during the FY 2016-17 is being given in the Form MGT-9 enclosed to the report.

35. OTHER INFORMATION- INDUSTRY OVERVIEW

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

During the 12th Plan (2012-17), a capacity addition of 99,209 MW was commissioned against target of 88,537 MW from conventional sources. It is for the first time in the history of the Indian power sector that such a large capacity addition during a single plan period was achieved which is 112 % of the target. During 11th plan the achievement in capacity addition was 69.84% of the target.

As regards hydro potential, total Hydro Electric Power potential in the country was assessed 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. 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 31.03.2017, the installed capacity of hydroelectric power plants in the country was 44,478 MW which is 13.6% of the total installed capacity of the country.

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

ACKNOWLEDGEMENTS:

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

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

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

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

Thanking you

For and on behalf of the Board of Directors

---Sd---	**---Sd---**
Manmohan Sharma, HAS	**Devesh Kumar, IAS**
Director (Finance & Personnel)	**Managing Director**

Place: Shimla

Date:

Annexure-A

CORPORATE SOCIAL RESPONSIBILITY (CSR)

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

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

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

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

(ANNEXURE-B)

SAWRA-KUDDU HEP (111 MW)

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

S. No.	Case No.	Title	Detail of Case	Claim/ Matter in respect of	Relief Sought	Award	Status of the Case
A. National Company Law Tribunal (NCLT) Kolkata Bench.							
1	Ref. ID B2200 16.01.2018	HPPCL Vs. M/S Coastal Project Ltd.	Corporate Insolvency Resolution of Coastal Projects Ltd. Initiated by Hon'ble NCLT Kolkata Bench. In matter of Arbitral Award in respect of Contract Agreement No. SK/C-I I dated 23.07.2007 & SK-HEP-8/2010 dated 19.03.2011	Regarding Claims & Counter Claims in respect of HRT, SKHEP	Claim submitted in Liquidation process	Submitted claim of Rs. 405,67,17,108/- to liquidator on 13.06.2019 and same is pending before Hon'ble High court Shimla as mentioned Sr. No. B 3 & 4.	Pending under liquidation process
B. High Court Cases							
1	Arb. No 16 of 2018 OMP No. 70 of 2018	HPPCL Vs. M/S Patel Engineering Ltd. Patel Estate Road, Jogeshwari (West) Mumbai-400102	In matter of Arbitral Award In respect of Contract Agreement No. SK/C-III dated 10.02.2009	Claim in respect of Power House SKHEP	To set aside the award announced by Hon'ble Arbitrator in favour of contractor	Award made by Hon'ble Arbitrator in favour of contractor of amounting Rs. 49744453.00	Amount Rs. 49744453.00/- is deposited and challenged by HPPCL in High Court and case is pending before High Court Shimla
2	Arb. Case No 87 of 2017	HPPCL VS M/S Coastal Project Pvt. Ltd	In matter of Arbitral Award In respect of Contract Agreement No. SK-HEP-8/2010 Dated 19.03.2011	Claim of Main Access tunnel of Power House SKHEP	To set aside the award announced by Hon'ble Arbitrator in favour of contractor	Award made by Hon'ble Arbitrator in favour of contractor of amounting Rs. 11324093.00	Amount Rs. 11321093.00/- is deposited and challenged by HPPCL in High Court and case is pending before High Court Shimla

3	Ex. P. no 17/2017	HPPCL VS M/S Coastal Project Pvt. Ltd	In matter of Arbitral Award In respect of Contract Agreement No. SK/C-I I dated 23.07.2007	Claim of Main Access tunnel of Power House SKHEP	Application for Decree by HPPCL	Award made by Hon'ble Arbitrator in favour of HPPCL of amounting Rs. 3117693462+ interest	Pending before High Court Shimla & NCLT as stated above at Sr. No. A 1
4	CRBC No-3 of 2018	HPPCL VS M/S Coastal Project Pvt. Ltd	In matter of Arbitral Award In respect of Contract Agreement No. SK/C-I I dated 23.07.2007 & SK-HEP-8/2010 Dated 19.03.2013	Claim of Main Access tunnel of Power House SKHEP	Application for Condonation of Delay and Oder of stay of the operation of the Arbuitral award by M/s kirloskar Coastel JV		
C. Cases in Arbitration							
1	Claim No-1	HPPCL Vs. M/s Patel Engineering Ltd.	In matter of Arbitral Award In respect of Contract Agreement No. SK/C-I dated 09.09.2009 "Payment of Executed Quantity of Admixture"	Claims in respect of Diversion Barrage, SKHEP	Decision of Dispute Board is challenged by HPPCL before Arbitration Tribunal	Award made by Dispute Board in favour of Contractor Rs. 36,45,42,837.00	Presently pending before Arbitral Tribunal
2	Claim No-2	HPPCL Vs. M/s Patel Engineering Ltd.	In matter of Arbitration In respect of Contract Agreement No. SK/C-I dated 09.09.2009 "Payment of Executed Additional Work / Changed work Viz, PK.Weir & Collection Chamber"		Decision of Dispute Board is challenged by Contractor before Arbitration Tribunal	Award made by Dispute Board in favour of HPPCL Rs. 46,49,53,940.00	Presently pending before Arbitral Tribunal
3	Claim No-3	HPPCL Vs. M/s Patel Engineering Ltd.	In matter of Arbitral Award In respect of Contract Agreement No. SK/C-I dated 09.09.2009 "Adjustment of contract price due to change in legislation relating to the payment of Minmum wages to labourers"		Decision of Dispute Board is challenged by Contractor before Arbitration Tribunal	Award made by Dispute Board in favour of HPPCL Rs. 19,55,84,354.00	Presently pending before Arbitral Tribunal
4	Claim No-4	HPPCL Vs. M/s Patel Engineering Ltd.	In matter of Arbitration Award In respect of Contract Agreement No. SK/C-I dated 09.09.2009 "Extension of time as aconsequence of employer's , probhition order against unjustified unilateral recoveriesof cost intiated by HPPCL "		Decision of Dispute Board is challenged by HPPCL before Arbitration Tribunal	Award made by Dispute Board in favour of Contractor Rs. 83,58,866.00	Presently pending before Arbitral Tribunal

(ANNEXURE-C)

ANNEXURE C TO THE DIRECTORS' REPORT

Form No. MGT-9

EXTRACT OF ANNUAL RETURN AS ON THE FINANCIAL YEAR ENDED ON 31st MARCH, 2017

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

I. REGISTRATION AND OTHER DETAILS:

i.	CIN	U40101HP2006SGC030591
ii.	Registration Date	18/12/2006
iii.	Name of the Company	HIMACHAL PRADESH POWER CORPORATION LIMITED
iv.	Category / Sub-Category of the Company	Company Limited by shares State Govt. Company
v.	Address of the Registered office and contact details	Himfed Building, BCS, New Shimla Shimla, Himachal Pradesh-171009
vi.	Whether listed company	No
vii.	Name, Address and Contact details of Registrar and Transfer Agent, if any	Nil

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

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

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

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

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

i. Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year(+-)
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoter									
1. Indian	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	-
a. Individual/ HUF	0	0	0	0	0	0	0	0	-

b. Central Govt	0	0	0	0	0	0	0	0	-
c. State Govt(s)	1,926,700			12.75	3,529,750			21.12	8.37
d. Bodies Corp/Govt. companies	1,307,731			8.66	1,307,731			7.83	-0.83
e. Banks / FI	0	0	0	0	0	0	0	0	-
f. Any Other (Shares in the name of Himachal Pradesh Infrastructure Development Board (Board of Govt. of H.P.) & 50 Shares in the name of 3 Sr. Officers of the State Govt. i.e. 30 Shares of State Govt. Nominees and 20 Shares of HPSEBL Nominees).	11,871,527			78.59	11,871,527			71.05	-7.54
Sub-total(A)(1):-	15,105,958			100	16,709,008			100	-
2. Foreign	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-**
g. NRIs-Individuals	0	0	0	0	0	0	0	0	-
h. Other-Individuals									
i. Bodies Corp.	0	0	0	0	0	0	0	0	-
j. Banks / FI	0	0	0	0	0	0	0	0	-
k. Any Other….	0	0	0	0	0	0	0	0	-
Sub-total (A)(2):-	15,105,958			100	16,709,008			100	-
B. Public Shareholding									
1. Institutions									
a. Mutual Funds	0	0	0	0	0	0	0	0	-
b. Banks / FI	0	0	0	0	0	0	0	0	-
c. Central Govt	0	0	0	0	0	0	0	0	-
d. State Govt(s)	0	0	0	0	0	0	0	0	-
e. Venture Capital Funds	0	0	0	0	0	0	0	0	-
f. Insurance Companies	0	0	0	0	0	0	0	0	-
g. FIIs	0	0	0	0	0	0	0	0	-
h. Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	-
i. Others (specify)	0	0	0	0	0	0	0	0	-
Sub-total (B)(1)	0	0	0	0	0	0	0	0	-
2. Non Institutions									

a. Bodies Corp. (i) Indian (ii) Overseas	0	0	0	0	0	0	0	0	-
b. Individuals (I) individual shareholders holding nominal share capital upto Rs. 1 lakh (ii) individual shareholders holding nominal share capital in excess of Rs. 1 lakh	0	0	0	0	0	0	0	0	-
c. Others (specify)	0	0	0	0	0	0	0	0	-
Sub-total (B)(2)	0	0	0	0	0	0	0	0	-
Total Public Shareholding (B)= (B)(1)+ (B)(2)	0	0	0	0	0	0	0	0	-
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	-
Grand Total (A+B+C)	**15,105,958**			**100**	**16,709,008**			**100**	**-**

ii. Shareholding of Promoters

S. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year (+-)
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encum-bered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/ encum-bered to total shares	
1.	Governor of Himachal Pradesh	1,926,700	12.75	-	3,529,750	21.12	-	8.37
2.	Himachal Pradesh State Electricity Board Limited	1,307,731	8.66	-	1,307,731	7.83	-	-0.83
3.	Himachal Pradesh Infra-structure Development Board (was not Promoter at the time of incorporation of Company)	11,871,477	78.59	-	11,871,477	71.05	-	-7.54
4.	Sh. Parthasarathi Mitra, IAS (as Ex- officio member)	10	0.00	-	0	0.00	-	0.00
5.	Sh. Tarun Shridhar, IAS (as Ex- officio member)	30	0.00	-	30	0.00	-	0.00
6.	Dr. Shrikant Baldi, IAS (as Ex- officio member)	10	0.00	-	10	0.00	-	0.00
7.	Sh. Vidya Chander Pharka, IAS	-	-	-	10	0.00	-	0.00
	Total	**15,105,958**	**100**		**16,709,008**	**100**		

iii. Change in Promoters' Shareholding:

S. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
	At the beginning of the year	15,105,958	100	1,603,050	100
	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	-	-	-	-
	ALLOTMENT	**DATE**	**NO. OF SHARES**	**TO WHOM ISSUED**	**REASON**
		05/05/2016	5,62,500	The Governor of H. P. through ACS/Pr. Secretary (Power) to the Govt. of H.P.	Allotment to existing Shareholders
		26/08/2016	8,10,000	-do-	-do-
		05/12/2016	2,30,550	-do-	-do-
	TRANSFER	**DATE**	**NO. OF SHARES**	**Transferor's & Transferee's Name**	**REASON**
		26/08/2016	10	Sh. Parthasarathi Mitra, IAS **To** Sh. Vidya Chander Pharka, IAS	As per Orders of State Government & subsequent approval of BOD
	At the end of the year	**16,709,008**	**100**	**16,709,008**	**100**

V. INDEBTEDNESS

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

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year (2016-17)				
i) Principal Amount	**192,100,000**	**19,496,891,000**	**0**	**19,688,991,000**
ii) Interest due but not paid	**0**	**4,835,500,000**	**0**	**4,835,500,000**
iii) Interest accrued but not due	**4,831,221**	**502,755,126**	**0**	**507,586,347**
Total (i+ii+iii)	**196,931,221**	**24,835,146,126**	**0**	**25,032,077,347**

Change in Indebtedness during the financial year - Addition - Reduction	 0 (30,711,851)	 6,400,809,000 (502,755,126)	 0 0	 6,400,809,000 (533,466,977)
Net Change	-12,10,344	5,898,053,873	0	5,867,342,022
Indebtedness at the end of the financial year (2016-17) i) Principal Amount ii) Interest due but not paid iii) Interest accrued but not due	 162,100,000 0 4,119,370	 23,207,100,000 7,526,100,000 0	 0 0 0	 23,369,200,000 7,526,100,000 4,119,370
Total (i+ii+iii)	166,219,370	30,733,200,000	0	30,899,419,370

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

S. No.	Particulars of Remuneration	Designation	Total Amount (in Rs.)
1.	**Name of MD/WTD/Manager:** **1) Sh. Devendra Kumar Sharma:** Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act,1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	**(Managing Director)**	 18,21,000 3,24,000 -
	2) Er. Mohinder Singh Rana: Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act,1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	**(Whole Time Director)**	 16,85,976 1,80,000 -
	3) Er. Ajay Kumar Gupta: Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act,1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	**(Whole Time Director)**	 21,36,247 1,78,500 -

	4) Sh. Neeraj Kumar: Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act,1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	**(Whole Time Director)**	14,61,475 - -
2.	Stock Option	-	-
3.	Sweat Equity	-	-
4.	Commission - as % of profit - others, specify…	-	-
5.	Others, please specify	-	-
	Total (A)	-	7,787,198
	Ceiling as per the Act	-	-

B. Remuneration to other directors:

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

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

S.No.	Particulars of Remuneration	Key Managerial Personnel			
	(Name)	CEO	Company Secretary	CFO	Total
	1) Sh. Sudershan Kumar Sharma: Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act,1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	1,676,362 NIL -	-	1,676,362
2.	Stock Option	-	-	-	
3.	Sweat Equity	-	-	-	
4.	Commission - as % of profit - others, specify…	-	-	-	
5.	Others, please specify	-	-	-	
	Total		**1,676,362**		**1,676,362**

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

Machine Hall, Kashang HEP (65 MW)

1-CVT Portal, 2-GIS Building, 3-Pothead Yard , Sainj HEP (100 MW)

Balance Sheet As At 31st March 2017

(Rs. in Lacs)

Particulars	Note No.	as at March 31,2017	as at March 31,2016	as at March 31,2015
ASSETS				
Non-Current Assets:				
Property, Plant and Equipment	2.1	156,131	44,197	30,693
Capital Work-in-Progress	2.2	355,762	421,135	300,204
Other Intangible Assets	2.3	0	46	92
Financial Assets				
Investments	2.4	0	338	338
Loans	2.5	146	144	143
Others	2.6	13,069	300	0
Other Non Current Assets	**2.7**	**29,297**	**25,128**	**34,216**
Current Assets				
Inventories	2.8	31	22	0
Financial Assets				
Trade Receivables	2.9	1,543	0	1
Cash and Cash Equivalents	2.10	36,518	24,545	33,633
Bank Balance other than above	2.11	5,699	1,709	3,037
Loans	2.12	3	1	4
Other Assets	2.13	3,132	4,655	124
Other Current Assets	**2.14**	**4,133**	**45,731**	**725**
Total Assets		**605,463**	**567,951**	**403,210**
EQUITY AND LIABILITIES				
Equity				
Equity Share Capital	2.15	167,090	151,060	135,060
Other Equity	2.16	(3,687)	(515)	(4,106)
Liabilities				
Non-Current Liabilities:				
Financial Liabilities				
Borrowings	2.17	192,407	174,824	171,692
Other Financial Liabilities	2.18	120,896	78,203	41,749
Provisions	**2.19**	**4,258**	**3,302**	**2,761**
Other Non Current Liabilities	**2.20**	**69,530**	**69,421**	**24,312**
Current Liabilities:		0	0	0
Trade Payables	2.21	54,959	91,624	31,743
Other Financial Liabilities	2.22			
Other Current Liabilities				
Provisions	**2.23**	**9**	**33**	**0**
Total Equity and Liability		**605,463**	**567,951**	**403,210**

Significant Accounting Policies **1**

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

For and on behalf of the Board of Directors

Sd/-	Sd/-	Sd/-	Sd/-
(B.L. Verma)	(Sudershan K Sharma)	(Neeraj Kumar)	(Devesh Kumar)
D.G.M. (Finance)	Company Secretary	Director (Finance)	Managing Director
		DIN 7351150	**DIN 00329576**

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

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

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

Place: Shimla
Date: 30-03-2019

Statement of Profit and Loss for the year ended 31st March 2017

(Rs. in Lacs)

Particulars	Note No.	For the year ended on March 31, 2017	For the year ended on March 31, 2016
Income			
Revenue From Operations	2.24	1,471	38
Other Income	2.25	3,745	31
Total Income		**5,216**	**70**
Expenses			
Employee Benefit Expenses	2.26	1,261	0
Finance Cost	2.27	3,511	0
Depreciation And Amortization Expenses	2.28	2,138	0
Other Expenses	2.29	1,478	15
Total Expenses		**8,387**	**15**
Profit/Loss before net movement in regulatory deferral account balance		**(3,171)**	**54**
Net movement in regulatory deferral Account Balance			
		(3,171)	**54**
Profit Before Tax			
Extra Ordinary Items			
Loss of Fixed/CWIP Assets			
Kashang HEP		(1)	0
Sawra Kuddu HEP			(18)
Profit/Loss Before Tax		**(3,172)**	**37**
Income Tax		-	0
Current Tax		0	0
Deferred Tax		0	0
Profit/Loss for the year		**(3,172)**	**37**
Other Comprehensive Income			
Items that will not be reclassified subsequently to profit & loss account			
Remeasurement of the net defined benefit liability/ assets			
Income tax on above item			
Total			
Total Comprehensive Income for the period		**(3,172)**	**37**
Earnings per Equity share **(before net movement in regulatory deferral account Balance**			
Basic and Diluted	2.30	(20)	0
Earnings per Equity share **(after net movement in regulatory deferral account Balance**			
Basic and Diluted			

Significant Accounting Policies 1

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

For and on behalf of the Board of Directors

Sd/- (B.L. Verma) D.G.M. (Finance)	Sd/- (Sudershan K Sharma) Company Secretary	Sd/- (Neeraj Kumar) Director (Finance) **DIN 7351150**	Sd/- (Devesh Kumar) Managing Director **DIN 00329576**

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

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

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

Place: Shimla
Date: 30-03-2019

Statement of Change in Equity

(Rs. in Lacs)

Particulars	Equity Share Capital	Other Equity		Total Other Equity	Total
		Reserve & Surplus	Other Comprehensive Income		
		Retained Earnings	Remeasurement of the Net Defined Benefit Assets/Liability (net of Tax)		
Changes in equity for the year ended on March 2017					
Opening Balance as on 1st April 2016	151,060	-515	0	-515	150,544
Equity Shares issued during the year	16,031			0	16,031
Other Comprehensive Income for the period				0	0
Profit/ Loss for the Period		-3,172		-3,172	-3,172
Opening Adjustment in Retained Earnings				0	0
Dividend				0	0
Dividend Tax				0	0
Closing Balance as at March 31,2017	**167,090**	**-3,687**	**0**	**-3,687**	**163,403**

Particulars	Equity Share Capital	Other Equity		Total Other Equity	Total
		Reserve & Surplus	Other Comprehensive Income		
		Retained Earnings	Remeasurement of the Net Defined Benefit Assets/Liability (net of Tax)		
Changes in equity for the year ended on March 2016					
Opening Balance as on 1st April 2015	135,060	-4,106	0	-4,106	130,953
Equity Shares issued during the year	16,000			0	16,000
Other Comprehensive Income for the period				0	0
Profit/ Loss for the Period		37		37	37
Opening Adjustment in Retained Earnings		3,555		3,555	3,555
Dividend				0	0
Dividend Tax				0	0
Closing Balance as at March 31,2016	**151,060**	**-515**	**0**	**-515**	**150,544**

For and on behalf of the Board of Directors

Sd/- (B.L. Verma) D.G.M. (Finance)	Sd/- (Sudershan K Sharma) Company Secretary	Sd/- (Neeraj Kumar) Director (Finance) **DIN 7351150**	Sd/- (Devesh Kumar) Managing Director **DIN 00329576**

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

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

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

Place: Shimla
Date: 30-03-2019

Cash Flow Statement for the year ended 31st March 2017

(Rs. in Lacs)

Particulars	For the year ended on March 31, 2017	For the year ended on March 31, 2016
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/ Loss Before Tax	**(3,172)**	**37**
Adjustment for		
Loss of Fixed/CWIP Assets	1	18
Depreciation	2,138	-
Interest Income on term deposits	(513)	-
Provision for Investments	338	-
Finance/Interest Cost	3,511	-
	5,474	**18**
Adjustment for Assets and Liabilities		
Inventories	(9)	(22)
Trade Receivables and Unbilled Revenue	(1,543)	1
Loans Other Financial assets and Other Assets	19,788	(40,861)
Other Financial Liabilities and other Liabilities	6,138.07	112,757
Provisions	932	575
	25,306	**72,449**
Cash Generated from Operation	**27,608**	**72,503**
Less: Income Tax Paid	-	-
Net Cash generated from operating activities	**27,608**	**72,503**
CASH FLOW FROM INVESTING ACTIVITIES		
Net Expenditure on Property Plant and equipment	(114,026)	(13,457)
CWIP and Expenditure during Construction	60,525.20	(120,986)
Term Deposit with Banks (having maturity more than 3 months)	(1,773)	1,441
Interest on term deposit/ sweep deposits	2,071	-
Investment in Subsidiaries and Joint Venture	-	-
Depreciation on CWIP	-	-
CWIP from Deficit Account	-	3,555
Less: Loss of Fixed/CWIP assets from torrential rain & flood	(1)	(18)
Net Cash used in Investing activities	**(53,203)**	**(129,465)**
CASH FLOW FROM FINANCING ACTIVITIES		
Share Capital	16,031	16,000
Long Term Borrowings -Proceeds	22,060	32,399
Long Term Borrowings -Repayment	(300)	(580)
Finance Charges	(221)	-
Net Cash from Financing activity	**37,570**	**47,819**
Net Increase in Cash and Cash Equivalents	11,974	(9,088)
Opening Balance Cash and Equivalents	24,545	33,633
Closing Balance Cash and Equivalents	**36,519**	**24,545**

Restricted Cash Balance	-	-
Margin Money for BG/ Letter of Credit and Pledged Deposits	2,330	113
	2,330	**113**

For and on behalf of the Board of Directors

Sd/- (B.L. Verma) D.G.M. (Finance)	Sd/- (Sudershan K Sharma) Company Secretary	Sd/- (Neeraj Kumar) Director (Finance) **DIN 7351150**	Sd/- (Devesh Kumar) Managing Director **DIN 00329576**

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

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

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

Place: Shimla
Date: 30-03-2019

HIMACHAL PRADESH POWER CORPORATION LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2017

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 Company has adopted IND AS for the financial year beginning on April 1, 2016 with April 1, 2015 as the date of transition. These are the Company's first annual financial statements prepared complying in all material respects with the accounting standards notified under the Companies (Indian Accounting Standards) Rules,2015, the Companies Act, 2013 and the provisions of the Electricity Act, 2003, to the extent applicable. The Company has prepared its Opening IND AS Balance Sheet as at April 1, 2015 i.e. the Company's date of transition to Ind AS in accordance with the requirements of IND AS 101 "First-time adoption of Indian Accounting Standards". The transition was carried out from Accounting Principles Generally Accepted in India ("Indian GAAP") which is considered as the previous GAAP, as defined in IND AS 101. The reconciliation of effects of the transition from Indian GAAP on the equity as at April 1, 2015 and March 31, 2016 and on the net profit for the year ended March 31, 2016 is disclosed in Note no 2.35 to these financial statements. 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 (up to two decimals), 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. Company's 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) PPE are initially measured at cost of acquisition/construction including decommissioning or restoration cost wherever required. The cost includes expenditure that is directly attributable to the acquisition/construction of the asset. Where final settlement of bills with contractors is pending/underdispute, capitalization is done on estimated/provisional basis subject to necessary adjustment in the year of final settlement.

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 Sundernagar design office is allocated to different accounting units on systematic basis.

1.7 INVESTMENT PROPERTY

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

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

ii) Sale in the ordinary course of business.

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

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

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

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

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

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

1.8 INTANGIBLE ASSETS

a) Upto March 31, 2015, Intangible assets were carried in the balance sheet in accordance with Indian GAAP. The Company has elected to avail the exemption granted by IND AS 101, to regard those amounts as deemed cost at the date of the transition to IND AS (i.e. as on April 1, 2015).

b) 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

c) 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.

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

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

1.9 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.

1.10 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.

1.11 FOREIGN CURRENCY TRANSACTIONS

a) Functional and Presentation Currency:

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

b) Transactions and Balances:

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 with the exception that exchange differences on long term monetary items related to acquisition of fixed assets entered up to March 31, 2016 are adjusted to carrying cost of fixed assets.

The Company has elected to avail the exemption available under IND AS 101, with regard to continuation of policy for accounting of exchange differences arising from translation of long term foreign currency monetary liabilities.

1.12 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.

Initial Recognition and Measurement:

i) All financial assets except trade receivables are recognised initially at fair value plus or minus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in statement of profit or loss.

ii) 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.

Classification, Initial Recognition and Measurement:

a) Financial liabilities are recognised initially at fair value minus transaction costs that are directly attributable to the issue of financial liabilities. Any difference between the proceeds (net of transaction costs) and the fair value at initial recognition is recognised in the 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 over the period of the borrowings using the effective rate of interest.

b) Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Subsequent Measurement:

a) After initial recognition, financial liabilities are subsequently 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.

1.13 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.

1.14 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.

1.15 GOVERNMENT GRANTS

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

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

1.16 BORROWING COSTS

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

1.17 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.

1.18 REVENUE RECOGNITION AND OTHER INCOME

Revenue from sale of energy is accounted for at rates as per the PPA signed between HPPC Ltd. and HPSEB Ltd.

1.19 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.

1.20 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 un-amortised balance of such assets is depreciated prospectively over the residual life.

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

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

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

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

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

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

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

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

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

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

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

1.21 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.

1.22 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.

1.23 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".

1.24 MATERIAL PRIOR PERIOD ERRORS

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

2 NOTES ON ACCOUNTS

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

(Rs. in Lacs)

Particulars	Sub Note	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
2.1 Property Plant and Equipment	2.1.1	156,131	44,197	30,693
2.2 Capital Work In progress	2.2.1	355,762	421,135	300,204
2.3 Intangible Assets	2.3.1	0	46	92
TOTAL		**511,893**	**465,378**	**330,989**

2.4 FINANCIAL ASSETS - INVESTMENTS

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Investment in Equity Instruments Non Trade - Unquoted (at Cost) *Joint Ventures Companies* *3375000 (PY:3375000) Equity Shares of Rs. 10/- each in Himachal Emta Power Limited*	338	338	338
Less Provision for doubtful investments	-338	0	0
TOTAL	**0**	**338**	**338**

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

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

2.5 FINANCIAL ASSETS - LOANS

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Security Deposits			
- Secured Considered Good	-	-	-
- Unsecured Considered Good	146	144	143
- Doubtful	-	-	-
TOTAL	**146**	**144**	**143**

2.6 FINANCIAL ASSETS - OTHERS

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Fixed Deposits with Banks having Maturity for more than 12 months	13,069	300	0
TOTAL	**13,069**	**300**	**0**

2.7 OTHER NON CURRENT ASSETS

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Capital Advances:			
Secured by Hypothecation of Equipment and / Material	0	130	0
Unsecured Considered Good	0	0	0
Covered by Bank Guarantee	6,684	10,271	0
Others	3,806	3,213	16,163
Loans and advances to Related Parties			
Loans and Advances to Joint Ventures			
Secured Considered Good	0	0	0
Unsecured Considered Good	61	61	61
Less Provision for doubtful advance	-61	0	0
Advances to Others			
Others - Secured Considered Good	5	5	0
Others - Unsecured Considered Good	1,757	2,188	9,604
Deposit with Judicial Authorities	0	0	0
Capital Stores At Cost (as certified by the management)			
Steel	11	7	0
Cement	0	0	0
Others (Capital Stores)	0	8	0
Material at site	0	0	0
Other items	5	3	0
Recoverable Contractors	8,556	2,901	1,427
Others Recoverable	233	233	206
Less Provision for doubtful recoverable	-23	0	0
Recoverable from Staff	1	1	0
Deposits With Income Tax Authorities	7,774	7,774	7,774
TDS Recoverable/Amount Recoverable from Tax Authorities	0	0	0
Grant Receivable Non Current	488	442	0
TOTAL	**29,297**	**25,128**	**34,216**

2.8 INVENTORIES

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Loose Tools	0	0	0
Stores and Spares	31	22	0
Less Provision for Shortage and Obsolescence	0	0	0
TOTAL	**31**	**22**	**0**

2.9 FINANCIAL ASSETS - TRADE RECEIVABLES

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Secured considered good			
Unsecured considered good			
Power	1,543	0	0
Lab Charges	0	0	1
Doubtful	0	0	0
TOTAL	**1,543**	**0**	**1**

Related Party Nil (PY Nil)

2.10 FINANCIAL ASSETS - CASH AND CASH EQUIVALENTS

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Cash and Bank Balances			
Cash in hand (including Imprest)	0	1	1
Stamps in hand	0	0	0
Balances with Banks			
(i) Current Deposits	36,313	23,989	33,632
(ii) Term Deposits with maturity period up to 3 months	204	556	0
Cheques and Drafts in hand	0	0	0
TOTAL	**36,518**	**24,545**	**33,633**

2.11 FINANCIAL ASSETS - BANK BALANCE OTHER THAN ABOVE

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Other Bank Balances			
Margin Money for Pledged Deposits	1,205	113	0
Margin Money for BG/ Letter of Credit	1,125	0	0
Other Term Deposits having maturity period for more than 3 months	3,369	1,596	3,037
TOTAL	**5,699**	**1,709**	**3,037**

2.12 FINANCIAL ASSETS - LOANS

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Loans and Advances to Related Parties			
Loans and Advances to Directors			
Secured Considered Good	0	0	0
Unsecured Considered Good	0	0	0
Advances to Employees (Unsecured Considered Good)	2	0	3
Recoverable from Staff	1	1	1
TOTAL	**3**	**1**	**4**

2.13 FINANCIAL ASSETS - OTHER ASSETS

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Interest Accrued but not due on Deposits with Banks	400	95	67
Amount Recoverable from Contractors	1,222	240	0
Income Tax Refund	1,067	4,191	0
Recoverable from Staff	0	0	0
Interest Recoverable	444	130	10
Other Current Assets	1	0	48
TOTAL	**3,132**	**4,655**	**124**

2.14 OTHER CURRENT ASSETS

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Advances to Contractors & Suppliers			
Secured Considered Good	0	0	0
Unsecured Considered Good	3,632	624	0
Considered Doubtful	0	0	0
Less Provision for Doubtful Advances	0	0	0
Advances Others			
Secured Considered Good	0	0	0
Unsecured Considered Good	0	363	0
TDS Recoverable	85	35	716
Prepaid Expenses	415	14	9
Grant Receivable	0	44,696	0
TOTAL	**4,133**	**45,731**	**725**

2.15 EQUITY SHARE CAPITAL

Particulars	as at March 31,2017		as at March 31,2016		as at March 31,2015	
	No. of Shares	Amount (Rs. in Lacs)	No. of Shares	Amount (Rs. in Lacs)	No. of Shares	Amount (Rs. in Lacs)
AUTHORISED Equity Shares of par Value of Rs 1,000/- each	20,000,000	200,000	15,000,000	150,000	15,000,000	150,000
ISSUED, SUBSCRIBED AND FULLY PAID UP Equity Shares of par Value of Rs 1,000/- each fully paid up	16,709,008	167,090	15,105,958	151,060	13,505,958	135,060
TOTAL		**167,090**		**151,060**		**135,060**

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

Particulars	as at March 31,2017		as at March 31,2016		as at March 31,2015	
	No. of Shares	%age	No. of Shares	%age	No. of Shares	%age
Government of Himachal Pradesh	3,529,750	21.12	1,926,700	13	1,326,700	9.82
Himachal Pradesh Infrastructure Development Board	11,871,477	71.05	11,871,477	79	10,871,477	80.49
Himachal Pradesh Electricity Board Limited (13,07,731 Equity Shares Issued in kind)	1,307,731	7.83	1,307,731	9	1,307,731	9.68
TOTAL	**16,708,958**	**100.00**	**15,105,908**	**100.00**	**13,505,908**	**100.00**

2.15.2 RECONCILIATION OF SHARES OUTSTANDING IS SET OUT BELOW:

Particulars	as at March 31,2017		as at March 31,2016		as at March 31,2015	
	No. of Shares	Amount (Rs. in Lacs)	No. of Shares	Amount (Rs. in Lacs)	No. of Shares	Amount (Rs. in Lacs)
No of shares at the beginning	13,505,958	135,060	11,823,896	118,239	11,823,896	118,239
No of shares issued during the year	3,203,000	32,030	1,682,062	16,821	1,682,062	16,821
No of shares at the end	16,708,958	167,090	13,505,958	135,060	13,505,958	135,060

2.16 OTHER EQUITY

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Retained Earnings			
Opening Balance	-515	-4,106	-1,932
Less Previous years adjustment	0	3,555	0
Add: Profit/Loss for the year as per Statement of Profit and Loss	-3,172	37	-2,174
Closing Balance	**-3,687**	**-515**	**-4,106**

2.17 LONG TERM BORROWINGS

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Long Term Loans **From Other Parties** **Secured** *(hypothecation against assets of HEP)*			
Power Finance Corporation for Sawara Kuddu HEP *(Rate of Interest 12.75 % payable in Quarterly instalments from Jul 2017 to Oct 2044)*	1,471	1,621	1,771
Power Finance Corporation for Kashang HEP *(Rate of Interest 9.75 % payable in Quarterly instalments up to Oct 2017)*	0	0	150
	1,471	**1,621**	**1,921**
Unsecured			
Government of Himachal Pradesh Loan for Shongtong HEP *(Rate of Interest 3.83 % pa payable in half yearly Instalments from Jul 2018 to Jan 2028)*	5,622	2,567	16
Government of Himachal Pradesh Loan for Shongtong HEP *(Rate of Interest 0.75 % pa payable in half yearly Instalments from Jul 2023 to Jan 2053)*	2,311	1,036	7
Government of Himachal Pradesh Loan (Trench I) *(Rate of Interest 10 % payable in yearly instalments of principal with interest from Apr 2018 to Jan 2023)*	45,507	30,233	37,225
Government of Himachal Pradesh Loan (Trench II) *(Rate of Interest 10 % payable in yearly instalments of principal and interest from Apr 2018 up to Jan 2025)*	45,458	52,863	51,953
Government of Himachal Pradesh Loan (Trench III) *(Rate of Interest 10 % payable in yearly instalments of principal and interest from Apr 2018 up to Jan 2026)*	55,540	48,108	46,476
Government of Himachal Pradesh Loan (Trench IV) *(Rate of Interest 10 % payable in yearly instalments of principal and interest from 15 Jan 2018 up to Jan 2027)*	36,498	38,395	34,095
	190,936	**173,203**	**169,771**
TOTAL	**192,407**	**174,824**	**171,692**

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

The Government of HP has allowed deferment of loan and interest till FY 2018-19.

Case for deferment of repayment of Loan and Interest thereon amounting to Rs. 1,10,795 Lacs (i.e. Rs. 41,135 Lacs and Rs.69,660 Lacs, respectively), pertaining to Calendar Year 2016, vide letter No. HPPCL/F&A/ADB-Loan HP Govt./2017-23082-84 dated 19.01.2017, has been approved by the GoHP on 09/01/2018.

2.18 OTHER FINANCIAL LIABILITIES

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Deferred Repayment of Interest of Govt. of Himachal Pradesh Loan	75,261	48,355	29,727
Deferred Repayment of Principal of Govt. of Himachal Pradesh Loan	41,135	21,766	12,022
Deposits Retention Money from contractors and others	4,517	8,091	0
Less Investment held as Security	-17	-10	0
TOTAL	**120,896**	**78,203**	**41,749**

Case for deferment of repayment of Loan and Interest thereon amounting to Rs. 1,10,795 Lacs (i.e. Rs. 41,135 Lacs and Rs.69,660 Lacs, respectively), pertaining to Calendar Year 2016, vide letter No. HPPCL/ F&A/ ADB-Loan HP Govt./2017-23082-84 dated 19.01.2017, has been approved by the GOHP on 09/01/2018.

The Government of HP has allowed deferment of loan and interest till FY 2018-19.

2.19 PROVISIONS NON CURRENT

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Unfunded Employees Benefit			
Provision for Pension Contribution	1,363	1,031	764
Provision for Gratuity	645	407	356
Provision for Leave Encashment	2,250	1,864	1,641
TOTAL	**4,258**	**3,302**	**2,761**

(Rs. in Lacs)

	As at 1/04/2016	For The Year			As At 31/03/2017
		Additions	Write Back	Utilization	
Unfunded Employees Benefit					
Pension Contribution	1,031	332	0	0	1,363
Gratuity Provision	407	640	387	15	645
Leave Encashment	1,864	757	342	29	2,250
Others	0	0	0	0	0
TOTAL	**3,302**	**1,728**	**729**	**44**	**4,258**

2.20 OTHER NON CURRENT LIABILITIES

Capital Grant Government of India

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
A) Utilised Grant			
Renuka			
Opening Balance	68,680	23,984	23,984
Addition during the year	0	44,696	0

Less Accumulated Depreciation on Fixed Assets	-131	-189	-162
Closing Balance	68,549	68,491	23,821
Gyspa			
Opening Balance	942	500	500
Addition during the year	46	442	0
Less Accumulated Depreciation on Fixed Assets	-6	-11	-10
Closing Balance	981	931	490
Total Utilised Grants	**69,530**	**69,421**	**24,312**

The Renukaji Dam Hydro Electric project and Gyspa Dam project is being implemented by HPPCL as a National project and is fully funded by the Government of India and Governments of beneficiary states. The contributions received for Renukaji Dam project from the Delhi Jal Board and the Haryana Government aggregating Rs. 23,983.80 Lacs and for Gyspa Dam project from CWC Rs. 500.00 Lacs have been treated as Capital Reserve (Net of depreciation) in compliance with Ind AS 20.

2.21 TRADE PAYABLES

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Trade Payables	0	0	0
TOTAL	**0**	**0**	**0**

2.22 OTHER FINANCIAL LIABILITIES

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Liabilities for Employee's remuneration and benefits	110	175	108
Liabilities for Contractors & Suppliers	3,683	2,868	2,763
Liabilities for Government Departments	277	260	507
Interest accrued and due on Unsecured Loans	0	5,028	4,382
Interest accrued and due on Secured Loans	41	48	60
Deposits Retention Money from contractors and others	150	300	580
Current portion of Govt of Himachal Pradesh Loan	4,152	19,193	0
Provision for Expenses	35,490	53,413	7,889
Deposits Retention Money from Contractors and Others	6,116	2,627	11,013
Advance for Deposit Work	13	70	0
Taxes and Duties payable	174	184	108
Bank Overdrawn due to Bank Reconciliation	0	3	0
Share Application Money Pending Allotment	4,753	7,457	4,332
TOTAL	**54,959**	**91,624**	**31,743**

2.23 PROVISIONS CURRENT

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
A) Unfunded Employee Benefits			
Gratuity Payable	4	11	0
Leave Encashment Payable	5	10	0

Pension Payable	0	12	0
Others	0	0	0
TOTAL	**9**	**33**	**0**

(Rs. in Lacs)

	As at 1/04/2016	For The Year			As At 31/03/2017
		Additions	Write Back	Utilization	
Unfunded Employees Benefit					
Pension Contribution	12	0	0	12	0
Gratuity Provision	11	14	0	21	4
Leave Encashment	10	13	0	18	5
Others	0	0	0	0	0
TOTAL	**33**	**27**	**0**	**51**	**9**

2.24 REVENUE FROM OPERATIONS

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016
Sale of Energy	1,437	0
Sale of Services		
Rent of Land	0	0
Rent from Property	34	38
TOTAL	**1,471**	**38**

2.25 MISCELLANEOUS INCOME

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016
Interest on Bank Deposits/FDR's	513	0
Interest from Banks	14	0
Income from Providing Design Works/Lab Receipts	2	0
Adjustment of Depreciation on Capital Grants	0	0
Late Payment Surcharge	73	0
Other	3,143	31
TOTAL	**3,745**	**31**

2.26 EMPLOYEE BENEFITS EXPENSES

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016
Salaries, Wages, Allowances and Benefits	1,033	0
Contribution to Provident and Other Funds	11	0
Leave Salary and Pension Contribution	203	0
Welfare Expenses	14	0
TOTAL	**1,261**	**0**

2.27 FINANCE COST

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016
Interest on Term Loans	3,510	0
Bank Charges/LC Charges	1	0
TOTAL	**3,511**	**0**

2.28 DEPRECIATION EXPENSES

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016
Depreciation for the year	2,138	0
TOTAL	**2,138**	**0**

2.29 OFFICE AND ADMINISTRATIVE EXPENDITURE

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016
Repairs and Maintenance Vehicle	2	0
Repairs and Maintenance Office Furniture & Equipment's	4	0
Repairs and Maintenance Plant and Machinery	19	0
Repairs and Maintenance Buildings	13	0
Repairs and Maintenance Others	0	0
Free Power	187	0
Energy Charges	12	0
Office Expenses	1	0
Hospitality and Entertainment Expenses	2	0
Meeting Expenses	2	0
Misc. Expenses	49	0
Provision for Doubtful Investments	398	0
Provision for Doubtful Advances	23	0
Communication Expenses	22	0
Rent, Rates and Taxes	49	0
Consultancy Fees	7	0
Annual Technical Support-SAP	313	0
Vehicle Running Charges & Insurance Charges	4	0
Training Expenses	3	0
Fees & Subscription	1	0
Electricity & Water Expenses	21	0
Printing & Stationary	7	0
Books, Periodicals & Newspapers	2	0
Freight & Labour Charges	2	0
Raising Day Expenses	8	10
Legal & Professional Charges	51	2
Postage & Telegram Expenses	0	0

Publicity & Advertisement Expenditure	5	0
Expenditure on Transit Camps/Guest House	1	0
Business Promotion Expenses	0	0
Insurance-Other Assets	0	0
Statutory Audit Fees(Including Out of pocket Expenses)	12	3
Travelling and Conveyance	6	0
Hiring of Vehicles	64	0
Bank Guarantee Encashed	21	0
Prior Period Expenses	167	0
TOTAL	**1,478**	**15**

2.30 EARNING PER SHARE BASIC AND DILUTED

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016
Statutory Audit Fees(Including Out of pocket Expenses)	-3,172	37
Weighted Average Number of Shares	15,907,433	14,305,908
Face Value of Share	1,000	1,000
EPS	-20	0

Sub Note No. 2.1.1

SCHEDULE OF PROPERTY PLANT AND EQUIPMENT'S

(Rs. in Lacs)

Particulars	GROSS BLOCK				DEPRECIATION					NET BLOCK	
	As at 01.04.2016	Addition during the year	Deductions/ Adjustments	As at 31.03.2017	As at 01.04.2016	For the Year	Previous Year Deletion	Previous Year Addition	As at 31.03.2017	As at 31.03.2017	As at 31.03.2016
Land - Lease Hold	28	0	0	28	1	1	0	3	4	24	27
Land - Free Hold	38,860	20,550	3,875	55,536	0	0	0	0	0	55,536	38,860
Residential Buildings	2,185	197	0	2,382	139	94	-205	29	56	2,326	2,047
Non-Residential Buildings	1,051	300	0	1,351	103	41	-92	0	51	1,300	948
Temporary Sheds / Erections	2	0	0	2	0	0	0	3	3	-0	2
Project Civil Works	0	61,373	0	61,373	0	1,697	0	0	1,697	59,676	0
Roads, Bridges & Traffic Tunnels	-0	0	0	-0	0	0	0	0	0	-0	-0
Project Electro Mechanical Works	2	30,847	0	30,849	0	342	-0	0	342	30,507	2
Plant (currently for Water Treatment)	1	0	0	1	0	0	-2	0	-2	2	0
Office Machinery	79	4	0	82	22	8	-68	0	-38	120	56
Electronics & Electrical Items	112	62	0	174	45	16	-181	0	-120	294	67
Furnitures & Fixtures	139	22	0	161	37	25	-159	0	-98	258	102
Computers & Data Processing Machines	35	19	0	54	6	29	-73	0	-38	91	29
Vehicles	39	0	0	39	3	10	-23	0	-11	50	36
Kitchen Items	2	1	0	2	0	1	-0	0	1	1	2
Small Office Items	0	0	0	0	0	0	-0	0	0	0	0
Helipad	11	0	0	11	3	1	-12	0	-9	20	8
Bridges & Culverts	508	0	0	508	51	19	-72	0	-2	510	457
Server and Networks	373	30	0	402	147	198	-497	0	-152	554	226
Roads	1,196	525	0	1,721	426	150	-2,925	0	-2,349	4,070	770
Assets not owned by Company (Roads)	0	0	0	0	0	0	0	0	0	0	0
Assets not owned by Company (Others)	0	0	0	0	0	0	0	0	0	0	0
Infrastructure Dev. Construction Power	565	266	0	831	6	34	-1	0	39	792	558
Total (A)	**45,187**	**114,195**	**3,875**	**155,508**	**990**	**2,664**	**-4,312**	**34**	**-623**	**156,131**	**44,197**
Previous Year's Total	**30,693**	**15,045**	**552**	**45,187**	**0**	**990**	**0**	**0**	**990**	**44,197**	**30,693**

Sub Note No. 2.2.1
CAPITAL WORK-IN-PROGRESS

(Rs. in Lacs)

Particulars	Sub Note	Amount As at 31.03.2016	Debit During FY 2016-17	Credit During FY 2016-17	Amount As at 31.03.2017
Residential Buildings	2.2.1.1	237	32	201	68
Non Residential Buildings	2.2.1.1	447	49	369	127
Roads, Bridges & Culverts	2.2.1.1	259	709	904	64
Civil Works	2.2.1.1	166,202	27,047	55,325	137,924
Electro-Mechanical Works	2.2.1.1	60,593	38,736	49,953	49,375
Construction Power	2.2.1.1	804	544	1,126	222
Land Submerged Area	2.2.1.1	44,696	3,875	16,660	31,911
Investigation & Survey	2.2.1.1	0	8	0	8
Environment Expenses	2.2.1.1	0	126	-4	121
G.Total	2.2.1.1	**273,238**	**71,125**	**124,533**	**219,821**
Expenditure During Construction	2.2.2	147,898	42,952	-54,909	1,35,941
Total (Carried forward to Balance Sheet)		**421,135**	**1,14,078**	**69,624**	**355,762**

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

(Rs. in Lacs)

Particulars	Residential Buildings as at 31.03.2017	Non Residential Buildings as at 31.03.2017	Roads, Bridges & Culverts as at 31.03.2017	Civil Works as at 31.03.2017	Electro-Mechanical Works as at 31.03.2017	Construction Power as at 31.03.2017	Land Submerged Area as at 31.03.2017	Investigation & Survey as at 31.03.2017	Environment Expenses as at 31.03.2017	Total as at 31.03.2017
Sundernagar	1	0	0	0	0	0	0	0	0	**1**
Sawra Kuddu HEP	56	0	2	58,853	22,271	81	0	0	0	**81,264**
Kashang HEP Stage-I	0	0	25	28	0	0	0	0	0	**53**
Sainj HEP	0	27	26	55,075	20,964	10	0	0	-4	**76,097**
Renukaji Dam Project	2	0	0	0	0	0	31,911	0	0	**31,913**
Shongtong HEP	0	0	6	17,531	6,140	39	0	0	0	**23,716**
Triveni HEP	0	0	0	0	0	0	0	0	0	**0**
Thana Plaun HEP	0	0	0	0	0	0	0	8	17	**25**
Gyspa HEP	8	99	6	0	0	0	0	0	0	**114**
Surgani Sundla HEP	0	0	0	0	0	0	0	0	0	**0**
Deothal Chanju	0	0	0	0	0	0	0	0	40	**40**
Chanju-III	0	0	0	0	0	0	0	0	4	**4**
Berra-Dol Solar Power Project	0	0	0	0	0	92	0	0	64	**156**
Kashang HEP Stage-II & III	0	0	0	6,437	0	0	0	0	0	**6,437**
G.Total	**68**	**127**	**64**	**137,924**	**49,375**	**222**	**31,911**	**8**	**121**	**219,821**

Sub Note No. 2.2.2 EXPENDITURE DURING CONSTRUCTION

(Rs. in Lacs)

Particulars	Sub Note	Amount As at 31.03.2016	Addition During FY 2016-17	Deletion During FY 2016-17	Amount As at 31.03.2017
EXPENSES (A):					
Employees' Benefits Expenses	2.2.2.1	39,458	7,818	-2,065	45,212
Finance/Interest Cost	2.2.2.2	54,500	29,633	-28,449	55,684
Depreciation Expenses	2.2.2.3	6,422	251	-4,234	2,439
Office and Administrative Expenses	2.2.2.4	49,976	11,458	-23,020	38,415
TOTAL (A)		**150,356**	**49,161**	**-57,768**	**141,750**
Less: Miscellaneous Income	2.2.2.5	-2,458	-6,209	2,859	-5,808
Less: Renukaji & Gyspa Project Depreciation adjusted against Capital Reserve		0	0	0	0
NET EXPENDITURE (B) (Carried forward to CWIP)		**147,898**	**42,952**	**-54,909**	**135,941**

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

(Rs. in Lacs)

Particulars	Amount As at 31.03.2017	Addition During FY 2016-17	Deletion During FY 2016-17	Net During FY 2016-17	Amount As at 31.03.2016
Salaries, Wages, Allowances and Benefits	40,002	6,643	-1,861	4,782	35,220
Contribution to Provident and Other Funds	857	254	-29	226	631
Leave Salary and Pension Contribution	3,130	748	-126	621	2,508
Travelling Exp.	342	51	-13	38	304
Medical Exp.	468	63	-13	49	419
Welfare Expenses	413	60	-23	37	376
TOTAL	**45,212**	**7,818**	**-2,065**	**5,754**	**39,458**

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

(Rs. in Lacs)

Particulars	Amount As at 31.03.2017	Addition During FY 2016-17	Deletion During FY 2016-17	Net During FY 2016-17	Amount As at 31.03.2016
Interest on Term Loans	55,629	29,630	-28,448	1,183	54,446
Bank Charges/LC Charges	35	2	0	2	32
Others-FBT/Service Tax Interest	21	0	-1	-1	22
TOTAL	**55,685**	**29,633**	**-28,449**	**1,185**	**54,500**

Note No. 2.2.2.3 DEPRECIATION EXPENSES

(Rs. in Lacs)

Particulars	Addition During FY 2016-17	Deletion During FY 2016-17	Net During FY 2016-17	Amount During FY 2015-16
Depreciation for the year (Transferred to Profit & Loss Account)	0	0	0	0
Depreciation for the year (Transferred to Expenditure During Construction)	251	-4,234	-3,983	1,026
TOTAL	**251**	**-4,234**	**-3,983**	**1,026**
Depreciation written off from Capital Reserve	0	0	0	28

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

(Rs. in Lacs)

Particulars	Amount As at 31.03.2017	Addition During FY 2016-17	Deletion During FY 2016-17	Net During FY 2016-17	Amount As at 31.03.2016
Repairs and Maintenance Vehicle	79	13	-14	-1	80
Repairs and Maintenance Office Furniture & Equipment's	41	6	-2	4	37
Repairs and Maintenance Plant and Machinery	91	3	0	3	87
Repairs and Maintenance Buildings	392	77	0	77	315
Repairs and Maintenance Others	74	1	0	1	73
Office Expenses	536	1	0	1	536
Hospitality and Entertainment Expenses	143	13	-40	10	133
Meeting Expenses	53	9	-4	9	45
Misc. Expenses	151	4	-9	0	151
Communication Expenses	486	110	-62	101	385
Rent, Rates and Taxes	1,123	243	-2	181	942
Consultancy Fees	838	56	-1	54	784
Annual Technical Support-SAP/ AMC	712	292	-26	291	421
Vehicle Running Charges & Insurance Charges	203	25	-386	-1	204
Hired Vehicle Expenses	1,930	304	-2	-82	2,013
Training & Seminar	262	18	0	16	246
Fees & Subscription	38	7	-13	6	32
Electricity & Water Expenses	396	73	-24	60	336
Printing & Stationery	252	33	-2	9	243
Books, Periodicals & Newspapers	59	10	0	8	51
Freight & Labour Charges	30	8	0	8	23
Insurance	27	8	1	8	19
Raising Day Expense	35	0	-18	1	33
Legal & Professional Charges	314	82	-1	64	250
Postage & Telegram Expenses	26	3	-6	2	24
Publicity & Advertisement Expenditure	227	24	0	18	209
Expenditure on Transit Camps/Guest House	37	6	-2	6	31
Business Promotion Expenses	165	1	0	-1	166
Dismantling and Removal expenditure	0	0	-37	0	0
Foreign Exchange Variation Cost	-15	65	0	28	-42
Land Acquisition Expenses	5	0	-845	0	54,968
LADA	4,227	104	-742	-742	5,137
Relief and Rehabilitation Costs	5,169	773	-1,402	31	5,963
Environmental and Ecology exp.	4,772	212	-98	-1,190	1,152
Expenditure on Enabling Assets	1,070	17	-1,307	-81	8,091
CAT Plan	6,934	150	-8	-1,157	46
Study and Research	43	5	-3,333	-3	11,186
Survey & Investigation	9,110	1,257	-167	-2,076	167
Preliminary expenses	0	0	0	-167	1,146
Environment Management Plan	1,187	41		41	

Fuel expenses Data Centre	3	2	0	2	1
Gift & Presentation A/c (Pending Allocation)	5	0	0	0	5
Honorarium & Stipend	29	9	-18	-10	39
Incidental expenses-Power Water & parks	45	13	0-	13	32
Outsource Manpower Expenses (Pending Allocation)	3,144	632	126	507	2,638
Reatain earning Adjustment unto FY 2014	1,525	200	-93	107	1,418
Safety Related Expenses	1	0	-1	-1	3
Winter Heating Exp. (Pending Allocation)	57	8	-11	-3	60
Wages (Daily paid staff) (PROJECT)	6	0	0	0	6
Remuneration to Auditors (PROJECT)	13	4	-1	3	10
Consumables Stores	81	5	-1	4	77
Bank Guarantee Encashed	0	0	0	0	0
Transmission lines	14	12	0	12	2
Common Cost (HO & SNR)	424	6,523	-6,099	424	0
Incidental exp after COD(proportio)Stage-1 2016-17	-1	0	-1	-1	0
Incidental exp Before COD Stage-1	-8,153	0	-8,153	-8,153	0
TOTAL	**38,415**	**11,458**	**-23,020**	**-11,561**	**49,976**

Note No. 2.2.2.5 MISCELLANEOUS INCOME TRANSFERRED TO EXPENDITURE DURING CONSTRUCTION

(Rs. in Lacs)

Particulars	Amount As at 31.03.2017	Addition During FY 2016-17	Deletion During FY 2016-17	Net During FY 2016-17	Amount As at 31.03.2016
Interest from Banks Deposits/FDR's	-4,645	-2,520	0	-2,520	-2,125
Income from Providing design work/Lab Receipts	-4	-6	5	-1	-3
Interest from Employees	0	0	0	0	0
House Rent Collection from employees/Other recovery	-15	-16	1	-15	0
Interest from Govt Departments	0	0	0	0	0
Interest on Tax Refunds	-320	-320	0	-320	0
Income from sale of tender forms	-3	-3	0	-3	0
Income from Contractors	-56	-57	0	-56	0
Income from Transit Camp/Guest House	-1	-1	0	-1	0
Gain on sale of Assets	-1	0	0	0	-1
Miscellaneous Receipts	-763	-3,286	2,852	-434	-329
TOTAL	**-5,808**	**-6,209**	**2,859**	**-3,350**	**-2,458**

Sub Note No. 2.3.1
OTHER INTANGIBLE ASSETS

(Rs. in Lacs)

Particulars	GROSS BLOCK				DEPRECIATION					NET BLOCK	
	As at 01.04.2016	Addition during the year	Deductions/ Adjustments	As at 31.03.2017	As at 01.04.2016	For the Year	Previous Year Deletion	Previous Year Addition	As at 31.03.2017	As at 31.03.2017	As at 31.03.2016
Software	92	0	0	92	47	0	0	46	92	0	46
Total (A)	**92**	**0**	**0**	**92**	**47**	**0**	**0**	**46**	**92**	**0**	**46**
Previous Year's Total	**92**	**0**	**0**	**92**	**0**	**47**			**47**	**46**	**92**

2.31 DISCLOSURE ON FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

i) Fair Value Measurement

a) Financial Instruments by Category

(Rs. in Lacs)

Particulars	Sub Note	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at April 01,2015
		Amortised Cost	Amortised Cost	Amortised Cost
Financial Assets				
Non Current Financial Assets				
(i) Investments	2.4	-	338	338
(ii) Loans	2.5	146	144	143
(iii) Others	2.6	13,069	300	-
Bank Deposits with more than 12 Months Maturity				
Current Financial Assets				
(i) Trade Receivables	2.9	1,543	-	1
(ii) Cash and Cash Equivalents	2.10	36,518	24,545	33,633
(iii) Bank Balance other than above	2.11	5,699	1,709	3,037
(iv) Loans	2.12	3	1	4
(v) Other Assets	2.13			
Interest Accrued	2.13	400	95	67
Other Recoverable		1,067	4,191	48
Total Financial Assets		**58,445**	**31,323**	**37,269**

Financial Liabilities				
(i) Long Term Borrowings				
a) Term Loans Financial Institutions	2.17	1,471	1,621	1,921
b) Term Loans from Others	2.17 & 2.18	3,07,332	2,43,324	2,11,520
(ii) Deposits / retention non current	2.18	4,517	8,091	-
Current Financial Liabilities				
(iii) Other Financial Liabilities				
a) Current Maturity of Term Loans Financial Institutions	2.22	191	348	641
b) Current Maturity of Term Loans other	2.22	4,152	24,221	4,382
c) Deposit/ retention Money	2.22	6,116	2,627	11,013
d) Liability against Capital Works	2.22	3,683	2,868	2,763
e) Other Payables	2.22	40,818	61,561	12,944
Total Financial Liabilities		**3,68,280**	**3,44,660**	**2,45,184**

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

Particulars	Note No.	As at March 31, 2017			As at March 31, 2016			As at April 01, 2015		
		Level 1	Level 2	Level 3	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, 2017			As at March 31, 2016			As at April 01, 2015		
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Assets										
(i) Loans to employees and Others	2.5 & 2.12		149.06			146			147	
(ii) Other		-	-	-	-	-	-	-	-	-
Bank deposits with more than 12 months maturity	2.08	13,069.00	-	-	300.00	-	-	-	-	-
Total Assets		**13,069.00**	**149.06**	**-**	**300.00**	**145.65**	**-**	**-**	**146.71**	**-**
Financial Liabilities										
(i) Long term Borrowings (including current Maturity and Interest)	2.17 & 2.22		313,145.73			269,513.93			218,463.98	
(ii) Deposit / Retention Money (Including Current)	2.18 & 2.22	-	10,633.49	-	-	10,717.87	-	-	11,013.27	-
Total Liabilities		**-**	**323,779.22**	**-**	**-**	**280,231.80**	**-**	**-**	**229,477.25**	**-**
Total										

Valuation techniques and process used to determine fair values

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

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

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

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

(Rs. in Lacs)

Particulars	Note No.	As at March 31, 2017		As at March 31, 2016		As at April 01, 2015	
		Carrying Amt.	Fair Value	Carrying Amt.	Fair Value	Carrying Amt.	Fair Value
Financial Assets							
(i) Loans to employees and Others	2.5 & 2.12	149.06	149.06	146	146	147	147
(ii) Other		-	-	-	-	-	-
Bank deposits with more than 12 months maturity	2.08	13,069.00	13,069.00	300.00	300.00	-	-
Total Assets		**13,218.06**	**13,218.06**	**445.65**	**445.65**	**146.71**	**146.71**
Financial Liabilities							
(i) Long term Borrowings (including current Maturity and Interest)	2.17 & 2.22	313,145.73	313,145.73	269,513.93	269,513.93	218,463.98	218,463.98
(ii) Deposit / Retention Money (Including Current)	2.18 & 2.22	10,633.49	10,633.49	10,717.87	10,717.87	11,013.27	11,013.27
Total Liabilities		**323,779.22**	**323,779.22**	**280,231.80**	**280,231.80**	**229,477.25**	**229,477.25**

Significant Estimates:

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

(ii) Financial Risk Management

Financial risk factors:

The Company's principal financial liabilities comprise borrowings, trade and other payables. The main purpose of these financial liabilities are 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 riskis 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, 2017 and 31st March, 2016.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/networth 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 2.17, 2.18 and 2.22 of Balance Sheet)

As at 31st March, 2017 (Rs. in Lacs)

Contractual maturities of financial liabilities	Note No.	Outstanding Debt on 31.3.2017	Within one Year	More than 1 year & less than 3 Years	More than 3 year & less than 5 Years	More than 5 Years
1. Borrowings (including interest accrued but not due)	2.17, 2.18 & 2.22	120,396.91	4,342.80	174,221.28	55,513.34	79,068.31
2. Other financial liabilities	2.2.2.1	55,117.07	51,745.85	3,371.23	-	-

(Rs. in Lacs)

As at 31st March, 2016

Contractual maturities of financial liabilities	Note No.	Outstanding Debt on 31.3.2016	Within one Year	More than 1 year & less than 3 Years	More than 3 year & less than 5 Years	More than 5 Years
1. Borrowings (including interest accrued but not due)	2.17, 2.18 & 2.22	78,323.92	19,541.31	100,892.97	49,618.26	99,461.38
2. Other financial liabilities	2.2.2.1	75,136.49	72,965.31	2,171.18	-	-

(Rs. in Lacs)

As at 31st March, 2015

Contractual maturities of financial liabilities	Note No.	Outstanding Debt on 31.3.2015	Within one Year	More than 1 year & less than 3 Years	More than 3 year & less than 5 Years	More than 5 Years
1. Borrowings (including interest accrued but not due)	2.17, 2.18 & 2.22	49,461.82	640.64	50,620.46	54,786.15	112,416.73
2. Other financial liabilities	2.2.2.1	26,720.16	26,720.16	-	-	-

(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 2017	As At 31st March 2016	As At 31st March 2015
Fixed Rate Borrowings	2,37,843.78	2,16,083.07	1,84,294.21

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 ofthe reporting period expressed in INR(in lacs) are as follows :

Particulars	As At 31st March 2017		As At 31st March 2016		As At 31st March 2015	
Foreign Currency	USD	Euro	USD	Euro	USD	Euro
Financial Assets						
Net Exposure to foreign currency risk (asset)	7.93	1.5	8.03	1.5	6.77	0.34
Financial Liabilities						
Retention Money	14.65	3	26.35	5.02	7.3	5819.29
Other Payables	50.54	12.34	50.74	15.14	-	-
Net Exposure to foreign currency risk (Liabilities)	65.19	15.34	77.09	20.16	7.3	5819.29

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

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

The Company has elected to avail the exemption available under Ind AS 101, with regard to continuation of policy for accounting of exchange differences arising from translation of long term foreign currency monetary liabilities.

(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, 2017.

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 2017	As At 31st March 2016	As At 31st March 2015
a) Loans and Borrowings	237,843.78	216,083.07	184,294.21
b) Trade and Other Payables	204,215.88	201,323.76	87,961.74
b) Less: Cash and Cash Equivalents	36,518.23	24,544.99	33,632.74
c) Net Debt	405,541.44	392,861.84	238,623.22
d) Total Capital	163,403.08	150,544.58	130,953.58
e) Capital and Net Debt	568,944.52	543,406.42	369,576.80
f) Gearing Ratio	71.28	72.30	64.57

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 has started commercial operation of Kashang Stage-I HEP during the current year and incurred a loss of Rs 3,171 lakhs, thus no dividend has been declared by the company.

2.32 FIRST TIME ADOPTION OF IND AS:

Transition from IGAAP to Ind AS:

The Company has adopted Ind AS for the financial year beginning on April 1, 2016 with April 1, 2015 as the date of transition. These are the Company's first annual financial statements prepared complying in all material respects with the accounting standards notified under the Companies (Indian Accounting Standards) Rules, 2015, the Companies Act, 2013 and the provisions of the Electricity Act, 2003 to the extent applicable.

For periods upto and including the year ended 31 March, 2016, the Company prepared its financial statements in accordance with IGAAP, including accounting standards notified under the Companies (Accounting Standards) Rules,2006 (as amended).

Accordingly, the Company has prepared Ind AS compliant financial statements for period ending on 31st March, 2017.

In preparing these financial statements, the Company has prepared opening Ind AS balance sheet as at 1st April, 2015, the Company's date of transition to Ind AS in accordance with requirement of Ind AS 101, First time adoption of Indian Accounting Standards. The principal adjustments made by the Company in restating its IGAAP financial statements, including the balance sheet as at 1st April 2015 and the financial statements as at and for the year ended 31st March 2016 are quantified and explained in detail as Annexure I & II to this Note. However the basic approach adopted is again summarized hereunder:

i) All assets and liabilities have been classified into financial assets/liabilities and non-financial assets/liabilities.

ii) All non-current financial assets/liabilities at below market rate of interest or zero interest and outstanding as on 01.04.2015 have been measured at carrying cost.

iii) In accordance with Ind AS 101, the resulting adjustments are considered as arising from events and transactions entered before date of transition and recognized directly in the retained earnings at the date of transition to Ind AS.

iv) The estimates as at 1st April 2015 and at 31st March 2016 are consistent with those made for the same dates in accordance with IGAAP.

v) Ind AS 101 also allows to first time adopter certain exemptions from the retrospective application of certain requirements under Ind AS. Accordingly, the company has availed the following exemptions as per Ind AS 101:

i) Optional exemptions:

a) Deemed Cost for Property, Plant & Equipment:

Property, Plant and Equipment up to March 31, 2015 were carried in the balance sheet in accordance with Indian GAAP. The Company has elected to avail the exemption granted by Ind AS 101, "First time adoption of Ind. ASs" to regard those amounts as deemed cost at the date of the transition to Ind AS (i.e. as on April 1, 2015).

b) Designation & Fair value measurement of financial assets or financial liabilities at initial recognition:

Ind AS 101 allows an entity to designate investment in equity instruments at FVTOCI on the basis of the facts and circumstances that exist at the date of transition to Ind AS. In addition, the exemption permits prospective application of requirements of Ind AS 109 to transactions entered into on or after date of transition. Company has not retrospectively applied the amortized cost method for outstanding borrowings as on 01.04.2015, as it is impracticable to apply the same in line with Para B8C of Ind AS101. The impact of which is immaterial.

c) Investment in Subsidiaries and joint ventures:

The Company has decided to avail the exemption with regard to measuring the investment in subsidiaries and joint venture as at date of transition at deemed cost which is previous GAAP carrying amount at that date.

d) Leases:

Appendix C to Ind AS 17- Leases requires an entity to assess whether a contract or arrangement contains a lease. In accordance with Ind AS 17, the assessment should be carriedout at the inception of the contract or arrangement. Ind AS 101 provides an option to make this assessment on the basis of facts and circumstances existing at the date of transition to Ind AS, except where the effect is expected to be not material. The Company has elected to apply this exemption for such arrangements/contracts.

ii) Mandatory exemptions:

Estimates: An entity's estimates in accordance with Ind ASs at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with the previous GAAP, unless there is objective evidence that those estimates were in error.

Ind AS estimates as at 1st April 2015 are consistent with the estimates as at the same date made in conformity with previous GAAP.

Other Explanatory Notes to Accounts:

2.33 CONTINGENT LIABILITIES

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

(Rs. in Lacs)

Particulars	As At 31st March 2017	As At 31st March 2016	As At 31st March 2015
Capital Works	33,526.00		
Land Compensation	33,132.00	-	-
Entry Tax	1,088.98	1,088.98	1,088.98
Others	318.00	-	-
TOTAL	**68,064.98**		

(i) Capital works:

Contractors have lodged claims aggregating to Rs 33,526.00 Lakh (previous year Rs 5,228.30 Lakh and as at 01.04.2015 Rs.45,034.61 Lakh), against the Company on account of rate & quantity deviation, cost relating to extension of time and idling charges due to stoppage of work/delays in handing over the site etc. These claims are being contested by the company as being not admissible interms 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.33,132 Lakh before various authorities/courts. Company has shown the same as contingent liability as the matter is subjudice.

(iii) Others:

Claims on account of other matters amounting to Rs 318 lakhs mainly on account of claims for damage to property due to construction activity at Sainj HEP.

The above is summarized as at 31.03.2017 below:

(Rs. in Lacs)

Particulars	Claims as on 31.3.2017	Provision Against the Claims	Contingent Liablility as on 31.3.2017	Contingent Liablility as on 31.3.2016	Addition of Contigent Liability for the period
Capital Works	33,526.00	0	33,526.00	5,228.30	28,297.70
Land Compensation	33,132.00	0	33,132.00	-	33,132.00
Entry Tax	1,088.98	0	1,088.98	1,088.98	-
Others	317.92	0	317.92	-	317.92
TOTAL	**68,064.90**				

The above is summarized as at 31.03.2016 below

(Rs. in Lacs)

Particulars	Claims as on 31.3.2016	Provision Against the Claims	Contingent Liablility as on 31.3.2016	Contingent Liablility as on 31.3.2015	Addition of Contigent Liability for the period
Capital Works	5,228.30		5,228.30	45,034.61	-39,806.31
Land Compensation	-		-	-	-
Entry Tax	1,088.98		1,088.98	1,088.98	-
Others	-		-	-	-
TOTAL	**6,317.28**				

(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.

2.34 DETAIL OF CONTINGENT ASSETS

(Rs. in Lacs)

Particulars	As At 31st March 2017	As At 31st March 2016	As At 31st March 2015
Civil Work	33,499.00	0	0

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

(In Lacs)

Particulars		As At 31st March 2017	As At 31st March 2016	As At 31st March 2015
Estimated amount of contracts remaining to be executed on capital account and not provided for	INR	1,30,741.39	1,05,642.24	1,48,946.32
	Euro	9.99	3.01	1543.85
	US$	88.28	0.3247	112.08
	CHF	0.00	0.92	5.35
	SWF	0.62	0.00	0.00

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

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

(Rs. in Lacs)

S.No.	Particulars	Year ended 31.3.2017	Year ended 31.3.2016
(i)	Amount Charged to Statement of Profit and Loss Account excluding depreciation	125.66 (Net)	0
(ii)	Amount Charged to Expenditure attributable to construction	3.42	-27.63
(iii)	Amount adjusted by addition to the carrying amount of fixed Assets	Nil	Nil

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

General description of various defined employee benefits are as under:

a) Defined Contribution plans:

Pension:

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

b) Defined benefit plans:

(I) Employers contribution to Provident Fund:

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

(ii) Gratuity:

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

(iii) Leave encashment:

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

2.39 SEGMENT INFORMATION:

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

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

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

d) Information about major customers:

(Rs. in Lacs)

S.No.	Contractual maturities of financial liabilities	Revenue from Customers		Revenue from Customers as percentage of revenue	
		2016-17	2015-16	2016-17	2015-16
1.	HPSEB Limited	14.71	Nil	100%	Nil

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

(a) List of Related Parties

(i) Directors & Key Management Personnel:

Name	Designation
Sh. Ajay Sharma	Managing Director (w.e.f. 23/02/2019 to till date)
Sh. Devesh Kumar, IAS	Managing Director (w. e. f. 21/04/2017 to 18/02/2019 to till date)
Er. Devendra K. Sharma	Managing Director (w. e. f. 13/09/2012 to 20/04/2017)
Sh. Neeraj Kumar, HAS	Director (Personnel & Finance), (w.e.f. 26/10/2015 to till date)
Er. M.S. Rana	Director (Electrical) (w. e. f. 14/08/2012 to 01/04/2017)
Er. Ajay Kumar Gupta	Director (Civil) (w.e.f. 17/06/2013 to 13/06/2016 and 17/06/2016 to 31/01/2018)
Er. Mahesh Sirkek	Director (Electrical) (w. e. f. 19/04/2017 to till date)
Er. Dharam Singh Thakur	Director (Civil) (w.e.f. 09/03/2018 to till date)
Sh. 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 2017	As At 31st March 2016	As At 31st March 2015
Himachal EMTA Power Limited	Kolkata	Thermal Power Generation	50%	50%	50%

Transactions with the related parties are as follows:

(Rs. in Lacs)

Particulars	Joint Venture Companies	
Transactions During the Year	2016-17	2015-16
Investment in Share Capital	-	-60.50
Share Application Money	-	+60.50
Amount Recoverable	0.16	0.16

2.41 REMUNERATION TO DIRECTORS & KEY MANAGERIAL PERSONNEL

(Rs. in Lacs)

Particulars	Year ended on 2016-17	Year ended on 2015-16
i) Short Term Employee Benefits	120.15	106.23
ii) Post Employment Benefits	Nil	Nil
iii) Other Long Term Benefits	Nil	Nil
iv) Termination Benefits	Nil	Nil
TOTAL	**120.15**	**106.23**

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

2.42 INTEREST IN OTHER ENTITIES

(i) Interest in joint ventures:

The company's interest in joint ventures as at 31st March, 2017 are set out below, which in the opinion of the management, are material to the company. The entities listed below have share capital consisting solely of equity shares, which are held directly by the company. The country of in Company or registration is also their principal place of business and the proportion of ownership interest is the same as the proportion of voting rights held:

(Rs. in Lacs)

Name of Entity & place of Business	% of ownership Interest	Relation ship	Accounting Method	Quoted Fair value			Carrying Amount		
				31st March 2017	31st March 2016	31st March 2015	31st March 2017	31st March 2016	31st March 2015
Himachal EMTA Power Limited	50	Joint Venture	Equity Method	*	*	*	**338	338	398

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

Summarised balance sheet as at 31 March 2017 using the Equity Method:

Himachal EMTA Power Limited

(Rs. in Lacs)

Particulars	As At 31st March 2017	As At 31st March 2016	As At 31st March 2015
Current Assets			
Cash and Cash Equivalents	1.36	1.19	1.48
Other Assets	0.36	0.68	50.92
Total Current Assets	**1.72**	**1.87**	**52.40**
Total Non Current Assets	**257.02**	**388.78**	**448.64**
Current Liabilities			
Other Liabilities	0.69	0.45	1.82
Total Current Liabilities	**0.69**	**0.45**	**1.82**
Non Current Liabilities			
Financial Liabilities	121.00	121.00	121.00
Other Liabilities	23.48	23.48	23.48
Total Non Current Liabilities	**144.48**	**144.48**	**144.48**
Net Assets	**113.57**	**245.72**	**366.10**

Summarised statement of Profit and Loss using Equity Method:

(Rs. in Lacs)

Particulars	As At 31st March 2017	As At 31st March 2016
Revenue	0.00	0.00
Interest Income	1.00	3.29
Other Expenses	126.64	53.86
Depreciation and Amortisation	1.57	1.66
Profit Before Tax	-127.21	-51.32
Total Comprehensive Income for the Year	**-127.21**	**-51.32**

2.43 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.

2.44 FAIR VALUATION OF ASSETS AND LIABILITIES

The company has adopted the carrying cost / value of all liabilities and assets as on 01st Apirl 2015 and also on 31st March 2016 and 31St March 2017, 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.

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

(Rs. in Lacs)

	Particulars	Year ended on 2016-17	Year ended on 2015-16
A	Expenditure in Foreign Currency	Nil	0.97
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

2.46 QUANTITATIVE DETAILS IN RESPECT OF ENERGY GENERATED & SOLD

Hydro Power :

S.No.	Particulars	Year ended on 2016-17	Year ended on 2015-16
1)	Licensed Capacity	65 MW	Nil
2)	Installed Capacity	65 MW	Nil
3)	Actual Generation (million Units)	51.11 MUs	Nil

2.47 PAYMENT TO AUDITORS INCLUDES:

(Rs. in Lacs)

Particulars	Year ended on 2016-17	Year ended on 2015-16
As Auditors		
Statutory Auditors (includes revision of fee from the F.Y. 2015-16)	10.49	3.03
Tax Audit	1.18	0.00
Other services (Certification fee)	0.00	0.81
Reimbursement of Expenses	0.00	0.55
Reimbursement of Service Tax	0.00	0.00
TOTAL	**11.67**	**4.39**

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

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

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

(Rs. in Lacs)

Particulars	Year ended on 2016-17	Year ended on 2015-16
a) Amount remaining unpaid to any supplier:	Nil	Nil
Principal amount	Nil	Nil

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

2.50 INFORMATION REQUIRED IN RESPECT OF SPECIFIED BANK NOTES ASREQUIRED BY SCHEDULE III OF THE COMPANIES ACT, 2013:

(Rs. in Lacs)

Detail of Specified Bank Notes (SBN's) held and transacted during the period 08-11-2016 (Closing) to 30-12-2016			
	SBNs	Other denomination notes	Total
Closing Cash in hand as on 8-11-2016	**27,000**	**26,934**	**53,934**
(+) Permitted Receipts	3,000	2,49,826	2,52,826
(-) Permitted Payments	1,500	2,04,888	2,06,388
(-) Amount deposited in Banks	28,500	9,560	38,060
Closing cash in hand as on 30-12-2016	**0**	**62,311**	**62,311**

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

2.52 STATUS OF PENDING INCOME TAX CASES

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 Company has filed an appeal before Hon'ble High Court for full Tax exemption u/s 260A of Income Tax Act, 1961.

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

iii) FY 2014-15, the case is pending before Ld. CIT (Appeal), Solan, against the demand raised by the Assessing Officer.

iv) FY 2015-16, the case is pending before Ld. CIT (Appeal), Solan, against the demand raised by the Assessing Officer.

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

vi) For the FY 2017-18, an amount of Rs. 6,46,89,324/- has been deposited as Advance tax with Income Tax authorities. The assessment proceeding has not yet started.

2.53 ENTRY TAX

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

(Rs. in Lacs)

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

2.54 The Company has in possession forest land at, Sainj HEP, Shongtong HEP, Kashang HEP, and Sawra Kudu HEP. The Company has not accounted for the cost of the lease hold land in accordanceof 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 is under process and final amount not yet ascertained.

2.55 CHANGE IN ACCOUNTING POLICY

Policy Number	Policy for 2015-16	Revised Policy for 2016-17	Financial Impact	Reason for change in/ introduction in accounting policy
1.21	Depreciation on Property Plant and Equipment was charged on WDV method as per Schedule –II of the Companies Act 2013.	Depreciation on Property Plant and Equipment has been charged retrospectively 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 wherever the rates are specified in the HPERC Depreciation Policy.	Expenditure during Construction has decreased by an amount of Rs 4,232.06 Lacs.	To comply with IND AS 16 Accounting for Property Plant and Equipment

2.56 DISCLOSURE AS PER IND AS -23 ON BORROWING COSTS

The Company has Capitalized Borrowing cost during the year Rs.7,551.26 lacs (PY Rs.19,527.19 lacs).

2.57 The HPSEB has retained Rs.13.69 crores from the amount due on account of sale proceeds of power to the company on account of Leave salary and pension contribution of their employees appointed on secondment basis with company. The adjustment of the amount is subject to reconciliation.

2.58 Apportionment of expenditure of Corporate Office and DW Sundernagar:

Pre COD

The Company has apportioned the expenditure net of income of corporate office and Design Wing Sundernagar 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 Sundernagar(Design Wing) from 01 September 2016 to 31st March 2017 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 expenditure incurred on various projects from 01 September 2016 to 31st March 2017.

(ii) Income Portion:

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

- 15% of the total income to Renukaji project.
- Rest is apportioned to the remaining projects on the basis of ratio of the expenditure incurred on various projects from 01 September 2016 to 31st March 2017.

While apportioning the expenditure, the total expenditure during the year has been apportioned in the ratio of 5:7 i.e. from 01stApirl 2016 to 31st August 2016 and 1st September 2016 to 31st March 2017.

(iii) Depreciation after COD:

The Depreciation on Fixed assets after COD of the corporate office and Design Wing Sundernagar has been charged on actual basis to the Kashang Stage I project.

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 INCREASE IN AUTHORIZED CAPITAL

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

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

2.62 The Corporate Office of the Company was shifted from Tutikandi to BCS, New Shimla in the month of October 2016. The furniture and fixture items left over at Tutikandi, to be handed over to H.P. Transmission Corporation Ltd., are still being identified. After determining quantity and its value, the same shall be transferred to HPTCL. Hence no accounting entry has been made in the books of accounts. Similarly, items of furniture and fixtures left behind by SJVN Ltd., while vacating its office from Himfed Building, BCS, New Shimla, have not been identified yet. Therefore, the extent of amount involved, acceptable to both the parties, is not known. Hence no accounting entry has been made in the books of accounts.

2.63 SURVEY AND INVESTIGATION OF KHAB HYDRO ELECTRIC PROJECT

No Provision for expenditure of survey and Investigation of Khab Hydro Electric project done by the SJVN which was allotted to the SJVN earlier by Department of Energy. The Company has communicated to the DoE, GoHP vide letter dated 22.07.2017 that as PFR prepared by SJVNL is of no use to Company and fresh planning of Khab HEP has to be carried out by Company as it was observed that the Khab Dam HEP, as proposed by SJVN, encroaches the domain of both the upstream and downstream projects, already allotted to other IPP. DoE vide letter dated 31.07.2017 allowed company to carry out fresh planning of Khab HEP, with domain elevations ranging between El. ±2538m to El. ±2325m, after considering the requirement of MoEF guidelines.

2.64 GRANT RECEIVABLE

The company has shown Rs. 4.87 crore as grant receivable from Central Water Commission, Government of India. The Central Water Commission has sanctioned Rs. 12.50 crore to the company for field survey and investigation and preparation of Detailed Project report of the Gyspa HEP(300MW). The Central Water Commission has released Rs. 5.00 crore to the company for the above work on 31 March 2012 with the condition that next installment will be paid on the submission of the DPR of the project. The award for conducting the DPR was allotted and the same was started by the consultant for preparation of DPR, but could not be completed due to sustained opposition and hindrance by local people. The Company has incurred expenditure in excess of the amount released by the authorities and the same has been shown as grant receivable from the Central Water Commission. The Gyspa HEP has been declared strategically important project and has been declared as "National Project" by Ministry of Water Resources, Government of India in the year 2009 and the same is covered under Indus Water Treaty 1960. The Central Water Commission vide their letter dated 12th October 2018 has directed the Principal Secretary (MPP& Power), Government of Himachal Pradesh, to direct the concerned officials to take appropriate action for resolving the concern of project affected families so that the survey and investigation work HEP may be completed and the DPR could be prepared at the earliest. In view of above directions the excess expenditure over the amount received is being treated as grant receivable from the concerned authorities.

2.65 The Company is in possession of Land and Buildings at Sarabhai, Thalot and Largi of HPSEB Ltd. (Erstwhile HPSEB Board) at Sainj HEP. The Joint Committee constituted by both Companies has assessed the value of the said properties at Rs. 45.99 Crores in the Meeting held in the month of August 2012. The properties are in the possession of the Company; however 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.

2.66 LOCAL AREA DEVELOPMENT FUND

No provision of amount payable to LADA fund on account of increase in cost of the Projects on its commissioning, has been made, pending approval of revised DPR Cost from concerned authorities.

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

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

2.69 Amount recoverable from contractors includes a sum of ₹ 54.51 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 matter in pending with NCLT.

2.70 STATUS OF THE NAKTHAN HEP

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

2.71 POWER SALE ARRANGEMENTS

The BOD has approved the PPA agreement with HPSEB for forty years in case of Kashang HEP however, the agreement with HPSEB for sale of power was initially made till 31st March 2017 and later extended up to 06th May 2018. After that the Company has made arrangement to sell the power in Energy Exchange through Power Trader PTC India Limited.

Similarly, for 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.

2.72 STATE GOVERNMENT LOAN FOR SHONGTONG KARCHAM HEP (450 MW)

The Shongtong Karcham HEP (450MW) is being financed by State Government of Himachal Pradesh which is being funded by the ADB and KFW. The gap of Loan from ADB to the tune of USD 170 million has expired on 22th October 2018. The AIIB has agreed to finance project to the tune of USD 193 million resulted from the expiry of loan term with ADB once the formal request from the DEA is received.

Further the KFW funding the E & M Package has temporarily stopped the funding to the State Government on the basis of the report of their consultant regarding safety of the barrage structure.

For and on behalf of the Board of Directors

Sd/-	Sd/-	Sd/-	Sd/-
(B.L. Verma)	(Sudershan K Sharma)	(Neeraj Kumar)	(Devesh Kumar)
D.G.M. (Finance)	Company Secretary	Director (Finance)	Managing Director
		DIN 7351150	**DIN 00329576**

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

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

Place: Shimla
Date: 30-03-2019

Annexure I to Note 2.32

Balance Sheet As At 31st March 2017

Reconciliation of Equity

(Rs. in Lacs)

Particulars	Note No.	as at March 31,2016			as at March 31,2015		
		Previous GAAP	Adjust-ments	Ind AS	Previous GAAP	Adjust-ments	Ind AS
ASSETS							
Non-Current Assets:							
Property, Plant and Equipment	2.1	31,077	13,120	44,197	30,681	12	30,693
Capital Work-in-Progress	2.2	421,081	54	421,135	300,204	0	300,204
Other Intangible Assets	2.3	46	0	46	92	0	92
Financial Assets							
Investments	2.4	338	0	338	398	-61	338
Loans	2.5	0	144	144	0	143	143
Others	2.6	0	300	300	0	0	0
Deferred Tax Assets		0	0	0	0	0	0
Regulatory Deferral Account Debit Balance		0	0	0	0	0	0
Other Non Current Assets	**2.7**	**38,284**	**-13,156**	**25,128**	**35,027**	**-811**	**34,216**
Current Assets							
Inventories	2.8	22	0	22	0	0	0
Financial Assets							
Trade Receivables	2.9	0	0	0	1	0	1
Cash and Cash Equivalents	2.10	24,545	0	24,545	33,633	0	33,633
Bank Balance other than above	2.11	1,709	0	1,709	3,037	0	3,037
Loans	2.12	0	1	1	0	4	4
Other Assets	2.13	1,001	3,654	4,655	12	112	124
Other Current Assets	**2.14**	**49,795**	**-4,064**	**45,731**	**125**	**600**	**725**
Total Assets		**567,897**	**54**	**567,951**	**403,210**	**0**	**403,210**
EQUITY AND LIABILITIES							
Equity							
Equity Share Capital	2.15	151,060	0	151,060	135,060	0	135,060
Other Equity	2.16	68,852	-69,367	-515	20,205	-24,312	-4,106
Share Application money pending Allotment		**7,457**	**-7,457**	**0**	**4,332**	**-4,332**	**0**
Liabilities							
Non-Current Liabilities:							
Financial Liabilities							
Borrowings	2.17	174,824	0	174,824	171,692	0	171,692
Other Financial Liabilities	2.18	78,203	0	78,203	41,749	0	41,749
Provisions	**2.19**	**3,302**	**0**	**3,302**	**2,761**	**0**	**2,761**
Other Non Current Liabilities	**2.20**	**0**	**69,421**	**69,421**	**0**	**24,312**	**24,312**
Current Liabilities:							
Trade Payables	2.21	0	0	0	0	0	0
Other Financial Liabilities	2.22	84,167	7,457	91,624	27,411	4,332	31,743
Other Current Liabilities							
Provisions	**2.23**	**33**	**0**	**33**	**0**	**0**	**0**
Total Equity and Liability		**567,897**	**54**	**567,951**	**403,210**	**0**	**403,210**

Annexure II to Note 2.32

Reconciliation of Total Comprehensive Income

(Rs. in Lacs)

Particulars	Note No.	as at March 31,2016		
		Previous GAAP	Adjust-ments	Ind AS
Income				
Revenue From Operations	2.24	0	38	38
Other Income	2.25	0	31	31
Total Income		**0**	**70**	**70**
Expenses				
Employee Benefit Expenses	2.26	0	0	0
Finance Cost	2.27	0	0	0
Depreciation And Amortization Expenses	2.28	0	0	0
Other Expenses	2.29	0	15	15
Total Expenses		**0**	**15**	**15**
Profit/Loss before net movement in regulatory deferral account balance		**0**	**54**	**54**
Net movement in regulatory deferral Account Balance				
		0	**54**	**54**
Profit Before Tax				
Extra Ordinary Items				
Loss of Fixed/CWIP Assets				
Kashang HEP		0	0	0
Sawra Kuddu HEP		-18	0	-18
Profit/Loss Before Tax		**-18**	**54**	**37**
Income Tax		-	-	-
Current Tax		0	0	0
Deferred Tax		0	0	0
Profit/Loss for the year		**-18**	**54**	**37**
Other Comprehensive Income				
Items that will not be reclassified subsequently to profit & loss account				
Remeasurement of the net defined benefit liability/ assets				
Income tax on above item				
Total				
Total Comprehensive Income for the period		**-18**	**54**	**37**

Annexure III to Note 2.32

(A) Reconciliation Statement of Total Equity

(Rs. in Lacs)

Particulars	31st March, 2016	1st April, 2015
Total Equity(Shareholders Fund) as per Previous GAAP	219,911	155,265
Adjustment:-	-	-
Classification of Grant form Government as Current Liabilities	-69,421	-24,312
Reclassification of Profit and Loss Items	54	-
Total Adjustments	-69,367	-24,312
Total Equity as per IND AS	**150,544**	**130,953**
	150,544	130,953

(B) Reconciliation Statement of Total Comprehensive Income

(Rs. in Lacs)

Particulars	31st March, 2016
Profit after Tax as per Previous GAAP	-18
Adjustment:-	-
Reclassification of Income and Expenditure (Net)	54
Total Adjustments	54
Profit After Tax as per IND AS	**37**

Anil Karol and Company
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

To

The Members of HIMACHAL PRADESH POWER CORPORATION Limited

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of HIMACHAL PRADESH POWER CORPORATION Limited ('the Company'), which comprise the Balance Sheet as at 31st March 2017, the Statement of Profit and Loss, Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

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

Auditor's Responsibility

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

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

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

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

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

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Branch Office:- 13/20, Second Floor, East Patel Nagar, New Delhi. Tel:- 011 25864141 and 25863755, Email:- dmbhatia@akcindia.com

Basis for Qualified Opinion

1. Property Plant and Equipment Note 2.1

i) We invite attention to Note No 2.54 wherein its stated thatthe Company has possession of forest land at, Sainj HEP, Shongtong HEP, Kashang HEP, and Sawra Kuddu and no provision has been made as the amount has not been ascertained. In the absence of information, we are unable to comment on the same.

ii) We invite attention to Note no 2.65 where in the company has not accounted for the cost of the Land and Buildings of HPSEB Limited amounting to Rs ₹ 4,599lakhs. 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.

2. Capital Work in Progress 2.2

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

(Amount in Lacs)

Project Unit	Residential Building	Non Residential Building	Roads, Bridges & Culverts	Construction Power	Total
Sundernagar	1	-	-	-	**1**
Sawra Kuddu HEP	56	-	2	81	**139**
Kashang HEP	-	-	25	-	**25**
Sainj HEP	-	27	26	10	**63**
Renukaji Dam Project	2	-	-	-	**2**
Shongtong HEP	-	-	6	39	**45**
Gyspa HEP	8	99	6	-	**114**
Beradol	-	-	-	92	**92**
Total	**68**	**127**	**64**	**222**	**481**

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

ii) The Company was charging the depreciation on assets used during the construction period as per the Companies Act 2013, till 31st March 2016. The Company is regulated under HP Electricity Regulatory Commission and the depreciation rates as provided in the HPREC Act has been applied by the company since the acquisition of the assets. The Company has reversed the excess depreciation charged amounting to ₹ 4,232 lakhs up to 31st March 2016 in the books of accounts in the month of April 2016. (Please Refer Note 2.55)

iii) The Company has adopted for exemption under IND AS regarding deemed cost for Property, Plant and Equipment and adjusted the accumulated depreciation as on 1stApril 2015 with the cost as on that date. (Refer Significant Accounting Policies 1.5 (a)and Note 2.32 (i) optional exceptions). It has been observed that the company has reinstated the depreciation of the assets by changing the Accounting Policy (Refer Note 2.55) up to 31st March 2016 as per GAAP and while applying the exemption under IND AS the depreciation charged up to 1stApril 2015i.e., the depreciation as per previous Accounting Policy has to be adjusted. In our opinion the Accumulated Depreciation up to 1st April 2015 should have been adjusted with the Revised Accounting Policy of the Company i.e., on the basis of the HPREC depreciation Rate. No Information is respect of the same has been provided to us. In the absence of the information we are unable to comment on the same.

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

v) The Chanju, Deonthal Chanju and Suragani Sundla Unit of the corporation is using common facilities at Sundla and has apportioned the expenses during the year on the basis of the power generation capacity of the projects and salary expenditure has been charged on the following basis.

	Surgani	Deothal	Chanju III	Total
Apr-16	-	-	-	-
May-16	-	-	1,184,495.00	**1,184,495.00**
Jun-16	248,650.00	-	1,016,791.00	**1,265,441.00**
Jul-16	313,148.00	-	1,006,575.00	**1,319,723.00**
Aug-16	316,097.00	-	1,007,947.00	**1,324,044.00**
Sep-16	2,577,905.00	-	962,514.00	**3,540,419.00**
Oct-16	147,772.00	1,410,327.00	-680,633.00	**877,466.00**
Nov-16	19,182.00	1,529,446.00	291,212.00	**1,839,840.00**
Dec-16	-	1,581,083.00	33,811.00	**1,614,894.00**
Jan-17	1,514,000.00	141,924.00	26,944.00	**1,682,868.00**
Feb-17	-	622,204.00	-	**622,204.00**
Mar-17	-	-78,468.00	1,600,000.00	**1,521,532.00**
Total	**5,136,754.00**	**5,206,516.00**	**6,449,656.00**	**16,792,926.00**

The basis of charging the expenditure on above basis and not on actual basis is not as per the policy of the company. The above treatment of expenses has been carried on by the unit since earlier years and may affect the cost under the head expenditure during construction period of each HEP unit. In the absence of the complete information we are unable to comment on the authenticity of the expenditure booked under different accounting unit.

vi) The Shongtong unit project work was hampered by the labour strike of the M/s Patel Engineering from 14th March 2016 to 20th December 2016. The Unit has charged the interest on loan during the period to Capital Work in progress which has to be charged to the Profit and loss account. No Information in respect of the interest debited to the capital work in progress during the strike period has been provided by the unit to us. In the absence of the information we are unable to comment on the same.

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

		INR	Euro	US $	Total
1st Progressive payment	4/7/2016	150,605,000.00	5,658,000.00	23,953,000.00	**180,216,000.00**
2nd Progressive payment	5/13/2016	150,605,000.00	5,704,000.00	1,184,495.00	**180,396,000.00**
3rd Progressive payment	3/31/2017	150,605,000.00	4,674,000.00	24,364,000.00	**179,643,000.00**
Total		**451,815,000.00**	**16,036,000.00**	**72,404,000.00**	**540,255,000.00**

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

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

viii) The Sainj Unit is charging the difference in exchange fluctuation at the time of making the initial entry of invoice/ LC discharged by the Supplier. The same has to be booked as part of the cost. The Sainj unit has overstated the Income of Foreign exchange fluctuations in the profit and loss account amounting to ₹ 3 lakhs during the year under review. Thus CWIP Project Electro Mechanical works is overstated to the extent of ₹ 3 lakhs.

ix) The Sainj Unit has paid Entry Tax amounting to ₹ 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 ₹ 544 lakhs and other current assets are understated to that extent.

x) The Kashang Unit has charged interest paid on PFC loan of ₹ 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 ₹ 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 ₹ 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 ₹ 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 ₹ 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 ₹ 871 Lakhs and the other current assets are understated to the extent of above.

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

xii) The Kashang Stage I was completed on 31st March 2016 and after that the testing of the Power generating unit was started. As per Ind as 16 Property Plant and Machinery the employee cost up to 31st March 2016 has to be charged to the cost of the project i.e. when all the construction activity has been completed. The Unit has charged employee cost to the cost of the project up to 31st August 2016 under the Head Expenditure during construction. The employee cost from 1st April 2016 to 31st August 2016 amounting to ₹ 254 lakhs has been excess charged to Cost of the Fixed Assets which has to be charged to the Profit and loss Account. In our opinion current year loss is understated to the extent of above. Its impact on depreciation cannot be quantified due to unavailability of information.

xiii) During the year under review the Kashang Stage I was completed and the commercial generation was started from 01st September 2016. Further the COD date of Unit II (Turbine) was declared on 01st September 2016 and the COD date of Unit III and Unit I Turbine was declared on 03rd March 2017 and 31st March 2017 respectively. It has been observed that the Kashang unit has charged all the expenditure except employee's expenses to profit and Loss Account after 31st August 2016 instead of charging the expenditure to the Profit and Loss account on the basis of COD dates of the different Turbines. No Information in respect of the amount excess charged to the profit and loss account has been provided to us. In the absence of the information we are unable to comment on the same.

xiv) The Company has not accounted for the delay damage charges recoverable from the contractors of Shongtong HEP. No Information about the quantum of delay charges has been provided to us. The impact for the same may affect the financial statements. In the absence of information, we are unable to comment on the same.

xv) **Apportionment of Corporate and Sundarnagar (Design Wing) Expenses to Renukaji Project**

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

Fixed Assests Cost up to 31st August 2016

(Amount in Lacs)

Name of the Power Project	CWIP plus Fixed Assests less land cost	Percentage of total Cost	Cost to be Allocated	Cost Allocated	Variance
Sawra Kuddu	113,082	29.39	4,840	4,249	591
Kashang I	73,532	19.11	3,147	2,763	384
Kashang II	32,532	8.46	1,392	1,222	170
Kashang III	-	-	-	-	-
Sainj	102,681	26.69	4,395	3,858	537
Renukaji	12,206	3.17	522	2,470	-1,948
Shongtong	43,343	11.27	1,855	1,629	227
Chirgaon Majhgaon	969	0.25	41	36	5
Triveni Mahadev	598	0.16	26	22	3
Thana Plaun	1,483	0.39	63	56	8
Nakhtan	1,781	0.46	76	67	9
Gyspa Dam	919	0.24	39	35	5
Surgani Sundla	992	0.26	42	37	5
Deothal Chanju	137	0.04	6	5	1
Chanju III	362	0.09	15	14	2
Berra Dol	107	0.03	5	4	1
Sunni Dam	-	-	-	-	-
Sub Total	**384,723**	**100.00**	**16,466**	**16,466**	**-0**

We invite attention to Note No 2.58 also, where in after COD period 15% of the net income over expenditure has been apportioned to the Renukaji HEP ₹ 644 Lakhs for the period 01st September 2016 to 31st March 2017. Thus a total of ₹1,826 lakhs has been allocated as share of expenditure of Corporate Office and Sunder Nagar Design wing to the unit till 31st March 2017 by the company.

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 2.4

i) We invite attention to Note No.2.42(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 Rs 337.50 lakhs during the year under review.

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

4 Other Non-Current Financial Assets Note 2.6

i) The Chirgaon Unit is showing a sum of ₹ 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 Capital Work in Progress is understated to the extent of above.

ii) The Shongtong HEP, has paid ₹ 44 Lakhs (previous year ₹ 45 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 paid by the land owners and a provision for the same is required. In our Opinion Other Non-Current Financial Assets is overstated to the extent of above and consequently the expenditure is understated to the extent of above

iii) We invite attention to Note No 2.69 where in it is stated that the amount recoverable from contractors includes a sum of ₹ 5,451 lakhs (previous year ₹ 2,286 lakhs) recoverable from Coastal Projects on account of risk and cost. The contract with the contractor was terminated in the year 2013 and the same was awarded to M/s HCC Limited The amount paid to HCC Limited on account extra cost has been shown as recoverable from Coastal Projects. The amount is doubtful of recovery from the Coastal Projects as there is no agreement with the party to recover the money as the contract with the party has already been terminated since 2013. The Company has gone into liquidation as the lender banks of the contractor has filed liquidation petition with NCLT and the amount is doubtful of recovery.

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

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

iv) The Company is showing ₹ 20 lakhs (previous year ₹ 20 lakhs) recoverable from HPSEB Limited under the Head

Misc. Assets from HPSEB. The amount has not been recovered from the HPSEB and neither any confirmation of balance from the party has been provided to us. In our opinion the amount is doubtful of recovery and provision for the same should be made in the books of accounts. Thus, Other Non-Current Financial Assets are overstated to the extent of above and Expenditure is understated to the extent of above.

v) The Sainj HEP is showing ₹ 19 lakhs as recoverable from government on account TCS deposited by the Forest department at the time of the purchase of cost of trees from the Forest Department in the year 2010. No TCS certificate has been issued by the department nor the same has been claimed in the income tax return of the company for the relevant assessment year. In our opinion the Other Non-Current Financial Assets are overstated to the extent of above and expenditure is understated to the extent of above as the amount is doubtful of recovery.

vi) The Renukaji HEP is showing a sum ₹ 10 lakhs (Previous Year ₹ 10 lakhs) recoverable from HPSEB Limited since 2008. No Confirmation of the balance from the HPSEB Limited has been shown for our verification. The amount is doubtful of recovery hence provision for doubtful advance is required. In our opinion the other Non-Current Financial Assets are overstated to the extent of above and Expenditure is understated to the extent of above.

vii) The Corporate office is showing a sum of ₹ 42.00 lakhs (Previous Year ₹ 66 lakhs) as recoverable from contractors on account of reimbursement of LC Charges from the contractors. The amount has not been recovered till the date of audit. The amount pertains to the Sainj HEP. The Company is also showing the amount payable to the Contractors under Current Liabilities for the E and M Contracts. In our opinion the amount may be adjusted with the amount payable to contractors. In our opinion the other Non-Current Financial Assets are overstated to the extent of above and Other Financial Liabilities are understated to the extent of above.

viii) We invite attention to Note No 2.61 where in it is stated that the company has not made a provision for ₹ 103 lakhs (Previous Year ₹103 Lakhs) recoverable from Gammon India since 2013 through Directorate of Energy. The amount has to be recovered along with interest of 10 % per annum. The Amount has not been recovered till the date of audit and the same is doubtful of recovery hence provision for doubtful advance is required. In our opinion the Non-Current Financial Assets are overstated to the extent of above and Expenditure are understated to the extent of above.

ix) The Renukaji HEP has deposited ₹ 95 lakhs (Previous Year ₹95 Lakhs) as excess deposit with HPSEB Dadhau for installation of lines from substation to the Project site since December 2009. The amount has been shown as advance and the same has been paid in excess to the HPSEB as there is no need to install the lines at the project site. The amount has not been recovered till date of audit and provision for the doubtful advance is required to be made. In our opinion the other Non-Current Financial Assets are overstated to the extent of above and Expenditure are understated to the extent of above.

x) The Capital Work in Progress of includes excise duty reimbursed to the contractors by the company which is exempted as per the notification No.108/95-CE, dated 28.08.1995, which provides that the goods supplied to projects, financed by the World Bank , Asian Development Bank or any International Organisation, and approved by the Govt of India, shall be exempted from the whole of the excise duty / additional excise duty leviable thereon. The Company has accounted for the expenditure in capital Work in progress by way of the reimbursement of the same to the contractor amounting to ₹ 609lakhs. The Company has shown the above amount as recoverable from the Contractor during the year under review. The Company has recovered only ₹ 306lakhs (previous year ₹ 110 Lakhs) lakhs from the contractor till the close of the financial year of the audit.

xi) Grant Receivable

We invite attention to Note No 2.64 where in it is stated that company is showing ₹ 488 lakhs (previous year ₹ 442 lakhs) as recoverable grant from the Central Government on account DPR and Investigation Expenses. The Government of India has approved ₹ 1,250 Lakhs for survey and investigation of the project and paid ₹ 500Lakhs 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.

xii) The Renukaji Unit has not adjusted advance given to government department amounting to ₹ 45 Lakhs as the work has been completed before the finalisation of the Balance sheet. In our opinion the Non-Current Financial Assets are overstated to the extent of above and CWIP are understated to the extent of above

xiii) 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 2.44). The following are details of the advances.

(Amount in Lacs)

	Contractor	Amount
1.	Patel Engineering	5,237
2.	Andtriz Hydro	3,709
	Total	**8,946**

xiv) The Shongtong unit has given advance of ₹ 50 lakhs to IPH Khwangi on 31/07/2014 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.

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

xvi) The Shongtong unit is showing advance of ₹ 200 lakhs to HPSEB as on 31st March 2017 and the utilisation certificate of ₹ 130 lakhs has not been received by the corporation and advance has not been adjusted. 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 ₹ 130 lakhs and CWIP are understated to the extent of above.

xvii) The Sawara Kuddu unit is showing a sum of ₹ 22 lakhs recoverable as interest on mobilisation Advance paid to Patel Engineering as Mobilisation Advance. The Party has paid back the Mobilisation Advance and interest due on the same has not been paid by the Contractor till date. In our opinion the Non-Current Financial Assets are overstated to the extent of ₹ 22 lakhs and CWIP are understated to the extent of above

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

xx) The Kashang Unit is showing a sum of ₹1 lakh as amount recoverable from HPSEB which has not been recovered till date. Thus, provisions on account of amount doubtful for recovery is required. In our opinion the Non-Current Financial Assets are overstated to the extent of ₹1lakhs and Expenditure are understated to the extent of above.

xxi) The Kashang Unit is showing a sum of ₹ 14lakhs as credit balance in Advance account of AHIPL. No satisfactory explanation for the same has been provided to us. In our opinion the Non-Current Financial Assets are understated to the extent of ₹ 14lakhs and Income is understated to the extent of above.

xxii) The Corporate office has shown advance to BSNL amounting to ₹ 8 lakhs. The above advance relates to the expenditure for the year 2016-17. The Corporate Office has shown a sum of ₹5Lakhs payable to BSNL under the head Govt Dues Payable. In our opinion the Non-Current Financial Assets are overstated to the extent of ₹5lakhs and correspondingly the Other Current Liabilities are overstated to the extent of ₹5Lakhs.

5 Trade Receivables Note 2.9

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

ii) We invite attention to Note No 2.57 wherein it is stated that HPSEB Limited has retained ₹ 1,369 lakhs as amount due on account of Leave salary and pension contribution of employees appointed on secondment basis with the company. No provision has been made in the books of accounts. In our opinion the trade receivables are overstated to the extent of above and similarly Non-current provisions are overstated to that extent.

6 Other Current Assets Note 2.14

i) The Company is showing ₹ 35 lakhs as TDS recoverable which pertains to the FY 2012-13 and the same has not been refunded by the Income Tax Department neither the same has been claimed by the corporation as refund till the conclusion of the audit. It has been informed to us that the amount is pending for reconciliation. The company has not made any provision in respect of the same. In our opinion the other Current Assets are overstated to the extent of ₹ 35 lakhs and Expenditure is understated to the extent of above.

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

iii) The Corporate office has shown ₹ 3 lakhs as advance to Feed Back Infra Private Limited. The Company has terminated the contract with the party on 16/12/2017.The amount was not recoverable from the party and has to be charged to expenditure as the same was known to the company before the finalisation of the financial statements. Thus, advance is overstated to the extent of above and the expenditure is understated to the extent of above.

iv) The Corporate office has sanctioned ₹ 18 Lakhs as advance to DRDA on 21/02/2017 when the party has done the 90 percent of the work awarded to the contractor amounting to ₹36 lakhs. The Corporate office has not made the provision of the expenditure of the work done by the contractor. Thus, Current Liabilities are understated to the extent of ₹ 36 lakhs and Incidental expenditure during construction is understated to the extent of above.

7 Non-Current Other Financial Liabilities Note 2.18

i) 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.

ii) The Sawara Kuddu Unit is showing a sum of Rs. 100 lakhs as retention money payable to the Coastal Projects Limited. The Company has gone into insolvency proceedings (refer Note 2.69) and a sum of ₹ 5,452 lakhs has been shown as recoverable from the company as risk and cost as on 31st March 2017. The amount should be adjusted with the amount recoverable from the company. In our opinion Non-Current other Financial Liabilities are overstated to the extent of above and correspondingly the other non-current assets are overstated to the extent of above.

8 Non-Current Liabilities Provisions Note 2.19

i) **For Company Employees**

We invite attention to note 1.19 and 2.38 where in the policy adopted for employees benefit and accounting in respect of the same has been disclosed. The Above policy is not in compliance with the Ind AS 19 Employees Cost in relation to Post Employment defined Benefits plan in the matter of its recognition and measurement. In the absence of Information, we are unable to comment on the same of its impact in the balance sheet and profit and Loss Account.

ii) For HPSEB Employees

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

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

iii) While calculating the liability on account of gratuity of its employees the part of month of services has been treated as completed year of service. Whereas the Gratuity Act specifies that gratuity has to be paid for the completed year of service. The Gratuity Act also specifies that the gratuity is payable to those who have competed 5 years of service in the organisation. However, it has been observed that gratuity liability has been provided for those employees also who has not completed 5 years of services at the close of the year.

The company has not provided to us the information in respect of the excess amount of the gratuity provided for. In the absence of information, we are unable to comment on the same.

9 Other Non-CurrentLiabilities Note 2.22

a) Utilised Grant Renuka ji

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

(Amount in Lacs)

Particulars	as on 31st March 2017
Tangible Assets	29,722
Capital Work in progress	43,405
Advances	259
	73,387
Grant Received	68,549
	68,549
Shortfall	4,838

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

ii) We invite attention to para 2 (xv) of our audit report regarding allocation of expenses to Renukaji HEP where in its stated that the allocation of expenditure of Corporate office and Sundernagar 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 ₹ 1,826 lakhs as share of corporate office and design wing expenses to the Renukaji HEP till 31st March 2017. In our opinion the amount recoverable from participating states will be reduced by₹ 1,826 given in above para.

iii) The Company is earning interest on the surplus fund of Renukaji at Corporate Office by investing the same inshort 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 1.15 and para 13 of our audit report). In the absence of information, we are unable to comment of the effect of the same on the Financial Statements.

10 Current Liabilities Other Financial Liabilities Note 2.23

i) The BOD in its meeting has approved the compensation of ₹ 152lakhs on account of agriculture and horticulture losses due to dust emission project activity by Shongtong HEP during the year 2013-14,2014-15 and 2015-16.No provision for the same has been made in the books of accounts. The Liability was known to the management before the approval of the Financials by the BOD i.e. 28th November 2018. Thus, current Liabilities are understated to the extent of above.

ii) The BOD in its meeting has approved the payment of excess reimbursement deducted from the Civil Contractor amounting to ₹ 98 lakhs at Sawra Kuddu HEP. No provision for the same has been made in the books of accounts. The Liability was known to the management before the approval of the Financials by the BOD i.e. 28th November 2018. Thus, current Liabilities are understated to the extent of above.

iii) 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.

iv) 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 HPSEB Limited should be maintained and net balance of recoverable or payable should be shown in the financial Statements.

v) The amount payable to Andritz Hydro under different heads is subject to reconciliation as the unit has started the commercial operation in the month of September 2016. No confirmation from the party has been provided to us in respect of the amount payable to them under different heads.

vi) 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.

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

viii) The Chanju III unit has made excess provision of ₹9 Lakhs on 31st March 2017on account of contractor's dues payable bills payable and medical expenses payable. In our opinion the current financial liabilities are overstated to the extent of above.

ix) The Deothal Chanju unit has made excess provision of ₹ 5 Lakhs on 31st March 2017on account of contractor's dues payable, bills payable and medical expenses payable. In our opinion the current financial liabilities are overstated to the extent of above.

x) The Surgani Sundla unit has made excess provision of ₹ 5.00 Lakhs on 31st March 2017on account of contractor's dues payable, bills payable and medical expenses payable. In our opinion the current financial liabilities are overstated to the extent of above.

xi) The Nakthan Unit has made excess provision of expenses amounting to ₹5 lakhs as on 31st March 2017 and the same has not been paid till date. In our opinion the current financial liabilities are overstated to the extent of above.

xii) The Thana Plaun Unit has made excess provision of expenses amounting to ₹ 25 lakhs as on 31st March 2017 and the same has not been paid till date. In our opinion the current financial liabilities are overstated to the extent of above.

xiii) The Treveni Mahadev Unit has made excess provision of expenses amounting to ₹ 8 lakhs as on 31st March 2017 and the same has not been paid till date. In our opinion the current financial liabilities are overstated to the extent of above.

xiv) The Shongtong Unit has made excess provision of expenses on account of welfare grant amounting to ₹ 16 lakhs as on 31st March 2017 and the same has not been paid till date. In our opinion the current financial liabilities are overstated to the extent of above.

xv) The Shongtong Unit has made excess provision of expenses on account of amount payable to AIHPL amounting to ₹ 25 lakhs as on 31st March 2017 and the same has not been paid till date. In our opinion the current financial liabilities are overstated to the extent of above.

xvi) The Shongtong unit has debited the account of the of the AIHPL during the year with ₹ 556 lakhs for which no details have been provided by the unit. In our opinion the current financial liabilities are understated to the extent of above and correspondingly the CWIP are also understated to that extent

xvii) The Sawra Kuddu unit has made a provision for CAT Plan Expenses on 04th January 2016 amounting to ₹ 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.

xviii) The Sainj Unit Has made a provision of ₹ 200 lakhs on account of amount payable to the contractor (HCC Ltd). The provision has not been adjusted by the unit till the date of audit. Thus, current Liabilities are overstated to the extent of above.

xix) The Kashang Unit has made excess provision of warranty charges of AHIPL on 31st March 2017 amounting to ₹ 163Lakhs. Thus, current Liabilities are overstated to the extent of above.

xx) The Corporate Office has shown ₹ 3 lakhs and ₹1 lakhs as EMD Payable and Security payable to contractors since 2013 and the same has been transferred to Unclaimed accounts during the year 2017-18. In Our Opinion the EMD payable and Security from Contractors is overstated to the extent of above and the unclaimed accounts are under stated to the extent of above. Further the same should to be charged to revenue as the same not payable to the contractors.

xxi) The Corporate Office has not made the provision for demand raised by the PF Commissioner for the period 09/2018 to 06/2011 amounting to ₹189 Lakhs on 02nd August 2018. The Liability was known to the management before the approval of the Financials by the BOD i.e. 28th November 2018. Thus, current Liabilities are understated to the extent of above.

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

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

HEP	Expenditure Incurred in Crore	Lada Fund @1.5%	Expenses Booked	Deficit
Kashang I	995.31	14.93	8.45	6.48
Kashang II and III	146.57	2.20	0.77	1.43
Sainj	1,198.19	17.97	10.7	7.27
Sawra Kuddu	1,423.38	21.35	8.38	12.97
Total	**3,763.45**	**56.45**	**28.30**	28.15

In our opinion the Capital work in progress is understated to the extent of ₹ 2,815 lakhs and correspondingly Current Liabilities are also understated to that extent.

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

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

11 Other Income Note 2.25

i) The Kashang Unit has shown excess gain from foreign exchange fluctuations amounting to ₹ 79 lakhs the details of which is as under: -

2014-15 ₹55 lakhs

2015-16 ₹24 lakhs

The unit has booked twice the gain from foreign exchange fluctuations in the books. In our opinion the income is overstated to the extent of above and correspondingly the AUC is overstated to the extent of above

ii) The Sunder Nagar Design Wing has understated the Lab Income by ₹ 6 lakhs during the year under review. In our opinion the income is understated to the extent of above.

12 Apportionment of expenditure of Corporate Office and Sundernagar

i) We invite attention to note no 2.58 regarding apportionment of expenditure of Corporate Office and Sunder Nagar Design Wing post COD of the generating unit which is not in line with the accounting policy (refer Significant Accounting Policy no 1.6 g) which states that the allocation has been done on systematic basis where as the method adopted for allocation of expenses for pre and post COD Period is different. The company has adopted capital expenditure up to 31st August 2016 for Pre COD period and expenditure incurred from 1st September 2016 to 31st March 2017 for Post Cod Period. The allocation after Cod Period should have been on the basis of Capital expenditure incurred up to 31st March 2017 on units under construction. 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) **Expenditure of Corporate Office and Sundernagar**

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 5:7 from 01stApril 2016 to 31st August 2016 and 1st September 2016 to 31st March 2017. (refer Significant Accounting Policy no 1.6 g and Note no 2.58). 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 affect 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.

The Company has not adopted any accounting policy in respect of charging of expenditure and Income of the Corporate office and the Sundernagar after commercial operations of the generating unit. The same should be on the basis of proportion of sales during the period and the capital outlay of the projects for the commissioned projects.

The Kashang Unit stage-I which has started generation from 1st September 2016 has booked share of expenditure of corporate office and Sundernagar (Design Office) for the year after COD amounting to Rs. 1,037 lakhs on the basis of accounting policy of the allocation of expenditure of non-commissioned units. In our opinion the expenditure has to be charged to other non-commissioned projects. Thus expenditure is overstated to the extent of ₹ 1,037 lakhs and the Capital work in progress is understated to the extent of above.

i) 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 short term investments of the following funds: -

- Funds received for Equity
- Funds for Renukaji Project

- Imprest Funds for ADB Funded Projects State Govt Loan
- Interest on Funds With LAO

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

S.No.	Particulars	Amount	To be apportioned to
1.	Equity Funds	44,874,572.02	All the Units
2.	Renuka Funds	136,617,713.86	To Renuka Funds
3.	Trench 1 State Govt Loan	638,102.00	Swara Kuddu and Kashang
4.	Trench 2 State Govt Loan	1,932,855.79	Sawara Kuddu
5.	Trench 3 State Govt Loan	19,256,416.00	Kashang and Sainj
6.	Trench 4 State Govt Loan	15,116,776.00	Shongtong
		218,436,435.67	
7.	Interest on Funds with LAO	5,897,174.00	Renuka ji
		224,333,609.67	

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. The following are the details of the allocation: -

Unit	01/04/2016 to 31/08/2016	01/09/2016 to 31/03/2017	Total
Sawra Kuddu	24,118,553.00	35,625,086.00	59,743,639.00
Kashang I	15,683,206.00	52,714,114.00	68,397,320.00
Kashang I	6,938,429.00	-29,065,703.00	-22,127,274.00
Sainj	21,900,043.00	31,254,267.00	53,154,310.00
Renukaji	14,020,850.00	19,629,190.00	33,650,040.00
Shongtong	9,244,219.00	18,513,761.00	27,757,980.00
Chirgaon Majhgaon	206,764.00	38,429.00	245,193.00
Triveni Mahadev	127,439.00	58,516.00	185,955.00
Thana Plaun	316,208.00	500,051.00	816,259.00
Nakhtan	379,811.00	241,210.00	621,021.00
Gyspa Dam	196,026.00	64,787.00	260,813.00
Surgani Sundla	211,534.00	156,222.00	367,756.00
Deothal Chanju	29,209.00	322,118.00	351,327.00
Chanju III	77,220.00	414,675.00	491,895.00
Berra Dol	22,818.00	394,545.00	417,363.00
Sunni Dam	-	-	-
Total	**93,472,329.00**	**130,861,268.00**	**224,333,597.00**

The allocation of income of the corporate office to the units is not on the basis of the actual receipt of the interest on different type of funds. The above basis is also used in the allocating the income up to 31stMarch 2016 by the Company. The apportionment of the income on the basis of the funds kept by the corporation may have impact on the incidental expenditure which has to be allocated to the individual assets of the unit at the time of the commissioning of the project. In the absence of the information we are unable to comment on the same and its impact on the cost of the individual units under the head Capital work in progress and Property Plant and equipment.

The Kashang Unit stage I has charged ₹ 527 lakhs as income from interest on Fixed Deposits and Bank Deposits after COD Period as share of Income of Corporate Office. The above apportionment of the income to the unit has no relevance as project was completed for testing on 31st March 2016 and unit started commercial Operation on 31st August 2016 and no funds of Equity and Imp rest fund from State Govt (ADB funds) is at the disposal of the Unit. Thus, the Income on account of Interest on Fixed deposit and Bank Interest is excess shown by the unit as proportion of income to the unit which has to be adjusted with the Incidental expenditure of the projects under construction as per accounting policy of the company. Thus, the income during the year is overstated to the extent of ₹ 527 lakhs and capital work in progress in overstated to that extent.

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

The company has filed an Appeal with the High Court of Himachal Pradesh that the interest on the short-term investment of the funds in Fixed Deposits with bank from the Equity received from the Government is an addition to the equity and not an income of the company and on same the income tax is not payable. Similarly, the Income earned on 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 been shown as additional grant from the Agencies.

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

14 Provision for Income Tax

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

We also invite attention to note 2.52 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 ₹ 7,774 lakhs (Previous Year ₹5,665 lakhs (refer note 2.7), and Income Tax Refund due ₹1,066 (previous year ₹4,191 (refer note 2.13). In view of the uncertainly involved and the matter is subjudice we are unable to comment on the recoverability of the above amount and its effect on the Financial Statements.

15 Deposit of Advance Tax

The Company has deposited the advance Income Tax during the year under review on the interest income without setting off the income on FDR from the Business loss ₹ 8,600 Lacs incurred during the year and deposited ₹ 600Lakhs during the year under review.

16 Bank Balances at HEP

The Balance at Bank at Units are not properly monitored and corporate office is funding the Units without actually verifying the bank balances with the unit. This has resulted in idle investments at unit level which can be invested in sweep Fixed deposits at Unit Level to earn interest on idle bank balances at unit level.

17 Shifting of Corporate Office to New Shimla

We invite attention to Note No. 2.62 where in it is stated that the Corporate office was shifted from Tutikandi to New Shimla in the month of October 2016. The Company is using the assets left over by SJVN and similarly the assets has been handed over to HPTCL at Tutikandi office. No accounting entry has been passed in the books. In the absence of information, we are unable to comment on the same.

18 Quantitative Details in respect of energy generated and sold

We invite attention to Note2.46 where in the Company has stated that it has installed capacity of 65 MW as on 31st March 2017. The company has capacity 65 MW *3 i.e. 195 MW and all the three turbines was in operation and was used alternatively by the Kashang HEP during the year under review. In our pinion the installed capacity is understated to the extent of 135 MW.

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

The Company has not complied with the following Indian Accounting Standards while preparing the financial statements:-

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

The Company has been granted the deferment of repayment of principal payment and payment of interest till FY 2018-19 refer para 2.18. The company must account for the interest payable on such deferment till the close of the year at market rate as grant from the government and has to be accounted for as the addition to cost and the same has also to be shown as addition of grant. No such interest has been accounted for by the company till the close of the year as per para 10 A of the IND AS. In the absence of the information we are unable to comment on same.

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

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

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

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

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

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

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

The financial Statements are provided to us on 17th December 2018 which was approved by the BOD on 28th November 2018. The financial statements are not adjusted for the events occurred between the Balance sheet date both favourable and unfavourable till date of the finalisation of this report.

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

The Company has not made Fair Value of the assets and Liabilities as on 31st March 2017, on 31st March 2016 and on 01st April2015 (**Refer** Note No 2.44). The same is not in line with the IND as113 Fair Value Measurement which is mandatory applicable to the company.

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

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

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

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

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

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

The effect of the said qualifications where ascertainable the loss of current year will be ₹ 3,314 lakhs against reported loss of ₹ 3,172 lakhs. The Other Equity will be ₹ 3,830lakhs instead of ₹3,687lakhs. The Provisions non current will be of ₹ 2,889 lakhs instead of ₹ 4,258lakhs. The other Non-Current financial Liabilities will be of ₹ 72,442 lakhs instead of ₹ 69,530 lakhs. The Current Financial Liabilities will be ₹ 61,472 lakhs instead of ₹ 54,959 lakhs. The Property Plant and Equipment will be ₹ 1,60,086 lakhs instead of ₹ 1,56,131 lakhs. The Capital Work in Progress will be ₹ 3,61,100 lakhs instead of ₹ 3,55,762 lakhs. The Other Noncurrent Assets will be ₹ 27,451 lakhs instead of ₹ 29,297 lakhs. The Trade Receivable will be ₹ 101 lakhs instead of ₹ 1,543 lakhs. The other current assets will be ₹ 8,587 lakhs instead of ₹ 4,133 lakhs.

Qualified Opinion

In our opinion , and to the best of our information and according to the explanations given to us , except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, the aforesaid standalone Ind AS financial statements give information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs(financial position) of the Company as at 31st March 2017, and its profit/loss(financial performance including other comprehensive income) and its cash flows and changes in equity for the year ended on that date:-

Emphasis of Matter

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

2 **Audit Comparative Information for adjustments to transition to Ind AS:**

The Comparative financial information of the Company for the year ended 31st March 2016 and the transition date opening balance sheet as at 1st April 2015 included in these standalone Ind AS financial statements prepared in accordance with the Companies (Accounting Standard) Rules, 2006 by us & reports of which dated 08thFebruary 2017 and previous auditors report dated 12th February 2016 respectively express an unmodified opinion on those standalone financial statements, as adjusted for the differences in the accounting principles adopted by the Company on transition to the Ind AS

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

(i) Note No. 2.36 to the standalone Ind AS financial statements regarding the various balances which are subject to reconciliation/ confirmation and respective consequential adjustments.

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

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

(iv) Note No. 2.72 to the standalone Ind AS financial statements regarding statement on State Government loan for Shontong Karcham HEP (450MW) where the ADB funding to state government has expired and the AIIB funding is subject the approval of Department of Economic Affairs.

(v) Note No. 2.72 to the standalone Ind AS financial statements regarding statement on State Government loan for Shontong Karcham HEP (450MW) where the KFW funding has been temporary stopped on the basis of report of their consultant regarding safety of the barrage structure.

Our Opinion is not modified in respect of these matters

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure-I, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. We are enclosing our report in terms of Section 143 (5) of the Act, on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, in the Annexure-2 on the directions issued by Comptroller and Auditor General of India.
3. As required by section143(3) of the Act, we report that:
   a) We have sought and except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph above, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
   b) Except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph above, in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement and changes in equity dealt with by this report are in agreement with the books of account;
   d) Except for the effects of the matter described in the Basis of Qualified Opinion paragraph above, in our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act,
   e) The Matter described in the Basis for Qualified Opinion paragraph above , in our opinion may have adverse effect on the functioning of the company.
   f) This being government company, Section 164 (2) of the Act is not applicable.
   g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.
   h) With respect to adequacy of Internal Financial Controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure-3" in our opinion the internal financial controls system is adequate but the operating effectiveness of such controls need be improved.
   i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
   i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements- Refer Note 2.33 to the standalone Ind AS financial statements.
   ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
   iii. There were no amounts as at 31.03.2017 which were required to be transferred to the Investor Education and Protection Fund by the Company.
   iv. The Company has provided requisite disclosures in its standalone Ind AS financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 in Note 2.50 to the standalone Ind AS financial statements. Based on audit procedures and relying on the management representation, we report that the disclosures are in accordance with books of account maintained by the Company.

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

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

Place: Shimla
Date: 30.03.2019

Anil Karol and Company
Chartered Accountants

ANNEXURE 1 TO THE AUDITORS' REPORT

Annexure referred to in our report of even date to the members of HIMACHAL PRADESH POWER CORPORATION LIMITED on the accounts for the year ended 31st March 2017.

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

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

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

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

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

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

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

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

(vii) (a) The company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, value added tax, cess and other statutory dues applicable to it, and there are no undisputed dues outstanding as on 31st March 2017 for a period of more than six months from the date they became payable. We are informed that the provisions of Employees' State Insurance Act are not applicable to the company.

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

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

(viii) The Company has not defaulted any repayment of loans or borrowing to any financial institution or bank or Government or dues to debenture holders. However,the Government of Himachal Pradesh has given the sanction to the deferment of repayment Loan and interest till April2018.

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

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

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

(xii) Company is not a Nidhi Company.

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

(xiv) As informed by the management, the company has not made any preferential allotment to private placement of shares or fully convertible debentures during the year under review.

(xv) As informed to us the company has not entered in to any non-cash transaction with directors or persons connected with him.

(xvi) Section 45-IA of the Reserve Bank of India Act, 1934 is not applicable to the company.

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

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

Place: Shimla
Date: 30.03.2019

Anil Karol and Company
Chartered Accountants

ANNEXURE 2 TO THE AUDITORS' REPORT

Annexure referred to in our report of even date to the members of HIMACHAL PRADESH POWER CORPORATION LIMITED on the accounts for the year ended 31st March 2017.

S.No.	Directions	Action Taken	Impact on Financial Statement
1.	Whether the company has clear title / lease deeds for freehold and leasehold respectively? If not please state the area of freehold and leasehold land for which title/lease deed are not available.	**i) Renukaji HEP** The Company does have clear title of land of 915.64hectares of land which is in the possession of land owners R and R Plan is under process. **ii) Shongtong HEP** The Company does not have lease title of 17.02 hectares and the application for lease title has been given to DC Kinnuar. Further acquired land measuring 0.59.32 hectares is in dispute with Defence authorities for security clearances. **iii) Sainj HPESB Land** The company has possession of land at Sarabhai 39.99 bighas, thalot 19.11.04 bighas, Shelli Larji 36.12.11 bighas but the title deed is not with the company as payment has not been paid to the HPSEB amounting to ₹34.35 crores. **(iv) Chirgaon Majgoan** The Land in possession at Chiragon is with corporation, however the land is in the name of HPSEB amounting to Rs 5.00 lakhs. **(v) Beradol** The Lease deed for govt diverted land of approx. 12.86 hectares is pending.	The Amount paid to land owners and deposited with court has been capitalized.
2.	Whether there are any cases of waiver off of debts/loan/ interest etc. if yes, the reason there for and the amount involved.	No such case found during the audit.	NIL
3.	Whether proper records are maintained for inventories laying with third parties & assets received as gift from Government or other authorities.	Forest land diverted from Government of Himachal Pradesh has not been accounted as the execution of lease deed are in process.	NIL
4.	State the cases where wastages/ defectives are beyond the norms fixed for it. expeditiously and in transparent manner.	NIL	

5.	What is the system of valuation of by products and Finished products? List out the cases of the deviation from the declared Policy.	Valuation of the Power Generation has been done on the basis of PPA Agreement signed with the HPSEB.	Nil
6.	State the extent of utilization of Plant and machinery during the year vis-a-vis installed capacity.	Installed Capacity 26.28 PLF Utilised Capacity 15.71 PLF Utilisation Percentage:59.78% (PLF stands for Plant Load Factor) Refer Note 2.46 to the notes to accounts where in the quantitative details has been given for only one Turbine of 65 MW whereas the Kasang stage I Unit is using Three turbine of 65 MW each alternatively.Thus, the company has understated the installed capacity and theutilised Capacity which should be 65MW X 3 i.e.**195 MW**.	Nil
7.	Report on the cases of Discount/ Commission in regard to debtors and creditors where the company has deviated from its laid down policy.	No Discount and Commission has been given by the company during the year under review.	

Anil Karol and Company
Chartered Accountants

ANNEXURE 3

Report on the Internal Financial Controls under Clause (i) of Subsection 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **HIMACHAL PRADESH POWER CORPORATION LIMITED** ("the Company") as of 31 March 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, 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: -

- Classification of account heads in SAP according to the disclosure and classification requirements of the Schedule II of the companies act 2013.
- 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.

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, 2017 standalone financial statements of the Company. However, these areas of improvement do not affect our opinion on the standalone financial statements of the Company.

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

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

Place: Shimla
Date: 30.03.2019

Replies to the Auditors' Report on the Annual Accounts for the year ended 31st March 2017 (Standalone)

S. No.	Auditor's Report	Reply
1.	**Report on the Financial Statements** We have audited the accompanying standalone financial statements of **HIMACHAL PRADESH POWER CORPORATION Limited** ('the Company'), which comprise the Balance Sheet as at 31st March 2017, the Statement of Profit and Loss, Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information	Statement of facts requires no comments.
2.	**Management's Responsibility for the Financial Statements** The Company's Board of Directors is responsible for the matters stated in Section 134 (5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the affairs(financial position), profit or loss (financial performance including other comprehensive income), cash flows and change in equity of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards (Ind AS) specified under Section 133 of the Act, This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.	Statement of facts requires no comments.
3.	**Auditor's Responsibility** Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under. We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone Ind AS financial statements. The procedures selected depend on the	Statement of facts requires no comments.

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

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

Basis of Qualified Opinion

1. Property Plant and Equipment Note 2.1

i) We invite attention to Note No 2.54 wherein its stated that the Company has possession of forest land at, Sainj HEP, Shongtong HEP, Kashang HEP, and Sawra Kuddu and no provision has been made as the amount has not been ascertained. In the absence of information, we are unable to comment on the same.

i) The lease deeds for the diverted forest land at all project ends are under process, in line with the latest Notification of GoHP.

ii) We Invite attention to Note no 2.65 where in the company has not accounted for the cost of the Land and Buildings of HPSEB Limited amounting to Rs ₹ 4,599lakhs. 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.

ii) No final decision in respect of acquiring of stated land and property has been taken yet. The actual requirement of land & property to be acquired is being re-determined.

2. Capital Work in Progress 2.2

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

(Rs. in Lacs)

Project Unit	Residential Building	Non Residential Building	Roads, Bridges & Culverts	Construction Power	Total
Sundernagar	1	-	-	-	**1**
Sawra Kuddu HEP	56	-	2	81	**139**
Kashang HEP	-	-	25	-	**25**
Sainj HEP	-	27	26	10	**63**
Renukaji Dam Project	2	-	-	-	**2**
Shongtong HEP	-	-	6	39	**45**
Gyspa HEP	8	99	6	-	**114**
Beradol	-	-	-	92	**92**
Total	**68**	**127**	**64**	**222**	**481**

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

i) The Capitalisation of completed infra-related works /expenditure has been done in the F.Y. 2017-18.

(ii) The Company was charging the depreciation on assets used during the construction period as per the Companies Act 2013, till 31st March 2016. The Company is regulated under HP Electricity Regulatory Commission and the depreciation rates as provided in the HPREC Act has been applied by the company since the acquisition of the assets. The Company has reversed the excess depreciation charged amounting to ₹ 4,232 lakhs up to 31st March 2016 in the books of accounts in the month of April 2016. (Please Refer Note 2.55)

ii) Statement of facts requires no comments.

(iii) The Company has adopted for exemption under IND AS regarding deemed cost for Property, Plant and Equipment and adjusted the accumulated depreciation as on 1stApril 2015 with the cost as on that date. (Refer Significant Accounting Policies 1.5 (a) and Note 2.32 (i) optional exceptions). It has been observed that the company has reinstated the depreciation of the assets by changing the Accounting Policy (Refer Note 2.55) up to 31st March 2016 as per GAAP and while applying the exemption under IND AS the depreciation charged up to 1stApril 2015 i.e. the depreciation as per previous Accounting Policy has to be adjusted. In our opinion the Accumulated Depreciation up to 1St April 2015 should have been adjusted with the Revised Accounting Policy of the Company i.e., on the basis of the HPREC depreciation Rate. No Information is respect of the same has been provided to us. In the absence of the information we are unable to comment on the same.

iii) Statement of facts requires no comments.

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

iv) Statement of facts requires no comments.

(v) The Chanju, Deonthal Chanju and Suragani Sundla Unit of the corporation is using common facilities at Sundla and has apportioned the expenses during the year on the basis of the power generation capacity of the projects and salary expenditure has been charged on the following basis.

	Surgani	Deothal	Chanju III	Total
Apr-16	-	-	-	-
May-16	-	-	1,184,495.00	**1,184,495.00**
Jun-16	248,650.00	-	1,016,791.00	**1,265,441.00**
Jul-16	313,148.00	-	1,006,575.00	**1,319,723.00**
Aug-16	316,097.00	-	1,007,947.00	**1,324,044.00**
Sep-16	2,577,905.00	-	962,514.00	**3,540,419.00**
Oct-16	147,772.00	1,410,327.00	-680,633.00	**877,466.00**
Nov-16	19,182.00	1,529,446.00	291,212.00	**1,839,840.00**
Dec-16	-	1,581,083.00	33,811.00	**1,614,894.00**
Jan-17	1,514,000.00	141,924.00	26,944.00	**1,682,868.00**
Feb-17	-	622,204.00	-	**622,204.00**
Mar-17	-	-78,468.00	1,600,000.00	**1,521,532.00**
Total	**5,136,754.00**	**5,206,516.00**	**6,449,656.00**	**16,792,926.00**

The basis of charging the expenditure on above basis and not on actual basis is not as per the policy of the company. The above treatment of expenses has been carried on by the unit since earlier years and may affect the cost under the head expenditure during construction period of each HEP unit. In the absence of the complete information we are unable to comment on the authenticity of the expenditure booked under different accounting

v) The earlier basis of apportionment has been rectified, retrospectively, in the F.Y. 2017-18.

unit.

(vi) The Shongtong unit project work was hampered by the labour strike of the M/s Patel Engineering from 14th March 2016 to 20th December 2016. The Unit has charged the interest on loan during the period to Capital Work in progress which has to be charged to the Profit and loss account. No Information in respect of the interest debited to the capital work in progress during the strike period has been provided by the unit to us. In the absence of the information we are unable to comment on the same.

vi) There was not complete halt of works. At some components' fronts, works were continuing even during the strike period.

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

		INR	Euro	US $	Total
1st Progressive payment	4/7/2016	150,605,000.00	5,658,000.00	23,953,000.00	**180,216,000.00**
2nd Progressive payment	5/13/2016	150,605,000.00	5,704,000.00	1,184,495.00	**180,396,000.00**
3rd Progressive payment	3/31/2017	150,605,000.00	4,674,000.00	24,364,000.00	**179,643,000.00**
Total		**451,815,000.00**	**16,036,000.00**	**72,404,000.00**	**540,255,000.00**

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

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

vii) Progressive payments were released on completion of given milestones/ activities, as a percentage of total award amount as per contract agreement. The same are being deducted from the subsequent invoices being raised by the contractor. The adjustments, if any, required for foreign exchange portion shall be checked and accordingly effect in Books of Accounts shall be given.

(viii) The Sainj Unit is charging the difference in exchange fluctuation at the time of making the initial entry of invoice/ LC discharged by the Supplier. The same has to be booked as part of the cost. The Sainj unit has overstated the Income of Foreign exchange fluctuations in the profit and loss account amounting to ₹3 lakhs during the year under review. Thus CWIP Project Electro Mechanical works is overstated to the extent of ₹ 3 lakhs.

viii) This has been rectified in the F.Y. 2017-18

(ix) The Sainj Unit has paid Entry Tax amounting to ₹ 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 ₹ 544 lakhs and other current assets are understated to that extent.

ix) The matter being settled.

(x) The Kashang Unit has charged interest paid on PFC loan of ₹ 3,000 lakhs transferred from HPSEB at the time of transfer of assets and liabilities from the HPSEB of the Kashang Unit to the

x) Necessary correspondence in this respect has been done with HPSEB Ltd. and HP Transmission Corporation Ltd.

Expenditure Under Construction. It has been observed that at the time of transfer of assets from Kasang Unit from HPSEB a sum of ₹ 1,392 lakhs has been used for construction of Transmission Lines at Kashang HEP. During the year 2010-11 the Kasang unit has transferred all cost of the Transmission Lines amounting to ₹ 6,585lakhs back to the HPSEB Limited. Further It has been observed that at the time of transfer of transmission lines the loan component of the PFC utilised on the construction of Transmission lines has not been transferred to the HPSEB Limited and further a sum of ₹ 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 ₹ 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 ₹ 871 Lakhs and the other current assets are understated to the extent of above.	The accounts are being scrutinised and reconciliation is under process.
(xi) The work at Kashang Stage- II and III (K K Link Line) was stopped by the contractor since 30.09.2014 and the interest paid on loan has been charged to the expenditure under construction. Further the unit has paid interest free mobilization advance to the contractor amounting to ₹945 Lakhs for which the recovery has not been started as the 30% work has not been completed. The Interest component of the loan payable to state Govt. loan should be charged to Profit and Loss Account as per the requirements of the Ind AS 23 Borrowing Cost No Information in respect of the interest to be charged to Profit and Loss account has been provided to us. In the absence of information, we are unable to comment on the same.	xi) Recovery of mobilisation advance has begun, as the work done more than 30% has been achieved in the succeeding financial years.
(xii) The Kasang Stage I was completed on 31st March 2016 and after that the testing of the Power generating unit was started. As per Ind as 16 Property Plant and Machinery the employee cost up to 31st March 2016 has to be charged to the cost of the project i.e. when all the construction activity has been completed. The Unit has charged employee cost to the cost of the project up to 31st August 2016 under the Head Expenditure during construction .The employee cost from 1stApril 2016 to 31st August 2016 amounting to ₹ 254 lakhs has been excess charged to Cost of the Fixed Assets which has to be charged to the Profit and loss Account. In our opinion current year loss is understated to the extent of above. Its impact on depreciation cannot be quantified due to unavailability of information.	xii) Necessary rectification in the Books of Accounts has been done in the F.Y. 2017-18.
(xiii) During the year under review the Kashang Stage I was completed and the commercial generation was started from 01st September 2016. Further the COD date of Unit II (Turbine) was declared on 01st September 2016 and the COD date of Unit III and Unit I Turbine was declared on 03rd March 2017 and 31st March 2017 respectively. It has been observed that the Kashang unit has charged all the expenditure except employee's expenses to profit and Loss Account after 31st August 2016 instead of charging the expenditure to the Profit and Loss account on the basis of COD dates of the different Turbines. No Information in respect of the amount excess charged to the profit and loss account has been provided to us. In the absence of the information we are unable to comment on the same.	xiii) Necessary rectification in the Books of Accounts has been done in the F.Y. 2017-18.

(xiv) The Company has not accounted for the delay damage charges recoverable from the contractors of Shongtong HEP. No Information about the quantum of delay charges has been provided to us. The impact for the same may affect the financial statements. In the absence of information, we are unable to comment on the same.

xiv) The works of the project are under construction stage, as such, the extent of delay damage charges, to contractor shall only be known, once the Final Extension of time is determined.

xv) Apportionment of Corporate and Sundernagar (Design Wing) Expenses to Renukaji Project the Company has apportioned 15 % of the total expenditure of Corporate Office and Sundernagar design office to Renukaji Project vides Managing Directors Office Order Note dated 10/11/2017. It has been observed that for Renukaji HEP where only expenditure of 3 % of the total cost of the Fixed Assets and CWIP has been incurred by the company till 31st August 2016 on the project, 15 % of the total expenditure of Corporate Office and Sudernagar (Design Wing Expenses) since incorporation of the company has been apportioned to the unit and rest has been allocated to the other units in the proportion of capital expenditure incurred by the remaining units. The above apportionment ratio has not been approved by the Board of Directors of the company. The allocation percentage and ratio adopted by the company is also not in compliance to accounting policy of the company mentioned at Note no 1.6 (g) The Company has provided no justification for approving the percentage of 15 % for allocation of corporate office and Sundernagar expenditure to Renukaji HEP. In our opinion the apportionment of expenditure to renukaji @ 15 % is not justifiable and thus ₹ 1,948 Lakhs has been excess allocated 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 may affect the depreciation charged during the year by the Kashang StageI. 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.

(Amount in Lacs)

Name of the Power Project	CWIP plus Fixed Assests less land cost	Percentage of total Cost	Cost to be Allocated	Cost Allocated	Variance
Sawra Kuddu	113,082	29.39	4,840	4,249	591
Kashang I	73,532	19.11	3,147	2,763	384
Kashang II	32,532	8.46	1,392	1,222	170
Kashang III	-	-	-	-	-
Sainj	102,681	26.69	4,395	3,858	537
Renukaji	12,206	3.17	522	2,470	-1,948
Shongtong	43,343	11.27	1,855	1,629	227
Chirgaon Majhgaon	969	0.25	41	36	5
Triveni Mahadev	598	0.16	26	22	3
Thana Plaun	1,483	0.39	63	56	8
Nakhtan	1,781	0.46	76	67	9
Gyspa Dam	919	0.24	39	35	5
Surgani Sundla	992	0.26	42	37	5
Deothal Chanju	137	0.04	6	5	1
Chanju III	362	0.09	15	14	2
Berra Dol	107	0.03	5	4	1
Sunni Dam	-	-	-	-	-
Sub Total	**384,723**	**100.00**	**16,466**	**16,466**	**-0**

We invite attention to Note No 2.58 also, where in after COD period 15% of the net income over expenditure has been apportioned to

xv) The activities of Renuka Ji HEP are also being co-ordinated / supported from Designwing Sundernagar and Corporate Office Shimla, hence the incidental expenses of Designwing Sundernagar and Corporate Office Shimla are being apportioned to Renuka JI HEP at pre-approved percentage.

	the Renukaji HEP ₹ 644 Lakhs for the period 01st September 2016 to 31st March 2017.Thus a total of ₹1,826 lakhs has been allocated as share of expenditure of Corporate Office and Sunder Nagar Design wing to the unit till 31st March 2017 by the company. 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 2.4** (i) We invite attention to Note No. 2.42(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 Rs. 337.50 lakhs during the year under review. (iii) The company Independent auditors of Gourangdih Coal Limited raised concern in respect of preparing the Financial Statements on the basis of Going Concern Concept and under Historical Cost Convention due to de-allocation of the Coal Blocks by the decision of the Supreme Court during the year under review.	i) Statement of facts requires no comments. ii) Statement of facts requires no comments. iii) Statement of facts requires no comments.
4.	**Other Non-Current Financial Assets Note 2.6** (i) The Chirgaon Unit is showing a sum of ₹ 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 Capital Work in Progress is understated to the extent of above. (ii) The Shongtong HEP, has paid ₹ 44 Lakhs (previous year ₹ 45 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	i) The process of change of land title is under way and shall be taken in Books of Accounts, as and when revenue related formalities are completed. comments. i) A portion of the amount paid has been recovered. The balance amount yet to be recovered, being adjusted

same land was already acquired by HPPWD. The amount is doubtful for recovery as the amount has not been paid by 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.	against the welfare Grants payable to these land losers.
(iii) We invite attention to Note No 2.69 where in it is stated that the amount recoverable from contractors includes a sum of ₹ 5,451 lakhs (previous year ₹ 2,286 lakhs) recoverable from Coastal Projects on account of risk and cost. The contract with the contractor was terminated in the year 2013 and the same was awarded to M/s HCC Limited The amount paid to HCC Limited on account extra cost has been shown as recoverable from Coastal Projects. The amount is doubtful of recovery from the Coastal Projects as there is no agreement with the party to recover the money as the contract with the party has already been terminated since 2013. The Company has gone into liquidation as the lender banks of the contractor has filed liquidation petition with NCLT and the amount is doubtful of recovery. In our opinion the amount should be charged to Capital Work in progress as part of the cost. Thus, Other Non-Current Financial Assets are overstated to the extent of above and Capital Work in progress is understated to the extent of above. Further the Company has filed a claim of ₹ 33,499 Lakhs with the NCLT against the Coastal Projects Limited as the company has gone into liquidation. No Details in respect of the same has been provided to us. In the absence of the information we are unable to comment on the same.	iii) Necessary action shall be taken on the outcome of the liquidation petition filed by the lender Bankers of the contractor.
(iv) The Company is showing ₹ 20 lakhs (previous year ₹ 20 lakhs) recoverable from HPSEB Limited under the Head Misc. Assets from HPSEB. The amount has not been recovered from the HPSEB and neither any confirmation of balance from the party has been provided to us. In our opinion the amount is doubtful of recovery and provision for the same should be made in the books of accounts. Thus, Other Non-Current Financial Assets are overstated to the extent of above and Expenditure is understated to the extent of above.	iv) Provision for doubtful recovery has been made in the F.Y. 2017-18.
(v) The Sainj HEP is showing ₹ 19 lakhs as recoverable from government on account TCS deposited by the Forest department at the time of the purchase of cost of trees from the Forest Department in the year 2010. No TCS certificate has been issued by the department nor the same has been claimed in the income tax return of the company for the relevant assessment year. In our opinion the Other Non-Current Financial Assets are overstated to the extent of above and expenditure is understated to the extent of above as the amount is doubtful of recovery.	v) Provision for doubtful recovery has been made in the F.Y. 2017-18.
(vi) The Renukaji HEP is showing a sum ₹ 10 lakhs (Previous Year ₹ 10 lakhs) recoverable from HPSEB Limited since 2008. No Confirmation of the balance from the HPSEB Limited has been shown for our verification. The amount is doubtful of recovery hence provision for doubtful advance is required. In our opinion the other Non-Current Financial Assets are overstated to the extent of above and Expenditure is understated to the extent of above.	vi) Provision for doubtful recovery has been made in the F.Y. 2017-18

(vii) The Corporate office is showing a sum of ₹ 42.00 lakhs (Previous Year ₹ 66 lakhs) as recoverable from contractors on account of reimbursement of LC Charges from the contractors. The amount has not been recovered till the date of audit. The amount pertains to the Sainj HEP. The Company is also showing the amount payable to the Contractors under Current Liabilities for the E and M Contracts. In our opinion the amount may be adjusted with the amount payable to contractors. In our opinion the other Non-Current Financial Assets are overstated to the extent of above and Other Financial Liabilities are understated to the extent of above.	vii) The account has been reconciled and recoveries affected in the F.Y. 2017-18.
(viii) We invite attention to Note No 2.61 where in it is stated that the company has not made a provision for ₹ 103 lakhs (Previous Year ₹103 Lakhs) recoverable from Gammon India since 2013 through Directorate of Energy. The amount has to be recovered along with interest of 10 % per annum. The Amount has not been recovered till the date of audit and the same is doubtful of recovery hence provision for doubtful advance is required. In our opinion the Non-Current Financial Assets are overstated to the extent of above and Expenditure are understated to the extent of above.	viii) The re-imbursement of expenditure incurred by HPPCL on Tidong HEP, from Gammon India, is being pursued by GoHP, through DoE. Outcome is still awaited.
(ix) The Renukaji HEP has deposited ₹ 95 lakhs (Previous Year ₹95 Lakhs) as excess deposit with HPSEB Dadahu for installation of lines from substation to the Project site since December 2009. The amount has been shown as advance and the same has been paid in excess to the HPSEB as there is no need to install the lines at the project site. The amount has not been recovered till date of audit and provision for the doubtful advance is required to be made. In our opinion the other Non-Current Financial Assets are overstated to the extent of above and Expenditure are understated to the extent of above.	ix) Necessary correspondence in this regard has been taken with HPSEB Ltd. and shall be settled accordingly.
(x) The Capital Work in Progress of includes excise duty reimbursed to the contractors by the company which is exempted as per the notification No.108/95-CE, dated 28.08.1995, which provides that the goods supplied to projects, financed by the World Bank, Asian Development Bank or any International Organisation, and approved by the Govt. of India, shall be exempted from the whole of the excise duty / additional excise duty leviable thereon. The Company has accounted for the expenditure in capital Work in progress by way of the reimbursement of the same to the contractor amounting to ₹ 609 lakhs. The Company has shown the above amount as recoverable from the Contractor during the year under review. The Company has recovered only ₹ 306 lakhs (previous year ₹ 110 Lakhs) from the contractor till the close of the financial year of the audit.	x) The entire amount has now been recovered during the F.Y. 2017-18 & 2018-19.
(xi) **Grant Receivable** We invite attention to Note No 2.64 where in it is stated that company is showing ₹ 488 lakhs (previous year ₹ 442 lakhs) as recoverable grant from the Central Government on account DPR and Investigation Expenses. The Government of India has approved ₹ 1,250 Lakhs for survey and investigation of the project and paid ₹ 500Lakhs 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	xi) Statement of facts and requires no comments.

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.

(xii) The Renukaji Unit has not adjusted advance given to government department amounting to ₹ 45 Lakhs as the work has been completed before the finalisation of the Balance sheet. In our opinion the Non-Current Financial Assets are overstated to the extent of above and CWIP are understated to the extent of above.

xii) The said advance has been settled in the F.Y. 2017-18.

(xiii) 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 2.44). The following are details of the advances:

(Amount in Lacs)

	Contractor	Amount
1.	Patel Engineering	5,237
2.	Andtriz Hydro	3,709
	Total	**8,946**

xiii) As the exact date of achievement of required level of work done as well as completion of works awarded is not certain, hence discounting of the amount advanced, could not be done to arrive at fair value.

(xiv) The Shongtong unit has given advance of ₹ 50 lakhs to IPH Khwangi on 31/07/2014 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.

xiv) The work is still not completed, hence advance could not be settled.

(xv) The Shongtong unit has given advance of ₹ 10 lakhs and Rs 25 lakhs to HPPWD on 04th October 2013 and 07th December 2016 and the same has not been charged to expenditure during construction as the as the work has been completed before the finalisation of the Balance sheet. In our opinion the Non-Current

xv) The work is still not completed, hence advance could not be settled.

	Financial Assets are overstated to the extent of Rs 35 lakhs and CWIP are understated to the extent of above.	
	(xvi) The Shongtong unit is showing advance of ₹ 200 lakhs to HPSEB as on 31st March 2017 and the utilisation certificate of ₹ 130 lakhs has not been received by the corporation and advance has not been adjusted. 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 ₹ 130 lakhs and CWIP are understated to the extent of above.	xvi) The work is still not completed, hence advance could not be settled.
	(xvii) The Sawara Kuddu unit is showing a sum of ₹ 22 lakhs recoverable as interest on mobilisation Advance paid to Patel Engineering as Mobilisation Advance. The Party has paid back the Mobilisation Advance and interest due on the same has not been paid by the Contractor till date. In our opinion the Non-Current Financial Assets are overstated to the extent of ₹ 22 lakhs and CWIP are understated to the extent of above.	xvii) Has been recovered in the F.Y. 2017-18.
	(xix) The Sawra Kuddu HEP is showing a sum of ₹ 1,186 lakhs as Deposit Work Paid which has not been capitalised for want of utilisation certificates from the executing agencies. As the advance will not be recovered from the agencies and assets are being used by the corporation the same should be capitalised. In our opinion the Non-Current Financial Assets are overstated to the extent of ₹ 1,186 lakhs and CWIP are understated to the extent of above.	xix) Utilisation Certificates are still awaited from HPSEB Ltd.
	(xx) The Kashang Unit is showing a sum of ₹ 1 lakh as amount recoverable from HPSEB which has not been recovered till date. Thus, provisions on account of amount doubtful for recovery is required. In our opinion the Non-Current Financial Assets are overstated to the extent of ₹1 lakhs and Expenditure are understated to the extent of above.	xx) The amount shall be settled against amount payable to HPSEB Ltd.
	(xxi) The Kashang Unit is showing a sum of ₹ 14 lakhs as credit balance in Advance account of AHIPL. No satisfactory explanation for the same has been provided to us. In our opinion the Non-Current Financial Assets are understated to the extent of ₹ 14lakhs and Income is understated to the extent of above.	xxi) Has been settled in the F.Y. 2017-18
	(xxii) The Corporate office has shown advance to BSNL amounting to ₹ 8 lakhs. The above advance relates to the expenditure for the year 2016-17. The Corporate Office has shown a sum of ₹5Lakhs payable to BSNL under the head Govt. Dues Payable. In our opinion the Non-Current Financial Assets are overstated to the extent of ₹5lakhs and correspondingly the Other Current Liabilities are overstated to the extent of ₹ 5Lakhs.	xxii) Has been settled in the F.Y. 2017-18.
5.	**Trade Receivables Note 2.9** (i) The Kashang Unit is showing Rs 73 lakhs as amount recoverable from HPSEB Limited on account of Late payment surcharge which has not been accepted by the party and the same amount has not been paid by the customer till date and only sale of power is being paid by the party. In our opinion the amount recoverable is overstated and a provision for amount doubtful for recovery is required. Thus, Trade receivable is overstated to the extent of above and the expenditure is understated to the extent of above.	i) The amount has been shown as recoverable on account of late payment surcharge as per PPA between HPPCL & HPSEB ltd.

	(ii) We invite attention to Note No 2.57 wherein it is stated that HPSEB Limited has retained ₹ 1,369 lakhs as amount due on account of Leave salary and pension contribution of employees appointed on secondment basis with the company. No provision has been made in the books of accounts. In our opinion the trade receivables are overstated to the extent of above and similarly Non-current provisions are overstated to that extent.	ii) HPSEB Ltd. unilaterally retained the said amount from the amount receivable against the sale proceeds. Hence the same has been shown as trade receivable in the Books of Accounts. The amount of Leave salary and pension contribution payable to HPSEB Ltd. has been separately provisioned in the Books of accounts.
6.	**Other Current Assets Note 2.14** (i) The Company is showing ₹ 35 lakhs as TDS recoverable which pertains to the FY 2012-13 and the same has not been refunded by the Income Tax Department neither the same has been claimed by the corporation as refund till the conclusion of the audit. It has been informed to us that the amount is pending for reconciliation. The company has not made any provision in respect of the same. In our opinion the other Current Assets are overstated to the extent of ₹ 35 lakhs and Expenditure is understated to the extent of above.	i) Being reconciled and shall be settled accordingly.
	(ii) The Sawara Kuddu unit has not shown the amount recoverable from Patel Engineering on account of recovery of concrete cutting amounting to ₹ 84lakhs. In our opinion the other Current Assets are understated to the extent of above and CWIP is overstated to the extent of above.	ii) The matter is subjudice.
	(iii) The Corporate office has shown ₹ 3 lakhs as advance to Feed Back Infra Private Limited. The Company has terminated the contract with the party on 16/12/2017.The amount was not recoverable from the party and has to be charged to expenditure as the same was known to the company before the finalisation of the financial statements. Thus, advance is overstated to the extent of above and the expenditure is understated to the extent of above.	iii) Has been settled in FY 17-18.
	(iv) The Corporate office has sanctioned ₹ 18 Lakhs as advance to DRDA on 21/02/2017 when the party has done the 90 percent of the work awarded to the contractor amounting to ₹36 lakhs. The Corporate office has not made the provision of the expenditure of the work done by the contractor. Thus, Current Liabilities are understated to the extent of₹36 lakhs and Incidental expenditure during construction is understated to the extent of above.	iv) Has been settled in FY 17-18.
7.	**Non-Current Other Financial Liabilities Note 2.18** (i) 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.	i) Confirmation letters of balances i.e. amount recoverable / payable have been issued to the contractors / suppliers.
	(ii) The Sawara Kuddu Unit is showing a sum of Rs 100 lakhs as retention money payable to the Costal Projects Limited. The Company has gone into insolvency proceedings (refer Note 2.69) and a sum of ₹ 5,452 lakhs has been shown as recoverable from the company as risk and cost as on 31st March 2017. The amount should be adjusted with the amount recoverable from the company. In our opinion Non-Current other Financial Liabilities are	ii) The amounts recoverable / payable, have been adjusted in the F.Y. 2017-18.

overstated to the extent of above and correspondingly the other non-current assets are overstated to the extent of above.

8. **Non-Current Liabilities Provisions Note 2.19**

(i) For Company Employees

We invite attention to note 1.19 and 2.38 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.

i) Statement of facts requires no comments.

(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.

ii) Statement of facts requires no comments.

(iii) While calculating the liability on account of gratuity of its employees the part of month of services has been treated as completed year of service. Whereas the Gratuity Act specifies that gratuity has to be paid for the completed year of service. The Gratuity Act also specifies that the gratuity is payable to those who have competed 5 years of service in the organisation. However, it has been observed that gratuity liability has been provided for those employees also who has not completed 5 years of services at the close of the year.

The company has not provided to us the information in respect of the excess amount of the gratuity provided for. In the absence of information, we are unable to comment on the same.

iii) This being long term provision shall be rectified, in subsequent Financial years.

9. **Other Non-Current Liabilities Note 2.20**

a) Utilised Grant Renuka ji

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

(Amount in Lacs)

Particulars	as on 31st March 2017
Tangible Assets	29,722
Capital Work in progress	43,405
Advances	259
	73,387
Grant Received	68,549
	68,549
Shortfall	4,838

There is a shortfall of expenditure to the tune of ₹ 4,838 Lakhs which has to be borne by the participating states. No information about the share of the expenditure of the participating states and confirmation from them has been provided to us for verification. In absence of information we are not able to comment on the same. The Renukaji unit has not made any provision for the amount

i) As per the summary of records of the Meeting taken by the Hon'ble Minister (WR,RD&GR), GoI on Renukaji DAM Project on 12.09.2018, with the Chief Secretaries / representing officers of Beneficiary States, 90% of the cost of water component shall be borne Centre Govt., and remaining 10 % cost shall be shared by the beneficiary states. Further 90% of the cost of the power component, shall be borne by Govt. of NCT Delhi along with its share towards the cost of Water Component. Therefore, it the excess expenditure incurred by HPPCL from its on kitty, over and above the funds received so

	recoverable from the participating states and the central government. In our opinion the other current assets are under stated to the extent of above similarly the other non-current liabilities are understated to the extent of above.	far, for Renuka JI Dam Project, shown in books as Grant Receivable, shall be adjusted against the funds that would be received from the Centre Govt. and other beneficiary states in near future.
	(ii) We invite attention to para 2 (xv) of our audit report regarding allocation of expenses to Renukaji HEP wherein its stated that the allocation of expenditure of Corporate office and Sundernagar 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 ₹ 1,826 lakhs as share of corporate office and design wing expenses to the Renukaji HEP till 31st March 2017. In our opinion the amount recoverable from participating states will be reduced by ₹1,826 given in above para.	ii) Statement of facts, requires no comments.
	(iii) The Company is earning interest on the surplus fund 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 1.15 and para 13 of our audit report). In the absence of information, we are unable to comment of the effect of the same on the Financial Statements.	iii) This is done on the basis of policy adopted by the management from the very beginning.
10.	**Current Liabilities Other Financial Liabilities Note 2.23**	
	(i) The BOD in its meeting has approved the compensation of ₹ 152 lakhs on account of agriculture and horticulture losses due to dust emission project activity by Shongtong HEP during the year 2013-14, 2014-15 and 2015-16.No provision for the same has been made in the books of accounts. The Liability was known to the management before the approval of the Financials by the BOD i.e. 28th November 2018. Thus, current Liabilities are understated to the extent of above.	i) Now provision has been made in the F.Y. 2017-18.
	(ii) The BOD in its meeting has approved the payment of excess reimbursement deducted from the Civil Contractor amounting to ₹ 98 lakhs at Swara Kuddu HEP. No provision for the same has been made in the books of accounts. The Liability was known to the management before the approval of the Financials by the BOD i.e. 28th November 2018. Thus, current Liabilities are understated to the extent of above.	ii) Has been settled in the F.Y. 2018-19.
	iii) 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.	iii) Confirmation of amount payable have been sought and shall be settled after verifying the liabilities.
	iv) 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.	iv) Reconciliation with HPSEB Ltd. Is under process and the amounts shall be settled accordingly.

v) The amount payable to Andritz Hydro under different heads is subject to reconciliation as the unit has started the commercial operation in the month of September 2016. No confirmation from the party has been provided to us in respect of the amount payable to them under different heads.	v) Necessary reconciliation has been done with the contractor.
vi) 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.	vi) Confirmation of amount payable have been sought and shall be settled after verifying the liabilities.
(vii) The Other Financial Current Liabilities includes₹62 lakhs as unclaimed money on account of payables, retention, security and other payables to the contractors. The amount has been shown under this head because the persons to whom amount is payable is not traceable. In our opinion the other current financial liabilities are overstated to the extent of above and necessary provision for amount written back should be provided.	vii) Shall be written off after re-confirmation
(viii) The Chanju III unit has made excess provision of ₹9 Lakhs on 31st March 2017 on account of contractor's dues payable bills payable and medical expenses payable. In our opinion the current financial liabilities are overstated to the extent of above.	viii) Provisions have been settled in the F.Y. 2017-18.
(ix) The Deothal Chanju unit has made excess provision of ₹ 5 Lakhs on 31st March 2017 on account of contractor's dues payable, bills payable and medical expenses payable. In our opinion the current financial liabilities are overstated to the extent of above.	ix) Provisions have been settled in the F.Y. 2017-18.
(x) The Surgani Sundla unit has made excess provision of ₹ 5.00 Lakhs on 31st March 2017 on account of contractor's dues payable, bills payable and medical expenses payable. In our opinion the current financial liabilities are overstated to the extent of above.	x) Has been settled in the F.Y. 2017-18
(xi) The Nagthan Unit has made excess provision of expenses amounting to ₹5 lakhs as on 31st March 2017 and the same has not been paid till date. In our opinion the current financial liabilities are overstated to the extent of above.	xi) Has been reversed in the F.Y. 2017-18.
(xii) The Thanaplaun Unit has made excess provision of expenses amounting to ₹ 25 lakhs as on 31st March 2017 and the same has not been paid till date. In our opinion the current financial liabilities are overstated to the extent of above.	xii) Has been settled in the F.Y. 2017-18.
(xiii) The Triveni Mahadev Unit has made excess provision of expenses amounting to ₹ 8 lakhs as on 31st March 2017 and the same has not been paid till date. In our opinion the current financial liabilities are overstated to the extent of above.	xiii) Has been settled in the F.Y. 2017-18.
(xiv) The Shongtong Unit has made excess provision of expenses on account of welfare grant amounting to ₹ 16 lakhs as on 31st March 2017 and the same has not been paid till date. In our opinion the current financial liabilities are overstated to the extent of above.	xiv) The account being reconciled.
(xv) The Shongtong Unit has made excess provision of expenses on account of amount payable to AIHPL amounting to ₹ 25 lakhs as on 31st March 2017 and the same has not been paid till date. In our opinion the current financial liabilities are overstated to the extent of above.	xv) Shall be released on receipt of utilisation certificates against earlier advances given.

(xvi) The Shongtong unit has debited the account of the AIHPL during the year with ₹ 556 lakhs for which no details have been provided by the unit. In our opinion the current financial liabilities are understated to the extent of above and correspondingly the CWIP are also understated to that extent.	xvi) The excess provision has been reversed in the F.Y. 2017-18.
(xvii) The Swara Kuddu unit has made a provision for CAT Plan Expenses on 04thJanuary 2016 amounting to ₹ 69 lakhs. The Unit has informed us that the amount has not been paid as the previous utilisation certificates have not been provided by the Forest Department. In our opinion the amount is of the nature of withheld amount and should be shown under the head Non-Current Financial Liabilities. Thus, current Liabilities are overstated to the extent of above.	
(xviii) The Sainj Unit Has made a provision of ₹ 200 lakhs on account of amount payable to the contractor (HCC Ltd). The provision has not been adjusted by the unit till the date of audit. Thus, current Liabilities are overstated to the extent of above.	xviii) Has been reversed now.
(xix) The Kashang Unit has made excess provision of warranty charges of AHIPL on 31st March 2017 amounting to ₹ 163Lakhs. Thus, current Liabilities are overstated to the extent of above.	xix) Provision of warranty charges has been charged to AMC expenditure head related to the FY 2016-17 and balance amount pertaining to the FY 2017-18 to prepaid expenses.
(xx) The Corporate Office has shown ₹ 3 lakhs and ₹1 lakhs as EMD Payable and Security payable to contractors since 2013 and the same has been transferred to Unclaimed accounts during the year 2017-18. In Our Opinion the EMD payable and Security from Contractors is overstated to the extent of above and the unclaimed accounts are under stated to the extent of above. Further the same should to be charged to revenue as the same not payable to the contractors.	(xx) Shall be written off after re-confirmation.
(xxi) The Corporate Office has not made the provision for demand raised by the PF Commissioner for the period 09/2018 to 06/2011 amounting to ₹189 Lakhs on 02nd August 2018. The Liability was known to the management before the approval of the Financials by the BOD i.e. 28th November 2018. Thus, current Liabilities are understated to the extent of above.	(xxi) The matter is subjudice.
(xxii) Local Area Development Fund:- We Invite attention to Note 2.66 where in the company has not made any provision of amount payable to LADA fund on account increase in cost of the Projects. The following are the details of the Projects and understatement of Liability on account of additional amount payable to LADA Fund.	(xxii) Final Cost of the projects is not yet determined.

HEP	Expenditure Incurred in Crore	Lada Fund @1.5%	Expenses Booked	Deficit
Kashang I	995.31	14.93	8.45	6.48
Kashang II and III	146.57	2.20	0.77	1.43
Sainj	1,198.19	17.97	10.7	7.27
Sawra Kuddu	1,423.38	21.35	8.38	12.97
Total	**3,763.45**	**56.45**	**28.30**	28.15

In our opinion the Capital work in progress is understated to the extent of ₹ 2,815 lakhs and correspondingly. Current Liabilities are also understated to that extent.

(xxiii) Survey and Investigation of Khab Hydro Electric Project	(xxiii) A meeting regarding recovery of

	We Invite attention to Note 2.63 wherein it is stated that the Company has not accounted for ₹ 1,273lakhs on account of survey and investigation work done by SJVN. Thus, Current Liabilities are understated to the extent of above and similarly the Capital Work in Progress are understated to the extent of above.	S&I expenditure incurred on the Khab HEP was held on 29.05.2017, under the Chairmanship of Director, Directorate of Energy (DoE), GoHP wherein it was decided that SJVNL shall transfer record/report/data in respect of Khab HEP and DoE shall intimate the domain elevations of the project to HPPCL. DoE vide letter dated 15.06.2017, intimated the levels of upstream and downstream projects of Khab HEP and intimated that proposal of Khab HEP be revisited in accordance with the domain elevations after considering the requirement of free stretch as per MoEF guidelines. SJVN vide letter dated 03.07.2017, supplied the Khab Dam Project (1020 MW) Pre-Feasibility Study Report (PFR) to HPPCL. On perusal of the PFR as supplied by SJVNL it was observed that the Khab Dam HEP as proposed by SJVNL encroaches the domain of both the upstream and downstream projects already allotted to IPP. The same was communicated to DoE, GoHP vide letter dated 22.07.2017, that as PFR prepared by SJVNL is of no use, a fresh planning of Khab HEP has to be carried out by HPPCL. DoE vide letter dated 31.07.2017, allowed HPPCL 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, HPPCL vide letter dated 16.05.2018, informed SJVNL that 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.
11.	**Other Income Note 2.25** (i)The Kashang Unit has shown excess gain from foreign exchange fluctuations amounting to ₹ 79 lakhs the details of which is as under:- 2014-15 ₹55 lakhs 2015-16 ₹24 lakhs The unit has booked twice the gain from foreign exchange	i) The necessary rectification has been made in the F.Y. 2017-18.

	fluctuations in the books. In our opinion the income is overstated to the extent of above and correspondingly the AUC is overstated to the extent of above. (ii) The Sunder Nagar Design Wing has understated the Lab Income by ₹ 6 lakhs during the year under review. In our opinion the income is understated to the extent of above.	ii) The necessary rectification has been made in the F.Y. 2017-18.
12.	**Apportionment of expenditure of Corporate Office and Sundernagar** (i) We invite attention to note no 2.58 regarding apportionment of expenditure of Corporate Office and Sunder Nagar Design Wing post COD of the generating unit which is not in line with the accounting policy (refer Significant Accounting Policy no 1.6 g) which states that the allocation has been done on systematic basis where as the method adopted for allocation of expenses for pre and post COD Period is different. The company has adopted capital expenditure up to 31st August 2016 for Pre COD period and expenditure incurred from 1st September 2016 to 31st March 2017 for Post Cod Period. The allocation after Cod Period should have been on the basis of Capital expenditure incurred up to 31st March 2017 on units under construction. 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.	i) Necessary rectification has been done in the F.Y. 2017-18.
	(ii) Expenditure of Corporate Office and Sundernagar 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 5:7 from 01stApril 2016 to 31st August 2016 and 1st September 2016 to 31st March 2017. (refer significant Accounting Policy no 1.6 g and Note no 2.58). The above apportionment is not in line with the accounting policy referred in note 1.6 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 affect 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. The Company has not adopted any accounting policy in respect of charging of expenditure and Income of the Corporate office and the Sundernagar after commercial operations of the generating unit. The same should be on the basis of proportion of sales during the period and the capital outlay of the projects for the commissioned projects. The Kashang Unit stage I which has started generation from 1st September 2016 has booked share of expenditure of corporate office and Sundernagar (Design Office) for the year after COD	ii) Has been complied with from the F.Y. 2017-18 onwards.

amounting to Rs 1,037 lakhs on the basis of accounting policy of the allocation of expenditure of non-commissioned units. In our opinion the expenditure has to be charged to other non-commissioned projects. Thus expenditure is overstated to the extent of ₹ 1,037 lakhs and the Capital work in progress is understated to the extent of above.

(i) Income of Corporate Office and Sundernagar

Has been complied with from the F.Y. 2017-18 onwards.

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

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

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

S.No.	Particulars	Amount	To be apportioned to
1.	Equity Funds	44,874,572.02	All the Units
2.	Renuka Funds	136,617,713.86	To Renuka Funds
3.	Trench 1 State Govt Loan	638,102.00	Swara Kuddu and Kashang
4.	Trench 2 State Govt Loan	1,932,855.79	Sawara Kuddu
5.	Trench 3 State Govt Loan	19,256,416.00	Kashang and Sainj
6.	Trench 4 State Govt Loan	15,116,776.00	Shongtong
		218,436,435.67	
7.	Interest on Funds with LAO	5,897,174.00	Renuka ji
		224,333,609.67	

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. The following are the details of the allocation:-

Unit	01/04/2016 to 31/08/2016	01/09/2016 to 31/03/2017	Total
Sawra Kuddu	24,118,553.00	35,625,086.00	59,743,639.00
Kashang I	15,683,206.00	52,714,114.00	68,397,320.00
Kashang I	6,938,429.00	-29,065,703.00	-22,127,274.00
Sainj	21,900,043.00	31,254,267.00	53,154,310.00
Renukaji	14,020,850.00	19,629,190.00	33,650,040.00
Shongtong	9,244,219.00	18,513,761.00	27,757,980.00
Chirgaon Majhgaon	206,764.00	38,429.00	245,193.00
Triveni Mahadev	127,439.00	58,516.00	185,955.00
Thana Plaun	316,208.00	500,051.00	816,259.00
Nakhtan	379,811.00	241,210.00	621,021.00
Gyspa Dam	196,026.00	64,787.00	260,813.00
Surgani Sundla	211,534.00	156,222.00	367,756.00
Deothal Chanju	29,209.00	322,118.00	351,327.00
Chanju III	77,220.00	414,675.00	491,895.00
Berra Dol	22,818.00	394,545.00	417,363.00
Sunni Dam	-	-	-
Total	93,472,329.00	130,861,268.00	224,333,597.00

The allocation of income of the corporate office to the units is not on the basis of the actual receipt of the interest on different type of funds. The above basis is also used in the allocating the income up to 31stMarch 2016 by the Company. The apportionment of the income on the basis of the funds kept by the corporation may have impact on the incidental expenditure which has to be allocated to the individual assets of the unit at the time of the commissioning of

	the project. In the absence of the information we are unable to comment on the same and its impact on the cost of the individual units under the head Capital work in progress and Property Plant and equipment. The Kashang Unit stage I has charged ₹ 527 lakhs as income from interest on Fixed Deposits and Bank Deposits after COD Period as share of Income of Corporate Office. The above apportionment of the income to the unit has no relevance as project was completed for testing on 31st March 2016 and unit started commercial Operation on 31st August 2016 and no funds of Equity and Imp rest fund from State Govt (ADB funds) is at the disposal of the Unit. Thus, the Income on account of Interest on Fixed deposit and Bank Interest is excess shown by the unit as proportion of income to the unit which has to be adjusted with the Incidental expenditure of the projects under construction as per accounting policy of the company. Thus, the income during the year is overstated to the extent of ₹ 527 lakhs and capital work in progress in overstated to that extent.	
13.	**Income Tax Appeals with the High court in respect of Chargeability of Income Tax on Interest on Fixed Deposits kept as short-term Investments.** The company has filed an Appeal with the High Court of Himachal Pradesh that the interest on the short-term investment of the funds in Fixed Deposits with bank from the Equity received from the Government is an addition to the equity and not an income of the company and on same the income tax is not payable. Similarly, the Income earned on 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 been shown as additional grant from the Agencies. No information in respect of the same has been provided to us by the company till the close of the year. In the absence of the information we are unable to comment on the effect of the same on the Balance Sheet.	The interest being earned on short term bank deposits of idle funds of equity and loans, due to various bottle-necks in implementation of the envisaged power projects, be set-off against the capital expenditure (pending allocation) on construction of these projects, as the receipts are inextricably connected to the projects or construction. Hence, it may not be treated as taxable income. However, the matter is subjudice.
14.	**Provision for Income Tax** We invite attention to Note No 2.68 where in no provision has been made by the company for income tax. We also invite attention to note 2.52 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 ₹ 7,774 lakhs (Previous Year ₹5,665 lakhs (refer note 2.7), and Income Tax Refund due ₹1,066 (previous year ₹4,191 (refer note 2.13). In view of the uncertainly involved and the matter is subjuidice we are unable to comment on the recoverability of the above amount and its effect on the Financial Statements.	The matter is subjudice.

15.	**Deposit of Advance Tax** The Company has deposited the advance Income Tax during the year under review on the interest income without setting off the income on FDR from the Business loss ₹ 8,600 Lacs incurred during the year and deposited ₹ 600Lakhs during the year under review.	Refund has been claimed in the ITR.
16.	**Bank Balances at HEP** The Balance at Bank at Units are not properly monitored and corporate office is funding the Units without actually verifying the bank balances with the unit. This has resulted in idle investments at unit level which can be invested in sweep Fixed deposits at Unit Level to earn interest on idle bank balances at unit level.	Being monitored regularly.
17.	**Shifting of Corporate Office to New Shimla** We invite attention to Note No 2.62 where in it is stated that the Corporate office was shifted from Tutikandi to New Shimla in the month of October 2016. The Company is using the assets left over by SJVN and similarly the assets have been handed over to HPTCL at tutikandi office. No accounting entry has been passed in the books. In the absence of information, we are unable to comment on the same.	This has been complied with in the F.Y. 2017-18.
18.	**Quantitative Details in respect of energy generated and sold** We invite attention to Note 2.46 where in the Company has stated that it has installed capacity of 65 MW as on 31st March 2017. The company has capacity 65 MW *3 i.e. 195 MW and all the three turbines was in operation and was used alternatively by the Kashang HEP during the year under review. In our pinion the installed capacity is understated to the extent of 135 MW.	Stage-I, Unit-II (65 MW) was commissioned on 01.09.2016. COD of Unit – III & I was declared after Mechanical / Electrical testing on 03.03.2017 and 31.03.2017, respectively. But only single machine/unit can be operated at a time, because water is available only for operating single machine of 65 MW. However, all the machines are being run on alternate basis by project offices. Therefore, CoD shall be considered for stage-I Unit-II (65 MW) only.
19.	**Non-Compliance of Indian Accounting Standard (Ind AS)** The Company has not complied with the following Indian Accounting Standards while preparing the financial statements:- **(i) Indian Accounting Standard (Ind AS) 20 Accounting for Government Grants and Disclosure of Government Assistance.** The Company has been granted the deferment of repayment of principal payment and payment of interest till FY 2018-19 refer para 2.18. 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	i) Shall be complied with next year onwards.

(ii) Indian Accounting Standard (Ind AS) 19 Employees Benefits The para 55 to 62 of the Indian accounting standard is applicable to the company in respect of the Post Employment Benefit: Defined Benefit Plans which requires that actuarial valuation of the liability of employees defined benefit plan has to be made at the end of the year and same has to be accounted for on in the books of accounts. The Company has not accounted for the liability on the basis of the actuarial valuation and only actual liability has been provided. In the absence of the information we are unable to comment on the impact of the same on the Balance Sheet at the close of the year.	ii) Shall be complied with next year onwards.
(iii) Indian Accounting Standard (Ind AS) 23 Borrowing Costs The Para 20 of the Indian accounting standard is applicable to the company which states that "an entity shall suspend capitalisation of borrowing costs during extended periods in which it suspends active development of as qualifying asset." The Company has not excluded the borrowing cost during suspension of activities by the employees of the contractor and by the contractor for non-starting of the work at site. In the absence of the information we are unable to comment on the impact of the same on the Balance Sheet at the close of the year.	iii) Shall be complied with next year onwards.
(iv) Indian Accounting Standard (Ind AS) 37 Provisions, Contingent Liabilities and Contingent Assets: The Company has disclosed the provisions contingent liabilities and contingent assets only up to the date when the accounts 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.	iv) Statement of facts, comments not required.
(v) Indian Accounting Standard (Ind AS) 10 Events After the Reporting Period The financial Statements are provided to us on 17th December 2018 which was approved by the BOD on 28th November 2018. 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.	v) Statement of facts, comments not required.
(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 2017, on 31st March 2016 and on 01StApril2015(Refer Note No 2.44). The same is not in line with the IND as113 Fair Value Measurement which is mandatory applicable to the company.	vi) Shall be complied with next year onwards.
(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.	vii) Shall be complied with next year onwards.
(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	viii) Shall be complied with next year onwards.

	accounting in the books of accounts. The same is also not in line with note no 1.21 of the significant accounting policies adopted by the company. No information in respect of the same has been provided to us. In the absence of the information we are unable to comment on the impact of the same on the Balance Sheet at the close of the year. **(ix) Indian Accounting Standard (Ind AS) 107 Financial Instruments Disclosure** The Company has fixed interest rate borrowings and is subjected to interest rate risk as defined in Ind As 107. No disclosure of the same and its impact on the balance has been disclosed.	ix) Statement of facts, comments not required.
	The effect of the said qualifications where ascertainable the loss of current year will be ₹3,314 lakhs against reported loss of ₹ 3,172 lakhs. The Other Equity will be ₹ 3,830lakhs instead of ₹3,687lakhs. The Provisions non-current will be of ₹ 2,889lakhs instead of ₹ 4,258lakhs. The other Non-Current financial Liabilities will be of ₹ 72,442 lakhs instead of ₹ 69,530 lakhs The Current Financial Liabilities will be ₹ 61,472lakhs instead of ₹ 54,959lakhs. The Property Plant and Equipment will be ₹ 1,60,086 lakhs instead of ₹ 1,56,131Lakhs. The Capital Work in Progress will be ₹3,61,100 lakhs instead of ₹ 3,55,762 lakhs. The Other Noncurrent Assets will be ₹ 27,451lakhs instead of ₹ 29,297lakhs. The Trade Receivable will be ₹ 101lakhs instead of ₹ 1,543lakhs. The other current assets will be ₹8,587lakhs instead of ₹ 4,133 lakhs.	The overall impact on profitability, liabilities and Assets of all these quantifications is within the acceptable limits.
	Qualified Opinion In our opinion , and to the best of our information and according to the explanations given to us , except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, the aforesaid standalone Ind AS financial statements give information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs (financial position) of the Company as at 31st March 2017, and its profit/loss (financial performance including other comprehensive income) and its cash flows and changes in equity for the year ended on that date:-	Statement of facts, comments not required.
	Emphasis of Matter 1 No reasonable effort has been made to remove the qualification raised in earlier year audit reports and the same has been considered in this year report also. 2 **Audit Comparative Information for adjustments to transition to Ind AS:** The Comparative financial information of the Company for the year ended 31st March 2016 and the transition date opening balance sheet as at 1st April 2015 included in these standalone Ind AS financial statements prepared in accordance with the Companies (Accounting Standard) Rules, 2006 by us & reports of which dated 08thFebruary 2017 and previous auditors report dated 12th February 2016 respectively express an unmodified opinion on those standalone financial statements, as adjusted for the	1. Most of the observations of the previous financial years have been settled. 2. Statement of facts, comments not required.

	differences in the accounting principles adopted by the Company on transition to the Ind AS **3** We further draw attention to the following matters in the Notes to the stand alone Ind As Financial statements: - (i) Note No. 2.36 to the standalone Ind AS financial statements regarding the various balances which are subject to reconciliation/ confirmation and respective consequential adjustments. (ii) Note No2.67 to the standalone Ind AS financial statements regarding stay of Forest land to Kashang Stage II and III project pending with Hon'ble High court of Himachal Pradesh the fate of which is dependent on the outcome of the case. (iii) Note No2.70 to the standalone Ind AS financial statements regarding statement on Nakhtan project pending with Hon'ble High court of Himachal Pradesh the fate of which is dependent on the outcome of the case. (iv) Note No2.72 to the standalone Ind AS financial statements regarding statement on State Government loan for Shontong Karcham HEP (450MW) where the ADB funding to state government has expired and the AIIB funding is subject the approval of Department of Economic Affairs. (v) Note No2.72 to the standalone Ind AS financial statements regarding statement on State Government loan for Shontong Karcham HEP (450MW) where the KFW funding has been temporary stopped on the basis of report of their consultant regarding safety of the barrage structure. Our Opinion is not modified in respect of these matters	3. (i) to (v) Statement of facts, comments not required.
	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 Cash Flow Statement and changes in equity dealt with by this report are in agreement with the books of account;	Statement of facts, 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 standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, e) The Matter described in the Basis for Qualified Opinion paragraph above, in our opinion may have adverse effect on the functioning of the company. f) This being government company, Section 164 (2) of the Act is not applicable. g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above. h) With respect to adequacy of Internal Financial Controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure-3" in our opinion the internal financial controls system is adequate but the operating effectiveness of such controls need be improved. i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us: i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements- Refer Note 2.33 to the standalone Ind AS financial statements. ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; iii. There were no amounts as at 31.03.2017 which were required to be transferred to the Investor Education and Protection Fund by the Company. iv. The Company has provided requisite disclosures in its standalone Ind AS financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 in Note 2.50 to the standalone Ind AS financial statements. Based on audit procedures and relying on the management representation, we report that the disclosures are in accordance with books of account maintained by the Company.	

ANNEXURE 1 TO THE AUDITORS' REPORT

Annexure referred to in our report of even date to the members of HIMACHAL PRADESH POWER CORPORATION LIMITED on the accounts for the year ended 31st March 2017.

S. No.	Auditor's Report	Reply
i.	(a) The company has generally maintained proper records showing full particulars, including quantitative details and situation of its fixed assets. (b) As explained to us all the assets were got physically verified by the management during the year under review. We were informed that no material discrepancies were noticed on such verification. (c) Title deed of immovable properties are in the name of the company except in cases of Renukaji HEP, SainjHEP Shongtong HEP and Chirgaon HEP where the land has not been transferred in the name of the Company.	a) Statement of facts, comments not required. b) Statement of facts, comments not required. c) Action for the transfer of title in the name of the Company has been initiate.
ii.	The inventory of the company consisting of Capital Stores, stores, spare parts and other Items. We were informed that these have been physically verified by the management during the year under review.	Statement of facts, comments not required.
iii.	According to the information and explanations given to us, the company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013. In view of above, the clauses 3(iii)(a) and 3(iii)(b) of the Order are not applicable.	Statement of facts, comments not required.
iv.	The Company has not given any loan, made investments and issued guarantees under section 185 and 186 of the Companies Act, 2013.	Statement of facts, comments not required.
v.	The company has not accepted any deposits from the public in terms of section 73 to 76 or any provisions of the Companies Act, 2013 and rules there under.	Statement of facts, comments not required.
vi.	The Maintenance of cost records has been specified by the Central Government under sub section (1) of section 148 of the Companies Act 2013, however the same is not applicable to the company as the threshold limit of turnover has not been achieved.	Statement of facts, comments not required.
vi.	(a) The company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, value added tax, cess and other statutory dues applicable to it, and there are no undisputed dues outstanding as on 31st March 2017 for a period of more than six months from the date they became payable. 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	The matter is sub-judice.

	have not been deposited on account of any dispute are given below: S.No. / Statue / Act / Nature Due / Amount in lacs / Period / Forum Which Pending 1. / Entry Tax / Interest / 337.70 / 2010-15 / Addl. Excise & Taxation Commissioner -cum- Applellate Authority 2. / Entry Tax / Penalty / 751.28 / 2010-15 / Addl. Excise & Taxation Commissioner -cum- Applellate Authority 3. / Provident Fund / PF Dues / 189.26 / 2008-11 / Central Government Industrial Tribunal Chandigarh TOTAL / 1,278.24	
viii.	The Company has not defaulted any repayment of loans or borrowing to any financial institution or bank or Government or dues to debenture holders. However, the Government of Himachal Pradesh has given the sanction to the deferment of repayment Loan and interest till April 2018.	Statement 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.	Statement of facts, comments not required.
x.	As per information provided to us no fraud by the company or any fraud by officers and employees of the company has been noticed/ reported during the year except in the year2015 at Renukaji HEP and the same is pending with State Vigilance.	Statement of facts, comments not required.
xi.	This being a government company Section 197 of the Act is not applicable.	Statement of facts, comments not required.
xii.	Company is not a Nidhi Company.	Statement 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.	Statement 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.	Statement 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	Statement of facts, comments not required.
xvi.	Section 45-IA of the Reserve Bank of India Act, 1934 is not applicable to the company.	Statement of facts, comments not required.

Nested table (in the first row above):

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

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 2017.

S No.	Directions	Action Taken	Impact on Financial Statement
1.	Whether the company has clear title / lease deeds for freehold and leasehold respectively? If not please state the area of freehold and leasehold land for which title / lease deed are not available.	**i) Renukaji HEP** The Company does have clear title of land of 915.64hectares of land which is in the possession of land owners R and R Plan is under process. **ii) Shongtong HEP** The Company does not have lease title of 17.02 hectares and the application for lease title has been given to DC Kinnuar. Further acquired land measuring 0.59.32 hectares is in dispute with Defence authorities for security clearances. **iii) Sainj HPSEB Land** The company has possession of land at Sarabhai 39.99 bighas, thalot 19.11.04 bighasShelli Larji 36.12.11 bighas but the title deed is not with the company as payment has not been paid to the HPSEB amounting to ₹34.35 crores. **(iv) Chirgaon Majgoan** The Land in possession at Chiragon is with corporation, however the land is in the name of HPSEB amounting to Rs. 5.00 lakhs. **(v) Beradol** The Lease deed for govt diverted land of aprox 12.86 hectares is pending.	The Amount paid to land owners and deposited with court has been capitalized
2.	Whether there are any cases of waiver off of debts/loan/ interest etc. if yes, the reason there for and the amount involved.	No such case found during the audit.	Nil
3.	Whether proper records are maintained for inventories laying with third parties & assets received as gift from Government or other authorities.	Forest land diverted from Government of Himachal Pradesh has not been accounted as the execution of lease deed are in process.	Nil
4.	State the cases where wastages/ defectives are beyond the norms fixed for it. expeditiously and in transparent manner.	Nil	
5.	What is the system of valuation of by products and Finished products? List out the cases of the deviation from the declared Policy.	Valuation of the Power Generation has been done on the basis of PPA Agreement signed with the HPSEB.	Nil
6.	State the extent of utilization of Plant and machinery during the year vis-a- vs installed capacity.	Installed Capacity 26.28 PLF Utilised Capacity 15.71 PLF Utilisation Percentage:59.78% (PLF stands for Plant Load Factor) Refer Note 2.46 to the notes to accounts where in	Nil

		the quantitative details has been given for only one Turbine of 65 MW whereas the Kasang stage I Unit is using Three turbine of 65 MW each alternatively.Thus, the company has understated the installed capacity and theutilised Capacity which should be 65MW X 3 i.e.**195 MW**.	
7.	Report on the cases of Discount/ Commission in regard to debtors and creditors where the company has deviated from its laid down policy.	No Discount and Commission has been given by the company during the year under review.	

ANNEXURE 3 TO THE AUDITORS' REPORT

Report on the Internal Financial Controls under Clause (i) of Subsection 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of HIMACHAL PRADESH POWER CORPORATION LIMITED ("the Company") as of 31 March 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

S. No.	Auditor's Report	Reply
1.	**Management's Responsibility for Internal Financial Controls** The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.	No comments.
2.	**Auditors' Responsibility** Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.	No comments.
	Meaning of Internal Financial Controls over Financial Reporting A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and	No comments.

	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 authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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.	No comments.
	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 2017, 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:- - Classification of account heads in SAP according to the disclosure and classification requirements of the Schedule II of the companies act 2013. - 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. We have considered the areas of improvement identified which needs further	Suggestions related to strengthening of internal control system have been noted for future compliance.

	strengthening as reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2017 standalone financial statements of the Company. However, these areas of improvement do not affect our opinion on the standalone financial statements of the Company.	

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

सत्यमेव जयते

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

क्रमांकः. वा0ले0प0 / आ0सै0–(पी0एस0यू0– I I) / एच0पी0पी0सी0एल0–लेखे–2016–17 / 2019–20 / 41 दिनांकः 12.07.2019

सेवा में,

प्रबन्ध निदेशक,
हि0 प्र0 पावर कारपोरेशन लिमिटिड, हिमफैड भवन,
बी0सी0एस0, शिमला–171009 (हि0प्र0)

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

महोदय,

मैं, 31 मार्च 2017 को समाप्त वर्ष के लिए हिमाचल प्रदेश पावर कारपोरेशन लिमिटिड, के लेखों के सम्बन्ध में कम्पनी अधिनियम, 2013 की धारा 143(6)(b) के अधीन टिप्पणियां भेज रहा हूं।

कृप्या पावती भेजें।

संलग्नः उपरोक्त

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 financial statements of Himachal Pradesh Power Corporation Limited for the year ended 31 March 2017.

The preparation of financial statements of the Himachal Pradesh Power Corporation Limited for the year ended 31 March 2017 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 30th March 2019.

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 2017 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.

BALANCE SHEET

1. Non Current Assets

I. **Property Plant and Equipment (Note-2.1) - Rs. 1561.31 crore**

Above includes Rs. 53.64 crore on account of compensation paid for trees and structure on private land acquired in respect of Renukaji Dam Project. The trees and structures are going to be submerged in the near future upon construction of the dam. Thus the cost of trees and structures should have been depreciated to respective financial years; however, the same was not done. This has resulted in overstatement of "Property Plant and Equipment" by Rs. 7.85 crore and understatement of "Capital Work in Progress- Expenditure during construction" (as depreciation is charged to this head during construction period) to the same extent.

II. As per Himachal Pradesh Electricity Regulatory Commission Hydro Generation Tariff regulation, depreciation @ 3.34% p.a is leviable on Submerged Land. HPPCL has shown Rs. 319.11 crore on account of compensation paid for private land acquired for Renukaji Dam Project; however, this amount has been shown under "CWIP- Land Submerged" instead of "Property Plant and Equipment" (freehold land). Depreciation on value of land has also not been provided for. Thus, "CWIP- Land Submerged" is overstated by Rs. 319.11 crore and "Properly plant and equipment" (Land Freehold) is under stated by Rs. 308.45 crore and "Expenditure during Construction" is under stated by as Rs. 10.66 crore.

2 Capital Work-in-Progress (Note-2.2) - Rs. 3,557.62 crore

Above does not include Rs. 3.33 crore on account of warranty charges for extended period (up to 31-10-2016) in respect of Sainj HEP. This has resulted in understatement of both "Capital Work-in-Progress" and "Current Liabilities-Other Financial Liabilities" by Rs. 3.33 crore.

Equity and Liabilities

3 Current Liabilities

Other Current Liabilities (Note-2.22) - Rs. 549.59 crore

I. Above does not include Rs. 0.65 crore payable to M/S HCC Limited on account of additional insurance premium in respect of construction work of HRT of Swara Kuddu HEP, agreed to be borne by HPPCL. This has resulted in understatement of "Current Liabilities-Other Financial Liabilities" as well as "Capital Work in Progress" by Rs.0.65 crore.

II. Above does not include Rs.5.39 crore payable to project affected families (whose land had been already acquired by HPPCL till 31.3.2017) on account of implementation of corrective action plan in respect of Sainj HEP (Rs.0.84 crore) and Swara Kuddu HEP (Rs.4.54 crore).This has resulted in understatement of "Current Liabilities-Other Financial Liabilities" and "Property, Plant and Equipment" by Rs.5.39 crore.

III. Above does not include Rs.11.40 crore payable to contractor on account of price variation bill for the period 1-10-2009 to 31-3-2017 in respect of Swara Kuddu HEP. This has resulted in understatement of "Current Liabilities-Other Financial Liabilities" and "Capital Work in Progress" by Rs.11.40 crore.

Statement of Profit and Loss

4. Income

Revenue from operations (Note-2.24) - Rs.14.71 crore

Above includes Rs. 0.73 crore as late payment surcharge recoverable from HPSEBL for sale of power from Kashang Hydro Electric Project up to 31-3-2017. However the amount recoverable for sale of power (SOP) had already been adjusted against leave salary and other benefits of HPSEBL employees posted in HPPCL on secondment. Thus, late payment surcharge of Rs. 0.73 crore was not recoverable. Thus, "Revenue from operation" is overstated by Rs. 0.73 crore and "Loss" is understated to same extent.

5. Expenses

Depreciation and Amortization Expenses (Note 2.28)-Rs.21.38 crore.

Above does not include Rs. 19.30 lakh being amount of deprecation in respect non- capitalized works of local area development of Kashang HEP amounting to Rs. 7.31 crore. This has resulted in understatement of "Expenses-Depreciation and Amortization Expenses" and "Loss" by Rs. 19.30 lakh.

Balance Sheet

6. Notes to financial statements for the year ended 31st March 2017

I. H.P. Government approved (10.06.2016) allocation of Jaisi Dam HEP (528 MW, now Sunni Dam HEP) in favour of HPPCL. HPPCL expended Rs.41.11 lakh for preparation of Pre Feasibility Report till 31.3.2017. However, on 23.1.2017, H.P Government cancelled the allotment of the HEP from HPPCL and re-allotted it in favour of Satluj Jal Vidyut Nigam Limited. This fact has not been disclosed in the Notes to Financial Statement; thus, they are deficient to that extent.

II. The contract agreement for construction of Electro Mechanical package of Shongtong Karchham HEP was signed with M/s Andritz Hydro Private Limited on 04-3-2015 for an amount in aggregate of EUR 4.31 Lakh (foreign currency part) and INR 3.33 crore (Indian currency part). In October 2017, in a meeting of the Company with KfW (German Government Development Bank and main funder of project) it was decided that withholding tax (WHT), on supply of equipment would be reimbursed by the Company. Thus, foreign currency part of the contract was enhanced by EUR 0.60 lakh to EUR 4.90 lakh. This fact has not been disclosed in the Notes to financial statements; thus, they are deficient to that extent.

7. Impact of comments

As a result of comments, current year loss of Rs.32.35 crore has been understated by Rs.0.92 crore. In case these adjustments are carried out, current year loss would increase to Rs.33.27 crore as against Rs.32.35 crore depicted currently.

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

Place: Shimla
Date: 12-07-2019

Sd/-
Principal Accountant General (Audit)
Himachal Pradesh, Shimla

Replies to the comments of the Comptroller and Auditor General of India under Section 143(6) (b) read with Section 129 (4) of the Companies Act, 2013 on the Financial Statements of Himachal Pradesh Power Corporation Limited for the year ended 31 March 2017.

C&AG Comments	Reply to comments of C&AG
1. Non Current Assets **I. Property Plant and Equipment (Note-2.1) - Rs.1561.31 Crore** Above includes Rs.53.64 crore on account of compensation paid for trees and structure on private land acquired in respect of Renukaji Dam Project. The trees and structures are going to be submerged in the near future upon construction of the dam. Thus the cost of trees and structures should have been depreciated to respective financial years; ; however, the same was not done. This has resulted in overstatement of "Property Plant and Equipment" by Rs.7.85 crore and understatement of "Capital Work in Progress- Expenditure during construction" (as depreciation is charged to this head during construction period) to the same extent.	The suggestion of the audit is considered to create separate assets for Land and Structures and Trees etc. lying in submerged area of the Dam and shall be depreciated and accordingly the depreciation on this account shall be charged to main Assets when constructed / commissioned.
II. As per Himachal Pradesh Electricity Regulatory Commission Hydro Generation Tariff regulation, depreciation @ 3.34% p.a is leviable on Submerged Land. HPPCL has shown Rs. 319.11 crore on account of compensation paid for private land acquired for Renukaji Dam Project; however his amount has been shown under "CWIP- Land Submerged" instead of "Property Plant and Equipment "(freehold land). Depreciation on value of land has also not been provided for. Thus, "CWIP- Land Submerged" is overstated by Rs.319.11 crore and "Properly plant and equipment" (Land Freehold) is under stated by Rs.308.45 crore and "Expenditure during Construction" is under stated by as Rs.10.66 crore.	Shall be accounted for as per the HPERC Hydro Tariff Regulations.
2. Capital Work-in-Progress (Note-2.2) - Rs. 3,557.62 crore Above does not include Rs. 3.33 crore on account of warranty charges for extended period (up to 31-10-2016) in respect of Sainj HEP. This has resulted in understatement of both "Capital Work-in-Progress" and "Current Liabilities- Other Financial Liabilities" by Rs. 3.33 crore.	The amount although approved by the BOD, but is not acceptable to the Contractor. In view of pending Arbitral Tribunal proceedings, the case is sub-judice and hence not yet accounted for in Books of Accounts of the Corporation. However, the amount has been shown as contingent liabilities under Note No. 2.33.
Equity and Liabilities **3. Current Liabilities**	

C&AG Comments	Reply to comments of C&AG
Other Current Liabilities (Note-2.22) - Rs. 549.59 crore	
I. Above does not include Rs. 0.65 crore payable to M/S HCC Limited on account of additional insurance premium in respect of construction work of HRT of Swara Kuddu HEP, agreed to be borne by HPPCL. This has resulted in understatement of "Current Liabilities-Other Financial Liabilities" as well as "Capital Work in Progress" by Rs.0.65 crore.	In view of pending RAO Audit observation on release of such amount to the Contractor, the amount payable has not yet been considered as additional liability to be booked as expenditure. Hence no provision has been made in books of Accounts of the Corporation. However, the amount has been shown as contingent liabilities under Note No.2.33
II. Above does not include Rs.5.39 crore payable to project affected families (whose land had been already acquired by HPPCL till 31.3.2017) on account of implementation of corrective action plan in respect of Sainj HEP (Rs.0.84 crore) and Swara Kuddu HEP (Rs.4.54 crore).This has resulted in understatement of "Current Liabilities-Other Financial Liabilities" and "Property, Plant and Equipment" by Rs.5.39 crore. Work-in-Progress" and "Current Liabilities- Other Financial Liabilities" by Rs. 3.33 crore.	As the "Certification of Vulnerable persons" was received late on 17.01.2019 i.e. after the approval of Annual Accounts in the BoD Meeting held on 28.11.2018. Hence the provision could not be made. However, the provision has been now made in the F.Y. 2017-18.
III. Above does not include Rs.11.40 crore payable to contractor on account of price variation bill for the period 1-10-2009 to 31-3-2017 in respect of Swara Kuddu HEP. This has resulted in understatement of "Current Liabilities-Other Financial Liabilities" and "Capital Work in Progress" by Rs.11.40 crore.	Necessary provision for given amount has now been made in the F.Y. 2017-18.
Statement of Profit and Loss **4. Income** **Revenue from operations (Note-2.24) - Rs. 14.71 crore**	
Above includes Rs.0.73 crore as late payment surcharge recoverable from HPSEBL for sale of power from Kashang Hydro Electric Project up to 31-3-2017. However the amount recoverable for sale of power (SOP) had already been adjusted against leave salary and other benefits of HPSEBL employees posted in HPPCL on secondment. Thus, late payment surcharge of Rs. 0.73 crore was not recoverable. Thus, "Revenue from operation" is overstated by Rs. 0.73 crore and "Loss" is understated to same extent.	The late payment surcharge has been levied as per Clause 8.0 of the Power Purchase Agreement (PPA) "REBATE AND LATE PAYMENT SURCHARGE" executed between HPPCL and HPSEBL dated 20.10.2016. The PPA does not have any provision of adjustment of any amount against the Energy Bills Payments. Any changes in the PPA clauses require consent of both the parties i.e. HPPCL and HPSEBL and cannot be done unilaterally. Therefore, the deduction made by the HPSEBL is wrong and not accepted to HPPCL. As such it is submitted that, recoverable amount shall remain in the books of accounts, until and unless, a considered decision taken mutually by both the parties. The amount had already been qualified and quantified by the Statutory Auditors in their Report vide Para No.5(i), Hence reported profitability will not be affected by this amount of Rs. .73 Crores.

C&AG Comments	Reply to comments of C&AG
5. Expenses **Depreciation and Amortization Expenses (Note 2.28)-Rs. 21.38 crore.** Above does not include Rs.19.30 lakh being amount of deprecation in respect non- capitalized works of local area development of Kashang HEP amounting to Rs.7.31 crore. This has resulted in understatement of "Expenses- Depreciation and Amortization Expenses" and "Loss" by Rs.19.30 lakh.	The total actual proportionate cost of Integrated Kashang Stage-I HEP (65 MW), works out to be Rs. 531.50 Crores, the remaining proportionate amount of Rs. 471.73 Crores pertains to Stage- II & III (130 MW) (Total Rs 1003.23 Crores), (including the amount of LADF & RR Plan). As of now only stage-I has been commissioned and against which Rs. 7.74 Crores have been deposited till 31.3.2017. However, capitalisation of entire Power House, consisting of all three Generating Units, (Civil, HM as well as E&M works) has been done under Stage –I only, in order to avoid idle Maintenance cost, Utilise the commissioned Generating Units alternatively and during maintenance periods to maintain Generation of electricity at designed capacity and avail Depreciation. The civil and HM works of Stage-II & III could not be executed due to litigation filed by the local people in Hon'ble NGT and Hon'ble High Court of H.P. Although all the generating Units have been commissioned, but the water availability is only to run the single Unit (i.e. of 65 MW Capacity only, as approved by registration authority). The matter related to execution of Civil & HM works of this HEP is still sub-judice, hence, the completion / execution of Stage II & III is uncertain. Therefore, the provision has not been considered necessary to be made in the FY-2016-17 and onwards for amount payable to LADC against Stage-II & III. This has been also disclosed in Notes on Accounts, vide Note No 2.66.
Balance Sheet **6. Notes to financial statements for the year ended 31st March 2017** I. H.P. Government approved (10.06.2016) allocation of Jaisi Dam HEP (528 MW, now Sunni Dam HEP) in favour of HPPCL. HPPCL expended Rs.41.11 lakh for preparation of Pre Feasibility Report till 31.3.2017. However, on 23.1.2017, H.P Government cancelled the allotment of the HEP from HPPCL and re-allotted it in favour of Satluj Jal Vidyut Nigam Limited. This fact has not been disclosed in the Notes to Financial Statement; thus, they are deficient to that extent.	The effect to the Government decision was given in Books of Accounts of the Corporation as 0n 31.3.2017 itself and Annual Accounts were prepared accordingly. Hence no need was felt to disclose additionally the same under Notes to Accounts.
II. The contract agreement for construction of Electro Mechanical package of Shongtong Karchham HEP was signed with M/s Andritz Hydro Private Limited on 04-3-2015 for an amount in aggregate of EUR 4.31 Lakh (foreign currency part) and INR 3.33 crore (Indian	The required disclosure was inadvertently not made in Notes on accounts for the F.Y. 2016-17, as the issue cropped–up after 31.03.2017. However shall be included in notes to accounts at the time of printing.

C&AG Comments	Reply to comments of C&AG
currency part). In October 2017, in a meeting of the Company with KfW (German Government Development Bank and main funder of project) it was decided that withholding tax (WHT), on supply of equipment would be reimbursed by the Company. Thus, foreign currency part of the contract was enhanced by EUR 0.60 lakh to EUR 4.90 lakh. This fact has not been disclosed in the Notes to financial statements; thus, they are deficient to that extent.	
7. Impact of comments As a result of comments, current year loss of Rs. 32.35 crore has been understated by Rs. 0.92 crore. In case these adjustments are carried out, current year loss would increase to Rs. 33.27 crore as against Rs. 32.35 crore, depicted currently.	Considering all the qualifications & quantifications of C&AG comments on profitability of the Corporation, the loss would be understated by Rs. 0.19 Crore only, instead of Rs. 0.92 Crore.

Power House Control Room, Sainj HEP (100 MW)

GIS Hall, Sainj HEP (100 MW)

Training Expert of HIMCON Agency Shimla imparting his valuable knowledga to the PAFs during Knitting Training Program conducted /sponsored by H.P. Power Corporation Ltd. at Reckong Peo

The General Manager, Integrated Kashang HEP providing the landless grant of Rs. 50,000/- to the landless families of Integrated Kashang HEP under R&R Plan of HPPCL

Consolidated Balance Sheet as at 31st March 2017

(Rs. in Lacs)

Particulars	Note No.	as at March 31,2017	as at March 31,2016	as at March 31,2015
ASSETS				
Non-Current Assets:				
Property, Plant and Equipment	2.1	156,131	44,197	30,693
Capital Work-in-Progress	2.2	355,762	421,135	300,204
Other Intangible Assets	2.3	0	46	92
Financial Assets				
Investments	2.4	0	123	183
Loans	2.5	146	144	143
Others	2.6	13,069	300	0
Other Non Current Assets	**2.7**	**29,297**	**25,128**	**34,216**
Current Assets				
Inventories	2.8	31	22	0
Financial Assets				
Trade Receivables	2.9	1,543	0	1
Cash and Cash Equivalents	2.10	36,518	24,545	33,633
Bank Balance other than above	2.11	5,699	1,709	3,037
Loans	2.12	3	1	4
Other Assets	2.13	3,132	4,655	124
Other Current Assets	**2.14**	**4,133**	**45,731**	**725**
Total Assets		**605,463**	**567,737**	**403,055**
EQUITY AND LIABILITIES				
Equity				
Equity Share Capital	2.15	167,090	151,060	135,060
Other Equity	2.16	(3,687)	(730)	(4,261)
Liabilities				
Non-Current Liabilities:				
Financial Liabilities				
Borrowings	2.17	192,407	174,824	171,692
Other Financial Liabilities	2.18	120,896	78,203	41,749
Provisions	**2.19**	**4,258**	**3,302**	**2,761**
Other Non Current Liabilities	**2.20**	**69,530**	**69,421**	**24,312**
Current Liabilities:				
Trade Payables	2.21	0	0	0
Other Financial Liabilities	2.22	54,959	91,624	31,743
Other Current Liabilities				
Provisions	**2.23**	**9**	**33**	**0**
Total Equity and Liability		**605,463**	**567,737**	**403,055**

Significant Accounting Policies 1

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

For and on behalf of the Board of Directors

Sd/-	Sd/-	Sd/-	Sd/-
(B.L. Verma)	(Sudershan K Sharma)	(Neeraj Kumar)	(Devesh Kumar)
D.G.M. (Finance)	Company Secretary	Director (Finance)	Managing Director
		DIN 7351150	**DIN 00329576**

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

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

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

Place: Shimla
Date: 30-03-2019

Statement of Profit and Loss for the year ended 31st March 2017

(Rs. in Lacs)

Particulars	Note No.	For the year ended on March 31, 2017	For the year ended on March 31, 2016
Income			
Revenue From Operations	2.24	1,471	38
Other Income	2.25	3,745	31
Total Income		**5,216**	**70**
Expenses			
Employee Benefit Expenses	2.26	1,261	0
Finance Cost	2.27	3,511	0
Depreciation And Amortization Expenses	2.28	2,138	0
Other Expenses	2.29	1,478	15
Total Expenses		**8,387**	**15**
Profit/Loss before net movement in regulatory deferral account balance		**(3,171)**	**54**
Net movement in regulatory deferral Account Balance			
		(3,171)	**54**
Share of Profit/ Loss in joint venture		**(64)**	**(26)**
		(3,235)	**29**
Profit Before Tax			
Extra Ordinary Items			
Loss of Fixed/CWIP Assets			
Kashang HEP		(1)	0
Sawra Kuddu HEP			(18)
Profit/Loss Before Tax		**(3,235**	**11**
Income Tax		-	0
Current Tax		0	0
Deferred Tax		0	0
Profit/Loss for the year		**(3,235)**	**11**
Other Comprehensive Income			
Items that will not be reclassified subsequently to profit & loss account			
Remeasurement of the net defined benefit liability/ assets			
Income tax on above item			
Total			
Total Comprehensive Income for the period		**(3,235)**	**11**
Earnings per Equity share **(before net movement in regulatory deferral account Balance**			
Basic and Diluted	2.30	(20)	0
Earnings per Equity share **(after net movement in regulatory deferral account Balance**			
Basic and Diluted			

Significant Accounting Policies 1

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

For and on behalf of the Board of Directors

Sd/-	Sd/-	Sd/-	Sd/-
(B.L. Verma)	(Sudershan K Sharma)	(Neeraj Kumar)	(Devesh Kumar)
D.G.M. (Finance)	Company Secretary	Director (Finance)	Managing Director
		DIN 7351150	**DIN 00329576**

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

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

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

Place: Shimla
Date: 30-03-2019

Statement of Change in Equity

(Rs. in Lacs)

Particulars	Equity Share Capital	Other Equity		Total Other Equity	Total
		Reserve & Surplus	Other Comprehensive Income		
		Retained Earnings	Remeasurement of the Net Defined Benefit Assets/Liability (net of Tax)		
Changes in equity for the year ended on March 2017					
Opening Balance as on 1st April 2016	151,060	-730	0	-730	150,330
Equity Shares issued during the year	16,031			0	16,031
Other Comprehensive Income for the period		278		278	278
Profit/ Loss for the Period		-3,235		-3,235	-3,235
Opening Adjustment in Retained Earnings				0	0
Dividend				0	0
Dividend Tax				0	0
Closing Balance as at March 31,2017	**167,090**	**-3,687**	**0**	**-3,687**	**163,403**

Particulars	Equity Share Capital	Other Equity		Total Other Equity	Total
		Reserve & Surplus	Other Comprehensive Income		
		Retained Earnings	Remeasurement of the Net Defined Benefit Assets/Liability (net of Tax)		
Changes in equity for the year ended on March 2016					
Opening Balance as on 1st April 2015	135,060	-4,261	0	-4,261	130,799
Equity Shares issued during the year	16,000			0	16,000
Other Comprehensive Income for the period		-35		-35	-35
Profit/ Loss for the Period		11		11	11
Opening Adjustment in Retained Earnings		3,555		3,555	3,555
Dividend				0	0
Dividend Tax				0	0
Closing Balance as at March 31,2016	**151,060**	**-730**	**0**	**-730**	**150,330**

For and on behalf of the Board of Directors

Sd/-	Sd/-	Sd/-	Sd/-
(B.L. Verma)	(Sudershan K Sharma)	(Neeraj Kumar)	(Devesh Kumar)
D.G.M. (Finance)	Company Secretary	Director (Finance)	Managing Director
		DIN 7351150	**DIN 00329576**

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

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

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

Place: Shimla
Date: 30-03-2019

Consolidated Cash Flow Statement for the year ended 31st March 2017

(Rs. in Lacs)

Particulars	For the year ended on March 31, 2017	For the year ended on March 31, 2016
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/ Loss Before Tax	**(3,235)**	**11**
Adjustment for		
Loss of Fixed/CWIP Assets	1	18
Depreciation	2,138	-
Interest Income on term deposits	(513)	-
Provision for Investments	338	-
Share of Loss in Joint Venture	64	26
Finance/Interest Cost	3,511	-
	5,537	**54**
Adjustment for Assets and Liabilities		
Inventories	(9)	(22)
Trade Receivables and Unbilled Revenue	(1,543)	1
Loans Other Financial assets and Other Assets	19,788	(40,861)
Other Financial Liabilities and other Liabilities	6,138	112,757
Provisions	932	575
	25,306	**72,449**
Cash Generated from Operating activities	**27,608**	**72,503**
Less: Income Tax Paid	-	-
Net Cash generated from operating activities	**27,608**	**72,557**
CASH FLOW FROM INVESTING ACTIVITIES		
Net Expenditure on Property Plant and equipment	(114,026)	(13,457)
CWIP and Expenditure during Construction	60,525	(120,986)
Term Deposit with Banks (having maturity more than 3 months)	(1,773)	1,441
Interest on term deposit/ sweep deposits	2,071	-
Investment in Subsidiaries and Joint Venture	-	-
Depreciation on CWIP	-	-
CWIP from Deficit Account	-	3,555
Less: Loss of Fixed/CWIP assets from torrential rain & flood	(1)	(18)
Net Cash used in Investing activities	**(53,203)**	**(129,465)**
CASH FLOW FROM FINANCING ACTIVITIES		
Share Capital	16,031	16,000
Long Term Borrowings -Proceeds	22,060	32,399
Long Term Borrowings -Repayment	(300)	(580)
Finance Charges	(221)	-
Net Cash from Financing activity	**37,570**	**47,819**
Net Increase in Cash and Cash Equivalents	11,974	(9,088)
Opening Balance Cash and Equivalents	24,545	33,633
Closing Balance Cash and Equivalents	**36,519**	**24,545**

Restricted Cash Balance	-	-
Margin Money for BG/ Letter of Credit and Pledged Deposits	2,330	113
	2,330	**113**

For and on behalf of the Board of Directors

Sd/-	Sd/-	Sd/-	Sd/-
(B.L. Verma)	(Sudershan K Sharma)	(Neeraj Kumar)	(Devesh Kumar)
D.G.M. (Finance)	Company Secretary	Director (Finance)	Managing Director
		DIN 7351150	**DIN 00329576**

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

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

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

Place: Shimla
Date: 30-03-2019

HIMACHAL PRADESH POWER CORPORATION LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2017

1. GROUP INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES:

A. REPORTING ENTITY

Himachal Pradesh Power Corporation Ltd. (the "Group") is a Group domiciled in India and limited by shares (CIN: U40101HP2006SGC030591). The address of the Group's Registered Office is Himfed Building, BCS, New Shimla (H.P.)-171009, India. Electricity generation is the principal business activity of the Group. HPPCL together with its joint venture is hereinafter referred to as the "Group".

B. SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

The Group has adopted IND AS for the financial year beginning on April 1, 2016 with April 1, 2015 as the date of transition. These are the Group's first annual consolidated financial statements prepared complying in all material respects with the accounting standards notified under the Companies (Indian Accounting Standards) Rules,2015, the Companies Act, 2013 and the provisions of the Electricity Act, 2003, to the extent applicable. The Group has prepared its Opening IND AS Balance Sheet as at April 1, 2015 i.e. the Group's date of transition to Ind AS in accordance with the requirements of IND AS 101 "First-time adoption of Indian Accounting Standards". The transition was carried out from Accounting Principles Generally Accepted in India ("Indian GAAP") which is considered as the previous GAAP, as defined in IND AS 101. The reconciliation of effects of the transition from Indian GAAP on the equity as at April 1, 2015 and March 31, 2016 and on the net profit for the year ended March 31, 2016 is disclosed in Note no 2.35 to these financial statements. The preparation of the consolidated 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 consolidated 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 consolidated financial statements.

1.3 FUNCTIONAL AND PRESENTATION CURRENCY

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

1.4 CURRENT AND NON-CURRENT CLASSIFICATION

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

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

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current. Deferred tax assets/liabilities are classified as non-current.

1.5 PROPERTY, PLANT AND EQUIPMENT (PPE)

a) The Group 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. Group's 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 Group and the cost of the item can be measured reliably.

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

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 Group, where the Group 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 Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised when no future economic benefits are expected from its use or upon disposal. The costs of the day-to-day servicing of property, plant and equipment are recognised in statement of profit and loss as and when incurred. Other spares are treated as "stores & spares" forming part of the inventory and expensed when used/ consumed.

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

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

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

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

g) The Expenditure of Corporate office and Sundernagar 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 Groupto earn rentals or for capital appreciation or both is classified as Investment property other than for:

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

ii) Sale in the ordinary course of business.

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

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

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

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

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

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

1.8 INTANGIBLE ASSETS

a) Upto March 31, 2015, Intangible assets were carried in the balance sheet in accordance with Indian GAAP. The Group has elected to avail the exemption granted by IND AS 101, to regard those amounts as deemed cost at the date of the transition to IND AS (i.e. as on April 1, 2015).

b) 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

c) 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.

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

e) An item of Intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition 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 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

1.10 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.

1.11 FOREIGN CURRENCY TRANSACTIONS:

a) Functional and Presentation Currency:

Consolidated financial statements have been presented in Indian Rupees (₹), which is the Group's functional and presentation 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 with the exception that exchange differences on long term monetary items related to acquisition of fixed assets entered up to March 31, 2016 are adjusted to carrying cost of fixed assets.

The Group has elected to avail the exemption available under IND AS 101, with regard to continuation of policy for accounting of exchange differences arising from translation of long term foreign currency monetary liabilities.

1.12 FINANCIAL INSTRUMENTS – INITIAL RECOGNITION, SUBSEQUENT MEASUREMENT AND IMPAIRMENT

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

A) Financial Assets

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

Initial Recognition and Measurement:

I) All financial assets except trade receivables are recognised initially at fair value plus or minus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in statement of profit or loss.

ii) The Group measures the trade receivables at their transaction price if the trade receivables do not contain a significantfinancing component. A receivable is classified as a 'trade receivable' if it is in respect to the amount due from customerson account of goods sold or services rendered in the ordinary course of business.

De-recognition:

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

B) Financial Liabilities:

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

Classification, Initial Recognition and Measurement:

a) Financial liabilities are recognised initially at fair value minus transaction costs that are directly attributable to the issue of financial liabilities. Any difference between the proceeds (net of transaction costs) and the fair value at initial recognition is recognised in the 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 over the period of the borrowings using the effective rate of interest.

b) Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Subsequent Measurement:

a) After initial recognition, financial liabilities are subsequently 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.

1.13 INVESTMENT IN JOINT VENTURES AND ASSOCIATES:

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

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

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

1.14 LEASES

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

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

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

Operating Lease:

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

1.15 GOVERNMENT GRANTS

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

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

1.16 BORROWING COSTS

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

1.17 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

a) A provision is recognised when:

I) the Group has present legal or constructive obligation as result of past event;

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

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

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

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

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

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

f) Contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are disclosed in the financial statements when inflow of economic benefits is probable on the basis of judgement of management.

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

1.18 REVENUE RECOGNITION AND OTHER INCOME

Revenue from sale of energy is accounted for at rates as per the PPA signed between HPPC Ltd. and HPSEB Ltd.

1.19 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.

1.20 DEPRECIATION AND AMORTIZATION

I) Depreciation on Property, Plant & Equipment of Operating Units of the Group 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, keeping10% residual value.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.21 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.

1.22 EARNINGS PER SHARE

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

1.23 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".

1.24 MATERIAL PRIOR PERIOD ERRORS

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

2 NOTES ON ACCOUNTS

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

(Rs. in Lacs)

Particulars	Sub Note	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
2.1 Property Plant and Equipment	2.1.1	156,131	44,197	30,693
2.2 Capital Work In progress	2.2.1	355,762	421,135	300,204
2.3 Intangible Assets	2.3.1	0	46	92
TOTAL		**511,893**	**465,378**	**330,989**

2.4 FINANCIAL ASSETS - INVESTMENTS

Note 2.4.1

Investment Accounted for Using Equity Method

Non Trade- Unquoted (at Cost)

a) Interest in Joint Ventures Companies

The entities listed below have share capital consisting solely of equity shares, which are held directly by the group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held

(Rs. in Lacs)

	Place of Business	Accounting Method	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
			Ownership Interest		
Himachal EMTA Power Limited	India	Equity Method	50%	50%	50%
			Carrying Amount		
Himachal EMTA Power Limited			57	123	183
			57	**123**	**183**
Less Provision for doubtful investments			338	0	0
Reclassification of Carrying amount adjusted in retained earnings			-281	0	0
TOTAL			**0**	**123**	**183**

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

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

Note 2.4.2

Share of Profit of Joint ventures accounted for Using Equity Method

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Himachal EMTA Power Limited	-64	-26	0
TOTAL	**-64**	**-26**	**0**

Explanatory Note

SUMMARISED FINANCIAL INFORMATION FOR JOINT VENTURES

The tables below provide summarised financial information for joint ventures of the group. The information disclosed reflects the amounts presented in the financial statements of the joint ventures. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments made at the time of acquisition and modifications for differences in accounting policies.

Summarised Balance Sheet

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
ASSETS			
Non Current Assets	257	389	449
Current Assets	2	2	52
Total Assets	**259**	**391**	**501**
LIABILITIES			
Non Current Liabilities	144	144	133
Current Liabilities	1	0	2
Total Liabilities	**145**	**145**	**135**
Net Assets	**114**	**246**	**366**

Note 2.4.3

Reconciliation of Carrying Amount

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Opening Net Assets	246	366	-
Profit / Loss during the year	-127	-51	-
Other Comprehensive Income	-	-	-
Reclassification Adjustment	-5	-69	-
	114	**246**	**-**
Group Share in Percentage	50%	50%	50%
Group Share in Rupees	57	123	183

Summarised Statement of Profit and Loss Account

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Other Income	1	3	-
Other Expenses	127	54	-
Depriciation and Amortisation	2	2	-
Income Tax	-	-1	-
Net Loss	-127	-51	**-**
Group Share in Rupees	-64	-26	-

2.5 FINANCIAL ASSETS - LOANS

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Security Deposits			
- Secured Considered Good	-	-	-
- Unsecured Considered Good	146	144	143
- Doubtful	-	-	-
TOTAL	**146**	**144**	**143**

2.6 FINANCIAL ASSETS - OTHERS

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Fixed Deposits with Banks having Maturity for more than 12 months	13,069	300	0
TOTAL	**13,069**	**300**	**0**

2.7 OTHER NON CURRENT ASSETS

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Capital Advances:			
Secured by Hypothecation of Equipment and / Material	0	130	0
Unsecured Considered Good	0	0	0
Covered by Bank Guarantee	6,684	10,271	0
Others	3,806	3,213	16,163
Loans and advances to Related Parties			
Loans and Advances to Joint Ventures			
Secured Considered Good	0	0	0
Unsecured Considered Good	61	61	61
Less Provision for doubtful advance	-61	0	0
Advances to Others			
Others - Secured Considered Good	5	5	0
Others - Unsecured Considered Good	1,757	2,188	9,604
Deposit with Judicial Authorities	0	0	0
Capital Stores At Cost (as certified by the management)			
Steel	11	7	0
Cement	0	0	0
Others (Capital Stores)	0	8	0
Material at site	0	0	0
Other items	5	3	0

Recoverable Contractors	8,556	2,901	1,427
Others Recoverable	233	233	206
Less Provision for doubtful recoverable	-23	0	0
Recoverable from Staff	1	1	0
Deposits With Income Tax Authorities	7,774	7,774	7,774
TDS Recoverable/Amount Recoverable from Tax Authorities	0	0	0
Grant Receivable Non Current	488	442	0
TOTAL	**29,297**	**25,128**	**34,216**

2.8 INVENTORIES

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Loose Tools	0	0	0
Stores and Spares	31	22	0
Less Provision for Shortage and Obsolescence	0	0	0
TOTAL	**31**	**22**	**0**

2.9 FINANCIAL ASSETS - TRADE RECEIVABLES

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Secured considered good			
Unsecured considered good			
Power	1,543	0	0
Lab Charges	0	0	1
Doubtful	0	0	0
TOTAL	**1,543**	**0**	**1**

Related Party Nil (PY Nil)

2.10 FINANCIAL ASSETS - CASH AND CASH EQUIVALENTS

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Cash and Bank Balances			
Cash in hand (including Imprest)	0	1	1
Stamps in hand	0	0	0
Balances with Banks			
(i) Current Deposits	36,313	23,989	33,632
(ii) Term Deposits with maturity period up to 3 months	204	556	0
Cheques and Drafts in hand	0	0	0
TOTAL	**36,518**	**24,545**	**33,633**

2.11 FINANCIAL ASSETS - BANK BALANCE OTHER THAN ABOVE

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Other Bank Balances			
Margin Money for Pledged Deposits	1,205	113	0
Margin Money for BG/ Letter of Credit	1,125	0	0
Other Term Deposits having maturity period for more than 3 months	3,369	1,596	3,037
TOTAL	**5,699**	**1,709**	**3,037**

2.12 FINANCIAL ASSETS - LOANS

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Loans and Advances to Related Parties			
Loans and Advances to Directors			
Secured Considered Good	0	0	0
Unsecured Considered Good	0	0	0
Advances to Employees (Unsecured Considered Good)	2	0	3
Recoverable from Staff	1	1	1
TOTAL	**3**	**1**	**4**

2.13 FINANCIAL ASSETS - OTHER ASSETS

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Interest Accrued but not due on Deposits with Banks	400	95	67
Amount Recoverable from Contractors	1,222	240	0
Income Tax Refund	1,067	4,191	0
Recoverable from Staff	0	0	0
Interest Recoverable	444	130	10
Other Current Assets	1	0	48
TOTAL	**3,132**	**4,655**	**124**

2.14 OTHER CURRENT ASSETS

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Advances to Contractors & Suppliers			
Secured Considered Good	0	0	0
Unsecured Considered Good	3,632	624	0
Considered Doubtful	0	0	0
Less Provision for Doubtful Advances	0	0	0
Advances Others			
Secured Considered Good	0	0	0
Unsecured Considered Good	0	363	0
TDS Recoverable	85	35	716

Prepaid Expenses	415	14	9
Grant Receivable	0	44,696	0
TOTAL	**4,133**	**45,731**	**725**

2.15 EQUITY SHARE CAPITAL

Particulars	as at March 31,2017		as at March 31,2016		as at March 31,2015	
	No. of Shares	Amount (Rs. in Lacs)	No. of Shares	Amount (Rs. in Lacs)	No. of Shares	Amount (Rs. in Lacs)
AUTHORISED Equity Shares of par Value of Rs 1,000/- each	20,000,000	200,000	15,000,000	150,000	15,000,000	150,000
ISSUED, SUBSCRIBED AND FULLY PAID UP Equity Shares of par Value of Rs 1,000/- each fully paid up	16,709,008	167,090	15,105,958	151,060	13,505,958	135,060
TOTAL		**167,090**		**151,060**		**135,060**

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

Particulars	as at March 31,2017		as at March 31,2016		as at March 31,2015	
	No. of Shares	%age	No. of Shares	%age	No. of Shares	%age
Government of Himachal Pradesh	3,529,750	21.12	1,926,700	13	1,326,700	9.82
Himachal Pradesh Infrastructure Development Board	11,871,477	71.05	11,871,477	79	10,871,477	80.49
Himachal Pradesh Electricity Board Limited (13,07,731 Equity Shares Issued in kind)	1,307,731	7.83	1,307,731	9	1,307,731	9.68
TOTAL	**16,708,958**	**100.00**	**15,105,908**	**100.00**	**13,505,908**	**100.00**

2.15.2 RECONCILIATION OF SHARES OUTSTANDING IS SET OUT BELOW:

Particulars	as at March 31,2017		as at March 31,2016		as at March 31,2015	
	No. of Shares	Amount (Rs. in Lacs)	No. of Shares	Amount (Rs. in Lacs)	No. of Shares	Amount (Rs. in Lacs)
No of shares at the beginning	13,505,958	135,060	11,823,896	118,239	11,823,896	118,239
No of shares issued during the year	3,203,000	32,030	1,682,062	16,821	1,682,062	16,821
No of shares at the end	16,708,958	167,090	13,505,958	135,060	13,505,958	135,060

2.16 OTHER EQUITY

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Retained Earnings			
Opening Balance	-730	-4,261	-1,932
Less Previous years adjustment	0	3,555	0
Adjustment of carrying amount of investment in Himachal EMTA Private Limited	278	-35	-154
Add: Profit/Loss for the year as per Statement of Profit and Loss	-3,235	11	-2,174
Closing Balance	**-3,687**	**-730**	**-4,261**

2.17 LONG TERM BORROWINGS

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Long Term Loans **From Other Parties** **Secured** *(hypothecation against assets of HEP)*			
Power Finance Corporation for Sawara Kuddu HEP *(Rate of Interest 12.75 % payable in Quarterly instalments from Jul 2017 to Oct 2044)*	1,471	1,621	1,771
Power Finance Corporation for Kashang HEP *(Rate of Interest 9.75 % payable in Quarterly instalments up to Oct 2017)*	0	0	150
	1,471	**1,621**	**1,921**
Unsecured			
Government of Himachal Pradesh Loan for Shongtong HEP *(Rate of Interest 3.83 % pa payable in half yearly Instalments from Jul 2018 to Jan 2028)*	5,622	2,567	16
Government of Himachal Pradesh Loan for Shongtong HEP *(Rate of Interest 0.75 % pa payable in half yearly Instalments from Jul 2023 to Jan 2053)*	2,311	1,036	7
Government of Himachal Pradesh Loan (Trench I) *(Rate of Interest 10 % payable in yearly instalments of principal with interest from Apr 2018 to Jan 2023)*	45,507	30,233	37,225
Government of Himachal Pradesh Loan (Trench II) *(Rate of Interest 10 % payable in yearly instalments of principal and interest from Apr 2018 up to Jan 2025)*	45,458	52,863	51,953
Government of Himachal Pradesh Loan (Trench III) *(Rate of Interest 10 % payable in yearly instalments of principal and interest from Apr 2018 up to Jan 2026)*	55,540	48,108	46,476
Government of Himachal Pradesh Loan (Trench IV) *(Rate of Interest 10 % payable in yearly instalments of principal and interest from 15 Jan 2018 up to Jan 2027)*	36,498	38,395	34,095
	190,936	**173,203**	**169,771**
TOTAL	**192,407**	**174,824**	**171,692**

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

The Government of HP has allowed deferment of loan and interest till FY 2018-19.

Case for deferment of repayment of Loan and Interest thereon amounting to Rs. 1,10,795 Lacs (i.e. Rs. 41,135 Lacs and Rs.69,660 Lacs, respectively), pertaining to Calendar Year 2016, vide letter No. HPPCL/F&A/ADB-Loan HP Govt./2017-23082-84 dated 19.01.2017, has been approved by the GoHP on 09/01/2018.

2.18 OTHER FINANCIAL LIABILITIES

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Deferred Repayment of Interest of Govt. of Himachal Pradesh Loan	75,261	48,355	29,727
Deferred Repayment of Principal of Govt. of Himachal Pradesh Loan	41,135	21,766	12,022
Deposits Retention Money from contractors and others	4,517	8,091	0
Less Investment held as Security	-17	-10	0
TOTAL	**120,896**	**78,203**	**41,749**

Case for deferment of repayment of Loan and Interest thereon amounting to Rs. 1,10,795 Lacs (i.e. Rs. 41,135 Lacs and Rs.69,660 Lacs, respectively), pertaining to Calendar Year 2016, vide letter No. HPPCL/ F&A/ ADB-Loan HP Govt./2017-23082-84 dated 19.01.2017, has been approved by the GOHP on 09/01/2018.

The Government of HP has allowed deferment of loan and interest till FY 2018-19.

2.19 PROVISIONS NON CURRENT

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Unfunded Employees Benefit			
Provision for Pension Contribution	1,363	1,031	764
Provision for Gratuity	645	407	356
Provision for Leave Encashment	2,250	1,864	1,641
TOTAL	**4,258**	**3,302**	**2,761**

(Rs. in Lacs)

	As at 1/04/2016	For The Year			As At 31/03/2017
		Additions	Write Back	Utilization	
Unfunded Employees Benefit					
Pension Contribution	1,031	332	0	0	1,363
Gratuity Provision	407	640	387	15	645
Leave Encashment	1,864	757	342	29	2,250
Others	0	0	0	0	0
TOTAL	**3,302**	**1,728**	**729**	**44**	**4,258**

2.20 OTHER NON CURRENT LIABILITIES

Capital Grant Government of India

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
A) Utilised Grant			
Renuka			
Opening Balance	68,680	23,984	23,984
Addition during the year	0	44,696	0
Less Accumulated Depreciation on Fixed Assets	-131	-189	-162
Closing Balance	68,549	68,491	23,821
Gyspa			
Opening Balance	942	500	500
Addition during the year	46	442	0
Less Accumulated Depreciation on Fixed Assets	-6	-11	-10
Closing Balance	981	931	490
Total Utilised Grants	**69,530**	**69,421**	**24,312**

The Renukaji Dam Hydro Electric project and Gyspa Dam project is being implemented by HPPCL as a National project and is fully funded by the Government of India and Governments of beneficiary states. The contributions received for Renukaji Dam project from the Delhi Jal Board and the Haryana Government aggregating Rs. 23,983.80 Lacs and for Gyspa Dam project from CWC Rs. 500.00 Lacs have been treated as Capital Reserve (Net of depreciation) in compliance with Ind AS 20.

2.21 TRADE PAYABLES

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Trade Payables	0	0	0
TOTAL	**0**	**0**	**0**

2.22 OTHER CURRENT LIABILITIES:

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
Liabilities for Employee's remuneration and benefits	110	175	108
Liabilities for Contractors & Suppliers	3,683	2,868	2,763
Liabilities for Government Departments	277	260	507
Interest accrued and due on Unsecured Loans	0	5,028	4,382
Interest accrued and due on Secured Loans	41	48	60
Deposits Retention Money from contractors and others	150	300	580
Current portion of Govt of Himachal Pradesh Loan	4,152	19,193	0
Provision for Expenses	35,490	53,413	7,889
Deposits Retention Money from Contractors and Others	6,116	2,627	11,013
Advance for Deposit Work	13	70	0
Taxes and Duties payable	174	184	108
Bank Overdrawn due to Bank Reconciliation	0	3	0
Share Application Money Pending Allotment	4,753	7,457	4,332
TOTAL	**54,959**	**91,624**	**31,743**

2.23 PROVISIONS CURRENT

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at March 31,2015
A) Unfunded Employee Benefits			
Gratuity Payable	4	11	0
Leave Encashment Payable	5	10	0
Pension Payable	0	12	0
Others	0	0	0
TOTAL	**9**	**33**	**0**

(Rs. in Lacs)

	As at 1/04/2016	For The Year			As At 31/03/2017
		Additions	Write Back	Utilization	
Unfunded Employees Benefit					
Pension Contribution	12	0	0	12	0
Gratuity Provision	11	14	0	21	4
Leave Encashment	10	13	0	18	5
Others	0	0	0	0	0
TOTAL	**33**	**27**	**0**	**51**	**9**

2.24 REVENUE FROM OPERATIONS

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016
Sale of Energy	1,437	0
Sale of Services		
Rent of Land	0	0
Rent from Property	34	38
TOTAL	**1,471**	**38**

2.25 MISCELLANEOUS INCOME

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016
Interest on Bank Deposits/FDR's	513	0
Interest from Banks	14	0
Income from Providing Design Works/Lab Receipts	2	0
Adjustment of Depreciation on Capital Grants	0	0
Late Payment Surcharge	73	0
Other	3,143	31
TOTAL	**3,745**	**31**

2.26 EMPLOYEE BENEFITS EXPENSES

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016
Salaries, Wages, Allowances and Benefits	1,033	0
Contribution to Provident and Other Funds	11	0
Leave Salary and Pension Contribution	203	0
Welfare Expenses	14	0
TOTAL	**1,261**	**0**

2.27 FINANCE COST

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016
Interest on Term Loans	3,510	0
Bank Charges/LC Charges	1	0
TOTAL	**3,511**	**0**

2.28 DEPRECIATION EXPENSES

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016
Depreciation for the year	2,138	0
TOTAL	**2,138**	**0**

2.29 OFFICE AND ADMINISTRATIVE EXPENDITURE

(Rs. in Lacs)

Particulars	Amount as at March 31,2017	Amount as at March 31,2016
Repairs and Maintenance Vehicle	2	0
Repairs and Maintenance Office Furniture & Equipment's	4	0
Repairs and Maintenance Plant and Machinery	19	0
Repairs and Maintenance Buildings	13	0
Repairs and Maintenance Others	0	0
Free Power	187	0
Energy Charges	12	0
Office Expenses	1	0
Hospitality and Entertainment Expenses	2	0
Meeting Expenses	2	0
Misc. Expenses	49	0
Provision for Doubtful Investments	398	0
Provision for Doubtful Advances	23	0
Communication Expenses	22	0
Rent, Rates and Taxes	49	0
Consultancy Fees	7	0
Annual Technical Support-SAP	313	0
Vehicle Running Charges & Insurance Charges	4	0
Training Expenses	3	0
Fees & Subscription	1	0
Electricity & Water Expenses	21	0
Printing & Stationary	7	0
Books, Periodicals & Newspapers	2	0
Freight & Labour Charges	2	0
Raising Day Expenses	8	10
Legal & Professional Charges	51	2
Postage & Telegram Expenses	0	0
Publicity & Advertisement Expenditure	5	0
Expenditure on Transit Camps/Guest House	1	0
Business Promotion Expenses	0	0
Insurance-Other Assets	0	0
Statutory Audit Fees(Including Out of pocket Expenses)	12	3
Travelling and Conveyance	6	0
Hiring of Vehicles	64	0
Bank Guarantee Encashed	21	0
Prior Period Expenses	167	0
TOTAL	**1,478**	**15**

2.30 EARNING PER SHARE BASIC AND DILUTED

Particulars	Amount as at March 31,2017	Amount as at March 31,2016
Net Profit after Tax	-3,235	11
Weighted Average Number of Shares	15,907,433	14,305,908
Face Value of Share	1,000	1,000
EPS	-20	0

Sub Note No. 2.1.1

SCHEDULE OF PROPERTY PLANT AND EQUIPMENT'S

(Rs. in Lacs)

Particulars	GROSS BLOCK				DEPRECIATION					NET BLOCK	
	As at 01.04.2016	Addition during the year	Deductions/ Adjustments	As at 31.03.2017	As at 01.04.2016	For the Year	Previous Year		As at 31.03.2017	As at 31.03.2017	As at 31.03.2016
							Deletion	Addition			
Land - Lease Hold	28	0	0	28	1	1	0	3	4	24	27
Land - Free Hold	38,860	20,550	3,875	55,536	0	0	0	0	0	55,536	38,860
Residential Buildings	2,185	197	0	2,382	139	94	-205	29	56	2,326	2,047
Non-Residential Buildings	1,051	300	0	1,351	103	41	-92	0	51	1,300	948
Temporary Sheds / Erections	2	0	0	2	0	0	0	3	3	-0	2
Project Civil Works	0	61,373	0	61,373	0	1,697	0	0	1,697	59,676	0
Roads, Bridges & Traffic Tunnels	-0	0	0	-0	0	0	0	0	0	-0	-0
Project Electro Mechanical Works	2	30,847	0	30,849	0	342	-0	0	342	30,507	2
Plant (currently for Water Treatment)	1	0	0	1	0	0	-2	0	-2	2	0
Office Machinery	79	4	0	82	22	8	-68	0	-38	120	56
Electronics & Electrical Items	112	62	0	174	45	16	-181	0	-120	294	67
Furnitures & Fixtures	139	22	0	161	37	25	-159	0	-98	258	102
Computers & Data Processing Machines	35	19	0	54	6	29	-73	0	-38	91	29
Vehicles	39	0	0	39	3	10	-23	0	-11	50	36
Kitchen Items	2	1	0	2	0	1	-0	0	1	1	2
Small Office Items	0	0	0	0	0	0	-0	0	0	0	0
Helipad	11	0	0	11	3	1	-12	0	-9	20	8
Bridges & Culverts	508	0	0	508	51	19	-72	0	-2	510	457
Server and Networks	373	30	0	402	147	198	-497	0	-152	554	226
Roads	1,196	525	0	1,721	426	150	-2,925	0	-2,349	4,070	770
Assets not owned by Company (Roads)	0	0	0	0	0	0	0	0	0	0	0
Assets not owned by Company (Others)	0	0	0	0	0	0	0	0	0	0	0
Infrastructure Dev. Construction Power	565	266	0	831	6	34	-1	0	39	792	558
Total (A)	**45,187**	**114,195**	**3,875**	**155,508**	**990**	**2,664**	**-4,312**	**34**	**-623**	**156,131**	**44,197**
Previous Year's Total	**30,693**	**15,045**	**552**	**45,187**	**0**	**990**	**0**	**0**	**990**	**44,197**	**30,693**

Sub Note No. 2.2.1

CAPITAL WORK-IN-PROGRESS

(Rs. in Lacs)

Particulars	Sub Note	Amount As at 31.03.2016	Debit During FY 2016-17	Credit During FY 2016-17	Amount As at 31.03.2017
Residential Buildings	2.2.1.1	237	32	201	68
Non Residential Buildings	2.2.1.1	447	49	369	127
Roads, Bridges & Culverts	2.2.1.1	259	709	904	64
Civil Works	2.2.1.1	166,202	27,047	55,325	137,924
Electro-Mechanical Works	2.2.1.1	60,593	38,736	49,953	49,375
Construction Power	2.2.1.1	804	544	1,126	222
Land Submerged Area	2.2.1.1	44,696	3,875	16,660	31,911
Investigation & Survey	2.2.1.1	0	8	0	8
Environment Expenses	2.2.1.1	0	126	-4	121
G.Total	2.2.1.1	**273,238**	**71,125**	**124,533**	**219,821**
Expenditure During Construction	2.2.2	147,898	42,952	-54,909	1,35,941
Total (Carried forward to Balance Sheet)		**421,135**	**1,14,078**	**69,624**	**355,762**

Note No. 2.2.1.1

CAPITAL WORK IN PROGRESS (PROJECT WISE)

(Rs. in Lacs)

Particulars	Residential Buildings as at 31.03.2017	Non Residential Buildings as at 31.03.2017	Roads, Bridges & Culverts as at 31.03.2017	Civil Works as at 31.03.2017	Electro-Mechanical Works as at 31.03.2017	Construction Power as at 31.03.2017	Land Submerged Area as at 31.03.2017	Investigation & Survey as at 31.03.2017	Environment Expenses as at 31.03.2017	Total as at 31.03.2017
Sundernagar	1	0	0	0	0	0	0	0	0	**1**
Sawra Kuddu HEP	56	0	2	58,853	22,271	81	0	0	0	**81,264**
Kashang HEP Stage-I	0	0	25	28	0	0	0	0	0	**53**
Sainj HEP	0	27	26	55,075	20,964	10	0	0	-4	**76,097**
Renukaji Dam Project	2	0	0	0	0	0	31,911	0	0	**31,913**
Shongtong HEP	0	0	6	17,531	6,140	39	0	0	0	**23,716**
Triveni HEP	0	0	0	0	0	0	0	0	0	**0**
Thana Plaun HEP	0	0	0	0	0	0	0	8	17	**25**
Gyspa HEP	8	99	6	0	0	0	0	0	0	**114**
Surgani Sundla HEP	0	0	0	0	0	0	0	0	0	**0**
Deothal Chanju	0	0	0	0	0	0	0	0	40	**40**
Chanju-III	0	0	0	0	0	0	0	0	4	**4**
Berra-Dol Solar Power Project	0	0	0	0	0	92	0	0	64	**156**
Kashang HEP Stage-II & III	0	0	0	6,437	0	0	0	0	0	**6,437**
G.Total	**68**	**127**	**64**	**137,924**	**49,375**	**222**	**31,911**	**8**	**121**	**219,821**

Sub Note No. 2.2.2 EXPENDITURE DURING CONSTRUCTION

(Rs. in Lacs)

Particulars	Sub Note	Amount As at 31.03.2016	Addition During FY 2016-17	Deletion During FY 2016-17	Amount As at 31.03.2017
EXPENSES (A):					
Employees' Benefits Expenses	2.2.2.1	39,458	7,818	-2,065	45,212
Finance/Interest Cost	2.2.2.2	54,500	29,633	-28,449	55,684
Depreciation Expenses	2.2.2.3	6,422	251	-4,234	2,439
Office and Administrative Expenses	2.2.2.4	49,976	11,458	-23,020	38,415
TOTAL (A)		**150,356**	**49,161**	**-57,768**	**141,750**
Less: Miscellaneous Income	2.2.2.5	-2,458	-6,209	2,859	-5,808
Less: Renukaji & Gyspa Project Depreciation adjusted against Capital Reserve		0	0	0	0
NET EXPENDITURE (B) (Carried forward to CWIP)		**147,898**	**42,952**	**-54,909**	**135,941**

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

(Rs. in Lacs)

Particulars	Amount As at 31.03.2017	Addition During FY 2016-17	Deletion During FY 2016-17	Net During FY 2016-17	Amount As at 31.03.2016
Salaries, Wages, Allowances and Benefits	40,002	6,643	-1,861	4,782	35,220
Contribution to Provident and Other Funds	857	254	-29	226	631
Leave Salary and Pension Contribution	3,130	748	-126	621	2,508
Travelling Exp.	342	51	-13	38	304
Medical Exp.	468	63	-13	49	419
Welfare Expenses	413	60	-23	37	376
TOTAL	**45,212**	**7,818**	**-2,065**	**5,754**	**39,458**

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

(Rs. in Lacs)

Particulars	Amount As at 31.03.2017	Addition During FY 2016-17	Deletion During FY 2016-17	Net During FY 2016-17	Amount As at 31.03.2016
Interest on Term Loans	55,629	29,630	-28,448	1,183	54,446
Bank Charges/LC Charges	35	2	0	2	32
Others-FBT/Service Tax Interest	21	0	-1	-1	22
TOTAL	**55,685**	**29,633**	**-28,449**	**1,185**	**54,500**

Note No 2.2.2.3 DEPRECIATION EXPENSES:

(Rs. in Lacs)

Particulars	Addition During FY 2016-17	Deletion During FY 2016-17	Net During FY 2016-17	Amount During FY 2015-16
Depreciation for the year (Transferred to Profit & Loss Account)	0	0	0	0
Depreciation for the year (Transferred to Expenditure During Construction)	251	-4,234	-3,983	1,026
TOTAL	**251**	**-4,234**	**-3,983**	**1,026**
Depreciation written off from Capital Reserve	0	0	0	28

Sub Note No. 2.2.4 OFFICE AND ADMINISTRATIVE EXPENDITURE (Projects Incidental Expenditure) (Rs. in Lacs)

Particulars	Amount As at 31.03.2017	Addition During FY 2016-17	Deletion During FY 2016-17	Net During FY 2016-17	Amount As at 31.03.2016
Repairs and Maintenance Vehicle	79	13	-14	-1	80
Repairs and Maintenance Office Furniture & Equipment's	41	6	-2	4	37
Repairs and Maintenance Plant and Machinery	91	3	0	3	87
Repairs and Maintenance Buildings	392	77	0	77	315
Repairs and Maintenance Others	74	1	0	1	73
Office Expenses	536	1	0	1	536
Hospitality and Entertainment Expenses	143	13	-40	10	133
Meeting Expenses	53	9	-4	9	45
Misc. Expenses	151	4	-9	0	151
Communication Expenses	486	110	-62	101	385
Rent, Rates and Taxes	1,123	243	-2	181	942
Consultancy Fees	838	56	-1	54	784
Annual Technical Support-SAP/ AMC	712	292	-26	291	421
Vehicle Running Charges & Insurance Charges	203	25	-386	-1	204
Hired Vehicle Expenses	1,930	304	-2	-82	2,013
Training & Seminar	262	18	0	16	246
Fees & Subscription	38	7	-13	6	32
Electricity & Water Expenses	396	73	-24	60	336
Printing & Stationery	252	33	-2	9	243
Books, Periodicals & Newspapers	59	10	0	8	51
Freight & Labour Charges	30	8	0	8	23
Insurance	27	8	1	8	19
Raising Day Expense	35	0	-18	1	33
Legal & Professional Charges	314	82	-1	64	250
Postage & Telegram Expenses	26	3	-6	2	24
Publicity & Advertisement Expenditure	227	24	0	18	209
Expenditure on Transit Camps/Guest House	37	6	-2	6	31
Business Promotion Expenses	165	1	0	-1	166
Dismantling and Removal expenditure	0	0	-37	0	0
Foreign Exchange Variation Cost	-15	65	0	28	-42
Land Acquisition Expenses	5	0	-845	0	54,968
LADA	4,227	104	-742	-742	5,137
Relief and Rehabilitation Costs	5,169	773	-1,402	31	5,963
Environmental and Ecology exp.	4,772	212	-98	-1,190	1,152
Expenditure on Enabling Assets	1,070	17	-1,307	-81	8,091
CAT Plan	6,934	150	-8	-1,157	46
Study and Research	43	5	-3,333	-3	11,186
Survey & Investigation	9,110	1,257	-167	-2,076	167
Preliminary expenses	0	0	0	-167	1,146
Environment Management Plan	1,187	41		41	

Fuel expenses Data Centre	3	2	0	2	1
Gift & Presentation A/c (Pending Allocation)	5	0	0	0	5
Honorarium & Stipend	29	9	-18	-10	39
Incidental expenses-Power Water & parks	45	13	0-	13	32
Outsource Manpower Expenses (Pending Allocation)	3,144	632	126	507	2,638
Reatain earning Adjustment unto FY 2014	1,525	200	-93	107	1,418
Safety Related Expenses	1	0	-1	-1	3
Winter Heating Exp. (Pending Allocation)	57	8	-11	-3	60
Wages (Daily paid staff) (PROJECT)	6	0	0	0	6
Remuneration to Auditors (PROJECT)	13	4	-1	3	10
Consumables Stores	81	5	-1	4	77
Bank Guarantee Encashed	0	0	0	0	0
Transmission lines	14	12	0	12	2
Common Cost (HO & SNR)	424	6,523	-6,099	424	0
Incidental exp after COD(proportio)Stage-1 2016-17	-1	0	-1	-1	0
Incidental exp Before COD Stage-1	-8,153	0	-8,153	-8,153	0
TOTAL	**38,415**	**11,458**	**-23,020**	**-11,561**	**49,976**

Note No. 2.2.2.5 MISCELLANEOUS INCOME TRANSFERRED TO EXPENDITURE DURING CONSTRUCTION

(Rs. in Lacs)

Particulars	Amount As at 31.03.2017	Addition During FY 2016-17	Deletion During FY 2016-17	Net During FY 2016-17	Amount As at 31.03.2016
Interest from Banks Deposits/FDR's	-4,645	-2,520	0	-2,520	-2,125
Income from Providing design work/Lab Receipts	-4	-6	5	-1	-3
Interest from Employees	0	0	0	0	0
House Rent Collection from employees/Other recovery	-15	-16	1	-15	0
Interest from Govt Departments	0	0	0	0	0
Interest on Tax Refunds	-320	-320	0	-320	0
Income from sale of tender forms	-3	-3	0	-3	0
Income from Contractors	-56	-57	0	-56	0
Income from Transit Camp/Guest House	-1	-1	0	-1	0
Gain on sale of Assets	-1	0	0	0	-1
Miscellaneous Receipts	-763	-3,286	2,852	-434	-329
TOTAL	**-5,808**	**-6,209**	**2,859**	**-3,350**	**-2,458**

Sub Note No. 2.3.1
OTHER INTANGIBLE ASSETS

(Rs. in Lacs)

Particulars	GROSS BLOCK				DEPRECIATION					NET BLOCK	
	As at 01.04.2016	Addition during the year	Deductions/ Adjustments	As at 31.03.2017	As at 01.04.2016	For the Year	Previous Year		As at 31.03.2017	As at 31.03.2017	As at 31.03.2016
							Deletion	Addition			
Software	92	0	0	92	47	0	0	46	92	0	46
Total (A)	**92**	**0**	**0**	**92**	**47**	**0**	**0**	**46**	**92**	**0**	**46**
Previous Year's Total	**92**	**0**	**0**	**92**	**0**	**47**			**47**	**46**	**92**

Note No. 2.31
DISCLOSURE ON FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

i) Fair Value Measurement

a) Financial Instruments by Category

(Rs. in Lacs)

Particulars	Sub Note	Amount as at March 31,2017	Amount as at March 31,2016	Amount as at April 01,2015
		Amortised Cost	Amortised Cost	Amortised Cost
Financial Assets				
Non Current Financial Assets				
(i) Investments	2.4	-	123	183
(ii) Loans	2.5	146	144	143
(iii) Others	2.6	13,069	300	-
Bank Deposits with more than 12 Months Maturity				
Current Financial Assets				
(i) Trade Receivables	2.9	1,543	-	1
(ii) Cash and Cash Equivalents	2.10	36,518	24,545	33,633
(iii) Bank Balance other than above	2.11	5,699	1,709	3,037
(iv) Loans	2.12	3	1	4
(v) Other Assets	2.13			
Interest Accrued	2.13	400	95	67
Other Recoverable		1,067	4,191	48
Total Financial Assets		**58,445**	**31,108**	**37,115**

Financial Liabilities				
(i) Long Term Borrowings				
a) Term Loans Financial Institutions	2.17	1,471	1,621	1,921
b) Term Loans from Others	2.17 & 2.18	3,07,332	2,43,324	2,11,520
(ii) Deposits / retention non current	2.18	4,517	8,091	-
Current Financial Liabilities				
(iii) Other Financial Liabilities				
a) Current Maturity of Term Loans Financial Institutions	2.22	191	348	641
b) Current Maturity of Term Loans other	2.22	4,152	24,221	4,382
c) Deposit/ retention Money	2.22	6,116	2,627	11,013
d) Liability against Capital Works	2.22	3,683	2,868	2,763
e) Other Payables	2.22	40,818	61,561	12,944
Total Financial Liabilities		**3,68,280**	**3,44,660**	**2,45,184**

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

Particulars	Note No.	As at March 31, 2017			As at March 31, 2016			As at April 01, 2015		
		Level 1	Level 2	Level 3	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

Particulars	Note No.	As at March 31, 2017			As at March 31, 2016			As at April 01, 2015		
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Assets										
(i) Loans to employees and Others	2.5 & 2.12		149.06			146			147	
(ii) Other		-	-	-	-	-	-	-	-	-
Bank deposits with more than 12 months maturity	2.08	13,069.00	-	-	300.00	-	-	-	-	-
Total Assets		**13,069.00**	**149.06**	**-**	**300.00**	**145.65**	**-**	**-**	**146.71**	**-**
Financial Liabilities										
(i) Long term Borrowings (including current Maturity and Interest)	2.17 & 2.22		313,145.73			269,513.93			218,463.98	
(ii) Deposit / Retention Money (Including Current)	2.18 & 2.22	-	10,633.49	-	-	10,717.87	-	-	11,013.27	-
Total Liabilities		**-**	**323,779.22**	**-**	**-**	**280,231.80**	**-**	**-**	**229,477.25**	**-**
Total										

Valuation techniques and process used to determine fair values

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

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

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

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

Particulars	Note No.	As at March 31, 2017		As at March 31, 2016		As at April 01, 2015	
		Carrying Amt.	Fair Value	Carrying Amt.	Fair Value	Carrying Amt.	Fair Value
Financial Assets							
(i) Loans to employees and Others	2.5 & 2.12	149.06	149.06	146	146	147	147
(ii) Other		-	-	-	-	-	-
Bank deposits with more than 12 months maturity	2.08	13,069.00	13,069.00	300.00	300.00	-	-
Total Assets		**13,218.06**	**13,218.06**	**445.65**	**445.65**	**146.71**	**146.71**
Financial Liabilities							
(i) Long term Borrowings (including current Maturity and Interest)	2.17 & 2.22	313,145.73	313,145.73	269,513.93	269,513.93	218,463.98	218,463.98
(ii) Deposit / Retention Money (Including Current)	2.18 & 2.22	10,633.49	10,633.49	10,717.87	10,717.87	11,013.27	11,013.27
Total Liabilities		**323,779.22**	**323,779.22**	**280,231.80**	**280,231.80**	**229,477.25**	**229,477.25**

Significant Estimates:

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

(ii) Financial Risk Management

Financial risk factors:

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

a) Credit Risk:

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

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

b) Liquidity Risk:

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

c) Market Risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: 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, 2017 and 31st March, 2016.The Group's risk management is carried out as per policies approved by Board of Directors from time to time.

(A) Credit Risk:

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

a) Trade Receivables:

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

b) Financial assets at carrying cost:

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

c) Financial instruments and cash deposits:

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

(B) Liquidity Risk:

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

Maturities of Financial Liabilities:

The table below provides undiscounted cash flows towards Group's financial liabilities into relevant maturity based on the remaining period at the Balance Sheet date to the contractual maturity date. Balance due within 1 year is equal to their carrying balances as the impact of discounting is not significant. (Refer Note 2.17, 2.18 and 2.22 of Balance Sheet)

(Rs. in Lacs)

As at 31st March, 2017						
Contractual maturities of financial liabilities	Note No.	Outstanding Debt on 31.3.2017	Within one Year	More than 1 year & less than 3 Years	More than 3 year & less than 5 Years	More than 5 Years
1. Borrowings (including interest accrued but not due)	2.17, 2.18 & 2.22	120,396.91	4,342.80	174,221.28	55,513.34	79,068.31
2. Other financial liabilities	2.2.2.1	55,117.07	51,745.85	3,371.23	-	-

(Rs. in Lacs)

As at 31st March, 2016						
Contractual maturities of financial liabilities	Note No.	Outstanding Debt on 31.3.2016	Within one Year	More than 1 year & less than 3 Years	More than 3 year & less than 5 Years	More than 5 Years
1. Borrowings (including interest accrued but not due)	2.17, 2.18 & 2.22	78,323.92	19,541.31	100,892.97	49,618.26	99,461.38
2. Other financial liabilities	2.2.2.1	75,136.49	72,965.31	2,171.18	-	-

(Rs. in Lacs)

As at 31st March, 2015						
Contractual maturities of financial liabilities	Note No.	Outstanding Debt on 31.3.2015	Within one Year	More than 1 year & less than 3 Years	More than 3 year & less than 5 Years	More than 5 Years
1. Borrowings (including interest accrued but not due)	2.17, 2.18 & 2.22	49,461.82	640.64	50,620.46	54,786.15	112,416.73
2. Other financial liabilities	2.2.2.1	26,720.16	26,720.16	-	-	-

(c) Market Risk:

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

(i) Interest rate risk and sensitivity:

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

(Rs. in Lacs)

Particulars	As At 31st March 2017	As At 31st March 2016	As At 31st March 2015
Fixed Rate Borrowings	2,37,843.78	2,16,083.07	1,84,294.21

ii) Price Risk:

Exposure:

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

iii) Foreign Currency Risk

Foreign Currency Risk Exposure:

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

Particulars	As At 31st March 2017		As At 31st March 2016		As At 31st March 2015	
Foreign Currency	USD	Euro	USD	Euro	USD	Euro
Financial Assets						
Net Exposure to foreign currency risk (asset)	7.93	1.5	8.03	1.5	6.77	0.34
Financial Liabilities						
Retention Money	14.65	3	26.35	5.02	7.3	5819.29
Other Payables	50.54	12.34	50.74	15.14	-	-
Net Exposure to foreign currency risk (Liabilities)	65.19	15.34	77.09	20.16	7.3	5819.29

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

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

The Group has elected to avail the exemption available under Ind AS 101, with regard to continuation of policy for accounting of exchange differences arising from translation of long term foreign currency monetary liabilities.

(iii) Capital Management

(a) Capital Risk Management:

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The primary objective of the Group's capital management is to maximize the shareholder value. The Group's primary objective when managing capital is to ensure that it maintains an efficient capital structure and healthy capital ratios and safeguard the Group's ability to continue as a going concern in order to support its business and provide maximum returns for shareholders. The Group also proposes to maintain an optimal capital structure to reduce the cost of capital. No changes were made in the objectives, policies or processes during the year ended 31st March, 2017.

The Group monitors capital using gearing ratio, which is net debt divided by total capital. The gearing ratios are as follows:

(Rs. in Lacs)

Particulars	As At 31st March 2017	As At 31st March 2016	As At 31st March 2015
a) Loans and Borrowings	237,843.78	216,083.07	184,294.21
b) Trade and Other Payables	204,215.88	201,323.76	87,961.74
b) Less: Cash and Cash Equivalents	36,518.23	24,544.99	33,632.74
c) Net Debt	405,541.44	393,076.84	238,788.22
d) Total Capital	163,403.08	150,329.58	130,798.58
e) Capital and Net Debt	568,944.52	543,406.42	369,576.80
f) Gearing Ratio	71.28	72.34	64.61

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

(b) Loan Covenants:

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

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

(c) Dividends:

The Group has started commercial operation of Kashang Stage I HEP during the current year and incurred a loss of Rs 3,171 lakhs thus no dividend has been declared by the Group.

2.32 FIRST TIME ADOPTION OF IND AS

Transition from IGAAP to Ind AS:

The Group has adopted Ind AS for the financial year beginning on April 1, 2016 with April 1, 2015 as the date of transition. These are the Group's first annual financial statements prepared complying in all material respects with the accounting standards notified under the Companies (Indian Accounting Standards) Rules, 2015, the Companies Act, 2013 and the provisions of the Electricity Act, 2003 to the extent applicable.

For periods upto and including the year ended 31 March, 2016, the Group prepared its financial statements in accordance with IGAAP, including accounting standards notified under the Companies (Accounting Standards) Rules,2006 (as amended).

Accordingly, the Group has prepared Ind AS compliant financial statements for period ending on 31st March, 2017.

In preparing these financial statements, the Group has prepared opening Ind AS balance sheet as at 1 April, 2015 the Group's date of transition to Ind AS in accordance with requirement of Ind AS 101, First time adoption of Indian Accounting Standards. The principal adjustments made by the Group in restating its IGAAP financial statements, including the balance sheet as at 1 April 2015 and the financial statements as at and for the year ended 31st March 2016 are quantified and explained in detail as Annexure I &II to this Note. However the basic approach adopted is again summarized hereunder:

i) All assets and liabilities have been classified into financial assets/liabilities and non-financial assets/liabilities.

ii) All non-current financial assets/liabilities at below market rate of interest or zero interest and outstanding as on 01.04.2015 have been measured at carrying cost.

iii) In accordance with Ind AS 101, the resulting adjustments are considered as arising from events and transactions entered before date of transition and recognized directly in the retained earnings at the date of transition to Ind AS.

iv) The estimates as at 1st April 2015 and at 31st March 2016 are consistent with those made for the same dates in accordance with IGAAP.

v) Ind AS 101 also allows to first time adopter certain exemptions from the retrospective application of certain requirements under Ind AS. Accordingly, the Group has availed the following exemptions as per Ind AS 101:

i) Optional exemptions:

a) Deemed Cost for Property, Plant & Equipment:

Property, Plant and Equipment up to March 31, 2015 were carried in the balance sheet in accordance with Indian GAAP. The Group has elected to avail the exemption granted by Ind AS 101, "First time adoption of Ind. ASs" to regard those amounts as deemed cost at the date of the transition to Ind AS (i.e. as on April 1, 2015).

b) Designation & Fair value measurement of financial assets or financial liabilities at initial recognition:

Ind AS 101 allows an entity to designate investment in equity instruments at FVTOCI on the basis of the facts and circumstances that exist at the date of transition to Ind AS. In addition, the exemption permits prospective application of requirements of Ind AS 109 to transactions entered into on or after date of transition. Group has not retrospectively applied the amortized cost method for outstanding borrowings as on 01.04.2015, as it is impracticable to apply the same in line with Para B8C of Ind AS101. The impact of which is immaterial.

c) Investment in Subsidiaries and joint ventures:

The Group has decided to avail the exemption with regard to measuring the investment in subsidiaries and joint venture as at date of transition at deemed cost which is previous GAAP carrying amount at that date.

d) Leases:

Appendix C to Ind AS 17- Leases requires an entity to assess whether a contract or arrangement contains a lease. In accordance with Ind AS 17, the assessment should be carriedout at the inception of the contract or arrangement. Ind AS 101 provides an option to make this assessment on the basis of facts and circumstances existing at the date of transition to Ind AS, except where the effect is expected to be not material. The Group has elected to apply this exemption for such arrangements/contracts.

ii) Mandatory exemptions:

Estimates: An entity's estimates in accordance with Ind ASs at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with the previous GAAP, unless there is objective evidence that those estimates were in error.

Ind AS estimates as at 1st April 2015 are consistent with the estimates as at the same date made in conformity with previous GAAP.

Other Explanatory Notes to Accounts:

2.33 CONTINGENT LIABILITIES

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

(Rs. in Lacs)

Particulars	As At 31st March 2017	As At 31st March 2016	As At 31st March 2015
Capital Works	33,526.00	5,228.30	45,034.61
Land Compensation	33,132.00	-	-
Entry Tax	1,088.98	1,088.98	1,088.98
Others	318.00	-	-
TOTAL	**68,064.98**		

(i) Capital Works:

Contractors have lodged claims aggregating to Rs 33,526.00 Lakh (previous year Rs 5,228.30 Lakh and as at 01.04.2015 Rs.45,034.61 Lakh), against the Group on account of rate & quantity deviation, cost relating to extension of time and idling charges due to stoppage of work/delays in handing over the site etc. These claims are being contested by the Group as being not admissible interms 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.33,132 Lakh before various authorities/courts. Group has shown the same as contingent liability as the matter is subjudice.

(iii) Others:

Claims on account of other matters amounting to Rs 318 lakhs mainly on account of claims for damage to property due to construction activity at Sainj HEP.

The above is summarized as at 31.03.2017 below:

(Rs. in Lacs)

Particulars	Claims as on 31.3.2017	Provision Against the Claims	Contingent Liablility as on 31.3.2017	Contingent Liablility as on 31.3.2016	Addition of Contigent Liability for the period
Capital Works	33,526.00	0	33,526.00	5,228.30	28,297.70
Land Compensation	33,132.00	0	33,132.00	-	33,132.00
Entry Tax	1,088.98	0	1,088.98	1,088.98	-
Others	318.00	0	318.00	-	318.00
TOTAL	**68,064.90**				

The above is summarized as at 31.03.2016 below

(Rs. in Lacs)

Particulars	Claims as on 31.3.2016	Provision Against the Claims	Contingent Liablility as on 31.3.2016	Contingent Liablility as on 31.3.2015	Addition of Contigent Liability for the period
Capital Works	5,228.30		5,228.30	45,034.61	-39,806.31
Land Compensation	-		-	-	-
Entry Tax	1,088.98		1,088.98	1,088.98	-
Others	-		-	-	-
TOTAL	**6,317.28**				

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

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

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

2.34 DETAIL OF CONTINGENT ASSETS

(Rs. in Lacs)

Particulars	As At 31st March 2017	As At 31st March 2016	As At 31st March 2015
Civil Work	33,499.00	0	0

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

(In Lacs)

Particulars		As At 31st March 2017	As At 31st March 2016	As At 31st March 2015
Estimated amount of contracts remaining to be executed on capital account and not provided for	INR	1,30,741.39	1,05,642.24	1,48,946.32
	Euro	9.99	3.01	1543.85
	US$	88.28	0.3247	112.08
	CHF	0.00	0.92	5.35
	SWF	0.62	0.00	0.00

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

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

(Rs. in Lacs)

S.No.	Particulars	Year ended 31.3.2017	Year ended 31.3.2016
(i)	Amount Charged to Statement of Profit and Loss Account excluding depreciation	125.66 (Net)	0
(ii)	Amount Charged to Expenditure attributable to construction	3.42	-27.63
(iii)	Amount adjusted by addition to the carrying amount of fixed Assets	Nil	Nil

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

General description of various defined employee benefits are as under:

a) Defined Contribution plans:

Pension:

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

b) Defined benefit plans:

(I) Employers contribution to Provident Fund:

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

(ii) Gratuity:

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

(iii) Leave encashment:

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

2.39 SEGMENT INFORMATION

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

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

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

d) Information about major customers:

(Rs. in Lacs)

S.No.	Contractual maturities of financial liabilities	Revenue from Customers		Revenue from Customers as percentage of revenue	
		2016-17	2015-16	2016-17	2015-16
1.	HPSEB Limited	14.71	Nil	100%	Nil

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

(a) List of Related Parties

(i) Directors & Key Management Personnel:

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

(ii) Joint Ventures:

Name of Entity	Principal Place of operation	Principal Activities	Percentage of Shareholding/ voting Power		
			As At 31st March 2017	As At 31st March 2016	As At 31st March 2015
Himachal EMTA Power Limited	Kolkata	Thermal Power Generation	50%	50%	50%

Transactions with the related parties are as follows:

(Rs. in Lacs)

Particulars	Joint Venture Companies	
Transactions During the Year	2016-17	2015-16
Investment in Share Capital	-	-60.50
Share Application Money	-	+60.50
Amount Recoverable	0.16	0.16

2.41 REMUNERATION TO DIRECTORS & KEY MANAGERIAL PERSONNEL

(Rs. in Lacs)

Particulars	Year ended on 2016-17	Year ended on 2015-16
i) Short Term Employee Benefits	120.15	106.23
ii) Post Employment Benefits	Nil	Nil
iii) Other Long Term Benefits	Nil	Nil
iv) Termination Benefits	Nil	Nil
TOTAL	**120.15**	**106.23**

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

2.42 INTEREST IN OTHER ENTITIES

(i) Interest in joint ventures:

The Group's interest in joint ventures as at 31st March, 2017 are set out below, which in the opinion of the management, are material to the Group. The entities listed below have share capital consisting solely of equity shares, which are held directly by the Group. The country of in Group or registration is also their principal place of business and the proportion of ownership interest is the same as the proportion of voting rights held:

(Rs. in Lacs)

Name of Entity & place of Business	% of ownership Interest	Relation ship	Accounting Method	Quoted Fair value			Carrying Amount		
				31st March 2017	31st March 2016	31st March 2015	31st March 2017	31st March 2016	31st March 2015
Himachal EMTA Power Limited	50	Joint Venture	Equity Method	*	*	*	**338	338	398

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

Summarised balance sheet as at 31 March 2017 using the Equity Method:

Himachal EMTA Power Limited

(Rs. in Lacs)

Particulars	As At 31st March 2017	As At 31st March 2016	As At 31st March 2015
Current Assets			
Cash and Cash Equivalents	1.36	1.19	1.48
Other Assets	0.36	0.68	50.92
Total Current Assets	**1.72**	**1.87**	**52.40**
Total Non Current Assets	**257.02**	**388.78**	**448.64**
Current Liabilities			
Other Liabilities	0.69	0.45	1.82
Total Current Liabilities	**0.69**	**0.45**	**1.82**
Non Current Liabilities			
Financial Liabilities	121.00	121.00	121.00
Other Liabilities	23.48	23.48	23.48
Total Non Current Liabilities	**144.48**	**144.48**	**144.48**
Net Assets	**113.57**	**245.72**	**366.10**

Summarised statement of Profit and Loss using Equity Method:

(Rs. in Lacs)

Particulars	As At 31st March 2017	As At 31st March 2016
Revenue	0.00	0.00
Interest Income	1.00	3.29
Other Expenses	126.64	53.86
Depreciation and Amortisation	1.57	1.66
Profit Before Tax	-127.21	-51.32
Total Comprehensive Income for the Year	**-127.21**	**-51.32**

2.43 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.

2.44 FAIR VALUATION OF ASSETS AND LIABILITIES

The Group has adopted the carrying cost / value of all liabilities and assets as on 01st April 2015 and also on 31st March 2016 and 31st March 2017, 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.

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

(Rs. in Lacs)

	Particulars	Year ended on 2016-17	Year ended on 2015-16
A	Expenditure in Foreign Currency	Nil	0.97
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

2.46 QUANTITATIVE DETAILS IN RESPECT OF ENERGY GENERATED & SOLD

Hydro Power :

S.No.	Particulars	Year ended on 2016-17	Year ended on 2015-16
1)	Licensed Capacity	65 MW	Nil
2)	Installed Capacity	65 MW	Nil
3)	Actual Generation (million Units)	51.11 MUs	Nil

2.47 PAYMENT TO AUDITORS INCLUDES:

(Rs. in Lacs)

Particulars	Year ended on 2016-17	Year ended on 2015-16
As Auditors		
Statutory Auditors (includes revision of fee from the F.Y. 2015-16)	10.49	3.03
Tax Audit	1.18	0.00
Other services (Certification fee)	0.00	0.81
Reimbursement of Expenses	0.00	0.55
Reimbursement of Service Tax	0.00	0.00
TOTAL	**11.67**	**4.39**

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

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

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

Particulars	Year ended on 2016-17	Year ended on 2015-16
a) Amount remaining unpaid to any supplier:	Nil	Nil
Principal amount	Nil	Nil

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

2.50 INFORMATION REQUIRED IN RESPECT OF SPECIFIED BANK NOTES ASREQUIRED BY SCHEDULE III OF THE COMPANIES ACT, 2013

(Rs. in Lacs)

Detail of Specified Bank Notes (SBN's) held and transacted during the period 08-11-2016 (Closing) to 30-12-2016			
	SBNs	**Other denomination notes**	**Total**
Closing Cash in hand as on 8-11-2016	**27,000**	**26,934**	**53,934**
(+) Permitted Receipts	3,000	2,49,826	2,52,826
(-) Permitted Payments	1,500	2,04,888	2,06,388
(-) Amount deposited in Banks	28,500	9,560	38,060
Closing cash in hand as on 30-12-2016	**0**	**62,311**	**62,311**

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

2.52 STATUS OF PENDING INCOME TAX CASES

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 Group has filed an appeal before Hon'ble High Court for full Tax exemption u/s 260A of Income Tax Act, 1961.

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

iii) FY 2014-15, the case is pending before Ld. CIT (Appeal), Solan, against the demand raised by the Assessing Officer.

iv) FY 2015-16, the case is pending before Ld. CIT (Appeal), Solan, against the demand raised by the Assessing Officer.

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

vi) For the FY 2017-18, an amount of Rs. 6,46,89,324/- has been deposited as Advance tax with Income Tax authorities. The assessment proceeding has not yet started.

2.53 ENTRY TAX

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

(Rs. in Lacs)

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

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

2.55 CHANGE IN ACCOUNTING POLICY

Policy Number	Policy for 2015-16	Revised Policy for 2016-17	Financial Impact	Reason for change in/ introduction in accounting policy
1.21	Depreciation on Property Plant and Equipment was charged on WDV method as per Schedule –II of the Companies Act 2013.	Depreciation on Property Plant and Equipment has been charged retrospectively 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 wherever the rates are specified in the HPERC Depreciation Policy.	Expenditure during Construction has deceased by an amount of Rs 4,232.06 Lacs.	To comply with IND AS 16 Accounting for Property Plant and Equipment

2.56 DISCLOSURE AS PER IND AS -23 ON BORROWING COSTS

The Group has Capitalized Borrowing cost during the year Rs. 7,551.26 lacs (PY Rs. 19,527.19 lacs).

2.57 The HPSEB has retained Rs. 13.69 crores from the amount due on account of sale proceeds of power to the Group on account of Leave salary and pension contribution of their employees appointed on secondment basis with Group. The adjustment of the amount is subject to reconciliation.

2.58 APPORTIONMENT OF EXPENDITURE OF CORPORATE OFFICE AND DW SUNDERNAGAR

Pre COD

The Group has apportioned the expenditure net of income of corporate office and Design Wing Sundernagar up to 31st August 2016 since incorporation of the Group 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 Group has apportioned the expenditure of corporate office and Sundernagar(Design Wing) from 01 September 2016 to 31st March 2017 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 expenditure incurred on various projects from 01 September 2016 to 31st March 2017.

(ii) Income Portion:

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

- 15% of the total income to Renukaji project.
- Rest is apportioned to the remaining projects on the basis of ratio of the expenditure incurred on various projects from 01 September 2016 to 31st March 2017.

While apportioning the expenditure, the total expenditure during the year has been apportioned in the ratio of 5:7 i.e. from 01stApirl 2016 to 31st August 2016 and 1st September 2016 to 31st March 2017.

(iii) Depreciation after COD:

The Depreciation on Fixed assets after COD of the corporate office and Design Wing Sundernagar has been charged on actual basis to the Kashang Stage I project.

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 Group. The Group has filed an appeal against the order with Central Government Industrial Tribunal Chandigarh. The Group has shown the liability as contingent and no accounting entry has been passed in the books of accounts.

2.60 INCREASE IN AUTHORIZED CAPITAL

The Group has increased the authorized share capital of the Group from Rs. 2,000 crores to Rs. 2,500 crores in its Annual General Meeting held on 28th November 2018.

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

2.62 The Corporate Office of the Group was shifted from Tutikandi to BCS, New Shimla in the month of October 2016. The furniture and fixture items left over at Tutikandi, to be handed over to H.P. Transmission Corporation Ltd., are still being identified. After determining quantity and its value, the same shall be transferred to HPTCL. Hence no accounting entry has been made in the books of accounts. Similarly, items of furniture and fixtures left behind by SJVN Ltd., while vacating its office from Himfed Building, BCS, New Shimla, have not been identified yet. Therefore, the extent of amount involved, acceptable to both the parties, is not known. Hence no accounting entry has been made in the books of accounts.

2.63 SURVEY AND INVESTIGATION OF KHAB HYDRO ELECTRIC PROJECT

No Provision for expenditure of survey and Investigation of Khab Hydro Electric project done by the SJVN which was allotted to the SJVN earlier by Department of Energy. The Group has communicated to the DoE, GoHP vide letter dated 22.07.2017 that as PFR prepared by SJVNL is of no use to Group and fresh planning of Khab HEP has to be carried out by Group as it was observed that the Khab Dam HEP, as proposed by SJVN, encroaches the domain of both the upstream and downstream projects, already allotted to other IPP. DoE vide letter dated 31.07.2017 allowed Group to carry out fresh planning of Khab HEP, with domain elevations ranging between El. ±2538m to El. ±2325m, after considering the requirement of MoEF guidelines.

2.64 GRANT RECEIVABLE

The Group has shown Rs. 4.87 crore as grant receivable from Central Water Commission, Government of India. The Central Water Commission has sanctioned Rs. 12.50 crore to the Group for field survey and investigation and preparation of Detailed Project report of the Gyspa HEP(300MW). The Central Water Commission has released Rs. 5.00 crore to the Group for the above work on 31 March 2012 with the condition that next installment will be paid on the submission of the DPR of the project. The award for conducting the DPR was allotted and the same was started by the consultant for preparation of DPR, but could not be completed due to sustained opposition and hindrance by local people. The Group has incurred expenditure in excess of the amount released by the authorities and the same has been shown as grant receivable from the Central Water Commission. The Gyspa HEP has been declared strategically important project and has been declared as "**National Project**" by Ministry of Water Resources, Government of India in the year 2009 and the same is covered under Indus Water Treaty 1960. The Central Water Commission vide their letter dated 12th October 2018 has directed the Principal Secretary (MPP& Power), Government of Himachal Pradesh, to direct the concerned officials to take appropriate action for resolving the concern of project affected families so that the survey and investigation work HEP may be completed and the DPR could be prepared at the earliest. In view of above directions the excess expenditure over the amount received is being treated as grant receivable from the concerned authorities.

2.65 The Group is in possession of Land and Buildings at Sarabhai, Thalot and Largi of HPSEB Ltd. (Erstwhile HPSEB Board) at Sainj HEP. The Joint Committee constituted by both Companies has assessed the value of the said properties at Rs. 45.99 Crores in the Meeting held in the month of August 2012. The properties are in the possession of the Group; however 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.

2.66 LOCAL AREA DEVELOPMENT FUND

No provision of amount payable to LADA fund on account of increase in cost of the Projects on its commissioning, has been made, pending approval of revised DPR Cost from concerned authorities.

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

2.68 No provision of income tax has been made by the Group, as only one unit is under operation and the Group has brought forward losses and unabsorbed depreciation under income tax Act and during the year also the Group has incurred losses.

2.69 Amount recoverable from contractors includes a sum of ₹ 54.51 crores recoverable from Coastal Projects on account of works being executed on their risk and cost awarded to M/s HCC Limited. The Lender Banks of the Contractor have filed liquidation proceedings with NCLT and the Group has filed claim of Rs. 334.99 crores against the contractor. No provision for amount doubtful for recovery has been made, as matter in pending with NCLT.

2.70 STATUS OF THE NAKTHAN HEP

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

2.71 POWER SALE ARRANGEMENTS

The BOD has approved the PPA agreement with HPSEB for forty years in case of Kashang HEP however, the agreement with HPSEB for sale of power was initially made till 31st March 2017 and later extended up to 06th May 2018. After that the Group has made arrangement to sell the power in Energy Exchange through Power Trader PTC India Limited.

Similarly, for 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.

2.72 STATE GOVERNMENT LOAN FOR SHONGTONG KARCHAM HEP (450 MW)

The Shongtong Karcham HEP (450MW) is being financed by State Government of Himachal Pradesh which is being funded by the ADB and KFW. The gap of Loan from ADB to the tune of USD 170 million has expired on 22th October 2018. The AIIB has agreed to finance project to the tune of USD 193 million resulted from the expiry of loan term with ADB once the formal request from the DEA is received.

Further the KFW funding the E & M Package has temporarily stopped the funding to the State Government on the basis of the report of their consultant regarding safety of the barrage structure.

2.73 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Indian Accounting Standards(Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015. For all periods up to and including theyear ended 31 March 2016, the Group prepared its financial statements in accordance accounting standards notified underthe section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP). These financial statements for the year ended 31 March 2017 are the first the Group has prepared in accordance with Ind AS The consolidated financial statements are presented in INR and all values are rounded to the nearest lakh, except when otherwise indicated. The accounts of the Himachal Emta Power Limited are consolidated with the accounts of the company.

2.74 ADDITIONAL INFORMATION AS REQUIRED BY SCHEDULE III TO THE COMPANIES ACT, 2013

(Rs. in Lacs)

Name of the Entity	Net Assets ie Total Assests minus total Liablities		Share in Proifit and Loss	
	As % of consolidated net Assets	Amount	As % of consolidated profit and loss	Amount
A Indian Joint Venture				
Himachal Emta Power Limited				
Balance as on 31.03.2017	100	57	100	-64
Balance as on 31.03.2016	100	123	100	-26
Total as on 31.03.2017	**100**	**57**	**100**	**-64**
Total as on 31.03.2016	**100**	**123**	**100**	**-26**

For and on behalf of the Board of Directors

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

Sd/-
(Sudershan K Sharma)
Company Secretary

Sd/-
(Neeraj Kumar)
Director (Finance)
DIN 7351150

Sd/-
(Devesh Kumar)
Managing Director
DIN 00329576

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

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

Place: Shimla
Date: 30-03-2019

Annexure I to Note 2.32

Balance Sheet As At 31st March 2017

Reconciliation of Equity

(Rs. in Lacs)

Particulars	Note No.	as at March 31,2016			as at March 31,2015		
		Previous GAAP	Adjust-ments	Ind AS	Previous GAAP	Adjust-ments	Ind AS
ASSETS							
Non-Current Assets:							
Property, Plant and Equipment	2.1	31,078	13,119	44,197	30,684	9	30,693
Capital Work-in-Progress	2.2	421,301	-166	421,135	300,421	-217	300,204
Other Intangible Assets	2.3	47	-1	46	93	-1	92
Financial Assets							
Investments	2.4	0	0	0	0	0	0
Loans	2.5	0	123	123	0	183	183
Others	2.6	0	144	144	0	143	143
Other Non Current Assets	**2.7**	**38,242**	**-13,114**	**25,128**	**35,042**	**-826**	**34,216**
Current Assets							
Inventories	2.8	22	0	22	0	0	0
Financial Assets							
Trade Receivables	2.9	0	0	0	1	0	1
Cash and Cash Equivalents	2.10	24,545	0	24,545	36,705	-3,072	33,633
Bank Balance other than above	2.11	1,720	-11	1,709	0	3,037	3,037
Loans	2.12	0	1	1	0	4	4
Other Assets	2.13	1,001	3,654	4,655	12	112	124
Other Current Assets	**2.14**	**49,795**	**-4,064**	**45,731**	**125**	**600**	**725**
Total Assets		**567,750**	**-13**	**567,737**	**403,083**	**-28**	**403,055**
EQUITY AND LIABILITIES							
Equity							
Equity Share Capital	2.15	151,060	0	151,060	135,060	0	135,060
Other Equity	2.16	68,672	-69,402	-730	20,052	-24,312	-4,261
Share Application money pending Allotment		**7,457**	**-7,457**	**0**	**4,332**	**-4,332**	**0**
Liabilities							
Non-Current Liabilities:							
Financial Liabilities							
Borrowings	2.17	174,824	0	174,824	171,692	0	171,692
Other Financial Liabilities	2.18	78,221	-19	78,203	41,767	-18	41,749
Provisions	**2.19**	**3,302**	**0**	**3,302**	**2,761**	**0**	**2,761**
Other Non Current Liabilities	**2.20**	**0**	**69,421**	**69,421**	**0**	**24,312**	**24,312**
Current Liabilities:							
Trade Payables	2.21	0	0	0	0	0	0
Other Financial Liabilities	2.22	84,180	7,444	91,624	27,420	4,323	31,743
Other Current Liabilities							
Provisions	**2.23**	**33**	**0**	**33**	**0**	**0**	**0**
Total Equity and Liability		**567,750**	**-13**	**567,737**	**403,083**	**-28**	**403,055**

Annexure II to Note 2.32

Reconciliation of Total Comprehensive Income

(Rs. in Lacs)

Particulars	Note No.	as at March 31,2016		
		Previous GAAP	Adjust-ments	Ind AS
Income				
Revenue From Operations	2.24	0	38	38
Other Income	2.25	2	30	31
Total Income		**2**	**68**	**70**
Expenses				
Employee Benefit Expenses	2.26	0	0	0
Finance Cost	2.27	0	0	0
Depreciation And Amortization Expenses	2.28	1	-1	0
Other Expenses	2.29	27	-12	15
Total Expenses		**28**	**-13**	**15**
Profit/Loss before net movement in regulatory deferral account balance		**-26**	**81**	**54**
Net movement in regulatory deferral Account Balance				
		-26	**81**	**54**
Share of Profit/ Loss in joint venture			**-26**	**-26**
Profit Before Tax				
Extra Ordinary Items				
Loss of Fixed/CWIP Assets				
Kashang HEP		0	0	0
Sawra Kuddu HEP		-18	0	-18
Profit/Loss Before Tax		**-44**	**55**	**11**
Income Tax		-	-	-
Current Tax		0	0	0
Deferred Tax		0	0	0
Profit/Loss for the year		**-44**	**55**	**11**
Other Comprehensive Income				
Items that will not be reclassified subsequently to profit & loss account				
Remeasurement of the net defined benefit liability/ assets				
Income tax on above item				
Total				
Total Comprehensive Income for the period		**-44**	**55**	**11**

Annexure III to Note 2.32

(A) Reconciliation Statement of Total Equity

(Rs. in Lacs)

Particulars	31st March, 2016	1st April, 2015
Total Equity(Shareholders Fund) as per Previous GAAP	219,732	155,111
Adjustment:-	-	-
Classification of Grant form Government as Current Liabilities	-69,421	-24,312
Reclassification of Profit and Loss Items	54	-
Adjustment of Carrying amount of Investment in Himachal Emta Power Limited	-35	-
Total Adjustments	-69,401	-24,312
Total Equity as per IND AS	**150,331**	**130,800**
	150,330	130,799

(B) Reconciliation Statement of Total Comprehensive Income

(Rs. in Lacs)

Particulars	31st March, 2016
Profit after Tax as per Previous GAAP	-44
Adjustment:-	-
Reclassification of Income and Expenditure (Net)	81
Share of Profit/ Loss in joint venture	**-26**
Total Adjustments	55
Profit After Tax as per IND AS	**11**

FORM NO. AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of Subsidiaries/associate companies/joint ventures

Himachal Pradesh Power Corporation Limited for the year ended on 31st March 2017
Part "A": Subsidiaries

(Information in respect of each subsidiary to be presented with amounts in Rs.)

Sl. No.	Particulars	Details
1.	Name of the subsidiary	Not applicable
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	NA
3.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	
4.	Share capital	
5.	Reserves & surplus	
6.	Total assets	
7.	Total Liabilities	
8.	Investments	
9.	Turnover	
10.	Profit before taxation	
11.	Provision for taxation	
12.	Profit after taxation	
13.	Proposed Dividend	
14.	% of shareholding	

Notes: The following information shall be furnished at the end of the statement:
1. Names of subsidiaries which are yet to commence operations
2. Names of subsidiaries which have been liquidated or sold during the year.

Part "B": Associates and Joint Ventures

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

Name of associates/Joint Ventures	**Himachal Emta Power Limited U40102HP2007PLC030601**
1. Latest audited Balance Sheet Date	31st March 2017
2. Shares of Associate/Joint Ventures held by the company on the year end	
Number:	33,75,000
Amount of Investment in Associates/Joint Venture	3,37,50,000
Extend of Holding%	50%
3. Description of how there is significant influence	Control 50 % of the voting power and shareholding in the company
4. Reason why the associate/joint venture is not consolidated	NA
5. Net worth attributable to shareholding as per latest audited Balance Sheet	57.00 Lakhs before Provision Nil after Provision
6. Profit/Loss for the year	
Considered in Consolidation	Loss of Rs. 64.00 lakhs
Not Considered in Consolidation	

1. Names of associates or joint ventures which are yet to commence operations.
2. Names of associates or joint ventures which have been liquidated or sold during the year.

For and on behalf of the Board of Directors

Sd/-	Sd/-	Sd/-	Sd/-
(B.L. Verma)	(Sudershan K Sharma)	(Neeraj Kumar)	(Devesh Kumar)
D.G.M. (Finance)	Company Secretary	Director (Finance)	Managing Director
		DIN 7351150	**DIN 00329576**

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

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

Place: Shimla
Date: 31-03-2017

Anil Karol and Company
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

To

The Members of HIMACHAL PRADESH POWER CORPORATION Limited

Report on the Consolidated Ind AS Financial Statements

We have audited the accompanying Consolidated financial statements of **HIMACHAL PRADESH POWER CORPORATION LIMITED** ('the Holding Company'), and its jointly controlled entities (the Company and its joint ventures are together referred to as "the Group) which comprise the Consolidated Balance Sheet as at 31st March 2017,the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), Consolidated Cash Flow Statement and Consolidated Statement of change in Equity for the year then ended, and a summary of consolidated significant accounting policies and other explanatory information (hereinafter referred to as " the Consolidated Ind AS financial Statements")

Management's Responsibility for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the matters stated in Section 134 (5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income and consolidated cash flows and consolidated statement of changes un equity of the Group and jointly controlled entities in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Group Company, as aforesaid.

Auditor's Responsibility

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

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

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

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

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Branch Office:- 13/20, Second Floor, East Patel Nagar, New Delhi. Tel:- 011 25864141 and 25863755, Email:- dmbhatia@akcindia.com

used and the reasonableness of the accounting estimates made by the Holding Company's Directors, as well as evaluating the overall presentation of the consolidated Ind AS financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion the Consolidated Ind AS financial statements

Basis for Qualified Opinion

1. Property Plant and Equipment Note 2.1

i) We invite attention to Note No 2.54 wherein its stated that the Company has possession of forest land at, Sainj HEP, Shongtong HEP, Kashang HEP, and Sawra Kuddu and no provision has been made as the amount has not been ascertained. In the absence of information, we are unable to comment on the same.

ii) We invite attention to Note no 2.65 where in the company has not accounted for the cost of the Land and Buildings of HPSEB Limited amounting to Rs ₹ 4,599lakhs. 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.

2. Capital Work in Progress 2.2

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

(Amount in Lacs)

Project Unit	Residential Building	Non Residential Building	Roads, Bridges & Culverts	Construction Power	Total
Sundernagar	1	-	-	-	**1**
Sawra Kuddu HEP	56	-	2	81	**139**
Kashang HEP	-	-	25	-	**25**
Sainj HEP	-	27	26	10	**63**
Renukaji Dam Project	2	-	-	-	**2**
Shongtong HEP	-	-	6	39	**45**
Gyspa HEP	8	99	6	-	**114**
Beradol	-	-	-	92	**92**
Total	**68**	**127**	**64**	**222**	**481**

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

ii) The Company was charging the depreciation on assets used during the construction period as per the Companies Act 2013, till 31st March 2016. The Company is regulated under HP Electricity Regulatory Commission and the depreciation rates as provided in the HPREC Act has been applied by the company since the acquisition of the assets. The Company has reversed the excess depreciation charged amounting to ₹ 4,232 lakhs up to 31st March 2016 in the books of accounts in the month of April 2016. (Please Refer Note 2.55)

iii) The Company has adopted for exemption under IND AS regarding deemed cost for Property, Plant and Equipment and adjusted the accumulated depreciation as on 1stApril 2015 with the cost as on that date. (Refer Significant Accounting Policies 1.5 (a)and Note 2.32 (i) optional exceptions). It has been observed that the company has reinstated the depreciation of the assets by changing the Accounting Policy (Refer Note 2.55) up to 31st March 2016 as per GAAP and while applying the exemption under IND AS the depreciation charged up to 1stApril 2015i.e., the depreciation as per previous Accounting Policy has to be adjusted .In our opinion the Accumulated Depreciation up to 1StApril 2015 should have been adjusted with the Revised Accounting Policy of the Company i.e., on the basis of the HPREC depreciation Rate. No Information is respect of the same has been provided to us. In the absence of the information we are unable to comment on the same.

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

v) The Chanju, Deonthal Chanju and Suragani Sundla Unit of the corporation is using common facilities at Sundla and has apportioned the expenses during the year on the basis of the power generation capacity of the projects and salary expenditure has been charged on the following basis.

	Surgani	Deothal	Chanju III	Total
Apr-16	-	-	-	-
May-16	-	-	1,184,495.00	**1,184,495.00**
Jun-16	248,650.00	-	1,016,791.00	**1,265,441.00**
Jul-16	313,148.00	-	1,006,575.00	**1,319,723.00**
Aug-16	316,097.00	-	1,007,947.00	**1,324,044.00**
Sep-16	2,577,905.00	-	962,514.00	**3,540,419.00**
Oct-16	147,772.00	1,410,327.00	-680,633.00	**877,466.00**
Nov-16	19,182.00	1,529,446.00	291,212.00	**1,839,840.00**
Dec-16	-	1,581,083.00	33,811.00	**1,614,894.00**
Jan-17	1,514,000.00	141,924.00	26,944.00	**1,682,868.00**
Feb-17	-	622,204.00	-	**622,204.00**
Mar-17	-	-78,468.00	1,600,000.00	**1,521,532.00**
Total	**5,136,754.00**	**5,206,516.00**	**6,449,656.00**	**16,792,926.00**

The basis of charging the expenditure on above basis and not on actual basis is not as per the policy of the company. The above treatment of expenses has been carried on by the unit since earlier years and may affect the cost under the head expenditure during construction period of each HEP unit. In the absence of the complete information we are unable to comment on the authenticity of the expenditure booked under different accounting unit.

vi) The Shongtong unit project work was hampered by the labour strike of the M/s Patel Engineering from 14th March 2016 to 20th December 2016. The Unit has charged the interest on loan during the period to Capital Work in progress which has to be charged to the Profit and loss account. No Information in respect of the interest debited to the capital work in progress during the strike period has been provided by the unit to us. In the absence of the information we are unable to comment on the same.

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

		INR	Euro	US $	Total
1st Progressive payment	4/7/2016	150,605,000.00	5,658,000.00	23,953,000.00	**180,216,000.00**
2nd Progressive payment	5/13/2016	150,605,000.00	5,704,000.00	1,184,495.00	**180,396,000.00**
3rd Progressive payment	3/31/2017	150,605,000.00	4,674,000.00	24,364,000.00	**179,643,000.00**
Total		**451,815,000.00**	**16,036,000.00**	**72,404,000.00**	**540,255,000.00**

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

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

viii) The Sainj Unit is charging the difference in exchange fluctuation at the time of making the initial entry of invoice/ LC discharged by the Supplier. The same has to be booked as part of the cost. The Sainj unit has overstated the Income of Foreign exchange fluctuations in the profit and loss account amounting to ₹ 3 lakhs during the year under review. Thus CWIP Project Electro Mechanical works is overstated to the extent of ₹ 3 lakhs.

ix) The Sainj Unit has paid Entry Tax amounting to ₹ 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 ₹ 544 lakhs and other current assets are understated to that extent.

x) The Kashang Unit has charged interest paid on PFC loan of ₹ 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 ₹ 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 ₹ 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 ₹ 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 ₹ 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 ₹ 871 Lakhs and the other current assets are understated to the extent of above.

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

xii) The Kashang Stage I was completed on 31st March 2016 and after that the testing of the Power generating unit was started. As per Ind as 16 Property Plant and Machinery the employee cost up to 31st March 2016 has to be charged to the cost of the project i.e. when all the construction activity has been completed. The Unit has charged employee cost to the cost of the project up to 31st August 2016 under the Head Expenditure during construction. The employee cost from 1st April 2016 to 31st August 2016 amounting to ₹ 254 lakhs has been excess charged to Cost of the Fixed Assets which has to be charged to the Profit and loss Account. In our opinion current year loss is understated to the extent of above. Its impact on depreciation cannot be quantified due to unavailability of information.

xiii) During the year under review the Kashang Stage I was completed and the commercial generation was started from 01st September 2016. Further the COD date of Unit II (Turbine) was declared on 01st September 2016 and the COD date of Unit III and Unit I Turbine was declared on 03rd March 2017 and 31st March 2017 respectively. It has been observed that the Kashang unit has charged all the expenditure except employee's expenses to profit and Loss Account after 31st August 2016 instead of charging the expenditure to the Profit and Loss account on the basis of COD dates of the different Turbines. No Information in respect of the amount excess charged to the profit and loss account has been provided to us. In the absence of the information we are unable to comment on the same.

xiv) The Company has not accounted for the delay damage charges recoverable from the contractors of Shongtong HEP. No Information about the quantum of delay charges has been provided to us. The impact for the same may affect the financial statements. In the absence of information, we are unable to comment on the same.

xv) **Apportionment of Corporate and Sundarnagar (Design Wing) Expenses to Renukaji Project**

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

Fixed Assests Cost up to 31st August 2016

(Amount in Lacs)

Name of the Power Project	CWIP plus Fixed Assests less land cost	Percentage of total Cost	Cost to be Allocated	Cost Allocated	Variance
Sawra Kuddu	113,082	29.39	4,840	4,249	591
Kashang I	73,532	19.11	3,147	2,763	384
Kashang II	32,532	8.46	1,392	1,222	170
Kashang III	-	-	-	-	-
Sainj	102,681	26.69	4,395	3,858	537
Renukaji	12,206	3.17	522	2,470	-1,948
Shongtong	43,343	11.27	1,855	1,629	227
Chirgaon Majhgaon	969	0.25	41	36	5
Triveni Mahadev	598	0.16	26	22	3
Thana Plaun	1,483	0.39	63	56	8
Nakhtan	1,781	0.46	76	67	9
Gyspa Dam	919	0.24	39	35	5
Surgani Sundla	992	0.26	42	37	5
Deothal Chanju	137	0.04	6	5	1
Chanju III	362	0.09	15	14	2
Berra Dol	107	0.03	5	4	1
Sunni Dam	-	-	-	-	-
Sub Total	**384,723**	**100.00**	**16,466**	**16,466**	**-0**

We invite attention to Note No 2.58 also, where in after COD period 15% of the net income over expenditure has been apportioned to the Renukaji HEP ₹ 644 Lakhs for the period 01st September 2016 to 31st March 2017. Thus a total of ₹1,826 lakhs has been allocated as share of expenditure of Corporate Office and Sunder Nagar Design wing to the unit till 31st March 2017 by the company.

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 2.4

i) We invite attention to Note No.2.42(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 Rs 337.50 lakhs during the year under review.

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

4 Other Non-Current Financial Assets Note 2.6

i) The Chirgaon Unit is showing a sum of ₹ 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 Capital Work in Progress is understated to the extent of above.

ii) The Shongtong HEP, has paid ₹ 44 Lakhs (previous year ₹ 45 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 paid by the land owners and a provision for the same is required. In our Opinion Other Non-Current Financial Assets is overstated to the extent of above and consequently the expenditure is understated to the extent of above

iii) We invite attention to Note No 2.69 where in it is stated that the amount recoverable from contractors includes a sum of ₹ 5,451 lakhs (previous year ₹ 2,286 lakhs) recoverable from Coastal Projects on account of risk and cost. The contract with the contractor was terminated in the year 2013 and the same was awarded to M/s HCC Limited The amount paid to HCC Limited on account extra cost has been shown as recoverable from Coastal Projects. The amount is doubtful of recovery from the Coastal Projects as there is no agreement with the party to recover the money as the contract with the party has already been terminated since 2013. The Company has gone into liquidation as the lender banks of the contractor has filed liquidation petition with NCLT and the amount is doubtful of recovery.

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

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

iv) The Company is showing ₹ 20 lakhs (previous year ₹ 20 lakhs) recoverable from HPSEB Limited under the Head Misc. Assets from HPSEB. The amount has not been recovered from the HPSEB and neither any confirmation of balance from the party has been provided to us. In our opinion the amount is doubtful of recovery and provision for the same should be made in the books of accounts. Thus, Other Non-Current Financial Assets are overstated to the extent of above and Expenditure is understated to the extent of above.

v) The Sainj HEP is showing ₹ 19 lakhs as recoverable from government on account TCS deposited by the Forest department at the time of the purchase of cost of trees from the Forest Department in the year 2010. No TCS certificate has been issued by the department nor the same has been claimed in the income tax return of the company for the relevant assessment year. In our opinion the Other Non-Current Financial Assets are overstated to the extent of above and expenditure is understated to the extent of above as the amount is doubtful of recovery.

vi) The Renukaji HEP is showing a sum ₹ 10 lakhs (Previous Year ₹ 10 lakhs) recoverable from HPSEB Limited since 2008. No Confirmation of the balance from the HPSEB Limited has been shown for our verification. The amount is doubtful of recovery hence provision for doubtful advance is required. In our opinion the other Non-Current Financial Assets are overstated to the extent of above and Expenditure is understated to the extent of above.

vii) The Corporate office is showing a sum of ₹ 42.00 lakhs (Previous Year ₹ 66 lakhs) as recoverable from contractors on account of reimbursement of LC Charges from the contractors. The amount has not been recovered till the date of audit. The amount pertains to the Sainj HEP. The Company is also showing the amount payable to the Contractors under Current Liabilities for the E and M Contracts. In our opinion the amount may be adjusted with the amount payable to contractors. In our opinion the other Non-Current Financial Assets are overstated to the extent of above and Other Financial Liabilities are understated to the extent of above.

viii) We invite attention to Note No 2.61 where in it is stated that the company has not made a provision for ₹ 103 lakhs (Previous Year ₹103 Lakhs) recoverable from Gammon India since 2013 through Directorate of Energy. The amount has to be recovered along with interest of 10 % per annum. The Amount has not been recovered till the date of audit and the same is doubtful of recovery hence provision for doubtful advance is required. In our opinion the Non-Current Financial Assets are overstated to the extent of above and Expenditure are understated to the extent of above.

ix) The Renukaji HEP has deposited ₹ 95 lakhs (Previous Year ₹95 Lakhs) as excess deposit with HPSEB Dadhau for installation of lines from substation to the Project site since December 2009. The amount has been shown as advance and the same has been paid in excess to the HPSEB as there is no need to install the lines at the project site. The amount has not been recovered till date of audit and provision for the doubtful advance is required to be made. In our opinion the other Non-Current Financial Assets are overstated to the extent of above and Expenditure are understated to the extent of above.

x) The Capital Work in Progress of includes excise duty reimbursed to the contractors by the company which is exempted as per the notification No.108/95-CE, dated 28.08.1995, which provides that the goods supplied to projects, financed by the World Bank , Asian Development Bank or any International Organisation, and approved by the Govt of India, shall be exempted from the whole of the excise duty / additional excise duty leviable thereon. The Company has accounted for the expenditure in capital Work in progress by way of the reimbursement of the same to the contractor amounting to ₹ 609lakhs. The Company has shown the above amount as recoverable from the Contractor during the year under review. The Company has recovered only ₹ 306lakhs (previous year ₹ 110 Lakhs) lakhs from the contractor till the close of the financial year of the audit.

xi) **Grant Receivable**

We invite attention to Note No 2.64 where in it is stated that company is showing ₹ 488 lakhs (previous year ₹ 442 lakhs) as recoverable grant from the Central Government on account DPR and Investigation Expenses. The Government of India has approved ₹ 1,250 Lakhs for survey and investigation of the project and paid ₹ 500Lakhs 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.

xii) The Renukaji Unit has not adjusted advance given to government department amounting to ₹ 45 Lakhs as the work has been completed before the finalisation of the Balance sheet. In our opinion the Non-Current Financial Assets are overstated to the extent of above and CWIP are understated to the extent of above

xiii) 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 2.44). The following are details of the advances.

(Amount in Lacs)

	Contractor	Amount
1.	Patel Engineering	5,237
2.	Andtriz Hydro	3,709
	Total	**8,946**

xiv) The Shongtong unit has given advance of ₹ 50 lakhs to IPH Khwangi on 31/07/2014 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.

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

xvi) The Shongtong unit is showing advance of ₹ 200 lakhs to HPSEB as on 31st March 2017 and the utilisation certificate of ₹ 130 lakhs has not been received by the corporation and advance has not been adjusted. 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 ₹ 130 lakhs and CWIP are understated to the extent of above.

xvii) The Sawara Kuddu unit is showing a sum of ₹ 22 lakhs recoverable as interest on mobilisation Advance paid to Patel Engineering as Mobilisation Advance. The Party has paid back the Mobilisation Advance and interest due on the same has not been paid by the Contractor till date. In our opinion the Non-Current Financial Assets are overstated to the extent of ₹ 22 lakhs and CWIP are understated to the extent of above

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

xx) The Kashang Unit is showing a sum of ₹1 lakh as amount recoverable from HPSEB which has not been recovered till date. Thus, provisions on account of amount doubtful for recovery is required. In our opinion the Non-Current Financial Assets are overstated to the extent of ₹1lakhs and Expenditure are understated to the extent of above.

xxi) The Kashang Unit is showing a sum of ₹ 14lakhs as credit balance in Advance account of AHIPL. No satisfactory explanation for the same has been provided to us. In our opinion the Non-Current Financial Assets are understated to the extent of ₹ 14lakhs and Income is understated to the extent of above.

xxii) The Corporate office has shown advance to BSNL amounting to ₹ 8 lakhs. The above advance relates to the expenditure for the year 2016-17. The Corporate Office has shown a sum of ₹5Lakhs payable to BSNL under the head Govt Dues Payable. In our opinion the Non-Current Financial Assets are overstated to the extent of ₹5lakhs and correspondingly the Other Current Liabilities are overstated to the extent of ₹5Lakhs.

5 Trade Receivables Note 2.9

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

ii) We invite attention to Note No 2.57 wherein it is stated that HPSEB Limited has retained ₹ 1,369 lakhs as amount due on account of Leave salary and pension contribution of employees appointed on secondment basis with the company. No provision has been made in the books of accounts. In our opinion the trade receivables are overstated to the extent of above and similarly Non-current provisions are overstated to that extent.

6 Other Current Assets Note 2.14

i) The Company is showing ₹ 35 lakhs as TDS recoverable which pertains to the FY 2012-13 and the same has not been refunded by the Income Tax Department neither the same has been claimed by the corporation as refund till the conclusion of the audit. It has been informed to us that the amount is pending for reconciliation. The company has not made any provision in respect of the same. In our opinion the other Current Assets are overstated to the extent of ₹ 35 lakhs and Expenditure is understated to the extent of above.

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

iii) The Corporate office has shown ₹ 3 lakhs as advance to Feed Back Infra Private Limited. The Company has terminated the contract with the party on 16/12/2017.The amount was not recoverable from the party and has to be charged to expenditure as the same was known to the company before the finalisation of the financial statements. Thus, advance is overstated to the extent of above and the expenditure is understated to the extent of above.

iv) The Corporate office has sanctioned ₹ 18 Lakhs as advance to DRDA on 21/02/2017 when the party has done the 90 percent of the work awarded to the contractor amounting to ₹36 lakhs. The Corporate office has not made the provision of the expenditure of the work done by the contractor. Thus, Current Liabilities are understated to the extent of ₹ 36 lakhs and Incidental expenditure during construction is understated to the extent of above.

7 Non-Current Other Financial Liabilities Note 2.18

i) 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.

ii) The Sawara Kuddu Unit is showing a sum of Rs. 100 lakhs as retention money payable to the Coastal Projects Limited. The Company has gone into insolvency proceedings (refer Note 2.69) and a sum of ₹ 5,452 lakhs has been shown as recoverable from the company as risk and cost as on 31st March 2017. The amount should be adjusted with the amount recoverable from the company. In our opinion Non-Current other Financial Liabilities are overstated to the extent of above and correspondingly the other non-current assets are overstated to the extent of above.

8 Non-Current Liabilities Provisions Note 2.19

i) **For Company Employees**

We invite attention to note 1.19 and 2.38 where in the policy adopted for employees benefit and accounting in respect of the same has been disclosed. The Above policy is not in compliance with the Ind AS 19 Employees Cost in relation to Post Employment defined Benefits plan in the matter of its recognition and measurement. In the absence of Information, we are unable to comment on the same of its impact in the balance sheet and profit and Loss Account.

ii) **For HPSEB Employees**

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

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

iii) While calculating the liability on account of gratuity of its employees the part of month of services has been treated as completed year of service. Whereas the Gratuity Act specifies that gratuity has to be paid for the completed year of service. The Gratuity Act also specifies that the gratuity is payable to those who have competed 5 years of service in the organisation. However, it has been observed that gratuity liability has been provided for those employees also who has not completed 5 years of services at the close of the year.

The company has not provided to us the information in respect of the excess amount of the gratuity provided for. In the absence of information, we are unable to comment on the same.

9 Other Non-CurrentLiabilities Note 2.22

a) Utilised Grant Renuka ji

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

(Amount in Lacs)

Particulars	as on 31st March 2017
Tangible Assets	29,722
Capital Work in progress	43,405
Advances	259
	73,387
Grant Received	68,549
	68,549
Shortfall	4,838

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

ii) We invite attention to para 2 (xv) of our audit report regarding allocation of expenses to Renukaji HEP where in its stated that the allocation of expenditure of Corporate office and Sundernagar 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 ₹ 1,826 lakhs as share of corporate office and design wing expenses to the Renukaji HEP till 31st March 2017. In our opinion the amount recoverable from participating states will be reduced by₹ 1,826 given in above para.

iii) The Company is earning interest on the surplus fund of Renukaji at Corporate Office by investing the same inshort 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 1.15 and para 13 of our audit report). In the absence of information, we are unable to comment of the effect of the same on the Financial Statements.

10 Current Liabilities Other Financial Liabilities Note 2.23

i) The BOD in its meeting has approved the compensation of ₹ 152lakhs on account of agriculture and horticulture losses due to dust emission project activity by Shongtong HEP during the year 2013-14,2014-15 and 2015-16.No provision for the same has been made in the books of accounts. The Liability was known to the management before the approval of the Financials by the BOD i.e. 28th November 2018. Thus, current Liabilities are understated to the extent of above.

ii) The BOD in its meeting has approved the payment of excess reimbursement deducted from the Civil Contractor amounting to ₹ 98 lakhs at Sawra Kuddu HEP. No provision for the same has been made in the books of accounts. The Liability was known to the management before the approval of the Financials by the BOD i.e. 28th November 2018. Thus, current Liabilities are understated to the extent of above.

iii) 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.

iv) 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 HPSEB Limited should be maintained and net balance of recoverable or payable should be shown in the financial Statements.

v) The amount payable to Andritz Hydro under different heads is subject to reconciliation as the unit has started the commercial operation in the month of September 2016. No confirmation from the party has been provided to us in respect of the amount payable to them under different heads.

vi) 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.

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

viii) The Chanju III unit has made excess provision of ₹9 Lakhs on 31st March 2017on account of contractor's dues payable bills payable and medical expenses payable. In our opinion the current financial liabilities are overstated to the extent of above.

ix) The Deothal Chanju unit has made excess provision of ₹ 5 Lakhs on 31st March 2017on account of contractor's dues payable, bills payable and medical expenses payable. In our opinion the current financial liabilities are overstated to the extent of above.

x) The Surgani Sundla unit has made excess provision of ₹ 5.00 Lakhs on 31st March 2017on account of contractor's dues payable, bills payable and medical expenses payable. In our opinion the current financial liabilities are overstated to the extent of above.

xi) The Nakthan Unit has made excess provision of expenses amounting to ₹5 lakhs as on 31st March 2017 and the same has not been paid till date. In our opinion the current financial liabilities are overstated to the extent of above.

xii) The Thana Plaun Unit has made excess provision of expenses amounting to ₹ 25 lakhs as on 31st March 2017 and the same has not been paid till date. In our opinion the current financial liabilities are overstated to the extent of above.

xiii) The Treveni Mahadev Unit has made excess provision of expenses amounting to ₹ 8 lakhs as on 31st March 2017 and the same has not been paid till date. In our opinion the current financial liabilities are overstated to the extent of above.

xiv) The Shongtong Unit has made excess provision of expenses on account of welfare grant amounting to ₹ 16 lakhs as on 31st March 2017 and the same has not been paid till date. In our opinion the current financial liabilities are overstated to the extent of above.

xv) The Shongtong Unit has made excess provision of expenses on account of amount payable to AIHPL amounting to ₹ 25 lakhs as on 31st March 2017 and the same has not been paid till date. In our opinion the current financial liabilities are overstated to the extent of above.

xvi) The Shongtong unit has debited the account of the of the AIHPL during the year with ₹ 556 lakhs for which no details have been provided by the unit. In our opinion the current financial liabilities are understated to the extent of above and correspondingly the CWIP are also understated to that extent

xvii) The Sawra Kuddu unit has made a provision for CAT Plan Expenses on 04th January 2016 amounting to ₹ 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.

xviii) The Sainj Unit Has made a provision of ₹ 200 lakhs on account of amount payable to the contractor (HCC Ltd). The provision has not been adjusted by the unit till the date of audit. Thus, current Liabilities are overstated to the extent of above.

xix) The Kashang Unit has made excess provision of warranty charges of AHIPL on 31st March 2017 amounting to ₹ 163Lakhs. Thus, current Liabilities are overstated to the extent of above.

xx) The Corporate Office has shown ₹ 3 lakhs and ₹1 lakhs as EMD Payable and Security payable to contractors since 2013 and the same has been transferred to Unclaimed accounts during the year 2017-18. In Our Opinion the EMD payable and Security from Contractors is overstated to the extent of above and the unclaimed accounts are under stated to the extent of above. Further the same should to be charged to revenue as the same not payable to the contractors.

xxi) The Corporate Office has not made the provision for demand raised by the PF Commissioner for the period 09/2018 to 06/2011 amounting to ₹189 Lakhs on 02nd August 2018. The Liability was known to the management before the approval of the Financials by the BOD i.e. 28th November 2018. Thus, current Liabilities are understated to the extent of above.

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

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

HEP	Expenditure Incurred in Crore	Lada Fund @1.5%	Expenses Booked	Deficit
Kashang I	995.31	14.93	8.45	6.48
Kashang II and III	146.57	2.20	0.77	1.43
Sainj	1,198.19	17.97	10.7	7.27
Sawra Kuddu	1,423.38	21.35	8.38	12.97
Total	**3,763.45**	**56.45**	**28.30**	28.15

In our opinion the Capital work in progress is understated to the extent of ₹ 2,815 lakhs and correspondingly Current Liabilities are also understated to that extent.

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

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

11 Other Income Note 2.25

i) The Kashang Unit has shown excess gain from foreign exchange fluctuations amounting to ₹ 79 lakhs the details of which is as under:-

2014-15 ₹55 lakhs

2015-16 ₹24 lakhs

The unit has booked twice the gain from foreign exchange fluctuations in the books. In our opinion the income is overstated to the extent of above and correspondingly the AUC is overstated to the extent of above

ii) The Sunder Nagar Design Wing has understated the Lab Income by ₹ 6 lakhs during the year under review. In our opinion the income is understated to the extent of above.

12 Apportionment of expenditure of Corporate Office and Sundernagar

i) We invite attention to note no 2.58 regarding apportionment of expenditure of Corporate Office and Sunder Nagar Design Wing post COD of the generating unit which is not in line with the accounting policy (refer Significant Accounting Policy no 1.6 g) which states that the allocation has been done on systematic basis where as the method adopted for allocation of expenses for pre and post COD Period is different. The company has adopted capital expenditure up to 31st August 2016 for Pre COD period and expenditure incurred from 1st September 2016 to 31st March 2017 for Post Cod Period. The allocation after Cod Period should have been on the basis of Capital expenditure incurred up to 31st March 2017 on units under construction. 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) **Expenditure of Corporate Office and Sundernagar**

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 5:7 from 01stApril 2016 to 31st August 2016 and 1st September 2016 to 31st March 2017. (refer Significant Accounting Policy no 1.6 g and Note no 2.58). 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 affect 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.

The Company has not adopted any accounting policy in respect of charging of expenditure and Income of the Corporate office and the Sundernagar after commercial operations of the generating unit. The same should be on the basis of proportion of sales during the period and the capital outlay of the projects for the commissioned projects.

The Kashang Unit stage-I which has started generation from 1st September 2016 has booked share of expenditure of corporate office and Sundernagar (Design Office) for the year after COD amounting to Rs. 1,037 lakhs on the basis of accounting policy of the allocation of expenditure of non-commissioned units. In our opinion the expenditure has to be charged to other non-commissioned projects. Thus expenditure is overstated to the extent of ₹ 1,037 lakhs and the Capital work in progress is understated to the extent of above.

i) **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 short term investments of the following funds:-

- Funds received for Equity
- Funds for Renukaji Project

- Imp rest Funds for ADB Funded Projects State Govt Loan
- Interest on Funds With LAO

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

S.No.	Particulars	Amount	To be apportioned to
1.	Equity Funds	44,874,572.02	All the Units
2.	Renuka Funds	136,617,713.86	To Renuka Funds
3.	Trench 1 State Govt Loan	638,102.00	Swara Kuddu and Kashang
4.	Trench 2 State Govt Loan	1,932,855.79	Sawara Kuddu
5.	Trench 3 State Govt Loan	19,256,416.00	Kashang and Sainj
6.	Trench 4 State Govt Loan	15,116,776.00	Shongtong
		218,436,435.67	
7.	Interest on Funds with LAO	5,897,174.00	Renuka ji
		224,333,609.67	

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. The following are the details of the allocation:-

Unit	01/04/2016 to 31/08/2016	01/09/2016 to 31/03/2017	Total
Sawra Kuddu	24,118,553.00	35,625,086.00	59,743,639.00
Kashang I	15,683,206.00	52,714,114.00	68,397,320.00
Kashang I	6,938,429.00	-29,065,703.00	-22,127,274.00
Sainj	21,900,043.00	31,254,267.00	53,154,310.00
Renukaji	14,020,850.00	19,629,190.00	33,650,040.00
Shongtong	9,244,219.00	18,513,761.00	27,757,980.00
Chirgaon Majhgaon	206,764.00	38,429.00	245,193.00
Triveni Mahadev	127,439.00	58,516.00	185,955.00
Thana Plaun	316,208.00	500,051.00	816,259.00
Nakhtan	379,811.00	241,210.00	621,021.00
Gyspa Dam	196,026.00	64,787.00	260,813.00
Surgani Sundla	211,534.00	156,222.00	367,756.00
Deothal Chanju	29,209.00	322,118.00	351,327.00
Chanju III	77,220.00	414,675.00	491,895.00
Berra Dol	22,818.00	394,545.00	417,363.00
Sunni Dam	-	-	-
Total	**93,472,329.00**	**130,861,268.00**	**224,333,597.00**

The allocation of income of the corporate office to the units is not on the basis of the actual receipt of the interest on different type of funds. The above basis is also used in the allocating the income up to 31stMarch 2016 by the Company. The apportionment of the income on the basis of the funds kept by the corporation may have impact on the incidental expenditure which has to be allocated to the individual assets of the unit at the time of the commissioning of the project. In the absence of the information we are unable to comment on the same and its impact on the cost of the individual units under the head Capital work in progress and Property Plant and equipment.

The Kashang Unit Stage-I has charged ₹ 527 lakhs as income from interest on Fixed Deposits and Bank Deposits after COD Period as share of Income of Corporate Office. The above apportionment of the income to the unit has no relevance as project was completed for testing on 31st March 2016 and unit started commercial Operation on 31st August 2016 and no funds of Equity and Imp rest fund from State Govt (ADB funds) is at the disposal of the Unit. Thus, the Income on account of Interest on Fixed deposit and Bank Interest is excess shown by the unit as proportion of income to the unit which has to be adjusted with the Incidental expenditure of the projects under construction as per accounting policy of the company. Thus, the income during the year is overstated to the extent of ₹ 527 lakhs and capital work in progress in overstated to that extent.

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

The company has filed an Appeal with the High Court of Himachal Pradesh that the interest on the short-term investment of the funds in Fixed Deposits with bank from the Equity received from the Government is an addition to the equity and not an income of the company and on same the income tax is not payable. Similarly, the Income earned on 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 been shown as additional grant from the Agencies.

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

14 Provision for Income Tax

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

We also invite attention to note 2.52 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 ₹ 7,774 lakhs (Previous Year ₹5,665 lakhs (refer note 2.7), and Income Tax Refund due ₹1,066 (previous year ₹4,191 (refer note 2.13). In view of the uncertainly involved and the matter is subjudice we are unable to comment on the recoverability of the above amount and its effect on the Financial Statements.

15 Deposit of Advance Tax

The Company has deposited the advance Income Tax during the year under review on the interest income without setting off the income on FDR from the Business loss ₹ 8,600 Lacs incurred during the year and deposited ₹ 600Lakhs during the year under review.

16 Bank Balances at HEP

The Balance at Bank at Units are not properly monitored and corporate office is funding the Units without actually verifying the bank balances with the unit. This has resulted in idle investments at unit level which can be invested in sweep Fixed deposits at Unit Level to earn interest on idle bank balances at unit level.

17 Shifting of Corporate Office to New Shimla

We invite attention to Note No 2.62 where in it is stated that the Corporate office was shifted from Tutikandi to New Shimla in the month of October 2016. The Company is using the assets left over by SJVN and similarly the assets has been handed over to HPTCL at tutikandi office. No accounting entry has been passed in the books. In the absence of information, we are unable to comment on the same.

18 Quantitative Details in respect of energy generated and sold

We invite attention to Note2.46 where in the Company has stated that it has installed capacity of 65 MW as on 31st March 2017. The company has capacity 65 MW *3 i.e. 195 MW and all the three turbines was in operation and was used alternatively by the Kashang HEP during the year under review. In our pinion the installed capacity is understated to the extent of 135 MW.

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

The Company has not complied with the following Indian Accounting Standards while preparing the financial statements:-

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

The Company has been granted the deferment of repayment of principal payment and payment of interest till FY 2018-19 refer para 2.18. The company must account for the interest payable on such deferment till the close of the year at market rate as grant from the government and has to be accounted for as the addition to cost and the same has also to be shown as addition of grant. No such interest has been accounted for by the company till the close of the year as per para 10 A of the IND AS. In the absence of the information we are unable to comment on same.

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

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

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

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

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

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

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

The financial Statements are provided to us on 17th December 2018 which was approved by the BOD on 28th November 2018. The financial statements are not adjusted for the events occurred between the Balance sheet date both favourable and unfavourable till date of the finalisation of this report.

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

The Company has not made Fair Value of the assets and Liabilities as on 31st March 2017, on 31st March 2016 and on 01st April2015 (**Refer** Note No 2.44). The same is not in line with the IND as113 Fair Value Measurement which is mandatory applicable to the company.

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

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

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

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

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

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

The effect of the said qualifications where ascertainable the loss of current year will be ₹ 3,314 lakhs against reported loss of ₹ 3,172 lakhs. The Other Equity will be ₹ 3,830lakhs instead of ₹3,687lakhs. The Provisions non current will be of ₹ 2,889 lakhs instead of ₹ 4,258lakhs. The other Non-Current financial Liabilities will be of ₹ 72,442 lakhs instead of ₹ 69,530 lakhs. The Current Financial Liabilities will be ₹ 61,472 lakhs instead of ₹ 54,959 lakhs. The Property Plant and Equipment will be ₹ 1,60,086 lakhs instead of ₹ 1,56,131 lakhs. The Capital Work in Progress will be ₹ 3,61,100 lakhs instead of ₹ 3,55,762 lakhs. The Other Noncurrent Assets will be ₹ 27,451 lakhs instead of ₹ 29,297 lakhs. The Trade Receivable will be ₹ 101 lakhs instead of ₹ 1,543 lakhs. The other current assets will be ₹ 8,587 lakhs instead of ₹ 4,133 lakhs.

Qualified Opinion

In our opinion , and to the best of our information and according to the explanations given to us , except for the effects of the matter described in the Basis for Qualified Opinion paragraph which are unascertainable, the aforesaid Consolidated 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 of the consolidated state of affairs (financial position) of the Group and jointly controlled entities as at 31st March 2017, and their consolidated profit/ loss (financial performance including other comprehensive income) their consolidated cash flows and consolidated changes in equity for the year ended on that date:-

Emphasis of Matter

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

2 **Audit Comparative Information for adjustments to transition to Ind AS:**

The Comparative financial information of the group for the year ended 31st March 2016 and the transition date opening balance sheet as at 1st April 2015 included in these consolidated Ind AS financial statements prepared in accordance with the Companies (Accounting Standard) Rules, 2006 by us & reports of which dated 08th February 2017 and previous auditors report dated 12th February 2016 respectively express an unmodified opinion on those consolidated financial statements, as adjusted for the differences in the accounting principles adopted by the group on transition to the Ind AS.

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

(i) Note No. 2.36 to the consolidated Ind AS financial statements regarding the various balances which are subject to reconciliation/ confirmation and respective consequential adjustments.

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

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

(iv) Note No. 2.72 to the consolidated Ind AS financial statements regarding statement on State Government loan for Shontong Karcham HEP (450MW) where the ADB funding to state government has expired and the AIIB funding is subject the approval of Department of Economic Affairs.

(v) Note No. 2.72 to the consolidated Ind AS financial statements regarding statement on State Government loan for Shontong Karcham HEP (450MW) where the KFW funding has been temporary stopped on the basis of report of their consultant regarding safety of the barrage structure.

Our Opinion is not modified in respect of these matters

Other Matters

We did not audit the financial statements/financial information of the following joint venture company whose financial statements/financial information reflect the details given below of assets as at 31st March 2017, total revenues and net cash flows for the year ended on that date to the extent to which they are reflected in the consolidated Ind AS financial statements.

(Rs. in Lacs)

Name of the Joint Venture Company	Assets	Revenues	Net Cash Flows
Himachal Emta Power Limited	57	-64	0
	57	**-64**	**0**

These financial statements/financial information are audited by other auditors whose report has been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, and our report in terms of sub-section (3) of section 143 of the Act in so far as its relates to the jointly controlled companies, is based solely on the reports of the other auditors after considering the requirement of standard on Auditing (SA 600) on "using the Work of another Auditor" including its materiality.

The company Independent auditors of Gourangdih Coal Limited raised concern in respect of preparing the Financial Statements on the basis of **Going Concern Concept and under Historical Cost Convention** due to deallocation of the Coal Blocks by the decision of the Supreme Court during the year under review and the same concern has been raised by the Independent Auditors of the **Himachal Emta Power Limited** (Joint Venture Company).

Our opinion on the Consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure-I, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. We are enclosing our report in terms of Section 143 (5) of the Act, on the basis of such checks of the books and records of the 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 relating to preparation of the aforesaid consolidated statements have been kept by the group so far as appears from our examination of those books and the report of the other auditors;

   c)Except for the possible effects of the matter described in the Basis of Qualified Opinion above, the reports on the accounts jointly controlled companies incorporated in India, audited under Section 143 (8) of the Act by the other auditors, as applicable, and have been properly dealt with in preparing this report.

   d) The Consolidated Balance Sheet, Consolidated Statement of Profit and Loss and consolidated Cash Flow Statement and Consolidated changes in equity dealt with by this report are in agreement with the books of account maintained for the purpose of preparation of the consolidated financial Statements;

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

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

g) This being government company, Section 164 (2) of the Act is not applicable.

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

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

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

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

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

iii. There were no amounts as at 31.03.2017 which were required to be transferred to the Investor Education and Protection Fund by the Group.

iv. The Group has provided requisite disclosures in its consolidated Ind AS financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 in Note 2.50 to the consolidated Ind AS financial statements. Based on audit procedures and relying on the management representation, we report that the disclosures are in accordance with books of account maintained by the Group.

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

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

Place: Shimla
Date: 30.03.2019

Anil Karol and Company
Chartered Accountants

ANNEXURE 1 TO THE AUDITORS' REPORT

Annexure referred to in our report of even date to the members of HIMACHAL PRADESH POWER CORPORATION LIMITED on the accounts for the year ended 31st March 2017.

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

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

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

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

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

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

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

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

(vii) (a) The company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, value added tax, cess and other statutory dues applicable to it, and there are no undisputed dues outstanding as on 31st March 2017 for a period of more than six months from the date they became payable. We are informed that the provisions of Employees' State Insurance Act are not applicable to the company.

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

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

(viii) The Company has not defaulted any repayment of loans or borrowing to any financial institution or bank or Government or dues to debenture holders. However,the Government of Himachal Pradesh has given the sanction to the deferment of repayment Loan and interest till April2018.

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

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

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

(xii) Company is not a Nidhi Company.

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

(xiv) As informed by the management, the company has not made any preferential allotment to private placement of shares or fully convertible debentures during the year under review.

(xv) As informed to us the company has not entered in to any non-cash transaction with directors or persons connected with him.

(xvi) Section 45-IA of the Reserve Bank of India Act, 1934 is not applicable to the company.

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

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

Place: Shimla
Date: 30.03.2019

Anil Karol and Company
Chartered Accountants

ANNEXURE 2 TO THE AUDITORS' REPORT

Annexure referred to in our report of even date to the members of Himachal Pradesh Power Corporation Limited on the accounts for the year ended 31st March 2017.

S.No.	Directions	Action Taken	Impact on Financial Statement
1.	Whether the company has clear title / lease deeds for freehold and leasehold respectively? If not please state the area of freehold and leasehold land for which title/lease deed are not available.	**i) Renukaji HEP** The Company does have clear title of land of 915.64hectares of land which is in the possession of land owners R and R Plan is under process. **ii) Shongtong HEP** The Company does not have lease title of 17.02 hectares and the application for lease title has been given to DC Kinnuar. Further acquired land measuring 0.59.32 hectares is in dispute with Defence authorities for security clearances. **iii) Sainj HPESB Land** The company has possession of land at Sarabhai 39.99 bighas, thalot 19.11.04 bighas, Shelli Larji 36.12.11 bighas but the title deed is not with the company as payment has not been paid to the HPSEB amounting to ₹34.35 crores. **(iv) Chirgaon Majgoan** The Land in possession at Chiragon is with corporation, however the land is in the name of HPSEB amounting to Rs 5.00 lakhs. **(v) Beradol** The Lease deed for govt diverted land of approx. 12.86 hectares is pending.	The Amount paid to land owners and deposited with court has been capitalized.
2.	Whether there are any cases of waiver off of debts/loan/ interest etc. if yes, the reason there for and the amount involved.	No such case found during the audit.	NIL
3.	Whether proper records are maintained for inventories laying with third parties & assets received as gift from Government or other authorities.	Forest land diverted from Government of Himachal Pradesh has not been accounted as the execution of lease deed are in process.	NIL
4.	State the cases where wastages/ defectives are beyond the norms fixed for it. expeditiously and in transparent manner.	NIL	

5.	What is the system of valuation of by products and Finished products? List out the cases of the deviation from the declared Policy.	Valuation of the Power Generation has been done on the basis of PPA Agreement signed with the HPSEB.	Nil
6.	State the extent of utilization of Plant and machinery during the year vis-a-vis installed capacity.	Installed Capacity 26.28 PLF Utilised Capacity 15.71 PLF Utilisation Percentage:59.78% (PLF stands for Plant Load Factor) Refer Note 2.46 to the notes to accounts where in the quantitative details has been given for only one Turbine of 65 MW whereas the Kasang stage I Unit is using Three turbine of 65 MW each alternatively.Thus, the company has understated the installed capacity and theutilised Capacity which should be 65MW X 3 i.e.**195 MW**.	Nil
7.	Report on the cases of Discount/ Commission in regard to debtors and creditors where the company has deviated from its laid down policy.	No Discount and Commission has been given by the company during the year under review.	

Anil Karol and Company
Chartered Accountants

ANNEXURE 3

Report on the Internal Financial Controls under Clause (i) of Subsection 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **HIMACHAL PRADESH POWER CORPORATION LIMITED** ("the Holding Company") & its jointly controlled companies as of 31 March 2017 in conjunction with our audit of the Consolidated Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the company, its joint venture are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the 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 the respective 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 2017, 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: -

- Classification of account heads in SAP according to the disclosure and classification requirements of the Schedule II of the companies act 2013.
- 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.

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, 2017 consolidated financial statements of the Company. However, these areas of improvement do not affect our opinion on the consolidated financial statements of the Company.

Other Matters

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to joint venture which are companies incorporated in India, is based on the corresponding report of the auditor of such company incorporated in India.

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

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

Place: Shimla
Date: 30.03.2019

Replies to the Auditors' Report on the Annual Accounts for the year ended 31st March 2017 (consolidated)

S. No.	Auditor's Report	Reply
1.	**Report on the Financial Statements** We have audited the accompanying Consolidated financial statements of **HIMACHAL PRADESH POWER CORPORATION LIMITED** ('the Holding Company'), and its jointly controlled entities(the Company and its joint ventures are together referred to as "the Group) which comprise the Consolidated Balance Sheet as at 31st March 2017,the Consolidated Statement of Profit and Loss(including Other Comprehensive Income), Consolidated Cash Flow Statement and Consolidated Statement of change in Equity for the year then ended, and a summary of consolidated significant accounting policies and other explanatory information (hereinafter referred to as " the Consolidated Ind AS financial Statements")	Statement of facts requires no comments.
2.	**Management's Responsibility for the Financial Statements** The Holding Company's Board of Directors is responsible for the matters stated in Section 134 (5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income and consolidated cash flows and consolidated statement of changes un equity of the Group and jointly controlled entities in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Group Company, as aforesaid.	Statement of facts requires no comments.
3.	**Auditor's Responsibility** Our responsibility is to express an opinion on these Consolidated Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required	Statement of facts requires no comments.

to be included in the audit report under the provisions of the Act and the Rules made there under.

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

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

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

Basis of Qualified Opinion

1. **Property Plant and Equipment Note 2.1**

i) We invite attention to Note No 2.54 wherein its stated that the Company has possession of forest land at, Sainj HEP, Shongtong HEP, Kashang HEP, and Sawra Kuddu and no provision has been made as the amount has not been ascertained. In the absence of information, we are unable to comment on the same.

i) The lease deeds for the diverted forest land at all project ends are under process, in line with the latest Notification of GoHP.

ii) We Invite attention to Note no 2.65 where in the company has not accounted for the cost of the Land and Buildings of HPSEB Limited amounting to Rs ₹ 4,599lakhs. 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.

ii) No final decision in respect of acquiring of stated land and property has been taken yet. The actual requirement of land & property to be acquired is being re-determined.

2. **Capital Work in Progress 2.2**

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

(Rs. in Lacs)

Project Unit	Residential Building	Non Residential Building	Roads, Bridges & Culverts	Construction Power	Total
Sundernagar	1	-	-	-	1
Sawra Kuddu HEP	56	-	2	81	139

i) The Capitalisation of completed infra-related works /expenditure has been done in the F.Y. 2017-18.

Kashang HEP	-	-	25	-	**25**
Sainj HEP	-	27	26	10	**63**
Renukaji Dam Project	2	-	-	-	**2**
Shongtong HEP	-	-	6	39	**45**
Gyspa HEP	8	99	6	-	**114**
Beradol	-	-	-	92	**92**
Total	**68**	**127**	**64**	**222**	**481**

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

(ii) The Company was charging the depreciation on assets used during the construction period as per the Companies Act 2013, till 31st March 2016. The Company is regulated under HP Electricity Regulatory Commission and the depreciation rates as provided in the HPREC Act has been applied by the company since the acquisition of the assets. The Company has reversed the excess depreciation charged amounting to ₹ 4,232 lakhs up to 31st March 2016 in the books of accounts in the month of April 2016. (Please Refer Note 2.55)

ii) Statement of facts requires no comments.

(iii) The Company has adopted for exemption under IND AS regarding deemed cost for Property, Plant and Equipment and adjusted the accumulated depreciation as on 1stApril 2015 with the cost as on that date. (Refer Significant Accounting Policies 1.5 (a) and Note 2.32 (i) optional exceptions). It has been observed that the company has reinstated the depreciation of the assets by changing the Accounting Policy (Refer Note 2.55) up to 31st March 2016 as per GAAP and while applying the exemption under IND AS the depreciation charged up to 1stApril 2015 i.e. the depreciation as per previous Accounting Policy has to be adjusted. In our opinion the Accumulated Depreciation up to 1St April 2015 should have been adjusted with the Revised Accounting Policy of the Company i.e., on the basis of the HPREC depreciation Rate. No Information is respect of the same has been provided to us. In the absence of the information we are unable to comment on the same.

iii) Statement of facts requires no comments.

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

iv) Statement of facts requires no comments.

(v) The Chanju, Deonthal Chanju and Suragani Sundla Unit of the corporation is using common facilities at Sundla and has apportioned the expenses during the year on the basis of the power generation capacity of the projects and salary expenditure has been charged on the following basis.

	Surgani	Deothal	Chanju III	Total
Apr-16	-	-	-	-
May-16	-	-	1,184,495.00	**1,184,495.00**
Jun-16	248,650.00	-	1,016,791.00	**1,265,441.00**
Jul-16	313,148.00	-	1,006,575.00	**1,319,723.00**
Aug-16	316,097.00	-	1,007,947.00	**1,324,044.00**
Sep-16	2,577,905.00	-	962,514.00	**3,540,419.00**
Oct-16	147,772.00	1,410,327.00	-680,633.00	**877,466.00**
Nov-16	19,182.00	1,529,446.00	291,212.00	**1,839,840.00**

v) The earlier basis of apportionment has been rectified, retrospectively, in the F.Y. 2017-18.

Dec-16	-	1,581,083.00	33,811.00	**1,614,894.00**
Jan-17	1,514,000.00	141,924.00	26,944.00	**1,682,868.00**
Feb-17	-	622,204.00	-	**622,204.00**
Mar-17	-	-78,468.00	1,600,000.00	**1,521,532.00**
Total	**5,136,754.00**	**5,206,516.00**	**6,449,656.00**	**16,792,926.00**

The basis of charging the expenditure on above basis and not on actual basis is not as per the policy of the company. The above treatment of expenses has been carried on by the unit since earlier years and may affect the cost under the head expenditure during construction period of each HEP unit. In the absence of the complete information we are unable to comment on the authenticity of the expenditure booked under different accounting unit.

(vi) The Shongtong unit project work was hampered by the labour strike of the M/s Patel Engineering from 14th March 2016 to 20th December 2016. The Unit has charged the interest on loan during the period to Capital Work in progress which has to be charged to the Profit and loss account. No Information in respect of the interest debited to the capital work in progress during the strike period has been provided by the unit to us. In the absence of the information we are unable to comment on the same.

vi) There was not complete halt of works. At some components' fronts, works were continuing even during the strike period.

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

		INR	Euro	US $	Total
1st Progressive payment	4/7/2016	150,605,000.00	5,658,000.00	23,953,000.00	**180,216,000.00**
2nd Progressive payment	5/13/2016	150,605,000.00	5,704,000.00	1,184,495.00	**180,396,000.00**
3rd Progressive payment	3/31/2017	150,605,000.00	4,674,000.00	24,364,000.00	**179,643,000.00**
Total		**451,815,000.00**	**16,036,000.00**	**72,404,000.00**	**540,255,000.00**

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

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

vii) Progressive payments were released on completion of given milestones/ activities, as a percentage of total award amount as per contract agreement. The same are being deducted from the subsequent invoices being raised by the contractor. The adjustments, if any, required for foreign exchange portion shall be checked and accordingly effect in Books of Accounts shall be given.

(viii) The Sainj Unit is charging the difference in exchange fluctuation at the time of making the initial entry of invoice/ LC discharged by the Supplier. The same has to be booked as part of the cost. The Sainj unit has overstated the Income of Foreign exchange fluctuations in the profit and loss account amounting to ₹3 lakhs during the year under review. Thus CWIP Project Electro Mechanical works is overstated to the extent of ₹ 3 lakhs.

viii) This has been rectified in the F.Y. 2017-18

(ix) The Sainj Unit has paid Entry Tax amounting to ₹ 544 lakhs from

ix) The matter being settled.

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 lakhs and other current assets are understated to that extent.	
(x) The Kashang Unit has charged interest paid on PFC loan of ₹ 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 Kasang Unit from HPSEB a sum of ₹ 1,392 lakhs has been used for construction of Transmission Lines at Kashang HEP. During the year 2010-11 the Kasang unit has transferred all cost of the Transmission Lines amounting to ₹ 6,585lakhs back to the HPSEB Limited. Further It has been observed that at the time of transfer of transmission lines the loan component of the PFC utilised on the construction of Transmission lines has not been transferred to the HPSEB Limited and further a sum of ₹ 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 ₹ 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 ₹ 871 Lakhs and the other current assets are understated to the extent of above.	x) Necessary correspondence in this respect has been done with HPSEB Ltd. and HP Transmission Corporation Ltd. The accounts are being scrutinised and reconciliation is under process.
(xi) The work at Kashang Stage- II and III (K K Link Line) was stopped by the contractor since 30.09.2014 and the interest paid on loan has been charged to the expenditure under construction. Further the unit has paid interest free mobilization advance to the contractor amounting to ₹945 Lakhs for which the recovery has not been started as the 30% work has not been completed. The Interest component of the loan payable to state Govt. loan should be charged to Profit and Loss Account as per the requirements of the Ind AS 23 Borrowing Cost No Information in respect of the interest to be charged to Profit and Loss account has been provided to us. In the absence of information, we are unable to comment on the same.	xi) Recovery of mobilisation advance has begun, as the work done more than 30% has been achieved in the succeeding financial years.
(xii) The Kasang Stage I was completed on 31st March 2016 and after that the testing of the Power generating unit was started. As per Ind as 16 Property Plant and Machinery the employee cost up to 31st March 2016 has to be charged to the cost of the project i.e. when all the construction activity has been completed. The Unit has charged employee cost to the cost of the project up to 31st August 2016 under the Head Expenditure during construction .The employee cost from 1stApril 2016 to 31st August 2016 amounting to ₹ 254 lakhs has been excess charged to Cost of the Fixed Assets which has to be charged to the Profit and loss Account. In our opinion current year loss is understated to the extent of above. Its impact on depreciation cannot be quantified due to unavailability of information.	xii) Necessary rectification in the Books of Accounts has been done in the F.Y. 2017-18.
(xiii) During the year under review the Kashang Stage I was	xiii) Necessary rectification in the

completed and the commercial generation was started from 01st September 2016. Further the COD date of Unit II (Turbine) was declared on 01st September 2016 and the COD date of Unit III and Unit I Turbine was declared on 03rd March 2017 and 31st March 2017 respectively. It has been observed that the Kashang unit has charged all the expenditure except employee's expenses to profit and Loss Account after 31st August 2016 instead of charging the expenditure to the Profit and Loss account on the basis of COD dates of the different Turbines. No Information in respect of the amount excess charged to the profit and loss account has been provided to us. In the absence of the information we are unable to comment on the same.

Books of Accounts has been done in the F.Y. 2017-18.

(xiv) The Company has not accounted for the delay damage charges recoverable from the contractors of Shongtong HEP. No Information about the quantum of delay charges has been provided to us. The impact for the same may affect the financial statements. In the absence of information, we are unable to comment on the same.

xiv) The works of the project are under construction stage, as such, the extent of delay damage charges, to contractor shall only be known, once the Final Extension of time is determined.

xv) Apportionment of Corporate and Sundernagar (Design Wing) Expenses to Renukaji Project the Company has apportioned 15 % of the total expenditure of Corporate Office and Sundernagar design office to Renukaji Project vides Managing Directors Office Order Note dated 10/11/2017. It has been observed that for Renukaji HEP where only expenditure of 3 % of the total cost of the Fixed Assets and CWIP has been incurred by the company till 31st August 2016 on the project, 15 % of the total expenditure of Corporate Office and Sudernagar (Design Wing Expenses) since incorporation of the company has been apportioned to the unit and rest has been allocated to the other units in the proportion of capital expenditure incurred by the remaining units. The above apportionment ratio has not been approved by the Board of Directors of the company. The allocation percentage and ratio adopted by the company is also not in compliance to accounting policy of the company mentioned at Note no 1.6 (g) The Company has provided no justification for approving the percentage of 15 % for allocation of corporate office and Sundernagar expenditure to Renukaji HEP. In our opinion the apportionment of expenditure to renukaji @ 15 % is not justifiable and thus ₹ 1,948 Lakhs has been excess allocated 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 may affect the depreciation charged during the year by the Kashang StageI. 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.

(Amount in Lacs)

Name of the Power Project	CWIP plus Fixed Assests less land cost	Percentage of total Cost	Cost to be Allocated	Cost Allocated	Variance
Sawra Kuddu	113,082	29.39	4,840	4,249	591
Kashang I	73,532	19.11	3,147	2,763	384
Kashang II	32,532	8.46	1,392	1,222	170
Kashang III	-	-	-	-	-
Sainj	102,681	26.69	4,395	3,858	537
Renukaji	12,206	3.17	522	2,470	-1,948
Shongtong	43,343	11.27	1,855	1,629	227
Chirgaon Majhgaon	969	0.25	41	36	5

xv) The activities of Renuka Ji HEP are also being co-ordinated / supported from Designwing Sundernagar and Corporate Office Shimla, hence the incidental expenses of Designwing Sundernagar and Corporate Office Shimla are being apportioned to Renuka JI HEP at pre-approved percentage.

Triveni Mahadev	598	0.16	26	22	3
Thana Plaun	1,483	0.39	63	56	8
Nakhtan	1,781	0.46	76	67	9
Gyspa Dam	919	0.24	39	35	5
Surgani Sundla	992	0.26	42	37	5
Deothal Chanju	137	0.04	6	5	1
Chanju III	362	0.09	15	14	2
Berra Dol	107	0.03	5	4	1
Sunni Dam	-	-	-	-	-
Sub Total	**384,723**	**100.00**	**16,466**	**16,466**	**-0**

We invite attention to Note No 2.58 also, where in after COD period 15% of the net income over expenditure has been apportioned to the Renukaji HEP ₹ 644 Lakhs for the period 01st September 2016 to 31st March 2017.Thus a total of ₹1,826 lakhs has been allocated as share of expenditure of Corporate Office and Sunder Nagar Design wing to the unit till 31st March 2017 by the company.

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 2.4**

(i) We invite attention to Note No. 2.42(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."

i) Statement of facts requires no comments.

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

ii) 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 de-allocation of the Coal Blocks by the decision of the Supreme Court during the year under review.

iii) Statement of facts requires no comments.

4. **Other Non-Current Financial Assets Note 2.6**

(i) The Chirgaon Unit is showing a sum of ₹ 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

i) The process of change of land title is under way and shall be taken in Books of Accounts, as and when revenue related formalities are completed. comments.

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 Capital Work in Progress is understated to the extent of above.	
(ii) The Shongtong HEP, has paid ₹ 44 Lakhs (previous year ₹ 45 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 paid by 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.	ii) A portion of the amount paid has been recovered. The balance amount yet to be recovered, being adjusted against the welfare Grants payable to these land losers.
(iii) We invite attention to Note No 2.69 where in it is stated that the amount recoverable from contractors includes a sum of ₹ 5,451 lakhs (previous year ₹ 2,286 lakhs) recoverable from Coastal Projects on account of risk and cost. The contract with the contractor was terminated in the year 2013 and the same was awarded to M/s HCC Limited The amount paid to HCC Limited on account extra cost has been shown as recoverable from Coastal Projects. The amount is doubtful of recovery from the Coastal Projects as there is no agreement with the party to recover the money as the contract with the party has already been terminated since 2013. The Company has gone into liquidation as the lender banks of the contractor has filed liquidation petition with NCLT and the amount is doubtful of recovery. In our opinion the amount should be charged to Capital Work in progress as part of the cost. Thus, Other Non-Current Financial Assets are overstated to the extent of above and Capital Work in progress is understated to the extent of above. Further the Company has filed a claim of ₹ 33,499 Lakhs with the NCLT against the Coastal Projects Limited as the company has gone into liquidation. No Details in respect of the same has been provided to us. In the absence of the information we are unable to comment on the same.	iii) Necessary action shall be taken on the outcome of the liquidation petition filed by the lender Bankers of the contractor.
(iv) The Company is showing ₹ 20 lakhs (previous year ₹ 20 lakhs) recoverable from HPSEB Limited under the Head Misc. Assets from HPSEB. The amount has not been recovered from the HPSEB and neither any confirmation of balance from the party has been provided to us. In our opinion the amount is doubtful of recovery and provision for the same should be made in the books of accounts. Thus, Other Non-Current Financial Assets are overstated to the extent of above and Expenditure is understated to the extent of above.	iv) Provision for doubtful recovery has been made in the F.Y. 2017-18.
(v) The Sainj HEP is showing ₹ 19 lakhs as recoverable from government on account TCS deposited by the Forest department at the time of the purchase of cost of trees from the Forest Department in the year 2010. No TCS certificate has been issued by the department nor the same has been claimed in the income tax	v) Provision for doubtful recovery has been made in the F.Y. 2017-18.

return of the company for the relevant assessment year. In our opinion the Other Non-Current Financial Assets are overstated to the extent of above and expenditure is understated to the extent of above as the amount is doubtful of recovery.	
(vi) The Renukaji HEP is showing a sum ₹ 10 lakhs (Previous Year ₹10 lakhs) recoverable from HPSEB Limited since 2008. No Confirmation of the balance from the HPSEB Limited has been shown for our verification. The amount is doubtful of recovery hence provision for doubtful advance is required. In our opinion the other Non-Current Financial Assets are overstated to the extent of above and Expenditure is understated to the extent of above.	vi) Provision for doubtful recovery has been made in the F.Y. 2017-18
(vii) The Corporate office is showing a sum of ₹ 42.00 lakhs (Previous Year ₹ 66 lakhs) as recoverable from contractors on account of reimbursement of LC Charges from the contractors. The amount has not been recovered till the date of audit. The amount pertains to the Sainj HEP. The Company is also showing the amount payable to the Contractors under Current Liabilities for the E and M Contracts. In our opinion the amount may be adjusted with the amount payable to contractors. In our opinion the other Non-Current Financial Assets are overstated to the extent of above and Other Financial Liabilities are understated to the extent of above.	vii) The account has been reconciled and recoveries affected in the F.Y. 2017-18.
(viii) We invite attention to Note No 2.61 where in it is stated that the company has not made a provision for ₹ 103 lakhs (Previous Year ₹103 Lakhs) recoverable from Gammon India since 2013 through Directorate of Energy. The amount has to be recovered along with interest of 10 % per annum. The Amount has not been recovered till the date of audit and the same is doubtful of recovery hence provision for doubtful advance is required. In our opinion the Non-Current Financial Assets are overstated to the extent of above and Expenditure are understated to the extent of above.	viii) The re-imbursement of expenditure incurred by HPPCL on Tidong HEP, from Gammon India, is being pursued by GoHP, through DoE. Outcome is still awaited.
(ix) The Renukaji HEP has deposited ₹ 95 lakhs (Previous Year ₹95 Lakhs) as excess deposit with HPSEB Dadahu for installation of lines from substation to the Project site since December 2009. The amount has been shown as advance and the same has been paid in excess to the HPSEB as there is no need to install the lines at the project site. The amount has not been recovered till date of audit and provision for the doubtful advance is required to be made. In our opinion the other Non-Current Financial Assets are overstated to the extent of above and Expenditure are understated to the extent of above.	ix) Necessary correspondence in this regard has been taken with HPSEB Ltd. and shall be settled accordingly.
(x) The Capital Work in Progress of includes excise duty reimbursed to the contractors by the company which is exempted as per the notification No.108/95-CE, dated 28.08.1995, which provides that the goods supplied to projects, financed by the World Bank, Asian Development Bank or any International Organisation, and approved by the Govt. of India, shall be exempted from the whole of the excise duty / additional excise duty leviable thereon. The Company has accounted for the expenditure in capital Work in progress by way of the reimbursement of the same to the contractor amounting to ₹ 609 lakhs. The Company has shown the above amount as recoverable from the Contractor during the year under review. The Company has recovered only ₹ 306 lakhs (previous year ₹ 110 Lakhs) from the contractor till the close of the	x) The entire amount has now been recovered during the F.Y. 2017-18 & 2018-19.

financial year of the audit.

(xi) **Grant Receivable**

We invite attention to Note No 2.64 where in it is stated that company is showing ₹ 488 lakhs (previous year ₹ 442 lakhs) as recoverable grant from the Central Government on account DPR and Investigation Expenses. The Government of India has approved ₹ 1,250 Lakhs for survey and investigation of the project and paid ₹ 500Lakhs 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.

xi) Statement of facts and requires no comments.

(xii) The Renukaji Unit has not adjusted advance given to government department amounting to ₹ 45 Lakhs as the work has been completed before the finalisation of the Balance sheet. In our opinion the Non-Current Financial Assets are overstated to the extent of above and CWIP are understated to the extent of above.

xii) The said advance has been settled in the F.Y. 2017-18.

(xiii) 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 2.44). The following are details of the advances:

(Amount in Lacs)

	Contractor	Amount
1.	Patel Engineering	5,237
2.	Andtriz Hydro	3,709
	Total	**8,946**

xiii) As the exact date of achievement of required level of work done as well as completion of works awarded is not certain, hence discounting of the amount advanced, could not be done to arrive at fair value.

	(xiv) The Shongtong unit has given advance of ₹ 50 lakhs to IPH Khwangi on 31/07/2014 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.	xiv) The work is still not completed, hence advance could not be settled.
	(xv) The Shongtong unit has given advance of ₹ 10 lakhs and Rs 25 lakhs to HPPWD on 04th October 2013 and 07th December 2016 and the same has not been charged to expenditure during construction as the as the work has been completed before the finalisation of the Balance sheet. In our opinion the Non-Current Financial Assets are overstated to the extent of Rs 35 lakhs and CWIP are understated to the extent of above.	xv) The work is still not completed, hence advance could not be settled.
	(xvi) The Shongtong unit is showing advance of ₹ 200 lakhs to HPSEB as on 31st March 2017 and the utilisation certificate of ₹ 130 lakhs has not been received by the corporation and advance has not been adjusted. 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 ₹ 130 lakhs and CWIP are understated to the extent of above.	xvi) The work is still not completed, hence advance could not be settled.
	(xvii) The Sawara Kuddu unit is showing a sum of ₹ 22 lakhs recoverable as interest on mobilisation Advance paid to Patel Engineering as Mobilisation Advance. The Party has paid back the Mobilisation Advance and interest due on the same has not been paid by the Contractor till date. In our opinion the Non-Current Financial Assets are overstated to the extent of ₹ 22 lakhs and CWIP are understated to the extent of above.	xvii) Has been recovered in the F.Y. 2017-18.
	(xix) The Sawra Kuddu HEP is showing a sum of ₹ 1,186 lakhs as Deposit Work Paid which has not been capitalised for want of utilisation certificates from the executing agencies. As the advance will not be recovered from the agencies and assets are being used by the corporation the same should be capitalised. In our opinion the Non-Current Financial Assets are overstated to the extent of ₹ 1,186 lakhs and CWIP are understated to the extent of above.	xix) Utilisation Certificates are still awaited from HPSEB Ltd.
	(xx) The Kashang Unit is showing a sum of ₹ 1 lakh as amount recoverable from HPSEB which has not been recovered till date. Thus, provisions on account of amount doubtful for recovery is required. In our opinion the Non-Current Financial Assets are overstated to the extent of ₹1 lakhs and Expenditure are understated to the extent of above.	xx) The amount shall be settled against amount payable to HPSEB Ltd.
	(xxi) The Kashang Unit is showing a sum of ₹ 14 lakhs as credit balance in Advance account of AHIPL. No satisfactory explanation for the same has been provided to us. In our opinion the Non-Current Financial Assets are understated to the extent of ₹ 14lakhs and Income is understated to the extent of above.	xxi) Has been settled in the F.Y. 2017-18
	(xxii) The Corporate office has shown advance to BSNL amounting to ₹ 8 lakhs. The above advance relates to the expenditure for the year 2016-17. The Corporate Office has shown a sum of ₹5Lakhs payable to BSNL under the head Govt. Dues Payable. In our opinion the Non-Current Financial Assets are overstated to the extent of ₹5lakhs and correspondingly the Other Current Liabilities are overstated to the extent of ₹ 5Lakhs.	xxii) Has been settled in the F.Y. 2017-18.

5.	**Trade Receivables Note 2.9** (i) The Kashang Unit is showing Rs 73 lakhs as amount recoverable from HPSEB Limited on account of Late payment surcharge which has not been accepted by the party and the same amount has not been paid by the customer till date and only sale of power is being paid by the party. In our opinion the amount recoverable is overstated and a provision for amount doubtful for recovery is required. Thus, Trade receivable is overstated to the extent of above and the expenditure is understated to the extent of above. (ii) We invite attention to Note No 2.57 wherein it is stated that HPSEB Limited has retained ₹ 1,369 lakhs as amount due on account of Leave salary and pension contribution of employees appointed on secondment basis with the company. No provision has been made in the books of accounts. In our opinion the trade receivables are overstated to the extent of above and similarly Non-current provisions are overstated to that extent.	i) The amount has been shown as recoverable on account of late payment surcharge as per PPA between HPPCL & HPSEB ltd. ii) HPSEB Ltd. unilaterally retained the said amount from the amount receivable against the sale proceeds. Hence the same has been shown as trade receivable in the Books of Accounts. The amount of Leave salary and pension contribution payable to HPSEB Ltd. has been separately provisioned in the Books of accounts.
6.	**Other Current Assets Note 2.14** (i) The Company is showing ₹ 35 lakhs as TDS recoverable which pertains to the FY 2012-13 and the same has not been refunded by the Income Tax Department neither the same has been claimed by the corporation as refund till the conclusion of the audit. It has been informed to us that the amount is pending for reconciliation. The company has not made any provision in respect of the same. In our opinion the other Current Assets are overstated to the extent of ₹ 35 lakhs and Expenditure is understated to the extent of above. (ii) The Sawara Kuddu unit has not shown the amount recoverable from Patel Engineering on account of recovery of concrete cutting amounting to ₹ 84lakhs. In our opinion the other Current Assets are understated to the extent of above and CWIP is overstated to the extent of above. (iii) The Corporate office has shown ₹ 3 lakhs as advance to Feed Back Infra Private Limited. The Company has terminated the contract with the party on 16/12/2017.The amount was not recoverable from the party and has to be charged to expenditure as the same was known to the company before the finalisation of the financial statements. Thus, advance is overstated to the extent of above and the expenditure is understated to the extent of above. (iv) The Corporate office has sanctioned ₹ 18 Lakhs as advance to DRDA on 21/02/2017 when the party has done the 90 percent of the work awarded to the contractor amounting to ₹36 lakhs. The Corporate office has not made the provision of the expenditure of the work done by the contractor. Thus, Current Liabilities are understated to the extent of₹36 lakhs and Incidental expenditure during construction is understated to the extent of above.	i) Being reconciled and shall be settled accordingly. ii) The matter is subjudice. iii) Has been settled in FY 17-18. iv) Has been settled in FY 17-18.
7.	**Non-Current Other Financial Liabilities Note 2.18** (i) 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	i) Confirmation letters of balances i.e. amount recoverable / payable have been issued to the contractors / suppliers.

	liabilities should be assessed at fresh and should be charged to revenue in appropriate cases. (ii) The Sawara Kuddu Unit is showing a sum of Rs 100 lakhs as retention money payable to the Costal Projects Limited. The Company has gone into insolvency proceedings (refer Note 2.69) and a sum of ₹ 5,452 lakhs has been shown as recoverable from the company as risk and cost as on 31st March 2017. The amount should be adjusted with the amount recoverable from the company. In our opinion Non-Current other Financial Liabilities are overstated to the extent of above and correspondingly the other non-current assets are overstated to the extent of above.	ii) The amounts recoverable / payable, have been adjusted in the F.Y. 2017-18.
8.	**Non-Current Liabilities Provisions Note 2.19** **(i) For Company Employees** We invite attention to note 1.19 and 2.38 where in the policy adopted for employees benefit and accounting in respect of the same has been disclosed. The Above policy is not in compliance with the Ind AS 19 Employees Cost in relation to Post Employment defined Benefits plan in the matter of its recognition and measurement. In the absence of Information, we are unable to comment on the same of its impact in the balance sheet and profit and Loss Account. **(ii) For HPSEB Employees** The provision for leave encashment liability, gratuity liability and pension Liability of HPSEB employees has been calculated based on formula adopted by HPSEB Limited. The Liability provided for is subject to the confirmation from HPSEB Limited. In the absence of information and confirmation from HPSEB Limited we are unable to comment on the effect of the same on the financial statements at the close of the year. (iii) While calculating the liability on account of gratuity of its employees the part of month of services has been treated as completed year of service. Whereas the Gratuity Act specifies that gratuity has to be paid for the completed year of service. The Gratuity Act also specifies that the gratuity is payable to those who have competed 5 years of service in the organisation. However, it has been observed that gratuity liability has been provided for those employees also who has not completed 5 years of services at the close of the year. The company has not provided to us the information in respect of the excess amount of the gratuity provided for. In the absence of information, we are unable to comment on the same.	i) Statement of facts requires no comments. ii) Statement of facts requires no comments. iii) This being long term provision shall be rectified, in subsequent Financial years.
9.	**Other Non-Current Liabilities Note 2.20** **a) Utilised Grant Renuka ji** (i) The Company has incurred following expenditure on the Renukaji project till 31st March 2017. (Amount in Lacs) **Particulars** — **as on 31st March 2017** Tangible Assets — 29,722 Capital Work in progress — 43,405 Advances — 259 Total — 73,387	i) As per the summary of records of the Meeting taken by the Hon'ble Minister (WR,RD&GR), GoI on Renukaji DAM Project on 12.09.2018, with the Chief Secretaries / representing officers of Beneficiary States, 90% of the cost of water component shall be borne

Grant Received	68,549
	68,549
Shortfall	4,838

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

Reply: Centre Govt., and remaining 10 % cost shall be shared by the beneficiary states. Further 90% of the cost of the power component, shall be borne by Govt. of NCT Delhi along with its share towards the cost of Water Component. Therefore, it the excess expenditure incurred by HPPCL from its on kitty, over and above the funds received so far, for Renuka JI Dam Project, shown in books as Grant Receivable, shall be adjusted against the funds that would be received from the Centre Govt. and other beneficiary states in near future.

(ii) We invite attention to para 2 (xv) of our audit report regarding allocation of expenses to Renukaji HEP wherein its stated that the allocation of expenditure of Corporate office and Sundernagar 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 ₹ 1,826 lakhs as share of corporate office and design wing expenses to the Renukaji HEP till 31st March 2017. In our opinion the amount recoverable from participating states will be reduced by ₹1,826 given in above para.

ii) Statement of facts, requires no comments.

(iii) The Company is earning interest on the surplus fund 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 1.15 and para 13 of our audit report). In the absence of information, we are unable to comment of the effect of the same on the Financial Statements.

iii) This is done on the basis of policy adopted by the management from the very beginning.

10. Current Liabilities Other Financial Liabilities Note 2.23

(i) The BOD in its meeting has approved the compensation of ₹ 152 lakhs on account of agriculture and horticulture losses due to dust emission project activity by Shongtong HEP during the year 2013-14, 2014-15 and 2015-16.No provision for the same has been made in the books of accounts. The Liability was known to the management before the approval of the Financials by the BOD i.e. 28th November 2018. Thus, current Liabilities are understated to the extent of above.

i) Now provision has been made in the F.Y. 2017-18.

(ii) The BOD in its meeting has approved the payment of excess reimbursement deducted from the Civil Contractor amounting to ₹ 98 lakhs at Swara Kuddu HEP. No provision for the same has been made in the books of accounts. The Liability was known to the management before the approval of the Financials by the BOD i.e. 28th November 2018. Thus, current Liabilities are understated to the extent of above.

ii) Has been settled in the F.Y. 2018-19.

iii) 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

iii) Confirmation of amount payable have been sought and shall be settled after verifying the liabilities.

comment on its effect on assets and liabilities.	
iv) 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.	iv) Reconciliation with HPSEB Ltd. Is under process and the amounts shall be settled accordingly.
v) The amount payable to Andritz Hydro under different heads is subject to reconciliation as the unit has started the commercial operation in the month of September 2016. No confirmation from the party has been provided to us in respect of the amount payable to them under different heads.	v) Necessary reconciliation has been done with the contractor.
vi) 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.	vi) Confirmation of amount payable have been sought and shall be settled after verifying the liabilities.
(vii) The Other Financial Current Liabilities includes₹62 lakhs as unclaimed money on account of payables, retention, security and other payables to the contractors. The amount has been shown under this head because the persons to whom amount is payable is not traceable. In our opinion the other current financial liabilities are overstated to the extent of above and necessary provision for amount written back should be provided.	vii) Shall be written off after re-confirmation
(viii) The Chanju III unit has made excess provision of ₹9 Lakhs on 31st March 2017 on account of contractor's dues payable bills payable and medical expenses payable. In our opinion the current financial liabilities are overstated to the extent of above.	viii) Provisions have been settled in the F.Y. 2017-18.
(ix) The Deothal Chanju unit has made excess provision of ₹ 5 Lakhs on 31st March 2017 on account of contractor's dues payable, bills payable and medical expenses payable. In our opinion the current financial liabilities are overstated to the extent of above.	ix) Provisions have been settled in the F.Y. 2017-18.
(x) The Surgani Sundla unit has made excess provision of ₹ 5.00 Lakhs on 31st March 2017 on account of contractor's dues payable, bills payable and medical expenses payable. In our opinion the current financial liabilities are overstated to the extent of above.	x) Provisions have been settled in the F.Y. 2017-18
(xi) The Nagthan Unit has made excess provision of expenses amounting to ₹5 lakhs as on 31st March 2017 and the same has not been paid till date. In our opinion the current financial liabilities are overstated to the extent of above.	xi) Has been reversed in the F.Y. 2017-18.
(xii) The Thanaplaun Unit has made excess provision of expenses amounting to ₹ 25 lakhs as on 31st March 2017 and the same has not been paid till date. In our opinion the current financial liabilities are overstated to the extent of above.	xii) Has been settled in the F.Y. 2017-18.
(xiii) The Triveni Mahadev Unit has made excess provision of expenses amounting to ₹ 8 lakhs as on 31st March 2017 and the same has not been paid till date. In our opinion the current financial liabilities are overstated to the extent of above.	xiii) Has been settled in the F.Y. 2017-18.
(xiv) The Shongtong Unit has made excess provision of expenses on	xiv) Has been settled in the F.Y. 2017-18.

account of welfare grant amounting to ₹ 16 lakhs as on 31st March 2017 and the same has not been paid till date. In our opinion the current financial liabilities are overstated to the extent of above.	
(xv) The Shongtong Unit has made excess provision of expenses on account of amount payable to AIHPL amounting to ₹ 25 lakhs as on 31st March 2017 and the same has not been paid till date. In our opinion the current financial liabilities are overstated to the extent of above.	xv) Has been settled in the F.Y. 2017-18.
(xvi) The Shongtong unit has debited the account of the AIHPL during the year with ₹ 556 lakhs for which no details have been provided by the unit. In our opinion the current financial liabilities are understated to the extent of above and correspondingly the CWIP are also understated to that extent.	xvi) The account being reconciled.
(xvii) The Swara Kuddu unit has made a provision for CAT Plan Expenses on 04thJanuary 2016 amounting to ₹ 69 lakhs. The Unit has informed us that the amount has not been paid as the previous utilisation certificates have not been provided by the Forest Department. In our opinion the amount is of the nature of withheld amount and should be shown under the head Non-Current Financial Liabilities. Thus, current Liabilities are overstated to the extent of above.	xvii) Shall be released on receipt of utilisation certificates against earlier advances given.
(xviii) The Sainj Unit Has made a provision of ₹ 200 lakhs on account of amount payable to the contractor (HCC Ltd). The provision has not been adjusted by the unit till the date of audit. Thus, current Liabilities are overstated to the extent of above.	xviii) The excess provision has been reversed in the F.Y. 2017-18.
(xix) The Kashang Unit has made excess provision of warranty charges of AHIPL on 31st March 2017 amounting to ₹ 163Lakhs. Thus, current Liabilities are overstated to the extent of above.	xix) Provision of warranty charges has been charged to AMC expenditure head related to the FY 2016-17 and balance amount pertaining to the FY 2017-18 to prepaid expenses.
(xx) The Corporate Office has shown ₹ 3 lakhs and ₹1 lakhs as EMD Payable and Security payable to contractors since 2013 and the same has been transferred to Unclaimed accounts during the year 2017-18. In Our Opinion the EMD payable and Security from Contractors is overstated to the extent of above and the unclaimed accounts are under stated to the extent of above. Further the same should to be charged to revenue as the same not payable to the contractors.	(xx) Shall be written off after re-confirmation.
(xxi) The Corporate Office has not made the provision for demand raised by the PF Commissioner for the period 09/2018 to 06/2011 amounting to ₹189 Lakhs on 02nd August 2018. The Liability was known to the management before the approval of the Financials by the BOD i.e. 28th November 2018. Thus, current Liabilities are understated to the extent of above.	(xxi) The matter is subjudice.
(xxii) Local Area Development Fund: - We Invite attention to Note 2.66 where in the company has not made any provision of amount payable to LADA fund on account increase in cost of the Projects. The following are the details of the Projects and understatement of Liability on account of additional amount payable to LADA Fund.	(xxii) Final Cost of the projects is not yet determined.

HEP	Expenditure Incurred in Crore	Lada Fund @1.5%	Expenses Booked	Deficit
Kashang I	995.31	14.93	8.45	6.48
Kashang II and III	146.57	2.20	0.77	1.43
Sainj	1,198.19	17.97	10.7	7.27
Sawra Kuddu	1,423.38	21.35	8.38	12.97
Total	**3,763.45**	**56.45**	**28.30**	28.15

In our opinion the Capital work in progress is understated to the extent of ₹ 2,815 lakhs and correspondingly. Current Liabilities are also understated to that extent.

(xxiii) Survey and Investigation of Khab Hydro Electric Project

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

(xxiii) A meeting regarding recovery of S&I expenditure incurred on the Khab HEP was held on 29.05.2017, under the Chairmanship of Director, Directorate of Energy (DoE), GoHP wherein it was decided that SJVNL shall transfer record/report/data in respect of Khab HEP and DoE shall intimate the domain elevations of the project to HPPCL.

DoE vide letter dated 15.06.2017, intimated the levels of upstream and downstream projects of Khab HEP and intimated that proposal of Khab HEP be revisited in accordance with the domain elevations after considering the requirement of free stretch as per MoEF guidelines.

SJVN vide letter dated 03.07.2017, supplied the Khab Dam Project (1020 MW) Pre-Feasibility Study Report (PFR) to HPPCL.

On perusal of the PFR as supplied by SJVNL it was observed that the Khab Dam HEP as proposed by SJVNL encroaches the domain of both the upstream and downstream projects already allotted to IPP. The same was communicated to DoE, GoHP vide letter dated 22.07.2017, that as PFR prepared by SJVNL is of no use, a fresh planning of Khab HEP has to be carried out by HPPCL.

DoE vide letter dated 31.07.2017, allowed HPPCL 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, HPPCL vide letter dated 16.05.2018, informed SJVNL that 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.

11.	**Other Income Note 2.25** (i)The Kashang Unit has shown excess gain from foreign exchange fluctuations amounting to ₹ 79 lakhs the details of which is as under:- 2014-15 ₹55 lakhs 2015-16 ₹24 lakhs The unit has booked twice the gain from foreign exchange fluctuations in the books. In our opinion the income is overstated to the extent of above and correspondingly the AUC is overstated to the extent of above. (ii) The Sunder Nagar Design Wing has understated the Lab Income by ₹ 6 lakhs during the year under review. In our opinion the income is understated to the extent of above.	i) The necessary rectification has been made in the F.Y. 2017-18. ii) The necessary rectification has been made in the F.Y. 2017-18.
12.	**Apportionment of expenditure of Corporate Office and Sundernagar** (i) We invite attention to note no 2.58 regarding apportionment of expenditure of Corporate Office and Sunder Nagar Design Wing post COD of the generating unit which is not in line with the accounting policy (refer Significant Accounting Policy no 1.6 g) which states that the allocation has been done on systematic basis where as the method adopted for allocation of expenses for pre and post COD Period is different. The company has adopted capital expenditure up to 31st August 2016 for Pre COD period and expenditure incurred from 1st September 2016 to 31st March 2017 for Post Cod Period. The allocation after Cod Period should have been on the basis of Capital expenditure incurred up to 31st March 2017 on units under construction. 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) Expenditure of Corporate Office and Sundernagar 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 5:7 from 01stApril 2016 to 31st August 2016 and 1st September 2016 to 31st March 2017. (refer significant Accounting Policy no 1.6 g and Note no 2.58). The above apportionment is not in line with the accounting policy referred in note 1.6 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 affect 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. The Company has not adopted any accounting policy in respect of charging of expenditure and Income of the Corporate office and the Sundernagar after commercial operations of the generating	i) Necessary rectification has been done in the F.Y. 2017-18. ii) Has been complied with from the F.Y. 2017-18 onwards.

unit. The same should be on the basis of proportion of sales during the period and the capital outlay of the projects for the commissioned projects.

The Kashang Unit stage I which has started generation from 1st September 2016 has booked share of expenditure of corporate office and Sundernagar (Design Office) for the year after COD amounting to Rs 1,037 lakhs on the basis of accounting policy of the allocation of expenditure of non-commissioned units. In our opinion the expenditure has to be charged to other non-commissioned projects. Thus expenditure is overstated to the extent of ₹ 1,037 lakhs and the Capital work in progress is understated to the extent of above.

Has been complied with from the F.Y. 2017-18 onwards.

(i) 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 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

Has been complied with from the F.Y. 2017-18 onwards.

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

S.No.	Particulars	Amount	To be apportioned to
1.	Equity Funds	44,874,572.02	All the Units
2.	Renuka Funds	136,617,713.86	To Renuka Funds
3.	Trench 1 State Govt Loan	638,102.00	Swara Kuddu and Kashang
4.	Trench 2 State Govt Loan	1,932,855.79	Sawara Kuddu
5.	Trench 3 State Govt Loan	19,256,416.00	Kashang and Sainj
6.	Trench 4 State Govt Loan	15,116,776.00	Shongtong
		218,436,435.67	
7.	Interest on Funds with LAO	5,897,174.00	Renuka ji
		224,333,609.67	

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. The following are the details of the allocation:-

Unit	01/04/2016 to 31/08/2016	01/09/2016 to 31/03/2017	Total
Sawra Kuddu	24,118,553.00	35,625,086.00	59,743,639.00
Kashang I	15,683,206.00	52,714,114.00	68,397,320.00
Kashang I	6,938,429.00	-29,065,703.00	-22,127,274.00
Sainj	21,900,043.00	31,254,267.00	53,154,310.00
Renukaji	14,020,850.00	19,629,190.00	33,650,040.00
Shongtong	9,244,219.00	18,513,761.00	27,757,980.00
Chirgaon Majhgaon	206,764.00	38,429.00	245,193.00
Triveni Mahadev	127,439.00	58,516.00	185,955.00
Thana Plaun	316,208.00	500,051.00	816,259.00
Nakhtan	379,811.00	241,210.00	621,021.00
Gyspa Dam	196,026.00	64,787.00	260,813.00
Surgani Sundla	211,534.00	156,222.00	367,756.00
Deothal Chanju	29,209.00	322,118.00	351,327.00
Chanju III	77,220.00	414,675.00	491,895.00
Berra Dol	22,818.00	394,545.00	417,363.00
Sunni Dam	-	-	-
Total	**93,472,329.00**	**130,861,268.00**	**224,333,597.00**

	The allocation of income of the corporate office to the units is not on the basis of the actual receipt of the interest on different type of funds. The above basis is also used in the allocating the income up to 31stMarch 2016 by the Company. The apportionment of the income on the basis of the funds kept by the corporation may have impact on the incidental expenditure which has to be allocated to the individual assets of the unit at the time of the commissioning of the project. In the absence of the information we are unable to comment on the same and its impact on the cost of the individual units under the head Capital work in progress and Property Plant and equipment. The Kashang Unit stage I has charged ₹ 527 lakhs as income from interest on Fixed Deposits and Bank Deposits after COD Period as share of Income of Corporate Office. The above apportionment of the income to the unit has no relevance as project was completed for testing on 31st March 2016 and unit started commercial Operation on 31st August 2016 and no funds of Equity and Imp rest fund from State Govt (ADB funds) is at the disposal of the Unit. Thus, the Income on account of Interest on Fixed deposit and Bank Interest is excess shown by the unit as proportion of income to the unit which has to be adjusted with the Incidental expenditure of the projects under construction as per accounting policy of the company. Thus, the income during the year is overstated to the extent of ₹ 527 lakhs and capital work in progress in overstated to that extent.	Has been complied with from the F.Y. 2017-18 onwards.
13.	**Income Tax Appeals with the High court in respect of Chargeability of Income Tax on Interest on Fixed Deposits kept as short-term Investments.** The company has filed an Appeal with the High Court of Himachal Pradesh that the interest on the short-term investment of the funds in Fixed Deposits with bank from the Equity received from the Government is an addition to the equity and not an income of the company and on same the income tax is not payable. Similarly, the Income earned on 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 been shown as additional grant from the Agencies. No information in respect of the same has been provided to us by the company till the close of the year. In the absence of the information we are unable to comment on the effect of the same on the Balance Sheet.	The interest being earned on short term bank deposits of idle funds of equity and loans, due to various bottle-necks in implementation of the envisaged power projects, be set-off against the capital expenditure (pending allocation) on construction of these projects, as the receipts are inextricably connected to the projects or construction. Hence, it may not be treated as taxable income. However, the matter is subjudice.
14.	**Provision for Income Tax** We invite attention to Note No 2.68 where in no provision has been made by the company for income tax. We also invite attention to note 2.52 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	The matter is subjudice.

	with Income Tax authorities ₹ 7,774 lakhs (Previous Year ₹5,665 lakhs (refer note 2.7), and Income Tax Refund due ₹1,066 (previous year ₹4,191 (refer note 2.13). In view of the uncertainly involved and the matter is subjuidice we are unable to comment on the recoverability of the above amount and its effect on the Financial Statements.	
15.	**Deposit of Advance Tax** The Company has deposited the advance Income Tax during the year under review on the interest income without setting off the income on FDR from the Business loss ₹ 8,600 Lacs incurred during the year and deposited ₹ 600Lakhs during the year under review.	Refund has been claimed in the ITR.
16.	**Bank Balances at HEP** The Balance at Bank at Units are not properly monitored and corporate office is funding the Units without actually verifying the bank balances with the unit. This has resulted in idle investments at unit level which can be invested in sweep Fixed deposits at Unit Level to earn interest on idle bank balances at unit level.	Being monitored regularly.
17.	**Shifting of Corporate Office to New Shimla** We invite attention to Note No 2.62 where in it is stated that the Corporate office was shifted from Tutikandi to New Shimla in the month of October 2016. The Company is using the assets left over by SJVN and similarly the assets have been handed over to HPTCL at tutikandi office. No accounting entry has been passed in the books. In the absence of information, we are unable to comment on the same.	This has been complied with in the F.Y. 2017-18.
18.	**Quantitative Details in respect of energy generated and sold** We invite attention to Note 2.46 where in the Company has stated that it has installed capacity of 65 MW as on 31st March 2017. The company has capacity 65 MW *3 i.e. 195 MW and all the three turbines was in operation and was used alternatively by the Kashang HEP during the year under review. In our pinion the installed capacity is understated to the extent of 135 MW.	Stage-I, Unit-II (65 MW) was commissioned on 01.09.2016. COD of Unit – III & I was declared after Mechanical / Electrical testing on 03.03.2017 and 31.03.2017, respectively. But only single machine/unit can be operated at a time, because water is available only for operating single machine of 65 MW. However, all the machines are being run on alternate basis by project offices. Therefore, CoD shall be considered for stage-I Unit-II (65 MW) only.
19.	**Non-Compliance of Indian Accounting Standard (Ind AS)** The Company has not complied with the following Indian Accounting Standards while preparing the financial statements:- **(i) Indian Accounting Standard (Ind AS) 20 Accounting for Government Grants and Disclosure of Government Assistance.** The Company has been granted the deferment of repayment of principal payment and payment of interest till FY 2018-19 refer para 2.18. The company must account for the interest payable on such	i) Shall be complied with next year onwards.

deferment till the close of the year at market rate as grant from the government and has to be accounted for as the addition to cost and the same has also to be shown as addition of grant. No such interest has been accounted for by the company till the close of the year as per para 10 A of the IND AS. In the absence of the information we are unable to comment on same	
(ii) Indian Accounting Standard (Ind AS) 19 Employees Benefits The para 55 to 62 of the Indian accounting standard is applicable to the company in respect of the Post Employment Benefit: Defined Benefit Plans which requires that actuarial valuation of the liability of employees defined benefit plan has to be made at the end of the year and same has to be accounted for on in the books of accounts. The Company has not accounted for the liability on the basis of the actuarial valuation and only actual liability has been provided. In the absence of the information we are unable to comment on the impact of the same on the Balance Sheet at the close of the year.	ii) Shall be complied with next year onwards.
(iii) Indian Accounting Standard (Ind AS) 23 Borrowing Costs The Para 20 of the Indian accounting standard is applicable to the company which states that "an entity shall suspend capitalisation of borrowing costs during extended periods in which it suspends active development of as qualifying asset." The Company has not excluded the borrowing cost during suspension of activities by the employees of the contractor and by the contractor for non-starting of the work at site. In the absence of the information we are unable to comment on the impact of the same on the Balance Sheet at the close of the year.	iii) Shall be complied with next year onwards.
(iv) Indian Accounting Standard (Ind AS) 37 Provisions, Contingent Liabilities and Contingent Assets: The Company has disclosed the provisions contingent liabilities and contingent assets only up to the date when the accounts 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.	iv) Statement of facts, comments not required.
(v) Indian Accounting Standard (Ind AS) 10 Events After the Reporting Period The financial Statements are provided to us on 17th December 2018 which was approved by the BOD on 28th November 2018. 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.	v) Statement of facts, comments not required.
(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 2017, on 31st March 2016 and on 01StApril2015(Refer Note No 2.44). The same is not in line with the IND as113 Fair Value Measurement which is mandatory applicable to the company.	vi) Shall be complied with next year onwards.
(vii) Indian Accounting Standard (Ind AS) 109 Financial Instruments The Company has not applied the Ind As 109 while disclosing the	vii) Shall be complied with next year onwards.

	Government Loan in the financial statements below market rate interest and its impact on the profit and loss and Balance sheet has not been disclosed in the financial statements. **(viii) Indian Accounting Standard (Ind AS) 12 Income Tax** The Company has not followed the IND as in respect of Income tax for calculating the deferred tax assets and Liabilities and its accounting in the books of accounts. The same is also not in line with note no 1.21 of the significant accounting policies adopted by the company. No information in respect of the same has been provided to us. In the absence of the information we are unable to comment on the impact of the same on the Balance Sheet at the close of the year. **(ix) Indian Accounting Standard (Ind AS) 107 Financial Instruments Disclosure** The Company has fixed interest rate borrowings and is subjected to interest rate risk as defined in Ind As 107. No disclosure of the same and its impact on the balance has been disclosed.	viii) Shall be complied with next year onwards. ix) Statement of facts, comments not required.
	The effect of the said qualifications where ascertainable the loss of current year will be ₹3,314 lakhs against reported loss of ₹ 3,172 lakhs. The Other Equity will be ₹ 3,830lakhs instead of ₹3,687lakhs. The Provisions non-current will be of ₹ 2,889lakhs instead of ₹ 4,258lakhs. The other Non-Current financial Liabilities will be of ₹ 72,442 lakhs instead of ₹ 69,530 lakhs The Current Financial Liabilities will be ₹ 61,472lakhs instead of ₹ 54,959lakhs. The Property Plant and Equipment will be ₹ 1,60,086 lakhs instead of ₹ 1,56,131Lakhs. The Capital Work in Progress will be ₹3,61,100 lakhs instead of ₹ 3,55,762 lakhs. The Other Noncurrent Assets will be ₹ 27,451lakhs instead of ₹ 29,297lakhs. The Trade Receivable will be ₹ 101lakhs instead of ₹ 1,543lakhs. The other current assets will be ₹8,587lakhs instead of ₹ 4,133 lakhs.	The overall impact on profitability, liabilities and Assets of all these quantifications is within the acceptable limits.
	Qualified Opinion In our opinion , and to the best of our information and according to the explanations given to us , except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, the aforesaid consolidated Ind AS financial statements give information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs (financial position) of the Company as at 31st March 2017, and its profit/loss (financial performance including other comprehensive income) and its cash flows and changes in equity for the year ended on that date:-	Statement of facts, comments not required.
	Emphasis of Matter **1** No reasonable effort has been made to remove the qualification raised in earlier year audit reports and the same has been considered in this year report also. **2 Audit Comparative Information for adjustments to transition to Ind AS:** The Comparative financial information of the Company for the year ended 31st March 2016 and the transition date opening balance	1. Most of the observations of the previous financial years have been settled. 2. Statement of facts, comments not required.

sheet as at 1st April 2015 included in these consolidated Ind AS financial statements prepared in accordance with the Companies (Accounting Standard) Rules, 2006 by us & reports of which dated 08thFebruary 2017 and previous auditors report dated 12th February 2016 respectively express an unmodified opinion on those consolidated financial statements, as adjusted for the differences in the accounting principles adopted by the Company on transition to the Ind AS	
3 We further draw attention to the following matters in the Notes to the stand alone Ind As Financial statements:- (i) Note No. 2.36 to the consolidated Ind AS financial statements regarding the various balances which are subject to reconciliation/ confirmation and respective consequential adjustments. (ii) Note No2.67 to the consolidated Ind AS financial statements regarding stay of Forest land to Kashang Stage II and III project pending with Hon'ble High court of Himachal Pradesh the fate of which is dependent on the outcome of the case. (iii) Note No2.70 to the consolidated Ind AS financial statements regarding statement on Nakhtan project pending with Hon'ble High court of Himachal Pradesh the fate of which is dependent on the outcome of the case. (iv) Note No2.72 to the consolidated Ind AS financial statements regarding statement on State Government loan for Shontong Karcham HEP (450MW) where the ADB funding to state government has expired and the AIIB funding is subject the approval of Department of Economic Affairs. (v) Note No2.72 to the consolidated Ind AS financial statements regarding statement on State Government loan for Shontong Karcham HEP (450MW) where the KFW funding has been temporary stopped on the basis of report of their consultant regarding safety of the barrage structure. Our Opinion is not modified in respect of these matters	3. (i) to (v) Statement of facts, comments not required.

Other Matters

We did not audit the financial statements/financial information of the following joint venture company whose financial statements/financial information reflect the details given below of assets as at 31st March 2017, total revenues and net cash flows for the year ended on that date to the extent to which they are reflected in the consolidated Ind AS financial statements (Rs. in Lacs)

Name of the Joint Venture Company	Assets	Revenues	Net Cash Flows
Himachal Emta Power Limited	57	-64	0
	57	**-64**	**0**

These financial statements/financial information are audited by other auditors whose report has been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, and our report in terms of sub-section (3) of section 143 of the Act in so far as its relates to the jointly controlled companies, is based solely on the reports of the other auditors after considering the requirement of standard on Auditing (SA 600) on "using the Work of another Auditor" including its materiality.

	The company Independent auditors of Gourangdih Coal Limited raised concern in respect of preparing the Financial Statements on the basis of Going Concern Concept and under Historical Cost Convention due to de allocation of the Coal Blocks by the decision of the Supreme Court during the year under review and the same concern has been raised by the Independent Auditors of the Himachal Emta Power Limited (Joint Venture Company). Our opinion on the Consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.	
	Report on Other Legal and Regulatory Requirements 1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure-I, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable. 2. We are enclosing our report in terms of Section 143 (5) of the Act, on the basis of such checks of the books and records of the 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 relating to preparation of the aforesaid consolidated statements have been kept by the group so far as appears from our examination of those books and the report of the other auditors; c)Except for the possible effects of the matter described in the Basis of Qualified Opinion above, the reports on the accounts jointly controlled companies incorporated in India, audited under Section 143 (8) of the Act by the other auditors, as applicable, and have been properly dealt with in preparing this report. d) The Consolidated Balance Sheet, Consolidated Statement of Profit and Loss and consolidated Cash Flow Statement and Consolidated changes in equity dealt with by this report are in agreement with the books of account maintained for the purpose of preparation of the consolidated financial Statements; e) Except for the effects of the matter described in the Basis of Qualified Opinion paragraph above ,in our opinion, the aforesaid consolidated Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, f) The Matter described in the Basis for Qualified Opinion paragraph above , in our opinion may have adverse effect on the functioning of the group.	Statement of facts, comments not required.

g) This being government company, Section 164 (2) of the Act is not applicable.

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

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

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

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

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

iii. There were no amounts as at 31.03.2017 which were required to be transferred to the Investor Education and Protection Fund by the Group.

iv. the Group has provided requisite disclosures in its consolidated Ind AS financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 in Note 2.50 to the consolidated Ind AS financial statements. Based on audit procedures and relying on the management representation, we report that the disclosures are in accordance with books of account maintained by the Group.

ANNEXURE 1 TO THE AUDITORS' REPORT

Annexure referred to in our report of even date to the members of HIMACHAL PRADESH POWER CORPORATION LIMITED on the accounts for the year ended 31st March 2017.

S. No.	Auditor's Report	Reply
i.	(a) The company has generally maintained proper records showing full particulars, including quantitative details and situation of its fixed assets. (b) As explained to us all the assets were got physically verified by the management during the year under review. We were informed that no material discrepancies were noticed on such verification. (c) Title deed of immovable properties are in the name of the company except in cases of Renukaji HEP, SainjHEP Shongtong HEP and Chirgaon HEP where the land has not been transferred in the name of the Company.	a) Statement of facts, comments not required. b) Statement of facts, comments not required. c) Action for the transfer of title in the name of the Company has been initiate.
ii.	The inventory of the company consisting of Capital Stores, stores, spare parts and other Items. We were informed that these have been physically verified by the management during the year under review.	Statement of facts, comments not required.
iii.	According to the information and explanations given to us, the company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013. In view of above, the clauses 3(iii)(a) and 3(iii)(b) of the Order are not applicable.	Statement of facts, comments not required.
iv.	The Company has not given any loan, made investments and issued guarantees under section 185 and 186 of the Companies Act, 2013.	Statement of facts, comments not required.
v.	The company has not accepted any deposits from the public in terms of section 73 to 76 or any provisions of the Companies Act, 2013 and rules there under.	Statement of facts, comments not required.
vi.	The Maintenance of cost records has been specified by the Central Government under sub section (1) of section 148 of the Companies Act 2013, however the same is not applicable to the company as the threshold limit of turnover has not been achieved.	Statement of facts, comments not required.
vi.	(a) The company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, value added tax, cess and other statutory dues applicable to it, and there are no undisputed dues outstanding as on 31st March 2017 for a period of more than six months from the date they became payable. 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	The matter is sub-judice.

	have not been deposited on account of any dispute are given below: S.No. / Statue / Act / Nature Due / Amount in lacs / Period / Forum Which Pending 1. / Entry Tax / Interest / 337.70 / 2010-15 / Addl. Excise & Taxation Commissioner -cum- Applellate Authority 2. / Entry Tax / Penalty / 751.28 / 2010-15 / Addl. Excise & Taxation Commissioner -cum- Applellate Authority 3. / Provident Fund / PF Dues / 189.26 / 2008-11 / Central Government Industrial Tribunal Chandigarh TOTAL / / / 1,278.24 / /	
viii.	The Company has not defaulted any repayment of loans or borrowing to any financial institution or bank or Government or dues to debenture holders. However, the Government of Himachal Pradesh has given the sanction to the deferment of repayment Loan and interest till April 2018.	Statement 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.	Statement of facts, comments not required.
x.	As per information provided to us no fraud by the company or any fraud by officers and employees of the company has been noticed/ reported during the year except in the year2015 at Renukaji HEP and the same is pending with State Vigilance.	Statement of facts, comments not required.
xi.	This being a government company Section 197 of the Act is not applicable.	Statement of facts, comments not required.
xii.	Company is not a Nidhi Company.	Statement 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.	Statement 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.	Statement 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	Statement of facts, comments not required.
xvi.	Section 45-IA of the Reserve Bank of India Act, 1934 is not applicable to the company.	Statement of facts, comments not required.

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 2017.

S No.	Directions	Action Taken	Impact on Financial Statement
1.	Whether the company has clear title / lease deeds for freehold and leasehold respectively? If not please state the area of freehold and leasehold land for which title / lease deed are not available.	**i) Renukaji HEP** The Company does have clear title of land of 915.64hectares of land which is in the possession of land owners R and R Plan is under process. **ii) Shongtong HEP** The Company does not have lease title of 17.02 hectares and the application for lease title has been given to DC Kinnuar. Further acquired land measuring 0.59.32 hectares is in dispute with Defence authorities for security clearances. **iii) Sainj HPSEB Land** The company has possession of land at Sarabhai 39.99 bighas, thalot 19.11.04 bighasShelli Larji 36.12.11 bighas but the title deed is not with the company as payment has not been paid to the HPSEB amounting to ₹34.35 crores. **(iv) Chirgaon Majgoan** The Land in possession at Chiragon is with corporation, however the land is in the name of HPSEB amounting to Rs. 5.00 lakhs. **(v) Beradol** The Lease deed for govt diverted land of aprox 12.86 hectares is pending.	The Amount paid to land owners and deposited with court has been capitalized
2.	Whether there are any cases of waiver off of debts/loan/ interest etc. if yes, the reason there for and the amount involved.	No such case found during the audit.	Nil
3.	Whether proper records are maintained for inventories laying with third parties & assets received as gift from Government or other authorities.	Forest land diverted from Government of Himachal Pradesh has not been accounted as the execution of lease deed are in process.	Nil
4.	State the cases where wastages/ defectives are beyond the norms fixed for it. expeditiously and in transparent manner.	Nil	
5.	What is the system of valuation of by products and Finished products? List out the cases of the deviation from the declared Policy.	Valuation of the Power Generation has been done on the basis of PPA Agreement signed with the HPSEB.	Nil
6.	State the extent of utilization of Plant and machinery during the year vis-a- vs installed capacity.	Installed Capacity 26.28 PLF Utilised Capacity 15.71 PLF Utilisation Percentage:59.78% (PLF stands for Plant Load Factor) Refer Note 2.46 to the notes to accounts where in	Nil

		the quantitative details has been given for only one Turbine of 65 MW whereas the Kasang stage I Unit is using Three turbine of 65 MW each alternatively.Thus, the company has understated the installed capacity and theutilised Capacity which should be 65MW X 3 i.e.**195 MW**.	
7.	Report on the cases of Discount/ Commission in regard to debtors and creditors where the company has deviated from its laid down policy.	No Discount and Commission has been given by the company during the year under review.	

ANNEXURE 3 TO THE AUDITORS' REPORT

Report on the Internal Financial Controls under Clause (i) of Subsection 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **HIMACHAL PRADESH POWER CORPORATION LIMITED** ("the Holding Company") & its jointly controlled companies as of 31 March 2017 in conjunction with our audit of the Consolidated Ind AS financial statements of the Company for the year ended on that date.

S. No.	Auditor's Report	Reply
1.	**Management's Responsibility for Internal Financial Controls** The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.	No comments.
2.	**Auditors' Responsibility** Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.	No comments.
	Meaning of Internal Financial Controls over Financial Reporting A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and	No comments.

	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 authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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.	No comments.
	Opinion In our opinion, the Holding Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, 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 :- - Classification of account heads in SAP according to the disclosure and classification requirements of the Schedule II of the companies act 2013. - 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. We have considered the areas of improvement identified which needs further	Suggestions related to strengthening of internal control system have been noted for future compliance.

	strengthening as reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2017 consolidated financial statements of the Company. However, these areas of improvement do not affect our opinion on the consolidated financial statements of the Company.	
	Other Matters Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to joint venture which are companies incorporated in India, is based on the corresponding report of the auditor of such company incorporated in India.	

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

सत्यमेव जयते

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

क्रमांकः. वा0ले0प0 / आ0सै0–(पी0एस0यू0– ।।) / एच0पी0पी0सी0एल0–लेखे–2016–17 / 2019–20 / 41 दिनांकः 12.07.2019

सेवा में,

प्रबन्ध निदेशक,
हि0 प्र0 पावर कारपोरेशन लिमिटिड, हिमफैड भवन,
बी0सी0एस0, शिमला–171009 (हि0प्र0)

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

महोदय,

मैं, 31 मार्च 2017 को समाप्त वर्ष के लिए हिमाचल प्रदेश पावर कारपोरेशन लिमिटिड, के लेखों के सम्बन्ध में कम्पनी अधिनियम, 2013 की धारा 143(6)(b) के अधीन टिप्पणियां भेज रहा हूं।

कृप्या पावती भेजें।

संलग्नः उपरोक्त

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) read with Section 129 (4) of the Companies Act, 2013 on the Consolidated Financial Statements of Himachal Pradesh Power Corporation Limited for the year ended 31 March 2017.

The preparation of Consolidated Financial Statements of Himachal Pradesh Power Corporation Limited for the year ended 31 March 2017 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 139 (5) read with Section 129 (4) of the Act are responsible for expressing an opinion on the financial statements under Section 143 read with Section 129 (4) of the Act based on independent audit in accordance with the standards on auditing prescribed under Section 143 (10) of the Act. This is stated to have been done by them vide their Audit Report dated 30 March 2019.

I, on behalf of the Comptroller and Auditor General of India (CAG), have conducted a supplementary audit of the Consolidated Financial Statements of Himachal Pradesh Power Corporation Limited for the year ended 31 March 2017 under Section 143 (6) (a) read with Section 129 (4) 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. I did not conduct supplementary audit of the financial statements of Himachal EMTA Power Limited(Joint venture of HPPCL) for the year ended 31 March 2017 nor has CAG appointed the statutory auditor to the company, as being a private entity, sections 139 (5) and 143 (6) (b) of the Act are not applicable to Himachal EMTA Power Limited.

Based on my supplementary audit, I would like to highlight the following significant matters under Section 143 (6) (b) read with Section 129 (4) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report.

BALANCE SHEET

1. Non Current Assets

I. **Property Plant and Equipment (Note-2.1) - Rs. 1561.31 crore**
Above includes Rs. 53.64 crore on account of compensation paid for trees and structure on private land acquired in respect of Renukaji Dam Project. The trees and structures are going to be submerged in the near future upon construction of the dam. Thus the cost of trees and structures should have been depreciated to respective financial years; however, the same was not done. This has resulted in overstatement of "Property Plant and Equipment" by Rs. 7.85 crore and understatement of "Capital Work in Progress- Expenditure during construction" (as depreciation is charged to this head during construction period) to the same extent.

II. As per Himachal Pradesh Electricity Regulatory Commission Hydro Generation Tariff regulation, depreciation @ 3.34% p.a is leviable on Submerged Land. HPPCL has shown Rs. 319.11 crore on account of compensation paid for private land acquired for Renukaji Dam Project; however, this amount has been shown under "CWIP- Land Submerged" instead of "Property Plant and Equipment" (freehold land). Depreciation on value of land has also not been provided for. Thus, "CWIP- Land Submerged" is overstated by Rs. 319.11 crore and "Properly plant and equipment" (Land Freehold) is under stated by Rs. 308.45 crore and "Expenditure during Construction" is under stated by as Rs. 10.66 crore.

2 Capital Work-in-Progress (Note-2.2) - Rs. 3,557.62 crore

Above does not include Rs. 3.33 crore on account of warranty charges for extended period (up to 31-10-2016) in respect of Sainj HEP. This has resulted in understatement of both "Capital Work-in-Progress" and "Current Liabilities-Other Financial Liabilities" by Rs. 3.33 crore.

Equity and Liabilities

3 Current Liabilities

Other Current Liabilities (Note-2.22) - Rs. 549.59 crore

I. Above does not include Rs. 0.65 crore payable to M/S HCC Limited on account of additional insurance premium in respect of construction work of HRT of Swara Kuddu HEP, agreed to be borne by HPPCL. This has resulted in understatement of "Current Liabilities-Other Financial Liabilities" as well as "Capital Work in Progress" by Rs.0.65 crore.

II. Above does not include Rs.5.39 crore payable to project affected families (whose land had been already acquired by HPPCL till 31.3.2017) on account of implementation of corrective action plan in respect of Sainj HEP (Rs.0.84 crore) and Swara Kuddu HEP (Rs.4.54 crore).This has resulted in understatement of "Current Liabilities-Other Financial Liabilities" and "Property, Plant and Equipment" by Rs.5.39 crore.

III. Above does not include Rs.11.40 crore payable to contractor on account of price variation bill for the period 1-10-2009 to 31-3-2017 in respect of Swara Kuddu HEP. This has resulted in understatement of "Current Liabilities-Other Financial Liabilities" and "Capital Work in Progress" by Rs.11.40 crore.

Statement of Profit and Loss

4. Income

Revenue from operations (Note-2.24) - Rs.14.71 crore

Above includes Rs. 0.73 crore as late payment surcharge recoverable from HPSEBL for sale of power from Kashang Hydro Electric Project up to 31-3-2017. However the amount recoverable for sale of power (SOP) had already been adjusted against leave salary and other benefits of HPSEBL employees posted in HPPCL on secondment. Thus, late payment surcharge of Rs. 0.73 crore was not recoverable. Thus, "Revenue from operation" is overstated by Rs. 0.73 crore and "Loss" is understated to same extent.

5. Expenses

Depreciation and Amortization Expenses (Note 2.28)-Rs.21.38 crore.

Above does not include Rs. 19.30 lakh being amount of deprecation in respect non- capitalized works of local area development of Kashang HEP amounting to Rs. 7.31 crore. This has resulted in understatement of "Expenses-Depreciation and Amortization Expenses" and "Loss" by Rs. 19.30 lakh.

Balance Sheet

6. Notes to financial statements for the year ended 31st March 2017

I. H.P. Government approved (10.06.2016) allocation of Jaisi Dam HEP (528 MW, now Sunni Dam HEP) in favour of HPPCL. HPPCL expended Rs.41.11 lakh for preparation of Pre Feasibility Report till 31.3.2017. However, on 23.1.2017, H.P Government cancelled the allotment of the HEP from HPPCL and re-allotted it in favour of Satluj Jal Vidyut Nigam Limited. This fact has not been disclosed in the Notes to Financial Statement; thus, they are deficient to that extent.

II. The contract agreement for construction of Electro Mechanical package of Shongtong Karchham HEP was signed with M/s Andritz Hydro Private Limited on 04-3-2015 for an amount in aggregate of EUR 4.31 Lakh (foreign currency part) and INR 3.33 crore (Indian currency part). In October 2017, in a meeting of the Company with KfW (German Government Development Bank and main funder of project) it was decided that withholding tax (WHT), on supply of equipment would be reimbursed by the Company. Thus, foreign currency part of the contract was enhanced by EUR 0.60 lakh to EUR 4.90 lakh. This fact has not been disclosed in the Notes to financial statements; thus, they are deficient to that extent.

7. Impact of comments

As a result of comments, current year loss of Rs.32.35 crore has been understated by Rs.0.92 crore. In case these adjustments are carried out, current year loss would increase to Rs.33.27 crore as against Rs.32.35 crore depicted currently.

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

Sd/-
Principal Accountant General (Audit)
Himachal Pradesh, Shimla

Place: Shimla
Date: 12-07-2019

Replies to the comments of the Comptroller and Auditor General of India under Section 143(6) (b) read with Section 129 (4) of the Companies Act, 2013 on the Consolidated Financial Statements of Himachal Pradesh Power Corporation Limited for the year ended 31st March 2017:

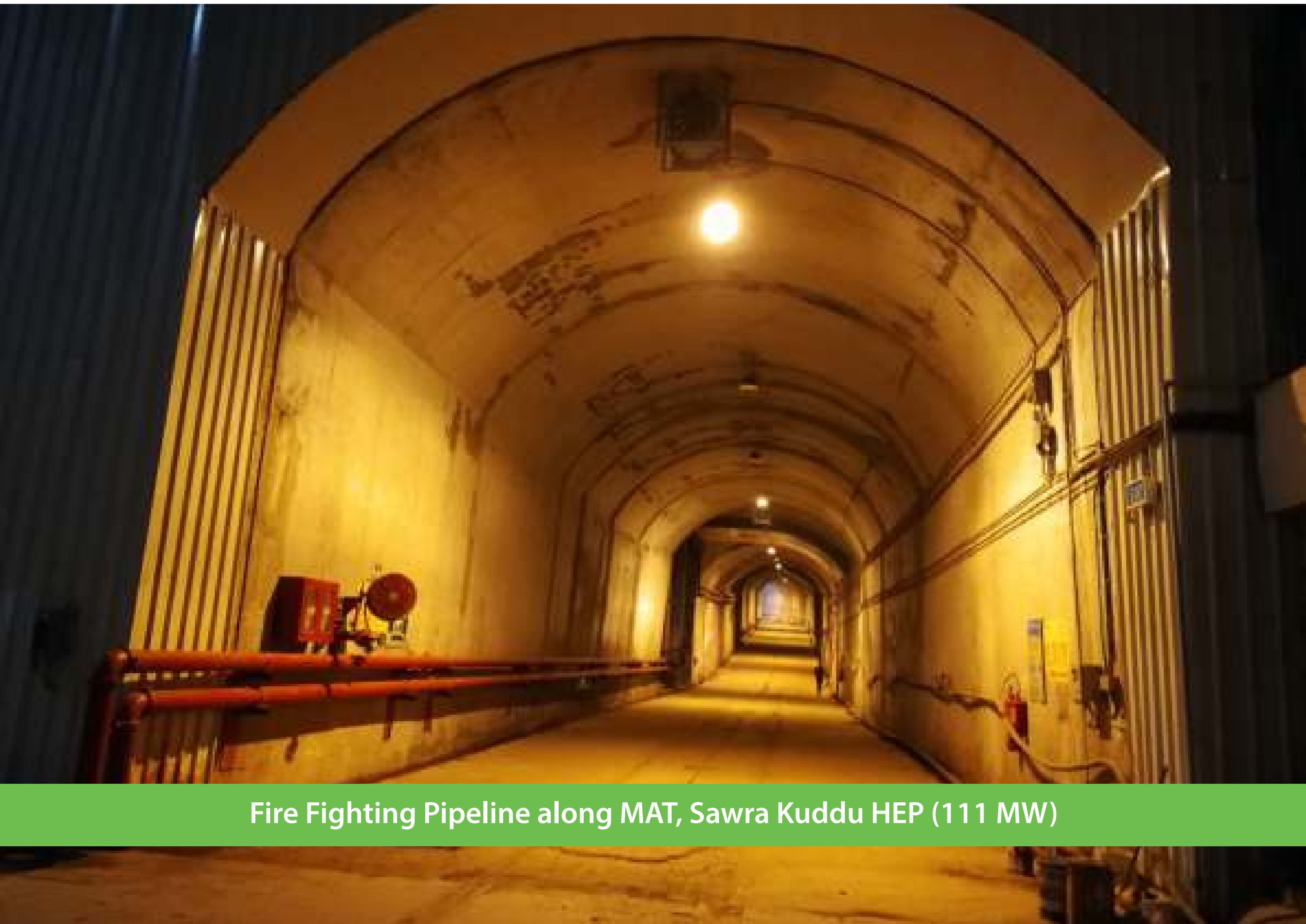
C&AG Comments	Reply to comments of C&AG
1. Non Current Assets **I. Property Plant and Equipment (Note-2.1) - Rs.1561.31 Crore** Above includes Rs.53.64 crore on account of compensation paid for trees and structure on private land acquired in respect of Renukaji Dam Project. The trees and structures are going to be submerged in the near future upon construction of the dam. Thus the cost of trees and structures should have been depreciated to respective financial years; ; however, the same was not done. This has resulted in overstatement of "Property Plant and Equipment" by Rs.7.85 crore and understatement of "Capital Work in Progress- Expenditure during construction" (as depreciation is charged to this head during construction period) to the same extent.	The suggestion of the audit is considered to create separate assets for Land and Structures and Trees etc. lying in submerged area of the Dam and shall be depreciated and accordingly the depreciation on this account shall be charged to main Assets when constructed / commissioned.
II. As per Himachal Pradesh Electricity Regulatory Commission Hydro Generation Tariff regulation, depreciation @ 3.34% p.a is leviable on Submerged Land. HPPCL has shown Rs. 319.11 crore on account of compensation paid for private land acquired for Renukaji Dam Project; however his amount has been shown under "CWIP- Land Submerged" instead of "Property Plant and Equipment "(freehold land). Depreciation on value of land has also not been provided for. Thus, "CWIP- Land Submerged" is overstated by Rs.319.11 crore and "Properly plant and equipment" (Land Freehold) is under stated by Rs.308.45 crore and "Expenditure during Construction" is under stated by as Rs.10.66 crore.	Shall be accounted for as per the HPERC Hydro Tariff Regulations.
2. Capital Work-in-Progress (Note-2.2) - Rs. 3,557.62 crore Above does not include Rs. 3.33 crore on account of warranty charges for extended period (up to 31-10-2016) in respect of Sainj HEP. This has resulted in understatement of both "Capital Work-in-Progress" and "Current Liabilities- Other Financial Liabilities" by Rs. 3.33 crore.	The amount although approved by the BOD, but is not acceptable to the Contractor. In view of pending Arbitral Tribunal proceedings, the case is sub-judice and hence not yet accounted for in Books of Accounts of the Corporation. However, the amount has been shown as contingent liabilities under Note No. 2.33.
Equity and Liabilities **3. Current Liabilities**	

C&AG Comments	Reply to comments of C&AG
Other Current Liabilities (Note-2.22) - Rs. 549.59 crore	
I. Above does not include Rs. 0.65 crore payable to M/S HCC Limited on account of additional insurance premium in respect of construction work of HRT of Swara Kuddu HEP, agreed to be borne by HPPCL. This has resulted in understatement of "Current Liabilities-Other Financial Liabilities" as well as "Capital Work in Progress" by Rs.0.65 crore.	In view of pending RAO Audit observation on release of such amount to the Contractor, the amount payable has not yet been considered as additional liability to be booked as expenditure. Hence no provision has been made in books of Accounts of the Corporation. However, the amount has been shown as contingent liabilities under Note No.2.33
II. Above does not include Rs.5.39 crore payable to project affected families (whose land had been already acquired by HPPCL till 31.3.2017) on account of implementation of corrective action plan in respect of Sainj HEP (Rs.0.84 crore) and Swara Kuddu HEP (Rs.4.54 crore).This has resulted in understatement of "Current Liabilities-Other Financial Liabilities" and "Property, Plant and Equipment" by Rs.5.39 crore. Work-in-Progress" and "Current Liabilities- Other Financial Liabilities" by Rs. 3.33 crore.	As the "Certification of Vulnerable persons" was received late on 17.01.2019 i.e. after the approval of Annual Accounts in the BoD Meeting held on 28.11.2018. Hence the provision could not be made. However, the provision has been now made in the F.Y. 2017-18.
III. Above does not include Rs.11.40 crore payable to contractor on account of price variation bill for the period 1-10-2009 to 31-3-2017 in respect of Swara Kuddu HEP. This has resulted in understatement of "Current Liabilities-Other Financial Liabilities" and "Capital Work in Progress" by Rs.11.40 crore.	Necessary provision for given amount has now been made in the F.Y. 2017-18.
Statement of Profit and Loss **4. Income** **Revenue from operations (Note-2.24) - Rs. 14.71 crore**	
Above includes Rs.0.73 crore as late payment surcharge recoverable from HPSEBL for sale of power from Kashang Hydro Electric Project up to 31-3-2017. However the amount recoverable for sale of power (SOP) had already been adjusted against leave salary and other benefits of HPSEBL employees posted in HPPCL on secondment. Thus, late payment surcharge of Rs. 0.73 crore was not recoverable. Thus, "Revenue from operation" is overstated by Rs. 0.73 crore and "Loss" is understated to same extent.	The late payment surcharge has been levied as per Clause 8.0 of the Power Purchase Agreement (PPA) "REBATE AND LATE PAYMENT SURCHARGE" executed between HPPCL and HPSEBL dated 20.10.2016. The PPA does not have any provision of adjustment of any amount against the Energy Bills Payments. Any changes in the PPA clauses require consent of both the parties i.e. HPPCL and HPSEBL and cannot be done unilaterally. Therefore, the deduction made by the HPSEBL is wrong and not accepted to HPPCL. As such it is submitted that, recoverable amount shall remain in the books of accounts, until and unless, a considered decision taken mutually by both the parties. The amount had already been qualified and quantified by the Statutory Auditors in their Report vide Para No.5(i), Hence reported profitability will not be affected by this amount of Rs. .73 Crores.

C&AG Comments	Reply to comments of C&AG
5. Expenses **Depreciation and Amortization Expenses (Note 2.28)-Rs. 21.38 crore.** Above does not include Rs.19.30 lakh being amount of deprecation in respect non- capitalized works of local area development of Kashang HEP amounting to Rs.7.31 crore. This has resulted in understatement of "Expenses- Depreciation and Amortization Expenses" and "Loss" by Rs.19.30 lakh.	The total actual proportionate cost of Integrated Kashang Stage-I HEP (65 MW), works out to be Rs. 531.50 Crores, the remaining proportionate amount of Rs. 471.73 Crores pertains to Stage- II & III (130 MW) (Total Rs 1003.23 Crores), (including the amount of LADF & RR Plan). As of now only stage-I has been commissioned and against which Rs. 7.74 Crores have been deposited till 31.3.2017. However, capitalisation of entire Power House, consisting of all three Generating Units, (Civil, HM as well as E&M works) has been done under Stage –I only, in order to avoid idle Maintenance cost, Utilise the commissioned Generating Units alternatively and during maintenance periods to maintain Generation of electricity at designed capacity and avail Depreciation. The civil and HM works of Stage-II & III could not be executed due to litigation filed by the local people in Hon'ble NGT and Hon'ble High Court of H.P. Although all the generating Units have been commissioned, but the water availability is only to run the single Unit (i.e. of 65 MW Capacity only, as approved by registration authority). The matter related to execution of Civil & HM works of this HEP is still sub-judice, hence, the completion / execution of Stage II & III is uncertain. Therefore, the provision has not been considered necessary to be made in the FY-2016-17 and onwards for amount payable to LADC against Stage-II & III. This has been also disclosed in Notes on Accounts, vide Note No 2.66.
Balance Sheet **6. Notes to financial statements for the year ended 31st March 2017** I. H.P. Government approved (10.06.2016) allocation of Jaisi Dam HEP (528 MW, now Sunni Dam HEP) in favour of HPPCL. HPPCL expended Rs.41.11 lakh for preparation of Pre Feasibility Report till 31.3.2017. However, on 23.1.2017, H.P Government cancelled the allotment of the HEP from HPPCL and re-allotted it in favour of Satluj Jal Vidyut Nigam Limited. This fact has not been disclosed in the Notes to Financial Statement; thus, they are deficient to that extent.	The effect to the Government decision was given in Books of Accounts of the Corporation as 0n 31.3.2017 itself and Annual Accounts were prepared accordingly. Hence no need was felt to disclose additionally the same under Notes to Accounts.
II. The contract agreement for construction of Electro Mechanical package of Shongtong Karchham HEP was signed with M/s Andritz Hydro Private Limited on 04-3-2015 for an amount in aggregate of EUR 4.31 Lakh (foreign currency part) and INR 3.33 crore (Indian	The required disclosure was inadvertently not made in Notes on accounts for the F.Y. 2016-17, as the issue cropped–up after 31.03.2017. However shall be included in notes to accounts at the time of printing.

C&AG Comments	Reply to comments of C&AG
currency part). In October 2017, in a meeting of the Company with KfW (German Government Development Bank and main funder of project) it was decided that withholding tax (WHT), on supply of equipment would be reimbursed by the Company. Thus, foreign currency part of the contract was enhanced by EUR 0.60 lakh to EUR 4.90 lakh. This fact has not been disclosed in the Notes to financial statements; thus, they are deficient to that extent.	
7. Impact of comments As a result of comments, current year loss of Rs. 32.35 crore has been understated by Rs. 0.92 crore. In case these adjustments are carried out, current year loss would increase to Rs. 33.27 crore as against Rs. 32.35 crore, depicted currently.	Considering all the qualifications & quantifications of C&AG comments on profitability of the Corporation, the loss would be understated by Rs. 0.19 Crore only, instead of Rs. 0.92 Crore.

Generator Hall, Sainj HEP (100 MW)



Fire Fighting Pipeline along MAT, Sawra Kuddu HEP (111 MW)

HP
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Solar Panels, Berra Dol Solar Power Project (5 MW)